




**Certificate of Need Application
Kidney Disease Treatment Facilities
Nonspecial Circumstance Projects**

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 Liz McNamara, MN, RN VP, Chief Administrative Officer Email Address: Liz.McNamara@nwkidney.org	Date: December 1, 2022 Telephone Number: 206-720-8937 
Legal Name of Applicant Northwest Kidney Centers / NKC Seattle Kidney Center Address of Applicant 12901 20 th Ave S. SeaTac, WA. 98168	Provide a brief project description (example: # of stations/location) Permanently add 7 stations (from NKC Elliott Bay) to NKC Seattle (added under the Governor's Proclamation 20-36). Estimated capital expenditure: <u>\$0</u>
This application is submitted under (check one box only): [] Concurrent Review Cycle 1 – Non Special Circumstances: [X] Concurrent Review Cycle 2 – Non Special Circumstance	

Identify the Planning Area for this project as defined in WAC 246-310-800(15).
King 2 Dialysis Planning Area



**CERTIFICATE OF NEED APPLICATION
NON-SPECIAL CIRCUMSTANCES
AND
TO RETAIN STATIONS MADE OPERATIONAL UNDER
COVID PROCLAMATION 20-36
NKC SEATTLE DIALYSIS FACILITY**

December 2022

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APPENDIX 1: AUDITED FINANCIALS

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 Seattle Kidney Center (“NKC Seattle”). NKC relocated seven dialysis stations from our NKC Elliott Bay Kidney Center to NKC Seattle Kidney Center under the Governor’s Proclamation 20-36. Both facilities are located in the King 2 Dialysis Planning Area and while no increase in total planning area stations occurred; there was an increase at NKC Seattle. With this application, NKC proposes to retain these stations at NKC Seattle and use them to primarily support home patients when they need in-center back up due to exacerbation of co-morbid conditions, loss of a caregiver, respite for a caregiver or a change in home situation. Newer patients also tend to need in-center back-up when they experience complications in the home setting. These stations will support home patients in staying on their preferred modality while simultaneously, minimizing disruption to in-center patient schedules.

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:

Michael Kellogg
Senior Director, Facility Planning & Management
Northwest Kidney Centers
12901 20th Avenue South
SeaTac, WA 98168
Tel: 206-720-8505
Michael.Kellogg@nwkidney.org

Liz McNamara, MN, RN
VP, Chief Administrative Officer
Northwest Kidney Centers
12901 20th Avenue South
SeaTac, WA 98168
Tel: 206-720-8937
Liz.McNamara@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).

The consultant authorized to speak on behalf of the screening related to this application is:

Jody Carona
Health Facilities Planning & Development
120 1st Avenue West, Suite 100
Seattle, WA 98119
(206) 441-0971
(206) 441-4823 (fax)
Email: healthfac@healthfacilitiesplanning.com

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 of its programs and facilities.

An organizational chart depicting the Board structure is shown in Exhibit 1. An organizational chart showing the Operational (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. The following identifying information should be included:**
- **Facility Name(s)**
 - **Facility Location**
 - **Facility CMS Certification Number**
 - **Facility Accreditation Status**
 - **Operational date of most recent CN approval or exemption**

A listing of each of the facilities owned and operated by NKC is included in Exhibit 3. NKC does not own or operate any facility outside of Washington State.

SECTION 2 PROJECT DESCRIPTION

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

The name of the existing facility is NKC Seattle. The address of NKC Seattle is:

548 - 15th Avenue
Seattle, WA 98122

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.

No new facility is proposed. This question is not applicable.

3. Provide a detailed description of the proposed project.

NKC is proposing to permanently retain seven stations at NKC Seattle, located in the King 2 Dialysis Planning Area (King 2). As previously noted, these stations were relocated from NKC Elliott Bay during COVID under the Governor's Proclamation 20-36. No new stations are being added to the planning area (King 2).

These stations are located in the home training/ home support program located on the fourth floor. The permanent addition of these stations supports continuity of care for home patients in that they will dialyze using the same equipment that they use at home and will be cared for by familiar home staff.

Home patients require in-center back-up for a number of reasons; most common reasons include pre and post hospitalization; exacerbation of co-morbid conditions, loss of a caregiver or respite for caregiver/change in home situation, and support for patients, typically newer home patients experiencing anxiety around self-cannulation and complications in the home setting. In an effort to prevent these patients from discontinuing home treatment and to prevent the impact on both the patient and NKC (given both the documented better outcomes for patients dialyzing at home and the large upfront costs, personnel time, and patient and family commitment required for home training) good and timely access to home support is critical. Making these stations permanent at NKC Seattle provides that access.

Upon project completion, NKC Seattle will have a total of 37 stations CN approved stations and one (1) exempt isolation station. NKC Seattle is unique in the NKC system in that it has 15 dialysis stations that are bed stations for its special care unit, and it also has several private/isolation rooms for separation of patients as well as a dedicated isolation station (that is recognized as CN exempt). In addition, NKC Seattle currently provides home dialysis training. None of these services/programs will change or alter with the permanent increase in station capacity.

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 Seattle.

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 Non Special Circumstances Cycle 2 indicates that decisions will be rendered by June 2023. Because the stations are already operation, the stations will be made permanent the date of issuance of the CN, as depicted in Table 1.

**Table 1
NKC Seattle Timeline**

Event	Anticipated Month, Day, and Year
Assumed Completion of CN Review	June 2023
Design Complete	Not Applicable
Construction Commenced	Not Applicable
Construction Completed	Not Applicable
Facility Prepared for Survey	June 2023 (same as CN issuance date as stations are already operational)

Source: Applicant

6. Identify the Month/Day/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, this date is estimated to be in June 2023; the same date that the CN is issued.

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 Seattle provides the following services:

- Outpatient maintenance hemodialysis.
- Isolation in a private room.
- Special Care- As previously described, NKC Seattle has 15 bed stations in its Special Care Unit. These stations are for patients unable to dialyze in an upright position. A number of these beds are also located in private rooms.
- Home peritoneal and home hemodialysis training.
- Back up support treatments for both home hemodialysis and home peritoneal dialysis patients.
- Hemodialysis services for out-of-area patients, including bone marrow transplant patients from Fred Hutchinson.
- Shifts beginning after 5:00 PM.

This CN request will not change the services listed above. However, it will provide expanded home back up and support services; and also assures that incenter scheduling is not disrupted when a home patients need to be quickly added to the schedule.

8. Fill out the table below identifying the current (if applicable) and proposed configuration of dialysis stations. Note – an exempt isolation station defined under WAC 246-310-800(9) would not be counted in the methodology, but would be included in the total count of certified in-center stations.

As requested, Table 2 provides the current and proposed station configuration. NKC Seattle has many private rooms. The rooms in which the 7 relocated stations are housed, and which will be used for home back up support are private rooms. This is intentional and it allows the patient to experience back up support as they would do at home (home like setting and the identical equipment). Other private rooms are located in the Special Care Unit and may be used for patients needing isolation but do not meet the definition of medically necessary isolation (WAC 246-310-800(9)).

Table 2
NKC Seattle Kidney Center
Station Configuration

Note: before and after are the same because the stations were made operational under Proclamation 20-36

	CMS Certified Stations	Before/After Stations Counted in the Methodology
Stations Counted as General Use In-center Stations		
Incenter Stations	9	9
Private Rooms	13	13
Private Rooms with Beds	2	2
Permanent Bed Stations	13	13
SubTotal	37	37
Exempt Isolation Station		
Exempt Isolation Station	1	0
Total Stations	38	37

Source: Applicant

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

NKC Seattle serves the following patient populations:

- Stable outpatient maintenance hemodialysis patients
- Patients with complex medical needs such as a Left Ventricular Device (LVAD) , Tracheostomy, and oncology patients on chemotherapy. NKC Seattle has an agreement with Fred Hutchinson Cancer Center to provide dialysis services to patients who have received a bone marrow transplant. These patients typically travel to Seattle for their transplant from other areas of the state and country.
- Capability of support for patients whose medical condition 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.
- 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.

While the larger NKC Seattle operates 3 shifts per day, due to the clinical and transportation needs the Special Care Unit dialysis patients, this unit does not operate with 3 shifts per day.

10. 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.

11. 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).

There is no change in the before and after, and no addition of any square footage. No future stations are assumed.

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

12. 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 and net square footage of NKC Seattle is not impacted by this project. The facility includes a total of 25,734 and 32,080 square feet respectively.

13. 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 Seattle is already Medicare and Medicaid certified. The provider numbers are

Medicare #: 50-2500

Medicaid #: 1043799

SECTION 3
A. Need (WAC 246-310-210)

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

NKC Seattle is located in ESRD King County Planning Area #2. The other dialysis facilities located in this Planning Area are detailed in Table 3:

Table 3
King 2 Existing Stations

Facility	No. of Stations
DaVita Olympic View	20
NKC Rainier Beach	19
NKC Broadway	15

Source: DOH and Applicant

- 2. Provide utilization data for the facilities listed above, according to the most recent Northwest Renal Network / Comagine ESRD Network 16 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.**

As this application is non-competitive and is not seeking stations, and consistent with past CN Program practice, the requirements noted above are not applicable to this review.

Table 4 outlines the other facilities, station counts, census and patient / station utilization in the planning area. This application is requesting to permanently retain the seven stations that were moved from NKC Elliott Bay to NKC Seattle under Proclamation 20-36.

Table 4
King 2 Dialysis Planning Area Facilities, Station Count and Census

Facility	No. of Stations	Census on 6/30/2022	Patients / Station Utilization
DaVita Olympic View	20	49	2.5
NKC Rainier Beach	19	68	3.6
NKC Broadway	15	66	4.4
NKC Seattle	37	126	3.4

Source: Northwest Renal Network/Comagine, NKCRainier Beach was approved to add 7 stations in March, 2022 and these stations became operational on June 16, 2022.

- 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.**

This application is not based on Planning Area Need. This question is not applicable.

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

Table 5 provides the requested information for the last three full fiscal years ending June 30.

Table 5
NKC Seattle Kidney Center
Historical Utilization, FYE2020-2022

	FYE2020	FYE2021	FYE2022
Total in-center stations as of last day of period	30	30	30
Total in-center patients as of last day of period	122	131	126
Total in-center treatments	19,038	18,961	19,430
Total home patients as of last day of period	78	75	64
Total home treatments	13,093	11,741	10,108
Total Patients	200	206	190
Total Treatments	32,131	30,702	29,538

Source: Applicant

5. 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 6.

NKC assumed a 3% increase in incenter treatments (and an average of 12.8 treatments per patient/month). NKC also assumed an 8% increase in home treatments (and an average of 12.9 home equivalent treatments per month).

**Table 6
NKC Seattle Kidney Center
Projected Utilization, FYE2023**

	FY2023	FY2024	FY2025	FY2026
Total in-center stations	37	37	37	37
Total in-center patients (Year End)	135	139	143	147
Total in-center treatments	20,356	21,018	21,649	22,298
Total home patients	69	75	81	87
Total home treatments	10,723	11,580	12,507	13,507
Total Patients	204	214	224	236
Total Treatments	31,078	32,598	34,155	35,805

Source: Applicant

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

Patient origin data is included in Exhibit 6¹.

¹ Please note that the patient origin data does not include visitor dialysis patients such as those coming to Fred Hutchinson for treatment or any other visitors.

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

The seven Elliot Bay stations along with the patients served at Elliott Bay were moved to NKC Seattle to enhance efficiency and meet staffing challenges during COVID. The permanent addition of these stations at NKC Seattle supports efficiency throughout the NKC system through the consolidation of this specialized patient population. If these stations are not approved, NKC will be forced to try and accommodate these patients in existing in-center locations where census is already high. The result is frequently that the home patient has to dialyze at a time inconvenient to them, or other in-center patients are “bumped”. In addition, dedicated home back up stations supports timely back up services performed in a setting similar to how the patient dialyzes at home; and reinforces and supports the patient on the home modality.

8. 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 we serve. NKC Seattle, 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, non-discrimination policy and the charity care policy for the existing NKC Seattle are included in Exhibit 7.

9. 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 CN project is not a partial or full relocation of a facility. However, NKC previously received certificate of need approval (DOR #107) to relocate the existing NKC Seattle to a new site, expected to be complete in 2024. The CN Program has previously advised that once this CN is approved, NKC will need to apply for and receive a new DOR to add these 7 stations to the relocated facility.

10. 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 a partial or full relocation of a facility. Therefore, this question is not applicable. Please see the response to Question 9 for additional information.

11. 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

B. Financial Feasibility (WAC 246-310-220)

1. Provide documentation that demonstrates the immediate and long-range capital and operating costs of the project can be met. This should include but is not limited to:
 - Utilization projections. These should be consistent with the projections provided under the Need section. Include all assumptions.
 - Pro Forma 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.

The requested pro forma financial information is included in Exhibit 8. During a November 22, 2022 Technical Assistance (TA) session with the CN Program it was agreed, that in the initial filing, NKC would only include one year; FY2023 because the Program wants to decide how it wants NKC to address DOR #107.

In addition, and as the pro forma demonstrates at due to the specialized services at NKC Seattle, it has historically not covered its operating costs. However, because these specialized services are consolidated in a single location, the other incenter dialysis centers are able to operate more efficiently. Therefore, the overall contribution to the larger system is positive.

2. 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 Seattle does not have a management agreement, operating agreement, development agreement or a joint venture agreement. A copy of the medical director agreement is included in Exhibit 9.

- 3. 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.**

Northwest Kidney Centers leases the site on which the existing NKC Seattle is located. Included in Exhibit 10 is a copy of the existing lease agreement and current amendments showing that the lease runs through March 2024. Because we intend to relocate the facility (per DOR #107) NKC is in the process of securing a short-term extension (three six month extensions) to the lease agreement. This draft extension will be provided in response to screening. NKC requests that the CN Program notify NKC in screening if additional information is required.

Exhibit 11 provides information from the King County Assessor that confirms that the current owner, 15th and Cherry, LLC, is the current landlord listed in the lease agreement.

- 4. 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.**

NKC Seattle has been at its current location since 2007 with all local municipal and state approvals. The additional stations will be located in the existing building. Included in Exhibit 11 is documentation regarding the zoning for the site.

- 5. 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.**

There are no capital expenditures associated with the retention of the seven stations. Therefore, this question is not applicable.

- 6. 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.**

There are no capital expenditures associated with the retention of the seven stations. Therefore, this question is not applicable.

7. Provide a non-binding contractor’s estimate for the construction costs for the project.

This question is not applicable.

8. 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 (which, in this case, is \$0).

9. 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.

Given that there is no capital expenditure, this question is not applicable.

10. Provide the historical and 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 Seattle’s current payer mix is detailed in Table 7. No change in payer mix is assumed for this project because these stations are already set up and operational.

Table 7
NKC Seattle Kidney Center
Current and Projected Payer Mix

Payer Mix	Historical/Projected	
	Percentage by Revenue	Percentage by Patient
Medicare	76.0%	71.0%
Medicaid	14.4%	16.5%
Commercial	9.6%	12.5%
Total	100.0%	100.0%

Source: Applicant

11. If this project anticipates changes in payer mix percentages from historical to project, provide a brief explanation of why the changes are anticipated and any underlying assumptions.

The payer mix is detailed in Table 7. No changes are anticipated because the stations have been open and operating. This CN simply seeks to permanently retain them.

12. 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.

No new equipment is proposed for this project. This question is not applicable.

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

This question is not applicable.

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

This question is not applicable.

15. 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
C. 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 8 details the current staffing.

Table 8
NKC Seattle Kidney Center
Current and Projected FTEs

Job Title	Average Hourly Rate	FY2022 FTE
Assistant Nurse Manager	60.79	0.5
Clinic Manager- non Nurse	62.50	1
Clinical Unit Coordinator	19.75	2
Dialysis Technician II	23.45	17.8
Licensed Practical Nurse	32.68	2
Main Desk Receptionist	19.13	1
Nurse Supervisor	53.30	1
PerDiem Dialysis Tech II	27.18	0.16
PerDiem Staff Nurse	41.73	0.4
Receptionist/Transporter	17.27	2.48
Registered Nephrology Nurse	48.50	7.35
Total		35.69

Source: Applicant

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

The staffing in Table 8 is based on current staff to patient ratios. No changes in these ratios are proposed.

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

The average hourly wage by FTE category is detailed in Table 8. Employee benefits are 28% of the salaries and wages line item.

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 Medical Director for NKC Seattle is Michael Sutters, MD. Dr. Sutters' license number is MD60021214. Dr. Sutters is a contracted medical director. A copy of the medical director agreement is included in Exhibit 10.

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

A listing of key staff is detailed in Exhibit 12. Jayson Hood, RN (RN60712958) is the Clinical Director. Mike McGinnity is the clinic manager (non-licensed position) and Phaylorn Lay, RN (RN00159681) is the facility Head Nurse.

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

The requested information is provided in Exhibit 12.

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 attentive to current challenges to recruit and retain staff; and has already adjusted recruiting and retention and we are glad to report that we are increasingly stabilizing. NKC offers a competitive wage and benefit package as well as numerous other recruitment and retention strategies. Other strategies include:

- To ensure that our wages and benefits remain competitive, NKC conducts frequent market surveys to benchmark compensation.
- NKC remains active on various job boards including but not limited to indeed.com, nursing associations, Health e-careers, and other local resources.
- NKC also has agreements with colleges and universities throughout the Puget Sound area to both recruit staff as well as to serve as a clinical rotation site.
- NKC staff participate, at least monthly, in job fairs in and around the Puget Sound area.
- 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. Just this year, NKC secured an additional contract with a staffing agency.

- NKC has a highly successful employee referral program that incentivizes current employees to refer colleagues from outside the organization for open positions.
- As needed, NKC utilizes outside recruiters to fill challenging positions.

In addition to the above, NKC also maintains a roster of per diem staff that can rotate between facilities. NKC Seattle is geographically proximate to other facilities (NKC Rainier Beach, NKC Broadway), which does promote sharing of staff.

In today's environment, we are also glad to report that the consolidation of these seven stations at NKC Seattle has already allowed us to realize some operational efficiencies

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 currently in place at NKC Seattle are detailed in Table 9.

Table 9
NKC Seattle
Ancillary and Support Services

Service	Vendor
IT/Network Engineering	CDW Corporation
Copier leases and support	Copiers NW
Janitorial Services	Citywide
Lab Services	Ascend

Source: Applicant

All other services are provided by NKC through our SeaTac based shared services. See Table 10 for additional information.

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

Table 9 details the existing ancillary and support service vendors already in place at NKC Seattle.

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

NKC Seattle is not a new facility. This question is not applicable.

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

The requested information is detailed in Table 10.

Table 10
Ancillary and Support Services for NKC Seattle

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 and off 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.

No changes to existing ancillary or support agreements are anticipated as a result of this project.

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

Table 11 details the health care entities that NKC has working relationships with.

Table 11
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 continued for the expanded NKC Seattle.
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 continued for the expanded NKC Seattle.

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 ▪ 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 with the entities listed to collaborate and educate patients, staff and clinicians.	NKC's existing relationships will be continued for the expanded NKC Seattle.
Other not for profit dialysis providers. A copy of the mutual aid plan is included in Exhibit 13.	<ul style="list-style-type: none"> ▪ Puget Sound Kidney Centers (which now includes 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 expanded NKC Seattle.

Source: Applicant

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

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

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

A copy of NKC's existing transfer agreement is included in Exhibit 14.

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.

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

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

NKC has no history with respect to the actions noted in CN regulation WAC 246-310-230(3) and (5).

19. 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 outpatient dialysis provider; in the Country), growing from 9 patients to over 1,700 today. NKC has, and continues to be, committed to providing optimal health, quality of life and independence for people with kidney disease. Further, to the direct benefit of our patients, NKC has experienced firsthand, 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 been providing outpatient dialysis services in the King 2 Dialysis Planning Area since 1979 and, NKC Seattle was established in 2007 with stations relocated from the NKC Haviland Kidney Center. In 2018, 8 stations from NKC Seattle were relocated and used to establish the NKC Rainier Beach Kidney Center. In August 2022, NKC relocated 7 stations from NKC Elliott Bay Kidney Center to expand the home back up program under the PHE. NKC is now requesting CN approval to permanently maintain these stations at NKC Seattle. The additional stations will assure that our commitment to the community to provide timely access and high quality remains. As noted in response to earlier sections, these stations are primarily used for home back up treatments. Having dedicated home back up capacity helps to support patients to continue home dialysis which has been shown to have better outcomes for patients.

