

# BAKER DONELSON

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February 3, 2017

**VIA HAND DELIVERY AND EMAIL**

Kevin McDonald, Chief  
Certificate of Need Division  
Maryland Health Care Commission  
4160 Paterson Avenue  
Baltimore, Maryland 21215

**Re: Riva Road Surgical Center, LLC  
Certificate of Need Application**

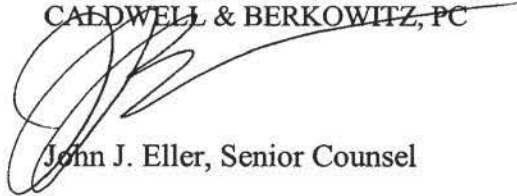
Dear Mr. McDonald:

Enclosed please find six copies of a Certificate of Need Application being filed on behalf of Riva Road Surgical Center, LLC ("RRSC") regarding a capital renovation project at RRSC to convert one of two existing procedure rooms to a second OR, resulting in total capacity of two ORs and one procedure room. A full copy of the application will also be emailed to you in searchable PDF and Word forms.

I hereby certify that a copy of the CON application has been provided to the local health department, as required by regulations.

If any further information is needed, please let us know.

Sincerely,  
BAKER, DONELSON, BEARMAN,  
~~CALDWELL & BERKOWITZ, PC~~



John J. Eller, Senior Counsel

JJE/tjr

Enclosures

cc: Jinlene Chan, M.D., M.P.H.

Health Officer - Anne Arundel County

Kevin McDonald, Chief  
Certificate of Need Division  
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cc: Ms. Ruby Potter  
Health Facilities Coordination Office  
Stephanie Leventis, VP of Development  
SurgCenter Development  
Andrew Solberg, CON Consultant  
A.L.S. Healthcare Consultant Services



*For internal staff use:*

**MARYLAND  
HEALTH  
CARE  
COMMISSION**

\_\_\_\_\_  
MATTER/DOCKET NO.

\_\_\_\_\_  
DATE DOCKETED

**INSTRUCTIONS: GENERIC APPLICATION FOR CERTIFICATE OF NEED (CON)**

**Note: Specific CON application forms exist for hospital, comprehensive care facility, home health, and hospice projects. This form is to be used for any other services requiring a CON.**

***ALL APPLICATIONS MUST FOLLOW THE FORMATTING REQUIREMENTS DESCRIBED IMMEDIATELY BELOW. NOT FOLLOWING THESE FORMATTING INSTRUCTIONS WILL RESULT IN THE APPLICATION BEING RETURNED.***

**Required Format:**

**Table of Contents.** The application must include a Table of Contents referencing the location of application materials. Each section in the hard copy submission should be separated with tabbed dividers. Any exhibits, attachments, etc. should be similarly tabbed, and pages within each should be numbered independently and consecutively. **The Table of Contents must include:**

- Responses to PARTS I, II, III, and IV of the this application form
- Responses to PART IV must include responses to the standards in the State Health Plan chapter that apply to the project being proposed.
  - All Applicants must respond to the Review Criteria listed at 10.24.01.08G(3)(b) through 10.24.01.08G(3)(f) as detailed in the application form.
- Identification of each Attachment, Exhibit, or Supplement

Application pages must be consecutively numbered at the bottom of each page. Exhibits attached to subsequent correspondence during the completeness review process shall use a consecutive numbering scheme, continuing the sequencing from the original application. (For example, if the last exhibit in the application is Exhibit 5, any exhibits used in subsequent responses should begin with Exhibit 6. However, a replacement exhibit that merely replaces an

exhibit to the application should have the same number as the exhibit it is replacing, noted as a replacement.

### **SUBMISSION FORMATS:**

We require submission of application materials and the applicant's responses to completeness questions in three forms: hard copy; searchable PDF; and in Microsoft Word.

- **Hard copy:** Applicants must submit six (6) hard copies of the application to:  
Ruby Potter  
Health Facilities Coordinator  
Maryland Health Care Commission  
4160 Patterson Avenue  
Baltimore, Maryland 21215
- **PDF:** Applicants must also submit *searchable* PDF files of the application, supplements, attachments, and exhibits.<sup>1</sup> All subsequent correspondence should also be submitted both by paper copy and as *searchable PDFs*.
- **Microsoft Word:** Responses to the questions in the application and the applicant's responses to completeness questions should also be electronically submitted in Word. Applicants are strongly encouraged to submit any spreadsheets or other files used to create the original tables (the native format). This will expedite the review process.

Applicants are strongly encouraged to submit any spreadsheets or other files used to create the original tables (the native format). This will expedite the review process.

PDFs and spreadsheets should be submitted to [ruby.potter@maryland.gov](mailto:ruby.potter@maryland.gov) and [kevin.mcdonald@maryland.gov](mailto:kevin.mcdonald@maryland.gov).

**Note that there are certain actions that may be taken regarding either a health care facility or an entity that does not meet the definition of a health care facility where CON review and approval are not required. Most such instances are found in the Commission's procedural regulations at COMAR 10.24.01.03, .04, and .05. Instances listed in those regulations require the submission of specified information to the Commission and may require approval by the full Commission. Contact CON staff at (410) 764-3276 for more information.**

*A pre-application conference will be scheduled by Commission Staff to cover this and other topics. Applicants are encouraged to contact Staff with any questions regarding an application.*

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<sup>1</sup> PDFs may be created by saving the original document directly to PDF on a computer or by using advanced scanning technology

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**PART I - PROJECT IDENTIFICATION AND GENERAL INFORMATION**

**1. FACILITY**

Name of Facility: Riva Road Surgical Center

Address:

<u>2635 Riva Road</u>	<u>Annapolis</u>	<u>21401</u>	<u>Anne Arundel</u>
Street	City	Zip	County

**2. Name of Owner Riva Road Surgical Center, LLC**

If Owner is a Corporation, Partnership, or Limited Liability Company, attach a description of the ownership structure identifying all individuals that have or will have at least a 5% ownership share in the applicant and any related parent entities. Attach a chart that completely delineates this ownership structure.

Please see Exhibit 4.

**3. APPLICANT. *If the application has a co-applicant, provide the following information in an attachment.***

Legal Name of Project Applicant (Licensee or Proposed Licensee): \_\_\_\_\_

Address:

Street				
	City	Zip	State	County
Telephone:				

**4. NAME OF LICENSEE OR PROPOSED LICENSEE, if different from the applicant:**

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**5. LEGAL STRUCTURE OF APPLICANT (and LICENSEE, if different from applicant).**

Check  or fill in applicable information below and attach an organizational chart showing the owners of applicant (and licensee, if different).

- A. Governmental
- B. Corporation
- (1) Non-profit
- (2) For-profit
- (3) Close  State & Date of Incorporation
- C. Partnership
- General
- Limited
- Limited Liability Partnership
- Limited Liability Limited Partnership
- Other (Specify): \_\_\_\_\_
- D. Limited Liability Company
- E. Other (Specify): \_\_\_\_\_
- To be formed:
- Existing:

**6. PERSON(S) TO WHOM QUESTIONS REGARDING THIS APPLICATION SHOULD BE DIRECTED**

**A. Lead or primary contact:**

Name and Title: Stephanie Leventis, RN, BSN, CNOR, Vice President, Development

Company Name SurgCenter Development

**Mailing Address:**

736 Crisfield Way  
Street

Annapolis  
City

21401 MD  
Zip State

Telephone: 443-458-5571

E-mail Address (required): sleventis@surgcenter.com

Fax:



If company name is different than applicant briefly describe the relationship

**B. Additional or alternate contact:**

**Name and Title:** Ian I. Friedman, General Counsel

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**Company Name:** SurgCenter Development

---

**Mailing Address:**

<b>8229 Carrbridge Circle</b>	<b>Towson</b>	<b>21204</b>	<b>MD</b>
Street	City	Zip	State

---

**Telephone:** 443-415-5601

**E-mail Address (required):** ifriedman@surgcenter.com

---

**Fax:**

If company name is different than applicant briefly describe the relationship

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**B. Additional or alternate contact:**

**Name and Title:** John J. Eller, Atty

**Company Name:** Baker, Donelson, Bearman, Caldwell & Berkowitz, PC

**Mailing Address:**

<b>100 Light Street</b>	<b>Baltimore</b>	<b>21202</b>	<b>MD</b>
Street	City	Zip	State

---

**Telephone:** 410-862-1162

**E-mail Address (required):** jeller@bakerdonelson.com

**Fax:** 443-263-7562

If company name is different than applicant briefly describe the relationship      Legal Counsel

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**C. Additional or alternate contact:**

**Name and Title:** Andrew Solberg - Consultant

**Company Name:** A.L.S. Healthcare Consultant Services

**Mailing Address:**

5612 Thicket Lane	Columbia	21044	MD
<b>Street</b>	<b>City</b>	<b>Zip</b>	<b>State</b>

**Telephone:** 410-730-2664

**E-mail Address (required):** asolberg@earthlink.net

**Fax:** 410-730-6775

**If company name is different than applicant briefly describe the relationship**    Consultant

**7. TYPE OF PROJECT**

**The following list includes all project categories that require a CON pursuant to COMAR 10.24.01.02(A). Please mark all that apply in the list below.**

If approved, this CON would result in (check as many as apply):

- (1) A new health care facility built, developed, or established
- (2) An existing health care facility moved to another site
- (3) A change in the ~~bed~~ OR capacity of a health care facility
- (4) A change in the type or scope of any health care service offered by a health care facility
- (5) A health care facility making a capital expenditure that exceeds the current threshold for capital expenditures found at:

[http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs\\_con/documents/con\\_capital\\_threshold\\_20140301.pdf](http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/documents/con_capital_threshold_20140301.pdf)

**8. PROJECT DESCRIPTION**

**A. Executive Summary of the Project:** The purpose of this BRIEF executive summary is to convey to the reader a holistic understanding of the proposed project: what it is, why you need to do it, and what it will cost. A one-page response will suffice. Please include:

- (1) Brief Description of the project – what the applicant proposes to do
- (2) Rationale for the project – the need and/or business case for the proposed project
- (3) Cost – the total cost of implementing the proposed project

Riva Road Surgical Center, an existing one OR facility, proposes to renovate existing space to add a second OR.

**B. Comprehensive Project Description:** The description should include details regarding:

- (1) Construction, renovation, and demolition plans
- (2) Changes in square footage of departments and units
- (3) Physical plant or location changes
- (4) Changes to affected services following completion of the project
- (5) Outline the project schedule.

## **Project Description**

Riva Road Surgical Center, LLC (“RRSC”) is a physician owned, free-standing ambulatory surgical center located in Annapolis, Maryland. It currently has one Operating Room (“OR”) and two Procedure Rooms. RRSC was incorporated in 2006 and performed its first case June 4, 2007. RRSC has 15 owners who are operating physicians and serves patients primarily in Anne Arundel and surrounding counties.

Procedures performed at RRSC include Orthopedic, Spine, General, Podiatry, Ophthalmology and Pain management. RRSC is governed by its appointed board of managers, consisting of 6 current members and all operational decisions are recommended and approved by the board.

RRSC maintains accreditation status with Accreditation Association for Ambulatory Health Care, Inc. (AAAHC) since August 2010, and employs 34 people in the community. Network contracts currently include CMS, W/C, CareFirst, and UnitedHealthcare. RRSC will be in-network with Cigna as of March 1, 2017 and expects to be in-network with Aetna in the near future.

Since its inception in 2007, RRSC has maintained a culture of outstanding patient care, patient satisfaction, employee retention, and owner satisfaction. Patient satisfaction surveys continue to rank in the 98-99 percentiles, and RRSC has been showcased in the local newspaper as a blue-chip center of excellence. Statistically; local, regional and national benchmark studies show extremely low incidence of post-operative complications compared to like-facilities.

RRSC’s growth has been steady over the past ten years, and our annual volume of patients has more than doubled, completing 2,184 OR cases in 2016. In addition, the complexity of surgical cases performed has progressed with the industry.

RRSC has made many adjustments to accommodate the patients in the community. The efforts include:

- Moving appropriate/ eligible cases to the procedure room to open time in the Operating room;
- Expanding hours of operation into the later evening hours (past 7pm); Performing cases on weekends;

- Meeting with the property manager of St John's Property on an annual basis to potentially acquire an adjacent suite - to no avail as adjacent spaces are currently under lease;
- Completely relocating the facility to another site. The costs of this were simply too great as it would require the cost of replicating the existing facility and paying rent on two sites during the renovation.

When RRSC opened in 2007, the center was only contracted with Medicare. Since that time, the center has successfully negotiated contracts with CareFirst BlueCross, UnitedHealthCare, and Cigna. And is very close to completing negotiations with Aetna. These contracts continue to increase RRSC volume year after year, and RRSC anticipates continued growth for years to come.

RRSC now proposes to convert one Procedure Room to an OR.

**9. Current Capacity and Proposed Changes:**

Service	Unit Description	Currently Licensed/ Certified	Units to be Added or Reduced	Total Units if Project is Approved
ICF-MR	Beds	___/___		
ICF-C/D	Beds	___/___		
Residential Treatment	Beds	___/___		
Ambulatory Surgery	Operating Rooms	1	1	2
	Procedure Rooms	2	-1	1
Home Health Agency	Counties	___/___		
Hospice Program	Counties	___/___		
Other (Specify)				
<b>TOTAL</b>		<b>3</b>	<b>0</b>	<b>3</b>

**10. Identify any community based services that are or will be offered at the facility and explain how each one will be affected by the project.**

Not applicable.

**11. REQUIRED APPROVALS AND SITE CONTROL**

- A. Site size: 6,497 Sq. Ft. acres
- B. Have all necessary State and local land use and environmental approvals, including zoning and site plan, for the project as proposed been obtained? YES \_\_\_\_\_ NO  (If NO, describe below the current status and timetable for receiving each of the necessary approvals.)

The architects are going to start working on the full construction documents (CD's) after the CON application is submitted. They plan on starting this in early March, and RRSC estimates it will take approximately 6 weeks to complete. Once the CD's are completed, they will be submitted to Anne Arundel County for the permitting process. RRSC anticipates permitting to take 6-7 weeks in AA Co. At the same time, CD's will be submitted to CMSI (General Contractor) so they can bid out the designated work to local subcontractors. Once they have finalized all pricing, a final construction contract will be sent for review and agreement. RRSC expects this process to take 3-4 weeks. In summary, our expectation is that we will have permits in place and the pricing finalized by early May 2017

- C. Form of Site Control (Respond to the one that applies. If more than one, explain.):
  - (1) Owned by: St. John's Properties
  - (2) Options to purchase held by: \_\_\_\_\_  
Please provide a copy of the purchase option as an attachment.
  - (3) Land Lease held by: Riva Road Surgical Center  
Please provide a copy of the land lease as an attachment.  
Please see Exhibit 5.
  - (4) Option to lease held by: \_\_\_\_\_  
Please provide a copy of the option to lease as an attachment.
  - (5) Other: \_\_\_\_\_  
Explain and provide legal documents as an attachment.

**12. PROJECT SCHEDULE**

**(INSTRUCTION: IN COMPLETING THE APPLICABLE OF ITEMS 10, 11 or 12, PLEASE CONSULT THE PERFORMANCE REQUIREMENT TARGET DATES SET FORTH IN COMMISSION REGULATIONS, COMAR 10.24.01.12)**

**For new construction or renovation projects.**

Project Implementation Target Dates

- A. Obligation of Capital Expenditure 1 months from approval date.
- B. Beginning Construction 1 months from capital obligation.
- C. Pre-Licensure/First Use 3 months from capital obligation.

D. Full Utilization \_\_\_\_\_ months from first use.

**For projects not involving construction or renovations.**

Project Implementation Target Dates

A. Obligation or expenditure of 51% of Capital Expenditure \_\_\_\_\_ months from CON approval date.

B. Pre-Licensure/First Use \_\_\_\_\_ months from capital obligation.

C. Full Utilization \_\_\_\_\_ months from first use.

**For projects not involving capital expenditures.**

Project Implementation Target Dates

A. Obligation or expenditure of 51% Project Budget \_\_\_\_\_ months from CON approval date.

B. Pre-Licensure/First Use \_\_\_\_\_ months from CON approval.

C. Full Utilization \_\_\_\_\_ months from first use.

**13. PROJECT DRAWINGS**

Projects involving new construction and/or renovations should include scalable schematic drawings of the facility at least a 1/16" scale. Drawings should be completely legible and include dates.

These drawings should include the following before (existing) and after (proposed), as applicable:

A. Floor plans for each floor affected with all rooms labeled by purpose or function, number of beds, location of bath rooms, nursing stations, and any proposed space for future expansion to be constructed, but not finished at the completion of the project, labeled as "shell space".

B. For projects involving new construction and/or site work a Plot Plan, showing the "footprint" and location of the facility before and after the project.

C. Specify dimensions and square footage of patient rooms.

Please see Exhibit 3.

**14. FEATURES OF PROJECT CONSTRUCTION**

A. If the project involves new construction or renovation, complete **Tables C and D of the Hospital CON Application Package**

Please see Exhibit 1.

B. Discuss the availability and adequacy of utilities (water, electricity, sewage, natural gas, etc.) for the proposed project and identify the provider of each utility. Specify the steps that will be necessary to obtain utilities.

All utilities exist on site.

## **PART II - PROJECT BUDGET**

### **Complete Table E of the Hospital CON Application Package**

**Note:** Applicant should include a list of all assumptions and specify what is included in each budget line, as well as the source of cost estimates and the manner in which all cost estimates are derived. Explain how the budgeted amount for contingencies was determined and why the amount budgeted is adequate for the project given the nature of the project and the current stage of design (i.e., schematic, working drawings, etc.).

Please See Exhibit 2.

**PART III - APPLICANT HISTORY, STATEMENT OF RESPONSIBILITY, AUTHORIZATION AND RELEASE OF INFORMATION, AND SIGNATURE**

1. List names and addresses of all owners and individuals responsible for the proposed project and its implementation.

Stephanie Leventis, RN, BSN, CNOR, 736 Crisfield Way Annapolis, MD 21401.

2. Are the applicant, owners, or the responsible persons listed in response to Part 1, questions 2, 3, 4, 7, and 9 above now involved, or have they ever been involved, in the ownership, development, or management of another health care facility? If yes, provide a listing of these facilities, including facility name, address, and dates of involvement.

Nurse Administrator (Jan 1, 2007 to October 1, 2010)  
Riva Road Surgical Center  
2635 Riva Road, Annapolis, MD 21401

3. Has the Maryland license or certification of the applicant facility, or any of the facilities listed in response to Question 2, above, been suspended or revoked, or been subject to any disciplinary action (such as a ban on admissions) in the last 5 years? If yes, provide a written explanation of the circumstances, including the date(s) of the actions and the disposition. If the applicant, owners or individuals responsible for implementation of the Project were not involved with the facility at the time a suspension, revocation, or disciplinary action took place, indicate in the explanation.

No

4. Other than the licensure or certification actions described in the response to Question 3, above, has any facility with which any applicant is involved, or has any facility with which any applicant has in the past been involved (listed in response to Question 2, above) received inquiries in last from 10 years from any federal or state authority, the Joint Commission, or other regulatory body regarding possible non-compliance with any state, federal, or Joint Commission requirements for the provision of, the quality of, or the payment for health care services that have resulted in actions leading to the possibility of penalties, admission bans, probationary status, or other sanctions at the applicant facility or at any facility listed in response to Question 2? If yes, provide for each such instance, copies of any settlement reached, proposed findings or final findings of non-compliance and related documentation including reports of non-compliance, responses of the facility, and any final disposition or conclusions reached by the applicable authority.

No

5. Have the applicant, owners or responsible individuals listed in response to Part 1, questions 2, 3, 4, 7, and 9, above, ever pled guilty to or been convicted of a criminal offense in any way connected with the ownership, development or management of the applicant facility or any of the health care facilities listed in response to Question 2, above? If yes, provide a written explanation of the circumstances, including as applicable the court, the date(s) of conviction(s), diversionary disposition(s) of any type, or guilty plea(s).

No

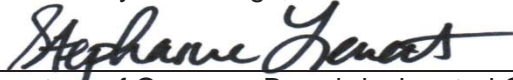


One or more persons shall be officially authorized in writing by the applicant to sign for and act for the applicant for the project which is the subject of this application. Copies of this authorization shall be attached to the application. The undersigned is the owner(s), or Board-designated official of the proposed or existing facility.

I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information and belief.

1/30/17

Date



Signature of Owner or Board-designated Official

VP of Development, SurgCenter Development

Position/Title

Stephanie Leventis

Printed Name

**PART IV - CONSISTENCY WITH GENERAL REVIEW CRITERIA AT COMAR**

**10.24.01.08G(3):**

**INSTRUCTION: Each applicant must respond to all criteria included in COMAR 0.24.01.08G(3), listed below.**

***An application for a Certificate of Need shall be evaluated according to all relevant State Health Plan standards and other review criteria.***

If a particular standard or criteria is covered in the response to a previous standard or criteria, the applicant may cite the specific location of those discussions in order to avoid duplication. When doing so, the applicant should ensure that the previous material directly pertains to the requirement and to the directions included in this application form. Incomplete responses to any requirement will result in an information request from Commission Staff to ensure adequacy of the response, which will prolong the application's review period.

**10.24.01.08G(3)(a). The State Health Plan.**

Every applicant must address each applicable standard in the chapter of the State Health Plan for Facilities and Services<sup>2</sup>. Commission staff can help guide applicants to the chapter(s) that applies to a particular proposal.

**Please provide a direct, concise response explaining the project's consistency with each standard. Some standards require specific documentation (e.g., policies, certifications) which should be included within the application as an exhibit.**

**.05A. GENERAL STANDARDS.**

**Standard .05(A)(1) – Information Regarding Charges.**

**Information regarding charges for surgical services shall be available to the public. A hospital or an ambulatory surgical facility shall provide to the public, upon inquiry or as required by applicable regulations or law, information concerning charges for the full range of surgical services provided.**

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***Applicant Response:***

RRSC provides to the public, upon inquiry, information concerning charges for and the range and types of services provided. Exhibit 6 includes RRSC's Facility Fee Schedule. Patients are provided with estimates of the actual charges, depending on the procedures they require. Please note that ASC reimbursement is set by payors, and that patients do not pay the fees that are listed on the Fee Schedule.

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<sup>2</sup> [1] Copies of all applicable State Health Plan chapters are available from the Commission and are available on the Commission's web site here: [http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs\\_shp/hcfs\\_shp](http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_shp/hcfs_shp)

**Standard .05(A)(2) – Charity Care Policy.**

(a) Each hospital and ambulatory surgical facility shall have a written policy for the provision of charity care that ensures access to services regardless of an individual's ability to pay and shall provide ambulatory surgical services on a charitable basis to qualified indigent persons consistent with this policy. The policy shall have the following provisions:

(i) **Determination of Eligibility for Charity Care.** Within two business days following a patient's request for charity care services, application for medical assistance, or both, the facility shall make a determination of probable eligibility.

(ii) **Notice of Charity Care Policy.** Public notice and information regarding the facility's charity care policy shall be disseminated, on an annual basis, through methods designed to best reach the facility's service area population and in a format understandable by the service area population. Notices regarding the surgical facility's charity care policy shall be posted in the registration area and business office of the facility. Prior to a patient's arrival for surgery, facilities should address any financial concerns of patients, and individual notice regarding the facility's charity care policy shall be provided.

(iii) **Criteria for Eligibility.** Hospitals shall comply with applicable State statutes and HSCRC regulations regarding financial assistance policies and charity care eligibility. ASFs, at a minimum, must include the following eligibility criteria in charity care policies. Persons with family income below 100 percent of the current federal poverty guideline who have no health insurance coverage and are not eligible for any public program providing coverage for medical expenses shall be eligible for services free of charge. At a minimum, persons with family income above 100 percent of the federal poverty guideline but below 200 percent of the federal poverty guideline shall be eligible for services at a discounted charge, based on a sliding scale of discounts for family income bands. A health maintenance organization, acting as both the insurer and provider of health care services for members, shall have a financial assistance policy for its members that is consistent with the minimum eligibility criteria for charity care required of ASFs described in these regulations.

---

***Applicant Response:***

RRSC has a written Policy for the provision of complete and partial charity care for indigent patients to promote access to all services regardless of an individual's ability to pay. The Policy on the provision of uncompensated care is included as Exhibit 7. As RRSC has never had a CON, RRSC has not been subject to the requirement that it must publish annual public notice and provide individual notice to patients regarding its charity care policy. If this CON application is approved, RRSC will:

- Publish notice of the availability of charity care in local news media on an annual basis,
- Post notice of the availability of charity care in the Admissions Office and Business Office, and
- Provide to each person who seeks services in RRSC at the time of admission individual notice of the availability of charity care, the potential for Medicaid eligibility and the availability of assistance from other government funded programs.

**(b) A hospital with a level of charity care, defined as the percentage of total operating expenses that falls within the bottom quartile of all hospitals, as reported in the most recent Health Service Cost Review Commission Community Benefit Report, shall demonstrate that its level of charity care is appropriate to the needs of its service area population.**

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***Applicant Response:***

Not applicable.

**(c) A proposal to establish or expand an ASF for which third party reimbursement is available, shall commit to provide charitable surgical services to indigent patients that are equivalent to at least the average amount of charity care provided by ASFs in the most recent year reported, measured as a percentage of total operating expenses. The applicant shall demonstrate that:**

**(i) Its track record in the provision of charitable health care facility services supports the credibility of its commitment; and**

**(ii) It has a specific plan for achieving the level of charitable care provision to which it is committed.**

**(iii) If an existing ASF has not met the expected level of charity care for the two most recent years reported to MHCC, the applicant shall demonstrate that the historic level of charity care was appropriate to the needs of the service area population.**

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***Applicant Response:***

In a recent CON decision (Green Spring Surgery Center, Docket No. 15-03-2369, approved on September 20, 2016), the MHCC stated that the statewide average percent that charity care comprised of Total Operating Expenses was 0.46%.

RRSC commits to meeting or exceeding this percentage. In Table G in the CON Table Packet (Revenues and Expenses), RRSC has projected Charity

Care at 0.5% of Total Operating Expenses in future years, though if it turns out to be higher (as it has been), RRSC will provide what is needed.

RRSC's internal financial records show that, in CY 2015, it provided \$43,786 in charity care.<sup>3</sup> RRSC's 2015 Total Operating Expenses were \$4,001,234. This calculates to 1.09%. In CY 2016, it provided \$69,822 in charity care. RRSC's 2016 Total Operating Expenses were \$4,675,381. This calculates to 1.49%

	<b>2015</b>	<b>2016</b>
Charity Care	\$43,786	\$69,822
÷ Total Operating Expenses	\$4,001,234	\$4,675,381
= Percent	1.09%	1.49%

**(d) A health maintenance organization, acting as both the insurer and provider of health care services for members, if applying for a Certificate of Need for a surgical facility project, shall commit to provide charitable services to indigent patients. Charitable services may be surgical or nonsurgical and may include charitable programs that subsidize health plan coverage. At a minimum, the amount of charitable services provided as a percentage of total operating expenses for the health maintenance organization will be equivalent to the average amount of charity care provided statewide by ASFs, measured as a percentage of total ASF expenses, in the most recent year reported. The applicant shall demonstrate that:**

**(i) Its track record in the provision of charitable health care facility services supports the credibility of its commitment; and**

**(ii) It has a specific plan for achieving the level of charitable care provision to which it is committed.**

**(iii) If the health maintenance organization's track record is not consistent with the expected level for the population in the proposed service area, the applicant shall demonstrate that the historic level of charity care was appropriate to the needs of the population in the proposed service area.**

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***Applicant Response:***

Not applicable.

**Standard .05(A)(3) – Quality of Care.**

**A facility providing surgical services shall provide high quality care.**

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<sup>3</sup> RRSC recognizes that the amount of charity care that it reported on the 2015 MHCC survey is incorrect. RRSC's general accounting reports (which were used in completing the survey) for cases by payor do not identify charity care as a payor. RRSC has had to look at its more detailed accounting reports to identify the cases for which no reimbursement was expected or sought because the patients qualified for charity care.

(a) An existing hospital or ambulatory surgical facility shall document that it is licensed, in good standing, by the Maryland Department of Health and Mental Hygiene.

(b) A hospital shall document that it is accredited by the Joint Commission.

(c) An existing ambulatory surgical facility shall document that it is:

(i) In compliance with the conditions of participation of the Medicare and Medicaid programs; and

(ii) Accredited by the Joint Commission, the Accreditation Association for Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgery Facilities, or another accreditation agency recognized by the Centers for Medicare and Medicaid as acceptable for obtaining Medicare certification.

(d) A person proposing the development of an ambulatory surgical facility shall demonstrate that the proposed facility will:

(i) Meet or exceed the minimum requirements for licensure in Maryland in the areas of administration, personnel, surgical services provision, anesthesia services provision, emergency services, hospitalization, pharmaceutical services, laboratory and radiologic services, medical records, and physical environment.

(ii) Obtain accreditation by the Joint Commission, the Accreditation Association for Ambulatory Health Care, or the American Association for Accreditation of Ambulatory Surgery Facilities within two years of initiating service at the facility or voluntarily suspend operation of the facility.

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***Applicant Response:***

RRSC is fully licensed by the state of Maryland. A copy of RRSC's license letter is attached as Exhibit 8. RRSC is in compliance with all mandated federal, State, and local health and safety regulations. It is certified by the Health Care Financing Administration as a provider in the Medicare program. RRSC has also received certification by the Maryland Department of Health and Mental Hygiene to be a provider in the Medicaid program.

Similarly, RRSC received certification by the Maryland Accreditation Association for Ambulatory Health Care (AAAHC). A copy of the certification is included in Exhibit 8.

**Standard .05A(4) – Transfer Agreements.**

(a) Each ASF and hospital shall have written transfer and referral agreements with hospitals capable of managing cases that exceed the capabilities of the ASF or hospital.

(b) Written transfer agreements between hospitals shall comply with the Department of Health and Mental Hygiene regulations implementing the requirements of Health-General Article §19-308.2.

(c) Each ASF shall have procedures for emergency transfer to a hospital that meet or exceed the minimum requirements in COMAR 10.05.05.09.

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***Applicant Response:***

RRSC has a transfer agreement with Anne Arundel Medical Center. A copy is attached as Exhibit 9. Ambulance service is provided by the Emergency Medical System by calling 911.

