

LEE L. JOHNSON
TREASURER
SYMBOL HEALTHCARE, INC.

direct line (208) 401-1369
direct fax (208) 576-6909
lee.johnson@pennantservices.com

PUGET SOUND HOME HEALTH OF THURSTON COUNTY

JULY 26, 2023

Eric Hernandez, Program Manager
Certificate of Need Program
Department of Health
111 Israel Road SE
Tumwater, WA 98501

*RE: Thurston County Home Health Certificate of Need Application for **Symbol Healthcare, Inc., d/b/a Puget Sound Home Health of Thurston County***

Dear Mr. Eric Hernandez,

Accept the attached as Symbol Healthcare, Inc. d/b/a Puget Sound Home Health of Thurston County's Certificate of Need application proposing a new home health agency to provide services to Medicare and Medicaid eligible patients in Thurston County.

Please note that payment was made by check (# 0143763) mailed via USPS Priority Mail for 2-Day Delivery.

Thank you for the opportunity to submit this application. Should you have any questions, please do not hesitate to contact me.

Sincerely,



Lee Johnson
Treasurer



Home Health Agency Certificate of Need Application Packet

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Application submission must include:

- One electronic copy of your application, including any applicable addendum – no paper copy is required.
- A check or money order for the review fee of **\$24,666** payable to **Department of Health**.

Include copy of the signed cover sheet with the fee if you submit the application and fee separately. This allows us to connect your application to your fee. We also strongly encourage sending payment with a tracking number.

- Mail or deliver the application and review fee to:

Mailing Address:

Department of Health
 Certificate of Need Program
 P O Box 47852
 Olympia, Washington 98504-7852

Contact Us:

Certificate of Need Program Office 360-236-2955 or FSLCON@doh.wa.gov.

Application Instructions

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

General Instructions:

- Include a table of contents for application sections and appendices/exhibits
- Number **all** pages consecutively
- Make the narrative information complete and to the point.
- Cite all data sources.
- Provide copies of articles, studies, etc. cited in the application.
- Place extensive supporting data in an appendix.
- **Provide a detailed listing of the assumptions you used for all of your utilization and financial projections, as well as the bases for these assumptions.**
- Under no circumstance should your application contain any patient identifying information.
- Use **non-inflated** dollars for **all** cost projections
- **Do not** include a general inflation rate for these dollar amounts.
- **Do** include current contract cost increases such as union contract staff salary increases. You must identify each contractual increase in the description of assumptions included in the application.
- **Do not** include a capital expenditure contingency.
- If any of the documents provided in the application are in draft form, a draft is only acceptable if it includes the following elements:
 - a. identifies all entities associated with the agreement,
 - b. outlines all roles and responsibilities of all entities,
 - c. identifies all costs associated with the agreement,
 - d. includes all exhibits that are referenced in the agreement, and
 - e. any agreements in draft form must include a document signed by both entities committing to execute the agreement as submitted following CN approval.

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

Answer the following questions sensibly for your project. In some cases, a table may make more sense than a narrative. The department will follow up in screening if there are questions.


Program staff members are available to provide technical assistance (TA) at no cost to you before submitting your application. While TA isn't required, it's highly recommended and can make any required review easier. To request a TA meeting, call 360-236-2955 or [email us at FSLCON@doh.wa.gov](mailto:FSLCON@doh.wa.gov).



Certificate of Need Application
Home Health Agency

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

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

<p>Signature and Title of Responsible Officer</p>  <p>Email Address lee.johnson@pennantservices.com</p>	<p>Telephone Number 208-401-1369</p>
<p>Legal Name of Applicant</p> <p>The Pennant Group Inc</p> <p>Address of Applicant 1675 E Riverside Dr, Suite 150. Eagle, Idaho 83616</p>	<p>Provide a brief project description</p> <p><input checked="" type="checkbox"/> New Agency</p> <p><input type="checkbox"/> Expansion of Existing Agency</p> <p><input type="checkbox"/> Other: _____</p> <p>Estimated capital expenditure: \$ _____ 5,000 _____</p>
<p>Identify the county proposed to be served for this project. Note: Each Home Health application must be submitted for one county only. If an applicant intends to obtain a Certificate of Need to serve more than one county, then an application must be submitted for each county separately.</p> <p>Thurston County</p>	

SYMBOL HEALTHCARE INC.,
d/b/a Puget Sound Home Health of Thurston County
Certificate of Need Application
Establish a Medicare/Medicaid Certified Home Health Agency
in
Thurston County

July 2023

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Introduction

With this application, Symbol Healthcare Inc., d/b/a Puget Sound Home Health of Thurston County is seeking a new home health agency in Thurston County. Puget Sound Hospice is Medicare and Medicaid certified and has been serving Thurston County since 2021. Puget Sound Home Health of Thurston County will join Puget Sound Hospice and our established presence in Washington State with affiliate home health and hospice agencies in several counties, including King, Pierce, Snohomish, San Juan, Aston, Garfield, Benton, Thurston, Grays Harbor, Mason and Franklin counties.

Puget Sound Home Health of Thurston County will operate under the philosophy and model of all affiliates of its ultimate parent company, the Pennant Group (“Pennant”), and Pennant’s Home Health and Home Health company, Cornerstone Healthcare, Inc.¹ Specifically, that to provide the best outcomes to our patients’ health care must be a community-driven service—we must be able to adapt to the specific needs of the communities in which we operate, while simultaneously providing world-class care. This application sets forth in detail how Puget Sound Home Health of Thurston County’s unique operating structure sets it apart as the applicant best situated to meet the home health care needs of the residents of Thurston County. Three facets of our structure are worth noting at the outset.

First, Pennant’s organizational structure is a “flat leadership” structure. Pennant does not operate as a heavy-handed, top-down corporate structure wherein programs are mandated regardless of whether they’re applicable or needed in each community. Local leaders of Pennant-affiliated agencies such as Puget Sound Home Health of Thurston County are empowered to run their agency to meet the specific needs of their respective communities; in fact, not only are they empowered to do so, understanding, and meeting the specific needs of their community is an expectation.

Second, all Pennant affiliates, such as Puget Sound Home Health of Thurston County, enjoy the support of a world class service center that includes experts in the field of home health. The Pennant Service Center will contract with Puget Sound Home Health of Thurston County, to provide it with exceptional services such as quality monitoring and improvement, revenue cycle management and protection, legal services, accounting services, HR support, accounts payable, information technology support, EMR software support, business intelligence and operational data monitoring, clinical resource support including education and quality assessment, HIPAA compliance monitoring, clinical and billing compliance support and monitoring, Medicare, Medicaid and state licensing, regional operations resources, and more. This Service Center is comprised of individuals who have designated themselves as “Resources,” as opposed to “Corporate Headquarters.” What this means is agencies such as Puget Sound Home Health of Thurston County have a team of home health experts who view themselves as partners and peers, dedicating their professional lives to the agency’s success.

Lastly, as a long-standing home health provider within the State of Washington, Pennant owned home health and hospice’s have become trusted community partners that provide

¹ As referenced below, Cornerstone Healthcare, Inc. is a subsidiary of the Pennant Group, Inc., and wholly owns Symbol Healthcare Inc.

diverse and unique care for thousands of patients that has resulted in clinical outcomes that rank among the best in the country. Our locally led care teams understand the home health needs of Thurston County, and they will make uncompromising strides to provide comprehensive patient care and exceptional clinical quality outcomes for the patients in Thurston County. The Washington state average for home health skilled care is 4 stars. Our agencies have averaged 4.0 stars or above for clinical outcomes and patient survey results during the last several years, we are proud to know that our patients receive some of the best hands-on care in the state.²

With the addition of providing home health care in Thurston County, Symbol will be able to provide more care along the spectrum of post-acute care as we build relationships with community partners in hospitals, physician networks, skilled nursing facilities, assisted living facilities, or home settings. This will allow us to provide patients with the right care, in the right place, at the right time. Symbol's proposal set out in this application will demonstrate that Puget Sound Home Health of Thurston County will be uniquely situated to provide exceptional home health care in Thurston County.

These facets, along with others set out in this application, position Puget Sound Home Health of Thurston County to provide a level of care that its competitors in Thurston County simply can't match; the exact type of community-based care that Washington's Certificate of Need program is designed to produce. As you will see in this application, the basis for our proposal as we have set out illustrates why Puget Sound Home Health of Thurston County is the best choice to meet the home health care needs of the residents of Thurston County.

Applicant Description

Answers to the following questions will help the department fully understand the role of the applicant(s). Your answers in this section will provide context for the reviews under Financial Feasibility ([WAC 246-310-220](#)) and Structure and Process of Care ([WAC 246-310-230](#)).

1. Provide the legal name(s) and address(es) of the applicant(s).

Note: The term "applicant" for this purpose includes any person or individual with a ten percent or greater financial interest in the partnership or corporation or other comparable legal entity as defined in [WAC 246-310-010\(6\)](#).

[The Pennant Group Inc.](#)

1675 E Riverside Dr, Suite 150. Eagle, Idaho 83616

2. Identify the legal structure of the applicant (LLC, PLLC, etc.) and provide the Unified Business Identifier (UBI).

The Pennant Group, Inc. is a Delaware Corporation, Symbol Healthcare, Inc.'s (the licensee) UBI number is 604 111 051.

² Washington state average is 4 stars. <https://data.cms.gov/provider-data/dataset/tee5-ixt5>
DOH 260-036 SEPTEMBER 2021

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

Lee Johnson, Treasurer of Symbol Healthcare, Inc.
1675 E. Riverside Drive, Suite 150, Eagle, ID 83616
208-401-1369
Lee.Johnson@pennantservices.com

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

There are no consultants authorized to speak on our behalf.

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

The organizational chart is shown at **Exhibit 1**.

6. Identify all healthcare facilities and agencies owned, operated by, or managed by the applicant or its affiliates with overlapping decision-makers. This should include all facilities in Washington State as well as out-of-state facilities. The following identifying information should be included:

- Facility and Agency Name(s)
- Facility and Agency Location(s)
- Facility and Agency License Number(s)
- Facility and Agency CMS Certification Number(s)
- Facility and Agency Accreditation Status
- If acquired in the last three full calendar years, list the corresponding month and year the sale became final
- Type of facility or agency (Home Health, Home Health, other)

The list of all healthcare facilities and agencies owned, operated by, or managed by the applicant are shown at **Exhibit 2**.

Project Description

1. Provide the name and address of the existing agency, if applicable.

This is not an existing agency.

2. If an existing Medicare and Medicaid certified Home Health agency, explain how this proposed project will be operated in conjunction with the existing agency.

This is a new agency.

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

Puget Sound Home Health of Thurston County

111 Tumwater Blvd SE, Suite A302

Tumwater, WA 98501

4. Provide a detailed description of the proposed project.

Puget Sound Home Health of Thurston County will be a state licensed and Medicare/Medicaid home health agency in Thurston County. If awarded the certificate of need, we look forward to supporting the residents of Thurston County and their long-term healthcare needs.

Regardless of whether our patients' medical needs are complex or simple, our experienced, skilled professionals create a carefully crafted treatment plan with a focus on achieving the very best patient outcomes. We will work with community providers in Thurston County to ensure the care each home health patient needs is brought to them, wherever they reside. The delivery of care will be provided by an interdisciplinary team of experienced and specially trained home health professionals.

Puget Sound Home Health of Thurston County's interdisciplinary staff will work in coordination with the patient, his or her family, and the patient's attending physician to establish personalized home health care goals. We will provide each patient with all necessary home health services and supplies, including skilled nursing care, physical therapy, home health aide services, speech therapy, occupational therapy, respiratory therapy, and nutritional services.

As with all Pennant-affiliated home health agencies, Puget Sound Home Health of Thurston County will approach home health care with the foundational belief that to produce the best patient outcomes, health care must be tailored to the unique needs of the residents of the community in which we provide care. All Pennant-affiliated agencies accomplish this by adopting a model where local leaders are provided the opportunity and challenge to operate a community-centered agency. Pennant does not dictate mandatory practices that may or may not address specific community needs from a corporate headquarters. This project will operate no differently, and because of this, we are uniquely situated to be able to provide the residents of Thurston County with the best possible home health care.

5. Confirm that this agency will be available and accessible to the entire geography of the county proposed to be served.

Puget Sound Home Health of Thurston County will be available and accessible to the entire geography of Thurston County. Puget Sound Hospice has served the entire geography of Thurston County since 2021, and we intend to continue this level of coverage with the addition of home health.

6. With the understanding that the review of a Certificate of Need application typically takes at least six to nine months, provide an estimated timeline for project implementation, below:

Event	Anticipated Month/Year
CN Approval	October 2023
Design Complete (if applicable)	N/A
Construction Commenced* (if applicable)	N/A
Construction Completed* (if applicable)	N/A
Agency Prepared for Survey	January 2024
Agency Providing Medicare and Medicaid home health services in the proposed county.	September 2024

If no construction is required, commencement of the project is project completion, commencement of the project is defined in [WAC 246-310-010\(13\)](#) and project completion is defined in [WAC 246-310-010\(47\)](#).

7. Identify the Home Health services to be provided by this agency by checking all applicable boxes below. For Home Health agencies, at least two of the services identified below must be provided.

<input checked="" type="checkbox"/> Skilled Nursing	<input checked="" type="checkbox"/> Occupational Therapy
<input checked="" type="checkbox"/> Home Health Aide	<input checked="" type="checkbox"/> Nutritional Counseling
<input type="checkbox"/> Durable Medical Equipment	<input type="checkbox"/> Bereavement Counseling
<input checked="" type="checkbox"/> Speech Therapy	<input checked="" type="checkbox"/> Physical Therapy
<input checked="" type="checkbox"/> Respiratory Therapy	<input type="checkbox"/> IV Services
<input type="checkbox"/> Medical Social Services	<input type="checkbox"/> Applied Behavioral Analysis
<input type="checkbox"/> Other (please describe)	

8. If this application proposes expanding the service area of an existing Home Health agency, clarify if the proposed services identified above are consistent with the existing services provided by the agency in other planning areas.

This is a new agency.

- 9. If this application proposes expanding an existing Home Health agency, provide the county(ies) already served by the applicant and identify whether Medicare and Medicaid services are provided in the existing county(ies).

This is a new agency.

- 10. Provide a general description of the types of patients to be served by the agency at project completion (age range, diagnoses, etc.).

Puget Sound Home Health of Thurston County will serve patients of all ages and diagnosis and is committed to serving all patients regardless of race, color, religion (creed), gender, gender expression, age, national origin, disability, marital status, sexual orientation, English proficiency, or military status, and will ensure that all populations have access to services through its charity care policy. Furthermore, Puget Sound Home Health’s admission, charity care, and non-discrimination policies reflect our commitment to caring for Medicare, Medicaid, and any patients who may be unable to pay for care.

- 11. Provide a copy of the applicable letter of intent that was submitted according to [WAC 246-310-080](#).

The letter of intent is shown at **Exhibit 5**.

- 12. Confirm that the agency will be licensed and certified by Medicare and Medicaid. If this application proposes the expansion of an existing agency, provide the existing agency’s license number and Medicare and Medicaid numbers.

This is a new agency that will be certified by Medicare and Medicaid.

a. IHS.FS. _____

Medicare #: _____

Medicaid #: _____

Certificate of Need Review Criteria

A. Need (WAC 246-310-210)

[WAC 246-310-210](#) provides general criteria for an applicant to demonstrate need for healthcare facilities or services in the planning area. Documentation provided in this section must demonstrate that the proposed agency will be needed, available, and accessible to the community it proposes to serve. Some of the questions below only apply to existing agencies proposing to expand. For any questions that are not applicable to your project, explain why.

1. List all Home Health providers currently operating in the planning area.

The source of the following list of all home health providers was given by the Department of Health public records department. We listed the home health agencies that are state licensed and active, and we noted those that: 1. are Medicare and Medicaid certified, 2. completed the most recent annual utilization survey, 3. appear to have the appropriate FTE's to cover the county, and 4. show the appropriate service area and required services offered on the website. These are the agencies that appear to qualify to be counted, according to our understanding of the qualifications. We found that there are **three** agencies that are state licensed and Medicare/Medicaid certified, and these appear to have an appropriate number of FTE's to cover the county. Of these three, two completed the 2022 survey, and all three websites confirm the service area and home health services. We concluded that these three agencies should be counted against the need in Thurston County. The three agencies are highlighted in green in the chart below.

THURSTON HOME HEALTH AGENCIES						
# FTE's	MEDICARE & MEDICAID CERTIFIED	2022 SURVEY Y OR N	LEGAL ENTITY	DBA	WEBSITE CONFIRMS SERVICE AREA & SERVICES	AGENCY SHOULD BE COUNTED
15	N	N	Lincare Inc.	Lincare	N	N
59.21	N	N	Seattle Childrens Hospital	Seattle Childrens Hospital Home Care Services	N	N
93	N	N	New Care Concepts Inc.	New Care Concepts	N	N
44	N	N	Alliance Nursing Inc	Alliance Nursing	N	N
68	N	N	Advanced Health Care Inc	Advanced Health Care	N	N
68	N	N	Apria Healthcare LLC	Apria Healthcare LLC	N	N
76	N	Y	The Ashley House	Ashley House	N	N
81.63	Y	Y	Northwest Healthcare Alliance Inc	Assured Home Health and Hospice	Y	Y
112	N	N	Avail Home Health Inc	Avail Home Health	N	N
11.55	N	N	Coram Alternate Site Services Inc	Coram CVS/Specialty Infusion Services	N	N
20	N	Y	Multicare Health System	Mary Bridge Infusion and Specialty Services	N	N

53.28	N	N	Maxim Healthcare Services Inc	Maxim Healthcare Services	N	N
11	H	N	Option Care Enterprises Inc	Option Care	N	N
67.5	N	Y	Providence Health and Services - Washington	Providence Infusion and Pharmacy Services	N	N
106	Y	Y	Providence Health and Services - Washington	Providence Sound HomeCare and Hospice	Y	Y
88	N	N	Pediatric Services of America LLC	Aveanna Healthcare	N	N
30.05	N	N	Total Care Inc	Aveanna Healthcare	N	N
17	N	N	Accredo Health Group Inc	Accredo Health Group	N	N
39	N	Y	Optum Women's and Children's Health LLC	Optum Women's and Children's Health LLC	N	N
25	N	N	Popes Kids Place	Popes Kids Place	N	N
	N	N	RWW Home and Community Rehab	RWW Home and Community Rehab Services, Inc.	N	N
8	N	N	Guardian Home Care Inc	Guardian Home Care	N	N
25.82	N	N	Catherine Dambrosio PHD RN and Associates	Nursing Evolutions	N	N
18	N	N	Unicare LLC	Unicare LLC	N	N
7	N	N	Banda Enterprises LLC	Comfort Keepers	N	N
1	N	Y	Act for Health Inc.	Professional Case Management of Washington	N	N
95.26	N	Y	Envision Home Health of Washington LLC	Envision Home Health	N	N
32.75	N	N	Ro Health LLC	Ro Health	N	N
13.93	N	N	S Forest Inc.	BrightStar Care South Puget Sound	N	N
19	N	N	Nuclear Care Partners LLC	Nuclear Care Partners LLC	N	N
16.39	N	N	Energy Employee Home Health Services LLC	Energy Employee Home Health Services	N	N
15	Y	N	Careage Home Health LLC	Careage Home Health	Y	Y
15	N	N	Careage Home Health LLC	Careage Home Health	N	N
45.84	N	N	Reliable Healthcare LLC	Reliable Healthcare	N	N

38.24	N	N	Critical Nurse Staffing LLC	Critical Nurse Staffing LLC a/k/a CNSCares	N	N
50	N	N	Geras LLC	Family Resource Home Care	N	N
26	N	N	Harbor Health Solutions LLC	Harbor Health Solutions LLC	N	N
7	N	N	ABOVE Home Health LLC	ABOVE Home Health	N	N
53	N	N	Fedelta Home Care LLC	Fedelta Home Care	N	N
2	N	N	Wellspring Home Health Center, LLC	Wellspring Home Health Center, LLC	N	N
2	N	N	Wellspring Home Health Center, LLC	Wellspring Home Health Center, LLC	N	N
7	N	Y	Providence Health and Services - Washington	Providence at Home	N	N
24	N	N	B and M Home Care Services LLC	Caring Hearts Agency	N	N
10	N	N	MGA Home Healthcare Washington, LLC	MGA Homecare	N	N
30	N	N	LTCI Home Care Inc	LTCI Home Care Inc	N	N
10	N	N	Magenta Care LLC	Magenta Care	N	N
12	N	N	Guardian Angels Home Health Services LLC	Guardian Angels Home Health Services LLC	N	N
	N	N	Guardian Angels Home Health Services LLC	Guardian Angels Home Health Services LLC	N	N

2. Complete the numeric methodology.

The Thurston County numeric need methodology, including the age cohort chart, is below. Considering the three home health agencies that we concluded should be counted, the methodology shows a need of **six** new Medicare/Medicaid certified home health agencies in Thurston County.

Step one: Project the population of the planning area, broken down by age cohort

COUNTY

THURSTON	AGE COHORT	2023 POP	2024 POP	2025 POP
	0-64	248,602	250,970	253,337
	65-79	46,141	47,518	48,895
	80+	12,894	13,584	14,275

Step two: Project the number of home health patients: This is done by multiplying each projected population age cohort by its corresponding use rate identified in the SHP.

AGE COHORT	USE RATE	2023 # HH PT.	2024 # HH PT.	2025 # HH PT.
0-64	0.005	1243.01	1254.85	1266.69
65-79	0.044	2030.20	2090.79	2151.38
80+	0.183	2359.57	2485.95	2612.33

Step three: Project number of patient visits: This is done by multiplying each age cohorts' projected number of home health patients (calculated in the previous step) by its corresponding number of visits identified in the SHP.

AGE COHORT	USE RATE	VISITS	2023 # HH VISITS	2024 # HH VISITS	2025 # HH VISITS
0-64	0.005	10	12430.11	12548.48	12666.85
65-79	0.044	14	28422.86	29271.09	30119.32
80+	0.183	21	49550.87	52204.85	54858.83

Step four: Determine the projected home health agencies needed: This is done by dividing the total projected number of visits by **10,000, which is the amount the SHP considers the “target minimum operating volume for a home health agency.”** The resulting number represents the maximum projected number of agencies needed in a planning area. The SHP specifies that fractions are rounded down to the nearest whole number.

AGE COHORT	USE RATE	VISITS	2023	2024	2025
0-64	0.005	10	12430.11	12548.48	12666.85
65-79	0.044	14	28422.86	29271.09	30119.32
80+	0.183	21	49550.87	52204.85	54858.83
TOTALS			90403.84	94024.42	97645.00
Target Minimum Operating Volume			10000.00	10000.00	10000.00
Number of Agencies			9.04	9.40	9.76
Number of Agencies Needed (round down)			9	9	9

Step five: Subtract the existing number of home health agencies in a planning area: The fifth and final step in the numeric methodology is to subtract the existing number of home health agencies providing services to a planning area from the projected number of agencies needed. This results in the net number of agencies needed for the planning area. Following is a brief description of how the department determines what agencies should be included or excluded from the numeric need methodology’s supply. It is important to note is that the department adheres to the definition in the 1987 Washington State Health Plan (SHP) for a home health agency which states, “Home health agency means an entity coordinating or providing the organized delivery of home health services. Home health services means the provision of nursing services along with at least one other therapeutic service or with a supervised home health aide service to ill or disabled persons in their residences on a part-time or intermittent basis, as approved by a physician.” [source: SHP, pB-34]

AGE COHORT	USE RATE	VISITS	2023	2024	2025
0-64	0.005	10	12430.11	12548.48	12666.85
65-79	0.044	14	28422.86	29271.09	30119.32
80+	0.183	21	49550.87	52204.85	54858.83
TOTALS			90403.84	94024.42	97645.00
Target Minimum Operating Volume			10000.00	10000.00	10000.00
Number of Agencies Needed			9.04	9.40	9.76
Number of Agencies Needed (round down)			9	9	9
Number of Existing Medicare & Medicaid Agencies			3	3	3
Net Agencies Needed			6	6	6

THURSTON			
AGE	2015	2020	2025
0-4	15,447	16,810	17,069
5-9	16,364	17,913	18,643
10-14	16,701	18,677	19,754
15-19	16,930	18,202	19,912
20-24	17,709	16,657	17,239
25-29	16,620	17,195	17,783
30-34	17,519	21,139	20,215
35-39	17,055	21,979	23,404
40-44	17,063	19,306	23,533
45-49	17,348	18,097	20,301
50-54	18,711	18,060	18,724
55-59	19,261	18,656	18,090
60-64	18,224	18,809	18,670
65-69	15,450	17,967	18,497
70-74	10,462	14,707	17,098
75-79	6,738	9,336	13,300
80-84	4,644	5,338	7,823
85+	5,166	5,484	6,452
Total	267,410	294,332	316,507

3. If applicable, provide a discussion identifying which agencies identified in response to Question 1 should be excluded from the numeric need methodology and why. Examples for exclusion could include but are not limited to: not serving the entire geography of the planning area, being exclusively dedicated to DME, infusion, or respiratory care, or only serving limited groups.

Please see our response to question 1 above. We noted all the agencies that should be included in the numeric need, as well as those that should be excluded.

4. Explain why this application is not considered an unnecessary duplication of services for the proposed planning area. Provide any documentation to support the response.

The Department's need methodology shows a need for an additional **six** Medicare and Medicaid certified agencies in Thurston County. While there are three existing Medicare and Medicaid agencies in the county, these are not able to meet all the need. For example, the *Trella Health* report at **Exhibit 11** shows that the CMS 48-hour requirement for initiating

home health care is being met only 14% of the time.³ Stated another way, at admission, approximately 86% of the time, the existing agencies in Thurston County fail to provide necessary home health care for multiple days. This trend is especially troubling given that many of these patients are returning home directly after being discharged from acute settings like emergency rooms and skilled nursing facilities where transitioning smoothly between care settings is crucial to producing positive care outcomes for the patient. Delays in providing skilled home health care after discharge from acute care settings threaten the health of these already vulnerable patients.

The addition of Puget Sound Home Health of Thurston County will not result in a duplication of services, rather, it will strengthen Thurston County with more home health capacity that will allow patients to be able to better access timely home health care, which in turn will translate to better care transitions and a better experience for the home health patients of Thurston County.

- For existing agencies, using the table below, provide the Home Health agency’s historical utilization broken down by county for the last three full calendar years.

This is a new agency.

County	2020	2021	2022
Total number of admissions			
Total number of visits			
Average number of visits/patient			

- Provide the projected utilization for the proposed agency for the first three full years of operation. For existing agencies, also provide the intervening years between historical and projected. Include all assumptions used to make these projections.

To arrive at these projections, we first divided the total number of patient visits per year by the 10,000 visit target minimum operating volume for a home health agency. We then rounded the number of agencies down and divided the total number of patient visits by the rounded down number to arrive at the number of visits to apply to each of the net agencies needed.

Example 2024: $94024.42 / 9 = 10447.2$ visits per each of the 6 agencies

		2024
TOTALS		94024.42
Target Minimum Operating Volume		10000.00
Number of Agencies Needed		9.40
Number of Agencies Needed (round down)		9
Number of Existing Medicare & Medicaid Agencies		3
Net Agencies Needed		6

³ Please see Exhibit 11, which shows the Trella Health home health start of care percentage is 14% in Thurston County. See also <https://app.trellehealth.com/hha/dashboard/rep/homehealth>.

Please see our projected utilization in the table below. The total number of visits per year are conservative percentages of the visits per agency found in the example above. The percentages are shown in the table.

County: Thurston	2024	2025	2026	2027
Total number of admissions	357	485	533	613
Total number of visits	6791	9222	10127	11654
Percentage of one agencies total visits	65%	85%	90%	100%
Projected number of visits/patient	19	19	19	19

7. Identify any factors in the planning area that could restrict patient access to home health services.

The factors that can restrict patient access to home health care in Thurston County according to the 2021 Community Health Assessment include⁴:

- Lack of insurance: Many people in Thurston County do not have health insurance, which can make it difficult for them to afford home health care. According to the assessment, 12.5% of people in Thurston County were uninsured in 2020.
- Low income: Even people who have insurance may not be able to afford home health care if they have low incomes. The median household income in Thurston County was \$92,000 in 2020, but the poverty rate was 10.8%.
- Transportation challenges: Some people in Thurston County may have difficulty getting to and from home health care appointments due to transportation challenges. The assessment found that 10.6% of people in Thurston County do not have access to a car.
- Language barriers: People who speak languages other than English may have difficulty accessing home health care due to language barriers. The assessment found that 12.4% of people in Thurston County speak a language other than English at home.
- Rural location: People who live in rural areas of Thurston County may have difficulty accessing home health care due to the distance to care providers. The assessment found that 25.5% of people in Thurston County live in rural areas.

⁴ <https://www.thurstoncountywa.gov/departments/public-health-and-social-services/disease-control-and-prevention/health-data>

8. Confirm the proposed agency will be available and accessible to the entire planning area.

Puget Sound Home Health of Thurston County will be available and accessible to the entire planning area.

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

Thurston County will be served in its entirety by Puget Sound Home Health of Thurston County. Our clinical staff will be available 24 hours a day, seven days a week to meet all patient and family needs. We plan to provide the full range of services for all residents of Thurston County, including the underserved groups, which are described below.

According to the 2021 Thurston County Community Health Assessment, the following groups are underserved in the county⁵:

- People of color: People of color make up 27% of the population in Thurston County, but they experience disproportionate rates of poverty, unemployment, and chronic health conditions. For example, the poverty rate for Black people in Thurston County is 23.2%, compared to 8.4% for white people.
- People with disabilities: People with disabilities make up 15% of the population in Thurston County, but they face significant barriers to accessing health care, including transportation, cost, and lack of accessible facilities. For example, only 44% of people with disabilities in Thurston County have health insurance, compared to 72% of people without disabilities.
- Older adults: Older adults make up 18% of the population in Thurston County, and they are more likely to have chronic health conditions, disabilities, and low incomes. For example, the poverty rate for people aged 65 and older in Thurston County is 14.4%, compared to 8.4% for people aged 18-64.
- People living in rural areas: People living in rural areas of Thurston County face significant barriers to accessing health care, including transportation, cost, and lack of providers. For example, the average distance to a primary care provider is 12 miles for people living in rural areas of Thurston County, compared to 5 miles for people living in urban areas.

These are just some of the groups that are underserved in Thurston County. The assessment found that these groups are more likely to experience poor health outcomes, such as shorter life expectancy, higher rates of chronic disease, and lower rates of preventive care.

The data is clear that disparities in health stem from the lack of access to timely healthcare for people in certain demographics, and community members in Thurston County identified timely access to health care as a health priority. We believe we can help fix this problem. As

⁵ <https://www.thurstoncountywa.gov/departments/public-health-and-social-services/disease-control-and-prevention/health-data>

mentioned above, we have a robust non-discrimination policy where demographic characteristics like race and income are not considered when making the decision to admit a patient. Puget Sound Home Health of Thurston County will be able to provide increased access to home health care to this underserved population as its non-discrimination policies do not consider these demographic statuses. In addition, Puget Sound Home Health of Thurston County will partner with community providers to meet the care needs of those underserved in Thurston County.

10. Provide a copy of the following policies:

- Admissions policy
- Charity care or financial assistance policy
- Patient Rights and Responsibilities policy
- Non-discrimination policy
- Any other policies directly related with patient access (involuntary discharge)

All the above policies are shown at **Exhibit 6**.

B. Financial Feasibility ([WAC 246-310-220](#))

Financial feasibility of a Home Health project is based on the criteria in [WAC 246-310-220](#).

1. Provide documentation that demonstrates the immediate and long-range capital and operating costs of the project can be met. This should include but is not limited to:

- Utilization projections. These should be consistent with the projections provided under the Need section. **Include all assumptions.**
- Pro Forma revenue and expense projections for at least the first three full calendar years of operation using at a minimum the following Revenue and Expense categories identified at the end of this question. **Include all assumptions.**
- Pro Forma balance sheet for the current year and at least the first three full calendar years of operation. **Include all assumptions.**
- For existing agencies proposing addition of another county, provide historical revenue and expense statements, including the current year.

	Depreciation and Amortization
Non-operating revenue	Dues and Subscriptions
	Education and Training
	Employee Benefits
	Equipment Rental
	Information Technology/Computers
Deductions from Revenue:	Insurance
(Charity)	Interest
(Provision for Bad Debt)	Legal and Professional

(Contractual Allowances)

Licenses and Fees
 Medical Supplies
 Payroll Taxes
 Postage
 Purchased Services (utilities, other)
 Rental/Lease
 Repairs and Maintenance
 Salaries and Wages (DNS, RN, OT, clerical,
 etc.)
 Supplies
 Telephone/Pagers
 Travel (patient care, other)
 Other, detail what is included

All the above documents and items are shown at **Exhibit 10**. We are applying for home health certificates of need in multiple counties, the submitted financials include the income statement and balance sheet for Cornerstone + all the counties. The Cornerstone + all other counties financials will vary slightly in each county's applications due to lease terms that have not been finalized for applications that are being submitted later. As an example, the Kitsap county application will be submitted first, and the Cornerstone + all other counties financials lease amount will not be exact, because we are waiting for two of the other counties lease terms to be finalized. The financials for Kitsap include estimated lease rates for these two counties. We do not anticipate a significant difference between the estimates and the actual lease rates.

2. Provide the following agreements/contracts:

- Management agreement.
- Operating agreement
- Medical director agreement
- Joint Venture agreement

Note, all agreements above must be valid through at least the first three full years following completion or have a clause with automatic renewals.

Any agreements in draft form must include a document signed by both entities committing to execute the agreement as submitted following CN approval.

The above applicable agreements/contracts are shown at **Exhibit 8** (operating agreements). There is no medical director, joint venture or management agreement.

3. Provide documentation of site control. This could include either a deed to the site or a lease agreement for the site.

If this is an existing Home Health agency and the proposed services would be provided from an existing main or branch office, provide a copy of the deed or lease agreement for the site. If a lease agreement is provided, the agreement must extend through at least the third full year following the completion of the project. Provide any amendments, addenda, or substitute agreements to be created as a result of this project to demonstrate site control.

If this is a **new** Home Health agency site, documentation of site control includes one of the following:

- a. An **executed** purchase agreement or deed for the site.
- b. A **draft** purchase agreement for the site. The draft agreement must include a document signed by both entities committing to execute the agreement as submitted following CN approval.
- c. An **executed** lease agreement for at least three years with options to renew for not less than a total of two years.
- d. A draft lease agreement. For Certificate of Need purposes, draft agreements are acceptable if the draft identifies all entities entering into the agreement, outlines all roles and responsibilities of the entities, identifies all costs associated with the agreement, includes all exhibits referenced in the agreement. The draft agreement must include a document signed by both entities committing to execute the agreement as submitted following CN approval.

The lease agreement is shown at **Exhibits 3 and 4**.

4. Complete the table below with the estimated capital expenditure associated with this project. Capital expenditure is defined under [WAC 246-310-010\(10\)](#). If you have other line items not listed below, include the definition of the line item. Include all assumptions used to create the capital expenditure estimate.

a. Land purchase	\$ NA
b. Utilities to lot line	\$ NA
c. Land Improvements	\$ NA
d. Building Purchase	\$ NA
e. Residual Value of Replaced Facility	\$ NA
f. Building Construction	\$ NA
g. Fixed Equipment (not already included in the construction contract)	\$ NA
h. Movable Equipment	\$ NA
i. Architect and Engineering Fees	\$ NA
j. Consulting Fees	\$ NA
k. Site Preparation	\$ NA
l. Supervision and Inspection of Site	\$ NA

m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction)	\$N/A
1. Land	\$ NA
2. Building	\$ NA
3. Equipment	\$ NA
4. Other	\$ NA
n. Washington Sales Tax	\$ NA
Total Estimated Capital Expenditure	\$ NA

5. Identify the entity responsible for the estimated capital costs identified above. If more than one entity is responsible, provide breakdown of percentages and amounts for each.

There is no capital expenditure for this project.

6. Identify the amount of start-up costs expected to be needed for this project. Include any assumptions that went into determining the start-up costs. Start-up costs should include any non-capital expenditure expenses incurred prior to the facility opening or initiating the proposed service. If no start-up costs are expected, explain why.

We expect the following start-up costs to total \$15,500.

Recruitment - \$5,000 estimated based on Pennant's experience with starting new operations. Includes external postings on job boards that include; LinkedIn, Indeed, Career Builder, and Glassdoor. We will also identify and attend any applicable and timely job fairs. We will also contact the local colleges and local healthcare professional associations.

Marketing/Advertising - \$4,000 estimated based on Pennant's experience with starting new operations. Advertisements in local media including print, notifying of our grand opening, including holding a meet and greet for local healthcare administrators and other community partners. We will also develop marketing brochures and patient packets.

Travel - \$6,500 estimated based on Pennant's past experience with starting new operations. This accounts for essential Resources traveling to and from the Pennant Service Center to provide necessary support, including HR, IT, and Clinical Resources. This will continue for a period of 60-90 days.

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

The Pennant Group Inc. is responsible for the estimated capital costs identified above. Pennant's 10Q is shown at **Exhibit 9**.

8. Explain how the project would or would not impact costs and charges for healthcare services in the planning area.

This project will positively impact the costs and charges of health services in the planning area. Home health care has been shown to be cost-effective and is documented to reduce healthcare costs. This project proposes to address the home health agency shortage in the county and will improve access to care. Over time, this will reduce the cost of healthcare and benefit patients and their families.

9. Explain how the costs of the project, including any construction costs, will not result in an unreasonable impact on the costs and charges for healthcare services in the planning area.

The office equipment and start-up costs of this project are minimal, estimated at \$20,500 (\$5,000 office equipment, \$15,500 start-up). These costs will not have an unreasonable impact on the costs and charges of health services in the planning area. Home health care has been shown to be cost-effective and is documented to reduce healthcare costs. This project proposes to address the home health agency shortage in the county and will improve access to care. Over time, this will reduce the cost of healthcare and benefit patients and their families.

10. Provide the projected payer mix by revenue and by patients by county as well as for the entire agency using the example table below. Medicare and Medicaid managed care plans should be included within the Medicare and Medicaid lines, respectively. If “other” is a category, define what is included in “other.”

We used the Pierce County percentages from Puget Sound Home Health as the reference, and then adjusted the percentages based on demographic data found in the Thurston County Community Assessment to arrive at our estimates.

Payer Mix	Percentage of Gross Revenue	Percentage by Patient
Medicare	89.1%	82%
Medicaid	1.6%	4%
Commercial	9.3%	14%
Self-pay	0%	0%
Total	100	100

11. If this project proposes the addition of a county for an existing agency, provide the historical payer mix by revenue and patients for the existing agency. The table format should be consistent with the table shown above.

This is a new agency.

Payer Mix	Percentage of Gross Revenue	Percentage by Patient
Medicare		
Medicaid		
Commercial		
Self-pay		
Total	100	100

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

Item	Cost
Phone System	\$2,000
Computer/IT equipment	\$3,000
Total	\$5,000

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

The Pennant Group Inc. is the source of financing. The commitment of funds letter is shown at **Exhibit 12**.

14. If this project will be debt financed through a financial institution, provide a repayment schedule showing interest and principal amount for each year over which the debt will be amortized.

This project will not be debt financed through a financial institution.

15. Provide the most recent audited financial statements for:

- The applicant, and
- Any parent entity responsible for financing the project.

The most recent audited financial statement for Cornerstone Healthcare Inc., is shown at **Exhibit 10**. The 10Q of the applicant, The Pennant Group Inc., is shown at **Exhibit 9**.

C. Structure and Process (Quality) of Care ([WAC 246-310-230](#))

Projects are evaluated based on the criteria in WAC 246-310-230 for staffing availability, relationships with other healthcare entities, relationships with ancillary and support services, and compliance with federal and state requirements. Some of the questions within this section have implications on financial feasibility under WAC 246-310-220.

1. Provide a table that shows FTEs [full time equivalents] by category for the county proposed in this application. All staff categories should be defined.

THURSTON COUNTY

Clinical Staff by FTE	2024	2025	2026	2027
Registered Nurse	2.6	3.6	3.9	4.5
Home Health Aid	3.9	5.3	5.8	6.7
Physical Therapist	1.2	1.6	1.8	2.0
Physical Therapist Aid	0.6	0.8	0.9	1.0
Director of Clinical Services	1.2	1.6	1.8	2.0
Total	10.5	14.2	15.6	18.0
Administrative Staff by FTE				
Administrator	0.1	0.1	0.1	0.1
Medical Records, Insurance Auth	1.0	1.3	1.5	1.7
Intake, Scheduling	1.2	1.6	1.8	2.0
Community Liaison	1.0	1.3	1.5	1.7
Total	3.2	4.4	4.8	5.5

2. If this application proposes the expansion of an existing agency into another county, provide an FTE table for the entire agency, including at least the most recent three full years of operation, the current year, and the first three full years of operation following project completion. There should be no gaps in years. All staff categories should be defined.

This is a new agency.

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

The assumptions used to project the number and types of FTE's identified for this project are based upon the average numbers and types used across all Pennant-affiliated home health agencies, which include four Washington state home health agencies. The Washington state home health numbers are consistent with these averages.

4. Provide a detailed explanation of why the staffing for the agency is adequate for the number of patients and visits projected.

Puget Sound Home Health of Thurston County is confident that our proposed staff to patient ratio is appropriate. First, Pennant-affiliated home health agencies, including our four Washington State home health agencies, have found that operating at these ratios is optimal to produce quality outcomes. Second, our staffing ratios are consistent with industry standards, which tend to be conservative.

5. If you intend to have a medical director, provide the name and professional license number of the current or proposed medical director. If not already disclosed under 210(1) identify if the medical director is an employee or under contract.

We do not intend to have a medical director, instead, we plan on working directly with each patient’s attending physician.

6. If the medical director is/will be an employee rather than under contract, provide the medical director’s job description.

We do not intend to have a medical director, instead, we plan on working directly with each patient’s attending physician.

7. Identify key staff by name and professional license number, if known. If not yet known, provide a timeline for staff recruitment and hiring (nurse manager, clinical director, etc.)

DCS	Denise Carlock-Hanna	RN-00103370
ADMIN/ED	Mckay Beus	N/A

8. For existing agencies, provide names and professional license numbers for current credentialed staff.

This is a new agency.

9. Describe your methods for staff recruitment and retention. If any barriers to staff recruitment exist in the planning area, provide a detailed description of your plan to staff this project.

In addition to Symbol Healthcare Inc. operating a home health agency in Pierce County, its ultimate parent company, Pennant, owns 134 healthcare organizations across 14 states, including a senior living home in Redmond, Washington, and home health agencies that operate in King, Pierce, Snohomish, Thurston, San Juan, Aston, Garfield, Benton, and Franklin counties. Additionally, Pennant owns Washington-based hospice agencies that service Snohomish, Aston, Garfield, Thurston, Grays Harbor, Mason, King and Pierce counties. In the experience of Pennant- owned health care agencies, health care employees are drawn to the Pacific Northwest Region for its outdoor experiences, culture and vitality, making recruiting to locations like Thurston County generally easier than other parts of the country. Additionally, if Pennant-owned health care agencies have qualified and experienced staff in good standing that want to move to Thurston County, or to transition from long-term care or home health to hospice, we are able and willing to support that relocation or transition.

Both Symbol Healthcare Inc. and its affiliates also have proven histories of recruiting and retaining quality staff. We offer a competitive wage scale, a generous benefit package, and a professionally rewarding work setting, as well as the potential for financial assistance in furthering training and education.

Pennant has access to utilize a variety of recruitment resources, including the use of social media and internet recruitment platforms such as LinkedIn, Indeed, Monster and Glassdoor, among others, and due to our employees' high job satisfaction we have found great success in recruiting through our staff's network of other skilled healthcare professionals.

The following provides additional details as to Puget Sound Home Health of Thurston County approach to recruiting and retention.

Recruiting

Puget Sound Home Health of Thurston County leaders will continually perform the following recruiting activities.

- Identify any opportunity to recruit at local job fairs and State and National associations websites and conferences.
- Maintain a liaison with career/placement staff at regional colleges, universities, and clinical certification organizations to actively recruit its students, including offering clinical shadowing and volunteer opportunities.
- Join applicable healthcare professional associations.
- Utilize national talent search companies.
- Meet community market wages, recruiting and sign on bonuses.
- Provide leadership and advancement opportunities for staff to elevate within Cornerstone.
- Post positions within Pennant's multistate organizations.

Puget Sound Home Health of Thurston County's Administrator and DCS will continually identify open positions. They will create open positions based on staffing needs driven by hospice IDT caseloads and ADC growth. This will be continuously assessed to ensure staff to patient ratios remain appropriate to maintain consistent delivery of quality patient care and ensure the IDT team/staff are not overburdened.

Once an open position has been identified the agency's leaders will do the following.

- Email HR/Payroll Group with the standard subject line: Recruiting Need Discipline.
The content of this email will set out the following information as to the open position:
 - FTE
 - Discipline
 - Territory
 - Rate Sets
 - Urgency of fill: Immediate, moderate, low
 - Potential Hire date
 - Bonus – Sign on – automatic for urgent need, hard to fill.
 - Post open position in Workday via human resource information system provided by Pennant Services.
 - Post open position on job boards on LinkedIn, Indeed, Career Builder, Glassdoor.
 - Share the job posting on agency social media.

Once a candidate has been identified the agency will follow its standard screening process:

Step 1. Conduct phone interview of candidate, screening for relevant experience, positive attitude, and discuss compensation.

Step 2. DCS in-person or video conference interview with clinical candidate; Administrator or DCS in-person or video conference interview with administrative candidate.

Step 3. Ride-along with clinical staff (only clinical candidates with little or no hospice experience)

Step 4. Candidates interviewed by 2-4 agency staff.

Once agency leadership decide to extend the candidate an offer the agency will follow its standard process:

- Agency administrator or HR designee will:
- Provide the candidate with an offer letter setting out the duties of the position, rate of compensation, start date, and directions on how to accept the offer.
- Perform a background check compliant with state law, which will include primary source verification of licensure, if applicable.
- Instruct candidate as to how to perform drug screening.
- Perform reference checks for references identified by the candidate.
- Notify the candidate on necessary items to bring on start date for onboarding (e.g., identification documentation for I-9).
- Inform agency leaders and appropriate staff regarding the candidate's acceptance/rejection of offer, candidate's start date, and any additional pertinent information.

Retention

- With retention even more important than recruitment, all Pennant-affiliates are provided resources and support from the Pennant Services Center to provide rigorous department orientation, clinical and safety training, initial and ongoing competencies assessments, and performance evaluations.
- Staff will be trained in our core values: Celebration, Accountability, Passion for Learning, Love One Another, Customer Second, Ownership. These core values will guide all of our decisions and will form the basis for the expectations of the staff.
- Agency will have weekly rounding/one-on-one sessions during first 90 days with director or designee. Quarterly thereafter.
- Staff will have 90-day and annual reviews, allowing open dialogue about the employee's performance, concerns, and feedback.
- We offer programs for CEU and tuition reimbursement.
- We offer competitive benefits, including health care, dental, vision, paid time off, and more.
- We conduct an anonymous employee satisfaction survey annually to gauge employee satisfaction.

We provide ongoing professional training based on needs identified in our QAPI program,

annual compliance and profession-specific training, and regular in-service training.

10. Identify your intended hours of operation and explain how patients will have access to services outside the intended hours of operation.

Puget Sound Home Health of Thurston County's office hours of operation will be 8 am to 5 pm, Monday through Friday, however, we will provide home health services 24 hours a day, 7 days a week. Puget Sound Home Health's admissions packet will include instructions to the patient and family/caregiver as to how to reach the agency at all hours. During non-business hours, Puget Sound Home Health's main phone number will be rolled to an on-call phone. This phone will be assigned to an on-call nurse.

11. For **existing** agencies, clarify whether the applicant currently has a method for assessing customer satisfaction and quality improvement for the Home Health agency.

All Pennant home health agencies (and hospice agencies) have a method for assessing customer satisfaction and quality improvement. Each of these agencies has a robust process to ensure Federal, State, and local guidelines for customer satisfaction and quality improvement are met.

Customer Satisfaction is a critical element for our quality program and reflects the patient and family experience. We partner with Strategic Healthcare Programs (SHP) for this process. SHP mails the Consumer Assessment of Healthcare Providers and System (CAHPS) survey to the appropriate designee identified by our electronic medical record (EMR) system vendor, Home Care Home Base (HCHB), and collects the data from the responses. Those responses are then summarized into useable data for use in interdisciplinary meetings (IDG) and quality assurance/performance improvement (QAPI) programs to address customer perceptions and improve community relationships.

To help drive our quality improvement, we have partnered with SHP. Through SHP we can view our quality metrics in real time. We also utilize partnership with HCHB to provide data and reporting based on direct patient contact and the patient record. These partners combined with our processes related to IDG meetings and QAPI programs drive patient satisfaction and quality improvement and help build a reputation within our communities of being a hospice provider of choice.

Accurate documentation is a critical necessity supported by our internal compliance department and agency leadership with regular review intervals. HCHB helps ensure we have all required documentation at the initiation of service and subsequent visits in areas such as Hospice Item Set (HIS) information, Symptom Management, and Service Intensity. HCHB is integrated with SHP to help us develop trends related to Hospice Quality Reporting Program (HQRP) elements. HCHB also provides an avenue to document opportunities for improving on avoidable events in areas like infection control, patient complaints, falls, and medication errors. We can then use this information to help focus the discussion in our IDG meetings and to drive areas of improvement in our QAPI programs.

Quality improvement is driven by our IDG. Our IDG meeting's main purpose is to bring together key hospice professionals to review and discuss the hospice needs for each patient

and their family. We mentioned above, individualized care plans help drive the best patient outcomes. The IDG also establishes policies governing the day-to-day provision of services, which include agency programs to ensure our clinicians are skilled in providing hospice care.

Lastly, our QAPI program is designed to drive great patient outcomes. Our QAPI program will be regularly reviewed by our leadership team and our governing body. More frequency reviews of performance improvement projects (PIP) developed through our QAPI program occur in the IDG meeting. One of the main purposes of our QAPI program is to measure, analyze and track quality indicators to drive the best quality outcomes and patient satisfaction possible.

12. For **existing** agencies, provide a listing of ancillary and support service vendors already in place.

This is a new agency.

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

This is a new agency.

14. For **new** agencies, provide a listing of ancillary and support services that will be established.

Strategic Healthcare Programs (SHP)⁶

Home Care Home Base (HCHB)

Pharmacy Vendor

Medical Supply Vendor

eSolutions – accounting interface

Workday – HR interface

Lippincott – electronic educational/procedural tool for clinicians

Forcura – Leading document management and HIPPA compliant communication for clinicians

Provider Link – for community physicians

Relias Learning – clinician focused learning tool

Tiger Connect—HIPAA compliant communication for clinicians

⁶ Note, the Applicant has contracts with many of these vendors as part of Pennant- or Cornerstone-wide enterprise contracts, which helps with cost containment.

15. For **existing** agencies, provide a listing of healthcare facilities with which the Home Health agency has documented working relationships.

This is a new agency.

16. Clarify whether any of the existing working relationships would change as a result of this project.

This is a new agency.

17. For a **new** agency, provide the names of healthcare facilities with which the Home Health agency anticipates it would establish working relationships.

Below is the list of healthcare facilities that we have existing relationships with through Puget Sound Hospice, as well as facilities we anticipate establishing working relationships with.

Olympia Transitional Care and Rehabilitation	Regency Olympia Rehabilitation and Nursing Center
Easthaven Villa	Puget Sound Healthcare Center
The Hampton	Bonaventure of Lacey
The Cottages at Lacey	Woodland Retirement & Assisted Living Community
Memory Care at the Lodges	Fieldstone Memory Care of Olympia
Garden Courte Memory Care	Brookdale Olympia East
Fieldstone Copper Point	Artesian Place ALF
The Sequoia Senior Living	

18. Identify whether any facility or practitioner associated with this application has a history of the actions listed below. If so, provide evidence that the proposed or existing facility can and will be operated in a manner that ensures safe and adequate care to the public and conforms to applicable federal and state requirements. [WAC 246-310-230\(3\) and \(5\)](#)

- a. A criminal conviction which is reasonably related to the applicant's competency to exercise responsibility for the ownership or operation of a health care facility; or
- b. A revocation of a license to operate a healthcare facility; or
- c. A revocation of a license to practice as a health profession; or
- d. Decertification as a provider of services in the Medicare or Medicaid program because of failure to comply with applicable federal conditions of participation.

Neither Symbol Healthcare Inc., Cornerstone, nor Pennant has any history of criminal convictions, denial or revocation of license to operate a health care facility, revocation of license to practice a health profession, or decertification as a provider of services in the Medicare or Medicaid program. Further, they have never been adjudged insolvent or

bankrupt in any state or federal court. And none have been involved in court proceedings to make judgment of insolvency or bankruptcy with respect to the applicants.

19. Provide a discussion explaining how the proposed project will promote continuity in the provision of health care services in the planning area, and not result in an unwarranted fragmentation of services. [WAC 246-310-230](#)

Much like Community Health Assessment group, we are committed to collaboration through community engagement and data observation. Puget Sound Home Health in Pierce County has established continuity in local health care by aligning with hospitals, health systems, and the post-acute care community to improve access to care for Pierce County residents. Relationships and partnerships have been established with our home health agency in Snohomish, Thurston, Whatcom, and San Juan counties. Examples include Peace Health Medical Group, and Island Hospital health networks. Additionally, Puget Sound Home Health has strong relationships with assisted living facilities, adult family homes and their in-house providers to help provide and advocate for the continuity of services. Novari Primary has been a leading proponent of Puget Sound Home Health and Hospice in these environments. Our new home health agency in Thurston County will continue down this path, establishing like relationships to enhance continuity in the local health care community.

20. Provide a discussion explaining how the proposed project will have an appropriate relationship to the service area's existing health care system as required in [WAC 246-310-230](#).

As a long-established provider in Pierce County, Puget Sound Home Health has strong, established relationships with existing healthcare systems in Pierce County and surrounding counties. Puget Sound Home Health works closely with community partners, local hospital systems, private duty providers, physicians, and in-home care physician groups. In fact, as mentioned above, Pennant's operational model is for each agency to engage in and seek market-specific care and opportunities within each county services are available. This is best accomplished through partnerships with other health care providers. This partnership takes many forms, including sharing of coordination of care, assisting and coordinating appropriate admissions, mutually driven quality outcomes, preventing hospital readmissions, and patient satisfaction. This same approach will be practiced by Puget Sound Home Health of Thurston County.

Puget Sound Home Health was involved in the community's efforts in Pierce County and other counties to battle COVID-19 pandemic. During the COVID-19 pandemic surges, Puget Sound Home Health utilized its narrowed network with Multicare and CHI Franciscan to provide overflow for their increased number of referrals and COVID-19 positive patients. In addition, Puget Sound Home Health is a member of the Northwest Healthcare Response Network that helps assist with disaster preparedness, responses, and surge efforts. In Thurston County, our new home health agency will adopt these types of relationships and behaviors.

21. The department will complete a quality-of-care analysis using publicly available information from CMS. If any facilities or agencies owned or operated by the applicant reflect a pattern of condition -level findings, provide applicable plans of correction identifying the facilities current compliance status.

We are proud to share that none of Pennant's 63 home health and hospice agencies have exhibited a pattern of conditional level findings.

22. If information provided in response to the question above show a history of condition-level findings, provide clear, cogent and convincing evidence that the applicant can and will operate the proposed project in a manner that ensures safe and adequate care and conforms to applicable federal and state requirements.

This question is inapplicable based on the answer to the question immediately preceding this one.

D. Cost Containment ([WAC 246-310-240](#))

Projects are evaluated based on the criteria in [WAC 246-310-240](#) in order to identify the best available project for the planning area.

1. Identify all alternatives considered prior to submitting this project. At a minimum include a brief discussion of this project versus no project.

Please see our response to question 2 below for the discussion.

2. Provide a comparison of the project with alternatives rejected by the applicant. Include the rationale for considering this project to be superior to the rejected alternatives. Factors to consider can include, but are not limited to: patient access to healthcare services, capital cost, legal restrictions, staffing impacts, quality of care, and cost or operation efficiency.

Alternative A: Take no Action	
Criteria	Results
Access to Hospice Services	There is no advantage to taking no action in terms of improving access. The disadvantage is that taking no action does nothing to address the need for additional agencies. Therefore, this option does not address the access to care problem that exists.
Quality of Care	There is no advantage to taking no action regarding quality of care. The disadvantage of taking no action is driven by shortages in access to services. With time, access would tighten and there would be adverse impacts on quality of care.
Cost and Operating Efficiency	With this option, there would be no impact on costs. The disadvantage is that there would be no improvements to cost efficiencies.
Staffing Impacts	The advantage is not hiring/employing additional staff. There are no disadvantages from a staffing perspective.
Legal Considerations	No Legal considerations.
Decision	This alternative was not chosen; it does not improve access to health care services and could negatively impact the quality of care.

Alternative B: Apply for and Receive CN	
Criteria	
Access to Health Care Services	This project meets current and future access issues. It will increase access to care. With this project, there are no disadvantages to access to health care services.
Quality of Care	This project meets and promotes quality of care. There are no disadvantages.
Cost and Operating Efficiency	The agency can leverage fixed costs, such as the lease, by spreading them over the health services. Cost and operational efficiency will be affected by minimal operating expenses during the initial startup period before it achieves volume that covers fixed and variable costs.
Staffing Impacts	This project will create new jobs that benefit the county. These new jobs also provide paths for staff dedicated to efficient delivery of services. There are no disadvantages; Cornerstone Healthcare Inc. has a proven track record of hiring and retaining quality staff.
Legal Considerations	The advantage: Our staff will be able to provide services to the county's residents. This will improve access, quality, and continuation of care. The disadvantage: CN approval is required; this requires time and expense.
Decision	This alternative was selected because it will improve access to health care services, enhance quality and continuation of care, it leverages existing fixed costs and has no negative impacts on staffing. Finally, this project will quickly be executed, and it does not require undue legal or regulatory requirements.
Alternative C: Purchase Existing Home Health	
Criteria	
Access to Health Care Services	The disadvantage is that an acquisition may not add additional capacity for services in the county when compared to alternative A and alternative B. Also, at present, we do not know of an agency for sale.
Quality of Care	The advantage: This option could enhance quality and continuation of care. There are no apparent disadvantages to this option.
Cost and Operating Efficiency	The disadvantage: The acquisition of an existing agency requires considerable up-front cost and time to purchase and complete due diligence.
Staffing Impacts	The advantage of staffing is that the staff from the existing agency already exist. This option potentially creates no new jobs, which does not benefit the county.
Legal Considerations	There are no advantages. The disadvantage is that an acquisition takes considerable time and resources to conduct due diligence.
Decision	This alternative was not chosen; it does not improve access to health care services, it may add additional costs and effort related to acquiring an existing agency, and it requires considerable time and resources related to legal and due diligence requirements. Finally, we are not aware of any agencies for sale.

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

This project does not involve construction.

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

The following are some examples of the ways we use innovations in the delivery of care, effectively increasing efficiency in the delivery of care, promoting quality assurance, and fostering cost effectiveness.

- *HomeCare HomeBase (HCHB)*. This platform is the leading electronic medical records system in the nation specific to home health and hospice agencies. HCHB was designed by home health and hospice industry leaders and integrates compliance measures and tools to ensure the requirements of pertinent regulations are met. We are also able to customize HCHB to meet any other specific needs we may have (compliance with state specific regulations, meeting the needs of patient populations, addressing a certain payer mix, etc.).
- *HCHB Analytics*. Analytics is the tableau (visualization of data software) reporting platform that is built by HCHB and integrates all the HCHB data into tableau. HCHB supplies a stock set of reports that can be used for preparation for upcoming regulation changes, productivity management/regulation and quality reporting management. The reports can be built and customized by a certain tableau report builder for all our specific reporting needs.
- *Forcura*. Forcura is a totally HIPAA compliant document management, referral management, order tracking, and wound measurement/management solution that integrates directly with HCHB to allow the transmission of patient data between the two platforms. Forcura is available to office workers via a dashboard and field workers via mobile application for each use. This application provides our users with a more seamless referral acceptance for quicker processing, more accurate wound measurement tracking tools for more accurate documentation between multiple caregivers, order tracking, and automatic processing of orders out and back in with auto populated details for quicker, more seamless order processing.

In Addition to these innovative tools, we believe we are a partner of choice to payors, providers, patients, and employees in the healthcare communities we serve. As a partner, we focus on improving care outcomes and the quality of life of our patients in home or home-like settings. Our local leadership approach facilitates strong professional relationships, allowing us to better understand and meet our partners' needs. We believe our emphasis on working closely with other providers, payors and patients yields unique, customized solutions and programs that meet local market needs and improve clinical outcomes, which in turn accelerates revenue growth and profitability.

We are a trusted partner to, and work closely with, payors and other acute and post-acute providers to deliver innovative healthcare solutions in lower cost settings. In the markets we serve, we have developed formal and informal preferred provider relationships with key referral sources and transitional care programs that result in better coordination within the care continuum. These partnerships have resulted in significant benefits to payors, patients and other providers including reduced hospital readmission rates, appropriate transitions within the care continuum, overall cost savings, increased patient satisfaction and improved quality outcomes. Positive, repeated interactions and data-sharing result in strong local relationships and encourage referrals from our acute and post-acute care partners. As we continue to strengthen these formal and informal relationships and expand our referral base, we believe we will continue to drive cost effectiveness and quality outcomes.

Home Health Agency Tie Breakers (1987 State Health Plan, Volume II, pages B35-36)

If two or more applicants meet all applicable review criteria and there is not enough need projected for all applications to be approved, the department will approve the agency that better improves patient care, reduces costs, and improves population health through increased access to services in the planning area. Ensure that sufficient documentation and discussion of these items is included throughout the application under the relevant sections.

Certificate of Need Program Revised Code of Washington (RCW) and Washington Administrative Code (WAC)

Certificate of Need Program laws [RCW 70.38](#)

Certificate of Need Program rules [WAC 246-310](#)

Certificate of Need Program [‘Frequently Asked Questions’](#)

Commonly Referenced Rules for Home Health Projects:

WAC Reference	Title/Topic
246-310-010	Certificate of Need Definitions
246-310-200	Bases for findings and action on applications
246-310-210	Determination of Need
246-310-220	Determination of Financial Feasibility
246-310-230	Criteria for Structure and Process of Care
246-310-240	Determination of Cost Containment

Certificate of Need Contact Information:

[Certificate of Need Program Web Page](#)

Phone: (360) 236-2955

Email: FSLCON@doh.wa.gov

Licensing Resources:

[In-Home Services Agencies Laws, RCW 70.127](#)

[In-Home Services Agencies Rules, WAC 246-335](#) [Home Health Agencies Program Web Page](#)

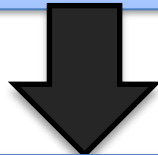
EXHIBIT 1

Organizational Chart

The Pennant Group, Inc. (Tax ID: 83-3349931)
100% owner of Cornerstone Healthcare, Inc.



Cornerstone Healthcare, Inc. (Tax ID: 27-1598308)
100% owner of Paragon Healthcare, Inc.



Paragon Healthcare, Inc. (Tax ID: 80-0870064)
100% Owner of Symbol Healthcare, Inc.



Symbol Healthcare, Inc.,
d/b/a Puget Sound Home Health of Thurston County (Tax ID: 61-1698685)

EXHIBIT 2

Subsidiaries of Applicant, The Pennant Group, Inc.

Entities Owned by Cornerstone Healthcare, Inc.