Because of our longevity and our commitment to patient centered care, NKC enjoys long-standing established relationships with area health care providers, including but not limited to hospitals, physicians, nursing homes, assisted living facilities and adult family homes. In addition, NKC has mechanisms in place to assure that coordination of services is in place and fragmentation is avoided.

NKC Seattle through its Nurse Manager, Dietician, Social Worker and Admitting and Patient Services staff, routinely coordinate and communicate with the patients' physicians, families or other relevant care providers for any changes that might impact their care.

NKC Seattle has all of the ancillary and support agreements and a comprehensive array of in-house services already in place that help to assure that continuity of care is in place for patients.

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

Table 12 provides examples of NKC's existing working relationships with area health care providers. Table 12 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 14 includes our transfer agreement with Swedish Hospital.

SECTION 6

D. Cost Containment (WAC 246-310-240)

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

NKC considered two options prior to submitting this application, including:

- Do nothing (which would have required that the 7 stations go offline by the end of October 2022)
- Permanently add the 7 stations at NKC Seattle

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.

Table 13 provides a comparison of the options considered. As Table 13 notes, there is no capital expenditure for this project and having dedicated home back up stations will increase access and provide consistent dialysis treatment for home patients.

Table 13
Advantages and Disadvantages

	No Action	Permanently Add 7 Stations to NKC Seattle
Patient Access to Health Care Services	<p>Patient access negatively impacted by having fewer stations available and patients, providers and payers that prefer NKC are left without an option</p> <p>In addition, private rooms with home equipment, a more home-like environment and known home staff are not available; likely resulting in an increase in home failure rates, which nationally are 25% in year 1 alone.</p>	Access maintained with new station capacity and location
Capital Costs	No capital cost	No capital cost
Staffing Impact	None	Doesn't require any additional staff except as census grows. Also allows patients to be cared for by familiar home staff.

	No Action	Permanently Add 7 Stations to NKC Seattle
Quality of Care	Not affected	This project has improved quality and continuity for patients by providing expanded home back up that will allow for consistency of dialysis treatment as patients will use the same machines as they use at home and will be cared for by familiar home training staff.
Cost or Operational Efficiency	Higher costs as disruptions to existing centers occur to schedule and staff home back up	Ability to achieve some operational efficiencies. Without these stations, patients may have higher costs or otherwise be negatively impacted by a lack of dedicated back up stations
Legal	None	Certificate of Need review required

Source: Applicant

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

The two closest facilities to NKC Seattle Kidney Center are:

- NKC Broadway Kidney Center and
- NKC Elliott Bay Kidney Center

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

NKC Seattle is not a new facility. This question is not applicable.

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 submitted under this concurrent review cycle. 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).

This project does not involve any construction. Therefore, this question is not applicable.

Exhibit 1
Board Organizational Chart

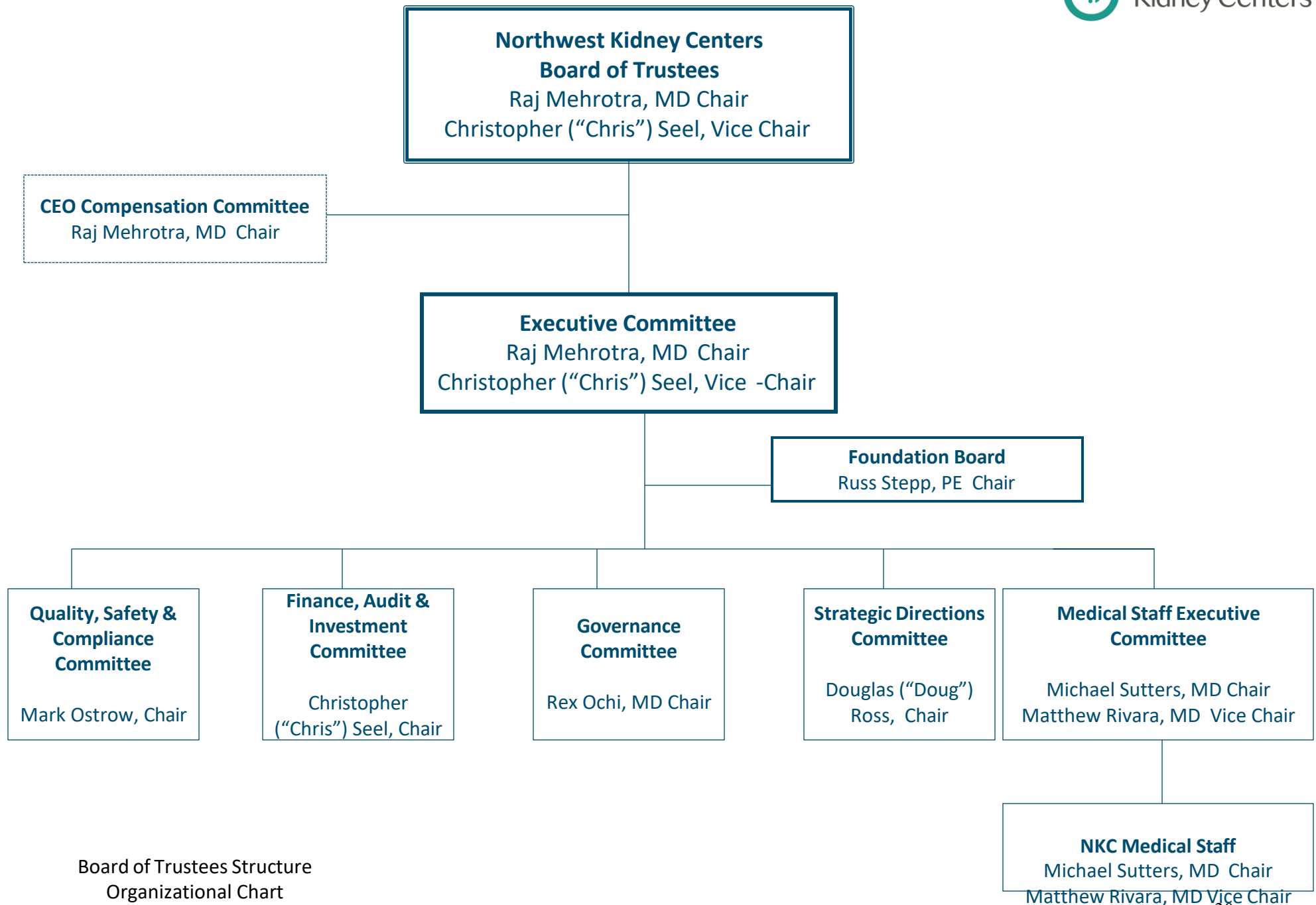
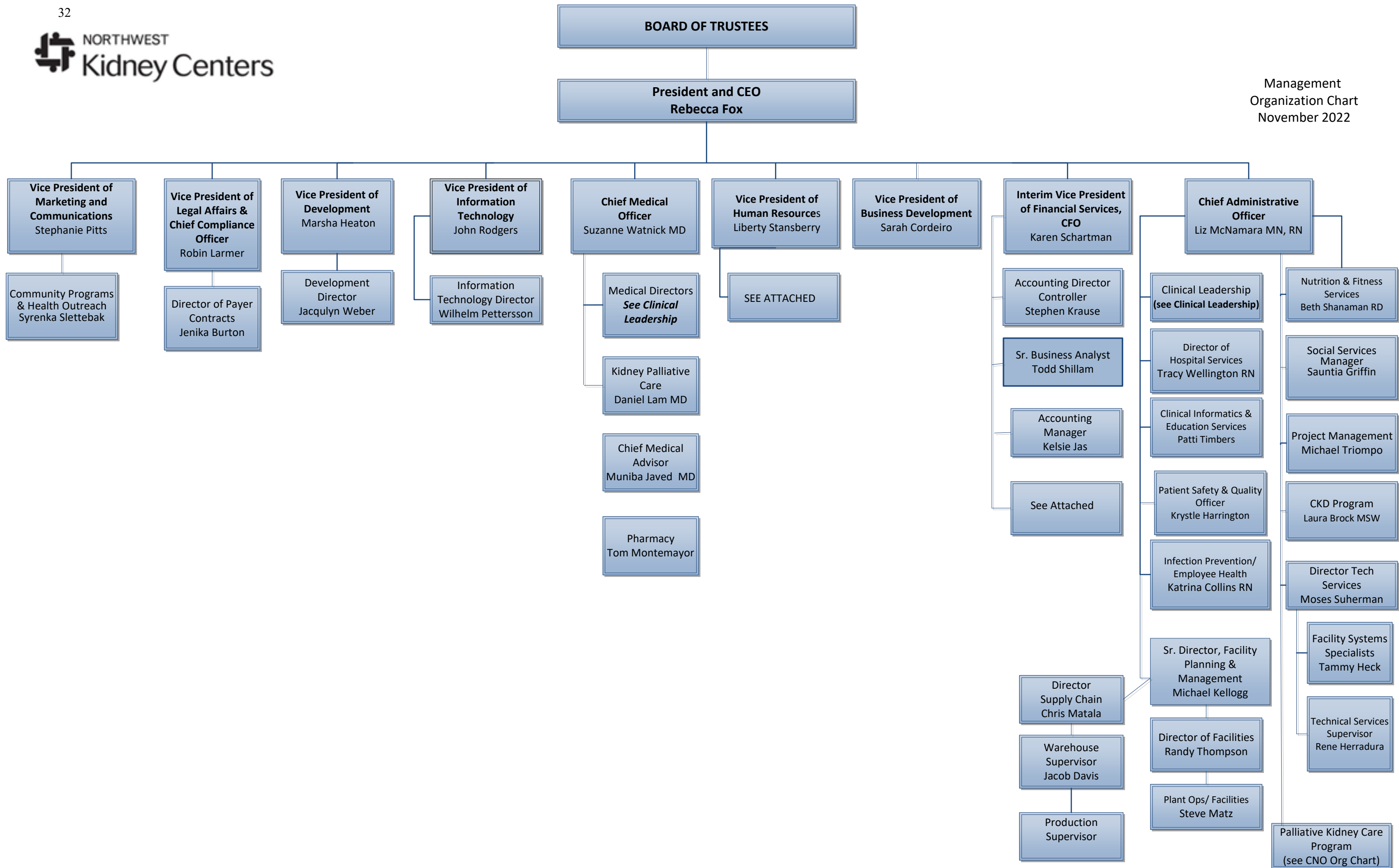


Exhibit 2
Operations Organizational Chart



Facilities & Programs - Medical Directors/Clinical Directors/Nurse Managers/Supervisors

Auburn

P. Mukherjee MD
S. Bromstrup RN
J. Sutton RN

Bellevue

A. Dooley MD
T. Mackness RN
E. Frasier RN

Broadway

M. Rivara MD
J. Hood RN
L. Mamalias RN

Burien

A. Anderson MD
S. Bromstrup RN
A.M. Dugger RN

Hospital Services

S. Watnick MD
T. Wellington RN
E. Jensen RN

Enumclaw

J. Barrera Calix MD
S. Bromstrup RN
C. Kelly RN

Everett

A. Pamarthy MD
T. Mackness RN
C. Abero RN

Federal Way East

H. Pham MD
S. Bromstrup RN
A. Mihulata RN

Federal Way West

M. Javed MD
S. Bromstrup RN
A. Mihulata RN

Fife

A. Pesenson MD
S. Bromstrup RN
R. Becker RN

Kent

A. Brockenbrough MD
S. Bromstrup RN
C. Soon RN

Kirkland

A. Alem MD
T. Mackness RN
D. Ramos RN

Lake City

J. Joh MD
T. Mackness RN
B. Hesselgrave RN

Port Angeles

C. Cryst MD
T. Mackness RN
H. Rim RN

Rainier Beach

M. Tekeste MD
S. Bromstrup RN
K. Donnelson, RN

HOME PROGRAMS

R. Winrow MD
K. Treit MD
J. Hood RN
J. Omri RN
A. Thayer RN
G. Cutrell RN

Renton

F. Fung MD
S. Bromstrup RN
D. Sacololo RN

Scribner

B. Shannon MD
T. Mackness RN
Y. Liu RN

SeaTac

D. Hu MD
S. Bromstrup RN
E. Beauchemin RN

Seattle

M. Sutters MD
J. Hood RN
M. McGinnity RN

Snoqualmie Ridge

L. Li MD
D. Marcella RN
K. Kirshner RN

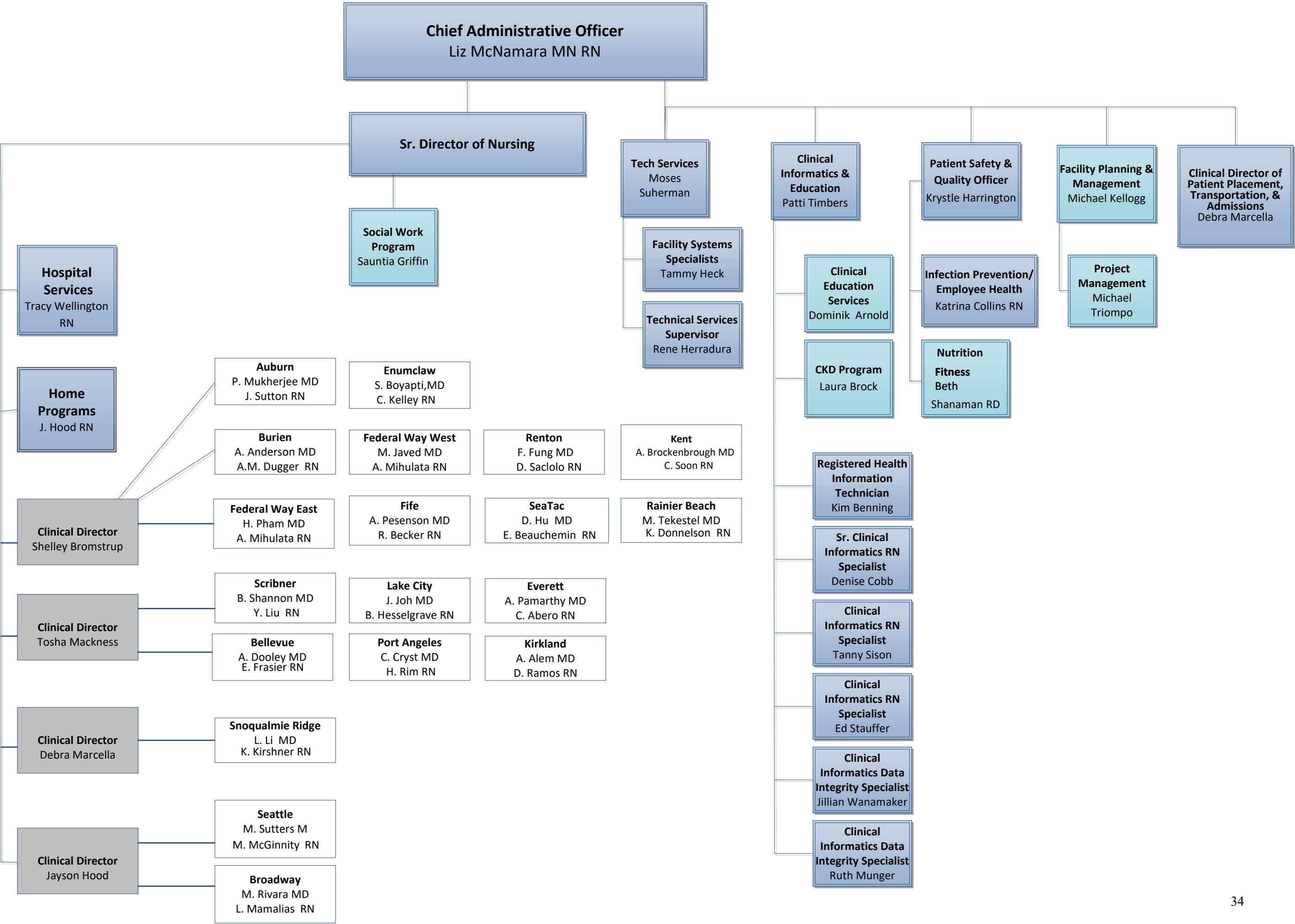


Exhibit 3
Northwest Kidney Centers
List of Facilities


Northwest Kidney Centers		FEIN: 91-6057438							
36									
700 Broadway Seattle, WA, 98122-4302									
Practice Locations									
<u>Facility DBA</u>	<u>Physical Address</u>	<u>Phone Number</u>	<u>Medicare Provider No. (CCN)</u>	<u>Medicaid Provider No.</u>	<u>NPI Number</u>	<u>Stations</u>	<u>Date Operational</u>	<u>Accredited?</u>	
NKC Auburn Kidney Center	1501 W. Valley Highway N Auburn, WA 98001	253-804-8323	502520	1046062	1881789006	12 (14)	1/13/1997	Yes	
NKC Bellevue Kidney Center	1474 - 112th Ave NE Bellevue, WA 98004	425-454-0067	502505	1043279	1215022876	18	8/31/1981	Yes	
NKC Broadway Kidney Center	700 Broadway Seattle, WA 98122-4302	206-292-2705	502556	2002409	1700025038	15	6/1/2009	Yes	
NKC Burien Kidney Center	12901 20th Ave. South, WA 98168	206-923-3562	502523	1043110	1164515797	21	10/14/2019	Yes	
NKC Elliott Bay Kidney Center	600 Broadway, Suite 240 Seattle, WA 98122	206-292-2515	502511	1046176	1912091497	14	9/5/1991	Yes	
NKC Enumclaw Kidney Center	857 Roosevelt Ave E Enumclaw, WA 98022-9239	360-825-2050	502570	2029785	1811241656	10	3/4/2013	Yes	
NKC Everett Kidney Center	1010 Southeast Everett Mall Way, Ste 104 Everett WA 98208	425-906-5370	502603		1801404124	9	9/14/2020	Yes	
NKC Federal Way East Kidney Center	33820 Weyerhaeuser Way S. Federal Way, WA 98001	253-943-6262	502593	2107282	1083132799	14 (16)	3/12/2018	Yes	
NKC Federal Way West Campus	501 So. 336th Street, Suite 110 Federal Way, WA 98003	253-943-6312	502594	2123772	1861981177	7	7/23/2018	Yes	
NKC Fife Kidney Center	6021 12th Street East, Suite 100 Fife, WA 98424	253-943-6335	50-2597	2132329	1063901379	10	1/11/2019	Yes	
NKC Kent Kidney Center	25316 74th Ave So Kent, WA 98032-6022	253-850-6810	502553	2000431	1164675112	28	12/16/2008	Yes	
NKC Kent / Panther Lake Kidney Center	10821 SE 204th Street Kent, WA 98031 (new address by city)	Facility not open				11		No	
NKC Kirkland Kidney Center	11327 NE 120th Street Kirkland, WA 98034-6907	425-821-8785	502516	1046175	1912090531	21	3/3/2014	Yes	
NKC Lake City Kidney Center	14524 Bothell Way NE Lake Forest Park, WA 98155	206-365-0775	502536	1046444	1972696581	20	1/25/2002	Yes	
NKC Port Angeles Kidney Center	707 South Chase Street	360-565-1435	502510	1046099	1891880332	10	11/7/2022	Yes	
NKC Rainier Beach Kidney Center	4401 South Trenton Street, WA 98118	206-720-8807	502601	2156824	1932757093	12	1/13/2020	Yes	
NKC Renton Kidney Center	602 Oakesdale Ave. SW Renton, WA 98057	425-251-0647	502508	1046242	1922193564	34	10/31/2011	Yes	
NKC Scribner Kidney Center	2150 N. 107th, Suite 105 Seattle, WA 98133 (Suite # clarification)	206-363-5090	502507	1045981	1861587750	22	8/1/1983	Yes	
NKC SeaTac Kidney Center	17900 International Blvd S, #301 SeaTac, WA 98188	206-901-8700	502509	1043264	1205921616	35	11/5/2007	Yes	
NKC Seattle Kidney Center	548 - 15th Avenue Seattle, WA 98122	206-720-3940	502500	1043799	1346242542	31	6/1/2009	Yes	
NKC Snoqualmie Ridge Kidney Center	35131 SE Douglas St, Suite 113 Snoqualmie, WA 98065	425-396-7090	502540	1044252	1447345921	9	1/13/2003	Yes	
NKC is accredited by ACHC whom has CMS Deeming Authority for Renal Dialysis:									
<div>  <p>Accreditation Commission for Health Care (ACHC) is a nonprofit accreditation organization that has stood as a symbol of quality and excellence since 1986. ACHC has CMS Deeming Authority for Home Health, Hospice, Renal Dialysis, DMEPOS, and Home Infusion Therapy, and a quality management system that is ISO 9001:2015 certified.</p> </div>									

Exhibit 4
Letter of Intent

November 1, 2022

Eric Hernandez, Program Manager
Certificate of Need Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852
Sent via fslcon@doh.wa.gov

Dear Mr. Hernandez:

On August 25, 2022, consistent with the Department's August 9, 2022, COVID-19 Waiver offboarding guidance/process powerpoint, Northwest Kidney Centers (NKC) submitted a letter of intent to retain seven dialysis stations currently set up and operating at NKC Seattle.