**.05B. Project Review Standards.**

**Standard .05B(1) – Service Area.**

**An applicant proposing to establish a new hospital providing surgical services or a new ambulatory surgical facility shall identify its projected service area. An applicant proposing to expand the number of operating rooms at an existing hospital or ambulatory surgical facility shall document its existing service area, based on the origin of patients served.**

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***Applicant Response:***

RRSC's service area (Zip Codes that provide 85% of its cases in CY 2015) includes the following Zip Codes:

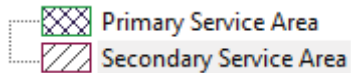
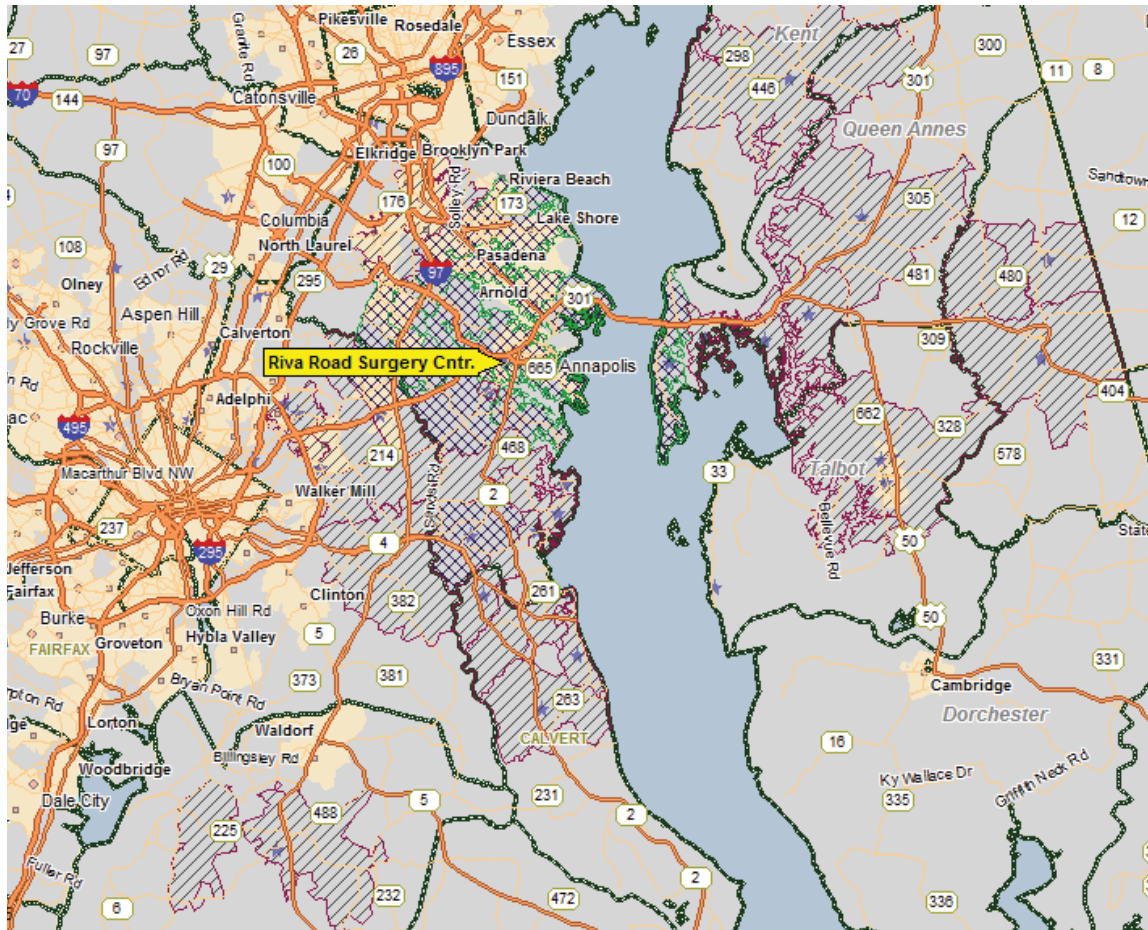
<b>Zip Code of Riva Road Patient</b>	<b>Case Count</b>	<b>%</b>	<b>Cum %</b>
Primary Service Area			
21401	234	10.7%	10.7%
21403	156	7.2%	17.9%
21037	105	4.8%	22.7%
21409	102	4.7%	27.4%
21012	101	4.6%	32.0%
21146	75	3.4%	35.4%
21114	74	3.4%	38.8%
21122	70	3.2%	42.0%
21666	68	3.1%	45.2%
20715	58	2.7%	47.8%
21113	56	2.6%	50.4%
21032	51	2.3%	52.7%
21035	48	2.2%	54.9%
21054	44	2.0%	56.9%
21108	39	1.8%	58.7%
20711	35	1.6%	60.3%

Zip Code of Riva Road Patient	Case Count	%	Cum %
Secondary Service Area			
21144	31	1.4%	61.8%
20754	29	1.3%	63.1%
21619	28	1.3%	64.4%
20716	27	1.2%	65.6%
20639	26	1.2%	66.8%
20772	25	1.1%	68.0%
21060	25	1.1%	69.1%
20736	24	1.1%	70.2%
20720	23	1.1%	71.3%
21061	22	1.0%	72.3%
21617	22	1.0%	73.3%
21638	22	1.0%	74.3%
20732	21	1.0%	75.2%
20764	21	1.0%	76.2%
20776	19	0.9%	77.1%
20733	18	0.8%	77.9%
21601	18	0.8%	78.7%
20721	17	0.8%	79.5%
20774	17	0.8%	80.3%
21658	17	0.8%	81.1%
21140	15	0.7%	81.8%
20714	11	0.5%	82.3%
20778	11	0.5%	82.8%
21620	10	0.5%	83.2%
20751	9	0.4%	83.6%
21629	9	0.4%	84.0%
20646	8	0.4%	84.4%
20706	7	0.3%	84.7%
21639	7	0.3%	85.1%
21660	7	0.3%	85.4%
155 Other Zip Codes	319	14.6%	100.0%
Total	2,181		

This area includes most of Anne Arundel County and portions of Prince George's, Calvert, Charles, Kent, Queen Anne's, Talbot, and Caroline Counties. The Primary Service Area (top 65% of cases) and Secondary Service Area are shown in Figure 1.



**Figure 1**  
RRSC Service Areas



RRSC does not anticipate that its service area will change as a result of this project.

**Standard .05B(2) – Need- Minimum Utilization for Establishment of a New or Replacement Facility.**

An applicant proposing to establish or replace a hospital or ambulatory surgical facility shall demonstrate the need for the number of operating rooms proposed for the facility. This need demonstration shall utilize the operating room capacity assumptions and other guidance included in Regulation .06 of this Chapter. This needs assessment shall demonstrate that each proposed operating room is likely to be utilized at optimal capacity or higher levels within three years of the initiation of surgical services at the proposed facility.

(a) An applicant proposing the establishment or replacement of a hospital shall submit a needs assessment that includes the following:

(i) Historic trends in the use of surgical facilities for inpatient and outpatient surgical procedures by the new or replacement hospital's likely service area population;

(ii) The operating room time required for surgical cases projected at the proposed new or replacement hospital by surgical specialty or operating room category; and

(iii) In the case of a replacement hospital project involving relocation to a new site, an analysis of how surgical case volume is likely to change as a result of changes in the surgical practitioners using the hospital.

(b) An applicant proposing the establishment of a new ambulatory surgical facility shall submit a needs assessment that includes the following:

(i) Historic trends in the use of surgical facilities for outpatient surgical procedures by the proposed facility's likely service area population;

(ii) The operating room time required for surgical cases projected at the proposed facility by surgical specialty or, if approved by Commission staff, another set of categories; and

(iii) Documentation of the current surgical caseload of each physician likely to perform surgery at the proposed facility.

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***Applicant Response:***

**Standard .05B(3) – Need - Minimum Utilization for Expansion of An Existing Facility.**

An applicant proposing to expand the number of operating rooms at an existing hospital or ambulatory surgical facility shall:

(a) Demonstrate the need for each proposed additional operating room, utilizing the operating room capacity assumptions and other guidance included at Regulation .06 of this Chapter;

(b) Demonstrate that its existing operating rooms were utilized at optimal capacity in the most recent 12-month period for which data has been reported to the Health Services Cost Review Commission or to the Maryland Health Care Commission; and

(c) Provide a needs assessment demonstrating that each proposed operating room is likely to be utilized at optimal capacity or higher levels within three years of the completion of the additional operating room capacity. The needs assessment shall include the following:

(i) Historic trends in the use of surgical facilities at the existing facility;

(ii) Operating room time required for surgical cases historically provided at the facility by surgical specialty or operating room category; and

**(iii) Projected cases to be performed in each proposed additional operating room.**

---

***Applicant Response:***

RRSC needs the additional OR now. It has been operating at above the MHCC's definition of "optimal utilization" for one OR since, at least, 2012. This is shown in Table 1. RRSC expects this to continue.

**Table 1  
OR Cases, OR Minutes, and Needed ORs  
RRSC  
2012-2015**

	OR Cases	OR Hours	OR Minutes	TAT @ 25/Case	Total Minutes	ORs @ 97,920
2015	2,145	3,217	193,020	53,625	246,645	2.52
2014	2,006	2,578	154,680	50,150	204,830	2.09
2013	2,068	2,550	153,000	51,700	204,700	2.09
2012	2,075	2,700	162,000	51,875	213,875	2.18

Source: MHCC Public Use Data Bases 2012-2014, RRSC data for 2015

RRSC has been able to operate at this volume by operating long hours and on Saturdays.

The only reason that RRSC is not seeking approval for two additional ORs is because there is not available space in the current facility to accommodate a third OR. Nor is there available space in adjacent suites. It would require that RRSC relocate either to another suite within the same building or to another building. Either alternative would require a substantially higher project cost (since the other areas of RRSC, such as waiting areas, Pre-Op and PACU areas, etc. would have to be replicated), which is not acceptable to the owners at this time.

As demonstrated in response to Standard .05B(1) – Service Area, RRSC's Service area includes most of Anne Arundel County and portions of Prince George's, Calvert, Charles, Kent, Queen Anne's, Talbot, and Caroline Counties. Table 2 shows the population in these counties, projected through 2020. RRSC then used its 2016 volumes to calculate an aggregate use rate for 2016 and applied that use rate to the total populations of the counties to partially project cases from 2017 through 2020. If RRSC's cases grow only at the rate of aggregate population growth (unaffected by capacity restraints at RRSC), RRSC's volumes would grow from 2,145 OR cases in 2015 to 2,244 cases in 2020. RRSC anticipates that there will continue to be need for the one additional OR for which it is applying.

In addition to population growth, RRSC, as of January 1, 2107, joined

UnitedHealthcare's network and anticipates going in-network with both Cigna and Aetna before the end of 2017. In RRSC's past experience in joining commercial insurers' networks, RRSC has seen an increase in cases from those insurers of over 15%. Being conservative for this application, RRSC factored in a 10% increase in case volume for UnitedHealthcare, Cigna, and Aetna volume, based upon its transition to in-network with these insurers. Specifically, based upon 2016 numbers, RRSC is expecting to perform, at least, 23 additional UnitedHealthcare cases, 13 Aetna cases, and 14 Cigna cases per year. This increase is reflected beginning in 2018 and included in calculations for 2019 and 2020. The volume increase was not factored into 2017 because RRSC believes that the time it is closed to construct the second OR will offset any case volume pickup.

**Table 2**  
**Population for Counties in RRSC's Service Area**  
**Projected Cases at RRSC**  
**2015-2020**

County	2010	2015	2016	2017	2018	2019	2020	CAGR 2015-2020
Anne Arundel County	537,656	559,600	563,622	567,672	571,752	575,861	580,000	0.007187
Prince George's County	863,420	900,350	903,162	905,984	908,814	911,652	914,500	0.003124
Calvert County	88,737	91,650	92,427	93,210	94,000	94,797	95,600	0.008475
Charles County	146,551	157,100	160,408	163,785	167,234	170,755	174,350	0.021055
Caroline County	33,066	33,900	34,319	34,744	35,174	35,609	36,050	0.012374
Kent County	20,197	20,600	20,758	20,916	21,076	21,238	21,400	0.007649
Queen Anne's County	47,798	50,150	50,822	51,503	52,192	52,892	53,600	0.013395
Talbot County	37,782	39,100	39,444	39,791	40,141	40,494	40,850	0.008795
Total	1,775,207	1,852,450	1,864,961	1,877,605	1,890,383	1,903,297	1,916,350	
Cases		2,145	2,184	2,199	2,214	2,229	2,244	
Use Rate			0.00117107					
Additional In-Network Cases				0	50	51	52	
Cases		2,145	2,184	2,199	2,264	2,280	2,296	
Minutes /Case		72	80	80	80	80	80	
OR Minutes		154,680	174,720	175,920	181,120	182,400	183,680	
Cleanup Minutes @ 25/Case		53,625	54,600	54,975	56,600	57,000	57,400	
Total Minutes		208,305	229,320	230,895	237,720	239,400	241,080	
Capacity/OR		97,920	97,920	97,920	97,920	97,920	97,920	
Needed ORs		2.13	2.34	2.36	2.43	2.44	2.46	

Sources: 2010, 2015, and 2020 Population from Maryland Department of Planning ([http://www.mdp.state.md.us/msdc/S3\\_Projection.shtml](http://www.mdp.state.md.us/msdc/S3_Projection.shtml)), accessed 10/6/16. 2015 RRSC Cases from RRSC.

**Standard .05B(4) – Design Requirements.**

Floor plans submitted by an applicant must be consistent with the current FGI Guidelines.

(a) A hospital shall meet the requirements in Section 2.2 of the FGI Guidelines.

(b) An ASF shall meet the requirements in Section 3.7 of the FGI Guidelines.

(c) Design features of a hospital or ASF that are at variance with the current FGI Guidelines shall be justified. The Commission may consider the opinion of staff at the Facility Guidelines Institute, which publishes the FGI Guidelines, to help determine whether the proposed variance is acceptable.

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***Applicant Response:***

Please see Exhibit 10. **[Architect’s letter will be forthcoming].**

**Standard .05B(5) – Support Services.**

Each applicant shall agree to provide as needed, either directly or through contractual agreements, laboratory, radiology, and pathology services.

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***Applicant Response:***

RRSC has an existing contract with CBLPath for pathology.

Riva Road has the ability to draw blood should an emergency situation arise; if this occurs, blood can be drawn and will be transported with the patient to Anne Arundel Medical Center via ambulance as part of the transfer agreement.

RRSC has the ability to perform Radiology in-house.

**Standard .05B(6) – Patient Safety.**

The design of surgical facilities or changes to existing surgical facilities shall include features that enhance and improve patient safety. An applicant shall:

(a) Document the manner in which the planning of the project took patient safety into account; and

**(b) Provide an analysis of patient safety features included in the design of proposed new, replacement, or renovated surgical facilities.**

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***Applicant Response:***

RRSC has been mindful of Patient Safety from the beginning of the design of this project. Patient safety will be addressed by maintaining the recommended clearances and space requirements as outlined in the FGI Guidelines, along with proper finish selections to maximize the ability to sanitize the space. RRSC will adjust the HVAC system to meet/exceed the required air changes in the room, as well as assuring that the medical gases, call systems, and power meet the requirements, which will also help assure a safe environment for the patient to receive their treatment. The new OR room will be designed similarly to the existing ORs, which will minimize training requirements and allow staff to move from one room to another with minimal chance of confusion, thus improving patient safety.

**Standard .05B(7) – Construction Costs.**

**The cost of constructing surgical facilities shall be reasonable and consistent with current industry cost experience.**

**(a) Hospital projects.**

**(i) The projected cost per square foot of a hospital construction or renovation project that includes surgical facilities shall be compared to the benchmark cost of good quality Class A hospital construction given in the Marshall Valuation Service® guide, updated using Marshall Valuation Service® update multipliers, and adjusted as shown in the Marshall Valuation Service® guide as necessary for site terrain, number of building levels, geographic locality, and other listed factors.**

**(ii) If the projected cost per square foot exceeds the Marshall Valuation Service® benchmark cost, any rate increase proposed by the hospital related to the capital cost of the project shall not include:**

**1. The amount of the projected construction cost and associated capitalized construction cost that exceeds the Marshall Valuation Service® benchmark; and**

**2. Those portions of the contingency allowance, inflation allowance, and capitalized construction interest expenditure that are based on the excess construction cost.**

**(b) Ambulatory Surgical Facilities.**

**(i) The projected cost per square foot of an ambulatory surgical facility construction or renovation project shall be compared to the benchmark cost of good quality Class A construction given in the Marshall Valuation Service® guide, updated using Marshall Valuation Service®**

update multipliers, and adjusted as shown in the Marshall Valuation Service® guide as necessary for site terrain, number of building levels, geographic locality, and other listed factors.

(ii) If the projected cost per square foot exceeds the Marshall Valuation Service® benchmark cost by 15% or more, then the applicant's project shall not be approved unless the applicant demonstrates the reasonableness of the construction costs. Additional independent construction cost estimates or information on the actual cost of recently constructed surgical facilities similar to the proposed facility may be provided to support an applicant's analysis of the reasonableness of the construction costs.

**Applicant Response:**

The following compares the project costs to the Marshall Valuation Service (“MVS”) benchmark.

**I. Marshall Valuation Service Calculation**

Type	Outpatient Surgical Centers
Construction Quality/Class	Good A/B
Stories	1
Perimeter	120
Height of Ceiling	16.00
Square Feet	890
f.1 Average floor Area	890.00

**A. Base Costs**

Basic Structure	369.05
Elimination of HVAC cost for adjustment	0
HVAC Add-on for Mild Climate	0
HVAC Add-on for Extreme Climate	0
<b>Total Base Cost</b>	<b>\$369.05</b>
Adjustment for OR Cost Differential	1.89
<b>Adjusted Base Cost</b>	<b>697.5045</b>

**B. Additions**

Elevator (If not in base)	\$0.00
Other	\$0.00
<b>Subtotal</b>	<b>\$0.00</b>

<b>Total</b>	<b>\$697.50</b>
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**C. Multipliers**

Perimeter Multiplier	1.201336
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Product	\$837.94
Height Multiplier (plus/minus from 12')	1.092
Product	\$915.03
Multi-story Multiplier (0.5%/story above 3)	1
Product	\$915.03
<b>D. Sprinklers</b>	
Sprinkler Amount	-
<b>Subtotal</b>	<b>\$915.03</b>
<b>E. Update/Location Multipliers</b>	
Update Multiplier	1.02
Product	\$933.33
Location Multiplier	1.01
Product	\$942.66
<b>Final Square Foot Cost Benchmark</b>	<b>\$942.66</b>
<b>Adjustment for Renovation Only</b>	<b>50.00%</b>
<b>Final Square Foot Cost Benchmark</b>	<b>\$471.33</b>

Please note the “Adjustment for OR Cost Differential” and “Adjustment for Renovation Only.” MVS does not have a benchmark for renovation. These adjustments derive from an approach that MHCC Staff used in the matter of Massachusetts Avenue Surgery Center (Matter No. 16-15-2378).

## II. Cost of Renovation

<b>A. Base Calculations</b>	<b>Actual</b>	<b>Per Sq. Foot</b>
Building	\$531,000	\$596.63
Fixed Equipment		\$0.00
Site Preparation		\$0.00
Architectural Fees	\$45,000	\$50.56
Capitalized Construction Interest		\$0.00
Permits	\$7,000	\$7.87
<b>Subtotal</b>	<b>\$583,000</b>	<b>\$655.06</b>



### III. Comparison

<b>A. Adjusted Project Cost/Sq. Ft.</b>	\$655.06
<b>B. Marshall &amp; Swift Sq. Ft. Benchmark</b>	\$471.33

While the Project Costs are significantly higher than the benchmark, no patient charges will be affected, as Payors do not base reimbursement on capital expenditures. RRSC will simply absorb all of the project costs.

#### **Standard .05B(8) – Financial Feasibility.**

**A surgical facility project shall be financially feasible. Financial projections filed as part of an application that includes the establishment or expansion of surgical facilities and services shall be accompanied by a statement containing each assumption used to develop the projections.**

**(a) An applicant shall document that:**

**(i) Utilization projections are consistent with observed historic trends in use of the applicable service(s) by the likely service area population of the facility;**

**(ii) Revenue estimates are consistent with utilization projections and are based on current charge levels, rates of reimbursement, contractual adjustments and discounts, bad debt, and charity care provision, as experienced by the applicant facility or, if a new facility, the recent experience of similar facilities;**

**(iii) Staffing and overall expense projections are consistent with utilization projections and are based on current expenditure levels and reasonably anticipated future staffing levels as experienced by the applicant facility, or, if a new facility, the recent experience of similar facilities; and**

**(iv) The facility will generate excess revenues over total expenses (including debt service expenses and plant and equipment depreciation), if utilization forecasts are achieved for the specific services affected by the project within five years of initiating operations.**

**(b) A project that does not generate excess revenues over total expenses even if utilization forecasts are achieved for the services affected by the project may be approved upon demonstration that overall facility financial performance will be positive and that the services will benefit the facility's primary service area population.**

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#### ***Applicant Response:***

RRSC is, and will continue to be, financially viable, as shown on CON Table Packet - Table G. The calculations are based on 2016 budgeted volumes by the surgeons who will be performing surgery at the center and population growth.

Revenue estimates are based on the utilization projections and current charge levels, rates of reimbursement, contractual adjustments and discounts, bad debt, as experienced by

RRSC. Staffing and overall expense projections are consistent with utilization projections and are based on current expenditure levels at RRSC.

The facility will generate excess revenues over total expenses (including debt service expenses and plant and equipment depreciation), whether or not utilization forecasts are achieved within two years of initiating operations.

See Exhibit 2 for a list of assumptions below that were used in the revenue and expense projections.

**Standard .05B(9) – Preference in Comparative Reviews.**

**In the case of a comparative review of CON applications to establish an ambulatory surgical facility or provide surgical services, preference will be given to a project that commits to serve a larger proportion of charity care and Medicaid patients. Applicants' commitment to provide charity care will be evaluated based on their past record of providing such care and their proposed outreach strategies for meeting their projected levels of charity care.**

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***Applicant Response:***

Not applicable.

**10.24.01.08G(3)(b). Need.**

***The Commission shall consider the applicable need analysis in the State Health Plan. If no State Health Plan need analysis is applicable, the Commission shall consider whether the applicant has demonstrated unmet needs of the population to be served, and established that the proposed project meets those needs.***

**INSTRUCTIONS:** Please discuss the need of the population served or to be served by the Project.

Responses should include a quantitative analysis that, at a minimum, describes the Project's expected service area, population size, characteristics, and projected growth. If the relevant chapter of the State Health Plan includes a need standard or need projection methodology, please reference/address it in your response. For applications proposing to address the need of special population groups, please specifically identify those populations that are underserved and describe how this Project will address their needs.

If the project involves modernization of an existing facility through renovation and/or expansion, provide a detailed explanation of why such modernization is needed by the service area population. Identify and discuss relevant building or life safety code issues, age of physical plant issues, or standard of care issues that support the need for the proposed modernization.

Please assure that all sources of information used in the need analysis are identified. List all assumptions made in the need analysis regarding demand for services, utilization rate(s), and the relevant population, and provide information supporting the validity of the assumptions.

Complete Tables 1 and/or 2 below, as applies.

**[[INSTRUCTION: Complete Table 1 for the Entire Facility, including the proposed project, and Table 2 for the proposed project only using the space provided on the following pages. Only existing facility applicants should complete Table 1. All Applicants should complete Table 2. Please indicate on the Table if the reporting period is Calendar Year (CY) or Fiscal Year (FY)]]**

***Applicant Response:***

RRSC currently operates one OR and is applying for approval to operate a second OR. This project is proposed in order to address the long hours of operation RRSC is currently operating to accommodate volumes that already exceed the MHCC’s definition of “optimal utilization” for two ORs.

Please see the response to SHP Standard .05B(3) – Need - Minimum Utilization for Expansion of An Existing Facility.

In lieu of Table 1, RRSC has completed Table G of the CON Table Packet, which is attached as Exhibit 1.

**TABLE 1: STATISTICAL PROJECTIONS - ENTIRE FACILITY**

	Two Most Actual Ended Recent Years		Current Year Projected	Projected Years (ending with first full year at full utilization)			
	20__	20__		20__	20__	20__	20__
CY or FY (Circle)	20__	20__	20__	20__	20__	20__	20__
<b>1. Admissions</b>							
a. ICF-MR							
b. RTC-Residents							
Day Students							
c. ICF-C/D							
d. Other (Specify)							
e. TOTAL							
<b>2. Patient Days</b>							
a. ICF-MR							
b. RTC-Residents							
c. ICF-C/D							
d. Other (Specify)							
e. TOTAL							

CY or FY (Circle)	Two Most Actual Ended Recent Years		Current Year Projected	Projected Years (ending with first full year at full utilization)			
	20__	20__	20__	20__	20__	20__	20__
<b>3. Average Length of Stay</b>							
a. ICF-MR							
b. RTC-Residents							
c. ICF-C/D							
d. Other (Specify)							
e. TOTAL							
<b>4. Occupancy Percentage*</b>							
a. ICF-MR							
b. RTC-Residents							
c. ICF-C/D							
d. Other (Specify)							
e. TOTAL							
<b>5. Number of Licensed Beds*</b>							
a. ICF-MR							
b. RTC-Residents							
c. ICF-C/D							
d. Other (Specify)							
e. TOTAL							
<b>6. Home Health Agencies</b>							
a. SN Visits							
b. Home Health Aide							
c. Other Staff							
d.							
e. Total patients srvd.							
<b>7. Hospice Programs</b>							
a. SN visits							
b. Social work visits							

CY or FY (Circle)	Two Most Actual Ended Recent Years		Current Year Projected	Projected Years (ending with first full year at full utilization)			
	20__	20__	20__	20__	20__	20__	20__
c. Other staff visits							
d.							
e. Total patients srvd.							
<b>8. Ambulatory Surgical Facilities</b>							
a. Number of operating rooms (ORs)							
• Total Procedures in ORs							
• Total Cases in ORs							
• Total Surgical Minutes in ORs**							
b. Number of Procedure Rooms (PRs)							
• Total Procedures in PRs							
• Total Cases in PRs							
• Total Minutes in PRs**							

\*Number of beds and occupancy percentage should be reported on the basis of licensed beds.

\*\*Do not include turnover time.

**TABLE 2: STATISTICAL PROJECTIONS - PROPOSED PROJECT  
(INSTRUCTION: All applicants should complete this table.)**

CY or FY (Circle)	Projected Years (Ending with first full year at full utilization)			
	20__	20__	20__	20__
<b>1. Admissions</b>				
a. ICF-MR				
b. RTC-Residents				
Day Students				
c. ICF-C/D				
d. Other (Specify)				
e. TOTAL				

	Projected Years (Ending with first full year at full utilization)			
CY or FY (Circle)	20__	20__	20__	20__
<b>2. Patient Days</b>				
a. ICF-MR				
b. Residential Treatment Ctr				
c. ICF-C/D				
d. Other (Specify)				
e. TOTAL				
<b>3. Average Length of Stay</b>				
a. ICF-MR				
b. Residential Treatment Ctr				
c. ICF-C/D				
d. Other (Specify)				
e. TOTAL				
<b>4. Occupancy Percentage*</b>				
a. ICF-MR				
b. Residential Treatment Ctr				
c. ICF-C/D				
d. Other (Specify)				
e. TOTAL				
<b>5. Number of Licensed Beds</b>				
a. ICF-MR				
b. Residential Treatment Ctr				
c. ICF-C/D				
d. Other (Specify)				
e. TOTAL				
<b>6. Home Health Agencies</b>				
a. SN Visits				
b. Home Health Aide				
c.				
d.				

	Projected Years (Ending with first full year at full utilization)			
CY or FY (Circle)	20__	20__	20__	20__
e. Total patients served				
<b>7. Hospice Programs</b>				
a. SN Visits				
b. Social work visits				
c. Other staff visits				
d. Total patients served				
<b>8. Ambulatory Surgical Facilities</b>				
a. Number of operating rooms (ORs)				
• Total Procedures in ORs				
• Total Cases in ORs				
• Total Surgical Minutes in ORs**				
b. Number of Procedure Rooms (PRs)				
• Total Procedures in PRs				
• Total Cases in PRs				
• Total Minutes in PRs**				

\*Do not include turnover time

**10.24.01.08G(3)(c). Availability of More Cost-Effective Alternatives.**

***The Commission shall compare the cost effectiveness of the proposed project with the cost effectiveness of providing the service through alternative existing facilities, or through an alternative facility that has submitted a competitive application as part of a comparative review.***

**INSTRUCTIONS:** Please describe the planning process that was used to develop the proposed project. This should include a full explanation of the primary goals or objectives of the project or the problem(s) being addressed by the project. It should also identify the alternative approaches to achieving those goals or objectives or solving those problem(s) that were considered during the project planning process, including the alternative of the services being provided by existing facilities.

For all alternative approaches, provide information on the level of effectiveness in goal or objective achievement or problem resolution that each alternative would be likely to achieve and

the costs of each alternative. The cost analysis should go beyond development cost to consider life cycle costs of project alternatives. This narrative should clearly convey the analytical findings and reasoning that supported the project choices made. It should demonstrate why the proposed project provides the most effective goal and objective achievement or the most effective solution to the identified problem(s) for the level of cost required to implement the project, when compared to the effectiveness and cost of alternatives including the alternative of providing the service through alternative existing facilities, or through an alternative facility that has submitted a competitive application as part of a comparative review.

***Applicant Response:***

Riva Road Surgical Center has grown over the past 10 years, and has made many adjustments to accommodate the patients in the community. The efforts include:

- Moving appropriate/ eligible cases to the procedure room to open time in the Operating room;
- Expanding hours of operation into the later evening hours (past 7pm); Performing cases on weekends;
- Meeting with the property manager of St John's Property on an annual basis to potentially acquire an adjacent suite - to no avail as adjacent spaces are currently under lease;
- Completely relocating the facility to another site. The costs of this were simply too great as it would require the cost of replicating the existing facility and paying rent on two sites during the renovation.

When Riva Road Surgical Center opened in 2007, the center was only contracted with Medicare. Since that time, the center has successfully negotiated contracts with CareFirst BlueCross, UnitedHealthCare, and Cigna and expects to complete negotiations with Aetna in the near future. These contracts continue to increase our volume year after year, and we anticipate continued growth for years to come.

As stated previously, the only reason that RRSC is not seeking approval for two additional ORs is because there is not available space in the current facility to accommodate a third OR. Nor is there available space in adjacent suites. It would require that RRSC relocate either to another suite within the same building or to another building. Either alternative would require a substantially higher project cost, since the other areas of RRSC, such as waiting areas, Pre-Op and PACU areas, etc. would have to be replicated.

**10.24.01.08G(3)(d). Viability of the Proposal.**

***The Commission shall consider the availability of financial and nonfinancial resources, including community support, necessary to implement the project within the time frames set forth in the Commission's performance requirements, as well as the availability of resources necessary to sustain the project.***



**INSTRUCTIONS:** Please provide a complete description of the funding plan for the project, documenting the availability of equity, grant(s), or philanthropic sources of funds and demonstrating, to the extent possible, the ability of the applicant to obtain the debt financing proposed. Describe the alternative financing mechanisms considered in project planning and provide an explanation of why the proposed mix of funding sources was chosen.

