

**Providence Mat-Su Surgery Center**  
**Certificate of Need Application**  
November 2012

**Net Present Value (NPV) of the Lease Payments**

|                           |            |
|---------------------------|------------|
| Lease Payment, first year | \$ 518,400 |
| Inflation per year        | 3.0%       |
| Useful Life, years        | 20         |
| Discount Rate             | 6.5% [1]   |

**NPV of Lease Payments: \$ 7,219,549**

Calculations:

| Year          | Lease payment | NPV   |
|---------------|---------------|---|
| 1             | \$ 518,400    | \$ 518,400 * ( 1 / (1+6.5%) ^ 1 ) = \$ 486,761  |
| 2             | \$ 533,952    | \$ 533,952 * ( 1 / (1+6.5%) ^ 2 ) = \$ 470,764  |
| 3             | \$ 549,971    | \$ 549,971 * ( 1 / (1+6.5%) ^ 3 ) = \$ 455,293  |
| 4             | \$ 566,470    | \$ 566,470 * ( 1 / (1+6.5%) ^ 4 ) = \$ 440,330  |
| 5             | \$ 583,464    | \$ 583,464 * ( 1 / (1+6.5%) ^ 5 ) = \$ 425,859  |
| 6             | \$ 600,968    | \$ 600,968 * ( 1 / (1+6.5%) ^ 6 ) = \$ 411,864  |
| 7             | \$ 618,997    | \$ 618,997 * ( 1 / (1+6.5%) ^ 7 ) = \$ 398,328  |
| 8             | \$ 637,567    | \$ 637,567 * ( 1 / (1+6.5%) ^ 8 ) = \$ 385,238  |
| 9             | \$ 656,694    | \$ 656,694 * ( 1 / (1+6.5%) ^ 9 ) = \$ 372,577  |
| 10            | \$ 676,394    | \$ 676,394 * ( 1 / (1+6.5%) ^ 10 ) = \$ 360,333 |
| 11            | \$ 696,686    | \$ 696,686 * ( 1 / (1+6.5%) ^ 11 ) = \$ 348,491 |
| 12            | \$ 717,587    | \$ 717,587 * ( 1 / (1+6.5%) ^ 12 ) = \$ 337,038 |
| 13            | \$ 739,114    | \$ 739,114 * ( 1 / (1+6.5%) ^ 13 ) = \$ 325,962 |
| 14            | \$ 761,288    | \$ 761,288 * ( 1 / (1+6.5%) ^ 14 ) = \$ 315,249 |
| 15            | \$ 784,127    | \$ 784,127 * ( 1 / (1+6.5%) ^ 15 ) = \$ 304,889 |
| 16            | \$ 807,650    | \$ 807,650 * ( 1 / (1+6.5%) ^ 16 ) = \$ 294,869 |
| 17            | \$ 831,880    | \$ 831,880 * ( 1 / (1+6.5%) ^ 17 ) = \$ 285,179 |
| 18            | \$ 856,836    | \$ 856,836 * ( 1 / (1+6.5%) ^ 18 ) = \$ 275,807 |
| 19            | \$ 882,541    | \$ 882,541 * ( 1 / (1+6.5%) ^ 19 ) = \$ 266,743 |
| 20            | \$ 909,018    | \$ 909,018 * ( 1 / (1+6.5%) ^ 20 ) = \$ 257,976 |
| <b>Total:</b> |               | <b>\$ 7,219,549</b>                             |

[1] The discount rate of 6.5% is tied to PH&SA most recent experience for the cost of capital and issuance of taxable bonds