Per WAC 236-310-080, please accept this Certificate of Need letter of intent as notification of our continued interest and intent to submit a certificate of need application by December 1, 2022. Consistent with WAC, the following information is provided:

1. A Description of the Extent of Services Proposed:

NKC relocated seven dialysis stations from our NKC Elliott Bay Kidney Center to NKC Seattle Kidney Center under the Governor's Proclamation. Both facilities were located in the King 2 Dialysis Planning Area and while no increase in total planning area stations occurred; there was an increase at NKC Seattle; located at 548 15th Avenue, Seattle. We propose to retain these stations at NKC Seattle and use them to primarily support home back up and help mitigate caregiver/workforce shortages.

2. Estimated Cost of the Proposed Project:

There is no capital cost associated with the permanent relocation, and there was no cost when we relocated them from NKC Elliott Bay to NKC Seattle.

3. Description of the Service Area:

Per WAC 246-310-800(15)(a), the service area is the King County 2 Dialysis Planning Area.

We also have attached to this letter, a copy of our August 25 waiver notification letter of intent. Please feel free to contact me with any questions.

Sincerely,



Liz McNamara, MN, RN
Vice President of Patient Care Services and Chief Nursing Officer

August 25, 2022

Department of Health

Sent via COVIDwaiver@doh.wa.gov

RE: Letter of Intent- COVID-19 Waiver (NKC Elliott Bay and NKC Seattle Kidney Centers)

As outlined in the Department's August 9, 2022, COVID-19 Waiver Offboarding guidance/process powerpoint, Northwest Kidney Centers (NKC) here within submits a letter of intent to retain seven dialysis stations currently set up and operating at NKC Seattle. These stations provide home training backup and other home training services. The following information is provided:

1. A Description of the Extent of Services Proposed:

NKC relocated seven dialysis stations from our NKC Elliott Bay Kidney Center to NKC Seattle Kidney Center under the Proclamation. Both facilities were located in the King 2 Dialysis Planning Area and while no increase in total planning area stations occurred; there was an increase at NKC Seattle; located at 548 15th Avenue. We propose to retain these stations at NKC Seattle and use them to primarily support home back up and caregiver/workforce shortages.

2. Estimated Cost of the Proposed Project:

There is no capital cost associated with the permanent relocation, and there was no cost when we relocated them from NKC Elliott Bay to NKC Seattle.

3. Description of the Service Area:

Per WAC 246-310-280, the service area is the King County 2 Dialysis Planning Area.

In addition to the above, the following patient transition plan information is being provided.

1. **The average number of patients:** Assuming three shifts per day, six days per week, the seven stations can accommodate up to about 35-40 patients per week.
2. **Identification of similar facilities that could provide care to patients:** NKC estimates that there are five other dialysis facilities located within a 30-minute drive time (one way) of NKC Seattle. Network data suggest that a few have available capacity, but it has been our experience that they are currently constrained by workforce shortages. We do not have confidence

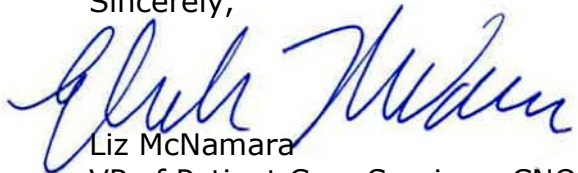
that these facilities would be readily and reliably able to support patients with back-up dialysis needs. As was discussed with CN Program staff on August 3, 2022, because these patients usually dialyze at home, they do not have a set incenter dialysis schedule. And, when these patients need in center dialysis (home back up), they must be fitted into open times that the dialysis facilities have available for incenter patients. Because of limited staffing, these options have been less and less available.

3. Steps to be taken for patients to be transition, if needed: We believe that not all of these facilities are consistently operating at 3 shifts per day, 6 days a week because of workforce shortages. If a CN is denied, we will stop accepting new patients for in-center back-up at NKC Seattle; and will attempt to keep open a few daytime slots at each of our other facilities in the area so that they are better able to accept these patients. This means however, that most new patients will be "bumped" to evening slots, which is less than desirable as they learn to acclimate to dialysis, and to stabilize. Depending on the patient's location, evening transportation to and from dialysis can be challenging to obtain. The patients that are most impacted by this tend to be low income.

4. Timeline for transitioning clients to CN approved facilities/services if an application is denied: We estimate 60 days is required.

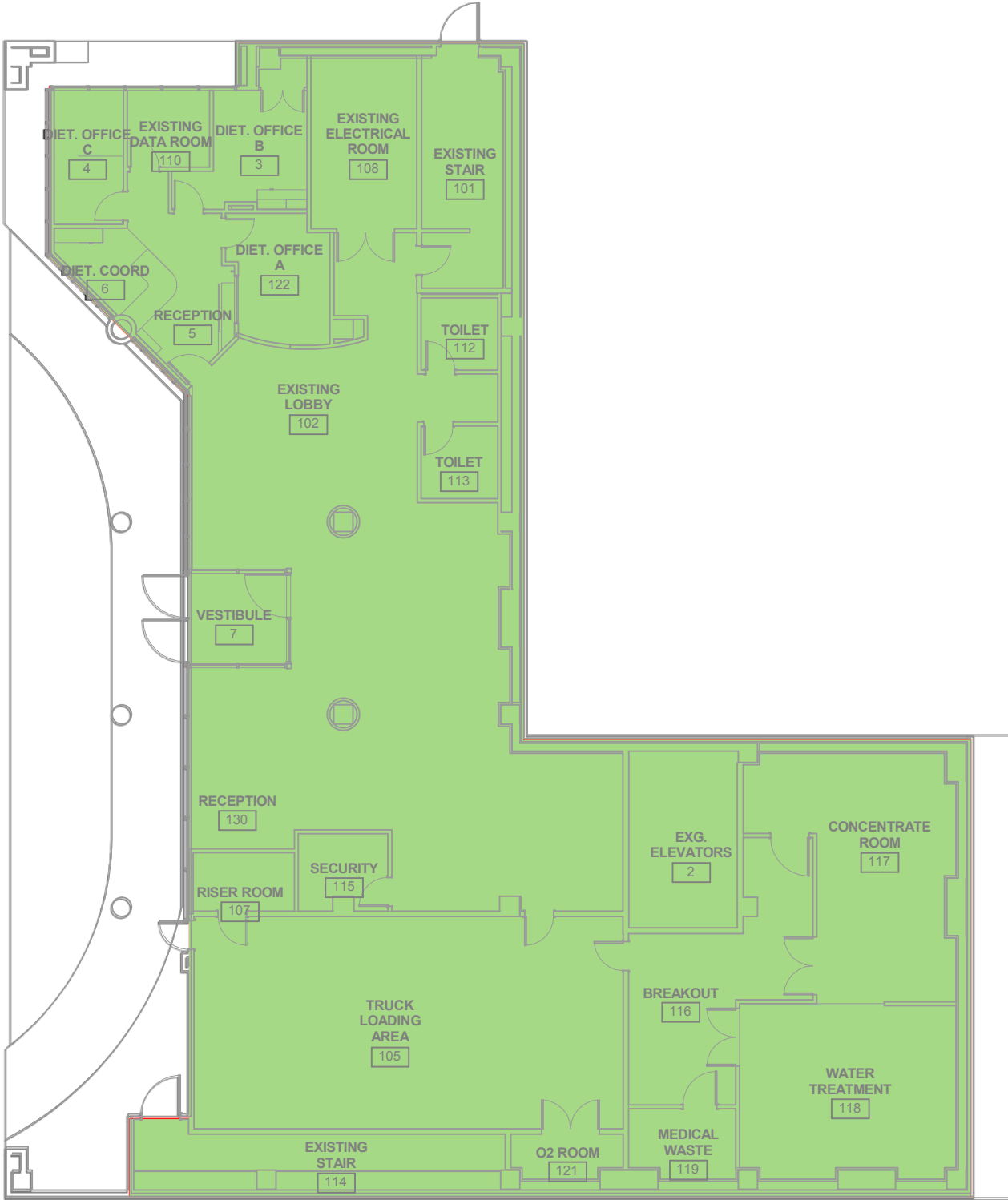
Thank you for your support in this matter. Please feel free to contact me with any questions.

Sincerely,



Liz McNamara
VP of Patient Care Services, CNO

Exhibit 5
Single Line Drawing



CON PLAN - LEVEL 01

1/16" = 1'-0"

mahlum

CERTIFICATE OF NEED PLAN
SEATTLE KIDNEY CENTERS
NORTHWEST KIDNEY CENTERS | 1 DEC 2022

COLOR LEGEND



Non In-center
Floor Space
Home Training
(Non In-Center)



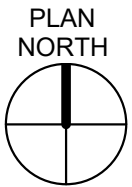
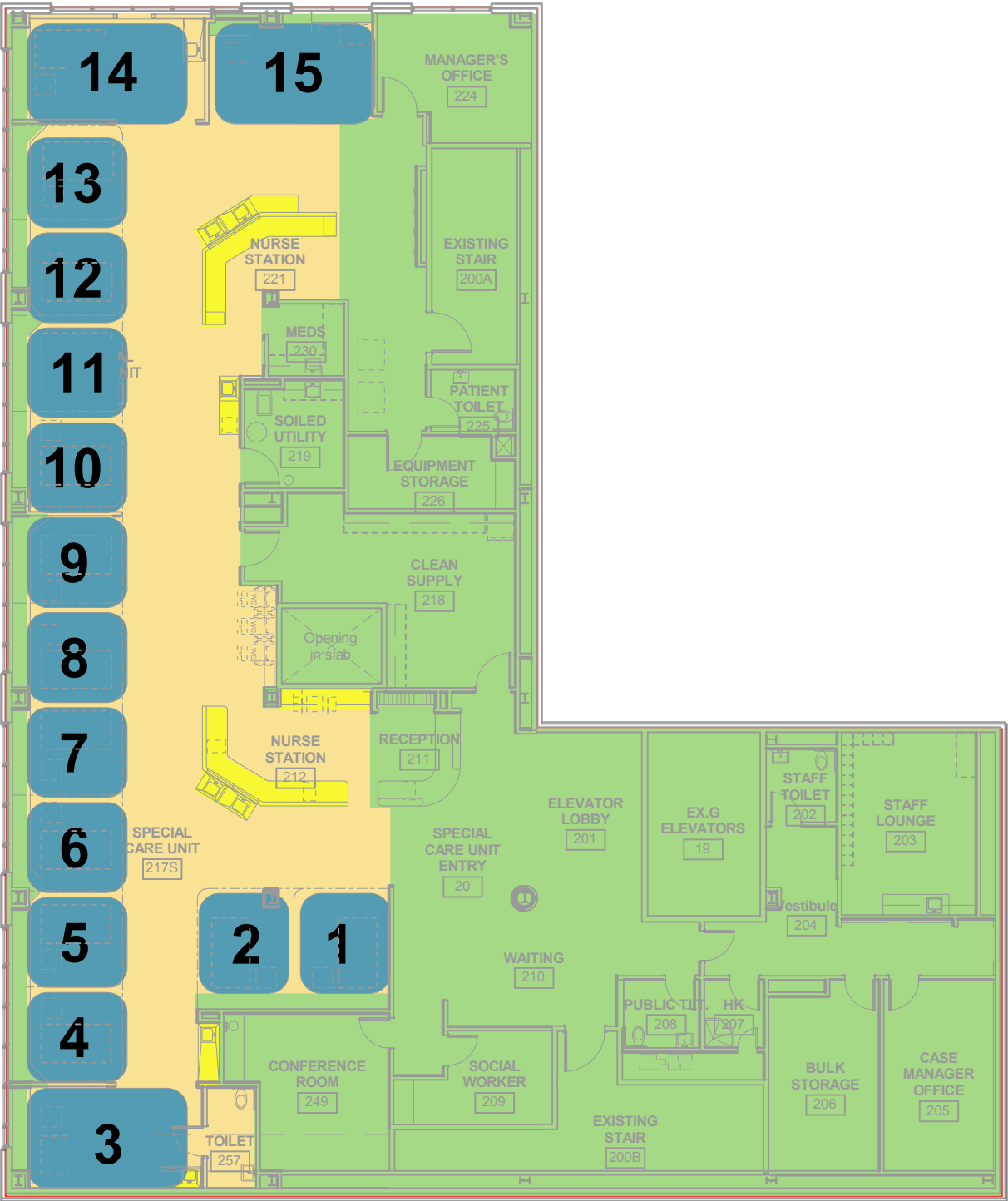
Treatment Floor
Space
Nurse / Tech /
Storage
Existing Station



Treatment Floor
Space
New Station
Transferred
Station

CON PLAN - LEVEL 02

1/16" = 1'-0"



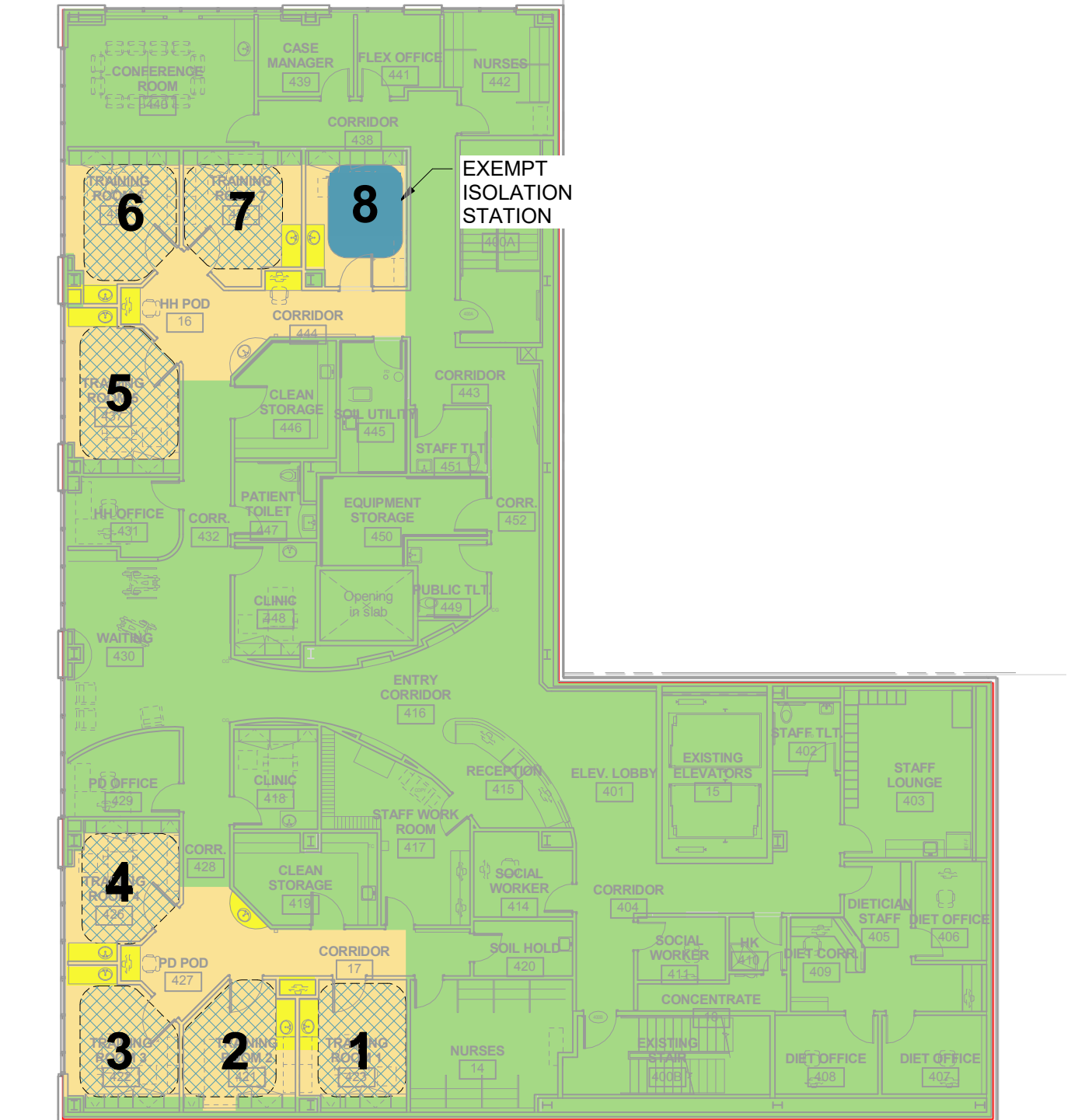
STATION COUNTS

31 Existing Stations
0 New Stations
7 Transferred Stations
38 Total Stations

CN-001



CON PLAN - LEVEL 03

$$1/16'' = 1'-0''$$


CON PLAN - LEVEL 04

$$1/16'' = 1'-0''$$


COLOR LEGEND



**Non In-center
Floor Space**

**Home Training
(Non In-Center)**



**Treatment Floor
Space**

**Nurse / Tech /
Storage**

Existing Station



**Treatment Floor
Space
New Station**

**Transferred
Station**

STATION COUNTS



31 Existing Stations



0 New Stations



7 Transferred Stations

38 Total Stations

Exhibit 6
Patient Origin

NKC Seattle Patient Origin, November 2022

Zip Code	Number of Patients	% of Total
98144	27	13.2%
98104	16	7.8%
98118	15	7.4%
98108	13	6.4%
98122	11	5.4%
98112	10	4.9%
98121	9	4.4%
98178	9	4.4%
98109	7	3.4%
98102	6	2.9%
98146	6	2.9%
98106	5	2.5%
98119	5	2.5%
98101	4	2.0%
98107	4	2.0%
98040	3	1.5%
98105	3	1.5%
98115	3	1.5%
98116	3	1.5%
98125	3	1.5%
98030	2	1.0%
98056	2	1.0%
98057	2	1.0%
98103	2	1.0%
98117	2	1.0%
98126	2	1.0%
98199	2	1.0%
98003	1	0.5%
98023	1	0.5%
98026	1	0.5%
98027	1	0.5%
98032	1	0.5%
98033	1	0.5%
98034	1	0.5%
98037	1	0.5%
98052	1	0.5%
98055	1	0.5%
98058	1	0.5%
98059	1	0.5%
98092	1	0.5%
98110	1	0.5%
98134	1	0.5%
98136	1	0.5%
98155	1	0.5%

Zip Code	Number of Patients	% of Total
98156	1	0.5%
98168	1	0.5%
98177	1	0.5%
98188	1	0.5%
98270	1	0.5%
98271	1	0.5%
98354	1	0.5%
98516	1	0.5%
98584	1	0.5%
98925	1	0.5%
99901	1	0.5%
Total	204	100.0%

Exhibit 7
Policies

Social Services/Admissions and Transfers

New Patient Admission Policy

Application:

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

Policy:

NKC will provide treatment to all medically-appropriate patients without regard to race, color, religion, sex, national origin, or age.

Procedure:

1. NKC will provide in-center hemodialysis, peritoneal dialysis or home hemodialysis therapy for patients referred for admission. Patients referred to either Home Hemodialysis or Peritoneal Dialysis are subject to final review and approval by the appropriate home program.
2. The Chief Medical Officer (CMO) 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 safe 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.
 - 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 or CMO.