- Complete Tables 3 and/or 4 below, as applicable. Attach additional pages as necessary detailing assumptions with respect to each revenue and expense line item.
- Complete Table L (Workforce) from the Hospital CON Application Table Package.
- Audited financial statements for the past two years should be provided by all applicant entities and parent companies to demonstrate the financial condition of the entities involved and the availability of the equity contribution. If audited financial statements are not available for the entity or individuals that will provide the equity contribution, submit documentation of the financial condition of the entities and/or individuals providing the funds and the availability of such funds. Acceptable documentation is a letter signed by an independent Certified Public Accountant. Such letter shall detail the financial information considered by the CPA in reaching the conclusion that adequate funds are available.
- If debt financing is required and/or grants or fund raising is proposed, detail the experience of the entities and/or individuals involved in obtaining such financing and grants and in raising funds for similar projects. If grant funding is proposed, identify the grant that has been or will be pursued and document the eligibility of the proposed project for the grant.
- Describe and document relevant community support for the proposed project.
- Identify the performance requirements applicable to the proposed project (see question 12, "Project Schedule") and explain how the applicant will be able to implement the project in compliance with those performance requirements. Explain the process for completing the project design, obtaining State and local land use, environmental, and design approvals, contracting and obligating the funds within the prescribed time frame. Describe the construction process or refer to a description elsewhere in the application that demonstrates that the project can be completed within the applicable time frame(s).

***Applicant Response:***

RRSC does not have audited financial statements. Attached as Exhibit 11 is a letter from PKS & Company, P.A., an independent Certified Public Accounting firm attesting that RRSC has adequate funds available to implement this project.

This project will not have any impact on charges at RRSC. As stated previously, reimbursement is set by the payors. The only impact that this project will have on RRSC's expenses is project related depreciation and amortization.

Nor will this project impact the costs or charges at any other facility. RRSC will not be taking cases from other facilities.

Exhibit 12 includes two letters from patients supporting this project, two letters from physician partners, and an article from *The Capital* written about the center in October 2015 (which was written by a patient).

In lieu of Table 3, RRSC has completed Table H of the CON Table Packet, which is attached as Exhibit 1.

**TABLE 3: REVENUES AND EXPENSES - ENTIRE FACILITY** (including proposed project)

**(INSTRUCTION: ALL EXISTING FACILITY APPLICANTS MUST SUBMIT AUDITED FINANCIAL STATEMENTS)**

CY or FY (Circle)	Two Most Actual Ended Recent Years		Current Year Projected	Projected Years (ending with first full year at full utilization)			
	20__	20__	20__	20__	20__	20__	20__
<b>1. Revenue</b>							
a. Inpatient services							
b. Outpatient services							
c. Gross Patient Service Revenue							
d. Allowance for Bad Debt							
e. Contractual Allowance							
f. Charity Care							
g. Net Patient Services Revenue							
h. Other Operating Revenues (Specify)							
i. Net Operating Revenue							
<b>2. Expenses</b>							
a. Salaries, Wages, and Professional Fees, (including fringe benefits)							
b. Contractual Services							
c. Interest on Current Debt							
d. Interest on Project Debt							
e. Current Depreciation							
f. Project Depreciation							
g. Current Amortization							

CY or FY (Circle)	Two Most Actual Ended Recent Years		Current Year Projected	Projected Years (ending with first full year at full utilization)			
	20__	20__	20__	20__	20__	20__	20__
h. Project Amortization							
i. Supplies							
j. Other Expenses (Specify)							
k. Total Operating Expenses							
3. Income							
a. Income from Operation							
b. Non-Operating Income							
c. Subtotal							
d. Income Taxes							
e. Net Income (Loss)							
4. Patient Mix:							
A. Percent of Total Revenue							
1. Medicare							
2. Medicaid							
3. Blue Cross							
4. Commercial Insurance							
5. Self-Pay							
6. Other (Specify)							
7. TOTAL	100%	100%	100%	100%	100%	100%	100%
B. Percent of Patient Days/Visits/Procedures (as applicable)							
1. Medicare							
2. Medicaid							
3. Blue Cross							
4. Commercial Insurance							
5. Self-Pay							
6. Other (Specify)							
7. TOTAL	100%	100%	100%	100%	100%	100%	100%

**TABLE 4: REVENUES AND EXPENSES - PROPOSED PROJECT**

**(INSTRUCTION: Each applicant should complete this table for the proposed project only)**

	Projected Years (Ending with first full year at full utilization)			
CY or FY (Circle)	20__	20__	20__	20__
<b>1. Revenues</b>				
a. Inpatient Services				
b. Outpatient Services				
c. Gross Patient Services Revenue				
d. Allowance for Bad Debt				
e. Contractual Allowance				
f. Charity Care				
g. Net Patient Care Service Revenues				
h. Total Net Operating Revenue				
<b>2. Expenses</b>				
a. Salaries, Wages, and Professional Fees, (including fringe benefits)				
b. Contractual Services				
c. Interest on Current Debt				
d. Interest on Project Debt				
e. Current Depreciation				
f. Project Depreciation				
g. Current Amortization				
h. Project Amortization				
i. Supplies				
j. Other Expenses (Specify)				
k. Total Operating Expenses				

**10.24.01.08G(3)(e). Compliance with Conditions of Previous Certificates of Need.**

***An applicant shall demonstrate compliance with all terms and conditions of each previous Certificate of Need granted to the applicant, and with all commitments made that earned preferences in obtaining each previous Certificate of Need, or provide the Commission with a written notice and explanation as to why the conditions or commitments were not met.***

**INSTRUCTIONS:** List all of the Maryland Certificates of Need that have been issued to the project applicant, its parent, or its affiliates or subsidiaries over the prior 15 years, including their terms and conditions, and any changes to approved Certificates that needed to be obtained. Document that these projects were or are being implemented in compliance with all of their terms and conditions or explain why this was not the case.

***Applicant Response:***

RRSC has no previous CONs.

**10.24.01.08G(3)(f). Impact on Existing Providers and the Health Care Delivery System.**

***An applicant shall provide information and analysis with respect to the impact of the proposed project on existing health care providers in the health planning region, including the impact on geographic and demographic access to services, on occupancy, on costs and charges of other providers, and on costs to the health care delivery system.***

**INSTRUCTIONS:** Please provide an analysis of the impact of the proposed project. Please assure that all sources of information used in the impact analysis are identified and identify all the assumptions made in the impact analysis with respect to demand for services, payer mix, access to service and cost to the health care delivery system including relevant populations considered in the analysis, and changes in market share, with information that supports the validity of these assumptions. Provide an analysis of the following impacts:

- a) On the volume of service provided by all other existing health care providers that are likely to experience some impact as a result of this project;
- b) On the payer mix of all other existing health care providers that are likely to experience some impact on payer mix as a result of this project. If an applicant for a new nursing home claims no impact on payer mix, the applicant must identify the likely source of any expected increase in patients by payer.
- c) On access to health care services for the service area population that will be served by the project. (State and support the assumptions used in this analysis of the impact on access);
- d) On costs to the health care delivery system.

If the applicant is an existing facility or program, provide a summary description of the impact of the proposed project on the applicant's costs and charges, consistent with the information provided in the Project Budget, the projections of revenues and expenses, and the work force

information.

***Applicant Response:***

This project will have no impact on other facilities, as it is intended to serve the volumes already experienced by RRSC. It will have no impact on payer mix, as it is expected that the current payor mix will not materially change.

This will increase access for RRSC patients, enabling more scheduling flexibility for surgical cases.

It will have no impact on costs to the health care system, as ASC reimbursement is set by payors irrespective of capital investment.

RRSC will not have a problem meeting the modest staffing requirements posed by this project. Working in an Ambulatory Surgery Center often affords an opportunity for a surgical nurse who has taken a sabbatical from the field to re-enter. If needed, RRSC will advertise in the local newspapers and in professional journals and use employment agencies. RRSC's best source for recruitment has been from our physician members. As they are so well established in the community, they personally knew most of our current employees and can, and do, assist RRSC in filling any open positions. Open positions usually fill within 2 weeks.

## Exhibits

1. CON Table Packet
2. Statement of Assumptions
3. Project Drawings
4. Ownership List
5. Lease
6. Charge Master
7. Charity Care Policy
8. License and AAAHC Certification
9. Transfer Agreement
10. Architect Letter on FGI Guidelines
11. PKS & Company, P.A., an independent Certified Public Accounting firm
12. Letters of Support and Article from *The Capital* Newspaper
13. Affirmations

**EXHIBIT 1:**  
**CON TABLE PACKET**



<b>Table Number</b>	<b>Table Title</b>	<b>Instructions</b>
<b>Table C</b>	<b>Construction Characteristics</b>	All applicants proposing new construction or renovation must complete Table C.
<b>Table D</b>	<b>Site and Offsite Costs Included and Excluded in Marshall Valuation Costs</b>	All applicants proposing new construction or renovation must complete Table D.
<b>Table E</b>	<b>Project Budget</b>	All applicants, regardless of project type or scope, must complete Table E.
<b>Table F</b>	<b>Statistical Projections - Entire Facility</b>	Existing facility applicants must complete Table F. All applicants who complete this table must also complete Tables G and H.
<b>Table G</b>	<b>Revenues &amp; Expenses, Uninflated - Entire Facility</b>	Existing facility applicants must complete Table G. The projected revenues and expenses in Table G should be consistent with the volume projections in Table F.
<b>Table L</b>	<b>Work Force Information</b>	All applicants, regardless of project type or scope, must complete Table L.

**TABLE C. CONSTRUCTION CHARACTERISTICS**

*INSTRUCTION: If project includes non-hospital space structures (e.g., parking garages, medical office buildings, or energy plants), complete an additional Table C for each structure.*

	NEW CONSTRUCTION	RENOVATION
<b>BASE BUILDING CHARACTERISTICS</b>	<b>Check if applicable</b>	
<b>Class of Construction</b> (for renovations the class of the building being renovated)*		
Class A	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Class B	<input type="checkbox"/>	<input type="checkbox"/>
Class C	<input type="checkbox"/>	<input type="checkbox"/>
Class D	<input type="checkbox"/>	<input type="checkbox"/>
<b>Type of Construction/Renovation*</b>		
Low	<input type="checkbox"/>	<input type="checkbox"/>
Average	<input type="checkbox"/>	<input type="checkbox"/>
Good	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Excellent	<input type="checkbox"/>	<input type="checkbox"/>
<b>Number of Stories</b>		1

\*As defined by Marshall Valuation Service

<b>PROJECT SPACE</b>	<b>List Number of Feet, if applicable</b>	
<b>Total Square Footage</b>	<b>Total Square Feet</b>	
Basement		N/A
First Floor		890
Second Floor		N/A
Third Floor		N/A
Fourth Floor		N/A
<b>Average Square Feet</b>		<b>890</b>
<b>Perimeter in Linear Feet</b>	<b>Linear Feet</b>	
Basement		N/A
First Floor		120
Second Floor		N/A
Third Floor		N/A
Fourth Floor		N/A
<b>Total Linear Feet</b>		<b>120</b>
<b>Average Linear Feet</b>		
<b>Wall Height (floor to eaves)</b>	<b>Feet</b>	
Basement		N/A
First Floor		16
Second Floor		N/A
Third Floor		N/A
Fourth Floor		N/A
<b>Average Wall Height</b>		<b>16</b>
<b>OTHER COMPONENTS</b>		
<b>Elevators</b>	<b>List Number</b>	
Passenger		0
Freight		0
<b>Sprinklers</b>	<b>Square Feet Covered</b>	
Wet System		0
Dry System		0
<b>Other</b>	<b>Describe Type</b>	
Type of HVAC System for proposed project		
Type of Exterior Walls for proposed project		

**TABLE D. ONSITE AND OFFSITE COSTS INCLUDED AND EXCLUDED IN MARSHALL VALUATION COSTS**

*INSTRUCTION: If project includes non-hospital space structures (e.g., parking garages, medical office buildings, or energy plants), complete an additional Table D for each structure.*

	<b>NEW CONSTRUCTION COSTS</b>	<b>RENOVATION COSTS</b>
<b>SITE PREPARATION COSTS</b>		
Normal Site Preparation		\$0
Utilities from Structure to Lot Line		\$0
<b>Subtotal included in Marshall Valuation Costs</b>		
Site Demolition Costs		\$0
Storm Drains		\$0
Rough Grading		\$0
Hillside Foundation		\$0
Paving		\$0
Exterior Signs		\$0
Landscaping		\$0
Walls		\$0
Yard Lighting		\$0
Other <i>(Specify/add rows if needed)</i>		\$0
<b>Subtotal On-Site excluded from Marshall Valuation Costs</b>		\$0
<b>OFFSITE COSTS</b>		
Roads		\$0
Utilities		\$0
Jurisdictional Hook-up Fees		\$0
Other <i>(Specify/add rows if needed)</i>		\$0
<b>Subtotal Off-Site excluded from Marshall Valuation Costs</b>		\$0
<b>TOTAL Estimated On-Site and Off-Site Costs <u>not</u> included in Marshall Valuation Costs</b>	\$0	\$0
<b>TOTAL Site and Off-Site Costs included and excluded from Marshall Valuation Service*</b>	\$0	\$0

\*The combined total site and offsite cost included and excluded from Marshall Valuation Service should typically equal the estimated site preparation cost reported in Application Part II, Project Budget (see Table E. Project Budget). If these numbers are not equal, please reconcile the numbers in an explanation in an attachment to the application.

**TABLE E. PROJECT BUDGET**

**INSTRUCTION:** Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application. See additional instruction in the column to the right of the table.  
**NOTE:** Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.a as a use of funds and on line B.8 as a source of funds

	Hospital Building	Other Structure	Total
<b>A. USE OF FUNDS</b>			
<b>1. CAPITAL COSTS</b>			
a. Land Purchase			\$0
<b>b. New Construction</b>			
(1) Building			\$0
(2) Fixed Equipment			\$0
(3) Site and Infrastructure			\$0
(4) Architect/Engineering Fees			\$0
(5) Permits (Building, Utilities, Etc.)			\$0
<b>SUBTOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>c. Renovations</b>			
(1) Building		\$531,000	\$531,000
(2) Fixed Equipment (not included in construction)		\$0	\$0
(3) Architect/Engineering Fees		\$45,000	\$45,000
(4) Permits (Building, Utilities, Etc.)		\$7,000	\$7,000
<b>SUBTOTAL</b>	<b>\$0</b>	<b>\$583,000</b>	<b>\$583,000</b>
<b>d. Other Capital Costs</b>			
(1) Movable Equipment		\$52,000	\$52,000
(2) Contingency Allowance		\$47,625	\$47,625
(3) Gross interest during construction period			\$0
(4) Other (Specify/add rows if needed)			\$0
<b>SUBTOTAL</b>		<b>\$99,625</b>	<b>\$99,625</b>
<b>TOTAL CURRENT CAPITAL COSTS</b>	<b>\$0</b>	<b>\$682,625</b>	<b>\$682,625</b>
<b>e. Inflation Allowance</b>			
		\$8,874	\$8,874
<b>TOTAL CAPITAL COSTS</b>	<b>\$0</b>	<b>\$691,499</b>	<b>\$691,499</b>
<b>2. Financing Cost and Other Cash Requirements</b>			
a. Loan Placement Fees		\$0	\$0
b. Bond Discount		\$0	\$0
c. Legal Fees		\$30,000	\$30,000
d. Non-Legal Consultant Fees		\$20,000	\$20,000
e. Liquidation of Existing Debt		\$0	\$0
f. Debt Service Reserve Fund		\$0	\$0
g. Other (Specify/add rows if needed)		\$0	\$0
<b>SUBTOTAL</b>		<b>\$50,000</b>	<b>\$50,000</b>
<b>3. Working Capital Startup Costs</b>			
		\$0	\$0
<b>TOTAL USES OF FUNDS</b>	<b>\$0</b>	<b>\$741,499</b>	<b>\$741,499</b>
<b>B. Sources of Funds</b>			
1. Cash		\$741,499	\$741,499
2. Philanthropy (to date and expected)			\$0
3. Authorized Bonds		\$0	\$0
4. Interest Income from bond proceeds listed in #3		\$0	\$0
5. Mortgage		\$0	\$0
6. Working Capital Loans		\$0	\$0
<b>7. Grants or Appropriations</b>			
a. Federal		\$0	\$0
b. State		\$0	\$0
c. Local		\$0	\$0
8. Other (Specify/add rows if needed)		\$0	\$0
<b>TOTAL SOURCES OF FUNDS</b>		<b>\$741,499</b>	<b>\$741,499</b>
<b>Annual Lease Costs (if applicable)</b>			
1. Land		\$0	\$0
2. Building		\$0	\$0
3. Major Movable Equipment		\$0	\$0
4. Minor Movable Equipment		\$0	\$0
5. Other (Specify/add rows if needed)		\$0	\$0
Describe the terms of the lease(s) below, including information on the fair market value of the item(s), and the number of years, annual cost, and the interest rate for the lease.			

Additional instruction for cost categories

These costs should be consistent with the Marshall Valuation Service definition of Group 1 equipment: Permanent equipment, installed on or attached to the building, part of a general contract, and included in calculator costs.

Ensure that SUBTOTAL includes all categories under 1.b.

Ensure that SUBTOTAL includes all categories under 1.c.

7.5% of Total Capital Costs

Calculate sum of all categories under 1.d.

Ensure that TOTAL CURRENT CAPITAL COSTS includes all SUBTOTALS above

1.3% of Total Current Capital Costs Using the MHCC Index

Ensure that TOTAL CAPITAL COSTS includes TOTAL CURRENT CAPITAL COSTS and Inflation Allowance

Calculate sum of all categories under 2.

Start up costs are costs incurred before opening a facility or new service that under generally accepted accounting principles are not chargeable as operating expense or maintenance.

Ensure that TOTAL USES OF FUNDS includes TOTAL CAPITAL COSTS, SUBTOTAL under A.2., and Working Capital Startup Costs

Identify and explain the sources, plans, and the hospital's experience regarding fundraising goals under the response to the Viability standard in Section XX of the CON application.

Include the value of any donated land for the project in this category

Calculate sum of all categories under B; Note that TOTAL SOURCES OF FUNDS should match TOTAL USES OF FUNDS

**TABLE F. STATISTICAL PROJECTIONS - ENTIRE FACILITY**

**INSTRUCTION :** Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. See additional instruction in the column to the right of the table.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.		
	2015	2016	2017	2018	2019	2020
<b>8. Ambulatory Surgical Facilities</b>						
a. Number of operating rooms (ORs)	1	1	1	2	2	2
● Total Procedures in ORs	4,401	5,460	5,498	5,537	5,575	5,614
● Total Cases in ORs	2,145	2,184	2,199	2,264	2,280	2,296
● Total Surgical Minutes in ORs**	154,680	174,720	175,920	181,120	182,400	183,680
b. Number of Procedure Rooms (PRs)	2	2	2	1	1	1
● Total Procedures in PRs	5,080	6,862	6,910	6,910	6,910	6,910
● Total Cases in PRs	2,540	3,286	3,309	3,309	3,309	3,309
● Total Minutes in PRs**	76,200	98,580	99,270	99,270	99,270	99,270

**TABLE G. REVENUES & EXPENSES, UNINFLATED - ENTIRE FACILITY**

**INSTRUCTION:** Complete this table for the entire facility, including the proposed project. Table G should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table F and with the costs of Manpower listed in Table L. Manpower. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. Specify the sources of non-operating income. See additional instruction in the column to the right of the table.

	Two Most Recent Years (Actual)		Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.		
	2015	2016		2017	2018	2019
<b>1. REVENUE</b>						
a. Inpatient Services	\$ -	\$ 61,092,798	\$ 61,520,448	\$ 63,366,061	\$ 63,809,623	\$ 64,256,291
b. Outpatient Services	\$ 48,969,970	\$ 61,092,798	\$ 61,520,448	\$ 63,366,061	\$ 63,809,623	\$ 64,256,291
<b>Gross Patient Service Revenues</b>	<b>\$ 48,969,970</b>	<b>\$ 61,092,798</b>	<b>\$ 61,520,448</b>	<b>\$ 63,366,061</b>	<b>\$ 63,809,623</b>	<b>\$ 64,256,291</b>
c. Allowance For Bad Debt						
d. Contractual Allowance	\$ 41,336,351	\$ 53,298,447	\$ 53,718,084	\$ 55,384,680	\$ 55,772,487	\$ 56,162,991
e. Charity Care	\$ 43,786	\$ 69,822	\$ 23,763	\$ 25,116	\$ 25,178	\$ 25,257
<b>Net Patient Services Revenue</b>	<b>\$ 7,589,833</b>	<b>\$ 7,724,529</b>	<b>\$ 7,778,601</b>	<b>\$ 7,956,265</b>	<b>\$ 8,011,959</b>	<b>\$ 8,068,042</b>
f. Other Operating Revenues (Medical Record Fees)	\$ 1,556	\$ 2,683	\$ 2,702	\$ 2,783	\$ 2,803	\$ 2,822
<b>NET OPERATING REVENUE</b>	<b>\$ 7,591,390</b>	<b>\$ 7,727,212</b>	<b>\$ 7,781,303</b>	<b>\$ 7,959,048</b>	<b>\$ 8,014,761</b>	<b>\$ 8,070,864</b>
<b>2. EXPENSES</b>						
a. Salaries & Wages (including benefits)	\$ 1,660,298	\$ 1,731,826	\$ 1,783,745	\$ 1,955,068	\$ 1,955,068	\$ 1,955,068
b. Contractual Services	\$ 138,097	\$ 225,095	\$ 226,671	\$ 233,471	\$ 235,105	\$ 236,751
c. Interest on Current Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
e. Current Depreciation	\$ 52,117	\$ 76,551	\$ 77,393	\$ 55,176	\$ 47,707	\$ 43,443
f. Project Depreciation	\$ -	\$ -	\$ -	\$ 49,267	\$ 49,267	\$ 49,267
g. Current Amortization	\$ 1,738	\$ 1,738	\$ 1,738	\$ 1,738	\$ 1,738	\$ 1,738
h. Project Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
i. Supplies	\$ 1,515,213	\$ 2,001,766	\$ 2,015,778	\$ 2,076,252	\$ 2,090,785	\$ 2,105,421
j. Other Expenses (Specify/add rows if needed)						
Lease and Equipment Costs	\$ 442,861	\$ 445,804	\$ 448,767.23	\$ 451,749.92	\$ 454,752.43	\$ 457,774.90
Other Operating Costs						
Advertising	\$ 3,092					
Bank Service Charges	\$ 515	\$ 395	\$ 455	\$ 455	\$ 455	\$ 455
Conference Seminar	\$ 2,039	\$ 1,767	\$ 1,903	\$ 1,903	\$ 1,903	\$ 1,903
Continuing Education	\$ 4,053	\$ 4,375	\$ 4,722.58	\$ 5,097.78	\$ 5,502.78	\$ 5,939.96
Credit Card Discount Fees	\$ 19,587	\$ 20,883	\$ 21,029	\$ 21,660	\$ 21,812	\$ 21,965
Gifts	\$ 1,389	\$ 2,133	\$ 1,761.05	\$ 1,946.95	\$ 1,854.00	\$ 1,900.48
Insurance	\$ 24,118	\$ 33,859	\$ 33,859	\$ 33,859	\$ 33,859	\$ 33,859
Licenses and Permits	\$ 3,180	\$ 2,946	\$ 3,062.82	\$ 3,062.82	\$ 3,062.82	\$ 3,062.82
Meals and Entertainment	\$ 18,937	\$ 9,662	\$ 14,299	\$ 14,299	\$ 14,299	\$ 14,299
Parking Fees	\$ 171					



**TABLE G. REVENUES & EXPENSES, UNINFLATED - ENTIRE FACILITY**

**INSTRUCTION:** Complete this table for the entire facility, including the proposed project. Table G should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table F and with the costs of Manpower listed in Table L, Manpower. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. Specify the sources of non-operating income. See additional instruction in the column to the right of the table.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.		
	2015	2016		2017	2018	2019
b. Non-Operating Income	\$ (1,715)					
<b>SUBTOTAL</b>	\$ 3,588,441	\$ 3,051,831	\$ 3,028,653	\$ 2,935,818	\$ 2,979,184	\$ 3,019,450
c. Income Taxes						
<b>NET INCOME (LOSS)</b>	\$ 3,588,441	\$ 3,051,831	\$ 3,028,653	\$ 2,935,818	\$ 2,979,184	\$ 3,019,450
<b>4. PATIENT MIX</b>						
<b>a. Percent of Total Revenue</b>						
1) Medicare	23.0%	26.0%	26.0%	25.0%	25.0%	25.0%
2) Medicaid	0.0%	2.0%	3.0%	3.0%	3.0%	3.0%
3) Blue Cross	36.0%	42.0%	42.0%	42.0%	42.0%	42.0%
4) Commercial Insurance	9.0%	8.0%	10.0%	11.0%	11.0%	11.0%
5) Self-pay	0.0%	0.0%	0.0%			
6) Other	32.0%	22.0%	19.0%	19.0%	19.0%	19.0%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>b. Percent of Equivalent Inpatient Days</b>						
1) Medicare						
2) Medicaid						
3) Blue Cross						
4) Commercial Insurance						
5) Self-pay						
6) Other						
<b>TOTAL</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>



**TABLE L. WORK FORCE INFORMATION**

**INSTRUCTION:** List the facility's existing staffing and changes required by this project. Include all major job categories under each heading provided in the table. The number of Full Time Equivalents (FTEs) should be calculated on the basis of 2,080 paid hours per year equals one FTE. In an attachment to the application, explain any factor used in converting paid hours to worked hours. Please ensure that the projections in this table are consistent with expenses provided in unratified projections in Tables G and J. See additional instruction in the column to the right of the table.

Job Category	CURRENT ENTIRE FACILITY--2017				OTHER EXPECTED CHANGES IN OPERATIONS THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)				PROJECTED ENTIRE FACILITY THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS) *			
	Current Year FTEs	Average Salary per FTE	Current Year Total Cost	Total Cost (should be consistent with projections in Table J)	FTEs	Average Salary per FTE	Total Cost	Total Cost (should be consistent with projections in Table G)	FTEs	Average Salary per FTE	Total Cost	Total Cost (should be consistent with projections in Table G)
<b>1. Regular Employees</b>												
Administration (List general categories, add rows if needed)	1.0	\$ 143,642.39	\$143,642	\$0			\$0	\$143,642.39	1.0		\$0	\$143,642.39
Administrator	1.0	\$89,334	\$89,334	\$0			\$0	\$89,333.96	1.0		\$0	\$89,333.96
Business Office Manager			\$0	\$0			\$0	\$0	0.0		\$0	\$0
			\$0	\$0			\$0	\$0	0.0		\$0	\$0
	2.0	\$232,976	\$232,976	\$0			\$0	\$232,976	2.0		\$0	\$232,976
Direct Care Staff (List general categories, add rows if needed)												
Direct Care Staff (List general categories, add rows if needed)	8.8	\$99,033	\$885,395.84	\$99,033	1.0	\$99,033	\$99,033	\$984,369	9.8		\$0	\$984,369
Scrub Tech	2.1	\$72,290	\$148,809	\$72,290	1.0	\$72,290	\$72,290	\$220,731	3.1		\$0	\$220,731
Central Sterile Processing Instrument Tech	1.2	\$51,987	\$64,983	\$0			\$0	\$64,083	1.2		\$0	\$64,083
			\$0	\$0			\$0	\$0	0.0		\$0	\$0
<b>Total Direct Care</b>	12.1	\$223,310	\$1,097,910	\$171,323			\$0	\$1,269,233	14.1		\$0	\$1,269,233
Support Staff (List general categories, add rows if needed)												
Front Desk Staff	3.1	\$48,856	\$152,491	\$0			\$0	\$152,491	3.1		\$0	\$152,491
Accounts Receivable Staff	1.2	\$56,684	\$66,985	\$0			\$0	\$66,685	1.2		\$0	\$66,685
Billers	1.8	\$56,712	\$99,659	\$0			\$0	\$99,569	1.8		\$0	\$99,569
			\$0	\$0			\$0	\$0	0.0		\$0	\$0
<b>Total Support</b>	6.1	\$162,254	\$318,746	\$0			\$0	\$318,746	6.1		\$0	\$318,746
<b>REGULAR EMPLOYEES TOTAL</b>	20.1	618,539.7	1,649,632.1	171,323.0			0.0	\$1,820,955	20.1		\$0	\$1,820,955
<b>2. Contractual Employees</b>												
Administration (List general categories, add rows if needed)			\$0	\$0			\$0	\$0	0.0		\$0	\$0
			\$0	\$0			\$0	\$0	0.0		\$0	\$0
			\$0	\$0			\$0	\$0	0.0		\$0	\$0
			\$0	\$0			\$0	\$0	0.0		\$0	\$0
<b>Total Administration</b>			\$0	\$0			\$0	\$0	0.0		\$0	\$0
Direct Care Staff (List general categories, add rows if needed)												
PRN Nurses	1.1	102,518.75	\$116,519	\$0			\$0	\$116,519	1.1		\$0	\$116,519
Scrub Tech	0.2	\$74,532	\$77,994	\$0			\$0	\$77,594	0.2		\$0	\$77,594
			\$0	\$0			\$0	\$0	0.0		\$0	\$0
			\$0	\$0			\$0	\$0	0.0		\$0	\$0
<b>Total Direct Care Staff</b>	1.4	\$177,051	\$134,113	\$0			\$0	\$134,113	1.4		\$0	\$134,113
Support Staff (List general categories, add rows if needed)			\$0	\$0			\$0	\$0	0.0		\$0	\$0
			\$0	\$0			\$0	\$0	0.0		\$0	\$0
			\$0	\$0			\$0	\$0	0.0		\$0	\$0
			\$0	\$0			\$0	\$0	0.0		\$0	\$0
<b>Total Support Staff</b>			\$0	\$0			\$0	\$0	0.0		\$0	\$0
<b>CONTRACTUAL EMPLOYEES TOTAL</b>	1.4	177,051.0	134,112.9	0.0			\$0	\$134,113	1.4		\$0	\$134,113
<b>Benefit</b> (State method of calculating benefits below: Benefits are included in above amounts, split amongst employees prorata based upon their salaries)												
<b>TOTAL COST</b>	21.5		\$1,783,745	\$0			\$171,323	\$0	0.0		\$0	\$1,955,068

Additional instruction

Calculate the sum of Administration

Calculate the sum of Direct Care

Calculate the sum of Administration Support Staff and Support Staff

Calculate the sum of Administration

Calculate the sum of Direct Care

Calculate the sum of Administration Support Staff and Support Staff

Include the method of calculating benefits in green field at far left  
Ensure that the sums and Total Cost of Regular Employees Total and Contractual Employee are correct

