



Grant T. Roderer, M.D. • Lawrence W. Stinson, M.D.
Nancy E. Cross, M.D. • Brenda McCain, ANP • Carra Stewart, PA-C

October 11, 2010

Karen Lawfer, Certificate of Need Coordinator
Department of Health and Social Services
Health Planning and Systems Development Unit
350 Main Street, Room 530
Juneau, AK 99811-0601

Dear Ms. Lawfer:

This is a letter of intent requesting a determination of whether a certificate of need (CON) will be required for an ambulatory surgery center (ASC) that our group intends to develop in Anchorage, Alaska. It is our understanding, among other requirements, that if expenditure costs do not exceed \$1,350,000 a CON is not required per AS 18.07.031.

Our group will be remodeling approximately 2,047 sq ft of space within our building located at 1917 Abbott Road, Anchorage, Alaska 99507. The 1 O.R. Class B ASC will be limited to non-surgical interventional spine and pain management procedures, with anesthesia (if/when used) no deeper than moderate sedation; patients at all times will be capable of unassisted respiration and response to external stimuli. The proposed ASC will be built to comply with all AIA GUIDELINES (2006 edition) requirements that are applicable to the limited procedure type and patient population.

The proposed activity's total estimated cost is approximately \$1,027,046.00. This estimate includes the following cost(s): (1) Building & Land - \$578,631; (2) Improvements - \$329,567; (3) Contingency Allowance - \$32,957; (4) Equipment and Furnishings - \$43,526.00; and (5) Fees and Expenses - \$42,365. (See attached "Certified Cost Estimate")

Design completion and State application submission will take place in November 2010. Following approval of the ASC application by the State, the project remodel could begin construction as early as January 2011 and be completed by April 2011.

Thank you for considering our request for determination. If you have any questions please feel free to contact my office.

Sincerely,

Lawrence Stinson, MD

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Wasilla, AK 99654
(907) 357-8330 telephone
(907) 357-8377 facsimile

Anchorage
1917 Abbott Road, Suite 100
Anchorage, AK 99507
(907) 278-2741 telephone
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Fairbanks
1275 Sadler Way, Suite 101
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October 11, 2010

Karen Lawfer, Certificate of Need Coordinator
Department of Health and Social Services
Health Planning and Systems Development Unit
350 Main Street, Room 530
Juneau, AK 99811-0601

Re: "Certified Cost Estimate" for determination of C.O.N. requirement
Ambulatory Surgical Center proposed for Anchorage, AK
Advanced Pain Centers of Alaska, Inc.

Dear Ms. Lawfer,

My firm, WEL Designs, specializes in the planning and development of clinical and ambulatory facilities across the country. I have specialized exclusively in the field since 1983, primarily working with clinical practices and ASCs. While my company does not function as the local architect for any project, I am a licensed Architect in the States of Colorado, Arizona, and Illinois; I am NCARB certified; an AIA member; and active participant in the development of national codes and standards for health care facilities.

My company has been hired to evaluate and facilitate early development of a proposed ASC in Anchorage for Advanced Pain Centers of Alaska, Inc.; 1917 Abbott Road, Suite 100. Following is a summary of the Economic Proforma for the proposed facility. Based on my experience and national development cost data bases, the total project values shown below constitute a realistic budget for the project, to be established as a "not to exceed" value by all parties during continued development.

The proposed one operating room ASC (see attached floor plan) will be located in a portion of the ground floor of an existing two story medical building. The building is fully protected by a supervised automatic fire sprinkler system, and consequently complies with NFPA requirements for the shell structure.

Dr. Lawrence Stinson and Dr. Grant Roderer are principal members in the ownership of the building and will be principal owners of the proposed ASC. Accordingly the value of the existing building, land, and site improvements associated with the ASC will be a prorated portion of the cost for the overall building's.

DEVELOPMENT COSTS

Based on BOMA standard calculations the proposed ASC will be 2,047 SF or 9.027% of the overall building. An April 3, 2009 appraisal of the building, including the land used for it, establishes its value as \$6,410,000 (see attached). Therefore the base cost for the ASC's shell and improved land will be 9.027% of \$6,410,000, or \$578,631.