Agency or Facility Name	Type	Street Address	City	State	ZIP Code	CCN	State Lic. No.	Accrediting Body
A Gentle Touch Home Care	Homecare	1173 South 250 West, Suite 401B	St. George	UT	84770	n/a	PCA-UT000269	Not Accredited
Agape Hospice & Palliative Care	Hospice	4400 East Broadway Blvd., Suite 400	Tucson	AZ	85711	03-1614	HSPC9712	The Joint Commission
Agape Hospice Pinal County	Hospice	520 N Camino Mercado, Suite 11	Casa Grande	AZ	85122-5754	031678	HSPC10844	Not Accredited
All County Home Health	Home Health	7900 Callaghan Road, Suite 115	San Antonio	TX	78229	743120	019469	Not Accredited
All County Hospice	Hospice	7900 Callaghan Road, Suite 115	San Antonio	TX	78229	671756	019469	Not Accredited
Alpha Home	Home Health	10530 19th Ave	Everett	WA	98208	507107	IHS.FS.60793191	Not Accredited
Alpha	Hospice	10530 19th Ave	Everett	WA	98208	501546	IHS.FS.61032013	ACHC
Bella Terra	Home Health	391 N Main	Corona	CA	92878-4001	057252	980000471	Not Accredited
Bella Terra	Hospice	391 N Main	Corona	CA	92878	55-1620	550001417	ACHC
Big Sky Home	Home Health	205 Haggerty	Bozeman	MT	59715	27-7097	000000008	Not Accredited
Big Sky Hospice	Hospice	1900 S. Reserve St.	Missoula	MT	59801-6455	27-1525	13573	Not Accredited
Buena Vista Hospice	Hospice	2545 West Hillcrest Drive, Ste 130	Thousand Oaks	CA	91320	051787	550000060	The Joint Commission
Buena Vista Palliative	Home Health	2545 West Hillcrest Drive,	Thousand Oaks	CA	91320-2296	55-7165	050000273	CHAP

CMS-Kinder Hearts Home Health	Home Health	1102 Early Blvd.	Early	TX	76802	67-7177	020902	Not Accredited
Columbia River Home Health	Home Health	7105 W. Hood Place, Suite B-201	Kennewick	WA	99336-6714	507061	IHS.FS.60875683	Not Accredited
Comfort Home Health	Home Health	6655 West Sahara Ave, Ste D202	Las Vegas	NV	89146-0867	297149	9994-HHA-0	CHAP
Comfort Hospice	Hospice	6655 West Sahara Ave, Ste D202	Las Vegas	NV	89146-0867	291520	8955	The Joint Commission
Connected Home Health	Home Health	7515 NE Ambassador Pl., Ste C	Portland	OR	97220-1379	387146	13-1509	Not Accredited
Connected Hospice	Hospice	7515 NE Ambassador Pl., Ste C	Portland	OR	97220-1379	381563	16-1065	ACHC
Custom Care Home Health	Home Health	4811 Merlot Avenue, Suite 110	Grapevine	TX	76051	679672	015646	Not Accredited
Custom Care Home Health - Ft. Worth	Home Health	6410 Southwest Blvd, Suite 127	Benbrook	TX	76109	45-8125	021109	Not Accredited
Custom Care Hospice	Hospice	4811 Merlot Avenue, Suite 110	Grapevine	TX	76051	451635	013152	Not Accredited
Elevate Home Care	Homecare	6000 E. Evans Ave., Suite 2-020	Denver	CO	80222-5411	N/A	10Z779	Not Accredited
Elevate Home	Homecare	310 Lashley St.,	Longmont	CO	80504-6057	N/A	04Z850	Not Accredited
Elite Home Health	Home Health	1370 Bridge Street / PO Box 736	Clarkston	WA	99403-0736	507111	IHS.FS.60384078	Not Accredited
Elite Hospice	Hospice	1370 Bridge Street	Clarkston	WA	99403	501533	IHS.FS.60384078	Not Accredited
Emblem Home Care	Homecare	4801 S. Lakeshore Drive, Ste 206	Tempe	AZ	85282	N/A	N/A	Not Accredited

Emblem Home Health	Home Health	1400 E. Southern Avenue, Ste. 1010	Tempe	AZ	85282	037253	HHA6969	Not Accredited
Emblem Home Health	Home Health	301 East Bethany Home	Phoenix	AZ	85012	03-7438	HHA10676	Not Accredited
Emblem Hospice	Hospice	1400 E. Southern Avenue, Ste. 1010-B	Tempe	AZ	85282	031595	HSPC5656	Not Accredited
Emblem Hospice	Hospice	301 East Bethany Home	Phoenix	AZ	85051	03-1579	HSPC10253	Not Accredited
Emblem Hospice West	Hospice	7225 N. Oracle	Tucson	AZ	85704	031624	HSPC11452	Not Accredited
Emblem Hospice West	Hospice	10320 West McDowell Road,	Avondale	AZ	85392	03-1661	HSPC12174	Not Accredited
Excell Home	Home Health	1200 SW 104th	Oklahoma City	OK	73139	377534	HC7462	Not Accredited
Excell	Hospice	1200 SW 104th	Oklahoma City	OK	73139	371610	HO4151	Not Accredited
Excell Private Care Services	Homecare	4631 N. May Ave	Oklahoma City	OK	73112	n/a	HC7932	Not Accredited
Finding Home Medical Services	Physician Group	47 6th Avenue	Page	AZ	86040	Z244229	n/a	Not Accredited
Finding Home Medical Services	Physician Group	1675 E. Riverside Drive, Ste 200	Eagle	ID	83616	20010640	n/a	Not Accredited
Gateway	Home Health	210 1st St. SW,	Clarion	IA	50525	167405	n/a	Not Accredited
Gateway	Hospice	210 1st St. SW,	Clarion	IA	50525	161556	n/a	Not Accredited
Harmony Hospice	Hospice	5550 South Jones Blvd.	Las Vegas	NV	89118	29-1514	10256-HPC-1	Not Accredited
Horizon Home Health	Home Health	63 W Willowbrook Drive	Meridian	ID	83646-1656	137065	HH-139	ACHC

Horizon Home Health Magic Valley	Home Health	1411 Falls Ave East, Suite 615	Twin Falls	ID	83301-3458	137114	HH-237	Not Accredited
Horizon Hospice	Hospice	63 W Willowbrook Drive	Meridian	ID	83646-1656	131520	16-1064 (OR)	ACHC
Horizon Hospice Magic Valley	Hospice	1411 Falls Ave East, Suite 615	Twin Falls	ID	83301-3458	131516	16-1064 (OR)	Not Accredited
Hospice of the South Plains	Hospice	4413 82nd Street, Ste 135	Lubbock	TX	79424	671667	016805	Not Accredited
Kenosha Visiting Nurse Association	Home Health	600 52nd St., Suite 300	Kenosha	WI	53140	527024	TBD	Not Accredited
Kinder Hearts Home Health	Home Health	842 N. Mockingbird Lane	Abilene	TX	79603-5729	679193	017913	Not Accredited
Kinder Hearts	Hospice	842 N.	Abilene	TX	79603-5729	671790	017766	CHAP
Kinder Hearts Hospice of Amarillo	Hospice	1901 Medi Park Dr., Suite 1030	Amarillo	TX	79106	67-1768	021188	Not Accredited
Namaste Home Health	Home Health	6000 E. Evans Ave., Suite 2-400	Denver	CO	80222-5411	067471	04K559	Not Accredited
Namaste Hospice	Hospice	6000 E. Evans Ave., Suite 2-400	Denver	CO	80222-5411	061545	1704DM	Not Accredited
Pasco/SW	Home Health	2208 E. Main St	Cortez	CO	81321-4222	067339	04R277	Not Accredited
Pasco/SW Home Health - Physician	Home Health	2764 Compass Dr., Ste 244	Grand Junction	CO	81506-8722	067535	04H560	Not Accredited
PPM California	Physician Group	1916 N 700 W, 6929 Sunrise Boulevard, Ste 180	Layton	UT	84041	U000102236	n/a	Not Accredited
			Citrus Heights	CA	95610		n/a	Not Accredited

PPM Oregon	Physician Group	7515 NE Ambassador Pl., Ste C	Portland	OR	97220-1379	R238811	n/a	Not Accredited
PPM Washington	Physician Group	1370 Bridge Street	Clarkston	WA	99403	G9042146	n/a	Not Accredited
PPM Wisconsin	Physician Group	W175N11117 Stonewood Dr.,	Germantown	WI	53022		n/a	Not Accredited
Preceptor Home Health	Home Health	W175N11117 Stonewood Dr.,	Germantown	WI	53022	52-7313	1171	CHAP
Preceptor Hospice	Hospice	W175N11117 Stonewood Dr.,	Germantown	WI	53022	52-1593	2033	CHAP
Preceptor Therapy	Therapy Group	W175N11117 Stonewood Dr.,	Germantown	WI	53022	K100579730	n/a	Not Accredited
Puget Sound Home Health	Home Health	4002 Tacoma Mall Blvd Ste 204	Tacoma	WA	98409-7702	507101	IHS.FS.60332035	Not Accredited
Puget Sound Home Health of King County	Home Health	4002 Tacoma Mall Blvd Ste 204A	Tacoma	WA	98409	507122	IHS.FS.60751653	Not Accredited
Puget Sound Hospice	Hospice	111 Tumwater Blvd SE, Suite A302	Tumwater	WA	98501	501547	IHS.FS.61032138	ACHC
Puget Sound Hospice of Pierce County	Hospice	4002 Tacoma Mall Blvd Ste 204	Tacoma	WA	98409	501550	IHS.FS.61369722	ACHC
Resolutions Hospice	Hospice	363 N Sam Houston Parkway E, Suite 545	Houston	TX	77060	74-1720	020685	Not Accredited
Resolutions Hospice Austin	Hospice	1101 Arrow Point Drive Ste 301	Cedar Park	TX	78613	67-1631	019485	Not Accredited
Resolutions Hospice Houston	Hospice	17040 El Camino Real, Suite 200	Houston	TX	77058	67-1722	019607	CHAP

River Valley	Home Health	149350 Ukiah	Big River	CA	92242	059373	550001658	Not Accredited
River Valley Home Health	Home Health	1990 N McCulloch Blvd, Ste. 109	Lake Havasu	AZ	86403-3606	037402	HHA7444	Not Accredited
River Valley	Home Health	1317 S. Joshua	Parker	AZ	85344	037297	HHA7419	Not Accredited
River Valley	Hospice	149350 Ukiah	Big River	CA	92242	751698	550003021	Not Accredited
River Valley Hospice	Hospice	2649 Hwy 95, Unit H	Bullhead City	AZ	86442	031636	HSPC7364	Not Accredited
River Valley	Hospice	1317 S. Joshua	Parker	AZ	85344	031639	HSPC7545	Not Accredited
Riverside Home Health Care	Home Health	402 SE G Street	Grants Pass	OR	97526-3066	38-7143	13-1542	Not Accredited
Sacred Heart Home Health Care-Tucson	Home Health	4400 East Broadway Blvd., Suite 405	Tucson	AZ	85711-3517	03-7144	HHA10800	Not Accredited
Safe Harbor Home Care	Homecare	3750 Convoy Street, Suite 220	San Diego	CA	92111-3741	n/a	374700005	Not Accredited
Seaport Home Health	Home Health	5411 Avenida Encinas, Suite 270	Carlsbad	CA	92008-4380	05-9303	550001427	Not Accredited
Seaport Hospice	Hospice	3750 Convoy Street, Suite 220B	San Diego	CA	92111-3741	55-1745	550002260	Not Accredited
Seaport Scripps Home Health	Home Health	3750 Convoy Street, Suite 220	San Diego	CA	92111-3741	05-7602	080000215	Not Accredited
Sequoia Home Health	Home Health	830 Hillview Ct., Suite 225	Milpitas	CA	95035-4550	058496	550000575	The Joint Commission
Sequoia	Hospice	830 Hillview Ct.,	Milpitas	CA	95035-4563	921794	550003611	ACHC
Stonebridge Home Care North	Homecare	308 E. 4500 South, Suite 100-A	Murray	UT	84107	n/a	PCA-UT000903	Not Accredited
Stonebridge Home Care Solutions	Homecare	1173 South 250 West, Suite 401B	St. George	UT	84770	n/a	n/a	Not Accredited

Horizon Homecare	Homecare	55 W. Willowbrook Drive, Suite 101	Meridian	ID	83646	n/a	n/a	Not Accredited
Stonebridge Home Care Solutions	Homecare	308 E. 4500 South, Suite 100-C	Murray	UT	84107	n/a	PCA-UT000767	Not Accredited
Stonebridge Home Care South	Homecare	961 W Center Street	Orem	UT	84057	n/a	PCA-UT000904	Not Accredited
Symbii Home	Home Health	1916 N 700 W,	Layton	UT	84041	467231	HHA-77779	Not Accredited
Symbii Home	Home Health	240 W Burnside	Chubbuck	ID	83202	13-7110	HH-233	Not Accredited
Symbii Home	Home Health	625 S	Afton	WY	83110	537073	15291	Not Accredited
Symbii Home Health and Hospice	Therapy Group	1385 West 2200 South, Suite 201	West Valley City	UT	84119	U000098514	n/a	Not Accredited
Symbii Home Health Bear River	Home Health	1153 North Main, Suite B 100/110	Logan	UT	84341-2573	467219	HHA-UT000158	Not Accredited
Symbii Home Health South	Home Health	308 East 4500 South, Suite 100	Murray	UT	84107	46-7342	HHA-UT000618	Not Accredited
Symbii	Hospice	1916 N 700 W,	Layton	UT	84041	461567	HOSPICE-102378	Not Accredited
Symbii	Hospice	240 W Burnside	Chubbuck	ID	83202	13-1552	n/a	Not Accredited
Symbii	Hospice	625 S	Afton	WY	83110	531525	15290	Not Accredited
Symbii Hospice Bear River	Hospice	1153 North Main, Suite B 100/110	Logan	UT	84341-2573	461550	UT000157	Not Accredited
Symbii	Hospice	308 E. 4500	Murray	UT	84107	46-1606	HOSPICE-	Not Accredited
Symbii Therapy Bear River	Therapy Group	1153 North Main, Suite B 100/110	Logan	UT	84341-2573	U000115204	n/a	Not Accredited
The Pines Home Health	Home Health	6719 E. 2nd Street , Ste A-2	Prescott Valley	AZ	86314-2661	037455	HHA9983	CHAP
The Pines Hospice	Hospice	6719 E. 2nd Street , Ste A	Prescott Valley	AZ	86314-2661	031559	HSPC8180	Not Accredited

Zion's Way Home Health	Home Health	39 6th Avenue / PO Box 1015	Page	AZ	86040-0470	037290	HHA5463	Not Accredited
Zion's Way Home Health	Home Health	1173 South 250 West, Suite 401	St. George	UT	84770	467243	HHA-106473	Not Accredited
Zion's Way Hospice	Hospice	43 6th Avenue / PO Box 1015	Page	AZ	86040-1015	031594	HSPC5462	Not Accredited
Zion's Way Hospice	Hospice	1173 South 250 West, Suite 401	St George	UT	84770	461559	Hospice-106446	Not Accredited

Recently Acquired Entities Awaiting CHOW or Initial Medicare Approval

Agency/Facility Name	Type	Street Address	City	State	ZIP Code	CCN	State Lic. No.	Accrediting Body	Acquired
Ardent Home Health of Fresno	Home Health	2040 N Winery Ave., Ste. 101	Fresno	CA	93703	559016	TBD	CHAP	08/16/22
Ardent Hospice	Hospice	16486 Bernardo Center Drive, Ste. 348	San Diego	CA	92128	551767	550002248	CHAP	08/16/22
Ardent Hospice of Fresno	Hospice	2040 N Winery Ave., Ste. 102	Fresno	CA	93703	751750	550002795	CHAP	08/16/22
Ardent Hospice of the Valley	Hospice	601 High Street, Ste. E	Delano	CA	93215	A01585	550004430	CHAP	08/16/22
Bella Terra Hospice of the Desert	Hospice	75410 Gerald Ford Drive, Ste 202	Palm Desert	CA	92211	751714	550002340	CHAP	08/16/22
Benefit Home Health Care	Home Health	5426 N Academy Blvd., #200	Colorado Springs	CO	80918	067517	TBD	ACHC	05/01/23
Benefit By Your Side	Homecare	5426 N Academy Blvd., #200	Colorado Springs	CO	80918	n/a	TBD	Not Accredited	05/01/23

First Call Hospice	Hospice	6929 Sunrise Boulevard, Ste 180	Citrus Heights	CA	95610-3100	05-1721	TBD	Not Accredited	06/16/21
Pasco/SW Hospice	Hospice	2208 E. Main St	Cortez	CO	81321-4222	TBD	17WQ2M	ACHC	n/a
Pasco/SW Hospice - Grand Junction	Hospice	2764 Compass Dr., Ste 244	Grand Junction	CO	81506-8722	TBD	1732M9	ACHC	n/a
Riverside Hospice	Hospice	402 SE G Street	Grants Pass	OR	97526-3066	TBD	16-1098	ACHC	n/a
Sierra	Hospice	2305 Ives Court,	Reno	NV	89503		TBD	TBD	n/a

Entities Owned by Pinnacle Senior Living LLC

Agency/Facility Name	Street Address	City	State	ZIP Code	CCN	State Lic. No.	Accrediting Body	
Barber Station	Assisted Living	3266 East Barber Valley	Boise	ID	83716	N/A	RC-1271	Not Accredited
Brenwood Park Assisted Living	Assisted Living	9535 West Loomis Road	Franklin	WI	53132	N/A	0015615	Not Accredited
Bridgewater	Assisted Living	900 Autumn	Granbury	TX	76048	N/A	104663	Not Accredited
California Mission Inn	Assisted Living	8417 Mission Drive	Rosemead	CA	91770-1188	N/A	198603161	Not Accredited
California Mission Inn – Rose Manor	Assisted Living	4825 Earle Avenue	Rosemead	CA	91770-1176	N/A	198603163	Not Accredited
Cambridge Square Assisted Living	Assisted Living	2700 Avenue N	Rosenberg	TX	77471	N/A	150253	Not Accredited
Canyon Creek Memory Care	Assisted Living	4257 Lowes Drive	Temple	TX	76502	N/A	307403	Not Accredited
Cedar Hill	Assisted Living	602 East Belt	Cedar Hill	TX	75104-2260	N/A	149182	Not Accredited

Citrus Hills	Assisted	142 South	Orange	CA	92869-3842	N/A	306004783	Not Accredited
Cottonwood Manor Assisted Living	Assisted Living	1450 South Military Avenue	Green Bay	WI	54304	N/A	0015625	Not Accredited
Cranberry Court Assisted Living I	Assisted Living	2230 14th Street	Wisconsin Rapids	WI	54494-6408	N/A	0015632	Not Accredited
Cranberry Court Assisted Living II	Assisted Living	2230 James Court	Wisconsin Rapids	WI	54494-7952	N/A	0015631	Not Accredited
Deer Creek Assisted Living	Assisted Living	747 West Pleasant Run Road	DeSoto	TX	75115-3852	N/A	149102	Not Accredited
Desert Springs Senior Living	Assisted Living	6650 W. Flamingo Road	Las Vegas	NV	89103	N/A	410-AGC-42	Not Accredited
Desert View	Assisted	3890 N. Buffalo	Las Vegas	NV	89129	N/A	8809-AGC-2	Not Accredited
Grand Court of Mesa	Assisted Living	262 East Brown Road	Mesa	AZ	85201	N/A	AL4168C	Not Accredited
Harbor View Assisted Living	Assisted Living	2115 Cappaert Road	Manitowoc	WI	54220	N/A	0015630	Not Accredited
Heritage Assisted Living of Twin Falls	Assisted Living	622 Filer Avenue West	Twin Falls	ID	83301-4533	N/A	RC-1227	Not Accredited
Kenosha	Assisted	3109 30th	Kenosha	WI	53140	N/A	0015616	Not Accredited
Lake Pointe Villa Assisted Living	Assisted Living	190 Lake Pointe Drive	Oshkosh	WI	54904	N/A	0016733	Not Accredited
Lakeshore Assisted	Assisted Living	5250 Medical Drive	Rockwall	TX	75032	N/A	104650	Not Accredited
Las Fuentes	Assisted	1035 Scott Drive	Prescott	AZ	86301	N/A	AL9771C	Not Accredited
Lexington	Assisted	5440 Ralston	Ventura	CA	93003-6002	N/A	565850111	Not Accredited

Lo-Har Senior Living	Assisted Living	768 Dorothy Street	El Cajon	CA	92019	N/A	374603673	Not Accredited
Madison Pointe Senior Living	Assisted Living	705 Ziegler Road	Madison	WI	53714	N/A	0015621	Not Accredited
Mainplace Senior Living	Assisted Living	1800 & 1832 W. Culver Avenue	Orange	CA	92868-4127	N/A	306005636	Not Accredited
Maple Meadows Assisted Living	Assisted Living	1001 Primrose Lane	Fond du Lac	WI	54935	N/A	0016731	Not Accredited
McFarland Villa Assisted Living	Assisted Living	5206 Paulson Court	McFarland	WI	53558	N/A	0015622	Not Accredited
Meadow Creek Assisted Living	Assisted Living	2400 West Pleasant Run Road	Lancaster	TX	75146	N/A	148442	Not Accredited
Meadow View Assisted Living	Assisted Living	4606 Mishicot Road	Two Rivers	WI	54241	N/A	0015626	Not Accredited
Mesa Springs Independent Living	Independent Living	7171 Buffalo Gap Road	Abilene	TX	79606	N/A	N/A	Not Accredited
Mountain Terrace Senior Living CBRF	Assisted Living	3402 Terrace Court	Wausau	WI	54401	N/A	0015628	Not Accredited
Mountain Terrace Senior Living RCAC	Assisted Living	3312 Terrace Court	Wausau	WI	54401	N/A	0015634	Not Accredited

Mountain View Retirement Village	Assisted Living	7900 North La Canada Drive	Tucson	AZ	85704	N/A	AL9760C	Not Accredited
North Point	Assisted	3109 12th Street	Kenosha	WI	53144	N/A	0016740	Not Accredited
Paris Chalet	Assisted	2410 Stillhouse	Paris	TX	75462	N/A	147909	Not Accredited
Park Place	Assisted	2305 Ives Court	Reno	NV	89503-1400	N/A	333-AGC-27	Not Accredited
Parkside	Assisted	2330 Bruce	Neenah	WI	54956	N/A	0016732	Not Accredited
Pleasant Point Senior Living (CBRF)	Assisted Living	8600 Corporate Drive	Racine	WI	53406-3777	N/A	0015617	Not Accredited
Pleasant Point Senior Living (RCAC)	Assisted Living	8500 Corporate Drive	Racine	WI	53406-3783	N/A	0015617	Not Accredited
Riverview Village Senior Living	Assisted Living	W176 N9430 Rivercrest Drive	Menomonee Falls	WI	53051	N/A	0015619	Not Accredited
Robins Landing at Brookfield	Assisted Living	2800 N. Calhoun Rd.	Brookfield	WI	53005	N/A	0019533	Not Accredited
Robins Landing at New Berlin	Assisted Living	2900 S Moorland Rd.	New Berlin	WI	53151	N/A	0019532	Not Accredited
Rockbrook Assisted	Assisted Living	2215 Rockbrook Drive	Lewisville	TX	75067	N/A	104672	Not Accredited
Rose Court	Assisted	2935 North 18th	Phoenix	AZ	85016	N/A	AL8634C	Not Accredited
Santa Maria Terrace	Assisted Living	1405 E. Main St.	Santa Maria	CA	93454	N/A	425801863	Not Accredited
Scandinavian Court Assisted Living	Assisted Living	346 Scandinavian Court	Denmark	WI	54208	N/A	0015623	Not Accredited
Sherwood Village	Assisted Living	102 South Sherwood	Tucson	AZ	85710	N/A	AL9495C	Not Accredited

Stoughton Meadows Assisted Living	Assisted Living	2321 Jackson St.	Stoughton	WI	53589	N/A	0015620	Not Accredited
The Shores of Sheboygan	Assisted Living	3315 Superior Ave.	Sheboygan	WI	53081	N/A	0015629	Not Accredited
The Shores of Sheboygan	Assisted Living	3319 Superior Ave.	Sheboygan	WI	53081	N/A	0015627	Not Accredited
Villa Court Assisted	Assisted Living	3985 S. Pearl Street	Las Vegas	NV	89121-7205	N/A	9444-AGC-0	Not Accredited
Villa Court Assisted	Assisted Living	4025 S. Pearl Street	Las Vegas	NV	89121-7238	N/A	9454-AGC-0	Not Accredited
Whittier Glen Assisted Living	Assisted Living	10615 Jordan Road	Whittier	CA	90603-2932	N/A	198602162	Not Accredited
Willow Brooke Point Senior Living CBRF	Assisted Living	1800 Bluebell Lane	Stevens Point	WI	54481	N/A	0015624	Not Accredited
Willow Brooke Point Senior Living RCAC	Assisted Living	1801 Lilac Lane	Stevens Point	WI	54481	N/A	0015633	Not Accredited
Windsor Court Senior Living	Assisted Living	1101 Jameson Street	Weatherford	TX	76086	N/A	030057	Not Accredited
Wisteria Place Assisted Living	Assisted Living	3202 South Willis Street	Abilene	TX	79605	N/A	307579	Not Accredited
Wisteria Place Independent Living	Independent Living	3917 Wisteria Way	Abilene	TX	79605	N/A	N/A	Not Accredited

EXHIBIT 3

Better Homes and Gardens Real Estate- Northwest Home Team
111 Tumwater Blvd, SE Ste A109
Olympia, WA 98501
Phone: 360-529-0992

© Commercial Brokers
Association
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Form: ST_NNN
Single Tenant NNN Lease
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LEASE AGREEMENT Single Tenant for Entire Parcel - NNN

THIS LEASE AGREEMENT ("Lease") is entered into and effective as of this 11th day of July, 2023, between NEW VISION INVESTMENTS, LLC., a(n) _____ ("Landlord"), and SYMBOL HEALTHCARE, INC., a(n) _____ ("Tenant"). Landlord and Tenant agree as follows:

1. LEASE SUMMARY.

- a. **Leased Premises.** The leased commercial real estate ("Premises") consists of that real property legally described on the attached Exhibit A, including all improvements thereon, and commonly described as 111 Tumwater Blvd SE, A302, Tumwater, WA 98501.
- b. **Lease Commencement Date.** The term of this Lease shall commence upon (check one):
 Substantial completion of (choose one) Landlord's Work, or Tenant's Work, as further described in the attached Exhibit B ("Work Letter"), but in no event later than _____, 20____
 July 11, 2023
(the "Commencement Date").
- c. **Lease Termination Date.** The term of this Lease shall terminate at midnight on the last day of the 60th full month following the Commencement Date, or such earlier or later date as otherwise provided in this Lease (the "Termination Date"). Tenant shall have no right or option to extend this Lease, unless otherwise set forth in a rider attached to this Lease (e.g., Option to Extend Rider, CBA Form OR).
- d. **Base Rent.** The monthly base rent shall be (check one): \$ _____, or according to the Rent Rider attached hereto ("Base Rent"). Base Rent and all other amounts payable by Tenant to Landlord hereunder ("Rent") shall be payable by wire transfer or at Landlord's address shown in Section 1(h) below, or such other place designated in writing by Landlord.
- e. **Prepaid Rent.** Upon execution of this Lease, Tenant shall deliver to Landlord the sum of \$ 2850 as prepaid Base Rent, to be applied to Base Rent due for months July 11, 2023 through July 30, 2023 of the Lease.
- f. **Security Deposit.** Upon execution of this Lease, Tenant shall deliver to Landlord the sum of \$ 2500 to be held as a security deposit pursuant to Section 5 below. The security deposit shall be in the form of (check one): cash, check or wire transfer, or letter of credit according to the Letter of Credit Rider (CBA Form LCR) attached hereto.
- g. **Permitted Use.** The Premises shall be used only for Home Health and Hospice Activity, subject to applicable zoning and other laws, and for no other purpose without the prior written consent of Landlord (the "Permitted Use").
- h. **Notice and Payment Addresses.**

Landlord:
New Vision Investments LLC
8270 28th Court NE #201
Lacey, Wa 98516
Email: Prime Locations Management - 360-943-9922

Tenant:
Symbol Healthcare
4002 Tacoma Mall Blvd Ste 204

LEASE AGREEMENT
Single Tenant for Entire Parcel - NNN
(Continued)

Tacoma, Wa 98409
Email: _____

2. PREMISES.

- a. **Lease of Premises.** Landlord leases to Tenant, and Tenant leases from Landlord, the Premises upon the terms specified in this Lease.
- b. **Acceptance of Premises.** Except as specified elsewhere in this Lease, Landlord makes no representations or warranties to Tenant regarding the Premises, including the structural condition of the Premises or the condition of all mechanical, electrical, and other systems on the Premises. Except for any tenant improvements to be completed by Landlord as described in the Work Letter attached as Exhibit B ("Landlord's Work"), Tenant shall accept the Premises and its improvements in their respective AS-IS, WHERE-IS condition, and shall further be responsible for performing any work necessary to bring the Premises into a condition satisfactory to Tenant. By signing this Lease, Tenant acknowledges that it has had an adequate opportunity to investigate the Premises; acknowledges responsibility for making any corrections, alterations and repairs to the Premises (other than Landlord's Work); and acknowledges that the time needed to complete any such items shall not delay the Commencement Date.
- c. **Tenant Improvements.** The Work Letter attached as Exhibit B sets forth all of Landlord's Work, if any, and all tenant improvements to be completed by Tenant ("Tenant's Work"), if any, that will be performed on the Premises. Responsibility for design, payment and performance of all such work shall be as set forth in the Work Letter.

3. TERM. The term of this Lease shall commence on the Commencement Date and shall end on the Termination Date, subject to any option to extend the term of this Lease set forth in a rider attached hereto (the "Term").

- a. **Early Possession.** Tenant shall have reasonable access to the Premises during the _____ days ((0) days if not filled in) preceding the Commencement Date for the sole purpose of installing Tenant's furniture, telecommunications, fixtures, telephone systems and computer cabling and the performance of Tenant's Work, if any. Such access shall be fully coordinated with Landlord in advance and Tenant shall not interfere with Landlord's Work. All of the terms and conditions of this Lease, including Tenant's insurance and indemnification obligations, shall apply during such time, except for payment of Base Rent. If Landlord permits Tenant to possess or occupy the Premises prior to the Commencement Date specified in Section 1, then such early occupancy shall not advance the Commencement Date or the Termination Date set forth in Section 1.
- b. **Delayed Possession.** Landlord shall act diligently to make the Premises available to Tenant; provided, however, neither Landlord nor any agent or employee of Landlord shall be liable for any damage or loss due to Landlord's inability or failure to deliver possession of the Premises to Tenant as provided in this Lease. If possession is delayed, the Commencement Date set forth in Section 1 shall also be delayed. If Landlord does not deliver possession of the Premises to Tenant within _____ days ((60) days if not filled in) after the Commencement Date specified in Section 1 (check one): Tenant may elect to cancel this Lease by giving written notice to Landlord no later than _____ days ((10) days if not filled in) after such time period ends, or then all Base Rent and Additional Rent (as defined below) shall be abated for each one (1) day after the Commencement Date during which possession of the Premises has not been delivered to Tenant. If Tenant gives such notice of cancellation, as Tenant's sole and exclusive remedy, the Lease shall be cancelled, all prepaid Rent (as such term is defined below) and security deposits shall be refunded to Tenant, and neither Landlord nor Tenant shall have any further obligations to the other.

Notwithstanding anything in this Paragraph 3(b) to the contrary, to the extent that any portions of the Landlord's Work or Tenant's Work have not been sufficiently completed in time for the Tenant to occupy or take possession of the Premises on the Commencement Date due to the failure of Tenant to fulfill any of

LEASE AGREEMENT
Single Tenant for Entire Parcel - NNN
(Continued)

its obligations under this Lease ("Tenant Delays"), the Lease Term and Tenant's obligation to pay Base Rent and Additional Rent shall nevertheless commence on the Commencement Date set forth in Section 1, or upon the date that the Commencement Date would have occurred but for the Tenant Delays. The first "Lease year" shall commence on the Commencement Date and shall end on the date which is twelve (12) months from the end of the month in which the Commencement Date occurs. Each successive Lease year during the Term shall be twelve (12) months, commencing on the first day following the end of the preceding Lease year.

4. RENT.

- a. **Payment of Rent.** Tenant shall pay Landlord without notice, demand, deduction, or offset, in lawful money of the United States, the monthly Base Rent stated in Section 1 in advance on or before the first day of each month during the Term beginning on (check one): the Commencement Date, or August 1, 2023 (if no date specified, then on the Commencement Date), and shall also pay any other additional payments due to Landlord ("Additional Rent" and together with Base Rent, the "Rent") when required under this Lease. Payments for any partial month during the Term shall be prorated. All payments due to Landlord under this Lease, including late fees and interest, shall also constitute Additional Rent, and upon Tenant's failure to pay any such costs, charges or expenses, Landlord shall have the same rights and remedies as otherwise provided in this Lease for the failure of Tenant to pay Rent.
- b. **Triple Net Lease.** This Lease is what is commonly called a "Net, Net, Net" or "triple-net" Lease, which means that Landlord shall receive all Base Rent free and clear of any and all other impositions, taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership and operation of the Premises. In addition to Base Rent, Tenant shall pay to the parties respectively entitled thereto, or satisfy directly, all Additional Rent and other impositions, insurance premiums, repair and maintenance charges, and any other charges, costs, obligations, liabilities, requirements, and expenses, which arise with regard to the Premises or may be contemplated under any other provision of the Lease during its term, except for costs and expenses expressly made the obligation of Landlord in this Lease.
- c. **Late Charges; Default Interest.** If any sums payable by Tenant to Landlord under this Lease are not received within five (5) business days after their due date, Tenant shall pay Landlord an amount equal to the greater of \$100 or 5% of the delinquent amount for the cost of collecting and handling such late payment in addition to the amount due and as Additional Rent. All delinquent sums payable by Tenant to Landlord and not paid within five (5) business days after their due date shall, at Landlord's option, bear interest at the rate of 15% per annum, or the highest rate of interest allowable by law, whichever is less (the "Default Rate"). Interest on all delinquent amounts shall be calculated from the original due date to the date of payment.
- d. **Less Than Full Payment.** Landlord's acceptance of less than the full amount of any payment due from Tenant shall not be deemed an accord and satisfaction or compromise of such payment unless Landlord specifically consents in writing to payment of such lesser sum as an accord and satisfaction or compromise of the amount which Landlord claims. Any portion that remains to be paid by Tenant shall be subject to the late charges and default interest provisions of this Section 4.

5. **SECURITY DEPOSIT.** Upon execution of this Lease, Tenant shall deliver to Landlord the security deposit specified in Section 1 above. Landlord's obligations with respect to the security deposit are those of a debtor and not of a trustee, and Landlord may commingle the security deposit with its other funds. If Tenant defaults in the performance of any covenant or condition of this Lease, Landlord shall have the right, but not the obligation, to use or retain all or any portion of the security deposit for the payment of: (i) Base Rent, Additional Rent, or any other sum as to which Tenant is in default; or (ii) the amount Landlord spends or may become obligated to spend, or to compensate Landlord for any losses incurred by reason of Tenant's default. Tenant acknowledges, however, that the security deposit shall not be considered as a measure of Tenant's damages

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in case of default by Tenant, and any payment to Landlord from the security deposit shall not be construed as a payment of liquidated damages for Tenant's default. If at any time during the Lease the security deposit delivered by Tenant becomes insufficient to cover the amounts required under this Section 5, whether or not due to Landlord's application of all or a portion of the security deposit as contemplated by this Section, Tenant shall, within five (5) days after written demand therefore by Landlord, deposit with Landlord an amount sufficient to replenish the security deposit to the amount required in Section 1 above. If Tenant is not in default of any covenant or condition of this Lease at the end of the Term, Landlord shall return any unused portion of the security deposit without interest within 30 days after the surrender of the Premises by Tenant in the condition required hereunder by Section 11 of this Lease.

6. **USES.** The Premises shall be used only for the Permitted Use, and for no other business or purpose without the prior written consent of Landlord. Tenant shall not do or permit any act to be done on or around the Premises that violates any law, ordinance, governmental regulation or order or that will increase the existing rate of insurance on the Premises, or cause the cancellation of any insurance on the Premises. Tenant shall not commit or allow to be committed any waste upon the Premises, or any public or private nuisance.
7. **COMPLIANCE WITH LAWS.** Landlord represents to Tenant that, as of the Commencement Date, to Landlord's actual knowledge, but without duty of investigation, and with the exception of any Tenant's Work, the Premises comply with all applicable laws, rules, regulations, and orders, including without limitation, the Americans With Disabilities Act, and Landlord shall be responsible to promptly cure at its sole cost any noncompliance which existed on the Commencement Date. Tenant shall be responsible for complying with all laws applicable to the Premises as a result of the Permitted Use, and Tenant shall be responsible for making any changes or alterations as may be required by law, rule, regulation, or order for the Permitted Use at its sole cost and expense. Otherwise, if changes or alterations are required by law, rule, regulation, or order unrelated to the Permitted Use, Landlord shall make such changes and alterations at its expense.
8. **UTILITIES AND SERVICES.** Landlord shall not be responsible for providing any utilities or services to the Premises and shall not be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption, or failure of utilities due to any cause whatsoever, and Rent shall not abate as a result thereof, except to the extent due to the intentional misconduct or gross negligence of Landlord. Tenant shall be responsible for determining the availability of utilities and for determining the adequacy of their capacities for Tenant's needs. Tenant shall install and connect, as necessary, and directly pay for all water, sewer, gas, janitorial, electricity, garbage removal, heat, telephone, internet, cable services, and other utilities and services used by Tenant on the Premises during the Term, as the same may be extended, whether or not such services are billed to Landlord for reimbursement by Tenant. Tenant will also procure, or cause to be procured, without cost to Landlord, all necessary permits, licenses or other authorizations required for the lawful and proper installation, maintenance, replacement, and removal on or from the Premises of wires, pipes, conduits, tubes, and other equipment and appliances for use in supplying all utilities or services to the Premises. Landlord, upon request of Tenant, and at the sole expense and liability of Tenant, shall cooperate with Tenant in any reasonable applications required for obtaining or continuing such utilities or services.
9. **TAXES AND ASSESSMENTS.** Tenant shall pay all Taxes (as such term is defined below) applicable to the Premises during the Lease Term, as the same may be extended. Tenant shall submit payments for Taxes at least 10 days prior to their due date and shall promptly furnish Landlord with satisfactory evidence that Taxes have been paid. If any Taxes paid by Tenant during the Term of the Lease apply to any period of time before the Commencement Date or after the expiration or earlier termination of the Lease, Tenant's share of those Taxes paid shall be prorated for the period of time within the applicable tax period during which the Lease Term (including any extension thereof) was in effect, and Landlord shall promptly reimburse or credit Tenant the balance of the Taxes paid, as applicable. If Tenant fails to timely pay any Taxes in accordance with this Section 9, Landlord may, but is not obligated to, pay the unpaid Taxes, and Tenant shall reimburse such paid amount(s) to Landlord upon written demand therefore. Landlord may also elect to pay all such Taxes directly to the appropriate taxing authority(ies) and receive reimbursement from Tenant within 10 days after written demand therefore, of either the full amount paid or, at Landlord's election, in equal monthly installments.

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The term "Taxes" shall mean: (i) any form of tax or assessment imposed on the Premises by any authority, including any city, county, state or federal government, or any improvement district, as against any legal or equitable interest of Landlord or Tenant in the Premises or in the real property of which the Premises are a part, or against Rent paid for leasing the Premises; and (ii) any form of personal property tax or assessment imposed on any personal property, fixtures, furniture, tenant improvements, equipment, inventory, or other items, and all replacements, improvements, and additions to them, located on the Premises, whether owned by Landlord or Tenant. "Taxes" shall exclude any net income tax imposed on Landlord for income that Landlord receives under this Lease.

Tenant may, following at least 10 days' notice to Landlord, contest the amount or validity, in whole or in part, of any Taxes paid by Tenant, the cost of which shall be borne at Tenant's sole cost and expense; provided, however, in advance of any such contest, Tenant shall post such security as Landlord may reasonably require to protect the Premises against loss or forfeiture. Upon the termination of any such proceedings, Tenant shall pay the amount of such Taxes as finally determined and not yet paid by Tenant, together with any costs, fees, interest penalties, or other related liabilities. Landlord shall reasonably cooperate with Tenant in contesting any Taxes, provided Landlord incurs no expense or liability in doing so.

10. **ALTERATIONS.** Tenant may make alterations, additions or improvements to the Premises (the "Alterations"), only with the prior written consent of Landlord, which consent, with respect to Alterations not affecting the structural components of the Premises or utility systems therein or for which the aggregate cost and expense does not exceed \$10,000, shall not be unreasonably withheld, conditioned, or delayed. Landlord shall have 30 days following Tenant's request for Alterations to respond to such request, provided Tenant's request includes the name of Tenant's contractors and reasonably detailed plans and specifications therefor. The term "Alterations" shall not include: (i) any of Tenant's Work approved by Landlord pursuant to Exhibit B, (ii) Tenant's Signage (as further provided in Section 13), or (iii) the installation of shelves, movable partitions, or Tenant's equipment and trade fixtures that may be installed and removed without damaging existing improvements or the structural integrity of the Premises. Tenant shall perform all work at Tenant's expense and in compliance with all applicable laws and shall complete all Alterations in accordance with plans and specifications approved by Landlord, using contractors approved by Landlord. Tenant shall pay when due, or furnish a bond for payment of (as set forth in Section 18), all claims for labor or materials furnished to or for Tenant at or for use in the Premises, which claims are or may be secured by any mechanics' or materialmen's liens against the Premises or any interest therein. Except as otherwise provided in the Work Letter attached as Exhibit B with respect to Tenant's Work, any improvements installed as part of Tenant Work's or Alterations performed or caused to be performed by Tenant (check one): shall become the property of Landlord, or shall be removed by Tenant at its sole cost and expense upon the expiration or earlier termination of the Lease Term (unless Landlord conditioned its consent in writing upon Tenant leaving a specified Alteration at the Premises, in which case Tenant shall not remove such Alteration, and it shall become Landlord's property). Tenant shall immediately repair any damage to the Premises caused by removal of improvements performed as part of Tenant's Work and/or Alterations.
11. **REPAIRS AND MAINTENANCE; SURRENDER.** Tenant shall, at its sole cost and expense, maintain the entire Premises including without limitation the roof surface and routine repairs and maintenance to all heating, ventilation, and air conditioning ("HVAC") equipment at the Premises, in good condition and promptly make all repairs and replacements, whether structural or non-structural, necessary to keep the Premises in safe operating condition, including all utilities and other systems serving the Premises, but excluding the roof structure, subfloor, foundation, exterior walls, and capital replacements to the HVAC system (collectively, the "Landlord's Repair Items"), which Landlord shall maintain in good condition and repair at Landlord's expense, provided that Tenant shall not damage any Landlord's Repair Items and shall promptly repair any damage or injury done thereto caused by Tenant or its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees. Notwithstanding anything in this Section 11 to the contrary, Tenant shall not be responsible for any repairs to the Premises made necessary by the negligence or willful misconduct of Landlord or its employees, officers, agents, servants, contractors, customers, clients,

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visitors, guests, or other licensees or invitees therein. If Tenant fails to perform Tenant's obligations under this Section, Landlord may at Landlord's option enter upon the Premises after 10 days' notice to Tenant and put the same in good order, condition and repair, the costs of which, together with interest thereon at the default rate set forth in Section 4, shall be chargeable to Tenant and payable as Additional Rent to Landlord together with Tenant's next installment of Base Rent. Upon expiration or earlier termination of the Lease Term, Tenant shall promptly and peacefully surrender the Premises to Landlord, together with all keys, in materially as good condition as when received by Tenant from Landlord or as thereafter improved (but subject to any obligations to remove any Tenant's Work and Alterations and/or restore the same as provided elsewhere in this Lease), reasonable wear and tear and insured casualty excepted.

12. **ACCESS AND RIGHT OF ENTRY.** After twenty-four (24) hours' notice from Landlord (except in cases of emergency, when no notice shall be required), Tenant shall permit Landlord and its agents, employees and contractors to enter the Premises at all reasonable times to make repairs, inspections, alterations or improvements, provided that Landlord shall use reasonable efforts to minimize interference with Tenant's use and enjoyment of the Premises. This Section shall not impose any repair or other obligation upon Landlord not expressly stated elsewhere in this Lease. After reasonable notice to Tenant, Landlord shall have the right to enter the Premises for the purpose of (a) showing the Premises to prospective purchasers or lenders at any time, and to prospective tenants within 180 days prior to the expiration or sooner termination of the Term; and, (b) for posting "for lease" signs within 180 days prior to the expiration or sooner termination of the Term.
13. **SIGNAGE.** Tenant shall obtain Landlord's written consent as to size, location, materials, method of attachment, and appearance, before installing any signs upon the Premises. Tenant shall install and maintain any approved signage ("Signage") at Tenant's sole expense and in compliance with all applicable laws. Unless as otherwise provided in Exhibit B with respect to any Tenant Work, any Signage installed by Tenant shall be removed from the Premises at Tenant's expense upon the expiration or earlier termination of the Lease term. Tenant shall not damage or deface the Premises in installing or removing Signage and shall repair any injury or damage to the Premises caused by such installation or removal.
14. **DESTRUCTION OR CONDEMNATION.**
- a. **Damage and Repair.** If the Premises are partially damaged but not rendered untenable, by fire or other insured casualty, then Landlord shall diligently restore the Premises to the extent required below and this Lease shall not terminate. The Premises shall not be deemed untenable if 25% or less of the Premises are damaged. Landlord shall have no obligation to restore the Premises if insurance proceeds are not available to pay the entire cost of such restoration. If insurance proceeds are available to Landlord but are not sufficient to pay the entire cost of restoring the Premises, or if Landlord's lender shall not permit all or any part of the insurance proceeds to be applied toward restoration, then Landlord may elect to terminate this Lease and keep the insurance proceeds, by notifying Tenant within 60 days of the date of such casualty.

If 50% or more of the rentable area of the Premises are destroyed or damaged and rendered untenable, by fire or other casualty, Landlord may, at its option: (a) terminate this Lease as provided herein, or (b) restore the Premises to their previous condition to the extent required below; provided, however, if such casualty event occurs during the last six (6) months of the Lease term (after considering any option to extend the term timely exercised by Tenant) then either Tenant or Landlord may elect to terminate the Lease. If, within 60 days after receipt by Landlord from Tenant of written notice that Tenant deems the Premises untenable, Landlord fails to notify Tenant of its election to restore the Premises, or if Landlord is unable to restore the Premises within six (6) months of the date of the casualty event, then Tenant may elect to terminate the Lease upon 20 days' written notice to Landlord unless Landlord, within such 20 day period, notifies Tenant that it will in fact restore the Premises or actually completes such restoration work to the extent required below, as applicable.

If Landlord restores the Premises under this Section 14, Landlord shall proceed with reasonable diligence

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to complete the work, and the Base Rent shall be abated in the same proportion as the untenable portion of the Premises bears to the whole Premises, provided that there shall be a Base Rent abatement only if the damage or destruction of the Premises did not result from, or was not contributed to directly or indirectly by, the act, fault or neglect of Tenant or Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees. No damages, compensation or claim shall be payable by Landlord for Tenant's inconvenience, loss of business or annoyance directly, incidentally or consequentially arising from any repair or restoration of any portion of the Premises. Landlord shall have no obligation to carry insurance of any kind for the protection of Tenant; any Alterations or improvements paid for by Tenant; any tenant improvements identified in Exhibit B (regardless of who may have completed them); Signage; Tenant's furniture; or on any fixtures, equipment, improvements or appurtenances of Tenant under this Lease; and Landlord's restoration obligations hereunder shall not include any obligation to repair any damage thereto or replace the same.

- b. **Condemnation.** If the Premises are made untenable by eminent domain, or conveyed under a threat of condemnation, this Lease shall automatically terminate as of the earlier of the date title vests in the condemning authority or the condemning authority first has possession of the Premises and all Rents and other payments shall be paid to that date. If the condemning authority takes a portion of the Premises that does not render the Premises untenable, then this Lease shall continue in full force and effect and the Base Rent shall be equitably reduced based on the proportion by which the floor area of any structures is reduced. The reduction in Base Rent shall be effective on the earlier of the date the condemning authority first has possession of such portion or title vests in the condemning authority. Landlord shall be entitled to the entire award from the condemning authority attributable to the value of the Premises and this Lease, and Tenant shall make no claim for the value of its leasehold estate or the Tenant's Work or any Alterations. Tenant shall be permitted to make a separate claim against the condemning authority for moving expenses, provided that in no event shall Tenant's claim reduce Landlord's award.

15. INSURANCE.

- a. **Tenant's Liability Insurance.** During the Term, Tenant shall pay for and maintain commercial general liability insurance with broad form property damage and contractual liability endorsements. This policy shall (i) contain an endorsement identifying Landlord, its property manager (if any), and other parties designated by Landlord, as additional insureds using an endorsement form acceptable to Landlord, (ii) shall insure Tenant's activities and those of Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees with respect to the Premises against loss, damage or liability for personal injury or bodily injury (including death) or loss or damage to property with a combined single limit of not less than \$2,000,000 per occurrence, and a deductible of not more than \$10,000, and (iii) contain a provision requiring the insurer to deliver or mail written notice of cancellation to the named insureds at least forty-five (45) days before the effective date of the cancellation. Tenant's insurance will be primary and noncontributory with any liability insurance carried by Landlord. Landlord may also require Tenant to obtain and maintain at Tenant's sole cost business income coverage for at least six (6) months, business auto liability coverage, and, if applicable to Tenant's Permitted Use, liquor liability insurance and/or warehouseman's coverage.
- b. **Tenant's Property Insurance.** During the Term, Tenant shall pay for and maintain special form clauses of loss coverage property insurance (with coverage for earthquake if required by Landlord's lender and, if the Premises are situated in a flood plain, flood damage) for all of Tenant's personal property, fixtures and equipment, Tenant's Work, and Alterations in the amount of their full replacement value, with a deductible of not more than \$10,000. Landlord shall maintain property insurance for the building in which the Premises are located, the cost(s) for which shall constitute Additional Rent payable by Tenant in accordance with this Lease.
- c. **Miscellaneous.** Tenant's insurance required under this Section shall be with companies rated A-/VII or better in Best's Insurance Guide, and which are admitted in the State of Washington. No insurance policy

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shall be cancelled or reduced in coverage and each such policy shall provide that it is not subject to cancellation or a reduction in coverage except after 45 days prior written notice to Landlord. Tenant shall deliver to Landlord, prior to Tenant's first taking possession of or occupying the Premises, and from time to time thereafter, copies of the insurance policies or evidence of insurance and copies of endorsements required by this Section. In no event shall the limits of such policies be considered as limiting the liability of Tenant under this Lease. If Tenant fails to acquire or maintain any insurance or provide any policy or evidence of insurance required by this Section, and such failure continues for three (3) days after notice from Landlord, Landlord may, but shall not be required to, obtain such insurance for Landlord's benefit and Tenant shall reimburse Landlord for the costs of such insurance upon demand. Such amounts shall be Additional Rent payable by Tenant hereunder and in the event of non-payment thereof, Landlord shall have the same rights and remedies with respect to such non-payment as it has with respect to any other non-payment of Rent hereunder.

- d. **Waiver of Subrogation.** Notwithstanding any other provision of this Lease to the contrary, Landlord and Tenant hereby release each other and any other tenant, their agents or employees, from responsibility for, and waive their entire claim of recovery for any loss or damage arising from any cause covered by insurance required to be carried or otherwise carried by each of them. Each party shall provide notice to the insurance carrier or carriers of this mutual waiver of subrogation, and shall cause its respective insurance carriers to waive all rights of subrogation against the other. This waiver shall not apply to the extent of the deductible amounts to any such policies or to the extent of liabilities exceeding the limits of such policies.

16. INDEMNIFICATION.

- a. **Indemnification by Tenant.** Tenant shall defend, indemnify, and hold Landlord and its property manager (if any) harmless against all liabilities, damages, costs, and expenses, including attorneys' fees, for personal injury, bodily injury (including death) or property damage arising from any negligent or wrongful act or omission of Tenant or Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees on or around the Premises, or arising from any breach of this Lease by Tenant. Tenant shall use legal counsel reasonably acceptable to Landlord in defense of any action within Tenant's defense obligation.
- b. **Indemnification by Landlord.** Landlord shall defend, indemnify and hold Tenant harmless against all liabilities, damages, costs, and expenses, including attorneys' fees, for personal injury, bodily injury (including death) or property damage arising from any negligent or wrongful act or omission of Landlord or Landlord's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees on or around the Premises, or arising from any breach of this Lease by Landlord. Landlord shall use legal counsel reasonably acceptable to Tenant in defense of any action within Landlord's defense obligation.
- c. **Waiver of Immunity.** Landlord and Tenant each specifically and expressly waive any immunity that each may be granted under the Washington State Industrial Insurance Act, Title 51 RCW. Neither party's indemnity obligations under this Lease shall be limited by any limitation on the amount or type of damages, compensation, or benefits payable to or for any third party under the Worker Compensation Acts, Disability Benefit Acts or other employee benefit acts.
- d. **Exemption of Landlord from Liability.** Except to the extent of claims arising out of Landlord's gross negligence or intentional misconduct, Landlord shall not be liable for injury to Tenant's business or assets or any loss of income therefrom or for damage to any property of Tenant or of its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, or any other person in or about the Premises.
- e. **Survival.** The provisions of this Section 16 shall survive expiration or termination of this Lease.

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17. **ASSIGNMENT AND SUBLETTING.** Tenant shall not assign, sublet, mortgage, encumber or otherwise transfer any interest in this Lease (collectively referred to as a "Transfer") or any part of the Premises, without first obtaining Landlord's written consent which shall not be unreasonably withheld, conditioned, or delayed. No Transfer shall relieve Tenant of any liability under this Lease notwithstanding Landlord's consent to such Transfer. Consent to any Transfer shall not operate as a waiver of the necessity for Landlord's consent to any subsequent Transfer. In connection with each request for consent to a Transfer, Tenant shall pay the reasonable cost of processing the same, including attorneys' fees, upon demand of Landlord, up to a maximum of \$1,250.

Any transfer of this Lease by merger, consolidation, redemption or liquidation of Tenant, or any change in the ownership of, or power to vote, which singularly or collectively represents a majority of the beneficial interest in Tenant, shall constitute a Transfer under this Section.

As a condition to Landlord's approval, if given, any potential assignee or sublessee otherwise approved by Landlord shall assume all obligations of Tenant under this Lease and shall be jointly and severally liable with Tenant and any guarantor for the payment of Rent and performance of all obligations of Tenant under this Lease. In connection with any Transfer, Tenant shall provide Landlord with copies of all assignments, subleases and assumption agreements and related documents.

18. **LIENS.** Tenant is not authorized to subject the Landlord's assets to any liens or claims of lien. Tenant shall keep the Premises free from any liens created by or through Tenant. Tenant shall indemnify, defend, and hold Landlord and the Premises harmless from liability for any such liens including, without limitation, liens arising from any of Tenant's Work or Alterations. If a lien is filed against the Premises by any person claiming by, through or under Tenant, Tenant shall have the right to contest the correctness or validity of the lien, provided, however, within 10 days after Landlord's demand, at Tenant's expense, Tenant shall either remove the lien or shall procure and record a lien release bond issued by a surety satisfactory to Landlord in form and amount sufficient to satisfy statutory requirements for satisfaction and release of the subject lien(s) from the Premises. Tenant shall indemnify Landlord and the Premises from and against all liabilities, costs and expenses, including attorneys' fees, which Landlord could reasonably incur as a result of such lien.
19. **DEFAULT.** Each of the following events shall be an "Event of Default" by Tenant under this Lease:
- a. **Failure To Pay.** Failure by Tenant to pay any sum, including Rent, due under this Lease following five (5) days' notice from Landlord of the failure to pay.
 - b. **Vacation/Abandonment.** Vacation by Tenant of the Premises (defined as an absence for at least 15 consecutive days without prior notice to Landlord), or abandonment by Tenant of the Premises (defined as an absence of five (5) days or more while Tenant is in breach of some other term of this Lease). Tenant's vacation or abandonment of the Premises shall not be subject to any notice or right to cure.
 - c. **Insolvency.** Tenant's insolvency or bankruptcy (whether voluntary or involuntary), or appointment of a receiver, assignee or other liquidating officer for Tenant's business; provided, however, that in the event of any involuntary bankruptcy or other insolvency proceeding, the existence of such proceeding shall constitute an Event of Default only if such proceeding is not dismissed or vacated within 60 days after its institution or commencement.
 - d. **Levy or Execution.** The taking of Tenant's interest in this Lease or the Premises, or any part thereof, by execution or other process of law directed against Tenant, or attachment of Tenant's interest in this Lease by any creditor of Tenant, if such attachment is not discharged within 15 days after being levied.
 - e. **Other Non-Monetary Defaults.** The breach by Tenant of any agreement, term or covenant of this Lease other than one requiring the payment of money and not otherwise enumerated in this Section or elsewhere

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in this Lease, which breach continues for a period of 30 days after notice by Landlord to Tenant of the breach, provided that, if the nature of such default is such that it cannot be cured within such 30 day period, no Event of Default shall occur so long as Tenant commences such cure within 30 days of notice by Landlord and diligently pursues such cure to completion, but in no event longer than 60 days from the date of Landlord's notice.

- f. **Failure to Take Possession.** Failure by Tenant to take possession of the Premises on the Commencement Date following five (5) days' notice from Landlord of Tenant's failure to take possession.

Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within 30 days after notice by Tenant to Landlord, provided that, if the nature of such default is that it cannot be cured within such 30 day period, Landlord shall not be in default if Landlord commences such cure within 30 days of notice by Tenant and diligently pursues such cure to completion. If Landlord fails to cure any such default within the allotted time, Tenant's sole remedy shall be to seek actual money damages (but not consequential or punitive damages) for loss arising from Landlord's failure to discharge its obligations under this Lease. Nothing herein contained shall relieve Landlord from its duty to perform any of its obligations to the standard prescribed in this Lease.

Any notice periods granted herein shall be deemed to run concurrently with and not in addition to any default notice periods required by law.

20. **REMEDIES.** Landlord shall have the following remedies upon an Event of Default. Landlord's rights and remedies under this Lease shall be cumulative and non-exclusive.
- a. **Termination of Lease.** Landlord may terminate Tenant's interest under the Lease, but no act by Landlord other than notice of termination from Landlord to Tenant shall terminate this Lease. The Lease shall terminate on the date specified in the notice of termination. Upon termination of this Lease, Tenant will remain liable to Landlord for damages in an amount equal to Rent and other sums that would have been owing by Tenant under this Lease for the balance of the Term, less the net proceeds, if any, of any reletting of the Premises by Landlord subsequent to the termination, after deducting all of Landlord's Reletting Expenses (as defined below). Landlord shall be entitled to either collect damages from Tenant monthly on the days on which Rent or other amounts would have been payable under the Lease, or alternatively, Landlord may accelerate Tenant's obligations under the Lease and recover from Tenant: (i) unpaid Rent which had been earned at the time of termination; (ii) the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of Rent loss that Tenant proves could reasonably have been avoided; (iii) the amount by which the unpaid Rent for the balance of the term of the Lease after the time of award exceeds the amount of Rent loss that Tenant proves could reasonably be avoided (discounting such amount by the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus 1%); and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease, or which in the ordinary course would be likely to result from the Event of Default, including without limitation Reletting Expenses described below.
- b. **Re-Entry and Reletting.** Landlord may continue this Lease in full force and effect, and without demand or notice, re-enter and take possession of the Premises or any part thereof, expel the Tenant from the Premises and anyone claiming through or under the Tenant, and remove the personal property of either. Landlord may relet the Premises, or any part of them, in Landlord's or Tenant's name for the account of Tenant, for such period of time and at such other terms and conditions as Landlord, in its discretion, may determine. Landlord may collect and receive the rents for the Premises. To the fullest extent permitted by law, the proceeds of any reletting shall be applied: first, to pay Landlord all Reletting Expenses (defined below); second, to pay any indebtedness of Tenant to Landlord other than Rent; third, to the Rent due and unpaid hereunder; and fourth, the residue, if any, shall be held by Landlord and applied in payment of other or future obligations of Tenant to Landlord as the same may become due and payable, and Tenant

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- shall not be entitled to receive any portion of such revenue. Re-entry or taking possession of the Premises by Landlord under this Section shall not be construed as an election on Landlord's part to terminate this Lease, unless a notice of termination is given to Tenant. Landlord reserves the right following any re-entry or reletting, or both, under this Section to exercise its right to terminate the Lease. Tenant will pay Landlord Rent and other sums which would be payable under this Lease if repossession had not occurred, less the net proceeds, if any, after reletting the Premises and after deducting Landlord's Reletting Expenses. "Reletting Expenses" is defined to include all expenses incurred by Landlord in connection with reletting the Premises, including without limitation, all repossession costs, brokerage commissions and costs for securing new tenants, attorneys' fees, remodeling and repair costs, costs for removing persons or property, costs for storing Tenant's property and equipment, and costs of tenant improvements and rent concessions granted by Landlord to any new Tenant, prorated over the life of the new lease.
- c. **Waiver of Redemption Rights.** Tenant, for itself, and on behalf of any and all persons claiming through or under Tenant, including creditors of all kinds, hereby waives and surrenders all rights and privileges which they may have under any present or future law, to redeem the Premises or to have a continuance of this Lease for the Term, or any extension thereof.
- d. **Nonpayment of Additional Rent.** All costs which Tenant is obligated to pay to Landlord pursuant to this Lease shall in the event of nonpayment be treated as if they were payments of Rent, and Landlord shall have the same rights it has with respect to nonpayment of Rent.
- e. **Failure to Remove Property.** If Tenant fails to remove any of its property from the Premises at Landlord's request following an uncured Event of Default, Landlord may, at its option, remove and store the property at Tenant's expense and risk. If Tenant does not pay the storage cost within five (5) days of Landlord's request, Landlord may, at its option, have any or all of such property sold at public or private sale (and Landlord may become a purchaser at such sale), in such manner as Landlord deems proper, without notice to Tenant. Landlord shall apply the proceeds of such sale: (i) to the expense of such sale, including reasonable attorneys' fees actually incurred; (ii) to the payment of the costs or charges for storing such property; (iii) to the payment of any other sums of money which may then be or thereafter become due Landlord from Tenant under any of the terms hereof; and (iv) the balance, if any, to Tenant. Nothing in this Section shall limit Landlord's right to sell Tenant's personal property as permitted by law or to foreclose Landlord's lien for unpaid Rent, if any.
21. **MORTGAGE SUBORDINATION AND ATTORNMENT.** This Lease shall automatically be subordinate to any mortgage or deed of trust created by Landlord which is now existing or hereafter placed upon the Premises including any advances, interest, modifications, renewals, replacements or extensions ("Landlord's Mortgage"). Tenant shall attorn to the holder of any Landlord's Mortgage or any party acquiring the Premises at any sale or other proceeding under any Landlord's Mortgage provided the acquiring party assumes the obligations of Landlord under this Lease. Tenant shall promptly and in no event later than 15 days after request execute, acknowledge and deliver documents which the holder of any Landlord's Mortgage may reasonably require as further evidence of this subordination and attornment. Notwithstanding the foregoing, Tenant's obligations under this Section to subordinate in the future are conditioned on the holder of each Landlord's Mortgage and each party acquiring the Premises at any sale or other proceeding under any such Landlord's Mortgage not disturbing Tenant's occupancy and other rights under this Lease, so long as no uncured Event of Default by Tenant exists.
22. **NON-WAIVER.** Landlord's waiver of any breach of any provision contained in this Lease shall not be deemed to be a waiver of the same provision for subsequent acts of Tenant. The acceptance by Landlord of Rent or other amounts due by Tenant hereunder shall not be deemed to be a waiver of any previous breach by Tenant.
23. **HOLDOVER.** If Tenant shall, without the written consent of Landlord, remain in possession of the Premises and fail to return them to Landlord after the expiration or termination of this Lease, the tenancy shall be a

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holdover tenancy at sufferance, which may be terminated according to Washington law. During such tenancy, Tenant agrees to pay to Landlord 150% of the rate of rental last payable under this Lease, unless a different rate is agreed upon by Landlord. All other terms of the Lease shall remain in effect other than any options to extend the Term. Tenant acknowledges and agrees that this Section does not grant any right to Tenant to holdover, and that Tenant may also be liable to Landlord for any and all damages or expenses which Landlord may have to incur as a result of Tenant's holdover.

24. **NOTICES.** All notices under this Lease shall be in writing and effective (i) when delivered in person or via overnight courier to the other party, or (ii) three (3) days after being sent by registered or certified mail to the other party at the address set forth in Section 1. The addresses for notices and payment of Rent set forth in Section 1 may be modified by either party only by written notice delivered in conformance with this Section.
25. **COSTS AND ATTORNEYS' FEES.** If Tenant or Landlord engage the services of an attorney to collect monies due or to bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of Rent or other payments, or possession of the Premises, the losing party shall pay the prevailing party a reasonable sum for attorneys' fees in such action, whether in mediation or arbitration, at trial, on appeal, and in any bankruptcy proceeding.
26. **ESTOPPEL CERTIFICATES.** Tenant shall, from time to time, upon written request of Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement specifying the following, subject to any modifications necessary to make such statements true and complete: (i) the total rentable square footage of the Premises; (ii) the date the Term commenced and the date it expires; (iii) the amount of minimum monthly Rent and the date to which such Rent has been paid; (iv) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way; (v) that this Lease represents the entire agreement between the parties; (vi) that all obligations under this Lease to be performed by either party have been satisfied; (vii) that there are no existing claims, defenses or offsets which the Tenant has against the enforcement of this Lease by Landlord; (viii) the amount of Rent, if any, that Tenant paid in advance; (ix) the amount of security that Tenant deposited with Landlord; (x) if Tenant has sublet all or a portion of the Premises or assigned its interest in the Lease and to whom; (xi) if Tenant has any option to extend the Term of the Lease or option to purchase the Premises; and (xii) such other factual matters concerning the Lease or the Premises as Landlord may reasonably request. Tenant acknowledges and agrees that any statement delivered pursuant to this Section may be relied upon by a prospective purchaser of Landlord's interest or assignee of any mortgage or new mortgagee of Landlord's interest in the Premises. If Tenant shall fail to respond within 10 days to Landlord's request for the statement required by this Section, Landlord may provide the statement and Tenant shall be deemed to have admitted the accuracy of the information provided by Landlord.
27. **TRANSFER OF LANDLORD'S INTEREST.** This Lease shall be assignable by Landlord without the consent of Tenant. In the event of any transfer or transfers of Landlord's interest in the Premises, other than a transfer for collateral purposes only, upon the assumption of this Lease by the transferee, Landlord shall be automatically relieved of obligations and liabilities accruing from and after the date of such transfer, including any liability for any retained security deposit or prepaid Rent, for which the transferee shall be liable, and Tenant shall attorn to the transferee.
28. **LANDLORD'S LIABILITY.** Notwithstanding anything in this Lease to the contrary, covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements for the purpose of binding Landlord personally or the assets of Landlord but are made and intended for the purpose of binding only the Landlord's interest in the Premises, as the same may from time to time be encumbered. In no event shall Landlord or its partners, shareholders, or members, as the case may be, ever be personally liable hereunder.
29. **RIGHT TO PERFORM.** If Tenant shall fail to timely pay any sum or perform any other act on its part to be performed hereunder, Landlord may make any such payment or perform any such other act on Tenant's

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behalf. Tenant shall, within 10 days of demand, reimburse Landlord for its expenses incurred in making such payment or performance. Landlord shall (in addition to any other right or remedy of Landlord provided by law) have the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of default by Tenant in the payment of Rent.

30. **HAZARDOUS MATERIAL.** As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste including biomedical waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government, due to its potential harm to the health, safety or welfare of humans or the environment. Landlord represents and warrants to Tenant that, to Landlord's actual knowledge without duty of investigation, there is no Hazardous Material on, in, or under the Premises as of the Commencement Date in excess of reportable quantities except as may otherwise have been disclosed to Tenant in writing before the execution of this Lease. If there is any Hazardous Material on, in, or under the Premises as of the Commencement Date which has been or thereafter becomes unlawfully released in excess of reportable quantities through no fault of Tenant, then Landlord shall indemnify, defend and hold Tenant harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including without limitation sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees, incurred or suffered by Tenant either during or after the Term as the result of such contamination.

Tenant shall not cause or permit any Hazardous Material to be brought upon, kept, or used in or about, or disposed of on the Premises by Tenant, its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, except with Landlord's prior consent (except in de minimis quantities typical of the Permitted Use, such as in office supplies and household cleansers) and then only upon strict compliance with all applicable federal, state and local laws, regulations, codes, ordinances, and product labels. If Tenant breaches the obligations stated in the preceding sentence, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including, without limitation, diminution in the value of the Premises; damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, or elsewhere; damages arising from any adverse impact on marketing of space at the Premises; and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees incurred or suffered by Landlord either during or after the Term. These indemnifications by Landlord and Tenant include, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work, whether or not required by any federal, state or local governmental agency or political subdivision, because of Hazardous Material present in the Premises, or in soil or ground water on or under the Premises. Tenant shall immediately notify Landlord of any inquiry, investigation or notice that Tenant may receive from any third party regarding the actual or suspected presence of Hazardous Material on the Premises.

Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Premises by Tenant, its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, results in any unlawful release of any Hazardous Materials on the Premises or any other adjacent property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Premises or any other property to the condition existing prior to the release of any such Hazardous Material; provided that Landlord's approval of such actions shall first be obtained, which approval may be withheld at Landlord's sole discretion. The provisions of this Section shall survive expiration or earlier termination of this Lease.

31. **QUIET ENJOYMENT.** Provided Tenant pays the Rent and performs all of its obligations in this Lease, Tenant's possession of the Premises will not be disturbed by Landlord or anyone claiming by, through or under Landlord.
32. **MERGER.** The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subtenancies or may, at

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the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.

33. GENERAL.

- a. **Heirs and Assigns.** This Lease shall apply to and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns.
- b. **Brokers' Fees.** Tenant represents and warrants to Landlord that except for Tenant's Broker, if any, described or disclosed in Section 35 of this Lease, it has not engaged any broker, finder or other person who would be entitled to any commission or fees for the negotiation, execution or delivery of this Lease and shall indemnify and hold harmless Landlord against any loss, cost, liability or expense incurred by Landlord as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Tenant. Landlord represents and warrants to Tenant that except for Landlord's Broker, if any, described and disclosed in Section 35 of this Lease, it has not engaged any broker, finder or other person who would be entitled to any commission or fees for the negotiation, execution or delivery of this Lease and shall indemnify and hold harmless Tenant against any loss, cost, liability or expense incurred by Tenant as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Landlord.
- c. **Entire Agreement.** This Lease contains all of the covenants and agreements between Landlord and Tenant relating to the Premises. No prior or contemporaneous agreements or understandings pertaining to the Lease shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or amended except in writing signed by Landlord and Tenant.
- d. **Severability.** Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision of this Lease.
- e. **Force Majeure.** Time periods for either party's performance under any provisions of this Lease (excluding payment of Rent) shall be extended for periods of time during which the party's performance is prevented due to circumstances beyond such party's control, including without limitation, fires, floods, earthquakes, lockouts, strikes, embargoes, governmental regulations, acts of God, public enemy, war or other strife; provided in no event shall any of the foregoing events operate to extend the Term of this Lease.
- f. **Governing Law.** This Lease shall be governed by and construed in accordance with the laws of the State of Washington.
- g. **Memorandum of Lease.** Neither this Lease nor any memorandum or "short form" thereof shall be recorded without Landlord's prior consent.
- h. **Submission of Lease Form Not an Offer.** One party's submission of this Lease to the other for review shall not constitute an offer to lease the Premises. This Lease shall not become effective and binding upon Landlord and Tenant until it has been fully executed by both parties.
- i. **No Light, Air or View Easement.** Tenant has not been granted an easement or other right for light, air or view to or from the Premises. Any diminution or shutting off of light, air or view by any structure which may be erected on or adjacent to the Premises shall in no way affect this Lease or the obligations of Tenant hereunder or impose any liability on Landlord.
- j. **Authority of Parties.** Each party to this Lease represents and warrants to the other that the person executing this Lease on behalf of such party has the authority to enter into this Lease on behalf of such party, that the execution and delivery of this Lease has been duly authorized, and that upon such execution and delivery, this Lease shall be binding upon and enforceable against such party.



LEASE AGREEMENT
Single Tenant for Entire Parcel - NNN
(Continued)

k. **Time.** "Day" as used herein means a calendar day and "business day" means any day on which commercial banks are generally open for business in the state where the Premises are situated. Any period of time which would otherwise end on a non-business day shall be extended to the next following business day. Time is of the essence of this Lease.

34. **EXHIBITS AND RIDERS.** The following exhibits and riders are made a part of this Lease, and the terms thereof shall control over any inconsistent provision in the sections of this Lease:

- Exhibit A: Legal Description of the Premises
- Exhibit B: Work Letter

CHECK THE BOX FOR ANY OF THE FOLLOWING THAT WILL APPLY. CAPITALIZED TERMS USED IN THE RIDERS SHALL HAVE THE MEANING GIVEN TO THEM IN THE LEASE.

- Rent Rider
- Arbitration Rider
- Letter of Credit Rider
- Guaranty of Tenant's Lease Obligations Rider
- Option to Extend Rider

35. **AGENCY DISCLOSURE.** At the signing of this Lease, Landlord is represented by Parker Stephens of NW Home Team Better Home and Gardens (insert both the name of the Broker and the Firm as licensed) (the "Landlord's Broker"), and Tenant is represented by Parker Stephens of NW Home Team Better Home and Gardens (insert both the name of the Broker and the Firm as licensed) (the "Tenant's Broker").

This Agency Disclosure creates an agency relationship between Landlord, Landlord's Broker (if any such person is disclosed), and any managing brokers who supervise Landlord's Broker's performance (collectively the "Supervising Brokers"). In addition, this Agency Disclosure creates an agency relationship between Tenant, Tenant's Broker (if any such person is disclosed), and any managing brokers who supervise Tenant's Broker's performance (also collectively the "Supervising Brokers"). If Tenant's Broker and Landlord's Broker are different real estate licensees affiliated with the same Firm, then both Tenant and Landlord confirm their consent to that Firm and both Tenant's and Landlord's Supervising Brokers acting as dual agents. If Tenant's Broker and Landlord's Broker are the same real estate licensee who represents both parties, then both Landlord and Tenant acknowledge that the Broker, his or her Supervising Brokers, and his or her Firm are acting as dual agents and hereby consent to such dual agency. If Tenant's Broker, Landlord's Broker, their Supervising Brokers, or their Firm are dual agents, Landlord and Tenant consent to Tenant's Broker, Landlord's Broker and their Firm being compensated based on a percentage of the rent or as otherwise disclosed on the attached addendum. Neither Tenant's Broker, Landlord's Broker nor either of their Firms are receiving compensation from more than one party to this transaction unless otherwise disclosed on an attached addendum, in which case Landlord and Tenant consent to such compensation. Landlord and Tenant confirm receipt of the pamphlet entitled "The Law of Real Estate Agency."

36. **COMMISSION AGREEMENT.** If Landlord has not entered into a listing agreement (or other compensation agreement with Landlord's Broker), Landlord agrees to pay a commission to Landlord's Broker (as identified in the Agency Disclosure paragraph above) as follows:

- \$ _____
- _____ % of the gross rent payable pursuant to the Lease
- \$ _____ per square foot of the Premises
- Other _____

Landlord's Broker shall shall not (shall not if not filled in) be entitled to a commission upon the

LEASE AGREEMENT
Single Tenant for Entire Parcel - NNN
(Continued)

extension by Tenant of the Term pursuant to any right reserved to Tenant under the Lease calculated as provided above or as follows _____ (if no box is checked, as provided above). Landlord's Broker shall shall not (shall not if not filled in) be entitled to a commission upon any expansion of Premises pursuant to any right reserved to Tenant under the Lease, calculated as provided above or as follows _____ (if no box is checked, as provided above).

With respect to any commission earned upon execution of this Lease or pursuant to any expansion of the Premises, Landlord shall pay one-half upon execution of the Lease or any amendment/addenda thereto expanding the Premises, and one-half upon occupancy of the Premises by Tenant. With respect to any commission earned upon extension of the Term of this Lease, Landlord shall pay one-half upon execution of any amendment/addenda to the Lease extending the Term and one-half upon the commencement date of such extended term. Landlord's Broker shall pay to Tenant's Broker (as identified in the Agency Disclosure paragraph above) the amount stated in a separate agreement between them or, if there is no agreement, \$ _____ or _____ % (complete only one) of any commission paid to Landlord's Broker, within five (5) days after receipt by Landlord's Broker.

If any other lease or sale is entered into between Landlord and Tenant pursuant to a right reserved to Tenant under the Lease, Landlord shall shall not (shall not if not filled in) pay an additional commission according to any commission agreement or, in the absence of one, according to the commission schedule of Landlord's Broker in effect as of the execution of this Lease. Landlord's successor shall be obligated to pay any unpaid commissions upon any transfer of this Lease and any such transfer shall not release the transferor from liability to pay such commissions.

37. BROKER PROVISIONS.

LANDLORD'S BROKER, TENANT'S BROKER AND THEIR FIRMS HAVE MADE NO REPRESENTATIONS OR WARRANTIES CONCERNING THE PREMISES; THE MEANING OF THE TERMS AND CONDITIONS OF THIS LEASE; LANDLORD'S OR TENANT'S FINANCIAL STANDING; ZONING; COMPLIANCE OF THE PREMISES WITH APPLICABLE LAWS; SERVICE OR CAPACITY OF UTILITIES; OPERATING COSTS; OR HAZARDOUS MATERIALS. LANDLORD AND TENANT ARE EACH ADVISED TO SEEK INDEPENDENT LEGAL ADVICE ON THESE AND OTHER MATTERS ARISING UNDER THIS LEASE.

IN WITNESS WHEREOF this Lease has been executed the date and year first above written.



LANDLORD:



TENANT:

LANDLORD:

TENANT:

BY:


BY:

ITS:

ITS:

Better Homes and Gardens Real Estate- Northwest Home Team
111 Tumwater Blvd, SE Ste A109
Olympia, WA 98501
Phone: 360-529-0992

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STATE OF WASHINGTON

COUNTY OF _____

This record was acknowledged before me on _____, 20____, by _____ as
_____ of _____.

Notary Public for the State of Washington

My commission expires: _____

STATE OF WASHINGTON

COUNTY OF _____

This record was acknowledged before me on _____, 20____, by _____ as
_____ of _____.

Notary Public for the State of Washington

My commission expires: _____

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111 Tumwater Blvd, SE Ste A109
Olympia, WA 98501
Phone: 360-529-0992

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STATE OF WASHINGTON

COUNTY OF _____

This record was acknowledged before me on _____, 20____, by _____ as
_____ of _____.

Notary Public for the State of Washington

My commission expires: _____

STATE OF WASHINGTON

COUNTY OF _____

This record was acknowledged before me on _____, 20____, by _____ as
_____ of _____.