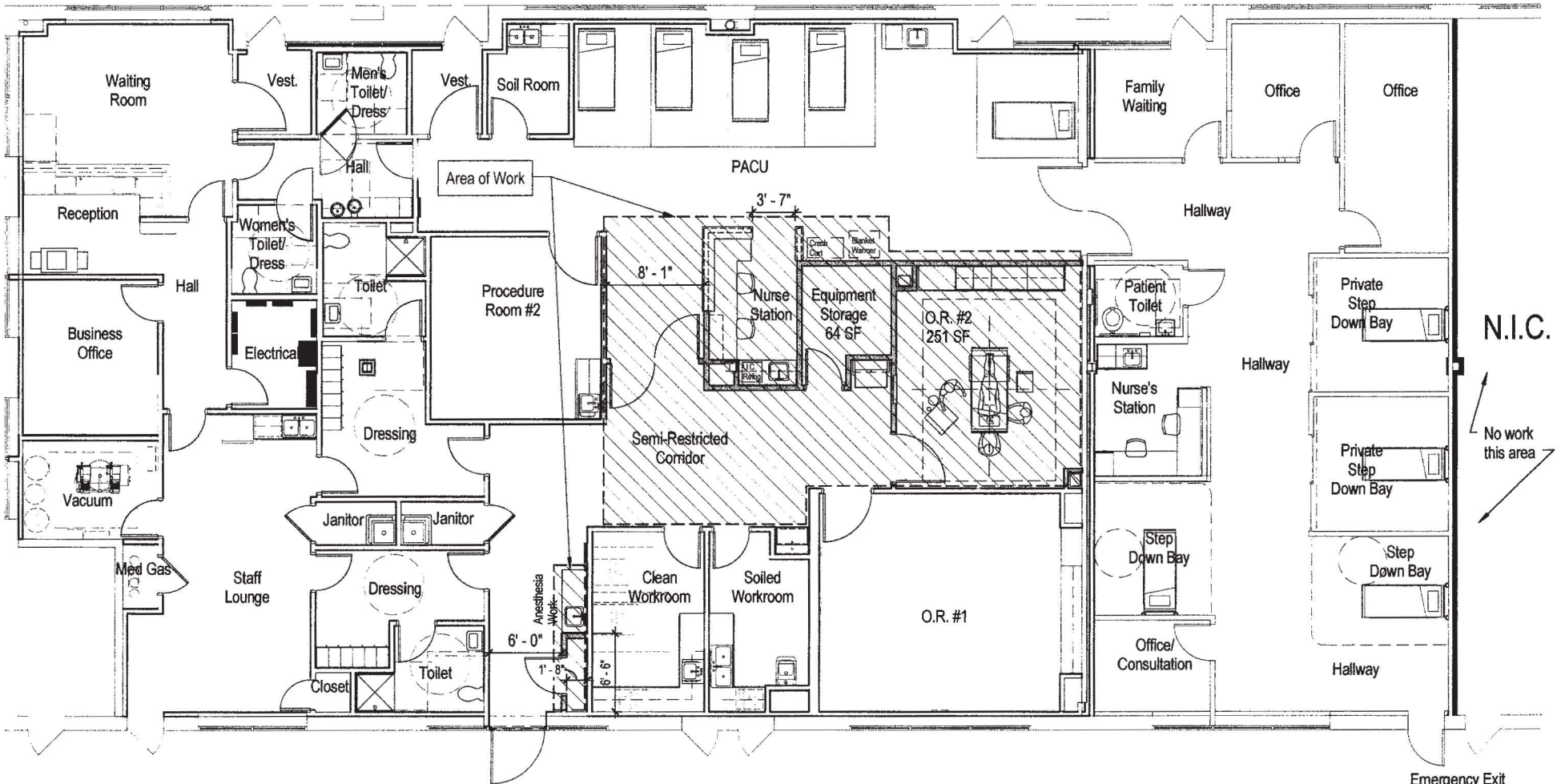
**EXHIBIT 2:**  
**STATEMENT OF ASSUMPTIONS**

**Revenue and Expenses  
Statement of Assumptions**

<u>Revenue</u>	<u>Reference</u>	<u>Assumptions</u>
Outpatient Services	7 d-g	Estimated proportionately based on the projected increase in OR cases for proposed project in Table F and 2016 actual Gross Revenues adjusted for historical averages and trends.
Contractual Allowances	10 d-g	Estimated as a percentage of Gross Outpatient Revenue based on C.Y. 2016 known in-network actual Contractual Allowances and presumed out-of-network Contractual Allowances.
Charity Care	11.d-g	Estimated as a percentage of the estimated Operating Expenses for the Center.
<u>Expenses:</u>		
Salaries and Wages	16 d-g	Estimated based on the Manpower information in Table L and 2016 actual employment data.
Contractual Service	17 d-g	Estimated using 2016 Contractual Services costs and increasing proportionally to the projected increase in OR case volume as set forth on Table F.
Depreciation	20 d-g	Estimated using current depreciation schedules for the years being estimated with the addition of the estimated depreciation increase that will occur per year as a result of the completion of the proposed project
Supplies	24 d-g	Estimated using 2016 actual supply costs and increasing proportionally based upon the projected increase in OR case volume as set forth on Table F.
<u>Other Expenses:</u>		
Building and Equipment	26 d-g	Estimated based upon the proportional increase in costs from 2015 to 2016.
Bank Charge	29 d-g	Estimated based upon the average of 2015 and 2016 actual costs.
Conference Seminar	30 d-g	Estimated based upon the average of 2015 and 2016 actual costs.

<u>Revenue</u>	<u>Reference</u>	<u>Assumptions</u>
Continuing Education	31 d-g	Estimated based upon the proportional increase in costs from 2015 to 2016.
Credit Card Fee	32 d-g	Estimated proportionately based on the projected increase in OR case volume as set for on Table F.
Gifts	33 d-g	Estimated based upon the average of 2015 and 2016 actual costs.
Insurance	34 d-g	After the increase from 2015 to 2016, RRSC estimates the costs to remain consistent in the coming years.
Licenses and Permits	35 d-g	Estimated based upon the average of 2015 and 2016 actual costs.
Meal and Enter.	36 d-g	Estimated based upon the average of 2015 and 2016 actual costs.
Patient Transport, etc.	38 d-g	Estimated based upon the average of 2015 and 2016 actual costs.
Postage & Delivery	39 d-g	Estimated using 2016 Patient Transport and After Care costs and increasing proportionally based upon the projected increase in OR case volume as set forth on Table F.
Printing & Reproduction	40 d-g	Estimated based upon the average of 2015 and 2016 actual costs.
Reference Materials	41 d-g	Estimated using 2016 actual printing and reproduction costs and increasing proportionally based upon the projected increase in OR case volume as set forth on Table F.
Travel Expense	42 d-g	Estimated based upon the average of 2015 and 2016 actual costs.
Tax Expense	43 d-g	Estimated based upon the average of 2015 and 2016 actual costs.
Utilities	44 d-g	Estimated based upon the average of 2015 and 2016 actual costs.
		Estimated based upon the average of 2015 and 2016 actual costs.
		Estimated based upon the average of 2015 and 2016 actual costs.

**EXHIBIT 3:**  
**PROJECT DRAWINGS**



N.I.C.

No work this area

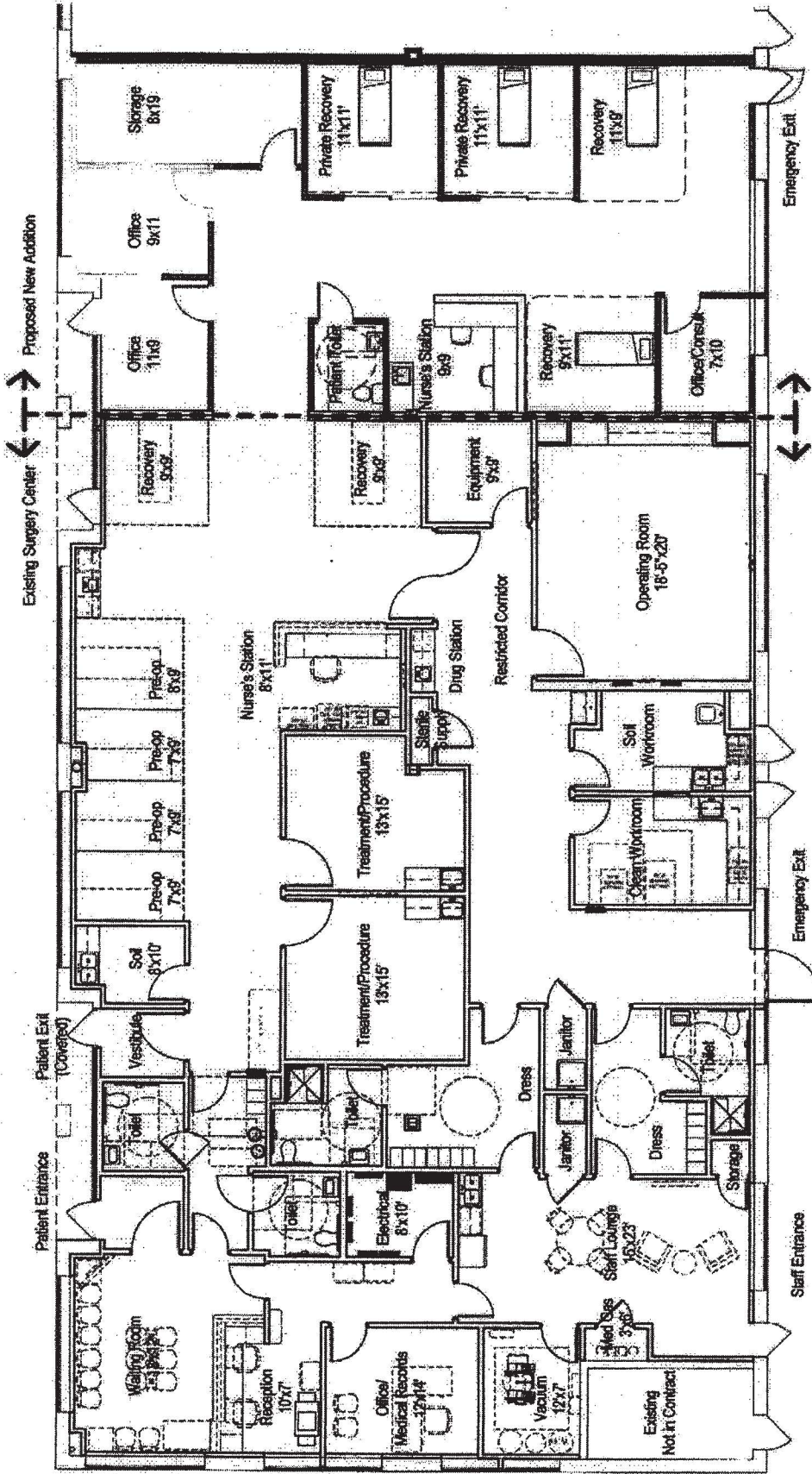
1 Preliminary Plan  
 1/8" = 1'-0"  
 0 2' 4' 8'  
 NORTH

Exhibit 3, Page 1 of 2

**GastingerWalker&**

Preliminary Plan  
 21 September 2016

Riva Road Surgical Center Renovation  
 2635 Riva Road; Annapolis, MD



Existing Surgery Center ← Proposed New Addition →

CGI/NET/MAJER-HARSH ARCHITECTS | Rev Road Surgical Center Expansion | Surg Center Development | Rev 7/06 | 10/16/2006

**EXHIBIT 4:**  
**OWNERSHIP LIST**



<u>Owner</u>	<u>Ownership %</u>
Samuel Boles, MD	1.41%
Timothy G. Burke, MD	4.94%
Gary A. Dix, LLC <sup>1</sup>	4.94%
Richard Genato, MD	0.35%
Brian Kahan, DO PA	4.94%
Edward McDevitt, MD	1.06%
Lyle Modlin, DPM	1.41%
Charles Ruland, MD	2.59%
Louis Ruland III, MD	0.94%
Vincent Sayan, MD	2.88%
Tushar Sharma, MD	2.01%
Garth Smith, MD	4.30%
Brian Sullivan, MD	4.94%
Annapolis Hand Center, LLC <sup>2</sup>	5.17%
Zvezdomir Zamfirov, MD, LLC <sup>3</sup>	4.23%
Surgical Center Development #3, LLC	53.89% <sup>4</sup>

*Officers of Riva Road:*

CEO—Timothy Burke, MD  
COO—Thomas Dennis, MD  
Secretary—Vincent Sayan, MD  
Treasurer—Brian Kahan, DO PA

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<sup>1</sup> Owned by Gary Dix, MD

<sup>2</sup> Owned by Thomas Dennis, MD

<sup>3</sup> Owned by Zvezdomir Zamfirov, MD

<sup>4</sup> Each of the physicians named in this list, other than Dr. Sharma, also has an ownership interest in Riva Road through Surgical Center Development #3 LLC. Those physicians own 34.73% of the ownership interests in Riva Road held by Surgical Center Development #3 LLC. Overall, the named physicians through Surgical Center Development #3, LLC and individually own 64.82% of the ownership interests in Riva Road Surgical Center, LLC.

**EXHIBIT 5:**

**LEASE**

THIS LEASE, made this 19 day of October, 2006, by and between St. John Properties, Inc., as agent for owner, (herein called "Landlord"), and Riva Road Surgery Center, L.L.C., a Maryland L.L.C., (herein called "Tenant").

**WITNESSETH**, that in consideration of the rental hereinafter agreed upon and the performance of all the conditions and covenants hereinafter set forth on the part of Tenant to be performed, Landlord does hereby lease unto said Tenant, and the latter does lease from the former an agreed upon 5,400 square feet at the following address: 2635 Riva Road, Suites 114-118, Annapolis, Maryland 21401, (herein called the "Premises") for the term of ten (10) years, beginning on the first (1<sup>st</sup>) day of March, 2007, and ending on the twenty-eighth (28<sup>th</sup>) day of February, 2017 (herein called "Term") for the annual rental of \$135,000.00, (herein called "Annual Rent"), subject to Annual Rent increases (as defined in Section 2 herein), payable in advance on the first day of each and every month during the Term, (and renewal term(s), if any) in equal monthly installments of \$11,250.00.

Said installments of Annual Rent shall be paid to St. John Properties, Inc., 2560 Lord Baltimore Drive, Baltimore, Maryland 21244 or at such other place or to such appointee of Landlord as Landlord may from time to time designate in writing.

**TENANT COVENANTS AND AGREES WITH LANDLORD AS FOLLOWS:**

1. Tenant shall pay said rent and each installment of Annual Rent thereof and Additional Rent (as defined in section 4 herein) as and when due without setoff or deduction.

**RENTAL ESCALATION**

2. Beginning with the first anniversary of the commencement date of the Term and each annual anniversary thereafter throughout the remainder of the Lease and renewal term(s), if any, the Annual Rent shall be increased by an amount equal to three percent (3%) of the previous year's rent, which sum shall be payable in equal monthly installments in advance as hereinafter set forth.

**USE**

3. Tenant shall use and occupy the Premises solely for the following purposes: Physicians office and outpatient surgery center. No abortions shall be performed in the Premises at any time.

**ADDITIONAL RENT**

4. All sums of money other than Annual Rent required to be paid by Tenant to Landlord pursuant to the terms of this Lease, unless otherwise specified herein, shall be considered additional rent and shall be collectible by Landlord as additional rent (herein called "Additional Rent"), in accordance with the terms of this Lease, including but not limited to:

**A. UTILITIES**

Tenant shall apply for and pay all costs of electricity, gas, telephone and other utilities used or consumed on the Premises, together with all taxes, levies or other charges on such utilities.

Tenant agrees to pay Landlord, as Additional Rent, Tenant's pro rata share, (as the same is defined in this subsection 4A of the water and sewer service charges chargeable (herein "Water and Sewer Charges") to the building or group of buildings in which the Premises is located, together with all land, parking, improvements and other common areas adjacent thereto (herein collectively the "Property"). However, if in Landlord's reasonable judgment the Water and Sewer Charges for the Premises are substantially higher than normal due to Tenant's water usage, then Tenant agrees to install a water meter upon Landlord's written request and thereafter pay all water charges for the Premises based on such meter reading. "Tenant's Pro-Rata Share of Water and Sewer Charges" shall mean the same percentage that the gross square foot area of the Premises bears to the gross square foot area of all leasable floor area within the Property that is occupied during the calendar year billing period. Landlord shall notify Tenant of any change in Tenant's Pro Rata Share of Water and Sewer Charges.

**Landlord warrants to Tenant that the building shall have adequate water to supply the needs of the Premises by Tenant as an ambulatory surgery center.**

#### B. TAXES

Tenant shall pay to Landlord, as Additional Rent, Tenant's Pro Rata Share (as defined herein) of the Real Estate Taxes that may be levied or assessed by lawful taxing authorities against the land, buildings and improvements on the Property. If this lease shall be in effect for less than a full fiscal year, the Tenant shall pay a Pro Rata Share of the taxes based upon the number of months that this lease is in effect. Said taxes shall include, but not by way of limitation, all paving taxes, and any and all benefits or assessments which may be levied on the Premises hereby leased but shall not include the United States Income Tax, or any State or other income tax upon the income or rent payable hereunder.

Prior to or shortly after commencement of this Lease, Landlord will notify Tenant of Tenant's share of the current tax year's tax bill. Tenant will pay this amount to Landlord within thirty (30) days of date of notice. Tenant will also make escrow payments monthly for subsequent tax years beginning at lease commencement.

Landlord shall submit to Tenant a statement summarizing Landlord's Real Estate Taxes paid on the Property to be paid by Tenant with respect to each fiscal year, the amount escrowed by Tenant, and the amount of the resulting balance due or overpayment. Each such statement shall be final and conclusive if no objection is raised within ninety (90) days after submission of each such statement. If a balance is due to Landlord, tenant will pay balance to Landlord within thirty (30) days of date of notice.

### C. OPERATING EXPENSES

For each full or partial calendar year during the Term, Tenant shall pay to Landlord as Additional Rent, Tenant's pro rata share of the operating expenses which are defined as one hundred percent (100%) of the total cost and expense incurred by or on behalf of Landlord in each calendar year in operating, maintaining, and repairing (which includes replacements, additions, and alterations) the common areas of the Property (herein "Operating Expenses").

Operating Expenses include, without limitation; i) the cost of maintaining and repairing all service pipes, electric, gas and water lines and sewer mains leading to and from the Premises and the building in which the Premises is located; ii) all costs incurred in painting, resurfacing, and landscaping; iii) all costs for repairs and improvements, line painting and striping, common area lighting and electric, removal of snow, grass cutting, cleaning of parking areas; iv) all costs incurred in maintaining, repairing and replacing the paving, parking areas, curbs, gutters, sidewalks, and steps; v) all costs for repairs and improvements to roof and exterior walls; vi) all costs for monitoring and maintaining, repairing and replacing fire sprinkler monitoring equipment; vii) Landlord's property casualty, liability, and business interruption insurance; viii) security guard/access control services (when Landlord in its reasonable judgment deems necessary); ix) trash removal when supplied by Landlord; x) the cost of compliance with any governmental rules, regulations, requirements or orders; xi) management fees, accounting fees and the cost of services of independent contractors; the cost of compensation (including employment taxes and fringe benefits) of all persons who perform duties in connection with such Operating Expenses; and any other expenses or charges which, in accordance with generally accepted accounting and management principals, would be considered an expense of owning, managing, insuring, maintaining, operating, and repairing the Property.

Operating Expenses shall not include: any expenses paid by any tenant directly to third parties, or as to which Landlord is otherwise reimbursed by any third party or by any insurance proceeds, (Landlord may, in a reasonable manner, allocate insurance premiums for so-called "blanket" insurance policies, which insure other properties as well as the Building, and said allocated amounts shall be deemed to be Operating Expenses. Nor shall Operating Expenses include: payments of principal and interest on any mortgages, deeds of trust or other financing instruments relating to the financing of the Property; leasing commissions or brokerage fees; costs associated with preparing, improving or altering a space for any leasing or releasing of any space within the Property.

"Tenant's Pro Rata Share of Operating Expenses" (applied to all Operating Expenses except trash removal which formula is calculated below) shall mean the same percentage that the gross square foot area of Tenant's Premises bears to the gross square foot of all leasable floor area within the Property where the Premises is located. Landlord shall notify Tenant of any change in Tenant's

Pro Rata Share of Operating Expenses". "Tenant's Pro Rata Share of Operating Expenses" as of the date of this Lease is equal to thirty percent (30.00%).

"Tenant's Pro Rata Share of Trash Removal" shall mean the same percentage that the gross square foot area of the Premises bears to the total gross square foot area of all tenants using the trash removal services during the calendar year of the billing period.

Landlord shall notify Tenant from time to time of the amounts which Landlord estimates will be payable by Tenant for Tenant's Pro Rata Share of Water and Sewer Charges, Taxes, Operating Expenses and Trash Removal and Tenant shall pay such amounts in equal monthly installments, as Additional Rent, in advance on or before the first day of each month during the Term. Within a reasonable period of time following the end of each calendar year Landlord shall submit to Tenant a statement summarizing Landlord's costs for the Water and Sewer Charges, Taxes, Operating Expenses to be paid by Tenant with respect to such year, the amount paid by Tenant, and the amount of the resulting balance due or overpayment. If a balance is due to Landlord, Tenant will pay balance to Landlord within thirty (30) days of invoice. Each such statement shall be final and conclusive if no objection is raised within ninety (90) days after submission of each such statement.

Notwithstanding the forgoing provisions of the above section, Landlord shall have the right to require Tenant to pay Tenant's Pro Rata Share of Water and Sewer Charges, Taxes, Operating Expenses and Trash Removal in quarterly or semi-annual payments rather than on a monthly basis as provided herein.

#### **MUNICIPAL REGULATING**

5. Tenant shall observe, comply with and execute at its expense, all laws, orders, rules, requirements, and regulations of the United States, State, City or County of the said State, in which the Premises is located, and of any and all governmental authorities or agencies and of any board of fire underwriters or other similar organization, respecting the Premises and the manner in which the Premises are or should be used by Tenant.

#### **ASSIGNMENT AND SUBLET**

6. Tenant shall not assign this Lease, in whole or in part, or sublet the Premises, or any part or portion thereof, or grant any license or concession for any part of the Premises, without the prior written consent of Landlord, which consent shall not be unreasonably withheld. If such assignment or subletting is permitted, Tenant shall not be relieved from any liability whatsoever under this Lease. Landlord shall be entitled to all additional considerations over and above those stated in this Lease, which are obtained in or for the sublease and/or assignment. No option rights can be assigned or transferred by Tenant to an assignee or subtenant, unless the Lease is assigned to a publicly traded company with a market capitalization in excess of \$100,000,000.00. Any sublet

or assignment of this Lease will be assessed with processing fees to be paid for by Tenant as Additional Rent. Such processing fees shall not exceed \$500.00.

## INSURANCE

### 7. A. TENANT'S INSURANCE

Throughout the Term of this Lease, Tenant shall obtain and maintain:

1. Business Personal Property insurance covering Special Causes of Loss. Such Business Personal Property insurance shall not be in an amount less than that required to replace all of the Tenant's trade fixtures, decorations, furnishings, equipment and personal property and in an amount required to avoid the application of any coinsurance provision. Such Business Personal Property Insurance shall contain a Replacement Cost valuation provision.

2. Business Income insurance covering Special Causes of Loss. Such Business Income Insurance shall be in minimum amounts typically carried by prudent businesses engaged in similar operations, but in no event shall be in an amount less than the Annual Rent then in effect for the lease year.

3. Commercial General Liability Insurance (written on an occurrence basis) including Contractual Liability coverage insuring the obligations assumed by Tenant under this Lease, Premises and Operations coverage, Personal Injury Liability coverage, Independent Contractor's Liability coverage. Such Commercial General Liability Insurance shall be in minimum amounts typically carried by prudent businesses engaged in similar operations, but in no event shall be in an amount less than Two Million Dollars (\$2,000,000) combined single limit per occurrence with a Three Million Dollar (\$3,000,000) annual aggregate. If Tenant conducts operations at locations and/or projects other than the Premises, such annual aggregate limit will be expressed on a "per location" and/or "per project" basis, as may be the case. If the nature of Tenant's operations are such that Tenant has seniors, children, developmentally-disabled or other vulnerable people in its care or if such people are in the Tenant's care incidental to the Tenant's operations, Tenant's Commercial General Liability insurance shall not exclude coverage for Sexual Abuse and/or Molestation. Tenant agrees to notify Landlord of any erosion in its Commercial General Liability annual aggregate limit within ten (10) days of being advised of such erosion by its insurer or insurance agent.

All such insurance shall: (i) be issued by a company that is "Admitted" to do business in the jurisdiction in which the Premises are located, and that has a rating equal to or exceeding A: XI from A.M. Best Company; (ii) name Landlord and the holder of any Mortgage if requested by mortgagee as Additional Insured/Loss Payees, as applicable (for General Liability insurance, this will be accomplished by use of policy form CG 2011 [November, 1985 edition date] or its equivalent); (iii) contain an endorsement prohibiting cancellation, failure to renew, reduction of amount of insurance or

reduction in the scope of coverage without the insurer first giving Landlord thirty (30) days' prior written notice (by certified or registered mail, return receipt requested) of such proposed action (no less than ten [10] days' notice of cancellation or failure to renew for non-payment of premium).

No such Commercial General Liability insurance shall contain a self insured retention provision except as otherwise approved in writing by Landlord, which approval shall not be unreasonably withheld. Landlord reserves the right from time to time to require Tenant to obtain higher minimum amounts or different types of insurance if it becomes customary for other landlords of similar buildings as that which contains the Premises to require similar-sized tenants in similar industries to carry insurance of such higher minimum amounts or of different types. At the commencement of this Lease, Tenant shall deliver a certificate of all required insurance and will continue throughout the Term of this Lease to do so not less than ten (10) days prior to the expiration of any required policy of insurance. Neither the issuance of any insurance policy required under this Lease nor the minimum limits specified herein shall be deemed to limit or restrict in any way Tenant's liability arising under or out of this Lease.

All insurance shall provide that the insurer thereunder waives all right of recovery by way of subrogation against Landlord, its partners, employees, agents, representatives and any other party required to be the recipient of such a waiver under the terms of any written contract or agreement with Landlord pertaining to this Lease and/or to the Premises, in connection with any loss or damage covered by such policy. To the fullest extent permitted by law, Tenant shall indemnify and hold harmless Landlord, its partners, employees, agents, representatives and any other party required to be indemnified and/or held harmless under the terms of any written contract or agreement with Landlord pertaining to this Lease and/or to the Premises, from and against all claims, damages, losses, costs and/or expenses, including, but not limited to attorneys' fees, arising out of or resulting from Tenant's acts or omissions, occupancy of the Premises or obligations under this Lease. Such indemnification and/or hold harmless shall not be invalidated by the partial negligence of one or more of the indemnities. If the laws of the governing jurisdiction do not permit such an indemnification and/or hold harmless, then Tenant's obligations to indemnify and hold harmless the indemnities will be to the fullest extent permitted and all other parts of this Lease and this paragraph will apply.

#### B. LANDLORD'S INSURANCE

Throughout the Term of this Lease, Landlord shall obtain and maintain:

1. Real Property insurance against Special Causes of Loss and subject to Replacement Cost valuation covering the Building and all of Landlord's property therein in an amount required by its insurance company to avoid the application of any coinsurance provision.



2. Commercial General Liability insurance (written on an occurrence basis) including Contractual Liability coverage insuring the obligations assumed by Landlord under this Lease, Premises and Operations coverage, Personal Injury Liability coverage, Independent Contractor's Liability coverage. Such Commercial General Liability Insurance shall be in amounts not less than Two Million Dollars (\$2,000,000) combined single limit per occurrence with a Four Million Dollar (\$4,000,000) annual aggregate.

#### ALTERATIONS

8. A. Tenant shall not make alterations to the Premises in addition to original improvements existing in the Premises at the time of occupancy without the prior written consent of Landlord, which consent will not be unreasonably withheld, conditioned or delayed.

B. In the event Tenant shall desire to make any such alterations, plans for the same shall first be submitted to Landlord for approval, and upon approval, the same shall be performed by Tenant at its own expense. In the event that a building permit is required, Landlord shall have the first option to submit the permit application on behalf of the Tenant. Any permit cost shall be at Tenant's expense. Tenant agrees that all work shall be done in a good and workmanlike manner, that the structural integrity of the building shall not be impaired, that no liens shall attach to the building by reason thereof, and that all alterations shall be in accordance with all applicable codes. Tenant also agrees to obtain, prior to commencing to make such alterations, and to keep in full force and effect at all time while such alterations are being made, all at Tenant's sole cost and expense, such policies of insurance pertaining to such alterations and/or to the making thereof as Landlord reasonably may request or require Tenant to obtain, including, but not limited to, public liability and property damage insurance, and to furnish Landlord evidence satisfactory to Landlord of the existence of such insurance prior to Tenant's beginning to make such alterations. Tenant shall also provide to Landlord evidence of lien waivers for each and every contractor Tenant hires.

C. Any such alterations, excluding Tenant's trade fixtures and furniture, shall become the property of Landlord as soon as they are affixed to the Premises and all rights, title and interest therein of Tenant shall immediately cease, unless otherwise agreed to by Landlord in writing. Landlord shall have the sole right to collect any insurance for any damage of any kind caused by any alterations or improvements placed upon the Premises by Tenant. If the making of any such alterations, or the obtaining of any permits therefore shall directly or indirectly result in a franchise, minor privilege or any other tax or increase in tax, assessment or increase in assessment, such franchise, privilege, tax or assessment shall be paid, immediately upon its levy and subsequent levy, by Tenant.

D. Unless Landlord shall consent in writing that all or part of any alterations installed by Tenant shall remain, the Premises shall be restored to their original condition by Tenant, at its own expense, before the expiration of its tenancy.

E. Costs of alterations or modifications (in addition to the improvements as described herein in Section 34) Tenant requests Landlord to make on Tenant's behalf during the Term of this Lease shall be due and payable as Additional Rent.

#### **MAINTENANCE**

9. A. Tenant shall, during the Term, keep the Premises and appurtenances (including, but not limited to, interior and exterior windows, interior and exterior doors, interior plumbing, heating, ventilating and air conditioning (HVAC), interior electrical in good order and condition and will make all necessary repairs or replacement thereof. Any repair made by Landlord at Tenant's request to the Premises shall be invoiced to Tenant and shall become due and payable as Additional Rent within thirty (30) days of invoice. Tenant will be responsible for all exterminating services, except termites, required in the Premises. If Tenant does not make necessary repairs within fifteen (15) days after receiving written notice from Landlord of the need to make a repair, Landlord may proceed to make said repair and the cost of said repair will become part of and in addition to the next due monthly installment of Additional Rent.

