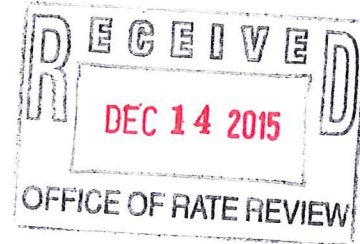


## Alaska Medical Center, LLC

December 14, 2015

Alexandria Hicks, Coordinator  
Certificate of Need Program  
Department of Health and Social Services  
Division of Health Care Services  
3601 C Street, Suite 978  
Anchorage, AK 99503



RE: Request for Determination  
Alaska Medical Center, LLC

Dear Ms. Hicks:

### **Introduction**

By letter dated October 23, 2015, Alaska Medical Center, LLC ("AMC"), requested a determination whether a Certificate of Need will be required to establish a multi-specialty ambulatory surgery center ("Request for Determination" or "RFD") in Anchorage. By letter dated November 13, 2015, the State of Alaska, Department of Health and Social Services (the "Department" or "DHSS") requested additional information from AMC. The purpose of this letter is to respond to the department's request for additional information for determination as to whether a Certificate of Need will be required.

### **Background**

The Ambulatory Surgery Center ("ASC") will be located in space currently occupied and leased by Alaska Urological Institute, P.C., ("AUI") and used for in-office urological procedures. The space is located at the southwest corner of the ground floor in the building located at 188 W. Northern Lights Blvd., in Anchorage. AUI has leased the space since 2012, and opened the doors in late 2013.

It is anticipated that the following types of surgery or procedures will be performed at the two procedure suites at the ASC: dental, general surgery, gynecology, plastic surgery, pain management, urology, and breast surgery.

The space is fully constructed and equipped, having been used for urological procedures since late 2013 and has unused capacity. The estimated start date for the proposed ASC, therefore, will be one to two months after the Department makes its determination. This period of time will be used to complete the credentialing process with the State of Alaska. The current targeted date of the first procedure is February 1, 2016

AMC's sole member and owner is Dr. William Clark.

## **Additional Information**

The building is owned by Ruby Investments, Inc. ("Ruby"). Ruby is unrelated to AUI or AMC. AMC will sublease and use a portion of the space from AUI. The proposed sublease between AMC and AUI is for use of 65% of the space. The sublease will be for a term of two (2) years. The monthly space rental rate will be \$16,815.74 per month. Two procedure suites are located in the space to be subleased. The total space rental cost is estimated to be \$403,577.76 determined as follows: square footage under lease (8,161) multiplied by estimated AMC usage (.65) multiplied by the current rate per square foot (\$3.17) multiplied by twenty four (24) months equals \$403,577.76. A copy of the proposed sublease is provided herewith. A blue print or drawing of the space to be subleased is also provided herewith.

Ms. Lottie Michael is familiar with the space to be subleased and the average current market value of similar space in Anchorage. Ms. Michael has opined that the space rent of \$3.17 per square foot or \$16,815.74 per month is a market rate of rent. A copy of Ms. Michael's certified cost estimate for the space is provided herewith.

The rental cost of AMC's use of existing tenant improvements that were installed by Alaska Urological Institute, P.C., as part of its in-office procedure suites, is estimated to be \$380,666.40. This amount is determined by using the original tenant improvement cost of \$2,986,439 for the current space under lease multiplied by AMC's estimated usage (65%) amortized over a fifteen (15) year life at a 5.5% rate. A fifteen (15) year amortization period is applied because it relates to the weighted average of the tax life of the various tenant improvements for tax purposes. This produces a monthly sublease amount of \$15,861.10 for tenant improvements.

AMC will lease medical and other equipment owned by Alaska Urological Institute, P.C., which is currently located in the subleased space, for a term of two (2) years. The total rental cost of the equipment is estimated to be \$599,919.84. This amount is determined from the original cost of the equipment (\$1,308,646) amortized over five (5) years at the rate of 5.5%. A five (5) year amortization period is applied because it reflects the useful life of medical equipment for tax purposes. This produces a monthly rental rate of \$24,996.66. A copy of the proposed equipment rental agreement including equipment list, acquisition price, and equipment age is also included with this submittal.

Mr. James Solayo is familiar and experienced with the type and current condition of the equipment that AMC will be leasing from AUI. Mr. Solayo's certification of cost estimate of the equipment and reasonableness of the monthly rent that AMC will be paying under the equipment lease is provided herewith.