Notary Public for the State of Washington

My commission expires: _____

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EXHIBIT A

[Legal Description of the Property]

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(Continued)

EXHIBIT B

[Work Letter]

CHECK IF APPLICABLE:

1. **Improvements to be Completed by Landlord**

A. Performance of Improvements. Subject to the terms and conditions of this Lease and any Improvement Allowance provided herein, Landlord's obligations to improve the Premises shall be limited to the work ("Landlord's Work") described below. All other work shall be performed by Tenant at its sole expense or, if performed by Landlord, shall be promptly reimbursed by Tenant. Landlord's Work shall be deemed to be "substantially complete" on the date that Landlord's notifies Tenant that Landlord's Work is complete, except for punch list items that do not impair the use or operations thereof, would not prevent Tenant from occupancy and/or performing Tenant's Work, and except for that portion of Landlord's Work, if any, which cannot be feasibly performed before Tenant completes Tenant's Work, fixturing, or decorating.

The work to be done by Landlord in satisfying its obligation to complete Landlord's Work under the Lease shall be limited to the following (check one):

As identified below (check and describe all that apply);

- FLOOR: _____
- WALLS: _____
- CEILING: _____
- LIGHTING: _____
- WASHROOM(S): _____
- ELECTRICAL: _____
- HVAC: _____
- OTHER: _____

As mutually agreed upon between Landlord and Tenant as follows:

- a. Within _____ days ((10) days if not filled in) after mutual acceptance of the Lease, Tenant shall prepare and submit for Landlord's review a preliminary sketch of the improvements to be performed by Landlord ("Preliminary Landlord Plan"). Landlord and Tenant shall cooperate in good faith to adopt a mutually acceptable Preliminary Landlord Plan.
- b. Upon Landlord's approval of the Preliminary Landlord Plan, Landlord shall promptly prepare (or cause to be prepared) construction documents (i.e., those plans used for submittal to the appropriate governmental bodies for all necessary permits and approvals for Landlord's Work, if any) for Tenant's review and approval, which approval shall not be unreasonably withheld, conditioned or delayed. The construction documents, once approved, shall then constitute "Landlord's Improvement Plans."
- c. Landlord shall submit the Landlord's Improvement Plans to the appropriate governmental body for plan checking and issuance of necessary permits and approvals, as applicable. Landlord and Tenant shall cooperate and use commercially reasonable efforts to cause to be made any changes in the Landlord's Improvement Plans necessary to obtain such permits and approvals; provided, however, any costs and expenses resulting from the foregoing changes to Landlord's Work that exceed the Improvement Allowance shall be borne at Tenant's sole cost and expense.

B. Defects in Landlord's Work. If Tenant fails to notify Landlord of any defects in the Landlord's Work within 30

LEASE AGREEMENT
Single Tenant for Entire Parcel - NNN
(Continued)

days of delivery of possession of the Premises to Tenant, Tenant shall be deemed to have accepted the Premises in their then-existing condition. If Tenant discovers any major defects in the Landlord's Work during this 30-day period that would prevent Tenant from using the Premises for the Permitted Use, Tenant shall notify Landlord and the Commencement Date shall be delayed until after Landlord has notified Tenant that Landlord has corrected the major defects and Tenant has had five (5) days to inspect and approve the Premises. The Commencement Date shall not be delayed if Tenant's inspection reveals minor defects in the Landlord's Work that will not prevent Tenant from using the Premises for the Permitted Use. Tenant shall prepare a punch list of all minor defects in Landlord's Work and provide the punch list to Landlord, which Landlord shall promptly correct.

2. Improvements to be Completed by Tenant

- A. Performance of Improvements. Subject to the terms and conditions of the Lease and any Improvement Allowance provided herein, Tenant shall complete, at its sole cost and expense, the work identified in the Tenant Improvement Plans (as such term is defined below) adopted by Landlord and Tenant in accordance with the provisions below ("Tenant's Work"). Tenant's Work shall be performed lien free and in a workmanlike manner, without interference with other work, if any, being done in the Premises, including any of Landlord's Work, and in compliance with all laws and reasonable rules promulgated from time to time by Landlord, its property manager, architect, and contractors.

The work to be done by Tenant in satisfying its obligation to complete Tenant's Work under the Lease shall be limited to the following (check one):

As identified below (check and describe all that apply);

- FLOOR: _____
- WALLS: _____
- CEILING: _____
- LIGHTING: _____
- WASHROOM(S): _____
- ELECTRICAL: _____
- HVAC: _____
- OTHER: _____

As mutually agreed upon between Landlord and Tenant as follows:

- a. Within _____ days ((10) days if not filled in) after mutual acceptance of the Lease, Tenant shall prepare and submit for Landlord's review a preliminary sketch of the Tenant Improvements ("Preliminary Tenant Plan"). Landlord and Tenant shall cooperate in good faith to adopt a mutually acceptable Preliminary Plan.
- b. Upon approval of the Preliminary Tenant Plan by Landlord, Tenant shall promptly prepare construction documents (i.e., those plans used for submittal to the appropriate governmental bodies for all necessary permits and approvals for the Tenant's Work, if any) for Landlord's review and approval. The construction documents, once approved, shall then constitute the "Tenant Improvements Plans."
- c. Upon approval by Landlord, Tenant shall submit the Tenant Improvements Plans to the appropriate governmental body for plan checking and issuance of necessary permits and approvals. Tenant, with Landlord's approval, shall cause to be made any changes in the Tenant Improvements Plans necessary to obtain such permits and approvals.
- d. Landlord makes no warranty or representation of any type or nature with respect to the adequacy or

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Single Tenant for Entire Parcel - NNN
(Continued)

sufficiency of the Tenant Improvements Plans for any purpose. Landlord makes no warranty or representation of any type or nature with respect to the quality, suitability, or ability of contractor or the quality of the work or materials supplied or performed with respect to the Tenant Improvements by contractor, the subcontractors, Tenant's agents, or any other person or entity.

B. General Requirements. Tenant shall submit to Landlord, prior to the commencement of the construction of Tenant's Work, the following information for Landlord's review and approval (check all that apply):

The names, contact names, addresses, and license numbers of all general contractors and subcontractors Tenant intends to use in the construction of Tenant's Work.

A reasonably detailed schedule for Tenant's performance of Tenant's Work (including, without limitation, the date on which Tenant's Work will commence, the estimated date of completion of Tenant's Work, and the date on which Tenant expects to open for business in the Premises).

Evidence of insurance as required in the Lease and any other insurance usual and customary for performance of Tenant's Work and requested by Landlord.

Copies of all required governmental permits.

C. Contractor Qualifications. All contractors and subcontractors to perform Tenant's Work shall be licensed contractors, capable of performing quality workmanship and working in harmony with Landlord's general contractor on the Premises, if any. Upon notice from Landlord, Tenant shall stop using (or cause contractor or any subcontractor to stop using) any person or entity disturbing labor harmony with any work force or trade engaged in performing Tenant's Work or other work, labor, or services in or about the Premises. All work shall be coordinated with any on-going construction work on the Premises. Landlord shall have the right to disapprove, in Landlord's reasonable discretion, any contractor or subcontractor which Tenant desires to engage for Tenant's Work.

3. **Improvement Allowance**

Provided there is no uncured Event of Default by Tenant under the Lease, upon completion of Landlord's Work or Tenant's Work, as applicable, Landlord shall provide an allowance ("Improvement Allowance") toward the costs and expenses associated with improvements to the Premises in accordance with the following (check one):

\$ _____ per rentable square foot of the Premises. The Improvement Allowance shall be used only for (choose one): Landlord's Work, or Tenant's Work, excepting _____. If costs associated with completing Tenant's Work exceed the Improvement Allowance, or if any costs of Tenant's Work are not to be paid out of the Improvement Allowance, then the excess or excluded amount shall be paid directly by Tenant.

None; Tenant shall be obligated to pay all costs, expenses and fees associated with completing the Tenant's Work in accordance with the Tenant Improvement Plans.

None; Landlord shall be obligated to pay all costs, expenses and fees associated with completing the Landlord's Work in accordance with the Landlord Improvement Plans, however, excepting any costs related to Tenants' furniture, cabling, fixtures and equipment, Signage, design services, and _____, and in no event in an amount exceeding \$ _____.

4. **Removal of Improvements/Surrender.** The following scope of Tenant's Work (check one):

Better Homes and Gardens Real Estate- Northwest Home Team
111 Tumwater Blvd, SE Ste A109
Olympia, WA 98501
Phone: 360-529-0992

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shall become the property of Landlord

shall be removed by Tenant at its sole cost and expense

upon the expiration or earlier termination of the Lease Term: _____ .



RENT RIDER

CBA Text Disclaimer: Text deleted by licensee indicated by strike.
 New text inserted by licensee indicated by small capital letters.

This Rent Rider ("Rider") is a part of and incorporated by this reference into that certain Lease Agreement dated July 11th, 2023 ("Lease") between NEW VISION INVESTMENTS, LLC, a(n) _____ ("Landlord") and SYMBOL HEALTHCARE, INC, a(n) _____ ("Tenant"), as the same may be amended, concerning the commercial space commonly known as SUITE A302 ("Premises"), which Premises are part of the real property located at 111 TUMWATER BLVD SE, A302, TUMWATER, WA 98512 and commonly known as Old Town Plaza Suite A302 ("Property").

- 1. BASE MONTHLY RENT SCHEDULE.** Tenant shall pay to Landlord base monthly rent during the initial Lease Term according to the following schedule:

Lease Year (Stated in Years or Months)	Base Monthly Rent Amount
<u>July 11th, 2023 - July 10th, 2024</u>	<u>\$ 19.37 PSF + NNN</u>
<u>July 11th, 2024 - July 10th, 2025</u>	<u>\$ 19.95 PSF + NNN</u>
<u>July 11th, 2025 - July 10th, 2026</u>	<u>\$ 20.55 PSF + NNN</u>
<u>July 11th, 2026 - July 10th, 2027</u>	<u>\$ 21.16 PSF + NNN</u>
<u>July 11th, 2027 - July 10th, 2028</u>	<u>\$ 21.80 PSF + NNN</u>
<u>Tenant has Two (2) Three (3) year options.</u>	<u>\$ _____</u>
<u>If exercised annual rent shall be increased 3% over previous year's annual minimum rents.</u>	

- 2. CONSUMER PRICE INDEX ADJUSTMENT ON BASE MONTHLY RENT.** The base monthly rent shall be increased on the first day of the second year of the Term, which shall occur on the first day of the calendar month after the calendar month in which the Commencement Date occurs and on the first day of each year of the Term thereafter (each, an "Adjustment Date") (but not during any extended or renewal term(s) unless specifically set forth elsewhere in the Lease or set forth in this Rent Rider below). The increase shall be determined in accordance with the increase in the United States Department of Labor, Bureau of Labor Statistics, Revised Consumer Price Index for All Urban Consumers (CPI-U): U.S. Cities Average, all items index (Reference Base 1982-84 equal 100)(the "Index"). The base monthly rent payable immediately prior to the applicable Adjustment Date shall be increased by the percentage that the Index published for the date nearest preceding the applicable Adjustment Date has increased over the Index published for the date nearest preceding the first day of the Lease Year from which the adjustment is being measured. Upon the calculation of each increase, Landlord shall notify Tenant of the new base monthly rent payable hereunder. Within twenty (20) days of the date of Landlord's notice, Tenant shall pay to Landlord the amount of any deficiency in base rent paid by Tenant for the period following the subject Adjustment Date, and shall thereafter pay the increased base rent until receiving the next notice of increase from Landlord. If the components of the Index are materially changed after the Commencement Date, or if the Index is discontinued during the Lease term, Landlord shall notify Tenant of a substitute published index which, in Landlord's reasonable discretion, approximates the Index, and shall use the substitute index to make subsequent adjustments in base monthly rent. In no event shall base monthly rent be decreased pursuant to this paragraph.

INITIALS: LANDLORD [Signature] DATE 7/11/2023 TENANT [Signature] DATE 7/20/2023
 LANDLORD _____ DATE _____ TENANT _____ DATE _____



RENT RIDER

CBA Text Disclaimer: Text deleted by licensee indicated by strike.
 New text inserted by licensee indicated by small capital letters.

3. EXTENDED TERM BASE MONTHLY RENT SCHEDULE. Tenant shall pay to Landlord base monthly rent during the Extended Term of the Lease commencing upon (check one): the date that is _____ months following the Commencement Date of the initial Term, or _____, 20 __, as follows (choose one):

As set forth in the Option to Extend Rider attached to the Lease


BASE MONTHLY RENT SCHEDULE. Tenant shall pay to Landlord base monthly rent during the Extended Term of the Lease according to the following schedule:

Lease Year (Stated in Years or Months)	Base Monthly Rent Amount
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

CONSUMER PRICE INDEX ADJUSTMENT ON EXTENDED TERM BASE MONTHLY RENT. The base monthly rent shall be increased on the first day of the first year of the Extended Term of the Lease and on the first day of each year of the Extended Term of the Lease thereafter (each, an "Adjustment Date"). The increase shall be determined in accordance with the increase in the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (CPI-U): U.S. Cities Average, all items index (Reference Base 1982-84 equal 100) (the "Index"). The base monthly rent payable immediately prior to the applicable Adjustment Date shall be increased by the percentage that the Index published for the date nearest preceding the applicable Adjustment Date has increased over the Index published for the date nearest preceding the first day of the Lease Year from which the adjustment is being measured. Upon the calculation of each increase, Landlord shall notify Tenant of the new base monthly rent payable hereunder. Within twenty (20) days of the date of Landlord's notice, Tenant shall pay to Landlord the amount of any deficiency in base rent paid by Tenant for the period following the subject Adjustment Date, and shall thereafter pay the increased base rent until receiving the next notice of increase from Landlord. If the components of the Index are materially changed after the Commencement Date of the Extended Term, or if the Index is discontinued during the Extended Term, Landlord shall notify Tenant of a substitute published index which, in Landlord's reasonable discretion, approximates the Index, and shall use the substitute index to make subsequent adjustments in base monthly rent. In no event shall base monthly rent for the Extended Term be decreased pursuant to this paragraph.

INITIALS: LANDLORD [Signature] DATE 5/4/11 TENANT [Signature] DATE 7/20/2023
 LANDLORD _____ DATE _____ TENANT _____ DATE _____

EXHIBIT 4

 **Kidder Mathews**
Kidder Mathews
1201 Pacific Ave, Ste. 1400
Tacoma, WA 98402
Phone: 253-722-1400
Fax: 253-722-1409

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LEASE AGREEMENT (Multi-Tenant - Triple Net (NNN) Lease)

THIS LEASE AGREEMENT (the "Lease") is entered into and effective as of this 21st day of December, 2020 between New Vision Investments, a(n) Washington Limited Liability Company ("Landlord"), and Symbol Healthcare Inc., a(n) Nevada Corporation ("Tenant"). Landlord and Tenant agree as follows:

1. LEASE SUMMARY.

- a. **Leased Premises.** The leased commercial real estate (the "Premises") i) consists of an agreed area of 1492 rentable square feet and is outlined on the floor plan attached as Exhibit A; ii) is located on the land legally described on attached Exhibit B; and iii) is commonly known as A302 111 Tumwater Blvd, Tumwater, WA 98502 (suite number and address). The Premises do not include, and Landlord reserves, the exterior walls and roof of the building in which the Premises are located (the "Building"), the land beneath the Building, the pipes and ducts, conduits, wires, fixtures, and equipment above the suspended ceiling; and the structural elements of the Building. The Building, the land upon which it is situated, all other improvements located on such land, and all Common Areas appurtenant to the Building are referred to as the "Property." The Building and all other buildings on the Property as of the date of this Lease contain an agreed total area of 68,423 rentable square feet.
- b. **Lease Commencement Date.** The term of this Lease shall commence upon (check one):
- Substantial completion of (choose one) Landlord's Work, or Tenant's Work as further described in the attached Exhibit C ("Work Letter"), but in no event later than _____, 20__
- July 1, 2021
- (the "Commencement Date").
- c. **Lease Termination Date.** The term of this Lease shall terminate at midnight on the last day of the 36th full month following the Commencement Date or such earlier or later date as otherwise provided in this Lease (the "Termination Date"). Tenant shall have no right or option to extend this Lease, unless otherwise set forth in a rider attached to this Lease (e.g., Option to Extend Rider, CBA Form OR).
- d. **Base Rent.** The monthly base rent shall be (check one): \$ _____, or according to the Rent Rider attached hereto ("Base Rent"). Rent shall be payable by wire transfer or at Landlord's address shown in Section 1(h) below, or such other place designated in writing by Landlord.
- e. **Prepaid Rent.** Upon execution of this Lease, Tenant shall deliver to Landlord the sum of \$ 2850 as prepaid Rent, to be applied to Base Rent due for months July 1, 2021 through July 30, 2021 of the Lease.
- f. **Security Deposit.** Upon execution of this Lease, Tenant shall deliver to Landlord the sum of \$ 2500 to be held as a security deposit pursuant to Section 5 below. The security deposit shall be in the form of (check one): cash, check or wire transfer, or letter of credit according to the Letter of Credit Rider (CBA Form LCR) attached hereto.
- g. **Permitted Use.** The Premises shall be used only for Hospice related office activity and administration services, subject to applicable zoning and other laws, and for no other purpose without the prior written consent of Landlord (the "Permitted Use").

h. Notice and Payment Addresses:

Landlord: New Vision Investments LLC
8270 28th Court NE #201
Lacey, Wa 98516
Email: Prime Locations Management - 360-943-9922

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

Tenant: Symbol Healthcare
4002 Tacoma Mall Blvd Ste 204
Tacoma, WA 98409
Email: _____

- i. **Tenant's Pro Rata Share.** Landlord and Tenant agree that Tenant's "Pro Rata Share" is 2.18 %, based on the ratio of the rentable area of the Premises stated in Section 1.a to the rentable area of all buildings on the Property stated in Section 1.a. Tenant's Base Rent and Pro Rata Share shall be proportionally adjusted in the event of any adjustment to the Premises', Building's or Property's rentable floor area either by remeasurement, which measurement standard shall be selected by Landlord in its reasonable discretion, or by physical change thereto.
2. **PREMISES.**
- a. **Lease of Premises.** Landlord leases to Tenant, and Tenant leases from Landlord, the Premises upon the terms specified in this Lease.
- b. **Acceptance of Premises.** Except as specified elsewhere in this Lease, Landlord makes no representations or warranties to Tenant regarding the Premises, including the structural condition of the Premises or the condition of all mechanical, electrical, and other systems on the Premises. Except for any tenant improvements to be completed by Landlord as described in the Work Letter attached as Exhibit C ("Landlord's Work"), Tenant shall accept the Premises and its improvements in their respective AS-IS, WHERE-IS condition, and shall further be responsible for performing any work necessary to bring the Premises into a condition satisfactory to Tenant. By signing this Lease, Tenant acknowledges that it has had adequate opportunity to investigate the Premises; acknowledges responsibility for making any corrections, alterations and repairs to the Premises (other than Landlord's Work); and acknowledges that the time needed to complete any such items shall not delay the Commencement Date.
- c. **Tenant Improvements.** The Work Letter attached as Exhibit C sets forth all Landlord's Work, if any, and all tenant improvements to be completed by Tenant ("Tenant's Work"), if any, that will be performed on the Premises. Responsibility for design, payment and performance of all such work shall be as set forth in the Work Letter.
3. **TERM.** The term of this Lease shall commence on the Commencement Date, and shall end on the Termination Date, subject to any option to extend the term of this Lease set forth in a rider attached hereto (the "Term").
- a. **Early Possession.** Tenant shall have reasonable access to the Premises during the _____ days ((0) days if not filled in) preceding the Commencement Date for the sole purpose of installing Tenant's furniture, telecommunications, fixtures, telephone systems and computer cabling and the performance of Tenant's Work, if any. Such access shall be fully coordinated with Landlord in advance and Tenant shall not interfere with Landlord's Work. All of the terms and conditions of this Lease, including Tenant's insurance and indemnification obligations, shall apply during such time, except for payment of Base Rent. If Landlord permits Tenant to possess or occupy the Premises prior to the Commencement Date specified in Section 1, then such early occupancy shall not advance the Commencement Date or the Termination Date set forth in Section 1.
- b. **Delayed Possession.** Landlord shall act diligently to make the Premises available to Tenant; provided, however, neither Landlord nor any agent or employee of Landlord shall be liable for any damage or loss due to Landlord's inability or failure to deliver possession of the Premises to Tenant as provided in this Lease. If possession is delayed, the Commencement Date set forth in Section 1 shall also be delayed. If Landlord does not deliver possession of the Premises to Tenant within _____ days ((60) days if not filled in) after the Commencement Date specified in Section 1 (check one): Tenant may elect to cancel this

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Lease by giving written notice to Landlord no later than _____ days ((10) days if not filled in) after such time period ends, or then all Base Rent and Additional Rent shall be abated for each one (1) day after the Commencement Date during which possession of the Premises has not been delivered to Tenant. If Tenant gives such notice of cancellation, as Tenant's sole and exclusive remedy, the Lease shall be cancelled, all prepaid Rent and security deposits shall be refunded to Tenant, and neither Landlord nor Tenant shall have any further obligations to the other.

Notwithstanding anything in this Section 3(b) to the contrary, to the extent that any portions of the Landlord's Work or Tenant's Work have not been sufficiently completed in time for the Tenant to occupy or take possession of the Premises on the Commencement Date due to the failure of Tenant to fulfill any of its obligations under this Lease ("Tenant Delays"), the Term and Tenant's obligation to pay Base Rent and Additional Rent shall nevertheless commence on the Commencement Date set forth in Section 1, or upon the date that the Commencement Date would have occurred but for the Tenant Delays. The first "Lease Year" shall commence on the Commencement Date and shall end on the date which is twelve (12) months from the end of the month in which the Commencement Date occurs. Each successive Lease Year during the Term shall be twelve (12) months, commencing on the first day following the end of the preceding Lease Year.

4. RENT.

- a. **Payment of Rent.** Tenant shall pay Landlord without notice, demand, deduction or offset, in lawful money of the United States, the monthly Base Rent stated in Section 1 in advance on or before the first day of each month during the Term beginning on (check one): the Commencement Date, or August 1, 2021 (if no date specified, then on the Commencement Date), and shall also pay any other additional payments, including Operating Costs, due to Landlord ("Additional Rent" and together with Base Rent, "Rent") when required under this Lease. Payments for any partial month during the Term shall be prorated. All payments due to Landlord under this Lease, including late fees and interest, shall also constitute Additional Rent, and upon Tenant's failure to pay any such costs, charges or expenses, Landlord shall have the same rights and remedies as otherwise provided in this Lease for the failure of Tenant to pay Rent.
- b. **Triple Net Lease.** This Lease is what is commonly called a "Net, Net, Net" or "triple-net" Lease, which means that Landlord shall receive all Base Rent free and clear of any and all other impositions, taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership and operation of the Premises. In addition to Base Rent, Tenant shall pay to the parties respectively entitled thereto, or satisfy directly, all Additional Rent and other impositions, insurance premiums, repair and maintenance charges, and any other charges, costs, obligations, liabilities, requirements, and expenses, including without limitation the Operating Costs described in Section 8, which arise with regard to the Premises or may be contemplated under any other provision of the Lease during its term, except for costs and expenses expressly made the obligation of Landlord in this Lease.
- c. **Late Charges; Default Interest.** If any sums payable by Tenant to Landlord under this Lease are not received within five (5) business days after their due date, Tenant shall pay Landlord an amount equal to the greater of \$100 or 5% of the delinquent amount for the cost of collecting and handling such late payment in addition to the amount due and as Additional Rent. All delinquent sums payable by Tenant to Landlord and not paid within five (5) business days after their due date shall, at Landlord's option, bear interest at the rate of 15% per annum, or the highest rate of interest allowable by law, whichever is less (the "Default Rate"). Interest on all delinquent amounts shall be calculated from the original due date to the date of payment.
- d. **Less Than Full Payment.** Landlord's acceptance of less than the full amount of any payment due from Tenant shall not be deemed an accord and satisfaction or compromise of such payment unless Landlord specifically consents in writing to payment of such lesser sum as an accord and satisfaction or compromise of the amount which Landlord claims. Any portion that remains to be paid by Tenant shall be

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subject to the late charges and default interest provisions of this Section 4.

5. **SECURITY DEPOSIT.** Upon execution of this Lease, Tenant shall deliver to Landlord the security deposit specified in Section 1 above. Landlord's obligations with respect to the security deposit are those of a debtor and not of a trustee, and Landlord may commingle the security deposit with its other funds. If Tenant defaults in the performance of any covenant or condition of this Lease, Landlord shall have the right, but not the obligation, to use or retain all or any portion of the security deposit for the payment of: (i) Base Rent, Additional Rent, or any other sum as to which Tenant is in default; or (ii) the amount Landlord spends or may become obligated to spend, or to compensate Landlord for any losses incurred by reason of Tenant's default. Tenant acknowledges, however, that the security deposit shall not be considered as a measure of Tenant's damages in case of default by Tenant, and any payment to Landlord from the security deposit shall not be construed as a payment of liquidated damages for Tenant's default. If at any time during the Term of the Lease the security deposit delivered by Tenant becomes insufficient to cover the amounts required under this Section 5, whether or not due to Landlord's application of all or a portion of the security deposit as contemplated by this Section, Tenant shall, within five (5) days after written demand therefor by Landlord, deposit with Landlord an amount sufficient to replenish the security deposit to the amount required in Section 1 above. If Tenant is not in default of any covenant or condition of this Lease at the end of the Term, Landlord shall return any unused portion of the security deposit without interest within 30 days after the surrender of the Premises by Tenant in the condition required by Section 13 of this Lease.
6. **USES.** The Premises shall be used only for the Permitted Use, and for no other business or purpose without the prior written consent of Landlord. Tenant shall not do or permit any act to be done on or around the Premises that violates any law, ordinance, governmental regulation or order or that will increase the existing rate of insurance on the Premises, the Building, or the Property, or cause the cancellation of any insurance on the Premises, the Building, or the Property. Tenant shall not commit or allow to be committed any waste upon the Premises, or any public or private nuisance. Tenant shall not do or permit anything to be done on the Premises, the Building, or the Property which will obstruct or interfere with the rights of other tenants or occupants of the Property, or their employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees or to injure or annoy such persons.
7. **COMPLIANCE WITH LAWS.** Landlord represents to Tenant that, as of the Commencement Date, to Landlord's actual knowledge, but without duty of investigation, and with the exception of any Tenant's Work, the Premises comply with all applicable laws, rules, regulations, and orders, including without limitation, the Americans With Disabilities Act, and Landlord shall be responsible to promptly cure at its sole cost any noncompliance which existed on the Commencement Date. Tenant shall be responsible for complying with all laws applicable to the Premises as a result of the Permitted Use, and Tenant shall be responsible for making any changes or alterations as may be required by law, rule, regulation, or order for the Permitted Use at its sole cost and expense. Otherwise, if changes or alterations are required by law, rule, regulation, or order unrelated to the Permitted Use, Landlord shall make such changes and alterations at its expense.
8. **OPERATING COSTS.**
 - a. **Definition.** As used herein, "Operating Costs" shall mean all costs of operating, maintaining and repairing the Premises, the Building, and the Property, determined in accordance with generally accepted accounting principles, and including without limitation the following: all taxes and assessments (including, but not limited to, real and personal property taxes and assessments, local improvement district assessments and other special purpose assessments, and taxes on rent or gross receipts); insurance premiums paid by Landlord and (to the extent used) deductibles for insurance applicable to the Property; water, sewer and all other utility charges (other than utilities separately metered and paid directly by Tenant or other tenants); janitorial and all other cleaning services; refuse and trash removal; supplies, materials, tools, and equipment used in the operation, repair, and maintenance of the Property; refurbishing and repainting; carpet replacement; to the extent serving areas other than just the Premises, heating, ventilation and air conditioning ("HVAC") service, repair and replacement when necessary; elevator service and repair and replacement of elevators when necessary; pest control; lighting systems,

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fire detection and security services; landscape maintenance; management (fees and/or personnel costs); parking lot, road, sidewalk and driveway patching, resurfacing and maintenance; snow and ice removal; repair, maintenance, and, where reasonably required, replacement of signage; amortization of capital improvements as Landlord may in the future install to comply with governmental regulations and rules or undertaken in good faith with a reasonable expectation of reducing Operating Costs (the useful life of which shall be a reasonable period of time as determined by Landlord); costs of legal services (except those incurred directly relating to a particular occupant of the Building); and accounting services, labor, supplies, materials and tools. Landlord and Tenant agree that if the Building is not 90% occupied during any calendar year (including the Base Year, if applicable), on a monthly average, then those portions of the Operating Costs that are driven by occupancy rates, as reasonably determined by Landlord, shall be increased to reflect the Operating Costs of the Building as though it were 90% occupied and Tenant's Pro Rata Share of Operating Costs shall be based upon Operating Costs as so adjusted. Operating Costs shall not include: Landlord's income tax or general corporate overhead; depreciation or amortization on the Building or equipment therein; loan or ground lease payments; real estate broker's commissions; capital improvements to or major repairs of the Building shell (i.e., the Building structure, exterior walls, roof, and structural floors and foundations), except to the extent expressly permitted above; any costs regarding the operation, maintenance and repair of the Premises, the Building, or the Property paid directly by Tenant or other tenants in the Building or otherwise reimbursed to Landlord, or other cost for which another party is required to pay Landlord (except as part of operating cost recoveries under other tenant leases) so that Landlord shall not recover any item of cost more than once. If Tenant is renting a pad separate from any other structures on the Property for which Landlord separately furnishes the services described in this paragraph, then the term "Operating Costs" shall not include those costs of operating, repairing, and maintaining the enclosed mall which can be separately allocated to the tenants of the other structures. Operating Costs which cannot be separately allocated to the tenants of other structures may include but are not limited to: insurance premiums; taxes and assessments; management (fees and/or personnel costs); exterior lighting; parking lot, road, sidewalk and driveway patching, resurfacing and maintenance; snow and ice removal; and costs of legal services and accounting services.

- b. **Type of Payment.** As Additional Rent, Tenant shall pay to Landlord on the first day of each month with payment of Base Rent one-twelfth of Tenant's Pro Rata Share of Operating Costs, which amount is determined in the manner set forth in Section 8(c) below.
- c. **Method of Payment.** Tenant shall pay to Landlord Operating Costs pursuant to the following procedure:
- i. Landlord shall provide to Tenant, on or before the Commencement Date, a good faith estimate of annual Operating Costs for the calendar year in which the Commencement Date occurs. Landlord shall also provide to Tenant, as soon as possible following the first day of each succeeding calendar year, a good faith estimate of Tenant's annual Pro Rata Share of Operating Costs for the then-current year.
 - ii. Each estimate of Tenant's annual Pro Rata Share of Operating Costs determined by Landlord, as described above, shall be divided into 12 equal monthly installments. Tenant shall pay to Landlord such monthly installment of Operating Costs with each monthly payment of Base Rent. In the event the estimated amount of Tenant's Pro Rata Share of Operating Costs has not yet been determined for any calendar year, Tenant shall pay the monthly installment in the estimated amount determined for the preceding calendar year until the estimate for the current calendar year has been provided to Tenant. When the estimate for the current calendar year is received, Tenant shall then pay any shortfall or receive a credit for any surplus for the preceding months of the current calendar year and shall, thereafter, make the monthly installment payments in accordance with the current estimate.
 - iii. As soon as reasonably possible following the end of each calendar year during the Term, Landlord shall provide to Tenant a statement (the "Operating Costs Statement") setting forth the amount of Operating Costs actually incurred and the amount of Tenant's Pro Rata Share of Operating Costs actually payable by Tenant with respect to such calendar year. In the event the amount of Tenant's Pro Rata Share of Operating Costs exceeds the sum of the monthly installments actually paid by

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Tenant for such calendar year, Tenant shall pay to Landlord the difference within 30 days following receipt of the Operating Costs Statement. In the event the sum of the monthly installments actually paid by Tenant for such calendar year exceeds the amount of Tenant's Pro Rata Share of Operating Costs actually due and owing, the difference shall be applied as a credit to Tenant's future Pro Rata Share of Operating Costs payable by Tenant pursuant to this Section, or if the Term has expired, the excess shall be refunded to Tenant within 30 days after delivery of such Operating Costs Statement.

- iv. Should Tenant dispute any amount shown on the Operating Costs Statement, Tenant may audit Landlord's books and records for the calendar year covered by such Operating Costs Statement upon written notice to Landlord given within 90 days after Tenant's receipt of such Operating Costs Statement. If Tenant fails to provide notice of dispute within such 90- day period, the Operating Costs Statement shall be final and conclusive. Any audit conducted by Tenant shall be completed within 60 days after Tenant's request therefor. If Landlord concurs with the audit results, and (x) if the audit reveals that Tenant's Pro Rata Share of Operating Costs exceeds the sum of the monthly installments actually paid by Tenant for such calendar year, Tenant shall pay to Landlord the difference within 30 days following completion of the audit; or (y) if the audit reveals that the sum of the monthly installments actually paid by Tenant for such calendar year exceeds the amount of Tenant's Pro Rata Share of Operating Costs actually due and owing, the difference shall be applied as a credit to Tenant's future Pro Rata Share of Operating Costs payable by Tenant pursuant to this Section, or if the term has expired, the excess shall be refunded to Tenant within 30 days after completion of the audit. If Landlord does not concur with the results of Tenant's audit, the parties shall within twenty (20) days thereafter agree on a neutral auditor who shall complete an audit within thirty (30) days after selection, and the decision of the neutral auditor shall be binding on the parties. The parties shall share evenly in the costs of any such neutral auditor. Landlord and Tenant shall cooperate as may be reasonably necessary in order to facilitate the timely completion of any audit. Nothing in this Section shall in any manner modify Tenant's obligations to make payments as and when provided under this Lease.
9. **UTILITIES AND SERVICES.** Landlord shall provide the following services for the Premises (7) days per week, (24) hours per day, the cost of which shall be included in the Operating Costs to the extent not separately metered to and exclusively serving the Premises (with the costs of such separately metered services to be directly billed to and paid by Tenant): (check all that apply) water; electricity; sewer; trash and/or recycling removal; and HVAC from 7 a.m. to 7 p.m. Monday through Friday; 8 a.m. to 6 p.m. on Saturday; and 8 a.m. to 6 p.m. on Sunday; janitorial service in the Premises and Building _____ nights ((5) nights if not filled in) each week, exclusive of holidays. HVAC services will also be provided by Landlord to the Premises during additional hours on reasonable notice to Landlord, at Tenant's sole cost and expense, at an hourly rate reasonably established by Landlord from time to time and payable by Tenant, as and when billed, as Additional Rent. Notwithstanding the foregoing, if Tenant's use of the Premises incurs utility service charges which are above those usual and customary for the Permitted Use, Landlord reserves the right to require Tenant to pay a reasonable additional charge for such usage.

Tenant shall furnish all other utilities (including, but not limited to, telephone, internet, and cable service if available) and other services which Tenant requires with respect to the Premises, and shall pay, at Tenant's sole expense, the cost of all utilities separately metered to the Premises, and of all other utilities and other services which Tenant requires with respect to the Premises, except those to be provided by Landlord and included in Operating Expenses as described above. Landlord shall not be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption, or failure of utilities due to any cause whatsoever, and Rent shall not abate as a result thereof.

10. **TAXES AND ASSESSMENTS.** Tenant shall pay all taxes, assessments, liens and license fees ("Taxes") levied, assessed or imposed by any authority having the direct or indirect power to tax or assess any such liens, related to or required by Tenant's use of the Premises as well as all Taxes on Tenant's personal property located on the Premises. Landlord shall pay all taxes and assessments with respect to the Property, all of which shall be included in Operating Costs and subject to partial reimbursement by Tenant as set forth

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in Section 8.

11. COMMON AREAS.

- a. **Definition.** The term "Common Areas" means all areas, facilities and building systems that are provided and designated from time to time by Landlord for the general non-exclusive use and convenience of Tenant and other tenants of the Property and which are not leased or held for the exclusive use of a particular tenant. To the extent that such areas and facilities exist within the Property, Common Areas include hallways, entryways, stairs, elevators, driveways, walkways, terraces, docks, loading areas, restrooms, trash facilities, parking areas and garages, roadways, pedestrian sidewalks, landscaped areas, security areas, lobby or mall areas, common HVAC systems, common electrical service, equipment and facilities, and common mechanical systems, equipment and facilities. Tenant shall comply with, and shall use commercially reasonable efforts to cause its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees to comply with, reasonable rules and regulations concerning the use of the Common Areas adopted by Landlord from time to time, and shall not interfere with the use of Common Areas by others. Without advance notice to Tenant and without any liability to Tenant, Landlord may change the size, use, or nature of any Common Areas, erect improvements on the Common Areas or convert any portion of the Common Areas to the exclusive use of Landlord or selected tenants, so long as Tenant is not thereby deprived of the substantial benefit of the Premises. Landlord reserves the use of exterior walls and the roof of the Building and other improvements at the Property, and the right to install, maintain, use, repair and replace pipes, ducts, conduits, and wires leading through the Premises in areas which will not materially interfere with Tenant's use thereof.
- b. **Use of the Common Areas.** Tenant shall have the non-exclusive right, in common with such other tenants of the Property to whom Landlord has granted or may grant such rights, to use the Common Areas.
- c. **Maintenance of Common Areas.** Landlord shall maintain the Common Areas in good order, condition and repair. This maintenance cost shall be includable in Operating Costs pursuant to Section 8. In performing such maintenance, Landlord shall use commercially reasonable efforts to minimize interference with Tenant's use and enjoyment of the Premises.

12. **ALTERATIONS.** Tenant may make alterations, additions or improvements to the Premises (the "Alterations"), only with the prior written consent of Landlord, which consent, with respect to Alterations not affecting the structural components of the Premises or utility systems therein or for which the aggregate cost and expense does not exceed \$10,000, shall not be unreasonably withheld, conditioned, or delayed. Landlord shall have 30 days following Tenant's request for Landlord's consent to any Alterations to respond to such request, provided that Tenant's request includes the names of Tenant's contractors and reasonably detailed plans and specifications therefor. The term "Alterations" shall not include: (i) any of Tenant's Work approved by Landlord pursuant to Exhibit C, (ii) Tenant's Signage (as further provided in Section 15), or (iii) the installation of shelves, movable partitions, Tenant's equipment and trade fixtures that may be installed and removed without damaging existing improvements or the structural integrity of the Premises, the Building, or the Property. Tenant shall perform all work at Tenant's expense and in compliance with all applicable laws and shall complete all Alterations in accordance with plans and specifications approved by Landlord, using contractors approved by Landlord, and in a manner so as not to unreasonably interfere with other tenants. Tenant shall pay when due, or furnish a bond for payment of (as set forth in Section 20), all claims for labor or materials furnished to or for Tenant at, or for use in, the Premises, which claims are or may be secured by any mechanics' or materialmen's liens against the Premises or the Property or any interest therein. Except as otherwise provided in the Work Letter attached as Exhibit C with respect to Tenant's Work, any improvements installed as part of Tenant Work's or Alterations performed or caused to be performed by Tenant (check one): shall become the property of Landlord, or shall be removed by Tenant at its sole cost and expense upon the expiration or earlier termination of the Lease Term (unless Landlord conditioned its consent in writing upon Tenant leaving a specified Alteration at the Premises, in which case Tenant shall not remove such Alteration, and it shall become Landlord's property). Tenant shall immediately repair any

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damage to the Premises caused by removal of improvements performed as part of Tenant's Work and/or Alterations.

13. **REPAIRS AND MAINTENANCE; SURRENDER.** Tenant shall, at its sole cost and expense, maintain the entire Premises in good condition and promptly make all non-structural repairs and replacements necessary to keep the Premises safe and in good condition, including all HVAC components and other utilities and systems to the extent exclusively serving the Premises. Landlord shall maintain and repair the Building structure, foundation, subfloor, exterior walls, roof structure and surface, and HVAC components and other utilities and systems to the extent serving more than just the Premises, and the Common Areas, the costs of which shall be included as Operating Costs unless otherwise expressly excluded pursuant to Section 8(a). Tenant shall not damage any demising wall or disturb the structural integrity of the Premises, the Building, or the Property and shall promptly repair any damage or injury done to any such demising walls or structural elements caused by Tenant or its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees. Notwithstanding anything in this Section to the contrary, Tenant shall not be responsible for any repairs to the Premises made necessary by the negligence or willful misconduct of Landlord or its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees therein. If Tenant fails to perform Tenant's obligations under this Section, Landlord may at Landlord's option enter upon the Premises after 10 days' prior notice to Tenant and put the same in good order, condition and repair and the cost thereof, together with interest thereon at the Default Rate set forth in Section 4, shall be due and payable as Additional Rent to Landlord together with Tenant's next installment of Base Rent. Upon expiration or earlier termination of the Term, Tenant shall promptly and peacefully surrender the Premises to Landlord, together with all keys, in materially as good condition as when received by Tenant from Landlord or as thereafter improved (but subject to any obligations to remove any Tenant's Work and Alterations and/or restore the same as further provided in this Lease), reasonable wear and tear and insured casualty excepted.
14. **ACCESS AND RIGHT OF ENTRY.** After 24 hours' notice from Landlord (except in cases of emergency, when no notice shall be required), Tenant shall permit Landlord and its agents, employees and contractors to enter the Premises at all reasonable times to make repairs, inspections, alterations or improvements, provided that Landlord shall use reasonable efforts to minimize interference with Tenant's use and enjoyment of the Premises. This Section shall not impose any repair or other obligation upon Landlord not expressly stated elsewhere in this Lease. After reasonable notice to Tenant, Landlord shall have the right to enter the Premises for the purpose of (a) showing the Premises to prospective purchasers or lenders at any time, and to prospective tenants within 180 days prior to the expiration or sooner termination of the Term; and (b) posting "for lease" signs within 180 days prior to the expiration or sooner termination of the Term.
15. **SIGNAGE.** Tenant shall obtain Landlord's written consent as to size, location, materials, method of attachment, and appearance, before installing any signs upon the Premises. Tenant shall install and maintain any approved signage ("Signage") at Tenant's sole expense and in compliance with all applicable laws. Unless as otherwise provided in Exhibit C with respect to any of Tenant's Work, any Signage installed by Tenant shall be removed from the Premises, Building and Property at Tenant's expense upon the expiration or earlier termination of the Term. Tenant shall not damage or deface the Premises in installing or removing Signage and shall repair any injury or damage to the Premises caused by such installation or removal.
16. **DESTRUCTION OR CONDEMNATION.**
- a. **Damage and Repair.** If the Premises or the portion of the Building or the Property necessary for Tenant's occupancy are partially damaged by fire or other insured casualty but not rendered untenable, then Landlord shall diligently restore the Premises and the portion of the Property necessary for Tenant's occupancy to the extent required below and this Lease shall not terminate. Tenant may, however, terminate the Lease if Landlord is unable to restore the Premises within six (6) months of the casualty event by giving 20 days' written notice of termination.

The Premises or the portion of the Building or the Property necessary for Tenant's occupancy shall not be

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deemed untenable if 25% or less of each of those areas are damaged. If insurance proceeds are not available or are not sufficient to pay the entire cost of restoring the Premises, or if Landlord's lender does not permit all or any part of the insurance proceeds to be applied toward restoration, then Landlord may elect to terminate this Lease and keep the insurance proceeds, by notifying Tenant within 60 days of the date of such casualty.

If the Premises, the portion of the Building or the Property necessary for Tenant's occupancy, or 50% or more of the rentable area of the Property are entirely destroyed, or partially damaged and rendered untenable, by fire or other casualty, Landlord may, at its option: (a) terminate this Lease as provided herein, or (b) restore the Premises and the portion of the Property necessary for Tenant's occupancy to their previous condition to the extent required below; provided, however, if such casualty event occurs during the last six (6) months of the Term (after considering any option to extend the term timely exercised by Tenant) then either Tenant or Landlord may elect to terminate the Lease. If, within 60 days after receipt by Landlord from Tenant of written notice that Tenant deems the Premises or the portion of the Property necessary for Tenant's occupancy untenable, Landlord fails to notify Tenant of its election to restore those areas, or if Landlord is unable to restore those areas within six (6) months of the date of the casualty event, then Tenant may elect to terminate the Lease upon 20 days' notice to Landlord unless Landlord, within such 20 day period, notifies Tenant that it will in fact restore the Premises or actually completes such restoration work to the extent required below, as applicable.

If Landlord restores the Premises or the Property under this Section, Landlord shall proceed with reasonable diligence to complete the work, and Base Rent shall be abated in the same proportion as the untenable portion of the Premises bears to the whole Premises, provided that there shall be a Base Rent abatement only if the damage or destruction of the Premises or the Property did not result from, or was not contributed to directly or indirectly by the act, fault or neglect of Tenant, or Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees. No damages, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance directly, incidentally or consequentially arising from any repair or restoration of any portion of the Premises or the Property. Landlord shall have no obligation to carry insurance of any kind for the protection of Tenant; any Alterations or improvements paid for by Tenant; any of Tenant's Work identified in Exhibit C (regardless of who may have completed them); Signage; Tenant's furniture; or on any fixtures, equipment, improvements or appurtenances of Tenant under this Lease, and Landlord's restoration obligations hereunder shall not include any obligation to repair any damage thereto or replace the same.

- b. **Condemnation.** If the Premises, the portion of the Building or the Property necessary for Tenant's occupancy, or 50% or more of the rentable area of the Property are made untenable by eminent domain, or conveyed under a threat of condemnation, this Lease shall terminate at the option of either Landlord or Tenant as of the earlier of the date title vests in the condemning authority or the condemning authority first has possession of the Premises or the portion of the Property taken by the condemning authority. All Rents and other payments shall be paid to that date.

If the condemning authority takes a portion of the Premises or of the Building or the Property necessary for Tenant's occupancy that does not render them untenable, then this Lease shall continue in full force and effect and Rent shall be equitably reduced based on the proportion by which the floor area of any structures is reduced. The reduction in Rent shall be effective on the earlier of the date the condemning authority first has possession of such portion or title vests in the condemning authority. The Premises or the portion of the Building or the Property necessary for Tenant's occupancy shall not be deemed untenable if 25% or less of each of those areas are condemned. Landlord shall be entitled to the entire award from the condemning authority attributable to the value of the Premises or the Building or the Property and Tenant shall make no claim for the value of its leasehold. Tenant shall be permitted to make a separate claim against the condemning authority for moving expenses, provided that in no event shall Tenant's claim reduce Landlord's award.

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- a. **Tenant's Liability Insurance.** During the Term, Tenant shall pay for and maintain commercial general liability insurance with broad form property damage and contractual liability endorsements. This policy shall (i) contain an endorsement identifying Landlord, its property manager (if any), and other parties designated by Landlord, as additional insureds using an endorsement form acceptable to Landlord, (ii) insure Tenant's activities and those of Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees with respect to the Premises against loss, damage or liability for personal injury or bodily injury (including death) or loss or damage to property with a combined single limit of not less than ~~\$2~~\$1,000,000 per occurrence, and a deductible of not more than ~~\$40~~150,000, and (iii) contain a provision requiring the insurer to deliver or mail written notice of cancellation to the named insureds at least (45) days before the effective date of the cancellation. Tenant's insurance will be primary and noncontributory with any liability insurance carried by Landlord. Landlord may also require Tenant to obtain and maintain at Tenant's sole cost business income coverage for at least six (6) months, business auto liability coverage, and, if applicable to Tenant's Permitted Use, liquor liability insurance and/or warehouseman's coverage.
- b. **Tenant's Property Insurance.** During the Term, Tenant shall pay for and maintain special form clauses of loss coverage property insurance (with coverage for earthquake if required by Landlord's lender and, if the Premises are situated in a flood plain, flood damage) for all of Tenant's personal property, fixtures and equipment, Tenant's Work, and Alterations, in the amount of their full replacement value, with a deductible of not more than ~~\$40~~100,000.
- c. **Miscellaneous.** Tenant's insurance required under this Section shall be with companies rated A-/VII or better in Best's Insurance Guide, and which are admitted in the State of Washington. No insurance policy shall be cancelled or reduced in coverage and each such policy shall provide that it is not subject to cancellation or a reduction in coverage except after 30 days prior written notice to Landlord. Tenant shall deliver to Landlord, prior to Tenant's first taking possession of or occupying the Premises, and from time to time thereafter, copies of the insurance policies or evidence of insurance and copies of endorsements required by this Section. In no event shall the limits of such policies be considered as limiting the liability of Tenant under this Lease. If Tenant fails to acquire or maintain any insurance or provide any policy or evidence of insurance required by this Section, and such failure continues for three (3) days after notice from Landlord, Landlord may, but shall not be required to, obtain such insurance for Landlord's benefit and Tenant shall reimburse Landlord for the costs of such insurance upon demand. Such amounts shall be Additional Rent payable by Tenant hereunder and in the event of non-payment thereof, Landlord shall have the same rights and remedies with respect to such non-payment as it has with respect to any other non-payment of Rent hereunder.
- d. **Landlord's Insurance.** Landlord shall carry special form clauses of loss coverage property insurance of the Building shell and core in the amount of their full replacement value, liability insurance with respect to the Common Areas, and such other insurance of such types and amounts as Landlord, in its discretion, shall deem reasonably appropriate. The cost of any such insurance shall be included in Operating Costs, and if such insurance is provided by a "blanket policy" insuring other parties or locations in addition to the Building, then only the portion of the premiums allocable to the Building and Property shall be included in Operating Costs.
- e. **Waiver of Subrogation.** Notwithstanding any other provision of this Lease to the contrary, Landlord and Tenant hereby release each other and any other tenant, their agents or employees, from responsibility for, and waive their entire claim of recovery for any loss or damage arising from any cause covered by insurance required to be carried or otherwise carried by each of them. Each party shall provide notice to the insurance carrier or carriers of this mutual waiver of subrogation, and shall cause its respective insurance carriers to waive all rights of subrogation against the other. This waiver shall not apply to the extent of the deductible amounts to any such policies or to the extent of liabilities exceeding the limits of such policies.

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18. INDEMNIFICATION.

- a. **Indemnification by Tenant.** Tenant shall defend, indemnify, and hold Landlord and its property manager (if any) harmless against all liabilities, damages, costs, and expenses, including attorneys' fees, for personal injury, bodily injury (including death) or property damage arising from any negligent or wrongful act or omission of Tenant or Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees on or around the Premises or the Property, or arising from any breach of this Lease by Tenant. Tenant shall use legal counsel reasonably acceptable to Landlord in defense of any action within Tenant's defense obligation.
- b. **Indemnification by Landlord.** Landlord shall defend, indemnify and hold Tenant harmless against all liabilities, damages, costs, and expenses, including attorneys' fees, for personal injury, bodily injury (including death) or property damage arising from any negligent or wrongful act or omission of Landlord or Landlord's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees on or around the Premises or the Property, or arising from any breach of this Lease by Landlord. Landlord shall use legal counsel reasonably acceptable to Tenant in defense of any action within Landlord's defense obligation.
- c. **Waiver of Immunity.** Landlord and Tenant each specifically and expressly waive any immunity that each may be granted under the Washington State Industrial Insurance Act, Title 51 RCW. Neither party's indemnity obligations under this Lease shall be limited by any limitation on the amount or type of damages, compensation, or benefits payable to or for any third party under the Worker Compensation Acts, Disability Benefit Acts or other employee benefit acts.
- d. **Exemption of Landlord from Liability.** Except to the extent of claims arising out of Landlord's gross negligence or intentional misconduct, Landlord shall not be liable for injury to Tenant's business or assets or any loss of income therefrom or for damage to any property of Tenant or of its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, or any other person in or about the Premises or the Property.
- e. **Survival.** The provisions of this Section 18 shall survive expiration or termination of this Lease.

19. **ASSIGNMENT AND SUBLETTING.** Tenant shall not assign, sublet, mortgage, encumber or otherwise transfer any interest in this Lease (collectively referred to as a "Transfer") or any part of the Premises, without first obtaining Landlord's written consent, which shall not be unreasonably withheld, conditioned, or delayed. No Transfer shall relieve Tenant of any liability under this Lease notwithstanding Landlord's consent to such Transfer. Consent to any Transfer shall not operate as a waiver of the necessity for Landlord's consent to any subsequent Transfer. In connection with each request for consent to a Transfer, Tenant shall pay the reasonable cost of processing the same, including attorneys' fees, upon demand of Landlord, up to a maximum of \$1,250.

Any transfer of this Lease by merger, consolidation, redemption or liquidation of Tenant, or any change in the ownership of, or power to vote, which singularly or collectively represents a majority of the beneficial interest in Tenant, shall constitute a Transfer under this Section.

As a condition to Landlord's approval, if given, any potential assignee or sublessee otherwise approved by Landlord shall assume all obligations of Tenant under this Lease and shall be jointly and severally liable with Tenant and any guarantor for the payment of Rent and performance of all obligations of Tenant under this Lease. In connection with any Transfer, Tenant shall provide Landlord with copies of all assignments, subleases and assumption agreements and related documents.

20. **LIENS.** Tenant is not authorized to subject the Landlord's assets to any liens or claims of lien. Tenant shall keep the Property and Premises free from any liens created by or through Tenant. Tenant shall indemnify, defend, and hold Landlord and the Property and Premises harmless from liability for any such liens including,

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without limitation, liens arising from any of Tenant's Work or Alterations. If a lien is filed against the Premises by any person claiming by, through or under Tenant, Tenant shall have the right to contest the correctness or validity of the lien, provided, however, within 10 days after Landlord's demand, at Tenant's expense, Tenant shall either remove the lien, or shall procure and record a lien release bond issued by a surety satisfactory to Landlord in form and amount sufficient to satisfy statutory requirements for satisfaction and release of the subject lien(s) from the Premises and Property. Tenant shall indemnify Landlord, the Premises, and the Property from and against all liabilities, costs and expenses, including attorneys' fees, which Landlord could reasonably incur as a result of such lien.

21. **DEFAULT.** Each of the following events shall be an "Event of Default" by Tenant under this Lease:
- a. **Failure To Pay.** Failure by Tenant to pay any sum, including Rent, due under this Lease following five (5) days' notice from Landlord of the failure to pay.
 - b. **Vacation/Abandonment.** Vacation by Tenant of the Premises (defined as an absence for at least 15 consecutive days without prior notice to Landlord), or abandonment by Tenant of the Premises (defined as an absence of five (5) days or more while Tenant is in breach of some other term of this Lease). Tenant's vacation or abandonment of the Premises shall not be subject to any notice or right to cure.
 - c. **Insolvency.** Tenant's insolvency or bankruptcy (whether voluntary or involuntary); or appointment of a receiver, assignee or other liquidating officer for Tenant's business; provided, however, that in the event of any involuntary bankruptcy or other insolvency proceeding, the existence of such proceeding shall constitute an Event of Default only if such proceeding is not dismissed or vacated within 60 days after its institution or commencement.
 - d. **Levy or Execution.** The taking of Tenant's interest in this Lease or the Premises, or any part thereof, by execution or other process of law directed against Tenant, or attachment of Tenant's interest in this Lease by any creditor of Tenant, if such attachment is not discharged within 15 days after being levied.
 - e. **Other Non-Monetary Defaults.** The breach by Tenant of any agreement, term or covenant of this Lease other than one requiring the payment of money and not otherwise enumerated in this Section or elsewhere in this Lease, which breach continues for a period of 30 days after notice by Landlord to Tenant of the breach, provided that, if the nature of such default is such that it cannot be cured within such 30 day period, no Event of Default shall occur so long as Tenant commences such cure within 30 days of notice by Landlord and diligently pursues such cure to completion, but in no event longer than 60 days from the date of Landlord's notice.
 - f. **Failure to Take Possession.** Failure by Tenant to take possession of the Premises on the Commencement Date following five (5) days' notice from Landlord of Tenant's failure to take possession.

Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within 30 days after notice by Tenant to Landlord, provided that, if the nature of such default is such that it cannot be cured within such 30 day period, Landlord shall not be in default if Landlord commences such cure within 30 days of notice by Tenant and diligently pursues such cure to completion. If Landlord fails to cure any such default within the allotted time, Tenant's sole remedy shall be to seek actual money damages (but not consequential or punitive damages) for loss arising from Landlord's failure to discharge its obligations under this Lease. Nothing herein contained shall relieve Landlord from its duty to perform any of its obligations to the standard prescribed in this Lease.

Any notice periods granted herein shall be deemed to run concurrently with and not in addition to any default notice periods required by law.

22. **REMEDIES.** Landlord shall have the following remedies upon an Event of Default. Landlord's rights and remedies under this Lease shall be cumulative and not exclusive.

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- a. **Termination of Lease.** Landlord may terminate Tenant's interest under the Lease, but no act by Landlord other than notice of termination from Landlord to Tenant shall terminate this Lease. The Lease shall terminate on the date specified in the notice of termination. Upon termination of this Lease, Tenant will remain liable to Landlord for damages in an amount equal to Rent and other sums that would have been owing by Tenant under this Lease for the balance of the Term, less the net proceeds, if any, of any reletting of the Premises by Landlord subsequent to the termination, after deducting all of Landlord's Reletting Expenses (as defined below). Landlord shall be entitled to either collect damages from Tenant monthly on the days on which rent or other amounts would have been payable under the Lease, or alternatively, Landlord may accelerate Tenant's obligations under the Lease and recover from Tenant: (i) unpaid rent which had been earned at the time of termination; (ii) the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of rent loss that Tenant proves could reasonably have been avoided; (iii) the amount by which the unpaid rent for the balance of the term of the Lease after the time of award exceeds the amount of rent loss that Tenant proves could reasonably be avoided (discounting such amount by the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus 1%); and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease, or which in the ordinary course would be likely to result from the Event of Default, including without limitation Reletting Expenses described below.
- b. **Re-Entry and Reletting.** Landlord may continue this Lease in full force and effect, and without demand or notice, re-enter and take possession of the Premises or any part thereof, expel the Tenant from the Premises and anyone claiming through or under the Tenant, and remove the personal property of either. Landlord may relet the Premises, or any part of them, in Landlord's or Tenant's name for the account of Tenant, for such period of time and at such other terms and conditions as Landlord, in its discretion, may determine. Landlord may collect and receive the rents for the Premises. To the fullest extent permitted by law, the proceeds of any reletting shall be applied: first, to pay Landlord all Reletting Expenses (defined below); second, to pay any indebtedness of Tenant to Landlord other than rent; third, to the rent due and unpaid hereunder; and fourth, the residue, if any, shall be held by Landlord and applied in payment of other or future obligations of Tenant to Landlord as the same may become due and payable, and Tenant shall not be entitled to receive any portion of such revenue. Re-entry or taking possession of the Premises by Landlord under this Section shall not be construed as an election on Landlord's part to terminate this Lease, unless a notice of termination is given to Tenant. Landlord reserves the right following any re-entry or reletting, or both, under this Section to exercise its right to terminate the Lease. Tenant will pay Landlord Rent and other sums which would be payable under this Lease if repossession had not occurred, less the net proceeds, if any, after reletting the Premises and after deducting Landlord's Reletting Expenses. "Reletting Expenses" is defined to include all expenses incurred by Landlord in connection with reletting the Premises, including without limitation, all repossession costs, brokerage commissions and costs for securing new tenants, attorneys' fees, remodeling and repair costs, costs for removing persons or property, costs for storing Tenant's property and equipment, and costs of tenant improvements and rent concessions granted by Landlord to any new Tenant, prorated over the life of the new lease.
- c. **Waiver of Redemption Rights.** Tenant, for itself, and on behalf of any and all persons claiming through or under Tenant, including creditors of all kinds, hereby waives and surrenders all rights and privileges which they may have under any present or future law, to redeem the Premises or to have a continuance of this Lease for the Term, or any extension thereof.
- d. **Nonpayment of Additional Rent.** All costs which Tenant is obligated to pay to Landlord pursuant to this Lease shall in the event of nonpayment be treated as if they were payments of Rent, and Landlord shall have the same rights it has with respect to nonpayment of Rent.
- e. **Failure to Remove Property.** If Tenant fails to remove any of its property from the Premises at Landlord's request following an uncured Event of Default, Landlord may, at its option, remove and store the property at Tenant's expense and risk. If Tenant does not pay the storage cost within five (5) days of Landlord's

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request, Landlord may, at its option, have any or all of such property sold at public or private sale (and Landlord may become a purchaser at such sale), in such manner as Landlord deems proper, without notice to Tenant. Landlord shall apply the proceeds of such sale: (i) to the expense of such sale, including reasonable attorneys' fees actually incurred; (ii) to the payment of the costs or charges for storing such property; (iii) to the payment of any other sums of money which may then be or thereafter become due Landlord from Tenant under any of the terms hereof; and (iv) the balance, if any, to Tenant. Nothing in this Section shall limit Landlord's right to sell Tenant's personal property as permitted by law or to foreclose Landlord's lien for unpaid rent, if any.

23. **MORTGAGE SUBORDINATION AND ATTORNMENT.** This Lease shall automatically be subordinate to any mortgage or deed of trust created by Landlord which is now existing or hereafter placed upon the Premises including any advances, interest, modifications, renewals, replacements or extensions ("Landlord's Mortgage"). Tenant shall attorn to the holder of any Landlord's Mortgage or any party acquiring the Premises at any sale or other proceeding under any Landlord's Mortgage provided the acquiring party assumes the obligations of Landlord under this Lease. Tenant shall promptly and in no event later than 15 days after request execute, acknowledge and deliver documents which the holder of any Landlord's Mortgage may reasonably require as further evidence of this subordination and attornment. Notwithstanding the foregoing, Tenant's obligations under this Section to subordinate in the future are conditioned on the holder of each Landlord's Mortgage and each party acquiring the Premises at any sale or other proceeding under any such Landlord's Mortgage not disturbing Tenant's occupancy and other rights under this Lease, so long as no uncured Event of Default by Tenant exists.
24. **NON-WAIVER.** Landlord's waiver of any breach of any provision contained in this Lease shall not be deemed to be a waiver of the same provision for subsequent acts of Tenant. The acceptance by Landlord of Rent or other amounts due by Tenant hereunder shall not be deemed to be a waiver of any previous breach by Tenant.
25. **HOLDOVER.** If Tenant shall, without the written consent of Landlord, remain in possession of the Premises and fail to return them to Landlord after the expiration or termination of this Lease, the tenancy shall be a holdover tenancy at sufferance, which may be terminated according to Washington law. During such tenancy, Tenant agrees to pay to Landlord 150% of the rate of rental last payable under this Lease, unless a different rate is agreed upon by Landlord. All other terms of the Lease shall remain in effect other than any options to extend the Term. Tenant acknowledges and agrees that this Section does not grant any right to Tenant to holdover, and that Tenant may also be liable to Landlord for any and all damages or expenses which Landlord may have to incur as a result of Tenant's holdover.
26. **NOTICES.** All notices under this Lease shall be in writing and effective (i) when delivered in person or via overnight courier to the other party, or (ii) three (3) days after being sent by registered or certified mail to the other party at the address set forth in Section 1. The addresses for notices and payment of rent set forth in Section 1 may be modified by either party only by written notice delivered in conformance with this Section.
27. **COSTS AND ATTORNEYS' FEES.** If Tenant or Landlord engage the services of an attorney to collect monies due or to bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of Rent or other payments, or possession of the Premises, the losing party shall pay the prevailing party a reasonable sum for attorneys' fees in such action, whether in mediation or arbitration, at trial, on appeal, or in any bankruptcy proceeding.
28. **ESTOPPEL CERTIFICATES.** Tenant shall, from time to time, upon written request of Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement specifying the following, subject to any modifications necessary to make such statements true and complete: (i) the total rentable square footage of the Premises; (ii) the date the Term commenced and the date it expires; (iii) the amount of minimum monthly Rent and the date to which such Rent has been paid; (iv) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way; (v) that this Lease represents the entire agreement between the parties; (vi) that all obligations under this Lease to be performed by either

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party have been satisfied; (vii) that there are no existing claims, defenses or offsets which the Tenant has against the enforcement of this Lease by Landlord; (viii) the amount of Rent, if any, that Tenant paid in advance; (ix) the amount of security that Tenant deposited with Landlord; (x) if Tenant has sublet all or a portion of the Premises or assigned its interest in the Lease and to whom; (xi) if Tenant has any option to extend the Term of the Lease or option to purchase the Premises; and (xii) such other factual matters concerning the Lease or the Premises as Landlord may reasonably request. Tenant acknowledges and agrees that any statement delivered pursuant to this Section may be relied upon by a prospective purchaser of Landlord's interest or assignee of any mortgage or new mortgagee of Landlord's interest in the Premises. If Tenant shall fail to respond within 10 days to Landlord's request for the statement required by this Section, Landlord may provide the statement and Tenant shall be deemed to have admitted the accuracy of the information provided by Landlord.

29. **TRANSFER OF LANDLORD'S INTEREST.** This Lease shall be assignable by Landlord without the consent of Tenant. In the event of any transfer or transfers of Landlord's interest in the Premises, other than a transfer for collateral purposes only, upon the assumption of this Lease by the transferee, Landlord shall be automatically relieved of obligations and liabilities accruing from and after the date of such transfer, including any liability for any retained security deposit or prepaid rent, for which the transferee shall be liable, and Tenant shall attorn to the transferee.
30. **LANDLORD'S LIABILITY.** Notwithstanding anything in this Lease to the contrary, covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements for the purpose of binding Landlord personally or the assets of Landlord but are made and intended for the purpose of binding only the Landlord's interest in the Premises, as the same may from time to time be encumbered. In no event shall Landlord or its partners, shareholders, or members, as the case may be, ever be personally liable hereunder.
31. **RIGHT TO PERFORM.** If Tenant shall fail to timely pay any sum or perform any other act on its part to be performed hereunder, Landlord may make any such payment or perform any such other act on Tenant's behalf. Tenant shall, within 10 days of demand, reimburse Landlord for its expenses incurred in making such payment or performance. Landlord shall (in addition to any other right or remedy of Landlord provided by law) have the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of default by Tenant in the payment of Rent.
32. **HAZARDOUS MATERIAL.** As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste including biomedical waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government, due to its potential harm to the health, safety or welfare of humans or the environment. Landlord represents and warrants to Tenant that, to Landlord's actual knowledge without duty of investigation, there is no Hazardous Material on, in, or under the Premises as of the Commencement Date in excess of reportable quantities except as may otherwise have been disclosed to Tenant in writing before the execution of this Lease. If there is any Hazardous Material on, in, or under the Premises as of the Commencement Date which has been or thereafter becomes unlawfully released in excess of reportable quantities through no fault of Tenant, then Landlord shall indemnify, defend and hold Tenant harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including without limitation sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees, incurred or suffered by Tenant either during or after the Term as the result of such contamination.

Tenant shall not cause or permit any Hazardous Material to be brought upon, kept, or used in or about, or disposed of on the Premises or the Property by Tenant, its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, except with Landlord's prior consent (except in de minimis quantities typical of the Permitted Use, such as in office supplies and household cleansers) and then only upon strict compliance with all applicable federal, state and local laws, regulations, codes, ordinances, and product labels. If Tenant breaches the obligations stated in the preceding sentence, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments,

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damages, penalties, fines, costs, liabilities or losses including, without limitation, diminution in the value of the Premises or the Property; damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises or the Property, or elsewhere; damages arising from any adverse impact on marketing of space at the Premises or the Property; and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees incurred or suffered by Landlord either during or after the Term. These indemnifications by Landlord and Tenant include, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work, whether or not required by any federal, state or local governmental agency or political subdivision, because of Hazardous Material present in the Premises, or in soil or ground water on or under the Premises. Tenant shall immediately notify Landlord of any inquiry, investigation or notice that Tenant may receive from any third party regarding the actual or suspected presence of Hazardous Material on the Premises.

Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Premises or the Property by Tenant, its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, results in any unlawful release of any Hazardous Material on the Premises or the Property or any adjacent property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Premises or the Property or such adjacent property to the condition existing prior to the release of any such Hazardous Material; provided that Landlord's approval of such actions shall first be obtained, which approval may be withheld at Landlord's sole discretion. The provisions of this Section shall survive expiration or earlier termination of this Lease.

33. **QUIET ENJOYMENT.** Provided Tenant pays Rent and performs all of its obligations in this Lease, Tenant's possession of the Premises will not be disturbed by Landlord or anyone claiming by, through or under Landlord.
34. **MERGER.** The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.
35. **GENERAL.**
- a. **Heirs and Assigns.** This Lease shall apply to and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns.
 - b. **Brokers' Fees.** Tenant represents and warrants to Landlord that except for Tenant's Broker, if any, described or disclosed in Section 37 of this Lease, it has not engaged any broker, finder or other person who would be entitled to any commission or fees for the negotiation, execution or delivery of this Lease and shall indemnify and hold harmless Landlord against any loss, cost, liability or expense incurred by Landlord as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Tenant. Landlord represents and warrants to Tenant that except for Landlord's Broker, if any, described or disclosed in Section 37 of this Lease, it has not engaged any broker, finder or other person who would be entitled to any commission or fees for the negotiation, execution or delivery of this Lease and shall indemnify and hold harmless Tenant against any loss, cost, liability or expense incurred by Tenant as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Landlord.
 - c. **Entire Agreement.** This Lease contains all of the covenants and agreements between Landlord and Tenant relating to the Premises. No prior or contemporaneous agreements or understandings pertaining to the Lease shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or amended except in writing, signed by Landlord and Tenant.
 - d. **Severability.** Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision of this Lease.

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- e. **Force Majeure.** Time periods for either party's performance under any provisions of this Lease (excluding payment of Rent) shall be extended for periods of time during which the party's performance is prevented due to circumstances beyond such party's control, including without limitation, fires, floods, earthquakes, lockouts, strikes, embargoes, governmental regulations, acts of God, public enemy, war or other strife; provided in no event shall any of the foregoing events operate to extend the Term of this Lease.
- f. **Governing Law.** This Lease shall be governed by and construed in accordance with the laws of the State of Washington.
- g. **Memorandum of Lease.** Neither this Lease nor any memorandum or "short form" thereof shall be recorded without Landlord's prior consent.
- h. **Submission of Lease Form Not an Offer.** One party's submission of this Lease to the other for review shall not constitute an offer to lease the Premises. This Lease shall not become effective and binding upon Landlord and Tenant until it has been fully executed by both parties.
- i. **No Light, Air or View Easement.** Tenant has not been granted an easement or other right for light, air or view to or from the Premises. Any diminution or shutting off of light, air or view by any structure which may be erected on or adjacent to the Building shall in no way affect this Lease or the obligations of Tenant hereunder or impose any liability on Landlord.
- j. **Authority of Parties.** Each party to this Lease represents and warrants to the other that the person executing this Lease on behalf of such party has the authority to enter into this Lease on behalf of such party, that the execution and delivery of this Lease has been duly authorized, and that upon such execution and delivery, this Lease shall be binding upon and enforceable against such party.
- k. **Time.** "Day" as used herein means a calendar day and "business day" means any day on which commercial banks are generally open for business in the state where the Premises are situated. Any period of time which would otherwise end on a non-business day shall be extended to the next following business day. Time is of the essence of this Lease.
36. **EXHIBITS AND RIDERS.** The following exhibits and riders are made a part of this Lease, and the terms thereof shall control over any inconsistent provision in the sections of this Lease:

Exhibit A: Floor Plan Outline of the Premises
Exhibit B: Legal Description of the Property
Exhibit C: Work Letter

CHECK THE BOX FOR ANY OF THE FOLLOWING THAT WILL APPLY. CAPITALIZED TERMS USED IN THE RIDERS SHALL HAVE THE MEANING GIVEN TO THEM IN THE LEASE.

