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CN21-30

December 1, 2020

Eric Hernandez
Manager – Certificate of Need
Community Health Systems
Washington State Department of Health
111 Israel Road SE
Tumwater, WA 98501-5447

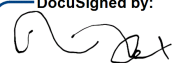
Dear Mr. Hernandez,

Enclosed please find a copy of Northwest Kidney Centers' Certificate of Need application proposing to create a new 14 station - NKC Lynnwood Kidney Center dialysis facility in the Snohomish County Planning Area 3.

The appropriate review and processing fee of \$25,054 was submitted separately to the Certificate of Need Program and on November 30, 2020 was confirmed as received by your staff.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

DocuSigned by:

1CFD9C015A844BA...

Rebecca Fox
President & CEO



CERTIFICATE OF NEED APPLICATION
ESTABLISHMENT OF A NEW FACILITY
IN THE SNOHOMISH 3
DIALYSIS PLANNING AREA
DECEMBER 2020

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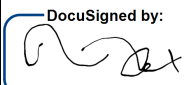
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Certificate of Need Application Kidney Disease Treatment Facilities

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.

Signature and Title of Responsible Officer: <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;"> <small>DocuSigned by:</small>  <small>1CFD9C015A844BA...</small> </div> Rebecca Fox President and CEO Email Address: Rebecca.fox@nwkidney.org	Date: December 1, 2020 Telephone Number: 206-720-8505
Legal Name of Applicant Northwest Kidney Centers / NKC Lynnwood Kidney Center Address of Applicant Northwest Kidney Centers 700 Broadway Seattle, WA 98122-4302	Provide a brief project description (example: # of stations/location) Establish a new facility with 14 stations. Estimated capital expenditure: <u>\$ 4,537,975</u> Located at: NKC Lynnwood Kidney Center 20816 44 th Avenue West, Suite 103 Lynnwood, WA 98036
This application is submitted under (check one box only): <div style="margin-bottom: 5px;"> <input type="checkbox"/> Concurrent Review Cycle 1 – Special Circumstances: </div> <div style="margin-bottom: 5px;"> <input type="checkbox"/> Concurrent Review Cycle 1 – Nonspecial Circumstance </div> <div style="margin-bottom: 5px;"> <input type="checkbox"/> Concurrent Review Cycle 2 – Special Circumstances: </div> <div style="margin-bottom: 5px;"> <input checked="" type="checkbox"/> Concurrent Review Cycle 2 – Nonspecial Circumstance </div>	
Identify the Planning Area for this project as defined in <u>WAC 246-310-800(15)</u> . <u>Snohomish County Planning Area 3</u>	

SECTION 1 APPLICANT DESCRIPTION

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.

The legal name of the applicant is Northwest Kidney Centers (NKC) dba NKC Lynnwood Kidney Center (NKC Lynnwood). NKC proposes to establish a new dialysis facility in Lynnwood within the Snohomish 3 Dialysis Planning Area (Snohomish County).

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

NKC is a Washington not-for-profit 501(c)(3) corporation. NKC’s UBI number is 600 006 964.

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

Questions regarding this application should be addressed to:

Austin Ross
Vice President of Planning
Administration
Northwest Kidney Centers
700 Broadway, Seattle, WA 98122
Tel: 206-720-8505
Austin.Ross@nwkidney.org

- 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).**

For this project we are not using a consultant – no other party is representing NKC.

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

NKC is governed by a volunteer Board of Trustees comprised of medical, civic, patient and business leaders from the communities we serve. The Board has appointed an Executive Committee that meets monthly to review, approve, and monitor operating policies, performance benchmarks, and major capital expenditures for all its programs and facilities.

An organizational chart depicting the Board structure is shown in Exhibit 1. An organizational chart showing the Operations (staff) structure is shown in Exhibit 2.

- 6. Identify all healthcare facilities owned, operated by, or managed by the applicant. This should include all facilities in Washington State as well as out-of-state facilities and should identify the license/accreditation status of each facility.**

A listing of each of the facilities owned and operated by NKC is included in Exhibit 3. NKC neither owns nor operates facilities outside of Washington State.

SECTION 2 PROJECT DESCRIPTION

1. Provide the name and address of the existing facility.

This project proposes to establish a new facility. This question is not applicable.

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

The name and address of the proposed leased facility is:

NKC Lynnwood Kidney Center
20816 44th Avenue West, Suite 103
Lynnwood, WA 98036

(Note: Suite number is tentative – may change once determined by the Postal Service)

3. Provide a detailed project description of the proposed project.

This project proposes to establish a new 14 station facility in the city of Lynnwood, within Snohomish County ESRD Planning Area 3 in Washington state (known as NKC Lynnwood). NKC Lynnwood will have 14 in-center hemodialysis stations, home dialysis training (peritoneal and home hemodialysis), isolation capability and a dedicated bed station. The estimated capital expenditure is \$4,537,975.

4. Identify any affiliates for this project, as defined in WAC 246-310-800(1).

Per WAC 246-310-800 (1) "Affiliate" or "affiliated" means:

- (a) Having at least a ten percent but less than one hundred percent ownership in a kidney dialysis facility;
- (b) Having at least a ten percent but less than one hundred percent financial interest in a kidney dialysis facility; or
- (c) Three years or more operational management responsibilities for a kidney dialysis facility.

There are no affiliates associated with NKC Lynnwood.

5. With the understanding that the review of a Certificate of Need application typically takes 6-9 months, provide an estimated timeline for project implementation, below:

As outlined in WAC 246-310-806, the concurrent review timeline for the Nonspecial Circumstances Cycle 2 indicates that decisions will be rendered by July 2021.

Assuming that a timely decision is rendered and further assuming that project-implementation means ready for survey and “operational”, NKC anticipates that the project will be implemented on 9/1/2022 as depicted in Table 1. Should the CN award be delayed past July 1st and/or the award is legally challenged, Table 1 depicts the anticipated adjusted completion schedule.

Table 1

NKC Lynnwood Kidney Center Timeline			
Event	Month/Year	If Award is Delayed	If Award is Contested
CON Awarded	July 1, 2021	CON Award Month.	Timeline will shift until NKC has an uncontested Certificate of Need.
Design Complete	December 1, 2021	First day of fifth month following award.	
Construction Commenced	January 1, 2022	First day of the six-month following award.	
Construction Completed	June 1, 2022	First day of the eleventh month following award.	
Facility Prepared for Survey	August 1, 2022	First day of the thirteenth month following award.	
NKC Lynnwood Kidney Center is Operational	September 1, 2022	First day of the fourteenth month following award.	

Source: Applicant

6. Identify the Month/Year the facility is expected to be operational as defined in WAC 246-310-800(12).

WAC 246-310-800 (12) defines operational as:

“Operational” means the date when the kidney dialysis facility provides its first dialysis treatment in newly approved certificate of need stations, including relocated stations

As noted in Table 1, and assuming a timely certificate of need (CN) decision that is not delayed nor legally contested, this date is 9/1/2022.

- 7. Provide a detailed description of the services represented by this project. For existing facilities, this should include a discussion of existing services and how these would or would not change as a result of the project. Services can include but are not limited to in-center hemodialysis, home hemodialysis training, peritoneal dialysis training, a late shift (after 5:00 pm), etc.**

NKC Lynnwood Kidney Center will provide the following services:

- Outpatient maintenance hemodialysis.
- Isolation in a private room.
- A bed for patients who are unable to dialyze in an upright position.
- Home peritoneal and home hemodialysis training.
- Back up support treatments for both home hemodialysis and home peritoneal dialysis patients.
- Hemodialysis services for visitors.
- Shifts beginning after 5:00 PM.

- 8. Provide a general description of the types of patients to be served by the facility at project completion.**

NKC Lynnwood Kidney Center will serve the following patient population:

- Stable outpatient maintenance hemodialysis patients.
- Patients whose medical conditions requires isolation in a private room.
- Patients whose medical condition requires treatment in a bed.
- Training for home hemodialysis and home peritoneal dialysis patients.
- Home hemodialysis patients who require occasional facility backup treatments.
- Home peritoneal dialysis patients who require clinic support.
- Visiting hemodialysis patients on a case by case basis as capacity allows.
- Stable institutionalized hemodialysis patients transported for outpatient treatments.
- Patients who work or go to school during the day and require treatments that begin after 5:00 PM in the evening.

- 9. Provide a copy of the letter of intent that was already submitted according to WAC 246-310-080.**

A copy of the letter of intent is included in Exhibit 4.

10. Provide single-line drawings (approximately to scale) of the facility, both before and after project completion. Reference WAC 246-310-800(11) for the definition of maximum treatment area square footage. Ensure that stations are clearly labeled with their square footage identified, and specifically identify future expansion stations (if applicable).

A single line drawing, with the requested information, is included in Exhibit 5.

Table 2
NKC Lynnwood Kidney Center
Actual Square Footage and Maximum Allowable Treatment Area Square Footage.

Category	Square Footage
Actual Square Footage	
Treatment Floor Space- Stations Actual	
In-center Dialysis Station (12 stations x 80 sqft)	960
Isolation/Private Station (1 stations x 160 sqft)	160
Permanent Bed Station (1 station at 90 sqft)	90
Future Stations (2 stations at 80 sqft)	160
Sub-Total Treatment Floor Space (16 stations)	1,370
Other treatment Floor Space	1,748
Non Incenter Floor Space (home training, lobby, waiting, toilets, reception, support, water rooms etc)	7,317
Total Square Footage	10,435

Source: Applicant

Table 2 - combined

Maximum Allowable Treatment Area Square Footage Calculation		
Maximum Treatment Area Square Footage		Actual Areas from Clinic (See above)
In-Center (12 stations) x 150	1,800	960
Permanent bed station (1 station) x 200 and Isolation/Private station (1 station) x 200	400	250
2 Future Stations x 150	300	160
Total Station Space per MTASF	2,500	1,370
Other Treatment Floor Space @75% of Station Space per MTASF	1,875	1,748
Total	4,375	3,118

Source: Applicant

11. Provide the gross and net square feet of this facility. Treatment area and non-treatment area should be identified separately (see explanation above re: maximum treatment area square footage).

The gross square feet of the NKC Lynnwood Kidney Center leased building is 11,955. The net square feet of the leased space is 10,435. See Table 2 above.

Treatment Area:	1,370
Other Treatment Floor Space:	1,748
Non-Incenter floor space:	<u>7,317</u>
Total Net area:	10,435

12. Confirm that the facility will be certified by Medicare and Medicaid. If this application proposes the expansion of an existing facility, provide the existing facility's Medicare and Medicaid numbers.

NKC Lynnwood Kidney Center will seek Medicare and Medicaid certification.

SECTION 3 Need WAC 246-310-210

Some of the questions below only apply to existing facilities proposing to expand. If this does not apply to your project, so state.

1. List all other dialysis facilities currently operating in the planning area, as defined in WAC 246-310-800(15).

Table 3 provides the names and station counts of the dialysis facilities operating in the Snohomish 3 Planning Area:

**Table 3
Snohomish 3 Existing Stations**

Facility	No. of Stations
PSKC Mountlake Terrace/South	31
DaVita Lynnwood	3
DaVita Mill Creek	9
Total Supply	43

Source: Certificate of Need Program

2. Provide utilization data for the facilities listed above, according to the most recent Northwest Renal Network modality report. Based on the standards in WAC 246-310-812(5) and (6), demonstrate that all facilities in the planning area either:
 - a) have met the utilization standard for the planning area;
 - b) have been in operation for three or more years; or
 - c) have not met the timeline represented in their Certificate of Need application.

Table 4 details the utilization data as of June 30th, 2020 for the existing Snohomish 3 Planning Area dialysis facilities. June 30th, 2020 data was the latest available at time of LOI submission.

Table 4
Snohomish 3 Planning area Facilities Utilization on June 30th, 2020

Location	Stations	Census on 6/30/2020	Patients / Station Utilization
PSKC Mountlake Terrace/South	31	157	5.06
DaVita Lynnwood	3	4	1.33
DaVita Mill Creek	9	47	5.22

Source: Northwest Renal Network

- 3. Complete the methodology outlined in WAC 246-310-812. For reference, copies of the ESRD Methodology for every planning area are available on our website. Please note, under WAC 246-310-812(1), applications for new stations may only address projected station need in the planning area where the facility is to be located, unless there is no existing facility in an adjacent planning area. If this application includes an adjacent planning area, station need projections for each planning area must be calculated separately.**

In-center dialysis station need for the planning area was determined by applying the methodology set forth in WAC 246-310-812 (4). The specific methodology applied to Snohomish 3 Planning area is detailed below:

Step (4a)
Determine the Type of Regression Analysis to be Used

Determine the type of regression analysis to be used to project resident in-center station need by calculating the annual growth rate in the planning area using the end-of-year number of resident in-center patients for each of the previous six consecutive years, concluding with the base year.

- (i) If the planning area has experienced less than six percent growth in any of the previous five annual changes calculations, use linear regression to project station need; or*
(ii) If the planning area has experienced six percent or greater growth in each of the previous five annual changes, use nonlinear (exponential) regression to project station need.

Table 5 details the year end number of in-center hemodialysis patients in the Snohomish County “Snohomish 3 planning area”. As Table 5 demonstrates, growth has exceeded 23% in 5 years, but it exceeded six percent on only two of the five previous annual change calculations. As such, a linear regression is to be used to project station need.

Table 5
Snohomish County (Snohomish 3 Planning Area)
Year-end Resident In-Center Hemodialysis
Patients and Annual Rate of Change from Prior year 2015 – 2019

Year	2014	2015	2016	2017	2018	2019
Number of patients	178	189	199	217	217	224
Rate of Change from prior year		6.17%	5.29%	9.04%	0.00%	3.25%

Source: Certificate of Need Program Snohomish 3's Methodology

Step (4b)
Project the Number of Resident In-Center Patients

Project the number of residents in-center patients in the projection year using the regression type determined in (a) of this subsection. When performing the regression analysis use the previous five consecutive years of end-of-year data concluding with the base year. For example, if the base year is 2015, use end-of-year data for 2011 through to 2015 to perform the regression analysis.

Per WAC, the projection year for dialysis station need is defined as the fifth year after the base year. The base year is defined as the most recent calendar year for which December 31 data is available as of the letter of intent submission period from the *Northwest Renal Network's Modality Report*. In this case, the base year is 2019 and the projection year is 2024. Accordingly, Table 6 details the number of projected in-center patients in Snohomish 3 in the years 2020-2024 using a linear regression.

Table 6
Projected Year-End Resident In-Center Hemodialysis Patients
Linear Projection

Year	2020	2021	2022	2023	2024
Number of Patients	235.60	244.40	253.20	262.00	270.80

Source: Certificate of Need Program Snohomish 3 Methodology

Step (4c)
Determine the Number of Dialysis Stations Needed

Determine the number of dialysis stations needed to serve resident in-center patients in the planning area in the projection year by dividing the result of (b) of this subsection by the appropriate resident in-center patient per station number from subsection (3) of this section. In order to assure access, fractional numbers are rounded up to the nearest whole number. For example, 5.1 would be rounded to 6.0. Rounding to a whole number is only allowed for determining the number of stations needed.

Per WAC, the projection year is 2024. For Snohomish 3, the appropriate resident in-center patient per station number is 4.8. Assuming 270.80 patients, 57 stations are calculated as needed in 2024. See Exhibit 6 for copy of the DOH ESRD Need Projection Methodology.

Step (4d)
Determine Net Station Need

To determine the net station, need for a planning area, subtract the number calculated in (c) of this subsection from the total number of certificate of need approved stations located in the planning area. This number does not include the one department recognized exempt isolation station defined in WAC 246-310-800(9).

Table 7 demonstrates that there are currently 43 CN-approved and/or operational stations in Snohomish County Planning Area 3. Subtracting the existing stations from the 2024 need identifies a net station need of 14 as is shown below and in Exhibit 6.

Table 7
Analysis of Current Supply vs. Net Station Need

Current Supply	Stations
PSKC Mountlake Terrace / South	31
DaVita Lynnwood	3
DaVita Mill Creek	9
Total Supply:	43
2024 Projected Need:	57
Station Need:	14

Source: Certificate of Need Program Yakima Methodology

- 4. For existing facilities, provide the facility’s historical utilization for the last three full calendar years.**

NKC Lynnwood is not an existing facility. This question is not applicable.

- 5. For existing facilities proposing to add one or two stations under WAC 246-310-818, provide the facility’s historical utilization data for the most recent six months preceding the letter of intent period. This data should be acquired from the Northwest Renal Network.**

NKC is not proposing a Special Circumstances application. This question is not applicable.

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

The requested information is included in Table 8 and is for fiscal years ending June 30.

Table 8
NKC Lynnwood Kidney Center
Projected Utilization, FYE2023-FYE2026

	10 Months FYE June 2023 Projected	FYE June 2024 Projected	FYE June 2025 Projected	FYE June 2026 Projected
Total in-center stations last day of year	14	14	14	14
Total in-center patients last day of year	24	48	60	72
Total in-center treatments	1,482	5,335	8,003	9,781
Total home patients last day of year	3	7	8	10
Total home treatments	185	741	1,112	1,334

Source: Applicant

- 7. For existing facilities, provide patient origin zip code data for the most recent full calendar year of operation.**

NKC Lynnwood is not an existing facility. This question is not applicable.

- 8. Identify any factors in the planning area that could restrict patient access to dialysis services. WAC 246-310-210(1), (2).**

As noted in response to Question #3, the methodology outlined in WAC 246-310-812 projects need for an additional 14 stations in Snohomish County Planning Area 3. Without additional capacity, patients will be required to travel farther for dialysis or dialyze at times that are not convenient or accessible for them. NKC Lynnwood Kidney Center will enhance patient access in the Planning Area.

In addition, as noted in response to Question #9 below, NKC is committed to providing services to all dialysis patients regardless of race, color, ethnic origin, religious belief, sex, age or lack of ability to pay.

9. Identify how this project will be available and accessible to low-income persons, racial and ethnic minorities, women, mentally handicapped persons, and other under-served groups. WAC 246-310-210(2)

NKC has a long-established history of developing and providing services that meet the dialysis needs of the communities it serves. NKC Lynnwood, as with all other NKC facilities, is committed to providing services to all patients regardless of race, color, ethnic origin, religious belief, sex, age or lack of ability to pay.

Copies of the admission policies and procedures and the charity care policy for the proposed NKC Lynnwood Kidney Center are included in Exhibit 7.

10. If this project proposes either a partial or full relocation of an existing facility, provide a detailed discussion of the limitations of the current site consistent with WAC 246-310-210(2).

This project does not propose any (partial or full) relocation. This question is not applicable.

11. If this project proposes either a partial or full relocation of an existing facility, provide a detailed discussion of the benefits associated with relocation consistent with WAC 246-310-210(2).

This project does not propose any (partial or full) relocation. This question is not applicable.

12. 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 associated with patient access (example, involuntary discharge)

Copies of the requested policies are included in Exhibit 7.

SECTION 4

Financial Feasibility

WAC 246-310-220

Financial feasibility of a dialysis project is based on the criteria in WAC 246-310-220 and WAC 246-310-815.

- **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 financial projections for at least the first three full calendar years of operation. Include all assumptions.**
- **For existing facilities proposing a station addition, provide historical revenue and expense statements, including the current year. Ensure these are in the same format as the pro forma projections. For incomplete years, identify whether the data is annualized.**

NKC proposes to use reserves to fund the capital cost of this project.

Included in Exhibit 8 is a letter from NKC's CFO confirming the intent to use investment reserves for this project.

The requested pro forma financial information and assumptions are included in Exhibit 9.

1. Provide the following agreements/contracts:

- **Management agreement**
- **Operating agreement**
- **Medical director agreement**
- **Development 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.

NKC Lynnwood does not have a management agreement, operating agreement, development agreement or a joint venture agreement. A copy of the draft medical director agreement with the required validity terms (automatic renewals) and Memorandum of Understanding is included in Exhibit 10.

- 2. Provide documentation of site control. This could include either a deed to the site or a lease agreement for the site. If a lease agreement is provided, the terms must be for at least five years following project completion.**

Exhibit 17 shows a signed lease agreement for the proposed site of the NKC Lynnwood facility.

- 3. Provide county assessor information and zoning information for the site. If zoning information for the site is unclear, provide documentation or letter from the municipal authorities showing the proposed project is allowable at the identified site.**

Information regarding the Snohomish County Assessor office is included in Exhibit 11.

Information indicating zoning approval indicating that a dialysis center is an allowable use is included in Exhibit 12.

4. Complete the table below with the estimated capital expenditure associated with this project. Capital expenditure for the purposes of dialysis applications is defined under WAC 246-310-800(3). 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.

The capital expenditures for the proposed 14 station facility are included in Table 9:

Table 9
NKC Lynnwood Kidney Center
Estimated Capital Expenditure

Item	Cost
a. Land Purchase	
b. Utilities to Lot Line	
c. Land Improvements	
d. Building Purchase	
e. Residual Value of Replaced Facility	
f. Building Construction and Engineering Fees	\$2,989,326
g. Fixed Equipment and signage (not already included in the construction contract)	\$412,769
h. Movable Equipment (machines, furniture and appliances)	\$484,242
i. Architect Fees and Permit Fees	\$269,000
j. Consulting Fees	
k. Site Preparation	
l. Supervision and Inspection of Site	
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction)	
1. Land	
2. Building	
3. Equipment	
4. Other	
n. Washington Sales Tax ¹	\$382,638
Total Estimated Capital Expenditure	\$4,537,975

Source: Applicant

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 all.

The construction costs and architectural and engineering fees cost estimates were provided by NKC's contractor Aldrich and Associates. The equipment (fixed and moveable) costs were based on NKC's experience purchasing dialysis equipment over the past decades.

¹ As the CN Program is likely aware, there is no sales tax on dialysis machines and water systems as they are considered medical devices.

6. Provide a non-binding contractor's estimate for the construction costs for the project.

A non-binding contractor's estimate is included in Exhibit 13.

7. Provide a detailed narrative regarding how the project would or would not impact costs and charges for services. WAC 246-310-220.

This project will have no impact on the costs and charges for services as NKC's charges for services are not determined by capital expenditures. The pro forma operating assumptions and statement, which include the impact of the depreciation expense on operations, is included in Exhibit 9.

8. Provide documentation that the costs of the project, including any construction costs, will not result in an unreasonable impact on the costs and charges for health services in the planning area. WAC 246-310-220.

This project will have no impact on the costs and charges for services. The capital costs for this project will not negatively impact payers or patients. NKC's charges for services are not determined by capital expenditures. The pro forma operating assumptions and statement, which include the impact of the depreciation expense on operations, is included in Exhibit 9.

In addition, WAC 246-310-815 (Financial Feasibility) provides a 'test' on the impact of costs and charges for health care services by limiting the cost of the project to less than the maximum floor treatment space. As noted in Table 2, NKC's project expansion is less than the maximum floor treatment space and therefore, the project does not have an unreasonable impact on the costs and charges of health care services.

9. Provide the projected payer mix by revenue and by patients using the example table below. If "other" is a category, define what is included in "other."

NKC Lynnwood Kidney Center's proposed payer mix is detailed in Table 10.

Table 10
NKC Lynnwood Kidney Center
Projected Payer Mix

Payer Mix	Percentage by Revenue	Percentage by Patient
Medicare	57.1%	80.6%
Medicaid	5.9%	9.7%
Commercial	37.0%	9.7%
Total	100.0%	100.0%

Source: Applicant

- 10. If this project proposes the addition of stations to an existing facility, provide the historical payer mix by revenue and patients for the existing facility. The table format should be consistent with the table shown above.**

NKC Lynnwood is not an existing facility, therefore, this question is not applicable.

- 11. Provide a listing of all new equipment proposed for this project. The list should include estimated costs for the equipment. If no new equipment is required, explain.**

Exhibit 14 contains a listing of the proposed equipment for this project.

- 12. 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.**

As discussed earlier in this section, NKC will use reserves to fund this project. Included in Exhibit 8 is a letter from Carrie McCabe, CFO documenting the intent of NKC to use reserves for the project.

- 13. If this project will be debt financed through a financial institution, provide a repayment schedule showing interest and principal amounts for each year over which the debt will be amortized. WAC 246-310-220**

No financing is required for this project. This question is not applicable.

- 14. Provide the applicant's audited financial statements covering at least the most recent three years. WAC 246-310-220**

The requested financial statements are included in Appendix 1.

SECTION 5

Structure and Process (Quality) of Care

WAC 246-310-230

1. Provide a table that shows FTEs [full time equivalents] by category for the proposed facility. If the facility is currently in operation, include at least the last 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.

Table 11 details the projected staffing by fiscal year (ending June 30).

Table 11
NKC Lynnwood Kidney Center
Proposed Total Staffing

		Projected			
	Avg. Hourly Rate	FYE June 30 2022	FYE June 30 2023	FYE June 30 2024	FYE June 30 2025
Clinical Nurse Manager	54.41	1.00	1.00	1.00	1.00
Hemo Dialysis Tech	21.56	1.525	6.10	7.63	9.15
RN	41.04	1.525	3.05	3.05	3.05
RN - Home Training (PD & HH)	48.28	0.15	0.35	0.40	0.50
Unit Coordinator	24.5	1.00	1.00	1.00	1.00
Direct Cost Subtotal		5.20	11.50	13.08	14.70
Clinical Director	64.7	0.20	0.20	0.20	0.20
Facility System Specialist	28.84	0.50	0.50	0.50	0.50
Technical Services	35.09	0.50	0.50	0.50	0.50
MSW	36.44	0.215	0.44	0.545	0.66
Dietician	36.77	0.215	0.44	0.545	0.66
Overhead Subtotal		1.63	2.08	2.29	2.52
Total		6.83	13.58	15.37	17.22

Source: Applicant

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

The staffing in Table 11 is based on standard optimal staffing ratios for the projected census on the last day of the period and is not intended to mathematically calculate to the staffing dollars reflected in the proforma. Certain positions are directly costed to a unit and certain positions are shared resources across units as indicated above.

Dialysis technicians are staffed 1 technician up to 4 patients being treated. Registered Nurses are staffed 1 RN up to 12 patients being treated in-center. NKC units generally operate 3 shifts, 18 productive staff hours per day, 6 days per week and incur on average 13% non-productive time. By way of example: One RN can cover up to 12 operating stations at a time. Each station operates 18 hours per day. $18 \text{ hours} \times 6 \text{ days a week} \times 52 \text{ weeks a year} = 2080 \text{ hours per FTE}$ $\times 1.13 \text{ non-productive} = 3.05 \text{ RN FTEs to cover 12 operating stations}$. 12 operating stations can accommodate up to 72 patients.

Home RNs are assigned up to 22 patients to case manage, thus their FTE is dependent on the growth of home patients attributed to the clinic.

Each station can accommodate 3 patients per day, as such a 14-station clinic would operate 3 days per week until the clinic census was forecast to exceed 42 patients. This happens in FYE June 2023, thus the step-up in anticipated RN's and Dialysis Technicians.

WAC 246-310-815(c)(iii) states that known expenses must be used in the pro forma income statement. Given that NKC has known actual cost per treatment the proforma is based on the actual cost per treatment of the three closest facilities. Using the actual cost per treatment approximates the expected variance to optimal staffing that occurs due among other things to missed patient treatments, patient census not accommodating perfect 4 patient pod staffing, variation in staff pay, and RNs occasionally covering for dialysis technicians.

3. Identify the salaries, wages, and employee benefits for each FTE category.

The average salary by FTE category is detailed in Table 11. Employee benefits are assumed to be 27.5% inclusive of applicable payroll taxes.

4. 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.

The proposed medical director for NKC Lynnwood is Mike Tekeste, MD. Dr. Tekeske's license number is: MD60870960. Dr. Tekeske is employed by The Polyclinic. A copy of the draft medical director agreement is included in Exhibit 10. In addition, Exhibit 10 also includes a letter signed by Dr. Tekeske and NKC indicating both parties' intent to execute the draft agreement once CN approval is secured.

5. Identify key staff, if known. (nurse manager, clinical director, etc.)

This application proposes a new facility. At this time, the key staff have not been identified.

6. For existing facilities, provide names and professional license numbers for current credentialed staff.

This application proposes a new facility. This question is not applicable.

7. 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.

NKC is proactive in its efforts to assure quality staffing. NKC offers a competitive wage and benefit package as well as numerous other recruitment and retention strategies. Specific strategies include:

- NKC offers competitive wage and benefit packages. To ensure that its wages and benefits remain competitive, NKC conducts an annual market survey to benchmark its compensation package.
- NKC remains active on various job board including but not limited to indeed.com, nursing associations, Health e-careers, and other local resources.
- NKC also has contacts with colleges and universities throughout the state to both recruit staff as well as to serve as a clinical rotation site.
- NKC staff participate (when COVID-19 rules allow), in job fairs in and around the Puget Sound area and we would expand this in Lynnwood as well.
- NKC also offers a substantial tuition reimbursement program for existing staff. Typically, in an average year, 15-20 employees take advantage of this program. Primarily, dialysis technician staff use this program to become registered nurses.
- NKC human resources staff are active in various boards and councils that focus on sharing of recruitment and retention strategies.
- NKC human resources staff also work with agency personnel, as needed, for the use of temporary filling of staff positions.
- NKC has a highly successful employee referral program that incentivizes current employees to refer colleagues from outside the organization for open positions.
- NKC will, as needed, work with outside recruiters if a position has been challenging to fill.
- NKC has been successful in recruiting in new markets and we know we will be successful in Lynnwood as well.

Recent history demonstrates that NKC has been successful in staffing our new facilities. The most recent examples include NKC Federal Way East Kidney Center (located in King 11), NKC Federal Way West Campus Kidney Center (located in King 5), NKC Fife Kidney Center (Pierce 4), NKC Rainier Beach Kidney Center (King 2) and most recently in NKC Everett Kidney Center (Snohomish 2). These new units were staffed with a combination of individuals that chose to transfer from other NKC locations and new hires to the organization. NKC has been successful in recruiting for centers outside of our typical market – specifically in Port Angeles – more than 3 hours (including a ferry ride) north of Seattle and we expect to be successful in Lynnwood as well in that it is located much closer to our existing centers.

The record will further demonstrate that in those rare circumstances in which we have faced staffing shortages (due to extended leave of absences or other issues), we have successfully used our roster of per diem staff to supplement.

8. Provide a listing of proposed ancillary and support agreements for the facility. For existing facilities, provide a listing of the vendors.

Ancillary and support services proposed for NKC Lynnwood are detailed in Table 12.

Table 12
NKC Lynnwood
Ancillary and Support Services

Service	Vendor
IT/Network Engineering	GCI Northpoint
Copier leases and support	Copiers NW/local office
Janitorial Services	Citywide (local affiliate)
Lab Services	Ascend

Source: Applicant

9. For existing facilities, provide a listing of ancillary and support service vendors already in place.

NKC Lynnwood Kidney Center is not an existing facility. This question is not applicable.

10. For new facilities, provide a listing of ancillary and support services that will be established.

Table 12 details the proposed ancillary and support service vendors for NKC Lynnwood.

11. Provide a listing of ancillary and support services that would be provided on site and those provided through a parent corporation off site.

NKC currently operates four Support Centers. The Support Centers provide ancillary and support services to our dialysis facilities. These Support Centers are staffed with our own NKC employees and are not outside contractors. Table 13 details which services are to be provided on site and which ones are administered via the Support Centers (Off-site).

Table 13
Ancillary and Support Services for NKC Lynnwood Kidney Center

Service	Offered Onsite/Offsite
Administration	Off site
Community Relations	Off site
Human Resources	Off site
Informatics Nurses	Off site
Information Systems	Off site
Material Management	Off site
Medical Staff Credentialing	Off site
Nutrition Services	On site
Patient Education	On site
Patient Financial Counseling	On site
Pharmacy	On and Offsite
Plant Operations	On site
Public Relations	Off site
Technical Services	On site
Visitor Dialysis	On site
Water Purification Specialists	On site

Source: Applicant

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

NKC Lynnwood is not an existing facility. This question is not applicable.

13. If the dialysis center is currently operating, provide a listing of healthcare facilities with which the dialysis center has working relationships.

NKC Lynnwood is not an existing facility. This question is not applicable.

14. For a new facility, provide a listing of healthcare facilities that the dialysis center would establish working relationships.

Table 14 details the health care entities that NKC has current working relationships with. NKC expects to retain these relationships and will establish new relationships to best serve patients at NKC Lynnwood.

Table 14
NKC's Working Relationships with Healthcare Facilities

Category	Examples/Providers	Status of Existing Relationship	How existing relationship will be expanded to support continuity
Hospitals	<ul style="list-style-type: none"> ▪ MHS Auburn Regional Medical Center ▪ CHI / Highline Medical Center ▪ CHI / St. Francis Hospital ▪ Evergreen Hospital Medical Center ▪ Harborview Medical Center ▪ MultiCare Tacoma General ▪ Northwest Hospital ▪ Overlake Hospital Medical Center ▪ Swedish Edmonds ▪ Swedish Issaquah ▪ Swedish Cherry Hill ▪ Swedish Medical Center ▪ University of Washington ▪ Valley Medical Center ▪ Virginia Mason Medical Center 	NKC has existing referral relationships with all of the hospitals listed.	NKC's existing relationships will be expanded for the proposed facility.
Clinics/Nephrology Groups (Sample)	<ul style="list-style-type: none"> ▪ Cascade Kidney Specialists ▪ CHI Franciscan Nephrology Associates ▪ Eastside Nephrology ▪ Harborview Medical Center ▪ MultiCare Nephrology ▪ Polyclinic, The (and The Polyclinic Madison Center) ▪ Rainier Nephrology ▪ Seattle Nephrology ▪ South Seattle Nephrology Associates ▪ Transplant and Nephrology NW ▪ University of Washington Medical Center ▪ Valley Medical Center Nephrology Services ▪ Virginia Mason Federal Way 	NKC has existing relationships with all of the physician groups listed as well as other groups located in King, Clallam and Snohomish Counties.	NKC's existing relationships will be expanded for the proposed facility and expand to include the local practices in proximity to the Lynnwood community.

Category	Examples/Providers	Status of Existing Relationship	How existing relationship will be expanded to support continuity
Community partners working to cure kidney disease, slow the onset of kidney disease, which collaborate to help educate and support our patients or help support our system	<ul style="list-style-type: none"> ▪ American Diabetes Association – Washington Chapter ▪ Kidney Research Institute ▪ National Kidney Foundation – Washington Chapter ▪ Navos – consultation and training for NKC staff on behavioral health. ▪ Seattle King County Dental Society and Project Access Northwest / Access to Dental Program ▪ Northwest Healthcare Response Network (15 counties in Western Washington Healthcare Emergency Services Coalition) ▪ Arcora Foundation – Partnership to improve oral health. ▪ AARTH – Diabetes education. ▪ Washington State Hospital Association. ▪ Northwest Kidney Care Alliance – CMS Demonstration program to coordinate care for ESRD beneficiaries ▪ Lifecenters NW – organ procurement program 	NKC has existing relationships the entities listed to collaborate and education patients, staff and clinicians.	NKC's existing relationships will be expanded for the proposed facility.
Other not for profit dialysis providers including a mutual aid plan (in the event of a disaster). A copy of the agreement is included in Exhibit 14.	<ul style="list-style-type: none"> ▪ Puget Sound Kidney Centers ▪ Olympic Peninsula Kidney Centers ▪ Seattle Children's Hospital 	NKC has existing relationships with the other not for profit dialysis providers.	NKC's existing relationships will be continued for the proposed facility.

Source: Applicant

15. Provide a copy of the existing or proposed transfer agreement with a local hospital.

A copy of our transfer agreement with Swedish Hospital is included in Exhibit 16.

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

No change to any existing working relationships will result from this project, though we will expand to new partners in the community.

17. Fully describe any history of the applicant concerning the actions noted in Certificate of Need rules and regulations WAC 246-310-230(5)(a). If there is such history, provide documentation that the proposed project will be operated in a manner that ensures safe and adequate care to the public to be served and in conformance with applicable federal and state requirements. This could include a corporate integrity agreement or plan of correction.

NKC has no history with respect to the actions noted in CN regulation WAC 246-310-230(5) (a).

18. Provide documentation that 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

NKC has operated outpatient dialysis services since 1962 (the very first in the country), growing from 9 patients to over 1,800 today. NKC has, and continues to be, committed to providing optimal health, quality of life and independence for people with kidney disease. Further, NKC has experienced firsthand, and to the direct benefit of our patients that fragmentation is reduced or eliminated, when services are highly coordinated.

NKC strives to provide services that deliver dialysis care that is coordinated via multiple entities including, but not limited to, physicians, other health care providers (nursing homes, assisted living facilities), home health care, hospitals, etc. as dialysis patients frequently have multiple providers and entities from which they receive services. For example, for nursing home or assisted living patients, NKC will report any care needs or issues identified during dialysis (as well as inform the patient's physician, if appropriate). As patients are admitted and discharged from the hospital, NKC staff follow their care needs to ensure that the facility is prepared to provide dialysis to these patients upon discharge from the hospital.

NKC has all of the ancillary and support services to assure that continuity of care is in place for every patient. As outlined in Table 14, NKC has both has the relationships in place and the ability to serve the community through the Snohomish 3 planning area.

19. Provide documentation that the proposed project will have an appropriate relationship to the service area's existing health care system as required in WAC 246-310-230.

NKC has a strong history of building appropriate relationships and given the opportunity to expand into this portion of Snohomish County we will continue building this network. NKC already has a presence in Snohomish County through its NKC Everett Kidney Center location and with King County bordering Snohomish County we are well positioned to support this community.

Table 14 provides examples of NKC's existing working relationships with area health care providers. Table 14 also includes a brief description of its existing relationships with the health care entities noted and a description of how these relationships will be expanded related to the proposed project. Exhibit 16 includes our transfer agreement with Swedish Hospital.

20. Provide documentation to verify that the facility would be operated in compliance with applicable state and federal standards. The assessment of the conformance of a project to this criterion shall include, but not be limited to, consideration as to whether:

- a. The applicant or licensee has no history, in this state or elsewhere, of 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, a denial or revocation of a license to operate a health care facility, a revocation of a license to practice a health profession, or a decertification as a provider of services in the Medicare or Medicaid program because of failure to comply with applicable federal conditions of participation; or**
- b. If the applicant or licensee has such a history, whether the applicant has affirmatively established to the department's satisfaction by clear, cogent and convincing evidence that the applicant can and will operate the proposed project for which the certificate of need is sought in a manner that ensures safe and adequate care to the public to be served and conforms to applicable federal and state requirements.**

NKC operates all existing programs in conformance with applicable federal and state laws, rules and regulations.

In the July 10, 2020 evaluation and approvals of NKC's Kent Panther Lake Cycle 2 Non-Special Circumstances CN application, the CN Program stated²:

The department reviews two different areas when evaluating this sub-criterion. One is the conformance with Medicare and Medicaid standards and the other is conformance with state standards. To accomplish this task for this project, the department first reviewed the quality of care compliance history for all healthcare facilities operated outside of Washington State using the 'star rating' assigned by Centers for Medicare & Medicaid Services (CMS). Then the department focused on the CMS 'star ratings' for Washington State facilities.

Centers for Medicare & Medicaid Services (CMS) Star Ratings

CMS provides the following overview regarding its star rating for dialysis centers.

"The star ratings are part of Medicare's efforts to make data on dialysis centers easier to understand and use. The star ratings show whether your dialysis center provides quality dialysis care - that is, care known to get the best results for most dialysis patients. The rating ranges from 1 to 5 stars. A facility with a 5-star rating has quality of care that is considered 'much above average' compared to other dialysis facilities. A 1- or 2- star rating does not mean that you will receive poor care from a facility. It only indicates that measured outcomes were below average compared to those for other facilities. Star ratings on Dialysis Facility Compare are updated annually to align with the annual updates of the standardized measures."

[source: CMS website]

²2019 Cycle 2 Non-Special Circumstance Evaluation Dated July 10, 2020 for the Certificate of Need Application Submitted by Northwest Kidney Centers Proposing to create a new 11 station dialysis center to be called NKC Kent Panther Lake Kidney Center Located in King County Planning Area #10.

In the evaluation, the CN Program also reviewed the dialysis facility Star ratings on the Center for Medicare & Medicaid Services (CMS) website. CMS assigns a one to five ‘star rating’ in the following categories: best treatment practices, hospitalizations, and deaths. The more stars, the better the rating. In the evaluation, the CN Program noted³:

“Of the 18 facilities reporting to CMS by NKC, two facilities do not have the necessary amount of data to compile a star rating. For the remaining facilities with a star rating, the average rating is 4.63.” [source: CMS data June 2020]

In addition, the CN Program also found⁴:

CMS Survey Data

“16 surveys have been completed across the existing facilities over the last three years – no surveys resulted in significant noncompliance issues.” [source: DOH OHSO survey data]

*“In review of this sub-criterion, the department considered the total compliance history of the dialysis facilities owned and operated by NKC. The department also considered the compliance history of the medical director associated with the facility. The department concludes that NKC’s proposed facility would operate in compliance with applicable state and federal licensing and certification requirements. The department also conclude there is reasonable assurance that the establishment of this facility would not cause a negative effect on the department concludes that NKC’s project **meets this sub-criterion.**”*

³ Ibid.

⁴ Ibid.

NKC also provides its most recent CMS Star Ratings (see Table 15). As Table 15 demonstrates, even since the CN Program did the above referenced evaluation, NKC's average star rating has increased from 4.47 to 4.625.