AMC can find no basis in the CON statutes or regulations, or precedent in prior DHSS determinations, requiring an applicant to include the cost of insurance in its estimated cost of a project. The cost of insurance is an operating expense. However, the

total cost of all insurance required under the sublease is estimated to be \$9,250 per year or \$18,500 for the two year term of the sublease.

The combined total of rental cost of space ( $\$16,815.74 \times 24 = \$403,577.76$ ), rental cost of equipment ( $\$24,996.66 \times 24 = \$599,919.84$ ) and the rental cost of tenant improvements ( $\$15,861.10 \times 24 = \$380,666.40$ ) is estimated to be \$1,384,164.00. With insurance cost add-on, this amount would be increased to \$1,402,664.01, still well below the \$1.5 million threshold.

## Conclusion

AMC believes that a Certificate of Need is not required because estimated costs of the project do not exceed the \$1.5 million threshold under AS 18.07.031. AMC representatives are willing to teleconference or meet face to face with Department representatives if it would be beneficial to the Department's consideration of AMC's restated Request for Determination. I look forward to hearing from you.

Sincerely yours,

ALASKA MEDICAL CENTER, LLC



Attachments:

1. Sublease
2. Blueprint
3. Lottie Michael Letter
4. James Solayo Letter



## SUBLEASE AGREEMENT

This SUBLEASE AGREEMENT ("Sublease") is made and entered into this \_\_\_ day of \_\_\_\_\_ 201\_ ("Effective Date") by and between Alaska Urological Institute, P.C., an Alaska professional corporation ("Landlord") and Alaska Medical Center, LLC, an Alaska limited liability company ("Tenant").

### RECITALS

WHEREAS, Landlord is Lessee under a Medical Office Lease Agreement, as amended, for certain space in the building located at 188 W. Northern Lights Blvd., Anchorage, Alaska, 99503 (the "Lease"), and

WHEREAS, Landlord desires to sublease the premises subject to the Lease to Tenant and Tenant desires to sublease said premises from Landlord pursuant to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the mutual covenants and conditions set forth herein and other good and valuable consideration the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. **Sublease.** Landlord does hereby sublease to Tenant and Tenant does hereby sublease from Landlord the following described premises:

Approximately sixty-five percent (65%) of that portion of the SW corner of the ground floor in the building located at 188 West Northern Lights Boulevard, Anchorage, Alaska, 99503 consisting of approximately 8,161 square feet, together with the fixtures, personal property, and appurtenances located therein (the "Premises"), excluding medical equipment subject to a separate Operating Lease.

Except as provided herein, this Sublease is subject to all terms and conditions of the Lease as though fully incorporated herein. Tenant acknowledges receipt of a copy of the Lease. Tenant shall use the Premises in accordance with the terms of the Lease and shall not do or omit to do anything which will breach any of its terms. If the Lease expires or is terminated for any reason, this Sublease shall terminate simultaneously and any unearned Rent paid in advance shall be refunded to Tenant, if such termination is not the result of a breach by Tenant of this Sublease.

2. **Term.** The Term of this Sublease shall be for a period of two (2) years commencing on the Effective Date and expiring on the \_\_\_ day of \_\_\_\_\_, 201\_ (the "Expiration Date"), unless sooner terminated as provided herein (the "Term").

3. **Option to Extend Term.** So long as Tenant is not in default under the terms of this Sublease, Landlord will grant Tenant two (2) options to extend this Sublease for a period of one (1) to five (5) years each, but in no event longer than the initial or extended term of the Lease. No later than two hundred ten (210) days prior to

the Expiration Date or expiration of the first option term, if applicable, Tenant shall notify Landlord in writing of its intent to extend the Term for an additional one (1) to five (5) years. Should Tenant fail to timely exercise its option to extend, such option shall expire.