- Rent Rider
 Arbitration Rider
 Letter of Credit Rider
 Guaranty of Tenant's Lease Obligations Rider
 Parking Rider
 Option to Extend Rider
 Rules and Regulations

37. **AGENCY DISCLOSURE.** At the signing of this Lease, Landlord is represented by Ryan Haddock of Kidder Mathews (insert both the name of the Broker and the Firm as licensed) (the "Landlord's Broker"), and Tenant is represented by Ryan Haddock of Kidder Mathews (insert both the name of the Broker and the Firm as licensed) (the "Tenant's Broker").



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This Agency Disclosure creates an agency relationship between Landlord, Landlord's Broker (if any such person is disclosed), and any managing brokers who supervise Landlord's Broker's performance (collectively the "Supervising Brokers"). In addition, this Agency Disclosure creates an agency relationship between Tenant, Tenant's Broker (if any such person is disclosed), and any managing brokers who supervise Tenant's Broker's performance (also collectively the "Supervising Brokers"). If Tenant's Broker and Landlord's Broker are different real estate licensees affiliated with the same Firm, then both Tenant and Landlord confirm their consent to that Firm and both Tenant's and Landlord's Supervising Brokers acting as dual agents. If Tenant's Broker and Landlord's Broker are the same real estate licensee who represents both parties, then both Landlord and Tenant acknowledge that the Broker, his or her Supervising Brokers, and his or her Firm are acting as dual agents and hereby consent to such dual agency. If Tenant's Broker, Landlord's Broker, their Supervising Brokers, or their Firm are dual agents, Landlord and Tenant consent to Tenant's Broker, Landlord's Broker and their Firm being compensated based on a percentage of the rent or as otherwise disclosed on the attached addendum. Neither Tenant's Broker, Landlord's Broker nor either of their Firms are receiving compensation from more than one party to this transaction unless otherwise disclosed on an attached addendum, in which case Landlord and Tenant consent to such compensation. Landlord and Tenant confirm receipt of the pamphlet entitled "The Law of Real Estate Agency."

38. **COMMISSION AGREEMENT.** If Landlord has not entered into a listing agreement (or other compensation agreement with Landlord's Broker), Landlord agrees to pay a commission to Landlord's Broker (as identified in the Agency Disclosure paragraph above) as follows:

- \$ _____
- _____ % of the gross rent payable pursuant to the Lease
- \$ _____ per square foot of the Premises
- Other per separate agreement

Landlord's Broker shall shall not (shall not if not filled in) be entitled to a commission upon the extension by Tenant of the Term pursuant to any right reserved to Tenant under the Lease calculated as provided above or as follows _____ (if no box is checked, as provided above). Landlord's Broker shall shall not (shall not if not filled in) be entitled to a commission upon any expansion of Premises pursuant to any right reserved to Tenant under the Lease, calculated as provided above or as follows _____ (if no box is checked, as provided above).

With respect to any commission earned upon execution of this Lease or pursuant to any expansion of the Premises, Landlord shall pay one-half upon execution of the Lease or any amendment/addenda thereto expanding the Premises, and one-half upon occupancy of the Premises by Tenant. With respect to any commission earned upon extension of the Term of this Lease, Landlord shall pay one-half upon execution of any amendment/addenda to the Lease extending the Term and one-half upon the commencement date of such extended term. Landlord's Broker shall pay to Tenant's Broker (as identified in the Agency Disclosure paragraph above) the amount stated in a separate agreement between them or, if there is no agreement, \$ _____ or _____ % (complete only one) of any commission paid to Landlord's Broker, within 5 days after receipt by Landlord's Broker.

If any other lease or sale is entered into between Landlord and Tenant pursuant to a right reserved to Tenant under the Lease, Landlord shall shall not (shall not if not filled in) pay an additional commission according to any commission agreement or, in the absence of one, according to the commission schedule of Landlord's Broker in effect as of the execution of this Lease. Landlord's successor shall be obligated to pay any unpaid commissions upon any transfer of this Lease and any such transfer shall not release the transferor from liability to pay such commissions.

39. **BROKER PROVISIONS.**

LANDLORD'S BROKER, TENANT'S BROKER AND THEIR FIRMS HAVE MADE NO REPRESENTATIONS



Kidder Mathews
Kidder Mathews
 1201 Pacific Ave, Ste. 1400
 Tacoma, WA 98402
 Phone: 253-722-1400
 Fax: 253-722-1409




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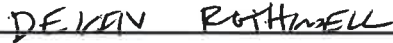


LEASE AGREEMENT
 (Multi-Tenant - Triple Net (NNN) Lease)

OR WARRANTIES CONCERNING THE PREMISES; THE MEANING OF THE TERMS AND CONDITIONS OF THIS LEASE; LANDLORD'S OR TENANT'S FINANCIAL STANDING; ZONING; COMPLIANCE OF THE PREMISES WITH APPLICABLE LAWS; SERVICE OR CAPACITY OF UTILITIES; OPERATING COSTS; OR HAZARDOUS MATERIALS. LANDLORD AND TENANT ARE EACH ADVISED TO SEEK INDEPENDENT LEGAL ADVICE ON THESE AND OTHER MATTERS ARISING UNDER THIS LEASE.

IN WITNESS WHEREOF this Lease has been executed the date and year first above written.

LANDLORD: _____

 LANDLORD: _____

 BY: _____

 ITS: _____

TENANT: _____

 TENANT: _____
 BY: _____

 ITS: _____

Kidder Mathews
Kidder Mathews 1201 Pacific Ave, Ste. 1400
Tacoma, WA 98402
Phone: 253-722-1400
Fax: 253-722-1409

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LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

STATE OF WASHINGTON

COUNTY OF Pierce

This record was acknowledged before me on Dec 23rd, 2020, by Dorvin Rothwell as Tenant of Property

[Signature]
Notary Public for the State of Washington



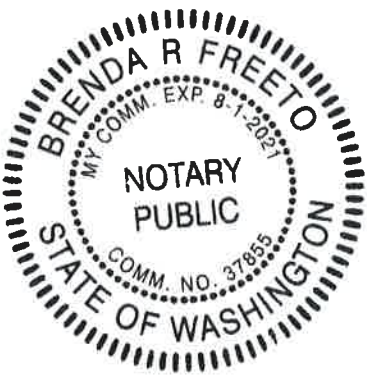
My commission expires: Nov. 28th, 2024

STATE OF WASHINGTON


COUNTY OF Thurston

This record was acknowledged before me on December 29, 2020, by Greg Bailey as member of New Vision Investments.

[Signature]
Notary Public for the State of Washington



My commission expires: 8-01-2021

 **Kidder Mathews**
1201 Pacific Ave, Ste. 1400
Tacoma, WA 98402
Phone: 253-722-1400
Fax: 253-722-1409

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STATE OF WASHINGTON

COUNTY OF _____

This record was acknowledged before me on _____, 20 __, by _____ as
_____ of _____.

Notary Public for the State of Washington

My commission expires: _____

STATE OF WASHINGTON

COUNTY OF _____

This record was acknowledged before me on _____, 20 __, by _____ as
_____ of _____.

Notary Public for the State of Washington

My commission expires: _____



**Kidder
Mathews**

Kidder Mathews
1201 Pacific Ave, Ste. 1400
Tacoma, WA 98402
Phone: 253-722-1400
Fax: 253-722-1409

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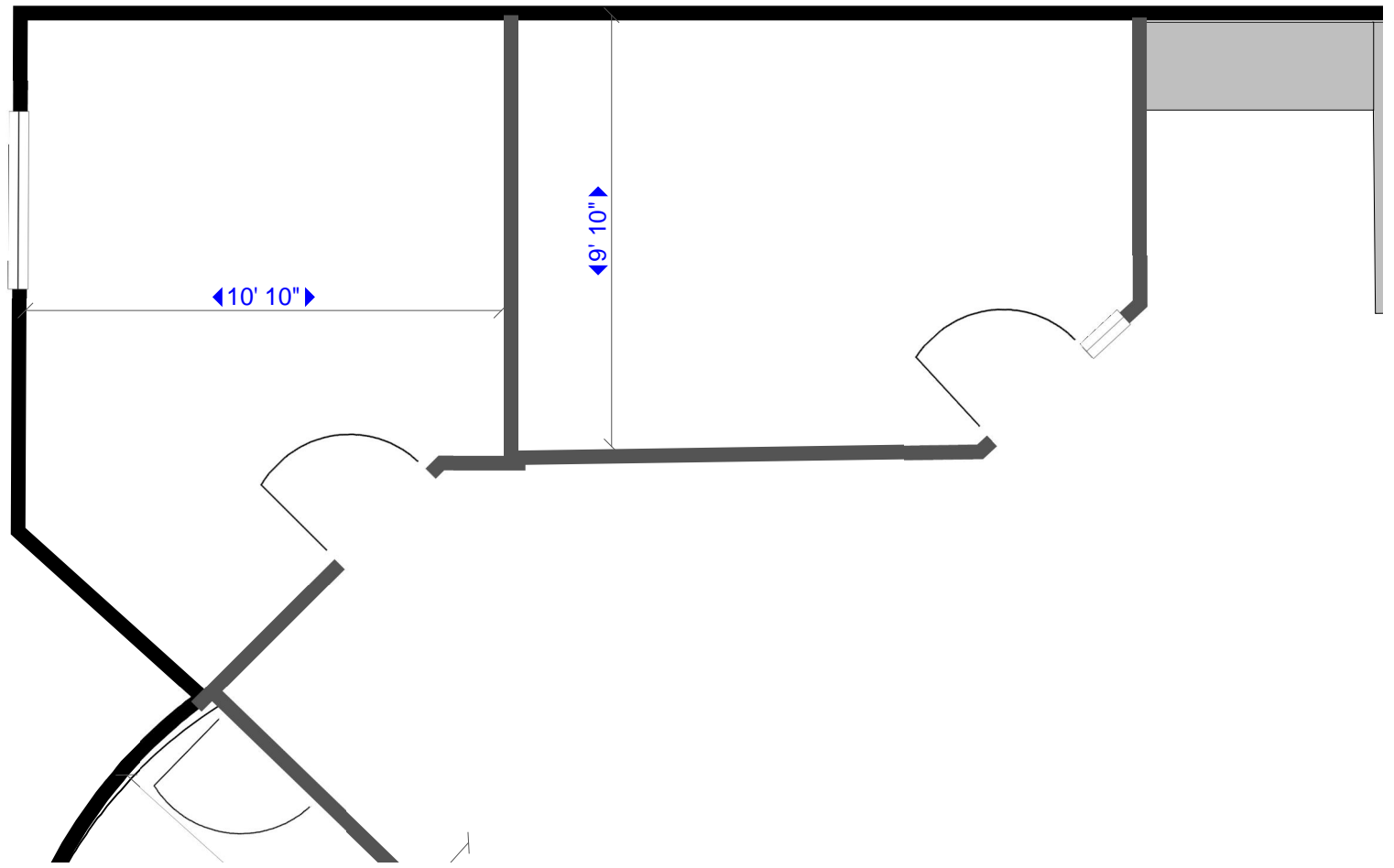
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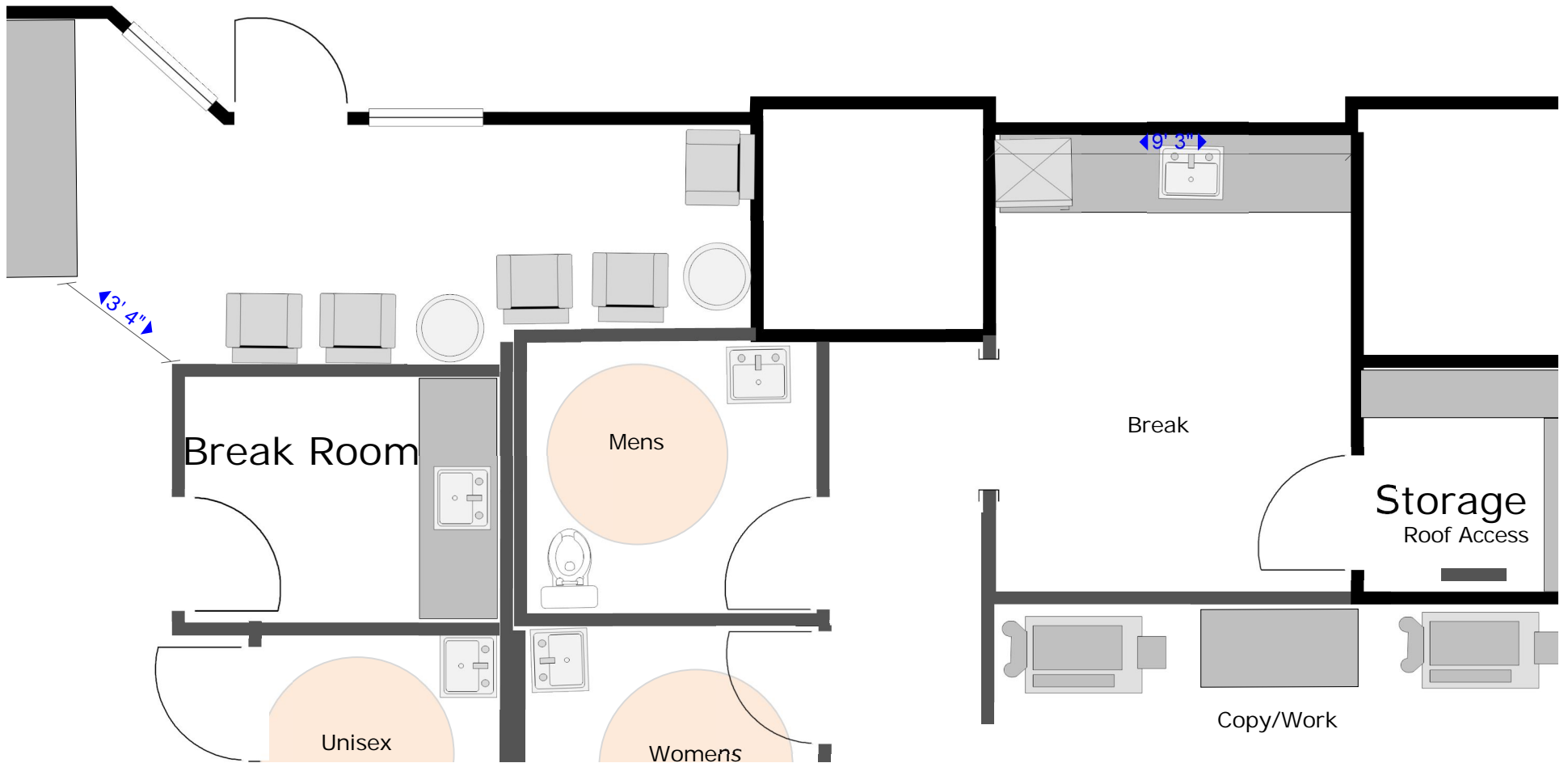
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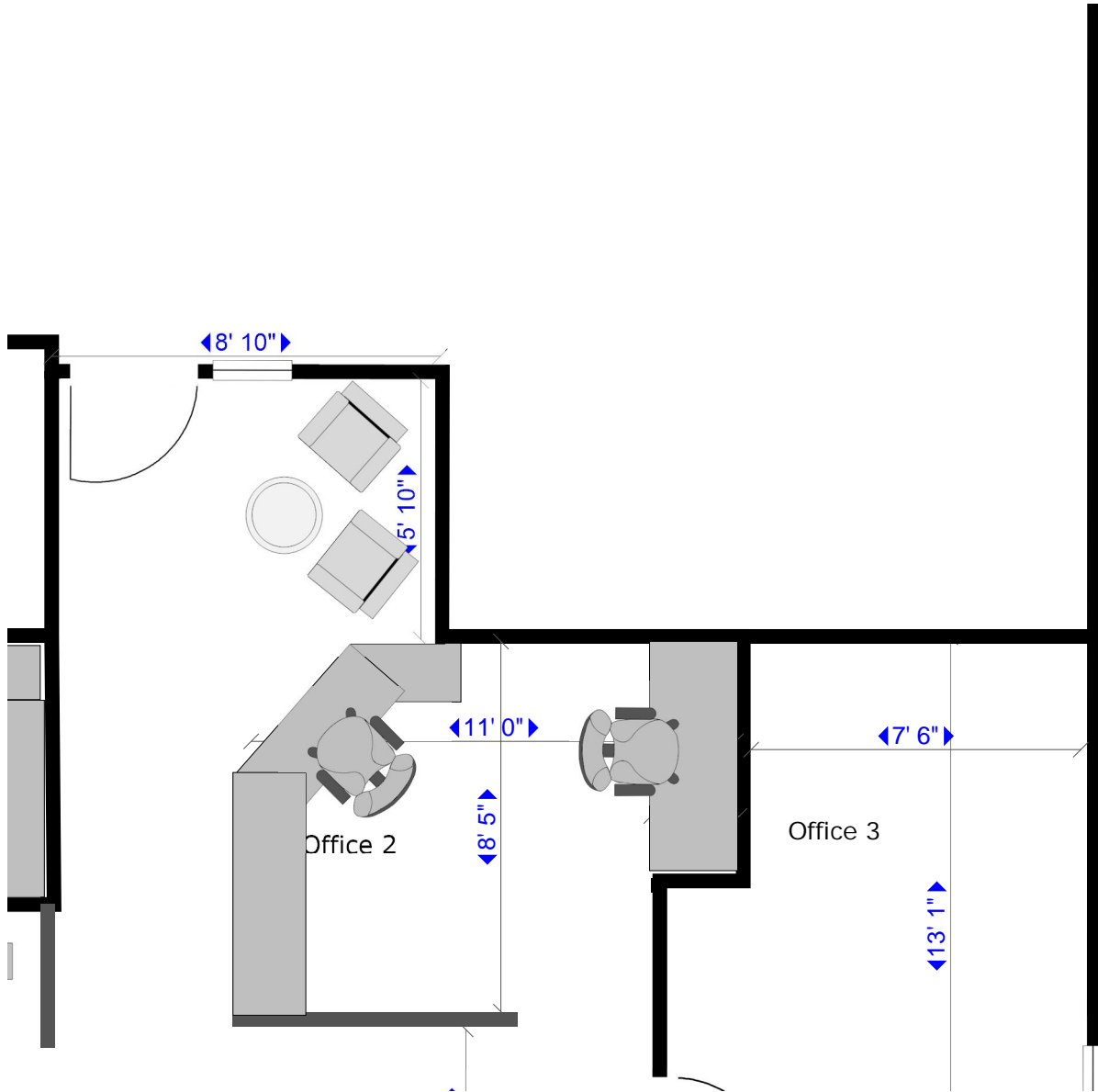
EXHIBIT A

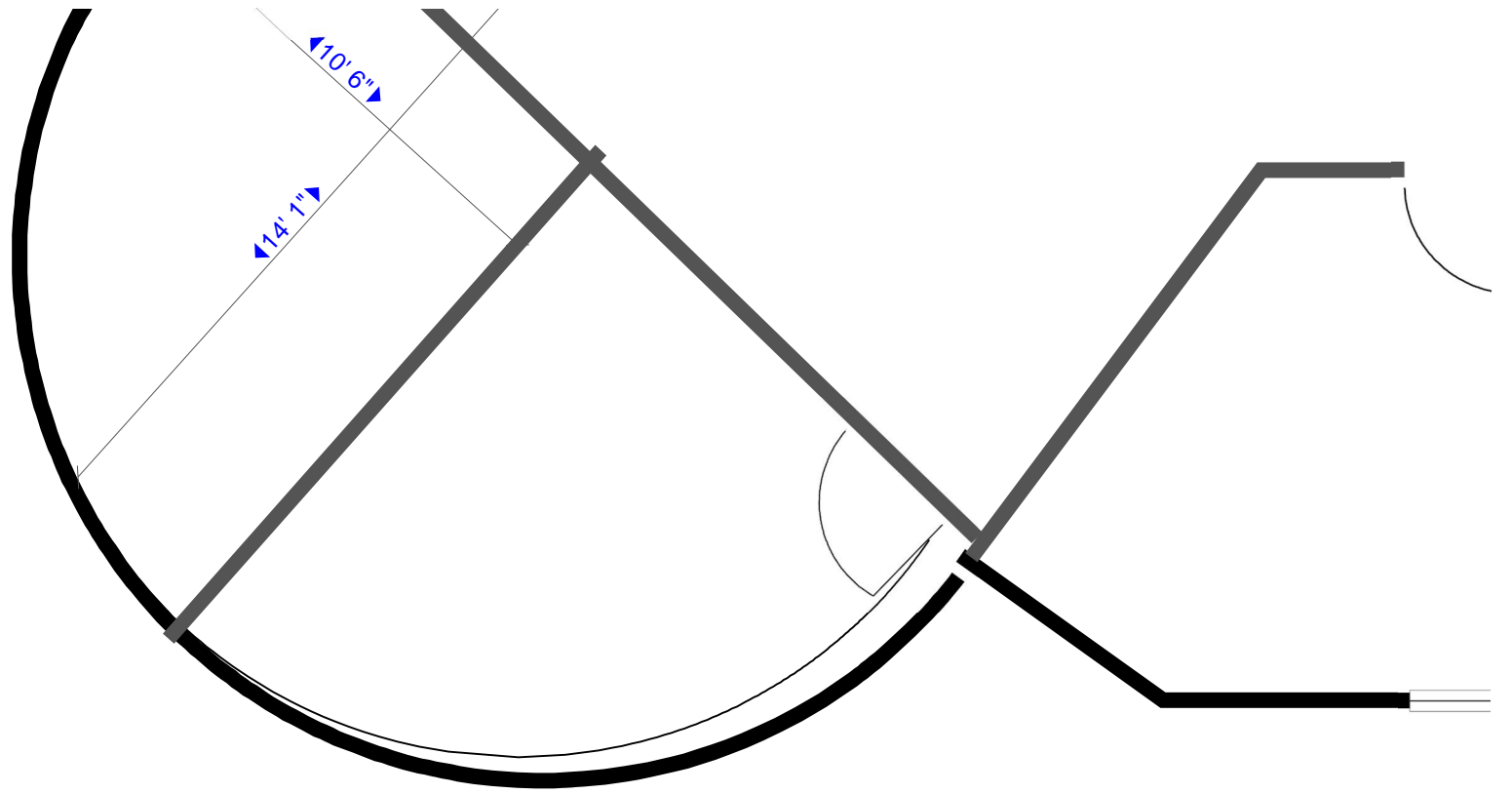
[Outline of the Premises]

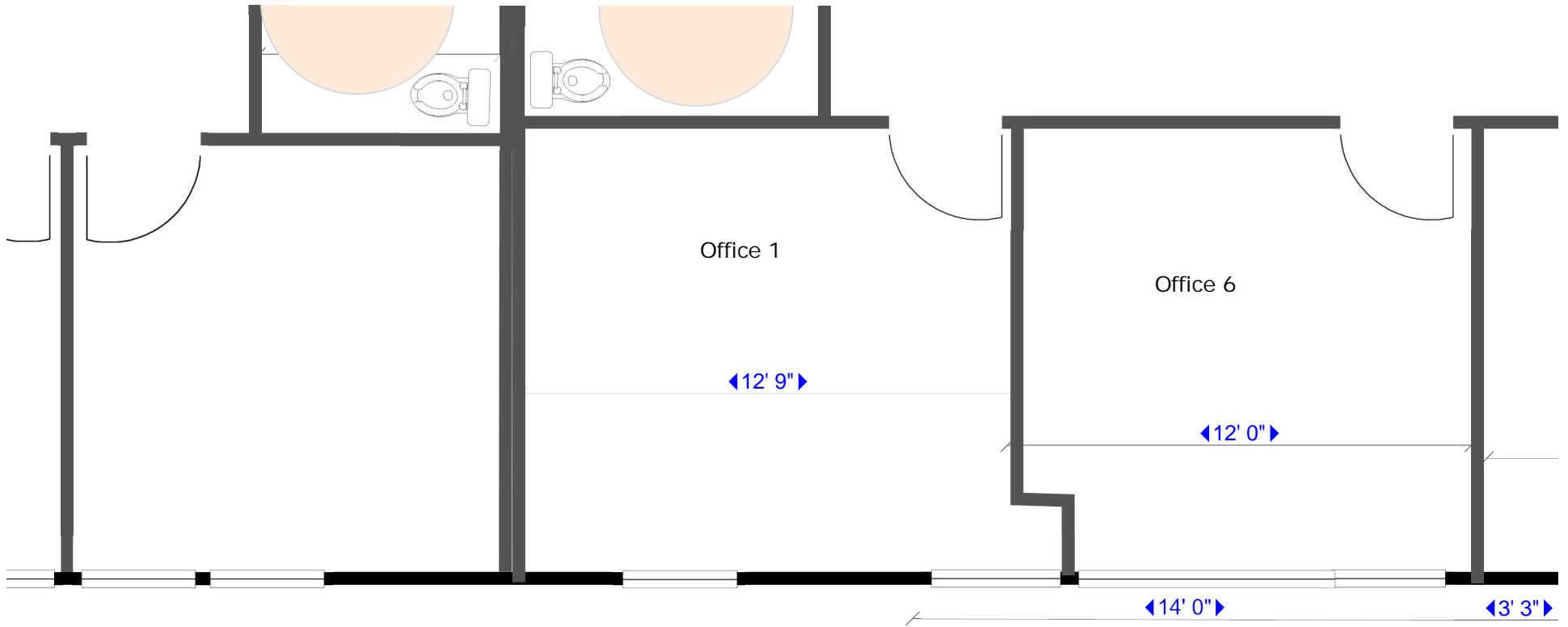
To be inserted upon final space plan design.

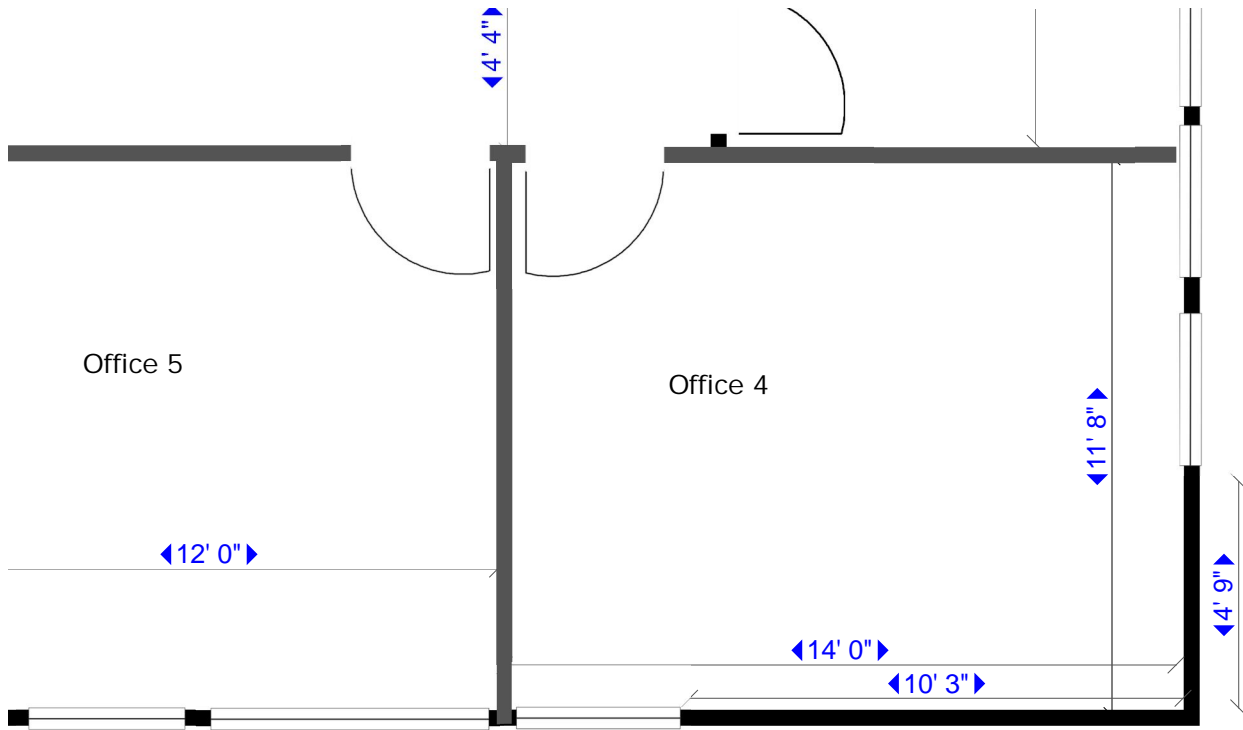














**Kidder
Mathews**

Kidder Mathews
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Tacoma, WA 98402
Phone: 253-722-1400
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EXHIBIT B

[Legal Description of the Property]

To be inserted.

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EXHIBIT C

[Work Letter]

CHECK IF APPLICABLE:

1. **Improvements to be Completed by Landlord**

A. Performance of Improvements. Subject to the terms and conditions of this Lease and any Improvement Allowance provided herein, Landlord's obligations to improve the Premises shall be limited to the work ("Landlord's Work") described below. All other work shall be performed by Tenant at its sole expense or, if performed by Landlord, shall be promptly reimbursed by Tenant. Landlord's Work shall be deemed to be "substantially complete" on the date that Landlord notifies Tenant that Landlord's Work is complete, except for punch list items that do not impair the use or operations thereof, would not prevent Tenant from occupancy and/or performing Tenant's Work, and except for that portion of Landlord's Work, if any, which cannot be feasibly performed before Tenant completes Tenant's Work, fixturing, or decorating.

The work to be done by Landlord in satisfying its obligation to complete Landlord's Work under the Lease shall be limited to the following (check one):

As identified below (check and describe all that apply);

- FLOOR: _____
- WALLS: _____
- CEILING: _____
- LIGHTING: _____
- WASHROOM(S): _____
- ELECTRICAL: _____
- HVAC: _____
- OTHER: _____

As mutually agreed upon between Landlord and Tenant as follows:

- a. Within 45 days ((10) days if not filled in) after mutual acceptance of the Lease, Tenant shall prepare and submit for Landlord's review a preliminary sketch of the improvements to be performed by Landlord ("Preliminary Landlord Plan"). Landlord and Tenant shall cooperate in good faith to adopt a mutually acceptable Preliminary Landlord Plan.
- b. Upon Landlord's approval of the Preliminary Landlord Plan, Landlord shall promptly prepare (or cause to be prepared) construction documents (i.e., those plans used for submittal to the appropriate governmental bodies for all necessary permits and approvals for Landlord's Work, if any) for Tenant's review and approval, which approval shall not be unreasonably withheld, conditioned or delayed. The construction documents, once approved, shall then constitute "Landlord's Improvement Plans."
- c. Landlord shall submit the Landlord's Improvement Plans to the appropriate governmental body for plan checking and issuance of necessary permits and approvals, as applicable. Landlord and Tenant shall cooperate and use commercially reasonable efforts to cause to be made any changes in the Landlord's Improvement Plans necessary to obtain such permits and approvals; provided, however, any costs and expenses resulting from the foregoing changes to Landlord's Work that exceed the Improvement Allowance shall be borne at Tenant's sole cost and expense.

B. Defects in Landlord's Work. If Tenant fails to notify Landlord of any defects in the Landlord's Work within

LEASE AGREEMENT
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30 days of delivery of possession of the Premises to Tenant, Tenant shall be deemed to have accepted the Premises in their then-existing condition. If Tenant discovers any major defects in the Landlord's Work during this 30-day period that would prevent Tenant from using the Premises for the Permitted Use, Tenant shall notify Landlord and the Commencement Date shall be delayed until after Landlord has notified Tenant that Landlord has corrected the major defects and Tenant has had five (5) days to inspect and approve the Premises. The Commencement Date shall not be delayed if Tenant's inspection reveals minor defects in the Landlord's Work that will not prevent Tenant from using the Premises for the Permitted Use. Tenant shall prepare a punch list of all minor defects in Landlord's Work and provide the punch list to Landlord, which Landlord shall promptly correct.

2. Improvements to be Completed by Tenant

- A. **Performance of Improvements.** Subject to the terms and conditions of the Lease and any Improvement Allowance provided herein, Tenant shall complete, at its sole cost and expense, the work identified in the Tenant Improvement Plans (as such term is defined below) adopted by Landlord and Tenant in accordance with the provisions below ("Tenant's Work"). Tenant's Work shall be performed lien free and in a workmanlike manner, without interference with other work, if any, being done in the Premises or Property, including any of Landlord's Work, and in compliance with all laws and reasonable rules promulgated from time to time by Landlord, its property manager, architect, and contractors.

The work to be done by Tenant in satisfying its obligation to complete Tenant's Work under the Lease shall be limited to the following (check one):

As identified below (check and describe all that apply);

- FLOOR: _____
- WALLS: _____
- CEILING: _____
- LIGHTING: _____
- WASHROOM(S): _____
- ELECTRICAL: _____
- HVAC: _____
- OTHER: _____

As mutually agreed upon between Landlord and Tenant as follows:

- a. Within 45 days ((10) days if not filled in) after mutual acceptance of the Lease, Tenant shall prepare and submit for Landlord's review a preliminary sketch of the Tenant Improvements ("Preliminary Tenant Plan"). Landlord and Tenant shall cooperate in good faith to adopt a mutually acceptable Preliminary Plan.
- b. Upon approval of the Preliminary Tenant Plan by Landlord, Tenant shall promptly prepare construction documents (i.e., those plans used for submittal to the appropriate governmental bodies for all necessary permits and approvals for the Tenant's Work, if any) for Landlord's review and approval. The construction documents, once approved, shall then constitute the "Tenant Improvements Plans."
- c. Upon approval by Landlord, Tenant shall submit the Tenant Improvements Plans to the appropriate governmental body for plan checking and issuance of necessary permits and approvals. Tenant, with Landlord's approval, shall cause to be made any changes in the Tenant Improvements Plans necessary to obtain such permits and approvals.
- d. Landlord makes no warranty or representation of any type or nature with respect to the adequacy or sufficiency of the Tenant Improvements Plans for any purpose. Landlord makes no warranty or

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representation of any type or nature with respect to the quality, suitability, or ability of contractor or the quality of the work or materials supplied or performed with respect to the Tenant Improvements by contractor, the subcontractors, Tenant's agents, or any other person or entity.

B. **General Requirements.** Tenant shall submit to Landlord, prior to the commencement of the construction of Tenant's Work, the following information for Landlord's review and approval (check all that apply):

The names, contact names, addresses, and license numbers of all general contractors and subcontractors Tenant intends to use in the construction of Tenant's Work.

A reasonably detailed schedule for Tenant's performance of Tenant's Work (including, without limitation, the date on which Tenant's Work will commence, the estimated date of completion of Tenant's Work, and the date on which Tenant expects to open for business in the Premises).

Evidence of insurance as required in the Lease and any other insurance usual and customary for performance of Tenant's Work and requested by Landlord.

Copies of all required governmental permits.

C. **Contractor Qualifications.** All contractors and subcontractors to perform Tenant's Work shall be licensed contractors, capable of performing quality workmanship and working in harmony with Landlord's general contractor in the Building, if any. Upon notice from Landlord, Tenant shall stop using (or cause contractor or any subcontractor to stop using) any person or entity disturbing labor harmony with any work force or trade engaged in performing Tenant's Work or other work, labor, or services in or about the Building. All work shall be coordinated with any on-going construction work on the Building. Landlord shall have the right to disapprove, in Landlord's reasonable discretion, any contractor or subcontractor which Tenant desires to engage for Tenant's Work.

3. Improvement Allowance

Provided there is no uncured Event of Default by Tenant under the Lease, upon completion of Landlord's Work or Tenant's Work, as applicable, Landlord shall provide an allowance ("Improvement Allowance") toward the costs and expenses associated with improvements to the Premises in accordance with the following (check one):

\$ _____ per rentable square foot of the Premises. The Improvement Allowance shall be used only for (choose one): Landlord's Work, or Tenant's Work, excepting _____. If costs associated with completing Tenant's Work exceed the Improvement Allowance, or if any costs of Tenant's Work are not to be paid out of the Improvement Allowance, then the excess or excluded amount shall be paid directly by Tenant.

None; Tenant shall be obligated to pay all costs, expenses and fees associated with completing the Tenant's Work in accordance with the Tenant Improvement Plans.

None; Landlord shall be obligated to pay all costs, expenses and fees associated with completing the Landlord's Work in accordance with the Landlord Improvement Plans, however, excepting any costs related to Tenants' furniture, cabling, fixtures and equipment, Signage, design services, and _____, and in no event in an amount exceeding \$ _____.

4. **Removal of Improvements/Surrender.** The following scope of Tenant's Work (check one):

- shall become the property of Landlord
- shall be removed by Tenant at its sole cost and expense

upon the expiration or earlier termination of the Lease Term: _____.



Kidder Mathews
Kidder Mathews
1201 Pacific Ave, Ste. 1400
Tacoma, WA 98402
Phone: 253-722-1400
Fax: 253-722-1409

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RENT RIDER

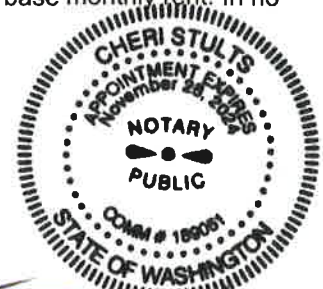
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This Rent Rider ("Rider") is a part of and incorporated by this reference into that certain Lease Agreement dated December 21, 2020 ("Lease") between New Vision Investments, a(n) Washington Limited Liability Company ("Landlord") and Symbol Healthcare Inc., a(n) Washington Corporation ("Tenant"), as the same may be amended, concerning the commercial space commonly known as Suite A302 ("Premises"), which Premises are part of the real property located at 111 Tumwater Blvd, A302, Tumwater, WA 98502 and commonly known as Old Towne Plaza Suite A302 ("Property").

- 1. **BASE MONTHLY RENT SCHEDULE.** Tenant shall pay to Landlord base monthly rent during the initial Lease Term according to the following schedule:

Lease Year (Stated in Years or Months)	Base Monthly Rent Amount
<u>July 1, 2021- June 30, 2022</u>	<u>\$ 18.27 psf + NNN</u>
<u>July 1, 2022 - June 30, 2023</u>	<u>\$ 18.81 psf + NNN</u>
<u>July 1, 2023 - June 30, 2024</u>	<u>\$ 19.37 psf + NNN</u>
<u>_____</u>	<u>\$ _____</u>
<u>Tenant has Two (2) Three (3) year options.</u>	<u>\$ _____</u>
<u>If exercised annual rent shall be increased 3% over previous year's annual minimum rents.</u>	<u>\$ _____</u>

- 2. **CONSUMER PRICE INDEX ADJUSTMENT ON BASE MONTHLY RENT.** The base monthly rent shall be increased on the first day of the second year of the Term, which shall occur on the first day of the calendar month after the calendar month in which the Commencement Date occurs and on the first day of each year of the Term thereafter (each, an "Adjustment Date") (but not during any extended or renewal term(s) unless specifically set forth elsewhere in the Lease or set forth in this Rent Rider below). The increase shall be determined in accordance with the increase in the United States Department of Labor, Bureau of Labor Statistics, Revised Consumer Price Index for All Urban Consumers (CPI-U): U.S. Cities Average, all items index (Reference Base 1982-84 equal 100)(the "Index"). The base monthly rent payable immediately prior to the applicable Adjustment Date shall be increased by the percentage that the Index published for the date nearest preceding the applicable Adjustment Date has increased over the Index published for the date nearest preceding the first day of the Lease Year from which the adjustment is being measured. Upon the calculation of each increase, Landlord shall notify Tenant of the new base monthly rent payable hereunder. Within twenty (20) days of the date of Landlord's notice, Tenant shall pay to Landlord the amount of any deficiency in base rent paid by Tenant for the period following the subject Adjustment Date, and shall thereafter pay the increased base rent until receiving the next notice of increase from Landlord. If the components of the Index are materially changed after the Commencement Date, or if the Index is discontinued during the Lease term, Landlord shall notify Tenant of a substitute published index which, in Landlord's reasonable discretion, approximates the Index, and shall use the substitute index to make subsequent adjustments in base monthly rent. In no event shall base monthly rent be decreased pursuant to this paragraph.



INITIALS: LANDLORD [Signature] DATE 12/29/20 TENANT [Signature] DATE 12/23/26
 LANDLORD _____ DATE _____ TENANT _____ DATE _____



RENT RIDER

CBA Text Disclaimer: Text deleted by licensee indicated by strike.
 New text inserted by licensee indicated by small capital letters.

3. EXTENDED TERM BASE MONTHLY RENT SCHEDULE. Tenant shall pay to Landlord base monthly rent during the Extended Term of the Lease commencing upon (check one): the date that is _____ months following the Commencement Date of the initial Term, or _____, 20 __, as follows (choose one):

As set forth in the Option to Extend Rider attached to the Lease

BASE MONTHLY RENT SCHEDULE. Tenant shall pay to Landlord base monthly rent during the Extended Term of the Lease according to the following schedule:

Lease Year (Stated in Years or Months)	Base Monthly Rent Amount
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

CONSUMER PRICE INDEX ADJUSTMENT ON EXTENDED TERM BASE MONTHLY RENT. The base monthly rent shall be increased on the first day of the first year of the Extended Term of the Lease and on the first day of each year of the Extended Term of the Lease thereafter (each, an "Adjustment Date"). The increase shall be determined in accordance with the increase in the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (CPI-U): U.S. Cities Average, all items index (Reference Base 1982-84 equal 100) (the "Index"). The base monthly rent payable immediately prior to the applicable Adjustment Date shall be increased by the percentage that the Index published for the date nearest preceding the applicable Adjustment Date has increased over the Index published for the date nearest preceding the first day of the Lease Year from which the adjustment is being measured. Upon the calculation of each increase, Landlord shall notify Tenant of the new base monthly rent payable hereunder. Within twenty (20) days of the date of Landlord's notice, Tenant shall pay to Landlord the amount of any deficiency in base rent paid by Tenant for the period following the subject Adjustment Date, and shall thereafter pay the increased base rent until receiving the next notice of increase from Landlord. If the components of the Index are materially changed after the Commencement Date of the Extended Term, or if the Index is discontinued during the Extended Term, Landlord shall notify Tenant of a substitute published index which, in Landlord's reasonable discretion, approximates the Index, and shall use the substitute index to make subsequent adjustments in base monthly rent. In no event shall base monthly rent for the Extended Term be decreased pursuant to this paragraph.

INITIALS: LANDLORD: [Signature] DATE: 12/29/20 TENANT: [Signature] DATE: 12/23/20
 LANDLORD: _____ DATE: _____ TENANT: _____ DATE: _____

LEE L. JOHNSON
TREASURER
SYMBOL HEALTHCARE, INC.

EXHIBIT 5

direct line (208) 401-1369
direct fax (208) 576-6909
lee.johnson@pennantservices.com

June 6, 2023

Via Email to FSLCON@doh.wa.gov

Eric Hernandez, Program Manager
Certificate of Need Program
Department of Health
111 Israel Road SE
Tumwater, WA 98501

Dear Mr. Hernandez:

In accordance with WAC 246-310-080, **Symbol Healthcare, Inc.**, hereby submits a letter of intent proposing to establish a Medicare certified/Medicaid eligible home health agency. In conformance with the requirements of WAC, the following information is provided:

1. A Description of the Extent of Services Proposed:

Symbol Healthcare, Inc., is proposing to establish a Medicare certified/Medicaid eligible home health agency in **Thurston County**, including all required home health services.

2. Estimated Cost of the Proposed Project:

The capital expenditure associated with this project is estimated at \$15,500.

3. Description of the Service Area:

The primary service area for the hospice agency will be **Thurston County**.

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

Sincerely,

Symbol Healthcare, Inc.

By:



Lee L. Johnson, Treasurer
Direct office line: (208) 401-1369

Pennant Group Affiliate
LANGUAGE ACCESS PLAN AND POLICY
2019

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Appendix A: Definitions

Appendix B: Language Access Related Resources

Summary of Nondiscrimination in Health Programs and Activities

The Department of Health and Human Services (HHS) issued the Final Rule implementing the prohibition of discrimination under Section 1557 of the Affordable Care Act (ACA) of 2010. The Final Rule, Nondiscrimination in Health Programs and Activities, was issued to advance equity and reduce health disparities by protecting some of the populations that have been most vulnerable to discrimination in the health care context. The final rule provides consumers' rights under the law and provides covered entities important guidance about their obligations.

Section 1557 builds on long-standing and familiar Federal civil rights laws: Title VI of the Civil Rights Act of 1964 (Title VI), Title IX of the Education Amendments of 1972 (Title IX), Section 504 of the Rehabilitation Act of 1973 (Section 504), and the Age Discrimination Act of 1975 (Age Act). Most notably, Section 1557 is the first Federal civil rights law to prohibit discrimination on the basis of sex in all health programs and activities receiving Federal financial assistance.

The rule covers:

- Any health program or activity, any part of which receives funding from HHS (such as hospitals that accept Medicare or doctors who accept Medicaid);
- Any health program that HHS itself administers;
- Health Insurance Marketplaces and all plans offered by issuers that participate in those Marketplaces

Protections under the rule

Section 1557 builds on prior Federal civil rights laws to prohibit sex discrimination in health care. The final rule requires that women be treated equally with men in the health care they receive and also prohibits the denial of health care or health coverage based on an individual's sex, including discrimination based on pregnancy, gender identity, and sex stereotyping. The final rule also requires covered health programs and activities to treat individuals consistent with their gender identity.

For individuals with disabilities, the final rule requires covered entities to make all programs and activities provided through electronic and information technology accessible; to ensure the physical accessibility of newly constructed or altered facilities; and to provide appropriate auxiliary aids and services for individuals with disabilities. Covered entities are also prohibited from using marketing practices or benefit designs that discriminate on the basis of disability and other prohibited bases.

Covered entities must take reasonable steps to provide meaningful access to each individual with limited English proficiency eligible to be served or likely to be encountered in their health programs and activities.

Enforcement

The existing enforcement mechanisms under Title VI, Title IX, Section 504 and the Age Act apply for redress of violations of Section 1557. These mechanisms include: requiring covered entities to keep records and submit compliance reports to OCR, conducting compliance reviews and complaint investigations, and providing technical assistance and guidance.

The U.S. Department of Health and Human Services (HHS), Office for Civil Rights (OCR) enforces Section 1557. When OCR finds violations, a health care provider will need to take corrective actions, which may include revising policies and procedures, and/or implementing training and monitoring programs. Health care providers may also be required to pay monetary damages. Section 1557 also allows individuals to sue health care providers in court for discrimination.

Where noncompliance be corrected by informal means, available enforcement mechanisms include suspension of, termination of, or refusal to grant or continue Federal financial assistance; referral to the Department of Justice with a recommendation to bring proceedings to enforce any rights of the United States; and any other means authorized by law.

While Section 1557 pertains to operations receiving state or federal funds, it is recommended that 100% private pay communities initiate this plan as well.

LANGUAGE ACCESS POLICY

Purpose

The purpose of this policy is to describe and outline how Pennant-affiliated facilities and entities will provide individuals with meaningful access to healthcare and prohibit discrimination on the basis of race, color, national origin, sex, or disability.

The use of the term individual within this policy shall denote patient or resident.

Scope

The scope of this policy applies to all Pennant-affiliated facilities and entities (herein "operation") receiving funding from HHS.

Policy Statement

As recipients of Federal financial assistance, operations do not exclude, deny benefits to, or otherwise discriminate against any individual on the basis of race, color, national origin, sex, age, or disability. Operation will provide individuals with limited English proficiency (herein "LEP") and disabilities meaningful and equal access to health programs and activities in accordance with Section 1557 of The Patient Protection and Affordable Care Act.

Policy

Operation will;

1. Not deny or delay services based on an individual's race, color, national origin, disability, age, or sex.
2. Not aid or assist others in such discriminatory practices.
3. Develop a grievance procedure whereby individuals may file a complaint with regard to perceived discrimination.
4. Take reasonable steps to provide meaningful access to individuals with LEP and/or disabilities in a timely manner and at no cost.
5. Protect the privacy and independence of individuals with limited English proficiency
6. In conspicuous public spaces and on the operation's website home page post Notice of Nondiscrimination, in the two languages most widely used in the entity's state (likely English and Spanish).
7. In conspicuous public spaces and on the operation's website home page post taglines in the top 15 languages spoken in the State in which the operation is located.
8. Translate vital documents in the top 2 languages spoken in the State in which the operation is located.
 - a. These documents may include; admission agreements, consents and complaint/grievance forms, intake forms with the potential for important

consequences, and written notices of eligibility criteria, rights, denial, loss, or decreases in benefits or services.

9. Provide, in a timely manner and free of charge, auxiliary aids and services (which may include video remote interpreting services) to individuals with impaired sensory, manual, or speaking skills.
10. Use only qualified interpreters for language access services (definition of qualified interpreter may be found in appendix A).
 - a. Excludes bilingual/multilingual staff members with the exception of those taking and passing an assessment
11. Adopt practices to qualify staff as interpreters by meeting the qualifications of “qualified bilingual/multilingual staff,” i.e., workforce who is designated by the operation to provide oral language assistance as part of the individual's current, assigned job responsibilities and who has demonstrated that he or she:
 - a. Is proficient in speaking and understanding both spoken English and at least one other spoken language, including any necessary specialized vocabulary, terminology and phraseology, and
 - b. Is able to effectively, accurately, and impartially communicate directly with individuals with limited English proficiency in their primary languages.
12. Report all grievances to Pennant Service’s Section 1557 Coordinator; Erin Peterson.
13. Not require individuals to provide their own interpreters.
14. Not rely on minor children accompanying LEP patients/residents as interpreters except in the event of an emergency.
15. Not rely on adults accompanying LEP patients/residents as interpreters except in the event of an emergency, or if LEP patient/resident specifically requests that the accompanying adult interpret or facilitate communication, the accompanying adult agrees to provide such assistance, and reliance on that adult for such assistance is appropriate under the circumstances.
16. Not rely on accompanying adults to interpret and relay medical information.
17. Document the accompanying adult’s agreement to provide language assistance services and the circumstances
18. Document language needs and services provided in the patient’s/resident’s care plan.
19. No operate a health program that is limited to one gender unless there is an exceedingly persuasive justification to limit that program to one gender.

GRIEVANCE POLICY AND PROCEDURE

Purpose

The purpose is to outline Pennant-affiliated facilities and entities' internal grievance policy and procedures providing for prompt and equitable resolution of complaints alleging any discriminatory action prohibited by law.

The use of the term individual within this policy shall denote patient or resident.

Scope

The scope of this policy applies to all Pennant-affiliated facilities and entities (herein "operation") receiving funding from HHS.

Policy Statement

Any individual who believes he or she, or a third party, has been subject to discrimination on the basis of race, color, national origin, sex, age or disability may file a grievance with the operation.

Policy

Operation will;

1. Afford an individual the right to submit a discrimination complaint
2. Refrain from retaliating against any individual filing a discrimination complaint
3. Submit grievances to the compliance department within 2 business days for investigation
4. Compliance will conduct an investigation into the complaint, maintaining documentation related to all grievances, and will take appropriate steps to preserve the confidentiality of files and records relating to grievances and will share them only with those who have a need to know.
5. Compliance will issue a written decision no later than 30 days of receipt of grievance. Written notice will include a notice to the individual of their right to pursue further administrative or legal remedies.

Procedure

Operation shall;

1. Implement a process for receiving complaints regarding perceived discrimination
2. Designate a point of contact to receive discrimination complaints
3. Document discrimination complaints using the *Discrimination Grievance Form*

Discrimination Grievance Form

Name	
Address	
City, State, ZIP	
Telephone Number	
Email address	

Information about the person, agency, or organization you believe discriminated against you

Name	
Address	
City, State, ZIP	
Telephone number	

Description of how, why, and when you believe your civil rights were violated

--

Description of the action you would like to see taken

--

Signature	
Date of Complaint	

The availability and use of this grievance procedure does not prevent you from pursuing other legal or administrative remedies, including filing a complaint of discrimination on the basis of race, color, national origin, sex, age or disability in court or with the U.S. Department of Health and Human Services, Office for Civil Rights. Complaints must be filed within 180 days of the date of the alleged discrimination.

A person may file a complaint of discrimination electronically through the Office for Civil Rights Complaint Portal, which is available at: <https://ocrportal.hhs.gov/ocr/portal/lobby.jsf>, or by mail or phone at: U.S. Department of Health and Human Services, 200 Independence Avenue, SW, Room 509F, HHH Building, Washington, D.C. 20201

Information you may also include:

Any special accommodations needed for us to communicate with you regarding your complaint
Whether you filed your complaint somewhere else and when you filed.

Notice of Non-discrimination

Pennant affiliates are committed to providing a surprising level of attention and service which includes delivery of care without discrimination based on race, color, national origin, sex, age or disability.

We take reasonable steps to provide meaningful access to each individual with limited English proficiency and/or disabilities. These steps include the provision of language assistance services such as oral language assistance, written information in alternate formats, or oral or written translation through a qualified interpreter and to provide appropriate auxiliary aids and services for persons with disabilities.

For access to these free services, please contact the staff of the agency or company from which you are receiving care.

If you believe we have discriminated against you or failed to provide these free services in a timely manner you may report your concern to:

Erin Peterson, Compliance Officer
Pennant Services, Inc.
1675 E. Riverside Dr. Suite #120, Eagle, Idaho 83616
Phone: 208-506-6063
Fax: 208-401-1401
Email: sec1557@pennantservices.com

You may also file a complaint with the U.S. Department of Health and Human Services, Office for Civil Rights at <https://ocrportal.hhs.gov/ocr/portal/lobby.jsf> or by mail, email or phone:

Centralized Case Management Operations
U.S. Department of Health and Human Services/Office for Civil Rights
200 Independence Avenue SW
Room 509F, HHH Building
Washington, DC 20201

Phone: 800-868-1019
TTD: 800-537-7697
Email: OCRcomplaint@hhs.gov

ELEMENTS AND PROCEDURES

Pennant Services' language access plan is defined in elements that are essential for any language access plan. The Language Access Plan identifies steps that Pennant-affiliated operations (herein "operation") should take to implement the policy and plan at the operation level. Operations have flexibility in how they apply the action steps to their programs and activities, and should provide increasing service levels as the importance of the relevant health care services increases.

ELEMENT 1: Assessment: Needs and Capacity

ELEMENT 2: Oral Language Assistance Services

ELEMENT 3: Written Translations

ELEMENT 4: Policies and Procedures

ELEMENT 5: Notification of the Availability of Language Assistance at No Cost

ELEMENT 6: Staff Training

ELEMENT 7: Assessment: Access and Quality

ELEMENT 8: Procurement of Language Assistance Services

ELEMENT 1: Assessment of Needs and Capacity

Operation shall have processes to regularly identify and assess the language assistance needs of its current and potential patients/residents, as well as processes to assess the capacity to meet these needs according to the elements of this plan.

Description

Operation shall assess the language assistance needs of their current and potential patients/residents in order to drive processes necessary to implement language assistance services that increase access to their respective programs and services for all populations. This assessment may include identifying the non-English languages spoken by the population likely to be accessing the operation's services, and whether barriers – including literacy barriers – exist that hinder effective oral and written communication with individuals with LEP and/or disabilities.

Operation shall also assess its capacity to meet the needs of its current and potential patients/residents in order to fulfill its commitment to provide competent language assistance at no cost and in a timely manner to individuals with LEP and/or disabilities.

Operation shall perform self-assessments to provide meaningful access to and an equal opportunity to participate fully in their services, activities, programs or other benefits. This includes effective communication between individuals with LEP and/or disabilities and staff members and contractors.

The following steps illustrate the actions operation shall take to implement Element 1. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Consult internal experts, advocacy organizations, individuals with LEP and/or disabilities, subject matter experts, and applicable research to determine effective practices for assessing and implementing language assistance needs of current and projected patients/residents with respect to all public interface mechanisms, including but not limited to: marketing and outreach; technical assistance; face-to-face and over-the-phone customer service; ombudsman activities; websites; and multilingual survey and other patient/resident assessment instruments.
- b. On admission or initiation of care, inquire as to the primary language of the individual and identify need for language assistance services.

- c. Identify existing capacity to provide language assistance services, such as Qualified Bilingual/Multilingual Staff to serve as qualified interpreters/translators and the need and availability of contract interpreter and translation services.
- d. Identify gaps where language assistance services are inadequate to meet needs of patients/residents and identify and take specific steps to enhance language assistance services.
- e. Evaluate the extent of need for language assistance services in particular languages or dialects.
- f. Modify existing satisfaction and other surveys of patients/residents and other means of obtaining feedback on services delivered, to include collection of data, including at point of entry, on preferred language, English proficiency.
- g. Append language need assessments based on LEP/disability data from patient/resident satisfaction surveys and program reviews.
- h. Determine specific circumstances in which an accompanying adult may provide language assistance services, which circumstances are typically limited to emergencies involving an imminent threat to the safety or welfare of an individual or the public where there is no qualified interpreter for the individual with LEP immediately available; or where the individual with LEP specifically requests that accompanying adult to interpret/facilitate communication, the accompanying adult agrees to do so and reliance on that adult for such assistance is appropriate under the circumstances.

ELEMENT 2: Oral Language Assistance Services

Operation shall provide oral language assistance (such as Qualified Interpreters or Qualified Bilingual/Multilingual Staff), in both face-to-face and telephone encounters, that addresses the needs of each patient/resident. Operation shall establish a point of contact for individuals with LEP and/or disabilities, such as a specific staff member.

Description

Operation shall provide oral language assistance services to provide meaningful access to and an equal opportunity to participate fully in the services, activities, programs or other benefits provided by the operation. Language assistance may be provided through a variety of means, including qualified bilingual and multilingual staff, staff or contract interpreters (including telephonic interpretation), and interpreters from community organizations or volunteer interpreter programs. Operation shall use qualified interpreters to provide the service and understand interpreter ethics and patient/resident confidentiality needs.

A single point of contact, such as a specific staff member should coordinate oral language assistance services at operation so that staff can refer any and all patients/residents to a designated person trained to obtain qualified interpreter services in a timely manner.

The following steps illustrate the actions operation shall take to implement Element 2. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Develop a program that provides individuals with LEP and/or disabilities participating or attempting to participate in operation programs or activities oral language assistance services in accordance with this plan.
- b. Provide points of contact to provide individuals with LEP and/or disabilities an interpreter at no cost.
- c. Devise criteria for assessing bilingual staff to determine ability to provide services in languages other than English and to provide competent interpreter services.
- d. Maintain a list of Qualified Bilingual/Multilingual Staff capable of providing competent interpreter services in languages other than English.
- e. Establish and post notice of a list of all contacts and other resources available to the operation in providing direct, telephonic, or video oral language assistance to individuals with LEP and/or disabilities seeking information on or access to operation programs and activities.

f. Identify positions appropriate for making bilingual skill a selection criterion for employment, include such criterion in the position description and job announcement, and determine applicants' language skills before making hiring decisions.

ELEMENT 3: Written Translations

Operation will identify, translate (or use a qualified translator) and make accessible in various formats, including print and electronic media, vital documents in languages other than English in accordance with assessments of need and capacity of patients/residents.

Description

Operation shall provide written translations to provide meaningful access to and an equal opportunity to participate fully in the services, activities, programs or other benefits provided by the operation. All vital documents, regardless of language, should be easy to understand by target audiences. Matters of plain language and literacy should be considered for all documents, including vital documents before and after the translation process.

The following steps illustrate the actions operation shall take to implement Element 3. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Provide points of contact to ensure staff and managers can arrange for document translation when necessary to improve access to operation's programs and activities.
- b. Identify documents where the operation regularly encounters languages other than English in serving its patients/residents and take steps to provide translation in those non-English languages.
- c. Use the services of qualified, professional translators.

ELEMENT 4: Policies and Procedures

Operation shall implement written policies and procedures that ensure individuals with LEP and/or disabilities have meaningful access to operation programs and activities.

Description

Operation shall implement and improve language assistance services within the operation. The results of the assessment from Element 1 should be used to in the development of procedures appropriate for the operation and the current and potential individuals with LEP and/or disabilities they serve.

The following steps illustrate the actions operation shall take to implement Element 4. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Implement this Language Access Plan and policy.
- b. Regularly monitor the efficacy of services provided.
- c. Implement a procedure for receiving language assistance concerns or complaints from patients/customers with LEP and/or disabilities and establish procedures to improve services.
- d. Direct concerns or complaints to Pennant Service's Section 1557 Coordinator; Erin Peterson, or the compliance hotline at 866-987-3715.

ELEMENT 5: Notification of the Availability of Language Assistance at No Cost

Operation, in accordance with its needs and capacity and in plain language, will proactively inform and post notices of nondiscrimination and taglines that alert individuals with limited English proficiency to the timely availability of language assistance services at no cost.

Description

Operations shall take steps to provide meaningful access to their programs, including notifying current and potential patients/residents with LEP and/or disabilities about the availability of language assistance in a timely manner and at no cost. Notification methods shall include multilingual posters, signs and brochures, as well as statements on application forms and informational material distributed to the public, including electronic forms such as websites, taglines in English and the top 15 non-English languages spoken in the State, written documents, etc.

The results from the Element 1 assessment should be used to inform the operation on the languages in which the notifications should be translated.

The following steps illustrate the actions operation shall take to implement Element 5. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Implement a strategy for notifying individuals with LEP and/or disabilities who contact the operation or are being contacted by the operation, that language assistance is available to them in a timely manner and at no cost.
- b. Distribute and make available resources.
- c. Provide technical assistance necessary to assist those in need of language assistance services.
- d. Prominently display Notice of Nondiscrimination, appropriate language taglines (translated into top 2 languages for small publications and top 15 languages for publications with larger surface areas), web pages currently available in English only, notifying that language assistance is available at no cost and how it can be obtained.

ELEMENT 6: Staff Training

Operation shall provide staff training so they may understand and can implement the policies and procedures of this plan. Training will help all employees understand the importance of and be capable of providing effective communication to individuals with LEP and/or disabilities in all their programs and activities.

Description

Operation shall determine which staff members should receive training in the related policies, procedures, and provision of language assistance services. All staff should be notified that the operation provides language assistance.

The following steps illustrate the actions operation shall take to implement Element 6. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Develop, make available, and disseminate training materials that will assist management and staff in procuring and providing effective communication for individuals with limited English proficiency and/or disabilities.
- b. Train management and staff on the policies and procedures of the operation-specific language assistance program to provide language assistance to persons with LEP and/or disabilities in a timely manner.
- c. Train appropriate staff on when and how to access and utilize oral and written language assistance services, how to work with interpreters and translators, how to convey complex information using plain language, and how to communicate effectively and respectfully with individuals with limited English proficiency and/or disabilities
- d. Train staff to competently identify LEP and/or disability contact situations and take the necessary steps to provide meaningful access.
- e. When considering hiring criteria, assess the extent to which non-English language proficiency would be necessary for particular positions.
- f. Provide ongoing training as needed.
- g. Track existing and new staff by non-English languages spoken and level of oral and written proficiency.
- h. Identify need for qualifying staff, assessing workload and productivity by taking into account time staff will spend on providing language assistance services.

ELEMENT 7: Assessment of Access and Quality

Operation shall regularly assess the accessibility and quality of language assistance activities for individuals with limited English proficiency and/or disabilities, maintain an accurate record of language assistance services, and implement or improve LEP/disability outreach programs and activities in accordance with patient/resident need and operation capacity.

Description

Operation shall assess and evaluate the language assistance services on an ongoing basis. Areas of evaluation should include patient/resident satisfaction, utilization of appropriate communication channels, and the accessibility and quality of language assistance services provided.

The following steps illustrate the actions operation shall take to implement Element 7. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Regularly assess and take necessary steps to improve and ensure the quality and accuracy of language assistance services provided to individuals with LEP and/or disabilities.
- b. Review and address complaints received from individuals with LEP and/or disabilities with respect to language assistance services and products or other services provided by the operation, in a timely manner.
- c. Identify best practices for continuous quality improvement regarding operation language assistance activities.
- d. Assess qualified staff for proficiency in and ability to communicate information accurately in both English and the other language.
- e. Assess qualified staff's understanding and following of confidentiality, impartiality, and ethical rules.
- f. Assess qualified staff's understanding and adherence to their roles as interpreters.
- g. Document discussions surrounding language assistance services quality and improvement.

ELEMENT 8: Procurement of Language Assistance Services

When an operation elects to procure language assistance services, operation shall take reasonable efforts to ensure that any Request for Proposals or contract for language assistance services will specify responsibilities, assign liability, set pay rates, and provide for dispute resolution.

The following steps illustrate the actions operation shall take to implement Element 8. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Review contract with Legal Department
- b. Review contract for confidentiality and conflicts of interest
- c. Verify vendor can meet the operation's demand for interpreters
- d. Require qualified and competent interpreters with timely service delivery and emergency response plan
- e. Identify with vendor effective complaint resolution when interpretation errors occur
- f. Identify with vendor adequate quality control processes

Appendix A: Definitions

Auxiliary Aids and Services

Aids used to accommodate for a disability and may include, among other things; Qualified Interpreters, amplifiers, alternative formats, white boards, large print materials, closed captioning, video translation or video text displays, or equally effective telecommunications devices.

Disability

Physical or mental impairment that substantially limits one or more major life activities. Includes, without limitation, visual, speech, hearing impairments, mental health, diabetes, cancer, heart disease, HIV disease, drug addiction and alcoholism.

Effective Communication

Communication sufficient in providing individuals with LEP and/or disabilities with substantially the same level of access to services received by individuals without LEP and/or disabilities.

Qualified Bilingual/Multilingual Staff

A member of your staff designated by you who is (1) is proficient in speaking and understanding both spoken English and at least one other spoken language, including any necessary specialized vocabulary, terminology and phraseology, and (2) is able to effectively, accurately, and impartially communicate directly with individuals with limited English proficiency in their primary languages.

Qualified Interpreter

A Qualified Interpreter for an individual with a disability is an individual who has been assessed for relevant translation skills, is able to interpret effectively, accurately, and impartially, both receptively and expressively, using any necessary specialized vocabulary, terminology and phraseology and who abides by a code of professional ethics (Code of Ethics for Interpreters in Health Care)

A Qualified Interpreter for an individual with a limited English is an individual who has been assessed for relevant translation skills, who demonstrates a high level of proficiency in at least two languages, and has the appropriate training and experience to render a message spoken or signed in one language into a second language and who abides by a code of professional ethics (Code of Ethics for Interpreters in Health Care).

Qualified Translator

A translator who: (1) Adheres to generally accepted translator ethics principles, including client confidentiality; (2) has demonstrated proficiency in writing and understanding both written English and at least one other written non-English language; and (3) is able to translate

effectively, accurately, and impartially to and from such language(s) and English, using any necessary specialized vocabulary, terminology and phraseology.

Language Access

Achieved when individuals with LEP and/or disabilities can communicate effectively with staff and contractors while participating in operation programs and activities.

Language Assistance Services

All oral and written language services needed to assist individuals with LEP and/or disabilities to communicate effectively with staff and contractors and gain meaningful access and an equal opportunity to participate in the services, activities, programs, or other benefits provided by operation.

Limited English Proficiency (LEP)

Individuals who do not speak English as their primary language and who have limited ability to read, write, speak, or understand English.

Meaningful Access

Language assistance that results in accurate, timely, and effective communication at no cost to an individual with LEP and/or disability. Denotes access that is not significantly restricted, delayed or inferior as compared to access provided to individuals without LEP and/or disability.

Plain Language

Plain language as defined as writing that is clear, concise and well organized.

Preferred Language

The language that an LEP individual identifies as the preferred language that he or she uses to communicate effectively.

Taglines

Brief messages that may be included in or attached to a document. Taglines in languages other than English can be used on documents written in English that describe how individuals with LEP can obtain translation of the document or an interpreter to read or explain the document.

Translation

Conveying meaning from written text in one language to written text in another language.

Translator

An individual who has been assessed for professional skills, demonstrates a high level of proficiency in at least two languages, and has the appropriate training and experience to render a written message into a second language and who abides by a code of professional ethics.

Vital Document

Paper or electronic written material that contains information critical for accessing healthcare services or is required by law. These documents may include, but are not limited to: critical records and notices as part of emergency preparedness and risk communications; online and paper applications; consent forms; complaint forms; waivers; letters or notices pertaining to eligibility for benefits; notices of individual rights; and letters or notices pertaining to the reduction, denial, or termination of services or benefits that require a response from an individual with LEP and/or disability.

Appendix B: Language Access Related Resources

LEP.gov

For more information about Section 1557, including factsheets on key provisions and frequently asked questions, visit <http://www.hhs.gov/civil-rights/for-individuals/section-1557>

<https://www.hhs.gov/sites/default/files/2016-06-07-section-1557-final-rule-summary-508.pdf>

<https://www.hhs.gov/ocr/index.html>

<https://www.federalregister.gov/documents/2016/05/18/2016-11458/nondiscrimination-in-health-programs-and-activities>

For translated materials, visit www.hhs.gov/civil-rights/for-individuals/section-1557/translated-resources/index.html.

The OCR website has materials on training for the final nondiscrimination rule at <http://www.hhs.gov/civil-rights/for-individuals/section-1557/trainingmaterials/index.html>.

YOUTUBE VIDEOS

Working with an interpreter: <https://www.youtube.com/watch?v=pVm27HLLiQ>

Working with Interpreters in the Healthcare Setting:
<https://www.youtube.com/watch?v=D2fEgvQmx3s>

How to use interpreters effectively: <https://www.youtube.com/watch?v=f1B3DLEOsmg>

Understanding Section 1557's Final Rule: <https://www.youtube.com/watch?v=65W7qvYlrGc>

Serving Healthcare Patients with Limited-English Proficiency:
<https://www.youtube.com/watch?v=wxxD1uDugCg>

EXHIBIT 7

ORIENTATION Policy No. 1-022.1

PURPOSE

To provide guidelines for the orientation process.

POLICY

All personnel will be required to attend an orientation program upon employment and at the time of reassignment. The goal of orientation will be to inform and instruct new personnel regarding Puget Sound Home Health of Thurston County's mission, policies and procedures, benefits (if applicable), the performance appraisal process, competency testing, as well as individual responsibilities and relationships to other personnel.

All personnel will demonstrate knowledge and proficiency in skills appropriate to their assigned responsibilities during the orientation period.

All clinical personnel prior to being assigned to care must present documentation of current CPR certification. CPR certification must be renewed per American Heart Association guidelines.

(See "[Competency Based Orientation](#)" Policy No. 3-002.)

PROCEDURE

1. The orientation content for all personnel will include the following as applicable and appropriate to the care and service provided:
 - A. General company orientation including the organization's mission/philosophy, policy and procedures, environmental safety program, etc.
 - B. Review of organizational chart and lines of authority and responsibility
 - C. Hours of work
 - D. Job related responsibilities (job description), including orientation to equipment, if applicable
 - E. Care and services provided by the organization
 - F. Baseline skills assessments as applicable to job classification

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- G. Infection prevention and control within the organization and the home care setting
- H. Performance standards
- I. Ongoing patient care needs

Policy No. 1-022.2

- J. Confidentiality of organization and patient information/HIPAA regulations
- K. Documentation requirements (record keeping and requirements)
- L. OSHA compliance
- M. Handling of hazardous medications and other materials
- N. Medical Device Reporting/Incident Reporting
- O. Equal Employment Opportunity Act
- P. Ethical issue identification and resolution including conflict of interest, professional boundaries, etc.
- Q. Sexual Harassment Act
- R. Compensation and benefits information (salary/wages, benefits, etc.)
- S. Unemployment and workers' compensation
- T. Malpractice coverage, as applicable
- U. Collective bargaining information, as applicable
- V. Drug testing
- W. Drug diversion
- X. Family/State Medical Leave Act
- Y. Cultural Diversity and communication barriers
- Z. Client/Patient Rights including Advance Directives

Note: Puget Sound Home Health of Thurston County should review rights and responsibilities of the patient, including, but not limited to, patient complaint procedures and how staff will access language services and auxiliary aids.