Table 15	
CMS Star Rating, June 2020	
Facilities	Quality of Care
NKC Auburn Kidney Center	5
NKC Broadway Kidney Center	5
NKC Elliot Bay Kidney Center	3
NKC Enumclaw Kidney Center	5
NKC Federal Way East	4
NKC Federal Way West	NA
NKC Fife Kidney Center	NA
NKC Kent Kidney Center	5
NKC Kirkland Kidney Center	5
NKC Lake City Kidney Center	5
NKC Lake Washington	4
NKC Port Angeles Kidney Center	5
NKC Renton Kidney Center	5
NKC Scribner Kidney Center	5
NKC SeaTac Kidney Center	5
NKC Seattle Kidney Center	3
NKC Snoqualmie Kidney Center	5
NKC West Seattle Center	5
NKC Rainier Beach Kidney Center	NA
Average Score System Wide	4.625

Source: June 2020, CMS Dialysis Facility Compare

Therefore, given the above, NKC is confident that the CN Program will conclude that the approval/opening of 14 stations at NKC Lynnwood will be operated in conformance with all federal and state requirements.

SECTION 6

Cost Containment

WAC 246-310-240

1. Identify all alternatives considered prior to submitting this project.

NKC considered the following options prior to developing the project contained in this application:

- A. Do nothing;
- B. Develop an application to meet the 14 station need in this planning area and build a new ground up facility to house the stations;
- C. Develop an application to meet the 14 station need in this planning area and lease space to build a facility to house the stations.
- D. Develop a smaller than 14 station facility only meeting a portion of the community need.

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.

- A. Given the need for new dialysis station capacity in Snohomish County and the high utilization at the local facilities provided by DaVita and Puget Sound Kidney Centers currently, NKC rejected the ‘do nothing’ option.
- B. NKC elected to not buy land and build a new center as we historically have a blend of purchase and leased facilities in different markets. We preferred the lease option in Snohomish 3 for this application cycle.
- C. Once NKC was able to identify a suitable site for a proposed new facility and confirmed that it could support the 14 stations, we opted to develop the project detailed in this application. This was our preferred path and was the most efficient and cost-effective choice.
- D. NKC rejected developing a smaller station facility as we felt that meeting only a portion of the community need was not a responsible option.

3. For existing facilities, identify your closest two facilities as required in WAC 246-310-827(3)(a).

NKC Lynnwood is not an existing facility. This question is not applicable.

4. For new facilities, identify your closest three facilities as required in WAC 246-310-827(3)(b).

The three NKC facilities closest to NKC Lynnwood are: NKC Kirkland Kidney Center, NKC Lake City Kidney Center and NKC Scribner Kidney Center.

Exhibit 18 details the straight-line distances of each of NKC's facilities to the proposed NKC Lynnwood location.

5. Do any other applications you submitted under this concurrent review cycle rely on the same facilities listed in response to questions 3 or 4? If yes, identify the applications. WAC 246-310-827(3)(c). (Note: A maximum of two applications can rely on the same three facilities.)

This is the only application to be submitted by NKC that uses these same three facilities during this cycle. Therefore, this question is not applicable.

6. Identify whether any aspects of the facility's design could lead to operational efficiency. This could include but is not limited to: LEED building, water filtration, or the methods for construction, etc. WAC 246-310-240(2) and (3).

NKC Lynnwood will be a treatment facility that will have the latest integrated design features that we have developed over the past few years. Some of these features include:

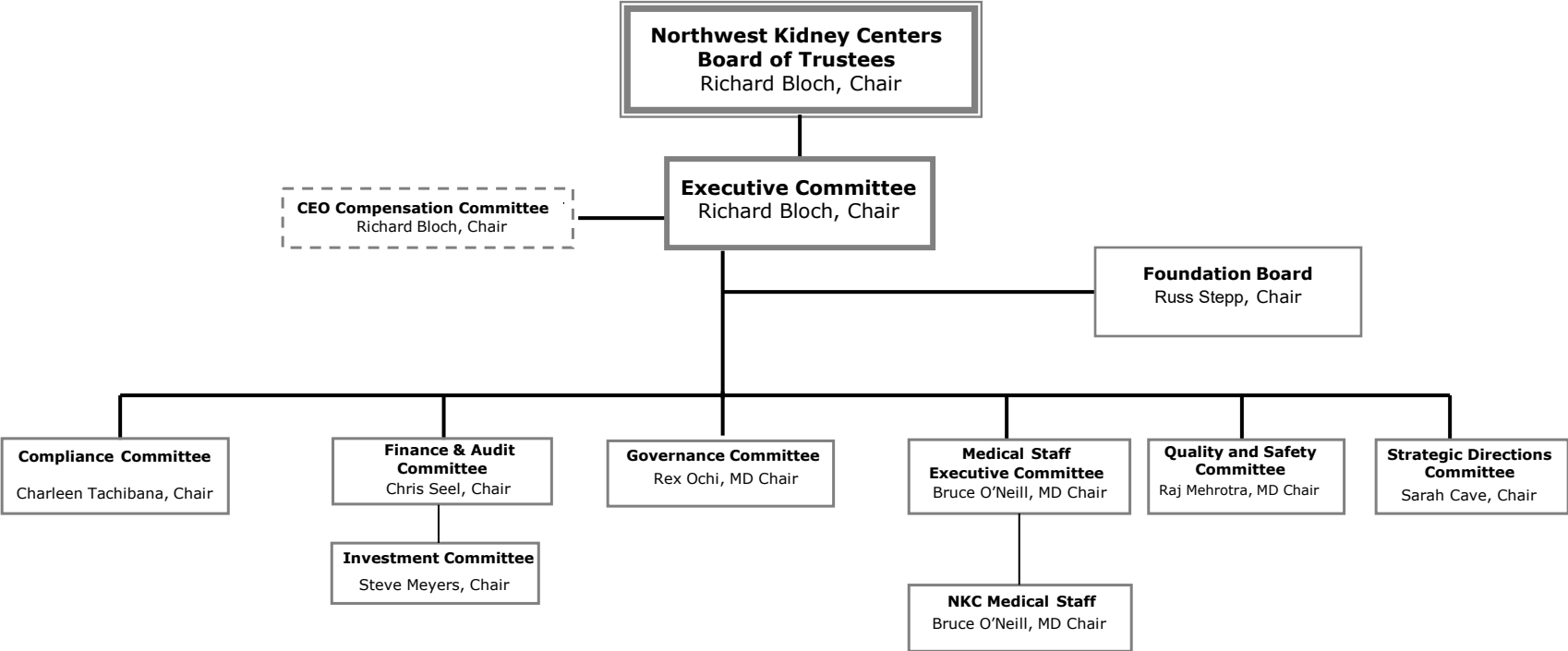
- Controlled light infusion into the center to be sure that we reduce or eliminate glare on the patient's TV or allow direct sun to enter too far into the center.
- Extensive study on patient and staff flow within the center to shorten the number of steps needed to reach the patient station or respond to the needs of our patients.

We have also integrated the following enhancements to enable long term cost reductions:

- Use of the Braun AquaBoss heat disinfect water purification system that reduces water consumption by up to 40% and power use by 10% when compared to common chemical disinfection systems.
- We are changing how we utilize Supply Chain and how we support our centers. NKC Lynnwood will be fully integrated into a cart exchange system with "kits" that are pre-

packaged to allow our clinical staff to spend more time providing direct patient care and less time assembling medical supplies. This moves us closer to a “best practice” in the care for our patients.

Exhibit 1
Board Organizational Chart



Key:
[] = not referenced
in NKC Bylaws

Exhibit 2
Operations Organizational Chart



Management
Organization Chart
November 2020

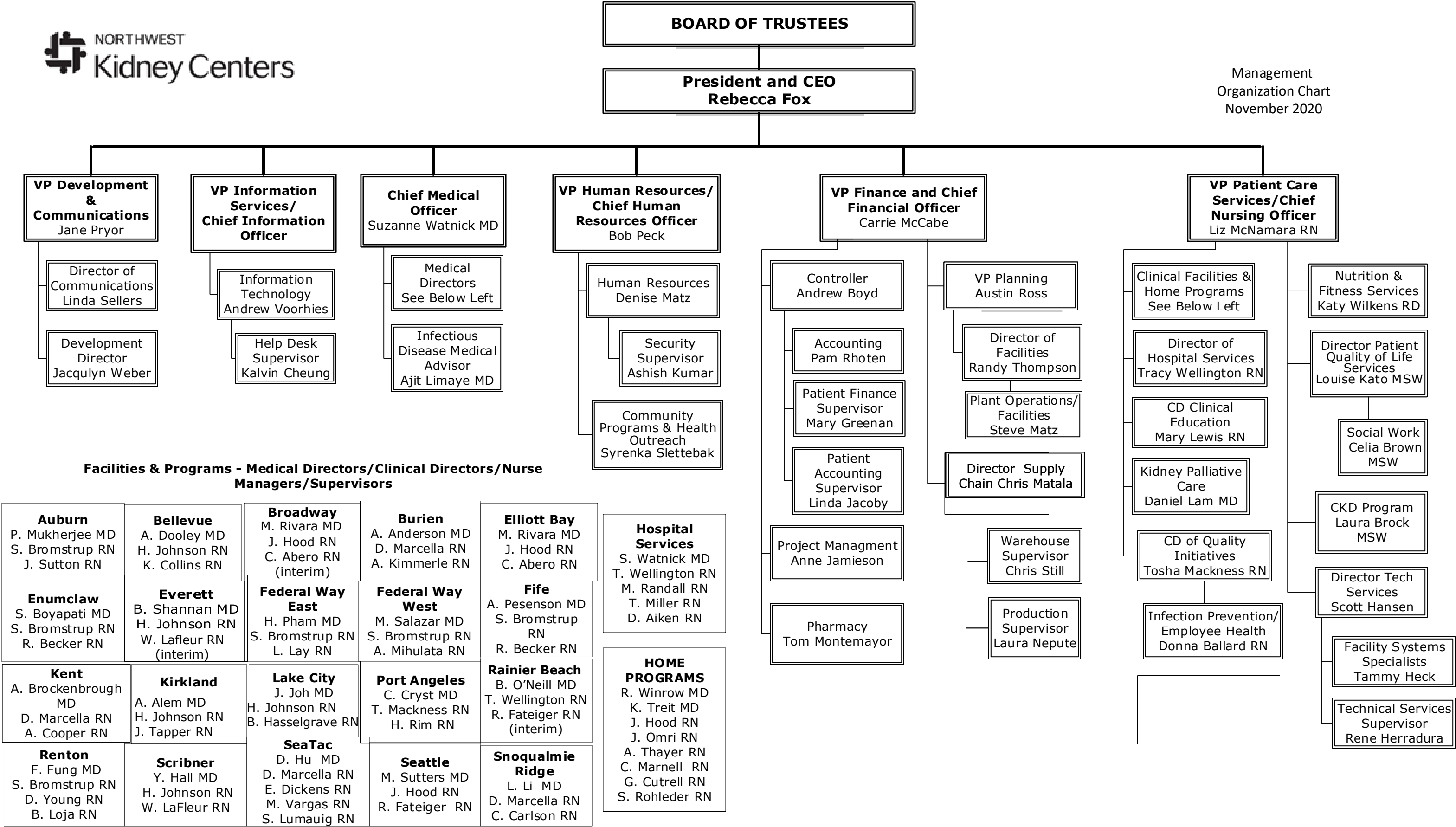


Exhibit 3
Northwest Kidney Centers
List of Facilities

[illegible]

Exhibit 4
Letter of Intent

November 1, 2020

RECEIVED

By CERTIFICATE OF NEED PROGRAM at 9:36 am, Nov 02, 2020

Eric Hernandez
Manager – Certificate of Need
Community Health Systems
Washington State Department of Health
111 Israel Road SE
Tumwater, WA 98501-5447

LOI20-11NKCESRDS2

ex: DEC 01, 2020

Dear Mr. Hernandez,

Northwest Kidney Centers (NKC) submits this letter of intent for the establishment of a new 14 station dialysis facility in the Snohomish County 3 Dialysis Planning Area. In accordance with WAC 246-310-080, the following information is provided:

1. A Description of the Extent of Services Proposed:

NKC is proposing to establish a new 14 station dialysis facility. The proposed new facility will offer in-center hemodialysis, home dialysis training (peritoneal and home hemodialysis), isolation capability and a dedicated bed station.

2. Estimated Cost of the Proposed Project:

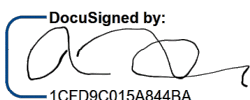
The cost of the proposed new facility is estimated to be \$4,537,975.

3. Description of the Service Area:

Per WAC 246-310-280, the service area is the Snohomish County 3 Dialysis Planning Area.

Thank you for your support in this matter. Please feel free to contact me with any questions.

Sincerely,

DocuSigned by:

1CFD9C015A844BA...

Rebecca Fox,
President & CEO
Northwest Kidney Centers

Exhibit 5
Single Line Drawing

COLOR LEGEND

- Non In-center Floor Space
- Home Training (Non In-Center)
- Shell Space
- Treatment Floor Space
- Nurse / Tech / Storage
- New Station
- New Station (Future)
- Outside of Clinic

- 14 New Stations
- 2 Future Station
- 16 Total Stations



Exhibit 6
DOH ESRD Need Methodology



2020
Snohomish County 3
ESRD Need Projection Methodology

	Planning Area	6 Year Utilization Data - Resident Incenter Patients					
	Snohomish 3	2014	2015	2016	2017	2018	2019
	98012	19	22	30	28	36	37
	98020	8	10	8	10	7	5
	98021	14	13	11	21	24	22
	98026	18	16	20	24	19	22
	98036	39	45	49	48	35	40
	98037	25	24	28	23	28	23
	98043	17	20	20	24	22	23
	98087	28	29	21	29	34	41
	98296	10	10	12	10	12	11
	TOTALS	178	189	199	217	217	224
246-310-812(4)(a)	Rate of Change		6.18%	5.29%	9.05%	0.00%	3.23%
	6% Growth or Greater?		TRUE	FALSE	TRUE	FALSE	FALSE
	Regression Method:	Linear					
246-310-812(4)(c)			Year 1	Year 2	Year 3	Year 4	Year 5
			2020	2021	2022	2023	2024
Projected Resident Incenter Patients	from 246-310-812(4)(b)		235.60	244.40	253.20	262.00	270.80
Station Need for Patients	Divide Resident Incenter by 4.8		49.08	50.92	52.75	54.58	56.42
	Rounded to next whole number		50	51	53	55	57
246-310-812(4)(d)	subtract (4)(c) from approved stations						
Existing CN Approved Stations	Total		43	43	43	43	43
Results of (4)(c) above			50	51	53	55	57
Net Station Need			-7	-8	-10	-12	-14
Negative number indicates need for stations							
Planning Area Facilities							
Name of Center	# of Stations						
PSKC- South	31						
DaVita Mill Creek	9						
DaVita Lynnwood	3						
Total	43						
Source: Northwest Renal Network data 2014-2019							
Most recent year-end data: 2019 posted 02/18/2020							



2020
Snohomish County 3
ESRD Need Projection Methodology

x	y	Linear							
2015	189	192							
2016	199	200							
2017	217	209							
2018	217	218							
2019	224	227							
2020		235.60							
2021		244.40							
2022		253.20							
2023		262.00							
2024		270.80							
SUMMARY OUTPUT									
<i>Regression Statistics</i>									
Multiple R	0.95292578								
R Square	0.908067542								
Adjusted R Square	0.87742339								
Standard Error	5.112077203								
Observations	5								
ANOVA									
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>				
Regression	1	774.4	774.4	29.63265306	0.01217357				
Residual	3	78.4	26.13333333						
Total	4	852.8							
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>	
Intercept	-17540.4	3260.644182	-5.379427813	0.01258087	-27917.22503	-7163.57497	-27917.2	-7163.57	
X Variable 1	8.8	1.616580754	5.443588252	0.01217357	3.655318553	13.94468145	3.655319	13.94468	

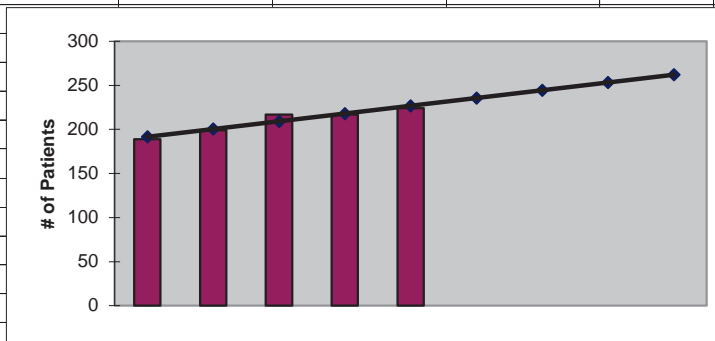


Exhibit 7
NKC Policies & Procedures



Social Services/Social Work

New Patient Admission Policy

Application:

This policy applies to all Northwest Kidney Center (NKC) patients and physicians (excluding visitor patients.)

Policy:

1. NKC will provide treatment to adults without regard to race, color, religion, sex, national origin, or age. (NKC does not provide dialysis to the pediatric population i.e. less than 18 years of age)
2. NKC will provide in-center hemodialysis, peritoneal dialysis or home hemodialysis therapy for patients referred for admission.
 - a. Patients referred to either Home Hemodialysis or Peritoneal Dialysis are subject to final review and approval by the appropriate home program.
 - b. Patients referred for Special Services must be reviewed by the Admissions Clinical Care Coordinator and in consultation with the CMO or Associate CMO. A History and Physical is required for Special Services patients.
3. The Chief Medical Officer or Associate Chief Medical Officer in collaboration with the Admissions Clinical Care Coordinator has the responsibility to assure that any patient's (ESRD and non-ESRD) medical condition does not preclude outpatient dialysis treatment.
 - a. Patients with a non-tunneled catheter will not be admitted.
 - b. Patients with ventilators are not accepted at in-center units. Patients will be referred to the Home Hemodialysis or Peritoneal Dialysis program for consideration.

Northwest Kidney Centers**Social Services/Social Work/New Patient Admission Policy**

- c. Patients with a tracheostomy must be able to perform self-care or have a person responsible for the care during dialysis. In addition to the CMO approval, the patient must be reviewed and approved by the unit's Medical Director and Clinical Manager.
 - d. Patients with diagnosed Active TB or other abnormal Chest X-Ray findings can be scheduled only after clearance by the Infection Prevention Officer, CMO or Associate CMO.
4. All patients must be referred and followed by a nephrologist on NKC's Medical Staff.
5. NKC requires the following information:

Information	Parameters
Dialysis Patient Referral Form Form available on KNET: Clinical>Referrals/Initial Orders	Within 30 days of hemodialysis or PD services; must be signed by a nephrologist; all "required" fields must be completed.
Initial Dialysis Orders Form available on KNET: Clinical>Referrals/Initial Orders	
History & Physical, Discharge Summary or Detailed Renal Progress Note with current Medication and Problem List	Within 30 days of hemodialysis or PD services.
Chest X-Ray < 30 days	Chest X-ray within 30 days.
HBs Ag; Anti HBs; Anti HBc;	<p><i>HBs Ag and Anti HBs</i> within 30 days of dialysis or PD services.</p> <p><i>Anti HBc</i> within 1 year</p> <p>* If the Anti HBc has been drawn, the patient may be scheduled.</p>

Northwest Kidney Centers

Social Services/Social Work/New Patient Admission Policy

Transfer Patients	<p>* For patients transferring from other dialysis facilities:</p> <ol style="list-style-type: none"> 1. HBsAg and Anti HBs within 30 days; Anti HBc within 1 year 2. Signed <i>Patient Transfer Agreement</i> 3. Current dialysis orders 4. Progress Notes (last 2 weeks) 5. Recent dialysis logs (last 6 runs) 6. Comprehensive Assessment 7. Plan of care 8. Copy of the HCFA 2728 form <p><i>If applicable:</i> Power of Attorney Behavioral Contracts Involuntary Discharge letter, supporting documentation, and approval by NKC Operations Committee prior to admission.</p>
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6. If an NKC patient has transferred out for less than 30 days, the physician is only required to provide updated orders upon readmission.
7. If the patient's medical records are not in English, the Admitting department will send them for translation via an NKC-contracted interpreter service.
8. The Clinical Manager or their designee is responsible for patient schedules and determining the availability of treatment spots.
 - a. The Admitting Department staff must be able to reach a responsible designated unit staff member at each in-center and home program department Monday through Friday 8:00 am to 4:30 pm, excluding NKC observed holidays
 - b. If a dialysis unit has available Medicare certified stations and adequate staff, the unit must accommodate a new patient start.
 - c. The unit must respond to the Admitting team within 2 hours of the email request for a new patient placement

Northwest Kidney Centers

Social Services/Social Work/New Patient Admission Policy

9. The Vice President of Clinical Operations (or designee) will be the Admitting Department's primary contact for clinical and operational decisions.
10. The Chief Medical Officer or Associate Chief Medical Officer will be available to consult on patient referrals, as needed.
11. Once the Admitting Department has scheduled a patient at a dialysis unit and notified the referring nephrologist and patient, the dialysis unit is responsible for managing the transition and any follow-up.

Exceptions: The Admitting Department will be notified if any of the following occurs with scheduled patients:

- a. Patient's medical condition changes and requires a different level of care.
- b. The patient has not started within 1 week (or 3 scheduled treatments) from the original scheduled start date.



Patient Accounts/Patient Funding Sources

Charity

Policy:

It is the policy of the Northwest Kidney Centers to provide charitable allowances to patients who are eligible and who are in compliance with NKC's Financial Agreement. See Patient Compliance Policy.

Eligibility is defined as qualifying for funding from DSHS (Medicaid) and KDP (Kidney Disease Program).



Financial Services/Patient Accounts

Patient Compliance

Policy:

It is the policy that all patients be in compliance with NKC's financial agreement. To be in compliance, the patient must:

1. Pay or agree to pay for all services arranged or furnished by NKC.
2. Maintain all reasonable medical insurance for which the patient is eligible.
3. Furnish NKC with accurate and complete financial information whenever requested.
4. Assign all benefits from medical insurance policies providing for payment to NKC, and to forward promptly to NKC all payments by the insurance company or others made directly to the patient for services arranged or furnished by NKC.
5. Sign both the financial and personal payment agreements.

Exhibit 8
CFO Financing Letter

November 30, 2020

Eric Hernandez
Manager – Certificate of Need
Community Health Systems
Washington State Department of Health
PO Box 47852
Olympia, WA 98504

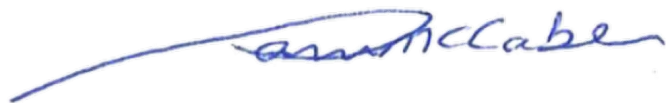
Dear Mr. Hernandez,

Please be advised that as the Northwest Kidney Center's Vice President of Finance & CFO, I approve the use of reserves for the funding of the following projects:

The construction and equipping of a new 14 station NKC Lynnwood Kidney Center. The amount below reflects our costs to create the space for these 5 stations.

Capital Expenditure: \$4,537,975

Sincerely,



Carrie McCabe,
Vice President of Finance & CFO

Exhibit 9
Pro Forma Financials, Utilization and Financial Assumptions

Lynnwood Kidney Center				
Dec-20				
Partial				
	Project Year	Project Year	Project Year	Project Year
	10 Months Ended	1 Ending	2 Ending	3 Ending
	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>	<u>6/30/2026</u>
STATISTICS				
General Stations - Last Day of Period	14	14	14	14
In-Center Patients- Last Day of Period	24	48	60	72
In-Center Treatments	1,482	5,335	8,003	9,781
In-Center Patients Per Station	1.71	3.43	4.29	5.14
Home Patients- Last Day of Period	3	7	8	10
Home Treatments-Hemo Equivalents	185	741	1,112	1,334
Total Patients - Last Day of Period	27	55	68	82
Total Hemo Equivalent Treatments	1,667	6,076	9,114	11,115
REVENUES				
Medicare	3,151,740	11,486,342	17,229,513	21,011,601
Medicaid	380,452	1,386,536	2,079,805	2,536,347
Commercial Plans	369,118	1,345,229	2,017,843	2,460,784
Total Gross Revenues	3,901,310	14,218,107	21,327,160	26,008,732
DEDUCTIONS FROM REVENUE				
Contractual Deductions	(3,231,117)	(11,775,625)	(17,663,437)	(21,540,777)
Bad Debt	(2,501)	(9,114)	(13,671)	(16,673)
Charity	(4,302)	(15,677)	(23,515)	(28,677)
Total Deductions	(3,237,919)	(11,800,416)	(17,700,624)	(21,586,126)
Net Revenues	663,391	2,417,691	3,626,537	4,422,606
DIRECT EXPENSES				
Salaries & Wages	178,478	650,454	975,681	1,189,855
Benefits	49,085	178,889	268,333	327,235
Medical Director Fees	10,833	65,000	65,000	65,000
Medical Supplies	43,540	158,681	238,021	290,270
Pharmacy	12,296	44,813	67,219	81,975
EPO and Administered Drugs	29,396	107,132	160,697	195,972
Water Treatment Supplies	343	1,252	1,877	2,289
2) Other Supplies	4,696	17,115	25,673	31,309
Lab Tests	7,991	29,124	43,686	53,275
Water Service	374	1,363	2,045	2,493
Repair & Maintenance	3,678	13,404	20,107	24,520
Laundry	1,434	5,227	7,840	9,561
1) Other Purchased Services	7,106	25,896	38,844	47,371
Pre- Opening Rent and NNN	331,162			
Rent	202,388	248,943	255,787	262,841
Building Operations - NNN	24,906	29,888	29,888	29,888
3) Equipment Rent	805	2,934	4,402	5,368
Utilities	8,057	29,364	44,046	53,715
Depreciation	248,035	297,642	297,642	297,642
Other Expenses	2,140	7,798	11,696	14,264
Total Direct Expenses	1,166,746	1,914,917	2,558,484	2,984,842
Excess of Direct Revenue over Direct Expense	(503,355)	502,774	1,068,053	1,437,764
Overhead	147,752	538,473	807,709	985,011
Excess (Deficit) of Revenues	(651,107)	(35,699)	260,344	452,752

- 1) Other Purchases Services – included housekeeping services, pest control and freight charges.
- 2) Other Supplies consists of housekeeping supplies, minor equipment and office supplies.
- 3) Equipment Rental – copier/scanner/fax machine rental
- 4) Overhead is apportioned based on most recently filed cost reports for the three closest units.

Northwest Kidney Centers
Certificate of Need Application – NKC Lynnwood Kidney Center
Pro Forma Assumptions

1. The Pro forma is completed based on a June 30 fiscal year. The implementation year is assumed to be the 10 months ending June 30, 2023.
2. Volumes
 - a. Patient In-Center Census: In-Center Census is expected to reach 72 by June 30, 2026 with the center supporting 10 home patients. Snohomish has continued to grow beyond the capacity of the current units.
 - b. Treatments are calculated based on 13 treatments per month and a 5% no-show rate.
3. Net Revenue Per Treatment
 - a. Gross Revenue
 - i. Medicare: The modeled weighted average charge per treatment for all billable services is reflective of the actual average amount for the 3 closest existing facilities for the first 4 months of fiscal year 2021.
 - ii. Medicaid: The modeled weighted average charge per treatment for all billable services is reflective of the actual average amount for the 3 closest existing facilities for the first 4 months of fiscal year 2021.
 - iii. Medicaid: The modeled weighted average charge per treatment for all billable services is reflective of the actual average amount for the 3 closest existing facilities for the first 4 months of fiscal year 2021.
 - iv. Total Gross Revenue is the weighted average of the above gross revenue relative to the patient payer mix which is reflective of the actual average payer mix for the 3 closest existing facilities for the first 4 months of fiscal 2021.
 - b. Deductions from Gross Revenue
 - i. Total Contractual Deductions is the weighted average reflective of the actual average payer mix for the 3 closest existing facilities for the first 4 months of fiscal year 2021.
 - ii. Bad Debt is reflective of the actual average bad debt write-off for the 3 closest existing facilities per treatment for the first 4 months of fiscal year 2021.
 - iii. Charity is reflective of the actual average bad debt write-off for the 3 closest existing facilities per treatment for the first 4 months of fiscal year 2021.
 - c. Net Revenue is the actual net revenue per treatment for the 3 closest existing facilities for the first 4 months of fiscal year 2021. Net Revenue per treatment remains consistent throughout the forecast period.
4. Direct Expenses: All direct expenses are modeled based on the actual average amount per treatment for the 3 closest existing facilities for the first 4 months of fiscal year 2021 unless otherwise indicated.
 - a. No inflation has been assumed in the forecast period
 - b. Salary and wages as based on the actual per treatment amount for the three closest clinics and would not be expected to equate to optimal staffing compliments provided

in the application staffing table which represents the optimal staffing needed for the patient census projected at the end of the indicated period.

- c. Medical Director is based on contracted amount
 - d. Depreciation is based on the budgeted construction and equipping of the new facility. The average life of tenant improvements is consistent with the lease term with available extensions not to exceed the expected useful life of the asset.
 - e. Other Supplies refers to office supplies, janitorial supplies, building and plant supplies
 - f. Other Purchased Services refers to language interpretation services, freight, landscaping, window washing and pest control.
5. Overhead: is based on the facilities allocation of overhead for the 3 closest facilities as filed fiscal year 2020 cost reports. Overhead includes administrative, support services, shared facility employees such as dieticians and social workers as well as technical and facility support staff.

Northwest Kidney Centers
Rent Schedule

	June	Pre - Operations June	June	June	June	June	June
July-20							
August-20							
September-20							
October-20	626.67						
November-20	9,713.44						
December-20	9,713.44						
January-21	9,713.44						
February-21	9,713.44						
March-21	9,713.44						
April-21	9,713.44						
May-21	9,713.44						
June-21	9,713.44						
July-21		Rent Abated					
August-21		Rent Abated					
September-21		Rent Abated					
October-21		Rent Abated					
November-21		19,426.88					
December-21		19,426.88					
January-22		19,426.88					
February-22		19,964.85					
March-22		19,964.85					
April-22		19,964.85					
May-22		19,964.85					
June-22		19,964.85					
July-22			19,964.85				
August-22			19,964.85				
September-22				19,964.85			
October-22				19,964.85			
November-22				19,964.85			
December-22				19,964.85			
January-23				19,964.85			
February-23				20,512.79			
March-23				20,512.79			
April-23				20,512.79			
May-23				20,512.79			
June-23				20,512.79			
July-23					20,512.79		
August-23					20,512.79		
September-23					20,512.79		
October-23					20,512.79		
November-23					20,512.79		
December-23					20,512.79		
January-24					20,512.79		
February-24					21,070.69		
March-24					21,070.69		
April-24					21,070.69		
May-24					21,070.69		
June-24					21,070.69		
July-24						21,070.69	
August-24						21,070.69	
September-24						21,070.69	
October-24						21,070.69	
November-24						21,070.69	
December-24						21,070.69	
January-25						21,070.69	
February-25						21,658.48	
March-25						21,658.48	
April-25						21,658.48	
May-25						21,658.48	
June-25						21,658.48	
July-25							21,658.48
August-25							21,658.48
September-25							21,658.48
October-25							21,658.48
November-25							21,658.48
December-25							21,658.48
January-26							21,658.48
February-26							22,246.26
March-26							22,246.26
April-26							22,246.26
May-26							22,246.26
June-26							22,246.26
	78,334.17	158,104.88	39,929.70	202,388.19	248,942.95	255,787.19	262,840.64

Pre-Operational Rent

276,368.75

Exhibit 10
Medical Director Agreement

MEDICAL DIRECTOR AGREEMENT

This MEDICAL DIRECTOR AGREEMENT (this “Agreement”), between Northwest Kidney Centers, a Washington nonprofit corporation (“NKC”), The Polyclinic, a Washington professional company (“Group”), and Michael Tekeste, MD (“Doctor”), is for the provision of medical director services.

RECITALS

NKC operates dialysis centers and related kidney treatment programs throughout the Puget Sound area, including in particular the facility and/or program described in the attached Exhibit A (the “Program”), which require the services of a medical director.

AGREEMENT

Now, therefore, the parties agree as follows:

1. MEDICAL DIRECTOR SERVICES

1.1 Appointment. NKC hereby appoints Doctor as medical director of the Program, and Doctor accepts such appointment, all on the terms and conditions of this Agreement. Doctor shall assume and discharge all responsibilities hereunder on an ethical and professional basis consistent with the policies and objectives of the NKC, the requirements of Doctor’s professional societies, and all applicable laws and regulations.

1.2 Responsibilities. Doctor’s primary task shall be to assure that at all times the Program is providing quality patient care in a safe, comfortable setting while ensuring efficiency and a high level of patient satisfaction. Doctor shall devote his/her best efforts to serving as Medical Director of the Program, including, but not limited to, performing: (a) those services customarily performed by medical directors of dialysis facilities; (b) the duties set forth in the attached Exhibit A; and (c) such other duties as NKC may reasonably request from time to time. Doctor shall report to NKC’s Chief Medical Officer.

1.3 Private Practice. Doctor may provide professional services outside the scope of this Agreement to the extent consistent with the satisfactory discharge of Doctor’s responsibilities set forth in this Agreement.

1.4 Absences. If Doctor will be absent for an extended period of time, Doctor shall give prior notice to the Chief Medical Officer and arrange for competent and qualified services of another physician (the “Covering Medical Director”) acceptable to NKC to discharge all Doctor’s duties to NKC’s satisfaction. Doctor acknowledges and agrees that all obligations under this Agreement (except Section 9) shall be binding on the Covering Medical Director to the same extent as if the Covering Medical Director were a party hereto and Doctor agrees to ensure compliance of the Covering Medical Director with such terms; and that NKC may require such physician to execute a document acknowledging such obligations before such physician

may serve as the Covering Medical Director. Doctor is responsible for paying any and all compensation to the Covering Medical Director for performance of duties under this Agreement.

1.5 Expenditures and Contracting. Doctor shall be involved in determining expenditures and reviewing agreements of NKC and/or the Program as provided in Exhibit A. Notwithstanding any other provision of this Agreement, Doctor shall have no authority to make any expenditure or enter into any agreement on behalf of or in the name of NKC or the Program, without NKC's express advance written approval.

2. QUALIFICATIONS

2.1 Qualifications. Doctor shall maintain the following qualifications, none of which may at any time be restricted, suspended, revoked or unrenewed: (a) licensure to practice medicine in the State of Washington and good standing with the Washington State Quality Assurance Commission; (b) a Federal DEA number; (c) membership on NKC's active medical staff with appropriate clinical privileges; (d) participation in and qualification for reimbursement from the Medicare program and the Washington Medicaid program; and (e) insurance coverage as required in Section 6 below. In addition, except to the extent otherwise agreed in writing by NKC's Chief Executive Officer, Doctor shall maintain a substantial (as determined by NKC in its reasonable discretion) clinical practice as a nephrologist at all times during the term of this Agreement. Upon NKC's request, Doctor shall provide evidence satisfactory to NKC of Doctor's compliance with this section. Doctor shall immediately notify NKC if Doctor lacks any of the above qualifications; if Doctor's medical staff membership or privileges at any other health care facility are revoked, terminated, restricted, suspended or unrenewed; or if Doctor ceases to maintain a substantial clinical practice as a nephrologist.

2.2 Medical Staff Activities. Doctor shall attend staff conferences and shall comply with the procedures, rules and regulations of NKC's Medical Staff. Doctor shall perform such teaching and similar duties as are in accordance with the education program of NKC's staff and employees and consistent with ESRD program requirements.

3. SPACE, UTILITIES, SUPPLIES, EQUIPMENT AND PERSONNEL

NKC shall, within annual budgetary allowances, provide space, utilities, supplies and equipment necessary for Doctor to perform Doctor's duties as Medical Director. Doctor will not use any such space, utilities, supplies, equipment or personnel at any time for the private practice of medicine.

4. COMPENSATION

Doctor's entire compensation under this Agreement is set forth in the attached Exhibit B. Doctor acknowledges that Doctor is an independent contractor and not an employee; accordingly, Doctor's compensation is not subject to withholding for income taxes, Social Security, or any other withholding deductions. Doctor is not entitled to any employee benefits normally established for NKC personnel, except liability coverage to the limits established by

NKC for liabilities incurred while acting within the scope of duties as medical director under this Agreement. The parties agree that all compensation to be paid over the term of this Agreement does not exceed fair market value, is not determined in a manner that takes into account the volume or value of referrals or other business that might be generated between Doctor and NKC, except as permitted by law, and does not require the limitation or withholding of items or services from patients in violation of any federal, state or local law. Doctor's compensation may be prospectively adjusted by NKC at the beginning of a contract year based on the Doctor's performance, experience, changes in market conditions or other factors NKC deems appropriate.

5. TERM AND TERMINATION

5.1 Term. The term of this Agreement, unless earlier terminated, is one (1) year, commencing on the date set forth at the end of this Agreement. This Agreement shall automatically renew for additional one-year term(s) unless earlier terminated as provided herein or by notice of nonrenewal at least thirty (30) days before an anniversary of the commencement date.

5.2 Automatic Termination. This Agreement shall terminate automatically and without notice upon (a) the Doctor's death; (b) conviction, including a plea of *nolo contendere*, of any felony or of any crime involving moral turpitude by either party.

5.3 Termination for Material Breach. Either party may terminate this Agreement in the event of a material breach of this Agreement by the other party. The non-breaching party shall send the breaching party notice describing the breach with reasonable specificity, including any steps that must be taken to cure such breach. If the breaching party fails to cure such breach to the reasonable satisfaction of the other party within thirty (30) days after receipt of such notice, this Agreement shall immediately terminate at the end of such 30-day period.

5.4 Termination for Cause. Either party may terminate this Agreement for cause and without notice except that termination under subsections (d) and (e) below shall require thirty (30) days notice. Cause for termination shall include but not be limited to: (a) dishonesty, professional misconduct, or misappropriation of funds by the other party; (b) the failure of Doctor to maintain any of the qualifications described in Section 2.1 above or to maintain a clinical practice as a nephrologist as required by Section 2.1 above; (c) the conduct of the other party is such that termination is necessary in the party's reasonable judgment to protect patient health or safety; (d) the Doctor's privileges are either terminated or suspended for a period more than thirty (30) days by the medical staff or management of a health care facility where the Doctor has privileges; or (e) good cause as defined in law or in equity.

5.5 Resignation of Doctor. In the event Doctor wishes to resign from Doctor's position as Medical Director of the Program during the term of this Agreement, Doctor may submit a written request to NKC. The decision whether or not to consent to Doctor's resignation shall be made by NKC in its sole and absolute discretion. In the event NKC consents to Doctor's resignation, this Agreement shall terminate as of the effective date specified in such consent, and

NKC's obligation to compensate Doctor under Section 4 and Exhibit B hereto shall terminate as of that date.

5.6 Effect of Termination. Upon termination of this Agreement Doctor shall not in any way interfere with the assumption by a successor physician of any of Doctor's duties under this Agreement; Doctor shall deliver to NKC all records necessary for the conduct of the business of NKC and the Program, and all other NKC property in Doctor's possession; and each provision requiring continuing performance shall survive termination of this Agreement, including but not limited to Sections 6, 7, 8, and 9. Termination of this Agreement shall not entitle Doctor to any rights of appeal or hearing under NKC's medical staff bylaws or otherwise. If the Agreement is terminated other than at the expiration of a term, the parties shall not enter into a new arrangement for the services that are the subject of this Agreement before the expiration of the then current term.

6. INSURANCE

6.1 Doctor's Responsibility. Doctor shall maintain and provide proof of medical malpractice and public liability insurance coverage with minimum limits of one million dollars (\$1,000,000) per occurrence and five million dollars (\$5,000,000) in the aggregate as approved by NKC. The amount shall be reviewed from time to time by NKC and may be revised by NKC on a uniform basis with medical directors of other programs and/or facilities operated by NKC. If Doctor's policy is on a "claims made" basis during this Agreement, the requirements of this section shall survive termination of this Agreement and shall continue for four years thereafter. In lieu of continued coverage, Doctor may provide a "tail" policy in a form approved by NKC covering the period for which Doctor served as medical director under this Agreement.

6.2 NKC's Responsibility. NKC provides professional and general liability coverage for its employees, which includes independent contractors such as medical directors and advisors while working within the scope of their assigned duties. NKC shall maintain professional and general liability insurance coverage for Doctor while acting within the scope of his duties as Medical Director under this Agreement, with minimum limits of one million dollars (\$1,000,000) per occurrence and five million dollars (\$5,000,000) in the aggregate. If NKC's policy is on a "claims made" basis during this Agreement, NKC shall provide continued professional and general liability coverage for Doctor for five years after termination of this Agreement.

7. REPORTS AND RECORDS

7.1 Ownership of Reports and Records. It is agreed that all reports and records relative to the Program and NKC are the property of the NKC and are to be considered and treated as the NKC's records.

7.2 Maintenance of and Access to Books and Records. Upon the written request of the Secretary of Health and Human Services or the Comptroller General or any of their duly

authorized representatives, Doctor shall make available those contracts, books, documents, and records necessary to verify the nature and extent of the costs of providing services under this Agreement. Such inspection shall be available up to four (4) years after the rendering of such services. If Doctor carries out any of the duties of this Agreement through a subcontract with a value of \$10,000 or more over a 12-month period with a related individual or organization, Doctor shall include this requirement in any such subcontract. This section is included pursuant to and is governed by the requirements of Public Law 96-499, Section 952 (Section 1861(v)(1) of the Social Security Act) and the regulations promulgated thereunder. No attorney-client, accountant-client, or other legal privilege will be deemed to have been waived by Doctor or NKC by virtue of this Agreement.