4. **Rent.**

a. **Rent.** Tenant shall pay Landlord as Rent for the Premises the sum of \$16,815.74 per month. Tenant shall pay Landlord as Additional Rent for tenant improvements already constructed by Landlord and located in the Premises the sum of \$15,861.10 per month.

b. **Payment of Rent.** Payment of Rent and Additional Rent (collectively "Rent") shall be made in monthly installments payable in advance on the first day of each calendar month during the Term from and after the Effective Date. All rent shall be paid to Landlord without deduction or offset. Rent not paid on or before the 10th day of the month in which it is due is delinquent and a late fee in the amount of ten percent (10%) of Rent then due shall be due and payable in addition to the Rent. Acceptance of a late fee by Landlord shall not constitute a waiver of Tenant's default with respect to such overdue amount or prevent Landlord from exercising any of the other rights and remedies available at law or under this Sublease.

c. **Interest.** Rent and other sums not paid when due shall bear interest from the date due until paid at the rate of one percent (1%) per month or the maximum interest rate permitted under Alaska law whichever is greater.

d. **Rent During Extended Term.** Rent during any extended term shall be determined by good faith negotiation between the parties, but in no event shall said Rent for the Premises exceed the amount of Rent paid by Landlord for the Premises under the Lease.

5. **Security Deposit.** No security deposit or personal guaranty is collected or required at this time.

6. **Alterations.** The Premises are delivered "AS IS". Tenant shall not make any alterations, additions, or improvements ("Alterations") to the Premises without the prior written consent of Landlord, which shall not be unreasonably delayed or withheld. All alterations shall be made at the sole cost and expense of Tenant, shall not be removed or altered by Tenant without the prior written consent of Landlord, and shall become the property of Landlord and remain in and be surrendered with the Premises at the expiration or termination of this Sublease. Landlord may by written notice to Tenant at the expiration or termination of the Sublease require Tenant, at Tenant's sole cost and expense, to remove all alterations and repair any damage resulting from such removal. Notwithstanding the foregoing, Tenant may remove its trade fixtures, provided that Tenant repairs any damage caused by such removal and that such removal and repair is completed before the expiration or termination of this Sublease.

7. **Use and Compliance with Laws.** Tenant shall use the Premises for an ambulatory surgery center and related uses and for no other business or purpose without obtaining the prior written consent of Landlord. Tenant, at its sole cost and expense, shall comply with all laws, statutes, ordinances, regulations, and other governmental requirements, including all environmental laws and regulations, whether in effect at the Effective Date or thereafter, in performing or observing its obligations under this Sublease. Tenant shall comply with all laws relating to storage, use and disposal of toxic and hazardous materials including goods, equipment, and medical waste ("Toxic Material").

8. **Indemnity.** Tenant shall defend, indemnify and hold Landlord and its shareholders, directors, officers, and agents harmless from and against all claims for liability and damages, including reasonable attorney fees and costs arising out of Tenant's occupancy and use of the Premises; Tenant's failure to observe or comply with the provisions of this Sublease; and Tenant's removal, clean-up, and restoration work and use of materials necessary to return the Premises to the condition prior to the placing or arrival of any Toxic Materials on the Premises or use thereof by Tenant. Tenant's obligations hereunder shall survive the expiration or termination of this Sublease.

9. **Signs.** Tenant shall not install any sign within the building or on the exterior of the building or visible from the exterior of the building without the prior written approval of Landlord. Under no circumstances shall Tenant be permitted to install any exterior signs on or about the building that are in violation of the Anchorage sign ordinances or regulations.

10. **Maintenance and Repair.** Tenant shall, at its sole cost and expense, keep the Premises in good condition and repair, reasonable wear and tear excepted. Unless otherwise agreed in writing, Tenant shall be responsible for all repairs to and maintenance of the lighting, electrical system, and plumbing systems within the Premises. Tenant shall, upon expiration or termination of this Sublease, surrender the Premises to Landlord in the same condition as when received, except for ordinary wear and tear and the addition of Tenant Improvements that Tenant is not required to remove under the terms of this Sublease. Landlord shall have no obligation to alter, remodel, improve, repair, maintain, decorate, or paint the Premises, or any part thereof, and Tenant acknowledges that Landlord has made no representations to Tenant respecting the condition of the Premises, except as specifically set forth in this Sublease.

11. **Utilities and Services.**

a. **Utilities and Janitorial Services.** Tenant shall pay for all utilities (including electric power, telephone, internet, and refuse removal) that are provided to the Premises. Tenant shall furnish and pay for janitorial services for the Premises. Landlord shall fairly estimate Tenant's share of such utility expenses and invoice Tenant accordingly. Tenant shall promptly reimburse Landlord for its usage of such utility services upon receipt of each invoice for such services. Tenant shall not be entitled to

any reduction or abatement of Rent by reason of any interruption of utility service unless such interruption is the result of Landlord's wrongful act or omission.

b. Common Areas. Tenant shall have non-exclusive access to and use of Common Areas twenty four (24) hours per day, seven (7) days per week. Common Areas shall include loading and unloading areas, elevators, stairs, landscaped areas, lobbies, and restrooms not encompassed within any leased premises or space.