- AA. Standards of Conduct and Ethical Issues
- BB. Quality (Performance) Improvement Plan and activities

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CC. Compliance Plan and employee compliance responsibilities

DD. Emergency Management Plan

EE. Handling of patient complaints/grievances

Policy No. 1-022.3

FF. Telehealth or telemedicine services for patient consultation and the transmission of health data, such as vital signs as applicable

GG. If applicable, conveying of charges for care/services and OASIS requirements

2. During the orientation process, the organization will provide comprehensive training drug diversion. (See "[Comprehensive Controlled Substances Diversion Prevention Program](#)" Addendum 1-022.B)
3. The orientation process, for all personnel will consist of both didactic and field supervision. Observation visits will be made by an appropriate supervisor to assess the skills demonstrated by new or reassigned personnel as well as reinforce the information presented during classroom time.
4. The orientation process for contract personnel will consist of the following:
 - A. For contract personnel, the contracted organization will have one (1) member of the organization that has been oriented to Puget Sound Home Health of Thurston County policies, procedures, and information presented during orientation. That individual will be responsible for orienting other contract personnel from that organization to Puget Sound Home Health of Thurston County.
 - B. For personnel the organization individually contracts with, a preceptor will be assigned during the orientation process.
5. During the orientation process, the supervisor will be responsible for evaluating the knowledge and skills of the personnel being oriented. Any areas of concern will be brought to the immediate attention of the new personnel. Appropriate guidance/monitoring will be provided or additional training recommended, if needed.
6. Assigned personnel will orient newly assigned personnel or volunteers to their responsibilities and to the patient needs when changes in patient assignment occur. The following will be included as appropriate:
 - A. Patient needs including physical, psychosocial, and environmental aspects of care and service
 - B. Personnel responsibilities
 - C. Specific care and services to be provided

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7. Orientation of new and reassigned personnel may include verbal or written instructions. Orientation may be provided in the patient's home.
8. Orientation of current employees assigned to new job classifications will include.
 - A. Lines of authority and responsibility
 - B. Hours of work
 - C. Job responsibilities
 - D. Skills assessment as applicable to the specific job classification
 - E. Documentation responsibilities

Policy No. 1-022.4

9. A Personnel Orientation Checklist (See "[Personnel Orientation Checklist](#)" Addendum 1-022.A) will be completed for all new personnel. New personnel will sign and date when their orientation has been completed.
10. The supervisor will sign and date the checklist when new personnel have completed all the required activities.
11. The probationary period will be 90 days, during which time the orientation process may be extended if the supervisor, or employee feels it is warranted.

PERSONNEL ORIENTATION CHECKLIST

Name: _____ Date: _____

CHECKLIST	DATE	ORIENTATION BY WHOM	PERSONNEL INITIALS
1. Tour of office/Introduction of organization personnel			
2. Introduction to work stations			
3. Completion of all employment forms			
4. Personnel file A. Application B. Sign job description (copy to personnel) C. Professional license, certification, registration, CPR documentation, as appropriate D. Driver's license, as appropriate E. Proof of auto insurance, as appropriate F. Physical exam, drug test, as appropriate G. TB Screening, as appropriate H. Hep B vaccination, as appropriate I. Standard precautions orientation J. Criminal background/National Sex Offender Registry checks K. OIG Exclusion list check verification			
5. Name and Photo Identification			
6. The orientation content for all personnel will include the following as applicable and appropriate to the care and service provided: A. General orientation to organization, including philosophy, mission, and purpose, policies and procedures, environmental safety program B. Review of organizational chart and lines of authority and responsibility C. Hours of work D. Job related responsibilities E. Care and services provided by the organization F. Baseline skills assessments as applicable to job classification G. Infection prevention and control within the organization and home care setting H. Performance standards I. Confidentiality of organization and patient information/HIPAA J. Documentation requirements (Record keeping and reporting) K. OSHA compliance L. Medical Device Reporting M. Equal Employment Opportunity Act N. Ethical issue identification, resolution and boundaries/Standards of Conduct O. Sexual Harassment Act P. Compensation and benefits Q. Unemployment and workers compensation R. Malpractice coverage, as applicable S. Collective bargaining information, as applicable T. Drug testing U. Family/State Medical Leave Act V. Cultural Diversity/Communication Barriers W. Patient/Client Rights and handling of patient complaints X. Advance Directives Y. Conflict of Interest			

Puget Sound Home Health of Thurston County

CHECKLIST	DATE	ORIENTATION BY WHOM	PERSONNEL INITIALS
Z. Performance Improvement Plan AA. Incident/Variance reporting BB. Compliance Program/Employee Responsibilities CC. Emergency Management Plan DD. OASIS documentation, as appropriate EE. Home Health charges, as appropriate FF. Job specific: medical equipment, special populations			
7. Orientation to job description and job responsibilities (list or cross-reference)			
8. Skills/Competency Assessment (list or cross-reference)			

EXHIBIT 8

**CONSULTING, PROFESSIONAL, AND
OPERATIONAL SUPPORT SERVICES AGREEMENT
(Administrative Services)**

Effective Date: October 1, 2019

CONSULTANT: Pennant Services, Inc., a Nevada corporation

Address: 1675 E. Riverside Drive, Ste. 150,
Eagle, ID 83616

Phone: (208) 401-1400

Fax: (208) 401-1401

FACILITY: Symbol Healthcare, Inc. d/b/a Puget Sound Home Health

Address: 4002 Tacoma Mall Blvd Ste 204, Tacoma, WA 98409

Phone: 253-581-9410

Fax: 253-581-9207

FEIN: 61-1698685

THIS CONSULTING, PROFESSIONAL, AND OPERATIONAL SUPPORT SERVICES AGREEMENT ("Agreement") is made and entered into by and between the above-named Consultant and Agency as of the Effective Date, with respect to the following facts and intentions:

RECITALS

- A. Agency is an independently operated, licensed and certified Home Health, Hospice and/or Home Care Agency operating from the address set forth above (the "Agency Primary Location");
- B. Consultant is a provider of centralized consulting, professional, and operational support designed to aid the efficient, competitive, and sound operation of entities like Agency;
- C. Agency desires to engage the services of Consultant to assist Agency personnel with aspects of Agency's operations and activities, in order to facilitate Agency personnel's focus on Agency's primary mission of rendering superior hospice services to the Agency's patients and clients.

NOW THEREFORE, IN CONSIDERATION OF THE PREMISES and for other good and valuable consideration, the receipt and sufficiency of which the parties hereby mutually acknowledge, the parties agree to the following:

TERMS AND CONDITIONS

1. Incorporation of Exhibits and Recitals. The Recitals set forth above, as well as the exhibits attached hereto, are incorporated herein by this reference as if fully set forth herein.

2. Consultant's Duties. The Consultant agrees to provide such of the following services ("Services") as Agency, at Agency's option and request from time to time, desires to obtain from Consultant during the term of this Agreement, and to perform its duties hereunder in a good, professional and workmanlike manner. Such duties shall include, without limitation (herein the "Services"):

2.1. General Consultant's Duties, Generally.

2.1.1. Consultant will provide Services in substantial conformance to applicable federal and state laws and the established policies of Consultant and Agency in effect from time to time, and Consultant will conduct periodic self-audit/compliance reviews in order to ensure that Consultant substantially complies with federal, state and local statutes and regulations applicable to the provision of the Services. Agency hereby grants to Consultant a limited power of attorney to act in Agency's name and stead for the convenience of Agency and/or Consultant, provided that this power shall not be used except in conjunction with the enumerated Services under this Agreement.

2.1.2. Consultant shall make clear to all parties with whom it deals in the course of rendering the Services that it is an independent contractor and not an employer, employee, partner, co-venturer, or management Agency of Agency. At all times while in the Agency and while with Agency's patients, Consultant's employees and representatives shall wear uniforms and/or badges clearly indicating their affiliation with Consultant.

2.2. Specific Duties of Consultant. During the term of this Agreement, Consultant shall provide to Agency the specific Services listed in Exhibit A at the request of the Agency. In the event of any conflict between the terms of Exhibit A and the terms contained in the main body of this Agreement, the terms of Exhibit A shall control. Consultant's duties shall specifically not include (i) the rendition of any direct care to patients or residents, (ii) maintenance or handling of patient trust property, or (iii) any other service not specifically enumerated herein as a part of the Services and requested by Agency, all of which shall be the sole duty and domain of Agency, its administrators, caregivers and other staff.

3. Agency's Duties. Agency shall:

3.1. Operate its business in and from the Agency in substantial compliance with applicable laws and regulations, and maintain all federal and state licenses and certifications required to operate the Agency and provide Services to patients (collectively the "Licenses"). Agency shall perform all duties required of a licensee and provider under applicable local, state and federal laws, codes, regulations and provider agreements affecting the operation of the Agency. Within five (5) days of receipt, Agency shall deliver to Consultant notification of any actual revocation or suspension of its Licenses.

3.2. Not unreasonably restrict or limit the Consultant's right to exercise its independent professional judgment, including its right to recommend Services to be rendered

and to render such Services using such methods, technologies and procedures as Consultant deems appropriate.

3.3. Timely furnish Consultant with such information and materials as might ordinarily be expected for Consultant to perform its duties hereunder. Agency shall be solely responsible to assure the accuracy and completeness of all information provided by Agency and its personnel to Consultant, and Consultant shall be entitled to rely thereon without inquiry or diligence of any kind.

3.4. As and to the extent that Consultant's employees and agents require access to the Agency to perform the Services, Agency shall provide adequate working space, equipment and access to Agency's staff for the provision of Services. Equipment and materials placed at the Agency by Consultant shall be used exclusively for the purposes of this Agreement. Upon termination or at Consultant's request, Agency shall return equipment and materials, in the same condition as when delivered to Agency, reasonable wear and tear excepted.

3.5. In addition to the foregoing, during the term of this Agreement, Agency shall cooperate with Consultant and Consultant's other client agencies and businesses as more fully set forth in Exhibit A.

4. Compensation.

4.1. For and in consideration of the Services to be provided under this Agreement, the Agency shall pay to the Consultant as the "Consultant Compensation" a monthly consulting fee equal to five percent (5.0%) of Agency's gross revenue from all sources. A reasonable estimate of anticipated monthly Consultant Compensation shall be paid on or before the first (1st) day of each month during the Term hereof, and shall be "trued up" at the beginning of the next following month with such following month's estimated payment. Payment for any partial month of the Term shall be prorated based on the number of days during the month that Consultant served under this Agreement. In the event Agency closes during any month during the Term, the Consultant Compensation for any such month or partial month shall be calculated, at Consultant's option, based on historical revenues and patient mix. At Consultant's option Consultant shall be entitled to deduct the Consultant Compensation from sums collected for Agency by Consultant, and shall provide Agency with invoices (or if paid by deduction accountings) for the monthly fee by the last day of the month following the month of service.

4.2. In addition to and not as part of the Consultant Compensation, Agency shall reimburse Consultant for all costs and expenses advanced, incurred, or paid by Consultant in the rendition of Services.

5. Insurance.

5.1. Both Consultant and Agency agree to maintain general and professional liability insurance during the term of this agreement in an amount not less than One Million Dollars (\$1,000,000) per claim and Three Million Dollars (\$3,000,000) in the aggregate.

5.2. Both parties agree to maintain such other and further insurance as may be required by law or the terms of any agreement to which they are parties, including without

limitation worker's compensation insurance (where required by law), crime insurance, directors and officers coverage, automobile and similar liability, and property and casualty insurance, and will list Agency as named insured on all obtained policies.

5.3. All insurance policies shall be issued by insurance companies with a policyholder rating of at least "B+" in the most recent version of Best's Key Rating Guide.

6. Term and Termination. The Term of this Agreement shall commence on the Effective Date and continue thereafter for a period of one (1) year. This Agreement shall automatically extend for additional periods of one (1) year each unless written notice of termination is given not less than sixty (60) days prior to the end of the then-current term. Notwithstanding anything contained herein to the contrary, either party may terminate this Agreement and the Term hereof at any time during the Term upon sixty (60) days written notice; further, in the event of (i) abandonment by a party of its duties hereunder, (ii) nonpayment of any Consultant Compensation within five (5) days after delivery of invoice or other written demand therefor; (iii) any breach or violation of this Agreement (other than non-payment of Consultant Compensation) which is not cured within thirty (30) days following delivery of written notice of such breach or violation, (iv) any material violation of law or regulations, or loss or failure of license or licensure, or violation of the eligibility requirements for reimbursement under any government program by a party, or (v) the occurrence or existence of any condition, practice, procedure, action, inaction or omission of, by or involving a party which, in the reasonable opinion of the other party constitutes either a threat to the health, safety, and welfare of any patient or client or a violation of any law, regulation, requirement, Licenses, eligibility or material agreement governing Agency's or Consultant's operation, then the other party shall have the right to summarily and immediately terminate this Agreement upon written notice to the first party.

7. Regulatory Changes. Agency and Consultant mutually agree that in the event local, state or federal government agencies promulgate regulations which materially affect the terms of this Agreement, including but not limited to changes affecting the cost of providing Services hereunder, this Agreement shall be immediately subject to renegotiation upon the initiative of either party.

8. Warranties.

8.1. Agency's Warranties. Agency hereby makes the following warranties and representations to Consultant in connection with Consultant's entry into this Agreement, which warranties shall survive the termination of this Agreement:

8.1.1. Agency is properly licensed by the State in which the Agency's operation(s) is located by the proper licensing and certification authorities for such State, and all permits and licenses required for the operation of Agency's business(es) have been received and are now currently effective.

8.1.2. As of the Effective Date, except as specifically disclosed on Schedule 1 attached hereto and incorporated herein, there is no litigation, administrative proceedings, event, or hold or similar lien on State or Federal payments to Agency, either underway or threatened, nor are there arbitration proceedings or governmental investigations relating to the Agency, or the business conducted thereon underway or threatened against Agency or brought by the Agency

8.1.3. To the best of Agency's knowledge, the business operations of the Agency at the Commencement Date comply with all local, State and Federal zoning, labor and other applicable laws, ordinances, rules and regulations applicable to the Agency.

8.1.4. Agency has been duly formed in the state of its domicile and remains in good standing in such state, and (if operating in a state other than its domicile) has been duly registered and authorized to do business in the state where its business operation(s) is located and is in good standing in that state as well.

8.1.5. Agency is authorized to consummate the transactions covered by this Agreement.

8.2. Consultant's Warranties. Consultant hereby makes the following warranties and representations to Agency in connection with Agency's entry into this Agreement, which warranties shall survive the termination of this Agreement:

8.2.1. Consultant is a Nevada corporation in good standing, and is registered to do business in, and is in good standing with, the State of Idaho.

8.2.2. Consultant is authorized to consummate the transactions covered by this Consulting Agreement.

9. Licensure, Eligibility and Compliance.

9.1. Consultant acknowledges that its activities under this Agreement may be governed by, *inter alia*, the United States Department of Health and Human Services' Office of the Inspector General's ("OIG") Compliance Program Guidance for Home Health Agencies and/or the OIG's Compliance Program Guidance for Hospices. Consultant represents and warrants that neither Consultant nor any individual or entity with a direct or indirect ownership or control interest of five percent (5%) or more in Consultant, nor any director, officer, agent or employee of such party, is debarred, suspended or excluded under any state or federal healthcare program it is currently eligible to participate in Medicare, Medicaid, and all other federally funded health care programs and is not subject to any sanction or exclusion by any of those programs. Consultant agrees to immediately disclose any actual or threatened federal, state or local investigations or imposed sanctions of any kind, in progress or initiated subsequent to the date of entering into this Agreement. Consultant further represents and warrants that it is not currently sanctioned under any applicable state or federal fraud and abuse statutes, including exclusion from any state or federal health care program. If, during the term of this Agreement, Consultant, its parent, or any officer, director or owner receives such a sanction, or notice of proposed sanction, Consultant shall provide notice of and a full explanation of such sanction or proposed sanction and the period of its duration within ten (10) days of receipt. Agency reserves the right to terminate the Agreement immediately upon receipt of notice that Consultant has been sanctioned under fraud and abuse statutes and/or any other federal, state or local regulation.

9.2. If the Agency Primary Location is located in the state of Texas, Consultant agrees to complete, execute and deliver to Agency upon request a Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion for Covered Contracts on Form 2046 as promulgated by the Texas Department of Protective & Regulatory Services.

9.3. Consultant acknowledges that it has received a copy of Agency's Code of Conduct, and agrees to abide by the provisions thereof governing Vendors and Vendor services.

10. Consultant's Schedule and Availability.

10.1. Consultant shall be reasonably available on an on-call basis to the Agency to fulfill Consultant's duties hereunder.

10.2. Nothing in this Agreement shall be construed as limiting or restricting in any manner Consultant's right to render the same or similar services to other individuals or entities, including but not limited to, other hospice and in-home care during or subsequent to the Term of this Agreement; similarly, nothing in this Agreement shall require Agency to exclusively use all of Consultant's services in the Agency during the Term of this Agreement.

10.3. Consultant's employees and representatives are entitled to be reasonably absent for annual vacations, sick leave, continuing education, and personal reasons; provided that in the event of any absence Consultant shall consult with the Agency concerning the impending absence and cooperate with the Agency in providing alternate resources to Agency to temporarily fulfill Consultant's duties during the period of absence.

11. Contractual Relationship.

11.1. Independent Contractor. It is expressly acknowledged by both parties that Consultant is an independent contractor. Nothing herein is intended to be construed to create an employer-employee, partnership, joint venturer or other relationship between Consultant and the Agency. Agency has and shall retain all statutory liability and responsibility for the continued operation of the Agency as the licensee under Agency's Licenses. No provision of this Agreement shall create any right in the Agency to exercise control or direction over the manner or method by which Consultant performs its duties or renders Services hereunder, nor shall Consultant exercise control or direction over the manner or method by which Agency operates or serves its patients and clients; provided always, that services shall be provided in a manner consistent with all applicable laws, rules and regulations of all governmental authorities, and Agency's Code of Conduct. Agency will not withhold from compensation payable to Consultant hereunder, or be in any way responsible for, any sums for income tax, employment insurance, Social Security, or any other agency and Consultant agrees that the payment of all such amounts as may be required by law are and shall be the sole responsibility of Consultant.

11.2. Fair Market Value. The amounts to be paid to Consultant hereunder have been determined by the parties through good faith and arms-length bargaining to be the fair market value of the services to be rendered hereunder. No amount paid or to be paid hereunder is intended to be, nor will it be construed as, an offer, inducement or payment, whether directly or indirectly, overtly or covertly, for the referral of patients by Consultant to Agency, or by Agency to Consultant, or for the recommending or arranging of the purchase, lease or order of any item or service. For purposes of this section, Consultant and Agency will include each such entity and any affiliate thereof. No referrals are required under this Agreement.

11.3. Work Product. The work product created in the course of Consultant's services under this agreement shall be the exclusive property of Consultant, and all manuals, forms, and documents (including without limitation, all writings, drawings, blueprints, pictures, recordings, computer or machine readable data, and all copies or reproductions thereof) which result from, describe or relate to the services performed or to be performed pursuant to this agreement or the results thereof, including without limitation all notes, data, reports or other information received or generated in the performance of this Agreement (excepting data incorporated in medical records required to be kept and maintained by Agency), shall be the exclusive property of Consultant and shall be delivered to Consultant upon request.

11.4. Non-Solicitation of Consultant's Employees. During the term of this Agreement, Agency shall not solicit the services of, or hire as an employee or independent contractor at the Agency, any Consultant employee, agent or representative who provided, managed or otherwise was involved in the provision of Services to Agency within the previous twelve (12) months (a "Restricted Employee"). Nothing herein shall preclude Agency from advertising available positions or opportunities by posting in the Agency or through newspaper ads or other generally accepted recruiting mediums. The parties acknowledge that the restrictions set forth in this Article are reasonable in scope and important to Consultant's business interests, and that the enforcement of this Article does not restrict Agency from engaging in Services for its own account. In the event that Agency hires a Restricted Employee, Agency shall pay a recruiting fee to Consultant in the amount of Seven Thousand Five Hundred and No/100 Dollars (\$7,500.00) per Restricted Employee hired.

12. Indemnification.

12.1. Agency agrees to defend, indemnify, and hold Consultant, its parent, subsidiaries, affiliated and related companies, directors, officers, employees, and agents, wholly harmless from and against any and all costs (including reasonable attorney's fees) liabilities, claims, losses, lawsuits, settlements, demands, causes, judgments and expenses arising from the performance of this Agreement to the extent that such costs and liabilities result from the negligence or willful misconduct of Agency.

12.2. Consultant agrees to defend, indemnify, and hold Agency, its parent, subsidiaries, affiliated and related companies, directors, officers, employees, and agents, wholly harmless for, from and against any and all costs (including reasonable attorney's fees), liabilities, claims, losses, lawsuits, settlements, demands, causes, judgments and expenses arising from or connected with Consultant's acts or omissions or the performance of this Agreement, to the extent that such costs and liabilities are alleged to result from the negligence or willful misconduct of Consultant.

12.3. A party receiving notice of a claim or potential claim shall send written notice to the other within ten (10) business days, and shall fully cooperate in the defense thereof by counsel mutually acceptable to the parties. The parties' rights to indemnification set forth in this Article are non-exclusive and are not intended to affect in any way any other rights of the parties to indemnification under applicable federal, state or local laws and regulations.

13. Access to Books and Records. Pursuant to 42 U.S.C. §1395x(V)(1)(I), during the four (4) year period after completion of services hereunder, the Agency will, upon written request, make available to the Secretary of Health and Human Services or to the Comptroller General, or their duly authorized representatives, this Agreement, books, documents, and

records that are necessary to certify the nature and extent of costs incurred by the Agency under the provisions of this Agreement. This provision shall be in force for any twelve (12) month period during which the total value of services provided or goods delivered hereunder is Ten Thousand Dollars (\$10,000) or more. This section shall have no effect unless Consultant is deemed a "subcontractor" under any regulation adopted under the provision of the United States Code cited above.

14. Privacy.

14.1. HIPAA Applicability and Compliance. Agency may be a "Covered Entity" under, and required to comply with, the applicable provisions of the Health Insurance Portability and Accountability Act of 1996 as amended ("HIPAA") and the regulations and guidelines pertaining thereto (collectively with HIPAA the "HIPAA Rules"), and to obtain sufficient assurances that its contracting parties will appropriately safeguard patients' "Protected Health Information" ("PHI") as defined in the HIPAA Rules. In the course of performing Consultant's services, duties and obligations herein, Consultant may receive, create or obtain access to PHI. Consultant agrees to maintain the security and confidentiality of PHI, as required of Agency by applicable laws and regulations, including without limitation the HIPAA Rules, and to execute and deliver such additional documentation and assurances as Agency may reasonably request to comply with HIPAA and any amendments thereto and related laws and regulations, including, but not limited to, the Business Associate Agreement attached hereto as Exhibit B.

14.2. Correlation of Record Handling Requirements. In the event of any conflict between the requirements of this Article 14 and/or between the various laws, statutes, ordinances and regulations relating to or otherwise affecting the subject matter thereof, the requirement or applicable law that that presents the most stringent standard for compliance, as reasonably determined by Agency, shall be followed, such that compliance is achieved or maximized in all cases.

14.3. Confidential Information. Consultant shall preserve the confidentiality of all private, confidential and/or proprietary information disclosed to or discovered by Consultant in connection with this Agreement, including, without limitation, nonpublic financial information, manuals, protocols, policies, procedures, marketing, and strategic information, Agency lists, computer software, training materials, resident/patient health information, resident/patient records, and resident/patient care and outcomes data ("Confidential Information") as and to the extent required by law. Consultant shall not use for its own benefit or disclose or otherwise disseminate to third parties, directly or indirectly, any Confidential Information without prior written consent from Agency, provided however that if Consultant grants Agency access to, and Agency uses, Consultant's databases or information sharing mechanisms, Agency's information may be provided to similar agencies and Agency hereby grants Agency's consent to such information sharing as a condition to Agency's receipt of access to such mechanisms and the data they contain from time to time. Upon termination of this Agreement, all Confidential Information and copies thereof shall be returned to Agency. Consultant and Agency shall comply with applicable federal, state and local laws and regulations with respect to all Confidential Information, including, but not limited to, any disclosures thereof pursuant to this section.

15. Notices. All notices which are required or which may be given pursuant to the terms of this Agreement shall be in writing and shall be sufficient in all respects if given in writing and delivered personally or by registered or certified mail, return receipt requested, or

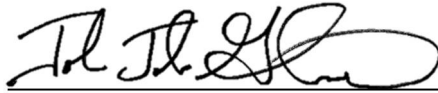
by a comparable commercial delivery system, and notice shall be deemed to be given on the date hand-delivered or on the date which is three (3) business days after the date deposited in United States mail, or with a comparable commercial delivery system, with postage or other delivery charges thereon prepaid, at the addresses first set forth above or such other addresses as Agency and Consultant may designate by written notice to the other from time to time.

16. Arbitration.

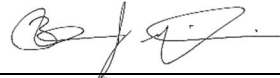
16.1. Any controversy, dispute or claim arising in connection with the interpretation, performance or breach of this Lease, including any claim based on contract, tort or statute, shall be determined by final and binding, confidential arbitration with Judicial Mediation and Arbitration Service (“JAMS/Endispute”) in Ada County, Idaho, provided that if JAMS/Endispute (or any successor organization thereto) no longer exists, then such arbitration shall be administered by the American Arbitration Association (“AAA”) in accordance with its then-existing Commercial Arbitration Rules, and the sole arbitrator shall be selected in accordance with such AAA rules. Any arbitration hereunder shall be governed by the United States Arbitration Act, 9 U.S.C. 1-16 (or any successor legislation thereto), and judgment upon the award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof. Neither Agency, Consultant, nor the arbitrator shall disclose the existence, content or results of any arbitration hereunder without the prior written consent of all parties; provided, however, that either party may disclose the existence, content or results of any such arbitration to its partners, officers, directors, employees, agents, attorneys and accountants and to any other Person to whom disclosure is required by applicable Legal Requirements, including pursuant to an order of a court of competent jurisdiction. Unless otherwise agreed by the parties, any arbitration hereunder shall be held at a neutral location selected by the arbitrator in Ada County, Idaho. The cost of the arbitrator and the expenses relating to the arbitration (exclusive of legal fees) shall be borne equally by Agency and Consultant unless otherwise specified in the award of the arbitrator, in which case such fees and costs paid or payable to the arbitrator shall be included in “reasonable costs and attorneys’ fees” for purposes of Section 17.2, and the arbitrator shall specifically have the power to award to the prevailing party pursuant to such Section 17.2 such party’s costs and expenses, including fees and costs paid to the arbitrator.

16.2. NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTES ARISING IN THIS “ARBITRATION OF DISPUTES” PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED HEREIN AND BY IDAHO LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE SUCH DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THIS “ARBITRATION OF DISPUTES” PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE IDAHO CODE OF CIVIL PROCEDURE. YOUR AGREEMENT OF THE PARTIES TO THIS ARBITRATION PROVISION IS VOLUNTARY.

BY INITIALLING BELOW YOU AFFIRM THAT YOU HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.



CONSULTANT



AGENCY

17. Miscellaneous.

17.1. This Agreement has been negotiated by and between Consultant and Agency in arms-length negotiations, and both parties are responsible for its drafting. Both parties have reviewed this Agreement with appropriate counsel, or have waived their right to do so, and the parties hereby mutually and irrevocably agree that this Agreement shall be construed neither for nor against either party, but in accordance with the plain language and intent hereof. The invalidity or unenforceability of any provision of this Agreement shall not affect the other provision hereto, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted. Headings are used herein for convenience only, and shall play no part in the construction of any provision of this Agreement

17.2. In the event of any dispute between the parties arising under or in relation to this Agreement, the prevailing party in such dispute or litigation shall have the right to receive from the non-prevailing party all of the prevailing party's reasonable costs and attorneys' fees incurred in connection with any such dispute and/or litigation. As used herein, the term "prevailing party" shall refer to that party to this Agreement for whom the result ultimately obtained most closely approximates such party's position in such dispute or litigation.

17.3. This Agreement shall be governed by the laws of the State of Idaho. Notwithstanding anything contained herein to the contrary, venue for any action involving this Agreement shall lie solely in Ada County, Idaho.

17.4. Time is of the essence of this Agreement and every term and condition hereof.

17.5. The waiver by any party hereto of breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach by any party.

17.6. This Agreement shall binding upon the parties hereto, their heirs, successors and assigns. Notwithstanding the foregoing, the parties mutually acknowledge that a material and substantial consideration in the parties' mutual execution of this Agreement is the identity and reputation of the other party, and each party's subjective perception of the other's value to and compatibility with such party and its officers, employees, facilities and

patients. As such, notwithstanding anything contained herein to the contrary, this Agreement and the rights of the parties hereunder are personal to the parties and may not be assigned or subcontracted to, nor shall the duties and responsibilities of either hereunder be delegated to or rendered by, any other person or entity without the express prior written consent of the other party, which consent may be granted or denied, conditionally or unconditionally, by a party in its sole, absolute and unfettered discretion.

17.7. Notwithstanding the expiration or earlier termination of this Agreement, the obligations and/or liabilities of the parties hereunder, relating to events, occurring during the Term, to which the parties' indemnification obligations under Section 12 apply, shall continue in full force and effect after the Agreement terminates, subject to applicable statutes of limitation. Additionally, the covenants of the parties under Sections 11.4, 13, 14 and 16 shall survive the termination of this Agreement.

17.8. This Agreement is solely between the parties hereto, and shall not create any right or benefit in any third party, including without limitation any creditor, agent, partner, employee or affiliate of Current Operator, or any entity or agency having jurisdiction of any of the Licenses, the Agency or the operation of the business therein.

17.9. This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersedes and negates any previous contracts between Agency and Consultant. Agency and Consultant mutually agree that this Agreement may not be modified unless such modification is in writing and signed by both parties.

IN WITNESS WHEREOF, the parties have affixed their signatures hereto as of the dates set forth below.

CONSULTANT:


PENNANT SERVICES, INC.
a Nevada corporation

BY: 

John Gochnour
Authorized Agent
Date: September 28, 2019

AGENCY:

SYMBOL HEALTHCARE, INC.,
a Nevada corporation

BY: 

Brent Guerisoli
Authorized Agent
Date: September 28, 2019

EXHIBIT A
CONSULTING, PROFESSIONAL, AND
OPERATIONAL SUPPORT SERVICES AGREEMENT
(Administrative Services)

THIS EXHIBIT A supplements the foregoing CONSULTING, PROFESSIONAL, AND OPERATIONAL SUPPORT SERVICES AGREEMENT (the “Agreement”) made and entered into by and between the therein-named Consultant and Agency and forms a part thereof. The specific duties and obligations described herein may or may not be performed by either party, depending upon the needs, preferences and requests of the other from time to time. The lists of duties and activities are not exhaustive, but where certain duties or activities are expressly limited, excluded or proscribed hereby, such activities shall not be requested or performed. Consultant’s services shall be rendered on a non-exclusive basis, and Consultant shall have no duty to limit its services solely to Agency. Any service to be rendered by Consultant hereunder may be, at Consultant’s sole option, rendered on a joint or “pooled” basis with or to Agency and other clients of Consultant. Consultant may provide any of its services hereunder through the use or assistance of subcontractors, but such subcontractors shall be subject to all of the terms and conditions of this Agreement. Although Consultant shall have discretion to make certain decisions regarding its Services for Agency in the day-to-day rendition of such services, Agency shall remain solely responsible for all decisions and actions made by, at, for or involving Agency and the operation of Agency’s business.

SPECIFIC SERVICES TO BE RENDERED BY CONSULTANT:

1. Accounting.
 - A. Provides regular financial statements, analysis and reports to Agency management and Agency’s lenders and customers.
 - B. Provides billing and collections oversight and assistance, including without limitation general compliance counseling, provided however that Agency shall be solely responsible for assessment, billing and collection compliance.
 - C. Tracks lockbox and other revenues, as well as all expenses submitted to Consultant, including without limitation capital projects expenses, and consults on the advisability of major capital expenditures.
 - D. Provides accounts payable processing based on Agency-supplied payables data.
 - E. Provides payroll services based upon Agency-generated payroll data; including without limitation providing separate payrolls for key employee groups as deemed prudent by Consultant or requested by Agency.
 - F. Assists in the preparation and filing of cost reports and other required financial filings and reports.
 - G. Oversees borrowing and other financial relationships and acts as liaison for lenders and outside accounting and financial consultants, and assists in procuring, maintaining and complying with the terms of financing and credit relationships, which may, with

Agency's acquiescence AND at Consultant's sole option, be created on a standalone basis for Agency or jointly in concert with some or all of Consultant's other clients.

2. Human Resources.

A. Procures and assists Agency in administering employee benefits plans as requested by Agency for its employees, such as health, dental, defined benefit, defined contribution, life insurance, disability, employee assistance programs and other benefits which may, with Agency's acquiescence AND at Consultant's sole option, be created on a standalone basis for Agency or jointly or in concert with some or all of Consultant's other clients.

B. Provides sample form non-nursing policy and procedure manuals, employee handbooks and hiring, performance evaluation and disciplinary forms and the like, to facilitate the efficient establishment and conduct of employer-employee relations; provided that all manuals, materials and template forms provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant.

C. Provides general assistance with human resources, labor and employment questions and issues, including questions related to hiring, disciplining and separation of employees; provided that Consultant shall have no responsibility for hiring, discipline or separation of Agency employees, which responsibility shall be and remain the sole province of Agency.

D. Provides periodic in-services and other trainings as requested by Agency, including an annual training meeting or convention for Agency's Administrator and Director of Nursing (which may be offered simultaneously and in conjunction with the annual trainings for other of Consultant's clients), to assist managers and staff in the lawful and efficient conduct of their business affairs; provided that all trainings and materials provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant.

E. Provides, as requested by Agency, independent third-party investigation of employment-related allegations of managerial and/or staff misconduct and recommendations (but not directives) with respect thereto.

3. Legal Services.

A. Provides general legal counsel consisting of limited legal services and assistance, including litigation management, corporate filings and governance assistance, legal compliance tools, licensing assistance and similar services; provided however that Consultant shall render no legal advice or court representation in any jurisdiction where an employee of Consultant is not licensed to do so unless otherwise permitted by law.

B. Provides contract review, processing and general assistance with vendor, customer and other contracts; and Agency hereby authorizes Consultant to negotiate and enter into contracts on Agency's behalf as Agency's agent solely for such limited purpose, but Consultant shall not be bound to perform such contracts for Agency. Consultant is also authorized to include Agency in "pooled" or joint contracts with other of Consultant's clients,

provided that in no event shall Agency ever be jointly, severally or in any other way authorized, bound or liable for the acts or omissions of Consultant or any other client of Consultant for or under any such contract or arrangement, and the scope of Consultant's authority shall not include obligating Agency in any way for the obligations of Consultant or any other person or entity.

C. Provides periodic legal, compliance, regulatory and similar in-services and other formal and informal trainings as requested by Agency, which may be offered simultaneously and in conjunction with the trainings for other of Consultant's clients. Such trainings shall include no nursing or direct care services by Consultant's representatives, but may or may not include, without limitation, assistance with proper patient charting and similar activities when performed in connection with in-services, medical records, survey readiness reviews, mock surveys and other similar consulting and training, in order to assist nursing leadership and staff in the lawful, prudent and efficient conduct of caregiving operations; provided that all trainings and materials provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant.

D. Provides assistance in labor and employment matters, including collective bargaining and other labor relations activities, and processing of state and federal employment (e.g., EEOC, DFEH, OCR, NLRB and similar agencies and programs) claims.

4. Risk Management.

A. Interfaces with insurance brokers and carriers to procure and maintain necessary and desirable insurance coverages. Consultant may, at Consultant's option and unless Agency objects, provide coverages under "pooled risk arrangements or "blanket" policies that cover other clients of Consultant, and Agency shall pay its allocated share of the premiums for such coverages based on the rating and risk profile of Agency as determined by Consultant, the broker and/or the insurance underwriters setting the premium. In addition, Consultant may provide such services, at Consultant's option, through captives or pooled insurance arrangements with other clients of Consultant or other insureds.

B. Provides, itself or through brokers or outside consultants, limited loss prevention evaluations and services.

C. Provides worker's compensation coverages, training, resources and systems, which may or may not include, at Consultant's option, assisting Agency, either for Agency's own account with third-party carriers, or under self-insurance certificates issued to Consultant or Agency, to self-insure for worker's compensation and other risks.

5. Information Technology.

A. Provides basic technology services, including assistance with computer, peripheral and network installations and troubleshooting where Agency uses hardware and software supported by Consultant.

B. Provides centralized Internet, Intranet, and other technology programs

and services to promote the efficient, accurate and timely collection and collation of operating and other business data.

C. Provides assistance in designing and maintaining web addresses, email services and informational websites for the Agency.

D. Provides centralized purchasing and procurement services and counseling for Agency's planning, acquisition and use of technology products and services.

6. Miscellaneous Services.

A. Provides periodic CEO-in-Training ("CIT") and Leadership programs, as well as other formal and informal trainings as requested by Agency, which may be offered simultaneously and in conjunction with the trainings for other of Consultant's clients. Such trainings shall include no nursing or direct care services by Consultant's representatives, but may or may not include, without limitation, assistance with filing of nursing home administrator and similar certification and licensing applications, and other similar assistance, consulting and training, in order to assist Agency leadership and staff in obtaining and maintaining necessary and appropriate certifications and licenses; provided that all trainings and materials provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant

B. Provides centralized purchasing opportunities from vendors, and service providers; provided that (i) Agency shall not be required to participate on any such purchasing cooperative or arrangement, (ii) Agency shall never be liable for the expenses, acts or omissions of Consultant or other clients of Consultant under such arrangements, but shall be responsible solely for its own purchases thereunder, (iii) catalogs, materials and forms provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant, and (iv) Consultant shall be authorized to act as Agency's agent for the limited purpose of negotiating and entering into such arrangements, but not for actually committing to the ordering of any product or service or the incurrence of any obligation thereunder, which shall be the sole province of Agency.

ADDITIONAL DUTIES TO BE PERFORMED BY AGENCY:

Without limiting any other duty or obligation of Agency at law or under the Agreement, Agency shall do all of the following:

7. Agency shall be solely responsible for (i) naming and managing its own Governing Body as required by applicable laws and regulations, (ii) hiring, supervising and evaluating its administrator and other employees, and (iii) overseeing the day-to-day conduct of its business and related activities.

8. Agency shall be solely responsible for providing a safe and sanitary environment for Agency personnel.

9. Agency shall be solely responsible for (i) operating its business in and from the

Agency location(s) in substantial compliance with applicable laws and regulations, (ii) maintaining all federal and state licenses and certifications required to operate the Agency and provide Services to patients and clients, (iii) performing all duties required of a licensee and provider under applicable local, state and federal laws, codes, regulations and provider agreements affecting the operation of the Agency, and (iv) notifying Consultant of any threatened, pending or actual revocation or suspension of its Licenses.

10. Timely furnish Consultant with such information and materials as might ordinarily be expected for Consultant to perform its duties hereunder. Agency shall be solely responsible to assure the accuracy and completeness of all information provided by Agency and its personnel to Consultant, and Consultant shall be entitled to rely thereon without inquiry or diligence of any kind.

11. Agency shall not unreasonably restrict or limit Consultant's access to necessary information, and acknowledges Consultant's right to exercise its independent professional judgment, including recommending Services and rendering such Services using such methods, technologies and procedures as Consultant deems appropriate.

12. Consultant's corporate address: 1675 E. Riverside Drive, Suite 150, Eagle, ID 83616, shall serve Agency's mailing address and address for service of process.

13. If requested by Consultant, Agency shall send delegates to Consultant's customer service teams, operator forums, evaluation and other service teams, trainings, and other committees and events as reasonably requested and available. In addition, to the extent available Agency delegates shall from time to time participate, both as trainees and trainers, in training and leadership conferences and events for the benefit of Consultant and others.

14. With Agency's acquiescence, and at Consultant's expense to the extent the trainee does not provide value to Agency, Agency agrees to periodically serve as a training site for Consultant's employees, providing (where available) preceptorship and organized training for CITs and other trainees of Consultant. In the event that a compensated trainee does not provide full value to Agency during his/her training program, Consultant shall pay directly, or reimburse Agency for, the portion of the trainee's compensation and training expenses that exceed the reasonable value provided.

Exhibit B

BUSINESS ASSOCIATE AGREEMENT

AGREEMENT EFFECTIVE DATE:	October 1, 2019
COVERED ENTITY:	SYMBOL HEALTHCARE, INC. ADDRESS: 4002 TACOMA MALL BLVD STE 204, TACOMA, WA 98409
BUSINESS ASSOCIATE:	PENNANT SERVICES, INC. ADDRESS: 1675 E. RIVERSIDE DRIVE, SUITE 150, EAGLE, ID 83616

This Business Associate Agreement (“Agreement”) is made and entered into as of the Effective Date listed in this Exhibit B, and between the above-listed Covered Entity and Business Associate, with reference to the following facts:

RECITALS

WHEREAS, Business Associate has been engaged to provide staffing services to Covered Entity pursuant to a separate agreement (the “Services Agreement”), and, in connection with those services, Covered Entity may need to disclose to Business Associate, or Business Associate may need to create on Covered Entity’s behalf, certain Protected Health Information (as defined below) that is subject to protection under the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 (“HIPAA”), the Health Information Technology for Economic and Clinical Health Act, Public Law 111-005 (“HITECH Act”), and regulations promulgated thereunder by the U.S. Department of Health and Human Services to implement certain privacy and security provisions of HIPAA (the “HIPAA Regulations”), codified at 45 C.F.R. Parts 160 and 164; and

WHEREAS, pursuant to the HIPAA Regulations, all business associates of Covered Entity, as a condition of doing business with Covered Entity, must agree in writing to certain mandatory provisions regarding the privacy and security of PHI (as defined below).

NOW THEREFORE, IN CONSIDERATION OF THE FOREGOING, and the mutual promises and covenants contained herein, Business Associate and Covered Entity agree as follows:

AGREEMENT

Definitions.

Unless otherwise specified in this Agreement, all terms not otherwise defined shall have the meanings established in Title 45, Parts 160 and 164, of the United States Code of Federal Regulations, as amended from time to time. Further, capitalized terms used, but not otherwise defined, in this Agreement shall have the meanings set forth in HIPAA, the HIPAA Regulations and the HITECH Act.

- 1.1 *Breach* shall have the meaning given to such term in 42 U.S.C. § 17921, and shall include the unauthorized acquisition, access, use, or disclosure of PHI which compromises the security or privacy of such information.
- 1.2 *Business Associate* shall have the meaning given to such phrase under the HIPAA Regulations and the HITECH Act, including, but not limited to, 45 C.F.R. § 160.103 and 42 U.S.C. § 17938, respectively. For purposes of this Agreement, “Business Associate” shall also refer specifically to the entity or individual set forth in the Preamble above.
- 1.3 *Covered Entity* shall have the meaning given to such phrase under the HIPAA Regulations including, but not limited to, 45 C.F.R. § 160.103. For purposes of this Agreement, “Covered Entity” shall also refer specifically to the entity set forth in the Preamble above.
- 1.4 *Data Aggregation* shall have the meaning given to such phrase under the Privacy Rule, including, but not limited to, 45 C.F.R. § 164.501.
- 1.5 *Designated Record Set* means a group of records maintained by or for Covered Entity that may include (i) medical records and billing records about Individuals maintained by or for a covered health care provider, (ii) the enrollment, payment, claims adjudication, and case or medical management record systems maintained by or for a health plan, or (iii) records used, in whole or in part, by or for Covered Entity to make decisions about Individuals.
- 1.6 *Electronic Health Record* shall have the meaning given to such phrase in the HITECH Act, including, but not limited to, 42 U.S.C. § 17921(5).
- 1.7 *Electronic Protected Health Information* (“ePHI”) means individually identifiable health information that is transmitted by, or maintained in, electronic media.
- 1.8 *Health Care Operations* shall have the meaning given to such phrase under the Privacy Rule, including, but not limited to, 45 C.F.R. § 164.501.
- 1.9 *Individual* has the same meaning as the term *individual* in 45 C.F.R. § 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. § 164.502(g).
- 1.10 *Privacy Rule* shall mean the Standards for Privacy of Individually Identifiable Health Information codified at 45 C.F.R. Part 160 and Part 164, Subparts A and E, as amended by the HITECH Act and as may otherwise be amended from time to time.
- 1.11 *Protected Health Information* (“PHI”) means any information, whether oral or recorded in any form or medium: (i) that relates to the past, present or future physical or mental condition of an Individual; the provision of health care to an Individual; or the past, present or future payment for the provision of health care to an Individual; and (ii) that identifies the Individual or with respect to which there is a reasonable basis to believe the information can be used to identify that Individual; and (iii) shall include the definition as set forth in the Privacy Rule including, but not limited to, 45 C.F.R. § 160.103. For purposes of this Agreement, PHI shall include ePHI.
- 1.12 *Required By Law* shall have the same meaning as the phrase *required by law* in 45 C.F.R. § 164.103.
- 1.13 *Secretary* means the Secretary of the U.S. Department of Health and Human Services or his/her designee.

- 1.14 *Security Incident* means the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system.
- 1.15 *Security Rule* shall mean the HIPAA Regulations that are codified at 45 C.F.R. Part 160 and Part 164, Subparts A and C, as amended by the HITECH Act and as may otherwise be amended from time to time.
- 1.16 *Unsecured PHI* shall mean PHI that is not secured through the use of a technology or methodology specified by the Secretary in guidance or as otherwise defined in 42 U.S.C. § 17932(h).

Scope of Agreement.

This Agreement applies to the PHI of Covered Entity to which Business Associate may be exposed as a result of the services that Business Associate will provide to Covered Entity pursuant to the Services Agreement. Business Associate shall abide by HIPAA, the HIPAA Regulations and the HITECH Act with respect to PHI of Covered Entity, as outlined below.

Obligations and Activities of Business Associate.

- 3.1 *Permitted Uses.* Except as otherwise limited in this Agreement, Business Associate may use PHI (i) for the proper management and administration of Business Associate, (ii) to carry out the legal responsibilities of Business Associate, or (iii) for Data Aggregation purposes for the Health Care Operations of Covered Entity. Business Associate may use PHI to provide services to Covered Entity under the Services Agreement provided that Business Associate shall not use PHI in any manner that would constitute a violation of the Privacy Rule or the HITECH Act if so used by Covered Entity.
- 3.2 *Permitted Disclosures.* Business Associate may disclose PHI (i) for the proper management and administration of Business Associate; (ii) to carry out the legal responsibilities of Business Associate; (iii) as Required By Law; or (iv) for Data Aggregation purposes for the Health Care Operations of Covered Entity. Business Associate may disclose PHI to provide services to Covered Entity under the Services Agreement, provided that Business Associate shall not disclose PHI in any manner that would constitute a violation of the Privacy Rule or the HITECH Act if so disclosed by Covered Entity.
- 3.2.1 In addition, if Business Associate discloses PHI to a third party, for Business Associate's management and administration purposes as specified in Section 3.2, Business Associate must obtain, prior to making any such disclosure, (i) reasonable written assurances from such third party that the PHI will be held as confidential as provided pursuant to this Agreement and only disclosed as Required By Law or for the purposes for which it was disclosed to such third party; and (ii) a written agreement from such third party to immediately notify Business Associate of any breaches of confidentiality of the PHI, to the extent such third party has obtained knowledge of such breach.
- 3.3 *Prohibited Uses and Disclosures.* Business Associate shall not use or disclose PHI for fundraising or marketing purposes. In accordance with 42 U.S.C. § 17935(a), Business Associate shall not disclose PHI to a health plan for payment or Health Care Operations purposes if the patient has requested this special restriction, and has paid out of pocket in full for the health care item or service to which the PHI solely relates. Business Associate shall not directly or indirectly receive remuneration in exchange for PHI, except with the prior written consent of Covered Entity and Individual and as permitted by 42 U.S.C. § 17935(d)(1) and (2); however, this prohibition shall not affect payment by Covered Entity to Business Associate for services provided pursuant to the Services Agreement.

- 3.4 *Other Business Associates.* As part of its providing functions, activities, and/or services to Covered Entity, Business Associate may disclose information, including PHI, to other business associates of Covered Entity, and Business Associate may use and disclose information, including PHI, received from other business associates of Covered Entity as if this information was received from, or originated with, Covered Entity.
- 3.5 *Safeguards for Protection of ePHI.* Business Associate agrees to implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the ePHI that it creates, receives, maintains, or transmits on behalf of Covered Entity. In accordance with 42 U.S.C. § 17931 of the HITECH Act, Business Associate shall be directly responsible for full compliance with the policies and procedures and documentation requirements of the HIPAA Security Rule, including, but not limited to, 45 C.F.R. §§ 164.308, 164.310, 164.312, and 164.316. Business Associate shall implement and at all times use all appropriate safeguards to prevent any use or disclosure of PHI not authorized under this Agreement.
- 3.6 *Reporting of Unauthorized Uses or Disclosures and Security Incidents.* Business Associate agrees to report to Covered Entity in writing any access, use or disclosure of the PHI not provided for or permitted by this Agreement and, any Security Incidents of which Business Associate (or Business Associate's employee, officer or agent) becomes aware. Business Associate shall so notify Covered Entity pursuant to this Section within twenty-four (24) hours after Business Associate becomes aware of such unauthorized use, disclosure or Security Incident. The notice to be provided pursuant to this Section shall be substantially in the same form as **Exhibit 1**, which is attached hereto.
- 3.7 *Reporting of Breach of Unsecured PHI.* Business Associate agrees to report to Covered Entity any Breach of Unsecured PHI of which Business Associate (or Business Associate's employee, officer or agent) becomes aware without unreasonable delay and in no case later than the next business day after Business Associate learns of such Breach, except where a law enforcement official determines that a notification would impede a criminal investigation or cause damage to national security. Business Associate's notification to Covered Entity hereunder shall be substantially in the same form as **Exhibit 1**.
- 3.8 *Agents and Subcontractors.* Business Associate agrees to ensure that any agent, including a subcontractor, to whom Business Associate provides PHI, agrees in writing to the same restrictions and conditions that apply through this Agreement to Business Associate with respect to such PHI, and implement the safeguards required by Section 3.5 above with respect to ePHI.
- 3.9 *Mitigation of Unauthorized Uses or Disclosures.* Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI by Business Associate or one of its agents or subcontractors in violation of the requirements of this Agreement.
- 3.10 *Authorized Access to PHI.*
- 3.10.1 *Individual Requests for Access.* Business Associate shall cooperate with Covered Entity to fulfill all requests by Individuals for access to the Individual's PHI that are approved by Covered Entity. Business Associate shall cooperate with Covered Entity in all respects necessary for Covered Entity to comply with 45 C.F.R. §164.524 and applicable State law. If Business Associate receives a request from an Individual for access to PHI, Business Associate shall immediately forward such request to Covered Entity.
- 3.10.2 *Scope of Disclosure.* Covered Entity shall be solely responsible for determining the scope of PHI and/or Designated Record Set with respect to each request by an Individual for access to PHI. In the event that Covered Entity decides to charge a reasonable cost-based fee for the reproduction and delivery of PHI to an Individual, Covered Entity shall deliver a

portion of this fee to Business Associate in the event any such reproduction or delivery is made by Business Associate, and in proportion to the amount of work done by Business Associate in producing and delivering the PHI.

3.10.3 *Designated Record Set.* To the extent that Business Associate maintains PHI in a Designated Record Set and at the request of Covered Entity, Business Associate agrees to provide access to PHI in a Designated Record Set to Covered Entity or, as directed by Covered Entity, to an Individual in order to meet the requirements under 45 C.F.R. § 164.524 and applicable State law. If Business Associate maintains PHI in a Designated Record Set, and maintains an Electronic Health Record, then Business Associate shall provide such Designated Record Set in electronic format to enable Covered Entity to fulfill its obligations under the HITECH Act, including, but not limited to, 42 U.S.C. § 17935(e).

3.10.4 *Patient Right to Amend to PHI.* A patient has the right to have Covered Entity amend his/her PHI, or a record in a Designated Record Set for as long as the PHI is maintained in the Designated Record Set, in accordance with 42 C.F.R. §164.526. To the extent that Business Associate maintains PHI in a Designated Record Set, Business Associate agrees to make any amendment(s) to PHI in a Designated Record Set at the request of Covered Entity in accordance with 45 C.F.R. § 164.526. Within fifteen (15) business days following Business Associate's amendment of PHI as directed by Covered Entity, Business Associate shall provide written notice to Covered Entity confirming that Business Associate has made the amendments or addenda to PHI as directed by Covered Entity and containing any other information as may be necessary for Covered Entity to provide adequate notice to the Individual in accordance with 45 C.F.R. §164.526.

3.11 *Accounting for Disclosures.*

3.11.1 *Disclosures.* In the event that Business Associate makes any disclosures of PHI that are subject to the accounting requirements of the Privacy Rule 45 C.F.R. §164.528 and/or the HITECH Act including, but not limited to, 42 U.S.C. § 17935(c))¹, Business Associate shall report such disclosures to Covered Entity within three (3) days of such disclosure. The notice by Business Associate to Covered Entity of the disclosure shall include the name of the Individual, the recipient, the reason for disclosure, and the date of the disclosure. Business Associate shall maintain a record of each such disclosure that shall include: (i) the date of the disclosure; (ii) the name and, if available, the address of the recipient of the PHI; (iii) a brief description of the PHI disclosed; and (iv) a brief description of the purpose of the disclosure. Business Associate shall maintain this record for a period of six (6) years and make it available to Covered Entity upon request in an electronic format so that Covered Entity may meet its disclosure accounting obligations under 45 C.F.R. §164.528. If Covered Entity provides a list of its business associates to an Individual in response to a request by an Individual for an accounting of disclosures, and the Individual thereafter specifically requests an accounting of disclosures from Business Associate, then Business Associate shall provide an accounting of disclosures to such Individual.

3.11.2 *Electronic Health Record.* Business Associate acknowledges that, to the extent Business Associate maintains an Electronic Health Record for Covered Entity, Business Associate is only required to provide an Individual with an accounting of disclosures related to treatment, payment or Health Care Operations for a period of three (3) years prior to such Individual's request. Therefore, upon request by an Individual to Covered Entity for an accounting of disclosures related to treatment, payment or Health Care Operations, Business Associate shall provide to Covered Entity, within three (3) days of Business

¹ The provisions of 42 U.S.C. § 17935(c) become effective on the following dates: (i) for users of electronic health records as of January 1, 2009, this section shall apply to disclosures made by the Covered Entity on and after January 1, 2014; (ii) for covered entities that acquire an electronic health record after January 1, 2009, this section shall apply to disclosures made by the Covered Entity after the later of January 1, 2011 or the date it acquires an electronic health record.

Associate's receipt of a written request from Covered Entity, an accounting of such disclosures for the three (3) year period prior to such request. Notwithstanding this Section, a record of disclosures pertaining to information disclosed by Business Associate for treatment, payment or Health Care Operations shall be maintained in accordance with Section 3.11.1, above.

- 3.12 *Secretary's Right to Audit.* Business Associate agrees to make its internal practices, books, and records relating to the use and disclosure of PHI received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity, available to the Secretary for purposes of the Secretary determining Covered Entity's and/or Business Associate's compliance with HIPAA, the HIPAA Regulations and the HITECH Act. No attorney-client, or other legal privilege will be deemed to have been waived by Business Associate by virtue of this provision of the Agreement. Business Associate shall provide to Covered Entity a copy of any PHI and related documents that Business Associate provides to the Secretary concurrently with providing such documents to the Secretary.
- 3.13 *Data Ownership.* All PHI shall be deemed owned by Covered Entity unless otherwise agreed in writing.
- 3.14 *Compliance.* To the extent Business Associate is to carry out a Covered Entity's obligation under the HIPAA Privacy Regulations, Business Associate shall comply with the requirements of the Privacy Regulations that apply to Covered Entity in the performance of such obligation.

4 Obligations of Covered Entity.

- 4.1 *Notice of Privacy Practices.* Upon written request by Business Associate, Covered Entity shall provide Business Associate with Covered Entity's then current Notice of Privacy Practices.
- 4.2 *Revocation of Permitted Use or Disclosure of PHI.* Covered Entity shall notify Business Associate of any changes in, or revocation of, permission by the patient to use or disclose PHI of Covered Entity, to the extent that such changes may affect Business Associate's use or disclosure of PHI of Covered Entity.
- 4.3 *Restrictions on Use or Disclosure of PHI.* Covered Entity shall notify Business Associate of any restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 C.F.R. § 164.522, to the extent that such restriction may affect Business Associate's use or disclosure of PHI.
- 4.4 *Requested Uses or Disclosures of PHI.* Except for Data Aggregation or management and administrative activities of Business Associate, Covered Entity shall not request Business Associate to use or disclose PHI in any manner that would not be permissible under the HIPAA Regulations if done by Covered Entity.

5 Term and Termination.

- 5.1 *Term.* The term of this Agreement shall be coterminous with the Services Agreement. However, Business Associate shall have a continuing obligation to safeguard the confidentiality of PHI received from Covered Entity after the termination of the Services Agreement.
- 5.2 *Termination Without Cause.* Either party may terminate this Agreement without cause or penalty by the delivery of a written notice from the terminating party to the other party. Such termination is effective thirty (30) calendar days from the date that the other party receives such notice.
- 5.3 *Termination for Cause.* A breach of any provision of this Agreement by Business Associate shall constitute a material breach of this Agreement and shall provide grounds for immediate termination

of this Agreement by Covered Entity, any provision in this Agreement to the contrary notwithstanding.

5.4 *Judicial or Administrative Proceedings.* Either party may terminate the Agreement, effective immediately, if (i) the other party is named as a defendant in a criminal proceeding for a violation of HIPAA, the HIPAA Regulations, the HITECH Act, or other security or privacy laws or (ii) a finding or stipulation that the other party has violated any standard or requirement of HIPAA, the HIPAA Regulations, the HITECH Act or other security or privacy laws is made in any administrative or civil proceeding in which the party has been joined.

5.5 *Effect of Termination.*

5.5.1 Except as provided in Section 5.5.2, herein, upon termination of this Agreement for any reason, Business Associate shall return or destroy all PHI received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity, including PHI in possession of any Business Associate's subcontractors and retain no copies or backup records of such PHI in any form or medium. Business Associate shall certify in writing to Covered Entity that such PHI has been destroyed.

5.5.2 In the event that Business Associate determines that returning or destroying the PHI is not feasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction unfeasible. Business Associate shall extend the protections of this Agreement to such PHI and limit further uses and disclosures to those purposes that make the return or destruction of the PHI unfeasible, for so long as Business Associate maintains such PHI.

6 **Breach Pattern or Practice.**

If either party (the "Non-Breaching Party") knows of a pattern of activity or practice of the other party (the "Breaching Party") that constitutes a material breach or violation of the Breaching Party's obligations under this Agreement, the Non-Breaching Party shall either (i) terminate this Agreement in accordance with Section 5 above, or (ii) take reasonable steps to cure the breach or end the violation. If the steps are unsuccessful, the Non-Breaching Party must terminate the Agreement if feasible. The Non-Breaching Party shall provide written notice to the Breaching Party of any pattern of activity or practice of the Breaching Party that the Non-Breaching Party believes constitutes a material breach or violation of the Breaching Party's obligations under this Agreement within three (3) days of discovery and shall meet with the Breaching Party's Privacy Coordinator to discuss and attempt to resolve the problem as one of the reasonable steps to cure the breach or end the violation.

7 **Disclaimer.**

Covered Entity makes no warranty or representation that compliance by Business Associate with this Agreement, HIPAA, the HIPAA Regulations, or the HITECH Act will be adequate or satisfactory for Business Associate's own purposes. Business Associate is solely responsible for all decisions made by Business Associate regarding the safeguarding of PHI.

8 **Certification.**

To the extent that Covered Entity determines that such examination is necessary to comply with Covered Entity's legal obligation pursuant to HIPAA, the HIPAA Regulations, and the HITECH Act, Covered Entity or its authorized agents or contractors may, at Covered Entity's expense, examine Business Associate's facilities, systems, procedures (including but not limited to review of training procedures for Business Associate's staff) and records as may be necessary for such agents or contractors to certify to Covered Entity the extent to which Business Associate's security safeguards comply with HIPAA, the HIPAA Regulations, the HITECH Act, and this Agreement.

9 **Indemnification.**

Notwithstanding any contrary provision in the Services Agreement, Business Associate agrees to indemnify, defend and hold harmless Covered Entity, its shareholders, directors, officers, employees, affiliates, and agents ("Indemnified Party") against all actual and direct losses suffered by the Indemnified Party from any breach of this Agreement, negligence or wrongful acts or omissions, including, without limitation, failure to perform its obligations under this Agreement or Breach of Unsecured PHI, by Business Associate or its employees, directors, officers, subcontractors, agents or other members of its workforce. Accordingly, on demand, Business Associate shall reimburse the Indemnified Party for any and all actual and direct losses, liabilities, lost profits, fines, penalties, costs or expenses (including reasonable attorneys' fees) which may for any reason be incurred by Indemnified Party or imposed upon the Indemnified Party by reason of any suit, claim, action, proceeding or demand by any third party, as a result of the Business Associate's breach hereunder.

10 **Compliance With State Law.**

Business Associate acknowledges that Business Associate and Covered Entity may have confidentiality and privacy obligations under applicable State law. If any provisions of this Agreement or HIPAA/HIPAA Regulations/HITECH Act conflict with state law regarding the degree of protection provided for PHI and patient medical records, then Business Associate shall comply with the more restrictive requirements.

11 **Miscellaneous.**

- 11.1 *Amendment.* Business Associate and Covered Entity agree to take such action as is necessary to amend this Agreement from time to time to enable Covered Entity to comply with the requirements of HIPAA, the HIPAA Regulations and the HITECH Act. This Agreement may not be modified, nor shall any provision hereof be waived or amended, except in a writing duly signed and agreed to by Business Associate and Covered Entity.
- 11.2 *Interpretation.* The provisions of this Agreement shall be interpreted as broadly as necessary to implement and comply with HIPAA, the HIPAA Regulations, the HITECH Act, the Privacy Rule and the Security Rule. The parties agree that any ambiguity in this Agreement shall be resolved in favor of a meaning that complies and is consistent with HIPAA, the HIPAA Regulations, the HITECH Act, the Privacy Rule and the Security Rule.
- 11.3 *No Third Party Beneficiaries.* Nothing express or implied in this Agreement is intended to confer, nor shall anything herein confer, upon any person other than Business Associate and Covered Entity, and their respective successors or assigns, any rights, remedies, obligations, or liabilities whatsoever.
- 11.4 *Notices.* All notices or other communications required or permitted hereunder shall be in writing and shall be deemed given or delivered (i) when delivered personally, against written receipt; (ii) if sent by registered or certified mail, return receipt requested, postage prepaid, when received; (iii) when received by facsimile transmission; or (iv) when delivered by a nationally recognized overnight courier service, prepaid, and shall be sent to the addresses set forth on the signature page of this Agreement or at such other address as each party may designate by written notice to the other by following this notice procedure.
- 11.5 *Regulatory References.* A reference in this Agreement to a section in the HIPAA Regulations or the HITECH Act means the section as in effect or as amended, and for which compliance is required.
- 11.6 *Assistance in Litigation or Administrative Proceedings.* Business Associate shall make itself, and any subcontractors, employees or agents, available to Covered Entity, at no cost to Covered Entity, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings being

commenced against Covered Entity, its directors, officers or employees based upon a claimed violation of HIPAA, the HIPAA Regulations, the HITECH Act, the Privacy Rule, the Security Rule, or other laws relating to security and privacy, except where Business Associate or its subcontractor, employee or agent is a named adverse party.

- 11.7 *Subpoenas.* In the event that Business Associate receives a subpoena or similar notice or request from any judicial, administrative or other party arising out of or in connection with this Agreement, including, but not limited to, any unauthorized use or disclosure of PHI, Business Associate shall promptly forward a copy of such subpoena, notice or request to Covered Entity and afford Covered Entity the opportunity to exercise any rights it may have under law.
- 11.8 *Survival.* The respective rights and obligations of Business Associate under Section 3 et seq. of this Agreement shall survive the termination of this Agreement. In addition, Section 5.5 (Effect of Termination), Section 7 (Disclaimer), Section 9 (Indemnification), Section 10 (Compliance with State Law), Section 11.4 (Notices), Section 11.6 (Assistance in Litigation and Administrative Proceedings), Section 11.7 (Subpoenas), and Section 11.9 (Governing Law) shall survive the termination of this Agreement.
- 11.9 *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the state in which the covered entity is principally located to the extent that the provisions of HIPAA, the HIPAA Regulations or the HITECH Act do not preempt the laws of that state.
- 11.10 *Independent Contractors.* Covered Entity and Business Associate shall be independent contractors and nothing in this Agreement is intended nor shall be construed to create an agency, partnership, employer-employee, or joint venture relationship between them.

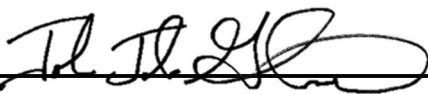
[Signature Page to follow]

IN WITNESS WHEREOF, the parties have affixed their signatures hereto as of the dates set forth below.

COVERED ENTITY: Symbol Healthcare, Inc.

BUSINESS ASSOCIATE: PENNANT SERVICES, INC.

Sign:  _____

Sign:  _____

Name: Brent Guerisoli

Name: John J. Gochnour

Title: Authorized Agent

Title: Authorized Agent

Date: September 28, 2019

Date: September 28, 2019

Exhibit 1

**Notification to Symbol Healthcare, Inc. of
Unauthorized Use or Disclosure of PHI/Breach of Unsecured PHI**

Attn: Privacy Officer
Symbol Healthcare, Inc.
4002 Tacoma Mall Blvd Ste 204, Tacoma, WA 98409
Phone: 253-581-9410
Fax: 253-581-9207
Email: _____

This notification is made pursuant to Sections 3.6 and 3.7 of the Business Associate Agreement between Covered Entity and Business Associate.

Business Associate hereby notifies Covered Entity that there has been a breach of protected health information ("PHI") that Business Associate has used or has had access to under the terms of the Business Associate Agreement.

Description of the breach: _____

Date of the breach: _____

Date of the discovery of the breach: _____

Number of individuals affected by the breach: _____

The types of PHI that were involved in the breach (e.g., full name, Social Security number, date of birth, home address, account number): _____

Description of what Business Associate is doing to investigate the breach, mitigate losses, and protect against further breaches: _____

Business Associate contact information: _____

EXHIBIT 8

**CONSULTING, PROFESSIONAL, AND
OPERATIONAL SUPPORT SERVICES AGREEMENT
(Clinical Services)**

Effective Date: October 1, 2019

CONSULTANT: Cornerstone Service Center, Inc., a Nevada corporation

Address: 1675 E. Riverside Drive, Ste. 200,
Eagle, ID 83616

Phone: (208) 401-1400

Fax: (208) 401-1401

FACILITY: Symbol Healthcare, Inc. d/b/a Puget Sound Home Health

Address: 4002 Tacoma Mall Blvd Ste 204, Tacoma, WA 98409

Phone: 253-581-9410

Fax: 253-581-9207

FEIN: 61-1698685

THIS CONSULTING, PROFESSIONAL, AND OPERATIONAL SUPPORT SERVICES AGREEMENT ("Agreement") is made and entered into by and between the above-named Consultant and Agency as of the Effective Date, with respect to the following facts and intentions:

RECITALS

- A. Agency is an independently operated, licensed and certified Home Health, Hospice and/or Home Care Agency operating from the address set forth above (the "Agency Primary Location");
- B. Consultant is a provider of centralized consulting, professional, and operational support designed to aid the efficient, competitive, and sound operation of entities like Agency;
- C. Agency desires to engage the services of Consultant to assist Agency personnel with aspects of Agency's operations and activities, in order to facilitate Agency personnel's focus on Agency's primary mission of rendering superior hospice services to the Agency's patients and clients.

NOW THEREFORE, IN CONSIDERATION OF THE PREMISES and for other good and valuable consideration, the receipt and sufficiency of which the parties hereby mutually acknowledge, the parties agree to the following:

TERMS AND CONDITIONS

1. Incorporation of Exhibits and Recitals. The Recitals set forth above, as well as the exhibits attached hereto, are incorporated herein by this reference as if fully set forth herein.

2. Consultant's Duties. The Consultant agrees to provide such of the following services ("Services") as Agency, at Agency's option and request from time to time, desires to obtain from Consultant during the term of this Agreement, and to perform its duties hereunder in a good, professional and workmanlike manner. Such duties shall include, without limitation (herein the "Services"):

2.1. General Consultant's Duties, Generally.

2.1.1. Consultant will provide Services in substantial conformance to applicable federal and state laws and the established policies of Consultant and Agency in effect from time to time, and Consultant will conduct periodic self-audit/compliance reviews in order to ensure that Consultant substantially complies with federal, state and local statutes and regulations applicable to the provision of the Services. Agency hereby grants to Consultant a limited power of attorney to act in Agency's name and stead for the convenience of Agency and/or Consultant, provided that this power shall not be used except in conjunction with the enumerated Services under this Agreement.

2.1.2. Consultant shall make clear to all parties with whom it deals in the course of rendering the Services that it is an independent contractor and not an employer, employee, partner, co-venturer, or management Agency of Agency. At all times while in the Agency and while with Agency's patients, Consultant's employees and representatives shall wear uniforms and/or badges clearly indicating their affiliation with Consultant.

2.2. Specific Duties of Consultant. During the term of this Agreement, Consultant shall provide to Agency the specific Services listed in Exhibit A at the request of the Agency. In the event of any conflict between the terms of Exhibit A and the terms contained in the main body of this Agreement, the terms of Exhibit A shall control. Consultant's duties shall specifically not include (i) the rendition of any direct care to patients or residents, (ii) maintenance or handling of patient trust property, or (iii) any other service not specifically enumerated herein as a part of the Services and requested by Agency, all of which shall be the sole duty and domain of Agency, its administrators, caregivers and other staff.

3. Agency's Duties. Agency shall:

3.1. Operate its business in and from the Agency in substantial compliance with applicable laws and regulations, and maintain all federal and state licenses and certifications required to operate the Agency and provide Services to patients (collectively the "Licenses"). Agency shall perform all duties required of a licensee and provider under applicable local, state and federal laws, codes, regulations and provider agreements affecting the operation of the Agency. Within five (5) days of receipt, Agency shall deliver to Consultant notification of any actual revocation or suspension of its Licenses.

3.2. Not unreasonably restrict or limit the Consultant's right to exercise its independent professional judgment, including its right to recommend Services to be rendered

and to render such Services using such methods, technologies and procedures as Consultant deems appropriate.