8. CONFIDENTIALITY

Doctor shall not, directly or indirectly, divulge, disclose or communicate to any person or entity, any nonpublic, confidential information with regard to this Agreement, or the operational, financial, contractual, or other affairs of NKC or the Program, except as may be required by law. As used in this Section 8, confidential information shall include nonpublic information about the financial performance, strategic plans, cost and expense data, trade secrets, payor, supplier or patient contracts, partnership arrangements, manuals, policies and procedures, patient lists, and similar data of NKC or the Program. Confidential information shall not include any information in the public domain or any information that becomes part of the public domain through no fault of the Doctor. The terms of this section shall survive any termination or expiration of this Agreement.

9. COVENANTS

Doctor agrees that, as a consequence of Doctor's performance of this Agreement, Doctor will gain confidential knowledge, which is proprietary to NKC, including the relationships that Doctor will develop with NKC patients. Accordingly, Doctor shall comply with the following covenants, which the parties consider to be fair, reasonable and integral to NKC's protection:

9.1 Nonsolicitation. During the period described in Section 9.1 above, Doctor will not, for his or her own benefit or the benefit of others, directly or indirectly, (a) solicit any business from any person or entity that has or has had a business relationship with NKC, or disrupt or attempt to disrupt, any relationship, contractual or otherwise, between NKC and any such person or entity, including any patient, payor, physician, provider, managed care organization, or supplier; or (b) induce, or attempt to induce, any employee of NKC to terminate his or her association with NKC.

9.2 Remedies. The parties agree that any breach or any threatened breach of any covenant in this Section 9 will cause irreparable injury to NKC and that the remedy at law will be inadequate. Therefore, in the event of any actual or threatened breach of any provision of this Section 9, NKC shall be entitled to any or all of the following remedies: (a) preliminary and permanent injunctions restraining such actual or threatened breach; (b) reasonable attorneys' fees

to enforce this Agreement; (c) damages; and (d) any and all other remedies provided for at law or in equity. The remedies under this section are cumulative, are in addition to any others given under this Agreement, by law or in equity, and may be enforced successively or concurrently at NKC's option.

9.3 Priority of Patient Care. Nothing in these covenants shall be deemed to prohibit Doctor from exercising his or her medical judgment concerning the medical treatment of his or her patients in any manner whatsoever in any location whatsoever, and shall not be deemed to require the referral of any such patient to any facility of NKC.

9.4 Divisibility. The parties agree that the covenants in this Section 9, including the scope of the restricted activities and the duration and geographic extent of such restrictions, are fair and reasonably necessary for the protection of the legitimate interests of NKC, in light of all of the facts and circumstances of the relationship between the parties. If any court or other tribunal of competent jurisdiction finds that this Section 9 is excessively broad and declines to enforce any provision of this Section 9, the covenants herein shall be deemed to be modified to restrict the activities of Doctor to the maximum extent enforceable by law and in equity.

10. DISPUTE RESOLUTION

10.1 Mediation. Except as otherwise provided in this Agreement, in the event the parties are unable to resolve a dispute relating to the terms of this Agreement through good faith efforts, the parties shall submit such dispute to mediation before a mutually agreeable mediator or if such person cannot be agreed upon within five (5) business days, to that mediator designated by the Seattle office of Judicial Dispute Resolution, L.L.C. In the event that Judicial Dispute Resolution, L.L.C. no longer operates in Seattle, the mediator shall be chosen by the Presiding Judge (or designee) of the Superior Court of the State of Washington for King County. When the mediator cannot be mutually agreed upon, the party seeking mediation shall apply to Judicial Dispute Resolution, L.L.C. or the court within thirty (30) days of the date it learns, or reasonably should have learned, of the dispute and shall request mediation within forty (40) days. The mediator's fees shall be shared equally by the parties.

10.2 Arbitration. If such dispute is not resolved through mediation, the parties agree to submit the dispute to binding arbitration before a mutually agreeable arbitrator. If the parties are unable to agree upon an arbitrator within ten (10) business days of the initial demand to arbitrate the dispute, then the arbitrator may be designated by the Seattle Office of Judicial Dispute Resolution or any similar service mutually acceptable to the parties. If the Seattle Office of Judicial Dispute Resolution is no longer operating, and no mutual acceptable service is identified, either party may petition for the appointment of an arbitrator by the presiding judge of the Superior Court of King County in and for the State of Washington.

The arbitrator shall not be bound by the Civil Rules or the Rules of Evidence but shall have the authority to control the conduct and timing of the proceedings, and may permit or deny discovery as he or she deems appropriate. The decision of the arbitrator shall be binding on the

parties and enforceable by the courts of the State of Washington. Each party shall bear its own attorneys' fees and share equally in the costs of arbitration, unless the arbitrator, in his or her discretion, awards arbitration costs and attorneys' fees to the substantially prevailing party.

10.3 Violations of Selected Covenants. Notwithstanding any other provision of this Agreement, disputes relating to any breach or alleged breach of the covenants set forth in Section 9 shall not be subject to the mediation or arbitration provisions set forth in Sections 10.1 and 10.2 above. The parties may seek relief from any court for disputes involving such matters.

11. GENERAL PROVISIONS

11.1 Relationship of Parties. In the performance of the professional work and responsibilities for medical services assumed by Doctor under this Agreement, it is mutually understood and agreed that Doctor is an independent nephrologist. Doctor shall exercise medical judgment as a nephrologist, free of any direction or control of the NKC, in a manner consistent with currently approved methods and practices of the profession and in compliance with the standards and policies of the NKC's Medical Staff. In administrative matters, it is mutually understood and agreed that Doctor shall cause the Program to comply with all business and administrative policies prescribed by the NKC.

11.2 Nonassignability. This Agreement is personal to Doctor and Doctor shall not assign or delegate rights and duties under this Agreement, except as expressly provided in Section 1.4.

11.3 Notices. Any notice given hereunder shall be in writing and shall be served personally or by depositing same in the United States mail, registered or certified, return receipt requested, postage prepaid and addressed to the intended party set forth below, or to such other address as a party may have furnished to the other as a place for the service of notice. Any notice so mailed shall be deemed to have been given upon personal delivery or three (3) days after the time the same is deposited in the United States mail.

NKC:	President & CEO Northwest Kidney Centers 700 Broadway Seattle, WA 98122
Doctor:	<u>Michael Tekeste, MD</u> <u>The Polyclinic</u> <u>904 – 7th Avenue, 8th Floor</u> <u>Seattle, WA 98104</u>

11.4 No Requirement to Refer or Limit Services. Nothing in this Agreement shall be interpreted as requiring either party to make referrals of any items or services to the other, or to limit or withhold items or services from patients, in violation of any federal, state or local law.

11.5 Compliance with Applicable Laws. At all times during the term of this Agreement, each of the parties shall perform their respective obligations hereunder in accordance with all applicable federal, state and local laws and regulations.

11.6 Tax Exemption. This Agreement shall be amended by the parties as NKC deems necessary to protect its tax-exempt status.

11.7 Modifications for Prospective Legal Events. If any federal, state or local law or regulation, now existing or enacted or promulgated after the effective date of this Agreement is interpreted by judicial decision, a regulatory agency or legal counsel to either party in such a manner as to indicate that a provision of this Agreement may be in violation of such law or regulation, the parties shall amend this Agreement as necessary. To the maximum extent possible, any such amendment shall preserve the underlying economic and financial arrangements between the parties.

11.8 Miscellaneous. This Agreement (along with the exhibits attached hereto, which are incorporated herein by this reference) constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior offers and negotiations, oral and written. This Agreement may not be amended or modified in any respect whatsoever except by an instrument in writing signed by the parties hereto. No waiver of any provision hereof shall be deemed to have been made unless and until such waiver shall have been reduced to writing and signed by the party to be bound. No waiver of any default under this Agreement shall constitute or operate as a waiver of any subsequent default hereunder. All terms of this Agreement shall be binding upon and inure to the benefit of the parties' respective successors and permitted assigns. If one or more of the provisions of this Agreement for any reason is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of hereof, but this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been contained herein.

Effective as of the 1st day of _____, 20____, when signed by both the Chief Medical Officer and the Chief Executive Officer of NKC.

DOCTOR:

NORTHWEST KIDNEY CENTERS,
a Washington corporation

By: _____

Signature

Its Chief Medical Officer

By: _____

Print Name

Its President/Chief Executive Officer

THE POLYCLINIC,
A Washington professional company

By: _____

Its Senior Vice President

Exhibit A to Medical Director Agreement

Facility Medical Director Responsibilities
See enclosed Exhibit from NKC Policies

Northwest Kidney Centers – Lynnwood Kidney Center
Michael Tekeste, MD

DRAFT

Exhibit B

Medical Director Compensation and Log

1. The compensation from NKC to Doctor is \$ 65,000.00 per year, payable in equal monthly installments.
2. On or before the 10th day of each month, Doctor will submit a signed medical director log documenting the hours he/she spent during the previous month on medical director duties. Doctor is not entitled to payment from NKC unless and until he/she submits the completed medical director log for the previous month.

DRAFT



MEMORANDUM OF UNDERSTANDING

This MEMORANDUM OF UNDERSTANDING (MOU) between Northwest Kidney Centers, a Washington nonprofit corporation ("NKC") and Michael Tekeste, MD The Polyclinic, is for the provision of medical director services.

NKC operates dialysis centers and related kidney treatment programs throughout the Puget Sound area, including the proposed facility location at NKC Lynnwood Kidney Center.

Once the NKC Lynnwood Kidney Center project is approved and constructed, an activation date and formal signing of the Medical Director Agreement ("Agreement") will occur, and a copy of the fully executed Agreement will be sent to the Department of Health / Certificate of Need Program.

- I. Appointment. NKC hereby intends to appoint Michael Tekeste, MD as medical director of the NKC Lynnwood Kidney Center and related programs and Michael Tekeste, MD intends to accept such appointment.
- II. Compensation. Michael Tekeste MD's entire compensation as Medical Director of the NKC Lynnwood Kidney Center will be \$65,000.00 per year, payable in equal monthly installments.
- III. Termination. Either party may terminate the MOU prior to executing the Agreement by providing thirty (30) days' notice to the other Party.

Effective as of the 17 day of November, 2020, when signed by both the Chief Medical Officer and the Chief Executive Officer of NKC.

DOCTOR:

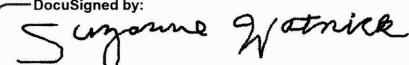
DocuSigned by:


 9DC4825685C2414...
 Signature

Michael Tekeste

Print Name

NORTHWEST KIDNEY CENTERS,
 a Washington corporation

DocuSigned by:

 By: Suzanne Watnick
 FA4E58090F3649E...
 Its Chief Medical Officer

DocuSigned by:

 By: Rebecca Fox
 1CFD9C045A844BA...
 Its President/Chief Executive Officer

11/17/2020

Administration/General

Facility Medical Director Responsibilities

Application:

This policy applies to all NKC Medical Directors

Policy:

Exhibit A to Medical Director Agreement

1. DEFINITION OF THE TERM, "FACILITY MEDICAL DIRECTOR"

The "Facility" as used in the Agreement means the dialysis facility NKC Lynnwood Kidney Center operated by the Northwest Kidney Centers. The "Medical Director" is the nephrologist responsible for the delivery of patient care and outcomes at the facility. The Medical Director is accountable to the Operations Committee (the "facility governing body," as defined in the Conditions for Coverage) for the quality of medical care provided to patients.

2. QUALIFICATIONS

The facility Medical Director must be a member of the NKC medical staff. Per the federal Conditions for Coverage (42 C.F.R. § 494.140(a)V682, the Medical Director must have completed a Board-approved training program in nephrology and maintain current Board Certification in Nephrology, or have been granted exception approval by the Secretary of DHHS (V683). The Medical Director must have 12 months experience providing care to patients receiving dialysis.

3. RESPONSIBILITIES

The Medical Director responsibilities include, but are not limited to, the following:

Quality Assessment and Performance Improvement Programs

Northwest Kidney Centers

Administration/General/Facility Medical Director Responsibilities

1. The Medical Director shall ensure that the facility develops, implements, maintains and evaluates an effective, data driven Quality Assessment and Performance Improvement program ("QA/PI program") with participation by the professional members of the inter-disciplinary team. The Medical Director is the chair of the facility's inter-disciplinary team and shall collaborate closely with the Clinical Director in directing the QA/PI program.
2. The QA/PI program must reflect the complexity of the facility's organization and services and must focus on indicators related to improved health outcomes and the prevention and reduction of medical errors. The facility must maintain and demonstrate evidence of its QA/PI program for review by CMS.
3. The QA/PI program, as defined in 42 C.F.R. § 494.110, must include, but not be limited to, an ongoing program that achieves measurable improvement in health outcomes and a reduction of medical errors, using indicators or performance measures associated with improved health outcomes and reduction of errors.
4. The Medical Director shall ensure that the facility measures, analyzes and tracks quality indicators and other aspects of performance that reflect processes of care and facility operations. Components of the facility's Quality Assessment program shall include, but are not limited to, the following:
 - a. Adequacy of dialysis
 - b. Nutritional status
 - c. Mineral metabolism and renal bone disease
 - d. Anemia management
 - e. Vascular access
 - f. Medical injuries and medical errors identification: The Medical Director shall review and monitor all Quality Improvement Reports (QIRs), analyze trends and identify areas that need remediation.
 - g. Patient satisfaction and grievances

Northwest Kidney Centers

Administration/General/Facility Medical Director Responsibilities

- h. Infection control: The facility shall analyze and document incidence of infections, develop action plans to minimize infection transmission and promote immunization, and take actions to reduce future incidents.
5. The Medical Director shall ensure that the facility continuously monitors performance, take actions that result in performance improvements, and track performance to ensure that improvements are sustained over time.
6. The Medical Director, in conjunction with the facility's inter-disciplinary team, shall set the priorities for the facility's Performance Improvement program considering prevalence and severity of identified problems from the facility's Quality Assessment and giving priority to improvement activities that affect clinical outcomes or patient safety.
7. The Medical Director is responsible for ensuring that the facility correct any immediate problems that threaten the health and safety of patients.
8. The Performance Improvement program goals and progress shall be reviewed monthly by the inter-disciplinary team, and shall be reported to the Operations Committee, per policy.
9. The Medical Director shall consult with attending physicians as needed to achieve Performance Improvement program goals.

Staff Education/Training/Performance

1. The Medical Director shall ensure ongoing educational opportunities are available and/or provided to the facility staff about care, practices, and clinical topics. The Medical Director shall serve as a medical consultant to facility staff and management.
2. The Medical Director shall ensure that education programs and in-services, as delegated by the Medical Director to the NKC Clinical Director of Education and Education Department, meet the needs of the facility staff to ensure they demonstrate ongoing performance and skill competencies.

Policies and Procedures

Northwest Kidney Centers

Administration/General/Facility Medical Director Responsibilities

1. The Medical Director shall implement the development, periodic review and approval of a "patient care policies and procedures manual" for the facility, which manual shall be prepared by those individuals designated by the Operations Committee.
2. The Medical Director shall ensure that all policies and procedures related to patient care, infection control, and safety are adhered to by the facility's patient care staff and the attending physicians and their extenders.
3. The Medical Director shall ensure that all policies and procedures relating to patient admissions, transfers or discharges (as specified in 42 C.F.R. § 494.180(f)) are adhered to by the facility's patient care staff and the attending nephrologist.

Direction of Professional Services in Emergencies

1. In a crisis or emergency, the Medical Director shall assure or cause to be provided clinical management for patients whose attending nephrologist cannot be reached for orders, but in all other instances shall not interfere with the therapeutic autonomy of the attending physician, per Medical Staff Bylaws.

Water Quality/Equipment/Environment/Safety

1. The Medical Director shall have knowledge and understanding of the components of the facility's water treatment system and how they relate to ANSI/AAMI RD52:2004.
2. The Medical Director shall ensure that the water and equipment used for facility's dialysis meets the requirements found at ANSI/AAMI RD52:2004.
3. The Medical Director shall monitor the quality of the facility's water and dialysate. He/she shall review all water systems testing (in particular, for chlorine, chloramines, endotoxin and bacteria. Any levels that deviate from the standard must have a corrective action plan developed by the Medical Director and Facility System Specialist.
4. The Medical Director shall ensure that all equipment used in the facility for direct patient care is maintained in accordance with manufacturers standards.

Northwest Kidney Centers

Administration/General/Facility Medical Director Responsibilities

5. The Medical Director shall ensure a sanitary environment in the facility and monitor the transmission of infectious agents within the facility.
6. The Medical Director shall ensure that facility staff demonstrate compliance with infection control practices and report any issues to the appropriate individuals, per policy.

Medical Leadership

1. The Medical Director shall proactively consult with nephrologists and other physicians who provide care for patients in the facility and serves as the representative of NKC to such physicians.
2. The Medical Director shall support the facility Clinical Director, who is responsible for ensuring that each patient in the facility is provided with an individualized and comprehensive assessment of needs from which the patient's plan of care is developed in the timelines specified per policy. It is the responsibility of the Operations Committee (not the Medical Director) to ensure medical staff compliance with the facility's comprehensive patient assessment and plan of care policy.
3. The Medical Director shall participate as a member of the NKC Medical Director team and attend monthly Medical Director meetings.
4. The Medical Director is expected to attend medical staff meetings and participate in NKC medical staff activities.
5. The Medical Director is required to submit a monthly log of hours spent on medical director duties, due by the 10th day of the following month. Compensation for the month is paid upon receipt of the log.
6. As time allows, the Medical Director is encouraged to provide leadership for clinical issues/improvements that affect the entire organization (e.g., develop new protocols, revise standing orders, change the electronic medical record, improve intake practices, and oversee new programs for patients).

Northwest Kidney Centers

Administration/General/Facility Medical Director Responsibilities

7. NKC encourages the Medical Director to attend continuing education related to the medical director role. One meeting a year is funded by NKC, with the advance permission of the CEO.

Community Links

1. The Medical Director serves as the facility's medical representative to other medical staff, patients and their family or caregivers (or both), and the general public.
2. The Medical Director is asked to participate, as time allows, in public events associated with the facility.

4. REPORTING AND OTHER RESPONSIBILITIES

1. The Medical Director is directly accountable to and reports to the NKC Chief Medical Officer, who supervises his/her performance and provides annual reviews.
2. The Medical Director is responsible to the Operations Committee in the fulfillment of the responsibilities outlined for the Medical Director in the Conditions for Coverage.
3. The Medical Director regularly collaborates with the:
 - Facility's Clinical Director
 - Facility's Nurse Manager
 - Facility clinical staff including inter-disciplinary team members
 - CMO
 - Vice President of Clinical Operations
 - Vice President of Administrative Operations
 - President/CEO
 - Other Medical Directors

Exhibit 11
Snohomish County Assessor Information



Property Account Summary

11/24/2020

Parcel Number	27042100405200	Property Address	20816 44TH AVE W , LYNNWOOD, WA 98036-7702
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General Information

Property Description	SEC 21 TWP 27 RGE 04TH PTN PAR 1 BSP (QUADRANT I-5 CENTER) REC VOL 1 BSP PG 222-225 AF NO 9102215001 DAF COM AT NE COR SD PAR 1 TH N88*08 54W ALG N LN THOF30.64FT TH S50*52 56W DIST 198FT THN88*47 26W DIST 53.97FT TH N39*07 04W DIST 207.97FT TO TPB TH S50*52 56W DIST 122FT TH S39*07 04E DIST 32.50FT TH S50*52 56W DIST 84.71FT TH S88*47 26EDIST 182.35FT TH S01*12 34W DIST 371.65FT TO S LN OF APR 1 TH N88*08 54W ALG SD S LN 323.02FT TO W LN OF PAR 1 THN01*12 34E ALG SD W LN 315.38FT TH N88*08 53W DIST 20FT TH N01*12 34E DIST55.09FT TH N50*52 56E DIST 327.46FT TH S39*07 04E DIST 73.50FT TO TPB AKA PAR 1-A OF QUADRANT I-5 CENTER BSP REV BY AF 9205015002
Property Category	Land and Improvements
Status	Active, Locally Assessed
Tax Code Area	00452

Property Characteristics

Use Code	659 Other Professional Services NEC
Unit of Measure	Acre(s)
Size (gross)	3.33

Related Properties

No Related Properties Found

Parties

Role	Percent	Name	Address
Taxpayer	100	JAR ASSOCIATES LLC	6725 116TH AVE NE STE 100, KIRKLAND, WA 98033
Owner	100	JAR ASSOCIATES LLC	6725 116TH AVE NE STE 100, KIRKLAND, WA 98033

Property Values

Value Type	Tax Year 2020	Tax Year 2019	Tax Year 2018	Tax Year 2017	Tax Year 2016
Taxable Value Regular	\$11,798,000	\$11,026,000	\$10,116,000	\$9,543,000	\$9,176,000
Exemption Amount Regular					
Market Total	\$11,798,000	\$11,026,000	\$10,116,000	\$9,543,000	\$9,176,000
Assessed Value	\$11,798,000	\$11,026,000	\$10,116,000	\$9,543,000	\$9,176,000
Market Land	\$2,524,700	\$2,314,300	\$2,198,200	\$2,125,700	\$1,995,200
Market Improvement	\$9,273,300	\$8,711,700	\$7,917,800	\$7,417,300	\$7,180,800
Personal Property					

Active Exemptions

No Exemptions Found

Events

Effective Date	Entry Date-Time	Type	Remarks
09/10/2007	09/25/2007 15:47:00	Owner Terminated	Property Transfer Filing No.: 493929 09/10/2007 by sasset
09/10/2007	09/25/2007 15:47:00	Owner Added	Property Transfer Filing No.: 493929 09/10/2007 by sasset
09/10/2007	09/11/2007 12:14:00	Taxpayer Changed	Property Transfer Filing No.: 493929 09/10/2007 by strpcs
09/10/2007	09/10/2007 15:08:00	Excise Processed	Property Transfer Filing No.: 493929, Special Warranty Deed 09/10/2007 by strbjp
07/27/2005	07/27/2005 10:22:00	Taxpayer Changed	Party/Property Relationship by strbaw

Tax Balance

[Installments Payable/Paid for Tax Year\(Enter 4-digit Year, then Click-Here\):](#)

Distribution of Current Taxes

District	Rate	Amount	Voted Amount	Non-Voted Amount
CENTRAL PUGET SOUND REGIONAL TRANSIT AUT	0.20	\$2,352.17	\$0.00	\$2,352.17
CITY OF LYNNWOOD	0.57	\$6,760.71	\$0.00	\$6,760.71
EDMONDS SCHOOL DISTRICT NO 15	3.71	\$43,756.22	\$43,756.22	\$0.00
PUB HOSP #2	0.06	\$758.64	\$0.00	\$758.64
SNO-ISLE INTERCOUNTY RURAL LIBRARY	0.44	\$5,204.20	\$0.00	\$5,204.20
SNOHOMISH COUNTY-CNT	0.67	\$7,851.04	\$0.00	\$7,851.04
SOUTH SNOHOMISH COUNTY FIRE & RESCUE RFA	1.75	\$20,594.18	\$5,508.64	\$15,085.54
STATE	2.87	\$33,832.81	\$0.00	\$33,832.81
SNOHOMISH CONSERVATION DISTRICT		\$8.26	\$0.00	\$8.26
TOTAL	10.27	\$121,118.23	\$49,264.86	\$71,853.37

Pending Property Values

Pending Tax Year	Market Land Value	Market Improvement Value	Market Total Value	Current Use Land Value	Current Use Improvement	Current Use Total Value
2021	\$2,923,700.00	\$10,054,300.00	\$12,978,000.00	\$0.00	\$0.00	\$0.00

Levy Rate History

Tax Year	Total Levy Rate
2019	10.227895
2018	11.529678
2017	10.571495

Real Property Structures

Description	Type	Year Built	More Information
QUADRANT I 5 CENTER BLD 7 362	Commercial	1990	View Detailed Structure Information

Receipts

Date	Receipt No.	Amount Tendered	Amount Due
10/29/2020 00:00:00	11374473	\$60,559.12	\$60,559.12
05/01/2020 00:00:00	11091946	\$60,559.11	\$121,118.23
10/25/2019 00:00:00	10774409	\$56,390.01	\$56,390.01
04/25/2019 00:00:00	10527591	\$56,390.00	\$112,780.01
10/25/2018 00:00:00	10226815	\$58,320.20	\$58,320.20
04/27/2018 00:00:00	9971269	\$58,320.20	\$116,640.40
10/26/2017 00:00:00	9563739	\$50,444.48	\$50,444.48
04/14/2017 00:00:00	9251271	\$50,444.47	\$100,888.95

11/01/2016 00:00:00	9133587								\$48,432.85	\$48,432.85
05/03/2016 00:00:00	8863390								\$49,401.50	\$97,834.35
11/02/2015 00:00:00	8576503								\$45,118.92	\$45,118.92
04/28/2015 00:00:00	8297649								\$45,118.92	\$90,237.84
01/02/2015 00:00:00	8065386								\$46,662.17	\$46,662.17
Sales History										
Sale Date	Entry Date	Recording Date	Recording Number	Sale Amount	Excise Number	Deed Type	Transfer Type	Grantor (Seller)	Grantee (Buyer)	Other Parcels
09/10/2007	09/10/2007	09/10/2007		\$8,650,000.00	493929	W	S	LYNNWOOD INVESTMENT LP	JAR ASSOCIATES LLC	No
Property Maps										
Neighborhood Code	Township	Range	Section	Quarter	Parcel Map					
5607000	27	04	21	SE	View parcel maps for this Township/Range/Section					

Exhibit 12
Snohomish County Zoning Information

Austin Ross

From: Kirk Rappe <krappe@Lynnwoodwa.gov>
Sent: Wednesday, November 25, 2020 2:17 PM
To: Andy Drissell
Cc: Austin Ross; Ashley Winchell
Subject: RE: Land Use / Zoning Validation for 20816 44th Avenue West, Lynnwood, WA

WARNING: This email originated from outside Northwest Kidney Centers.

Do not open any attachments or click on links within the email unless you recognize the sender, you are expecting the email, and you know the link or attachment is safe.

Hi Mr. Drissell,

Yes, 20816 44th Avenue West is zoned Planned Commercial Development (PCD). While medical clinics are not directly defined in our code, "clinic" is defined. Per the clinic definition, the services must be medical in nature and outpatient. Since your dialysis clinic is an outpatient medical use it is allowed at the above location.

Since it is a permitted use by right (permitted as principle use), you do not need to apply for any land use permits. You will need to apply for a building permit for any tenant improvements or building construction.

If you have questions about the building permit application process, please call 425-670-5400 or permits@lynnwoodwa.gov to contact one of our permit counter staff who can assist you.

Best Regards,
Kirk Rappe, AICP
Associate Planner

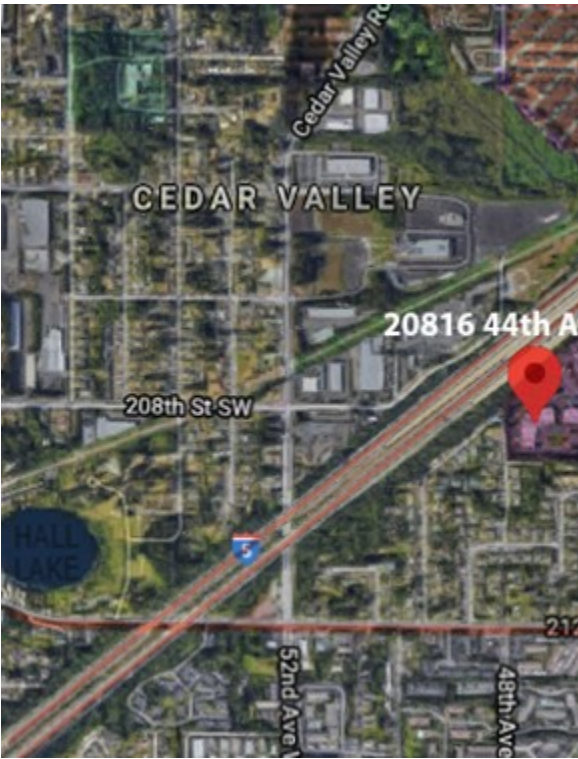
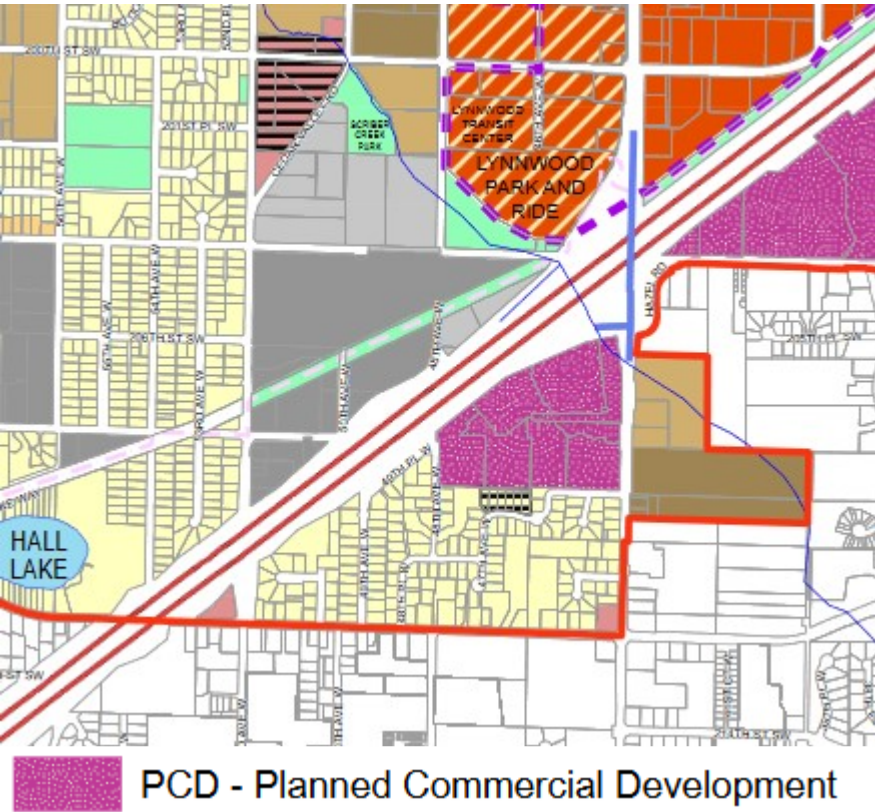
From: Andy Drissell <ADrissell@MAHLUM.com>
Sent: Tuesday, November 24, 2020 5:43 PM
To: SMB Planning <planning@Lynnwoodwa.gov>
Cc: Austin Ross <Austin.Ross@nwkidney.org>
Subject: Land Use / Zoning Validation for 20816 44th Avenue West, Lynnwood, WA

Hello,
My name is Andy Drissell from Mahlum Architects, and we are currently working with Northwest Kidney Centers in the pursuit of a location for a new Dialysis Clinic in Lynnwood. Can you confirm that the site located at 20816 44th Avenue West, Lynnwood, WA is zoned as a Planned Commercial Development, and if so, that a Dialysis Clinic use would be a permissible use on a PCD zoned site?

I have included a code summary of relevant sections pertaining to our site and use below for reference. The property in question is located at 20816 44th Avenue West, Lynnwood, WA (parcel 27042100405200) and is located in the "PCD (Planned Commercial Development)" zone per the City of Lynnwood's Zoning Plan Map: <https://www.lynnwoodwa.gov/files/sharedassets/public/development-and-business-services/planning-amp-zoning/zoning-plan-map-3282.pdf>. See Exhibit A below for an excerpt of the Zoning Map and Legend and Exhibit B for an overlay showing the building location of 20816 44th Avenue West in this zoned area.

Exhibit A

Exhibit B



Additionally, we have found Medical Clinics to be listed as a “Principal Use” under Lynnwood Municipal Code Table 21.46.05:
<https://www.codepublishing.com/WA/Lynnwood/html/Lynnwood21/Lynnwood2146.html>. Lynnwood Municipal Code defines “Principal Use” in Section 21.02.795 as “the principal use conducted on the lot or the building housing the principal use, as distinguished from an accessory building using accessory uses. (Ord. 2020 § 2, 1994; Ord. 190 Art. IV § 421, 1964)”.

Table 21.46.05

Medical Uses	NC	PCD	CG
Medical, Dental, Optical and Chiropractic Clinics	P	P	P
Veterinary Clinics ⁺	P*	P	P-X

P = Permitted as principal use

As Dialysis Clinics are outpatient facilities that do not include the sale of drugs or medical supplies, we have found the Lynnwood Municipal Code definition of “Clinic” per Section 21.02.235 to be relevant: “a building or portion of a building containing offices for providing medical, dental, psychiatric or chiropractic services for outpatients only, but not including the sale of drugs or medical supplies. (Ord. 2020 § 2, 1994; Ord. 190 Art. IV § 403, 1964)”:
<https://www.codepublishing.com/WA/Lynnwood/html/Lynnwood21/Lynnwood2102.html#21.02.235>.

Let me know if you have any questions or comments regarding this inquiry, or if you require any more information from me to provide guidance.

Best,

Andy Drissell AIA

LEED AP BD+C, EDAC
Associate
Mahlum Architects Inc.

(206) 816-1058 d
(206) 441-4151 p
71 Columbia, Floor 4 | Seattle, Washington 98104

Andy Drissell AIA
LEED AP BD+C, EDAC
Associate
Mahlum Architects Inc.

(206) 816-1058 d
(206) 441-4151 p
71 Columbia, Floor 4 | Seattle, Washington 98104

Exhibit 13

Cost Estimator Letter - Non-Binding Contractors Letter



November 17, 2020

Eric Hernandez
Manager – Certificate of Need
Community Health Systems
Washington State Department of Health
PO Box 47852
Olympia, WA 47852

Dear Mr. Hernandez:

On behalf of Northwest Kidney Centers (NKC), I am writing regarding the certificate of need application proposing the establishment of 14 stations and 2 future stations, in Lynnwood, Washington. I have provided the following building construction estimate for the project. The following costs are estimated:

Building Construction and Engineering Fees	\$2,989,326
Architectural	\$ 210,000
Total	\$3,199,326

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

Sincerely,

Brendon Warne
Project Executive

Exhibit 14
Equipment List

Exhibit 14
NKC Lynnwood Kidney Center
Proposed Moveable Equipment List

Quantity	Items	
16	Kidney machines	
15	Treatment recliners	
1	Bed	
14	Patient televisions	
14	Patient television brackets	
14	Patient pillow speakers	
2	Home training TV's/DVD	
3	Infusion pumps	
1	Ice dispenser	
1	Maxi-Move pt lift	
1	Lumify ultrasound machine	
1	AED	
1	EKG	
1	Respiratory station kiosk	
1	Crash cart	
1	Aluminum step stand	
14	Oxygen flowmeters	
lot	Data equipment	
lot	Storage shelf units	
6	Plastic pallets	
1	Hand truck	
1	Platform truck	
4	Privacy screens	
2	Wheelchairs	
7	Rolling stools	
1	Draeger pump	
1	Disaster box and tools	
2	Emergency boxes	
lot	Phones	
1	Conference room TV/K View	
1	Enthermic med system	
3	Over bed tables	
1	PC wall brackets	
1	Accuvein	
4	Rolling waste receptacles	
lot	Desks/chairs/files/tables	
1	Staff refrigerator - full size	
1	Staff microwave	
2	Med refrigerators	
2	Med refrigerator temp monitors	
1	Vacuum cleaners	
1	Wet vacs	
1	6-ft step ladder	
1	10-ft ladder	
lot	Waste receptacles	
lot	Brochure racks/holders	
lot	Bulletin boards	
Total		\$484,242

Exhibit 15
Mutual Aid Plan

Mutual Aid Plan for Provision of Dialysis Services

Introduction and Background

Dialysis providers are susceptible to disasters and other emergencies that could exceed the resources of any individual dialysis provider in an "all-hazards" disaster planning environment. While dialysis providers prepare for resource shortages through strategies such as maintaining disaster equipment and supply stockpiles and creating agreements with vendors to mitigate the impact of resource shortages, additional approaches may be necessary to respond fully to acute and/or long-term shortages.

The purpose of this Mutual Aid Plan (MAP) is to support resource requests and distribution between dialysis providers during emergencies or disasters of any nature. The resources covered by the MAP consist of dialysis supplies, equipment, personnel and related items and individuals. The MAP outlines how participation will occur, routes of communication to implement the MAP, reimbursement procedures and the voluntary nature of the Plan among other protocols. It is assumed that all dialysis providers will exhaust internal resources and all normal channels for resupply before activating the MAP agreement.

WHEREAS, the Signatory Organizations (See Article II – Definitions) have expressed a mutual interest in the establishment of a Mutual Aid Plan to facilitate and encourage emergency assistance among participants; and

WHEREAS, in the event of an emergency, a Signatory Organization who has executed this MAP may need emergency assistance in the form of supplemental equipment, materials, personnel and/or other support; and

WHEREAS, each Signatory Organization may own and maintain equipment, stock materials and employ trained personnel for a variety of services and is willing, under certain conditions, to lend its supplies, equipment and/or staff to other Signatory Organizations in the event of an emergency; and

NOW THEREFORE, in consideration of the mutual covenants set forth in this Mutual Aid Plan, the undersigned Signatory Organization agrees as follows:

Article I – APPLICABILITY

Execution of this MAP by a Signatory Organization occurs when a Signatory Organization signs an identical version of this MAP.

Article II – DEFINITIONS

- A. 'Assistance Costs' means any direct material costs, equipment rental fees, fuel, and the fully loaded labor costs that are incurred by the Lender in providing any requested assets or services (see Article XII for additional clarity).
- B. 'Borrower' means a Signatory Organization who has adopted, signed and subscribes to this MAP and has made a request for emergency assistance and has received commitment(s) to fulfill the request(s) pursuant to the terms of this MAP. Borrower is a facility directly affected by the disaster.

- C. Disaster includes, but is not limited to, a human-caused or natural event or circumstance within the area of operation of any participating Signatory Organization causing or threatening loss of life, damage to the environment, injury to person or property, human suffering or financial loss. Examples include: fire, explosion, flood, severe weather, drought, earthquake, volcanic activity, spills or releases of hazardous materials, contamination, utility or transportation emergencies, disease, infestation, civil disturbance, riots, act of terrorism or sabotage where the event is or likely will be beyond the capacity of the affected Signatory Organization(s) in terms of personnel, supplies and/or equipment thereby requiring emergency assistance. The 'Disaster' may affect an individual facility or several health care facilities at or about the same time. Since the community is also affected, local vendors may be caught in the same disaster incident.
- D. 'Emergency assistance' means employees, services, equipment, materials and/or supplies offered during a disaster by the Lender and accepted by the Borrower to assist in maintaining or restoring normal services affected by the disaster.
- E. 'Emergency Contacts' are the persons, in a line of succession, listed in Exhibit 1 for each Signatory Organization. The list includes names and 24-hour phone numbers of the emergency contact points of each Signatory Organization. The people listed as Emergency Contacts have (or can quickly get) the authority of the Signatory Organization to commit available equipment, services, and personnel for the organization.
- F. 'Emergency Management Agencies' refers to city, county, state and federal agencies that have responsibility for disaster mitigation, preparedness, response, and recovery phases. These agencies own and staff Emergency Operations Centers (EOCs) / Emergency Coordination Centers (ECCs) that may provide non-medical resources, if available, to Borrower organizations.
- G. 'First Responder Agencies' refers to local fire, EMS and police; typically accessed through 911 or a non-emergency direct line.
- H. 'Healthcare Emergency Coordination Center (HECC)', operated by the Northwest Healthcare Response Network, functions as a Multi-Agency Coordination Center supporting all healthcare providers across Western Washington. For the purposes of this MAP, Northwest Kidney Centers will notify the HECC to communication mutual aid activation.
- I. 'Lender' means a Signatory Organization who has signed this MAP and has agreed to deliver emergency assistance to another Signatory Organization pursuant to the terms and conditions of this MAP.
- J. 'Mutual Aid Plan (MAP)' means this MAP.
- K. Northwest Healthcare Response Network is a regional preparedness coalition comprised of hospitals and other healthcare facilities whose mission is to prepare for and respond to and recover from emergencies as a collaborative healthcare network.
- L. 'Signatory Organization' means the executive governing authority of any public or private dialysis provider that chooses to subscribe to and sign onto the MAP.

Article III – PARTICIPATION

A disaster almost always involves the local first responder agencies, local emergency management agency, and other local, county, and state regulatory and emergency response agencies. The disaster may be an “external” or “internal” event for facilities and in order to activate the MAP assumes that each Borrower’s internal emergency management and operations plans have been implemented.

It is agreed, acknowledged, and understood that participation in this MAP is purely voluntary and at the sole discretion of the requested Lender for staff, supplies and equipment. Signatory Organizations are encouraged to provide full support to the MAP, but no Signatory Organization shall be liable to another Signatory Organization for, or be considered to be in breach of or default under this MAP on account of any delay in or failure to perform any obligation under this MAP. Additionally, there are areas where advance information and participation is expected under this plan:

- A. Modifications: Ensure that Exhibit 1 has the Organization’s most current Emergency Contacts. Should any changes occur during the plan year that preclude your facility from participating, it is required that all parties be notified.
- B. Implementation of the MAP: During a disaster, only the authorized Emergency Contacts (or designee) or Command Center at each Signatory Organization, local or state health department or Emergency Management Agency and the HECC have the authority to request or offer assistance through the MAP. Signatory Organizations should coordinate the sharing of resources directly with each other.
- C. If the disaster is widespread and the Mutual Aid Plan is no longer effective between Signatory Organizations due to the severity of the disaster, the dialysis facility may contact the local health department, local EOCs or Washington State Department of Health for assistance.

Article IV – ROLE OF EMERGENCY CONTACT FOR SIGNATORY ORGANIZATIONS

Signatory Organizations agree that their Emergency Contacts or their designee can serve as representatives of the Signatory Organizations in any meeting to work out the language or implementation issues of this MAP.