B. Tenant agrees to furnish to Landlord, at the expense of Tenant, prior to occupancy, a copy of an executed and paid for annual maintenance contract on all heating and air conditioning (HVAC) equipment with a reputable company acceptable to Landlord and said contract will be kept in effect during the Term of the Lease at the expense of Tenant. Should Tenant not provide a satisfactory HVAC Maintenance contract to Landlord prior to occupancy, Tenant shall be provided a contract through St. John Properties, Inc. Billings for this contract shall become due and payable as Additional Rent within thirty (30) days of invoice.

C. Landlord shall make all necessary structural repairs to the exterior masonry walls and roof of the Premises, after being notified in writing of the need for such repairs, provided the necessity for such repairs was not caused by the negligence or misuse of Tenant, its employees, agents or customers.

D. Tenant shall, at the expiration of the Term or at the sooner termination thereof by forfeiture otherwise, deliver up the Premises in the same good order and condition as it was at the beginning of the tenancy, reasonable wear and tear excepted.

## DEFAULT

10. In the event Tenant shall fail to pay said installments of Annual Rent, Additional Rent or any other sum required by the terms of this Lease, additional written agreements or addenda of this Lease to be paid by Tenant, and such failure shall continue for five (5) days after Landlord has given written notice thereof to Tenant, Landlord shall have along with any and all other legal remedies the immediate right to make distress therefore, and upon such distress, in Landlord's discretion, this tenancy shall terminate. In the event Tenant shall fail to comply with any of the provisions, covenants or conditions of this Lease, on its part to be kept and performed, and such default shall continue for a period of ten (10) days after Landlord has given written notice to Tenant, then, upon the happening of any such event, and in addition to any and all other remedies that may thereby accrue to Landlord, Landlord may do the following:

### A. Landlord's Election to Retake Possession Without Termination of Lease

Landlord may retake possession of the Premises and shall have the right, but not the obligation, without being deemed to have accepted a surrender thereof, and without terminating this Lease, to relet the same for the remainder of the Term upon terms and conditions satisfactory to Landlord; and if the rent received from such reletting does not at least equal the Annual Rent and other sums payable by Tenant hereunder, Tenant shall pay and satisfy the deficiency between the amount of Annual Rent and other sums so provided in this Lease and the Annual Rent received through reletting the Premises; and, in addition, Tenant shall pay reasonable expenses in connection with any such reletting, including, but not limited to, the cost of renovating, altering, and decorating for any occupancy, leasing commissions paid to any real estate broker or agent, and attorneys' fees incurred.

### B. Landlord's Election to Terminate Lease

Landlord may terminate the Lease and forthwith repossess the Premises and be entitled to recover as damages a sum of money equal to the total of the following amounts:

- 1) any unpaid rent or any other outstanding monetary obligation of Tenant to Landlord under the Lease;
- 2) the balance of the rent and other sums payable by Tenant for the remainder of the Term to be determined as of the date of Landlord's re-entry;
- 3) damages for the wrongful withholding of the Premises by Tenant
- 4) all legal expenses, including attorneys' fees, expert and witness fees, court costs and other costs incurred in exercising its rights under the Lease;

- 5) all costs incurred in recovering the Premises, restoring the Premises to good order and condition, and all commissions incurred by Landlord in reletting the Premises; and
- 6) any other reasonable amount necessary to compensate Landlord for all detriment caused by Tenant's default.

#### **DAMAGE**

11. In the case of the total destruction of the Premises by fire, other casualties, the elements or other cause, or of such damage thereto as shall render the same totally unfit for occupancy by Tenant for more than sixty (60) days, this Lease, upon surrender and delivery to Landlord of the Premises, together with the payment of the monthly installments of Annual Rent and Additional Rent to the date of such occurrence, shall terminate and be at an end. If the Premises are rendered partly untenable by any cause mentioned in the preceding sentence, Landlord shall, at its own expense, restore the Premises with all reasonable diligence, and the monthly installments of Annual Rent and Additional Rent shall be abated proportionately for the period of said partial untenability and until the Premises shall have been fully restored by Landlord.

#### **BANKRUPTCY**

12. In the event of the appointment of a receiver or trustee for Tenant by any court, Federal and State, in any legal proceedings under any provisions of the Bankruptcy Act, if the appointment of such receiver or such trustee is not vacated within sixty (60) days, or if said Tenant be adjudicated bankrupt or insolvent, or shall make an assignment for the benefit of its creditors, then and in any of said events, Landlord may, at its option, terminate this tenancy by ten (10) days written notice, and re-enter upon the Premises.

#### **POSSESSION/BENEFICIAL OCCUPANCY**

13. Landlord covenants and agrees that possession of the Premises shall be given to Tenant as soon as the Premises are ready for occupancy. If possession cannot be given to Tenant on or before the commencement date of this Lease, Landlord agrees to abate the rent proportionately until possession is given to said Tenant and Tenant agrees to accept such prorated abatement as liquidated damages for the failure to obtain possession.

If Tenant occupies any portion of the Premises prior to tender of possession thereof by Landlord, such occupancy shall be deemed to be beneficial occupancy and a proportionate share of the Annual Rent and Additional Rent shall be due and payable as to that portion of the Premises so occupied, immediately upon Tenant's occupancy. Such occupancy by Tenant and installments of Annual Rent and Additional Rent thereby due shall not depend on official governmental approval of such occupancy, state of completion of building, availability or connection of utilities and services

including but not limited to water, sewer, well water, septic system, gas, oil, or electric. No Annual Rent credit shall be given because of lack of utilities or services unless caused by the negligence of Landlord.

**SIGNS, ETC.**

14. Tenant covenants and agrees that:

A. It shall not place or permit any signs, lights, awnings or poles on or about the exterior of the Premises without the prior permission, in writing, of Landlord and in the event such consent is given, Tenant agrees to pay any minor privileges or other tax.

B. Landlord, at Landlord's option, may immediately remove and dispose of any of the unauthorized aforementioned items at the expense of Tenant and said cost shall become part of and in addition to the next due monthly installments of Annual Rent, as Additional Rent. Tenant further covenants and agrees that it will not paint or make any changes in or on the outside of the Premises without the written consent of Landlord. Tenant agrees that it will not do anything on the outside of the Premises to change the uniform architecture, paint or appearance of said building, without the written consent of Landlord.

C. Landlord shall have the right to place a "For Rent" sign on any portion of the Premises for ninety (90) days prior to termination of this Lease and to place a "For Sale" sign thereon at any time.

**EXTERIOR OF PREMISES**

15. Tenant further covenants and agrees not to put any items on the sidewalk or parking lot in the front, rear, or sides of said building or block said sidewalk, and not to do anything that directly or indirectly takes away any of the rights of ingress or egress of light from any other tenant of Landlord or do anything which will, in any way, change the uniform and general design of the Property of which the Premises hereby leased shall constitute a part. Tenant will also keep the steps to the Premises free and clear of ice, snow and debris.

**WATER DAMAGE**

16. Tenant covenants and agrees that Landlord shall not be held responsible for and Landlord is hereby released and relieved from any liability by reason of or resulting from damage or injury to person or property of Tenant or of anyone else, directly or indirectly caused by (a) dampness or water in any part of the Premises or in any part of any other property of Landlord or of others and/or (b) any leak or break in any part of the Premises or in any part of any other property of Landlord or of others or in the pipes of the plumbing or heating works thereof, unless the damage is due to Landlord's negligence.

**LIABILITY**

17. Landlord shall not be liable to Tenant for any loss or injury to Tenant or to any other person or to the property of Tenant or of any other person unless such loss or damage shall be caused by or result from a negligent act or omission solely on the part of Landlord or any of its agents, servants, or employees. Tenant shall, and does hereby, indemnify and hold harmless Landlord and any other parties in interest from and against any and all liabilities, fines, claims, damages and actions, costs and expenses of any kind or nature (including attorneys' fees) and of anyone whatsoever (i) relating to or arising from the use and occupancy of the Premises; (ii) due to or arising out of any mechanic's lien filed against the building, or any part thereof, for labor performed or for materials furnished or claimed to be furnished to Tenant, or (iii) due to or arising out of any breach, violation or nonperformance of any covenant, condition or agreement in this Lease set forth and contained on the part of Tenant to be fulfilled, kept, observed or performed.

In the event Landlord provides any Security Guard or Access Control Services as described herein in Section 4c, Landlord is hereby released from any responsibility for any damages either to person or property sustained by Tenant incurred in connection with or arising from acts or omissions of any Security Guard or Access Control Services provided by Landlord.

**RIGHT OF ENTRY**

18. It is understood and agreed that Landlord, and its agents, servants, and employees, including any builder or contractor employed by Landlord, shall have, and Tenant hereby gives them and each of them, the absolute, and unconditional right, license and permission, at any and all reasonable times, and for any reasonable purpose whatsoever, to enter through, across or upon the Premises or any part thereof, and, at the option of Landlord, to make such reasonable repairs to or changes in the Premises as Landlord may deem necessary or proper. Tenant agrees Landlord and its agents and assigns have the unconditional right to show the Premises for lease at any time, without notice once Tenant notifies Landlord of its intention to vacate the Premises.

**EXPIRATION**

19. It is agreed that the Term of this Lease expires on February 28, 2017 without the necessity of any notice by or to any of the parties hereto. If Tenant shall occupy the Premises after such expiration, it is understood that, in the absence of any written agreement to the contrary, said Tenant shall hold the Premises as a "Tenant from month to month", subject to all the other terms and conditions of this Lease, at double the highest monthly installments of Annual Rent reserved in this Lease; provided that Landlord shall, upon such expiration, be entitled to the benefit of all public general or public local laws relating to the speedy recovery of the possession of lands and tenements held over by Tenant that may be now in force or may hereafter be enacted.

Prior to Lease expiration, Tenant agrees to schedule an inspection with Landlord to confirm that the Premises will be in proper order at expiration, including, but not limited to, lighting, mechanical, electrical and plumbing systems.

#### CONDEMNATION

20. It is agreed that in the event condemnation proceedings are instituted against the Premises and possession taken by the condemning authority, then this Lease shall terminate at the date possession is taken and Tenant shall not be entitled to recover any part of the award.

#### SUBORDINATION

21. It is agreed that Landlord shall have the right to place a mortgage or deed of trust on the Premises and this Lease shall be subordinate to any such mortgage or deed of trust whether presently existing or hereafter placed on the Premises, and Tenant agrees to execute any reasonable documents assisting the effectuating of said subordination. Furthermore, if any person or entity shall succeed to all or part of Landlord's interest in the Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease, or otherwise, Tenant shall automatically attorn to such successor in interest, which attornment shall be self operative and effective upon the signing of this Lease, and Tenant shall execute such other agreement in confirmation of such attornment as such successor in interest shall reasonably request.

#### NOTICE

22. Any written notices required by this Lease shall be deemed sufficiently given, if (i) hand delivered, (ii) sent via first class U.S. mail, (iii) certified mail or (iv) overnight courier service.

Any notice required by this Lease is to be sent to Landlord at:

2560 Lord Baltimore Drive

Baltimore, Maryland 21244

Any notice required by this Lease is to be sent to Tenant at:

2635 Riva Road, Suite 114

Annapolis, Maryland 21401

Emergency Contact Information:

Address: \_\_\_\_\_

\_\_\_\_\_

Contact: \_\_\_\_\_

Title: \_\_\_\_\_

Telephone: \_\_\_\_\_

Fax: \_\_\_\_\_

**REMEDIES NOT EXCLUSIVE**

23. No remedy conferred upon Landlord shall be considered exclusive of any other remedy, but shall be in addition to every other remedy available to Landlord under this Lease or as a matter of law. Every remedy available to Landlord may be exercised concurrently or from time to time, as often as the occasion may arise. Tenant hereby waives any and all rights which it may have to request a jury trial in any proceeding at law or in equity in any court of competent jurisdiction.

**NON-WAIVER**

24. It is agreed that the failure of Landlord to insist in any one or more instances upon a strict performance of any covenant of this Lease or to exercise any right herein contained shall not be construed as a waiver or relinquishment for the future of such covenant or right, but the same shall remain in full force and effect, unless the contrary is expressed in writing by Landlord. The receipt of the monthly installments of Annual Rent or Additional Rent by Landlord, with knowledge of any breach of this Lease by Tenant or of any default on the part of Tenant hereunder, shall not be deemed to be a waiver of any provisions of this Lease. Neither acceptance of the keys nor any other act or thing done by Landlord or any agent or employee of Landlord shall be deemed to be an acceptance of a surrender of the Premises, excepting only an agreement in writing by Landlord accepting or agreeing to accept such surrender.

**SECURITY DEPOSIT AND FINANCIAL STATEMENTS**

25. A security deposit of \$11,250.00 is required to accompany this Lease, when submitted for approval by Landlord, subject to all the conditions of the security deposit agreement attached. If this Lease is not approved by Landlord within thirty (30) days of its submission to Landlord, the security deposit will be refunded in full. Landlord shall have the right to require annual financial statements for Tenant and/or any Guarantor of this Lease. Tenant or Guarantor shall provide written answers to any questions from Landlord which are related to Tenant's financial statements or provide written projections on Tenant's business, if the financials are unacceptable to Landlord.

**FINAL AGREEMENT**

26. This Lease contains the final and entire agreement between the parties hereto, and neither they nor their agents shall be bound by any terms, conditions or representations not herein written.

**LEGAL EXPENSE**

27. In the event, to enforce the terms of this Lease, either party files legal action against the other, and is successful in said action, the losing party agrees to pay all reasonable expenses to the prevailing party, including the attorneys' fee incident to said legal action. In the event that Landlord is successful in any legal action filed against Tenant, Landlord's expenses incident to said legal action shall be due as Additional Rent within thirty (30) days of invoice.



**LAND**

28. It is agreed that the Premises is the building area occupied by Tenant and only the land under that area.

**RELOCATION**

29. Intentionally Deleted.

**ENVIRONMENTAL REQUIREMENTS**

30. Tenant hereby covenants and agrees that if at any time it is determined that there are materials placed on the Premises by Tenant which, under any environmental requirements require special handling in collection, storage, treatment, or disposal, Tenant shall, within thirty (30) days after written notice thereof, take or cause to be taken, at its sole expense, such actions as may be necessary to comply with all environmental requirements. If Tenant shall fail to take such action, Landlord may make advances or payments towards performance or satisfaction of the same but shall be under no obligation to do so; and all sums so advanced or paid, including all sums advanced or paid in connection with any judicial or administrative investigation or proceeding relating thereto, including, without limitation, reasonable attorneys' fees, fines, or other penalty payments, shall be at once repayable by Tenant as Additional Rent and shall bear interest at the rate of four percent (4%) per annum above the Prime Rate from time to time as published by The Wall Street Journal, from the date the same shall become due and payable until the date paid. Failure of Tenant to comply with all environmental requirements shall constitute and be a default under this Lease.

Tenant will remain totally liable hereunder regardless of any other provisions which may limit recourse.

**SEVERABILITY**

31. In the event any one or more of the provisions contained in this Lease shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Lease, but this Lease shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

**LATE CHARGE**

32. In the event Tenant shall fail to pay when due, the monthly installments of Annual Rent, Additional Rent or any other sum required by the terms of this Lease to be paid by Tenant, then, upon the happening of any such event, and in addition to any and all other remedies that may thereby accrue to Landlord, Tenant agrees to pay to Landlord a late charge of five percent (5%) of the monthly account balance. The late charge on the base rent accrues after ten (10) days of the due date, payable as Additional Rent and the late charge on other amounts due Landlord accrue thirty (30) days from invoice, payable as Additional Rent.

In the event the monthly installment of Annual Rent is received fifteen (15) days after due date, Landlord shall have option to require the rental payment be made with a certified or cashier's check.

#### **QUIET ENJOYMENT**

33. Tenant, upon paying the monthly installments of Annual Rent, Additional Rent and other charges herein provided and observing and keeping all of its covenants, agreements, and conditions in this Lease, shall quietly have and enjoy the Premises during the Term of this Lease without hindrance or molestation by anyone claiming by or through Landlord; subject, however, to all exceptions, reservations and conditions of this Lease.

#### **LANDLORD'S WORK**

34. The Premises shall contain only the following items at the expense of Landlord: Landlord to deliver the space in its current shell condition, which includes the six (6) three (3) ton roof top HVAC Units. The cost of said units is \$18,360.00 or \$3.40 per square foot.

Landlord to pay Tenant \$115,560.00 or \$21.60 per square foot for Landlord's contribution towards the cost of Tenant's improvements. This payment shall be made to Tenant upon Tenant completing the construction of the Interior Improvements, Landlord inspecting the Improvements, and Tenant receiving a use and occupancy permit from Anne Arundel County. The payment shall be made within 14 days of the above conditions being satisfied and Landlord receiving an invoice from Tenant.

#### **WINDOW COVERINGS**

35. Tenant shall not install any window covering other than a one-inch horizontal mini-blind of an off-white color unless approved in writing by Landlord.

#### **RULES AND REGULATIONS**

36. Tenant shall at all times comply with the Rules and Regulations attached hereto and made a part hereof. Landlord shall make a reasonable effort to enforce the Rules and Regulations equitably against all tenants of the Property.

#### **ESTOPPEL CERTIFICATE**

37. Tenant shall, at any time during the Term or any renewal thereof, upon request of Landlord, execute, acknowledge, and deliver to Landlord or its designee, a statement in writing, certifying that this Lease is unmodified and in full force and effect if such is the fact that the same is in full force and effect.

#### **EXCULPATION CLAUSE**

38. Neither Landlord nor any principal, partner, member, officer, director, trustee or affiliate of Landlord (collectively, "Landlord Affiliates") shall have any personal liability under any provision of this Lease.

### OPTIONS

39. Provided Tenant is not then in default hereunder, Tenant may extend the term of this Lease and as it may be amended from time to time, for two (2 ) further successive period of five (5) years each, by notifying Landlord in writing of its intention to do so at least one hundred twenty (120) days prior to the expiration of the then current term. The Annual Rent for each succeeding extension shall be adjusted as follows:

A. If at the end of the original term of this Lease or at the end of any renewal term, the official Consumers' Price Index for All Urban Consumers (CPIU), U.S. Average, All Items, published by the Bureau of Labor Statistics, U.S. Department of Labor (1982 - 1984=100) (the "CPI") is in excess of the CPI at the date of the commencement of the original term of this Lease, the Annual Rent for the succeeding Lease term shall be determined by multiplying said \$135,000.00 by a fraction, the numerator of which is the CPI six months prior to the end of the current Lease term, and the denominator of which is the CPI six months prior to the date of the commencement of the original term of this Lease. The monthly installments of Annual Rent shall be adjusted accordingly, provided, however, that the Annual Rent payable by Tenant under this Lease never be less than \$176,144.00 for the first option and \$198,252.00 for the second option.

B. In the event the Bureau of Labor Statistics shall cease to publish the aforesaid Index in its present form and calculated on the present basis, a similar index or an index reflecting similar changes in the cost of living shall be chosen by agreement of the parties. In the event the parties are unable to agree upon the selection of such an index, such dispute shall be submitted to arbitration in accordance with the rules of the American Arbitration Association.

C. If the option to extend the term of this Lease is not timely exercised, the unexercised option to extend shall automatically become null and void.

D. The right to extend the term of this Lease may be exercised only by the undersigned Tenant, unless the Lease is assigned to a publicly traded company with a market capitalization in excess of \$100,000,000.00 or by assignee approved by Landlord prior to the extension, for its continued use and occupancy of the Premises and only if it is in possession of the Premises and operating a permitted use when it exercises the right. ~~No such right shall be assignable even though Landlord may have approved an assignment of this Lease.~~ However, if Tenant assigns this Lease, with Landlord's consent, to any corporation into which or with which Tenant merges or consolidates and/or to any parent, subsidiary, or affiliated corporation, the assignee may exercise such right to renew.

E. If Tenant shall default under the Lease, all unexercised rights to extend the term of the Lease shall automatically be extinguished and become null and void.

**BACKUP GENERATOR INSTALLATION**

40. Subject to Landlord's approval, and at Tenant's sole cost and expense, Tenant is hereby granted the right to install a backup generator for use in the Leased Premises. The generator shall be located outside the rear of the building, as indicated on the attached Exhibit B. Tenant shall be required to, at Tenant's expense, install an aluminum "board on board" type screen fence and landscaping around the generator. The Landlord shall determine the exact type and color of the fence as well as the type of landscaping to be installed. All of the costs associated with the generator, fence and landscaping shall be paid by the Tenant. In addition, Tenant shall pay for all repairs and maintenance associated with the back up generator.

**PARKING**

41. Landlord represents and warrants that the parking spaces available on the improvements appurtenant to the Building comply and at all times during the term of this lease will comply with the parking requirements for medical offices of the State of Maryland and the municipality within which the improvements are located. Tenant shall have the right, together with other tenants in the Building, to use said parking lot adjacent to the Building for itself, its employees and invitees on an unassigned, non-exclusive basis. In the event that Landlord and Tenant mutually agree that it is necessary to do so, Landlord shall reserve three (3) additional parking spaces for Tenant.

AS WITNESS THE HANDS AND SEALS OF THE PARTIES HERETO THE DAY AND YEAR FIRST ABOVE WRITTEN:

WITNESS:

Gladi Y. Aguirre

TENANT: Riva Road Surgery Center, L.L.C.,  
a Maryland L.L.C.

By: Gregory S. George

Printed Name: GREGORY S. GEORGE

Title: MEMBER

WITNESS:

Richard Williamson

LANDLORD: St. John Properties, Inc.,  
as agent for owner

By: Richard Williamson

Printed Name: Richard Williamson

Title: Senior Vice President

**GUARANTY**

This Guaranty of Lease made the 15<sup>th</sup> day of October, 2006 by and between St. John Properties, Inc. as agent for Landlord and Surgical Center Development #3, LLC, a Kansas corporation, Justin L. Cashman, M.D., Kelly Sullivan, M.D., Timothy J. Burke, M.D., Audrey Burke, W. Chris Urban, M.D., Wendy Z. Urban, Thomas Dennis, M.D., Liza Dennis, Gary Dix, M.D., Sally Dix, Brian Sullivan, M.D., Kerrie L. Sullivan, Kelly Sullivan, M.D., Justin Cashman, M.D., Lyle T. Modlin, D.P.M., JoAnn Modlin and Marie H. Brigham, M.D., as Guarantors for the foregoing Lease between landlord and Riva Road Surgery Center, LLC as Tenant for the Premises at 2635 Riva Road, Suites 114-118, Annapolis, Maryland 21401, and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration paid, the receipt and sufficiency of which are hereby acknowledged, the undersigned, severally (if there be more than one party), hereby absolutely and unconditionally guarantee(s) in accordance with the schedule attached hereto as Exhibit A to Landlord and its successors and assigns, (a) the full payment of the Fixed Annual Rent and all additional rent as and when provided for in the foregoing and annexed Lease Agreement (the "Lease"), and (b) the performance and observance of all agreements and conditions contained in the Lease on the part of Tenant to be performed or observed. The undersigned hereby agree that they shall in no way be released from their obligations under this Guaranty by any assignment of the Lease or any subletting of the Premises, or any waiver of default or any extension of time or other favor or indulgence granted by Landlord to Tenant or by failure to receive notice of any of these actions. The undersigned hereby waive presentment, demand for payment, or notice of non-payment for any other sum payable by Tenant's part to be performed or observed. Landlord may proceed directly against the undersigned, or any one of them, under this Guaranty without being required first to institute suit against Tenant. If any party brings any action or suit for the enforcement or interpretation of any provision of this Guaranty the prevailing party in such action shall be entitled to recover from the other party all reasonable costs and expenses associated with such action including reasonable attorney's fees.

This Guaranty may be executed in counterparts with the same force and effect as if executed in one complete document.

This Guaranty shall expire at the end of the fifth year of Tenant's occupancy under the Lease.

Guarantors have caused this Guaranty to be executed under seal as of this 15<sup>th</sup> day of October, 2006.

**WITNESS:**

  
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**GUARANTOR: Justin L. Cashman, M.D.**

S.S. #131-48-4722

  
\_\_\_\_\_

Print Name: Justin L. Cashman

Title: Medical Doctor

Address: 1200 Southwind Court

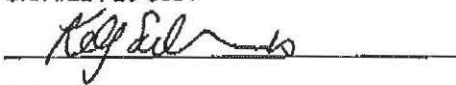
Annapolis, Maryland 21401

**WITNESS:**

  
\_\_\_\_\_

**GUARANTOR: Kelly Sullivan, M.D.**

S.S. #224-23-5984

  
\_\_\_\_\_

Print Name: Kelly Sullivan

Title: Medical Doctor

Address: 1200 Southwind Court

Annapolis, Maryland 21401

WITNESS:



**GUARANTOR: Timothy G. Burke, M.D.**

S.S.#558-75-8674



Print Name: Timothy G. Burke

Title: Medical Doctor

Address: 287 Long Point Road

Crownsville, Maryland 21032

WITNESS:

\_\_\_\_\_

**GUARANTOR: Audrey Burke**

S.S. #553-49-7070

\_\_\_\_\_

Print Name: Audrey Burke

Title: Spouse

Address: 287 Long Point Road

Crownsville, Maryland 21032

WITNESS:

\_\_\_\_\_

**GUARANTOR: W. Chris Urban, M.D.**

S.S. #206-60-7982

\_\_\_\_\_

Print Name: W. Chris Urban

Title: Medical Doctor

Address: 709 Childs Point Road

Annapolis, Maryland 21401

WITNESS:

\_\_\_\_\_

**GUARANTOR: Wendy Z. Urban**

S.S.#145-58-7976

\_\_\_\_\_

Print Name: Wendy Z. Urban

Title: Spouse

Address: 709 Childs Point Road

Annapolis, Maryland 21401

WITNESS:

\_\_\_\_\_

**GUARANTOR: Timothy G. Burke, M.D.**

S.S.#558-75-8674

\_\_\_\_\_

Print Name: Timothy G. Burke

Title: Medical Doctor

Address: 287 Long Point Road

Crownsville, Maryland 21032

WITNESS:

\_\_\_\_\_

**GUARANTOR: Audrey Burke**

S.S. #563-49-7070

\_\_\_\_\_

Print Name: Audrey Burke

Title: Spouse

Address: 287 Long Point Road

Crownsville, Maryland 21032

WITNESS:

*Susan Widmayer*  
\_\_\_\_\_

**GUARANTOR: W. Chris Urban, M.D.**

S.S. #206-60-7982

*W. Chris Urban*  
\_\_\_\_\_

Print Name: W. Chris Urban

Title: Medical Doctor

Address: 709 Childs Point Road

Annapolis, Maryland 21401

WITNESS:

~~\_\_\_\_\_~~

**GUARANTOR: Wendy Z. Urban**

S.S.#145-58-7975

~~\_\_\_\_\_~~

Print Name: Wendy Z. Urban

Title: Spouse

Address: 709 Childs Point Road

Annapolis, Maryland 21401

WITNESS:

\_\_\_\_\_

**GUARANTOR: Thomas Dennis, M.D.**

S.S. #153-58-4278

\_\_\_\_\_

Print Name: Thomas Dennis

Title: Medical Doctor

Address: 190 West Lake Drive

Annapolis, Maryland 21403

WITNESS:

\_\_\_\_\_

**GUARANTOR: Liza Dennis**

S.S.#155-64-0430

\_\_\_\_\_

Print Name: Liza Dennis

Title: Spouse

Address: 190 West Lake Drive

Annapolis, Maryland 21403

WITNESS:

\_\_\_\_\_

**GUARANTOR: Gary Dix, M.D.**

S.S.#216-59-0434

  
\_\_\_\_\_

Print Name: Gary Dix

Title: Medical Doctor

Address: 1601 Upton Scott Way

Crownsville, Maryland 21032

WITNESS:

\_\_\_\_\_

**GUARANTOR: Sally Dix**

S.S.#216-61-1667

\_\_\_\_\_

Print Name: Sally Dix

Title: Spouse

Address: 1601 Upton Scott Way

Crownsville, Maryland 21032



WITNESS:

Wesley Brown

GUARANTOR: **Thomas Dennis, M.D.**

S.S. #153-56-4278

Thomas Dennis

Print Name: Thomas Dennis

Title: Medical Doctor

Address: 190 West Lake Drive

Annapolis, Maryland 21403

WITNESS:

Lisa Dennis

GUARANTOR: **Lisa Dennis**

S.S.#155-64-0430

Lisa Dennis

Print Name: Lisa Dennis

Title: Spouse

Address: 190 West Lake Drive

Annapolis, Maryland 21403

WITNESS:

\_\_\_\_\_

GUARANTOR: **Gary Dix, M.D.**

S.S.#216-59-0434

\_\_\_\_\_

Print Name: Gary Dix

Title: Medical Doctor

Address: 1601 Upton Scott Way

Crownsville, Maryland 21032

WITNESS:

\_\_\_\_\_

GUARANTOR: **Sally Dix**

S.S.#216-61-1667

\_\_\_\_\_

Print Name: Sally Dix

Title: Spouse

Address: 1601 Upton Scott Way

Crownsville, Maryland 21032

WITNESS:

\_\_\_\_\_

**GUARANTOR: Brian Sullivan, M.D.**

S.S. #215-96-6841

Print Name: Brian Sullivan

Title: Medical Doctor

Address: 33 Harvest Creek View Court  
Annapolis, Maryland 21403

WITNESS:

\_\_\_\_\_

**GUARANTOR: Kerrie Sullivan**

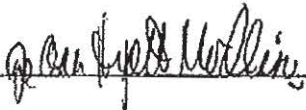
S.S. #035-34-2150

Print Name: Kerrie Sullivan

Title: Spouse

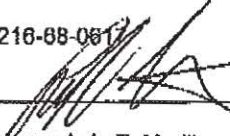
Address: 33 Harvest Creek View Court  
Annapolis, Maryland 21403

WITNESS:

  
\_\_\_\_\_

**GUARANTOR: Lyle T. Modlin, D.P.M.**

S.S. #216-68-0817

  
\_\_\_\_\_

Print Name: Lyle T. Modlin

Title: Doctor of Pediatric Medicine

Address: 3708 Gateshead Drive  
Annapolis, Maryland 21403

WITNESS:

  
\_\_\_\_\_

**GUARANTOR: JoAnn Modlin**

S.S. #214-54-8951

  
\_\_\_\_\_

Print Name: JoAnn Modlin

Title: Spouse

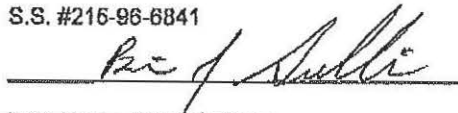
Address: 3708 Gateshead Drive  
Annapolis, Maryland 21403

WITNESS:



**GUARANTOR: Brian Sullivan, M.D.**

S.S. #216-96-6841



Print Name: Brian Sullivan

Title: Medical Doctor

Address: 33 Harvest Creek View Court  
Annapolis, Maryland 21403

WITNESS:

\_\_\_\_\_

**GUARANTOR: Kerrie Sullivan**

S.S. #035-34-2150

\_\_\_\_\_

Print Name: Kerrie Sullivan

Title: Spouse

Address: 33 Harvest Creek View Court  
Annapolis, Maryland 21403

WITNESS:

\_\_\_\_\_

**GUARANTOR: Lyle T. Modlin, D.P.M.**

S.S.#216-88-0617

\_\_\_\_\_

Print Name: Lyle T. Modlin

Title: Doctor of Pediatric Medicine

Address: 3708 Gateshead Drive  
Annapolis, Maryland 21403

WITNESS:

\_\_\_\_\_

**GUARANTOR: JoAnn Modlin**

S.S. #214-54-8951

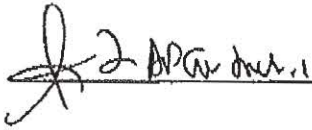
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Print Name: JoAnn Modlin

Title: Spouse


Address: 3708 Gateshead Drive  
Annapolis, Maryland 21403

WITNESS:

  
\_\_\_\_\_

**GUARANTOR: Marie H. Brigham, M.D.**

S.S.#364-51-9931

  
\_\_\_\_\_

Print Name: Marie H. Brigham

Title: Medical Doctor

Address: 640 Sean Drive

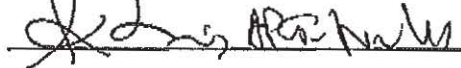
Annapolis, Maryland 21401

WITNESS:

  
\_\_\_\_\_

**GUARANTOR: Anastasios Goutzoulis**

S.S.#169-62-7770

  
\_\_\_\_\_

Print Name:

Title: Spouse

Address: 640 Sean Drive

Annapolis, Maryland 21401

WITNESS:

\_\_\_\_\_

**GUARANTOR: Surgical Center  
Development #3, L.L.C.**

Federal I.D. #68-0500880

\_\_\_\_\_

Print Name: Gregory George, M.D., Ph.D.