3.3. Timely furnish Consultant with such information and materials as might ordinarily be expected for Consultant to perform its duties hereunder. Agency shall be solely responsible to assure the accuracy and completeness of all information provided by Agency and its personnel to Consultant, and Consultant shall be entitled to rely thereon without inquiry or diligence of any kind.

3.4. As and to the extent that Consultant's employees and agents require access to the Agency to perform the Services, Agency shall provide adequate working space, equipment and access to Agency's staff for the provision of Services. Equipment and materials placed at the Agency by Consultant shall be used exclusively for the purposes of this Agreement. Upon termination or at Consultant's request, Agency shall return equipment and materials, in the same condition as when delivered to Agency, reasonable wear and tear excepted.

3.5. In addition to the foregoing, during the term of this Agreement, Agency shall cooperate with Consultant and Consultant's other client agencies and businesses as more fully set forth in Exhibit A.

4. Compensation.

4.1. For and in consideration of the Services to be provided under this Agreement, the Agency shall pay to the Consultant as the "Consultant Compensation" a monthly consulting fee equal to five percent (5.0%) of Agency's gross revenue from all sources. A reasonable estimate of anticipated monthly Consultant Compensation shall be paid on or before the first (1st) day of each month during the Term hereof, and shall be "trued up" at the beginning of the next following month with such following month's estimated payment. Payment for any partial month of the Term shall be prorated based on the number of days during the month that Consultant served under this Agreement. In the event Agency closes during any month during the Term, the Consultant Compensation for any such month or partial month shall be calculated, at Consultant's option, based on historical revenues and patient mix. At Consultant's option Consultant shall be entitled to deduct the Consultant Compensation from sums collected for Agency by Consultant, and shall provide Agency with invoices (or if paid by deduction accountings) for the monthly fee by the last day of the month following the month of service.

4.2. In addition to and not as part of the Consultant Compensation, Agency shall reimburse Consultant for all costs and expenses advanced, incurred, or paid by Consultant in the rendition of Services.

5. Insurance.

5.1. Both Consultant and Agency agree to maintain general and professional liability insurance during the term of this agreement in an amount not less than One Million Dollars (\$1,000,000) per claim and Three Million Dollars (\$3,000,000) in the aggregate.

5.2. Both parties agree to maintain such other and further insurance as may be required by law or the terms of any agreement to which they are parties, including without

limitation worker's compensation insurance (where required by law), crime insurance, directors and officers coverage, automobile and similar liability, and property and casualty insurance, and will list Agency as named insured on all obtained policies.

5.3. All insurance policies shall be issued by insurance companies with a policyholder rating of at least "B+" in the most recent version of Best's Key Rating Guide.

6. Term and Termination. The Term of this Agreement shall commence on the Effective Date and continue thereafter for a period of one (1) year. This Agreement shall automatically extend for additional periods of one (1) year each unless written notice of termination is given not less than sixty (60) days prior to the end of the then-current term. Notwithstanding anything contained herein to the contrary, either party may terminate this Agreement and the Term hereof at any time during the Term upon sixty (60) days written notice; further, in the event of (i) abandonment by a party of its duties hereunder, (ii) nonpayment of any Consultant Compensation within five (5) days after delivery of invoice or other written demand therefor; (iii) any breach or violation of this Agreement (other than non-payment of Consultant Compensation) which is not cured within thirty (30) days following delivery of written notice of such breach or violation, (iv) any material violation of law or regulations, or loss or failure of license or licensure, or violation of the eligibility requirements for reimbursement under any government program by a party, or (v) the occurrence or existence of any condition, practice, procedure, action, inaction or omission of, by or involving a party which, in the reasonable opinion of the other party constitutes either a threat to the health, safety, and welfare of any patient or client or a violation of any law, regulation, requirement, Licenses, eligibility or material agreement governing Agency's or Consultant's operation, then the other party shall have the right to summarily and immediately terminate this Agreement upon written notice to the first party.

7. Regulatory Changes. Agency and Consultant mutually agree that in the event local, state or federal government agencies promulgate regulations which materially affect the terms of this Agreement, including but not limited to changes affecting the cost of providing Services hereunder, this Agreement shall be immediately subject to renegotiation upon the initiative of either party.

8. Warranties.

8.1. Agency's Warranties. Agency hereby makes the following warranties and representations to Consultant in connection with Consultant's entry into this Agreement, which warranties shall survive the termination of this Agreement:

8.1.1. Agency is properly licensed by the State in which the Agency's operation(s) is located by the proper licensing and certification authorities for such State, and all permits and licenses required for the operation of Agency's business(es) have been received and are now currently effective.

8.1.2. As of the Effective Date, except as specifically disclosed on Schedule 1 attached hereto and incorporated herein, there is no litigation, administrative proceedings, event, or hold or similar lien on State or Federal payments to Agency, either underway or threatened, nor are there arbitration proceedings or governmental investigations relating to the Agency, or the business conducted thereon underway or threatened against Agency or brought by the Agency

8.1.3. To the best of Agency's knowledge, the business operations of the Agency at the Commencement Date comply with all local, State and Federal zoning, labor and other applicable laws, ordinances, rules and regulations applicable to the Agency.

8.1.4. Agency has been duly formed in the state of its domicile and remains in good standing in such state, and (if operating in a state other than its domicile) has been duly registered and authorized to do business in the state where its business operation(s) is located and is in good standing in that state as well.

8.1.5. Agency is authorized to consummate the transactions covered by this Agreement.

8.2. Consultant's Warranties. Consultant hereby makes the following warranties and representations to Agency in connection with Agency's entry into this Agreement, which warranties shall survive the termination of this Agreement:

8.2.1. Consultant is a Nevada corporation in good standing, and is registered to do business in, and is in good standing with, the State of Idaho.

8.2.2. Consultant is authorized to consummate the transactions covered by this Consulting Agreement.

9. Licensure, Eligibility and Compliance.

9.1. Consultant acknowledges that its activities under this Agreement may be governed by, *inter alia*, the United States Department of Health and Human Services' Office of the Inspector General's ("OIG") Compliance Program Guidance for Home Health Agencies and/or the OIG's Compliance Program Guidance for Hospices. Consultant represents and warrants that neither Consultant nor any individual or entity with a direct or indirect ownership or control interest of five percent (5%) or more in Consultant, nor any director, officer, agent or employee of such party, is debarred, suspended or excluded under any state or federal healthcare program it is currently eligible to participate in Medicare, Medicaid, and all other federally funded health care programs and is not subject to any sanction or exclusion by any of those programs. Consultant agrees to immediately disclose any actual or threatened federal, state or local investigations or imposed sanctions of any kind, in progress or initiated subsequent to the date of entering into this Agreement. Consultant further represents and warrants that it is not currently sanctioned under any applicable state or federal fraud and abuse statutes, including exclusion from any state or federal health care program. If, during the term of this Agreement, Consultant, its parent, or any officer, director or owner receives such a sanction, or notice of proposed sanction, Consultant shall provide notice of and a full explanation of such sanction or proposed sanction and the period of its duration within ten (10) days of receipt. Agency reserves the right to terminate the Agreement immediately upon receipt of notice that Consultant has been sanctioned under fraud and abuse statutes and/or any other federal, state or local regulation.

9.2. If the Agency Primary Location is located in the state of Texas, Consultant agrees to complete, execute and deliver to Agency upon request a Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion for Covered Contracts on Form 2046 as promulgated by the Texas Department of Protective & Regulatory Services.

9.3. Consultant acknowledges that it has received a copy of Agency's Code of Conduct, and agrees to abide by the provisions thereof governing Vendors and Vendor services.

10. Consultant's Schedule and Availability.

10.1. Consultant shall be reasonably available on an on-call basis to the Agency to fulfill Consultant's duties hereunder.

10.2. Nothing in this Agreement shall be construed as limiting or restricting in any manner Consultant's right to render the same or similar services to other individuals or entities, including but not limited to, other hospice and in-home care during or subsequent to the Term of this Agreement; similarly, nothing in this Agreement shall require Agency to exclusively use all of Consultant's services in the Agency during the Term of this Agreement.

10.3. Consultant's employees and representatives are entitled to be reasonably absent for annual vacations, sick leave, continuing education, and personal reasons; provided that in the event of any absence Consultant shall consult with the Agency concerning the impending absence and cooperate with the Agency in providing alternate resources to Agency to temporarily fulfill Consultant's duties during the period of absence.

11. Contractual Relationship.

11.1. Independent Contractor. It is expressly acknowledged by both parties that Consultant is an independent contractor. Nothing herein is intended to be construed to create an employer-employee, partnership, joint venturer or other relationship between Consultant and the Agency. Agency has and shall retain all statutory liability and responsibility for the continued operation of the Agency as the licensee under Agency's Licenses. No provision of this Agreement shall create any right in the Agency to exercise control or direction over the manner or method by which Consultant performs its duties or renders Services hereunder, nor shall Consultant exercise control or direction over the manner or method by which Agency operates or serves its patients and clients; provided always, that services shall be provided in a manner consistent with all applicable laws, rules and regulations of all governmental authorities, and Agency's Code of Conduct. Agency will not withhold from compensation payable to Consultant hereunder, or be in any way responsible for, any sums for income tax, employment insurance, Social Security, or any other agency and Consultant agrees that the payment of all such amounts as may be required by law are and shall be the sole responsibility of Consultant.

11.2. Fair Market Value. The amounts to be paid to Consultant hereunder have been determined by the parties through good faith and arms-length bargaining to be the fair market value of the services to be rendered hereunder. No amount paid or to be paid hereunder is intended to be, nor will it be construed as, an offer, inducement or payment, whether directly or indirectly, overtly or covertly, for the referral of patients by Consultant to Agency, or by Agency to Consultant, or for the recommending or arranging of the purchase, lease or order of any item or service. For purposes of this section, Consultant and Agency will include each such entity and any affiliate thereof. No referrals are required under this Agreement.

11.3. Work Product. The work product created in the course of Consultant's services under this agreement shall be the exclusive property of Consultant, and all manuals, forms, and documents (including without limitation, all writings, drawings, blueprints, pictures, recordings, computer or machine readable data, and all copies or reproductions thereof) which result from, describe or relate to the services performed or to be performed pursuant to this agreement or the results thereof, including without limitation all notes, data, reports or other information received or generated in the performance of this Agreement (excepting data incorporated in medical records required to be kept and maintained by Agency), shall be the exclusive property of Consultant and shall be delivered to Consultant upon request.

11.4. Non-Solicitation of Consultant's Employees. During the term of this Agreement, Agency shall not solicit the services of, or hire as an employee or independent contractor at the Agency, any Consultant employee, agent or representative who provided, managed or otherwise was involved in the provision of Services to Agency within the previous twelve (12) months (a "Restricted Employee"). Nothing herein shall preclude Agency from advertising available positions or opportunities by posting in the Agency or through newspaper ads or other generally accepted recruiting mediums. The parties acknowledge that the restrictions set forth in this Article are reasonable in scope and important to Consultant's business interests, and that the enforcement of this Article does not restrict Agency from engaging in Services for its own account. In the event that Agency hires a Restricted Employee, Agency shall pay a recruiting fee to Consultant in the amount of Seven Thousand Five Hundred and No/100 Dollars (\$7,500.00) per Restricted Employee hired.

12. Indemnification.

12.1. Agency agrees to defend, indemnify, and hold Consultant, its parent, subsidiaries, affiliated and related companies, directors, officers, employees, and agents, wholly harmless from and against any and all costs (including reasonable attorney's fees) liabilities, claims, losses, lawsuits, settlements, demands, causes, judgments and expenses arising from the performance of this Agreement to the extent that such costs and liabilities result from the negligence or willful misconduct of Agency.

12.2. Consultant agrees to defend, indemnify, and hold Agency, its parent, subsidiaries, affiliated and related companies, directors, officers, employees, and agents, wholly harmless for, from and against any and all costs (including reasonable attorney's fees), liabilities, claims, losses, lawsuits, settlements, demands, causes, judgments and expenses arising from or connected with Consultant's acts or omissions or the performance of this Agreement, to the extent that such costs and liabilities are alleged to result from the negligence or willful misconduct of Consultant.

12.3. A party receiving notice of a claim or potential claim shall send written notice to the other within ten (10) business days, and shall fully cooperate in the defense thereof by counsel mutually acceptable to the parties. The parties' rights to indemnification set forth in this Article are non-exclusive and are not intended to affect in any way any other rights of the parties to indemnification under applicable federal, state or local laws and regulations.

13. Access to Books and Records. Pursuant to 42 U.S.C. §1395x(V)(1)(I), during the four (4) year period after completion of services hereunder, the Agency will, upon written request, make available to the Secretary of Health and Human Services or to the Comptroller General, or their duly authorized representatives, this Agreement, books, documents, and

records that are necessary to certify the nature and extent of costs incurred by the Agency under the provisions of this Agreement. This provision shall be in force for any twelve (12) month period during which the total value of services provided or goods delivered hereunder is Ten Thousand Dollars (\$10,000) or more. This section shall have no effect unless Consultant is deemed a "subcontractor" under any regulation adopted under the provision of the United States Code cited above.

14. Privacy.

14.1. HIPAA Applicability and Compliance. Agency may be a "Covered Entity" under, and required to comply with, the applicable provisions of the Health Insurance Portability and Accountability Act of 1996 as amended ("HIPAA") and the regulations and guidelines pertaining thereto (collectively with HIPAA the "HIPAA Rules"), and to obtain sufficient assurances that its contracting parties will appropriately safeguard patients' "Protected Health Information" ("PHI") as defined in the HIPAA Rules. In the course of performing Consultant's services, duties and obligations herein, Consultant may receive, create or obtain access to PHI. Consultant agrees to maintain the security and confidentiality of PHI, as required of Agency by applicable laws and regulations, including without limitation the HIPAA Rules, and to execute and deliver such additional documentation and assurances as Agency may reasonably request to comply with HIPAA and any amendments thereto and related laws and regulations, including, but not limited to, the Business Associate Agreement attached hereto as Exhibit B.

14.2. Correlation of Record Handling Requirements. In the event of any conflict between the requirements of this Article 14 and/or between the various laws, statutes, ordinances and regulations relating to or otherwise affecting the subject matter thereof, the requirement or applicable law that that presents the most stringent standard for compliance, as reasonably determined by Agency, shall be followed, such that compliance is achieved or maximized in all cases.

14.3. Confidential Information. Consultant shall preserve the confidentiality of all private, confidential and/or proprietary information disclosed to or discovered by Consultant in connection with this Agreement, including, without limitation, nonpublic financial information, manuals, protocols, policies, procedures, marketing, and strategic information, Agency lists, computer software, training materials, resident/patient health information, resident/patient records, and resident/patient care and outcomes data ("Confidential Information") as and to the extent required by law. Consultant shall not use for its own benefit or disclose or otherwise disseminate to third parties, directly or indirectly, any Confidential Information without prior written consent from Agency, provided however that if Consultant grants Agency access to, and Agency uses, Consultant's databases or information sharing mechanisms, Agency's information may be provided to similar agencies and Agency hereby grants Agency's consent to such information sharing as a condition to Agency's receipt of access to such mechanisms and the data they contain from time to time. Upon termination of this Agreement, all Confidential Information and copies thereof shall be returned to Agency. Consultant and Agency shall comply with applicable federal, state and local laws and regulations with respect to all Confidential Information, including, but not limited to, any disclosures thereof pursuant to this section.

15. Notices. All notices which are required or which may be given pursuant to the terms of this Agreement shall be in writing and shall be sufficient in all respects if given in writing and delivered personally or by registered or certified mail, return receipt requested, or

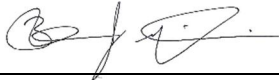
by a comparable commercial delivery system, and notice shall be deemed to be given on the date hand-delivered or on the date which is three (3) business days after the date deposited in United States mail, or with a comparable commercial delivery system, with postage or other delivery charges thereon prepaid, at the addresses first set forth above or such other addresses as Agency and Consultant may designate by written notice to the other from time to time.

16. Arbitration.

16.1. Any controversy, dispute or claim arising in connection with the interpretation, performance or breach of this Lease, including any claim based on contract, tort or statute, shall be determined by final and binding, confidential arbitration with Judicial Mediation and Arbitration Service (“JAMS/Endispute”) in Ada County, Idaho, provided that if JAMS/Endispute (or any successor organization thereto) no longer exists, then such arbitration shall be administered by the American Arbitration Association (“AAA”) in accordance with its then-existing Commercial Arbitration Rules, and the sole arbitrator shall be selected in accordance with such AAA rules. Any arbitration hereunder shall be governed by the United States Arbitration Act, 9 U.S.C. 1-16 (or any successor legislation thereto), and judgment upon the award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof. Neither Agency, Consultant, nor the arbitrator shall disclose the existence, content or results of any arbitration hereunder without the prior written consent of all parties; provided, however, that either party may disclose the existence, content or results of any such arbitration to its partners, officers, directors, employees, agents, attorneys and accountants and to any other Person to whom disclosure is required by applicable Legal Requirements, including pursuant to an order of a court of competent jurisdiction. Unless otherwise agreed by the parties, any arbitration hereunder shall be held at a neutral location selected by the arbitrator in Ada County, Idaho. The cost of the arbitrator and the expenses relating to the arbitration (exclusive of legal fees) shall be borne equally by Agency and Consultant unless otherwise specified in the award of the arbitrator, in which case such fees and costs paid or payable to the arbitrator shall be included in “reasonable costs and attorneys’ fees” for purposes of Section 17.2, and the arbitrator shall specifically have the power to award to the prevailing party pursuant to such Section 17.2 such party’s costs and expenses, including fees and costs paid to the arbitrator.

16.2. NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTES ARISING IN THIS “ARBITRATION OF DISPUTES” PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED HEREIN AND BY IDAHO LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE SUCH DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THIS “ARBITRATION OF DISPUTES” PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE IDAHO CODE OF CIVIL PROCEDURE. YOUR AGREEMENT OF THE PARTIES TO THIS ARBITRATION PROVISION IS VOLUNTARY.

BY INITIALLING BELOW YOU AFFIRM THAT YOU HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.



CONSULTANT



AGENCY

17. Miscellaneous.

17.1. This Agreement has been negotiated by and between Consultant and Agency in arms-length negotiations, and both parties are responsible for its drafting. Both parties have reviewed this Agreement with appropriate counsel, or have waived their right to do so, and the parties hereby mutually and irrevocably agree that this Agreement shall be construed neither for nor against either party, but in accordance with the plain language and intent hereof. The invalidity or unenforceability of any provision of this Agreement shall not affect the other provision hereto, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted. Headings are used herein for convenience only, and shall play no part in the construction of any provision of this Agreement

17.2. In the event of any dispute between the parties arising under or in relation to this Agreement, the prevailing party in such dispute or litigation shall have the right to receive from the non-prevailing party all of the prevailing party's reasonable costs and attorneys' fees incurred in connection with any such dispute and/or litigation. As used herein, the term "prevailing party" shall refer to that party to this Agreement for whom the result ultimately obtained most closely approximates such party's position in such dispute or litigation.

17.3. This Agreement shall be governed by the laws of the State of Idaho. Notwithstanding anything contained herein to the contrary, venue for any action involving this Agreement shall lie solely in Ada County, Idaho.

17.4. Time is of the essence of this Agreement and every term and condition hereof.

17.5. The waiver by any party hereto of breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach by any party.

17.6. This Agreement shall binding upon the parties hereto, their heirs, successors and assigns. Notwithstanding the foregoing, the parties mutually acknowledge that a material and substantial consideration in the parties' mutual execution of this Agreement is the identity and reputation of the other party, and each party's subjective perception of the other's value to and compatibility with such party and its officers, employees, facilities and

patients. As such, notwithstanding anything contained herein to the contrary, this Agreement and the rights of the parties hereunder are personal to the parties and may not be assigned or subcontracted to, nor shall the duties and responsibilities of either hereunder be delegated to or rendered by, any other person or entity without the express prior written consent of the other party, which consent may be granted or denied, conditionally or unconditionally, by a party in its sole, absolute and unfettered discretion.

17.7. Notwithstanding the expiration or earlier termination of this Agreement, the obligations and/or liabilities of the parties hereunder, relating to events, occurring during the Term, to which the parties' indemnification obligations under Section 12 apply, shall continue in full force and effect after the Agreement terminates, subject to applicable statutes of limitation. Additionally, the covenants of the parties under Sections 11.4, 13, 14 and 16 shall survive the termination of this Agreement.


17.8. This Agreement is solely between the parties hereto, and shall not create any right or benefit in any third party, including without limitation any creditor, agent, partner, employee or affiliate of Current Operator, or any entity or agency having jurisdiction of any of the Licenses, the Agency or the operation of the business therein.

17.9. This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersedes and negates any previous contracts between Agency and Consultant. Agency and Consultant mutually agree that this Agreement may not be modified unless such modification is in writing and signed by both parties.

IN WITNESS WHEREOF, the parties have affixed their signatures hereto as of the dates set forth below.

CONSULTANT:

CORNERSTONE SERVICE CENTER, INC.
a Nevada corporation

BY: 

Brent Guerisoli
Authorized Agent
Date: September 28, 2019

AGENCY:

SYMBOL HEALTHCARE, INC.,
a Nevada corporation

BY: 

Lee Johnson
Authorized Agent
Date: September 28, 2019

**EXHIBIT A
CONSULTING, PROFESSIONAL, AND
OPERATIONAL SUPPORT SERVICES AGREEMENT
(Clinical Services)**

THIS EXHIBIT A supplements the foregoing CONSULTING, PROFESSIONAL, AND OPERATIONAL SUPPORT SERVICES AGREEMENT (the “Agreement”) made and entered into by and between the therein-named Consultant and Agency and forms a part thereof. The specific duties and obligations described herein may or may not be performed by either party, depending upon the needs, preferences and requests of the other from time to time. The lists of duties and activities are not exhaustive, but where certain duties or activities are expressly limited, excluded or proscribed hereby, such activities shall not be requested or performed. Consultant’s services shall be rendered on a non-exclusive basis, and Consultant shall have no duty to limit its services solely to Agency. Any service to be rendered by Consultant hereunder may be, at Consultant’s sole option, rendered on a joint or “pooled” basis with or to Agency and other clients of Consultant. Consultant may provide any of its services hereunder through the use or assistance of subcontractors, but such subcontractors shall be subject to all of the terms and conditions of this Agreement. Although Consultant shall have discretion to make certain decisions regarding its Services for Agency in the day-to-day rendition of such services, Agency shall remain solely responsible for all decisions and actions made by, at, for or involving Agency and the operation of Agency’s business.

SPECIFIC SERVICES TO BE RENDERED BY CONSULTANT:

1. Technical & Compliance Resource.

A. Assists in the identification and, where requested by Agency the evaluation, of prospective candidates and contractors to serve in clinical and/or leadership roles in the Agency.

B. Assists in designing policies and procedures to periodically review the status of employees to ascertain continued compliance with local and state health regulations for the various specific categories of employees, and proper documentation of compliance.

C. Provides sample form clinical policy and procedure manuals, handbooks and forms; provided that all manuals, materials and forms provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant.

D. Provides a delegate to serve as a resource to and advisory member of the Agency’s Quality Assessment and Performance Improvement Committee, who attends and participates in both quarterly and special QAPI meetings; provided that such delegate shall be subject to the same obligations of confidentiality as any other member of the Committee, but shall not be allowed to vote or direct the work of the Committee or the Agency.

E. Assists Agency management in preparing for, reviewing and responding to the various official surveys and inspections of Agency’s premises and nursing practices.

F. Participates, solely as a resource and not as a director, in the development of patient care policies and systems for the Agency.

G. Assists in the identification and, where requested by Agency the evaluation, of prospective candidates and contractors to serve in nursing service, nursing, therapy service and other leadership and line staff roles in the Agency. In addition, and at Agency's request and at Agency's sole cost and expense, facilitates the sharing of nursing resource personnel, including specialists, among Agency and other clients of Consultant who wish to obtain such additional personnel and share the cost of hiring, training, and compensating such personnel.

H. Assists in designing policies and procedures to periodically review the health status of employees to ascertain freedom from infection, compliance with local and state health regulations for the various specific categories of employees, and proper documentation of compliance.

I. Participates, in an advisory capacity, with the utilization review committee to develop norms, standards and criteria for the design and conduct of the committee's medical care evaluation studies. However, Consultant shall not direct in any way the functions of the utilization review committee such as individual patient reviews.

J. Participates in the design and periodic evaluation of the Agency's staff development and nursing in-service programs, provided that all manuals, materials and forms provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant.

K. Provides periodic in-services and other formal and informal trainings as requested by Agency, which may be offered simultaneously and in conjunction with the trainings for other of Consultant's clients. Such trainings shall include no nursing, therapy or direct care services by Consultant's representatives, but may or may not include, without limitation, assistance with patient assessment, charting and similar activities when performed in connection with in-services, survey readiness reviews, mock surveys and other similar nursing consulting and training, in order to assist nursing leadership and staff in the lawful and efficient conduct of caregiving and therapy operations; provided that all trainings and materials provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant.

L. Assists in the development, implementation and periodic valuation of certified nursing assistant training programs and other experience-based nursing training activities, whether conducted by Agency or by a third-party educator at Agency's site under a nursing affiliation agreement.

ADDITIONAL DUTIES TO BE PERFORMED BY AGENCY:

Without limiting any other duty or obligation of Agency at law or under the Agreement, Agency shall do all of the following:

2. Agency shall be solely responsible for (i) naming and managing its own Governing Body as required by applicable laws and regulations, (ii) hiring, supervising and evaluating its administrator and other employees, and (iii) overseeing the day-to-day conduct of its business and related activities.

3. Agency shall be solely responsible for providing a safe and sanitary environment for Agency personnel.

4. Agency shall be solely responsible for (i) operating its business in and from the Agency location(s) in substantial compliance with applicable laws and regulations, (ii) maintaining all federal and state licenses and certifications required to operate the Agency and provide Services to patients and clients, (iii) performing all duties required of a licensee and provider under applicable local, state and federal laws, codes, regulations and provider agreements affecting the operation of the Agency, and (iv) notifying Consultant of any threatened, pending or actual revocation or suspension of its Licenses.

5. Timely furnish Consultant with such information and materials as might ordinarily be expected for Consultant to perform its duties hereunder. Agency shall be solely responsible to assure the accuracy and completeness of all information provided by Agency and its personnel to Consultant, and Consultant shall be entitled to rely thereon without inquiry or diligence of any kind.

6. Agency shall not unreasonably restrict or limit Consultant's access to necessary information, and acknowledges Consultant's right to exercise its independent professional judgment, including recommending Services and rendering such Services using such methods, technologies and procedures as Consultant deems appropriate.

7. Consultant's corporate address: 1675 E. Riverside Drive, Suite 150, Eagle, ID 83616, shall serve Agency's mailing address and address for service of process.

8. If requested by Consultant, Agency shall send delegates to Consultant's customer service teams, operator forums, evaluation and other service teams, trainings, and other committees and events as reasonably requested and available. In addition, to the extent available Agency delegates shall from time to time participate, both as trainees and trainers, in training and leadership conferences and events for the benefit of Consultant and others.

9. With Agency's acquiescence, and at Consultant's expense to the extent the trainee does not provide value to Agency, Agency agrees to periodically serve as a training site for Consultant's employees, providing (where available) preceptorship and organized training for CITs and other trainees of Consultant. In the event that a compensated trainee does not provide full value to Agency during his/her training program, Consultant shall pay directly, or reimburse Agency for, the portion of the trainee's compensation and training expenses that exceed the reasonable value provided.

Exhibit B

BUSINESS ASSOCIATE AGREEMENT

AGREEMENT EFFECTIVE DATE:	October 1, 2019
COVERED ENTITY:	SYMBOL HEALTHCARE, INC. ADDRESS: 4002 TACOMA MALL BLVD STE 204, TACOMA, WA 98409
BUSINESS ASSOCIATE:	CORNERSTONE SERVICE CENTER, INC. ADDRESS: 1675 E. RIVERSIDE DRIVE, SUITE 200, EAGLE, ID 83616

This Business Associate Agreement (“Agreement”) is made and entered into as of the Effective Date listed in this Exhibit B, and between the above-listed Covered Entity and Business Associate, with reference to the following facts:

RECITALS

WHEREAS, Business Associate has been engaged to provide staffing services to Covered Entity pursuant to a separate agreement (the “Services Agreement”), and, in connection with those services, Covered Entity may need to disclose to Business Associate, or Business Associate may need to create on Covered Entity’s behalf, certain Protected Health Information (as defined below) that is subject to protection under the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 (“HIPAA”), the Health Information Technology for Economic and Clinical Health Act, Public Law 111-005 (“HITECH Act”), and regulations promulgated thereunder by the U.S. Department of Health and Human Services to implement certain privacy and security provisions of HIPAA (the “HIPAA Regulations”), codified at 45 C.F.R. Parts 160 and 164; and

WHEREAS, pursuant to the HIPAA Regulations, all business associates of Covered Entity, as a condition of doing business with Covered Entity, must agree in writing to certain mandatory provisions regarding the privacy and security of PHI (as defined below).

NOW THEREFORE, IN CONSIDERATION OF THE FOREGOING, and the mutual promises and covenants contained herein, Business Associate and Covered Entity agree as follows:

AGREEMENT

Definitions.

Unless otherwise specified in this Agreement, all terms not otherwise defined shall have the meanings established in Title 45, Parts 160 and 164, of the United States Code of Federal Regulations, as amended from time to time. Further, capitalized terms used, but not otherwise defined, in this Agreement shall have the meanings set forth in HIPAA, the HIPAA Regulations and the HITECH Act.

- 1.1 *Breach* shall have the meaning given to such term in 42 U.S.C. § 17921, and shall include the unauthorized acquisition, access, use, or disclosure of PHI which compromises the security or privacy of such information.
- 1.2 *Business Associate* shall have the meaning given to such phrase under the HIPAA Regulations and the HITECH Act, including, but not limited to, 45 C.F.R. § 160.103 and 42 U.S.C. § 17938, respectively. For purposes of this Agreement, “Business Associate” shall also refer specifically to the entity or individual set forth in the Preamble above.
- 1.3 *Covered Entity* shall have the meaning given to such phrase under the HIPAA Regulations including, but not limited to, 45 C.F.R. § 160.103. For purposes of this Agreement, “Covered Entity” shall also refer specifically to the entity set forth in the Preamble above.
- 1.4 *Data Aggregation* shall have the meaning given to such phrase under the Privacy Rule, including, but not limited to, 45 C.F.R. § 164.501.
- 1.5 *Designated Record Set* means a group of records maintained by or for Covered Entity that may include (i) medical records and billing records about Individuals maintained by or for a covered health care provider, (ii) the enrollment, payment, claims adjudication, and case or medical management record systems maintained by or for a health plan, or (iii) records used, in whole or in part, by or for Covered Entity to make decisions about Individuals.
- 1.6 *Electronic Health Record* shall have the meaning given to such phrase in the HITECH Act, including, but not limited to, 42 U.S.C. § 17921(5).
- 1.7 *Electronic Protected Health Information* (“ePHI”) means individually identifiable health information that is transmitted by, or maintained in, electronic media.
- 1.8 *Health Care Operations* shall have the meaning given to such phrase under the Privacy Rule, including, but not limited to, 45 C.F.R. § 164.501.
- 1.9 *Individual* has the same meaning as the term *individual* in 45 C.F.R. § 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. § 164.502(g).
- 1.10 *Privacy Rule* shall mean the Standards for Privacy of Individually Identifiable Health Information codified at 45 C.F.R. Part 160 and Part 164, Subparts A and E, as amended by the HITECH Act and as may otherwise be amended from time to time.
- 1.11 *Protected Health Information* (“PHI”) means any information, whether oral or recorded in any form or medium: (i) that relates to the past, present or future physical or mental condition of an Individual; the provision of health care to an Individual; or the past, present or future payment for the provision of health care to an Individual; and (ii) that identifies the Individual or with respect to which there is a reasonable basis to believe the information can be used to identify that Individual; and (iii) shall include the definition as set forth in the Privacy Rule including, but not limited to, 45 C.F.R. § 160.103. For purposes of this Agreement, PHI shall include ePHI.
- 1.12 *Required By Law* shall have the same meaning as the phrase *required by law* in 45 C.F.R. § 164.103.
- 1.13 *Secretary* means the Secretary of the U.S. Department of Health and Human Services or his/her designee.

- 1.14 *Security Incident* means the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system.
- 1.15 *Security Rule* shall mean the HIPAA Regulations that are codified at 45 C.F.R. Part 160 and Part 164, Subparts A and C, as amended by the HITECH Act and as may otherwise be amended from time to time.
- 1.16 *Unsecured PHI* shall mean PHI that is not secured through the use of a technology or methodology specified by the Secretary in guidance or as otherwise defined in 42 U.S.C. § 17932(h).

Scope of Agreement.

This Agreement applies to the PHI of Covered Entity to which Business Associate may be exposed as a result of the services that Business Associate will provide to Covered Entity pursuant to the Services Agreement. Business Associate shall abide by HIPAA, the HIPAA Regulations and the HITECH Act with respect to PHI of Covered Entity, as outlined below.

Obligations and Activities of Business Associate.

- 3.1 *Permitted Uses.* Except as otherwise limited in this Agreement, Business Associate may use PHI (i) for the proper management and administration of Business Associate, (ii) to carry out the legal responsibilities of Business Associate, or (iii) for Data Aggregation purposes for the Health Care Operations of Covered Entity. Business Associate may use PHI to provide services to Covered Entity under the Services Agreement provided that Business Associate shall not use PHI in any manner that would constitute a violation of the Privacy Rule or the HITECH Act if so used by Covered Entity.
- 3.2 *Permitted Disclosures.* Business Associate may disclose PHI (i) for the proper management and administration of Business Associate; (ii) to carry out the legal responsibilities of Business Associate; (iii) as Required By Law; or (iv) for Data Aggregation purposes for the Health Care Operations of Covered Entity. Business Associate may disclose PHI to provide services to Covered Entity under the Services Agreement, provided that Business Associate shall not disclose PHI in any manner that would constitute a violation of the Privacy Rule or the HITECH Act if so disclosed by Covered Entity.
- 3.2.1 In addition, if Business Associate discloses PHI to a third party, for Business Associate's management and administration purposes as specified in Section 3.2, Business Associate must obtain, prior to making any such disclosure, (i) reasonable written assurances from such third party that the PHI will be held as confidential as provided pursuant to this Agreement and only disclosed as Required By Law or for the purposes for which it was disclosed to such third party; and (ii) a written agreement from such third party to immediately notify Business Associate of any breaches of confidentiality of the PHI, to the extent such third party has obtained knowledge of such breach.
- 3.3 *Prohibited Uses and Disclosures.* Business Associate shall not use or disclose PHI for fundraising or marketing purposes. In accordance with 42 U.S.C. § 17935(a), Business Associate shall not disclose PHI to a health plan for payment or Health Care Operations purposes if the patient has requested this special restriction, and has paid out of pocket in full for the health care item or service to which the PHI solely relates. Business Associate shall not directly or indirectly receive remuneration in exchange for PHI, except with the prior written consent of Covered Entity and Individual and as permitted by 42 U.S.C. § 17935(d)(1) and (2); however, this prohibition shall not affect payment by Covered Entity to Business Associate for services provided pursuant to the Services Agreement.

- 3.4 *Other Business Associates.* As part of its providing functions, activities, and/or services to Covered Entity, Business Associate may disclose information, including PHI, to other business associates of Covered Entity, and Business Associate may use and disclose information, including PHI, received from other business associates of Covered Entity as if this information was received from, or originated with, Covered Entity.
- 3.5 *Safeguards for Protection of ePHI.* Business Associate agrees to implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the ePHI that it creates, receives, maintains, or transmits on behalf of Covered Entity. In accordance with 42 U.S.C. § 17931 of the HITECH Act, Business Associate shall be directly responsible for full compliance with the policies and procedures and documentation requirements of the HIPAA Security Rule, including, but not limited to, 45 C.F.R. §§ 164.308, 164.310, 164.312, and 164.316. Business Associate shall implement and at all times use all appropriate safeguards to prevent any use or disclosure of PHI not authorized under this Agreement.
- 3.6 *Reporting of Unauthorized Uses or Disclosures and Security Incidents.* Business Associate agrees to report to Covered Entity in writing any access, use or disclosure of the PHI not provided for or permitted by this Agreement and, any Security Incidents of which Business Associate (or Business Associate's employee, officer or agent) becomes aware. Business Associate shall so notify Covered Entity pursuant to this Section within twenty-four (24) hours after Business Associate becomes aware of such unauthorized use, disclosure or Security Incident. The notice to be provided pursuant to this Section shall be substantially in the same form as **Exhibit 1**, which is attached hereto.
- 3.7 *Reporting of Breach of Unsecured PHI.* Business Associate agrees to report to Covered Entity any Breach of Unsecured PHI of which Business Associate (or Business Associate's employee, officer or agent) becomes aware without unreasonable delay and in no case later than the next business day after Business Associate learns of such Breach, except where a law enforcement official determines that a notification would impede a criminal investigation or cause damage to national security. Business Associate's notification to Covered Entity hereunder shall be substantially in the same form as **Exhibit 1**.
- 3.8 *Agents and Subcontractors.* Business Associate agrees to ensure that any agent, including a subcontractor, to whom Business Associate provides PHI, agrees in writing to the same restrictions and conditions that apply through this Agreement to Business Associate with respect to such PHI, and implement the safeguards required by Section 3.5 above with respect to ePHI.
- 3.9 *Mitigation of Unauthorized Uses or Disclosures.* Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI by Business Associate or one of its agents or subcontractors in violation of the requirements of this Agreement.
- 3.10 *Authorized Access to PHI.*
- 3.10.1 *Individual Requests for Access.* Business Associate shall cooperate with Covered Entity to fulfill all requests by Individuals for access to the Individual's PHI that are approved by Covered Entity. Business Associate shall cooperate with Covered Entity in all respects necessary for Covered Entity to comply with 45 C.F.R. §164.524 and applicable State law. If Business Associate receives a request from an Individual for access to PHI, Business Associate shall immediately forward such request to Covered Entity.
- 3.10.2 *Scope of Disclosure.* Covered Entity shall be solely responsible for determining the scope of PHI and/or Designated Record Set with respect to each request by an Individual for access to PHI. In the event that Covered Entity decides to charge a reasonable cost-based fee for the reproduction and delivery of PHI to an Individual, Covered Entity shall deliver a

portion of this fee to Business Associate in the event any such reproduction or delivery is made by Business Associate, and in proportion to the amount of work done by Business Associate in producing and delivering the PHI.

3.10.3 *Designated Record Set.* To the extent that Business Associate maintains PHI in a Designated Record Set and at the request of Covered Entity, Business Associate agrees to provide access to PHI in a Designated Record Set to Covered Entity or, as directed by Covered Entity, to an Individual in order to meet the requirements under 45 C.F.R. § 164.524 and applicable State law. If Business Associate maintains PHI in a Designated Record Set, and maintains an Electronic Health Record, then Business Associate shall provide such Designated Record Set in electronic format to enable Covered Entity to fulfill its obligations under the HITECH Act, including, but not limited to, 42 U.S.C. § 17935(e).

3.10.4 *Patient Right to Amend to PHI.* A patient has the right to have Covered Entity amend his/her PHI, or a record in a Designated Record Set for as long as the PHI is maintained in the Designated Record Set, in accordance with 42 C.F.R. §164.526. To the extent that Business Associate maintains PHI in a Designated Record Set, Business Associate agrees to make any amendment(s) to PHI in a Designated Record Set at the request of Covered Entity in accordance with 45 C.F.R. § 164.526. Within fifteen (15) business days following Business Associate's amendment of PHI as directed by Covered Entity, Business Associate shall provide written notice to Covered Entity confirming that Business Associate has made the amendments or addenda to PHI as directed by Covered Entity and containing any other information as may be necessary for Covered Entity to provide adequate notice to the Individual in accordance with 45 C.F.R. §164.526.

3.11 *Accounting for Disclosures.*

3.11.1 *Disclosures.* In the event that Business Associate makes any disclosures of PHI that are subject to the accounting requirements of the Privacy Rule 45 C.F.R. §164.528 and/or the HITECH Act including, but not limited to, 42 U.S.C. § 17935(c))¹, Business Associate shall report such disclosures to Covered Entity within three (3) days of such disclosure. The notice by Business Associate to Covered Entity of the disclosure shall include the name of the Individual, the recipient, the reason for disclosure, and the date of the disclosure. Business Associate shall maintain a record of each such disclosure that shall include: (i) the date of the disclosure; (ii) the name and, if available, the address of the recipient of the PHI; (iii) a brief description of the PHI disclosed; and (iv) a brief description of the purpose of the disclosure. Business Associate shall maintain this record for a period of six (6) years and make it available to Covered Entity upon request in an electronic format so that Covered Entity may meet its disclosure accounting obligations under 45 C.F.R. §164.528. If Covered Entity provides a list of its business associates to an Individual in response to a request by an Individual for an accounting of disclosures, and the Individual thereafter specifically requests an accounting of disclosures from Business Associate, then Business Associate shall provide an accounting of disclosures to such Individual.

3.11.2 *Electronic Health Record.* Business Associate acknowledges that, to the extent Business Associate maintains an Electronic Health Record for Covered Entity, Business Associate is only required to provide an Individual with an accounting of disclosures related to treatment, payment or Health Care Operations for a period of three (3) years prior to such Individual's request. Therefore, upon request by an Individual to Covered Entity for an accounting of disclosures related to treatment, payment or Health Care Operations, Business Associate shall provide to Covered Entity, within three (3) days of Business

¹ The provisions of 42 U.S.C. § 17935(c) become effective on the following dates: (i) for users of electronic health records as of January 1, 2009, this section shall apply to disclosures made by the Covered Entity on and after January 1, 2014; (ii) for covered entities that acquire an electronic health record after January 1, 2009, this section shall apply to disclosures made by the Covered Entity after the later of January 1, 2011 or the date it acquires an electronic health record.

Associate's receipt of a written request from Covered Entity, an accounting of such disclosures for the three (3) year period prior to such request. Notwithstanding this Section, a record of disclosures pertaining to information disclosed by Business Associate for treatment, payment or Health Care Operations shall be maintained in accordance with Section 3.11.1, above.

- 3.12 *Secretary's Right to Audit.* Business Associate agrees to make its internal practices, books, and records relating to the use and disclosure of PHI received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity, available to the Secretary for purposes of the Secretary determining Covered Entity's and/or Business Associate's compliance with HIPAA, the HIPAA Regulations and the HITECH Act. No attorney-client, or other legal privilege will be deemed to have been waived by Business Associate by virtue of this provision of the Agreement. Business Associate shall provide to Covered Entity a copy of any PHI and related documents that Business Associate provides to the Secretary concurrently with providing such documents to the Secretary.
- 3.13 *Data Ownership.* All PHI shall be deemed owned by Covered Entity unless otherwise agreed in writing.
- 3.14 *Compliance.* To the extent Business Associate is to carry out a Covered Entity's obligation under the HIPAA Privacy Regulations, Business Associate shall comply with the requirements of the Privacy Regulations that apply to Covered Entity in the performance of such obligation.

4 Obligations of Covered Entity.

- 4.1 *Notice of Privacy Practices.* Upon written request by Business Associate, Covered Entity shall provide Business Associate with Covered Entity's then current Notice of Privacy Practices.
- 4.2 *Revocation of Permitted Use or Disclosure of PHI.* Covered Entity shall notify Business Associate of any changes in, or revocation of, permission by the patient to use or disclose PHI of Covered Entity, to the extent that such changes may affect Business Associate's use or disclosure of PHI of Covered Entity.
- 4.3 *Restrictions on Use or Disclosure of PHI.* Covered Entity shall notify Business Associate of any restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 C.F.R. § 164.522, to the extent that such restriction may affect Business Associate's use or disclosure of PHI.
- 4.4 *Requested Uses or Disclosures of PHI.* Except for Data Aggregation or management and administrative activities of Business Associate, Covered Entity shall not request Business Associate to use or disclose PHI in any manner that would not be permissible under the HIPAA Regulations if done by Covered Entity.

5 Term and Termination.

- 5.1 *Term.* The term of this Agreement shall be coterminous with the Services Agreement. However, Business Associate shall have a continuing obligation to safeguard the confidentiality of PHI received from Covered Entity after the termination of the Services Agreement.
- 5.2 *Termination Without Cause.* Either party may terminate this Agreement without cause or penalty by the delivery of a written notice from the terminating party to the other party. Such termination is effective thirty (30) calendar days from the date that the other party receives such notice.
- 5.3 *Termination for Cause.* A breach of any provision of this Agreement by Business Associate shall constitute a material breach of this Agreement and shall provide grounds for immediate termination

of this Agreement by Covered Entity, any provision in this Agreement to the contrary notwithstanding.

5.4 *Judicial or Administrative Proceedings.* Either party may terminate the Agreement, effective immediately, if (i) the other party is named as a defendant in a criminal proceeding for a violation of HIPAA, the HIPAA Regulations, the HITECH Act, or other security or privacy laws or (ii) a finding or stipulation that the other party has violated any standard or requirement of HIPAA, the HIPAA Regulations, the HITECH Act or other security or privacy laws is made in any administrative or civil proceeding in which the party has been joined.

5.5 *Effect of Termination.*

5.5.1 Except as provided in Section 5.5.2, herein, upon termination of this Agreement for any reason, Business Associate shall return or destroy all PHI received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity, including PHI in possession of any Business Associate's subcontractors and retain no copies or backup records of such PHI in any form or medium. Business Associate shall certify in writing to Covered Entity that such PHI has been destroyed.

5.5.2 In the event that Business Associate determines that returning or destroying the PHI is not feasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction unfeasible. Business Associate shall extend the protections of this Agreement to such PHI and limit further uses and disclosures to those purposes that make the return or destruction of the PHI unfeasible, for so long as Business Associate maintains such PHI.

6 **Breach Pattern or Practice.**

If either party (the "Non-Breaching Party") knows of a pattern of activity or practice of the other party (the "Breaching Party") that constitutes a material breach or violation of the Breaching Party's obligations under this Agreement, the Non-Breaching Party shall either (i) terminate this Agreement in accordance with Section 5 above, or (ii) take reasonable steps to cure the breach or end the violation. If the steps are unsuccessful, the Non-Breaching Party must terminate the Agreement if feasible. The Non-Breaching Party shall provide written notice to the Breaching Party of any pattern of activity or practice of the Breaching Party that the Non-Breaching Party believes constitutes a material breach or violation of the Breaching Party's obligations under this Agreement within three (3) days of discovery and shall meet with the Breaching Party's Privacy Coordinator to discuss and attempt to resolve the problem as one of the reasonable steps to cure the breach or end the violation.

7 **Disclaimer.**

Covered Entity makes no warranty or representation that compliance by Business Associate with this Agreement, HIPAA, the HIPAA Regulations, or the HITECH Act will be adequate or satisfactory for Business Associate's own purposes. Business Associate is solely responsible for all decisions made by Business Associate regarding the safeguarding of PHI.

8 **Certification.**

To the extent that Covered Entity determines that such examination is necessary to comply with Covered Entity's legal obligation pursuant to HIPAA, the HIPAA Regulations, and the HITECH Act, Covered Entity or its authorized agents or contractors may, at Covered Entity's expense, examine Business Associate's facilities, systems, procedures (including but not limited to review of training procedures for Business Associate's staff) and records as may be necessary for such agents or contractors to certify to Covered Entity the extent to which Business Associate's security safeguards comply with HIPAA, the HIPAA Regulations, the HITECH Act, and this Agreement.

9 **Indemnification.**

Notwithstanding any contrary provision in the Services Agreement, Business Associate agrees to indemnify, defend and hold harmless Covered Entity, its shareholders, directors, officers, employees, affiliates, and agents ("Indemnified Party") against all actual and direct losses suffered by the Indemnified Party from any breach of this Agreement, negligence or wrongful acts or omissions, including, without limitation, failure to perform its obligations under this Agreement or Breach of Unsecured PHI, by Business Associate or its employees, directors, officers, subcontractors, agents or other members of its workforce. Accordingly, on demand, Business Associate shall reimburse the Indemnified Party for any and all actual and direct losses, liabilities, lost profits, fines, penalties, costs or expenses (including reasonable attorneys' fees) which may for any reason be incurred by Indemnified Party or imposed upon the Indemnified Party by reason of any suit, claim, action, proceeding or demand by any third party, as a result of the Business Associate's breach hereunder.

10 **Compliance With State Law.**

Business Associate acknowledges that Business Associate and Covered Entity may have confidentiality and privacy obligations under applicable State law. If any provisions of this Agreement or HIPAA/HIPAA Regulations/HITECH Act conflict with state law regarding the degree of protection provided for PHI and patient medical records, then Business Associate shall comply with the more restrictive requirements.

11 **Miscellaneous.**

- 11.1 *Amendment.* Business Associate and Covered Entity agree to take such action as is necessary to amend this Agreement from time to time to enable Covered Entity to comply with the requirements of HIPAA, the HIPAA Regulations and the HITECH Act. This Agreement may not be modified, nor shall any provision hereof be waived or amended, except in a writing duly signed and agreed to by Business Associate and Covered Entity.
- 11.2 *Interpretation.* The provisions of this Agreement shall be interpreted as broadly as necessary to implement and comply with HIPAA, the HIPAA Regulations, the HITECH Act, the Privacy Rule and the Security Rule. The parties agree that any ambiguity in this Agreement shall be resolved in favor of a meaning that complies and is consistent with HIPAA, the HIPAA Regulations, the HITECH Act, the Privacy Rule and the Security Rule.
- 11.3 *No Third Party Beneficiaries.* Nothing express or implied in this Agreement is intended to confer, nor shall anything herein confer, upon any person other than Business Associate and Covered Entity, and their respective successors or assigns, any rights, remedies, obligations, or liabilities whatsoever.
- 11.4 *Notices.* All notices or other communications required or permitted hereunder shall be in writing and shall be deemed given or delivered (i) when delivered personally, against written receipt; (ii) if sent by registered or certified mail, return receipt requested, postage prepaid, when received; (iii) when received by facsimile transmission; or (iv) when delivered by a nationally recognized overnight courier service, prepaid, and shall be sent to the addresses set forth on the signature page of this Agreement or at such other address as each party may designate by written notice to the other by following this notice procedure.
- 11.5 *Regulatory References.* A reference in this Agreement to a section in the HIPAA Regulations or the HITECH Act means the section as in effect or as amended, and for which compliance is required.
- 11.6 *Assistance in Litigation or Administrative Proceedings.* Business Associate shall make itself, and any subcontractors, employees or agents, available to Covered Entity, at no cost to Covered Entity, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings being

commenced against Covered Entity, its directors, officers or employees based upon a claimed violation of HIPAA, the HIPAA Regulations, the HITECH Act, the Privacy Rule, the Security Rule, or other laws relating to security and privacy, except where Business Associate or its subcontractor, employee or agent is a named adverse party.


- 11.7 *Subpoenas.* In the event that Business Associate receives a subpoena or similar notice or request from any judicial, administrative or other party arising out of or in connection with this Agreement, including, but not limited to, any unauthorized use or disclosure of PHI, Business Associate shall promptly forward a copy of such subpoena, notice or request to Covered Entity and afford Covered Entity the opportunity to exercise any rights it may have under law.
- 11.8 *Survival.* The respective rights and obligations of Business Associate under Section 3 et seq. of this Agreement shall survive the termination of this Agreement. In addition, Section 5.5 (Effect of Termination), Section 7 (Disclaimer), Section 9 (Indemnification), Section 10 (Compliance with State Law), Section 11.4 (Notices), Section 11.6 (Assistance in Litigation and Administrative Proceedings), Section 11.7 (Subpoenas), and Section 11.9 (Governing Law) shall survive the termination of this Agreement.
- 11.9 *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the state in which the covered entity is principally located to the extent that the provisions of HIPAA, the HIPAA Regulations or the HITECH Act do not preempt the laws of that state.
- 11.10 *Independent Contractors.* Covered Entity and Business Associate shall be independent contractors and nothing in this Agreement is intended nor shall be construed to create an agency, partnership, employer-employee, or joint venture relationship between them.

[Signature Page to follow]

IN WITNESS WHEREOF, the parties have affixed their signatures hereto as of the dates set forth below.

COVERED ENTITY: Symbol Healthcare, Inc.

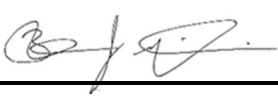
BUSINESS ASSOCIATE: PENNANT SERVICES, INC.

Sign:  _____

Name: Lee Johnson

Title: Authorized Agent

Date: September 28, 2019

Sign:  _____

Name: Brent Guerisoli

Title: Authorized Agent

Date: September 28, 2019

Exhibit 1

**Notification to Symbol Healthcare, Inc. of
Unauthorized Use or Disclosure of PHI/Breach of Unsecured PHI**

Attn: Privacy Officer
Symbol Healthcare, Inc.
4002 Tacoma Mall Blvd Ste 204, Tacoma, WA 98409
Phone: 253-581-9410
Fax: 253-581-9207
Email: _____

This notification is made pursuant to Sections 3.6 and 3.7 of the Business Associate Agreement between Covered Entity and Business Associate.

Business Associate hereby notifies Covered Entity that there has been a breach of protected health information ("PHI") that Business Associate has used or has had access to under the terms of the Business Associate Agreement.

Description of the breach: _____

Date of the breach: _____

Date of the discovery of the breach: _____

Number of individuals affected by the breach: _____

The types of PHI that were involved in the breach (e.g., full name, Social Security number, date of birth, home address, account number): _____

Description of what Business Associate is doing to investigate the breach, mitigate losses, and protect against further breaches: _____

Business Associate contact information: _____

EXHIBIT 9

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2023.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____.

Commission file number: 001-38900

THE PENNANT GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

83-3349931
(I.R.S. Employer
Identification No.)

1675 East Riverside Drive, Suite 150, Eagle, ID 83616
(Address of Principal Executive Offices and Zip Code)
(208) 506-6100

(Registrant's Telephone Number, Including Area Code)
None

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	PNTG	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 3, 2023, 29,740,003 shares of the registrant's common stock were outstanding.

THE PENNANT GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED MARCH 31, 2023
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PART I. FINANCIAL INFORMATION

Item I. Financial Statements

THE PENNANT GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except par value)

	March 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash	\$ 2,952	\$ 2,079
Accounts receivable—less allowance for doubtful accounts of \$573 and \$592, respectively	50,660	53,420
Prepaid expenses and other current assets	13,140	18,323
Total current assets	66,752	73,822
Property and equipment, net	26,947	26,621
Right-of-use assets	264,109	260,868
Deferred tax assets, net	1,372	2,149
Restricted and other assets	10,652	10,545
Goodwill	79,497	79,497
Other indefinite-lived intangibles	58,827	58,617
Total assets	\$ 508,156	\$ 512,119
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 12,161	\$ 13,647
Accrued wages and related liabilities	20,495	23,283
Operating lease liabilities—current	16,856	16,633
Other accrued liabilities	16,116	16,684
Total current liabilities	65,628	70,247
Long-term operating lease liabilities—less current portion	250,041	247,042
Other long-term liabilities	6,240	6,281
Long-term debt, net	57,023	62,892
Total liabilities	378,932	386,462
Commitments and contingencies		
Equity:		
Common stock, \$0.001 par value; 100,000 shares authorized; 30,203 and 29,729 shares issued and outstanding, respectively, at March 31, 2023; and 30,149 and 29,692 shares issued and outstanding, respectively, at December 31, 2022	29	29
Additional paid-in capital	101,334	99,764
Retained earnings	23,134	21,284
Treasury stock, at cost, 3 shares at March 31, 2023 and December 31, 2022	(65)	(65)
Total Pennant Group, Inc. stockholders' equity	124,432	121,012
Noncontrolling interest	4,792	4,645
Total equity	129,224	125,657
Total liabilities and equity	\$ 508,156	\$ 512,119

See accompanying notes to condensed consolidated financial statements.

THE PENNANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited, in thousands, except for per-share amounts)

	Three Months Ended March 31,	
	2023	2022
Revenue	\$ 126,464	\$ 113,910
Expense		
Cost of services	102,602	90,261
Rent—cost of services	9,597	10,051
General and administrative expense	8,705	10,033
Depreciation and amortization	1,280	1,147
Loss on asset dispositions and impairment, net	—	92
Total expenses	122,184	111,584
Income from operations	4,280	2,326
Other income (expense):		
Other income	30	3
Interest expense, net	(1,406)	(629)
Other (expense), net	(1,376)	(626)
Income before provision for income taxes	2,904	1,700
Provision for income taxes	907	542
Net income	1,997	1,158
Less: net income attributable to noncontrolling interest	147	144
Net income and other comprehensive income attributable to The Pennant Group, Inc.	\$ 1,850	\$ 1,014
Earnings per share:		
Basic	\$ 0.06	\$ 0.04
Diluted	\$ 0.06	\$ 0.03
Weighted average common shares outstanding:		
Basic	29,751	28,572
Diluted	30,147	30,143

See accompanying notes to condensed consolidated financial statements.

THE PENNANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited, in thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Non- controlling Interest	Total
	Shares	Amount			Shares	Amount		
Balance at December 31, 2022	30,149	\$ 29	\$ 99,764	\$ 21,284	3	\$ (65)	\$ 4,645	\$ 125,657
Net income attributable to The Pennant Group, Inc.	—	—	—	1,850	—	—	—	1,850
Net income attributable to noncontrolling interests	—	—	—	—	—	—	147	147
Share-based compensation	—	—	1,367	—	—	—	—	1,367
Issuance of common stock from the exercise of stock options	57	—	203	—	—	—	—	203
Net issuance of restricted stock	(3)	—	—	—	—	—	—	—
Balance at March 31, 2023	<u>30,203</u>	<u>\$ 29</u>	<u>\$ 101,334</u>	<u>\$ 23,134</u>	<u>3</u>	<u>\$ (65)</u>	<u>\$ 4,792</u>	<u>\$ 129,224</u>

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Non- controlling Interest	Total
	Shares	Amount			Shares	Amount		
Balance at December 31, 2021	28,826	\$ 28	\$ 95,595	\$ 14,641	3	\$ (65)	\$ 4,045	\$ 114,244
Net income attributable to The Pennant Group, Inc.	—	—	—	1,014	—	—	—	1,014
Net income attributable to noncontrolling interests	—	—	—	—	—	—	144	144
Share-based compensation	—	—	2,440	—	—	—	—	2,440
Issuance of common stock from the exercise of stock options	21	1	89	—	—	—	—	90
Net issuance of restricted stock	2	—	—	—	—	—	—	—
Balance at March 31, 2022	<u>28,849</u>	<u>\$ 29</u>	<u>\$ 98,124</u>	<u>\$ 15,655</u>	<u>3</u>	<u>\$ (65)</u>	<u>\$ 4,189</u>	<u>\$ 117,932</u>

See accompanying notes to condensed consolidated financial statements.

THE PENNANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 1,997	\$ 1,158
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,280	1,147
Amortization of deferred financing fees	130	129
Impairment of long-lived assets	—	97
Provision for doubtful accounts	151	184
Share-based compensation	1,367	2,440
Deferred income taxes	776	1,749
Change in operating assets and liabilities, net of acquisitions:		
Accounts receivable	3,166	(3,161)
Prepaid expenses and other assets	4,317	(4,665)
Operating lease obligations	(18)	120
Accounts payable	(772)	367
Accrued wages and related liabilities	(2,788)	(794)
Other accrued liabilities	(1,077)	1,635
Contract liabilities (CARES Act advance payments)	—	(4,722)
Other long-term liabilities	467	245
Net cash provided by (used in) operating activities	8,996	(4,071)
Cash flows from investing activities:		
Purchase of property and equipment	(2,314)	(2,392)
Other	(12)	(190)
Net cash used in investing activities	(2,326)	(2,582)
Cash flows from financing activities:		
Proceeds from Revolving Credit Facility	40,500	11,000
Payments on Revolving Credit Facility	(46,500)	(6,000)
Issuance of common stock upon the exercise of options	203	90
Net cash (used in) provided by financing activities	(5,797)	5,090
Net increase (decrease) in cash	873	(1,563)
Cash beginning of period	2,079	5,190
Cash end of period	\$ 2,952	\$ 3,627

See accompanying notes to condensed consolidated financial statements.

THE PENNANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
(unaudited, in thousands)

	Three Months Ended March 31,	
	2023	2022
Supplemental disclosures of cash flow information:		
Cash paid (received) during the period for:		
Interest	\$ 1,536	\$ 499
Income taxes	\$ 30	\$ (55)
Lease liabilities	\$ 8,927	\$ 9,516
Right-of-use assets obtained in exchange for new operating lease obligations	\$ 7,489	\$ 631
Non-cash adjustment to right-of-use assets and lease liabilities from lease modifications	\$ —	\$ 9,349
Non-cash adjustment to right-of-use assets and lease liabilities from lease terminations and assignments	\$ —	\$ (33,804)
Non-cash investing activity:		
Capital expenditures in accounts payable	\$ 566	\$ 720

See accompanying notes to condensed consolidated financial statements.

THE PENNANT GROUP INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data and operational senior living units)

1. DESCRIPTION OF BUSINESS

The Pennant Group, Inc. (herein referred to as “Pennant,” the “Company,” “it,” or “its”), is a holding company with no direct operating assets, employees or revenue. The Company, through its independent operating subsidiaries, provides healthcare services across the post-acute care continuum. As of March 31, 2023, the Company’s subsidiaries operated 96 home health, hospice and home care agencies and 51 senior living communities located in Arizona, California, Colorado, Idaho, Iowa, Montana, Nevada, Oklahoma, Oregon, Texas, Utah, Washington, Wisconsin and Wyoming.

Certain of the Company’s subsidiaries, collectively referred to as the Service Center, provide accounting, payroll, human resources, information technology, legal, risk management, and other services to the operations through contractual relationships.

Each of the Company’s affiliated operations are operated by separate, independent subsidiaries that have their own management, employees and assets. References herein to the consolidated “Company” and “its” assets and activities is not meant to imply, nor should it be construed as meaning, that Pennant has direct operating assets, employees or revenue, or that any of the subsidiaries are operated by Pennant.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying unaudited condensed consolidated financial statements of the Company (the “Interim Financial Statements”) reflect the Company’s financial position, results of operations and cash flows of the business. The Interim Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and pursuant to the regulations of the Securities and Exchange Commission (“SEC”). Management believes that the Interim Financial Statements reflect, in all material respects, all adjustments which are of a normal and recurring nature necessary to present fairly the Company’s financial position, results of operations, and cash flows for the periods presented in conformity with GAAP. The results reported in these Interim Financial Statements are not necessarily indicative of results that may be expected for the entire year.

The Condensed Consolidated Balance Sheet as of December 31, 2022 is derived from the Company’s annual audited Consolidated Financial Statements for the fiscal year ended December 31, 2022, which should be read in conjunction with these Interim Financial Statements. Certain information in the accompanying footnote disclosures normally included in annual financial statements was condensed or omitted for the interim periods presented in accordance with GAAP.

All significant intercompany transactions and balances between the various legal entities comprising the Company have been eliminated in consolidation. The Company presents noncontrolling interests within the equity section of its Condensed Consolidated Balance Sheets and the amount of consolidated net income that is attributable to the Company and the noncontrolling interest in its Condensed Consolidated Statements of Income.

The Company consists of various limited liability companies and corporations established to operate home health, hospice, home care, and senior living operations. The Interim Financial Statements include the accounts of all entities controlled by the Company through its ownership of a majority voting interest.

Certain prior quarter amounts have been reclassified from cost of sales to loss on asset dispositions and impairment of assets, net for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations in the current period or prior period.

Estimates and Assumptions - The preparation of the Interim Financial Statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Interim Financial Statements and the reported amounts of revenue and expenses during the reporting periods. The most significant estimates in the Interim Financial Statements relate to revenue, intangible assets and goodwill, right-of-use assets and lease liabilities for leases greater than 12 months, self-insurance reserves, and income taxes. Actual results could differ from those estimates.

CARES Act: The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted on March 27, 2020 in the United States. The CARES Act allowed for deferred payment of the employer-paid portion of social security taxes through the end of 2020, with 50% due on December 31, 2021 and the remainder due on December 31, 2022. The Company deferred approximately \$7,836 of the employer-paid portion of social security taxes, all of which was repaid by December 31,

THE PENNANT GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

2022. The CARES Act also expanded the Centers for Medicare & Medicaid Services' ("CMS") ability to provide accelerated/advance payments intended to increase the cash flow of healthcare providers and suppliers impacted by COVID-19. During 2020, the Company applied for and received \$27,997 in funds under the Accelerated and Advance Payment ("AAP") Program, all of which was recouped as of June 23, 2022.

3. TRANSACTIONS WITH ENSIGN

On October 1, 2019, The Ensign Group, Inc. ("Ensign") completed the separation of Pennant (the "Spin-Off"). Pennant and Ensign continue to partner in the provision of services along the healthcare continuum.

The Company incurred costs of \$273 for the three months ended March 31, 2023 and \$643 for the three months ended March 31, 2022, that related primarily to shared services at proximate operations.

Expenses related to room and board charges at Ensign skilled nursing facilities for hospice patients were \$940 for the three months ended March 31, 2023 and \$574 for the three months ended March 31, 2022, and are included in cost of services.

The Company's independent operating subsidiaries leased 29 and 32 communities from subsidiaries of Ensign under a master lease arrangement as of March 31, 2023 and March 31, 2022, respectively. See further discussion below at Note 8, Leases.

On January 27, 2022, affiliates of the Company entered into certain operations transfer agreements (collectively, the "Transfer Agreements") with affiliates of Ensign, providing for the transfer of the operations of five senior living communities (the "Transaction"). The Transfer Agreements required one of the transferors to place \$6,500 in escrow to cover post-closing capital expenditures and operating losses related to one of the communities, and such escrow was funded by an initial payment by the transferor at closing followed by eight equal monthly installments. The Transaction closed in April 2022.

4. NET INCOME PER COMMON SHARE

Basic net income per share is computed by dividing net income attributable to stockholders of the Company by the weighted average number of outstanding common shares for the period. The computation of diluted net income per share is similar to the computation of basic net income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued.

The following table sets forth the computation of basic and diluted net income per share for the periods presented:

	Three Months Ended March 31,	
	2023	2022
Numerator:		
Net income attributable to The Pennant Group, Inc.	\$ 1,850	\$ 1,014
Denominator:		
Weighted average shares outstanding for basic net income per share	29,751	28,572
Plus: assumed incremental shares from exercise of options and assumed conversion or vesting of restricted stock ^(a)	396	1,571
Adjusted weighted average common shares outstanding for diluted income per share	30,147	30,143
Earnings Per Share:		
Basic net income per common share	\$ 0.06	\$ 0.04
Diluted net income per common share	\$ 0.06	\$ 0.03

(a) The diluted per share amounts do not reflect common equivalent shares outstanding of 2,002 for the three months ended March 31, 2023 and 1,690 for the three months ended March 31, 2022, because of their anti-dilutive effect.

THE PENNANT GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

5. REVENUE AND ACCOUNTS RECEIVABLE

Revenue is recognized when services are provided to the patients at the amount that reflects the consideration to which the Company expects to be entitled from patients and third-party payors, including Medicaid, Medicare, Commercial and managed care programs (Medicare Advantage and Managed Medicaid plans), in exchange for providing patient care. The healthcare services in home health and hospice patient contracts include routine services in exchange for a contractual agreed-upon amount or rate. Routine services are treated as a single performance obligation satisfied over time as services are rendered. As such, patient care services represent a bundle of services that are not capable of being distinct within the context of the contract. Additionally, there may be ancillary services which are not included in the rates for routine services, but instead are treated as separate performance obligations satisfied at a point in time, if and when those services are rendered.

Revenue recognized from healthcare services are adjusted for estimates of variable consideration to arrive at the transaction price. The Company determines the transaction price based on contractually agreed-upon amounts or rate, adjusted for estimates of variable consideration. The Company uses the expected value method in determining the variable component that should be used to arrive at the transaction price, using contractual agreements and historical reimbursement experience within each payor type. The amount of variable consideration which is included in the transaction price may be constrained, and is included in the net revenue only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. If actual amounts of consideration ultimately received differ from the Company's estimates, the Company adjusts these estimates, which would affect net service revenue in the period such variances become known.

Revenue from the Medicare and Medicaid programs accounted for 62.0% of the Company's revenue for the three months ended March 31, 2023, and 61.9% for the three months ended March 31, 2022. The Company records revenue from these governmental and managed care programs as services are performed at their expected net realizable amounts under these programs. The Company's revenue from governmental and managed care programs is subject to audit and retroactive adjustment by governmental and third-party agencies. Consistent with healthcare industry accounting practices, any changes to these governmental revenue estimates are recorded in the period the change or adjustment becomes known based on final settlement.

Disaggregation of Revenue

The Company disaggregates revenue from contracts with its patients by reportable operating segments and payors. The Company has determined that disaggregating revenue into these categories achieves the disclosure objectives to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The Company's service specific revenue recognition policies are as follows:

Home Health Revenue

Medicare Revenue

Net service revenue is recognized in accordance with the Patient Driven Groupings Model ("PDGM"). Under PDGM, Medicare provides agencies with payments for each 30-day payment period provided to beneficiaries. If a beneficiary is still eligible for care after the end of the first 30-day payment period, a second 30-day payment period can begin. There are no limits to the number of periods of care a beneficiary who remains eligible for the home health benefit can receive. While payment for each 30-day payment period is adjusted to reflect the beneficiary's health condition and needs, a special outlier provision exists to ensure appropriate payment for those beneficiaries that have the most expensive care needs. The payment under the Medicare program is also adjusted for certain variables including, but not limited to: (a) a low utilization payment adjustment if the number of visits is below an established threshold that varies based on the diagnosis of a beneficiary; (b) a partial payment if the patient transferred to another provider or the Company received a patient from another provider before completing the period of care; (c) adjustment to the admission source of claim if it is determined that the patient had a qualifying stay in a post-acute care setting within 14 days prior to the start of a 30-day payment period; (d) the timing of the 30-day payment period provided to a patient in relation to the admission date, regardless of whether the same home health provider provided care for the entire series of episodes; (e) changes to the acuity of the patient during the previous 30-day payment period; (f) changes in the base payments established by the Medicare program; (g) adjustments to the base payments for case mix and geographic wages; and (h) recoveries of overpayments.

THE PENNANT GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The Company adjusts Medicare revenue on completed episodes to reflect differences between estimated and actual payment amounts, an inability to obtain appropriate billing documentation and other reasons unrelated to credit risk. Therefore, the Company believes that its reported net service revenue and patient accounts receivable will be the net amounts to be realized from Medicare for services rendered.

In addition to revenue recognized on completed episodes and periods, the Company also recognizes a portion of revenue associated with episodes and periods in progress. Episodes in progress are 30-day payment periods that begin during the reporting period but were not completed as of the end of the period. As such, the Company estimates revenue and recognizes it on a daily basis. The primary factors underlying this estimate are the number of episodes in progress at the end of the reporting period, expected Medicare revenue per period of care or episode of care and the Company's estimate of the average percentage complete based on the scheduled end of period and end of episode dates.

Non-Medicare Revenue

Episodic Based Revenue - The Company recognizes revenue in a similar manner as it recognizes Medicare revenue for episodic-based rates that are paid by other insurance carriers, including Medicare Advantage programs. These rates can vary based upon the negotiated terms.

Non-episodic Based Revenue - Revenue is recognized on an accrual basis based upon the date of service at amounts equal to its established or estimated per visit rates, as applicable.