The Emergency Contacts from a Signatory Organization shall:

- A. Act as a single point of contact for information about the availability of resources when other Signatory Organizations seek assistance.
- B. Take the initiative to obtain and communicate decisions and discussion items of the meeting.
- C. Maintain a hard-copy manual containing the MAP including a list of Signatory Organizations who have executed this MAP.

Article V – TERM AND TERMINATION

- A. This MAP is effective upon execution by Signatory Organizations.
- B. A Signatory Organization opting to terminate its participation in this MAP shall provide written termination notification to Signatory Organizations. Any terminating Signatory Organization shall remain liable for all obligations incurred during its period of participation, until the obligation is satisfied.

Article VI – PAYMENT FOR SERVICES AND ASSISTANCE

- A. Borrower shall pay to the Lender all valid and invoiced Assistance Costs within 60 days of receipt of the Lender's invoice (unless other date is mutually agreed upon), for all of the Emergency Assistance services provided by the Lender. In the event the Lender provides supplies or parts, the Lender shall have the option to accept payment of cash or in kind for the supplies or parts provided.
- B. Reimbursement for Patient Care: The Borrower and the Lender acknowledge that there will be payment issues to be addressed between the facilities and that revenue will be divided based on the amount and type equipment, supplies and/or personnel loaned. The facilities agree to:
 - 1. Attempt to work out the division of payment amicably amongst themselves and incorporate into the discussions, as necessary, the Washington State Department of Health and the appropriate payer (private, state or federal.)
 - 2. If the dispute requires Mediation or Arbitration, see Article XIV Section E.
 - 3. If the dispute escalates to require Litigation, see Article XIV Section F.

Article VII – INDEPENDENT CONTRACTOR

Lender shall be and operate as an independent contractor of Borrower in the performance of any Emergency assistance. Employees of Lender shall at all times while performing Emergency assistance continue to be employees of Lender and shall not be deemed employees of Borrower for any purpose. Wages, hours, and other terms and conditions of employment of Lender shall remain applicable to all of its employees who perform Emergency assistance. Lender shall be solely responsible for payment of its employees' wages, any required payroll taxes and any benefits or other compensation. Borrower shall not be responsible for paying any wages, benefits, taxes, or other compensation directly to the Lender's employees, but shall reimburse Lender for same when invoiced by Lender. The costs associated with borrowed personnel are subject to the reimbursement process outlined in Article XII. In no event shall Lender or its officers, employees, agents, or representatives be authorized (or represent that they are authorized) to make any representation, enter into any MAP, waive any right or incur any obligation in the name of, on behalf of or as agent for Borrower under or by virtue of this MAP.

Article VIII – REQUESTS FOR EMERGENCY ASSISTANCE

Requests for Emergency assistance shall be directed to the designated Emergency Contact(s) on the contact list provided by the Signatory Organizations – Exhibit 1. Those resources will be paid for by the organization submitting the request for emergency assistance. The extent to which the Lender provides any Emergency assistance shall be at the Lender's sole discretion.

In the event the emergency impacts a large geographical area that activates State and/or Federal emergency laws, this MAP shall remain in effect until or unless this MAP conflicts with such laws.

Article IX – GENERAL NATURE OF EMERGENCY ASSISTANCE (Equipment, supplies and personnel)

Emergency Assistance is in the form of resources, such as equipment, supplies, and personnel or the direct provision of services. The execution of the MAP shall not create any duty to respond on the part of any Signatory Organization hereto. A Signatory Organization shall not be held liable for failing to provide Emergency Assistance. A Signatory Organization has the absolute discretion to decline to provide any requested Emergency Assistance and to withdraw resources it has provided at any time without incurring any liability. Resources are “borrowed” with reimbursement and terms of exchange varying with the type of resource as defined in Articles X through XII. The Signatory Organizations recognize that time is critical during an emergency and diligent efforts are made to respond to a request for resources as rapidly as possible, including any notification(s) that requested resources are not available.

Article X – LOANS OF EQUIPMENT

Use of medical and non-medical equipment shall be at the Lender’s current equipment rate, or if no written rates have been established, at the hourly operating costs set forth in an industry standard publication or as mutually agreed between Borrower and Lender. Equipment loans are subject to the following conditions:

- A. At the option of the Lender, loaned equipment may be loaned with an operator. See Article XII for terms and conditions applicable to use of borrowed personnel.
- B. Loaned equipment shall be returned to the Lender upon release by the Borrower, or immediately upon the Borrower’s receipt of an oral or written notice from the Lender for the return of the equipment. When notified to return equipment to a Lender, the Borrower shall make every effort to return the equipment to the Lender’s possession within 24 hours following notification.
- C. Borrower shall, at its own expense, supply all fuel, lubrication and maintenance for loaned equipment. The Borrower takes proper precaution in its operation, storage and maintenance of Lender’s equipment. Equipment shall be used only by properly trained and supervised operators. Borrower takes responsibility to assure users are properly trained in the use of any equipment or supplies. Lender shall endeavor to provide equipment in good working order. All equipment is provided “as is”, with no representations or warranties as to its fitness for particular purpose.
- D. Lender’s cost related to the transportation, handling, and loading/unloading of equipment shall be chargeable to the Borrower. Lender shall provide copies of invoices for such charges where provided by outside sources and shall provide hourly accounting of charges for Lender’s employees who perform such services.
- E. Without prejudice to a Lender’s right to indemnification under Article XIV herein, in the event loaned equipment is lost or damaged while being dispatched to Borrower, or while

in the custody and use of the Borrower, or while being returned to the Lender, Borrower shall reimburse the Lender for the reasonable cost of repairing said damaged equipment. If the equipment cannot be repaired within a time period indicated by the Lender, then Borrower shall reimburse Lender for the cost of replacing such equipment with equipment, which is of equal condition and capability. Any determinations of what constitutes "equal condition and capability" shall be at the discretion of the Lender. If Lender must lease or rent a piece of equipment while the Lender's equipment is being repaired or replaced, Borrower shall reimburse Lender for such costs. Borrower shall have the right of subrogation for all claims against persons other than parties to this MAP who may be responsible in whole or in part for damage to the equipment. Borrower shall not be liable for damage caused by the sole negligence of Lender's operator(s).

Article XI – EXCHANGE OF MATERIALS AND SUPPLIES.

Borrower shall reimburse Lender in kind or at Lender's actual replacement cost, plus handling charges, for use of partially consumed or non-returnable materials and supplies, as mutually agreed between Borrower and Lender. Other reusable materials and supplies which are returned to Lender in clean, damage-free condition shall not be charged to the Borrower and no rental fee is charged. Lender shall determine whether items returned are "clean and damage-free" and items shall be treated as partially consumed or non-returnable materials and supplies if item is found to be damaged.

Article XII – LOANS OF PERSONNEL

Lender may, at its option, make such employees as are willing to participate available to Borrower at Borrower's expense equal to Lender's full cost, including employee's salary or hourly wages, call back or overtime costs, benefits and overhead, and consistent with Lender's personnel union contracts, if any, or other conditions of employment. Costs to feed and house loaned personnel, if necessary, shall be chargeable to and paid by the Borrower. The Borrower is responsible for assuring such arrangements as may be necessary to provide for the safety, housing, meals, and transportation to and from job sites/housing sites (if necessary) for loaned personnel. The Signatory Organizations' Emergency Contacts or their designees shall develop planning details associated with being a Borrower or Lender under the terms of this MAP. Lender personnel providing Emergency Assistance shall be under the operational control of the command structure of the Borrower. Lender shall not be liable for cessation or slowdown of work if Lender's employees decline or are reluctant to perform any assigned tasks if said employees judge such task to be unsafe.

A request for loaned personnel to direct the activities of others during a particular response operation does not relieve the Borrower of any responsibility or create any liability on the part of the Lender for decisions and/or consequences of the response operation. Loaned personnel may refuse to direct the activities of others without creating any liability on the part of the Lender. Any valid licenses issued to Lender personnel by Lender or Lender's state, relating to the skills required for the emergency work, may be recognized by the Borrower during the period of emergency and for purposes related to the emergency (interstate actions would require appropriate approvals by the State of Washington). When notified to return personnel to a Lender, the Borrower shall make every effort to return the personnel to the Lender immediately after notification.

Article XIII – RECORD KEEPING AND DOCUMENTATION

Time sheets and/or daily logs showing hours worked and equipment and materials used or provided by the Lender are recorded on a shift-by-shift basis by the Lender and/or the loaned employee(s) and provided to the Borrower as needed. If no personnel are loaned, the Lender provides shipping records for materials and equipment, and the Borrower is responsible for any required documentation of use of material and equipment for state or federal reimbursement. The documentation is presented to the Administration/Finance Section of the Incident Command System or appropriate financial officers and materials management personnel when the Incident Command System is demobilized. All necessary information will be provided to the Borrower to support reimbursement efforts. Under all circumstances, the Borrower remains responsible for ensuring that the amount and quality of all documentation is adequate to enable disaster reimbursement.

Article XIV - INDEMNIFICATION AND LIMITATION OF LIABILITY

- A. **INDEMNIFICATION.** Except as provided in section B., to the fullest extent permitted by applicable law, the Borrower releases and shall indemnify, hold harmless and defend each Lender and City/County Emergency Management Agencies, their officers, employees and agents from and against any and all costs, including costs of defense, claims, judgments or awards of damages asserted or arising directly or indirectly from, on account of, or in connection with providing Emergency Assistance, resources or patient care to/for the Borrower, whether arising before, during or after performance of the Emergency Assistance or patient care and whether suffered by any of the Signatory Organizations or any other person or entity. The Borrower, city and county emergency management agencies agree that their obligation under this section extends to any claim, demand and/or cause of action brought by or on behalf of any of its employees, or agents. For this purpose, the Borrower and emergency management agencies, by mutual negotiation, hereby waives, as respects any indemnitee only, any immunity that is otherwise available against such claims under the Industrial Insurance provisions of Title 51 RCW of the State of Washington and similar laws of other states.
- B. **ACTIVITIES IN BAD FAITH, NEGLIGENCE OR BEYOND SCOPE.** Any Signatory Organizations shall not be required under this MAP to indemnify, hold harmless and defend any other Signatory Organization from any claim, loss, harm, liability, damage, cost or expense caused by or resulting from the activities or negligence of any Signatory Organizations officers, employees, or agents acting in bad faith or performing activities beyond the scope of their duties.
- C. **LIABILITY FOR PARTICIPATION.** In the event of any liability, claim, demand, action or proceeding, of whatever kind or nature arising out of rendering of Emergency Assistance through this MAP, the Borrower agrees, to indemnify, hold harmless, and defend, to the fullest extent of the law, each signatory to this MAP, whose only involvement in the transaction or occurrence which is the subject of such claim, action, demand, or other proceeding, is the execution and approval of this MAP.
- D. **DELAY/FAILURE TO RESPOND.** No Signatory Organization shall be liable to another Signatory Organization for, or be considered to be in breach of or default under this

MAP on account of any delay in or failure to perform any obligation under this MAP, except to make payment as specified in this MAP.

- E. **MEDIATION AND ARBITRATION.** If a dispute arises out of or relates to this Contract, or the breach thereof, and if said dispute cannot be settled through direct discussions, the parties agree to first endeavor to settle the dispute in an amicable manner by mediation. Thereafter, any unresolved controversy or claim arising out of or relating to this MAP, or breach thereof, may be settled by arbitration, if they agree to do so, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The parties to this Contract may seek to resolve disputes pursuant to mediation or arbitration, but are not required to do so.
- F. **SIGNATORY ORGANIZATION LITIGATION PROCEDURES.** Each Signatory Organization seeking to be released, indemnified, held harmless or defended under this Article with respect to any claim shall promptly notify the Borrower of such claim and shall not settle such claim without the prior consent of Borrower, which consent shall not be unreasonably withheld. Such Signatory Organization shall have the right to participate in the defense of said claim to the extent of its own interest. Signatory Organization's personnel shall cooperate and participate in legal proceedings if so requested by the Borrower, and/or required by a court of competent jurisdiction.

Article XV – SUBROGATION

- A. **BORROWER'S WAIVER.** Borrower expressly waives any rights of subrogation against the Lender, which it may have on account of, or in connection with, the Lender providing Emergency Assistance to the Borrower under this MAP.
- B. **LENDER'S RESERVATION AND WAIVER.** Lender expressly reserves its right to subrogation against the Borrower to the extent the Lender incurs any self-insured, self-insured retention or deductible loss. The Lender expressly waives its rights to subrogation for all insured losses only to the extent the Lender's insurance policies, then in force, permit such waiver.

Article XVI – WORKER'S COMPENSATION AND EMPLOYEE CLAIMS

Lender's employees, officers or agents, made available to Borrower, shall remain the general employee, officer or agents of Lender while engaged in carrying out duties, functions or activities pursuant to this MAP, and each Signatory Organization shall remain fully responsible as employer for all taxes, assessments, fees, premiums, wages, withholdings, workers' compensation and other direct and indirect compensation, benefits, and related obligations with respect to its own employees. Likewise, each Signatory Organization shall provide worker's compensation in compliance with statutory requirements of the state of residency.

Article XVII – MODIFICATIONS

No provision of this MAP may be modified, altered, or rescinded by any individual Signatory Organization without concurrence of the Signatory Organizations. Modifications to this MAP must be in writing and becomes effective upon approval of the modification by the Signatory

Organizations. Modifications must be signed by an authorized representative of each Signatory Organization.

Article XVIII – NON-EXCLUSIVENESS AND PRIOR MAPS

This MAP shall not supersede any existing mutual aid MAP or MAPs between Signatory Organizations, and as to assistance requested by a party to such mutual MAP within the scope of the mutual aid MAP, such assistance shall be governed by the terms of the mutual aid MAP and not by this MAP.

Article XIX – GOVERNMENTAL AUTHORITY

This MAP is subject to laws, rules, regulations, orders, and other requirements, now or hereafter in effect, of all governmental authorities having jurisdiction over the emergencies covered by this MAP, the Signatory Organization or either of them.

Article XX – NO DEDICATION OF FACILITIES

No undertaking by one Signatory Organization to the other Signatory Organizations under any provision of this MAP shall constitute a dedication of the facilities or assets of such Signatory Organization, or any portion thereof, to the public or to the other Signatory Organization. Nothing in this MAP shall be construed to give a Signatory Organization any right of ownership, possession, use or control of the facilities or assets of the other Signatory Organization.

Article XXI – NO PARTNERSHIP

This MAP shall not be interpreted or construed to create an association, joint venture or partnership among the Signatory Organizations or to impose any partnership obligation or liability upon any Signatory Organization. Further, no Signatory Organization shall have any undertaking for or on behalf of, or to act as or be an agent or representative of, or to otherwise bind any other Signatory Organization.

Article XXII – NO THIRD PARTY BENEFICIARY

Nothing in this MAP shall be construed to create any rights in or duties to any Third Party, nor any liability to or standard of care with reference to any Third Party. This MAP shall not confer any right, or remedy upon any person other than the Signatory Organizations. This MAP shall not release or discharge any obligation or liability of any Third Party to any Signatory Organizations.

Article XXIII – ENTIRE MAP

This MAP constitutes the entire MAP amongst the Signatory Organizations.

Article XXIV – SUCCESSORS AND ASSIGNS

This MAP is not transferable or assignable, in whole or in part, and any Signatory Organization may terminate its participation in this MAP subject to Article V.

Article XXV – GOVERNING LAW

This MAP shall be interpreted, construed, and enforced in accordance with the laws of Washington State.

Article XXVI – VENUE

Any action which may arise out of this MAP shall be brought in Washington State.

Article XXVII – TORT CLAIMS

It is not the intention of this MAP to remove from any of the Signatory Organizations any protection provided by any applicable Tort Claims Act. However, between Borrower and Lender or the Borrower retains full liability to the Lender for any claims brought against the Lender as described in other provisions of this MAP.

Article XXVIII – WAIVER OF RIGHTS

Any waiver at any time by any Signatory Organizations of its rights with respect to a default under this MAP, or with respect to any other matter arising in connection with this MAP, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this MAP. Any delay short of the statutory period of limitations, in asserting or enforcing any right, shall not constitute or be deemed a waiver.

Article XXIX – INVALID PROVISION

The invalidity or unenforceability of any provisions hereof, and this MAP shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

Article XXX – NOTICES

Any notice, demand, information, report, or item otherwise required, authorized, or provided for in this MAP shall be conveyed and facilitated by the Signatory Organizations. Such notices, given in writing, and shall be deemed properly given if (i) delivered personally, (ii) transmitted and received by telephone facsimile device and confirmed by telephone, or (iii) sent by United States Mail, postage prepaid.

Article XXXI – PUBLIC RELATIONS

Each Signatory Organization is responsible for developing and coordinating with other Signatory Organizations and for the media response to the disaster in coordination with other agencies using a Joint Information System (JIS) approach.

**Mutual Aid Plan for Provision of Dialysis Services
Signatory Documentation Sheet**

IN WITNESS WHEREOF, the Signatory Organization hereto has caused this Mutual Aid Plan to be executed by duly authorized representatives as of the date of their signature:

Northwest Kidney Centers

Signed: Mary J. McHugh
 Printed: Mary J. McHugh
 Title: Vice President
 Date: 7/10/18

Puget Sound Kidney Centers

Signed: [Signature]
 Printed: P.S. Kelly
 Title: President & CEO
 Date: 7-10-18

Olympic Peninsula Kidney Center

Signed: Kathrina Russell
 Printed: Kathrina Russell
 Title: Executive Director
 Date: 7/10/2018

Seattle Children's

Signed: Bonnie Fryzlewicz
 Printed: Bonnie Fryzlewicz
 Title: Associate Chief Nurse
 Date: 7-10-18

The document will be reconfirmed as needed

Exhibit 1 – Units and Contacts (updated May 2019)
(refer to Northwest Renal Network for current list of dialysis units)

Northwest Kidney Centers

NKC Auburn Kidney Center	Auburn
NKC Broadway Kidney Center	Seattle
NKC Elliott Bay Kidney Center	Seattle
NKC Enumclaw Kidney Center	Enumclaw
NKC Federal Way East Kidney Center	Federal Way
NKC Federal Way West Kidney Center	Federal Way
NKC Fife Kidney Center	Fife
NKC Kent Kidney Center	Kent
NKC Kirkland Kidney Center	Kirkland
NKC Lake City Kidney Center	Lake Forest Park
NKC Lake Washington Kidney Center	Bellevue
NKC Port Angeles Kidney Center	Port Angeles
NKC Renton Kidney Center	Renton
NKC Scribner Kidney Center	Seattle
NKC SeaTac Kidney Center	SeaTac
NKC Seattle Kidney Center	Seattle
NKC Snoqualmie Ridge Kidney Center	Snoqualmie
NKC West Seattle Kidney Center	Seattle
Primary Contact Name: <u>Administrator on Call</u>	<u>Pager – (206) 969-1249</u>
Secondary Contact Name: <u>Mary McHugh</u>	<u>Cell/text – (206) 390-3158</u>

Puget Sound Kidney Centers

PSKC Anacortes	360-755-3586
PSKC Everett	425-259-5195
PSKC Monroe	360-863-3313
PSKC South (Mountlake Terrace)	425-744-1095
PSKC Smokey Point (Arlington)	360-454-5280
PSKC Whidbey (Oak Harbor)	360-679-6706
Primary Contact Name: <u>Amanda Crain, COO</u>	<u>425-328-6388</u>
Secondary Contact Name: <u>Jon Mass, DTS</u>	<u>425-327-4500</u>

Seattle Children’s

Seattle	(206) 987-3985
Primary Contact Name: <u>Emiliah Kambarami-Sitole</u>	(206) 987-3074
Secondary Contact Name: <u>TBD</u>	

Olympic Peninsula Kidney Center

Clare Avenue	Bremerton
Olympic Peninsula Kidney Center	Bremerton
Olympic Peninsula Kidney Center - North	Poulsbo
Olympic Peninsula Kidney Center - South Kitsap	Port Orchard
Olympic Peninsula Kidney Center - Northwest	Port Townsend
Contact Name: <u>Catina Strode</u>	<u>(317) 506-7399</u>
Contact Name: <u>Pat O’Kane</u>	<u>(360) 813-4350</u>

Exhibit 16
Transfer Agreement

TRANSFER AGREEMENT BETWEEN NORTHWEST KIDNEY CENTERS AND SWEDISH MEDICAL CENTER

This Transfer Agreement ("Agreement") is entered into this 2nd day of October 2013, (the "Effective Date"), between Swedish Medical Center ("SMC") and Northwest Kidney Centers, including the dialysis centers listed in the attached Schedule 1, ("NKC"), the transferring facility. SMC and NKC are sometimes collectively referred to as the "parties."

RECITALS

WHEREAS, the parties desire to enter into this Agreement in order to specify the rights and duties of each of the parties;

WHEREAS, the purpose of this Agreement is to facilitate continuity of patient care and the timely transfer of patients and records between NKC and SMC;

WHEREAS, only a patient's attending physician at NKC can refer patients to SMC;

NOW THEREFORE, in consideration of the promises herein contained and for other good and valuable consideration, the parties agree as follows:

1. SMC Obligations

In accordance with the policies and procedures as hereinafter provided, and upon the recommendation of a NKC attending physician, a patient of NKC may be transferred to SMC.

- a) If a determination is made by the NKC attending physician that a patient requires transfer from NKC to SMC, SMC agrees to admit the patient as promptly as possible, as long as it has the available space, qualified personnel, and appropriate services for the treatment of the patient, and the requirements are met in accordance with Federal and State laws/regulations.
- b) SMC agrees to accept referrals of NKC patients regardless of age, sex, race, national origin, or ability to pay.

2. NKC Obligations

- a) NKC will have the responsibility for transferring the patient and agrees to arrange qualified personnel and equipment as required, including the use of necessary and medically appropriate life support measures, during the transfer.
- b) NKC agrees to provide appropriate documentation and completed forms of clinical care in order to ensure continuity of patient care. This information should include, as needed, appropriate portions of the patient's medical record and relevant transfer forms. This information will be sent at the time of transfer unless doing so would jeopardize the patient; in which case, the documentation will be sent as promptly as

possible after the transfer.

- c) To the extent possible, patients will be stabilized prior to transfer.
- d) All transfers will be done in accordance with Federal and State laws/regulations and in accordance with the standards of The Joint Commission.
- e) NKC will be responsible for the transfer or other appropriate disposition of personal effects, particularly money and valuables and information related to those items.

3. Billing, Payment, and Fees

SMC and NKC each shall be responsible for billing the appropriate payor (s). Charges for services performed by either party shall be collected by the party rendering the service from the patient, third party payor, or other sources normally billed by the party. Neither party shall have any liability to the other for such charges, except to the extent such liability would exist separate from this Agreement. The parties shall cooperate with each other in the exchange of information about financial responsibility for services rendered by them to patients who are transferred to SMC.

4. Indemnification

NKC shall indemnify, hold harmless and defend SMC, its agents and employees from and against any claim, loss damage, cost, expense or liability, including reasonable attorney's fees, arising out of or related to the performance or nonperformance of NKC, its agents and employees or any services to be performed or provide by NKC under this Agreement.

SMC shall indemnify, hold harmless and defend NKC, its agents and employees from and against any claim, loss damage, cost, expense or liability, including reasonable attorney's fees, arising out of or related to the performance or nonperformance of SMC, its agents and employees or any services to be performed or provide by SMC under this Agreement

5. Insurance

The parties shall maintain at their own expense comprehensive general and professional liability insurance and property damage insurance adequate to insure them against risk arising out of this Agreement, with limits no less than those customarily carried by similar facilities. Upon request, both parties shall furnish each other with evidence of such insurance.

6. Medicare and Medicaid Participation

NKC hereby represents and warrants that neither NKC nor its principals (if applicable) are presently debarred, suspended, proposed for debarment, declared ineligible, or excluded from participation in any federally funded health care program, including Medicare and Medicaid. NKC hereby agrees to immediately notify SMC of any threatened, proposed, or actual debarment, suspension, or exclusion from any federally funded health care program, including Medicare and Medicaid. In the event that NKC is debarred, suspended, proposed for debarment, declared ineligible or excluded from participation in any federally funded health care program during the term of this Agreement, or if at any time after the effective date of this Agreement it is determined that NKC is in breach of this Section, this Agreement shall as of the effective date of such action or breach,

automatically terminate. NKC further understands that SMC periodically checks contracted individuals and entities against the Office of the Inspector General (OIG) and General Service Administration (GSA) databases of Excluded Individuals and Entities and will notify NKC if it discovers a match. SMC will take reasonable measures to verify that the match is the same individual or entity before taking any action to terminate any underlying agreement(s).

7. Term

- a) This Agreement shall be effective for an initial one (1) year term from the Effective Date and shall continue in effect indefinitely after such initial term, except that either party may terminate by giving thirty (30) days notice in writing to the other party of its intention to terminate the Agreement.
- b) If either party shall have its license to operate its facility revoked by the State or become ineligible as a provider of service under Medicare or Medicaid laws, this Agreement shall automatically terminate on the date such revocation or ineligibility becomes effective.

8. Miscellaneous

- a) Nothing in this Agreement shall be construed as limiting the rights of either party to contract with any other facility or entity on a limited or general basis.
- b) This Agreement may be modified and amended from time to time by mutual agreement of both parties.
- c) This Agreement may be signed in counterparts.

SIGNATURES:

SWEDISH MEDICAL CENTER

Signed: _____

Name: _____

Title: _____

Date: _____

NORTHWEST KIDNEY CENTERS

Signed: _____

Name: _____

Title: _____

Date: _____

NKC Facilities - Transfer Agreement

NOTES

Dialysis Centers	Address	City	State	ZIP Code	Phone No.	Fax No.	Emergency CELL No	Emergency Land Line	Notes
NKC Auburn Kidney Center	1501 W. Valley Highway, N.	Auburn	WA	98001-1606	253-804-8323	206-292-2708	253-709-9550 & 253-561-1673	253-804-8323	
NKC Bellevue Kidney Center	1474 112th Avenue, NE	Bellevue	WA	98004-3762	425-454-0067	425-451-2501	425-985-9510 & 425-623-5074	425-454-0067	
NKC Broadway Kidney Center	700 Broadway	Seattle	WA	98122-4302	206-292-2708	206-292-2708	206-465-5112 & 206-708-3402	206-292-2705	
NKC Burien Kidney Center	12901 20th Avenue, South	SeaTac	WA	98168	206-923-3562	206-923-3566	206-465-5749 & 206-708-3403	206-923-3562	
NKC Elliott Bay Kidney Center	600 Broadway, Suite 240	Seattle	WA	98122-5371	206-292-2515	206-292-2138	206-465-9110 & 206-708-3422	206-292-2515	
NKC Enumclaw	857 Roosevelt Way, E.	Enumclaw	WA	98022-9239	360-825-2050	360-825-2103	253-397-6506 & 253-397-6046	360-397-2050	
NKC Everett Kidney Center	1010 SE Everett Mall Way, Suite 104	Everett	WA	98208	425-906-5270	425-906-5275	425-903-1640		
NKC Federal Way East Kidney Center	33820 Weyerhaeuser Way, So., Suite 100	Federal Way	WA	98001	253-943-6262	253-943-6272	253-348-3431 & 253-348-3565		
NKC Federal Way West Campus	501 S. 336th Street, Suite 110	Federal Way	WA	98003	253-943-6312	253-943-6322	253-341-6131 & 253-341-6299		
NKC Fife Kidney Center	6021 12th Street, East - Suite 100	Fife	WA	98424	253-943-6335	253-943-6272	253-341-0364 & 253-341-5439		
NKC Kent Panther Lake	20406 108th Avenue, SE	Kent	WA	98031					DOH APPROVED. Facility NOT open.
NKC Kent Kidney Center	25316 74th Avenue, So. - Suite 101	Kent	WA	98032-6022	253-850-6810	253-850-6815	253-508-7140 & 253-397-0131	253-850-6810	
NKC Kirkland Kidney Center	405 Corporate Center Bldg. 11327 NE 120th Street	Kirkland	WA	98034	425-821-8785	206-823-9667	425-985-9556 & 425-809-2271	425-821-8785	
NKC Lake City Kidney Center	14524 Bothell Way, NE	Lake Forest Park	WA	98155-7606	206-365-5543	206-365-5543	206-465-9466 & 206-708-3431	206-365-0775	
NKC Lynnwood Kidney Center	20816 44th Avenue, West - Suite 103	Lynnwood	WA	98036					DOH Application in process - NOT yet approved
NKC Port Angeles Kidney Center	809 Georgiana Street	Port Angeles	WA	98362-3511	360-565-1440	360-565-1440	360-808-3091 & 360-912-1153	360-5651435	
NKC Rainier Beach Kidney Center	4401 S. Trenton Street	Seattle	WA	98118	206-720-8807	206-720-8737	206-584-7295 & 206-584-7382		
NKC Renton Kidney Center	602 Oakesdale Avenue, SW	Renton	WA	98057-5224	425-251-0647	425-251-0713	425-985-9515 & 425-681-3372	425-251-0647	
NKC Scribner Kidney Center	2150 N. 107th, Suite 160	Seattle	WA	98133-5609	206-363-5090	206-363-6146	206-465-7828 & 206-708-3418	206-363-5090	
NKC SeaTac Kidney Center	17900 International Blvd. Suite 301	SeaTac	WA	98188-4232	206-901-8700	206-901-8722	206-465-9325 & 206-708-3427	206-901-8700	
NKC Seattle Kidney Center	548 15th Avenue	Seattle	WA	98122-5609	206-720-3940	206-720-3945	206-465-4955 & 206-708-3394	206-292-2774	
NKC Snoqualmie Ridge Kidney Center	5131 SE Douglas Street - Suite 113	Snoqualmie	WA	98065-9233	425-396-7090	425-396-4328	425-766-7261 & 425-736-3301	425-396-7090	

Exhibit 17
Lease Agreement

~~Exhibit B – First Offer~~

LEASE AGREEMENT

BETWEEN

**JAR Associates, L.L.C.,
a Washington limited liability company**

("Landlord")

and

**Northwest Kidney Centers,
a Washington nonprofit corporation**

("Tenant")

Dated: ~~September~~ ^{October 30th} __, 2020

LEASE AGREEMENT

THIS LEASE ("Lease") dated as of the ___ day of September , 2020, is made by and between JAR Associates, L.L.C., a Washington limited liability company ("Landlord"), and Northwest Kidney Centers, a Washington nonprofit corporation ("Tenant").

ARTICLE 1. - DEFINITIONS

1.1 Defined Terms. The following terms shall have the meanings specified in this Section, unless otherwise specifically provided. Other terms may be defined in other parts of the Lease.

(a) Landlord: JAR Associates, L.L.C.,
a Washington limited liability company

(b) Landlord's Address: JAR Associates, L.L.C.
c/o MJR Development
Attn: Michael J. Raskin
6725 – 116th Avenue SE, Suite 100
Kirkland, WA 98033
Telephone: (425) 822-4466
Facsimile: (425) 822-1626

With a Copy to: John F. Sherwood, Jr.
Peterson Russell Kelly PLLC
1850 Skyline Tower
10900 NE 4th Street
Bellevue, WA 98004-8341
Tel: (425) 462-4700
Dir: (425) 990-4029
Fax: (425) 451-0714

(c) Tenant: Northwest Kidney Centers, a Washington
nonprofit corporation

(d) Tenant's Address: For Notices:
700 Broadway, Seattle WA 98122

Telephone: 206-720-8505
Facsimile: 206-860-5821

- (e) Tenant's Address: For Billing:
PO Box 3037
Seattle, WA 98114

Attn: Cheryl Landis
Telephone: 206-901-8701
Facsimile: 206-901-8724
- (f) Tenant's Use: Kidney dialysis and related services and administrative office use.
- (g) Legal Description: See Exhibit A.
- (h) Building: See Section 2.2.
- (i) Term: 124 Months
- (j) Scheduled Commencement Date: See Section 4.1.

(k) Base Rent:

Base Rent shall be \$19.50/RSF/YR/NNN if Lease Commencement Date is during the first twelve (12) months from Lease execution and \$20.04/RSF/YR/NNN (2.75% increase) if Lease Commencement Date is during Months 13-24 from Lease execution. Base Rent shall increase by 2.75% after every twelve (12) months from Lease execution.

Base Rent shall be abated for four (4) months starting at Lease Commencement Date. Additional Rent as defined in Section 6 shall still be due during this abatement period.

For example, if Lease Commencement started in the 6th month after Lease execution, the Base Rent table would be as follows:

6th Month Commencement Table						
Square Feet	Start Month	End Month	# Months	Base Rate	Increase	Monthly Rent
11,955	1	4	4	\$ -		\$ -
11,955	5	7	3	\$ 19.50		\$ 19,426.88
11,955	8	19	12	\$ 20.04	2.75%	\$ 19,961.12
11,955	20	31	12	\$ 20.59	2.75%	\$ 20,510.05
11,955	32	43	12	\$ 21.15	2.75%	\$ 21,074.08
11,955	44	55	12	\$ 21.74	2.75%	\$ 21,653.62
11,955	56	67	12	\$ 22.33	2.75%	\$ 22,249.09
11,955	68	79	12	\$ 22.95	2.75%	\$ 22,860.94
11,955	80	91	12	\$ 23.58	2.75%	\$ 23,489.62
11,955	92	103	12	\$ 24.23	2.75%	\$ 24,135.58
11,955	104	115	12	\$ 24.89	2.75%	\$ 24,799.31
11,955	116	124	9	\$ 25.58	2.75%	\$ 25,481.29

As a second example, if Lease Commencement started in the 16th month after Lease execution, the Base Rent table would be as follows:

16th Month Commencement Table						
Square Feet	Start Month	End Month	# Months	Base Rate	Increase	Monthly Rent
11,955	1	4	4	\$ -		\$ -
11,955	5	9	5	\$ 20.04		\$ 19,961.12
11,955	10	21	12	\$ 20.59	2.75%	\$ 20,510.05
11,955	22	33	12	\$ 21.15	2.75%	\$ 21,074.08
11,955	34	45	12	\$ 21.74	2.75%	\$ 21,653.62
11,955	46	57	12	\$ 22.33	2.75%	\$ 22,249.09
11,955	58	69	12	\$ 22.95	2.75%	\$ 22,860.94
11,955	70	81	12	\$ 23.58	2.75%	\$ 23,489.62
11,955	82	93	12	\$ 24.23	2.75%	\$ 24,135.58
11,955	94	105	12	\$ 24.89	2.75%	\$ 24,799.31
11,955	106	117	12	\$ 25.58	2.75%	\$ 25,481.29
11,955	118	124	7	\$ 26.28	2.75%	\$ 26,182.03

Note: Landlord and Tenant shall execute an amendment to this lease, within fifteen (15) days of Lease Commencement, which defines the Base Rent table per the examples above.

(l) Broker(s): John Bauer, Ric Brandt and Erik Larson of CBRE, Inc. representing Landlord ("Landlord's Broker").

Larry Blackett and Todd Battison of Kidder Mathews representing Tenant ("Tenant's Broker")

(m) Security Deposit \$35,000, which is the last month's Base Rent plus estimated Operating Expenses.

If the Lease is subsequently terminated by Tenant, the security deposit will be returned in full within 5 business days.

(n) Prepaid Rent \$28,373.20

If the Lease is subsequently terminated by Tenant, the Prepaid Rent will be returned in full within 5 business days.

(o) Termination Option

Tenant shall have the right to terminate the Lease any time following Lease execution but prior to the Commencement Date if the State informs Tenant, formally or informally, that the Certificate of Need will not be issued. (prior to receiving Certificate of Need).

From Lease Execution until Lease Commencement Date or Termination of Lease by Tenant (whichever occurs sooner), Tenant shall make payments to Landlord for consideration of Landlord's commitment of the Premises to Tenant before the Certificate of Need is issued ("Consideration Payments"). Tenant shall not be required to pay any Additional Rent amounts due under the Lease during this period (with the exception of Months 17-24 as noted below), including but not limited to Operating Expenses. The payment schedule for these Consideration Payments shall be as follows:

Months 1-8: \$9.75/SF/YR (50% of initial Base Rent)

Months 9-16: \$19.50/SF/YR (100% of initial Base Rent)

Months 17-24: \$20.04/SF/YR/NNN (100% of the Base Rent for Year 2 plus Operating Expenses)

Any partial month shall be prorated.

(p) Exclusivity

Throughout the Tenant's occupancy, Landlord shall not lease space in the Building or in any building owned by Landlord within 3 miles of the Building to a competing dialysis center, without advance written approval from Tenant.

1.2 Exhibits.

Exhibit A:	Legal Description
Exhibit A-1:	Location of Premises
Exhibit B:	Tenant Improvements
Exhibit C:	Estoppel Certificate
Exhibit D:	Intentionally Deleted

Exhibit E: Rules and Regulations
Exhibit F: Tenant Contractor Site Access Insurance Requirements

ARTICLE 2. - THE PROPERTY AND BUILDING

2.1 The Premises. Landlord leases to Tenant Suite TBD (the Suite number is subject to verification) of the building located at 20816 44th Avenue West, Lynnwood, Washington ("Building") existing on that certain parcel of land described on **Exhibit A** ("Property") and other improvements now or hereafter erected or constructed on or in the portion of the First Floor of the Building, together with appurtenances and the benefits of any appurtenant easements and rights-of-way (all of the foregoing are collectively referred to herein as the "Premises"). As used herein, the Property includes the Building and the Premises, as determined by the context of the reference. The location of the Premises in the Building is shown on **Exhibit A-1**.

2.2 Rentable Area of Building and Premises. The total rentable area of the Building is 59,219 square feet. The parties acknowledge and agree that the rentable area of the Premises is 11,955 square feet. The rentable areas indicated above shall be conclusive for all purposes in this Lease

ARTICLE 3. - IMPROVEMENTS

3.1 Acceptance of the Property. Tenant has had the full and adequate opportunity to inspect the Premises, and the Building. Except for Tenant Improvements described in Sections 3.2 and 3.3, and any latent defects, Tenant accepts the Premises, Building and Property in its current "As-Is" physical condition. Landlord shall have no obligations to make any improvements to the Premises, Building or Property except as set forth herein to the contrary. Landlord shall deliver the Premises to Tenant on the Commencement Date in good and clean condition, with all other Building systems (including electrical, mechanical and plumbing) in good working order, and otherwise in compliance with all applicable laws, codes and regulations including, but not limited to, ADA requirements for office uses.

3.2 Intentionally Deleted.

3.3 Tenant Improvements. Following delivery of the Premises to Tenant in the condition required herein, Tenant shall construct interior improvements appropriate for operation of a kidney dialysis center (the "Tenant Improvements").

3.3.1 Tenant Plans. Tenant has provided to Landlord schematic designs (the "Tenant Plans") for the Tenant Improvements, which are attached to this Lease as **Exhibit B** and have been approved by Landlord. If Tenant elects to make material modifications to Tenant Plans, Tenant shall submit such modification to Landlord for Landlord's approval. If Landlord fails to approve or disapprove such modification with seven (7) days following Tenant request for same, Landlord shall be deemed to have approved such modification. Landlord shall not unreasonably withhold, condition or delay its approval of any modifications to Tenant's Plans that (a) do not alter or materially affect the structural components of the Building or building systems; provided that Landlord

acknowledges and agrees that Tenant is constructing a kidney dialysis center with its own private entrance and installing its own generator, (b) do not alter or materially affect use of the Building by other tenants, (c) are incompatible with, or adversely affect any HVAC, electrical, plumbing and other systems serving other portions of the Building.

3.3.2 Construction Drawings. Following Landlord's approval of the Tenant Plans, Tenant shall submit construction drawings of Tenant Improvements to Landlord for its approval. Landlord shall approve such construction drawings or submit to Tenant in writing any specific objections thereto within fifteen (15) days after the construction drawings are provided to Landlord. If Landlord fails to so respond within such period, Landlord shall be deemed to have approved the construction drawings. Landlord shall not unreasonably withhold, condition or delay its approval of Tenant's construction drawings. Landlord shall not be considered unreasonable in withholding its approval of such construction drawings if they (i) are inconsistent with the approved Tenant Plans, or (ii) do not conform to applicable code requirements.

3.3.3 Contractor. Construction shall be performed by registered contractors selected by Tenant and reasonably approved by Landlord.

3.3.4 Construction of Tenant Improvements. Tenant shall cause its contractor to commence construction of Tenant Improvements following receipt of all permits necessary. All construction shall be performed by or on behalf of Tenant in a good and workmanlike manner and in compliance with all laws.

3.3.5 Intentionally Omitted.

3.3.6 Tenant Improvement Allowance. As part of the consideration to lease the Premises from Landlord, Landlord shall provide Tenant with a "Tenant Improvement Allowance" for the cost of Tenant Improvements in the amount of Five Hundred Thirty Seven Thousand Nine Hundred Seventy Five Dollars (\$537,975.00) (calculated at \$45.00 per square foot of rentable area in the Premises), to be used for any hard or soft costs associated with the construction costs incurred by Tenant in completing Tenant Improvements in the Premises.

3.3.7 Tenant Improvement Costs and Payment. Tenant shall pay for all costs of completing Tenant Improvements that exceed the Tenant Improvement Allowance. Provided that Tenant is not in default and this Lease is in full force and effect, the Tenant Improvement Allowance shall be due and payable to Tenant in a cash payment, commencing on the date that all of the following have been satisfied: (i) Tenant has opened the Premises for business; (ii) the Commencement Date has occurred; and (iii) Tenant has furnished to Landlord the following documents: (A) a copy of the certificate of occupancy for the Premises issued by the appropriate governmental authority; (B) copy of the final lien waivers of the general contractor, and conditional lien waivers for material suppliers and

subcontractors (those whose contracts are for more than \$5,000) for the Tenant Improvements and (c) certificate(s) of insurance as required by Article 7 below.