Northwest Kidney Centers

Social Services/Admissions and Transfers/New Patient Admission Policy

3. All patients must be referred and followed by a nephrologist on NKC's Medical Staff.
4. The Chief Medical Officer and Chief Nursing Officer (CNO) will be available to consult on patient referrals, as needed.
5. NKC requires the following information:

Information	Details
Dialysis Patient Referral Form	Form available on www.nwkidney.org For Physicians & Staff > Referral Forms
2728 Questionnaire – for new ESRD patients only	See above.
Initial Physician's Order (In-Center, Home Hemodialysis, or Peritoneal Dialysis Order)	See above.
Demographics and clinical information	<ul style="list-style-type: none"> • Face sheet • Hep B serologies (prior 30 days) • Chest X-ray (prior 30 days) • Tunneled line report (if applicable) • H&P or comprehensive renal progress note with problem list • Medication list • If hospitalized, recent hospital notes and HD treatment record
Transfer-In Patients	<p>For patients transferring from another dialysis facility, we also need:</p> <ul style="list-style-type: none"> • Current dialysis orders • Progress Notes (last 2 weeks) • Recent dialysis logs (last 6 runs) • Comprehensive Assessment • Plan of care • Copy of the HCFA 2728 form <p><i>If applicable:</i></p> <ul style="list-style-type: none"> • Power of Attorney • Behavioral Contracts • Involuntary Discharge letter, supporting documentation, and

Northwest Kidney Centers

Social Services/Admissions and Transfers/New Patient Admission Policy

	approval by NKC prior to admission
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6. All documentation may be uploaded via secure portal (see www.nwkidney.org > For Physicians and Staff > Dialysis Patient Referral or submitted via fax to 206-343-4125.
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. If an NKC patient has transferred out for less than 30 days, the physician is only required to provide updated orders upon readmission.
9. 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
10. 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.
11. Contact information
 NKC Admissions: 206-292-3090 Email: Admissions_team@nwkidney.org.

 NKC Visitor dialysis: 206-720-8501

References:

- "Transfer In Policy"
- "Visitor Dialysis"

[Remainder of this page intentionally left blank]

Human Resources Policy/HRP-N508

Nondiscrimination

Policy:

Northwest Kidney Centers is committed to a work environment in which all individuals are treated with respect and dignity. Each individual has the right to work in a professional atmosphere that promotes equal employment opportunities and prohibits discriminatory practices, including harassment. Therefore, Northwest Kidney Centers expects that all relationships among persons in the workplace will be professional and free of bias, prejudice and harassment.

It is Northwest Kidney Centers' policy that employees will not be subjected to unlawful discrimination based on race, color, sex, sexual orientation, religion, age, marital status, national origin, the presence of any sensory, mental or physical disability, veteran's status or any other bases prohibited by applicable federal, state or local laws.

Procedure:

Employees should report any practice that appears to be inconsistent with this policy to the Vice President of Human Resources. Employees with questions about their rights and responsibilities with regard to applicable laws should contact the Human Resources Department.

Administration/General

Patient Rights and Responsibilities

Application:

This policy applies to all patients dialyzing at the Northwest Kidney Centers (NKC).

Policy:

Northwest Kidney Centers inform patients (or their representatives) of their rights (including their privacy rights) and protects and provides for the exercise of those rights. V451

All NKC patients have a right to be informed of their responsibilities, the rules and expectations of the facility regarding patient conduct and respectful communication. V464

A new NKC patient receives education on patient rights and responsibilities within the patient's first six treatments. The patient also agrees that their visitors will follow NKC rules. The education is delivered in the form of verbal discussion and the Patient Rights and Patient Responsibilities documents. The patient is given a copy for future reference.

The social worker reviews the rights and responsibilities with the patient annually during annual comprehensive assessment. The Patient Rights and Patient Responsibilities documents are provided to the patient at each annual assessment.

NKC staff discuss patient rights and responsibilities as needed with patients and staff, to encourage and support open communication, respectful language and behavior and patient/staff safety.

NKC staff will document within the electronic medical record that patients have been informed of their rights and responsibilities. V451

Each NKC dialysis facility prominently displays a copy of the patient's rights in the facility, including the current State agency and ESRD network mailing addresses and telephone complaint numbers, in a location where it can be easily seen and read by patients. V470

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
NKC Seattle Financials, Utilization and Financial Assumptions

Northwest Kidney Centers
Seattle Certificate of Need Proforma

	Assumptions FY23	Assumption FY24	Historic Full Year 6/30/2020	Historic Full Year 6/30/2021	Historic Full Year 6/30/2022	Projected Full Year 6/30/2023	Projected Full Year 6/30/2024
Total Stations (end of the year - excludes CON-exempt iso station)	30 & 37	37	30	30	30	37	37
Total Shifts			6	6	6	6	6
Total Chronic Capacity (end of year/period)			180	180	180	222	222
Total Chronic Patients (end of year/period)	3%	3%	122	131	126	135	139
% of Capacity			67.8%	72.8%	70.0%	60.8%	62.6%
Avg Annual Chronic Patients (avg of beginning & end of period)	3%	3%	124	127	131	134	138
% of Capacity			68.9%	70.3%	72.8%	60.3%	62.2%
Total Chronic Treatments (In Center)			19,038	18,961	19,430	20,356	21,018
Est Ave Treatments per Pt	12.6	12.6	13.0	12.1	12.9	12.6	12.6
In Center Patients per Station			4.13	4.37	4.20	3.65	3.76
Total Home Patients (end of year/period)	8%	8%	78	75	64	69	75
Total Home Hemo Equivalent Treatments			13,093	11,741	10,108	10,723	11,580
Home Hemo Equiv Treatments/Patient/Month			14.0	13.0	13.2	12.9	12.9
Total Patients			200	206	190	204	214
Total Treatments			32,131	30,702	29,538	31,078	32,598
Revenue							
Net Patient Revenue			12,575,281	11,961,566	10,905,378	11,474,087	12,035,280
Total Net Patient Revenue			12,575,281	11,961,566	10,905,378	11,474,087	12,035,280
Expenses							
Facility Maint			3,057,692	2,919,372	2,705,352	2,846,435	2,985,653
Machine			674,483	636,184	678,571	713,958	748,878
Salaries			4,470,310	3,967,458	3,717,309	3,911,165	4,102,458
Benefits			1,262,984	1,177,310	1,044,512	1,098,983	1,152,734
Supplies			2,346,078	2,257,568	2,000,130	2,104,435	2,207,363
Labs			141,839	140,766	133,657	140,627	147,505
Composite Drugs			33,460	63,099	54,398	57,234	60,034
ESAs			605,864	605,624	622,819	655,298	687,349
Bundled Drugs			219,069	153,077	149,182	156,961	164,638
Total Direct Expenses			12,811,780	11,920,458	11,105,930	11,685,097	12,256,611
Pre-G&A Excess Revenue Over Expense			(236,499)	41,107	(200,552)	(211,011)	(221,331)
G&A Allocation from Cost Report			2,166,103	2,148,292	2,190,369	2,304,596	2,417,312
Excess Revenue Over Expense			(2,402,602)	(2,107,185)	(2,390,921)	(2,515,606)	(2,638,644)

Per Treatment Calculations (Reference Only - Don't include in final submission)
Revenue/Treatment

Northwest Kidney Centers
Seattle Certificate of Need Proforma

	Assumptions FY23	Assumption FY24	Historic Full Year 6/30/2020	Historic Full Year 6/30/2021	Historic Full Year 6/30/2022	Projected Full Year 6/30/2023	Projected Full Year 6/30/2024
From Cost Report							
Total Net Revenue			391.38	389.60	369.20	369.20	369.20
From Cost Report							
Expenses/Treatment							
Facility Maint			95.16	95.09	91.59		
Machine			20.99	20.72	22.97		
Salaries			139.13	129.22	125.85		
Benefits			39.31	38.35	35.36		
Supplies			73.02	73.53	67.71		
Labs			4.41	4.58	4.52		
Composite Drugs			1.04	2.06	1.84		
ESAs			18.86	19.73	21.09		
Bundled Drugs			6.82	4.99	5.05		
G&A			67.41	69.97	74.15		
Total Direct Expenses			466.15	458.24	450.14		

**Northwest Kidney Centers
Renton Certificate of Need Proforma**

FY22 is the Base Year

FY23 & FY24 are based on Annualized FY22 Figures plus Budgeted **Increase in Patient Volumes**

Category	Calculation Assumption
Home Treatments	Projected 8% increase in home treatments for FY23, then 8% in each year thereafter.
IN Clinic Treatments	Projected 4% increase in home treatments for FY23, then 4% in each year thereafter.
Revenue	FY22 Revenue per treatment x Future Year Treatments with 3% growth assumption
Salaries & Wages	FY22 Salaries & Wages per treatment x Future Year Treatments
Employee Benefits, Taxes & Non-Base	FY22 Employee Benefits per treatment x Future Year Treatments
Medical Supplies	FY22 Medical Supplies per treatment x Future Year Treatments
Medical Director	Based on contractual agreement currently in place
Other Medical (i.e., Lab Tests)	FY22 Other Medical expense per treatment x Future Year Treatments
Pharmacy Drugs & Supplies	FY22 Pharmacy Drugs & Supplies per treatment x Future Year Treatments
Utilities	FY22 Utilities per treatment x Future Year Treatments
Other Purchased Services	FY22 Other Purchased Services per treatment x Future Year Treatments
Other Direct Expenses	FY22 Other Direct Expenses per treatment x Future Year Treatments
Depreciation	Existing depreciation estimated on useful lives for major depreciation categories with assumption that no major purchases needed between 2023-2024.
Interest	FY22 Interest expense per treatment x Future Year Treatments
G&A Allocation	Calculated G&A expense Medical Director Cost, Legal, Audit, Insurance, Interest, Utilities, Purchased Services, Non Medical Supplies, Minor Equipment, Vehicle Gas & Oil, Repair & Exchange Expenses based on Treatment Counts at Seattle Facility
Category	What is included
Facility Maint	Facility Rent & Depreciation
Machine	Non Facility Rent & Depreciation, Water Service & Supplies, Repair Parts
Salaries	Salaries are based off Direct Patient Care Hours
Benefits	EH&W Benefits from Direct Patient Hours (Gross Salaries)
Supplies	Medical Supplies & Purchase Price Adjustment (Pharmacy Drugs)
Labs	Lab Testing
A&G	Includes Medical Director Cost, Legal, Audit, Insurance, Interest, Utilities, Purchased Services, Non Medical Supplies, Minor Equipment, Vehicle Gas & Oil, Repair & Exchange
Composite Drugs	Pharmacy Supplies & Outpatient Pharmacy
ESAs	EPO, DARF, Micera
Bundled Drugs	Admin IV Pharmacy & Calcimetrics

Exhibit 9
Medical Director Agreement

MEDICAL DIRECTOR AGREEMENT

This MEDICAL DIRECTOR AGREEMENT (this “Agreement”), between Northwest Kidney Centers, a Washington nonprofit corporation (“NKC”) and Virginia Mason Medical Center, a Washington nonprofit corporation (“VMMC”), is for the provision of the medical director services through its employee, Dr. Michael Sutters (“Doctor”).

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.

Doctor is a physician and an employee of VMMC, and qualified to act as the Medical Director of the Program.

VMMC and NKC wish for Doctor to serve as Medical Director for Program in accordance with the terms of this Agreement.

AGREEMENT

Now, therefore, the parties agree as follows:

1. MEDICAL DIRECTOR SERVICES

1.1 Appointment. VMMC designates Doctor to act on its behalf in providing Medical Director services for the Program and agrees to ensure that Doctor will provide these services according to the terms and conditions of this Agreement. NKC acknowledges the employment relationship between VMMC and Doctor, and hereby appoints Doctor as Medical Director of the Program, and Doctor accepts such appointment, under 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 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 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.

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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 from the Program, Doctor shall give prior notice to the Chief Medical Officer and shall arrange for competent and qualified services of another VMMC-employed physician (the "Covering Medical Director") acceptable to NKC to discharge all Doctor's duties to NKC's satisfaction. VMMC 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 VMMC shall communicate such obligation to the Covering Medical Director and shall obtain and provide to NKC the Covering Medical Director's written commitment that he or she will comply with such obligations before such physician may serve as the Covering Medical Director. VMMC 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 may, in the performance of his duties, be asked to participate in determining expenditures and reviewing orders or 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. VMMC or 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. The foregoing provision, however, shall in no way limit the Doctor's ability to monitor and assess his patients during their dialysis treatment at any NKC Center.

4. COMPENSATION

The entire compensation to VMMC for services provided by Doctor under this Agreement is set forth in the attached Exhibit B. VMMC acknowledges that Doctor is an independent contractor and Doctor is not an employee of NKC; accordingly, the compensation paid to VMMC is not subject to withholding for income taxes, Social Security, or any other withholding deductions. VMMC is responsible for all compensation and employee benefits to paid to Doctor for the services provided under this Agreement. 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, VMMC 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.

5. TERM AND TERMINATION

5.1 Term. The term of this Agreement, unless earlier terminated, shall begin on the date the Agreement is executed by all parties, and end on June 30, 2023. Thereafter, 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; (e) violation of NKC's Code of Conduct or Policies, including but not limited to Policies addressing discrimination, harassment or retaliation; (f) a determination that, in the reasonable judgment of the Chief Medical Officer, Doctor has failed to provide effective supervision of Program staff; or (g) other 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 shall provide sixty (60) days' written notice to NKC. This Agreement shall terminate as of the effective date specified in such notice, and NKC's obligation to compensate VMMC 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. VMMC shall maintain healthcare professional liability insurance coverage, or self-insurance, for Doctor with minimum limits of one million dollars (\$1,000,000) per claim and five million dollars (\$5,000,000) in the aggregate. VMMC shall also maintain commercial general liability insurance, or self-insurance, for Doctor in an amount of not less than \$1,000,000 per occurrence and \$5,000,000 in the aggregate. VMMC will provide a certificate of insurance evidencing such coverage or self-insurance upon request. 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.

6.2 NKC's Responsibility. NKC shall provide to Doctor the same professional and general liability coverage it provides its employees, independent contractors and advisors

while Doctor is acting within the scope of his or her 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, VMMC 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 VMMC 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, VMMC 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 VMMC or NKC by virtue of this Agreement.

8. CONFIDENTIALITY

VMMC and 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 VMMC or 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, VMMC and 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 term of this Agreement and for a period of six (6) months following its termination, VMMC and Doctor will not, for their 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 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 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. VMMC 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
12901 20th Ave South
Seatac, WA 98168

VMMC: Administrative Director, Ambulatory Services
Virginia Mason Medical Center
MS: X3-CAR
1100 Ninth Avenue
Seattle, WA 98101

With a copy to: Senior Vice President and General Counsel
Virginia Mason Medical Center
MS: GB-ADM
1100 Ninth Avenue
Seattle, WA 98101

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.

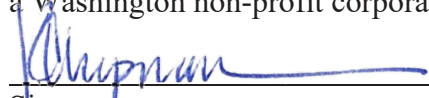
11.7 Modifications for Prospective Legal Events. If any federal, state or local law or regulation, now existing or enacted or promulgated after the effective date of this Agreement is interpreted by judicial decision, a regulatory agency or legal counsel to either party in such a manner as to indicate 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.

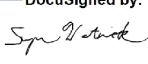
Effective as of 11/4/2022 | 12:59 PM PDT when signed by both the Chief Medical Officer and the Chief Executive Officer of NKC.

VIRGINIA MASON MEDICAL CENTER,
a Washington non-profit corporation


Signature

Katerie Chapman - President
Print Name

NORTHWEST KIDNEY CENTERS,
a Washington non-profit corporation

DocuSigned by:

By: FA4E58090F3649F...
DocuSigned by: Medical Officer

By: 
140DF037EEB040E...
Its President/Chief Executive Officer

Acknowledged by:

DocuSigned by:

C8AF510C2A16421...
Signature

Michael Sutters, MD
Print Name

Exhibit A to Medical Director Agreement

Facility Medical Director Responsibilities
See enclosed Exhibit from NKC Policies

Northwest Kidney Centers – Seattle Kidney Center
Michael Sutters, MD

Exhibit B

Medical Director Compensation and Log

1. The compensation from NKC to VMMC is \$87,000 (Eighty-seven thousand) 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. VMMC is not entitled to payment from NKC unless and until Doctor submits the completed medical director log for the previous month.

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 _____ 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 Safety Alert System (SAS) reports, 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).

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 10
Lease Agreement



February 1, 2007

Northwest Kidney Centers
Attn: Lynette Waller
V.P. of Finance and Administrative Services
700 Broadway
Seattle, WA 98122

Re: Lease at 15th & Cherry LLC

Dear Lynette:

Enclosed for your files, please find one fully-executed original of the subject Lease.

Sincerely,

15th & CHERRY LLC,
by Sabey Corporation, Manager

A handwritten signature in blue ink, appearing to read "Mary A. Hall".

Mary A. Hall

Leasing Coordinator

Enclosure

cc: Jana Vogelsang, Property Manager (w/enc.)
Suzanne Bissett, Assistant Controller (w/enc.)
Larry Blackett, GVA Kidder Matthews (w/enc.)
David Buck, Riddell Williams, P.S. (w/enc.)
Tom Read, Alston Courtnage & Bassetti LLP (w/enc.)

g:\legal\wp\doc\15th & Cherry\return signed lease letter.doc

LEASE AGREEMENT
by and between
15TH AND CHERRY LLC
(as Landlord)
and
NORTHWEST KIDNEY CENTERS
(as Tenant)

Dated January 23, 2007

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LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") is made effective as of this 23rd day of January, 2007 ("Effective Date"), between 15th and Cherry LLC, a Washington limited liability company ("Landlord"), and Northwest Kidney Centers, a Washington nonprofit corporation ("Tenant"). The parties agree as follows:

1. FUNDAMENTAL LEASE PROVISIONS; DEFINITIONS; EXHIBITS

Capitalized terms used in this Lease shall have the meanings provided in this Section 1, unless otherwise specifically modified by provisions of this Lease.

1.1 Broker. "Broker" shall mean GVA Kidder Matthews Inc. A commission shall be paid for this Lease by Landlord to Broker pursuant to a separate agreement between Landlord and Broker.

1.2 Building. "Building" shall mean the structure to be constructed by Landlord pursuant to Section 2 and Exhibit C of this Lease, and to be commonly known as the Northwest Kidney Centers Building. The Building will be situated on the real property legally described in Exhibit A (the "Land") and will have a postal address of 548 -- 15th Avenue, Seattle, Washington 98122. The Building shall include four floors as depicted on the schematic floor plans referred to in the Master Use Permit Application for the Building, City of Seattle Project No. 3005560 (the "MUP Application"), subject to Section 2.1 and the terms of Exhibit C.

1.3 Premises. The "Premises" shall mean the Land, the Building and all other improvements located on the Land.

1.4 Tenant's Share. "Tenant's Share" shall mean the percentage share allocated to the Premises of the total costs incurred by Landlord and its affiliate(s) to provide certain goods and services to the Premises and other property in the vicinity of the Premises owned by Landlord or an affiliate of Landlord (collectively the "Neighboring Properties"), for the benefit of the Neighboring Properties. Tenant's Share shall initially be based upon the proportion that the rentable area of the Premises bears to the rentable area of all Neighboring Properties receiving such goods or services, provided that Landlord may in its reasonable discretion adjust Tenant's Share to represent an equitable allocation to all Neighboring Properties of the costs of such goods and services, based on the use or benefit of such goods and services among the various Neighboring Properties. Tenant recognizes that Tenant's Share may vary by the goods or services provided, depending upon the amount and type of such goods or services furnished to the Premises, and the amount and type of goods and services provided to the Neighboring Properties by Landlord or Landlord's affiliate. For purposes of determining the Tenant's Share, the Premises shall be deemed to have an assumed rentable area of 25,000 rentable square feet.

1.5 Lease Year. "Lease Year" shall mean each twelve-month period commencing January 1 and ending December 31.

1.6 Commencement Date. Subject to Sections 2.2 and 3.1, "Commencement Date" shall mean April 1, 2008. In the event that the Lease Term commences on a day other than the first day of a calendar month, then the Commencement Date as specified in the preceding sentence shall be deemed to be the first day of the next calendar month, and Tenant shall be deemed to have been given early occupancy as of the date on which the Lease Term actually commences, with all terms of this Lease, including Rent, and other amounts due to Landlord, applicable to the period of early occupancy.

1.7 Expiration Date. "Expiration Date" shall mean the date that is ten (10) years after the Commencement Date, unless sooner terminated or extended in accordance with this Lease.

1.8 Term. "Term" or "Lease Term" shall mean a period of ten (10) years, commencing on the Commencement Date and terminating on the Expiration Date, unless sooner terminated or extended in accordance with this Lease.