The tenant improvements inside the shell should cost approximately \$161 per SF, or \$329,567. Additionally: a contingency allowance of 10% of the TI cost (\$32,957) is projected to cover permits, fees and other owner construction phase obligations; a budget is established for consultant and architectural fees and expenses of \$42,365. These build-out considerations combined with the prorated shell/site value result in a total projected physical plant cost of \$983,520.

Building & Land	\$578,631
Improvements	\$329,567
Contingency	\$32,957
Fees & Expenses	\$42,365
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Physical Plant	\$983,520

A majority of the equipment and furnishings for the proposed ASC exist and are in use in the Doctor's current practice areas – those assets will be donated to the ASC. Where the age for each is known, its value has been depreciated according to the American Hospital Association document titled "Estimated Useful Lives of Depreciable Hospital Assets," rev. 2008 edition. Where the age of an asset is not known, a "replacement cost" is used as determined for a like item currently available. As itemized in the attached inventory of equipment and furnishings being reused, the current value of the donated assets is \$38,331.

Depreciated &/or replacement value of existing assets being donated:	
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	\$38,331

New furniture will be purchased for the WAITING room & MULTI-PURPOSE room. New cubical curtains and tracks will be purchased for the PREP/RECOVERY area. New chairs will be purchased for the NURSE CONTROL station. A new portable fire extinguisher will be purchased to comply with the NFPA Life Safety Code. The total value of the new equipment and furnishings will be \$ 5,195.

Waiting Room	\$1,750
Multi-Purpose	\$1,000
Curtains & Tracks	\$1,800
Nurse Chairs	\$600
Fire Extinguisher	\$45
<hr/>	
New Equip/furniture	\$5,195

TOTAL: \$1,027,046

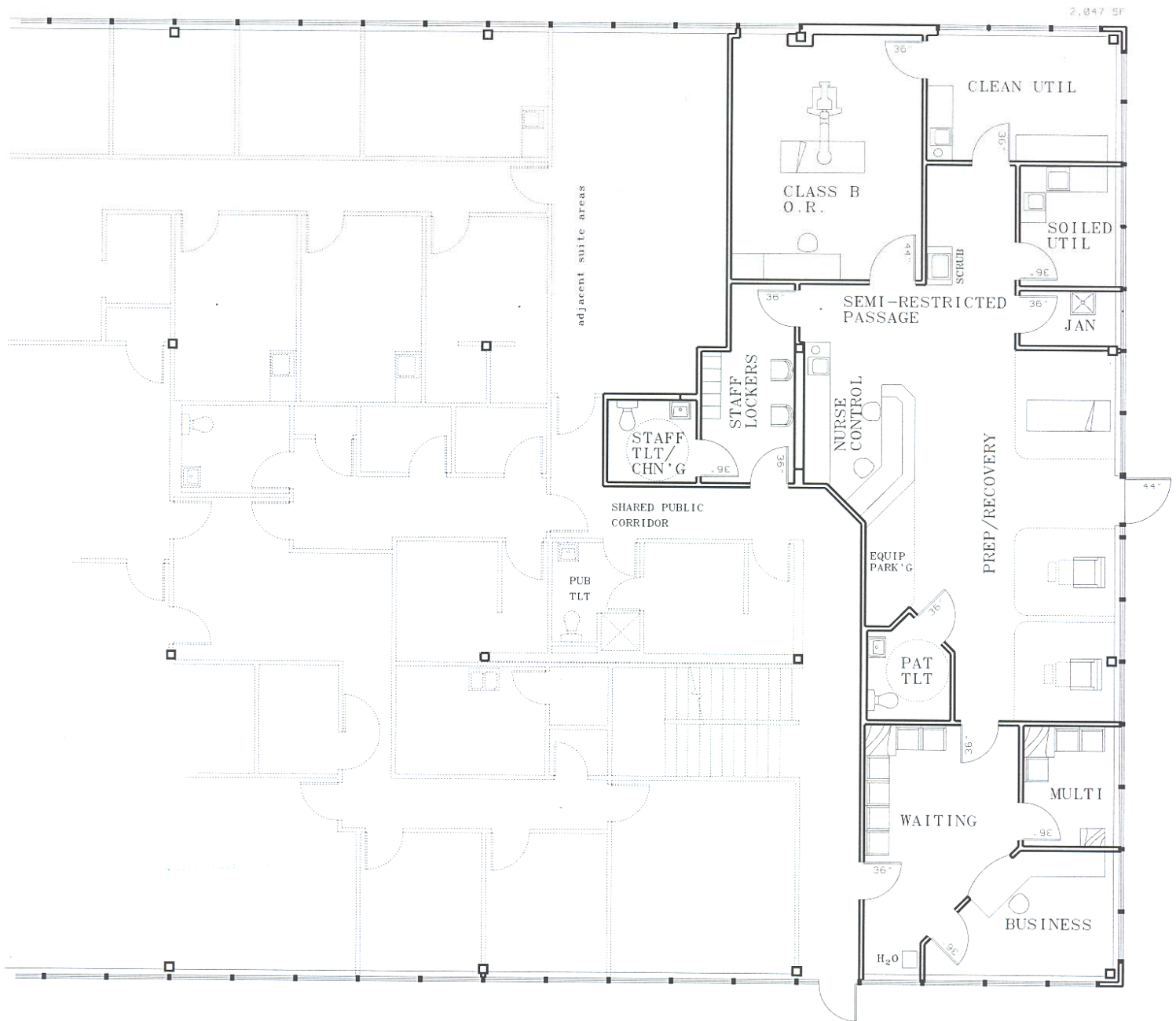
The aggregate total projected cost for the proposed ASC, calculated per Alaska Administrative Code (7 AAC 07.031), is therefore the sum of its Physical Plant Development cost, the depreciated value of Assets Being Donated, and the purchase cost for New Furniture and Equipment, or \$1,027,046.