Title: Managing Member

Address: 200 Station Way, Suite D

Arroyo Grande, CA 93420

WITNESS:

GUARANTOR: Marie H. Brigham, M.D.

S.S.#364-51-9931

\_\_\_\_\_

Print Name: Marie H. Brigham

Title: Medical Doctor

Address: 640 Sean Drive

Annapolis, Maryland 21401

WITNESS:

GUARANTOR: Anastasios Goutzoulis

S.S.#169-62-7770

\_\_\_\_\_

Print Name:

Title: Spouse

Address: 640 Sean Drive

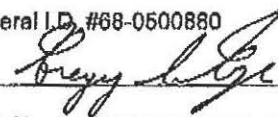
Annapolis, Maryland 21401

WITNESS:

GUARANTOR: **Surgical Center  
Development #3, L.L.C.**

Federal I.D. #68-0500880

Gladee Y. Aguirre



Print Name: Gregory George, M.D., Ph.D.

Title: Managing Member

Address: 200 Station Way, Suite D

Arroyo Grande, CA 93420

**SECURITY DEPOSIT AGREEMENT**

This is **NOT** a receipt.

Date: 10/19/06

Received from Riva Road Surgery Center, L.L.C., a Maryland L.L.C., the amount of \$11,250.00, as security deposit for the Premises 2635 Riva Road, Suites 114-118, Annapolis, Maryland 21401.

Landlord agrees that, subject to the conditions listed below, this security deposit will be returned in full within thirty (30) days of vacancy.

Tenant agrees that this security deposit may not be applied by Tenant as rent and that the full monthly rent will be paid on or before the first day of every month, including the last month of occupancy. Tenant further agrees that a mortgagee of the property demised by the Lease to which this Security Deposit Agreement is appended and/or a mortgagee thereof in possession of said property and/or a purchaser of said property at a foreclosure sale shall not have any liability to Tenant for this security deposit.

**SECURITY DEPOSIT RELEASE PREREQUISITES**

- Full Term of Lease has expired.
- No damage to property beyond ordinary wear and tear.
- Entire Premises broom clean and in order.
- No unpaid late charges or delinquent rents, or other delinquent sums payable by Tenant.
- All keys returned to Landlord.
- All debris and rubbish and discards placed in proper rubbish containers.
- Forwarding address left with Landlord.

**AS WITNESS THE HANDS AND SEALS OF THE PARTIES HERETO THE DAY AND YEAR FIRST ABOVE WRITTEN:**

**WITNESS:**

Gladi Y. Aguirre

**TENANT: Riva Road Surgery Center, L.L.C., a Maryland L.L.C.**

By: [Signature]  
Printed Name: GRIGORY S. GEORGEV  
Title: MEMBER

**WITNESS:**

[Signature]

**LANDLORD: St. John Properties, Inc., as agent for owner**

By: [Signature]  
Printed Name: Richard Williamson  
Title: Senior Vice President

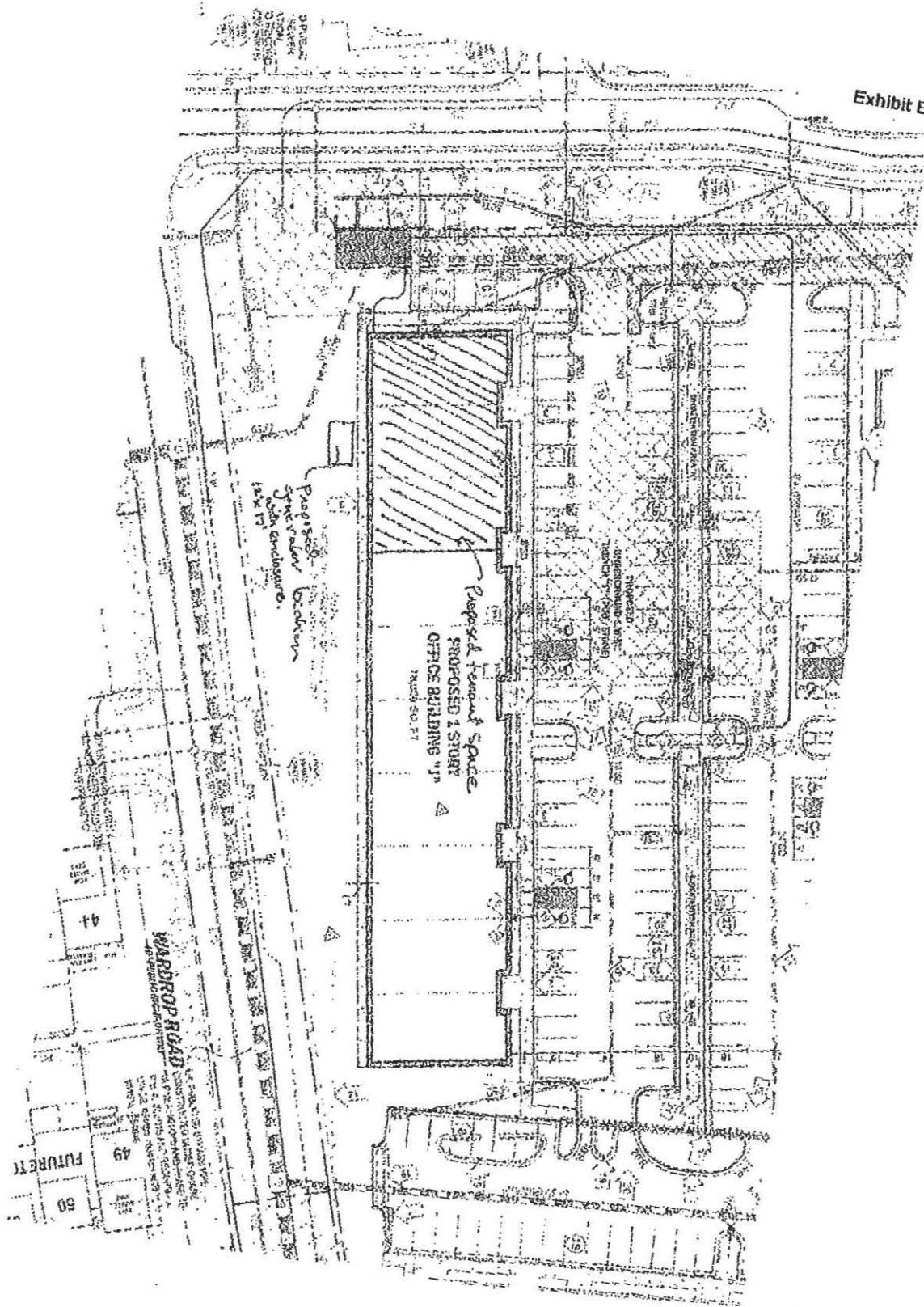
## RULES AND REGULATIONS

- 1) The Common Facilities, and the sidewalks, driveways, and other public portion of the Property shall not be obstructed or encumbered by Tenant or used for any purpose other than ingress or egress to and from the Premises, and Tenant shall not permit any of its employees, agents, licensees or invitees to congregate or loiter in any of the Property. Tenant shall not invite to, or permit to visit the Premises, persons in such numbers or under such conditions as may interfere with the use and enjoyment by others of the Property. Landlord reserves the right to control and operate, and to restrict and regulate the use of, the Property and the public facilities, as well as facilities furnished for the common use of tenants, in such manner as it deems best for the benefit of tenants generally.
- 2) No bicycles, animals (except Seeing Eye dogs), fish or birds of any kind shall be brought into, or kept in or about the Premises within the building.
- 3) Tenant shall not make or cause to make noise, including, but not limited to, music, the playing of musical instruments, recordings, radio or television, which, in the judgment of Landlord, might disturb other tenants in the building or Property shall be made or permitted by any tenant.
- 4) Tenant shall not use the Premises or allow it to be used for lodging or sleeping or for any immoral or illegal purpose.
- 5) Tenant shall not cause or permit any odors of cooking or other processes, or any unusual or objectionable odors, to emanate from the Premises which would annoy other tenants or create a public or private nuisance. Smoking is not allowed in the Premises or within the building.
- 6) Plumbing facilities shall not be used for any purpose other than those for which they were constructed. No sweepings, rubbish, ashes, newspapers, objects or other substances of any kind shall be thrown into the plumbing facilities.
- 7) Tenant agrees to keep the Premises in a neat, good and sanitary condition and to place garbage, trash, rubbish and all other disposables only where Landlord directs.
- 8) Landlord reserves the right to rescind, alter, waive or add, any rule or Regulation at any time prescribed for the building when, in the reasonable judgment of Landlord, Landlord deems it necessary or desirable for the reputation, safety, character, security, care, appearance or interests of the Property, or the preservation of good order therein, or the operation or maintenance of the Property, or the equipment thereof, or the comfort of tenants or others in the Property. No rescission, alteration, waiver or addition of any rule or regulation in respect of one tenant shall operate as a rescission, alteration or waiver in respect of any other tenant.
- 9) Tenant shall have the non-exclusive right to park in parking spaces in front of and behind Tenant's Premises. This area shall be defined by two imaginary lines extending out from Tenant's demising walls.
- 10) Tenant shall not place storage trailers or other storage containers of any type outside the Premises.
- 11) Tenant shall not park on a permanent or semi-permanent basis, any trailer behind dock doors or in any other location outside the Premises for the purpose of storage.
- 12) Tenant shall place any and all trash containers in the rear parking lot with a minimum of 10 feet distance from the building and within the two imaginary lines extending out from Tenant's rear demising walls.
- 13) Non-compliance with any of the above rules and regulations may, in Landlord's sole judgment, result in a monetary fine not to exceed \$100 per day. Landlord will notify Tenant of such violations and Tenant will have five (5) days to rectify, after which, daily fine will be applied, due and payable as Additional Rent within thirty (30) days of invoice.

**EXHIBIT A**

<b><u>Guarantor</u></b>	<b><u>Spouse</u></b>	<b><u>Percentage</u></b>
Surgical Center Development #3 LLC	a Kansas Corporation	42.42%
Justin Cashman, M.D.	Kelly Sullivan, M.D.	8.48%
Timothy G. Burke, M.D.	Audrey Burke	8.48%
W. Chris Urban, M.D.	Wendy Z. Urban	8.48%
Thomas Dennis, M.D.	Lisa Dennis	8.48%
Gary Dix, M.D.	Sally Dix	8.48%
Brian Sullivan, M.D.	Kerrie L. Sullivan	8.48%
Kelly Sullivan, M.D.	Justin Cashman, M.D.	3.64%
Lyle T. Modlin, D.P.M.	JoAnn Modlin	2.42%
Marie H. Brigham, M.D.		0.61%





FIRST AMENDMENT OF LEASE

ENTERED  
11/10/11

Handwritten initials/signature

This First Amendment of Lease, made and entered into this 21 day of Dec, 2010 by and between St. John Properties, Inc., as agent for owner, (herein called "Landlord") and Riva-Road Surgical Center, LLC, a Maryland limited liability company, hereinafter called "Tenant".

RECITALS

This First Amendment of Lease is made with reference to the following facts and objectives:

- A. By Lease dated October 19, 2006 (referred to herein as the "Lease"), Tenant leased from Landlord and Landlord leased to Tenant certain real property consisting of approximately 5,400 square feet of area which are commonly known as 2635 Riva Road, Suites 114-118, Annapolis, Maryland 21401 (the "Premises").
B. Said Lease is to expire February 28, 2017.
C. Tenant desires to acquire additional square footage known as 2635 Riva Road, Suite 112, (the "Expansion Space") and extend its current lease term.

NOW THEREFORE, in consideration of the mutual covenants contained herein and in the Lease, Landlord and Tenant agree as follows:

- 1. Commencing February 1, 2011, Tenant's Leased Premises shall be increased from 5,400 square feet to 7,200 square feet, (hereinafter referred to as the "Leased Premises").
2. The Lease Term is hereby extended and shall expire October 31, 2017.
3. Effective on February 1, 2011, the rent for the Leased Premises shall be as follows:

Table with 3 columns: Term, Annual Rent, Monthly Rent. Rows include periods from February 1, 2011 to August 31, 2011 up to September 1, 2017 to October 31, 2017.

- 4. Commencing September 1, 2011 all other charges defined as "additional rent" (i.e. Utilities, Taxes, Common Area Expenses, Trash Removal, etc.) under Section 4 of the Lease shall be calculated using the factor of forty percent (40%) which amount represents Tenant's occupancy of the building.
5. Landlord to pay Tenant \$18,000.00 or \$10.00 per square foot for Landlord's contribution towards the cost of Tenant's Improvements in the expansion suite 112 which is comprised of 1,800 square feet. This payment shall be made to Tenant upon Tenant completing the construction of the interior improvements, Landlord inspecting the improvements, and Tenant receiving a use and occupancy permit from Anne Arundel County. The payment shall be made within 14 days of the above conditions being satisfied and Landlord receiving an invoice from Tenant.
6. Alterations by Tenant shall be subject to the following conditions:
1. All of Tenant's alterations shall be performed in a way which will not interfere with Landlord's construction activity;
2. Tenant shall keep the common areas free of building materials and equipment used in connection with Tenant's work;
3. Tenant shall provide for the removal of all refuse and debris in connection with Tenant's work.
4. Tenant shall continue to perform all duties and obligations imposed by this Lease during the period in which alterations are made. Landlord will not be responsible or liable to Tenant or its agents, employees, licensees or contractors for any bodily injury or property loss or damage occurring prior to the Commencement Date, and Tenant will indemnify, defend and hold harmless Landlord and Landlord's contractors against all claims and liabilities resulting from the performance of Tenant's alterations. Tenant shall provide Landlord with certificate of insurance for both workers compensation and general liability for each and every contractor or subcontractor working at the Leased Premises.
5. Tenant, at its sole cost and expense, shall pay for all alterations, additions or improvements desired and/or required inside or outside the Leased Premises as a result of Tenant's use, including any changes in occupancy permits required at any time from time to time during the Term by and federal, state or local governmental agency.
6. Tenant must obtain and submit to Landlord all required necessary permits prior to the commencement of any construction.
7. Any roof related work must be completed by Landlord's roofing contractor.

8. Site visits must be scheduled by the Tenant's General Contractor for a construction representative of the Landlord to inspect completed construction prior to the local jurisdiction inspections. A list of these inspections are as follows:
- a. plumbing underground
  - b. plumbing rough-in
  - c. electric service inspection
  - d. electric wall inspection
  - e. electric ceiling close in
  - f. low voltage wiring inspection
  - g. framing and insulation inspection
  - h. building ceiling close in inspection
  - i. walk through before final U & O inspection
  - j. tenant to supply Landlord with a copy of sprinkler inspection certification
  - k. Tenant to supply Landlord with service manuals on mechanical equipment, etc.
  - l. Tenant to submit copy of U & O certification to Landlord.

Tenant shall pay Landlord an inspection fee of \$600.00.

- 7. In Section 7 of the Lease (Insurance), the following shall now be named as Additional Insureds: building owner (RIVA Business Park III, LLC (Flex D & Office I & J)), St. John Properties, Inc and the holder of any Mortgage. Tenant agrees to provide Landlord with a revised Certificate of Insurance within ten days after the execution of this First Amendment of Lease.
- 8. Tenant shall maintain its option to renew the term of the Lease as modified herein; in Section 39 of the Lease (Options), where the amount \$135,000.00 is written, it shall be stricken and \$198,743.70 shall be inserted in its place and where the amount \$176,144.00 is written, it shall be stricken and \$237,310.32 shall be inserted in its place and where the amount \$188,262.00 is written, it shall be stricken and \$267,094.88 shall be inserted in its place.
- 9. Notwithstanding the execution and delivery of the First Amendment of Lease the Guaranty of Lease dated October 15, 2006 shall remain in full force and effect.
- 10. All other terms and conditions of the Lease are hereby ratified and shall remain in full force and effect.

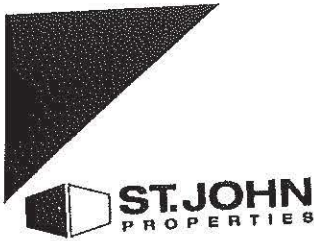
IN WITNESS WHEREOF, Landlord and Tenant have respectively executed this First AMENDMENT OF LEASE as of the day and year first above written.

Witness:  
By: [Signature]

LANDLORD: St. John Properties, Inc.  
By: [Signature]  
Printed Name: Richard Williamson  
Title: Senior Vice President

Witness:  
By: Karen Albright, RN  
Administrator  
12/27/10

TENANT: Riva Road Surgical Center, LLC  
By: [Signature]  
Printed Name: William Gueck  
Title: authorized manager



TRSC expansion overview

Term: currently ends 2/28/17 but extending to net SJP 5 years from end of ReMax/Expansion suite which results in term extending through 10/31/17

Rate: \$26.00 sf on expansion (1,800) + blend w/ current \$27.32sf (see attached for methodology)

TI: \$10.00 sf for expansion suite. TI paying \$500 oversight fee + filing our permit + doing our TI

Abatement: 7 months outside term for expansion suite

Sean Doordan

2560 Lord Baltimore Dr  
Otc | 410 788 0100

Baltimore MD 21244  
Fax | 410 369 1811

[www.stjohnpropertiesinc.com](http://www.stjohnpropertiesinc.com)

RRSC Expansion  
Rent Calculation

RRSC - Existing

<u>Term</u>	<u>Annual Rent</u>	<u>Monthly Rent</u>	<u>PSF</u>
February 1, 2011 – February 28, 2011	\$---	\$ 12,293.18	\$ 27.32
March 1, 2011 - February 28, 2012	\$ 151,943.70	\$ 12,661.98	\$ 28.14
March 1, 2012 - February 28, 2013	\$ 156,502.02	\$ 13,041.83	\$ 28.98
March 1, 2013 - February 28, 2014	\$ 161,197.08	\$ 13,433.09	\$ 29.85
March 1, 2014 - February 28, 2015	\$ 166,032.99	\$ 13,836.08	\$ 30.75
March 1, 2015 - February 28, 2016	\$ 171,013.98	\$ 14,251.16	\$ 31.67
March 1, 2016 - February 28, 2017	\$ 176,144.40	\$ 14,678.70	\$ 32.62
March 1, 2017 - October 31, 2017	\$ -	\$ 15,119.06	\$ 33.60
	<u>\$ 1,116,079.83</u>		

RRSC - Expansion

<u>Term</u>	<u>Annual Rent</u>	<u>Monthly Rent</u>	<u>PSF</u>
February 1, 2011 – August 31, 2011	\$ -	\$ -	\$ -
September 1, 2011 - August 31, 2012	\$ 46,800.00	\$ 3,900.00	\$ 26.00
September 1, 2012 - August 31, 2013	\$ 48,204.00	\$ 4,017.00	\$ 26.78
September 1, 2013 - August 31, 2014	\$ 49,650.12	\$ 4,137.51	\$ 27.58
September 1, 2014 - August 31, 2015	\$ 51,139.62	\$ 4,261.64	\$ 28.41
September 1, 2015 - August 31, 2016	\$ 52,673.81	\$ 4,389.48	\$ 29.26
September 1, 2016 - August 31, 2017	\$ 54,254.03	\$ 4,521.17	\$ 30.14
September 1, 2017 - October 31, 2017	\$ -	\$ 4,656.80	\$ 31.05
	<u>\$ 312,035.19</u>		

RRSC Combined Schedule

<u>Term</u>	<u>Annual Rent</u>	<u>Monthly Rent</u>	<u>PSF</u>
February 1, 2011 – August 31, 2011	\$ -	\$ 12,293.18	\$ 20.49
September 1, 2011 - August 31, 2012	\$ 198,743.70	\$ 16,561.98	\$ 27.60
September 1, 2012 - August 31, 2013	\$ 204,706.02	\$ 17,058.83	\$ 28.43
September 1, 2013 - August 31, 2014	\$ 210,847.20	\$ 17,570.60	\$ 29.28
September 1, 2014 - August 31, 2015	\$ 217,172.61	\$ 18,097.72	\$ 30.16
September 1, 2015 - August 31, 2016	\$ 223,687.79	\$ 18,640.65	\$ 31.07
September 1, 2016 - August 31, 2017	\$ 230,398.42	\$ 19,199.87	\$ 32.00
September 1, 2017 - October 31, 2017		\$ 19,775.86	\$ 32.96
	<u>\$ 1,430,935.60</u>		

Combined  
Rent Schedule

Note: Delayed 3% escalation in existing premises from March 1st to September 1st.

THIS LEASE, made this 19 day of October, 2006, by and between St. John Properties, Inc., as agent for owner, (herein called "Landlord"), and Riva Road Surgery Center, L.L.C., a Maryland L.L.C., (herein called "Tenant").

WITNESSETH, that In consideration of the rental hereinafter agreed upon and the performance of all the conditions and covenants hereinafter set forth on the part of Tenant to be performed, Landlord does hereby lease unto said Tenant, and the latter does lease from the former an agreed upon 5,400 square feet at the following address: 2835 Riva Road, Suites 114-118, Annapolis, Maryland 21401, (herein called the "Premises") for the term of ten (10) years, beginning on the first (1<sup>st</sup>) day of March, 2007, and ending on the twenty-eighth (28<sup>th</sup>) day of February, 2017 (herein called "Term") for the annual rental of \$135,000.00, (herein called "Annual Rent"), subject to Annual Rent increases (as defined in Section 2 herein), payable in advance on the first day of each and every month during the Term, (and renewal term(s), if any) in equal monthly installments of \$11,250.00.

Said installments of Annual Rent shall be paid to St. John Properties, Inc., 2560 Lord Baltimore Drive, Baltimore, Maryland 21244 or at such other place or to such appointee of Landlord as Landlord may from time to time designate in writing.

**TENANT COVENANTS AND AGREES WITH LANDLORD AS FOLLOWS:**

1. Tenant shall pay said rent and each installment of Annual Rent thereof and Additional Rent (as defined in section 4 herein) as and when due without setoff or deduction.

**RENTAL ESCALATION**

2. Beginning with the first anniversary of the commencement date of the Term and each annual anniversary thereafter throughout the remainder of the Lease and renewal term(s), if any, the Annual Rent shall be increased by an amount equal to three percent (3%) of the previous year's rent, which sum shall be payable in equal monthly installments in advance as hereinafter set forth.

**USE**

3. Tenant shall use and occupy the Premises solely for the following purposes: Physicians office and outpatient surgery center. No abortions shall be performed in the Premises at any time.

**ADDITIONAL RENT**

4. All sums of money other than Annual Rent required to be paid by Tenant to Landlord pursuant to the terms of this Lease, unless otherwise specified herein, shall be considered additional rent and shall be collectible by Landlord as additional rent (herein called "Additional Rent"), in accordance with the terms of this Lease, including but not limited to:

**A. UTILITIES**

Tenant shall apply for and pay all costs of electricity, gas, telephone and other utilities used or consumed on the Premises, together with all taxes, levies or other charges on such utilities.

Tenant agrees to pay Landlord, as Additional Rent, Tenant's pro rata share, (as the same is defined in this subsection 4A of the water and sewer service charges chargeable (herein "Water and Sewer Charges") to the building or group of buildings in which the Premises is located, together with all land, parking, improvements and other common areas adjacent thereto (herein collectively the "Property"). However, if in Landlord's reasonable judgment the Water and Sewer Charges for the Premises are substantially higher than normal due to Tenant's water usage, then Tenant agrees to install a water meter upon Landlord's written request and thereafter pay all water charges for the Premises based on such meter reading. "Tenant's Pro-Rata Share of Water and Sewer Charges" shall mean the same percentage that the gross square foot area of the Premises bears to the gross square foot area of all leasable floor area within the Property that is occupied during the calendar year billing period. Landlord shall notify Tenant of any change in Tenant's Pro Rata Share of Water and Sewer Charges.

**Landlord warrants to Tenant that the building shall have adequate water to supply the needs of the Premises by Tenant as an ambulatory surgery center.**

#### B. TAXES

Tenant shall pay to Landlord, as Additional Rent, Tenant's Pro Rata Share (as defined herein) of the Real Estate Taxes that may be levied or assessed by lawful taxing authorities against the land, buildings and improvements on the Property. If this lease shall be in effect for less than a full fiscal year, the Tenant shall pay a Pro Rata Share of the taxes based upon the number of months that this lease is in effect. Said taxes shall include, but not by way of limitation, all paving taxes, and any and all benefits or assessments which may be levied on the Premises hereby leased but shall not include the United States Income Tax, or any State or other income tax upon the income or rent payable hereunder.

Prior to or shortly after commencement of this Lease, Landlord will notify Tenant of Tenant's share of the current tax year's tax bill. Tenant will pay this amount to Landlord within thirty (30) days of date of notice. Tenant will also make escrow payments monthly for subsequent tax years beginning at lease commencement.

Landlord shall submit to Tenant a statement summarizing Landlord's Real Estate Taxes paid on the Property to be paid by Tenant with respect to each fiscal year, the amount escrowed by Tenant, and the amount of the resulting balance due or overpayment. Each such statement shall be final and conclusive if no objection is raised within ninety (90) days after submission of each such statement. If a balance is due to Landlord, tenant will pay balance to Landlord within thirty (30) days of date of notice.

### C. OPERATING EXPENSES

For each full or partial calendar year during the Term, Tenant shall pay to Landlord as Additional Rent, Tenant's pro rata share of the operating expenses which are defined as one hundred percent (100%) of the total cost and expense incurred by or on behalf of Landlord in each calendar year in operating, maintaining, and repairing (which includes replacements, additions, and alterations) the common areas of the Property (herein "Operating Expenses").

Operating Expenses include, without limitation; i) the cost of maintaining and repairing all service pipes, electric, gas and water lines and sewer mains leading to and from the Premises and the building in which the Premises is located; ii) all costs incurred in painting, resurfacing, and landscaping; iii) all costs for repairs and improvements, line painting and striping, common area lighting and electric, removal of snow, grass cutting, cleaning of parking areas; iv) all costs incurred in maintaining, repairing and replacing the paving, parking areas, curbs, gutters, sidewalks, and steps; v) all costs for repairs and improvements to roof and exterior walls; vi) all costs for monitoring and maintaining, repairing and replacing fire sprinkler monitoring equipment; vii) Landlord's property casualty, liability, and business interruption insurance; viii) security guard/access control services (when Landlord in its reasonable judgment deems necessary); ix) trash removal when supplied by Landlord; x) the cost of compliance with any governmental rules, regulations, requirements or orders; xi) management fees, accounting fees and the cost of services of independent contractors; the cost of compensation (including employment taxes and fringe benefits) of all persons who perform duties in connection with such Operating Expenses; and any other expenses or charges which, in accordance with generally accepted accounting and management principals, would be considered an expense of owning, managing, insuring, maintaining, operating, and repairing the Property.

Operating Expenses shall not include: any expenses paid by any tenant directly to third parties, or as to which Landlord is otherwise reimbursed by any third party or by any insurance proceeds, (Landlord may, in a reasonable manner, allocate insurance premiums for so-called "blanket" insurance policies, which insure other properties as well as the Building, and said allocated amounts shall be deemed to be Operating Expenses. Nor shall Operating Expenses include: payments of principal and interest on any mortgages, deeds of trust or other financing instruments relating to the financing of the Property; leasing commissions or brokerage fees; costs associated with preparing, improving or altering a space for any leasing or releasing of any space within the Property.

"Tenant's Pro Rata Share of Operating Expenses" (applied to all Operating Expenses except trash removal which formula is calculated below) shall mean the same percentage that the gross square foot area of Tenant's Premises bears to the gross square foot of all leasable floor area within the Property where the Premises is located. Landlord shall notify Tenant of any change in Tenant's



Pro Rata Share of Operating Expenses". "Tenant's Pro Rata Share of Operating Expenses" as of the date of this Lease is equal to thirty percent (30.00%).

"Tenant's Pro Rata Share of Trash Removal" shall mean the same percentage that the gross square foot area of the Premises bears to the total gross square foot area of all tenants using the trash removal services during the calendar year of the billing period.

Landlord shall notify Tenant from time to time of the amounts which Landlord estimates will be payable by Tenant for Tenant's Pro Rata Share of Water and Sewer Charges, Taxes, Operating Expenses and Trash Removal and Tenant shall pay such amounts in equal monthly installments, as Additional Rent, in advance on or before the first day of each month during the Term. Within a reasonable period of time following the end of each calendar year Landlord shall submit to Tenant a statement summarizing Landlord's costs for the Water and Sewer Charges, Taxes, Operating Expenses to be paid by Tenant with respect to such year, the amount paid by Tenant, and the amount of the resulting balance due or overpayment. If a balance is due to Landlord, Tenant will pay balance to Landlord within thirty (30) days of invoice. Each such statement shall be final and conclusive if no objection is raised within ninety (90) days after submission of each such statement.

Notwithstanding the foregoing provisions of the above section, Landlord shall have the right to require Tenant to pay Tenant's Pro Rata Share of Water and Sewer Charges, Taxes, Operating Expenses and Trash Removal in quarterly or semi-annual payments rather than on a monthly basis as provided herein.

#### **MUNICIPAL REGULATING**

5. Tenant shall observe, comply with and execute at its expense, all laws, orders, rules, requirements, and regulations of the United States, State, City or County of the said State, in which the Premises is located, and of any and all governmental authorities or agencies and of any board of fire underwriters or other similar organization, respecting the Premises and the manner in which the Premises are or should be used by Tenant.