ARTICLE 4. - TERM

4.1 Term. Unless terminated as provided below, the Term of this Lease shall commence on the earlier of either (a) twenty-four (24) months after mutual execution of this Lease (the "Effective Date") or (b) receipt of Certificate of Need from Snohomish County (the "CON") (the "Commencement Date"). Within ten (10) days of commencement of the Term, Landlord and Tenant shall execute an amendment to this Lease, setting forth a Commencement Date and expiration dates of the Term.

4.2 Termination Option. Notwithstanding the foregoing, Tenant may terminate this Lease upon written notice to Landlord at any time prior to the last day of the twenty-fourth (24th) month following the Effective Date if the State of Washington fails to grant Tenant's request for a CON on terms acceptable to Tenant or notifies Tenant (formally or informally) that the CON will not be issued on terms acceptable to Tenant or the DOH need model exceeds the 20 station capacity the leased space allows. Tenant represents and warrants that (i) the subject CON to be sought by Tenant, if issued, will approve Tenant's operation of a Kidney dialysis center only at the Property, and no other location.

4.3 Extension Option. If, but only if, Tenant is not in default beyond applicable notice and cure periods of any of the terms of this Lease and Tenant gives valid and timely notice of Tenant's exercise of its option to extend the Term of this Lease, then Tenant shall have the right to extend the term of this Lease for three (3) additional period(s) of five (5) year(s) ("Option") commencing on the expiration of the initial Lease Term, upon the same terms and conditions of this Lease, except that Base Rent shall be adjusted as set forth in Section 4.4 and commence on the first day of the Option Term. To exercise the Option, Tenant must give notice to Landlord that Tenant is exercising the Option at least nine (9) months before the Term expires, time being of the essence. The Option will automatically expire if Tenant does not give timely notice of exercise the Option. Upon Tenant giving Landlord timely notice of exercise, the Term of this Lease shall be deemed to be automatically extended to include the Option period on the terms and conditions set forth in this Section 4.3. If Tenant timely exercises the Option, the parties shall execute an amendment to this Lease memorializing the terms of the Option within thirty (30) days after the Base Rent for the Option term is determined under Section 4.4. The parties shall be bound to the Option, notwithstanding any failure to execute such an amendment.

4.4 Base Rent During Option Term.

4.4.1 At least nine (9) months prior to the commencement of the Option Term, Landlord shall provide Tenant with Landlord's determination of the fair market Base Rent for such Option Term, including periodic increases as dictated by the then current commercial leasing market conditions ("Landlord's Determination of Base Rent for Option Term"). Tenant shall be deemed to approve Landlord's determination of Base Rent for Option Term unless Tenant provides notice to Landlord within fifteen (15) days after receipt of such notice from Landlord as to that

Tenant objects to Landlord's Determination of Base Rent for Option Term. In the event Tenant timely objects to Landlord's Determination of Base Rent for Option Term, Landlord and Tenant shall attempt to agree upon Base Rent for the Premises for the Option Term, such Base Rent to be the fair market rental value of the Premises for the Option Term, as defined in Section 4.4.3 below. If the parties are unable to agree upon the Base Rent for the Option Term by the date five (5) months prior to the commencement of the Option Term, then within ten (10) days thereafter each party, at its own cost and by giving notice to the other party, shall appoint a real estate appraiser with at least ten (10) years full-time commercial real estate appraisal experience in the general area in which the Premises are located to appraise and set Base Rent for the Option Term. If a party does not appoint an appraiser within ten (10) days after the other party has given notice of the name of its appraiser, the single appraiser appointed shall be the sole appraiser and shall set Base Rent for the Option Term. If each party shall have so appointed an appraiser, the two appraisers shall meet promptly and attempt to set the Base Rent for the Option Term. If the two (2) appraisers are unable to agree within thirty (30) days after the second appraiser has been appointed, they shall attempt to select a third appraiser meeting the qualifications herein stated within ten (10) days after the last day the two appraisers are given to set Base Rent for the Option Term. If the two appraisers are unable to agree on the third appraiser within such ten (10) day period, then either of the parties to this Lease, by giving five (5) days' notice to the other party, may apply to the then presiding judge of the Superior Court of Snohomish County for the selection of a third appraiser meeting the qualifications stated in this Section. Each of the parties shall bear one-half (1/2) of the cost of appointing the third appraiser and of paying the third appraiser's fee. The third appraiser, however selected, shall be a person who has not previously acted in any capacity for either party.

4.4.2 The fair market Base Rent for the Option Term shall be fixed by the three appraisers in accordance with the following procedures. Each party appointed appraiser shall state, in writing, such appraiser's determination of the Base Rent supported by the reasons therefor and shall make counterpart copies for the other party appointed appraiser and the neutral appraiser. The party appointed appraisers shall arrange for a simultaneous exchange of their proposed fair market Base Rent determinations. The role of the neutral appraiser shall be to select whichever of the two proposed determinations of Base Rent for the Option Term most closely approximates the neutral appraiser's own determination of fair market Base Rent for the Option Term. The neutral appraiser shall have no right to propose a middle ground or any modification of either of the two proposed determinations of fair market Base Rent. The determination of Base Rent for the Option Term which the neutral appraiser chooses as that most closely approximating the neutral appraiser's determination of the fair market Base Rent shall constitute the decision of the appraisers and shall be final and binding upon the parties. The appraisers shall have no power to modify the provisions of this Lease.

4.4.3 For purposes of the appraisal, the Base Rent for the Option Term shall be established as the amount that a ready and willing tenant would pay, as of

the Option Term commencement date, as a base rent for a renewal term for typical [Class A office] space (not medical space) to a ready and willing landlord of premises comparable to the Premises, in terms of size, quality and comparable term, in their then improved state (but excluding fixtures and improvements that Tenant will remove at the end of the Lease Term), in the Lynnwood, Washington market, if such premises were exposed for lease on the open market for a reasonable period of time. The Base Rent for the Option Term shall include periodic increases over the Option Term if dictated by the then current leasing market conditions. In no event shall there be deducted from the Base Rent for the Option Term the value of any concessions, including without limitation, Tenant Improvements, free rent, commissions and/or "down time."

4.4.4 The neutral appraiser's decision shall be made not later than thirty (30) days after the submission by the appraisers of their proposals with respect to the Base Rent for the Option Term. The parties have included these time limits in order to expedite the proceeding, but they are not jurisdictional; and the neutral appraiser may for good cause allow reasonable extensions or delays, which shall not affect the validity of the award. Absent fraud, collusion or willful misconduct by the neutral appraiser, the award shall be final, and judgment may be entered in any court having jurisdiction thereof.

ARTICLE 5. - RENT

5.1 Base Rent. The Base Rent ("Base Rent") shall be as set forth in Section 1.1(k). Commencing on the Commencement Date, the Base Rent shall be paid in advance on the first (1st) day of each and every month during the Term to Landlord at the address set forth in Section 1.1(b) hereof, or at such other place as Landlord may direct in writing, without any prior notice or demand therefor and without any abatement, deduction, offset or setoff whatsoever. If the Term commences on any day other than the first (1st) day of a calendar month and/or ends on any day other than the last day of a calendar month, Base Rent for the fraction(s) of a month at the commencement and/or upon the expiration of the Term shall be prorated based upon the actual number of days in such fractional month(s). Upon the Commencement Date, Tenant shall deposit with Landlord the sum listed in Section 1.1 (n), which sum shall be applied by Landlord to the initial Base Rent and Additional Rent when due.

5.2 Additional Rent. In addition to Base Rent, Tenant shall pay to Landlord all sums of money or other charges required to be paid by the Tenant under this Lease, including but not limited to the Operating Expenses (as defined in Article 6 hereof) (all such sums being herein deemed "Additional Rent"), and whether or not the same are designated "Additional Rent," the same shall be payable in lawful money of the United States of America without deduction, set-off or abatement whatsoever. Any Additional Rent provided for in this Lease shall become due with the next monthly installment of Base Rent unless otherwise provided. The term "Rent," as used in this Lease, shall refer collectively to "Base Rent" and "Additional Rent." Tenant's obligation to pay Additional Rent shall begin on the Commencement Date.

5.3 Late Payment. If any payment of Rent is not received by Landlord within three (3) days after the same is due, Tenant shall pay to Landlord a late payment charge equal to five percent (5%) of the amount of such delinquent payment of Rent in addition to the installment of Rent then owing, regardless of whether a notice of default has been given by Landlord. In addition, Tenant shall pay interest on such late payment and late charge from the due date of the late payment at an interest rate equal to twelve percent (12%) per annum ("Default Rate") until such amounts are paid. Landlord and Tenant recognize that the damages that Landlord will suffer as a result of Tenant's failure to timely pay Rent are difficult or impracticable to ascertain, and agree that said interest and late charge are a reasonable approximation of the damages that Landlord will suffer in the event of Tenant's late payment. This provision shall not relieve Tenant from payment of Rent at the time and in the manner herein specified. Acceptance by Landlord of any such interest and late charge shall not constitute a waiver of Tenant's default with respect to said overdue amount, nor shall it prevent Landlord from exercising any other rights or remedies available to Landlord.

5.4 Security Deposit. Concurrently with Tenant's execution of the Lease, Tenant shall deposit with Landlord the Security Deposit specified in Article 1 of this Lease as security for the full and faithful performance of each and every term, covenant and condition of this Lease. Landlord may use, apply or retain the whole or any part of the Security Deposit as may be reasonably necessary (a) to remedy any Default by Tenant under this Lease, (b) to repair damage to the Premises caused by Tenant, (c) to reimburse Landlord for the payment of any amount which Landlord may reasonably spend or be required to spend by reason of Tenant's Default, and (e) to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's Default. If Tenant faithfully and fully complies with all of the terms, covenants and conditions of this Lease, then within thirty (30) days following the expiration of the Term, the Security Deposit or any balance thereof shall be returned to Tenant, or, at Landlord's option, to the last approved assignee of Tenant's interest under this Lease. Landlord shall not be required to keep the Security Deposit separate from its general funds and Tenant shall not be entitled to any interest on such deposit. If Landlord so uses or applies all or any portion of said deposit, within five (5) days after written demand therefor Tenant shall deposit cash with Landlord in an amount sufficient to restore the Security Deposit to the full extent of the above amount, and Tenant's failure to do so shall be a default under this Lease. In the event Landlord transfers its interest in this Lease, Landlord shall transfer the then remaining amount of the Security Deposit to Landlord's successor in interest, and thereafter Landlord shall have no further liability to Tenant with respect to such Security Deposit.

ARTICLE 6. - ADDITIONAL RENT AND CHARGES

In addition to Base Rent and other sums payable by Tenant under this Lease, Tenant shall pay to Landlord, as Additional Rent, Tenant's share of Operating Expenses (as such term is defined below).

6.1 Tenant's Share. For purposes of this Lease, "Tenant's Share" means the percentage obtained by dividing the Rentable Area of the Premises by the total rentable area of the Building, whether leased or not, in the Building or the Property, as applicable

with respect to any specific Operating Expense, subject to adjustment in the event of changes in Rentable Area of the Property. Notwithstanding the above, Landlord shall have the right, but not the obligation, to equitably adjust Tenant's Share of any specific Operating Expense so as to render such expense payable proportionately by those tenants benefited by the same or otherwise in order to appropriately allocate such Operating Expense to cover the area covered by such Operating Expense. In the event the average occupancy level of the Building for any calendar year was or is not one hundred percent (100%) of full occupancy, then the estimated Operating Expenses and actual Operating Expenses for such year shall be proportionately adjusted by Landlord to reflect those costs which have occurred had the Building and/or Property, as the case may be, been one hundred percent (100%) occupied during such year.

6.2 Estimated Operating Expenses.

6.2.1 Upon the Commencement of the Term, and thereafter prior to the commencement of each calendar year occurring wholly or partially within the Term or as soon as practical thereafter, Landlord shall estimate Tenant's Share of annual Operating Expenses payable by Tenant pursuant to this provision, and Tenant shall pay to Landlord on the first (1st) day of each month in advance, one-twelfth (1/12th) of such estimated amount. In the event that during any calendar year of the Term, Landlord determines that the actual Operating Expenses for such year will exceed the estimated Operating Expenses, Landlord may revise such estimate by written notice to Tenant, and Tenant shall pay to Landlord, concurrently with the regular monthly rent payment next due following the receipt of the revised estimate, an amount equal to the difference between the initial monthly estimate and the revised monthly estimate multiplied by the number of months expired during such calendar year, and shall also pay an amount equal to the revised monthly estimate for the month of such payment. Subsequent installments shall be payable concurrently with the regular monthly Base Rent due for the balance of the calendar year, and shall continue until the next calendar year's estimate is rendered or Landlord next revises its estimate of Operating Expenses, whichever occurs sooner. Tenant shall pay Tenant's Share of Operating Expenses in monthly payments payable on or before the first (1st) day of each month commencing on the Commencement Date.

6.2.2 Within one hundred twenty (120) days following the end of each year or a reasonable time thereafter, Landlord shall provide Tenant with a written statement of Tenant's Share of the actual total Operating Expenses for such year, and there shall be an adjustment made to account for any difference between the actual and the estimated Operating Expenses for the previous year. If Tenant has overpaid the amount of Operating Expenses owing pursuant to this provision, Landlord shall credit such overpayment to Tenant's account or reimburse Tenant if Lease has expired. If Tenant has underpaid the amount of Operating Expenses owing pursuant to this provision, Tenant shall pay the total amount of such deficiency to Landlord as Additional Rent, with the next payment of Base Rent due under this Lease following delivery of written notice of said deficiency from

Landlord to Tenant or, if this Lease has expired, within ten (10) days after receipt of notice from Landlord.

6.2.3 Tenant or its audit representatives shall have the right to inspect and audit Landlord's books and records with respect to this Lease to verify actual Operating Costs. Tenant shall have the right to retain a copy of the audit for its records. If Tenant's audit of the Operating Costs reveals an overcharge of more than five percent (5%), Landlord promptly shall reimburse Tenant for the reasonable costs of the audit. Any overcharge or underpayment of Operating Costs shall be due from one party to the other within thirty (30) days after the amount of the overcharge or underpayment has been fixed. The foregoing rights also shall apply with respect to verification of any amounts charged by Landlord to Tenant for utility costs and real estate taxes.

6.2.4 Landlord shall keep its books of account and records concerning Operating Expenses in compliance with generally accepted accounting principles and retain the same for two (2) years after the calendar year for which they were prepared. Unless Tenant objects in writing regarding specific discrepancies in the Operating Expense calculations for any calendar year within one hundred eighty (180) days after receipt of Landlord's final calculations for such calendar year, both Landlord and Tenant shall be deemed to have approved the same and to have waived the right to object to such calculations.

6.3 Operating Expenses Inclusions. For purposes of this Lease, "Operating Expenses" means the total of all expenses and costs which are typically passed through to tenants and in accordance with generally accepted real estate accounting practices incurred by Landlord in connection with the ownership, operation, management, maintenance, repair and replacement of the Property, including, but in no way limited to, the following:

6.3.1 The costs of operating, maintaining, repairing and the Property, including but not limited to: gardening and landscaping; painting; lighting; sanitary control; personal property taxes; public liability insurance, property damage insurance and other insurance maintained by landlord pursuant to Section 7.1 (with commercially reasonable deductibles); utilities for the Building; sweeping; removal of snow and ice, trash, rubbish, garbage and other refuse; repairing, re-striping and resurfacing of common area parking area; and maintenance of and property taxes on personal property, machinery and equipment used in maintenance of the Property.

6.3.2 All Real Property Taxes (as defined below) assessed against the Property, including land, the Building and improvements thereon or thereto.

6.3.3 [Intentionally Deleted.]

6.3.4 The costs of routine maintenance of non-structural portions of the roof, roof membrane, exterior walls and other exterior portions of the Building and any other portions of the Property.

6.3.5 The cost of operating, maintaining, and repairing any electrical, mechanical, automatic fire sprinkler and other utilities systems serving the Property which serve the Property.

6.3.6 Reasonable property management charges (not to exceed five percent (5%) per annum), together with the costs incurred in the operation of an off-site management office relating to the Property, including, but not limited to, the cost of rent and utilities with respect thereto.

6.3.7 Costs of replacements and improvements which are reasonably anticipated to reduce Operating Costs, and/or which are required by law or governmental regulation enacted after the date of this Lease, which are of a capital nature (as determined by GAAP accounting) provided such costs are amortized over the useful life thereof.

6.3.8 Assessments made on or with respect to the Property made pursuant to any Local Improvement District conditions affecting the Property, or any portion thereof.

6.3.9 Minor Capital Replacements, which for purposes of this Lease means the replacement any item described in either Section 6.3.4 or 6.3.5, or components of any such item, which costs less than five thousand Dollars (\$5,000).

6.3.10 Compensation (including wages and employer paid benefits and taxes) of employees and contractors engaged in the operation and maintenance of the Property.

6.4 Operating Expense Exclusions. Notwithstanding Section 6.2, Operating Expenses to be reimbursed by Tenant shall not include the following:

6.4.1 Expenses that are separately metered or calculated for the Property, as the case may be, which expenses shall be billed separately to Tenant.

6.4.2 Capital costs (except as explicitly permitted under 6.3.7 above) or depreciation.

6.4.3 Costs, fines or penalties incurred due to violation by Landlord of any applicable law.

6.4.4 Interest on debt or capital retirement of debt, and costs of capital improvements except as expressly provided above.

6.4.5 Costs incurred due to the gross negligence of Landlord or breach by Landlord of its obligations under any lease.

6.4.6 Repairs and restoration paid for by the proceeds of any insurance policies or amounts otherwise reimbursed to Landlord or paid by any other source (other than by tenants paying their share of Operating Expenses).

6.4.7 Principal, interest, and other costs directly related to financing the Property, or ground lease rental.

6.4.8 The costs of repair of casualty damage or for restoration following condemnation.

6.4.9 The legal fees and related expenses and legal costs incurred by Landlord (together with any damages awarded against Landlord) due to the violation by Landlord or any tenant of the terms and conditions of any lease of space on the Property or any dispute with any tenant or enforcement of the provisions of any lease or occupancy agreement.

6.4.10 Any costs or expenses (including attorneys' fees) in connection with the negotiation and preparation of letters of intent, leases, subleases and/or assignments; space planning costs; advertising or leasing commissions and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Property, or any possible sale or financing related to the Property.

6.4.11 The amount paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in the Property to the extent the same exceeds the costs of such goods and/or services rendered by qualified, unaffiliated third parties on a competitive basis.

6.4.12 The costs arising from Landlord's charitable or political contributions.

6.4.13 Any interest, late charges or penalties resulting from Landlord's failure to pay any items of Operating Expense when due.

6.4.14 The Landlord's general corporate overhead and general and administrative expenses, costs of entertainment, dining, automobiles or travel for Landlord's employees, and costs associated with the operation of the business of the partnership or entity which constitutes Landlord as the same are distinguished from the costs of the operation of the Property, including partnership accounting and legal matters; costs of defending any lawsuits with any mortgagee, costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Property; costs of any disputes between Landlord and its employees

(if any) not engaged in the operation of the Property, disputes of Landlord with management, or outside fees paid in connection with disputes with other Property tenants or occupants.

6.4.15 The costs arising from the gross negligence or willful misconduct of Landlord.

6.4.16 The management office rental to the extent such rental exceeds the fair market rental for such space.

6.4.17 The costs of correction of latent defects in the Property or the Building including but not limited to any replacement or repair of exterior Building windows or flashings associated therewith.

6.4.18 Any costs incurred primarily for the benefit of portions of the Property not devoted to Tenant or office users, such as retail, day care or residential space.

6.4.19 Costs of renovating the Property or otherwise improving or decorating space for any tenant or other occupant of the Property, including Tenant, or relocating any tenant.

6.4.20 Wages, bonuses, payroll taxes and health benefits and other compensation of employees above the grade of building manager.

6.4.21 Increased insurance premiums or real estate taxes relating to any other tenant in the Property to the extent Tenant is required to pay such charges based on its use of or improvements in the Premises.

6.4.22 Charges or costs to the extent Tenant is obligated to pay the same directly pursuant to other provisions of this Lease, or any other tenant, occupant, person or other party directly reimburses Landlord (other than as an Operating Expense or on the basis of its proportionate share thereof).

6.4.23 Costs arising from remediation of Hazardous Substances.

Additional Rent payable by Tenant which would not otherwise be due until after the date of the expiration or earlier termination of the Lease shall, if the exact amount is uncertain at the time this Lease expires or terminates, be paid by Tenant to Landlord upon such expiration or termination in an amount to be reasonably determined by Landlord, with an adjustment to be made once the exact amount is known.

6.5 Real Property Taxes. For purposes of this Lease, "Real Property Taxes" shall consist of all real estate taxes and all other taxes relating to the Property, all other taxes which may be levied in lieu of real estate taxes, all assessments, local improvement districts, assessment bonds, levies, fees and other governmental charges, including, but not limited to, charges for traffic facilities and improvements, water service studies, and

improvements or amounts necessary to be expended because of governmental orders, whether general or special, ordinary or extraordinary, unforeseen as well as foreseen, of any kind and nature for public improvements, services, benefits, or any other purpose, which are assessed, levied, confirmed, imposed or become a lien upon the Property that become payable during the Term (or which become payable after the expiration or earlier termination hereof and are attributable in whole or in part to any period during the Term hereof), together with all costs and expenses incurred by Landlord in successfully contesting, resisting or appealing any such taxes, rates, duties, levies or assessments. "Real Property Taxes" shall exclude any franchise, transfer, B&O estate, inheritance or succession tax, or any federal or state income, profits or revenue tax or charge upon the net income of Landlord from all sources; provided, however, that if at any time during the Term there is levied or assessed against Landlord a federal, state or local tax or excise tax on rent, or any other tax however described on account of rent or gross receipts or any portion thereof, Tenant shall pay one hundred percent (100%) of any said tax or excise applicable to Tenant's Rent as Additional Rent. Notwithstanding the foregoing, to the extent that the Premises are exempted from property taxes by reason of Tenant's status as a tax-exempt entity as further described below, and Landlord is levied or assessed a property tax that Tenant is exempt from on any portion of the Property other than the Premises, such property taxes shall be exempted from the definition of "Real Property Taxes" hereunder, and Tenant shall have no obligation to pay all or any portion thereof.

6.6 Real Property Tax Exemption. As a non-profit corporation organized under the laws of the State of Washington, the Premises leased by Tenant may be exempt from the payment of Real Property Taxes, personal property taxes, and other taxes due to Tenant's occupancy or possession thereof under applicable state law. Therefore, Tenant shall have the right to undertake all activities reasonably required to secure any applicable exemption from such taxes available to Tenant or the Property due to Tenant's tax-exempt status. Landlord agrees that the benefit of any exemptions so obtained by Tenant shall inure solely to Tenant. To the extent Tenant obtains such an exemption, Tenant shall not be liable for payment to Landlord of any additional sum for Real Property Taxes, but shall remain liable for payment of other taxes due hereunder for which Tenant has not received an exemption. Tenant shall be solely responsible for obtaining any such desired exemption. Landlord, at Tenant's sole cost and expense, shall use commercially reasonable efforts to cooperate in obtaining any exemption from Real Property Taxes for Tenant.

6.7 Tenant's Personal Property Taxes. Tenant shall pay or cause to be paid, prior to delinquency, any and all taxes and assessments levied upon all trade fixtures, inventories and other real or personal property placed or installed in and upon the Property by Tenant. If any such taxes on Tenant's personal property or trade fixtures are levied against Landlord or Landlord's property, or if the assessed value of the Property is increased by the inclusion therein of a value placed upon such real or personal property or trade fixtures of Tenant, and if Landlord pays the taxes based upon such increased assessment, Tenant shall, upon demand, repay to Landlord the taxes so levied or the portion of such taxes resulting from such increase in the assessment.

ARTICLE 7. - INSURANCE

7.1 Landlord's Insurance. During the Term, Landlord shall procure and maintain in full force and effect with respect to the Property (a) a policy or policies of property insurance (including, to the extent required, sprinkler leakage, vandalism and malicious mischief coverage, and any other endorsements required by the holder of any mortgagees or the beneficiary of any first trust deed against the Property and earthquake, flood and terrorism insurance to the extent Landlord reasonably deems prudent and/or to the extent required by any mortgagee) for the full replacement cost of the Property and the Building; and (b) a policy of commercial liability insurance, in the form and content acceptable to Landlord, insuring Landlord's activities with respect to the Property for loss, damage or liability for personal injury or death of any person or loss or damage to property occurring in, upon or about the Property in amounts typically carried by landlords with similar assets leased for similar uses. If the annual premiums charged to Landlord for such casualty and/or liability insurance exceed the standard premium rates because the nature of Tenant's operations results in increased exposure, then Tenant shall, upon receipt of appropriate premium invoices, reimburse Landlord for such increased amount. Landlord shall have the right, at its option, to keep and maintain in full force and effect during the Term such other insurance in such amounts and on such terms as Landlord and/or any mortgagees or the beneficiary of any first trust deed against the Property, may require from time to time in form, in amounts and for insurance risks against which a prudent Landlord would protect itself, including but not limited to rental abatement, rental interruption, earthquake, flood and terrorism insurance.

7.2 Tenant's Public Liability. Tenant shall, at its own cost and expense, keep and maintain in full force during the Term and any other period of occupancy of the Premises by Tenant, a policy or policies of commercial liability insurance, written by a reputable insurance company authorized to do business in the State of Washington in form and content acceptable to Landlord insuring Tenant's activities in or about the Property and Premises for loss, damage or liability for personal injury or death of any person or loss or damage to property occurring in, upon or about the Property or Premises in an amount of not less than Three Million Dollars (\$3,000,000) combined single limit or such larger amounts as may hereafter be reasonably requested by Landlord. The policy shall insure the hazards of the Premises and Tenant's operations therein, shall include independent contractor and contractual liability coverage (covering the indemnity contained in Section 7.8 hereof) and shall (a) name Landlord, Landlord's managing agent and the Landlord's mortgagee under a mortgage or beneficiary under a deed of trust having a lien against the Property (the "Lender") as an additional insured; (b) contain a cross-liability provision and; (c) contain a provision that the insurance provided hereunder shall be primary and non-contributing with any other insurance available to Landlord. Tenant shall provide to Landlord in addition to any Certificate of Liability and Evidence of Property Insurance Certificate issued by its agent, a true and correct copy of its actual policy and the specific endorsement naming Landlord, its managing agent and its mortgagee additional insureds.

7.3 Tenant's Property and Other Insurance. Tenant shall, at its own cost and expense, keep and maintain in full force during the Term and any other period of occupancy

of the Premises, a policy or policies of standard form property insurance insuring against the perils of fire, extended coverage, vandalism, malicious mischief, special extended coverage and sprinkler leakage. This insurance policy shall be upon all personal property owned by Tenant, or alterations installed by Tenant (including all Tenant Improvements), and which is located in or on the Premises or Building, including without limitation, furniture, fittings, installations, cabling, fixtures (other than the improvements installed by Landlord), and any other personal property, in the amount of not less than one hundred percent (100%) of the full replacement costs thereof. This insurance policy shall also insure direct or indirect loss of Tenant's earning attributable to Tenant's inability to use fully or obtain access to the Property. The policy shall insure the hazards of the Property and Tenant's operations therein, shall include independent contractor and contractual liability coverage (covering the indemnity contained in Section 7.8 hereof) and shall (a) name Landlord, Landlord's managing agent and the Landlord's mortgagee under a mortgage or beneficiary under a deed of trust either having a lien against the Property (the "Lender") as a loss payee; (b) contain a cross-liability provision and; (c) contain a provision that the insurance provided hereunder shall be primary and non-contributing with any other insurance available to Landlord. Tenant shall provide to Landlord in addition to any Certificate of Liability and Evidence of Property Insurance Certificate issued by its agent, a true and correct copy of its actual policy and the specific endorsement naming Landlord, its managing agent and its mortgagee additional insureds.

7.4 Form of Insurance/Certificates. All policies shall be written in a form satisfactory to Landlord and shall be taken out with insurance companies licensed in the state in which the Building is located and holding a General Policy Holder's Rating of "A" and a financial rating of "X" or better, as set forth in the most current issues of *Best's Insurance Guide*. Tenant shall furnish to Landlord, prior to Tenant's entry onto the Property and thereafter within thirty (30) days prior to the expiration of each such policy, a Certificate of Insurance (or renewal thereof) and Evidence of Property Insurance Certificate issued by the insurance carrier of each policy of insurance carried by Tenant pursuant hereto and a copy of each such policy of insurance as noted above, including the endorsements referenced in Sections 7.2 and 7.3 above. Said certificates and policies shall expressly provide that such policies shall not be cancelable or subject to reduction of coverage below the minimum amounts required by this Lease or required by any lender having an interest in the Property or otherwise be subject to modification except after thirty (30) days' prior written notice to the parties named as insured in Sections 7.2 and 7.3.

7.5 Tenant's Failure. If Tenant fails to maintain any insurance required in the Lease, Tenant shall be liable for any loss or cost resulting from said failure, and Landlord shall have the right following notice to Tenant to obtain such insurance on Tenant's behalf and at Tenant's sole expense. This Section 7.5 shall not be deemed to be a waiver of any of Landlord's rights and remedies under any other section of this Lease. If Landlord obtains any insurance which is Tenant's responsibility to obtain under this Article 7, Landlord shall deliver to Tenant a written statement setting forth the cost of any such insurance and showing in reasonable detail the manner in which it has been computed, and Tenant shall promptly remit said amount as Additional Rent to Landlord.

7.6 Waiver of Subrogation. Any all-risk policy or policies of fire, extended coverage or similar casualty insurance which either party obtains in connection with the Property or Tenant's personal property therein shall include a clause or endorsement denying the insurer any rights of subrogation against the other party to the extent rights have been waived by the insured prior to the occurrence of injury or loss. Landlord and Tenant waive any rights of recovery against the other for liability, injury or loss due to hazards covered by insurance containing such a waiver of subrogation clause or endorsement to the extent of the liability, injury or loss covered thereby.

7.7 Tenant's Properties and Fixtures. Tenant assumes the risk of damage to any furniture, equipment, machinery, goods, supplies or fixtures which are or remain the property of Tenant or as to which Tenant retains the right of removal from the Premises, except to the extent due to the gross negligence or willful misconduct of Landlord. Tenant shall not do or keep anything in or about the Premises (except those things Tenant presently does and keeps in connection with the uses set forth in Section 10.1) which will in any way tend to increase insurance rates paid by Landlord and maintained with respect to the Property unless Tenant pays directly to Landlord the increased cost of the premiums. In no event shall Tenant carry on any activities that would invalidate any insurance coverage maintained by Landlord. If at any time Tenant's occupancy or business in or on the Premises, whether or not Landlord has consented to the same, results in any increase in premiums for the insurance carried by Landlord with respect to the Property, Tenant shall pay any such increase in premiums as Additional Rent within ten (10) days after being billed by Landlord. In determining whether increased premiums are a result of Tenant's use of the Premises, a schedule issued by the organization computing the insurance rate on the Property showing the various components of such rate shall be conclusive evidence of the several items and charges which make up such rate. Tenant shall promptly comply with all reasonable requirements of the insurance underwriters and/or any governmental authority having jurisdiction, necessary for the maintenance of reasonable fire and extended insurance for the Premises.

7.8 Indemnification.

7.8.1 Subject to both Section 7.6 above and Section 7.8.5 below, Tenant, as a material part of the consideration to be rendered to Landlord, hereby indemnifies and agrees to defend and hold Landlord, harmless for, from and against (a) any and all liability, penalties, losses, damages, costs and expenses, demands, causes of action, claims, judgments or appeals arising from any injury to any person or persons or any damage to any property to the extent caused by Tenant's or Tenants' officers, employees, agents, assignees, subtenants, licensees, or contractors use, maintenance, occupation, operation or control of the Property during the Term, or resulting from any breach or default in the performance of any obligation to be performed by Tenant hereunder or for which Tenant is responsible under the terms of the Lease, or to the extent arising from any negligence or misconduct of Tenant or any of Tenant's officers, employees, agents, servants, subtenants, licensees, or contractors in or about the Property except and to the extent as may arise out of the gross negligence or willful misconduct of Landlord and/or its agents, officers, licensees, employees or contractors.

7.8.2 Except and to the extent as may arise out of the gross negligence or willful misconduct of Landlord and/or its agents, officers, licensees, employees or contractors, in no event shall Landlord, its agents, employees and/or contractors be liable for any personal injury or death or property damage caused by persons in or about the Property, or caused by public or quasi-public work, arising out of any loss of the use of the Property or any equipment or facilities therein by Tenant or any person claiming through or under Tenant.

7.8.3 TENANT HEREBY WAIVES AND AGREES THAT IT WILL NOT ASSERT ANY INDUSTRIAL INSURANCE IMMUNITY IF SUCH ASSERTION WOULD BE INCONSISTENT WITH THE RIGHT OF LANDLORD TO INDEMNIFICATION PURSUANT TO THIS ARTICLE 7. THE PARTIES AGREE THAT THIS PROVISION WAS MUTUALLY NEGOTIATED AND RELATES ONLY TO A WAIVER OF IMMUNITY WITH RESPECT TO THE TENANT AND NO THIRD PARTY, INCLUDING BUT NOT LIMITED TO, ANY INJURED EMPLOYEE OF EITHER PARTY, SHALL BE A THIRD-PARTY BENEFICIARY OF THIS PROVISION

7.8.4 Subject to both Sections 7.6 above and 7.8.5 below, Landlord, as a material part of the consideration to be rendered to Tenant, hereby indemnifies and agrees to defend and hold Tenant, harmless for, from and against (a) any and all liability, penalties, losses, damages, costs and expenses, demands, causes of action, claims, judgments or appeals arising from any injury to any person or persons or any damage to any property to the extent caused by Landlord or Landlord's officers, employees, agents, assignees, or contractors use, maintenance, occupation, operation or control of the Property, or resulting from any breach or default in the performance of any obligation to be performed by Landlord hereunder or for which Landlord is responsible under the terms of the Lease, or to the extent arising from any negligence or misconduct of Landlord or any of Landlord's officers, employees, agents, servants, subtenants, licensees, or contractors in or about the Property except and to the extent as may arise out of the negligence or willful misconduct of Tenant and/or its agents, officers, licensees, employees or contractors.

7.8.5. In the event of concurrent negligence of Tenant, or its authorized representatives or agents, on the one hand, and that of Landlord, or its authorized representatives or agents, on the other hand, which concurrent negligence results in damage to any persons or property occurring in, on or about the Premises or Property, either party's obligation to indemnify the other party as set forth in Article 7 shall be limited to the extent of the negligence of the indemnifying party.

7.8.6 No Consequential Damages. Notwithstanding any other provision of this Section 7.8 and/or this Lease, in no event shall either Landlord or Tenant be liable to the other for any consequential damages.

7.9 Damage to Tenant's Property. Notwithstanding the provisions of Section 7.8 to the contrary, except to the extent due to the gross negligence or willful misconduct of

Landlord, its agents, employees and/or contractors shall not be liable for (a) loss or damage to any property by theft or otherwise, or (b) any injury or damage to persons or property resulting from fire, explosion, falling substances or materials, steam, gas, electricity, ice, snow, water or rain which may leak from any part of the Property or from the pipes, appliances or plumbing work therein, or from the roof, street or subsurface, or from any other place or resulting from dampness, freezing and thawing or any other cause, except to the extent Landlord receives consideration or payment for such damage or injury from a third party (which shall include, but not be limited to insurance proceeds). Tenant shall give prompt notice to Landlord and appropriate emergency response officials if Tenant is or becomes aware of fire or accidents in the Property or of defects therein in the fixtures or equipment.

ARTICLE 8. - REPAIRS AND MAINTENANCE

8.1 Landlord Repairs and Maintenance. Subject to Landlord's right to reimbursement from Tenant pursuant to Article 6 and Section 8.3, Landlord shall, at its expense, maintain in good condition and repair (commensurate with other high quality office multi-tenant office facilities in Lynnwood) both (a) the Building including, without limitation, the foundation, roof and membrane, the exterior of the Building, and utilities to their point of connection to the Building; and (b) all portions of the Property other than the Building, including, but not limited to, parking areas, landscaping and irrigation equipment. Landlord shall not be liable for any failure to make any repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need for such repairs or maintenance is given to Landlord by Tenant. There shall be no abatement of Rent and, except for the gross negligence or willful misconduct of Landlord or its employees, no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvement in or to any portion of the Property or in or to fixtures, appurtenances and equipment therein; provided, that Landlord, its employees, agents and contractors use reasonable efforts not to unreasonably interfere with Tenant's business and use and access to the Premises in exercise of Landlord's rights or obligations hereunder. Except as may otherwise be expressly set forth in this Lease, Tenant affirms that (a) neither Landlord nor any agent, employee or officer of Landlord has made any representation regarding the condition of the Property, and (b) Landlord shall not be obligated to undertake any repair, alteration, remodel, improvement, painting or decorating.

8.2 Utilities and Services. Subject to reimbursement pursuant to Article 6 and Section 8.3, Landlord shall furnish or cause to be furnished to the Premises hot and cold potable water, electricity, HVAC, sewage and telephone. Landlord shall provide all standard building services twenty-four (24) hours per day, three hundred sixty-five (365) days per year. Landlord intends to separately meter electricity and water. Landlord may charge Tenant, without markup, the actual costs of HVAC provided to the Premises outside of normal building business hours, provided Tenant shall only be required to pay for such after-hour service provided to the Premises and not to any other portion of the Building which may share the HVAC. Tenant shall pay before delinquency, at its sole cost and expense, all charges for water, heat, electricity, power, telephone service, sewer service charges and other utilities or services charged or attributable to the Premises; provided,

however, that if any such services or utilities shall be billed to Landlord and are not separately billed to the Premises, Tenant shall pay all such expenses to Landlord as Additional Rent.

8.3 Tenant Repairs and Maintenance. Except as provided in Section 8.1 above, Tenant shall, at Tenant's sole cost and expense, keep and maintain in good repair and in a clean and safe condition the entire interior of the Premises, including but not by way of limitation, all Tenant Improvements or alterations made by or for Tenant, all interior walls, doors, ceiling, fixtures, furnishings, drapes, specialty lamps, light bulbs, starters and ballasts, sub-floors, carpets and floor coverings, as well as any HVAC and other utility and mechanical systems (a) serving only the Premises and (b) located exclusively within the Premises. For avoidance of doubt, Tenant shall be solely responsible to maintain and repair all improvements or alterations to the Premises or Building made by or for Tenant including the Tenant Improvements, Tenants private entrance, and Tenant's exterior signs, together with any improvements, systems, fixtures located outside of the Premises that may be installed by Tenant as part of the Tenant Improvements. In addition, if any repair or maintenance is necessary under Section 8.1 as a result of an act or omission of Tenant or its agents, employees or contractors, and Landlord performs such maintenance and repair, Tenant shall reimburse Landlord for the entire cost of any such repair or maintenance immediately upon written demand. Upon expiration or earlier termination of the Term, Tenant shall surrender the Premises to Landlord in good condition, except for reasonable wear and tear and damage by fire or other casualty not required to be repaired by Tenant pursuant to this Lease.

8.4 Non-liability of Landlord. Notwithstanding anything to the contrary contained in Sections 8.1 or 8.2 above or elsewhere in this Lease, Landlord shall not be in default hereunder or be liable for any damages directly or indirectly resulting from, nor shall the Rent herein reserved be abated or rebated by reason of (a) the interruption or curtailment of the use of the Property as a result of the installation of any equipment in connection with the Property; or (b) any failure to furnish or delay in furnishing any services required to be provided by Landlord, or (c) the limitation, curtailment, rationing or restriction of the use of water or electricity, gas or any other form of energy or any other service or utility whatsoever serving the Property, unless and to the extent such failure, delay, interruption, curtailment, rationing or restriction is caused by accident or any condition created by Landlord or Landlord's its agents, employees and/or contractors negligence or willful misconduct

8.5 Inspection of Premises. Landlord may enter the Premises upon no less than twenty-four (24) hours advance notice to complete construction reasonably undertaken by Landlord; to inspect, clean, improve or repair the same (but only to the extent permitted under this Lease); to inspect the performance by Tenant of the terms and conditions hereof; to show the Property to prospective purchasers, tenants (within last 6 months of the Term) and lenders; and for all other purposes permitted under this Lease. In all events Landlord shall use reasonable efforts not to interfere with Tenant's use, access or business in and to the Premises in exercise of Landlord's rights hereunder. Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises and any other loss in, upon or

about the Property, arising from exercise by Landlord of its rights hereunder except as otherwise provided in Article 11 hereof.

8.6 Confidentiality of Medical Records. Landlord acknowledges that as a provider of medical and healthcare related services, Tenant is subject to various laws and regulations, including without limitation the Health Insurance Portability and Accountability Act ("HIPAA"), which require Tenant to take reasonable steps to maintain the confidentiality of its customers and other information respecting business conducted in the Premises. During the Term, all health care, medical and patient or customer information within the Premises (if any) is considered confidential by Tenant and shall not be inspected, reproduced or otherwise removed from the Premises by Landlord. Tenant shall adopt protocols and guidelines for any entry to the Premises by Landlord, its contractors and agents for any purpose (including, but not limited to emergencies, casualty events, inspection of the Building and Premises, performance of any maintenance or repair work in the Building and/or Premises) (each a "Landlord Entry") as Tenant determines are necessary to safeguard patient confidentiality, prevent use or disclosure of Protected Health Information (as defined under HIPAA) and otherwise necessary to comply with all applicable Health Care Laws. Tenant shall be solely responsible to develop, implement and enforce such protocols and otherwise provide security systems so as to protect all Protected Health Information and maintain patient confidentiality as required under any Health Care Law in connection with any Landlord Entry. Although Landlord will use its best efforts to comply with any reasonable protocols or guidelines provided by Tenant with respect to any Landlord Entry, Landlord shall not be responsible or have any liability to Tenant for any violation of any Health Care Laws occurring in connection with any Landlord Entry. Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy, any damages suffered by Tenant (including fines and penalties) or quiet enjoyment of the Building and Premises, arising from exercise by Landlord of its rights hereunder. Landlord agrees to hold strictly confidential all individually identifiable patient health information ("Protected Health Information" or "PHI") that may be shared, transferred, transmitted, or otherwise obtained by Landlord or which may be encountered in the course of Landlord's performance under this Lease.