1.9 Base Rent. "Base Rent" from the Commencement Date through the twelfth (12th) month shall mean \$45,833.33 per month.

"Base Rent" from the thirteenth (13th) month through the twenty-fourth (24th) month shall mean \$46,979.17 per month.

"Base Rent" from the twenty-fifth (25th) month through the thirty-sixth (36th) month shall mean \$48,145.83 per month.

"Base Rent" from the thirty-seventh (37th) month through the forty-eighth (48th) month shall mean \$49,354.17 per month.

"Base Rent" from the forty-ninth (49th) month through the sixtieth (60th) month shall mean \$50,583.33 per month.

"Base Rent" from the sixty-first (61st) month through the seventy-second (72nd) month shall mean \$51,854.17 per month.

"Base Rent" from the seventy-third (73rd) month through the eighty-fourth (84th) month shall mean \$53,145.83 per month.

"Base Rent" from the eighty-fifth (85th) month through the ninety-sixth (96th) month shall mean \$54,479.17 per month.

"Base Rent" from the ninety-seventh (97th) month through the one hundred eighth (108th) month shall mean \$55,833.33 per month.

"Base Rent" from the one hundred ninth (109th) month through the Expiration Date shall mean \$57,229.17 per month. Base Rent shall be payable as provided in Section 4.

1.10 Additional Rent. "Additional Rent" shall mean the amounts described in Section 8 as Taxes, Personal Property Taxes, Operating Costs, and all other amounts except Base Rent which are payable by Tenant under this Lease.

1.11 Lender's Requirements Regarding Rent. As used herein, "Landlord's Lender" shall mean a holder of mortgage or deed of trust to which any part of the Premises is subject.

(i) No part of the Rent shall be calculated or collected based in whole or in part on the income or profits derived from the Premises (except for percentage rent based on gross (not net) receipts or sales, if applicable) without Landlord's Lender's prior written consent; and

(ii) if Landlord's Lender succeeds to Landlord's interests under this Lease and is advised by its counsel that all or any portion of the Rent payable under this Lease is or may be deemed to be unrelated business income within the meaning of the Internal Revenue Code or regulations issued thereunder, Landlord's Lender may elect to amend unilaterally the calculation of Rent so that none of the Rent payable to Landlord's Lender under this Lease will constitute unrelated business income, but the amendment will not increase Tenant's payment obligations or other liability under this Lease or reduce Landlord's obligations under this Lease.

1.12 Parking. See Section 29 below.

1.13 Landlord's Payment Address. "Landlord's Payment Address" shall mean: 15th and Cherry LLC, P.O. Box 34108, Seattle, Washington 98124-1108. Tenant may also arrange for monthly wire transfer of Rent using the following information:

Bank: The Commerce Bank of Washington, 601 Union St., Suite 3600, Seattle, WA 98101; ABA # 125008013; Bank Account # 1173731; Account Name: Sabey Corporation, 12201 Tukwila International Blvd., Fourth Floor, Seattle, WA 98168-5121

1.14 Notice Addresses.

If to Landlord: 15th and Cherry LLC
c/o Sabey Corporation
12201 Tukwila International Blvd.
Fourth Floor
Seattle, WA 98168-5121
Attn: Sr. V.P. Real Estate
Fax No. 206-282-9951

with a copy to: Sabey Corporation
 12201 Tukwila International Blvd.
 Fourth Floor
 Seattle, WA 98168-5121
 Attn.: Sr. V.P. Property Operations & Leasing
 Fax No. 206-282-9951

and to: Alston, Courtnage & Bassetti LLP
 1000 Second Avenue, Suite 3900
 Seattle, WA 98104-1045
 Attn: Thomas W. Read
 Fax No. 206-623-1752

If to Tenant (before commencement date):

Northwest Kidney Centers
 700 Broadway
 Seattle WA 98122
 Attn: Lynette Waller, Vice President of Finance
 and Administrative Services
 Fax No. 206-860-5821

with a copy to: David D. Buck, Esq.
 Riddell Williams P.S.
 1001 Fourth Avenue, Suite 4500
 Seattle, WA 98154-1192
 Fax No. 206-389-1708

If to Tenant (after commencement date):

Northwest Kidney Centers
 548 15th Avenue
 Seattle, WA 98122
 Attn: Lynette Waller, Vice President of Finance
 and Administrative Services
 Fax No. 206-860-5821

with a copy to: David D. Buck, Esq.
 Riddell Williams P.S.
 1001 Fourth Avenue, Suite 4500
 Seattle, WA 98154-1192
 Fax No. 206-389-1708

1.15 Permitted Uses. "Permitted Uses" shall mean Tenant's use of the Premises for the provision of outpatient medical services, including outpatient dialysis and related services, and office use incidental thereto, all to the extent permitted under

the Group B Occupancy classification in the City of Seattle Building Code, subject to the terms and conditions of this Lease.

1.16 Landlord's Work. "Landlord's Work" shall mean the construction of the Building and other improvements to be made by Landlord in accordance with Exhibit C.

1.17 Tenant's Work. "Tenant's Work" shall mean the improvements to be made by Tenant in accordance with Exhibit C and the other terms and conditions of this Lease.

1.18 Guarantor. None.

1.19 Exhibits. The following exhibits or riders are attached to this Lease and are incorporated into this Lease by this reference:

- (a) Exhibit A - Legal Description
- (b) Exhibit B - [Reserved]
- (c) Exhibit C - Description of Landlord's Work and Tenant's Work
- (d) Exhibit C-1 - Tenant's Removable Property
- (e) Exhibit D - Rules and Regulations
- (f) Exhibit E - Tenant & Tenant Contractor Construction Criteria
- (g) Exhibit F - Memorandum of Lease and Option
- (h) Exhibit G - Lease Commencement Memorandum

2. PREMISES.

2.1 Lease of Premises. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises described in Section 1.3, as constructed and improved pursuant to Exhibit C. Tenant's lease of the Premises shall be subject to all of the terms and conditions of this Lease.

The proposed floor plan for the Premises shown in the MUP Application is for reference purposes only, and shall not constitute a representation by Landlord to be the final plan of the Premises or the Building, or to require Landlord to build any particular improvements or to otherwise comply with the floor plan. Tenant acknowledges that, except as otherwise expressly set forth in this Lease, neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or the Building, or their suitability for the conduct of Tenant's business.

2.2 Acceptance of Premises. Landlord and Tenant hereby agree that Landlord's Work shall be constructed by Landlord's contractor, Sabey Construction Inc.

Upon Substantial Completion of Landlord's Work, Landlord shall so notify Tenant in writing and shall turn over possession of the Premises to Tenant. "Substantial Completion" shall mean the date certified by Landlord's Architect (as defined in Exhibit C) when Landlord's Work is sufficiently complete to allow Tenant to commence construction of Tenant Improvements without material interference with the Landlord's Work. The first day of the calendar month after the date of this turn over of possession of the Premises to the Tenant shall be the "Commencement Date," unless such turn over occurs on the first day of a calendar month, in which case the date of turning over of possession shall be the Commencement Date. Within ten (10) business days ("Inspection Period") after the date Landlord informs Tenant of such Substantial Completion, Tenant shall make such inspection of the Premises as Tenant deems appropriate. Except as otherwise specified by Tenant in writing to Landlord within the Inspection Period, Tenant shall be deemed to have accepted the Premises in its AS IS condition and subject to the Landlord's contractor's warranty described in Exhibit C, as of such date of Substantial Completion. If, as a result of such inspection, Tenant discovers items of Landlord's Work of a nature commonly found on a "punch list" (as such term is commonly used in the construction industry), which it reasonably believes are not completed in accordance with Exhibit C, Tenant shall notify Landlord of such items prior to the expiration of the Inspection Period. Landlord shall promptly complete repair of all punch list items identified in Tenant's notice which it reasonably believes require repair. The existence of such punch list items shall not postpone the Commencement Date or the obligation of Tenant to pay Base Rent or Additional Rent.

2.3 Right of First Refusal to Purchase.

Whenever, during the Lease Term, Landlord receives from a third party an acceptable bona fide offer to purchase the Premises (the "Offered Property"), whether in the form of a letter of intent or purchase and sale agreement, Landlord shall give Tenant written notice of such offer, together with a copy thereof, and Tenant shall have fifteen (15) business days from the receipt of such notice to agree to purchase the Offered Property at the price and on the other terms of such offer. If Tenant elects in writing to purchase the Offered Property within such fifteen (15) business day period, then (i) Landlord shall provide Tenant with a definitive purchase and sale agreement using the then-current form of commercial and investment real estate purchase and sale agreement form utilized by the Commercial Brokers Association serving King County, Washington (the "CBA Form") and containing the same terms as those contained in the acceptable third party offer within seven (7) days of the receipt of Tenant's written election to purchase, (ii) Tenant shall execute and return such definitive purchase and sale agreement within five (5) days after Tenant's receipt thereof, and (iii) the closing of Tenant's purchase shall occur no later than the date that is sixty (60) days after the date of Tenant's election to purchase the Offered Property. Tenant's failure to timely return the signed purchase and sale agreement shall cause this right of first refusal to terminate. In case of a conflict between the terms of the third party offer and the terms of the CBA Form, the terms of the third party offer shall be used in the purchase and sale agreement. If Tenant fails to exercise such option in writing within such fifteen (15) business day period, Landlord shall thereafter have unrestricted right to sell the Offered Property in accordance with the material terms of

such offer. If the Offered Property is not sold in accordance with the material terms of such offer, and if Landlord receives a revised or new offer, the provisions of this Section 2.3 shall apply to such revised or new offer. The provisions of this Section 2.3 shall be binding on Landlord and all of its successors who acquire and own the Offered Property during the Lease Term. Simultaneously with its execution of this Lease, Landlord shall execute, have acknowledged, and deliver to Tenant, a memorandum of this option in the form attached hereto as Exhibit F and made a part hereof, and Tenant may, at its option and expense, record it in the office for recording such public records in King County, Washington. Tenant acknowledges that Swedish Health Services has a right of first refusal with respect to the Offered Property, and that Tenant's rights under this Section 2.3 are subject to the prior right of first refusal of Swedish Health Services, its successors and assigns.

3. LEASE TERM.

3.1 Duration of Lease Term. Tenant's lease of the Premises shall commence on the Commencement Date and terminate on the Expiration Date or such earlier or later date as may be provided for under this Lease. Notwithstanding anything to the contrary in Section 1.6, if Landlord is unable to deliver possession of the Premises to Tenant with Landlord's Work constructed by Landlord's contractor substantially completed in accordance with Exhibit C on the date specified in Section 1.6 and such delay (to the extent of such delay) is due to no fault on the part of Tenant, then the Commencement Date shall be the earlier of the date on which Tenant first occupies the Premises or the date that is ten (10) days after the date of Landlord's written notice to Tenant of substantial completion of Landlord's Work provided for in Section 2.2 above.

3.2 Extension Option. Provided that Tenant is in compliance with all the terms and conditions of this Lease and has not been in default of this Lease beyond any applicable cure period during the last thirty-six (36) months of the Lease Term, as it may be extended, Tenant shall have the option ("Option") to extend the Term of this Lease for five (5) additional periods of five (5) years (each an "Option Term") on the same terms and conditions of this Lease as are provided for in the initial Term, except as provided below in this Section 3.2 or in Section 3.3 and without any free rent periods or tenant improvement allowances. The first Option Term shall commence upon the date of expiration of the initial Term of this Lease. To exercise its Option, Tenant must give written notice to Landlord that Tenant is exercising its Option at least twelve (12) months before the date of expiration of the initial Term, or the prior Option Term, as the case may be. Once such notice is delivered to Landlord, such notice shall be irrevocable by Tenant. If, in Landlord's reasonable discretion, Landlord determines that the creditworthiness of Tenant is materially less than the creditworthiness of Tenant as of the Lease's execution date, Landlord may nullify Tenant's exercise of its Option by written notice to Tenant. Tenant acknowledges and agrees that notwithstanding anything to the contrary in this Lease, the right to exercise the Option shall not extend to any assignee or subtenant of Tenant or to any space assigned or subleased by Tenant, other than to a Permitted Transferee as described in Section 15 below, and any

attempt to exercise the Option by any such assignee or subtenant, or by Tenant in connection with such assigned or subleased space, shall be deemed null and void.

Within sixty (60) days after receiving written notice of Tenant's election to add an Option Term, Landlord shall provide written notice to Tenant if Landlord has elected to relocate Tenant's parking area during all or any portion of the Option Term. The notice shall state the location and configuration of the proposed substituted parking area and the schedule for conversion from the existing parking area to the proposed substituted parking area. In the event that Landlord gives Tenant such a notice, Tenant shall, within thirty (30) days after receipt of Landlord's notice, have the option to withdraw its election to add the Option Term to the Lease. If Tenant fails to respond to Landlord's notice within this thirty (30) day period, then Tenant shall be deemed to have waived its right to withdraw its election to add the Option Term. If Landlord fails to give such notice, Landlord shall not be entitled to change the location of Tenant's parking area during the Option Term.

3.3 Base Rent During Option Term. In the event that Tenant elects to exercise its Option to extend the Term of this Lease in accordance with the terms of Section 3.2, the Base Rent for the first Option Term shall be a continuation of the Base Rent for the initial Term with two and one-half percent (2.5%) annual increases, compounded. Base Rent for any subsequent Option Term shall equal the fair market rent of the Premises as of the commencement date of the applicable Option Term assuming a shell and core condition, without Tenant's Work or any other improvements made by Tenant, in comparable buildings for comparable use located on comparable sites in the First Hill region as determined by Landlord and Tenant; provided, however, that in no event shall the Base Rent during any Option Term (other than the Initial Option Term) be greater than \$64,750.00 per month or less than \$45,833.33 per month. For purposes of determining Base Rent under this Section 3.3, the Building shall be deemed to have a rentable area of 25,000 square feet. The adjusted Base Rent shall commence on and be payable on the first day of the Option Term and shall continue thereafter throughout the Option Term.

If Landlord and Tenant cannot agree on the fair market rent of the Premises as of the commencement date of the applicable Option Term prior to ninety (90) days before such commencement date, then both parties agree to use the appraisal process, outlined as follows: Each party will hire an MAI appraiser. Each appraiser must have a minimum of five (5) years appraisal experience in the First Hill area. Each appraiser shall complete his/her appraisal within thirty (30) days, and his or her appraisal shall determine the fair market rent for the Premises at such time but without considering the value of the Tenant's Work or other improvements made by Tenant. If the appraisers' opinion of the fair market rent differs by less than ten percent (10%) of the amount of the higher appraisal, then the fair market rent shall be the average of the two appraisals. If the appraisers' opinion of fair market rent differs by more than ten percent (10%) of the higher appraisal, then a third MAI appraiser satisfying the same qualifications shall be mutually hired and paid for equally by both parties. The third appraiser will evaluate the market using the same parameters outlined in this paragraph. The fair market rent estimate of the third appraiser shall be averaged with

the fair market rent estimate of the appraiser closest to it. The Base Rent for the Option Term shall be the resultant average rent utilizing this process, subject to the maximum and minimum Base Rent limitations described in the preceding paragraph.

3.4 Confirmation of Commencement Date. If the Commencement Date is not the date indicated in Section 1.6, Landlord and Tenant shall mutually confirm the Commencement Date in writing within thirty (30) days after delivery of the Premises to Tenant in accordance with this Lease, by executing the Lease Commencement Memorandum in the form of attached Exhibit G.

3.5 Surrender of Premises. Subject to Sections 11 and 22, Tenant shall promptly and peacefully surrender the Premises to Landlord upon the termination of the Lease Term in as good a condition as when received by Tenant from Landlord and/or as thereafter improved, if applicable, normal wear and tear excepted. Unless Landlord expressly provides otherwise in writing to Tenant prior to Tenant's construction or installation of the applicable improvements or additions, upon the expiration or termination of this Lease, all improvements and additions to the Premises except those items set forth on Exhibit C-1 shall be deemed property of Landlord and shall not be removed by Tenant from the Premises. Tenant shall be solely responsible for, and shall repair, all damage to the Premises arising out of its removal of its property from the Premises. In addition to all other requirements under this Lease, Tenant shall remove any Hazardous Substances, as such term is defined in Section 6.3, on the Premises which were placed on the Premises by Tenant, its employees, agents, contractors (other than contractors engaged by Landlord) and/or invitees, prior to its surrender and vacation of the Premises.

3.6 Holding Over With Consent. If Tenant remains in possession of the Premises after termination or expiration of the Lease Term with Landlord's written permission, such tenancy shall be deemed a month-to-month tenancy which may be terminated by either party upon twenty (20) days' notice. During such tenancy, Tenant shall be bound by all of the terms, covenants and conditions in this Lease so far as applicable, except that the Base Rent shall be increased to the greater of (i) the then-quoted rates for similar space in the Building or (ii) one hundred twenty-five percent (125%) multiplied by the sum of the monthly installment of Base Rent and Additional Rent payable for the last month of the Lease Term, prorated on a daily basis.

3.7 Holding Over Without Consent. If Tenant remains in possession of the Premises after the termination or expiration of the Lease Term without Landlord's prior written consent, Tenant shall become a tenant at sufferance only, subject to all the provisions of this Lease so far as applicable, except that Base Rent shall be increased to an amount equal to two hundred percent (200%) multiplied by the sum of the monthly installments of Base Rent and Additional Rent payable by Tenant during the last month of the Lease Term, prorated on a daily basis. Acceptance by Landlord of Rent after the termination of the Lease Term shall not result in a renewal or extension of this Lease. The provisions of Section 3.6 and Section 3.7 are in addition to, and shall not act as a waiver of or otherwise affect, Landlord's right of re-entry or any other rights of Landlord under this Lease or as provided by law or in equity. If Tenant fails to surrender the

Premises upon the termination of the Lease Term, despite Landlord's demand to do so, Tenant shall indemnify, defend and hold Landlord harmless from and against all loss and liability, including, without limitation, any claim made by any succeeding tenant founded on, or resulting from, such failure to surrender, including without limitation, any reasonable attorneys' fees or costs associated therewith.

3.8 MUP Contingency. Landlord has submitted an application for a Master Use Permit ("MUP") from the City of Seattle for the development of the Building and the Premises. If Landlord has not obtained MUP Approval on or before July 1, 2007 then either Landlord or Tenant may terminate this Lease within fifteen (15) days after such date by written notice to the other. "MUP Approval" shall mean the City of Seattle has issued a MUP containing terms and conditions satisfactory to Landlord in its reasonable discretion, and that the appeal period for the MUP issuance has expired without appeal, or if one or more appeals were taken, all appeals have been finally resolved on terms satisfactory to Landlord, without further possibility of appeal.

4. RENT.

4.1 Payment. Tenant shall pay Landlord the monthly installments of Base Rent provided in Section 1.8 and Additional Rent provided in Section 1.10 in lawful money of the United States, in advance, on the Commencement Date and thereafter on or before the first day of each month throughout the Lease Term. Base Rent and Additional Rent shall be paid by Tenant without notice or demand, deduction, abatement, or offset, except as expressly provided herein. Base Rent and Additional Rent for any partial month at the beginning or end of the Lease Term shall be prorated in proportion to the number of days in such month. Base Rent and Additional Rent are collectively referred to in this Lease as "Rent."

4.1.1 Wire Payments. Any amounts payable to Landlord under this Lease in excess of Ten Thousand and No/100 Dollars (\$10,000.00) per occurrence shall be either (i) mailed no later than five (5) business days immediately preceding the due date to Landlord's bank at the address below by first class U.S. mail for deposit, or (ii) delivered no later than three (3) business days immediately preceding the due date to Landlord's bank at the address below for deposit, or (iii) made by wire transfer no later than the due date, as follows:

Bank: The Commerce Bank of Washington, 601 Union St., Suite 3600, Seattle, WA 98101; ABA # 125008013; Bank Account # 1173731; Account Name: Sabey Corporation, 12201 Tukwila International Blvd., Fourth Floor, Seattle, WA 98168-5121. Should Tenant fail to wire amounts above Ten Thousand Dollars (\$10,000), a one-half of one percent (0.5%) fee will be charged for handling the check.