## 12. Insurance and Indemnity.

a. Casualty Insurance. Tenant shall, at its sole cost and expense, obtain and maintain in full force and effect during the term of this Sublease "all risk" property, fire, and extended coverage insurance, with such coverage as Landlord may request including, without limitation, coverage against earthquake, sprinkler leakage, vandalism, malicious mischief and flood. Said insurance shall be upon all property owned or leased by Tenant and located or installed on the Premises including furniture, fittings, installations, and fixtures in an amount not less than one hundred percent (100%) of the full replacement value, without deduction for depreciation.

b. Liability Insurance. Tenant shall, at its sole cost and expense, obtain and maintain in full force and effect during the term of this Sublease comprehensive general liability insurance insuring Tenant against all liability arising out of this Sublease and Tenant's use, occupancy or maintenance of the Premises and Common Areas. Said insurance shall be in the amount of Two Million Dollars (\$2,000,000) in the event of personal injury to any number of persons or of damage to property arising out of any one occurrence. Such insurance shall be primary and noncontributing with any insurance which may be carried by Landlord, shall name Landlord as an additional insured, and shall contain a provision that Landlord, although named as an insured, shall nevertheless be entitled to recover under the policy for any loss, injury or damage to Landlord, its agents or employees, or the property of such persons by reason of the negligence of Tenant.

c. Standards. All policies of insurance to be obtained by Tenant shall be written in a form reasonably satisfactory to Landlord and in compliance with Alaska law and shall be placed with insurance companies holding a General Policyholders Rating of "A" and Financial Rating of "X" or better, as set forth in the most current issue of Best's Insurance Guide. Prior to the Effective Date, and thereafter within thirty (30) days prior to the expiration of each policy, Tenant shall furnish to Landlord a certificate of insurance issued by the insurance carrier of each policy of insurance carried by Tenant pursuant to this Sublease providing that such policies shall not be cancelable or subject to reduction of coverage or other modification except after thirty (30) days prior written notice to Landlord.

d. Subrogation. All policies of insurance obtained by Tenant shall include a clause or endorsement denying the insurer any rights of subrogation against Landlord. Tenant hereby waives any rights of recovery against Landlord for injury or

loss due to hazards covered by insurance containing such a waiver of subrogation clause or endorsement to the extent of the injury or loss covered thereby.

e. Indemnification. Tenant shall indemnify, defend and hold Landlord, and Landlord's shareholders, directors, officers and agents harmless from and against: (i) all claims for liability, damages, attorney fees, and other legal costs arising from Tenant's or Tenant's officers, employees, agents, servants, subtenants, concessionaires, licensees, contractors or invitees use, maintenance, occupation, or operation of the Premises, except to the extent caused by or contributed to by Landlord's negligence; and (ii) any and all attorney fees and other legal costs incurred in the defense of any action arising out of the foregoing or in discharging the Premises or the building or any part thereof from any and all liens, charges or judgments which may accrue or be placed thereon by reason of any act or omission of Tenant, except to the extent caused by or contributed to by Landlord's negligence. Tenant's obligations pursuant to the foregoing indemnity shall survive the expiration or termination of this Sublease.

13. Assignment and Subletting. Tenant shall not assign, mortgage, pledge or otherwise transfer this Sublease or any interest hereunder, by operation of law or otherwise, without the prior written consent of Landlord which may be withheld in Landlord's sole and absolute discretion.