ARTICLE 9. - FIXTURES, PERSONAL PROPERTY AND ALTERATIONS

9.1 Fixtures and Personal Property. Tenant, at Tenant's expense, may install any necessary trade fixtures, equipment and furniture in the Premises, provided that Tenant repair any damage caused by installation or removal of same. Said trade fixtures, equipment, furniture and personal property shall remain Tenant's property and shall be maintained in good condition while on the Property and removed by Tenant upon the expiration or earlier termination of the Lease. As a covenant which shall survive the expiration or earlier termination of the Lease, Tenant shall repair at Tenant's sole expense, (or at Landlord's election, reimburse Landlord for the cost to repair) all damage caused by the installation or removal of said trade fixtures, equipment, furniture, personal property or temporary improvements. If Tenant fails to remove the foregoing items prior to or upon the expiration or earlier termination of this Lease, Landlord, at its option and without liability to Tenant for loss thereof, may keep and use them or remove any or all of them and cause

them to be stored or sold in accordance with applicable law; and Tenant shall, upon demand of Landlord, pay to Landlord as Additional Rent hereunder all costs and expenses incurred by Landlord in so storing and/or selling said items. In the event any such fixtures, equipment and/or furniture of Tenant are sold by Landlord, the proceeds of such sale shall be applied first, to all expenses of Landlord incurred in connection with storage and sale, second, to any amounts owed by Tenant to Landlord under this Lease or otherwise, and third, the remainder, if any, shall be paid to Tenant.

9.2 Alterations. Tenant shall not make or allow to be made any material alterations, additions or improvements to the Premises costing in excess of Twenty-five Thousand Dollars (\$25,000) individually or in the aggregate with respect to separate items relating to the same improvement or alteration or any alterations, additions or improvements that affect the structure or exterior of the Building or any building, mechanical, electrical or life safety system (each an "Alteration"), either at the inception of the Lease or subsequently during the Term, without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed; provided, that Landlord may withhold Landlord's consent, in its sole reasonable discretion, with respect to any Alteration that affects the structure or exterior of the Building or any building, mechanical, electrical or life safety systems. Notwithstanding the foregoing, this Section 9.2 shall not apply to the Tenant Improvements. Tenant shall deliver to Landlord the contractor's name, references and state license number, a certificate of liability insurance naming Landlord as an additional insured, as well as full and complete plans and specifications of all such Alterations, and any subsequent modifications or additions to such plans and specifications; and no proposed work shall be commenced or continued by Tenant until Landlord has received and given its written approval of each of the foregoing. Except for Tenant Improvements, Landlord shall either approve or disapprove any proposed Alteration on or before thirty (30) days following receipt of all of the foregoing items. If Landlord fails to approve or disapprove within such thirty (30) day period, Landlord shall be deemed to have approved such Alterations. Landlord does not expressly or implicitly covenant or warrant that any plans or specifications submitted by Tenant are accurate, safe or sufficient or that the same comply with any applicable laws, ordinances, building codes, or the like. Further, Tenant shall indemnify, protect, defend and hold Landlord and Landlord's agents, employees and contractors harmless for, from and against any loss, damage, liability, claims, cost or expense, including attorneys' fees and costs, incurred as a result of any defects in design, materials or workmanship resulting from Tenant's Alterations to the Premises. All Alterations, including without limitation telephone or telecommunications lines, cables, conduits and equipment and all other additions or improvements to the Premises made by Tenant shall remain the property of Tenant until termination of the Lease, at which time they shall, unless otherwise elected by Landlord by written notice to Tenant at the time Tenant requested consent for same, be and become the property of Landlord. Landlord may, as a condition to approval of any such Alterations, require Tenant to remove any partitions, counters, railings, telephone and telecommunications lines, cables, conduits and equipment and/or other improvements installed by Tenant during the Term; and Tenant shall repair all damage resulting from such removal or, at Landlord's option, shall pay to Landlord all costs arising from such removal. All Alterations and other repairs, additions and restorations by Tenant hereinafter required or permitted shall be done in a good and workmanlike manner and in compliance with the

plans and specifications approved by Landlord and in compliance with all applicable laws and ordinances, building codes, bylaws, regulations and orders of any federal, state, county, municipal or other public authority and of the insurers of the Property and as-built plans and specifications shall be provided to Landlord by Tenant upon completion of the work. Tenant shall reimburse Landlord for actual costs incurred by Landlord (including any professional fees incurred by Landlord and a reasonable administrative fee as established by Landlord from time to time) for reviewing and approving or disapproving plans and specifications for any proposed Alterations. Notwithstanding the foregoing, Tenant shall not be required to remove the Tenant Improvements at the end of the Term; provided, however, at Landlord's option, Tenant shall at the end of the Term remove any portion of the Tenant Improvements or Alterations made by or for Tenant that Landlord determines are reasonably necessary to restore the Premises to the condition it was in upon the Effective Date; provided that in no event shall Tenant be required to remove or restore the office spaces, break rooms or new entrance to the Premises or any Tenant Improvements related thereto, but Tenant will, upon request from Landlord, remove Tenant Improvements that are specialized for dialysis activities.

9.3 Liens. Tenant shall promptly file and/or record, as applicable, all notices of completion provided for by law, and shall pay and discharge all claims for work or labor done, supplies furnished or services rendered at the request of Tenant or at the request of Landlord on behalf of Tenant (unless such work to be paid by Landlord), and shall keep the Property and Premises free and clear of all mechanics' and materialmen's liens in connection therewith. Landlord shall be given ten (10) days' written notice by Tenant prior to commencement of the work, and shall have the right to post or keep posted on the Premises, or in the immediate vicinity thereof, any notices of non-responsibility for any construction, alteration or repair of the Premises by Tenant. If any such lien is filed, Tenant shall cause the same to be discharged of record within ten (10) days following written notice thereof; unless Tenant disputes the correctness or validity of any claim of lien. If said lien is not timely discharged, Landlord may, but shall not be required to, take such action or pay such amount as may be necessary to remove such lien; and Tenant shall pay to Landlord as Additional Rent any such amounts expended by Landlord, together with interest thereon at the Default Rate (as defined in Section 5.3 above), within five (5) days after notice is received from Landlord of the amount expended by Landlord.

ARTICLE 10. - USE AND COMPLIANCE WITH LAWS

10.1 General Use and Compliance with Laws. Tenant shall only use the Property and Premises for Tenant's business described in Section 1.1 above, and uses customarily incidental thereto, and for no other use without the prior written consent of Landlord, which consent will not be unreasonably withheld, conditioned or delayed. Tenant shall, at Tenant's sole cost and expense, comply with applicable requirements of municipal, county, state, federal and other applicable governmental authorities now or hereafter in force pertaining to Tenant's business operations, alterations and/or specific use of the Premises, and shall secure any necessary permits required for such use. Tenant, in Tenant's use and occupancy of the Premises, shall not subject or permit the Premises to be used in any manner which would tend to damage any portion thereof, or which would increase the cost of any insurance paid by Landlord with respect thereto.

10.2 Hazardous Materials.

10.2.1 Defined Terms.

10.2.1.1 "Hazardous Materials" means, among other things, any of the following, in any amount: (a) any petroleum or petroleum derived or derivative product, asbestos in any form, urea formaldehyde and polychlorinated biphenyls and medical wastes; (b) any radioactive substance; (c) any toxic, infectious, reactive, corrosive, ignitable or flammable chemical or chemical compound; and (d) any chemicals, materials or substances, whether solid, liquid or gas, defined as or included in the definitions of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "solid waste," or words of similar import in any federal, state or local statute, law, ordinance or regulation, or court decisions now existing or hereafter existing as the same may be interpreted by government offices and agencies.

10.2.1.2 "Hazardous Materials Laws" means any federal, state or local statutes, laws, ordinances or regulations, or court decisions now existing or hereafter existing that control, classify, regulate, list or define Hazardous Materials or require remediation of Hazardous Materials contamination.

10.2.2 Compliance with Hazardous Materials Laws. Tenant will not cause any Hazardous Materials to be brought upon, kept, generated or used on the Property or Premises in a manner or for a purpose prohibited by or that could result in liability under any Hazardous Materials Law; provided, however, in no event shall Tenant allow any Hazardous Materials to be brought upon, kept, generated or used on the Property or Premises other than those Hazardous Materials for which Tenant has received Landlord's prior written consent (other than small quantities of cleaning or other/industrial supplies as are customarily used by a tenant in the ordinary course in a general office facility). Tenant, at its sole cost and expense, will comply with (and obtain all permits required under) all Hazardous Materials Laws, groundwater wellhead protection laws, storm water management laws, fire protection provisions, and prudent industry practice relating to the presence, storage, transportation, disposal, release or management of Hazardous Materials in, on, under or about the Property that Tenant brings upon, keeps, generates or uses on the Premises (including, without limitation, but subject to this Section 10.2, immediate remediation of any Hazardous Materials in, on, under or about the Property that Tenant brings upon, keeps, generates or uses on the Property in compliance with Hazardous Materials Laws), and in no event shall Tenant allow any liens or encumbrances pertaining to Tenant's use of Hazardous Materials to attach to any portion of the Property. On or before the expiration or earlier termination of this Lease, Tenant, at its sole cost and expense, will completely remove from the Property and Premises (regardless of whether any Hazardous Materials Law requires removal), in compliance with all Hazardous Materials Laws, all Hazardous

Materials Tenant causes to be present in, on, under or about the Property. Tenant will not take any remedial action in response to the presence of any Hazardous Materials in, on, under or about the Property, nor enter into (or commence negotiations with respect to) any settlement agreement, consent decree or other compromise with respect to any claims relating to or in any way connected with Hazardous Materials in, on, under or about the Property, without first notifying Landlord of Tenant's intention to do so and affording Landlord reasonable opportunity to investigate, appear, intervene and otherwise assert and protect Landlord's interest in the Property. Landlord shall have the right from time to time to inspect the Premises to determine if Tenant is in compliance with this Section 10.2.

10.2.3 Notice of Actions. Tenant will notify Landlord of any of the following actions affecting Landlord, Tenant, the Property or the Premises that result from Tenant's use of the Premises immediately after receiving notice of the same: (a) any enforcement, cleanup, removal or other governmental or regulatory action instituted, completed or threatened under any Hazardous Materials Law; (b) any claim made or threatened by any person relating to damage, contribution, liability, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Material; and (c) any reports made by any person, including Tenant, to any environmental agency relating to any Hazardous Material, including any complaints, notices, warnings or asserted violations. Tenant will also deliver to Landlord, as promptly as possible and in any event within five (5) business days after Tenant first receives or sends the same, copies of all claims, reports, complaints, notices, warnings or asserted violations relating in any way to the Property, Premises or Tenant's use of the Premises. Upon Landlord's written request, Tenant will promptly deliver to Landlord documentation acceptable to Landlord reflecting the legal and proper disposal of all Hazardous Materials removed or to be removed from the Property and/or Premises to the extent same are caused by Tenant. All such documentation will list Tenant or its agent as a responsible party and the generator of such Hazardous Materials and will not attribute responsibility for any such Hazardous Materials to Landlord or Landlord's agents.

10.2.4 Disclosure and Warning Obligations. Tenant acknowledges and agrees that all reporting and warning obligations required under Hazardous Materials Laws resulting from or in any way relating to Tenant's use of the Premises are Tenant's sole responsibility, regardless of whether the Hazardous Materials Laws permit or require Landlord to report or warn.

10.2.5 Indemnification. Tenant releases and will indemnify, defend (with counsel reasonably acceptable to Landlord), protect and hold harmless the Landlord from and against any and all claims, liabilities, damages, losses, costs and expenses whatsoever arising or resulting, in whole or in part, directly from the presence, treatment, storage, transportation, disposal, release or management of Hazardous Materials in, on, under, upon or from the Property (including water tables and atmosphere) that Tenant brings upon, keeps, generates or uses on the Property or Premises. Tenant's obligations under this Section include, without limitation and

whether foreseeable or unforeseeable, (a) the costs of any required or necessary repair, cleanup, detoxification or decontamination of the Property; (b) the costs of implementing any closure, remediation or other required action in connection therewith as stated above; and (d) consultants' fees, experts' fees, response costs, court costs and all reasonable attorneys' fees. Landlord shall have the right to designate which attorney shall represent Landlord, at Tenant's sole cost. The Tenant's obligations under this Section survive the expiration or earlier termination of this Lease.

10.2.6 Hazardous Materials Representation by Landlord. Landlord represents to Tenant that, to its actual knowledge and except as Landlord has previously disclosed to Tenant in writing, Landlord has not caused the generation, storage or release of Hazardous Materials upon the Property, except in accordance with Hazardous Materials Laws.

10.2.7 Landlord represents and warrants to Tenant as of the Effective Date as follows: (i) that no portion of the Property has been used by Landlord or, to Landlord's actual knowledge, without independent investigation, by any other person or entity for any activity which involves Hazardous Materials in violation of Hazardous Materials Laws; and (ii) that there is no action, claim, suit or proceeding relating to a violation or alleged violation of any Hazardous Materials Laws pending against Landlord, the Property or any portion thereof and, to the knowledge of Landlord, none is threatened

10.2.8 Landlord covenants and agrees with Tenant that except for Tenant's responsibility with respect to the Premises and Property set forth above, (i) Landlord shall comply with all Hazardous Materials Laws applicable to those portions of the Property for which Landlord is responsible (ii) Landlord shall not conduct or knowingly permit any Hazardous Materials on or about the Property in violation of Hazardous Materials Laws, and (iii) Landlord promptly shall give notice to Tenant if Landlord becomes aware of any Hazardous Materials at the Property or any action, claim, suit or proceeding relating to a violation or alleged violation of any Hazardous Materials Laws filed or threatened against Landlord or any portion of the Property.

10.2.9 Landlord agrees to indemnify, defend and hold harmless Tenant from and against any and all claims, demands, actions, liabilities, damages, losses, fines, penalties, costs and expenses, including remediation, clean-up and detoxification costs and reasonable attorneys' fees, solely arising from or related to any breach or violation by Landlord of its warranties, representations or obligations set forth in Section 10.2.6 and 10.2.7. The provisions of Section 10.2.9 shall survive the expiration or earlier termination of this Lease.

10.3 Signs. Landlord, at Landlord's expense, shall provide Building standard signage at Building lobby directories and Tenant's suite entry. Tenant, at Tenant's expense, shall be permitted to install prominent exterior façade signage on the southwest side of the Building, based on Landlord's reasonable approved signage specifications.

Tenant will also require wayfinding signage with reasonable approval of Landlord to direct patients to Tenant's dedicated entrance. Location and specifications for wayfinding signage shall be subject to Landlord's approval. All such signage must comply with applicable governmental sign and related regulations. Landlord must approve any sign before its installation, which consent will not be unreasonably withheld, conditioned or delayed.

ARTICLE 11. - DAMAGE AND DESTRUCTION

11.1 Reconstruction. If the Building is damaged or destroyed during the Term, Landlord shall, except as hereinafter provided, diligently repair or rebuild it to substantially the condition in which it existed immediately prior to such damage or destruction. If Landlord is obligated or elects to repair or restore as herein provided, Landlord shall be obligated to repair and restore the Premises to the condition existing as of the Commencement Date. Tenant shall, at its sole expense, repair, restore and replace as necessary all damaged or destroyed Tenant Improvements and alterations to the Building (including Building systems) and Premises made by or for Tenant, Tenant's fixtures, equipment, or improvements.

11.2 Rent Abatement. If, by reason of any such damage or destruction, Tenant is unable to use or access the Premises for the uses permitted herein (in Tenant's reasonable business judgment), then Rent shall be abated for the period commencing with such damage or destruction and ending upon substantial completion by Landlord of the work of repair or reconstruction that Landlord is obligated or undertakes to do. If it is determined that continuation of business is not practical pending reconstruction, then Rent due and payable hereunder shall abate until reconstruction is substantially completed or until business is totally resumed, whichever is earlier. Tenant shall not be entitled to any claim, compensation or damages for loss in the use in the whole or any part of the Property (including loss of business) and/or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

11.3 Excessive Damage or Destruction. If the Building is damaged or destroyed to the extent that it cannot, within Landlord's reasonable business judgment and with reasonable diligence, be fully repaired or restored by Landlord within the earlier one hundred eighty (180) days after the date of the damage or destruction, Landlord may terminate this Lease by written notice to Tenant within thirty (30) days of the date of the damage or destruction. If Landlord does not terminate the Lease, this Lease shall remain in full force and effect and Landlord shall diligently repair and restore the damage.

11.4 Uninsured Casualty. Notwithstanding anything contained herein to the contrary, in the event of damage to or destruction of all or any portion of the Building, which damage or destruction is not fully covered by the insurance proceeds received by Landlord under the insurance policies required under Section 7.1 above, Landlord may terminate this Lease by written notice to Tenant given within sixty (60) days after the date of notice to Landlord that said damage or destruction is not so covered. If Landlord does not elect to terminate this Lease, the Lease shall remain in full force and effect and the Building shall

be repaired and rebuilt in accordance with the provisions for repair set forth in Section 11.1 above.

11.5 Waiver. With respect to any damage or destruction which Landlord is obligated to repair or may elect to repair under the terms of this Article 11, and to the extent permitted by law, Tenant hereby waives any rights to terminate this Lease pursuant to rights otherwise accorded by law to tenants, except as expressly otherwise provided herein.

11.6 Damage Near End of Term. Notwithstanding anything to the contrary contained in this Article 11, in the event the Building suffers excessive damage (as defined in Section 11.3 above), which damage was not caused by the negligent or wrongful act of Tenant, during the last twenty (24) months of the Term or any applicable extension periods, or Landlord estimates that repair and restoration of the Building will take longer than one hundred eighty (180) days then Tenant may elect to terminate this Lease by written notice to Landlord within thirty (30) days after the date of such damage. Notwithstanding the foregoing, Tenant may not terminate this Lease under this Section 11.6 if the excessive damage was caused by Tenant's or Tenants' officers, employees, agents, assignees, subtenants, licensees, or contractors, or resulting from any breach or default in the performance of any obligation to be performed by Tenant hereunder or for which Tenant is responsible under the terms of the Lease,

ARTICLE 12. - EMINENT DOMAIN

In the event the whole of the Property, or such part thereof as shall substantially interfere with Tenant's use and occupation thereof, shall be taken for any public or quasi-public purpose by any lawful power or authority by exercise of the right of appropriation, condemnation or eminent domain, or is sold in lieu of or to prevent such taking, then either Tenant or Landlord may terminate this Lease effective as of the date possession is required to be surrendered to said authority. Except as provided below, Tenant shall not assert any claim against Landlord or the taking authority for any compensation because of such taking, and Landlord shall be entitled to receive the entire amount of any award without deduction for any estate or interest of Tenant in the Property. Nothing contained in this Article 12 shall be deemed to give Landlord any interest in any separate award made to Tenant for the taking of Tenant's personal property or fixtures or for Tenant's moving expenses. In the event the amount of property or the type of estate taken shall not substantially interfere with the conduct of Tenant's business, Landlord shall be entitled to the entire amount of the award without deduction for any estate or interest of Tenant, Landlord shall promptly proceed to restore the Building to substantially their same condition prior to such partial taking, less the portion thereof lost in such condemnation, and the Base Rent shall be proportionately reduced by the time during which, and the portion of the Building which, Tenant shall have been deprived of possession on account of said taking and restoration.

ARTICLE 13. - DEFAULT

13.1 Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" on the part of the Tenant with or without notice from Landlord:

13.1.1 Tenant shall fail to pay any payment required pursuant to this Lease within five (5) days of written notice;

13.1.2 Tenant shall abandon the Property, while in default of the Rent payments due under this Lease;

13.1.3 Tenant shall fail to comply with any term, provision or covenant of this Lease, other than the payment of Rent or other sums of money due hereunder, and such failure is not cured within thirty (30) days after written notice thereof to Tenant (said notice being in lieu of, and not in addition to, any notice required as a prerequisite to a forcible entry and detainer or similar action for possession of the Property); provided, that if the nature of such cure is such that a longer cure period is necessary, Tenant shall only be in default if Tenant shall have failed to commence such cure within said thirty (30) day period.

13.1.4 Tenant shall file a petition or be adjudged a debtor or bankrupt or insolvent under the United States Bankruptcy Code, as amended, or any similar law or statute of the United States or any State; or a receiver or trustee shall be appointed for all or substantially all of the assets of Tenant and such appointment or petition, if involuntary, is not dismissed within sixty (60) days of filing; or

13.1.5 Tenant shall make an assignment for the benefit of creditors.

13.2 Remedies.

13.2.1 Upon the occurrence of any Event of Default set forth in this Lease, in addition to any other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder. In the event that Landlord shall elect to so terminate this Lease, then Landlord may recover from Tenant (a) any unpaid Rent which has been earned at the time of such termination, plus interest at the rate set forth in this Lease; plus (b) the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided, plus interest at the rates contemplated by this Lease; plus (c) the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; plus (d) the unamortized balance of the value of the Abated Rent, Tenant Improvement costs, commissions and any other monetary concessions provided to Tenant pursuant to this Lease, as amortized over the initial Term of this Lease; plus (e) any other amount necessary to compensate Landlord for all damage proximately caused by Tenant's failure to perform Tenant's obligation under this Lease or which in the

ordinary course of things would be likely to result therefrom, including, but not limited to, costs to restore the Building to good condition, costs to remodel, renovate or otherwise prepare the Building, or portions thereof, for a new tenant, leasing commissions, marketing expenses, attorneys' fees and Base Rent, moving allowances and other types of leasing concessions. As used in Sections 13.2.1(c) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

13.2.2 In the event of any Event of Default by Tenant, Landlord shall also have the right, with or without terminating this Lease, to re-enter the Property and remove all persons and property from the Property; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of the Tenant. No re-entry or taking possession of the Property by Landlord pursuant to this Section 13.2.2 shall be construed as an acceptance of a surrender of the Property or an election to terminate this Lease, unless either a written notice of such intention is given to Tenant or a court of competent jurisdiction decrees the Lease terminated.

13.2.3 In the event that Landlord shall elect to re-enter as provided above or shall take possession of the Property pursuant to legal proceedings or pursuant to any notice provided by law, then if Landlord does not elect to terminate this Lease as provided above, Landlord may from time to time, without terminating this Lease, either recover all Rent as it becomes due or re-let the Property or any part thereof for the Term of this Lease on terms and conditions as Landlord, at its sole discretion, may deem advisable with the right to make alterations and repairs to the Building.

13.2.4 In the event that Landlord shall elect to so re-let, the rents received by Landlord from such re-letting shall be applied first to the payment of any indebtedness other than Rent due hereunder from Tenant to Landlord; second to the payment of any costs of such re-letting; third, to the payment of the cost of any alterations and repairs to the Building; fourth, to the payment of Rent due and unpaid hereunder; and the residual, if any, shall be held by Landlord and applied to payment of future Rent as the same shall become due and payable hereunder. If that portion of such Rents received from such re-letting during the month, which is applied to the payment of Rent, be less than the Rent payable during that month by Tenant hereunder, then Tenant shall pay any such deficiency to Landlord immediately upon demand by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as is certain, any of the costs and expenses incurred by Landlord in such re-letting or in making such alterations and repairs not covered by the rents received from such re-letting.

13.2.5 If this Lease provides for a postponement of any monthly rental payments, a period of "free" rent or other rent concession, such postponed rent or "free" rent is called the "Abated Rent." Tenant shall be credited with having paid all of the Abated Rent on the expiration of the Lease Term only if Tenant has fully, faithfully, and punctually performed all of Tenant's obligations hereunder, including

the payment of all rent (other than the Abated Rent) and all other monetary obligations and the surrender of the Property in the physical condition required by this Lease. Tenant acknowledges that its right to receive credit for the Abated Rent is absolutely conditioned upon Tenant's full, faithful and punctual performance of its obligations under this Lease. If Tenant defaults and does not cure within any applicable grace period, the Abated Rent shall immediately become due and payable in full and this Lease shall be enforced as if there were no such rent abatement or other rent concession. In such case Abated Rent shall be calculated based on the full initial rent payable under this Lease.

13.2.6 All rights, options and remedies of Landlord contained in this Lease shall be construed and held to be cumulative, and none of them shall be exclusive of the other; and Landlord shall have the right to pursue any or all of such remedies or any other remedy or relief which may be provided by law, whether or not stated in this Lease. No waiver of any default of Tenant hereunder shall be implied from any acceptance by Landlord of any Rent or other payments due hereunder or any omission by Landlord to take any action on account of such default if such default persists or is repeated; and no express waiver shall affect defaults other than as specified in said waiver. The consent or approval of Landlord to or of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent or approval to or of any subsequent similar acts by Tenant.

13.3 Landlord's Default. Landlord shall not be in default unless Landlord fails to perform its obligations under this Lease within thirty (30) days after written notice by Tenant, or if such failure is not reasonably capable of being cured within such thirty (30) day period, Landlord shall not be in default unless Landlord has failed to commence the cure and diligently pursue the cure to completion. In no event shall Tenant have the remedy to terminate this Lease, except upon final adjudication of competent jurisdiction authorizing such default. In no event shall Landlord be liable to Tenant or any person claiming through or under Tenant for consequential, exemplary or punitive damages.

ARTICLE 14. - FILING OF PETITION

Landlord and Tenant (as either debtor or debtor-in-possession) agree that if a petition ("Petition") is filed by or against Tenant under any chapter of Title 11 of the United States Code (the "Bankruptcy Code"), the following provisions shall apply:

14.1.1 Adequate protection for Tenant's obligations accruing after filing of the Petition and before this Lease is rejected or assumed shall be provided within fifteen (15) days after filing in the form of a security deposit equal to three (3) months' Base Rent and Additional Rent and other Lease charges, to be held by the court or an escrow agent approved by Landlord and the court.

14.1.2 The sum of all amounts payable by Tenant to Landlord under this Lease constitutes reasonable compensation for the occupancy of the Property by Tenant.

14.1.3 Tenant or Trustee shall give Landlord at least thirty (30) days written notice of any abandonment of the Property or any proceeding relating to administrative claims. If Tenant abandons without notice, Tenant or Trustee shall stipulate to entry of an order for relief from stay to permit Landlord to re-enter and re-let the Property.

14.1.4 If Tenant failed to timely and fully perform any of its obligations under this Lease before the filing of the Petition, whether or not Landlord has given Tenant written notice of that failure, and whether or not any time period for cure expired before the filing of the Petition, Tenant shall be deemed to have been in default on the date the Petition was filed for all purposes under the Bankruptcy Code.

14.1.5 For the purposes of Section 365(b)(1) of the Bankruptcy Code, prompt cure of defaults shall mean cure within thirty (30) days after assumption.

14.1.6 For the purposes of Sections 365(b)(1) and 365(f)(2) of the Bankruptcy Code, adequate assurance of future performance of this Lease by Tenant, Trustee or any proposed assignee will require that Tenant, Trustee or the proposed assignee deposit three (3) months of Base Rent and Additional Rent into an escrow fund (to be held by the court or an escrow agent approved by Landlord and the court) as security for such future performance. In addition, if this Lease is to be assigned, adequate assurance of future performance by the proposed assignee shall require that (a) the assignee have a tangible net worth adequate to perform Tenant's Lease obligations, or that such assignee's performance be unconditionally guaranteed by a person or entity that has a tangible net worth adequate to perform Tenant's Lease obligations; and (b) assignee assumes in writing all of Tenant's obligations relating to the Property or this Lease.

14.1.7 If Tenant or Trustee intends to assume and/or assign this Lease, Tenant or Trustee shall provide Landlord with thirty (30) days' written notice of the proposed action, separate from and in addition to any notice provided to all creditors. Notice of a proposed assumption shall state the assurance of prompt cure, compensation for loss and assurance of future performance to be provided to Landlord. Notice of a proposed assignment shall state (a) the name, address and federal tax identification and registration numbers of the proposed assignee; (b) all of the terms and conditions of the proposed assignment, and (c) the assignee's proposed adequate assurance of future performance to be provided to Landlord.

14.1.8 If Tenant is in default under this Lease when the Petition is filed, Landlord shall not be required to provide Tenant or Trustee with services or supplies under this Lease or otherwise before Tenant assumes this Lease, unless Tenant compensates Landlord for such services and supplies in advance.

ARTICLE 15. - ASSIGNMENT AND SUBLETTING

15.1 Prohibition. Tenant shall not assign, mortgage, pledge or otherwise transfer or encumber this Lease, in whole or in part, nor sublet, assign or permit occupancy

by any party other than Tenant of all or any part of the Premises, without the prior written consent of Landlord, in each instance which consent shall not be unreasonably withheld, conditioned or delayed. Tenant shall at the time the Tenant requests the consent of Landlord, deliver to Landlord such information in writing as Landlord may reasonably require respecting the proposed assignee or subtenant including, without limitation, the name, address, nature of business, ownership, financial responsibility and standing of such proposed assignee or subtenant, and Landlord shall have not less than fifteen (15) business days after receipt of all required information to elect one of the following: (a) consent to such proposed assignment, encumbrance or sublease, or (b) refuse such consent, in the case of a proposed assignment. Landlord will not be deemed to have unreasonably withheld its consent to any proposed assignment of this Lease in the event that (i) the proposed assignee intends to use the Premises for a different purpose than that permitted herein, (ii) Landlord reasonably determines that the net worth, financial capacity and credit of the proposed assignee is insufficient for assignee to meet the financial obligations of the Tenant under this Lease, (iii) the proposed assignee has not obtained all licenses, permits and approvals to use the Premises for its intended purposes, or (iv) the proposed assignee's intended use of the Premises would violate another tenant's exclusive use covenant. In addition, as a condition to Landlord's consent to any assignment, sublease or encumbrance of this Lease shall be the delivery to Landlord of both (A) a true copy of the fully executed instrument of assignment, transfer or encumbrance and (B) an agreement executed by the assignee, sublessee or other transferee in form and substance satisfactory to Landlord and expressly enforceable by Landlord, whereby the assignee assumes and agrees to be bound by the terms and provisions of this Lease and perform all the obligations of Tenant hereunder with respect to the assigned or subleased portion of the Property. No assignment or subletting by Tenant shall relieve Tenant of any obligation under this Lease, including Tenant's obligation to pay Base Rent and Additional Rent hereunder. Any purported assignment or subletting contrary to the provisions hereof without consent shall be void. The consent by Landlord to any assignment or subletting shall not constitute a waiver of the necessity for such consent to any subsequent assignment or subletting. Tenant shall pay Landlord's reasonable processing costs and attorneys' fees incurred in reviewing any proposed Assignment or sublease of not more than Two Thousand Dollars (\$2,000).

15.2 Excess Rental. If pursuant to any sublease, Tenant receives rent, either initially or over the term of the sublease, in excess of the Base Rent called for hereunder, or in the case of this sublease of a portion of the Property in excess of such Base Rent fairly allocable to such portion, after appropriate adjustments to assure that all other payments called for hereunder are appropriately taken into account, Tenant shall pay to Landlord, as Additional Rent hereunder, fifty percent (50%) of the excess of each such payment of rent received by Tenant after its receipt, after deducting all of Tenant's costs related to the sublease or assignment.

15.3 Scope. The prohibition against assigning or subletting contained in this Article 15 shall be construed to include a prohibition against any assignment or subletting by operation of law. If this Lease is assigned, or if the Premises or any part thereof is sublet or occupied by anyone other than Tenant, Landlord may collect Rent from the assignee, subtenant or occupant and apply the net amount collected to the Rent herein reserved and

apportion any excess Rent so collected in accordance with the terms of the immediately preceding paragraph, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, subtenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. No assignment or subletting shall affect the continuing primary liability of Tenant (which, following assignment, shall be joint and several with the assignee), and Tenant shall not be released from performing any of the terms, covenants and conditions of this Lease.

15.4 Waiver. Notwithstanding any assignment or sublease, or any indulgences, waivers or extensions of time granted by Landlord to any assignee or sublessee or failure of Landlord to take action against any assignee or sublease, Tenant hereby agrees that Landlord may, at its option, and upon not less than ten (10) days' notice to Tenant, proceed against Tenant without having taken action against or joined such assignee or sublessee, except that Tenant shall have the benefit of any indulgences, waivers and extensions of time granted to any such assignee or sublessee.

15.5 Permitted Transfers. Notwithstanding anything to the contrary set forth above, Tenant shall be permitted to assign or sublease the Premises (or any portion thereof) Tenant's right, title and interest in this Lease upon prior notice to, but without Landlord's prior written consent (provided the assignee shall agree in writing to assume and abide by all terms and provisions of this Lease) in each of the following events: (i) to an affiliate of Tenant (an entity which is controlled by, controls, or is under common control with, Tenant); (ii) to a person or entity acquiring all or substantially all of Tenant's assets (iii) to a person or entity that acquires by merger, consolidation or otherwise, all or substantially all of the ownership interests in and control of Tenant. A direct or indirect transfer of all or any interest in Tenant shall not be deemed to be a sale, assignment or transfer of this Lease or any interest herein. In addition, Tenant shall be permitted to sublease a portion or portions of the Premises to any entity which operates in the kidney dialysis field with prior notice but without prior consent of Landlord provided that (a) the total rentable square feet such entities sublease shall not exceed 3,000 rentable square feet, and (b) Tenant delivers to Landlord items (A) and (B) described in Section 15.1 above prior to such subtenant taking occupancy of the subleased premises, as well as contact information for such subtenant.

ARTICLE 16. - ESTOPPEL CERTIFICATE, ATTORNMENT AND SUBORDINATION

16.1 Estoppel Certificates. Within ten (10) days after request by Landlord, or if on any sale, assignment or hypothecation by Landlord of Landlord's interest in the Property, or any part thereof, an estoppel certificate shall be required from Tenant, Tenant shall deliver a certificate in the form attached hereto as **Exhibit C**, or in such other form as reasonably requested by Landlord of its Lender, to any proposed mortgagee or purchaser, and to Landlord, certifying (if such be the case) that this Lease is in full force and effect, the date of Tenant's most recent payment of Rent, and that Tenant has no defenses or offsets outstanding, or stating those claimed by Tenant, and any other factual information contained in such **Exhibit C** or reasonably requested by Landlord or such proposed mortgagee or purchaser. Tenant's failure to deliver said statement within said period shall

be conclusive upon Tenant that (a) this Lease is in full force and effect, without modification except as may be represented by Landlord; (b) there are no uncured defaults in Landlord's performance and Tenant has no right to offset, counterclaim or deduction against Rent hereunder; and (c) no more than one (1) period's Base Rent has been paid in advance.

16.2 Attornment. In the event any proceedings are brought for the foreclosure of, or in the event of exercise of the power of sale under, any mortgage or deed of trust made by Landlord, its successors or assigns, encumbering the Property, or if the Property is sold as a result of foreclosure of the mortgage or otherwise, or if a deed is given in lieu of foreclosure, then the Lease shall continue in full force and effect, without the necessity of executing a new Lease. If so requested, Tenant shall attorn to the purchaser upon such foreclosure or sale or upon any grant of a deed in lieu of foreclosure and recognize such purchaser as Landlord under this Lease; provided, that such purchaser recognizes Tenant's rights under this Lease and agrees not to disturb Tenant's quiet possession of the Property for so long as no Event of Default by Tenant has occurred and is continuing.

16.3 Subordination. Subject to Section 16.2, the rights of Tenant hereunder are and shall be, at the election of any mortgagee or the beneficiary of a deed of trust encumbering the Property, subject and subordinate to the lien of such mortgage or deed of trust, or the lien resulting from any other method of financing or refinancing, now or hereafter in force against the Property, and to all advances made or hereafter to be made upon the security thereof; provided that the holder of any mortgagee or the beneficiary of a deed of trust encumbering the Property agrees in writing not to disturb Tenant, Tenant's right to possession and use of the Premises and Tenant's rights under this Lease so long as no Event of Default by Tenant has occurred and is continuing. Landlord hereby agrees promptly to obtain and cause the execution of a commercially reasonable subordination, non-disturbance and attornment agreement ("SNDA") approved by Tenant for the benefit of Tenant from any Landlord lender existing as of the Effective Date and as a condition to Tenant's subordination to any Landlord mortgage of any mortgagee or the beneficiary of a deed of trust encumbering the Property granted after the Effective Date of this Lease.

16.4 Recording. Tenant covenants and agrees with Landlord that Tenant shall not record this Lease or any memorandum thereof without Landlord's prior written consent. Notwithstanding the provisions of Section 16.3, in the event that Landlord or its Lender requires this Lease or a memorandum thereof to be recorded in priority to any mortgage, deed of trust or other encumbrance which may now or at any time hereafter affect in whole or in part the Property and whether or not any such mortgage, deed of trust or other encumbrance shall affect only the Property, the Tenant covenants and agrees with Landlord that the Tenant shall execute promptly upon request from Landlord any certificate, priority agreement or other instrument which may from time to time be requested to give effect thereto.

ARTICLE 17. - MISCELLANEOUS

17.1 Notices. All notices required to be given hereunder shall be in writing and mailed postage prepaid by certified or registered mail, return receipt requested, or by personal delivery or nationally recognized courier service, to the appropriate address

indicated in Section 1.1 at such street address or street addresses (but not more than three such addresses) as either Landlord or Tenant may, from time to time, respectively, designate in a written notice given to the other. Notices shall be deemed sufficiently served upon the earlier of actual receipt or the expiration of three (3) days after the date of mailing thereof. Tenant agrees to accept service of process for all matters related to this Lease at the Property.

17.2 Successors Bound. This Lease and each of its covenants and conditions shall be binding upon and shall inure to the benefit of the parties hereto and their respective assignees, subject to the provisions hereof. Whenever in this Lease a reference is made to Landlord, such reference shall be deemed to refer to the person in whom the interest of Landlord shall be vested, and Landlord shall have no obligation hereunder as to any claim arising after the transfer of its interest in the Property. Any successor or assignee of the Tenant who accepts an assignment of the benefit of this Lease and enters into possession or enjoyment hereunder shall thereby assume and agree to perform and be bound by the covenants and conditions thereof. Nothing herein contained shall be deemed in any manner to give a right of assignment without the prior written consent of Landlord pursuant to, or otherwise as provided in, Article 15 hereof.

17.3 Waiver. No waiver of any default or breach of any covenant by either party hereunder shall be implied from any omission by either party to take action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the waiver and said waiver shall be operative only for the time and to the extent therein stated. Waivers of any covenant, term or condition contained herein by either party shall not be construed as a waiver of any subsequent breach of the same covenant, term or condition. The consent or approval by either party to or of any act by either party requiring further consent or approval shall not be deemed to waive or render unnecessary their consent or approval to or of any subsequent similar acts.

17.4 Accord and Satisfaction. No payment by Tenant or receipt by Landlord of a lesser amount than the Rent herein stipulated shall be deemed to be other than on account of the Rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as Rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent or pursue any other remedy provided in this Lease.

17.5 Limitation of Landlord's Liability. The obligations of Landlord under this Lease do not constitute personal obligations of the individual tenants in common comprising Landlord, their members, directors, officers, employees or shareholders. Tenant shall look solely to the Property, and the rents and profits therefrom, for satisfaction of any liability in respect of this Lease and will not seek recourse against the individual tenants in common comprising the Landlord, their members, directors, officers, employees or shareholders, or any of their personal assets for such satisfaction.

17.6 Survival. The obligations and liabilities of each party which are incurred or accrue prior to the expiration of this Lease or the termination of this Lease or of Tenant's right of possession shall survive such expiration or termination, as shall all provisions by

which a party is to provide defense and indemnity to the other party, all provisions waiving or limiting the liability of Landlord, and all attorneys' fees provisions.

17.7 Attorneys' Fees. In the event Landlord requires the services of an attorney in connection with collection of any amount due or enforcing the terms of this Lease whether suit is brought or not, or in the event suit is brought for the recovery of any Rent due under this Lease or the breach of any covenant or condition of this Lease, or for the restitution of the Property to Landlord and/or eviction of Tenant during the Term of this Lease, or after the expiration thereof, Landlord shall be entitled to a reasonable sum for attorneys' fees, witness fees and all other court costs and expenses, including arbitration, trial, and any appeal.

17.8 Severability. If any term, covenant, condition or provision of this Lease, or the application thereof to any person or circumstance, shall to any extent be held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, covenants, conditions or provisions of this Lease, or the application thereof to any person or circumstance, shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

17.9 Applicable Law. This Lease, and the rights and obligations of the parties hereto, shall be construed and enforced in accordance with the laws of the state of Washington.