4.2 Interest on Late Payments; Service Fee. If any Base Rent or Additional Rent is not paid on the due date thereof: (i) such overdue amounts shall bear interest at a rate equal to fifteen percent (15%) per annum, and (ii) Tenant shall pay Landlord a service fee equal to five percent (5%) of such overdue amount; provided that Landlord shall not impose any interest charge or service fee on the first late payment of Base

Rent or Additional Rent due in a given calendar year if such late payment is received within five (5) days of the due date. The parties hereby agree that such service fee represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant, the exact amount of which would be difficult to ascertain. Acceptance by Landlord of any partial amounts due under this Section 4 shall in no event constitute a waiver of Tenant's default with respect to any overdue amount, nor prevent Landlord from exercising any of its other rights and remedies granted under this Lease or by law or in equity.

4.3 Address for Payments. Tenant shall pay all Rent to Landlord which is not paid by wire payment, at Landlord's Payment Address, or at such other place as may be designated by Landlord from time to time by written notice to Tenant.

5. WAIVER OF LANDLORD'S LIENS. Tenant's personal property located on the Premises shall not be subject to and shall be free of any statutory lien for the payment of Rent by Tenant or for the performance of any other obligation of Tenant under this Lease.

6. USES; COMPLIANCE WITH LAWS.

6.1 Permitted Uses. The Premises are to be used only for the Permitted Uses, and for no other business or purpose without the prior written consent of Landlord, which consent may be withheld if Landlord, in its reasonable discretion, determines that any proposed use is inconsistent with any restriction on use of the Premises contained in any mortgage or other agreement or instrument by which the Landlord may be bound or to which any of the Premises may be subject, or may be detrimental to the Premises or the Building. Tenant may not use any portion of the Premises for any of the following activities: (i) retail pharmacy (provided that Tenant shall be permitted to operate a pharmacy at the Premises servicing only Tenant's patients); (ii) ambulatory surgery; (iii) hospital clinical laboratory; (iv) inpatient hospital services; or (v) computer tomography, magnetic resonance imaging, digital radiography, angiography, fluoroscopy, film tomography and/or mammography or any successor technologies. Except for use for its own patients, or for approved in writing and in advance by Landlord, Tenant shall not use the Premises for any apparatus, machine, equipment or device used for dental radiographic equipment, ultrasound and/or nuclear medicine equipment, or general radiographic equipment for filming chests, extremities or spines.

6.2 Duties and Prohibited Conduct. Notwithstanding anything to the contrary in this Lease, Tenant shall not commit any act (other than the Permitted Uses) that will increase the then-existing rate of insurance on the Building without Landlord's prior written consent. Tenant shall promptly pay upon demand the amount of any increase in insurance rates caused by the Permitted Uses or by any act or acts of Tenant or its employees, agents or representatives. Tenant shall not commit or allow to be committed any waste upon the Premises, or any public or private nuisance or other act which is unlawful. Tenant shall not, without the written consent of Landlord, use any apparatus, machinery or device in or about the Premises, or act in any way, which will

cause any substantial noise, or any vibration fumes, or releases of Hazardous Substances into the surrounding environment. If any of Tenant's office machines, equipment or activities should cause any substantial noise, odor, vibration or fumes or releases of Hazardous Substances, then Tenant, at Tenant's sole expense, shall provide adequate insulation or take such other reasonable action as may be necessary to reduce such noise, odor, vibration, fumes, or releases. Tenant, at Tenant's expense, shall comply with all laws, rules, regulations, orders, ordinances and permits relating to its use or occupancy of the Premises, and shall observe such Rules and Regulations as set forth on Exhibit D to this Lease, and as may be reasonably modified by Landlord and made available to Tenant from time to time. In the event of any conflict between the provisions of this Lease and the above-referenced Rules and Regulations (as may be amended), the provisions of this Lease shall prevail. This Lease shall be subject to all applicable zoning ordinances and to all municipal, county, state and federal laws and regulations governing or regulating the use of the Premises.

6.3 Environmental, Health And Safety Laws. Without limiting Tenant's obligations under this Section 6, Tenant in the exercise of its rights and the performance of its obligations under this Lease shall comply, at Tenant's expense, with all local, state, or federal laws, rules, regulations, ordinances, orders and permits now existing, or as hereafter enacted, amended, or issued concerning environmental, health, or safety matters (collectively, the "Environmental Laws"). Tenant shall not use the Premises for, or permit any of its agents, employees and licensees to commit any act on the Premises which may subject Landlord, any guarantor, or any mortgagee under any mortgage covering the Premises, to liability for remediation costs or other damages or penalties under any Environmental Laws resulting from Tenant's use of, or conduct on, the Premises, including without limitation, the use, generation, transportation, management, handling, treatment, storage, manufacture, emission, release, disposal or deposit of any radioactive material, hazardous or toxic wastes, hazardous or toxic substances, any material containing hazardous wastes or hazardous substances (except as they occur in normal dialysis-related products, office products or household cleaning products), or any other pollutant, contaminant, human pathogen or infectious agent as such terms may now or in the future be defined in any Environmental Laws (collectively, "Hazardous Substances"), on the Premises, adjacent surface waters, soils, underground waters, or air. "Hazardous Substances" shall also include any and all biological, infectious, medical waste, and radioactive materials used or resulting from medical related uses, and "Infectious Wastes", which as used in this Lease has the same definition as set forth in the code of the Board of Health of King County ("KCC") or any other regulatory body with jurisdiction.

Landlord shall have the right at all reasonable times upon prior notice to Tenant to conduct environmental investigations, including the taking of samples, for the purpose of detecting or measuring the presence of Hazardous Substances on the Premises. Tenant shall keep Landlord continuously informed by written notice of all Hazardous Substances which Tenant, or Tenant's employees, agents, representatives, invitees, licensees, or contractors, generates, stores or otherwise allows on the Premises. Tenant shall provide Landlord with copies of all documents received or prepared by Tenant concerning any release of a Hazardous Substance at the

Premises, all documents Tenant receives or prepares in connection with any violation, or alleged violation, of an Environmental Law by Tenant, and all reports or other documents Tenant is required to provide any governmental authority under any Environmental Law concerning any Hazardous Substance. Upon request by Landlord, Tenant shall provide Landlord with all other information which Landlord reasonably deems necessary or useful for the purpose of determining whether Tenant is in compliance with all Environmental Laws and whether the Premises, or any part of the Premises, is contaminated by any Hazardous Substances. If Tenant or the Premises is in violation of any Environmental Law, or in the event of a release of Hazardous Substances by Tenant into or on the Premises or adjacent surface waters, soils, underground waters, or air, Tenant shall (i) immediately notify Landlord in writing of such occurrence and the action necessary to correct or mitigate such occurrence, and (ii) take such action as is necessary to mitigate and correct such violation or release (unless such release was caused by Landlord or its agents, or was present in, on or under the Premises prior to the Commencement Date). Provided, however, Landlord reserves the right, but not the obligation, to enter the Premises, to act in place of Tenant (and Tenant hereby appoints Landlord as its agent for such purposes) and to take such action as Landlord deems necessary to ensure compliance or to mitigate the violation, at Tenant's expense (unless such action is required as a result of the acts of Landlord or its agents). If Landlord reasonably believes that Tenant or the Premises is in violation of any Environmental Law, or if Tenant's actions or inaction presents a threat of violation or a threat of damage to the Premises, Landlord reserves the right to enter the Premises and take such corrective or mitigating action as Landlord deems necessary. All costs and expenses incurred by Landlord in connection with any such actions shall become immediately due and payable by Tenant upon presentation of an invoice therefor (unless such release was caused by Landlord or its agents, or was present in, on or under the Premises prior to the Commencement Date).

Tenant shall not conduct or permit others to conduct environmental testing on the Premises without the prior written consent of Landlord, which will not be unreasonably withheld. Tenant shall promptly inform Landlord of the existence of any environmental study, evaluation, investigation or results of any environmental testing conducted on the Premises whenever the same becomes known to Tenant and, if Tenant is permitted to do so, Tenant shall provide copies to Landlord, upon request by Landlord and at no cost to Landlord. Notwithstanding the foregoing, in no event shall Tenant be responsible for or liable to Landlord for any Hazardous Substances located in the Premises that existed or were released upon the Premises prior to the Commencement Date of this Lease, or that are released upon the Premises by Landlord or its agents after the Commencement Date.

Notwithstanding any other provisions of this Lease, Tenant's obligations and responsibilities for the proper use, storage and maintenance of Hazardous Substances and for any breach of the obligations pursuant to this Section 6.3 shall survive any expiration or any termination of this Lease.

6.4 Specific Environmental Covenants. Without limiting Tenant's obligations under Sections 6.1 through 6.3, Tenant covenants as follows: (a) Tenant

shall properly handle and segregate for the appropriate disposition of all Hazardous Substances in accordance with all applicable Environmental Law. (b) All use, generation, storage, handling, containment, transportation, treatment and disposal of Infectious Waste in the Premises shall be subject to and shall be in prompt and timely compliance with the terms and conditions of the King County Code governing Infectious Wastes, as set forth in KCC Title 10 or as hereinafter amended. In the event that the City of Seattle, State of Washington, or the federal government has or hereinafter shall enact any Environmental Law governing the use, generation, storage, handling, containment, transportation, treatment or disposal of Infectious Wastes, Tenant also shall comply with all of the current applicable provisions thereof. (c) Tenant shall submit to Landlord true and correct copies of all permits, Infectious Waste Management Plans (as defined in KCC), and other records required to be maintained for or to be submitted to the King County Board of Health or any other governmental authority having jurisdiction over any activity conducted on the Premises. (d) Within ten (10) days of Landlord's request (which request shall not be made more frequently than annually in the absence of a release or suspected release), Tenant shall provide Landlord with written reports regarding the use, generation, storage, containment, handling, transportation, treatment and disposal of Infectious Waste, and provide evidence reasonably satisfactory to Landlord of compliance with the then applicable terms of KCC Title 10, and any other applicable Environmental Law. (e) Tenant shall allow Landlord or Landlord's agent or representative to come on the Premises at any reasonable time after prior reasonable notice to check compliance with all applicable Environmental Law regarding Infectious Wastes. (f) Immediately upon receipt by Tenant or any person working in the Premises, Tenant shall supply Landlord with true and correct copies of all notices, orders, correspondence and bulletins received from any governmental authority or health officer regarding Tenant's violations of law, rule or regulation regarding Infectious Waste. (g) All reasonable costs incurred by Landlord associated with Landlord's inspection of the Premises and Landlord's monitoring of Tenant's compliance with this Section 6.4, including Landlord's attorney's fees and costs, shall be Additional Rent and shall be due and payable to Landlord immediately upon demand by Landlord.

6.5 Landlord's Representations. Landlord represents to Tenant that as of the date of this Lease, to the best of Landlord's knowledge the Premises does not contain any Hazardous Substances in any manner or quantity that would violate any applicable environmental law. Landlord agrees to indemnify and hold harmless Tenant against and from any losses, damages, claims, liabilities and expenses (including attorneys' fees and court costs) caused by or resulting from the falsity of the foregoing representation given by Landlord, or caused by Landlord's actions in bringing Hazardous Substances onto the Property in violation of Environmental Laws, and this indemnification obligation of Landlord shall survive the expiration, cancellation or termination of this Lease. Any costs that Landlord incurs in complying with this Section 6.5 may not be charged back to Tenant as an Operating Cost.

6.6 ADA Compliance. To the extent that Tenant's use or occupancy of the Premises causes any design or construction costs in connection with the Premises or the Building in order to comply with the Americans with Disabilities Act of 1990, as

amended (the "ADA"), after the Commencement Date, all costs of such compliance, whether design, permitting or construction, shall be the sole obligation of Tenant.

7. SERVICES AND UTILITIES; REPAIRS AND MAINTENANCE.

7.1 Services and Utilities; Landlord's Obligations. Landlord shall cause all utilities provided to the Premises to be separately metered by the applicable utility providers and billed directly to Tenant, and Tenant shall make payments directly to the utility providers.

7.1.1 Landlord will provide the following services to the Premises: campus security services and administration of a transportation management program to the Premises and to certain Neighboring Properties. The costs of such Landlord services shall be included as "Operating Costs" and paid as Additional Rent. Landlord's obligation to provide services and utilities under this Lease is subject to Sections 7.1.3, 11 and 22 below.

7.1.2 The Building standard mechanical system is designed to accommodate the heating loads addressed in Exhibit C. Tenant shall obtain Landlord's prior written consent before installing lights and equipment in the Premises or occupying the Premises in a manner which results in such loads being exceeded. Landlord may refuse to grant such consent unless Tenant agrees to pay the costs incurred by Landlord for installation of supplementary HVAC or electrical systems as necessitated by such equipment or lights, together with a market rate construction supervision fee charged by Landlord (the "Supervision Fee"). The cost of operation and maintenance of supplementary HVAC units as necessitated by Tenant's use of such equipment or lights shall be charged to and paid by Tenant. Landlord shall be entitled to install, operate and maintain at Tenant's sole cost a monitoring/metering system in the Premises to measure the added demands on electricity and HVAC systems, resulting from such equipment and lights, and Tenant shall pay Landlord the cost thereof each month within ten (10) days of its receipt of an invoice therefor.

7.1.3 Landlord shall not be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption or failure of utilities or services due to any cause whatsoever, including, but not limited to, electrical surges, or from failure to make any repairs or perform any maintenance. No temporary interruption or failure of utilities or services incident to the making of repairs, alterations or improvements or due to accident, strike or conditions or events beyond Landlord's reasonable control shall be deemed an eviction of Tenant or to relieve Tenant from any of Tenant's obligations hereunder or to give Tenant a right of action against Landlord for damages. Upon learning of an item in need of maintenance or repair that is the responsibility of Landlord under this Lease, Landlord shall use commercially reasonable efforts to undertake and complete necessary maintenance and repairs. Landlord shall have no responsibility for security services for, or the security of, the Premises, or any liability to Tenant or any other person or entity for theft or other loss or damage to property or for injury or death of persons related to a breach of Premises security.

7.2 Services and Utilities; Tenant's Obligations. Tenant shall be solely responsible for providing, and shall pay directly, all janitorial services, security services, light bulb replacement, and window washing desired by Tenant. Tenant shall provide exterior lighting service and maintenance of landscape and exterior areas of the Premises in the manner and to the extent deemed by Landlord to be necessary or desirable. Tenant shall be solely responsible for providing, maintaining, repairing and replacing at Tenant's cost, any backup electricity generator desired by Tenant. It is understood that, except as provided in Sections 7.1 or 7.3, Landlord shall not be required to provide any services or utilities to Tenant, and Tenant shall make all necessary arrangements to have such services and utilities billed directly to Tenant and paid directly by Tenant.

7.3 Landlord's Repair and Maintenance Obligations. Landlord, at Landlord's own expense, shall maintain in good condition and repair the load-bearing elements of the exterior walls of the Building ("Landlord Repair Items"). There shall be no abatement or reduction of rent arising by reason of Landlord's making of repairs, alterations or improvements. Landlord, at Landlord's own expense, shall also replace the HVAC units serving the Building and installed by Landlord as part of Landlord's Work described on Exhibit C at the end of their useful life, provided that Tenant has performed recommended service, maintenance and repair of such units throughout their useful life.

7.4 Tenant's Repair and Maintenance Obligations. Except for maintenance, replacements and repairs required to be made or provided by Landlord under the provisions of this Lease, Tenant, at its sole cost and expense, shall repair and maintain the interior and exterior of the Premises (including painting), the roof, drive aisles and parking areas within the Premises, and all built-in appliances and equipment (including without limitation, HVAC units and all electrical, plumbing and mechanical systems) located at the Premises in a manner consistent with Class A medical office buildings in the First Hill area. Tenant shall provide for continuing preventative maintenance of equipment at the Premises as recommended by manufacturers' installation, operating and/or maintenance manuals or guidelines. Tenant shall be required to replace any items that cease functioning or cause the Building or Premises to not be in condition customarily found in comparable Class A medical office buildings, other than those items which are specifically made the responsibility of Landlord under Section 7.3. If Tenant fails to keep and maintain the Premises (including equipment) in the required condition, Landlord may, at its option and following written notice to Tenant, except in an emergency, put or cause the same to be put in the condition required thereunder, and Tenant on demand shall pay Landlord the entire cost thereof, together with a Supervision Fee, within ten (10) days after its receipt of an invoice therefore.

7.5 Parties' Obligations. In performing their respective obligations under this Section 7, each party, at its expense, shall comply with all Environmental Laws and all other applicable laws, ordinances, codes, orders, rules or regulations of any governmental authority. Each party shall retain, and shall provide the other party upon request, copies of its maintenance and service contract(s). Except as provided in

Section 9 in connection with Alterations, before making or performing any work, repairs, or replacement of any kind in the Premises, if such work shall affect the Building's structural components, Tenant shall obtain Landlord's prior written approval, which approval may be conditioned on Tenant providing Landlord with plans and specifications therefor, if applicable, which are reasonably acceptable to Landlord. All work, maintenance, repairs and replacements by each party under this Lease shall be performed by licensed contractors acceptable to the other party, except in the case of an emergency. Before installing any heavy equipment or fixtures in the Premises, Tenant shall submit the plans and specifications therefor to Landlord for Landlord's written approval.

8. ADDITIONAL RENT: OPERATING COSTS AND REAL ESTATE TAXES.

8.1 Definitions. In addition to the Base Rent, Tenant shall pay to Landlord each month as Additional Rent Tenant's Share of Taxes and of Operating Costs as provided in this Section 8, using the following definitions:

8.1.1 Taxes. "Taxes" shall mean taxes on real property and personal property, charges and assessments (or any installments thereof due during the Lease Year) levied with respect to the Premises, any improvements, fixtures and equipment on the Premises, and all other property of Landlord, real or personal, used directly in the operation of the Premises, sales and/or use taxes incurred in the operation of the Premises, and any taxes levied or assessed (or any installment thereof due during the Lease Year) in addition to or lieu of, in whole or in part, such real property or personal property taxes, or any other tax upon leasing of the Premises and/or Building or rents collected, but not including any federal or state income, estate, business and occupation (except to the extent that a rental tax is imposed as a business and occupation tax), inheritance or franchise tax. Tenant shall pay all Taxes applicable to the Premises directly to the taxing authority. All Tax payments shall be made at least ten (10) days prior to the due date, and Tenant shall promptly furnish Landlord with satisfactory evidence of timely payment of Taxes. If any Taxes paid by Tenant cover any period of time before the commencement of or after the expiration of the Lease Term, Tenant's share of those Taxes paid will be prorated to cover only the portion of time during which the Lease was in effect, and Landlord shall reimburse Tenant to the extent required. If Tenant fails to timely pay any Taxes, Landlord may pay them, and Tenant shall repay such amount to Landlord with Tenant's next rent installment or, if there are no further rent installments required, immediately upon Landlord's demand. Tenant may contest the amount or validity, in whole or part, of any Taxes at its sole expense, only after paying such Taxes or posting such security as Landlord may reasonably require in order to protect the Premises against loss or forfeiture. Upon the termination of any such proceedings, Tenant shall pay the amount of such Taxes or part of such Taxes as finally determined, together with any costs, fees, interest, penalties or other related liabilities. Landlord shall cooperate with Tenant in contesting any Taxes, provided that Landlord incurs no expense or liability in doing so. Notwithstanding anything contained herein to the contrary, Tenant shall have no obligation to pay the Taxes if Tenant qualifies as an organization that is exempt from the Taxes.

