LETTER OF INTENT

Date: June 26, 2026

1. Name of entity which would implement the proposed project: Good Shepherd Health Care System

Address: 610 NW 11th

City, State, and Zip: Hermiston, Or 97838

Phone Number: 541-667-3400

Contact Person: Jonathan Edwards

2. Person filling out letter of intent if other than the entity listed above:

Name: Peter F. Stoloff, P.C.

Address: 5285 Meadows Road, Suite 235

City, State, and Zip: Lake Oswego, Oregon 97035

Phone Number: 503-992-6463

3. Include a general project description:

PROJECT OVERVIEW

Good Shepherd Health Care System ("GSHCS") respectfully submits this Letter of Intent to develop a new 80-bed healthcare facility serving the skilled nursing and long-term care needs of Umatilla and Morrow Counties. The proposed facility will feature 40 Skilled Nursing Facility (SNF) beds and 40 Long-Term Care (LTC) beds, configured in 15 double-occupancy rooms and 10 single-occupancy rooms, with dedicated wings for each service line. This Letter of Intent is submitted under the temporary rules filed on June 25, 2026 for long term care services in PH 27-2026.

The facility will include a rehabilitation and recreational gymnasium for physical and occupational therapy services, comprehensive manual and electric safety/lift equipment with a combination of built-in lifts in select rooms and portable equipment for general facility use. To address specialized community needs, two rooms will be equipped to accommodate bariatric patients over 550 pounds. Transportation services will be provided for medical appointments and therapeutic activities.

This project directly addresses a critical gap in regional healthcare capacity, as evidenced by $1,476,971.77 in costs over the past 12 months attributed to patients remaining in GSHCS hospital settings while awaiting SNF placement or other discharge needs that this facility would meet. Oregon as a whole is experiencing rapid growth in the age 65 and older population. Oregon is expected to see an annual 1.6% increase in population 65 years of age and older over the next 10 years. Market analysis for Umatilla County shows 3 existing SNF facilities with 234 total licensed beds serving an expected population growth of 65 years of age and older by 13%, with current facilities operating at an occupancy rate of greater than 90% of set-up beds and experiencing 2-4 day delays for SNF acceptance. However, there are 40 or more beds out of the 234 licensed beds that are not set-up as of the date of this Letter of Intent. Morrow County has one SNF with 21 beds at greater than 90%

occupancy, serving an expected population growth of 65 years of age and older by 16%, with current 3-5 day average delay for acceptance.

The data demonstrates substantial inadequacies in available skilled nursing facilities across our service area. In 2024, the number of persons age 65 and older in Umatilla County was 23,500, and there are 234 licensed SNF/LTC beds in Umatilla County and 194 or fewer set-up beds in Umatilla County. This growing disparity between available resources and community needs represents a critical challenge in providing adequate care for our elderly residents.

Umatilla skilled nursing facilities have an average staff rating of 3.4, an average health inspection rating of 2.7, and a quality measures rating of 3.4, according to the Centers for Medicare and Medicaid Services (CMS). The Centers for Medicare and Medicaid Services (CMS) created federal ratings for nursing homes, and Umatilla facilities average 2.9 out of 5 stars, Morrow facilities average 3 out of 5 stars.

FACILITY SPECIFICATIONS

Bed Configuration:

- 40 Skilled Nursing Facility (SNF) beds
- 40 Long-Term Care (LTC) beds
- Total capacity: 80 beds across two specialized wings

Room Layout:

- 15 double-occupancy rooms (30 beds)
- 10 single-occupancy rooms (10 beds)
- 2 specialized bariatric rooms accommodating patients over 550 pounds

Specialized Services and Equipment:

- Dedicated rehabilitation and recreational gymnasium for physical and occupational therapy services
- Comprehensive patient mobility solutions including manual and electric safety/lift equipment
- Combination of built-in lift systems in select rooms and portable equipment for facility-wide use
- Transportation services for medical appointments and therapeutic activities

FINANCIAL IMPACT AND COMMUNITY NEED

Our market analysis demonstrates significant financial and operational strain on the regional healthcare system. Over the past 12 months, **$1,476,971.77** in healthcare costs have been attributed to patients remaining in hospital settings while awaiting SNF placement or other appropriate discharge options that this proposed facility would directly address.

This figure represents not only substantial healthcare expenditures but also indicates the critical need for additional SNF and LTC capacity to ensure appropriate patient flow and care continuity within our healthcare network.