17.10 Holding Over. If Tenant, or any of its successors in interest, hold over the Property or any part thereof after the expiration or earlier termination of this Lease without Landlord's prior written consent, such holding over shall constitute and be construed as tenancy at sufferance only, at a monthly rent equal to one hundred percent (150%) of the Base Rent owed during the final month of the Term of this Lease and otherwise upon the terms and conditions in the Lease, so far as applicable. Should Tenant, or any of its successors in interest, hold over the Property or any part thereof after the expiration or earlier termination of this Lease with Landlord's prior written consent, such holding over shall constitute and be construed as a tenancy from month to month only, at a fair market monthly rent as agreed by Landlord and Tenant and otherwise upon the terms and conditions of this Lease, so far as applicable. The acceptance by Landlord of Rent after such expiration or early termination shall not result in a renewal or extension of this Lease. The foregoing provisions of this Section 17.10 are in addition to and do not affect Landlord's right of re-entry or any other rights of Landlord hereunder or as otherwise provided by law. If Tenant fails to surrender the Property on the expiration of this Lease and/or to remove all Tenant's fixture and/or personal property pursuant to Section 9.1 above, Tenant shall indemnify and hold Landlord harmless for, from and against all claims, damages, loss or liability, including without limitation, any claim made by any succeeding tenant resulting from such failure to surrender by Tenant and any attorneys' fees and costs incurred by Landlord with respect to any such claim.

17.11 Rules and Regulations. At all times during the Term, Tenant shall comply with Rules and Regulations for the Property, together with such amendments thereto as

Landlord may from time to time reasonably adopt and enforce in a non-discriminatory fashion.

17.12 Parking. Landlord shall provide 4.5 non-reserved parking spaces per 1,000 rentable square foot for on-site parking for Tenant's employees and visitors, which parking shall be allocated approximately 75% around the perimeter of Building C and 25% within the parking structure near the Building. Up to ten (10) of these stalls shall be reserved and shall be located adjacent to Tenant's separate/private entrance. Also, within Tenant's ratio, sufficient space will also be provided to accommodate loading and unloading of patients from access vans. Tenant shall at all times comply and cause its officers, employees and invitees to comply with any parking Rules and Regulations as Landlord may from time to time reasonably adopt.

17.13 Broker; Agency Disclosure. Each of Tenant and Landlord warrant that it has had no discussions, negotiations and/or other dealings with any real estate broker or agent in connection with the negotiation of this Lease other than the Broker(s) identified in Section 1.1 ("Brokers"), and that it knows of no other real estate broker or agent who is or may be entitled to any commission or finder's fee in connection with this Lease. Tenant and Landlord agrees to indemnify the other and hold the other harmless from and against any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including without limitation, attorneys' fees and costs) with respect to any leasing commission or equivalent compensation alleged to be owing on account of such party's discussions, negotiations and/or dealings with any real estate broker or agent. This Section 17.13 is not intended to benefit any third parties and shall not be deemed to give any rights to brokers or finders, provided, however, that Landlord shall provide a fee to Tenant's broker, pursuant to a separate agreement. No commission(s) or finders' fee(s) shall be paid to Tenant, employee(s) of Tenant or any unlicensed representative of Tenant.

17.14 Landlord's Right to Perform. Upon Tenant's failure to perform any obligation of Tenant hereunder after notice from Landlord pursuant to Section 13.1 above, including without limitation, payment of Tenant's insurance premiums, charges of contractors who have supplied materials or labor to the Property, etc., Landlord shall have the right to perform such obligation of Tenant on behalf of Tenant and/or to make payment on behalf of Tenant to such parties. Tenant shall reimburse Landlord the reasonable cost of Landlord's performing such obligation on Tenant's behalf, including reimbursement of any amounts that may be expended by Landlord, plus interest at the Default Rate, as Additional Rent.

17.15 Assignment by Landlord. In the event of a sale, conveyance, or other transfer by Landlord of the Property, or in the event of an assignment of this Lease by Landlord, the same shall operate to release Landlord from any further liability upon any of the covenants or conditions, express or implied, herein contained on the part of Landlord, and from any and all further liability, obligations, costs and expenses, demands, causes of action, claims or judgments arising out of this Lease from and after the effective date of said release. In such event, Tenant agrees to look solely to the successor in interest of transferor. Notwithstanding anything in this Lease to the contrary, however, (a) in no event shall Landlord's lender, who may have succeeded to the interest of Landlord by foreclosure,

deed in lieu of foreclosure, or any other means, have any liability for any obligation of Landlord to protect, defend, indemnify or hold harmless Tenant or any other person or entity except for those matters arising from the lender's breach of the terms of this Lease after the date of such foreclosure, deed in lieu of foreclosure or any other means, and (b) such succeeding lender shall have no liability for any representations or warranties of the Landlord contained herein except for those matters arising from the lender's breach of the terms of this Lease after the date of such foreclosure, deed in lieu of foreclosure or any other means.

17.16 Entire Agreement. This Lease sets forth all covenants, promises, agreements, conditions and understandings between Landlord and Tenant concerning the Property, and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between Landlord and Tenant other than as are herein set forth. No subsequent alteration, amendment, change or addition to the Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by Landlord and Tenant.

17.17 Financial Covenants. At Landlord's request, Tenant shall provide Landlord with current annual audited financial statements (all such statements shall be prepared in compliance with GAAP standards and certified by Tenant's chief financial officer) setting forth Tenant's financial condition. Landlord shall not request any such financial statements more than once each calendar year, so long as no Event of Default has occurred.

17.18 Consents. Whenever the approval or consent of Landlord is required under the terms of this Lease, such consent may be given or withheld by Landlord in its sole discretion, unless a different standard of approval is specifically set forth in the particular Section containing that particular consent requirement.

17.19 Exhibits. Exhibits A through F are attached to this Lease after the signatures and by this reference incorporated herein.

17.20 Time. Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor.

17.21 Authority. The individuals signing this Lease on behalf of either Tenant or Landlord hereby represent and warrant that they are empowered and duly authorized to bind to this Lease the party for whom they signed.

17.22 Interpretation. The parties hereto specifically acknowledge and agree that the terms of this Lease have been mutually negotiated and the parties hereby specifically waive the rule or principle of contract construction which provides that any ambiguity in any term or provision of a contract will be interpreted or resolved against the party that drafted such term or provision.

17.23 Excused Delays. Except as otherwise set forth in this Section 17.23, neither party shall have liability to the other on account of the following acts (each of which is an "Excused Delay," and jointly all of which are "Excused Delays") which shall include (a) the inability to fulfill, or delay in fulfilling, any obligations under this Lease by reason of

strike, lockout, other labor trouble, dispute or disturbance; (b) governmental regulation, moratorium, action, preemption or priorities or other controls; (c) shortages of fuel, supplies or labor; (d) any failure or defect in the supply, quantity or character of electricity or water furnished to the Property by reason of any requirement, act or omission of the public utility or others furnishing the Building with electricity or water; or (e) for any other reason, whether similar or dissimilar to the above, or for act of God beyond a party's reasonable control including, but not limited to, a prior tenant's failure to leave the Property at the end of such tenant's term provided that Landlord proceeds to evict such tenant within a reasonable time thereafter. If this Lease specifies a time period for performance of an obligation of a party, that time period shall be extended by the period of any delay in the party's performance caused by any of the events of Excused Delay described herein; provided, that notwithstanding anything to the contrary above, no payment of money (whether as Base Rent, Tenant's Share of Operating Expenses, or any other payment due under this Lease) shall be postponed, delayed or forgiven by reason of any of the foregoing events of Excused Delay.

(Signature page to follow)

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first above written.

LANDLORD:

JAR ASSOCIATES, L.L.C.,
a Washington limited liability company

By: 

MICHAEL J. RASKIN

Its: Manager

TENANT:

NORTHWEST KIDNEY CENTERS,
a Washington nonprofit corporation

By: 

[Print Name] Cardin McClellan

Its: CEO

STATE OF WASHINGTON)
) ss.
 COUNTY OF King)

On this day personally appeared before me MICHAEL J. RASKIN, to me known to be the Manager of JAR ASSOCIATES, L.L.C., a Washington limited liability company, that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

30th In Witness Whereof I have hereunto set my hand and affixed my official seal this day of Oct., 2020.

(SEAL/STAMP)



Ashley Nordstrom
 Print Name: Ashley Nordstrom
 NOTARY PUBLIC in and for the state of
WA residing in Bothell
 My appointment expires 10-20-23

STATE OF WASHINGTON)
) ss.
 COUNTY OF KING)

On this day personally appeared before me CARRIE M'CADE to me known to be the CEO of NORTHWEST KIDNEY CENTERS, a Washington nonprofit corporation, that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

30 In Witness Whereof I have hereunto set my hand and affixed my official seal this day of Oct., 2020.

(SEAL/STAMP)



Maureen O'Reilly
 Print Name: MAUREEN O'REILLY
 NOTARY PUBLIC in and for the state of
WASHINGTON residing in KING
 My appointment expires 1/3/2022

EXHIBIT A

Legal Description

PARCEL A:

Parcel 1A of Binding Site Plan recorded in Volume 1 of Binding Site Plans, Pages 251 and 252, under Recording No. 9205015002, records of Snohomish County, Washington;

(Being a portion of the Southeast quarter of Section 21, Township 27 North, Range 4 East, W.M.)

Situate in the County of Snohomish, State of Washington.

PARCEL B:

An easement for ingress, egress and utilities in, through, on, over and under Tract B of Binding Site Plan recorded in Volume 1 of Binding Site Plan, pages 222 through 225 under Recording No. 9102215001 records of Snohomish County, Washington and as contained in instrument recorded under Snohomish County Recording No. 9101150181;

Situate in the County of Snohomish, State of Washington.

PARCEL C:

An easement for ingress, egress and utilities and parking as described in Declaration of Easement dated June 10, 1992, recorded under Snohomish County Recording No. 9206160122.

Situate in the County of Snohomish, State of Washington.

PARCEL D:

An easement for storm drainage purposes on, over, under and within the "Easement Parcel" as defined and described in Declaration of Easement for Storm Drainage dated February 25, 1991, under Snohomish County Recording No. 9102250312 and amended under Recording No. 9205280310.

Situate in the County of Snohomish, State of Washington.

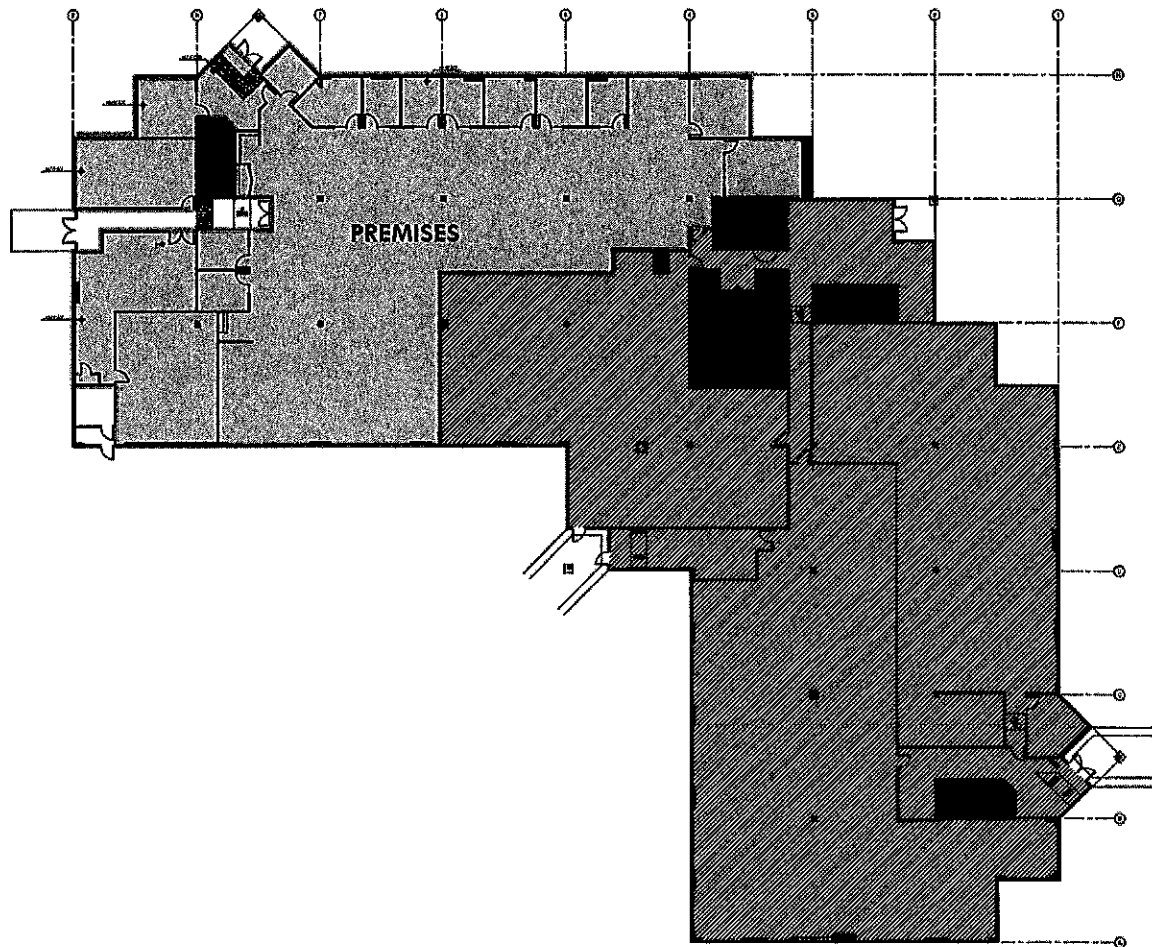
PARCEL E:

An easement for the use of utilities on, over, under and within the utility easement as defined and described in Recording No. 9206170393.

Situate in the County of Snohomish, State of Washington.

EXHIBIT A-1

Location of Premises



A-1

EXHIBIT B
Tenant Improvements

To be inserted

B-1

EXHIBIT C

Estoppel Certificate

Re: Lease dated _____, 20__ ("Lease") by and between
_____, L.L.C., a Washington limited liability company
("Landlord"), and _____ ("Tenant")

Ladies and Gentlemen:

Reference is made to the above-described Lease in which the undersigned is the Tenant. We understand that you are accepting an assignment of Landlord's rights under the Lease as _____, and we hereby, as a material inducement for you to consummate the transaction, represent that:

1. There are no modifications amendments, supplements, arrangements, side letters or understandings, oral or written, of any sort, modifying, amending, altering, supplementing or changing the terms of the Lease, except for those attached to this Certificate.

2. The Lease is in full force and effect, and the Lease has been duly executed and delivered by, and is a binding obligation of, the Tenant as set forth therein.

3. The undersigned acknowledges (a) that rent on the Lease has been paid up to and including _____, 2_____, (b) that monthly rent during the _____ (_____) years of the term of the Lease is \$_____ per month, and (c) that rent has not been paid for any period after _____, 2_____, and shall not, except for any Prepaid Rent as specified in the Lease, be paid for a period in excess of one (1) month in advance.

4. To the current knowledge of the undersigned, the Tenant is not in default, and Landlord has performed the obligations required to be performed by Landlord under the terms thereof through the date hereof.

Dated: _____, 2____.

Very truly yours,

"Tenant"

By: _____
Its: _____

EXHIBIT D

Intentionally Deleted

D-1

EXHIBIT E

Rules and Regulations

Tenant shall faithfully observe and comply with the following Rules and Regulations to the extent same do not conflict with the terms of the Lease. Landlord shall not be responsible to Tenant for the nonperformance of any of said Rules and Regulations by or otherwise with respect to the acts or omissions of any other tenants or occupants of the Building. The terms in these Rules and Regulations shall have the same meaning as have been ascribed to them in the Lease. In the event of any conflict between the Rules and Regulations and the other provisions of this Lease, the latter shall control.

1. Tenant shall not obstruct the walks or any portion of the Building or Property with anything or in any manner whatsoever, and shall maintain any and all entrances, exits, walks, corridors, docks, and facilities serving its premises free and clear of any and all litter, refuse and hazardous conditions. Tenant shall not cause or allow any obstructions to the surface drains for storm water runoff. Tenant shall immediately inform Landlord of any storm drain blockages that Tenant observes and cannot easily clear.
2. Tenant shall not alter any lock or install any new or additional locks or bolts on any doors or windows of the Premises without obtaining Landlord's prior written consent, not to be unreasonably withheld. Tenant shall bear the cost of any repairs or changes to the locks or access system required by Tenant. Upon the termination of this Lease, Tenant shall restore to Landlord all keys and access cards of offices, and toilet rooms, either furnished to, or otherwise procured by, Tenant. In the event of the loss of keys or access cards so furnished, Tenant shall pay to Landlord the cost of replacing same or of changing the locks or access system opened by such lost key if Landlord shall deem it necessary to make such changes. Landlord shall re-key the locks and re-program the access system on the entrance doors to the Premises, at its sole cost and expense, prior to Tenant's occupancy but following completion of Tenant Improvements in the Premises.
3. All doors opening to public corridors shall be kept closed at all times except for normal ingress and egress to the Premises.
4. Landlord reserves the right to close and keep locked all entrance and exit doors of the Building during such hours as are customary for comparable buildings in the Snohomish County, Washington area. Tenant, its employees and agents must be sure that the doors to the Building are securely closed and locked when leaving the Premises if it is after the normal hours of business for the Building. Any tenant, its employees, agents or any other persons entering or leaving the Building at any time when it is so locked, or any time when it is considered to be after normal business hours for the Building, may be required to sign the Building

register. Access to the Building may be refused unless the person seeking access has proper identification or has a previously arranged pass for access to the Building. At Landlord's option, Landlord may furnish passes to persons for whom Tenant requests same in writing. Tenant shall be responsible for all persons for whom Tenant requests passes and shall be liable to Landlord for all acts of such persons. The Landlord and his agents shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. Notwithstanding the foregoing, Landlord shall not prevent nor require sign in by Tenant or its employees' access after-hours to the Premises through entrances dedicated to the Premises.

5. No furniture weighing more than fifty (50) pounds, freight or equipment of any kind shall be brought into the Building without prior notice to Landlord. All moving activity into or out of the Building shall be scheduled with Landlord and done only at such time and in such manner as Landlord reasonably designates. Landlord acknowledges and agrees Tenant shall be permitted to use its own loading dock for its weekly deliveries and shall only be required to provide notice to Landlord of weekly schedules for same.
6. Tenant shall not overload the floors of its premises. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy property brought into the Building and also the times and manner of moving the same in and out of the Building. Safes and other heavy objects shall, if considered necessary by Landlord, stand on supports of such width and thickness as is necessary to properly distribute the object's weight. Tenant shall be responsible for loss of or damage to any heavy object or its contents. Any damage to the Property or to any person by moving or maintaining any such safe or other heavy object shall be the sole responsibility and expense of Tenant.
7. No furniture, packages, supplies, equipment or merchandise will be received in the Building or carried up or down in the elevators, except between such hours, in such specific elevator and by such personnel as shall be reasonably designated by Landlord. Landlord acknowledges and agrees Tenant shall be permitted to use its own loading dock for its weekly deliveries and shall only be required to provide notice to Landlord of weekly schedules for same.
8. Tenant shall make all requests for any non-emergency work or services to be performed by Landlord in writing, delivered to the address in the Notices section of the Lease. Landlord's employees shall not perform any work or do anything outside their regular duties under Tenant's direction or request unless under special instructions from Landlord.
9. Tenant, its agents, or employees shall immediately inform Landlord's Property Manager and local emergency services of any emergency affecting the Property of which the Tenant, its agents, or employees become(s) aware.

10. No sign, advertisement, notice or handbill shall be exhibited, distributed, painted or affixed by Tenant on any part of the Premises or the Building without the prior written consent of the Landlord. Tenant shall not disturb, solicit, peddle, or canvass any occupant of the Building and shall cooperate with Landlord and Landlord's agents of Landlord to prevent same.
11. The plumbing facilities, drains and lines in or about its premises and/or the Property shall not be used for any other purpose by Tenant or anyone under its control than for the purpose for which they are constructed, nor shall Tenant, Tenant's employees, agents, visitors, or licensees put (or dispose of) any foreign substance therein of a kind other than that for which such facility was specifically designed or permit such event to occur; and all cost and expense of repairing, replacing, or restoring said facilities or equipment by reason of any breakage, stoppage, or damage resulting from a violation of this provision shall be borne by Tenant.
12. Tenant shall not mark, drive nails or screws into, or drill into the partitions, woodwork or drywall (except in connection with installing its fixtures and equipment and office furniture) or in any way deface the Premises or any part thereof without Landlord's prior written consent. Under no circumstances may Tenant pierce the waterproof envelope of the buildings outside walls or ceiling.
13. Tenant shall not use, keep or permit to be used or kept, any foul or noxious gas or substance in or on the Premises, or permit or allow the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors, or vibrations, or interfere with other tenants or those having business therein, whether by the use of any musical instrument, radio, phonograph, or in any other way. All office equipment of any electrical or mechanical nature shall be placed by Tenant in the Premises in settings approved by Landlord, to absorb or prevent any vibration, noise and annoyance.
14. No cooking shall be done or permitted on the Premises, nor shall the Premises be used for the storage of merchandise, for lodging or for any improper, objectionable or immoral purposes. Notwithstanding the foregoing, Underwriters' Laboratory approved equipment and microwave ovens may be used in the Premises for heating food and brewing coffee, tea, hot chocolate and similar beverages for employees and visitors, provided that such use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations.
15. Except for vending machines intended for the sole use of Tenant's employees and invitees, no vending machine or machines other than office machines such as copiers, printers, scanners, paper shredders, computers and computer equipment shall be installed, maintained or operated upon the Premises without the written consent of Landlord. Landlord acknowledges that Tenant shall be

permitted to install and operate equipment commonly used in connection with kidney dialysis.

16. The Premises shall not be used for manufacturing or for the storage of merchandise except as such storage may be incidental to the use of the Premises provided for in the Lease. Tenant shall not engage or pay any employees on the Premises except those actually working for such tenant on the Premises nor advertise for laborers giving an address at the Premises.
17. Landlord reserves the right to exclude or expel from the Property any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of these Rules and Regulations.
18. Tenant, its employees and agents shall not loiter in or on the corridors, sidewalks, lobbies, courts, halls, stairways, elevators, vestibules or any Portion of the Property outside Tenant's Premises, nor in any way obstruct such areas, and shall use them only as a means of ingress and egress for the Premises.
19. Tenant shall keep and maintain temperatures at its premises sufficiently high to prevent freezing of or interference of any flow in pipes in, at and about its premises. Tenant shall not without the prior written consent of Landlord use any method of heating or air conditioning other than that supplied by the Building's HVAC system.
20. Tenant shall cooperate fully with Landlord to ensure the most effective operation of the Building's heating and air conditioning system, and shall refrain from attempting to adjust any Building controls.
21. Tenant shall not leave, place or dispose of any refuse, garbage or thing outside its premises or elsewhere on the Property other than garbage or refuse in containers or receptacles expressly designated by Landlord for that purpose as and where so designated. All refuse in and from its premises, and from Tenant and those under its control, shall be deposited in containers reasonably acceptable to Landlord and disposed of in a manner and at times reasonably acceptable to Landlord. Tenant shall keep its premises clean and free of refuse including cigarette butts at all times.
22. Tenant shall store all its trash and garbage within the interior of the Premises and deposit trash, garbage and recycling in Landlord provided receptacles after regular business hours. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in Lynnwood, Washington without violation of any law or ordinance governing such disposal. All trash, garbage and refuse disposal shall be made only through entryways and elevators provided for such purposes at such times as Landlord shall reasonably designate.

23. Any persons employed by Tenant to do janitorial work shall be subject to the prior written approval of Landlord, and while in the Building and outside of the Premises, shall be subject to and under the control and direction of the Building manager (but not as an agent or servant of such manager or of Landlord), and Tenant shall be responsible for all acts of such persons.
24. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency. Tenant shall maintain, repair, and replace all smoke detectors in compliance with Lynnwood Fire Department standards at Tenant expense.
25. No awnings or other projection shall be attached to the outside walls of the Building without the prior written consent of Landlord, and no curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises other than Landlord approved standard drapes, unless otherwise reasonably approved by Landlord. All electrical ceiling fixtures hung in the Premises or spaces along the perimeter of the Building must be fluorescent and/or of a quality, type, design and a warm white bulb color approved in advance in writing by Landlord. Neither the interior nor exterior of any windows shall be coated nor otherwise sun screened without the prior written consent of Landlord. Tenant shall be responsible for any damage to the window film on the exterior windows of the Premises and shall promptly repair any such damage at Tenant's sole cost and expense. Prior to leaving the Premises for the day, Tenant shall draw or lower window coverings and extinguish all lights. Tenant shall abide by Landlord's regulations concerning the opening and closing of window coverings which are attached to the windows in the Premises, if any, which have a view of any interior portion of the Building.
26. The sashes, sash doors, skylights, windows, and doors that reflect or admit light and air into the halls, passageways or other public places in the Building shall not be covered or obstructed by Tenant, nor shall anything be placed on the windowsills.
27. Tenant shall comply with requests by the Landlord to keep the Landlord or Landlord's designated employees informed of items of importance to the Landlord.
28. Tenant hereby acknowledges that Landlord shall have no obligation to provide guard service or other security measures for the benefit of the Premises, Building or Property. Tenant hereby assumes all responsibility for the protection of Tenant and its agents, employees, contractors, invitees and guests, and the property thereof, from acts of third parties, including keeping doors locked and other means of entry to the Premises closed, whether or not Landlord, at its option, elects to provide security protection for the Property or any portion thereof. Tenant further assumes the risk that any safety and security devices,

services and programs which Landlord elects, in its sole discretion, to provide may not be effective, or may malfunction or be circumvented by an unauthorized third party, and Tenant shall, in addition to its other insurance obligations under this Lease, obtain its own insurance coverage to the extent Tenant desires protection against losses related to such occurrences. Tenant shall cooperate in any reasonable safety or security program developed by Landlord or required by law.

29. Tenant shall not use in any space or in the public halls of the Building, any hand trucks except those equipped with rubber tires and rubber side guards; provided that the foregoing shall not apply to Tenant with respect to load carrying devices it employs in its dedicated entrances.
30. Landlord reserves the right at any time to change or rescind anyone or more of these Rules and Regulations, or to make such other and further reasonable Rules and Regulations as in Landlord's judgment may from time to time be necessary for the management, safety, care and cleanliness of the Premises, Building, and Property, and for the preservation of good order therein, as well as for the convenience of other occupants and tenants therein, and shall provide Tenant with written notice of all such changes. Landlord may waive anyone or more of these Rules and Regulations for the benefit of any particular tenants, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other tenant, nor prevent Landlord from thereafter enforcing any such Rules or Regulations against any or all tenants of the Property. Tenant shall be deemed to have read these Rules and Regulations and to have agreed to abide by them as a condition of its occupancy of the Premises.
31. Tenant's owners, employees and invitee may not, at any time, collectively use more than the total number of parking spaces provided in Tenant's lease. Tenant shall inform its owners, employees and invitees of these parking rules. Tenant shall be responsible to police parking by its owners, employees and invitees. Landlord shall have no responsibility to either police parking by the owners, employee and invitees of Tenant or any other Tenant's owners, employees or invitees, although Landlord may from time to time take any of the actions described herein. If Tenant's owners, employees and invitees park their vehicles on the Property in violation of Landlord's Rules and Regulations, then Landlord may, at its sole option, (i) charge Tenant a fine of Twenty-five Dollars (\$25) per car for each day or partial day that Tenant violates any of these parking rules, or (ii) tow the offending vehicles at Tenant's risk, liability, and expense. All such fines and towing expenses shall be payable by Tenant as Additional Rent within ten (10) days after demand therefore.
32. Landlord may, at any time, designate specific parking areas to be used by any or all of Tenant's owners, employees and invitees. Landlord may relocate any such designated parking areas from time to time, provided that Tenant's parking

areas shall not amount to less than the number of parking stalls designated in Tenant's Lease. The owners, employees and invitees of shall not be permitted to park their vehicles in the vehicle parking areas that may from time to time be reserved by Landlord for the exclusive use of other tenants, if any.

EXHIBIT F**Tenant Contractor Site Access Insurance Requirements**

Prior to mobilizing, an ACORD 25 (2014/01) Certificate of Liability Insurance evidencing the following minimum limits of insurance must be submitted to and approved by Landlord.

Commercial General Liability

\$2,000,000	General Aggregate
	Products/Completed Operations
\$2,000,000	Aggregate
\$1,000,000	Personal & Advertising Injury
\$1,000,000	Each Occurrence
\$5,000	Medical Expense

Commercial Automobile Liability

\$1,000,000	Combined Single Limit
	Coverage for "Any Auto" or
	"Hired" and "Non-Owned"

Workers Compensation and Employers Liability

\$1,000,000	E.L. Each Accident
\$1,000,000	E.L. Disease - Each Employee
\$1,000,000	E.L. Disease - Policy Limit

Commercial Umbrella or Excess Liability

\$5,000,000	Each Occurrence
\$5,000,000	Annual Aggregate

Additional Insured

- Additional Insured status must be provided via a carrier issued CG2010 (11/85) endorsement. As an alternative, a carrier issued combination of CG2033 and CG2037 is acceptable.
- For non-ISO insurance companies, a carrier specific equivalent is acceptable.
- Landlord should be named as an Additional Insured.
- Coverage should be primary and non-contributing and include a full waiver of subrogation.

RIGHT OF FIRST REFUSAL AGREEMENT

This Right of First Refusal Agreement ("**Agreement**") is made as of ^{July 15th 2020} ~~April 6~~, 2020, between JAR Associates, L.L.C., a Washington limited liability company ("**Grantor**") and Northwest Kidney Centers, a Washington nonprofit corporation ("**Grantee**").

Recitals

A. Grantor is the owner of real property described in Exhibit A, attached and incorporated by reference ("**Real Property**"), more commonly known as Northview Corporate Center, Building C, 20816 44th Avenue West, City of Lynnwood, County of Snohomish, State of Washington.

B. Grantor desires to grant to Grantee, and Grantee desires to obtain from Grantor, a right of first refusal to lease a portion of the Real Property described as Suite 100 (the "**Premises**") on the terms and conditions in this Agreement.

Agreement

1. Right of First Refusal. For good and valuable consideration the receipt and adequacy of which are acknowledged, the parties agree as follows:

(a) Grantor may continue to market the Premises for lease during the term of this Agreement. Notwithstanding the foregoing, Grantor shall not enter into a lease with a 3rd party or provide a First Offer notice to Grantee earlier than May 15, 2020.

(b) Before Grantor leases the Premises, or any portion of it, to a third party, Grantor shall offer ("**First Offer**") to lease the Premises to Grantee. The First Offer notice shall only be submitted to Grantee after a bona fide written offer from a 3rd party is received by Grantor and Grantor is willing to accept such offer. The 3rd party offer shall be submitted to Grantee along with the First Offer notice, in writing. The terms and conditions of the First offer shall be as specified in the attached exhibit B, unless all the following conditions apply: a) the 3rd party offer is for substantially all of the Premises, b) the term is for approximately the same length as Grantee has agreed to, and c) the lease rate is higher than specified in the attached exhibit, in which case the lease rate shall be adjusted to match the 3rd party offer lease rate.

(c) Grantee shall have five (5) business days from the date of the First Offer to accept the First Offer ("**Acceptance Period**") by delivering to Grantor the acceptance on or before 5:00 p.m. on the last day of the Acceptance Period. If Grantee fails to accept the First Offer on or before the last day of the Acceptance Period, the First Offer shall be deemed to be rejected and Grantee shall no longer have the right of first refusal on any portion of the Premises. Notwithstanding the foregoing, Grantee shall not be required to respond to the First Offer earlier than May 15, 2020.

(d) If Grantee responds to the First Offer with anything other than an unequivocal, unconditional acceptance or rejection, the right of first refusal shall terminate and the response shall be deemed an offer to lease the Premises on the terms and conditions in the response ("**Counter Offer**"). Grantor shall be entitled to accept or reject the Counter Offer at Grantor's sole discretion. If the Counter Offer is rejected, Grantor shall have no further obligations under this Agreement and Grantee shall no longer have the right of first refusal on any portion of the Premises.

(e) If, after such acceptance, Grantee fails to consummate the lease of the Premises, Grantor shall be free to enter into an agreement concerning the lease of the Premises (or any portion of it) with any third party on whatever terms Grantor may choose without further obligation under this Agreement.

2. Consideration. The consideration for this Agreement is Five Thousand Dollars (\$5,000.00) per month.

3. Term. Grantee's right of first refusal shall begin with the date of this Agreement and continue until 5:00 p.m. on October 31, 2020 unless terminated sooner in accordance with the terms of this Agreement.

4. Termination. This Agreement shall automatically terminate on the first of the following events to occur:

(a) Grantee, in contravention of this Agreement, assigns or attempts to assign Grantee's rights under this Agreement;

(b) Grantee rejects a First Offer and Grantor subsequently consummates a lease of the Premises;

(c) The expiration of the term, as it may be extended; or

(d) The lease of the Premises by Grantee.

5. Litigation Costs. If any legal action or any other proceeding, including an arbitration or action for declaratory relief, is brought for the enforcement of this Agreement or because of a dispute, breach, default, or misrepresentation in connection with any of the provisions of this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which the prevailing party may be entitled. Prevailing party shall include without limitation (i) a party dismissing an action in exchange for sums allegedly due; (ii) a party receiving performance from the other party of an alleged breach of covenant or a desired remedy where the performance is substantially equal to the relief sought in an action; or (iii) the prevailing party as determined by a court of law.

6. Assignment. Grantee's rights and obligations under this Agreement shall not be assigned without Grantor's prior written consent, and any assignment without consent shall be void.

7. Successors and Assigns. Subject to the restrictions on assignment, this Agreement shall inure to the benefit of and be binding on the parties and their respective successors, heirs, and assigns.

8. Notices. All notices required or permitted to be given under this Agreement shall be in writing and mailed, postage prepaid, by certified or registered mail, return receipt requested, or by personal delivery, to the address indicated below or at other places that Grantor or Grantee may, from time to time, designate by written notice given to the other. The address change shall not be effective until three (3) days after notice of the change. Notices shall be deemed sufficiently served two (2) days after the date of mailing or upon personal delivery.

Notice to Grantee shall be served as follows:

JAR Associates, L.L.C.
c/o MJR Development
Attn: Michael J. Raskin
6725 - 116th Avenue SE, Suite 100
Kirkland, WA 98033
Telephone: (425) 822-4466
Facsimile: (425) 822-1626

Notice to Grantor shall be served as follows:

Carrie McCabe
Northwest Kidney Centers
700 Broadway
Seattle, WA 98122
206-720-8508

9. Counterpart or Duplicate Copies. This Agreement may be signed in counterpart or duplicate copies, and any signed counterpart or duplicate copy shall be equivalent to a signed original for all purposes.

10. Time of Essence. Time is of the essence in this Agreement.

11. Captions. Captions and headings in this Agreement, including the title of this Agreement, are for convenience only and are not to be considered in construing this Agreement.

12. Entire Agreement. This Agreement and the Exhibits contain the entire agreement of the parties and supersede any prior agreements or understandings of the parties, whether written or oral, regarding the subject matter of this Agreement.

13. Modification and Amendment. This Agreement may not be modified or amended except in writing signed by Grantor and Grantee.

14. Governing Law. This Agreement shall be governed by Washington law.

The parties have executed this Agreement as of the date first written above.

GRANTOR:

GRANTEE:

JAR ASSOCIATES, L.L.C.,
a Washington limited liability company

NORTHWEST KIDNEY CENTERS,
a Washington nonprofit corporation

By: 
MICHAEL J. RASKIN
Its: Manager

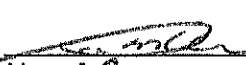
By: 
[Print Name] Cecelia McLabe
Its: (in) CEO

EXHIBIT A

LEGAL DESCRIPTION

PARCEL A:

Parcel 1A of Binding Site Plan recorded in Volume 1 of Binding Site Plans, Pages 251 and 252, under Recording No. 9206016002, records of Snohomish County, Washington;

(Being a portion of the Southeast quarter of Section 21, Township 27 North, Range 4 East, W.M.)

Situate in the County of Snohomish, State of Washington.

PARCEL B:

An easement for ingress, egress and utilities in, through, on, over and under Tract B of Binding Site Plan recorded in Volume 1 of Binding Site Plan, pages 222 through 225 under Recording No. 9102216001 records of Snohomish County, Washington and as contained in instrument recorded under Snohomish County Recording No. 9101160181;

Situate in the County of Snohomish, State of Washington.

PARCEL C:

An easement for ingress, egress and utilities and parking as described in Declaration of Easement dated June 10, 1992, recorded under Snohomish County Recording No. 9206160122.

Situate in the County of Snohomish, State of Washington.

PARCEL D:

An easement for storm drainage purposes on, over, under and within the "Easement Parcel" as defined and described in Declaration of Easement for Storm Drainage dated February 26, 1991, under Snohomish County Recording No. 9102260312 and amended under Recording No. 9206280310.

Situate in the County of Snohomish, State of Washington.

PARCEL E:

An easement for the use of utilities on, over, under and within the utility easement as defined and described in Recording No. 9206170393.

Situate in the County of Snohomish, State of Washington.

Exhibit 18

Straight Line Distances – Three Closest Facilities

[illegible]

Appendix 1
Audited Financial Statements



Consolidated Financial Statements
For the Year Ended June 30, 2020

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Independent Auditor's Report

**To the Board of Trustees
Northwest Kidney Centers
Seattle, Washington**

We have audited the accompanying consolidated financial statements of Northwest Kidney Centers (the Organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statement of financial position on page 27 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants
September 24, 2020

NORTHWEST KIDNEY CENTERS**Consolidated Statement of Financial Position****June 30, 2020****(With Comparative Totals for 2019)**

	2020	2019
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,082,091	\$ 6,892,040
Cash - provider relief funds to be returned (Note 17)	5,103,157	
Current portion of receivables, net (Note 2)	20,494,402	20,917,074
Third party settlements receivable, net (Note 3)	1,500,456	1,509,387
Inventories	1,594,430	1,286,177
Prepaid expenses	1,222,392	1,017,347
Total Current Assets	34,996,928	31,622,025
Investments (Note 4)	59,106,565	59,131,354
Assets limited as to use:		
Pledges for the acquisition of long-term assets (Note 2)	820,537	1,564,190
Board-designated endowment investments (Note 4)	3,864,417	3,590,629
Donor-restricted endowment investments (Note 4)	3,225,564	3,169,703
Deposits	138,915	170,680
Deferred compensation investments (Note 10)	717,798	897,255
Beneficial interest in split-interest agreements (Note 6)	1,656,181	1,582,084
Property and equipment, net (Note 7)	113,666,567	92,204,342
Total Assets	\$ 218,193,472	\$ 193,932,262
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 3,491,285	\$ 4,189,619
Construction payables	1,233,553	9,196,188
Current portion of pledge to the University of Washington (Note 12)	1,393,248	1,400,041
Unearned provider relief funds (Note 17)	496,228	
Provider relief funds to be returned (Note 17)	5,103,157	
Accrued expenses	8,345,733	7,742,891
Current portion of long-term debt (Note 8)	2,935,640	2,714,626
Total Current Liabilities	22,998,844	25,243,365
Deferred compensation (Note 10)	717,798	897,255
Deferred tenant leasehold allowance (Note 11)	1,399,937	1,893,761
Deferred rent (Note 11)	1,323,234	1,459,554
Long-term pledge to the University of Washington, net of current portion (Note 12)	1,600,000	2,600,000
Interest rate swap contract (Note 9)	6,851,099	3,659,538
Long-term debt, net (Note 8)	54,777,252	34,702,968
Total Liabilities	89,668,164	70,456,441
Net Assets:		
Without donor restrictions-		
Undesignated	114,388,541	111,674,831
Board designated (Note 13)	3,864,417	3,590,629
Total net assets without donor restrictions	118,252,958	115,265,460
Net assets with donor restrictions (Note 14)	10,272,350	8,210,361
Total Net Assets	128,525,308	123,475,821
Total Liabilities and Net Assets	\$ 218,193,472	\$ 193,932,262

See accompanying notes.

NORTHWEST KIDNEY CENTERS
Consolidated Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020		
	Without Donor Restrictions	With Donor Restrictions	2020 Total
			2019 Total
Revenues and Support From Operations:			
Net patient service revenue (Note 2)	\$ 125,474,304	\$ -	\$ 125,474,304
Contributions	665,768	3,220,954	3,886,722
Federal provider relief funding (Note 17)	2,172,368		2,172,368
Other	795,772		795,772
Gain on disposition of fixed assets	2,667,722		2,667,722
Investment income and realized gains on investments, net (Note 5)	5,402,405		5,402,405
Net assets released from restrictions for program purposes other than grants	1,117,079	(1,117,079)	
Total Revenues and Support From Operations	138,295,418	2,103,875	140,399,293
Expenses From Operations:			
Program services	107,058,850		107,058,850
Management and general	18,938,326		18,938,326
Fundraising expenses	1,159,055		1,159,055
Total Expenses From Operations	127,156,231		127,156,231
Operating Income	11,139,187	2,103,875	13,243,062
Other Revenues, Support and Expenses			
Gifts and grants to others	(3,374,361)		(3,374,361)
Net assets released from restriction for grants	681,553	(681,553)	
Unrealized (losses) gains on investments, net (Note 5)	(2,509,115)	151,532	(2,357,583)
Excess of Revenues and Support Over Expenses	5,937,264	1,573,854	7,511,118
Other:			
Contributions for capital purchases or endowment		768,749	768,749
Change in value of split-interest agreements (Note 6)		74,097	74,097
Change in value of interest rate swap contract (Note 9)	(3,191,561)		(3,191,561)
Other	(112,916)		(112,916)
Net assets released from restrictions for capital purchases	354,711	(354,711)	
Total Other	(2,949,766)	488,135	(2,461,631)
Change in Net Assets	2,987,498	2,061,989	5,049,487
Net assets, beginning of year	115,265,460	8,210,361	123,475,821
Net Assets, End of Year	\$ 118,252,958	\$ 10,272,350	\$ 128,525,308

See accompanying notes.