8.1.2 Operating Costs. "Operating Costs" shall mean all expenses other than Taxes paid or incurred by Landlord for obtaining services and products that Landlord is required to provide under this Lease for the maintenance, operation, equipment replacement, and repair of the Premises, including without limitation, the Premises' public and common areas, and the personal property used in conjunction therewith, and which shall include, without limitation, depreciation and amortization of capital improvements made subsequent to the initial development of the Premises or Building which are designed with a reasonable probability of enhancing the health and/or safety of the Premises or improving the operating efficiency of the Premises or Building, campus security services provided to the Premises, Transportation Management Plan compliance costs and charges (including but not limited to costs associated with residential parking zone passes/stickers/requirements), premiums for Landlord's insurance applicable to the Premises (including applicable finance charges; however the finance charges may be waived by Tenant making a lump sum payment for its annual share of Landlord's insurance), insurance deductibles applicable to insurance covering the Premises, licenses, permits and inspection fees, a management fee (equal to 1.5% of Base Rent), reasonable legal, administrative and accounting expenses (not to exceed 0.5% of Base Rent), and any other expense or charge whether or not hereinabove described, which in accordance with generally accepted management practices would be considered an expense of maintaining, operating, or repairing the Premises, excluding or deducting, as appropriate costs of any special services rendered to individual tenants (including Tenant) for which a special charge is collected including, without limitation, any specially metered charges, and further excluding those items that this Lease requires Landlord to provide at its own expense. Notwithstanding the foregoing, Operating Costs shall not include the following:

- (i) attorney's fees, accounting fees and other expenditures incurred in connection with negotiations, disputes and claims of other tenants or occupants of the Building, except as specifically otherwise provided in this Lease;
- (ii) costs directly attributable to or for the sole benefit of a tenant, including Tenant;
- (iii) rental on ground leases or other underlying leases;
- (iv) cost of any work or services to the extent performed for any facility other than the Building (provided Landlord shall have the right to reasonably allocate the cost of services provided to more than one facility);
- (v) costs due to Landlord's willful violation of any governmental rule or authority;
- (vi) charitable or political contributions;
- (vii) any fees paid to related parties of Landlord which exceed the market rate for similar services;

(viii) any costs (including payments of principal, penalties, and interest under any mortgage and any ground rental payments) associated with the initial construction and development of the Premises and the Neighboring Properties;

(ix) salaries and other compensation paid to officers or executives of Landlord, or any partner, principal or owner of the entity comprising Landlord, or to officers of the management agent or anyone else above the level of asset manager;

(x) any expense reimbursed by an insurance company, condemning authority, or other third party;

(xi) Landlord's income, franchise, gift, business and occupation, excise, inheritance and other similar taxes;

(xii) payment of principal or interest due under any mortgage or deed of trust;

(xiii) depreciation allowance, except to the extent permitted under Section 8.1;

(xiv) capital improvement costs, except to the extent expressly permitted under this Section 8.1;

(xv) costs or expenses incurred in the performance of Landlord's Work;

(xvi) costs incurred due to Landlord's willful misconduct or breach of this Lease;

(xvii) any expense for Landlord's advertising or promotional program related to the Premises or the Neighboring Properties (excluding those required by law or regulation, such as any Transportation Management Plan);

(xviii) renovations of the Premises made necessary by the exercise of eminent domain;

(xix) all costs incurred by Landlord pursuant to Section 7.3; and

(xx) any compensation paid to clerks, tenants or other persons in commercial concessions operated for profit by Landlord.

8.2 Payment of Additional Rent for Estimated Operating Costs. Within thirty (30) days of the Commencement Date or the close of each Lease Year, as applicable, or as soon thereafter as is practicable, Landlord shall provide Tenant with a written statement of Tenant's Share of estimated Operating Costs for such Lease Year. Tenant shall pay 1/12 of the amount of any special or specific Tenant charges, and Tenant's Share of Operating Costs as Additional Rent as provided in Section 4 each

month during such Lease Year and until such time as Landlord provides Tenant with a statement of estimated Operating Costs for the subsequent Lease Year. If at any time or times during such Lease Year, it appears to Landlord that Tenant's Share of actual Operating Costs will vary from the estimated Operating Costs by more than five percent (5%) on an annual basis, Landlord may, by written notice to Tenant, revise its estimate for such Lease Year and Additional Rent payable by Tenant under this Section 8.2 for such Lease Year shall be increased based on Landlord's revised estimate.

8.3 Actual Operating Costs. Landlord will make reasonable efforts within ninety (90) days after the close of each Lease Year during the Term hereof for which an estimated statement was delivered to Tenant pursuant to Section 8.2, to deliver to Tenant a written statement ("Reconciliation Statement") setting forth Tenant's Share of the actual Operating Costs paid or incurred by Landlord during the preceding Lease Year (or such prorated portion of such Lease Year if this Lease commences or terminates on a day other than the first or last day of a Lease Year, based on a 365-day Lease Year). If the actual Operating Costs shown on the Reconciliation Statement for any Lease Year exceed estimated Operating Costs paid by Tenant to Landlord pursuant to Section 8.2, Tenant shall pay the excess to Landlord as Additional Rent within thirty (30) days after the date of the Reconciliation Statement. If the Reconciliation Statement shows that actual Operating Costs are less than the estimated Operating Costs paid by Tenant to Landlord pursuant to Section 8.2, then the amount of such overpayment shall be credited by Landlord to the next Additional Rent payable by Tenant (or refunded to Tenant in the event of the termination or expiration of this Lease). Notwithstanding anything to the contrary in this Section 8.3, Tenant's Share of Operating Costs for any partial Lease Year at the end of the Term shall be as shown on Landlord's statement of estimated Operating Costs furnished to Tenant pursuant to Section 8.2.

8.4 Determinations. The determination of actual and estimated Operating Costs shall be made by Landlord. Landlord or its agent shall keep records in reasonable detail showing all expenditures made for the items enumerated in this Section 8. Tenant shall have the right at its own cost and expense to review and/or inspect Landlord's records once in any calendar year with respect to any Operating Costs shown on Landlord's annual reconciliation statement provided to Tenant. This review/inspection right is limited solely to the prior calendar year based upon the date Tenant provides written notice to Landlord. Tenant shall give Landlord written notice ("Tenant's Notice") of its intention to conduct any such review or inspection on or before thirty (30) days after the date of Tenant's receipt of Landlord's annual reconciliation statement. Tenant's review/inspection shall be conducted by a certified public accounting firm at Landlord's main business office, or at such other location as Landlord may keep its relevant business records, and on a date mutually agreed upon by Landlord and Tenant, but in no event is Landlord required to agree to a date which is earlier than sixty (60) days from the date of Tenant's Notice to Landlord. Landlord agrees that it shall give Tenant said access to review/inspect the business records no later than seventy-five (75) days after Tenant's Notice to Landlord. Tenant must provide written notice to Landlord within one hundred twenty (120) days after Tenant's Notice to Landlord, specifying any and all claims it may have determined in good faith.

Tenant agrees to diligently pursue its review/inspection of Landlord's records in order to determine if it concurs or disagrees with Landlord's statement. If, after inspection and examination of such books and records, Tenant disputes the amounts paid by Tenant pursuant to this Section 8.4, Tenant by written notice to Landlord, may request an independent audit of such books and records. The independent audit of Landlord's books and records shall be conducted by a certified public accountant designated by Tenant and reasonably acceptable to Landlord. The audit shall be limited to the determination of the amount of any or all items payable by Tenant pursuant to this Section 8.4 for the subject calendar year. If the audit discloses any amounts billed to and paid by Tenant which are incorrect, the appropriate party shall pay to the other party the deficiency or overpayment, as applicable, within thirty (30) days after the results of the audit have been disclosed to both parties, unless Landlord disputes the results of the audit within sixty (60) days of receipt of the results of the audit, in which case, Landlord and Tenant shall agree upon a national accounting firm to review and verify the Operating Costs, and provide the results to Landlord and Tenant (the "Reconciliation Audit"). The determination as set forth in the Reconciliation Audit shall be binding upon Landlord and Tenant. If the Reconciliation Audit is performed, Landlord and Tenant shall each pay one-half of the cost of the Reconciliation Audit. The exercise by Tenant of its audit rights hereunder shall not relieve Tenant of its obligations to pay prior to the request for and inspection and examination of Landlord's books and records or permit Tenant the right to audit any other sums. Additionally, Tenant agrees and acknowledges that various tenants' lease provisions in the Building related to Operating Costs vary, and that the audit right is set forth herein in the review of books and records shall be confidential. All costs and expenses of the audit shall be paid by Tenant unless the audit shows that Landlord overstated Tenant's Share of the subject calendar year by more than five percent (5%) of the actual amount payable by Tenant, in which case Landlord shall pay all costs and expenses of the audit. Notwithstanding any of the foregoing, Tenant shall not be entitled to inspect or audit the books and records of Landlord more frequently than once each calendar year.

Tenant shall be deemed to have waived its review and inspection right, and therefore agree with Landlord's changes, with respect to the period of time covered in Landlord's annual reconciliation statement if any of the following occurs:

Tenant has not notified Landlord in writing on or before thirty (30) days after Tenant's receipt of Landlord's annual reconciliation statement of its intention to conduct its review/inspection,

Tenant has not commenced its review/inspection of Landlord's records at Landlord's office or designated location on or before ninety (90) days after Tenant's Notice to Landlord,

Tenant has not provided written notice to Landlord on or before one hundred twenty (120) days after Tenant's Notice of review/inspection to Landlord, specifying any and all claims it may have determined in good faith.

Tenant, and its employees, agents, attorneys and representatives agree that any and all information concerning Operating Costs or any other information disclosed by Landlord pursuant to any such review/inspection shall not be disclosed to any other person or entity without the prior written consent of Landlord, which consent shall be at Landlord's sole discretion. Prior to providing such confidential information to any of Tenant's employees, agents, attorneys or representatives, Tenant shall deliver to Landlord a written acknowledgment of such parties' agreement to be bound by the terms of this paragraph, in a form satisfactory to Landlord. Nothing in this paragraph shall relieve Tenant of its obligation under Section 8 to pay Additional Rent without notice, demand, offset or deduction.

8.5 Tenant's Personal Property Taxes. Unless Tenant is exempted from Personal Property Taxes, Tenant shall pay prior to delinquency all Personal Property Taxes payable with respect to all property of Tenant located on the Premises and, upon Landlord's request, shall promptly provide Landlord with written proof of such payment. Solely for purposes of this Section 8.5, "Property of Tenant" shall include Landlord's Work, Tenant's Work and all other improvements which are paid for by Tenant, and "Personal Property Taxes" shall include all property taxes assessed against the property of Tenant, whether assessed as real or personal property.

9. IMPROVEMENTS AND ALTERATIONS BY TENANT. Except for the Tenant Improvements, and except as provided in the immediately following paragraph, Tenant shall not make any changes, alterations, additions or improvements in or to the Premises ("Alterations"), including, without limitation, changes to locks on doors or to plumbing or wiring, without first obtaining the written consent of Landlord and, where required by Landlord, such Alterations shall be made under the supervision of a competent architect and/or a licensed structural engineer, and in accordance with plans and specifications which meet current building standards for quality, design, and colors if visible from the hallways or exterior, approved by Landlord, which approval shall not be unreasonably withheld. Prior to commencing any Alterations, Tenant shall notify Landlord of such work and Landlord shall perform a good faith asbestos inspection in accordance with applicable laws and regulations. All work with respect to any Alterations shall be done in a good and workmanlike manner and shall be diligently prosecuted to completion. In no event shall Tenant's Alterations change or affect the strength, exterior appearance, roof, or the mechanical, electrical, or plumbing services or systems, of the Building without Landlord's consent. Tenant shall reimburse Landlord upon demand for any sums expended by Landlord for examination and approval of plans and specifications for any and all Alterations. Tenant shall also pay Landlord a sum equal to the costs incurred by Landlord during any inspection or supervision of any and all Alterations. All damages or injury to the Property caused by any act or omission of Tenant, or Tenant's officers, contractors, agents, invitees, licensees or employees, or by any persons who may be in or upon the Property with the express or implied consent of Tenant, including but not limited to, damage from cracked or broken glass in windows or doors, shall be paid by Tenant upon demand by Landlord. Tenant and Tenant's contractor shall comply with the general conditions for construction as referenced in Exhibit E.

Notwithstanding the preceding paragraph, Tenant may make Alterations to the Premises without obtaining Landlord's written consent, for any single Alteration costing Ten Thousand Dollars (\$10,000.00) or less, or for any series of Alterations that do not exceed One Hundred Thousand Dollars (\$100,000.00) in any consecutive twelve (12) month period in the aggregate and for which no individual component of such series of Alterations exceeds Ten Thousand Dollars (\$10,000.00) in amount, provided that the Alterations do not affect the exterior appearance of the Building, the roof, any structural portion of the Building, or any mechanical, electrical, or other system serving the Building.

10. ACCESS. Tenant shall have at all times during the Lease Term (24 hours of all days) unrestricted access to the Premises. Upon Tenant's request therefor, Landlord, at Tenant's cost, shall provide Tenant with security access cards to the Building if such cards are a part of the Building's security system. Tenant shall permit Landlord and its agents to enter the Premises at all reasonable times (except in cases of emergency) for the purpose of inspecting or improving the Premises or for performing any of its obligations under this Lease, upon advance notice to Tenant. Nothing contained in this Section 10 shall be deemed to impose any obligation upon Landlord not expressly stated elsewhere in this Lease. So long as such action does not materially and unreasonably interfere with Tenant's access to the Premises, when reasonably necessary Landlord may temporarily close entrances, doors, corridors, elevators or other facilities outside of the Building without liability to Tenant by reason of such closure and without such action by Landlord being construed as an eviction of Tenant or release of Tenant from the duty of observing and performing any of the provisions of this Lease. Landlord shall have the right to enter the Premises for the purpose of showing the Premises to prospective tenants within the period of one hundred eighty (180) days prior to the expiration or sooner termination of the Lease Term. Landlord shall have the right at all times to enter the Premises, with reasonable notice to Tenant, for the purpose of showing the Premises to prospective purchasers or lenders.

11. DAMAGE OR DESTRUCTION.

11.1 Damage and Repair. If the Building is damaged by fire or any other cause to such extent that the cost of restoration, as reasonably estimated by Landlord, will equal or exceed fifty percent (50%) of the replacement value of the Building (exclusive of foundations) just prior to the occurrence of the damage, or if insurance proceeds sufficient for restoration (other than the deductible amount) are for any reason unavailable, then Landlord may, no later than the one hundred twentieth (120th) day following the damage, give Tenant a notice of its election to terminate this Lease. In the event of such election; (a) this Lease shall be deemed to terminate on the date that is thirty (30) days from the date of Tenant's receipt of such notice ("Termination Date"); (b) Tenant shall surrender possession of the Premises on the Termination Date; and (c) Rent and Additional Rent shall be apportioned as of the date of Tenant's surrender and any Rent paid for any period beyond such date shall be repaid to Tenant. If the cost of restoration as estimated by Landlord shall amount to less than fifty percent (50%) of said replacement value of the Building and insurance proceeds sufficient for restoration (other than the deductible amount) are available, or if Landlord does not

elect to terminate this Lease, Landlord shall restore the Building and the Premises (to the extent of Landlord's Work and other improvements to the Premises originally provided by Landlord hereunder, and not including any improvements made by Tenant) with reasonable promptness, subject to delays beyond Landlord's control and delays in the making of insurance adjustments by Landlord, and Tenant shall have no right to terminate this Lease except as provided in this Section 11. If this Lease is terminated as a result of damage or destruction, then all insurance proceeds from Tenant's insurance policy on improvements made by Tenant, and/or paid for by Landlord with any Tenant allowance or credits shall be paid to Landlord. To the extent that the Premises are rendered untenable by such damage or by Landlord's restoration work under this Section, the Base Rent (but not Additional Rent) shall proportionately abate, provided, however, in the event such damage resulted from or was contributed to, directly or indirectly, by the act, fault or neglect of Tenant, Tenant's officers, contractors, agents, employees, invitees or licensees, Base Rent shall abate only to the extent Landlord receives proceeds from any rental income insurance policy received by Landlord for loss of Rent under this Lease. Notwithstanding anything contained herein to the contrary, Tenant shall have the right to terminate this Lease upon written notice to Landlord, if Landlord fails to wholly restore the Building and the Premises within two hundred seventy (270) days after the damage.

11.2 Destruction During Last Year of Term. Notwithstanding anything to the contrary in this Lease, in case the Building shall be substantially destroyed by fire or other cause at any time during the last Lease Year of the Lease Term, either Landlord or Tenant may terminate this Lease upon written notice to the other given within thirty (30) days of the date of such destruction.

11.3 Business Interruption. No damages, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance arising from any damage or destruction, repair or restoration of any portion of the Premises or the Building. Landlord shall use reasonable efforts to effect such repairs promptly.

11.4 Tenant Improvements. Landlord will not carry insurance of any kind on any improvements or alterations paid for by Tenant under this Lease or on Tenant's furniture, furnishings, fixtures, equipment or appurtenances of Tenant located at the Premises, and Landlord shall not be obligated to repair any damage thereto or replace the same. Tenant shall insure its improvements in accordance with Section 14.3.

11.5 Express Agreement. The provisions of this Section 11 shall be considered an express agreement governing any case of damage or destruction of the Building or Premises by fire or other casualty.

12. WAIVER OF SUBROGATION. Whether loss or damage is due to the negligence of either Landlord or Tenant, their agents or employees, or any other cause, Landlord and Tenant do each hereby release and relieve the other, their agents and employees, from responsibility for, and waive their entire claim of recovery for, (i) any loss or damage to the real or personal property of either party located anywhere on the Premises, including the Building itself, arising out of or incident to the occurrence of any

of the perils which are covered, or are required to be covered, under this Lease, by their respective property and related insurance policies, and (ii) any loss resulting from business interruption at the Premises or loss of rental income from the Building, arising out of or incident to the occurrence of any of the perils covered by any business interruption insurance policy, or by any loss of rental income insurance policy, which may be held by Landlord or Tenant. Each party shall use best efforts to cause its insurance carriers to consent to the foregoing waiver of rights of subrogation against the other party. Notwithstanding the foregoing, no such release shall be effective unless and to the extent the aforesaid insurance policy or policies shall expressly permit such a release or contain a waiver of the carrier's right to be subrogated.

13. INDEMNIFICATION. Landlord shall not be liable for, and Tenant shall defend (unless Landlord waives its right to such defense, and in any event with counsel reasonably satisfactory to Landlord), indemnify, hold harmless and protect Landlord and its employees and agents from any claim, demand, liability, judgment, award, fine, mechanics' lien or other lien, loss, damage, expense, penalty, charge or cost of any kind or character (including actual reasonable attorney fees and court costs) which may be made, incurred or asserted by Tenant, Tenant's agents or employees, contractors, or any third parties (including but not limited to Landlord's agents, servants or employees), arising directly or indirectly from: (a) any labor dispute involving Tenant or its agents or contractors (but excluding labor disputes involving Landlord or its contractors, subcontractors, or agents); (b) the construction, repair, alteration, improvement, use, occupancy or enjoyment of the Premises by Tenant, its contractors, agents, employees and/or customers, licensees, or invitees (but excluding any construction, repair, alteration or improvement by Landlord or its contractors, subcontractors or agents); (c) injury to, or death of, any person or persons or damage to, or destruction of, any property (including without limitation the costs of investigation, removal or remedial action and disposal of any hazardous or toxic substances, as such terms may be defined under any applicable federal, state, or municipal law, statute, rule or regulation) occurring in, on or about the Premises, unless it is the result of Landlord's negligence or willful misconduct; or (d) Tenant's breach of this Lease or the negligence or willful misconduct of Tenant or its officers, directors, shareholders, employees, contractors, subcontractors, or agents (the "Claims"). Notwithstanding anything to the contrary in this Section 13, nothing in this Section 13 shall relieve Landlord from responsibility for its proportionate share of its fault attributable to its negligence or willful misconduct in causing any such Claims, or impose liability upon Tenant for harm caused by hazardous or toxic substances present in, on or under the Premises as of the Commencement Date. EACH OF LANDLORD AND TENANT HEREBY WAIVES ITS IMMUNITY WITH RESPECT TO THE OTHER PARTY UNDER THE INDUSTRIAL INSURANCE ACT (RCW TITLE 51) AND/OR THE LONGSHOREMEN'S AND HARBOR WORKER ACT, AND/OR ANY EQUIVALENT ACTS AND IT EXPRESSLY AGREES TO ASSUME POTENTIAL LIABILITY FOR ACTIONS BROUGHT AGAINST THE OTHER PARTY BY ITS EMPLOYEES. THIS WAIVER HAS BEEN SPECIFICALLY NEGOTIATED BY THE PARTIES TO THIS LEASE AND THEY HAVE HAD THE OPPORTUNITY TO, AND HAVE BEEN ENCOURAGED TO, CONSULT WITH INDEPENDENT COUNSEL REGARDING THIS WAIVER.

Tenant shall, at its sole cost and expense, indemnify, defend and hold harmless Landlord and Landlord's subsidiaries and parent corporations, shareholders, members, managers, directors, officers, employees, partners, affiliates, and agents from, any claims, liabilities, costs or expenses incurred or suffered arising in connection with any Hazardous Materials which are brought on the Premises by Tenant or its employees, agents, contractors, invitees or licensees in breach of this Lease. Tenant's indemnification, defense, and hold harmless obligations include, without limitation, the following: (i) claims, liability, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under common law or under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Resource Conservation and Recovery Act of 1980 ("RCRA") or any other Federal, State, County, or Municipal law, ordinance, or regulation now or hereafter in effect; (ii) claims, liabilities, costs or expenses pertaining to the indemnification, monitoring, clean-up, containment or removal of Hazardous Materials from soils, riverbeds or aquifers including the provision of an alternative public drinking water source; (iii) all costs of defending such claims; and (iv) all other liabilities, obligations, penalties, fines, claims, actions (including remedial or enforcement actions of any kind and administrative or judicial proceedings, orders or judgments), damages (including consequential and punitive damages), and costs (including attorney, consultant, and expert fees and expenses) resulting from the release or violation by Tenant. This indemnity shall survive the expiration or termination of this Lease.