Please do not hesitate to contact me with questions or concerns.

Sincerely,

A handwritten signature in black ink that reads "William E. Lindeman". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

William E. Lindeman, AIA, NCARB, President
WEL Designs P.L.C.
Physical Environment Consultants to the AAAHC



FURNITURE FLOOR PLAN

AMBULATORY SURGERY CENTER FOR:

ADVANCED PAIN CENTERS OF ALASKA
1917 ABBOTT ROAD

ANCHORAGE

ALASKA

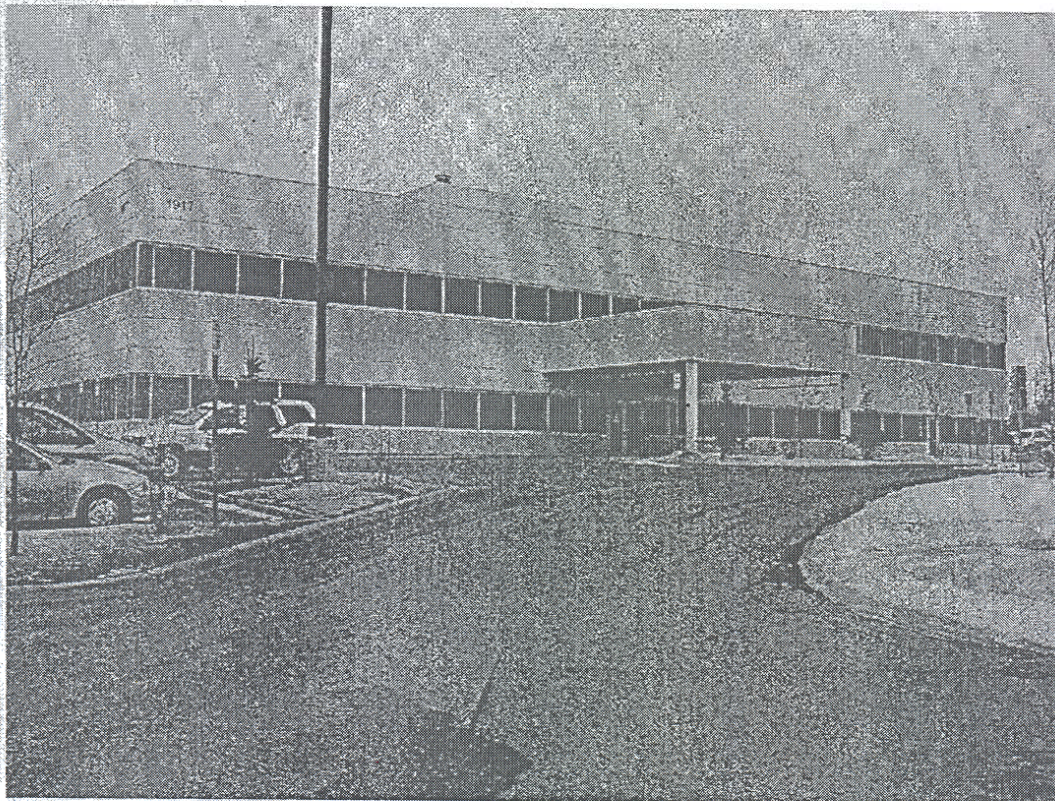
WEL
WEL Designs

*Facility Consulting and
Design for Healthcare*

5942 North Camino Del Conde
Tucson, Arizona, 520/299-6550

Reliant

**Appraisal of Real Property
Presented in a Self Contained Report**



**Alaska Medical Development
Building**

**1917 Abbott Road
Anchorage, AK 99507**

*Integrated Ref. No. 09-1250
KRETS Ref. No. KEYW-090309-8672-1*

as of April 3, 2009

Prepared For:
Mr. Paul Harrop, SRA
KeyBank National Association

Prepared By:
Theodore S. Jensen, MAI, Managing Member
Andrew J. Romerdahl, Research Analyst



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Anchorage, Alaska 99515
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Date of Report April 9, 2009

Effective Date of
Appraisal

AS IS April 3, 2009

Approaches to Value & Final Value Estimate

FINAL VALUE ESTIMATE

Property		Alaska Medical Development Building Improved Site
Component	Excess Land	
Condition	As Is	As Is
Interest Appraised	Fee Simple	Fee Simple
Effective Date of Appraisal	April 3, 2009	April 3, 2009
Land Valuation	\$585,000	NA
Sales Comparison	NA	\$6,460,000
Income Capitalization	NA	\$6,410,000
Final Value Estimate	\$585,000	<u>\$6,410,000</u>
Final Value Estimate (Including Excess Land)		\$6,995,000
ROUNDED		\$7,000,000

w/o Excess Land

Exposure & Marketing Time

Exposure Time Six Months

Marketing Time Six Months

Competency of the Appraiser

Theodore S. Jensen, MAI has appraised numerous office and medical office buildings in Anchorage and meets the competency provision of USPAP. Please refer to the Experience Data presented in the Addendum for further information on the appraiser's background and experience.

Premises of Assignment (Key Terms & Definitions)

Market Value²

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to the buyer under conditions whereby:

² Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [f].