#### **ASSIGNMENT AND SUBLET**

6. Tenant shall not assign this Lease, in whole or in part, or sublet the Premises, or any part or portion thereof, or grant any license or concession for any part of the Premises, without the prior written consent of Landlord, which consent shall not be unreasonably withheld. If such assignment or subletting is permitted, Tenant shall not be relieved from any liability whatsoever under this Lease. Landlord shall be entitled to all additional considerations over and above those stated in this Lease, which are obtained in or for the sublease and/or assignment. No option rights can be assigned or transferred by Tenant to an assignee or subtenant, unless the Lease is assigned to a publicly traded company with a market capitalization in excess of \$100,000,000.00. Any sublet

or assignment of this Lease will be assessed with processing fees to be paid for by Tenant as Additional Rent. Such processing fees shall not exceed \$500.00.

## INSURANCE

### 7. A. TENANT'S INSURANCE

Throughout the Term of this Lease, Tenant shall obtain and maintain:

1. Business Personal Property Insurance covering Special Causes of Loss. Such Business Personal Property Insurance shall not be in an amount less than that required to replace all of the Tenant's trade fixtures, decorations, furnishings, equipment and personal property and in an amount required to avoid the application of any coinsurance provision. Such Business Personal Property Insurance shall contain a Replacement Cost valuation provision.

2. Business Income Insurance covering Special Causes of Loss. Such Business Income Insurance shall be in minimum amounts typically carried by prudent businesses engaged in similar operations, but in no event shall be in an amount less than the Annual Rent then in effect for the lease year.

3. Commercial General Liability insurance (written on an occurrence basis) including Contractual Liability coverage insuring the obligations assumed by Tenant under this Lease, Premises and Operations coverage, Personal Injury Liability coverage, Independent Contractor's Liability coverage. Such Commercial General Liability insurance shall be in minimum amounts typically carried by prudent businesses engaged in similar operations, but in no event shall be in an amount less than Two Million Dollars (\$2,000,000) combined single limit per occurrence with a Three Million Dollar (\$3,000,000) annual aggregate. If Tenant conducts operations at locations and/or projects other than the Premises, such annual aggregate limit will be expressed on a "per location" and/or "per project" basis, as may be the case. If the nature of Tenant's operations are such that Tenant has seniors, children, developmentally-disabled or other vulnerable people in its care or if such people are in the Tenant's care incidental to the Tenant's operations, Tenant's Commercial General Liability Insurance shall not exclude coverage for Sexual Abuse and/or Molestation. Tenant agrees to notify Landlord of any erosion in its Commercial General Liability annual aggregate limit within ten (10) days of being advised of such erosion by its insurer or insurance agent.

All such insurance shall: (i) be issued by a company that is "Admitted" to do business in the jurisdiction in which the Premises are located, and that has a rating equal to or exceeding A: XI from A.M. Best Company; (ii) name Landlord and the holder of any Mortgage if requested by mortgagee as Additional Insured/Loss Payees, as applicable (for General Liability insurance, this will be accomplished by use of policy form CG 2011 [November, 1985 edition date] or its equivalent); (iii) contain an endorsement prohibiting cancellation, failure to renew, reduction of amount of insurance or

reduction in the scope of coverage without the Insurer first giving Landlord thirty (30) days' prior written notice (by certified or registered mail, return receipt requested) of such proposed action (no less than ten [10] days' notice of cancellation or failure to renew for non-payment of premium).

No such Commercial General Liability insurance shall contain a self insured retention provision except as otherwise approved in writing by Landlord, which approval shall not be unreasonably withheld. Landlord reserves the right from time to time to require Tenant to obtain higher minimum amounts or different types of insurance if it becomes customary for other landlords of similar buildings as that which contains the Premises to require similar-sized tenants in similar industries to carry insurance of such higher minimum amounts or of different types. At the commencement of this Lease, Tenant shall deliver a certificate of all required insurance and will continue throughout the Term of this Lease to do so not less than ten (10) days prior to the expiration of any required policy of insurance. Neither the issuance of any insurance policy required under this Lease nor the minimum limits specified herein shall be deemed to limit or restrict in any way Tenant's liability arising under or out of this Lease.

All insurance shall provide that the insurer thereunder waives all right of recovery by way of subrogation against Landlord, its partners, employees, agents, representatives and any other party required to be the recipient of such a waiver under the terms of any written contract or agreement with Landlord pertaining to this Lease and/or to the Premises, in connection with any loss or damage covered by such policy. To the fullest extent permitted by law, Tenant shall indemnify and hold harmless Landlord, its partners, employees, agents, representatives and any other party required to be indemnified and/or held harmless under the terms of any written contract or agreement with Landlord pertaining to this Lease and/or to the Premises, from and against all claims, damages, losses, costs and/or expenses, including, but not limited to attorneys' fees, arising out of or resulting from Tenant's acts or omissions, occupancy of the Premises or obligations under this Lease. Such indemnification and/or hold harmless shall not be invalidated by the partial negligence of one or more of the indemnities. If the laws of the governing jurisdiction do not permit such an indemnification and/or hold harmless, then Tenant's obligations to indemnify and hold harmless the indemnities will be to the fullest extent permitted and all other parts of this Lease and this paragraph will apply.

#### B. LANDLORD'S INSURANCE

Throughout the Term of this Lease, Landlord shall obtain and maintain:

1. Real Property Insurance against Special Causes of Loss and subject to Replacement Cost valuation covering the Building and all of Landlord's property therein in an amount required by its insurance company to avoid the application of any coinsurance provision.

2. Commercial General Liability insurance (written on an occurrence basis) including Contractual Liability coverage insuring the obligations assumed by Landlord under this Lease, Premises and Operations coverage, Personal Injury Liability coverage, Independent Contractor's Liability coverage. Such Commercial General Liability insurance shall be in amounts not less than Two Million Dollars (\$2,000,000) combined single limit per occurrence with a Four Million Dollar (\$4,000,000) annual aggregate.

#### ALTERATIONS

8. A. Tenant shall not make alterations to the Premises in addition to original improvements existing in the Premises at the time of occupancy without the prior written consent of Landlord, which consent will not be unreasonably withheld, conditioned or delayed.

B. In the event Tenant shall desire to make any such alterations, plans for the same shall first be submitted to Landlord for approval, and upon approval, the same shall be performed by Tenant at its own expense. In the event that a building permit is required, Landlord shall have the first option to submit the permit application on behalf of the Tenant. Any permit cost shall be at Tenant's expense. Tenant agrees that all work shall be done in a good and workmanlike manner, that the structural integrity of the building shall not be impaired, that no liens shall attach to the building by reason thereof, and that all alterations shall be in accordance with all applicable codes. Tenant also agrees to obtain, prior to commencing to make such alterations, and to keep in full force and effect at all time while such alterations are being made, all at Tenant's sole cost and expense, such policies of insurance pertaining to such alterations and/or to the making thereof as Landlord reasonably may request or require Tenant to obtain, including, but not limited to, public liability and property damage insurance, and to furnish Landlord evidence satisfactory to Landlord of the existence of such insurance prior to Tenant's beginning to make such alterations. Tenant shall also provide to Landlord evidence of lien waivers for each and every contractor Tenant hires.

C. Any such alterations, excluding Tenant's trade fixtures and furniture, shall become the property of Landlord as soon as they are affixed to the Premises and all rights, title and interest therein of Tenant shall immediately cease, unless otherwise agreed to by Landlord in writing. Landlord shall have the sole right to collect any insurance for any damage of any kind caused by any alterations or improvements placed upon the Premises by Tenant. If the making of any such alterations, or the obtaining of any permits therefore shall directly or indirectly result in a franchise, minor privilege or any other tax or increase in tax, assessment or increase in assessment, such franchise, privilege, tax or assessment shall be paid, immediately upon its levy and subsequent levy, by Tenant.

D. Unless Landlord shall consent in writing that all or part of any alterations installed by Tenant shall remain, the Premises shall be restored to their original condition by Tenant, at its own expense, before the expiration of its tenancy.

E. Costs of alterations or modifications (In addition to the Improvements as described herein in Section 34) Tenant requests Landlord to make on Tenant's behalf during the Term of this Lease shall be due and payable as Additional Rent.

#### **MAINTENANCE**

9. A. Tenant shall, during the Term, keep the Premises and appurtenances (including, but not limited to, interior and exterior windows, interior and exterior doors, interior plumbing, heating, ventilating and air conditioning (HVAC), interior electrical in good order and condition and will make all necessary repairs or replacement thereof. Any repair made by Landlord at Tenant's request to the Premises shall be invoiced to Tenant and shall become due and payable as Additional Rent within thirty (30) days of invoice. Tenant will be responsible for all exterminating services, except termites, required in the Premises. If Tenant does not make necessary repairs within fifteen (15) days after receiving written notice from Landlord of the need to make a repair, Landlord may proceed to make said repair and the cost of said repair will become part of and in addition to the next due monthly installment of Additional Rent.

B. Tenant agrees to furnish to Landlord, at the expense of Tenant, prior to occupancy, a copy of an executed and paid for annual maintenance contract on all heating and air conditioning (HVAC) equipment with a reputable company acceptable to Landlord and said contract will be kept in effect during the Term of the Lease at the expense of Tenant. Should Tenant not provide a satisfactory HVAC Maintenance contract to Landlord prior to occupancy, Tenant shall be provided a contract through St. John Properties, Inc. Billings for this contract shall become due and payable as Additional Rent within thirty (30) days of invoice.

C. Landlord shall make all necessary structural repairs to the exterior masonry walls and roof of the Premises, after being notified in writing of the need for such repairs, provided the necessity for such repairs was not caused by the negligence or misuse of Tenant, its employees, agents or customers.

D. Tenant shall, at the expiration of the Term or at the sooner termination thereof by forfeiture otherwise, deliver up the Premises in the same good order and condition as it was at the beginning of the tenancy, reasonable wear and tear excepted.

**DEFAULT**

10. In the event Tenant shall fail to pay said installments of Annual Rent, Additional Rent or any other sum required by the terms of this Lease, additional written agreements or addenda of this Lease to be paid by Tenant, and such failure shall continue for five (5) days after Landlord has given written notice thereof to Tenant, Landlord shall have along with any and all other legal remedies the immediate right to make distress therefore, and upon such distress, in Landlord's discretion, this tenancy shall terminate. In the event Tenant shall fail to comply with any of the provisions, covenants or conditions of this Lease, on its part to be kept and performed, and such default shall continue for a period of ten (10) days after Landlord has given written notice to Tenant, then, upon the happening of any such event, and in addition to any and all other remedies that may thereby accrue to Landlord, Landlord may do the following:

A. Landlord's Election to Retake Possession Without Termination of Lease

Landlord may retake possession of the Premises and shall have the right, but not the obligation, without being deemed to have accepted a surrender thereof, and without terminating this Lease, to relet the same for the remainder of the Term upon terms and conditions satisfactory to Landlord; and if the rent received from such reletting does not at least equal the Annual Rent and other sums payable by Tenant hereunder, Tenant shall pay and satisfy the deficiency between the amount of Annual Rent and other sums so provided in this Lease and the Annual Rent received through reletting the Premises; and, in addition, Tenant shall pay reasonable expenses in connection with any such reletting, including, but not limited to, the cost of renovating, altering, and decorating for any occupancy, leasing commissions paid to any real estate broker or agent, and attorneys' fees incurred.

B. Landlord's Election to Terminate Lease

Landlord may terminate the Lease and forthwith repossess the Premises and be entitled to recover as damages a sum of money equal to the total of the following amounts:

- 1) any unpaid rent or any other outstanding monetary obligation of Tenant to Landlord under the Lease;
- 2) the balance of the rent and other sums payable by Tenant for the remainder of the Term to be determined as of the date of Landlord's re-entry;
- 3) damages for the wrongful withholding of the Premises by Tenant
- 4) all legal expenses, including attorneys' fees, expert and witness fees, court costs and other costs incurred in exercising its rights under the Lease;

- 5) all costs incurred in recovering the Premises, restoring the Premises to good order and condition, and all commissions incurred by Landlord in reletting the Premises; and
- 6) any other reasonable amount necessary to compensate Landlord for all detriment caused by Tenant's default.

#### **DAMAGE**

11. In the case of the total destruction of the Premises by fire, other casualties, the elements or other cause, or of such damage thereto as shall render the same totally unfit for occupancy by Tenant for more than sixty (60) days, this Lease, upon surrender and delivery to Landlord of the Premises, together with the payment of the monthly installments of Annual Rent and Additional Rent to the date of such occurrence, shall terminate and be at an end. If the Premises are rendered partly untenable by any cause mentioned in the preceding sentence, Landlord shall, at its own expense, restore the Premises with all reasonable diligence, and the monthly installments of Annual Rent and Additional Rent shall be abated proportionately for the period of said partial untenability and until the Premises shall have been fully restored by Landlord.

#### **BANKRUPTCY**

12. In the event of the appointment of a receiver or trustee for Tenant by any court, Federal and State, in any legal proceedings under any provisions of the Bankruptcy Act, if the appointment of such receiver or such trustee is not vacated within sixty (60) days, or if said Tenant be adjudicated bankrupt or insolvent, or shall make an assignment for the benefit of its creditors, then and in any of said events, Landlord may, at its option, terminate this tenancy by ten (10) days written notice, and re-enter upon the Premises.

#### **POSSESSION/BENEFICIAL OCCUPANCY**

13. Landlord covenants and agrees that possession of the Premises shall be given to Tenant as soon as the Premises are ready for occupancy. If possession cannot be given to Tenant on or before the commencement date of this Lease, Landlord agrees to abate the rent proportionately until possession is given to said Tenant and Tenant agrees to accept such prorated abatement as liquidated damages for the failure to obtain possession.

If Tenant occupies any portion of the Premises prior to tender of possession thereof by Landlord, such occupancy shall be deemed to be beneficial occupancy and a proportionate share of the Annual Rent and Additional Rent shall be due and payable as to that portion of the Premises so occupied, immediately upon Tenant's occupancy. Such occupancy by Tenant and installments of Annual Rent and Additional Rent thereby due shall not depend on official governmental approval of such occupancy, state of completion of building, availability or connection of utilities and services

including but not limited to water, sewer, well water, septic system, gas, oil, or electric. No Annual Rent credit shall be given because of lack of utilities or services unless caused by the negligence of Landlord.

#### **SIGNS, ETC.**

14. Tenant covenants and agrees that:

A. It shall not place or permit any signs, lights, awnings or poles on or about the exterior of the Premises without the prior permission, in writing, of Landlord and in the event such consent is given, Tenant agrees to pay any minor privileges or other tax.

B. Landlord, at Landlord's option, may immediately remove and dispose of any of the unauthorized aforementioned items at the expense of Tenant and said cost shall become part of and in addition to the next due monthly installments of Annual Rent, as Additional Rent. Tenant further covenants and agrees that it will not paint or make any changes in or on the outside of the Premises without the written consent of Landlord. Tenant agrees that it will not do anything on the outside of the Premises to change the uniform architecture, paint or appearance of said building, without the written consent of Landlord.

C. Landlord shall have the right to place a "For Rent" sign on any portion of the Premises for ninety (90) days prior to termination of this Lease and to place a "For Sale" sign thereon at any time.

#### **EXTERIOR OF PREMISES**

15. Tenant further covenants and agrees not to put any items on the sidewalk or parking lot in the front, rear, or sides of said building or block said sidewalk, and not to do anything that directly or indirectly takes away any of the rights of ingress or egress of light from any other tenant of Landlord or do anything which will, in any way, change the uniform and general design of the Property of which the Premises hereby leased shall constitute a part. Tenant will also keep the steps to the Premises free and clear of ice, snow and debris.

#### **WATER DAMAGE**

16. Tenant covenants and agrees that Landlord shall not be held responsible for and Landlord is hereby released and relieved from any liability by reason of or resulting from damage or injury to person or property of Tenant or of anyone else, directly or indirectly caused by (a) dampness or water in any part of the Premises or in any part of any other property of Landlord or of others and/or (b) any leak or break in any part of the Premises or in any part of any other property of Landlord or of others or in the pipes of the plumbing or heating works thereof, unless the damage is due to Landlord's negligence.



**LIABILITY**

17. Landlord shall not be liable to Tenant for any loss or injury to Tenant or to any other person or to the property of Tenant or of any other person unless such loss or damage shall be caused by or result from a negligent act or omission solely on the part of Landlord or any of its agents, servants, or employees. Tenant shall, and does hereby, indemnify and hold harmless Landlord and any other parties in interest from and against any and all liabilities, fines, claims, damages and actions, costs and expenses of any kind or nature (including attorneys' fees) and of anyone whatsoever (i) relating to or arising from the use and occupancy of the Premises; (ii) due to or arising out of any mechanic's lien filed against the building, or any part thereof, for labor performed or for materials furnished or claimed to be furnished to Tenant, or (iii) due to or arising out of any breach, violation or nonperformance of any covenant, condition or agreement in this Lease set forth and contained on the part of Tenant to be fulfilled, kept, observed or performed.

In the event Landlord provides any Security Guard or Access Control Services as described herein in Section 4c, Landlord is hereby released from any responsibility for any damages either to person or property sustained by Tenant incurred in connection with or arising from acts or omissions of any Security Guard or Access Control Services provided by Landlord.

**RIGHT OF ENTRY**

18. It is understood and agreed that Landlord, and its agents, servants, and employees, including any builder or contractor employed by Landlord, shall have, and Tenant hereby gives them and each of them, the absolute, and unconditional right, license and permission, at any and all reasonable times, and for any reasonable purpose whatsoever, to enter through, across or upon the Premises or any part thereof, and, at the option of Landlord, to make such reasonable repairs to or changes in the Premises as Landlord may deem necessary or proper. Tenant agrees Landlord and its agents and assigns have the unconditional right to show the Premises for lease at any time, without notice once Tenant notifies Landlord of its intention to vacate the Premises.

**EXPIRATION**

19. It is agreed that the Term of this Lease expires on February 28, 2017 without the necessity of any notice by or to any of the parties hereto. If Tenant shall occupy the Premises after such expiration, it is understood that, in the absence of any written agreement to the contrary, said Tenant shall hold the Premises as a "Tenant from month to month", subject to all the other terms and conditions of this Lease, at double the highest monthly installments of Annual Rent reserved in this Lease; provided that Landlord shall, upon such expiration, be entitled to the benefit of all public general or public local laws relating to the speedy recovery of the possession of lands and tenements held over by Tenant that may be now in force or may hereafter be enacted.

Prior to Lease expiration, Tenant agrees to schedule an inspection with Landlord to confirm that the Premises will be in proper order at expiration, including, but not limited to, lighting, mechanical, electrical and plumbing systems.

#### CONDEMNATION

20. It is agreed that in the event condemnation proceedings are instituted against the Premises and possession taken by the condemning authority, then this Lease shall terminate at the date possession is taken and Tenant shall not be entitled to recover any part of the award.

#### SUBORDINATION

21. It is agreed that Landlord shall have the right to place a mortgage or deed of trust on the Premises and this Lease shall be subordinate to any such mortgage or deed of trust whether presently existing or hereafter placed on the Premises, and Tenant agrees to execute any reasonable documents assisting the effectuating of said subordination. Furthermore, if any person or entity shall succeed to all or part of Landlord's interest in the Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease, or otherwise, Tenant shall automatically attorn to such successor in interest, which attornment shall be self operative and effective upon the signing of this Lease, and Tenant shall execute such other agreement in confirmation of such attornment as such successor in interest shall reasonably request.

#### NOTICE

22. Any written notices required by this Lease shall be deemed sufficiently given, if (i) hand delivered, (ii) sent via first class U.S. mail, (iii) certified mail or (iv) overnight courier service.

Any notice required by this Lease is to be sent to Landlord at:

2560 Lord Baltimore Drive

Ballimore, Maryland 21244

Any notice required by this Lease is to be sent to Tenant at:

2635 Riva Road, Suite 114

Annapolls, Maryland 21401

Emergency Contact Information:

Address: \_\_\_\_\_

\_\_\_\_\_

Contact: \_\_\_\_\_

Title: \_\_\_\_\_

Telephone: \_\_\_\_\_

Fax: \_\_\_\_\_

**REMEDIES NOT EXCLUSIVE**

23. No remedy conferred upon Landlord shall be considered exclusive of any other remedy, but shall be in addition to every other remedy available to Landlord under this Lease or as a matter of law. Every remedy available to Landlord may be exercised concurrently or from time to time, as often as the occasion may arise. Tenant hereby waives any and all rights which it may have to request a jury trial in any proceeding at law or in equity in any court of competent jurisdiction.

**NON-WAIVER**

24. It is agreed that the failure of Landlord to insist in any one or more instances upon a strict performance of any covenant of this Lease or to exercise any right herein contained shall not be construed as a waiver or relinquishment for the future of such covenant or right, but the same shall remain in full force and effect, unless the contrary is expressed in writing by Landlord. The receipt of the monthly installments of Annual Rent or Additional Rent by Landlord, with knowledge of any breach of this Lease by Tenant or of any default on the part of Tenant hereunder, shall not be deemed to be a waiver of any provisions of this Lease. Neither acceptance of the keys nor any other act or thing done by Landlord or any agent or employee of Landlord shall be deemed to be an acceptance of a surrender of the Premises, excepting only an agreement in writing by Landlord accepting or agreeing to accept such surrender.

**SECURITY DEPOSIT AND FINANCIAL STATEMENTS**

25. A security deposit of \$11,250.00 is required to accompany this Lease, when submitted for approval by Landlord, subject to all the conditions of the security deposit agreement attached. If this Lease is not approved by Landlord within thirty (30) days of its submission to Landlord, the security deposit will be refunded in full. Landlord shall have the right to require annual financial statements for Tenant and/or any Guarantor of this Lease. Tenant or Guarantor shall provide written answers to any questions from Landlord which are related to Tenant's financial statements or provide written projections on Tenant's business, if the financials are unacceptable to Landlord.

**FINAL AGREEMENT**

26. This Lease contains the final and entire agreement between the parties hereto, and neither they nor their agents shall be bound by any terms, conditions or representations not herein written.

**LEGAL EXPENSE**

27. In the event, to enforce the terms of this Lease, either party files legal action against the other, and is successful in said action, the losing party agrees to pay all reasonable expenses to the prevailing party, including the attorneys' fee incident to said legal action. In the event that Landlord is successful in any legal action filed against Tenant, Landlord's expenses incident to said legal action shall be due as Additional Rent within thirty (30) days of invoice.

**LAND**

28. It is agreed that the Premises is the building area occupied by Tenant and only the land under that area.

**RELOCATION**

29. Intentionally Deleted.

**ENVIRONMENTAL REQUIREMENTS**

30. Tenant hereby covenants and agrees that if at any time it is determined that there are materials placed on the Premises by Tenant which, under any environmental requirements require special handling in collection, storage, treatment, or disposal, Tenant shall, within thirty (30) days after written notice thereof, take or cause to be taken, at its sole expense, such actions as may be necessary to comply with all environmental requirements. If Tenant shall fail to take such action, Landlord may make advances or payments towards performance or satisfaction of the same but shall be under no obligation to do so; and all sums so advanced or paid, including all sums advanced or paid in connection with any judicial or administrative investigation or proceeding relating thereto, including, without limitation, reasonable attorneys' fees, fines, or other penalty payments, shall be at once repayable by Tenant as Additional Rent and shall bear interest at the rate of four percent (4%) per annum above the Prime Rate from time to time as published by The Wall Street Journal, from the date the same shall become due and payable until the date paid. Failure of Tenant to comply with all environmental requirements shall constitute and be a default under this Lease.

Tenant will remain totally liable hereunder regardless of any other provisions which may limit recourse.

**SEVERABILITY**

31. In the event any one or more of the provisions contained in this Lease shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Lease, but this Lease shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

**LATE CHARGE**

32. In the event Tenant shall fail to pay when due, the monthly installments of Annual Rent, Additional Rent or any other sum required by the terms of this Lease to be paid by Tenant, then, upon the happening of any such event, and in addition to any and all other remedies that may thereby accrue to Landlord, Tenant agrees to pay to Landlord a late charge of five percent (5%) of the monthly account balance. The late charge on the base rent accrues after ten (10) days of the due date, payable as Additional Rent and the late charge on other amounts due Landlord accrue thirty (30) days from invoice, payable as Additional Rent.

In the event the monthly installment of Annual Rent is received fifteen (15) days after due date, Landlord shall have option to require the rental payment be made with a certified or cashier's check.

#### **QUIET ENJOYMENT**

33. Tenant, upon paying the monthly installments of Annual Rent, Additional Rent and other charges herein provided and observing and keeping all of its covenants, agreements, and conditions in this Lease, shall quietly have and enjoy the Premises during the Term of this Lease without hindrance or molestation by anyone claiming by or through Landlord; subject, however, to all exceptions, reservations and conditions of this Lease.

#### **LANDLORD'S WORK**

34. The Premises shall contain only the following items at the expense of Landlord: Landlord to deliver the space in its current shell condition, which includes the six (6) three (3) ton roof top HVAC Units. The cost of said units is \$18,360.00 or \$3.40 per square foot.

Landlord to pay Tenant \$115,560.00 or \$21.60 per square foot for Landlord's contribution towards the cost of Tenant's improvements. This payment shall be made to Tenant upon Tenant completing the construction of the interior improvements, Landlord inspecting the improvements, and Tenant receiving a use and occupancy permit from Anne Arundel County. The payment shall be made within 14 days of the above conditions being satisfied and Landlord receiving an invoice from Tenant.

#### **WINDOW COVERINGS**

35. Tenant shall not install any window covering other than a one-inch horizontal mini-blind of an off-white color unless approved in writing by Landlord.

#### **RULES AND REGULATIONS**

36. Tenant shall at all times comply with the Rules and Regulations attached hereto and made a part hereof. Landlord shall make a reasonable effort to enforce the Rules and Regulations equitably against all tenants of the Property.

#### **ESTOPPEL CERTIFICATE**

37. Tenant shall, at any time during the Term or any renewal thereof, upon request of Landlord, execute, acknowledge, and deliver to Landlord or its designee, a statement in writing, certifying that this Lease is unmodified and in full force and effect if such is the fact that the same is in full force and effect.

#### **EXCULPATION CLAUSE**

38. Neither Landlord nor any principal, partner, member, officer, director, trustee or affiliate of Landlord (collectively, "Landlord Affiliates") shall have any personal liability under any provision of this Lease.

### OPTIONS

39. Provided Tenant is not then in default hereunder, Tenant may extend the term of this Lease and as it may be amended from time to time, for two (2) further successive period of five (5) years each, by notifying Landlord in writing of its intention to do so at least one hundred twenty (120) days prior to the expiration of the then current term. The Annual Rent for each succeeding extension shall be adjusted as follows:

A. If at the end of the original term of this Lease or at the end of any renewal term, the official Consumers' Price Index for All Urban Consumers (CPIU), U.S. Average, All Items, published by the Bureau of Labor Statistics, U.S. Department of Labor (1982 - 1984=100) (the "CPI") is in excess of the CPI at the date of the commencement of the original term of this Lease, the Annual Rent for the succeeding Lease term shall be determined by multiplying said \$135,000.00 by a fraction, the numerator of which is the CPI six months prior to the end of the current Lease term, and the denominator of which is the CPI six months prior to the date of the commencement of the original term of this Lease. The monthly installments of Annual Rent shall be adjusted accordingly, provided, however, that the Annual Rent payable by Tenant under this Lease never be less than \$176,144.00 for the first option and \$198,252.00 for the second option.

B. In the event the Bureau of Labor Statistics shall cease to publish the aforesaid Index in its present form and calculated on the present basis, a similar Index or an Index reflecting similar changes in the cost of living shall be chosen by agreement of the parties. In the event the parties are unable to agree upon the selection of such an Index, such dispute shall be submitted to arbitration in accordance with the rules of the American Arbitration Association.

C. If the option to extend the term of this Lease is not timely exercised, the unexercised option to extend shall automatically become null and void.

D. The right to extend the term of this Lease may be exercised only by the undersigned Tenant, ~~unless the Lease is assigned to a publicly traded company with a market capitalization in excess of \$100,000,000.00 or by assignee approved by Landlord prior to the extension, for its continued use and occupancy of the Premises and only if it is in possession of the Premises and operating a permitted use when it exercises the right. No such right shall be assignable even though Landlord may have approved an assignment of this Lease.~~ However, if Tenant assigns this Lease, with Landlord's consent, to any corporation into which or with which Tenant merges or consolidates and/or to any parent, subsidiary, or affiliated corporation, the assignee may exercise such right to renew.

E. If Tenant shall default under the Lease, all unexercised rights to extend the term of the Lease shall automatically be extinguished and become null and void.

**BACKUP GENERATOR INSTALLATION**

40. Subject to Landlord's approval, and at Tenant's sole cost and expense, Tenant is hereby granted the right to install a backup generator for use in the Leased Premises. The generator shall be located outside the rear of the building, as indicated on the attached Exhibit B. Tenant shall be required to, at Tenant's expense, install an aluminum "board on board" type screen fence and landscaping around the generator. The Landlord shall determine the exact type and color of the fence as well as the type of landscaping to be installed. All of the costs associated with the generator, fence and landscaping shall be paid by the Tenant. In addition, Tenant shall pay for all repairs and maintenance associated with the back up generator.

**PARKING**

41. Landlord represents and warrants that the parking spaces available on the Improvements appurtenant to the Building comply and at all times during the term of this lease will comply with the parking requirements for medical offices of the State of Maryland and the municipality within which the improvements are located. Tenant shall have the right, together with other tenants in the Building, to use said parking lot adjacent to the Building for itself, its employees and invitees on an unassigned, non-exclusive basis. In the event that Landlord and Tenant mutually agree that it is necessary to do so, Landlord shall reserve three (3) additional parking spaces for Tenant.

AS WITNESS THE HANDS AND SEALS OF THE PARTIES HERETO THE DAY AND YEAR FIRST ABOVE WRITTEN:

WITNESS:

Gladys Aguirre

TENANT: Riva Road Surgery Center, L.L.C.,  
a Maryland L.L.C.

By: Gregory S. Goerger

Printed Name: GREGORY S. GOERGER

Title: MANAGER

WITNESS:

Richard Williamson

LANDLORD: St. John Properties, Inc.,  
as agent for owner

By: Richard Williamson

Printed Name: Richard Williamson

Title: Senior Vice President

EXHIBIT 6:

CHARGE MASTER

SEE ATTACHED DISK



**EXHIBIT 7:**  
**CHARITY CARE POLICY**

**RIVA ROAD SURGICAL CENTER, L.L.C.**

MANUAL:	Policy & Procedure	Effective Date:	11/2016
SECTION:	Administrative	Reviewed Date:	
POLICY:	2.3 Charity Care	Revised Date:	

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**PURPOSE:** To define facility policy related to provision of Charity Care at the facility.