COMMUNITY BENEFIT

This project will:

- Reduce hospital bed delays and associated costs
- Provide specialized bariatric care capabilities currently unavailable in the region
- Offer comprehensive rehabilitation services through dedicated therapy facilities
- Improve access to quality long-term care services for aging populations
- Support regional healthcare infrastructure development

We believe this facility represents a vital investment in the healthcare infrastructure of Eastern Oregon and will significantly improve patient outcomes while addressing documented capacity shortages in our service area.

4. (a) Estimate the capital expenditure, not including interest.

Total estimate: $18,982,000.00

Approximately 60,000 sq ft at $300/sq ft with 4 wings (40 LTC beds & 40 SNF beds) $18,000,000
Wheelchair accessible van transportation $90,000 per van
Gym (3000sf) for PT/OT rehab $80,000
Manual and Electric lift equipment $70,000
Furniture $200,000 ($1600/bed; $500/night stand, etc., per room)
Kitchen Appliances (commercial grade) $400,000
Laundry (commercial grade): $17,000
Minor equipment $5000/staff or service line (25 staff/service lines): $125,000

(b) If the project is to be financed:
Term of the financing, in years 7

Rate of interest 6%

Total interest expenses $2,700,000.00

5. For New Hospital Services

Fill out this section *only* if you are proposing to initiate a *new* service at an *existing hospital*. This section does not need to be completed for proposed new facilities.

If a *new hospital service* as defined in OAR 333-550-0010(4) is proposed:

(a) Indicate the projected annual operating cost for the first fiscal year in which the service will operate at normal levels of utilization and with normal allocations for ongoing expense items, including all direct and indirect expenses with sufficient budgetary information to support projections.

(b) Attach a budget forecast, by affected service, for the first 3 years of operation. Please note that this information need not be filled out if your proposal is not for a new health service. However, in some cases, the purchase of major medical equipment may also constitute a new health service. Include at least the following information:

(A) Gross revenues;

(B) Direct expenses, including a breakdown into salaries, payroll taxes and fringe benefits, supplies, depreciation and interest;

(C) Indirect expenses, identified by categories which may include but are not limited to operation and maintenance of plant, housekeeping, billing, insurance;

(D) Deductions from revenue;

(E) Net operating income (or loss) after the allocation of indirect expenses from non-revenue producing departments.

(c) For the first 3 years of operation, provide the number of full-time equivalent staff for the particular service.

Year 1 _____

Year 2 _____

Year 3 _____

(d) (A) For the first 3 years of operation, provide units of service per year.

Year 1 _____

Year 2 _____

Year 3 _____

(B) Define units of service:

6. For Long-term Care Facility Projects

Only entities who are *long-term care facilities (nursing homes)* or who propose long-term care services need to fill out this section. If your project involves long-term care, please indicate which of the following apply:

		YES	NO
(a)	The project proposes to initiate a new long-term care facility or service.	X☐	☐
(b)	The project proposes an increase in the skilled nursing or intermediate care bed capacity of an existing facility of more than 10 beds or more than 10 percent of the current long-term care bed capacity whichever is less.	☐	X☐
	(A) If "Yes", what is the current long-term-term care bed capacity of the facility; and	_____	
	(B) How many additional long-term care beds are proposed?	_____	
(c)	The project proposes to rebuild an existing long-term care facility.	☐	X☐
(d)	The project involves relocation of an existing long-term care facility building to a new site.	☐	X☐
(e)	The project involves relocation of existing long-term care beds from one licensed health care facility to another.	☐	X☐

7. When a new facility or different service delivery site is planned, indicate the approximate location under consideration by town or zip code and nearest road intersections.

Hermiston, OR 97838 at the intersections of 11th and Elm Streets

8. Please indicate whether the project involves any of the following:

		YES	NO
(a)	Does the project involve the establishment of a new service or facility which will predominantly serve medically indigent patients?	☐	X☐
(b)	Does the project involve the initiation of new residential care or treatment services for the elderly?	☐	X☐
(c)	Is the entity filing the letter of intent an existing closed system long-term care facility (i.e., a nursing home operated by a continuing care retirement community)?	☐	X☐

9. Will capital projects, equipment purchases or acquisitions, other than those covered by the letter of intent, occur within one year of the start or completion date of the proposal?

No

If so, identify them when a health service related linkage exists. A health service linkage exists between any projects which affect a single health service, patient care unit or area within the facility; or between any series of projects which cannot be independently constructed.

10. Indicate:

(a) The approximate time at which an application, if any, is expected to be filed:

August or September 2026

(b) The date planned for substantial implementation:

August or September 2028

11. Describe the project's relationship, if any, to an HMO:

None

Signature:

Jonathan Edwards Signed by: Jonathan Edwards F1273638BFF14F9... Date: June 26, 2026

Position:

COO and CFO