DONATED EQUIPMENT	ESTIMATED USEFUL LIFE	QUANTITY	INDIVIDUAL PRICE	DATE OF PURCHASE	TOTAL PURCHASE PRICE	ESTIMATED ITEM REPLACEMENT VALUE	TOTAL ESTIMATED DEPRECIATED VALUE
AED/defibrillator w/ batt and charger	5	1	\$4,985.00	12/16/2002		\$4,985.00	
Lead Apron, Lrg	4	2	\$212.92	1/19/2010	\$425.84	1	\$319.38
Lead Apron, Med	4	2	\$212.92	1/19/2010	\$425.84	1	\$319.38
Lead Apron, XL	4	1	\$212.92	1/19/2010	\$212.92	1	\$159.69
Non-lead Apron, Prolite Elite, XL	4	1	\$216.00	1/19/2010	\$216.00	1	\$162.00
Lead Collar Apron, Wolf	4	6	\$28.89			\$173.34	
Tobagan Arm/Leg Guard		1	\$168.99	3/24/2009	\$168.99	1	\$168.99
Sterilizer Ritter M11 (Autoclave)	10	1	\$3,699.00	3/4/2005	\$3,699.00	6	\$1,479.60
C-arm/fluoroscope	7	1	\$170,000.00	1/1/2003	\$170,000.00	8	\$0.00
Crash/analgesia cart - 6 drawer	10	1	\$949.02	12/16/2002		\$189.80	
Plastic Chairs next to recovery chairs	10	3	\$48.99			\$146.97	
Patient Reclining Chairs	10	3	\$1,199.00	9/14/2004	\$3,597.00	6	\$1,438.80
Dell Computer w/ monitor, mouse and keyboard	5	2	\$1,200.00	5/29/2008	\$2,400.00	2.5	\$1,200.00
Dell Printer, 1720 DN	5	1		5/29/2008			Free w/purchase of Computer
Canon Imagerunner 2800	5	1	\$1,560.33	9/30/2004	\$1,560.33	6	\$0.00
Water Cooler	10	1	\$649.95			\$649.95	
Generator, RF, Smith and Nephew	5	1	\$29,595.00	1/1/2007	\$29,595.00	4	\$5,919.00
Attest Biomonitor, incubator	10	1	\$226.99	7/25/2003	\$226.99	7.5	\$56.74
Datum Narcotic Lock Box	20	1	\$109.00	10/27/2005	\$109.00	5	\$81.75
Datum Narcotic Lock Box	20	1	\$109.00	2/8/2006	\$109.00	4.8	\$83.93
Microwave	5	1	\$59.99			\$59.99	
Monitor, Welch Allyn, 622NO-E1	7	1	\$4,702.00	9/30/2004	\$4,702.00	6.3	\$604.54
Mobile Stand for monitor	15	1	\$251.75	9/30/2004	\$251.75	6.3	\$149.37
Monitor, Welch Allyn, mod 53NTP	7	2	\$1,881.00	9/30/2004	\$3,762.00	6.3	\$483.69
Mobile Stand for monitor	15	2	\$199.00	9/30/2004	\$199.00	6.3	\$118.07
Vital Sign Monitor with Stand	7	1	\$2,999.00	4/11/2005	\$2,999.00	5.8	\$599.80
Telephones	10	3	\$216.00	9/1/2004	\$648.00	6.4	\$246.24