14. Events of Default; Landlord's Remedies.

a. Events of Default. The occurrence of any of the following shall constitute a material default by Tenant: (i) failure to pay Rent when due, if the failure continues for a period of ten (10) calendar days; (ii) vacation or abandonment of the Premises; (iii) failure to perform of any of Tenant's covenants, agreements or obligations hereunder (other than default in the payment of Rent), if the failure continues for a period of thirty (30) calendar days after written notice thereof, unless Tenant has commenced in good faith efforts to cure the failure; (iv) a general assignment for the benefit of creditors; (v) filing of a voluntary petition by Tenant, or the filing of an involuntary petition by any of Tenant's creditors, seeking the rehabilitation, liquidation or reorganization of Tenant under any law relating to bankruptcy, insolvency or other relief; (vi) appointment of a receiver or other custodian to take possession of substantially all of Tenant's assets; (vii) Tenant becomes insolvent; (ix) a judicial decree or order directing the winding up or dissolution of Tenant or the liquidation of substantially all of its assets; (x) Tenant taking any action to dissolve or wind up of its affairs or cease or suspend its use of the Premises; or (xi) attachment, execution or other judicial seizure of substantially all of Tenant's assets or this leasehold.

b. Landlord's Remedies. In the event of Tenant's default, Landlord shall have the following remedies which shall be cumulative and in addition to any other remedy permitted by law.

(1) If Tenant vacates or abandons the Premises, this Sublease shall continue in effect unless Landlord gives written notice of termination and no



surrender of the Premises shall be valid absent Landlord's written notice accepting the surrender.

(2) Landlord shall have the right to terminate this Sublease by written notice to Tenant.

(3) Landlord may re-enter the Premises upon surrender by Tenant or remove Tenant and any person occupying the Premises, repossess and enjoy the Premises or re-let the same on such terms and conditions as Landlord, in its sole discretion, may determine, and remove all personal property from the Premises.

(4) Landlord may commence an action to recover all unpaid Rent and other sums due or not yet due under this Sublease together with interest, costs, and reasonable attorney fees.

(5) Landlord may re-enter and re-let the Premises or any part of it for the account of and in the name of Tenant. Landlord may receive and collect all rents and apply them: (i) first, to the payment of reasonable expenses including attorney fees and brokerage commission fees incurred in recovering possession, placing the Premises in good condition, and preparing or altering the Premises for reletting; (ii) second, to the reasonable expense of securing new tenants; (iii) third, to the fulfillment of Tenant's obligations and covenants to the end of the Term and any extension(s) thereof; and (iv) fourth, to Landlord's uses and purposes. Any re-letting may be for the remainder of the Term or for a longer or shorter period. Landlord may execute any leases either in its name or in Tenant's name and shall be entitled to all rents from the use, occupation, or occupancy of the Premises. Tenant shall, nevertheless, pay to Landlord on the due dates specified in this Sublease, the equivalent of all sums required of Tenant, plus Landlord's expenses. No act by or on behalf of the Landlord under this provision shall constitute a termination of this Sublease unless Landlord gives Tenant written notice of termination.

(6) Landlord may distrain for Rent and other sums due and may, at its election, use Tenant's property located on the Premises without compensation, without liability for use or damage, or store them for the account of and at the cost of Tenant. Landlord may not distrain the medical records of Tenant or Tenant's patients.

(7) Landlord may maintain Tenant's right to possession, in which case this Sublease shall continue in effect whether or not Tenant has vacated or abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Sublease, including the right to recover Rent and other sums due, damages from Tenant's default or breach, and any other sum or payment that may become due, and to specifically enforce Tenant's obligations and obtain injunctive relief against further defaults and breaches.

c. Additional Remedies. Landlord shall have the right to remedy any default of Tenant, to maintain or improve the Premises without terminating this

Sublease, and to incur expenses on behalf of Tenant in seeking a subtenant or assignee including, without limitation, broker commissions and attorney fees.

15. **Landlord's Right of Entry.** Landlord shall have the right to enter the Premises at all reasonable times following prior notice to Tenant for any purpose including, without limitation, the following: (i) to determine whether Tenant is in compliance with its obligations under this Sublease; (ii) to do necessary maintenance and to repair or restore the Premises or other portions of the building; (iii) to post or serve any notices, and (iv) to show the Premises. Landlord agrees to exercise its right of entry in such manner as to minimize any inconvenience to Tenant or interference with Tenant's business and to not compromise the privacy of Tenant's patients.

