

April 2, 2013

Karen Lawfer, CON Coordinator
Department of Health and Social Services
Division of Health Care Services
Certificate of Need Program

Dear Ms. Lawfer:

In follow up to your March 28, 2013 letter, outlined below are our responses. We believe that this letter fully addresses your questions.

1. What is the square footage of the proposed Mat-Su Valley Surgery Center?

As per page 3 of the application, the square footage is estimated to be 11,000.

2. In your letter dated 3/14/2013, you list two sets of figures:

- a. Landlord capital costs: \$2,839,364
- b. Tenant capital costs: \$2,871,104

Please explain the scope of these costs and identify the costs that are included in each total.

Table 1 details the specific line items included in the above totals.

Table 1
Mat-Su Valley Surgery Center
Capital Cost Description

Item	Description	Cost
Landlord capital costs	Building construction (shell)	\$2,839,364
Tenant capital costs	Leasehold improvements	\$2,871,104

Source: Applicant

3. On page 47 of your CON application you list, in your Debt Service Summary, LHI/Equip and LHI in the summary. What does LHI stand for:

LHI stands for Leasehold improvements.

received
4/8/2013
KQ

4. Is Mat-Su Valley Surgery Center a renter of the building?

Yes, Mat-Su Valley Surgery Center is a renter of the building.

5. On page 42 of your CON application you list Rent Expenses as \$263,275 for FU1 and FY2 and \$271,173 in FY3-FY5. Is that rental cost for the space used by Mat-Su Valley Surgery Center?

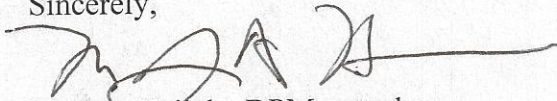
Yes, this is the rental cost for the space used by Mat-Su Valley Surgery Center.

6. On page 42 of your CON application you list depreciation expenses of \$637,084 each year. This is the amount listed as Principal on page 46 of your application for each year. This amount does not match that of equipment depreciation listed on page 49 of the CON application. What is being depreciated to total \$637,084 each operating year?

The depreciation amount (\$637,084) includes depreciation for the equipment (per page 49) as well as depreciation for the leasehold improvements and other equipment (as referenced in our March 2013 supplemental response).

Please do not hesitate to contact me if you have any questions or require further information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt A. Heilala', with a long horizontal line extending to the right.

Matt A. Heilala, DPM, member