IV Pole	15	4	\$153.75			\$615.00	
Lead Aprons Rack	15	1	\$355.26			\$355.26	
Instrument Stand, Mayo	15	1	\$82.01			\$82.01	
Stool Exam 5 Leg SA/Grey	15	1	\$79.99	4/4/2006	\$79.99	4.9	\$54.92
Footstool step, Pedigo	15	1	\$123.00	9/30/2004	\$123.00	6.3	\$72.98
Millennium Stretcher	15	1	\$3,400.00	10/20/2004	\$3,400.00	6.2	\$1,836.00
Devilbiss Aspirator	10	1	\$350.00	12/27/2004	\$350.00	6	\$140.00
End Tables (next to procedure chairs)	15	3	\$32.00			\$96.00	
Table, Pain mgmt, adjustable, Durabuilt PMT8000 HL with remote	10	1	\$10,647.19	4/27/2010	\$10,647.19	0.8	\$10,008.36

DONATED EQUIPMENT	ESTIMATED USEFUL LIFE	QUANTITY	INDIVIDUAL PRICE	DATE OF PURCHASE	TOTAL PURCHASE PRICE	ESTIMATED ITEM REPLACEMENT VALUE	TOTAL ESTIMATED DEPRECIATED VALUE
Tank Oxygen with Cart	8	1	\$531.54			\$531.54	
X-ray Viewer	5	2	\$137.27			\$274.54	
Wheelchair, Heavy Duty	5	1	\$359.99	6/1/2005	\$359.99	5.5	\$0.00
Wheelchair, Standard	5	1	\$174.58	12/16/2002		8	\$0.00
Cart Utility - rolling 3 shelf		3	\$162.06				\$486.18
Hamper Laundry 4 Wheels Steel		2	\$132.09				\$264.18
Table Surgical, Overbed, Stainless steel		1	\$463.98				\$463.98
Refrigerator, waist high, GE, locking		1	\$138.38				\$138.38
Refrigerator, waist high, Haier		1	\$139.00				\$139.00
Trash Can, Foot operated		4	\$39.97				\$159.88
Laryngoscope		2	\$16.12				\$32.24
Large Trash Can		2	\$41.97				\$83.94
Large Trash Can, wheeled		1	\$28.47				\$28.47
Cart, wheeled, Plastic		1	\$21.88				\$21.88
Cover, Linen Rack		2	\$162.00				\$162.00
Cart, linen, wire, wheeled 18x48x72		9	\$74.99				\$674.91
Wheels/Casters for Shelving Units		36	\$9.99				\$359.64
Wire Utility Cart		2	\$59.99				\$119.98
Wire Utility Cart 24x36		1	\$210.08				\$210.08
Stimuplex-DIG		1	\$139.97				\$139.97
Chair, rolling/wheeled, office, adjustable	15	1	\$405.95	10/8/2004	\$405.95	6	\$243.57
2 door clothes lockers		4	\$185.00				\$740.00
TOTALS						\$12,384.11	\$25,946.80

SUM TOTAL OF REPLACEMENT AND DEPRECIATED VALUE FOR DONATED EQUIPMENT

\$38,330.91