16. **Subordination; Estoppel.**

a. **Subordination and Attornment.** This Sublease shall be subordinate to any encumbrance now of record or recorded after the date of this Sublease affecting the Premises, building, other improvements, and the land on which the building is located. Such subordination shall not allow for Tenant to be dispossessed of the Premises before the expiration of the Term or any extended term so long as: (1) Tenant is not in material breach of this sublease, and (2) Tenant agrees to attorn to Landlord's and underlying landlord's lenders or to any successor of Landlord or underlying landlord.

b. **Estoppel Certificate.** Within ten (10) days after request, Tenant shall deliver an estoppel certificate to Landlord. Tenant's failure to do so shall constitute a material default giving Landlord the rights and remedies provided upon default. Further, Tenant's failure to deliver the estoppel certificate shall be conclusive that: (i) this Sublease is in full force and effect, without modification except as may be represented by Landlord; (ii) there are no uncured defaults in Landlord's performance and Tenant has no right of offset, counterclaim or deduction against Rent or other payments due hereunder; and (iii) no more than one month's Rent has been paid in advance.

17. **Sale of Landlord's Interest.** In the event of any assignment of this Sublease by Landlord, Landlord shall be and is hereby relieved of any and all liability and obligations contained in or derived from this Sublease arising out of any act, occurrence or omission relating to the Premises or this Sublease occurring after the consummation of such assignment, provided the assignee shall expressly assume all of the covenants and obligations of Landlord under this Sublease.

18. **Financial Statements.** Within ten (10) days after request, Tenant shall deliver to Landlord such financial information of Tenant as may be required by Landlord, Landlord's lender, the underlying landlord, or assignee. Landlord agrees that such information, if confidential, shall be held in confidence and disclosed only to the parties set forth above or their accountants and attorneys. If Tenant is in default, Landlord may request updated financial statements and Tenant shall deliver its current financial statements to Landlord within three (3) business days of Landlord's request.

19. **Surrender of Premises.** Upon the expiration or termination of this Sublease, Tenant shall surrender the Premises to Landlord in good order, condition and repair, reasonable wear and tear excepted. Tenant shall not commit or allow any waste or damage to be committed on any portion of the Premises. All property that Tenant is required to surrender shall become Landlord's property upon the expiration or termination of this Sublease. Landlord may cause any of Tenant's property that is not removed from the Premises within thirty (30) days after the expiration or termination of this Sublease to be removed from the Premises and stored at Tenant's expense or, at Landlord's election, said property shall belong to Landlord without the payment of any consideration, subject to the rights of any person holding a perfected security interest therein.

20. **Holding Over.** Should Tenant hold over the Premises or any portion thereof after the expiration or termination of this Sublease, such holding over shall constitute and be construed as a tenancy from month to month only at a monthly Rent equal to one hundred and fifty percent (150%) of the Rent in effect during the last month prior to the holding over. Nothing in this Section shall be construed as Landlord's consent for Tenant to hold over.

21. **Arbitration.** Any dispute relating to this Sublease, its enforcement or interpretation (other than forcible entry and unlawful detainer proceedings, or actions to obtain equitable remedies to prevent or lessen threatened harm) shall be resolved by binding arbitration in Anchorage, Alaska, in accordance with the Revised Uniform Arbitration Act, AS 09.43.300 et seq., before a single arbitrator. The award rendered by the arbitrator shall be binding on all parties and judgment upon the award may be entered in any court having jurisdiction thereof.

22. **Attorney Fees and Costs.** The prevailing party in any dispute with respect to the enforcement or interpretation of this Sublease shall be entitled to recover from the other party reasonable costs and expenses of arbitration or litigation including, without limitation, reasonable attorney fees.

23. **Notices.** Any notice required under this Sublease shall be delivered either by: (i) personal delivery; (ii) postage prepaid, return receipt requested certified mail; or (iii) telecopy or other facsimile transmission at the address set forth below or at such other address as the intended recipient previously shall have designated by written notice to the other party:

If to Landlord, to:

Alaska Urological Institute, P.C.  
188 W. Northern Lights Blvd., Suite 800  
Anchorage, Alaska 99503  
Fax No.: (907) \_\_\_\_\_

If to Tenant, to:

Alaska Medical Services, LLC

Fax No.: (907) 276-2844

Notice by certified mail shall be effective on the date it is officially recorded as delivered to the intended recipient by return receipt or equivalent and, in the absence of such record of delivery, the effective date shall be presumed to have been the third (3rd) business day after notice was deposited in the mail. All notices personally delivered or sent by telecopy shall be deemed to have been received by the addressee on the date of personal delivery or on the date sent, respectively. Notices not given in writing shall be effective only if acknowledged in writing by a duly authorized representative of the party to which it was given.