NORTHWEST KIDNEY CENTERS
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Program Services	Management and General	Fundraising	2020 Total	2019 Total
Salaries, wages and contracted services	\$ 47,464,824	\$ 9,061,580	\$ 460,596	\$ 56,987,000	\$ 58,608,835
Employee benefits and taxes	11,456,491	1,816,977	87,406	13,360,874	13,147,947
Supplies and drugs	25,039,659	150,981	105,647	25,296,287	27,092,320
Purchased services and lab fees	6,070,397	4,279,307	208,007	10,557,711	10,394,485
Depreciation and amortization	6,221,728	2,024,088	81,057	8,326,873	7,066,183
Rent	5,161,502	1,261	2,841	5,165,604	5,818,826
Utilities and other	4,159,859	1,028,764	199,475	5,388,098	5,228,404
Interest	773,508	269,991	13,681	1,057,180	129,887
Insurance	285,279	295,075	345	580,699	523,214
Bad debt expense	425,603	10,302		435,905	704,916
Total expenses from operations	107,058,850	18,938,326	1,159,055	127,156,231	128,715,017
Gifts and grants to others	3,374,361			3,374,361	3,556,939
Total Expenses	\$ 110,433,211	\$ 18,938,326	\$ 1,159,055	\$ 130,530,592	\$ 132,271,956

See accompanying notes.

NORTHWEST KIDNEY CENTERS
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash Flows From Operating Activities:		
Change in net assets	\$ 5,049,487	\$ 1,298,372
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	8,326,873	7,066,183
Debt issuance cost amortization	16,487	128,438
Gain on disposition of fixed assets	(2,667,722)	(27,011)
Contributions restricted for long-term purposes	(768,749)	(889,897)
Net unrealized loss (gain) on investments	2,357,583	(1,774,479)
Net (gain) loss on split-interest agreements	(74,097)	254,088
Change in value of interest rate swap contract	3,191,561	2,845,134
Changes in operating assets and liabilities:		
Decrease in receivables	463,368	1,874,706
Increase in inventories	(308,253)	(2,995)
Increase in prepaid expenses	(205,045)	(539,935)
Decrease in accounts payable	(698,334)	(534,509)
Decrease in pledge to the University of Washington	(1,006,793)	(1,184,831)
Increase in unearned provider relief funds	496,228	
Increase in provider relief funds to be returned	5,103,157	
Increase in accrued expenses	602,842	177,421
(Decrease) increase in deferred tenant leasehold allowance	(493,824)	921,007
(Decrease) increase in deferred rent	(136,320)	32,615
Net Cash Provided by Operating Activities	19,248,449	9,644,307
Cash Flows From Investing Activities:		
Purchases of investments	(44,641,232)	(12,268,891)
Proceeds from sale of investments	41,978,789	14,330,037
Purchases of property and equipment	(38,700,006)	(38,509,705)
Proceeds from sale of property and equipment	3,615,995	4,100
Net Cash Used in Investing Activities	(37,746,454)	(36,444,459)
Cash Flows From Financing Activities:		
Cash proceeds from contributions restricted for acquisition of long-term assets	1,501,199	745,354
Cash proceeds from contributions restricted for endowment	11,203	272,206
Cash proceeds from long-term debt	29,785,340	25,325,000
Principal payments on long-term debt	(9,194,966)	(486,792)
Cash paid for bond issuance costs	(311,563)	
Net Cash Provided by Financing Activities	21,791,213	25,855,768
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	3,293,208	(944,384)
Cash, cash equivalents and restricted cash at beginning of year	6,892,040	7,836,424
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 10,185,248	\$ 6,892,040
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sums to the total of the same such amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 5,082,091	\$ 6,892,040
Cash - provider relief funds to be returned	5,103,157	
Total Cash, Cash Equivalents and Restricted Cash Shown in the Consolidated Statement of Cash Flows	\$ 10,185,248	\$ 6,892,040
Supplementary Disclosures of Transactions:		
Construction in progress in accounts payable and accrued expenses	\$ 1,428,342	\$ 9,196,188
Cash paid during the year for interest	\$ 1,057,181	\$ 129,887

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 1 - Description of Organization and Summary of Significant Accounting Policies

Organization - Northwest Kidney Centers (NKC) is a Washington not-for-profit organization comprised of kidney dialysis centers, with 17 locations in King County, 1 location in Clallam County, 1 location in Snohomish County, and 1 location in Pierce County of Western Washington. NKC provides kidney dialysis services to in-center, home and hospital patients and operates an outpatient pharmacy. In addition to patient care, NKC supports education and research, including support of the Kidney Research Institute and the Center for Dialysis Innovation, both operated by the University of Washington.

NKC has joined with several other members to form Northwest Kidney Care Alliance, a Washington nonprofit miscellaneous corporation. This entity is consolidated with NKC for reporting purposes due to NKC having control and economic interest.

Principles of Consolidation - These financial statements include the financial statements of Northwest Kidney Centers and Northwest Kidney Care Alliance (collectively, the Organization). All intercompany transactions have been eliminated.

Basis of Presentation - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets which are not subject to donor-imposed stipulations;

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations which may or will be met by actions of the Organization and/or the passage of time, or net assets subject to donor-imposed stipulations that will be maintained permanently by the Organization.

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until such time as the conditions are met. Contributions of noncash assets are recognized at their estimated fair value on the date of contribution. For the years ended June 30, 2020 and 2019, total contributions were approximately \$4,655,000 and \$3,351,000, respectively.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary donor restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) result in the reclassification of net assets with donor restrictions to net assets without donor restrictions and are reported in the consolidated statement of activities as net assets released from restrictions. Assets restricted to the acquisition of long-term assets are released when the related long-term assets are placed into service.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make 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 revenues and expenses during the reporting period. Estimates include the patient receivable allowances, fair value of beneficial interests in split-interest agreements, third-party payer revenue settlements, government payer revenue settlements, fair value of interest rate swap contracts, depreciation useful lives and methodologies, and the functional allocation of expenses. Actual results could differ from those estimates.

NORTHWEST KIDNEY CENTERS
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

Note 1 - Continued

Cash and Cash Equivalents - Cash and cash equivalents include investments with original maturities at the date of purchase of three months or less, except cash and cash equivalents held as a part of the Organization's investment portfolio.

Inventories - Inventories of drugs and other supplies are stated at the lower of cost or market. Cost is determined using the average cost method.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statement of financial position. The Organization has elected to measure and report its investment in a private real estate fund at net asset value (NAV). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. NAV is a practical expedient alternative to fair value for investments in qualifying investment companies that do not have a readily determinable fair value.

Investment income or loss (including realized gains and losses on investments, interest and dividends, unrealized gains and losses on equity securities and debt securities classified as trading securities and investment fees) is included in the excess of revenues and support over expenses unless the income or loss is restricted by donor or by law.

Property and Equipment - Property and equipment are recorded at cost or, in the instance of donated properties, at fair value as of the date of gift. The Organization capitalizes expenditures for property and equipment that cost over \$1,000 and have a service life of greater than two years. The Organization provides for depreciation and amortization using the straight-line method over the following estimated lives:

Buildings and leasehold improvements	10 to 40 years
Medical, office and other equipment	4 to 20 years
Computer and telecommunications equipment	3 years

Grant Expense - Grant expense is recognized in the period the grant is signed, provided the grant is not subject to future conditions. Conditional grants are recognized as grant expense and as a payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. However, discounts to present value have not been material, and have not been recognized in the consolidated financial statements.

Operating Income - The consolidated statement of activities includes operating income which reflects the program, fundraising and administration costs associated with the direct operating activities of the Organization. Gifts and grants provided to others in support of the Organization's mission of research activities and unrealized gains and losses on investments are excluded from operating income.

Excess of Revenues and Support Over Expenses - The consolidated statement of activities includes excess of revenues and support over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues and support over expenses, consistent with industry practice, include unrealized change in value of interest rate swap contracts, contributions with donor restrictions, and contributions of long-lived assets, including assets acquired using contributions restricted by donors for the acquisition of such assets and the related releases.

NORTHWEST KIDNEY CENTERS
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

Note 1 - Continued

Patient Accounts Receivable - The Organization reviews patient accounts receivable balances on a regular basis to assess potential risk of credit loss. Patient balances are reviewed in conjunction with current economic conditions to determine the need for an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a charge to patient revenues and an increase to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a decrease to patient accounts receivable.

Financing Costs - Financing costs are recorded as a deduction to the related debt liability on the consolidated statement of financial position. Financing costs are amortized over the term of the applicable debt using the straight-line method which is not materially different from the results that would have been obtained under the effective yield method. Amortization of financing costs are included as a component of interest expense on the consolidated statement of activities.

Methods Used for Allocation of Expenses Among Program and Supporting Services - The consolidated financial statements report the direct expenses of program, management and general and fundraising functions. All expenses that can be assigned are assigned to each function as incurred. Certain buildings house both clinical departments and administrative departments. The depreciation associated with those buildings is allocated on the basis of square footage of the functional departments. Information technology is allocated based on department personnel count.

Medical Malpractice Claims - The Organization is insured with respect to medical malpractice on a claims-made basis. The Organization has not experienced a history of significant malpractice claims. Based on its past experience and a review of recent incidents, management has not recorded a liability for possible malpractice losses, as the probability that such claims would have a material adverse effect on the Organization's financial condition or activities is remote.

Federal Income Tax - The Internal Revenue Service has recognized Northwest Kidney Centers as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Northwest Kidney Care Alliance is a taxable nonprofit miscellaneous corporation. Northwest Kidney Care Alliance recognized approximately \$796,000 of revenue for the year ended June 30, 2020. No revenue was recognized for the year ended June 30, 2019. Management has determined that no provision for federal income tax was necessary in the accompanying consolidated financial statements due to calculated loss carryforwards.

Concentration of Credit Risk - Financial instruments that subject the Organization to concentrations of credit risk include cash, investments and accounts receivable. The Organization maintains cash and investment deposits with major financial institutions. The Organization has established guidelines relative to diversification and maturities in its investment portfolio that seek to maintain safety and liquidity. In most cases, amounts in the investment portfolios and the bank accounts are in excess of federally insured limits.

The Organization grants credit without collateral to its patients, most of whom are local residents and all of whom are eligible to be insured under third-party payor agreements. The health programs are dependent upon continued funding from government agencies and the legislative acts that impact the programs. The fee for service revenues from these programs are subject to periodic audit and review by the governmental agencies. See Note 2 for the Organization's mix of gross receivables from third-party payors and net patient service revenue.

NORTHWEST KIDNEY CENTERS
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

Note 1 - Continued

New Accounting Pronouncements - In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The objective of this ASU is to assist organizations in evaluating whether transactions should be accounted for as contributions or as exchange transactions subject to other guidance, and determining whether a contribution is conditional. During the year ended June 30, 2020, the Organization adopted ASU No. 2018-08 on a modified prospective basis.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*. This amends ASC Topic 825 and redefines public business entities along with disclosure and reporting requirements for certain types of investments and debt obligations. This amendment requires that changes in the fair value of equity securities be reported as part of investment income within the operating indicator excess (deficiency) of revenue over expenses. The amendment also eliminated the requirement for nonprofit organizations to disclose the fair value of assets and liabilities that are measured at unamortized cost in the financial statements, including the fair value of fixed-rate debt. During the year ended June 30, 2020, the Organization adopted ASU No. 2016-01.

In May 2014, the FASB issued ASU No. 2014-09, Revenue From Contracts with Customers (Topic 606). The objective of the ASU is to standardize the revenue recognition practices across entities, industries, jurisdictions, and capital markets by providing a framework for entities to apply to recognize revenue. This new framework provides a five-step approach for recognizing revenue. In addition to consideration of recognizing revenue based on existing customer contract terms and features, entities will be required to enhance qualitative and quantitative disclosures in financial statements to describe how revenue is recognized under the ASU. Management has elected the deferral option for this new standard and will apply the standard effective July 1, 2020. Management does not anticipate the adoption of the new ASU to have a material impact on the Organization's consolidated financial statements although certain disclosures and presentation items will be impacted.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The objective of this ASU is to assist organizations in recognizing the right to the use of an asset and its related liability or obligation when there is a contract in place that includes the right to control or direct the use of an identifiable asset. This ASU also includes provisions whereby the majority of leases that have lease terms greater than one year are to be recorded as an asset and lease obligation on the statement of financial position, whereas in the past, these leases might have been recorded as either capital leases which were presented on the statement of financial position or operating leases which were not presented on the statement of financial position. Management is evaluating the effect that ASU No. 2016-02 will have on its consolidated financial statements and related disclosures. Management has not yet selected a transition method, nor has it determined the effect of the standard on its ongoing financial reporting. The guidance in this ASU is effective for the Organization's year ending June 30, 2023.

Summarized Information for 2019 - The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2019 from which the summarized information was derived.

Subsequent Events - The Organization has evaluated subsequent events through September 24, 2020, the date on which the consolidated financial statements were available to be issued.

NORTHWEST KIDNEY CENTERS
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)
Note 2 - Receivables, Revenues and Discounted Services

Receivables at June 30 consisted of the following:

	2020	2019
Patient service receivables	\$ 25,471,757	\$ 24,484,471
Less allowance for contractual adjustments	(5,126,671)	(3,887,245)
Less allowance for doubtful accounts	(852,786)	(761,857)
Patient service receivables, net	19,492,300	19,835,369
Unconditional promises to give	1,278,122	2,066,341
Other receivables	544,517	579,554
	<u><u>\$ 21,314,939</u></u>	<u><u>\$ 22,481,264</u></u>
	2020	2019
Rollforward of Allowance for Doubtful Accounts:		
Beginning balance	\$ 761,857	\$ 314,515
Write-offs	(334,674)	(249,499)
Provision for bad debt	425,603	696,841
Ending Balance of Allowance for Doubtful Accounts	<u><u>\$ 852,786</u></u>	<u><u>\$ 761,857</u></u>

Patient Service Receivables - The mix of patient service receivables, not including the allowance for doubtful accounts and contractual adjustments from third-party payors at June 30 was as follows:

	2020	2019
Medicare and Medicaid	41%	38%
Other third-party payors and hospitals	59%	62%
	<u><u>100%</u></u>	<u><u>100%</u></u>

The mix of patient service revenue for the years ended June 30 was as follows:

	2020	2019
Medicare and Medicaid	73%	74%
Other third-party payors and hospitals	27%	26%
	<u><u>100%</u></u>	<u><u>100%</u></u>

NORTHWEST KIDNEY CENTERS
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

Note 2 - Continued

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. See Note 3 for further discussion.

Patient service revenues are reported in the consolidated financial statements net of contractual adjustments. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

As is consistent with the nonprofit mission of the Organization, the Organization provides access to all patients residing in Washington, regardless of their health care insurance coverage or their ability to pay, including patients who meet certain criteria under its charity care policy. As the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Organization determines the costs associated with providing charity care by calculating a ratio of cost to charges and then multiplying by charity care gross charge adjustments for the period. The Organization solicits contributions restricted for providing charity care support and services. Donor restricted charity care contributions amounted to approximately \$110,000 and \$275,000 for the years ended June 30, 2020 and 2019, respectively. The Organization incurred approximately \$700,000 and \$534,000 of costs related to charity care services for the years ended June 30, 2020 and 2019, respectively.

In addition to the cost of services provided as charity, the Organization provides treatments to patients covered by Medicare and Medicaid at a cost that significantly exceeds the payment provided by these government funded programs resulting in payment shortfalls. The cost of these unfunded services represents a significant benefit provided by the Organization to the community.

Unconditional Promises to Give - Unconditional promises to give are summarized as follows at June 30:

	2020	2019
Receivable in less than one year	\$ 592,378	\$ 1,695,509
Receivable in one to five years	685,744	370,832
	<u>\$ 1,278,122</u>	<u>\$ 2,066,341</u>

All pledges restricted to a facility capital campaign are considered long-term on the consolidated statement of financial position, regardless of when they are expected to be collected, because they will be expended for long-term purposes. Discounts to present value for the long-term promises are immaterial and have not been applied.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 3 - Third Party Settlements Receivable

Cost Reports - Centers for Medicare and Medicaid Services (CMS) allow for the reimbursements of uncollectible deductibles and co-insurance from Medicare recipients if an acceptable collections methodology is followed and the amounts are claimed on the annual cost report in the year the balance is written off the accounts receivable ledgers.

For the year ended June 30, 2020, an estimated amount of approximately \$1,579,000, less a reserve of approximately \$79,000, has been recorded as an increase to net patient service revenue. The third party settlements receivable relating to the fiscal year 2020 cost reports is anticipated to be received in the normal course of filing and settling during fiscal year 2021. As such, that amount has been recorded as a current asset at June 30, 2020.

At June 30, 2019, the third party settlements receivable represented an estimated amount of approximately \$1,589,000, less a reserve of approximately \$79,000.

Note 4 - Investments and Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels.

The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets for identical assets and liabilities. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

Cash - Valued at cost plus accrued interest which approximates fair value.

Mutual and Equity Funds - Valued at quoted market prices in active markets, which represent the NAV of shares held by the Organization at year end.

Beneficial Interest in Split-Interest Agreements - Valued at the Organization's beneficial interest in the fair value of the trust assets.

Interest Rate Swap Contract - Value is derived from proprietary or other pricing models based on assumptions regarding past, present and future market conditions.

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Note 4 - Continued

In accordance with the Accounting Standards Codification (ASC) Subtopic 820-10, certain investments that were measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. They are included in the following tables, however, to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statement of financial position.

Fair Values Measured on a Recurring Basis - Fair values of assets and liabilities measured on a recurring basis were as follows:

	Fair Value Measurements as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Cash	\$ 208,021	\$ -	\$ -	\$ 208,021
Mutual funds-				
Large cap	13,718,946			13,718,946
Mid cap	2,079,929			2,079,929
Small cap	1,548,366			1,548,366
International	3,571,296			3,571,296
Fixed income	25,447,245			25,447,245
Emerging markets	6,289,202			6,289,202
Equity funds-				
Collective equity funds	3,936,223			3,936,223
Beneficial interest in split-interest agreements (Note 6)			1,656,181	1,656,181
Interest rate swap contract (Note 8)			(6,851,099)	(6,851,099)
Total	56,799,228	\$ -	\$ (5,194,918)	\$ 51,604,310
Nonmarketable securities at net asset value-				
Private real estate fund	9,397,318			
Total Investments, June 30, 2020	\$ 66,196,546			

NORTHWEST KIDNEY CENTERS
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)
Note 4 - Continued

	Fair Value Measurements as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Cash	\$ 188,676	\$ -	\$ -	\$ 188,676
Mutual funds-				
Large cap	16,440,375			16,440,375
Small cap	4,488,152			4,488,152
International	8,079,309			8,079,309
Fixed income	22,945,647			22,945,647
Emerging markets	8,374,958			8,374,958
Equity funds-				
Collective equity funds	1,715,102			1,715,102
Beneficial interest in split-interest agreements (Note 6)			1,582,084	1,582,084
Interest rate swap contract (Note 8)			(3,659,538)	(3,659,538)
Total	62,232,219	<u>\$ -</u>	<u>\$ (2,077,454)</u>	<u>\$ 60,154,765</u>
Nonmarketable securities at net asset value-				
Private real estate fund	3,659,467			
Total Investments, June 30, 2019	<u>\$ 65,891,686</u>			

A reconciliation of the beginning and ending balances, by each major category of assets and liabilities, for fair value measurements made using significant unobservable inputs follows (Level 3) at June 30 is as follows:

	Beneficial Interest in Split Interest Agreements	Interest Rate Swap Contract (Note 8)	Total Level 3
Beginning balance at July 1, 2018	\$ 1,836,172	\$ (814,404)	\$ 1,021,768
Unrealized losses	(254,088)	(2,845,134)	(3,099,222)
Balance at June 30, 2019	1,582,084	(3,659,538)	(2,077,454)
Unrealized gains (losses)	74,097	(3,191,561)	(3,117,464)
Balance at June 30, 2020	<u>\$ 1,656,181</u>	<u>\$ (6,851,099)</u>	<u>\$ (5,194,918)</u>

NORTHWEST KIDNEY CENTERS
Notes to Consolidated Financial Statements
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Note 4 - Continued

Investments are presented as follows on the consolidated statement of financial position at June 30:

	<u>2020</u>	<u>2019</u>
Investments	\$ 59,106,565	\$ 59,131,354
Board-designated endowment investments	3,864,417	3,590,629
Donor-restricted endowment investments	<u>3,225,564</u>	<u>3,169,703</u>
Total Investments	<u>\$ 66,196,546</u>	<u>\$ 65,891,686</u>

Note 5 - Investment Return

Return on investments is presented in the consolidated statement of activities as follows:

	<u>2020</u>	<u>2019</u>
Operating returns-		
Interest and dividends	\$ 1,382,599	\$ 1,658,418
Net realized gains on sales of securities	4,191,064	470,166
Net unrealized (losses) gains	(2,357,583)	1,774,479
Investment fees	<u>(171,258)</u>	<u>(60,818)</u>
Total Return on Investments, Net	<u>\$ 3,044,822</u>	<u>\$ 3,842,245</u>

Note 6 - Beneficial Interest in Split-Interest Agreements

The Organization is a beneficiary in a perpetual trust held by a third party. The trust provides that the Organization receive annual income in the amount of the minimum investment return (as defined in IRC section 4942) or \$10,000, whichever is greater.

The Organization is also named as a 13.33% beneficiary of assets held by a foundation for the benefit of various nonprofit agencies. The principal, which is held in perpetuity, is administered by the trustee of the foundation and provides for annual earnings distributions to the Organization.

There are no restrictions associated with the income on either split-interest agreement. The split-interest agreements are recorded at market value, and changes in market value are recognized in the consolidated statement of activities as a donor restricted change in the value of the split-interest agreements.

NORTHWEST KIDNEY CENTERS
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)
Note 7 - Property and Equipment

Cost and accumulated depreciation and amortization of property and equipment are summarized as follows at June 30:

	2020	2019
Cost-		
Land	\$ 14,297,031	\$ 11,309,141
Buildings and improvements	79,133,780	29,746,569
Leasehold improvements	46,018,038	45,745,096
Medical, office equipment, software and other	45,559,383	38,934,833
Projects in progress	10,936,832	42,027,141
	195,945,064	167,762,780
Accumulated depreciation and amortization-		
Buildings and improvements	(20,861,976)	(20,537,498)
Leasehold improvements	(29,635,081)	(26,444,079)
Medical, office equipment, software and other	(31,781,440)	(28,576,861)
	(82,278,497)	(75,558,438)
Total Property and Equipment, Net	<u>\$ 113,666,567</u>	<u>\$ 92,204,342</u>

As of June 30, 2019, projects in progress included multiple projects associated with incremental expansion of capacity for select facilities, or property improvement initiatives and included property improvements for two clinic locations.

As of June 30, 2020, projects in progress include improvements for two additional clinic locations.

Note 8 - Long-Term Debt

2012 Bonds - In December 2012, the Organization entered into a \$10,400,000 tax-exempt financing through the private placement of bonds that were issued by the Washington Health Care Facilities Authority (WHCFA). In connection with this financing, the Organization signed a promissory note with a bank. The note bears fixed interest at 1.72% through the reset date of January 1, 2020, at which point the interest rate may be reset. This bond was paid off during the year ended June 30, 2020.

2018 Bonds - In June 2018, the Organization entered into a tax-exempt financing of up to \$43,175,000 through the private placement of bonds that were issued by WHCFA. The bond indenture allows for a 15-month interest-only draw down period. In connection with this financing, the Organization signed a promissory note with a bank. The note bears variable interest based on the LIBOR Index Rate. The interest resets monthly. The rate was 2.7119% on the date of issuance, and 1.12% at June 30, 2020. The future principal payments on the note are based on the fixed payment under the swap agreement (Note 9). The debt is collateralized by the land and future construction of the Rainier Beach Kidney Center, and the land and future construction of the Burien campus. The note matures on June 1, 2048, but has a bank repurchase date of June 1, 2028. The carrying value of the pledged collateral as of June 30, 2020 and 2019, was approximately \$49,479,000 and \$41,207,000, respectively.

NORTHWEST KIDNEY CENTERS
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

Note 8 - Continued

2019 Bonds - In August 2019, the Organization entered into a tax-exempt financing of up to \$9,525,000 through the private placement of bonds that were issued by WHCFA. The bond indenture allows for a 15-month interest-only draw down period. In connection with this financing, the Organization signed a promissory note with a bank. The note bears variable interest based on the LIBOR Index Rate. The interest resets monthly. The rate was 3.06% on the date of issuance, and 1.38% at June 30, 2020. The debt is collateralized by the Renton Kidney Center, and the Bellevue Kidney Center. The note matures on August 1, 2044, but has a bank repurchase date of August 1, 2029. The carrying value of the pledged collateral as of June 30, 2020 was approximately \$12,609,000.

2019 Loan - In August 2019, the Organization entered into a five-year taxable term loan agreement with a bank for approximately \$6,651,000 to refund the 2012 tax-exempt financing. The loan bears a fixed annual interest rate of 2.85%. The debt is collateralized by the 700 Broadway property and the Lake City property. After the refinancing, the note requires monthly principal and interest payments of \$118,160. The carrying value of the pledged collateral as of June 30, 2020, was approximately \$10,768,000.

Long-term debt consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
WHCFA Series 2012 Bonds	\$ -	\$ 7,183,797
WHCFA Series 2018 Bonds	42,095,000	30,595,000
WHCFA Series 2019 Bonds	9,525,000	
Term loans	6,749,170	
Less unamortized financing costs	<u>(656,278)</u>	<u>(361,203)</u>
	57,712,892	37,417,594
Less current portion	<u>(2,935,640)</u>	<u>(2,714,626)</u>
Long-Term Debt, Net of Current Portion	<u>\$ 54,777,252</u>	<u>\$ 34,702,968</u>

The future principal payments on the notes outstanding at June 30, 2020 are based on the debt instruments in place as of the date of the auditor's report:

For the Year Ending June 30,

2021	\$ 2,935,640
2022	4,210,645
2023	3,168,462
2024	3,207,370
2025	2,173,803
Thereafter	<u>42,673,250</u>
Total maturities	58,369,170
Less unamortized debt issuance costs	<u>(656,278)</u>
Total Long-Term Debt	<u>\$ 57,712,892</u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 8 - Continued

The notes include various loan covenants including financial covenants such as the maintenance of specified working capital and debt service coverage measurements, and other affirmative and negative covenants. At June 30, 2020 and 2019, management believes the Organization was in compliance with such loan covenants.

Note 9 - Interest Rate Swap Contract

In June 2018, the Organization entered into an interest rate swap contract as a cash flow hedge to reduce the impact of changes in the 2018 tax-exempt bond's variable rates. The swap contract was purchased with a 15 month forward to coincide with the bond drawdown period. The swap contract fixed the variable rate interest rate at 2.65% beginning September 1, 2019. As of June 30, 2020 and 2019, the notional amount was \$42,095,000 and \$43,175,000, respectively.

The fair value of the interest rate swap contract is shown as a liability on the consolidated statement of financial position in the amount of approximately \$6,851,000 and \$3,660,000 at June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, the Organization recognized unrealized losses of approximately \$3,192,000 and \$2,845,000, respectively, related to the swap contract due to interest rate fluctuations, which is included in other activities on the consolidated statement of activities.

Note 10 - Employee Benefit and Deferred Compensation Plans

401(k) Plan - The Organization has a tax-deferred 401(k) plan (the Plan) covering all eligible employees who meet prescribed service requirements. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Participants may contribute to the Plan through voluntary deferrals of eligible compensation. Eligible employees may contribute from 1% to 100% of their eligible compensation to the Plan, not to exceed annual limitations prescribed by the Internal Revenue Service (IRS). Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions.

The Organization makes safe harbor matching contributions of an amount equal to 100% of the first 4% of each participant's contribution to the Plan. The Organization also has the option to make a discretionary contribution as a percentage of each participant's eligible compensation to the Plan, including those participants who chose not to make voluntary deferral contributions to the Plan. In addition to the matching contribution discussed above, the Organization contributed 1% of each participant's respective compensation to the Plan for both calendar years 2019 and 2020. Plan expense totaled approximately \$2,302,000 and \$2,515,000 in 2020 and 2019, respectively.

457(b) Plan - The Organization sponsors a deferred compensation plan for the benefit of certain employees in accordance with Section 457(b) of the Internal Revenue Code. Participating employees are permitted to defer a portion of their salary until termination, retirement, death, or in the event of an unforeseen emergency.

Under the terms of the plan, all deferred compensation, along with all property and rights purchased with those amounts and income attributable to those amounts, remain the property of the Organization until paid or made available to the employee or his or her beneficiary. Such amounts are subject to the claims of the Organization's general creditors. Participants' rights are equal to those of general creditors in an amount equal to the fair value of the deferred amount for each participant. Assets associated with this plan are approximately \$718,000 and \$897,000 at June 30, 2020 and 2019, respectively. The assets consisted of mutual funds measured at fair value using Level 1 inputs as further described in Note 4.

NORTHWEST KIDNEY CENTERS
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

Note 10 - Continued

The Organization has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Management believes it is unlikely that the assets will need to be used to satisfy the claims of general creditors.

Note 11 - Operating Lease Commitments and Deferred Rent

Deferred Tenant Leasehold Allowance - The Organization has entered into lease contracts in which the lessor agreed to pay for the costs of improvements made to the sites being leased. The balances paid to the Organization will be amortized against rent expense over the remaining life of the related leases. The unamortized balance of the reimbursed costs totaled approximately \$1,400,000 and \$1,894,000 as of June 30, 2020 and 2019, respectively, and are reported as a deferred tenant leasehold allowance in the consolidated statement of financial position.

Deferred Rent - The Organization leases dialysis centers under the terms of several operating lease agreements expiring in various years through 2032. Lease payments during the years ended June 30, 2020 and 2019, totaled approximately \$3,917,000 and \$4,517,000, respectively.

The leases have escalation clauses which, under lease accounting standards, have resulted in deferred rent expense liabilities recognized for the leases. The deferred rent is being amortized against rent expense using the straight-line method over the remaining term of the related leases. The difference between the cash outlay and expense recognized was approximately (\$40,000) and (\$33,000) for the years ended June 30, 2020 and 2019, respectively. The cumulative difference at June 30, 2020 and 2019, was approximately \$1,323,000 and \$1,460,000, respectively.

Future minimum lease payments for the property leases are as follows:

For the Year Ending June 30,	Yearly Cash Outlay	Straight-Line Expense	Adjustment	Cumulative Difference
2021	\$ 3,699,242	\$ 3,596,004	\$ 103,238	\$ 103,238
2022	3,590,601	3,405,192	185,409	288,647
2023	3,319,833	3,092,752	227,081	515,728
2024	2,440,677	2,263,074	177,603	693,331
2025	1,655,276	1,554,942	100,334	793,665
Thereafter	4,950,858	4,421,289	529,569	1,323,234
Total Minimum Lease Payments	\$ 19,656,487	\$ 18,333,253	\$ 1,323,234	\$ 3,717,843

Note 12 - Commitments and Contingencies

Promises to Give - As of June 30, 2020 and 2019, the Organization had unconditional promises to give to the University of Washington (the University) of approximately \$2,993,000 and \$4,000,000, respectively, for the funding of the Kidney Research Institute and stipends for four fellows in the University's Division of Nephrology. Of the outstanding commitments as of June 30, 2020, the Organization has promised to pay approximately \$1,393,000 during the year ending June 30, 2021, with the remaining amounts to be paid thereafter. Discounts to present value are immaterial and have not been applied.

NORTHWEST KIDNEY CENTERS
Notes to Consolidated Financial Statements
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(With Comparative Totals for 2019)

Note 12 - Continued

In June 2017, the Organization committed to a grant of up to \$15,000,000 to the University's Center for Dialysis Innovation for research and development of a prototype wearable, miniaturized dialysis medical device. The grant is payable in five annual \$3,000,000 award increments, upon approval by the Organization of an annual project research plan for the following year. As of June 30, 2020 and 2019, the Organization had unconditional promises to give to the University's Center for Dialysis Innovation of approximately \$304,000 and \$487,000, respectively, included in accounts payable, each to be paid in the following year. The Organization's outstanding commitments for conditional grants were up to approximately \$6,342,000 and \$9,423,000 as of June 30, 2020 and 2019, respectively.

Litigation - In the normal course of business, the Organization has various claims in process, matters in litigation or other contingencies. In management's opinion, the outcome from these matters will not materially impact the Organization's financial position or results of activities.

Industry Regulations - The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government health care program participation requirements, reimbursements for patient services and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations is subject to future government review and interpretations as well as regulatory actions known or unasserted as this time.

Note 13 - Board Designated Net Assets

Board designated net assets are available for the following purposes at June 30:

	2020	2019
Quasi endowments (Note 15)-		
General endowments	\$ 1,733,260	\$ 1,724,948
Patient support endowments	1,622,331	1,622,331
Research endowments	75,839	74,985
Employee scholarships	261,184	
Patient services endowments	171,803	168,365
	<u>\$ 3,864,417</u>	<u>\$ 3,590,629</u>

NORTHWEST KIDNEY CENTERS
Notes to Consolidated Financial Statements
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(With Comparative Totals for 2019)
Note 14 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2020	2019
Subject to the Passage of Time or Expenditure for Specified Purpose:		
Program services	\$ 2,068,295	\$ 610,487
Acquisition of fixed assets	3,322,310	2,848,087
Total Subject to the Passage of Time or Expenditure for Specified Purpose	5,390,605	3,458,574
Endowment Funds:		
Original gifts and required retained funds (corpus)-		
General endowments	1,049,999	1,049,999
Patient support endowments	490,833	484,818
Research endowments	681,803	676,803
Employee scholarships	258,845	258,845
Patient services endowments	105,002	104,814
Patient emergency endowments	45,814	45,814
	2,632,296	2,621,093
Accumulated endowment earnings (Note 15)	593,268	548,610
Total Endowment Funds	3,225,564	3,169,703
Beneficial Interest in Split-Interest Agreements (Note 6)	1,656,181	1,582,084
Total Net Assets With Donor Restrictions	\$ 10,272,350	\$ 8,210,361

Note 15 - Endowments

The Organization's endowments consist of 23 funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments). Net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - Management of the Organization has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this determination, the Organization classifies as net assets with donor restrictions - endowment corpus (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

NORTHWEST KIDNEY CENTERS
Notes to Consolidated Financial Statements
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Note 15 - Continued

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions - accumulated endowment earnings until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

As of June 30, endowment net assets consisted of the following:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	2020 Total	2019 Total
		Endowment Corpus	Accumulated Earnings			
Donor restricted endowment funds	\$ -	\$ 2,632,296	\$ 593,267	\$ 3,225,563	\$ 3,225,563	\$ 3,169,703
Board designated quasi- endowment funds	3,864,417				3,864,417	3,590,629
Endowment Net Assets	\$ 3,864,417	\$ 2,632,296	\$ 593,267	\$ 3,225,563	\$ 7,089,980	\$ 6,760,332

Changes to endowment net assets for the years ended June 30 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	2020 Total	2019 Total
		Endowment Corpus	Accumulated Earnings			
Endowment net assets, beginning of year	\$ 3,590,629	\$ 2,621,093	\$ 548,610	\$ 3,169,703	\$ 6,760,332	\$ 6,484,754
Endowment investment return	99,685		151,532	151,532	251,217	282,189
Contributions and designations	255,000	11,203		11,203	266,203	272,206
Appropriation of endowment for expenditure and transfer	(80,897)		(106,875)	(106,875)	(187,772)	(278,817)
Endowment Net Assets, End of Year	\$ 3,864,417	\$ 2,632,296	\$ 593,267	\$ 3,225,563	\$ 7,089,980	\$ 6,760,332

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2020 and 2019.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 15 - Continued

Return Objectives and Risk Parameters - The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization defines a total return strategy based on an asset mix of 17.5%-50% fixed income securities, 25%-65% equity holdings, and 0-47% alternative investments.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Organization has a policy of appropriating 4.5% of its endowment funds' average fair value over the prior three years through June preceding the fiscal year in which the distribution is planned. Appropriations are made in September of the fiscal year in which they are to be used. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 16 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash, cash equivalents, and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of kidney dialysis services and supporting kidney research as well as the conduct of services undertaken to support those activities to be general expenditures.

NORTHWEST KIDNEY CENTERS
Notes to Consolidated Financial Statements
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Note 16 - Continued

As of June 30, the following table shows the financial assets held by the Organization that could readily be made available within 12 months of the date of the consolidated statement of financial position to meet general expenditures.

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 5,082,091	\$ 6,892,040
Cash - provider relief funds to be returned	5,103,157	
Receivables, net	22,815,395	23,990,651
Investments	66,196,546	65,891,686
Deferred compensation investments	<u>717,798</u>	<u>897,255</u>
Total Financial Assets	99,914,987	97,671,632
Less amounts not available for general expenditure within 12 months-		
Cash - provider relief funds to be returned	(5,103,157)	
Long-term receivables	(820,537)	(1,564,190)
Board-designated and donor-restricted endowments	(7,089,981)	(6,760,332)
Deferred compensation investments	(717,798)	(897,255)
Plus budgeted appropriation from endowment earnings	<u>267,268</u>	<u>260,777</u>
Financial Assets Available For General Expenditure Within 12 Months	<u>\$ 86,450,782</u>	<u>\$ 88,710,632</u>

Note 17 - Risks and Uncertainties

In March 2020, the World Health Organization categorized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. Dialysis treatments are deemed essential services and thus all clinics have remained open and fully operational, however the Organization did experience a decrease in referrals due to physician practices temporarily limiting access. As a result, the Organization has experienced limited negative impacts to its operating revenues. As of the date these financial statements were available to be issued, the COVID-19 pandemic was ongoing and the related governmental preventive and protective measures continued, and as a result, the related financial impact and duration of the pandemic cannot be reasonably estimated at this time.

NORTHWEST KIDNEY CENTERS**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 17 - Continued

During the year ended June 30, 2020, the Organization received Provider Relief Funds of approximately \$7,772,000 from the Federal Government to be used to “prevent, prepare for and respond to coronavirus.” The Organization believes that it had met the conditions to entitlement and recognized revenue for approximately \$2,172,000 of the amount received, based on the available guidance from the Federal Government. The amount received but not yet recognized as revenue as of June 30, 2020 is approximately \$496,000, which is reflected as unearned grant funds on the consolidated statement of financial position at June 30, 2020. The Organization anticipates meeting the conditions and recognizing the revenue during fiscal year 2021. Subsequent to year end, the Organization returned approximately \$5,103,000 of the funds received. This is included in provider relief funds to be returned on the consolidated statement of financial position at June 30, 2020. Revenue from this grant is subject to audit required by the granting agency, which could result in adjustments to revenue. Any adjustments would be recorded at the time that such amounts could first be reasonably determined, normally upon notification by the government agency.

SUPPLEMENTARY SCHEDULE

NORTHWEST KIDNEY CENTERS**Consolidating Statement of Financial Position
For the Year Ended June 30, 2020**

	Northwest Kidney Centers	Northwest Kidney Care Alliance	Eliminations	2020 Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 5,082,091	\$ -	\$ -	\$ 5,082,091
Cash - provider relief funds to be returned	5,103,157			5,103,157
Current portion of receivables, net	20,493,402	1,000		20,494,402
Third party settlements receivable	1,500,456			1,500,456
Inventories	1,594,430			1,594,430
Prepaid expenses	1,222,392			1,222,392
Intercompany due (to) from	1,031,681	(1,031,681)		
Total Current Assets	36,027,609	(1,030,681)		34,996,928
Investments	59,106,565			59,106,565
Assets limited as to use - pledges for the acquisition of long-term assets	820,537			820,537
Assets limited as to use - board-designated endowment investments	3,864,417			3,864,417
Assets limited as to use - donor-restricted endowment investments	3,225,564			3,225,564
Deposits	138,915			138,915
Deferred compensation investments	717,798			717,798
Beneficial interest in split-interest agreements	1,656,181			1,656,181
Property and equipment, net	113,666,567			113,666,567
Total Assets	\$ 219,224,153	\$ (1,030,681)	\$ -	\$ 218,193,472
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 3,491,285	\$ -	\$ -	\$ 3,491,285
Construction payables	1,233,553			1,233,553
Current portion of pledge to the University of Washington	1,393,248			1,393,248
Unearned provider relief funds	496,228			496,228
Provider relief funds to be returned	5,103,157			5,103,157
Accrued expenses	8,345,733			8,345,733
Current portion of long-term debt	2,935,640			2,935,640
Total Current Liabilities	22,998,844			22,998,844
Deferred compensation	717,798			717,798
Deferred tenant leasehold allowance	1,399,937			1,399,937
Deferred rent	1,323,234			1,323,234
Long-term pledge to the University of Washington, net	1,600,000			1,600,000
Interest rate swap contract	6,851,099			6,851,099
Long-term debt, net	54,777,252			54,777,252
Total Liabilities	89,668,164			89,668,164
Commitments and contingencies				
Net Assets:				
Without donor restrictions-				
Undesignated	115,419,222	(1,030,681)		114,388,541
Board designated	3,864,417			3,864,417
Total net assets without donor restrictions	119,283,639	(1,030,681)		118,252,958
With donor restrictions:				
Restricted for program purposes	5,390,605			5,390,605
Beneficial interest in split-interest agreements	1,656,181			1,656,181
Endowment corpus	2,632,296			2,632,296
Endowment accumulated appreciation	593,268			593,268
Total net assets with donor restrictions	10,272,350			10,272,350
Total Net Assets	129,555,989	(1,030,681)		128,525,308
Total Liabilities and Net Assets	\$ 219,224,153	\$ (1,030,681)	\$ -	\$ 218,193,472

See independent auditor's report.