Hospice Revenue

Revenue is recognized on an accrual basis based upon the date of service at amounts equal to the estimated payment rates. The estimated payment rates are calculated as daily rates for each of the levels of care the Company delivers. Revenue is adjusted for an inability to obtain appropriate billing documentation or authorizations acceptable to the payor and other reasons unrelated to credit risk. Additionally, as Medicare hospice revenue is subject to an inpatient cap and an overall payment cap, the Company monitors its provider numbers and estimates amounts due back to Medicare if a cap has been exceeded. The Company regularly evaluates and records these adjustments as a reduction to revenue and an increase to other accrued liabilities.

Senior Living Revenue

The Company has elected the lessor practical expedient within ASC Topic 842, *Leases* ("ASC 842") and therefore recognizes, measures, presents, and discloses the revenue for services rendered under the Company's senior living residency agreements based upon the predominant component, either the lease or non-lease component, of the contracts. The Company has determined that the services included under the Company's senior living residency agreements each have the same timing and pattern of transfer. The Company recognizes revenue under ASC Topic 606, *Revenue from Contracts with Customers* for its senior residency agreements, for which it has determined that the non-lease components of such residency agreements are the predominant component of each such contract.

The Company's senior living revenue consists of fees for basic housing and assisted living care. Accordingly, the Company records revenue when services are rendered on the date services are provided at amounts billable to individual residents. Residency agreements are generally for a term of 30 days, with resident fees billed monthly in advance. For residents under reimbursement arrangements with Medicaid, revenue is recorded based on contractually agreed-upon amounts or rates on a per resident, daily basis or as services are rendered.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Revenue By Payor

Revenue by payor for the three months ended March 31, 2023 and 2022, is summarized in the following tables:

Three Months Ended March 31, 2023							
Home Health and Hospice Services							
	Home Health Services		Hospice Services		Senior Living Services	Total Revenue	Revenue %
Medicare	\$ 23,376	\$ 37,380	\$ —	\$ 60,756		48.0 %	
Medicaid	2,191	4,598	10,842	17,631		14.0	
Subtotal	25,567	41,978	10,842	78,387		62.0	
Managed care	15,932	1,194	—	17,126		13.5	
Private and other ^(a)	6,291	117	24,543	30,951		24.5	
Total revenue	\$ 47,790	\$ 43,289	\$ 35,385	\$ 126,464		100.0 %	

(a) Private and other payors in the Company's home health and hospice services segment includes revenue from all payors generated in the Company's home care operations.

Three Months Ended March 31, 2022							
Home Health and Hospice Services							
	Home Health Services		Hospice Services		Senior Living Services	Total Revenue	Revenue %
Medicare	\$ 21,357	\$ 33,721	\$ —	\$ 55,078		48.4 %	
Medicaid	2,506	3,265	9,623	15,394		13.5	
Subtotal	23,863	36,986	9,623	70,472		61.9	
Managed care	13,252	784	—	14,036		12.3	
Private and other ^(a)	5,537	53	23,812	29,402		25.8	
Total revenue	\$ 42,652	\$ 37,823	\$ 33,435	\$ 113,910		100.0 %	

(a) Private and other payors in the Company's home health and hospice services segment includes revenue from all payors generated in the Company's home care operations.

Balance Sheet Impact

Included in the Company's Condensed Consolidated Balance Sheets are contract assets, comprised of billed accounts receivable and unbilled receivables, which are the result of the timing of revenue recognition, billings and cash collections, as well as, contract liabilities, which primarily represent payments the Company receives in advance of services provided.

THE PENNANT GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Accounts receivable, net as of March 31, 2023 and December 31, 2022 is summarized in the following table:

	March 31, 2023	December 31, 2022
Medicare	\$ 29,814	\$ 31,321
Medicaid	9,603	10,700
Managed care	9,445	9,370
Private and other	2,371	2,621
Accounts receivable, gross	51,233	54,012
Less: allowance for doubtful accounts	(573)	(592)
Accounts receivable, net	<u>\$ 50,660</u>	<u>\$ 53,420</u>

Concentrations - Credit Risk

The Company has significant accounts receivable balances, the collectability of which is dependent on the availability of funds from certain governmental programs, primarily Medicare and Medicaid. These receivables represent the only significant concentration of credit risk for the Company. The Company does not believe there are significant credit risks associated with these governmental programs. The Company believes that an appropriate allowance has been recorded for the possibility of these receivables proving uncollectible, and continually monitors and adjusts these allowances as necessary. The Company's gross receivables from the Medicare and Medicaid programs accounted for approximately 76.9% and 77.8% of its total gross accounts receivable as of March 31, 2023 and December 31, 2022, respectively. Revenue from reimbursement under the Medicare and Medicaid programs accounted for 62.0% for the three months ended March 31, 2023, and 61.9% of the Company's revenue for the three months ended March 31, 2022.

Practical Expedients and Exemptions

As the Company's contracts have an original duration of one year or less, the Company uses the practical expedient applicable to its contracts and does not consider the time value of money. Further, because of the short duration of these contracts, the Company has not disclosed the transaction price for the remaining performance obligations as of the end of each reporting period or when the Company expects to recognize this revenue. In addition, the Company has applied the practical expedient provided by ASC 340, *Other Assets and Deferred Costs* ("ASC 340"), and all incremental customer contract acquisition costs are expensed as they are incurred because the amortization period would have been one year or less.

6. BUSINESS SEGMENTS

The Company classifies its operations into the following reportable operating segments: (1) home health and hospice services, which includes the Company's home health, hospice and home care businesses; and (2) senior living services, which includes the operation of assisted living, independent living and memory care communities. The reporting segments are business units that offer different services and are managed separately to provide greater visibility into those operations. The Company's Chief Executive Officer, who is the Company's Chief Operating Decision Maker ("CODM"), reviews financial information at the operating segment level. The Company also reports an "all other" category that includes general and administrative expense from the Company's Service Center.

As of March 31, 2023, the Company provided services through 96 affiliated home health, hospice and home care agencies, and 51 affiliated senior living operations. The Company evaluates performance and allocates capital resources to each segment based on an operating model that is designed to maximize the quality of care provided and profitability. The Company's Service Center provides various services to all lines of business. The Company does not review assets by segment and therefore assets by segment are not disclosed below.

The CODM uses Segment Adjusted EBITDAR from Operations as the primary measure of profit and loss for the Company's reportable segments and to compare the performance of its operations with those of its competitors. Segment Adjusted EBITDAR from Operations is net income attributable to the Company's reportable segments excluding interest expense, provision for income taxes, depreciation and amortization expense, rent, and, in order to view the operations performance on a comparable basis from period to period, certain adjustments including: (1) costs at start-up operations, (2) share-based compensation, (3) acquisition related costs and credit allowances, (4) the costs associated with transitioning operations, (5) unusual, non-recurring or redundant charges, and (6) net income attributable to noncontrolling interest. General

THE PENNANT GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

and administrative expenses are not allocated to the reportable segments, and are included as “All Other”, accordingly the segment earnings measure reported is before allocation of corporate general and administrative expenses. The Company’s segment measures may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

The following tables present certain financial information regarding the Company’s reportable segments, general and administrative expenses are not allocated to the reportable segments and are included in “All Other” for the three months ended March 31, 2023 and 2022:

	Home Health and Hospice Services	Senior Living Services	All Other	Total
Three Months Ended March 31, 2023				
Revenue	\$ 91,079	\$ 35,385	\$ —	\$ 126,464
Segment Adjusted EBITDAR from Operations	\$ 14,412	\$ 10,241	\$ (7,514)	\$ 17,139
Three Months Ended March 31, 2022				
Revenue	\$ 80,475	\$ 33,435	\$ —	\$ 113,910
Segment Adjusted EBITDAR from Operations	\$ 13,948	\$ 9,432	\$ (8,146)	\$ 15,234

This following table provides a reconciliation of Segment Adjusted EBITDAR from Operations to income from operations:

	Three Months Ended March 31,	
	2023	2022
Segment Adjusted EBITDAR from Operations	\$ 17,139	\$ 15,234
Less: Depreciation and amortization	1,280	1,147
Rent—cost of services	9,597	10,051
Other expense	30	3
Adjustments to Segment EBITDAR from Operations:		
Less: Costs at start-up operations ^(a)	203	131
Share-based compensation expense and related taxes ^(b)	1,419	2,440
Acquisition related costs and credit allowances ^(c)	32	—
Costs associated with transitioning operations ^(d)	47	(757)
Unusual, non-recurring or redundant charges ^(e)	398	37
Add: Net income attributable to noncontrolling interest	147	144
Condensed Consolidated Income from Operations	\$ 4,280	\$ 2,326

(a) Represents results related to start-up operations. This amount excludes rent and depreciation and amortization expense related to such operations.

(b) Share-based compensation expense and related payroll taxes incurred. Share-based compensation expense and related payroll taxes are included in cost of services and general and administrative expense.

(c) Non-capitalizable costs associated with acquisitions and credit allowances for amounts in dispute with the prior owners of certain acquired operations.

(d) During the three months ended March 31, 2023, an affiliate of the Company placed its memory care units into transition and is actively seeking to sublease the units to an unrelated third party. The amount above represents the net operating impact attributable to the units in transition. The amounts reported exclude rent and depreciation and amortization expense related to such operations.

During January 2022, affiliates of the Company entered into Transfer Agreements with affiliates of Ensign, providing for the transfer of the operations of certain senior living communities (the “Transaction”) from affiliates of the Company to affiliates of Ensign. The closing of the Transaction was completed in two phases with the transfer of two operations on March 1, 2022 and the remainder transferred on April 1, 2022. The amount above represents the net impact on revenue and cost of service attributable to all of the transferred entities. The amounts reported exclude rent and depreciation and amortization expense related to such operations.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(e) Represents unusual or non-recurring charges for legal services, implementation costs, integration costs, and consulting fees in general and administrative expenses.

Costs identified as redundant or non-recurring incurred by the Company for additional services provided by Ensign. All amounts are included in general and administrative expense. Fees incurred were \$273 for the three months ended March 31, 2023, and \$643 for the three months ended March 31, 2022.

7. ACQUISITIONS

The Company's is focused on acquiring operations that are complementary to the Company's current businesses, accretive to the Company's business or otherwise advance the Company's strategy. The results of all the Company's independent operating subsidiaries are included in the Interim Financial Statements subsequent to the date of acquisition. Acquisitions are accounted for using the acquisition method of accounting.

2023 Acquisitions

During the three months ended March 31, 2023, the Company expanded its operations with the addition of one home health agency as well as two senior living communities. In connection with the addition of the two senior living communities, the Company entered into a new long-term "triple-net" lease. A subsidiary of the Company entered into a separate operations transfer agreement with the prior operator of each acquired operation as part of each transaction.

The one home health agency acquired was a Medicare license and is considered an asset acquisition. The fair value of the home health license acquired was \$210 and was allocated to indefinite-lived intangible assets.

Subsequent Events

On May 1, 2023, the Company closed on the purchase of one home health agency that expands the Company's footprint in Colorado. The purchase of the home health agency was \$875. A subsidiary of the Company entered into an operations transfer agreement with the prior operator.

8. PROPERTY AND EQUIPMENT—NET

Property and equipment, net consist of the following:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Land	\$ 96	\$ 96
Building	1,890	1,890
Leasehold improvements	19,106	18,759
Equipment	26,659	25,532
Furniture and fixtures	1,223	1,151
	<u>48,974</u>	<u>47,428</u>
Less: accumulated depreciation	(22,027)	(20,807)
Property and equipment, net	<u>\$ 26,947</u>	<u>\$ 26,621</u>

Depreciation expense was 1,275 for the three months ended March 31, 2023 and \$1,114 for the three months ended March 31, 2022.

The Company measures certain assets at fair value on a non-recurring basis, including long-lived assets, which are evaluated for impairment. Long-lived assets include assets such as property and equipment, operating lease assets and certain intangible assets. The inputs used to determine the fair value of long-lived assets and a reporting unit are considered Level 3 measurements due to their subjective nature. Management has evaluated its long-lived assets and determined there were immaterial impairments recorded during the three months ended March 31, 2023 and 2022.

THE PENNANT GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

9. GOODWILL AND OTHER INDEFINITE-LIVED INTANGIBLE ASSETS

The following table represents activity in goodwill by segment for the three months ended March 31, 2023:

	Home Health and Hospice Services	Senior Living Services	Total
December 31, 2022	\$ 75,855	\$ 3,642	\$ 79,497
Additions	—	—	—
March 31, 2023	<u>\$ 75,855</u>	<u>\$ 3,642</u>	<u>\$ 79,497</u>

Other indefinite-lived intangible assets consist of the following:

	March 31, 2023	December 31, 2022
Trade name	\$ 1,385	\$ 1,385
Medicare and Medicaid licenses	57,442	57,232
Total	<u>\$ 58,827</u>	<u>\$ 58,617</u>

No goodwill or intangible asset impairments were recorded during the three months ended March 31, 2023 and 2022.

10. OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following:

	March 31, 2023	December 31, 2022
Refunds payable	\$ 2,017	\$ 2,244
Deferred revenue	1,609	1,592
Resident deposits	3,663	4,315
Property taxes	1,129	1,027
Deferred state relief funds	909	1,479
Accrued self-insurance liabilities	4,076	3,546
Other	2,713	2,481
Other accrued liabilities	<u>\$ 16,116</u>	<u>\$ 16,684</u>

Refunds payable includes payables related to overpayments, duplicate payments and credit balances from various payor sources. Deferred revenue occurs when the Company receives payments in advance of services provided. Resident deposits include refundable deposits to residents.

11. DEBT

Long-term debt, net consists of the following:

	March 31, 2023	December 31, 2022
Revolving Credit Facility	\$ 58,500	\$ 64,500
Less: unamortized debt issuance costs ^(a)	(1,477)	(1,608)
Long-term debt, net	<u>\$ 57,023</u>	<u>\$ 62,892</u>

(a) Amortization expense for debt issuance costs was \$130 for three months ended March 31, 2023 and \$129 for the three months ended March 31, 2022, and is recorded in interest expense, net on the Condensed Consolidated Statements of Income.

On February 23, 2021, Pennant entered into an amendment to its existing credit agreement (as amended, the "Credit Agreement"), which provides for an increased revolving credit facility with a syndicate of banks with a borrowing capacity of \$150,000 (the "Revolving Credit Facility"). The interest rates applicable to loans under the Revolving Credit Facility are, at the

THE PENNANT GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Company's election, either (i) Adjusted LIBOR (as defined in the Credit Agreement) plus a margin ranging from 2.3% to 3.3% per annum or (ii) Base Rate plus a margin ranging from 1.3% to 2.3% per annum, in each case, based on the ratio of Consolidated Total Net Debt to Consolidated EBITDA (each, as defined in the Credit Agreement). In addition, Pennant pays a commitment fee on the undrawn portion of the commitments under the Revolving Credit Facility which ranges from 0.35% to 0.50% per annum, depending on the Consolidated Total Net Debt to Consolidated EBITDA ratio of the Company and its subsidiaries. The Company is not required to repay any loans under the Credit Agreement prior to maturity in 2026, other than to the extent the outstanding borrowings exceed the aggregate commitments under the Credit Agreement. As of March 31, 2023, the Company's weighted average interest rate on its outstanding debt was 7.53%. As of March 31, 2023, the Company had available borrowing on the Revolving Credit Facility of \$87,314, which is net of outstanding letters of credit of \$4,186.

The fair value of the Revolving Credit Facility approximates carrying value, due to the short-term nature and variable interest rates. The fair value of this debt is categorized within Level 2 of the fair value hierarchy based on the observable market borrowing rates.

The Credit Agreement is guaranteed, jointly and severally, by certain of the Company's independent operating subsidiaries, and is secured by a pledge of stock of the Company's material independent operating subsidiaries as well as a first lien on substantially all of each material operating subsidiary's personal property. The Credit Agreement contains customary covenants that, among other things, restrict, subject to certain exceptions, the ability of the Company and its independent operating subsidiaries to grant liens on their assets, incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations, amend certain material agreements and pay certain dividends and other restricted payments. Financial covenants require compliance with certain levels of leverage ratios that impact the amount of interest. As of March 31, 2023, the Company was compliant with all such financial covenants.

12. OPTIONS AND AWARDS

Outstanding options and restricted stock awards of the Company were granted under the 2019 Omnibus Incentive Plan (the "OIP") and Long-Term Incentive Plan (the "LTIP", and together with the OIP, the "Pennant Plans").

Under the Pennant Plans, stock-based payment awards, including employee stock options, restricted stock awards ("RSA"), and restricted stock units ("RSU" and together with RSA, "Restricted Stock") are issued based on estimated fair value. The following disclosures represent share-based compensation expense relating to employees of the Company's subsidiaries and non-employee directors who have awards under the Pennant Plans.

Total share-based compensation expense for all Plans for the three months ended March 31, 2023 and 2022 was:

	Three Months Ended March 31,	
	2023	2022
Share-based compensation expense related to stock options	\$ 850	\$ 842
Share-based compensation expense related to Restricted Stock	177	1,519
Share-based compensation expense related to Restricted Stock to non-employee directors	340	79
Total share-based compensation	<u>\$ 1,367</u>	<u>\$ 2,440</u>

In future periods, the Company estimates it will recognize the following share-based compensation expense for unvested stock options and unvested Restricted Stock as of March 31, 2023:

	Unrecognized Compensation Expense	Weighted Average Recognition Period (in years)
Unvested Stock Options	\$ 12,339	3.5
Unvested Restricted Stock	2,931	4.2
Total unrecognized share-based compensation expense	<u>\$ 15,270</u>	

THE PENNANT GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

On July 25, 2022 the Company modified certain outstanding RSUs granted to the former chief executive officer of the Company in connection with the Spin-off. All the RSUs had an original vesting date of October 1, 2022. The modification resulted in the forfeiture of 250 outstanding RSUs and accelerated the vesting on the remaining 943 RSUs from October 1, 2022 to July 31, 2022. The modification of the award resulted in a net reduction of share-based compensation expense related to the awards of \$3,812 recorded in general and administrative expense in the third quarter of 2022.

Stock Options

Under the Pennant Plans, options granted to employees of the subsidiaries of Pennant generally vest over five years at 20% per year on the anniversary of the grant date. Options expire ten years after the date of grant.

The Company uses the Black-Scholes option-pricing model to recognize the value of stock-based compensation expense for share-based payment awards under the Plans. Determining the appropriate fair-value model and calculating the fair value of stock-based awards at the grant date requires considerable judgment, including estimating stock price volatility and expected option life. The Company develops estimates based on historical data and market information, which can change significantly over time.

The fair value of each option is estimated on the grant date using a Black-Scholes option-pricing model with the following weighted average assumptions for stock options granted as of March 31:

Grant Year	Options Granted	Risk-Free Interest Rate	Expected Life ^(a)	Expected Volatility ^(b)	Dividend Yield	Weighted Average Fair Value of Options
2023	467	4.1 %	6.5	41.5 %	— %	\$ 7.25
2022	213	1.9 %	6.5	40.0 %	— %	\$ 6.03

(a) Under the midpoint method, the expected option life is the midpoint between the contractual option life and the average vesting period for the options being granted. This resulted in an expected option life of 6.5 years for the options granted.

(b) Because the Company's equity shares have been traded for a relatively short period of time, expected volatility assumption was based on the volatility of related industry stocks.

The following table represents the employee stock option activity during the three months ended March 31, 2023:

	Number of Options Outstanding	Weighted Average Exercise Price	Number of Options Vested	Weighted Average Exercise Price of Options Vested
December 31, 2022	2,219	20.76	973	\$ 16.90
Granted	467	15.02		
Exercised	(25)	7.95		
Forfeited	(24)	21.67		
Expired	(24)	19.58		
March 31, 2023	<u>2,613</u>	\$ 19.70	1,008	\$ 17.31

THE PENNANT GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Restricted Stock

A summary of the status of Pennant's non-vested Restricted Stock, and changes during the three months ended March 31, 2023, is presented below:

	Non-Vested Restricted Stock	Weighted Average Grant Date Fair Value
December 31, 2022	418	\$ 14.26
Granted	32	10.80
Vested	(38)	11.12
Forfeited	(3)	15.63
March 31, 2023	<u>409</u>	<u>\$ 14.28</u>

13. LEASES

The Company's independent operating subsidiaries lease 51 senior living communities and its administrative offices under non-cancelable operating leases, most of which have initial lease terms ranging from 15 to 25 years. Most of these leases contain renewal options, most involve rent increases and none contain purchase options. The lease term excludes lease renewals because the renewal rents are not at a bargain, there are no economic penalties for the Company to renew the lease, and it is not reasonably certain that the Company will exercise the extension options. The Company's independent operating subsidiaries leased 29 and 32 communities from subsidiaries of Ensign (the "Ensign Leases") under a master lease arrangement as of March 31, 2023 and March 31, 2022, respectively. Each of the leases have an initial term of between 14 and 20 years from the lease commencement date. The total amount of rent expense included in rent - cost of services paid to subsidiaries of Ensign was \$3,416 for the three months ended March 31, 2023 and \$3,484 for the three months ended March 31, 2022. In addition to rent, each of the operating companies are required to pay the following: (1) all impositions and taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor); (2) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties; (3) all insurance required in connection with the leased properties and the business conducted on the leased properties; (4) all community maintenance and repair costs; and (5) all fees in connection with any licenses or authorizations necessary or appropriate for the leased properties and the business conducted on the leased properties.

Fourteen of the Company's affiliated senior living communities, excluding the communities that are operated under the Ensign Leases (as defined herein), are operated under three separate master lease arrangements. Under these master leases, a breach at a single community could subject one or more of the other communities covered by the same master lease to the same default risk. Failure to comply with Medicare and Medicaid provider requirements is a default under several of the Company's leases and master leases. With an indivisible lease, it is difficult to restructure the composition of the portfolio or economic terms of the master lease without the consent of the landlord.

As further described in Note 3, on January 27, 2022, affiliates of the Company entered into Transfer Agreements with affiliates of Ensign, providing for the transfer of the operations of five senior living communities. The closing of the Transaction was completed in two phases with the transfer of two operations on March 1, 2022 and the remainder transferred on April 1, 2022. As a result of the lease terminations, the Company reduced both the right of use assets and the lease liabilities by \$33,804. One of the terminated leases was part of a master lease agreement. As a result of the transferred leases being removed from master lease arrangement, the remaining lease components under the master lease arrangement was modified which resulted in a net increase to the lease liability and ROU asset balance of \$9,349 for the three months ended March 31, 2022.

THE PENNANT GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The components of operating lease cost, are as follows:

	Three Months Ended March 31,	
	2023	2022
Operating Lease Costs:		
Community Rent—cost of services	\$ 8,274	\$ 8,789
Office Rent—cost of services	1,323	1,262
Rent—cost of services	<u>\$ 9,597</u>	<u>\$ 10,051</u>
General and administrative expense	\$ 93	\$ 81
Variable lease cost ^(a)	\$ 1,730	\$ 1,575

(a) Represents variable lease cost for operating leases, which costs include property taxes and insurance, common area maintenance, and consumer price index increases, incurred as part of the Company's triple net lease, and which is included in cost of services for the three months ended March 31, 2023 and 2022.

The following table shows the lease maturity analysis for all leases as of March 31, 2023, for the years ended December 31:

Year	Amount
2023 (Remainder)	\$ 27,102
2024	35,658
2025	34,302
2026	33,249
2027	32,662
Thereafter	253,638
Total lease payments	<u>416,611</u>
Less: present value adjustments	(149,714)
Present value of total lease liabilities	<u>266,897</u>
Less: current lease liabilities	(16,856)
Long-term operating lease liabilities	<u>\$ 250,041</u>

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In determining the present value of lease payments, the Company used its incremental borrowing rate based on the information available at each lease's commencement date to determine each lease's operating lease liability. As of March 31, 2023, the weighted average remaining lease term is 12.5 years and the weighted average discount rate is 7.6%.

14. INCOME TAXES

The Company recorded income tax expense of \$907 and \$542, or 31.2% and 31.9% of earnings before income taxes for the three months ended March 31, 2023 and 2022, respectively. The decrease in effective tax is primarily due to a decrease in non-deductible equity compensation.

THE PENNANT GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

15. COMMITMENTS AND CONTINGENCIES

Regulatory Matters - The Company provides services in complex and highly regulated industries. The Company's compliance with applicable U.S. federal, state and local laws and regulations governing these industries may be subject to governmental review and adverse findings may result in significant regulatory action, which could include sanctions, damages, fines, penalties (many of which may not be covered by insurance), and even exclusion from government programs. The Company is a party to various regulatory and other governmental audits and investigations in the ordinary course of business and cannot predict the ultimate outcome of any federal or state regulatory survey, audit or investigation. While governmental audits and investigations are the subject of administrative appeals, the appeals process, even if successful, may take several years to resolve and penalties subject to appeal may remain in place during such appeals, which may include suspension, termination, or revocation of participation in governmental programs for the payment of the services the Company provides. The Department of Justice, CMS, or other federal and state enforcement and regulatory agencies may conduct additional investigations related to the Company's businesses. The Company believes it is presently in compliance in all material respects with all applicable laws and regulations.

Cost-Containment Measures - Government and third-party payors have instituted cost-containment measures designed to limit payments made to providers of healthcare services, may propose future cost-containment measures, and there can be no assurance that future measures designed to limit payments made to providers will not adversely affect the Company.

Indemnities - From time to time, the Company enters into certain types of contracts that contingently require the Company to indemnify parties against third-party claims. These contracts primarily include (i) certain real estate leases, under which the Company may be required to indemnify property owners or prior operators for post-transfer environmental or other liabilities and other claims arising from the Company's use of the applicable premises, (ii) operations transfer agreements, in which the Company agrees to indemnify past operators of agencies and communities the Company acquires against certain liabilities arising from the transfer of the operation and/or the operation thereof after the transfer, (iii) certain Ensign lending agreements, and (iv) certain agreements with management, directors and employees, under which the subsidiaries of the Company may be required to indemnify such persons for liabilities arising out of their employment relationships. The terms of such obligations vary by contract and, in most instances, a specific or maximum dollar amount is not explicitly stated therein. Generally, amounts under these contracts cannot be reasonably estimated until a specific claim is asserted. Consequently, because no claims have been asserted, no liabilities have been recorded for these obligations on the Company's Condensed Consolidated Balance Sheets for any of the periods presented.

Litigation - The Company's businesses involve a significant risk of liability given the age and health of the patients and residents served by its independent operating subsidiaries. The Company, its operating companies, and others in the industry may be subject to a number of claims and lawsuits, including professional liability claims, alleging that services provided have resulted in personal injury, elder abuse, wrongful death or other related claims. Healthcare litigation (including class action litigation) is common and is filed based upon a wide variety of claims and theories, and the Company is routinely subjected to these claims in the ordinary course of business, including potential claims related to patient care and treatment, and professional negligence, as well as employment-related claims. If there were a significant increase in the number of these claims or an increase in amounts owing should plaintiffs be successful in their prosecution of these claims, this could materially adversely affect the Company's business, financial condition, results of operations and cash flows. In addition, the defense of these lawsuits may result in significant legal costs, regardless of the outcome, and may result in large settlement amounts or damage awards.

In addition to the potential lawsuits and claims described above, the Company is also subject to potential lawsuits under the False Claims Act (the "FCA") and comparable state laws alleging submission of fraudulent claims for services to any governmental healthcare program (such as Medicare) or commercial payor. A violation may provide the basis for exclusion from federally funded healthcare programs. Such exclusions could have a correlative negative impact on the Company's financial performance. Some states, including California, Arizona and Texas, have enacted similar whistleblower and false claims laws and regulations. In addition, the Deficit Reduction Act of 2005 created incentives for states to enact anti-fraud legislation modeled on the FCA, for which 18 states have qualified, including California and Texas, where we conduct business. As such, the Company could face increased scrutiny, potential liability and legal expenses and costs based on claims under state false claims acts in markets in which it conducts business.

Under the Fraud Enforcement and Recovery Act ("FERA") and its associated rules, healthcare providers face significant penalties for the knowing retention of government overpayments, even if no false claim was involved. Providers have an obligation to proactively exercise "reasonable diligence" to identify overpayments and return those overpayments to

THE PENNANT GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

CMS within 60 days of “identification” or the date any corresponding cost report is due, whichever is later. Retention of overpayments beyond this period may create liability under the FCA. In addition, FERA protects whistleblowers (including employees, contractors, and agents) from retaliation.

The Company cannot predict or provide any assurance as to the possible outcome of any litigation. If any litigation were to proceed, and the Company and its operating companies are subjected to, alleged to be liable for, or agree to a settlement of, claims or obligations under federal Medicare statutes, the FCA, or similar state and federal statutes and related regulations, the Company’s business, financial condition and results of operations and cash flows could be materially and adversely affected. Among other things, any settlement or litigation could involve the payment of substantial sums to settle any alleged civil violations, and may also include the assumption of specific procedural and financial obligations by the Company or its independent operating subsidiaries going forward under a corporate integrity agreement and/or other arrangement with the government.

Medicare Revenue Recoupments - The Company is subject to probe reviews relating to Medicare services, billings and potential overpayments by Unified Program Integrity Contractors (“UPIC”), Recovery Audit Contractors (“RAC”), Zone Program Integrity Contractors (“ZPIC”), Program Safeguard Contractors (“PSC”), Supplemental Medical Review Contractors (“SMRC”) and Medicaid Integrity Contributors (“MIC”) programs, each of the foregoing collectively referred to as “Reviews.”

As of March 31, 2023, nine of the Company’s independent operating subsidiaries had Reviews scheduled, on appeal or in dispute resolution process, both pre- and post-payment. If an operation fails an initial or subsequent Review, the operation could then be subject to extended Review, suspension of payment, or extrapolation of the identified error rate to all billing in the same time period. The Company, from time to time, receives record requests in reviews which have resulted in claim denials on paid claims. The Company has appealed substantially all denials arising from these reviews using the applicable appeals process. As of March 31, 2023, and through the filing of this Quarterly Report on Form 10-Q, the Company’s independent operating subsidiaries have responded to the Reviews that are currently ongoing, on appeal or in dispute resolution process. The Company cannot predict the ultimate outcome of any regulatory and other governmental reviews. While such reviews are the subject of administrative appeals, the appeals process, even if successful, may take several years to resolve. The costs to respond to and defend such reviews may be significant and an adverse determination in such reviews may subject the Company to sanctions, damages, extrapolation of damage findings, additional recoupments, fines, other penalties (some of which may not be covered by insurance), and termination from Medicare programs which may, either individually or in the aggregate, have a material adverse effect on the Company’s business and financial condition.

From June 2021 to May 2022, one hospice provider number was subject to a Medicare payment suspension imposed by a UPIC. As of March 31, 2023, the total amount due from the government payor impacted by the suspension was \$5,134 and was recorded in long-term other assets. The amounts suspended represent all Medicare payments due to the provider number during the suspension.

In May 2022, the Company received communication that the Medicare payment suspension was terminated and the UPIC’s review was complete. The UPIC reviewed 107 patient records covering a 10-month period to determine whether, in its view, a Medicare overpayment was made. Based on the results of the review, the UPIC has alleged sampled and extrapolated overpayments of \$5,134, and has withheld that amount through continued recoupment of Medicare payments. The Company is pursuing its appeal rights through the administrative appeals process, including contesting the methodology used by the UPIC to perform statistical extrapolation. At this stage of the review, based on the information currently available to the Company, the Company cannot predict the timing or the ultimate outcome of this review. As of March 31, 2023, we have an accrued liability that is immaterial for this review which was recorded as an offset to revenue.

Insurance - The Company retains risk for a substantial portion of potential claims for general and professional liability, workers’ compensation and automobile liability. The Company recognizes obligations associated with these costs, up to specified deductible limits in the period in which a claim is incurred, including with respect to both reported claims and claims incurred but not reported. The general and professional liability insurance has a retention limit of \$150 per claim with a \$500 corridor as an additional out-of-pocket retention we must satisfy for claims within the policy year before the carrier will reimburse losses. The workers’ compensation insurance has a retention limit of \$250 per claim, except for policies held in Texas and Washington which are subject to state insurance and possess their own limits.

The Company is self-insured for claims related to employee health, dental, and vision care. To protect itself against loss exposure, the Company has purchased individual stop-loss insurance coverage that insures individual health claims that exceed \$350 for each covered person for fiscal year 2023 and fiscal year 2022.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

16. COMMON STOCK REPURCHASE PROGRAM

On December 12, 2022, the Board of the Directors of the Company approved a share repurchase program under which the Company may repurchase up to \$1,000 of its common stock. Under the share repurchase program, the Company may repurchase shares from time to time through open market purchases, including through the use of trading plans intended to comply with Rule 10b5-1 under the Securities Exchange Act of 1934. The timing and total amount of stock repurchases will depend upon business, economic and market conditions, corporate and regulatory requirements, prevailing stock prices, and other considerations. The authorization expires on December 12, 2023, and may be suspended or discontinued at any time and does not obligate the company to acquire any amount of common stock. No shares were repurchased during the three months ended March 31, 2023.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with the Interim Financial Statements and the related notes thereto contained in Part I, Item 1 of this Quarterly Report on Form 10-Q (this “Quarterly Report”). The information contained in this Quarterly Report is not a complete description of our business or the risks associated with an investment in our common stock. We urge you to carefully review and consider the various disclosures made by us in this Quarterly Report and in our other reports filed with the Securities and Exchange Commission (“SEC”), including our Annual Report on Form 10-K for the year ended December 31, 2022 (the “2022 Annual Report”), which discusses our business and related risks in greater detail, as well as subsequent reports we may file from time to time on Form 10-K, Form 10-Q and 8-K, for additional information. The section entitled “Risk Factors” filed within our 2022 Annual Report describes some of the important risk factors that may affect our business, financial condition, results of operations and/or liquidity. You should carefully consider those risks, in addition to the other information in this Quarterly Report and in our other filings with the SEC, before deciding to purchase, hold or sell our common stock.

Special Note About Forward-Looking Statements

This Quarterly Report contains “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, that are based on our management’s beliefs and assumptions and on information currently available to our management. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “might,” “will,” “should,” “could,” “seeks,” “approximately,” “goals,” “future,” “projects,” “predicts,” “guidance,” “target,” “intends,” “plans,” “estimates,” “anticipates”, the negative version of these words or other comparable words. Forward-looking statements include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources, the effects of competition and the effects of future legislation or regulations and other non-historical statements.

The risk factors discussed in this Quarterly Report and the 2022 Annual Report under the heading “Risk Factors,” could cause our results to differ materially from those expressed in forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to:

- federal and state changes to, or delays receiving, reimbursement and other aspects of Medicaid and Medicare;
- changes in, and compliance with, the laws and regulations affecting the U.S. healthcare industry;
- proposed changes to payment models and reimbursement amounts within the Medicare and Medicaid fee schedules for future calendar years;
- future cost containment measures undertaken by payors;
- government reviews, audits and investigations of our business;
- potential additional regulation affecting the transparency, ownership, operating standards, and staffing of businesses in our industry;
- increased competition and increased cost of acquisition or retention for, or a shortage of, skilled personnel;
- achievement and maintenance of competitive quality of care ratings and referrals from referral sources;
- changes in, and compliance with, state and federal employment, fair housing, safety, licensing and other laws;
- competition from other healthcare providers, state efforts to regulate or deregulate the healthcare services industry, or the construction or expansion of the number of home health, hospice or senior living operations;
- actions of labor unions;
- costs associated with litigation or any future litigation settlements;
- the leases of our affiliated senior living communities;
- inability to complete future acquisitions at attractive prices or at all, and failure to successfully or efficiently new acquisitions into our existing operations and operating subsidiaries;
- general economic conditions, including a housing downturn, which could affect seniors’ ability to afford resident fees, or inflation and increasing interest rates, which raise the costs of goods and borrowing capital, which may affect the delivery and affordability of our services;

- security breaches and other cyber security incidents;
- the performance of the financial and credit markets and uncertainties related to our ability to obtain financing or the terms of such financing; and
- uncertainties related to the lingering effect of the COVID-19 pandemic, including new regulatory risks impacting our operations, potential litigation, and vaccination mandates.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not place undue reliance on any forward-looking statements in this Quarterly Report. Although we may from time to time voluntarily update our prior forward-looking statements, we disclaim any commitment to do so except as required by applicable securities laws.

Overview

We are a leading provider of high-quality healthcare services to patients of all ages, including the growing senior population, in the United States. We strive to be the provider of choice in the communities we serve through our innovative operating model. We operate in multiple lines of businesses including home health, hospice and senior living services across Arizona, California, Colorado, Idaho, Iowa, Montana, Nevada, Oklahoma, Oregon, Texas, Utah, Washington, Wisconsin and Wyoming. As of March 31, 2023, our home health and hospice business provided home health, hospice and home care services from 96 agencies operating across these 14 states, and our senior living business operated 51 senior living communities throughout six states.

The following table summarizes our affiliated home health and hospice agencies and senior living communities as of:

	December 31,								March 31,
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Home health and hospice agencies	32	39	46	54	63	76	88	95	96
Senior living communities	36	36	43	50	52	54	54	49	51
Senior living units	3,184	3,184	3,434	3,820	3,963	4,127	4,127	3,500	3,588
Total number of home health, hospice, and senior living operations	68	75	89	104	115	130	142	144	147

Recent Activities

Acquisitions. During the three months ended March 31, 2023, we expanded our operations with the addition of one home health agency, as well as two senior living communities. A subsidiary of the Company entered into a separate operations transfer agreement with the prior operator of the acquired operation as part of each transaction.

Trends

We have experienced modest senior living occupancy improvement through the first quarter of 2023, partly as a result of improving COVID-19 case trends and renewed consideration of senior living communities as a home-based care setting. Though we have seen steady improvements in occupancy throughout 2022 and the first quarter of 2023, we cannot be sure when the occupancy levels in our senior living communities will return to pre-pandemic levels.

When we acquire turnaround or start-up operations, we expect that our combined metrics may be impacted. We expect these metrics to vary from period to period based upon the maturity of the operations within our portfolio. We have generally experienced lower occupancy rates and higher costs at our senior living communities and lower census and higher costs at our home health and hospice agencies for recently acquired operations; as a result, we generally anticipate lower and/or fluctuating consolidated and segment margins during years of acquisition growth.

Government Regulation

We have disclosed under the heading “Government Regulation” in the 2022 Annual Report a summary of regulations that we believe materially affect our business, financial condition or results of operations. Since the time of the filing of the 2022 Annual Report, the following regulations have been updated.

On March 31, 2023, CMS issued the 2024 Hospice Payment Rate Update proposed rule (the “Hospice Payment Proposed Rule”). The Hospice Payment Proposed Rule requests information regarding increased levels of transparency regarding ownership of hospice agencies, seeks to make permanent the Hospice Quality Reporting program (“HQRP”) data submission threshold policy adopted in the 2016 Hospice Payment Rule Update final rule, and identified concerns about fraud, waste, and abuse in the hospice space. This proposed rule’s hospice payment update percentage is 2.8%, which is an estimated increase of \$720 million in payments from fiscal year 2023. The payment update percentage of 2.8% is based on a 3.0% market basket percentage increase, which is reduced by a 0.2% productivity adjustment. Additionally, hospices that fail to meet quality reporting requirements will receive a 4% reduction to the annual hospice payment update percentage increase for that year, which would more than negate the payment update percentage for fiscal year 2024 contained in the Hospice Payment Proposed Rule for hospices that fail to submit required quality reporting data to CMS. The Hospice Payment Proposed Rule’s HQRP provisions discuss how the data to be collected can be used to evaluate outcomes and patient evaluation, inform CMS’s quality measures for hospice providers, and measure health equity efforts. As this is a proposed rule, the final rule that is expected later in 2023 may contain significant changes, or even remove, the provisions contained within the Hospice Payment Proposed Rule.

On October 31, 2022, CMS issued the 2023 Home Health Prospective Payment System Rate Update Final Rule (“Home Health Payment Final Rule”). The rule implements a 3.9% decrease to the home health 30-day period standard payment rate in 2023, half of the 7.9% permanent decrease which CMS proposes to fully implement by 2024. This decrease is based on assumed behavior changes resulting from implementation of the Patient Driven Grouping Model (“PDGM”). Low Utilization Payment Adjustments (“LUPAs”) are excluded. Aside from these adjustments, CMS finalized a 2.9% basket increase for the home health payment update in calendar year 2023. CMS also recalibrated case-mix weights and low utilization payment adjustment thresholds using 2021 data. Additionally, the rule applies a permanent 5.0% cap on decreases in the wage index, meaning an agency’s wage index for any future year will not be less than 95.0% of the final wage index for the preceding year. For home health agencies that do not report required quality reporting data to CMS, their increase in payment will be 0.9%, rather than the full 2.9% contemplated in the rule. Overall, the Home Health Payment Final Rule estimates that Medicare payments to all home health agencies will increase in the aggregate by 0.7%, or \$125.0 million, based on its contents. The rule is effective beginning January 1, 2023. A proposed rule for the 2024 Home Health Prospective Payment System Rate Update is expected later this year, and its finalization is anticipated in the fourth quarter. Any changes to CMS’s payment for home health services in 2024 may be based upon behavioral data gathered and analyzed by CMS for the purposes of rate development, as explained in materials published by CMS on March 29, 2023.

Segments

We have two reportable segments: (1) home health and hospice services, which includes our home health, home care and hospice businesses; and (2) senior living services, which includes the operation of assisted living, independent living and memory care communities. Our Chief Executive Officer, who is our Chief Operating Decision Maker (“CODM”), reviews financial information at the operating segment level. We also report an “all other” category that includes general and administrative expense from our Service Center.

Common Stock Repurchase Program

On December 12, 2022, the Board of the Directors of the Company approved a share repurchase program under which the Company may repurchase up to \$1.0 million of its common stock. Under the share repurchase program, the Company may repurchase shares from time to time through open market purchases, including through the use of trading plans intended to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The timing and total amount of stock repurchases will depend upon business, economic and market conditions, corporate and regulatory requirements, prevailing stock prices, and other considerations. The authorization expires on December 12, 2023, and may be suspended or discontinued at any time and does not obligate the company to acquire any amount of common stock. No shares were repurchased during the three months ended March 31, 2023.

Key Performance Indicators

We manage the fiscal aspects of our business by monitoring key performance indicators that affect our financial performance. These indicators and their definitions include the following:

Home Health and Hospice Services

- **Total home health admissions.** The total admissions of home health patients, including new acquisitions, new admissions and readmissions.
- **Total Medicare home health admissions.** Total admissions of home health patients, who are receiving care under Medicare reimbursement programs, including new acquisitions, new admissions and readmissions.
- **Average Medicare revenue per completed 60-day home health episode.** The average amount of revenue for each completed 60-day home health episode generated from patients who are receiving care under Medicare reimbursement programs.
- **Total hospice admissions.** Total admissions of hospice patients, including new acquisitions, new admissions and recertifications.
- **Average hospice daily census.** The average number of patients who are receiving hospice care during any measurement period divided by the number of days during such measurement period.
- **Hospice Medicare revenue per day.** The average daily Medicare revenue recorded during any measurement period for services provided to hospice patients.

The following table summarizes our overall home health and hospice statistics for the periods indicated:

	Three Months Ended March 31,	
	2023	2022
Home health services:		
Total home health admissions	10,910	10,182
Total Medicare home health admissions	4,948	4,633
Average Medicare revenue per 60-day completed episode ^(a)	\$ 3,504	\$ 3,495
Hospice services:		
Total hospice admissions	2,451	2,409
Average hospice daily census	2,439	2,232
Hospice Medicare revenue per day	\$ 183	\$ 179

(a) The year-to-date average Medicare revenue per 60-day completed episode includes post period claim adjustments for prior quarters.

Senior Living Services

- **Occupancy.** The ratio of actual number of days our units are occupied during any measurement period to the number of days units are available for occupancy during such measurement period.
- **Average monthly revenue per occupied unit.** The room and board revenue for senior living services during any measurement period divided by actual occupied senior living units for such measurement period divided by the number of months for such measurement period.

The following table summarizes our senior living statistics for the periods indicated:

	Three Months Ended March 31,	
	2023	2022
Occupancy	78.1 %	72.6 %
Average monthly revenue per occupied unit	\$ 3,846	\$ 3,371

Revenue Sources

Home Health and Hospice Services

Home Health. We derive the majority of our home health revenue from Medicare and managed care. The Medicare payment is adjusted for differences between estimated and actual payment amounts, an inability to obtain appropriate billing documentation or authorizations acceptable to the payor and other reasons unrelated to credit risk. Net service revenue is recognized in accordance with the under the PDGM methodology. Under PDGM, Medicare provides agencies with payments for each 30-day period of care provided to beneficiaries. If a beneficiary is still eligible for care after the end of the first 30-day payment period, a second 30-day payment period can begin. There are no limits to the number of periods of care a beneficiary who remains eligible for the home health benefit can receive. While payment for each 30-day period of care is adjusted to reflect the beneficiary's health condition and needs, a special outlier provision exists to ensure appropriate payment for those beneficiaries that have the most expensive care needs. The payment under the Medicare program is also adjusted for certain variables including, but not limited to: (a) a low utilization payment adjustment if the number of visits is below an established threshold that varies based on the diagnosis of a beneficiary; (b) a partial payment if the patient transferred to another provider or the Company received a patient from another provider before completing the period of care; (c) adjustment to the admission source of claim if it is determined that the patient had a qualifying stay in a post-acute care setting within 14 days prior to the start of a 30-day payment period; (d) the timing of the 30-day payment period provided to a patient in relation to the admission date, regardless of whether the same home health provider provided care for the entire series of episodes; (e) changes to the acuity of the patient during the previous 30-day period of care; (f) changes in the base payments established by the Medicare program; (g) adjustments to the base payments for case mix and geographic wages; and (h) recoveries of overpayments. For further detail regarding PDGM see the *Government Regulation* section of our 2022 Annual Report.

Hospice. We derive the majority of our hospice business revenue from Medicare reimbursement. The estimated payment rates are calculated as daily rates for each of the levels of care we deliver. Rates are set based on specific levels of care, are adjusted by a wage index to reflect healthcare labor costs across the country and are established annually through federal legislation. The following are the four levels of care provided under the hospice benefit:

- **Routine Home Care ("RHC").** Care that is not classified under any of the other levels of care, such as the work of nurses, social workers or home health aides.
- **General Inpatient Care.** Pain control or acute or chronic symptom management that cannot be managed in a setting other than an inpatient Medicare-certified facility, such as a hospital, skilled nursing facility or hospice inpatient facility.
- **Continuous Home Care.** Care for patients experiencing a medical crisis that requires nursing services to achieve palliation and symptom control, if the agency provides a minimum of eight hours of care within a 24-hour period.
- **Inpatient Respite Care.** Short-term, inpatient care to give temporary relief to the caregiver who regularly provides care to the patient.

CMS has established a two-tiered payment system for RHC. Hospices are reimbursed at a higher rate for RHC services provided from days of service one through 60 and a lower rate for all subsequent days of service. CMS also provides for a Service Intensity Add-On, which increases payments for certain RHC services provided by registered nurses and social workers to hospice patients during the final seven days of life.

Medicare reimbursement is adjusted for an inability to obtain appropriate billing documentation or authorizations acceptable to the payor and other reasons unrelated to credit risk. Additionally, as Medicare hospice revenue is subject to an inpatient cap limit and an overall payment cap, we monitor our provider numbers and estimate amounts due back to Medicare to the extent that the cap has been exceeded.

Senior Living Services. As of March 31, 2023, we provided assisted living, independent living and memory care services in 51 communities. Within our senior living operations, we generate revenue primarily from private pay sources, with a portion earned from Medicaid or other state-specific programs.

Primary Components of Expense

Cost of Services (excluding rent, general and administrative expense and depreciation and amortization). Our cost of services represents the costs of operating our independent operating subsidiaries, which primarily consists of payroll and related benefits, supplies, purchased services, and ancillary expenses such as the cost of pharmacy and therapy services provided to patients. Cost of services also includes the cost of general and professional liability insurance and other general cost of services specifically attributable to our operations.

Rent—Cost of Services. Rent—cost of services consists solely of base minimum rent amounts payable under lease agreements to our landlords. Our subsidiaries lease and operate but do not own the underlying real estate at our operations, and these amounts do not include taxes, insurance, impounds, capital reserves or other charges payable under the applicable lease agreements.

General and Administrative Expense. General and administrative expense consists primarily of payroll and related benefits and travel expenses for our Service Center personnel, including training and other operational support. General and administrative expense also includes professional fees (including accounting and legal fees), costs relating to information systems, stock-based compensation and rent for our Service Center offices.

Depreciation and Amortization. Property and equipment are recorded at their original historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets (ranging from one to 40 years). Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the remaining lease term.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on Interim Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The preparation of the Interim Financial Statements and related disclosures requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis we review our judgments and estimates, including but not limited to those related to self-insurance reserves, revenue, leases, intangible assets, goodwill, and income taxes. We base our estimates and judgments upon our historical experience, knowledge of current conditions and our belief of what could occur in the future considering available information, including assumptions that we believe to be reasonable under the circumstances. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty, and actual results could differ materially from the amounts reported. While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information available when the estimate was made. Refer to Note 2, *Basis of Presentation and Summary of Significant Accounting Policies*, within the 2022 Annual Report for further information on our critical accounting estimates and policies, which are as follows:

- **Self-insurance reserves** - The valuation methods and assumptions used in estimating costs up to retention amounts to settle open claims of insureds and an estimate of the cost of insured claims up to retention amounts that have been incurred but not reported;
- **Revenue recognition** - The estimate of variable considerations to arrive at the transaction price, including methods and assumptions used to determine settlements with Medicare and Medicaid payors or retroactive adjustments due to audits and reviews;
- **Leases** - We use our estimated incremental borrowing rate based on the information available at lease commencement date in determining the present value of future lease payments;
- **Acquisition accounting** - The assumptions used to allocate the purchase price paid for assets acquired and liabilities assumed in connection with our acquisitions; and
- **Income taxes** - The estimation of valuation allowance or the need for and magnitude of liabilities for uncertain tax position.

Recent Accounting Pronouncements

Information concerning recently issued accounting pronouncements are included in Note 2, *Basis of Presentation and Summary of Significant Accounting Policies* in the Interim Financial Statements.

Results of Operations

The following table sets forth details of our revenue, expenses and earnings as a percentage of total revenue for the periods indicated:

	Three Months Ended March 31,	
	2023	2022
Total revenue	100.0 %	100.0 %
Expense:		
Cost of services	81.1	79.3
Rent—cost of services	7.6	8.8
General and administrative expense	6.9	8.8
Depreciation and amortization	1.0	1.0
Total expenses	96.6	97.9
Income from operations	3.4	2.1
Other (expense):		
Interest expense, net	(1.1)	(0.6)
Other expense, net	(1.1)	(0.6)
Income before provision for income taxes	2.3	1.5
Provision for income taxes	0.7	0.5
Net income	1.6	1.0
Less: net income attributable to noncontrolling interest	0.1	0.1
Net income attributable to Pennant	1.5 %	0.9 %

The following table presents our consolidated GAAP Financial measures for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
	(In thousands)	
Consolidated GAAP Financial Measures:		
Total revenue	\$ 126,464	\$ 113,910
Total expenses	\$ 122,184	\$ 111,584
Income from operations	\$ 4,280	\$ 2,326

The following tables present certain financial information regarding our reportable segments. General and administrative expenses are not allocated to the reportable segments and are included in “All Other”:

	Home Health and Hospice Services	Senior Living Services	All Other	Total
	(In thousands)			
Segment GAAP Financial Measures:				
Three Months Ended March 31, 2023				
Revenue	\$ 91,079	\$ 35,385	\$ —	\$ 126,464
Segment Adjusted EBITDAR from Operations	\$ 14,412	\$ 10,241	\$ (7,514)	\$ 17,139
Three Months Ended March 31, 2022				
Revenue	\$ 80,475	\$ 33,435	\$ —	\$ 113,910
Segment Adjusted EBITDAR from Operations	\$ 13,948	\$ 9,432	\$ (8,146)	\$ 15,234

The table below provides a reconciliation of Segment Adjusted EBITDAR from Operations to Condensed Consolidated Income from operations:

	Three Months Ended March 31,	
	2023	2022
	(In thousands)	
Segment Adjusted EBITDAR from Operations ^(a)	\$ 17,139	\$ 15,234
Less: Depreciation and amortization	1,280	1,147
Rent—cost of services	9,597	10,051
Other Expense	30	3
Adjustments to Segment EBITDAR from Operations:		
Less: Costs at start-up operations ^(b)	203	131
Share-based compensation expense ^(c)	1,419	2,440
Acquisition related costs and credit allowances ^(d)	32	—
Costs associated with transitioning operations ^(e)	47	(757)
Unusual, non-recurring or redundant charges ^(f)	398	37
Add: Net income attributable to noncontrolling interest	147	144
Condensed Consolidated Income from Operations	<u>\$ 4,280</u>	<u>\$ 2,326</u>

(a) Segment Adjusted EBITDAR from Operations is net income attributable to the Company's reportable segments excluding interest expense, provision for income taxes, depreciation and amortization expense, rent, and, in order to view the operations performance on a comparable basis from period to period, certain adjustments including: (1) costs at start-up operations, (2) share-based compensation, (3) acquisition related costs and credit allowances, (4) the costs associated with transitioning operations, (5) unusual, non-recurring or redundant charges, and (6) net income attributable to noncontrolling interest. General and administrative expenses are not allocated to the reportable segments, and are included as “All Other”, accordingly the segment earnings measure reported is before allocation of corporate general and administrative expenses. The Company's segment measures may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

(b) Represents results related to start-up operations. This amount excludes rent and depreciation and amortization expense related to such operations.

(c) Share-based compensation expense and related payroll taxes incurred. Share-based compensation expense and related payroll taxes are included in cost of services and general and administrative expense.

(d) Non-capitalizable costs associated with acquisitions and credit allowances for amounts in dispute with the prior owners of certain acquired operations.

- (e) During the three months ended March 31, 2023, an affiliate of the Company placed its memory care units into transition and is actively seeking to sublease the units to an unrelated third party. The amount above represents the net operating impact attributable to the units in transition. The amounts reported exclude rent and depreciation and amortization expense related to such operations.

During January 2022, affiliates of the Company entered into Transfer Agreements with affiliates of Ensign, providing for the transfer of the operations of certain senior living communities (the “Transaction”) from affiliates of the Company to affiliates of Ensign. The closing of the Transaction was completed in two phases with the transfer of two operations on March 1, 2022 and the remainder transferred on April 1, 2022. The amount above represents the net impact on revenue and cost of service attributable to all of the transferred entities. The amounts reported exclude rent and depreciation and amortization expense related to such operations.

- (f) Represents unusual or non-recurring charges for legal services, implementation costs, integration costs, and consulting fees in general and administrative expenses.

Costs identified as redundant or non-recurring incurred by the Company for additional services provided by Ensign. All amounts are included in general and administrative expense. Fees incurred were \$273 for the three months ended March 31, 2023, and \$643 for the three months ended March 31, 2022.

Performance and Valuation Measures:

	Three Months Ended March 31,	
	2023	2022
(In thousands)		
Consolidated Non-GAAP Financial Measures:		
Performance Metrics		
Consolidated EBITDA	\$ 5,443	\$ 3,332
Consolidated Adjusted EBITDA	\$ 7,916	\$ 6,145
Valuation Metric		
Consolidated Adjusted EBITDAR	\$ 17,139	

	Three Months Ended March 31,	
	2023	2022
(In thousands)		
Segment Non-GAAP Measures:^(a)		
Segment Adjusted EBITDA from Operations		
Home health and hospice services	\$ 13,182	\$ 12,710
Senior living services	\$ 2,248	\$ 1,581

- (a) General and administrative expenses are not allocated to any segment for purposes of determining segment profit or loss.

The tables below reconcile Consolidated Net Income to the consolidated Non-GAAP financial measures, Consolidated EBITDA and Consolidated Adjusted EBITDA, and to the Non-GAAP valuation measure, Consolidated Adjusted EBITDAR, for the periods presented:

	Three Months Ended March 31,	
	2023	2022
	(In thousands)	
Consolidated Net income	\$ 1,997	\$ 1,158
Less: Net income attributable to noncontrolling interest	147	144
Add: Provision for income taxes	907	542
Interest expense, net	1,406	629
Depreciation and amortization	1,280	1,147
Consolidated EBITDA	5,443	3,332
Adjustments to Consolidated EBITDA		
Add: Costs at start-up operations ^(a)	203	131
Share-based compensation expense ^(b)	1,419	2,440
Acquisition related costs and credit allowances ^(c)	32	—
Costs associated with transitioning operations ^(d)	47	(757)
Unusual, non-recurring or redundant charges ^(e)	398	37
Rent related to items (a) and (d) above	374	962
Consolidated Adjusted EBITDA	7,916	6,145
Rent—cost of services	9,597	10,051
Rent related to items (a) and (d) above	(374)	(962)
Adjusted rent—cost of services	9,223	9,089
Consolidated Adjusted EBITDAR	<u>\$ 17,139</u>	

(a) Represents results related to start-up operations. This amount excludes rent and depreciation and amortization expense related to such operations.

(b) Share-based compensation expense and related payroll taxes incurred. Share-based compensation expense and related payroll taxes are included in cost of services and general and administrative expense.

(c) Non-capitalizable costs associated with acquisitions and credit allowances for amounts in dispute with the prior owners of certain acquired operations.

(d) During the three months ended March 31, 2023, an affiliate of the Company placed its memory care units into transition and is actively seeking to sublease the units to an unrelated third party. The amount above represents the net operating impact attributable to the units in transition. The amounts reported exclude rent and depreciation and amortization expense related to such operations.

During January 2022, affiliates of the Company entered into Transfer Agreements with affiliates of Ensign, providing for the transfer of the operations of certain senior living communities (the “Transaction”) from affiliates of the Company to affiliates of Ensign. The closing of the Transaction was completed in two phases with the transfer of two operations on March 1, 2022 and the remainder transferred on April 1, 2022. The amount above represents the net impact on revenue and cost of service attributable to all of the transferred entities. The amounts reported exclude rent and depreciation and amortization expense related to such operations.

(e) Represents unusual or non-recurring charges for legal services, implementation costs, integration costs, and consulting fees in general and administrative expenses.

Costs identified as redundant or non-recurring incurred by the Company for additional services provided by Ensign. All amounts are included in general and administrative expense. Fees incurred were \$273 for the three months ended March 31, 2023, and \$643 for the three months ended March 31, 2022.

The table below reconciles Segment Adjusted EBITDAR from Operations to Segment Adjusted EBITDA from Operations for the periods presented:

	Three Months Ended March 31,			
	Home Health and Hospice		Senior Living	
	2023	2022	2023	2022
	(In thousands)			
Segment Adjusted EBITDAR from Operations	\$ 14,412	\$ 13,948	\$ 10,241	\$ 9,432
Less: Rent—cost of services	1,323	1,262	8,274	8,789
Rent related to start-up and transitioning operations	(93)	(24)	(281)	(938)
Segment Adjusted EBITDA from Operations	<u>\$ 13,182</u>	<u>\$ 12,710</u>	<u>\$ 2,248</u>	<u>\$ 1,581</u>

The following discussion includes references to certain performance and valuation measures, which are non-GAAP financial measures, including Consolidated EBITDA, Consolidated Adjusted EBITDA, Segment Adjusted EBITDA from Operations, and Consolidated Adjusted EBITDAR (collectively, “Non-GAAP Financial Measures”). Non-GAAP Financial Measures are used in addition to, and in conjunction with, results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. Non-GAAP Financial Measures reflect an additional way of viewing aspects of our operations and company that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, we believe can provide a more comprehensive understanding of factors and trends affecting our business.

We believe these Non-GAAP Financial Measures are useful to investors and other external users of our financial statements regarding our results of operations because:

- they are widely used by investors and analysts in our industry as a supplemental measure to evaluate the overall performance of companies in our industry without regard to items such as interest expense, rent expense and depreciation and amortization, which can vary substantially from company to company depending on the book value of assets, the method by which assets were acquired, and differences in capital structures;
- they help investors evaluate and compare the results of our operations from period to period by removing the impact of our asset base and capital structure from our operating results; and
- Consolidated Adjusted EBITDAR is used by investors and analysts in our industry to value the companies in our industry without regard to capital structures.

We use Non-GAAP Financial Measures:

- as measurements of our operating performance to assist us in comparing our operating performance on a consistent basis from period to period;
- to allocate resources to enhance the financial performance of our business;
- to assess the value of a potential acquisition;
- to assess the value of a transformed operation’s performance;
- to evaluate the effectiveness of our operational strategies; and
- to compare our operating performance to that of our competitors.

We typically use Non-GAAP Financial Measures to compare the operating performance of each operation from period to period. We find that Non-GAAP Financial Measures are useful for this purpose because they do not include such costs as interest expense, income taxes, depreciation and amortization expense, which may vary from period-to-period depending upon various factors, including the method used to finance operations, the date of acquisition of a community or business, and the tax law of the state in which a business unit operates.

We also establish compensation programs and bonuses for our leaders that are partially based upon the achievement of Consolidated Adjusted EBITDAR targets.

Non-GAAP Financial Measures have no standardized meaning defined by GAAP. Therefore, our Non-GAAP Financial Measures have limitations as analytical tools, and they should not be considered in isolation, or as a substitute for analysis of our results as reported in accordance with GAAP. Some of these limitations are:

- they do not reflect our current or future cash requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the net interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- in the case of Consolidated Adjusted EBITDAR, it does not reflect rent expenses, which are normal and recurring operating expenses that are necessary to operate our leased operations;
- they do not reflect any income tax payments we may be required to make;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate the same Non-GAAP Financial Measures differently than we do, which may limit their usefulness as comparative measures.

We compensate for these limitations by using Non-GAAP Financial Measures only to supplement net income on a basis prepared in accordance with GAAP in order to provide a more complete understanding of the factors and trends affecting our business.

We strongly encourage investors to review the Interim Financial Statements, included in this Quarterly Report in their entirety and to not rely on any single financial measure. Because these Non-GAAP Financial Measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. These Non-GAAP Financial Measures should not be considered a substitute for, nor superior to, financial results and measures determined or calculated in accordance with GAAP. We strongly urge you to review the reconciliation of income from operations to the Non-GAAP Financial Measures in the table presented above, along with the Interim Financial Statements and related notes included elsewhere in this Quarterly Report.

We believe the following Non-GAAP Financial Measures are useful to investors as key operating performance measures and valuation measures:

Performance Measures:

Consolidated EBITDA

We believe Consolidated EBITDA is useful to investors in evaluating our operating performance because it helps investors evaluate and compare the results of our operations from period to period by removing the impact of our asset base (depreciation and amortization expense) from our operating results.

We calculate Consolidated EBITDA as net income, adjusted for net income attributable to noncontrolling interest prior to the Spin-Off, before (a) interest expense (b) provision for income taxes and (c) depreciation and amortization.

Consolidated Adjusted EBITDA

We adjust Consolidated EBITDA when evaluating our performance because we believe that the exclusion of certain additional items described below provides useful supplemental information to investors regarding our ongoing operating performance. We believe that the presentation of Consolidated Adjusted EBITDA, when considered with Consolidated EBITDA and GAAP net income is beneficial to an investor's complete understanding of our operating performance.

We calculate Consolidated Adjusted EBITDA by adjusting Consolidated EBITDA to exclude the effects of non-core business items, which for the reported periods includes, to the extent applicable:

- costs at start-up operations;
- share-based compensation expense;
- acquisition related costs and credit allowances;

- Costs associated with transitioning operations; and
- unusual, non-recurring, or redundant charges.

Segment Adjusted EBITDA from Operations

We calculate Segment Adjusted EBITDA from Operations by adjusting Segment Adjusted EBITDAR from Operations to include rent-cost of services. We believe that the inclusion of rent-cost of services provides useful supplemental information to investors regarding our ongoing operating performance for each segment.

Valuation Measure:

Consolidated Adjusted EBITDAR

We use Consolidated Adjusted EBITDAR as one measure in determining the value of prospective acquisitions. It is also a measure commonly used by us, research analysts and investors to compare the enterprise value of different companies in the healthcare industry, without regard to differences in capital structures. Additionally, we believe the use of Consolidated Adjusted EBITDAR allows us, research analysts and investors to compare operational results of companies with operating and finance leases. A significant portion of finance lease expenditures are recorded in interest, whereas operating lease expenditures are recorded in rent expense.

This measure is not displayed as a performance measure as it excludes rent expense, which is a normal and recurring operating expense and, as such, does not reflect our cash requirements for leasing commitments. Our presentation of Consolidated Adjusted EBITDAR should not be construed as a financial performance measure.

The adjustments made and previously described in the computation of Consolidated Adjusted EBITDA are also made when computing Consolidated Adjusted EBITDAR. We calculate Consolidated Adjusted EBITDAR by excluding rent-cost of services and rent related to start up operations from Consolidated Adjusted EBITDA.

Three Months Ended March 31, 2023 Compared to the Three Months Ended March 31, 2022

Revenue

	Three Months Ended March 31,			
	2023		2022	
	Revenue Dollars	Revenue Percentage	Revenue Dollars	Revenue Percentage
	(In thousands)			
Home health and hospice services				
Home health	\$ 41,780	33.0 %	\$ 37,420	32.9 %
Hospice	43,289	34.2	37,823	33.2
Home care and other ^(a)	6,010	4.8	5,232	4.5
Total home health and hospice services	91,079	72.0	80,475	70.6
Senior living services	35,385	28.0	33,435	29.4
Total revenue	<u>\$ 126,464</u>	<u>100.0 %</u>	<u>\$ 113,910</u>	<u>100.0 %</u>

(a) Home care and other revenue is included with home health revenue in other disclosures in this Quarterly Report.

Our total revenue increased \$12.6 million, or 11.0%, during the three months ended March 31, 2023. The increase in revenue was driven by increases in all key metrics for home health and hospice and senior living, including hospice admissions, hospice revenue per day, hospice average daily census, senior living occupancy, and senior living revenue per occupied room.

Home Health and Hospice Services

	Three Months Ended March 31,		Change	% Change
	2023	2022		
(In thousands)				
Home health and hospice revenue				
Home health services	\$ 41,780	\$ 37,420	\$ 4,360	11.7 %
Hospice services	43,289	37,823	5,466	14.5
Home care and other	6,010	5,232	778	14.9
Total home health and hospice revenue	<u>\$ 91,079</u>	<u>\$ 80,475</u>	<u>\$ 10,604</u>	<u>13.2 %</u>

	Three Months Ended March 31,		Change	% Change
	2023	2022		
Home health services:				
Total home health admissions	10,910	10,182	728	7.1 %
Total Medicare home health admissions	4,948	4,633	315	6.8
Average Medicare revenue per 60-day completed episode ^(a)	\$ 3,504	\$ 3,495	\$ 9	0.3
Hospice services:				
Total hospice admissions	2,451	2,409	42	1.7
Average daily census	2,439	2,232	207	9.3
Hospice Medicare revenue per day	\$ 183	\$ 179	\$ 4	2.2
Number of home health and hospice agencies at period end	96	88	8	9.1

(a) The year-to-date average for Medicare revenue per 60-day completed episode includes post period claim adjustments for prior periods.

Home health and hospice revenue increased \$10.6 million, or 13.2% during the three months ended March 31, 2023. Segment revenue grew primarily due to an increase in hospice average daily census of 9.3%, as well as an increase of 7.1% in home health admissions, inclusive of an increase in total Medicare home health admissions of 6.8%.

Senior Living Services

	Three Months Ended March 31,		Change	% Change
	2023	2022		
Revenue (in thousands)	\$ 35,385	\$ 33,435	\$ 1,950	5.8 %
Number of communities at period end	51	52	(1)	(1.9)
Occupancy	78.1 %	72.6 %	5.5 %	
Average monthly revenue per occupied unit	\$ 3,846	\$ 3,371	\$ 475	14.1

Senior living revenue increased \$2.0 million, or 5.8%, for the three months ended March 31, 2023 compared to the same period in the prior year primarily due to an increase of 14.1% in average monthly revenue per occupied unit and an addition of 5.5% in the occupancy rate between March 31, 2022 and March 31, 2023.

Cost of Services

	Three Months Ended March 31,		Change	% Change
	2023	2022		
	(In thousands)			
Home Health and Hospice	\$ 77,406	\$ 66,937	\$ 10,469	15.6 %
Senior Living	25,196	23,324	1,872	8.0
Total cost of services	<u>\$ 102,602</u>	<u>\$ 90,261</u>	<u>\$ 12,341</u>	<u>13.7 %</u>

Consolidated cost of services increased \$12.3 million or 13.7% during the three months ended March 31, 2023. Cost of services as a percentage of revenue for the three months ended March 31, 2023 increased by 1.8% to 81.1% from 79.3% compared to the three months ended March 31, 2022.

Home Health and Hospice Services

	Three Months Ended March 31,		Change	% Change
	2023	2022		
Cost of service (in thousands)	\$ 77,406	\$ 66,937	\$ 10,469	15.6 %
Cost of services as a percentage of revenue	85.0 %	83.2 %	1.8 %	

Cost of services related to our Home Health and Hospice services segment increased \$10.5 million, or 15.6%, primarily due to the increased volume of services from growth in admissions and census. Cost of services as a percentage of revenue for the three months ended March 31, 2023 increased by 1.8% compared to the three months ended March 31, 2022 primarily due to increased wage rates, benefits, and contract labor cost.

Senior Living Services

	Three Months Ended March 31,		Change	% Change
	2023	2022		
Cost of service (in thousands)	\$ 25,196	\$ 23,324	\$ 1,872	8.0 %
Cost of services as a percentage of revenue	71.2 %	69.8 %	1.4 %	

Cost of services related to our Senior Living services segment increased \$1.9 million, or 8.0% during the three months ended March 31, 2023 in response to higher occupancy and wage rate increases. As a percentage of revenue, costs of service increased by 1.4% from 69.8% to 71.2% during the three months ended March 31, 2023 when compared to the three months ended March 31, 2022, due primarily to increased wage rates and benefits.

Rent—Cost of Services. Rent decreased 4.5% from \$10.1 million to \$9.6 million during the three months ended March 31, 2023 compared to the same period in the prior year, primarily as a result of the transfer of senior living communities to Ensign. As a percentage of revenue, rent—cost of services decreased 1.2% when compared to the three months ended March 31, 2022.

General and Administrative Expense. Our general and administrative expense decreased \$1.3 million or 13.2% from \$10.0 million to \$8.7 million for the three months ended March 31, 2023 when compared to the three months ended March 31, 2022. The decrease in general and administrative expense was due to a decrease of \$1.1 million in share-based compensation, for the three months ended March 31, 2023 when compared to the three months ended March 31, 2022.

Depreciation and Amortization. Depreciation and amortization expense increased by \$0.1 million and remained flat as a percentage of revenue for three months ended March 31, 2023 as compared to the three months ended March 31, 2022.

Loss on asset dispositions and impairment, net. Loss on asset dispositions and impairment, net decreased \$0.1 million for the three months ended March 31, 2023 when compared to the three months ended March 31, 2022.

Provision for Income Taxes. We recorded income tax expense of \$0.9 million and \$0.5 million, or 31.2% and 31.9% of earnings before income taxes, for the three months ended March 31, 2023 and 2022, respectively. The decrease in effective tax is primarily due to a decrease in non-deductible equity compensation.

Liquidity and Capital Resources

Our primary sources of liquidity are net cash provided by operating activities and borrowings under our revolving credit facility.