24. **Successors Bound.** This Sublease and its covenants and conditions shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, successors, executors, and assigns.

25. **Authority.** The individual(s) executing this Sublease on behalf of Landlord and Tenant warrant and represent that he or she is duly authorized to execute this Sublease on behalf of Landlord and Tenant and bind them to its terms.

26. **Severability.** If any provision of this Sublease or the application thereof shall be held to be invalid, void or unenforceable, in whole or part, the remaining provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

27. **Entire Agreement.** This Sublease contains the entire agreement between the parties regarding the subject matter set forth herein. This Sublease may not be modified or altered by any prior or contemporaneous oral or written understanding between the parties. No subsequent amendment, modification, change, or addition to this Sublease shall be binding upon Landlord or Tenant unless in writing and signed by the parties.

28. **Governing Law.** This Sublease shall be governed by and construed in accordance with the laws of the State of Alaska.

IN WITNESS WHEREOF, the parties hereto duly executed this Sublease as of the date first written above.

**LANDLORD:** Alaska Urological Institute, P.C. **TENANT:** Alaska Medical Center, LLC

By: \_\_\_\_\_

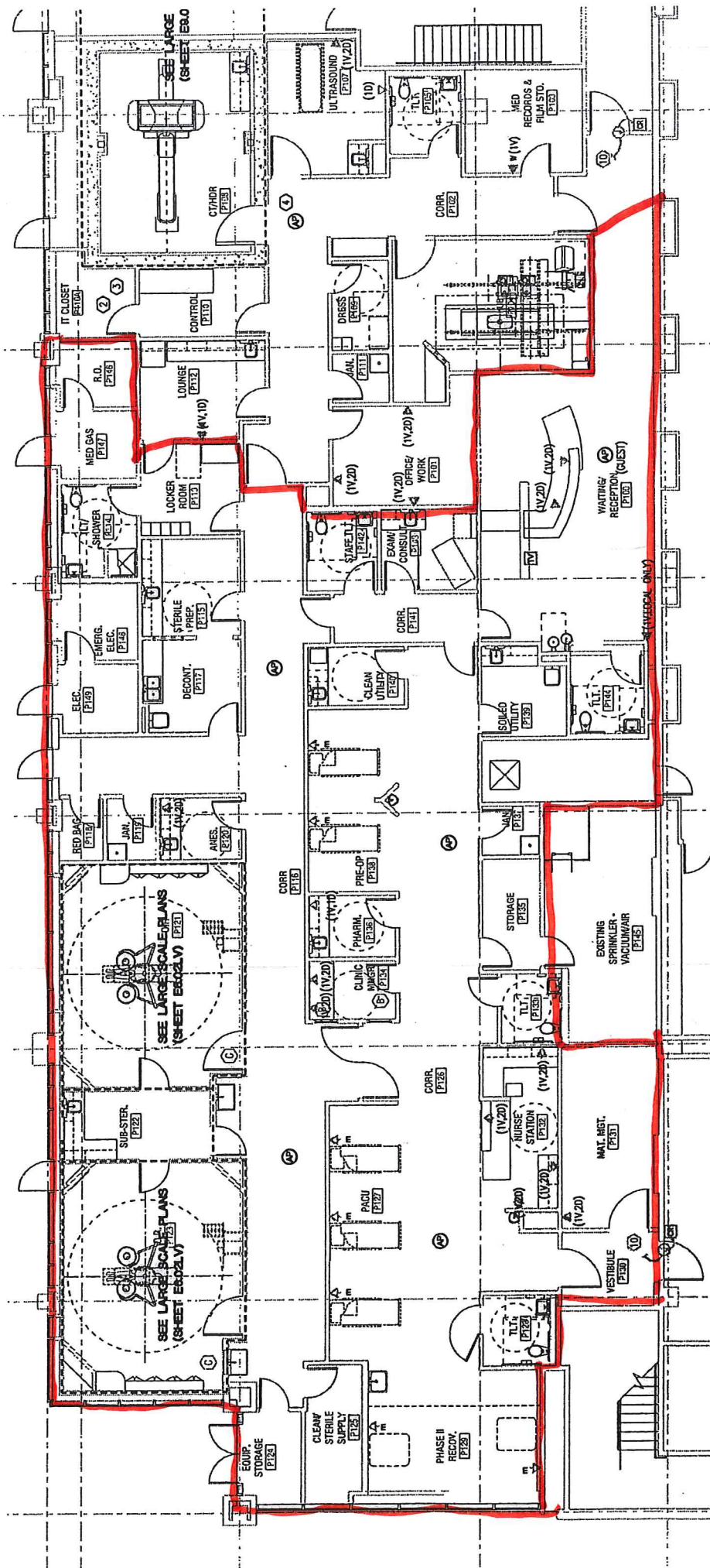
By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_