**POLICY:**

Riva Road Surgical Center (“RRSC”) will provide services free or at a reduced fee to all patients who meet criteria. Each applicant for financial assistance or reduced fee arrangements must meet criteria as set by RRSC. RRSC financial aid is not a substitute for employer-sponsored, public or individually purchased insurance. RRSC will make an effort to provide Financial Assistance application, policies, procedures, and information available in English, Spanish, and/or any other language that will be understandable to target populations of patients utilizing RRSC services.

**PROCEDURE:**

1. Notice of the availability of charity care shall be published in local news media on an annual basis. Notice will also be posted in the Admissions Office and Business Office.
2. Individual notice of the availability of charity care, the potential for Medicaid eligibility and the availability of assistance from other government funded programs shall be provided to each person who seeks services in RRSC at the time of admission.
3. Request for charity or reduced fee arrangements must be made prior to service being rendered. RRSC.
4. The patient must show proof that Medical Assistance has been applied for and rejected. If the rejection is for non-compliance with all Medical Assistance paperwork requirements then reduced fee or charity will not be granted. If Medical Assistance rejection is based on income, disability or assets, RRSC will review patient’s Uniform Financial Assistance Application. If the patient has not yet applied for Medical Assistance, RRSC staff will assist the patient with the application.

5. RRSC will then review the application for the following:

- Do the patient's household size and income meet the Federal Government Poverty guidelines of 150% or less? These guidelines may be found on the web site for the US Department of Health and Human Services - <http://aspe.hhs.gov/poverty/>. If yes, then charity will be given and the patient will not be responsible for payment on services rendered.
- If the household size and income are between 151% and 200% of the Federal Government Poverty guidelines, the patient will be responsible for 50% of the patient responsibility after insurance payments. Extended payment plans are available.

Determination of probable eligibility for financial assistance will be made within two business days.

**EXHIBIT 8:**

**LICENSE AND AAAHC CERTIFICATION**



**STATE OF MARYLAND  
DEPARTMENT OF HEALTH AND MENTAL HYGIENE  
OFFICE OF HEALTH CARE QUALITY  
SPRING GROVE CENTER  
BLAND BRYANT BUILDING  
55 WADE AVENUE  
CATONSVILLE, MARYLAND 21228**

License No. A1449

Issued to: Riva Road Surgical Center, LLC  
2635 Riva Road, Suite 118  
Annapolis, MD 21401

Type of Facility or Community Program: **AMBULATORY SURGICAL CENTER**

Date Issued: May 31, 2016

**SPECIALTIES: General, Ophthalmology, Orthopedic, Pain Management,  
Podiatric and Other (Neuro-Spine)**

Authority to operate in this State is granted to the above entity pursuant to The Health-General Article, Title 19 Annotated Code of Maryland, including all applicable rules and regulations promulgated there under. This document is not transferable.

Expiration Date: May 31, 2019

*Patricia Tomasko May MD*

Director

*Falsification of a license shall subject the perpetrator to criminal prosecution and the imposition of civil fines.*



July 31, 2014

**Organization #:** 90655  
**Organization:** Riva Road Surgical Center, LLC  
**Address:** 2635 Riva Rd, Suite 118  
**City, State, Zip:** Annapolis, MD 21401-7430

**Decision Recipient:** Karen Albright  
**Survey Date:** June 16-17, 2014      **Type of Survey:** Re-Accreditation

**Accreditation Term Begins:** September 1, 2014      **Accreditation Term Expires:** August 31, 2017

**Accreditation Renewal Code:** 53a524d990655  
**Complimentary study participation code:** 90655FREEIQI

Granting accreditation reflects confidence, based on evidence from this recent survey that you meet, and will continue to demonstrate throughout the accreditation term, the attributes of an accreditable organization, as reflected in the standards found in the *Accreditation Handbook for Ambulatory Health Care*. The dedication and effort necessary for an organization to be accredited is substantial and the compliance with those standards implies a commitment to continual self-evaluation and continuous improvement.

We hope the survey has been beneficial to your organization in identifying its strengths and opportunities to improve. AAAHC trusts that you will continue to find the accreditation experience meaningful, not only from the benefit of having carefully reviewed your own operation, but also from the recognition brought by your participation in this survey process.

Members of your organization should take time to review your Survey Report, which may arrive separately:

- Any standard marked "PC" (Partially Compliant) or "NC" (Non-Compliant) must be corrected promptly. Subsequent surveys by the AAAHC will seek evidence that deficiencies from this survey were addressed without delay.
- The Summary Table provides an overview of compliance for each chapter applicable to the organization.
- Statements in the "Consultative Comments" sections of the report represent the educational component of the survey. Such comments may provide helpful guidance for improvement.
- As a guide to the ongoing process of self-evaluation, periodic review of the Survey Report and the current year's *Handbook* will ensure the organization's ongoing compliance with the standards throughout the term of accreditation.

AAAHC policies and procedures and standards are revised on an annual basis, such revisions become effective March 1 each year. Accredited organizations are required to maintain their operations in compliance with the current AAAHC standards and policies. Therefore, the organization is encouraged to visit the AAAHC website, [www.aaahc.org](http://www.aaahc.org), for information pertaining to any revisions to AAAHC policies and procedures and standards.

In order to ensure continuation of accreditation, your organization should submit an application for survey approximately five months prior to your accreditation expiration. According to our *Accreditation Handbook*,

*Currently-accredited organizations must complete and submit the Application for Survey, supporting documentation, and application fee for their subsequent full accreditation survey (referred to as a re-accreditation survey). Please visit [www.aaahc.org](http://www.aaahc.org) to complete the Application for Survey and for further information. After review of an organization's completed Application for Survey and supporting documentation, the AAAHC will contact the organization to establish survey dates. To prevent a lapse in accreditation, an organization should ensure that all documentation is submitted to the AAAHC at least five (5) months prior to its accreditation expiration date. In states where accreditation is mandated by law, an organization should*

Organization #: 90655 Accreditation Expires: August 31, 2017  
Organization: Riva Road Surgical Center, LLC  
July 31, 2014

Page 2

*submit the completed Application for Survey and other required documentation a minimum of six (6) months prior to its accreditation expiration date.*

For submission of an application for survey, your organization will need the “*accreditation renewal code*” located underneath the accreditation expiration date.

You will notice that you have a “*complimentary study participation code*” at the top of this letter. You may use this to register for one of the AAAHC Institute for Quality Improvement’s studies. Please visit [www.aaahc.org/institute](http://www.aaahc.org/institute) for additional information or contact Michelle Chappell, at 847-324-7747 or [mchappell@aaahc.org](mailto:mchappell@aaahc.org).

If you have any questions or comments about any portion of the accreditation process, please contact the AAAHC Accreditation Services department at (847) 853-6060.

EXHIBIT 9:  
TRANSFER AGREEMENT



## FACILITY TRANSFER AGREEMENT

This Transfer Agreement (the "Agreement") is made as of the 10<sup>th</sup> day of May, 2007, by and between Anne Arundel Medical Center, Inc. ("Hospital"), a Maryland nonprofit corporation, and Riva Road Surgical Center ("Facility"), each individually referred to herein as "Transferring Facility" if transferring a patient or "Receiving Facility" if receiving a patient, pursuant to the terms and provisions of this Agreement and collectively as "Facilities".

### Recitals

WHEREAS, the parties hereto desire to enter into this Agreement governing the transfer of patients between the two facilities; and

WHEREAS, the parties hereto desire to enter into this Agreement in order to specify the rights and duties of each if the parties and to specify the procedure for ensuring the timely transfer of patients between the facilities;

NOW THEREFORE, to facilitate the continuity of care and the timely transfer of patients and records between the facilities, the parties hereto agree as follows:

1. Transfer of Patients. In the event any patient of either facility is deemed by that facility (the "Transferring Facility") as requiring the services of the other facility (the "Receiving Facility") and the transfer is deemed medically appropriate, the patient's attending physician or a member of the nursing staff of the Transferring Facility will contact the admitting office or Emergency Department of the Receiving Facility to arrange for appropriate treatment as contemplated herein. All transfers between the facilities shall be made in accordance with applicable federal and state laws and regulations, the standards of the Joint Commission on the Accreditation of Healthcare Organizations ("JCAHO") and any other applicable accrediting bodies, and reasonable policies and procedures of the facilities. The Receiving Facility's responsibility for the patient's care shall begin when the patient is admitted to the Receiving Facility.
2. Responsibilities of Transferring Facility. The Transferring Facility shall be responsible for performing or ensuring performance of the following:
  - A. Provide, within its capabilities, for the medical screening and stabilizing treatment of the patient prior to transfer;
  - B. Arrange for appropriate and safe transportation and care of the patient during transfer, in accordance with applicable federal and state laws and regulations;
  - C. Designate a person who has authority to represent the Transferring Facility and coordinate the transfer of the patient from the facility;

## Facility Transfer Agreement

- D. Notify the Receiving Facility's designated representative prior to transfer to receive confirmation as to availability of appropriate facilities, services and staff necessary to provide care to the patient;
- E. Prior to patient transfer, the transferring physician shall contact and secure a receiving physician at the Receiving Facility who shall attend to the medical needs of the patient and who will accept responsibility for the patient's medical treatment and hospital care;
- F. Provide, within its capabilities, appropriate personnel, equipment, and services, including life support, deemed appropriate to stabilize the patient before transfer and to sustain the patient during the transfer of the patient by the transferring physician;
- G. Forward to the receiving physician and the Receiving Facility a copy of those portions of the patient's medical record that are available and relevant to the transfer and continued care of the patient, including records related to the patient's condition, observations of signs or symptoms, preliminary diagnosis, treatment provided, results of any test, and with respect to a patient with an emergency medical condition that has not been stabilized, a copy of the patient's informed consent to the transfer or physician certification that the medical benefits of the transfer outweigh the risk of transfer. If all necessary and relevant medical records are not available at the time the patient is transferred, then the records will be forwarded by the Transferring Facility as soon as possible;
- H. Notify the Receiving Facility of the estimated time of arrival of the patient;
- I. Acknowledge any contractual obligations and comply with any statutory or regulatory obligations that might exist between a patient and a designated provider;
- J. Recognize the right of a patient to request to transfer into the care of a physician and facility of the patient's choosing;
- K. Recognize the right of a patient to refuse consent to treatment or transfer;
- L. Establish a policy and/or protocols for maintaining the confidentiality of the patient's medical records in accordance with applicable state and federal law, including the Health Insurance Portability and Accountability Act of 1996; and
- M. Recognize and comply with the requirements of any state law and regulations or local ordinances that apply to the care and transfer of patients.

## Facility Transfer Agreement

3. Responsibilities of the Receiving Facility. The Receiving Facility shall be responsible for performing or ensuring performance of the following:
- A. Provide, as promptly as possible, confirmation to the Transferring Facility regarding the availability of bed(s), appropriate facilities, services, and staff necessary to treat the patient and confirmation that the Receiving Facility has agreed to accept transfer of the patient;
  - B. Provide, within its capabilities, appropriate personnel, equipment and services to assist the receiving physicians with the receipt and treatment of the patient transferred, maintain a call roster of physicians at the Receiving Facility and provide, on request, the names of on-call physicians to the Transferring Facility;
  - C. Reserve beds, facilities, and services as appropriate for patients being transferred from the Transferring Facility who have been accepted by the Receiving Facility and a receiving physician, if deemed necessary by a transferring physician, unless such are needed by the Receiving Facility for an emergency;
  - D. Designate a person who has authority to represent the Facility and coordinate the transfer and acceptance of patients into the Facility;
  - E. Maintain the confidentiality of the patient's clinical or medical records in accordance with applicable state and federal law;
  - F. Establish a policy and/or protocols (i) for maintaining the confidentiality of the patient's medical records in accordance with applicable state and federal law, including the Health Insurance Portability and Accountability Act of 1996 and (ii) for the receipt of the patient into the facility, and (iii) for the inventory and safekeeping of any patient valuables transported with the patient;
  - G. Provide for the return transfer of patients to the original Transferring Facility when requested by the patient or the Transferring Facility and ordered by the patient's attending/transferring physician, in accordance with the terms of this Agreement, if the Transferring Facility has a statutory or regulatory obligation to provide treatment and medical assistance to the patient under a federally guaranteed health care program.
  - H. Provide the Transferring Facility any information available about the patient's coverage or eligibility under a third party coverage plan, Medicare or Medicaid, or a medical assistance program established by a county, public hospital, or hospital district;

## Facility Transfer Agreement

- I. Upon request, provide current information concerning its eligibility standards and payment practices to the Transferring Facility and patient;
  - J. Acknowledge any contractual obligations and comply with any statutory or regulatory obligations that might exist between a patient and a designated provider;
  - K. Recognize and comply with the requirements of any state law and regulations or local ordinances that apply to the care and transfer of patients.
4. **Billing.** All claims or charges incurred with respect to any services performed by either Facility for patients received from the other Facility pursuant to this Agreement shall be billed and collected by the Facility providing such services directly from the patient, third party payer, Medicare or Medicaid, or other sources appropriately billed by that facility.
5. **Transfer Back; Discharge Policies.** At such times as the patient is ready for transfer back to the Transferring Facility or another health care facility or discharge from the Receiving Facility, in accordance with the direction from the Transferring Facility and with the proper notification of the patient's family or guardian, the patient will be transferred to the agreed-upon location. If the patient is to be transferred back to the Transferring Facility, the Receiving Facility will be responsible for the care of the patient up until the time the patient is re-admitted to the Transferring Facility in accordance with the responsibilities set forth in this Agreement
6. **Compliance with Law.** Both facilities shall comply with all applicable federal and state laws, rules and regulations, including, without limitation, those laws and regulations governing the maintenance of clinical or medical records and confidentiality of patient information as well as with all standards promulgated by JCAHO and any other relevant accrediting agency.
7. **Indemnification; Insurance.** The Hospital and Facility shall each be responsible for its own acts and omissions in the performance of their duties hereunder, and the acts and omissions of its own employees and agents, and shall indemnify and hold harmless the other from and against any and all claims, liabilities, causes of action, losses, costs, damages and expenses (including reasonable attorney's fees) incurred by the other party as a result of such acts and omissions. In addition, each party shall maintain, throughout the term of this Agreement, comprehensive general and professional liability insurance and property damage insurance coverage in the amount of at least \$1,000,000 per occurrence and \$3,000,000 in the aggregate policy year, and shall provide evidence of such coverage upon request.

## Facility Transfer Agreement

8. Term; Termination.
- A. Term. The term of this agreement shall be one (1) year commencing on the \_\_\_ day of \_\_\_\_\_, 2007, and shall automatically renew for subsequent one-year terms unless sooner terminated as provided herein.
- B. Termination. Either party may terminate this Agreement without cause upon thirty (30) days advance written notice to the other party. Either party may terminate this Agreement upon breach by the other party of any material provision of this Agreement, provided the non-breaching party provides to the breaching party 10-days written notice of the breach and its intent to terminate and the breach is not cured within the 10-day period. In addition, this Agreement may be terminated immediately upon the occurrence of any of the following events:
- i. Hospital or Facility loses its license to operate or discontinues operations to such an extent that patient care cannot be carried out adequately, or
  - ii. Either Hospital or Facility is sanctioned under any federally guaranteed health care program, or
  - iii. Either Hospital or Facility files a petition in bankruptcy or makes as assignment for the benefit of creditors.
9. Non-discrimination. Neither Hospital nor Facility shall discriminate against any patients on the basis of race, color, religion, national origin, sexual orientation, mental status, disability or ability to pay.
10. Entire Agreement; Modification. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, and all other communications between the parties relating to such subject matter. This Agreement may not be amended or modified, except by mutual written agreement.
11. Governing Law/Venue. This Agreement shall be construed in accordance with the laws of the State of Maryland. All suits proceedings and other actions relating to, arising out of or in connection with this Agreement, whether founded in contract or tort, shall be submitted to the jurisdiction of the courts of the State of Maryland.
12. Partial Law. If any provision of this Agreement is prohibited by law or court decree of any jurisdiction, said prohibition shall not invalidate or affect the remaining provisions of this Agreement.
13. Notices. All notices hereunder by either party to the other shall be in writing, and delivered personally, or via facsimile, or by certified or registered mail, and shall

**Facility Transfer Agreement**

be deemed to have been duly given when delivered personally, confirmed by fax or when deposited in the U.S. mail, postage prepaid to the parties at the addresses below or such other persons or addresses as either party may from time to time designate by written notice to the other:

If to Hospital:

Anne Arundel Medical Center, Inc.  
2001 Medical Parkway  
Annapolis, MD 21401  
Attention: Vice President, Medical Affairs


If to Facility:

Riva Road Surgery Center  
2635 Riva Road, Suite 118  
Annapolis, MD 21401

- 14. Waiver. A waiver by either party of a breach or failure to perform hereunder shall not constitute a waiver of any subsequent breach or failure.
- 15. Assignment; Binding Effect. Neither Hospital nor Facility shall assign or transfer, in whole or in part, this Agreement or any of its rights, duties or obligations under this agreement without the prior written consent of the other Facility, and any assignment or transfer by either Facility without such consent shall be null and void. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and permitted assigns.
- 16. Execution of Agreement. This Agreement shall not become effective or in force until all of the below named parties have fully executed this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year above written.

Anne Arundel Medical Center, Inc.

  
\_\_\_\_\_  
By:           VICTORIA BAYLESS            
Its:           CDD

**Facility Transfer Agreement**

Date: \_\_\_\_\_

Riva Road Surgical Center

Stephanie Leventis

By: STEPHANIE LEVENTIS

Its: NURSE ADMINISTRATOR

Date: 05-24-07

**EXHIBIT 10:**

**ARCHITECT LETTER ON FGI GUIDELINES**



**[Architect's letter will be  
forthcoming].**

**EXHIBIT 11:**

**PKS & COMPANY, P.A., AN  
INDEPENDENT CERTIFIED PUBLIC  
ACCOUNTING FIRM**

**PKS & Company, P.A.**  
*Pigg, Krahl & Stern*  
**Certified Public Accountants  
& Advisors to Business**

ANDREW M. HAYNIE, CPA  
SUSAN P. KEEN, CPA  
MICHAEL C. KLEGER, CPA  
JEFFREY A. MICHALIK, CPA  
DANIEL M. O'CONNELL II, CPA  
JOHN M. STERN, JR., CPA

[www.pkscpa.com](http://www.pkscpa.com)

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SALISBURY, MD 21803  
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FAX: 410.548.9576

**Ocean City**  
12216 OCEAN GATEWAY  
SUITE 800  
OCEAN CITY, MD 21842  
TEL: 410.213.7185  
FAX: 410.213.7638

**Lewes**  
1143 SAVANNAH ROAD  
SUITE 1  
LEWES, DE 19958  
TEL: 302.645.5757  
FAX: 302.645.1757

**MEMBERS OF:**

**AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**MARYLAND ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**DELAWARE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**PKF INTERNATIONAL**

January 18, 2017

Ian I. Friedman  
General Counsel  
SurgCenter Development

Re: Riva Road Surgical Center, LLC

Dear Mr. Friedman,

We have been engaged to review certain documents provided to us by Riva Road Surgical Center, LLC in order to make a determination as to the viability of Riva Road Surgical Center, LLC proposal to the Maryland Health Care Commission with respect to adding a second operating room facility located in Annapolis, Maryland.

We are independent with respect to Riva Road Surgical Center, LLC, and any of their officers, directors, and LLC members. We have no financial interest in the determination by the Commission as it relates to the proposal. During our engagement, we have reviewed and analyzed documents in order to arrive at our conclusion, including, but not limited to:

- Reviewed internally prepared financial statements for Riva Road Surgical Center, LLC, including the balance sheet, and profit and loss statement as of and for the eleven months ended November 30, 2016
- Reviewed estimated construction budget and related project costs
- Reviewed complete Federal and Maryland income tax returns for the years ended December 31, 2011 through 2015
- Reviewed operating account bank statements for the months of January 2016 through December 2016 to assess cash flow from operations

In addition to analyzing the above documents, we have also conferred with management as to their assumptions and believe that the assumptions included within the application are achievable.

It is our conclusion based upon the information made available to us, that Riva Road Surgical Center, LLC generates sufficient free cash flow from continuing operations to fund the necessary working capital identified throughout their proposal.

*PKS & Company, P.A.*

CERTIFIED PUBLIC ACCOUNTANTS

**EXHIBIT 12:**

**LETTERS OF SUPPORT AND ARTICLE  
FROM THE CAPITAL NEWSPAPER**

I am writing this letter in regards to the wonderful care I received at Riva Road Surgical Center. From the nurses that prepared me for my surgery, to the acknowledgement received from the OR nurse, Anesthesia and of course my wonderful surgeon Dr. Sayan.

I would like to say that the recovery during my stay was great. As Carrie, my nurse was personally wheeling me out upon discharge, Carrie had a smile on her face as I replied with a "Thank you" with a smile on my face.

Thank you Riva Road Surgical.

Sincerely,

A handwritten signature in black ink that reads "Danny Phillips". The signature is written in a cursive style with a large, prominent initial "D".

Danny Phillips

December 29, 2016

Maryland Healthcare Commission

As a recent surgical patient at the Riva Road Surgical Center I found the facility to be very clean and organized. The administrative and surgical staff was both courteous and professional as well as on time. They went to work immediately to provide more than adequate care to help me get through what was a very scary time for me. I did not know what to expect however they took every precaution to make me feel very relaxed with the process. The surgeon, Dr. Garth Smith was wonderful as well.

For this reason, I encourage you to think about what an opportunity you would be giving them to grow and provide twice the excellent care to other surgical patients in the community by considering them for a second operating room. Presently, they are restricted from scheduling more patients due to only being able to perform one surgery at a time.

My surgery at Riva Road was also so close to Christmas yet the staff did not present as if they could have been out doing other things instead of being there. They went straight to work because I came first. Additionally, I witnessed the staff caring for a young boy who was having a surgery done that had not ever been performed on any other patient. The IV process alone can be alarming when you are that young, I wish you could have seen what they did to help him through this and to be sure he was not frightened in any way. When he came out of surgery they took extra steps with him to continue the same calming experience. This speaks volumes of what they do so well at Riva Road Surgical Center and how much they would benefit from having a second operating room. Their ability to grow in the present center is not possible without a second operating room.

I have had surgery elsewhere and I know firsthand many centers are not as professionally run. At one particular center, the staff had me partially dressed for discharge before I fully woke up. They mentioned needing the bed for another patient. This made me feel it was all about making money as quickly as they could. I am certain this would never happen to me at Riva. The positive experience I had at Riva Road was important to me. I left there feeling good about my recovery as well as knowing I got the best treatment while in their care. You just do not find this everywhere.

Thank you for this opportunity to be able to request a much needed resource for Riva Road Surgical Center. My hope is that you will grant them a second operating room.

Respectfully Submitted,

Ida Rogers



October 18, 2015

# The Sunday Capital

## Soft Skills at Work: Help people so they feel comfortable

BY MARCIA HALL

This past June, I had minor surgery on my hand, performed by Dr. Thomas Dennis of the Annapolis Hand Center. I was instructed to go to the Riva Road Surgical Center in Annapolis for the procedure.

My appointment was at 7 a.m. and when I arrived, Gina Pusateri, who works at the front desk, greeted me with a delightful smile. While taking my insurance information, she engaged me in an interesting conversation about the background music I was hearing.

Then I took a seat and no sooner had I opened my book than my name was called. Back in the operating area, I was cheerfully met by Virginia Mooney, RN, who prepared me for the procedure. Since it was a little cold in the room, she brought me a heated blanket to put over my entire body, which felt luxurious.

Soon, Dr. Dennis stopped by to make sure I was ready and I was escorted into the operating room. Here I was treated to another warm blanket and when my toes weren't completely covered, Kristin Wright, scrub tech, came over to tuck them under the blanket.

Throughout the procedure, there was attentiveness and humor that made me feel taken care of and comfortable. I also heard from Frances Cleland, RN and patient care coordinator, before the procedure, and Amy Kluckhuhn, RN, the day after to find out how I was doing. Most unexpected was the phone call I received from Dr. Dennis late that evening inquiring

about my hand. This entire experience was exceptional because I interacted with many professionals at the Surgical Center and everyone treated me with care and respect.

Helping people feel comfortable is an essential soft skill to demonstrate. I interviewed Dr. Dennis and Karen Albright, RN and nurse administrator, at the Riva Road Surgical Center to hear how they have perfected this indispensable customer service skill.

They told me it started with a group of physicians looking for a place to offer superior customer service.

"The patient comes first," Dr. Dennis said. "This is how I want patients to be treated. It's showing respect."

In order to help patients feel comfortable at the Surgical Center, careful hiring of staff is necessary.

"Most of the nurses have a significant amount of experience," Albright said. "They are handpicked by the owners."

Dr. Dennis said that an anesthesiologist was also handpicked, and that he makes mental notes of potential staff members, such as, "I really like her style."

The qualities they look for when hiring are flexibility, a caring nature and people who show genuine concern.

"It has to be a core value," Albright said. "It's not just a job. It's us taking care of the community. We're like family."



SOFT SKILLS  
AT WORK  
Marcia Hall

Dr. Dennis explained that staff must possess the inherent behavior of going the extra mile.

"People are terrified when they come for surgery," he said. "They deserve the best care."

Albright shared some principles they follow daily.

- 1."Lead by example. Positive energy is contagious."
- 2.Treat the work environment as you would your home.
- 3."Say 'can I help you' instead of walking right past a person."
- 4."Use 'we' and 'us' and 'team' frequently. It's more respectful."

Most impressive about my experience at the Riva Road Surgical Center was the consistent joy I saw emanating from the staff as they worked. The laughter I heard as nurses and doctors chatted with patients had a calming effect on me. I wasn't surprised to learn that three of the owner surgeons have had procedures done there themselves.

Helping people feel comfortable is important in all professions, whether you interact with patients, customers/clients or co-workers, and this soft skill is not difficult to demonstrate. As Albright noted,

"It's so easy to be pleasant."

Marcia Hall is the author of "Jumpstart Your Job: 12 Simple Ways to Shift your Career into High Gear." She can be reached at [mjhall@verizon.com](mailto:mjhall@verizon.com).



# MBSP

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E: info@mbssp.com  
mbssp.com

Dear Dr. Craig P Tanio, MD, and Mr. Ben Steffen of MHCC,

My name is Tushar Sharma and I am a physician at Maryland Brain, Spine and Pain (MBSP), located in Annapolis, Maryland. I'm writing this letter on behalf of my patients to respectfully request additional OR space at the Riva Road Surgical Center (RRSC) so that I, along with other surgical colleagues, can provide more efficient and timely care to our patients.

I have worked at RRSC for nearly 3 years and the Center has been a central part of the large volume of care I provide to the community. On average, I perform 40-50 procedures at RRSC per week. With limited block time and slow turnaround between cases at Anne Arundel Medical Center, we are finding that without additional OR space at RRSC, we simply cannot provide timely care to all our patients.

As my practice has grown, so has my patient volume and demand for my services. This increase is exacerbated by the other busy physicians who work at our Center. Patients currently wait nearly 4 weeks for a procedure because of limited OR space at RRSC. These wait times will continue to grow in the coming years as Maryland expands health coverage and our state population ages.

I believe that we at RRSC have the large volume and presence to justify the requested expansion. Along with this letter, you will find documentation that demonstrates our elevated patient volume and why extra OR space is much needed going forward. A certificate of need (CON) would be instrumental in continuing to allow the community to seek safe, high-quality patient care in a setting outside of large hospitals.

I invite you to come visit us at RRSC. If you do, you will be amazed—as I am each time—by the high-quality nursing care and incredible patient satisfaction provided to each patient. There are many other wonderful attributes of RRSC, including the very low infection rate, continuity of care and efficiency. But most of all, patients *want* to come to the Center as an alternative to AAMC. The time has come to expand our OR space so that Maryland patients can continue to rely on RRSC for their medical needs.

With Kindest Regards,

Tushar Sharma, M.D.

## ANNAPOLIS FOOT AND ANKLE

Lyle T. Modlin, DPM, FACFAS  
Khaled A. Madi, DPM, MBBCH

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January 5, 2017

Maryland Healthcare Commission

Attn: Craig P. Tanio, M.D., Chair MHCC  
Ben Steffen, Executive Director MHCC

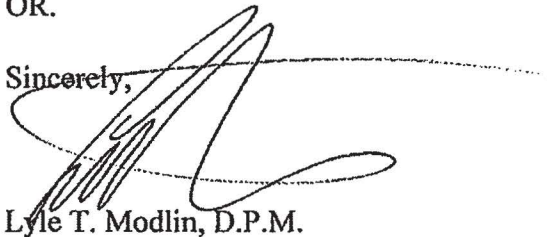
Dear Dr. Tanio and Mr. Steffen,

I'm one of the partners at Riva Road Surgery Center and as I'm sure you're aware, we are in the process of trying to obtain a Certificate of Need for Riva Road Surgery Center. To say that I've been happy with Riva Road Surgery Center is an understatement. Both myself and all of my patients have been nothing more than elated. The quality of the care is exceptional and the nursing staff creates an environment that produces optimal results with an efficiency of care.

We've grown over the years and are out-growing our need for one OR. We are desperately in need of another OR and we're hopeful that we can obtain approval for a Certificate of Need approved to allow us to accommodate our growth. We have an incredibly low infection rate and I've gone from significant concern about infections every time I do surgery, to just keeping it in the back of my mind. The efficiency of care at this facility is exceptional, as I truly can rely on the nurses to do what they're trained to do. We have a very low ratio of nurses to patients and we function as a well-oiled machine. I also continue to operate in the hospital, but having a smaller facility that's more efficient makes it a much more pleasurable day to work. Each patient is treated as a family member and any complaints or dissatisfaction is taken personally. We do our best to satisfy each and every patient that comes through the door and the nurses actually do this very, very naturally. It's my hope and expectation that we could receive favorable results with our CON application.

If you have any questions please don't hesitate to ask but hopefully, this letter will serve as a strong letter of endorsement concerning Riva Roads growth and the need to have an additional OR.

Sincerely,



Lyle T. Modlin, D.P.M.

43 Old Solomons Island Road, Suite 102 - Annapolis, MD 21401

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**EXHIBIT 13:**  
**AFFIRMATIONS**

I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief.

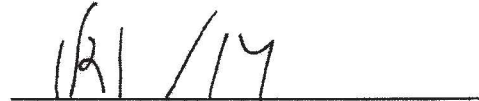
Karen Albright  
Signature

2/1/2017  
Date

I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief.

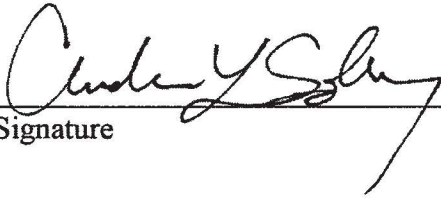


Signature



Date

I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Signature

1/31/17  
\_\_\_\_\_  
Date