Revolving Credit Facility

On February 23, 2021, Pennant entered into an amendment to its existing credit agreement (as amended, the “Credit Agreement”), which provides for an increased revolving credit facility with a syndicate of banks with a borrowing capacity of \$150.0 million (the “Revolving Credit Facility”). The Revolving Credit Facility is not subject to interim amortization and the Company will not be required to repay any loans under the Revolving Credit Facility prior to maturity in 2026. The Company is permitted to prepay all or any portion of the loans under the Revolving Credit Facility prior to maturity without premium or penalty, subject to reimbursement of any LIBOR breakage costs of the lenders.

The Credit Agreement contains customary covenants that, among other things, restrict, subject to certain exceptions, the ability of the Company and its independent operating subsidiaries to grant liens on their assets, incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations, amend certain material agreements and pay certain dividends and other restricted payments. Financial covenants require compliance with certain levels of leverage ratios that impact the amount of interest. As of March 31, 2023, the Company was compliant with all such financial covenants.

As of March 31, 2023, we had \$3.0 million of cash and \$87.3 million of available borrowing capacity on our Revolving Credit Facility.

We believe that our existing cash, cash generated through operations, and access to available borrowing capacity under our existing Credit Agreement, will be sufficient to provide adequate liquidity for the next twelve months for both our operating activities and opportunities for acquisition growth.

The following table presents selected data from our Condensed Consolidated Statement of Cash Flows for the periods presented:

	Three Months Ended March 31,	
	2023	2022
	(In thousands)	
Net cash provided by (used in) operating activities	\$ 8,996	\$ (4,071)
Net cash used in investing activities	(2,326)	(2,582)
Net cash (used in) provided by financing activities	(5,797)	5,090
Net increase (decrease) in cash	873	(1,563)
Cash at beginning of period	2,079	5,190
Cash at end of period	<u>\$ 2,952</u>	<u>\$ 3,627</u>

Three Months Ended March 31, 2023 Compared to the Three Months Ended March 31, 2022

Our net cash flow from operating activities for the three months ended March 31, 2023 increased by \$13.1 million when compared to the three months ended March 31, 2022. The primary driver of this difference can be attributed to a \$0.8 million increase in Net income, a \$6.3 million increase in cash flows from improved cash collections of accounts receivable and a decrease in CARES fund repayments.

Our net cash used in investing activities for the three months ended March 31, 2023 decreased by \$0.3 million compared to the three months ended March 31, 2022, primarily driven by \$0.2 million less in cash used for restricted and other assets during the three months ended March 31, 2023 compared to the three months ended March 31, 2022.

Our net cash used in financing activities increased by approximately \$10.9 million for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The increase was primarily due to a net reduction in the balance on our line of credit during the three months ended March 31, 2023 compared to the three months ended March 31, 2022.

Contractual Obligations, Commitments and Contingencies

We continue to make draws and payments on our Revolving Credit Facility, as described in Note 11, *Debt*, to the Interim Financial Statements in Part I of this Quarterly Report. Additionally, we have right-of-use assets obtained in exchange for new operating lease obligations, as described in the supplemental disclosures of cash flow information in the Condensed Consolidated Statement of Cash Flows and in Note 13, *Leases*, to the Interim Financial Statements in Part I of this Quarterly Report.

Besides those transactions there have been no other material changes to our total obligations during the period covered by this Quarterly Report outside of the normal course of our business.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk. We are exposed to risks associated with market changes in interest rates. Our Revolving Credit Facility exposes us to variability in interest payments due to changes in LIBOR (and any benchmark replacement rate chosen after the completion of the phase-out of LIBOR in June 2023). A 1.0% interest rate change would cause interest expense to change by approximately \$0.6 million annually based upon our outstanding long-term debt as of March 31, 2023. We manage our exposure to this market risk by monitoring available financing alternatives.

LIBOR Phase-Out. LIBOR is in the process of being wound down and will be phased out by June 30, 2023. As of March 31, 2023 all CHF and EUR LIBOR settings, the 1 Week and 2 Months USD LIBOR settings, and the Overnight/Spot Next, 1 Week, 2 Months and 12 Months GBP and JPY LIBOR settings have ceased to be published. However, the Overnight and the 1-, 3-, 6- and 12-Months USD LIBOR settings will continue until June 2023. We are required to pay interest on borrowings under our Credit Facility at floating rates based on the 1-month LIBOR and thus, we do not expect to transition from the LIBOR benchmark until June 2023.

Future debt that we may incur may also require that we pay interest based upon LIBOR, or a “synthetic” benchmark equivalent such as the Standard Overnight Financing Rate or (“SOFR”). Our Credit Agreement provides a mechanism by which, when LIBOR is no longer published and available, the Administrative Agent and the Company may amend the Credit Agreement to replace LIBOR with a benchmark replacement rate (which may include term SOFR). We currently expect that the benchmark rate used to determine the interest rate applicable to borrowings under our Credit Agreement would be revised as provided under the agreement or amended as necessary to provide for an interest rate that approximates the existing interest rate as calculated in accordance with LIBOR for similar types of loans. Despite our current expectations, we cannot be sure that, when LIBOR is phased out, the changes to the benchmark rate used to determine the interest rate applicable to borrowings under our Credit Agreement would approximate the current calculation in accordance with LIBOR.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of the end of the period covered by this Quarterly Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no material changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

We are involved in various claims and lawsuits arising in the ordinary course of business, none of which, in the opinion of management, is expected to have a material adverse effect on our results of operations or financial condition. However, the results of such matters cannot be predicted with certainty and we cannot assure you that the ultimate resolution of any legal or administrative proceeding or dispute will not have a material adverse effect on our business, financial condition, results of operations and cash flows. See Note 15, *Commitments and Contingencies*, to the Interim Financial Statements for a description of claims and legal actions arising in the ordinary course of our business.

Item 1A. *Risk Factors*

We have disclosed under the heading “Risk Factors” in the 2022 Annual Report risk factors that materially affect our business, financial condition or results of operations. You should carefully consider the risk factors set forth in the 2022 Annual Report and the other information set forth elsewhere in this Quarterly Report. You should be aware that these risk factors and other information may not describe every risk facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 6. Exhibits**EXHIBIT INDEX**

<u>Exhibit</u>	<u>Description</u>
3.1	Amended and Restated Certificate of Incorporation of The Pennant Group, Inc., effective as of September 27, 2019 (incorporated by reference to Exhibit 3.1 to The Pennant Group, Inc.'s Current Report on Form 8-K (File No. 001-38900) filed with the SEC on October 3, 2019).
3.2	Second Amended and Restated Bylaws of The Pennant Group, Inc., effective as of February 21, 2022 (incorporated by reference to Exhibit 3.1 to The Pennant Group, Inc.'s Current Report on Form 8-K (File No. 001-38900) filed with the SEC February 22, 2022).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 4, 2023

The Pennant Group, Inc.

BY: /s/ JENNIFER L. FREEMAN

Jennifer L. Freeman

Interim Chief Financial Officer (Principal Financial Officer and
Duly Authorized Officer)

I, Brent Guerisoli, certify that:

1. I have reviewed this annual report on Form 10-Q of The Pennant Group, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2023

/s/ BRENT GUERISOLI

Name: Brent Guerisoli
Title: Chief Executive Officer (Principal Executive Officer)

I, Jennifer L. Freeman, certify that:

1. I have reviewed this annual report on Form 10-Q of The Pennant Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2023

/s/ JENNIFER L. FREEMAN

Name: Jennifer L. Freeman

Title: *Interim Chief Financial Officer (Principal
Financial Officer, Principal Accounting
Officer and Duly Authorized Officer)*

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of The Pennant Group, Inc. (the Company) on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Brent Guerisoli, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- 1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ BRENT GUERISOLI

Name: Brent Guerisoli
Title: Chief Executive Officer (Principal Executive Officer)

May 4, 2023

A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of The Pennant Group, Inc. (the Company) on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Jennifer L. Freeman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- 1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JENNIFER L. FREEMAN

Name: Jennifer L. Freeman

Title: *Interim Chief Financial Officer (Principal
Financial Officer, Principal Accounting Officer
and Duly Authorized Officer)*

May 4, 2023

A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 10

SYMBOL HEALTHCARE,
INC. 2023

HOME HEALTH CN APP FINANCIALS

Home health assumptions
and calculations

THURSTON COUNTY	New Agency			Estimated	Estimated
	2023	2024	2025	2026	2027
UNMET VISITS	60269	62683	65097	67511	69924
formula = 2026+(2026-2025)					
NUMERIC NEED FOR AGENCIES	6	6	6	6	6
TOTAL VISITS PER AGENCY	10045	10447	10849	11252	11654

Assumptions and
Projections

3 full years required, ADDING 4TH YEAR

% of visits for 1 of 6 needed agencies

Assumes 1/1/24 start

date	2024	2025	2026	2027
number of visits	6791	9222	10127	11654
Average length of stay 60 days	60	60	60	60
Annual Unduplicated Patient admissions	357	485	533	613
Average Daily Census (ADC)	59	80	88	101

2024	2025	2026	2027
65%	85%	90%	100%

% of patients payer mix

payer mix %
Medicare (PDGM)
Medicaid
Managed Care
Self Pay
100.0%

visits per payer type

	2024	2025	2026	2027
Medicare (PDGM)	5,568	7,562	8,304	9,556
Medicaid	272	369	405	466
Managed Care	951	1,291	1,418	1,632
Self Pay	-	-	-	-
Total Visits	6,791	9,222	10,127	11,654

payer mix percentage x number of visits
payer mix percentage x number of visits
payer mix percentage x number of visits
payer mix percentage x number of visits

PAYER RATES-2023

per wage index	PERIOD 1	PERIOD 2+	BLENDED	
Medicare (PDGM)	\$2,292.30	\$1,948.45	\$2,344.57	*PDGM blended rate period 1 @ 100%, period 2 @ 85%, x wage index, includes 2% sequestration
Medicaid	\$87.00	Per Visit		
Managed Care	\$149.00	Per Visit		
Self Pay	\$197.00	Per Visit		

REVENUE

Gross revenue by payer mix

	2024	2025	2026	2027	
Medicare (PDGM)	\$1,355,423	\$1,840,731	\$2,021,279	\$2,326,165	Medicare (PDGM) blended rate x ADC
Medicaid	\$23,631	\$32,093	\$35,240	\$40,556	Medicaid rate x annual number of visits
Managed Care	\$141,653	\$192,372	\$211,240	\$243,103	Managed care rate x annual number of visits
Self Pay	\$0	\$0	\$0	\$0	Self pay rate x annual number of visits
Gross revenue subtotal	\$1,520,707	\$2,065,195	\$2,267,760	\$2,609,824	

% of revenue by payer mix

	2024	2025	2026	2027	
Medicare (PDGM)	89.1%	89.1%	89.1%	89.1%	Based on Cornerstone averages & county estimates
Medicaid	1.6%	1.6%	1.6%	1.6%	Based on Cornerstone averages & county estimates
Managed Care	9.3%	9.3%	9.3%	9.3%	Based on Cornerstone averages & county estimates
Self Pay	0.0%	0.0%	0.0%	0.0%	Based on Cornerstone averages & county estimates
Subtotal	100%	100%	100%	100%	

Adjustments to revenue	2024	2025	2026	2027	
Contractual adjustments					
Medicare Managed Care, Medicaid Managed Care, Private Pay, Third Party Ins	(30,414)	(41,304)	(45,355)	(52,196)	Assumed 2%
Charity Care	(45,621)	(61,956)	(68,033)	(78,295)	Assumed 3%
Provisions for Bad Debt	(15,207)	(20,652)	(22,678)	(26,098)	Assumed 1%
Total Adjustments to Revenue	(91,242)	(123,912)	(136,066)	(156,589)	
Total Net Revenue	1,429,465	1,941,283	2,131,694	2,453,235	

EXPENSES

PATIENT CARE COSTS

Clinical Staff by FTE	2024	2025	2026	2027	Annual Comp/FTE	Note
Registered Nurse	2.6	3.6	3.9	4.5	100,000	1 RN/40 ADC and .8 RN/40 ADC for weekend/night/call rotation
Home Health Aid	3.9	5.3	5.8	6.7	41,000	1 HHA/15 ADC
Physical Therapist	1.2	1.6	1.8	2.0	105,000	1 PT/50 ADC
Physical Therapist Aid	0.6	0.8	0.9	1.0	70,000	1 PTA/100 ADC
Speech Therapist	0.5	0.7	0.7	0.8	107,000	1 ST/120 ADC
Occupational Therapist	0.5	0.7	0.7	0.8	106,000	1 OT/120 ADC
Director of Clinical Services	1.2	1.6	1.8	2.0	135,000	1/DCS/50 ADC includes QAPI
Total	10.5	14.2	15.6	18.0		

Clinical Staffing	2024	2025	2026	2027	Note
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Compensation and Benefits

Registered Nurse	264,380	359,041	394,257	453,727	FTE x Annual Compensation
Home Health Aid	160,586	218,084	239,475	275,597	FTE x Annual Compensation
Physical Therapist	123,377	167,552	183,987	211,739	FTE x Annual Compensation
Physical Therapist Aid	41,126	55,851	61,329	70,580	FTE x Annual Compensation
Speech Therapist	52,386	71,143	78,121	89,905	FTE x Annual Compensation
Occupational Therapist	51,897	70,478	77,391	89,065	FTE x Annual Compensation
Director of Clinical Services	158,628	215,425	236,554	272,236	FTE x Annual Compensation
Total	852,380	1,157,575	1,271,115	1,462,848	

Contracted Patient Care	2024	2025	2026	2027	Note
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Physical Therapist	0	0	0	0	None
Occupational Therapist	0	0	0	0	None
Speech Therapist	0	0	0	0	None
Dietitian	0	0	0	0	None
Total	0	0	0	0	

Direct Patient Care Costs	2024	2025	2026	2027	Note
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Medical Supplies	17,588	23,885	26,228	30,184	\$2.59/PPD based on Cornerstone averages
Mileage	28,249	38,364	42,127	48,481	Estimate 8 miles/DOC reimbursed at \$.52/mile based on existing local agency
Subtotal	45,837	62,249	68,354	78,665	

Total Direct Patient Care

Costs	898,217	1,219,823	1,339,470	1,541,513
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ADMINISTRATIVE COSTS

Administrative Staff by FTE	2024	2025	2026	2027	Annual Comp/FTE	Note
Administrator	0.1	0.1	0.1	0.1	100,000	10% of annual compensation
Medical Records, Insurance Auth	1.0	1.3	1.5	1.7	46,000	1/60 ADC
Intake, Scheduling	1.2	1.6	1.8	2.0	48,000	1/50 ADC
Community Liaison	1.0	1.3	1.5	1.7	65,000	1/60 ADC
Total	3.2	4.4	4.8	5.5		

Administrative Compensation and Benefits	2024	2025	2026	2027	Note
Administrator	10,000	10,000	10,000	10,000	FTE x Annual Compensation, represents 10% of HH Administrator
Medical Records, Insurance Auth	45,043	61,170	67,170	77,302	FTE x Annual Compensation
Intake, Scheduling	56,401	76,595	84,108	96,795	FTE x Annual Compensation
Community Liaison	63,647	86,436	94,914	109,230	FTE x Annual Compensation
Payroll Taxes & Benefits	52,527	70,260	76,858	87,998	30% of Base Compensation
Total	227,618	304,461	333,049	381,325	

Administration Costs	2024	2025	2026	2027	Note	Costs shared with Puget Sound Hospice shown as %
Advertising	18,295	19,413	21,317	24,532	\$4,000 launch plus 1% of revenue	
Allocated Costs	76,035	103,260	113,388	130,491	5% Allocation to Cornerstone Service Center for support; Legal, HR, Accounting, IT, and Clinical	
B & O Taxes	22,811	30,978	34,016	39,147	1.5% of Gross Revenue	
Dues & Subscriptions	1,125	1,125	1,125	1,125	25% of \$375/month, primarily Medbridge	
Education and trainings Information	2,500	2,500	2,500	2,500	25% of \$10,000/year, Continuing education including Clinical education and compliance	
Technology/Computer/Soft ware Maintenance	3,750	3,750	3,750	3,750	25% of \$1250/month	
Insurance	300	300	300	300	25% of Liability and property content	
Legal and professional	0	0	0	0	Included in Allocated Costs to Cornerstone Service Center	
Licenses and Fees	1,314		1,314		25% of bi-annual state lic based on FTE \$6,623	
Postage	1,500	1,500	1,500	1,500	25% of \$500/month	
Purchased services	3,000	3,000	3,000	3,000	25% of \$1000/month; bank fees, system access: HCHB, SHP, Workday	
Repairs and Maintenance	450	450	450	450	25% of \$150/month	
Cleaning	630	630	630	630	25% of \$210/month	
Office supplies	750	750	750	750	25% of \$250/month	
Equipment lease & maintenance	1,500	1,500	1,500	1,500	25% of \$500/month, copier and postage machines	

Building rent or lease	7,315	7,535	7,760	7,992	Lease is 25% of Puget Sound Hospice lease
Lease NNN or Common					
Area Maintenance charges	0	0	0	0	No NNN costs
Recruitment	5,000	3,000	3,000	3,000	\$5,000 startup and \$250/month following
Telephones	12,049	15,265	16,462	18,483	\$55/FTE/month + \$250/month for landlines
Travel	6,500	1,000	1,000	1,000	First year \$6500 support and launch, \$1,000 thereafter
Subtotal	164,824	195,956	213,762	240,151	

Total Administrative					
Expense	392,442	500,417	546,812	621,476	

TOTAL COSTS	1,290,659	1,720,240	1,886,281	2,162,989	
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EBITDA	138,806	221,043	245,413	290,246	
EBITDA Margin %	9.7%	11.4%	11.5%	11.8%	

Depreciation	1,333	1,333	1,334	-	
Amortization	-	-	-	-	

EBIT	137,473	219,710	244,079	290,246	
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Interest Expense	-	-	-	-	
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Earnings before Taxes	137,473	219,710	244,079	290,246	
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SYMBOL HEALTHCARE, INC. 2023

PRO FORMA-HOME HEALTH

THURSTON COUNTY

REVENUE

Gross revenue by payer mix	2024	2025	2026	2027	
Medicare (PDGM)	1,355,423	1,840,731	2,021,279	2,326,165	Medicare (PDGM) blended rate x ADC
Medicaid	23,631	32,093	35,240	40,556	Medicaid rate x annual number of visits
Managed Care	141,653	192,372	211,240	243,103	Managed care rate x annual number of visits
Self Pay	-	-	-	-	Self pay rate x annual number of visits
Gross revenue subtotal	1,520,707	2,065,195	2,267,760	2,609,824	
Adjustments to revenue	2024	2025	2026	2027	
Contractual adjustments					
Medicare Managed Care, Medicaid Managed Care, Private Pay, Third Party Ins	(30,414)	(41,304)	(45,355)	(52,196)	Assumed 2%
Charity Care	(45,621)	(61,956)	(68,033)	(78,295)	Assumed 3%
Provisions for Bad Debt	(15,207)	(20,652)	(22,678)	(26,098)	Assumed 1%
Total Adjustments to Revenue	(91,242)	(123,912)	(136,066)	(156,589)	
Total Net Revenue	1,429,465	1,941,283	2,131,694	2,453,235	

EXPENSES

Clinical Staffing	2024	2025	2026	2027	Note
Compensation and Benefits					
Registered Nurse	264,380	359,041	394,257	453,727	FTE x Annual Compensation
Home Health Aid	160,586	218,084	239,475	275,597	FTE x Annual Compensation
Physical Therapist	123,377	167,552	183,987	211,739	FTE x Annual Compensation
Speech Therapist	52,386	71,143	78,121	89,905	FTE x Annual Compensation
Occupational Therapist	51,897	70,478	77,391	89,065	FTE x Annual Compensation
Director of Clinical Services	158,628	215,425	236,554	272,236	FTE x Annual Compensation
Total	852,380	1,157,575	1,271,115	1,462,848	
Contracted Patient Care	2024	2025	2026	2027	Note
Physical Therapist	0	0	0	0	None
Occupational Therapist	0	0	0	0	None
Speech Therapist	0	0	0	0	None
Dietitian	0	0	0	0	None
Total	0	0	0	0	
Direct Patient Care Costs	2024	2025	2026	2027	Note

Medical Supplies	17,588	23,885	26,228	30,184	\$2.59/PPD based on Cornerstone averages
Mileage	28,249	38,364	42,127	48,481	Estimate 8 miles/DOC reimbursed at \$.52/mile based on existing local agency
Subtotal	45,837	62,249	68,354	78,665	

Total Direct Patient Care Costs	898,217	1,219,823	1,339,470	1,541,513
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ADMINISTRATIVE COSTS

Administrative Compensation

and Benefits	2024	2025	2026	2027	Note	Costs shared with Puget Sound Hospice shown as %
Administrator	10,000	10,000	10,000	10,000	FTE x Annual Compensation, represents 10% of HH Administrator	
Medical Records, Insurance Auth	45,043	61,170	67,170	77,302	FTE x Annual Compensation	
Intake, Scheduling	56,401	76,595	84,108	96,795	FTE x Annual Compensation	
Community Liaison	63,647	86,436	94,914	109,230	FTE x Annual Compensation	
Payroll Taxes & Benefits	52,527	70,260	76,858	87,998	30% of Base Compensation	
Total	227,618	304,461	333,049	381,325		

Administration Costs	2024	2025	2026	2027	Note
Advertising	18,295	19,413	21,317	24,532	\$4,000 launch plus 1% of revenue
Allocated Costs	76,035	103,260	113,388	130,491	5% Allocation to Cornerstone Service Center for support; Legal, HR, Accounting, IT, and Clinical
B & O Taxes	22,811	30,978	34,016	39,147	1.5% of Gross Revenue
Dues & Subscriptions	1,125	1,125	1,125	1,125	25%
Education and trainings	2,500	2,500	2,500	2,500	25%
Information					
Technology/Computer/Software					
Maintenance	3,750	3,750	3,750	3,750	25%
Insurance	300	300	300	300	25%
Legal and professional	-	-	-	-	Included in Allocated Costs to Cornerstone Service Center
Licenses and Fees	1,314	-	1,314		0
Postage	1,500	1,500	1,500	1,500	25%
Purchased services	3,000	3,000	3,000	3,000	25%
Repairs and Maintenance	450	450	450	450	25%
Cleaning	630	630	630	630	25%
Office supplies	750	750	750	750	25%
Equipment lease & maintenance	1,500	1,500	1,500	1,500	25%
Building rent or lease	7315	7535	7760	7992	Lease is 25% of Puget Sound Hospice lease
Lease NNN or Common Area					
Maintenance charges	0	0	0	0	No NNN costs
Recruitment	5,000	3,000	3,000	3,000	\$5,000 startup and \$250/month following
Telephones	12,049	15,265	16,462	18,483	\$55/FTE/month + \$250/month for landlines
Travel	6,500	1,000	1,000	1,000	First year \$6500 support and launch, \$1,000 thereafter
Subtotal	164,824	195,956	213,762	240,151	

Total Administrative Expense	392,442	500,417	546,812	621,476
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TOTAL COSTS	1,290,659	1,720,240	1,886,281	2,162,989
EBITDA	138,806	221,043	245,413	290,246
EBITDA Margin %	9.7%	11.4%	11.5%	11.8%
Depreciation	1,333	1,333	1,334	-
Amortization	-	-	-	-
EBIT	137,473	219,710	244,079	290,246
Interest Expense	-	-	-	-
Earnings before Taxes	137,473	219,710	244,079	290,246

SYMBOL HEALTHCARE, INC. 2023

BALANCE SHEET

THURSTON COUNTY

	2024	2025	2026	2027
Assets				
Current Assets				
Cash	22,216	207,336	439,844	708,052
Accounts Receivable	162,080	220,113	241,703	278,161
Allowance for Bad Debt	(6,483)	(8,805)	(9,668)	(11,126)
Prepaid Assets	610	628	647	666
Total Current Assets	178,422	419,273	672,525	975,753
Property and Equipment				
Leasehold Improvements	-	-	-	-
Furniture & Equipment	5,000	5,000	5,000	5,000
Accumulated Depreciation/Amortization	(1,333)	(2,666)	(4,000)	(4,000)
Total Property and Equipment	3,667	2,334	1,000	1,000
Other Assets				
Security Deposit	1,828.79	1,883.65	1,939.99	1,998.04
Start Up Costs	15,500	15,500	15,500	15,500
Other Assets	-	-	-	-
Total Other Assets	17,329	17,384	17,440	17,498
Total Assets	199,418	438,990	690,965	994,251
Liabilities				
Current Liabilities				
Accounts Payable/Credit Card Payable	16,945	20,889	22,863	25,902
Payroll Liabilities	45,000	60,918	66,840	76,841
Total Current Liabilities	61,945	81,807	89,703	102,742
Long Term Liabilities				
Other Liabilities				
Hospice CAP				
Total Long Term Liabilities	-	-	-	-
Total Liabilities	61,945	81,807	89,703	102,742
Equity				
Retained Earnings	-	137,473	357,183	601,262
Net Income	137,473	219,710	244,079	290,246
Total Equity	137,473	357,183	601,262	891,508
Total Liabilities and Equity	199,418	438,990	690,965	994,251

PENNANT
PUGET SOUND HOSPICE + THURSTON HH
 Twelve Months Ending Saturday, December 31, 2022

	PUGET SOUND HOSPICE + THURSTON HH				
	<u>2022 & Static for 2023</u>	2024	2025	2026	2027
ASSETS					
CURRENT ASSETS					
Cash-THURSTON HH		22216	207336	439844	708052
TOTAL CASH		22216	207336	439844	708052
ACCOUNTS RECEIVABLE					
Accounts Receivable-THURSTON HH		\$162,080	\$220,113	\$241,703	\$278,161
Medicare A	\$190,093	\$190,093	\$190,093	\$190,093	\$190,093
Medicaid	\$34,892	\$34,892	\$34,892	\$34,892	\$34,892
Miscellaneous	\$5	\$5	\$5	\$5	\$5
Employee Receivable - Concur	\$186	\$186	\$186	\$186	\$186
Prebilled A/R	\$831	\$831	\$831	\$831	\$831
TOTAL ACCOUNTS RECEIVABLE	\$226,008	\$388,088	\$446,121	\$467,711	\$504,169
ALLOWANCE FOR DOUBTFUL ACCOUNTS					
Allowance for Doubtful Accounts-THURSTON HH		(\$6,483)	(\$8,805)	(\$9,668)	(\$11,126)
Medicaid	(\$18,453)	(\$18,453)	(\$18,453)	(\$18,453)	(\$18,453)
TOTAL ALLOWANCE FOR DOUBTFUL ACCOUNTS	(\$18,453)	(\$24,936)	(\$27,257)	(\$28,121)	(\$29,579)
ACCOUNTS RECEIVABLE NET OF ALLOWANCE	\$244,461	\$413,024	\$473,378	\$495,832	\$533,748
PREPAID EXPENSES					
Prepaid Assets-THURSTON HH		\$610	\$628	\$647	\$666
Prepaid Other	\$2,908	\$2,908	\$2,908	\$2,908	\$2,908
Prepaid Rent	\$33	\$33	\$33	\$33	\$33
TOTAL PREPAID EXPENSES	\$2,940	\$3,550	\$3,568	\$3,587	\$3,606
OTHER CURRENT ASSETS					
INTERCOMPANY BALANCES NET INTERCOMPANY BALANCES	(\$551,009)	(\$551,009)	(\$551,009)	(\$551,009)	(\$551,009)

PREPAID EXPENSES AND OTHER CURRENT ASSETS	(\$548,069)	(\$547,459)	(\$547,441)	(\$547,422)	(\$547,403)
TOTAL CURRENT ASSETS	(\$340,514)	(\$162,091)	\$78,759	\$332,011	\$635,239
FIXED ASSETS					
Furniture & Equipment- THURSTON HH		\$5,000	\$5,000	\$5,000	\$5,000
Furniture and Fixtures	\$5,225	\$5,225	\$5,225	\$5,225	\$5,225
Computer Equipment	\$2,638	\$2,638	\$2,638	\$2,638	\$2,638
	\$7,863	\$12,863	\$12,863	\$12,863	\$12,863
ACCUMULATED DEPRECIATION					
Furniture & Equipment- THURSTON HH		(\$1,333)	(\$2,666)	(\$4,000)	(\$4,000)
Furniture & Fixtures	(\$871)	(\$871)	(\$871)	(\$871)	(\$871)
Computer Equipment	(\$513)	(\$513)	(\$513)	(\$513)	(\$513)
TOTAL ACCUMULATED DEPRECIATION	(\$1,384)	(\$2,717)	(\$4,050)	(\$5,384)	(\$5,384)
FIXED ASSETS NET	\$6,479	\$10,146	\$8,813	\$7,479	\$7,479
ROU Asset-Op Lease (R/E)	\$91,871	\$91,871	\$91,871	\$91,871	\$91,871
ROU Asset A/D-Op Lease (R/E)	(\$37,646)	(\$37,646)	(\$37,646)	(\$37,646)	(\$37,646)
Op Lease Clearing	\$3,383	\$3,383	\$3,383	\$3,383	\$3,383
TOTAL ROU ASSETS	\$57,608	\$57,608	\$57,608	\$57,608	\$57,608
Security Deposit & Startup Costs-THURSTON HH					
		17329	17384	17440	17498
Deposits Rent	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Restricted & Other Assets	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
TOTAL OTHER LONG TERM ASSETS	\$2,500	\$19,829	\$19,884	\$19,940	\$19,998
TOTAL ASSETS	(\$273,926)	(\$74,508)	\$165,064	\$417,039	\$720,325
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
TRADE ACCOUNTS PAYABLE					
Accounts Payable/Credit Card Payable-THURSTON HH		\$16,945	\$20,889	\$22,863	\$25,902
Accounts payable - trade	\$55	\$55	\$55	\$55	\$55
TOTAL TRADE PAYABLES	\$55	\$17,000	\$20,944	\$22,918	\$25,957

ACCRUED WAGES AND RELATED LIABILITIES					
Payroll Liabilities-					
THURSTON HH		\$45,000	\$60,918	\$66,840	\$76,841
Accrued Vacation	\$21,428	\$21,428	\$21,428	\$21,428	\$21,428
TOTAL ACCRUED WAGES AND RELATED LIABILITIES	\$21,428	\$66,428	\$82,346	\$88,268	\$98,269
Op Lease Liability ST	\$26,666	\$26,666	\$26,666	\$26,666	\$26,666
TOTAL CURRENT OP LEASE LIABILITIES	\$26,666	\$26,666	\$26,666	\$26,666	\$26,666
OTHER ACCRUED LIABILITIES					
Sales/Excise/B&O TAXES PAYABLE	\$4,133	\$4,133	\$4,133	\$4,133	\$4,133
Unprocessed Patient Refunds	\$831	\$831	\$831	\$831	\$831
TOTAL OTHER ACCRUED LIABILITIES	\$4,963	\$4,963	\$4,963	\$4,963	\$4,963
TOTAL CURRENT LIABILITIES	\$53,113	\$115,058	\$134,920	\$142,816	\$155,855
LONG TERM DEBT					
Op Lease Liability LT	\$65,205	\$65,205	\$65,205	\$65,205	\$65,205
Op Lease Liability A/D	(\$36,463)	(\$36,463)	(\$36,463)	(\$36,463)	(\$36,463)
Total Long Term Op Lease Liabilities	\$28,742	\$28,742	\$28,742	\$28,742	\$28,742
TOTAL LONG TERM LIABILITIES	\$28,742	\$28,742	\$28,742	\$28,742	\$28,742
TOTAL LIABILITIES	\$81,855	\$143,800	\$163,662	\$171,558	\$184,597
STOCKHOLDERS' EQUITY					
Retained Earnings, Prior Year + THURSTON	(\$520,855)	\$ (520,855)	\$ (383,382)	\$ (163,672)	\$ 80,407
Current Year Income + THURSTON	\$165,074	\$ 302,547	\$ 384,784	\$ 409,153	\$ 455,320
Total Stockholders' Equity	(\$355,781)	(\$218,308)	\$1,402	\$245,481	\$535,727
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	(\$273,926)	(\$74,508)	\$165,064	\$417,039	\$720,325

PENNANT
PUGET SOUND HOSPICE + THURSTON HH
 Twelve Months Ending Saturday, December 31, 2022

	PUGET SOUND HOSPICE + THURSTON HH				
	<u>2022 & Static for 2023</u>	2024	2025	2026	2027
ASSETS					
CURRENT ASSETS					
Cash-THURSTON HH		22216	207336	439844	708052
TOTAL CASH		22216	207336	439844	708052
ACCOUNTS RECEIVABLE					
Accounts Receivable-THURSTON HH		\$162,080	\$220,113	\$241,703	\$278,161
Medicare A	\$190,093	\$190,093	\$190,093	\$190,093	\$190,093
Medicaid	\$34,892	\$34,892	\$34,892	\$34,892	\$34,892
Miscellaneous	\$5	\$5	\$5	\$5	\$5
Employee Receivable - Concur	\$186	\$186	\$186	\$186	\$186
Prebilled A/R	\$831	\$831	\$831	\$831	\$831
TOTAL ACCOUNTS RECEIVABLE	\$226,008	\$388,088	\$446,121	\$467,711	\$504,169
ALLOWANCE FOR DOUBTFUL ACCOUNTS					
Allowance for Doubtful Accounts-THURSTON HH		(\$6,483)	(\$8,805)	(\$9,668)	(\$11,126)
Medicaid	(\$18,453)	(\$18,453)	(\$18,453)	(\$18,453)	(\$18,453)
TOTAL ALLOWANCE FOR DOUBTFUL ACCOUNTS	(\$18,453)	(\$24,936)	(\$27,257)	(\$28,121)	(\$29,579)
ACCOUNTS RECEIVABLE NET OF ALLOWANCE	\$244,461	\$413,024	\$473,378	\$495,832	\$533,748
PREPAID EXPENSES					
Prepaid Assets-THURSTON HH		\$610	\$628	\$647	\$666
Prepaid Other	\$2,908	\$2,908	\$2,908	\$2,908	\$2,908
Prepaid Rent	\$33	\$33	\$33	\$33	\$33
TOTAL PREPAID EXPENSES	\$2,940	\$3,550	\$3,568	\$3,587	\$3,606
OTHER CURRENT ASSETS					
INTERCOMPANY BALANCES NET INTERCOMPANY BALANCES	(\$551,009)	(\$551,009)	(\$551,009)	(\$551,009)	(\$551,009)

PREPAID EXPENSES AND OTHER CURRENT ASSETS	(\$548,069)	(\$547,459)	(\$547,441)	(\$547,422)	(\$547,403)
TOTAL CURRENT ASSETS	(\$340,514)	(\$162,091)	\$78,759	\$332,011	\$635,239
FIXED ASSETS					
Furniture & Equipment- THURSTON HH		\$5,000	\$5,000	\$5,000	\$5,000
Furniture and Fixtures	\$5,225	\$5,225	\$5,225	\$5,225	\$5,225
Computer Equipment	\$2,638	\$2,638	\$2,638	\$2,638	\$2,638
	\$7,863	\$12,863	\$12,863	\$12,863	\$12,863
ACCUMULATED DEPRECIATION					
Furniture & Equipment- THURSTON HH		(\$1,333)	(\$2,666)	(\$4,000)	(\$4,000)
Furniture & Fixtures	(\$871)	(\$871)	(\$871)	(\$871)	(\$871)
Computer Equipment	(\$513)	(\$513)	(\$513)	(\$513)	(\$513)
TOTAL ACCUMULATED DEPRECIATION	(\$1,384)	(\$2,717)	(\$4,050)	(\$5,384)	(\$5,384)
FIXED ASSETS NET	\$6,479	\$10,146	\$8,813	\$7,479	\$7,479
ROU Asset-Op Lease (R/E)	\$91,871	\$91,871	\$91,871	\$91,871	\$91,871
ROU Asset A/D-Op Lease (R/E)	(\$37,646)	(\$37,646)	(\$37,646)	(\$37,646)	(\$37,646)
Op Lease Clearing	\$3,383	\$3,383	\$3,383	\$3,383	\$3,383
TOTAL ROU ASSETS	\$57,608	\$57,608	\$57,608	\$57,608	\$57,608
Security Deposit & Startup Costs-THURSTON HH					
		17329	17384	17440	17498
Deposits Rent	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Restricted & Other Assets	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
TOTAL OTHER LONG TERM ASSETS	\$2,500	\$19,829	\$19,884	\$19,940	\$19,998
TOTAL ASSETS	(\$273,926)	(\$74,508)	\$165,064	\$417,039	\$720,325
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
TRADE ACCOUNTS PAYABLE					
Accounts Payable/Credit Card Payable-THURSTON HH		\$16,945	\$20,889	\$22,863	\$25,902
Accounts payable - trade	\$55	\$55	\$55	\$55	\$55
TOTAL TRADE PAYABLES	\$55	\$17,000	\$20,944	\$22,918	\$25,957

ACCRUED WAGES AND RELATED LIABILITIES					
Payroll Liabilities-					
THURSTON HH		\$45,000	\$60,918	\$66,840	\$76,841
Accrued Vacation	\$21,428	\$21,428	\$21,428	\$21,428	\$21,428
TOTAL ACCRUED WAGES AND RELATED LIABILITIES	\$21,428	\$66,428	\$82,346	\$88,268	\$98,269
Op Lease Liability ST	\$26,666	\$26,666	\$26,666	\$26,666	\$26,666
TOTAL CURRENT OP LEASE LIABILITIES	\$26,666	\$26,666	\$26,666	\$26,666	\$26,666
OTHER ACCRUED LIABILITIES					
Sales/Excise/B&O TAXES PAYABLE	\$4,133	\$4,133	\$4,133	\$4,133	\$4,133
Unprocessed Patient Refunds	\$831	\$831	\$831	\$831	\$831
TOTAL OTHER ACCRUED LIABILITIES	\$4,963	\$4,963	\$4,963	\$4,963	\$4,963
TOTAL CURRENT LIABILITIES	\$53,113	\$115,058	\$134,920	\$142,816	\$155,855
LONG TERM DEBT					
Op Lease Liability LT	\$65,205	\$65,205	\$65,205	\$65,205	\$65,205
Op Lease Liability A/D	(\$36,463)	(\$36,463)	(\$36,463)	(\$36,463)	(\$36,463)
Total Long Term Op Lease Liabilities	\$28,742	\$28,742	\$28,742	\$28,742	\$28,742
TOTAL LONG TERM LIABILITIES	\$28,742	\$28,742	\$28,742	\$28,742	\$28,742
TOTAL LIABILITIES	\$81,855	\$143,800	\$163,662	\$171,558	\$184,597
STOCKHOLDERS' EQUITY					
Retained Earnings, Prior Year + THURSTON	(\$520,855)	\$ (520,855)	\$ (383,382)	\$ (163,672)	\$ 80,407
Current Year Income + THURSTON	\$165,074	\$ 302,547	\$ 384,784	\$ 409,153	\$ 455,320
Total Stockholders' Equity	(\$355,781)	(\$218,308)	\$1,402	\$245,481	\$535,727
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	(\$273,926)	(\$74,508)	\$165,064	\$417,039	\$720,325

PENNANT

Cornerstone + All 6 Counties

For the Twelve Months

Ending Saturday, December

	<u>2022 & Static for 2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
ASSETS					
CURRENT ASSETS					
CASH					
Petty Cash	\$2,562.00	\$2,562.00	\$2,562.00	\$2,562.00	\$2,562.00
TOTAL CASH	2,562.00	2,562.00	2,562.00	2,562.00	2,562.00
ACCOUNTS RECEIVABLE					
Medicare A	31,641,546.68	31,641,546.68	31,641,546.68	31,641,546.68	31,641,546.68
Medicare B	189,841.37	189,841.37	189,841.37	189,841.37	189,841.37
A/R 606 Contra - Medicare	(509,981.14)	(509,981.14)	(509,981.14)	(509,981.14)	(509,981.14)
A/R 606 Contra - Medicaid	(1,820,694.08)	(1,820,694.08)	(1,820,694.08)	(1,820,694.08)	(1,820,694.08)
A/R 606 Contra - Private/Other	(1,380,097.08)	(1,380,097.08)	(1,380,097.08)	(1,380,097.08)	(1,380,097.08)
A/R 606 Contra - Managed Care	(3,290,198.05)	(3,290,198.05)	(3,290,198.05)	(3,290,198.05)	(3,290,198.05)
Medicaid	8,384,867.06	8,384,867.06	8,384,867.06	8,384,867.06	8,384,867.06
Private	579,417.50	579,417.50	579,417.50	579,417.50	579,417.50
Managed Care	12,660,346.37	12,660,346.37	12,660,346.37	12,660,346.37	12,660,346.37
Veterans	272,949.94	272,949.94	272,949.94	272,949.94	272,949.94
Miscellaneous	201,341.56	201,341.56	201,341.56	201,341.56	201,341.56
Employee Receivable - Concur	(1,559.10)	(1,559.10)	(1,559.10)	(1,559.10)	(1,559.10)
Prebilled A/R	1,630,127.03	1,630,127.03	1,630,127.03	1,630,127.03	1,630,127.03
Clearing - Adjustments - Cornerstone	1,011,491.26	1,011,491.26	1,011,491.26	1,011,491.26	1,011,491.26
TOTAL ACCOUNTS RECEIVABLE	49,569,399.32	49,569,399.32	49,569,399.32	49,569,399.32	49,569,399.32
ALLOWANCE FOR DOUBTFUL ACCOUNTS					
ACCOUNTS RECEIVABLE NET OF ALLOWANCE	49,569,399.32	49,569,399.32	49,569,399.32	49,569,399.32	49,569,399.32
PREPAID EXPENSES					
Prepaid Liability Insurance	0.04	0.04	0.04	0.04	0.04
Prepaid - Real Property Tax	2,749.78	2,749.78	2,749.78	2,749.78	2,749.78
Prepaid - One Time	4,319.03	4,319.03	4,319.03	4,319.03	4,319.03
Prepaid Other <\$1,000	21,843.94	21,843.94	21,843.94	21,843.94	21,843.94
Prepaid Other	355,879.21	355,879.21	355,879.21	355,879.21	355,879.21
Prepaid Rent	133,776.38	133,776.38	133,776.38	133,776.38	133,776.38
TOTAL PREPAID EXPENSES	518,568.38	518,568.38	518,568.38	518,568.38	518,568.38
OTHER CURRENT ASSETS					
SUPPLIES					
INTERCOMPANY BALANCES					
Inter Company - SC due from Facility	664,841.27	664,841.27	664,841.27	664,841.27	664,841.27

Spin Interco	(12,910,000.00)	(12,910,000.00)	(12,910,000.00)	(12,910,000.00)	(12,910,000.00)
NET INTERCOMPANY BALANCES	<u>(12,245,158.73)</u>	<u>(12,245,158.73)</u>	<u>(12,245,158.73)</u>	<u>(12,245,158.73)</u>	<u>(12,245,158.73)</u>
Deposits - Other	5,233.00	5,233.00	5,233.00	5,233.00	5,233.00
PREPAID EXPENSES AND OTHER CURRENT ASSETS	<u>(11,721,357.35)</u>	<u>(11,721,357.35)</u>	<u>(11,721,357.35)</u>	<u>(11,721,357.35)</u>	<u>(11,721,357.35)</u>
TOTAL CURRENT ASSETS	37,850,603.97	37,850,603.97	37,850,603.97	37,850,603.97	37,850,603.97
FIXED ASSETS					
Leasehold improvements	1,384,266.12	1,384,266.12	1,384,266.12	1,384,266.12	1,384,266.12
Fixed Equipment	445,567.28	445,567.28	445,567.28	445,567.28	445,567.28
Minor Moveable	315,293.42	315,293.42	315,293.42	315,293.42	315,293.42
Furniture and Fixtures	922,428.48	922,428.48	922,428.48	922,428.48	922,428.48
Computer Equipment	1,208,107.28	1,208,107.28	1,208,107.28	1,208,107.28	1,208,107.28
Computer Software	5,791,296.95	5,791,296.95	5,791,296.95	5,791,296.95	5,791,296.95
Vehicles	667,878.66	667,878.66	667,878.66	667,878.66	667,878.66
Fixed Asset Clearing Account	<u>15,358.74</u>	<u>15,358.74</u>	<u>15,358.74</u>	<u>15,358.74</u>	<u>15,358.74</u>
	10,750,196.93	10,750,196.93	10,750,196.93	10,750,196.93	10,750,196.93
ACCUMULATED DEPRECIATION					
Leasehold Improvements	(725,529.58)	(725,529.58)	(725,529.58)	(725,529.58)	(725,529.58)
Fixed Equipment	(273,549.15)	(273,549.15)	(273,549.15)	(273,549.15)	(273,549.15)
Minor Equipment	(278,423.02)	(278,423.02)	(278,423.02)	(278,423.02)	(278,423.02)
Furniture & Fixtures	(504,307.43)	(504,307.43)	(504,307.43)	(504,307.43)	(504,307.43)
Computer Equipment	(1,032,130.21)	(1,032,130.21)	(1,032,130.21)	(1,032,130.21)	(1,032,130.21)
Computer Software	(5,182,080.31)	(5,182,080.31)	(5,182,080.31)	(5,182,080.31)	(5,182,080.31)
Vehicles	<u>(358,058.29)</u>	<u>(358,058.29)</u>	<u>(358,058.29)</u>	<u>(358,058.29)</u>	<u>(358,058.29)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(8,354,077.99)</u>	<u>(8,354,077.99)</u>	<u>(8,354,077.99)</u>	<u>(8,354,077.99)</u>	<u>(8,354,077.99)</u>
FIXED ASSETS NET	2,396,118.94	2,396,118.94	2,396,118.94	2,396,118.94	2,396,118.94
ROU Asset-Op Lease (R/E)	16,222,504.58	16,222,504.58	16,222,504.58	16,222,504.58	16,222,504.58
ROU Asset A/D-Op Lease (R/E)	(6,798,251.10)	(6,798,251.10)	(6,798,251.10)	(6,798,251.10)	(6,798,251.10)
Op Lease Clearing	<u>396,814.46</u>	<u>396,814.46</u>	<u>396,814.46</u>	<u>396,814.46</u>	<u>396,814.46</u>
TOTAL ROU ASSETS	9,821,067.94	9,821,067.94	9,821,067.94	9,821,067.94	9,821,067.94
Customer Relationships	9,404.56	9,404.56	9,404.56	9,404.56	9,404.56
Goodwill	75,854,486.26	75,854,486.26	75,854,486.26	75,854,486.26	75,854,486.26
Tradenname	1,385,497.67	1,385,497.67	1,385,497.67	1,385,497.67	1,385,497.67
MCare License	57,231,717.15	57,231,717.15	57,231,717.15	57,231,717.15	57,231,717.15
INTANGIBLE AND OTHER ASSETS, NET	134,481,105.64	134,481,105.64	134,481,105.64	134,481,105.64	134,481,105.64
Investment in PMD	37,637,304.97	37,637,304.97	37,637,304.97	37,637,304.97	37,637,304.97
L/T Prepaid	0.04	0.04	0.04	0.04	0.04
Deposits Utilities	11,117.00	11,117.00	11,117.00	11,117.00	11,117.00
Deposits Rent	377,823.11	377,823.11	377,823.11	377,823.11	377,823.11

Escrow Deposits	49,000.00	49,000.00	49,000.00	49,000.00	49,000.00
L/T Prepaid	5,105,300.21	5,105,300.21	5,105,300.21	5,105,300.21	5,105,300.21
Other Long Term Assets	7,160,907.39	7,160,907.39	7,160,907.39	7,160,907.39	7,160,907.39
Restricted & Other Assets	50,341,452.72	50,341,452.72	50,341,452.72	50,341,452.72	50,341,452.72
TOTAL OTHER LONG TERM ASSETS	184,822,558.36	184,822,558.36	184,822,558.36	184,822,558.36	184,822,558.36
TOTAL ASSETS ALL 6 COUNTIES		955272.07	1977283.23	3134278.26	4461104.25
TOTAL ASSETS INCL ALL 6 COUNTIES	234,890,349.21	235,845,621.28	236,867,632.44	238,024,627.47	239,351,453.46

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

TRADE ACCOUNTS PAYABLE

Accounts payable - trade	732,968.03	732,968.03	732,968.03	732,968.03	732,968.03
Accrued AP	2,870,854.30	2,870,854.30	2,870,854.30	2,870,854.30	2,870,854.30
Patient Refunds	55,075.23	55,075.23	55,075.23	55,075.23	55,075.23
Due:Prior Owners	(6,777,907.35)	(6,777,907.35)	(6,777,907.35)	(6,777,907.35)	(6,777,907.35)
TOTAL TRADE PAYABLES	(3,119,009.79)	(3,119,009.79)	(3,119,009.79)	(3,119,009.79)	(3,119,009.79)

ACCRUED WAGES AND RELATED LIABILITIES

Accrued Payroll	10,055,756.96	10,055,756.96	10,055,756.96	10,055,756.96	10,055,756.96
Payroll Clearing	(1,494.85)	(1,494.85)	(1,494.85)	(1,494.85)	(1,494.85)
Garnishments Payable	37,904.89	37,904.89	37,904.89	37,904.89	37,904.89
Federal Payroll Taxes Payable	2,165,060.82	2,165,060.82	2,165,060.82	2,165,060.82	2,165,060.82
Due:Finding Home Foundation - Payroll Deductions	870.00	870.00	870.00	870.00	870.00
Direct Care Worker Funds Cornerstone	121,982.73	121,982.73	121,982.73	121,982.73	121,982.73
Accrued Vacation	3,529,671.40	3,529,671.40	3,529,671.40	3,529,671.40	3,529,671.40
TOTAL ACCRUED WAGES AND RELATED LIABILITIES	15,909,751.95	15,909,751.95	15,909,751.95	15,909,751.95	15,909,751.95

Op Lease Liability ST	3,681,026.79	3,681,026.79	3,681,026.79	3,681,026.79	3,681,026.79
TOTAL CURRENT OP LEASE LIABILITIES	3,681,026.79	3,681,026.79	3,681,026.79	3,681,026.79	3,681,026.79

OTHER ACCRUED LIABILITIES

Accrued Other	555,141.03	555,141.03	555,141.03	555,141.03	555,141.03
Deferred Revenue	82,431.22	82,431.22	82,431.22	82,431.22	82,431.22
WA & WY Workers Comp	74,793.57	74,793.57	74,793.57	74,793.57	74,793.57
Sales/Excise/B&O TAXES PAYABLE	59,120.83	59,120.83	59,120.83	59,120.83	59,120.83
Hospice CAP Accrued	1,051,099.19	1,051,099.19	1,051,099.19	1,051,099.19	1,051,099.19
Real Property Taxes	13,184.92	13,184.92	13,184.92	13,184.92	13,184.92
Personal Property Taxes	2,780.37	2,780.37	2,780.37	2,780.37	2,780.37
Unprocessed Patient Refunds	1,547,695.80	1,547,695.80	1,547,695.80	1,547,695.80	1,547,695.80
Deferred Income Taxes					
Facility Fund	85,337.73	85,337.73	85,337.73	85,337.73	85,337.73
TOTAL OTHER ACCRUED LIABILITIES	3,471,584.66	3,471,584.66	3,471,584.66	3,471,584.66	3,471,584.66

TOTAL CURRENT LIABILITIES	19,943,353.61	19,943,353.61	19,943,353.61	19,943,353.61	19,943,353.61
LONG TERM DEBT					
Op Lease Liability LT	16,788,035.95	16,788,035.95	16,788,035.95	16,788,035.95	16,788,035.95
Op Lease Liability A/D	(10,334,005.21)	(10,334,005.21)	(10,334,005.21)	(10,334,005.21)	(10,334,005.21)
Total Long Term Op Lease Liabilities	6,454,030.74	6,454,030.74	6,454,030.74	6,454,030.74	6,454,030.74
TOTAL LONG TERM LIABILITIES	6,454,030.74	6,454,030.74	6,454,030.74	6,454,030.74	6,454,030.74
TOTAL LIABILITIES ALL 6 COUNTIES		402,527.25	487,172.77	543,388.18	588,184.60
TOTAL LIABILITIES INCL ALL 6 COUNTIES	26,397,384.35	26,799,911.60	26,884,557.12	26,940,772.52	26,985,568.95
STOCKHOLDERS' EQUITY					
Common Stock	33,154.59	33,154.59	33,154.59	33,154.59	33,154.59
Additional Paid-In-Capital JV	12,151,917.90	12,151,917.90	12,151,917.90	12,151,917.90	12,151,917.90
Additional Paid-In-Capital	77,299,215.95	77,299,215.95	77,299,215.95	77,299,215.95	77,299,215.95
Spin RE Adjust - Adj	33,059,256.82	33,059,256.82	33,059,256.82	33,059,256.82	33,059,256.82
	122,543,545.26	122,543,545.26	122,543,545.26	122,543,545.26	122,543,545.26
Retained Earnings, Prior Year	54,841,804.47	54,841,804.47	54,841,804.47	54,841,804.47	54,841,804.47
Current Year Income	31,107,615.13	31,107,615.13	31,107,615.13	31,107,615.13	31,107,615.13
Current Year Income	31,107,615.13	31,107,615.13	31,107,615.13	31,107,615.13	31,107,615.13
Total Stockholders' Equity	208,492,964.87	208,492,964.87	208,492,964.87	208,492,964.87	208,492,964.87
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY ALL 6 COUNTIES		955,272.07	1,977,283.23	3,134,278.26	4,461,104.25
STOCKHOLDERS' EQUITY INCL ALL 6 COUNTIES	234,890,349.21	235,845,621.28	236,867,632.45	238,024,627.47	239,351,453.47

PENNANT

Cornerstone + All 6 Counties

For the Twelve Months

Ending Saturday, December

	<u>2022 & Static for 2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
ASSETS					
CURRENT ASSETS					
CASH					
Petty Cash	\$2,562.00	\$2,562.00	\$2,562.00	\$2,562.00	\$2,562.00
TOTAL CASH	2,562.00	2,562.00	2,562.00	2,562.00	2,562.00
ACCOUNTS RECEIVABLE					
Medicare A	31,641,546.68	31,641,546.68	31,641,546.68	31,641,546.68	31,641,546.68
Medicare B	189,841.37	189,841.37	189,841.37	189,841.37	189,841.37
A/R 606 Contra - Medicare	(509,981.14)	(509,981.14)	(509,981.14)	(509,981.14)	(509,981.14)
A/R 606 Contra - Medicaid	(1,820,694.08)	(1,820,694.08)	(1,820,694.08)	(1,820,694.08)	(1,820,694.08)
A/R 606 Contra - Private/Other	(1,380,097.08)	(1,380,097.08)	(1,380,097.08)	(1,380,097.08)	(1,380,097.08)
A/R 606 Contra - Managed Care	(3,290,198.05)	(3,290,198.05)	(3,290,198.05)	(3,290,198.05)	(3,290,198.05)
Medicaid	8,384,867.06	8,384,867.06	8,384,867.06	8,384,867.06	8,384,867.06
Private	579,417.50	579,417.50	579,417.50	579,417.50	579,417.50
Managed Care	12,660,346.37	12,660,346.37	12,660,346.37	12,660,346.37	12,660,346.37
Veterans	272,949.94	272,949.94	272,949.94	272,949.94	272,949.94
Miscellaneous	201,341.56	201,341.56	201,341.56	201,341.56	201,341.56
Employee Receivable - Concur	(1,559.10)	(1,559.10)	(1,559.10)	(1,559.10)	(1,559.10)
Prebilled A/R	1,630,127.03	1,630,127.03	1,630,127.03	1,630,127.03	1,630,127.03
Clearing - Adjustments - Cornerstone	1,011,491.26	1,011,491.26	1,011,491.26	1,011,491.26	1,011,491.26
TOTAL ACCOUNTS RECEIVABLE	49,569,399.32	49,569,399.32	49,569,399.32	49,569,399.32	49,569,399.32
ALLOWANCE FOR DOUBTFUL ACCOUNTS					
ACCOUNTS RECEIVABLE NET OF ALLOWANCE	49,569,399.32	49,569,399.32	49,569,399.32	49,569,399.32	49,569,399.32
PREPAID EXPENSES					
Prepaid Liability Insurance	0.04	0.04	0.04	0.04	0.04
Prepaid - Real Property Tax	2,749.78	2,749.78	2,749.78	2,749.78	2,749.78
Prepaid - One Time	4,319.03	4,319.03	4,319.03	4,319.03	4,319.03
Prepaid Other <\$1,000	21,843.94	21,843.94	21,843.94	21,843.94	21,843.94
Prepaid Other	355,879.21	355,879.21	355,879.21	355,879.21	355,879.21
Prepaid Rent	133,776.38	133,776.38	133,776.38	133,776.38	133,776.38
TOTAL PREPAID EXPENSES	518,568.38	518,568.38	518,568.38	518,568.38	518,568.38
OTHER CURRENT ASSETS					
SUPPLIES					
INTERCOMPANY BALANCES					
Inter Company - SC due from Facility	664,841.27	664,841.27	664,841.27	664,841.27	664,841.27

Spin Interco	(12,910,000.00)	(12,910,000.00)	(12,910,000.00)	(12,910,000.00)	(12,910,000.00)
NET INTERCOMPANY BALANCES	<u>(12,245,158.73)</u>	<u>(12,245,158.73)</u>	<u>(12,245,158.73)</u>	<u>(12,245,158.73)</u>	<u>(12,245,158.73)</u>
Deposits - Other	5,233.00	5,233.00	5,233.00	5,233.00	5,233.00
PREPAID EXPENSES AND OTHER CURRENT ASSETS	<u>(11,721,357.35)</u>	<u>(11,721,357.35)</u>	<u>(11,721,357.35)</u>	<u>(11,721,357.35)</u>	<u>(11,721,357.35)</u>
TOTAL CURRENT ASSETS	37,850,603.97	37,850,603.97	37,850,603.97	37,850,603.97	37,850,603.97
FIXED ASSETS					
Leasehold improvements	1,384,266.12	1,384,266.12	1,384,266.12	1,384,266.12	1,384,266.12
Fixed Equipment	445,567.28	445,567.28	445,567.28	445,567.28	445,567.28
Minor Moveable	315,293.42	315,293.42	315,293.42	315,293.42	315,293.42
Furniture and Fixtures	922,428.48	922,428.48	922,428.48	922,428.48	922,428.48
Computer Equipment	1,208,107.28	1,208,107.28	1,208,107.28	1,208,107.28	1,208,107.28
Computer Software	5,791,296.95	5,791,296.95	5,791,296.95	5,791,296.95	5,791,296.95
Vehicles	667,878.66	667,878.66	667,878.66	667,878.66	667,878.66
Fixed Asset Clearing Account	<u>15,358.74</u>	<u>15,358.74</u>	<u>15,358.74</u>	<u>15,358.74</u>	<u>15,358.74</u>
	10,750,196.93	10,750,196.93	10,750,196.93	10,750,196.93	10,750,196.93
ACCUMULATED DEPRECIATION					
Leasehold Improvements	(725,529.58)	(725,529.58)	(725,529.58)	(725,529.58)	(725,529.58)
Fixed Equipment	(273,549.15)	(273,549.15)	(273,549.15)	(273,549.15)	(273,549.15)
Minor Equipment	(278,423.02)	(278,423.02)	(278,423.02)	(278,423.02)	(278,423.02)
Furniture & Fixtures	(504,307.43)	(504,307.43)	(504,307.43)	(504,307.43)	(504,307.43)
Computer Equipment	(1,032,130.21)	(1,032,130.21)	(1,032,130.21)	(1,032,130.21)	(1,032,130.21)
Computer Software	(5,182,080.31)	(5,182,080.31)	(5,182,080.31)	(5,182,080.31)	(5,182,080.31)
Vehicles	<u>(358,058.29)</u>	<u>(358,058.29)</u>	<u>(358,058.29)</u>	<u>(358,058.29)</u>	<u>(358,058.29)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(8,354,077.99)</u>	<u>(8,354,077.99)</u>	<u>(8,354,077.99)</u>	<u>(8,354,077.99)</u>	<u>(8,354,077.99)</u>
FIXED ASSETS NET	2,396,118.94	2,396,118.94	2,396,118.94	2,396,118.94	2,396,118.94
ROU Asset-Op Lease (R/E)	16,222,504.58	16,222,504.58	16,222,504.58	16,222,504.58	16,222,504.58
ROU Asset A/D-Op Lease (R/E)	(6,798,251.10)	(6,798,251.10)	(6,798,251.10)	(6,798,251.10)	(6,798,251.10)
Op Lease Clearing	<u>396,814.46</u>	<u>396,814.46</u>	<u>396,814.46</u>	<u>396,814.46</u>	<u>396,814.46</u>
TOTAL ROU ASSETS	9,821,067.94	9,821,067.94	9,821,067.94	9,821,067.94	9,821,067.94
Customer Relationships	9,404.56	9,404.56	9,404.56	9,404.56	9,404.56
Goodwill	75,854,486.26	75,854,486.26	75,854,486.26	75,854,486.26	75,854,486.26
Tradenname	1,385,497.67	1,385,497.67	1,385,497.67	1,385,497.67	1,385,497.67
MCare License	57,231,717.15	57,231,717.15	57,231,717.15	57,231,717.15	57,231,717.15
INTANGIBLE AND OTHER ASSETS, NET	134,481,105.64	134,481,105.64	134,481,105.64	134,481,105.64	134,481,105.64
Investment in PMD	37,637,304.97	37,637,304.97	37,637,304.97	37,637,304.97	37,637,304.97
L/T Prepaid	0.04	0.04	0.04	0.04	0.04
Deposits Utilities	11,117.00	11,117.00	11,117.00	11,117.00	11,117.00
Deposits Rent	377,823.11	377,823.11	377,823.11	377,823.11	377,823.11

Escrow Deposits	49,000.00	49,000.00	49,000.00	49,000.00	49,000.00
L/T Prepaid	5,105,300.21	5,105,300.21	5,105,300.21	5,105,300.21	5,105,300.21
Other Long Term Assets	7,160,907.39	7,160,907.39	7,160,907.39	7,160,907.39	7,160,907.39
Restricted & Other Assets	50,341,452.72	50,341,452.72	50,341,452.72	50,341,452.72	50,341,452.72
TOTAL OTHER LONG TERM ASSETS	184,822,558.36	184,822,558.36	184,822,558.36	184,822,558.36	184,822,558.36
TOTAL ASSETS ALL 6 COUNTIES		955272.07	1977283.23	3134278.26	4461104.25
TOTAL ASSETS INCL ALL 6 COUNTIES	234,890,349.21	235,845,621.28	236,867,632.44	238,024,627.47	239,351,453.46

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

TRADE ACCOUNTS PAYABLE

Accounts payable - trade	732,968.03	732,968.03	732,968.03	732,968.03	732,968.03
Accrued AP	2,870,854.30	2,870,854.30	2,870,854.30	2,870,854.30	2,870,854.30
Patient Refunds	55,075.23	55,075.23	55,075.23	55,075.23	55,075.23
Due:Prior Owners	(6,777,907.35)	(6,777,907.35)	(6,777,907.35)	(6,777,907.35)	(6,777,907.35)
TOTAL TRADE PAYABLES	(3,119,009.79)	(3,119,009.79)	(3,119,009.79)	(3,119,009.79)	(3,119,009.79)

ACCRUED WAGES AND RELATED LIABILITIES

Accrued Payroll	10,055,756.96	10,055,756.96	10,055,756.96	10,055,756.96	10,055,756.96
Payroll Clearing	(1,494.85)	(1,494.85)	(1,494.85)	(1,494.85)	(1,494.85)
Garnishments Payable	37,904.89	37,904.89	37,904.89	37,904.89	37,904.89
Federal Payroll Taxes Payable	2,165,060.82	2,165,060.82	2,165,060.82	2,165,060.82	2,165,060.82
Due:Finding Home Foundation - Payroll Deductions	870.00	870.00	870.00	870.00	870.00
Direct Care Worker Funds Cornerstone	121,982.73	121,982.73	121,982.73	121,982.73	121,982.73
Accrued Vacation	3,529,671.40	3,529,671.40	3,529,671.40	3,529,671.40	3,529,671.40
TOTAL ACCRUED WAGES AND RELATED LIABILITIES	15,909,751.95	15,909,751.95	15,909,751.95	15,909,751.95	15,909,751.95

Op Lease Liability ST	3,681,026.79	3,681,026.79	3,681,026.79	3,681,026.79	3,681,026.79
TOTAL CURRENT OP LEASE LIABILITIES	3,681,026.79	3,681,026.79	3,681,026.79	3,681,026.79	3,681,026.79

OTHER ACCRUED LIABILITIES

Accrued Other	555,141.03	555,141.03	555,141.03	555,141.03	555,141.03
Deferred Revenue	82,431.22	82,431.22	82,431.22	82,431.22	82,431.22
WA & WY Workers Comp	74,793.57	74,793.57	74,793.57	74,793.57	74,793.57
Sales/Excise/B&O TAXES PAYABLE	59,120.83	59,120.83	59,120.83	59,120.83	59,120.83
Hospice CAP Accrued	1,051,099.19	1,051,099.19	1,051,099.19	1,051,099.19	1,051,099.19
Real Property Taxes	13,184.92	13,184.92	13,184.92	13,184.92	13,184.92
Personal Property Taxes	2,780.37	2,780.37	2,780.37	2,780.37	2,780.37
Unprocessed Patient Refunds	1,547,695.80	1,547,695.80	1,547,695.80	1,547,695.80	1,547,695.80
Deferred Income Taxes					
Facility Fund	85,337.73	85,337.73	85,337.73	85,337.73	85,337.73
TOTAL OTHER ACCRUED LIABILITIES	3,471,584.66	3,471,584.66	3,471,584.66	3,471,584.66	3,471,584.66

TOTAL CURRENT LIABILITIES	19,943,353.61	19,943,353.61	19,943,353.61	19,943,353.61	19,943,353.61
LONG TERM DEBT					
Op Lease Liability LT	16,788,035.95	16,788,035.95	16,788,035.95	16,788,035.95	16,788,035.95
Op Lease Liability A/D	(10,334,005.21)	(10,334,005.21)	(10,334,005.21)	(10,334,005.21)	(10,334,005.21)
Total Long Term Op Lease Liabilities	6,454,030.74	6,454,030.74	6,454,030.74	6,454,030.74	6,454,030.74
TOTAL LONG TERM LIABILITIES	6,454,030.74	6,454,030.74	6,454,030.74	6,454,030.74	6,454,030.74
TOTAL LIABILITIES ALL 6 COUNTIES		402,527.25	487,172.77	543,388.18	588,184.60
TOTAL LIABILITIES INCL ALL 6 COUNTIES	26,397,384.35	26,799,911.60	26,884,557.12	26,940,772.52	26,985,568.95
STOCKHOLDERS' EQUITY					
Common Stock	33,154.59	33,154.59	33,154.59	33,154.59	33,154.59
Additional Paid-In-Capital JV	12,151,917.90	12,151,917.90	12,151,917.90	12,151,917.90	12,151,917.90
Additional Paid-In-Capital	77,299,215.95	77,299,215.95	77,299,215.95	77,299,215.95	77,299,215.95
Spin RE Adjust - Adj	33,059,256.82	33,059,256.82	33,059,256.82	33,059,256.82	33,059,256.82
	122,543,545.26	122,543,545.26	122,543,545.26	122,543,545.26	122,543,545.26
Retained Earnings, Prior Year	54,841,804.47	54,841,804.47	54,841,804.47	54,841,804.47	54,841,804.47
Current Year Income	31,107,615.13	31,107,615.13	31,107,615.13	31,107,615.13	31,107,615.13
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Total Stockholders' Equity	208,492,964.87	208,492,964.87	208,492,964.87	208,492,964.87	208,492,964.87
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY ALL 6 COUNTIES		955,272.07	1,977,283.23	3,134,278.26	4,461,104.25
STOCKHOLDERS' EQUITY INCL ALL 6 COUNTIES	234,890,349.21	235,845,621.28	236,867,632.45	238,024,627.47	239,351,453.47

EXHIBIT 11

app.trellehealth.com/hha/analyze/homehealth/1063415198

Marketscape INSIGHTS Home Health

Latest MA Data: Calendar Year 2020

PROVIDENCE SOUNDHOMECARE AND HOSPICE
 ★★★★★
 NPI 1063415198

LOCATION: Lacey, WA THURSTON County

SPECIALTY: Home Health Agency

ASSIGNED USER(S): None

PRESENTATION

Insights Patient Population Quality Operational Sources PDGM

2022 Q1 2022 Q2 2022 Q3 2022 Q4

Time to Start of Care by Facility

Excel

Favorites Targets

Facility Name	% VISITS INITIATED WITHIN 2 DAYS			
	This Facility	County Average	State Average	This Facility
<input type="checkbox"/> PROVIDENCE ST PETER HOSPITAL	17%	14%	39%	73%
<input type="checkbox"/> MASON HEALTH-MASON GENERAL HOSPITAL	ins	14%	39%	ins
<input type="checkbox"/> SWEDISH MEDICAL CENTER, CHERRY HILL	ins	14%	39%	92%
<input type="checkbox"/> PROVIDENCE CENTRALIA HOSPITAL	ins	14%	39%	66%
Total	14%	14%	39%	63%

1 20 items per page 1 - 4 of 4 items

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app.trellehealth.com/hha/explore/homehealth

Marketscope INSIGHTS Home Health

Search Name, NPI, or Alias

Home Health Agencies

Filter By Location (1) Range Filters More Filters Clear Filters

Please Note: Larger datasets may take longer to return on the Explore grid. Please use filters to limit the dataset and retrieve results faster.

Search Name, NPI, or Alias

Advanced Search

Reset to Default Order

Excel

Simple Sort

HHA Name	Star Rating	Annual Patient Count (FFS)	Annual Patient Count (MA-2020)	Annual Patient Count (MA/Commercial 65+)	2022 Q3	2022 Q2	2022 Q1
CENTERWELL HOME HEALTH	4.0	1,047	380	231	176	290	323
ENVISION HEALTHCARE AT HOME	3.5	495	130	45	115	128	150
MULTICARE GOOD SAMARITAN HOME HEALTH	4.0	682	877	74	156	188	160
PUGET SOUND HOME HEALTH	4.5	898	766	507	177	266	292
PUGET SOUND HOME HEALTH OF KING COUNTY	4.0	197	142	153	37	48	71

1 - 5 of 5 items

Important Notes:

- In the Home Health Solution, the most recent quarter will always show a number that is unexpectedly small in comparison to previous recent quarters. CMS assigns home health claims to a quarter based on the through date, not the start date. Trelle Health assigns claims based on start date. Thus if the claim was not completed during the quarter shown in the table, the CMS data will not reflect that claim until the following quarter, at which point we retroactively update the counts for the given quarter.

50°F Partly sunny 4:30 PM 3/10/2023



April 10, 2023

Eric Hernandez, Program
Manager Certificate of Need
Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852

Dear Mr. Hernandez,

As the Corporate Controller for The Pennant Group, Inc., the ultimate parent company of **Symbol Healthcare, Inc.**, I am writing to affirm a commitment to fully finance the establishment of **Puget Sound Home Health of Thurston County** in Thurston County, Washington. As the ultimate parent of **Symbol Healthcare, Inc.**, we have provided a copy of Pennant's 10-Q in conjunction with this filing that demonstrates the necessary capital reserves to meet the funding requirements.

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

Sincerely,

Mike Magette
Corporate Controller
The Pennant Group, Inc.
1675 E. Riverside Dr., Ste 150
Eagle, ID 83616