10 December 2015

Ms. Tina Presley, Manager  
Alaska Medical Specialties, LLC  
188 W. Northern Lights Blvd., Suite 800  
Anchorage, Alaska 99503

Re: Broker Opinion Of Value (BOV)  
188 W. Northern Lights Blvd., Suite 800  
Anchorage, Alaska

Dear Ms. Presley,

Below is our estimate of market value for the lease of the Subject property. It is our understanding that this BOV is to assist Alaska Medical Specialties (AMS) in your effort to create an ambulatory surgery center.

188 W. Northern Lights is a relatively new Class A, multi-tenanted building. The building is serviced with a parking structure and is constructed of steel and concrete. Alaska Medical Specialties has two leases at 188 W. Northern Lights Boulevard. The ground floor lease is for 8,161 square feet. Current lease rate is \$3.17 per square foot per month. AMS is responsible for all costs of servicing the space (a NNN or Triple Net Lease). The lease includes amortizing the cost of office tenant improvements.

The lease rates below reflect the Class A Office market in Anchorage. All of the comparable properties are similar in age and construction.

Address	Lease rate
2525 C Street	\$2.70
2701 Gambell Street	\$2.80
3601 C Street	\$3.00
582 E. 36 <sup>th</sup> Avenue	\$3.30
3800 Centerpoint Drive	\$3.20

725 E. Fireweed Lane      \$3.25  
5015 Business Park Blvd    \$3.10

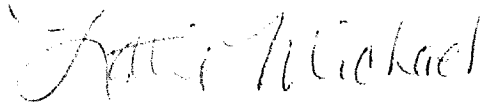
Subject  
188 W. Northern Lights    \$3.17

The market rate for subject space is \$3.10 - \$3.20 per square foot, monthly. It is our opinion the lease rate of \$3.17 is at market.

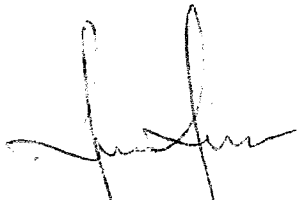
We can be reached at the contact numbers below, should you have any questions.

Sincerely,

Commercial Real Estate Alaska



Lottie Michael, CCIM  
Associate Broker



J Michael James  
Commercial Agent



**Fairwinds Biomedical, LLC**

Phone: (907)382-4713

E-mail: [james.salayo@fairwindsbiomedical.com](mailto:james.salayo@fairwindsbiomedical.com)

Website: [www.fairwindsbiomedical.com](http://www.fairwindsbiomedical.com)

December 07, 2015

To: Ms. Tina Presley  
Manager  
Alaska Medical Center, LLC  
188 W. Northern Lights Blvd., Suite 800  
Anchorage, AK 99503-3984

Dear Ms. Presley:

Per your request, I have reviewed the equipment list (copy attached) for the equipment lease between Alaska Medical Center, LLC and Alaska Urological Institute, Inc. for the purposes of a certified cost estimate as required in 7 AAC 07.031. The list of assets on Schedule 1 of the lease represents a complete list of equipment at the proposed facility. The proposed lease payment of \$24,996.66 is a fair and reasonable estimate of the monthly rental cost of this equipment.

Furthermore, I would like to take this opportunity to provide you with a brief description of my company. I have been working in the healthcare industry for the past ten years, providing various healthcare equipment maintenance services ranging from simple preventive maintenance to complex repairs. I am also CBET certified by the International Certification Commission for Clinical Engineering and Biomedical Technology. In addition, I have earned several factory certifications from GE Healthcare, Draeger Medical, Penlon America, and Hill-Rom.

I appreciate your business and look forward to serving you again in the near future.

Very Respectfully,

James Salayo, CBET  
Owner/Operator  
Fairwinds Biomedical, LLC  
Tel: (907)382-4713  
E-mail: [james.salayo@fairwindsbiomedical.com](mailto:james.salayo@fairwindsbiomedical.com)