Tenant shall not be liable for, and Landlord shall defend (unless Tenant waives its rights to defense, and in any event with counsel reasonably satisfactory to Tenant), indemnify, hold harmless and protect Tenant and its employees and agents from any claim, demand, liability, judgment, award, fine, mechanics lien or other lien, loss, damage, expense, penalty, charge or cost of any kind of character (including reasonable attorneys' fees and court costs) which may be made, incurred by or asserted against Tenant by third parties arising or resulting from damage to property or injury to person to the extent caused by the negligence or willful misconduct of Landlord, its employees, agents, servants or representatives.

14. INSURANCE.

14.1 Worker's Compensation. Commencing on the earlier of the Commencement Date or the date Tenant first enters onto the Premises and continuing throughout the Term of this Lease and any renewal hereof, Tenant shall, at its own expense, keep and maintain in full force and effect, all required worker's compensation coverages, including employer's liability at a limit of not less than One Million Dollars (\$1,000,000).

14.2 Liability Insurance. Commencing on the earlier of the Commencement or the date Tenant first enters onto the Premises, Tenant shall, throughout the Term of this Lease and any renewal hereof, at its own expense, keep and maintain in full force and effect, a policy of commercial general liability insurance on an occurrence form, including but not limited to Premises and operations; blanket contractual;

products/completed operations; owners' and contractors' protective; employer's contingent liability (stop gap); personal injury; insuring Tenant's activities upon, in or about the Premises against claims of bodily injury or death or property damage or loss with a combined single limit of not less than Five Million Dollars (\$5,000,000) per occurrence and Five Million Dollars (\$5,000,000) in the aggregate. Landlord and others as required by Landlord in writing shall be an additional insured.

Additionally, Tenant shall maintain automobile coverage with a combined single limit of not less than One Million Dollars (\$1,000,000). Coverage shall apply to any owned, non-owned or hired automobiles.

14.3 Property Insurance. Tenant shall, throughout the Term of this Lease and any renewal hereof, at its own expense, keep and maintain in full force and effect special form perils coverage on Tenant's furniture, furnishings, fixtures, personal property, and equipment, and on any improvements and alterations to the Premises made by Tenant, at one hundred percent (100%) of the current replacement cost value on an agreed amount basis.

Landlord is not required to carry insurance of any kind on Tenant's furniture, furnishings, fixtures, personal property, and equipment, and on any improvements and alterations to the Premises made by Tenant, and Landlord shall not be obligated to repair any damage thereto or replace the same.

14.4 Insurance Policy Requirements. All policies of insurance required under this Section 14 shall be with companies that have a Best's rating of AV or better and be licensed and admitted to do business in the State of Washington. No insurance policy required under this Section 14 shall be cancelled or reduced in coverage except after forty-five (45) days (ten (10) days for non-payment of premium) prior written notice to Landlord. The property and liability policies required under this Section 14 shall be written as primary policies and not contributing to nor in excess of any coverage Landlord may choose or is required to maintain. Tenant's insurance policies under Section 14.3 shall contain an Agreed Amount Endorsement, and shall include a Standard Mortgage Clause.

Tenant shall deliver to Landlord prior to the occupancy or entry onto the Premises and at least annually thereafter, copies of policies of such insurance or certificates with endorsement, evidencing the existence of the minimum required insurance and evidencing Landlord, Landlord's mortgagee, and any other persons or entities requested by Landlord in writing to be named as additional insureds hereunder. In no event shall the limits of any insurance policy required under this Section 14 be considered as limiting the liability of Tenant under this Lease or be considered as necessarily adequate.

14.5 Failure to Maintain Insurance. If Tenant fails or refuses to maintain any insurance required under this Lease and if such failure or refusal is not remedied within five (5) business days after Tenant's receipt of Landlord's written notice relating thereto, Landlord may, at its option, procure insurance for Landlord's benefit and/or interests

and any and all premiums paid by Landlord therefor shall be deemed Additional Rent and shall be due on demand. Landlord will not be responsible to procure insurance for Tenant's interests and/or benefit.

14.6 Increased Insurance Costs. Tenant shall not keep, use, sell or offer for sale in or upon the Premises, nor conduct any operation, which is in breach of this Lease and which may be prohibited by Landlord's insurance carriers. Tenant shall pay any increase in premiums for property and liability insurance that may be charged during the Lease Term on the amount of such insurance which may be carried by Landlord on the Premises or the Building resulting from Tenant's occupancy or from the type of merchandise which Tenant stores or sells on the Premises, whether or not Landlord has consented thereto. In the event of increased insurance costs to Landlord, Tenant shall also pay an additional premium on the insurance policy or policies that Landlord may carry for its protection against loss resulting from any insured event. In determining whether increased premiums are the result of Tenant's use of the Premises, rates and/or premiums determined by the organization and/or underwriter setting the insurance rates and/or charges on the Premises of Building or Buildings of which they are a part shall be conclusive evidence of the several items and charges which make up the insurance premium. Landlord shall deliver bills for such additional premiums to Tenant at such times as Landlord may elect, and Tenant shall immediately reimburse Landlord therefore.

14.7 Landlord's Insurance. Commencing with the date on which the Premises are made available to Tenant and continuing thereafter throughout the Term, Landlord shall maintain (i) general comprehensive public liability insurance, including bodily injury, property damage or other loss, insuring Tenant and Landlord with respect to the Premises and their appurtenances, in a company or companies reasonably satisfactory to Tenant, in an amount not less than Five Million Dollars (\$5,000,000), (ii) all-risk property and casualty insurance, including theft, written at replacement cost value and with replacement cost endorsement, covering all of the Premises, and (iii) if, and to the extent required by law, worker's compensation or similar insurance offering statutory coverage and containing statutory limits. All such insurance shall: (1) be issued by a company that is licensed to do business in the State of Washington, that has been approved in advance by Tenant and that has a rating equal to or exceeding A:V from Best's Insurance Guide; (2) name Tenant as an additional insured (as its interests may appear); (3) contain an endorsement that such insurance shall remain in full force and effect notwithstanding that the insured may have waived its right of action against any person or entity prior to the occurrence of a loss; (4) provide that the insurer waives all right of recovery by way of subrogation against Landlord, Tenant, their respective partners, affiliates, agents and employees; (5) be acceptable in form and content to Tenant; (6) be primary and non-contributory; and (7) contain an endorsement prohibiting cancellation, failure to renew, reduction in amount of insurance or change of coverage (A) as to the interests of Tenant by reason of any act or omission of Landlord, and (B) without the insurer's giving Tenant thirty (30) days' prior written notice of such action. Landlord shall deliver a certificate of all such insurance and receipts evidencing payment of the premium for such insurance to Tenant concurrently with Landlord's execution of this Lease and at least annually thereafter. The cost of all insurance under

this Section 14.7 shall be an Operating Cost.

15. ASSIGNMENT AND SUBLETTING.

15.1 Assignment or Sublease. Tenant shall not assign, mortgage, encumber or otherwise transfer this Lease or sublet the whole or any part of the Premises without in each case first obtaining Landlord's prior written consent, which consent may not be unreasonably conditioned, delayed or withheld. Tenant also acknowledges that any right of first refusal, option to extend the Term of this Lease are particular to Tenant are not assignable or transferable to any assignee or sublessee under this Lease other than to a Permitted Transferee, as that term is defined in the last paragraph of this Section 15.1.

In no event shall an assignment, subletting or other transfer of this Lease relieve Tenant of any of its obligations under this Lease. Consent to any such assignment, subletting or transfer shall not operate as a waiver of the necessity for consent to any subsequent assignment, subletting or transfer.

If such consent is requested to an assignment of this Lease or sublease of the entire Premises for the remainder of the Lease Term, Landlord reserves the right to terminate this Lease, or, if consent is requested for subletting less than the entire Premises for the remainder of the Lease Term, to terminate this Lease with respect to the portion for which such consent is requested, at the proposed effective date of such subletting. In the event of any such termination, Landlord may enter into the relationship of landlord and tenant with any such subtenant or assignee, based on the rent (and/or other compensation) and the term agreed to by such subtenant or assignee and otherwise upon the terms and conditions of this Lease. Notwithstanding anything contained herein to the contrary, if Landlord exercises the above-referenced right to terminate this Lease with respect to any portion of the Premises, Tenant shall have the right to withdraw its request for Landlord's consent, and, upon such withdrawal, Landlord's termination of this Lease shall be null and void, and of no force or effect.

If Tenant is a for-profit corporation, any transfer of this Lease by merger, consolidation or liquidation, or any change in the ownership of a majority of its outstanding voting stock, or power to vote a majority of its outstanding voting stock, shall constitute an assignment for the purpose of this Section 15; provided, however, for the purposes of this Section 15, a public offering of stock registered with the SEC shall not constitute a transfer. If Tenant is a partnership, limited liability company, or other non-corporate entity, any transfer of this Lease by merger, consolidation, liquidation, dissolution, or any change in the ownership of a majority of the ownership and/or economic interests shall constitute an assignment for the purpose of this Section 15.

Notwithstanding anything contained herein to the contrary, upon not less than sixty (60) days' prior written notice, Tenant shall have the right, without Landlord's consent, to assign this Lease or sublet the Premises or any part thereof to any of the following entities ("Permitted Transferee"): any subsidiary of Tenant; any entity which controls or is under the common control of Tenant; and any successor to Tenant

resulting from a merger, consolidation or other corporate restructuring, provided that the successor has a net worth at least equal to the greater of Tenant's net worth upon mutual execution of this Lease and Tenant's net worth just prior to such acquisition or merger.

15.2 Documentation and Expenses. In connection with each request for an assignment or subletting Tenant shall: (i) submit in writing to Landlord the name and legal composition of the proposed subtenant or assignee, the nature of the proposed subtenant's or assignee's business to be carried on in the Premises, the terms and provisions of the proposed sublease or assignment and such reasonable financial information as Landlord may reasonably request concerning the proposed subtenant or assignee; and (ii) pay Landlord's reasonable costs of processing such assignment or subletting, including attorneys' fees, upon demand of Landlord. Tenant shall provide Landlord with copies of all assignments, subleases and assumption instruments.

15.3 Transferee Obligations. As a condition to Landlord's approval of an assignment, any potential assignee otherwise acceptable to Landlord shall assume, in writing, all of Tenant's obligations under this Lease and Tenant and such assignee shall agree, in writing, to be jointly and severally liable for the performance of all of Tenant's obligations under this Lease. As a condition to Landlord's approval, any sublessee otherwise acceptable to Landlord shall assume, in writing, all of Tenant's obligations under this Lease as to the subleased portion of the Premises and Tenant and such sublessee shall agree, in writing, to be jointly and severally liable with Tenant for Rent allocable to the subleased portion of the Premises and performance of all of the terms, covenants, and conditions of such approved sublease. If an assignment or sublease is consented to by Landlord, then Tenant shall pay all costs incurred by Tenant in connection therewith (including any lease commissions and lease concessions). Tenant shall pay to Landlord fifty percent (50%) of the rent actually received from the subtenant, reduced by the amount of rent payable hereunder to Landlord, which is attributable to the subleased portion of the Premises and any and all amounts paid or incurred by Tenant (including without limitation commissions, tenants improvements and attorneys' fees) in connection with the sublease.

16. SIGNS. Tenant is permitted to place any and all signage on the Premises and/or the Building which (i) identifies occupants of the Building, (ii) Tenant desires to place, and (iii) complies with all applicable laws, regulations and ordinances. Tenant shall obtain all necessary permits for exterior signage. The cost of such signage, maintenance, repair and operation shall be borne exclusively by Tenant. Landlord shall not install, erect or maintain any signs on the interior or exterior of the Building or any other part of the Premises during the Term, except that unless this Lease shall have previously been extended or renewed, Landlord may erect a "For Rent" sign during the last nine (9) months of the Term; provided, however, that such sign shall not obstruct any sign of Tenant or interfere unreasonably with the conduct of Tenant's business at the Premises. At the expiration or sooner termination of this Lease, Tenant shall remove all signage from the Premises, and restore the portions of the Building affected by signage to the condition they were in prior to the installation of such signage.

17. LIENS. Tenant has no authority to allow any liens to be placed against the Premises. Unless consented to by Landlord in writing (which consent shall not be unreasonably withheld, conditioned or delayed), Tenant shall keep its interest in this Lease and the Premises free from any liens arising out of any work performed or materials ordered or obligations incurred by or on behalf of Tenant and Tenant hereby agrees to indemnify, defend and hold Landlord harmless from and against any liability from any such lien, including without limitation, liens arising from Tenant's Work. In the event any lien is filed against the Premises, or any portion thereof, by any person claiming by, through or under Tenant, Tenant shall, upon request of Landlord and at Tenant's expense, immediately either cause such lien to be released of record or furnish to Landlord a bond, in form and amount and issued by a surety, reasonably satisfactory to Landlord, indemnifying Landlord and the Premises against all liability, costs and expenses, including attorneys' fees, which Landlord may incur as a result thereof. Provided that such bond has been furnished to Landlord, Tenant, at its sole cost and expense and after written notice to Landlord, may contest, by appropriate proceedings conducted in good faith and with due diligence, any lien, encumbrance or charge against the Premises arising from work done or materials provided to and for Tenant, if, and only if, such proceedings suspend the collection thereof against Landlord, Tenant and the Premises and neither the Premises nor any part thereof or interest therein is or will be, in Landlord's reasonable judgment, in any danger of being sold, forfeited or lost.

18. BANKRUPTCY.

18.1 Assumption of Lease. In the event Tenant becomes a Debtor under Chapter 7 of the Bankruptcy Code ("Code") or a petition for reorganization or adjustment of debts is filed concerning Tenant under Chapters 11 or 13 of the Code, or a proceeding is filed under Chapter 7 of the Code and is transferred to Chapters 11 or 13 of the Code, the Trustee or Tenant, as Debtor and as Debtor-In-Possession, may not elect to assume this Lease unless, at the time of such assumption, the Trustee or Tenant has cured all defaults under this Lease and paid all sums due and owing under this Lease or provided Landlord with "Adequate Assurance" (as defined below) that: (i) within ten (10) days from the date of such assumption, the Trustee or Tenant will completely pay all sums due and owing under this Lease and compensate Landlord for any actual pecuniary loss resulting from any existing default or breach of this Lease, including without limitation, Landlord's reasonable costs, expenses, accrued interest, and attorneys' fees incurred as a result of the default or breach; (ii) within twenty (20) days from the date of such assumption, the Trustee or Tenant will cure all non-monetary defaults and breaches under this Lease, or, if the nature of such non-monetary defaults is such that more than twenty (20) days are reasonably required for such cure, that the Trustee or Tenant will commence to cure such non-monetary defaults within twenty (20) days and thereafter diligently prosecute such cure to completion; and (iii) the assumption will be subject to all of the provisions of this Lease.

18.1.1 Definition of Adequate Assurances. For purposes of this Section 18, Landlord and Tenant acknowledge that in the context of a bankruptcy proceeding involving Tenant, at a minimum, "Adequate Assurance" shall mean: (i) the

Trustee or Tenant has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Tenant will have sufficient funds to fulfill the obligations of Tenant under this Lease; and (ii) the Bankruptcy Court shall have entered an Order segregating sufficient cash payable to Landlord and/or the Trustee or Tenant shall have granted a valid and perfected first lien and security interest and/or mortgage in or on property of Trustee or Tenant acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Tenant to cure the monetary and/or non-monetary defaults and breaches under this Lease within the time periods set forth above; and (iii) the Trustee or Tenant, at the very minimum, shall deposit a sum equal to two (2) month's Base Rent to be held by Landlord (without any allowance for interest thereon) to secure Tenant's future performance under this Lease.

18.2 Assignment of Lease. If the Trustee or Tenant has assumed this Lease pursuant to the provisions of this Section 18 for the purpose of assigning Tenant's interest hereunder to any other person or entity, such interest may be assigned only after the Trustee, Tenant or the proposed assignee have complied with all of the terms, covenants and conditions of this Lease, including, without limitation, those with respect to Additional Rent. Landlord and Tenant acknowledge that such terms, covenants and conditions are commercially reasonable in the context of a bankruptcy proceeding of Tenant. Any person or entity to which this Lease is assigned pursuant to the provisions of the Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon request execute and deliver to Landlord an instrument confirming such assignment.

18.3 Adequate Protection. Upon the filing of a petition by or against Tenant under the Code, Tenant, as Debtor and as Debtor-In-Possession, and any Trustee who may be appointed agree to adequately protect Landlord as follows: (i) to perform each and every obligation of Tenant under this Lease until such time as this Lease is either rejected or assumed by Order of the Bankruptcy Court; (ii) to pay all monetary obligations required under this Lease, including without limitation, payment of Rent and Additional Rent payable hereunder which is considered reasonable compensation for the use and occupancy of the Premises; (iii) provide Landlord a minimum of thirty (30) days prior written notice, unless a shorter period is agreed to in writing by the parties, of any proceeding relating to any assumption of this Lease or any intent to abandon the Premises, which abandonment shall be deemed a rejection of this Lease; and (iv) to perform to the benefit of Landlord as otherwise required under the Code. The failure of Tenant to comply with the above shall result in an automatic rejection of this Lease.

19. DEFAULT.

19.1 Cumulative Remedies. All rights of the parties in this Lease shall be cumulative, and none shall exclude any other right or remedy allowed by law in force when the default occurs or in equity. In addition to the other remedies provided in this Lease, each party shall be entitled to restrain by injunction (without bond) the violation or attempted violation of any of the covenants, agreements or conditions of the other

party under this Lease. Notwithstanding any other provision of this Lease, provided that the other party reasonably cooperates with the applicable party, each party shall take all commercially reasonable steps to mitigate its damages.

19.2 Tenant's Default; Right to Cure. The failure of Tenant to perform any obligation of Tenant as provided in this Lease shall be a default under this Lease. Tenant shall have a period of five (5) business days from the date of Tenant's receipt of written notice from Landlord to Tenant within which to cure any default in the payment of Rent. Tenant shall have a period of ten (10) business days from the date of written notice from Landlord to Tenant to cure any other default under this Lease; provided, however, that with respect to any such default which cannot be cured within such ten (10) business day period, the default shall not be deemed to be uncured if Tenant commences to cure within ten (10) business days and for so long as Tenant is diligently prosecuting the cure thereof, but in no event longer than ninety (90) days. If the nature of the default is one that can be cured immediately (e.g., turn off loud music, take unauthorized sign off door, etc.), Tenant will use its best efforts to cure immediately.

19.3 Landlord's Rights And Remedies. Upon the occurrence of an uncured default by Tenant, Landlord, in addition to all other rights or remedies it may have, at its option, may exercise any one or more of the following rights without further notice or demand of any kind to Tenant or any other person, except as required by applicable State law:

19.3.1 Termination of Lease. The right of Landlord to terminate this Lease and Tenant's right to possess the Premises and to reenter the Premises, take possession thereof and remove all persons from the Premises, following which Tenant shall have no further claim thereon or hereunder; provided, however, that Tenant shall remain obligated as provided in Section 19.4 below.

19.3.2 Re-entry of the Premises. The right of Landlord, without terminating this Lease and Tenant's right to possess the Premises, to reenter the Premises and occupy the whole or any part of the Premises for and on account of Tenant and to collect any unpaid Rents which have become payable, or which may thereafter become payable; provided, however, that Tenant shall remain obligated as provided in Section 19.4 below.

19.3.3 Termination After Reentry. The right of Landlord, even though it may have reentered the Premises in accordance with Section 19.3.2, to elect thereafter to terminate this Lease and Tenant's right to possess the Premises; provided, however, that Tenant shall remain obligated as provided in Section 19.4 below.

Should Landlord reenter the Premises under Section 19.3.2, Landlord shall not be deemed to have terminated this Lease or to have accepted a surrender thereof by any such reentry, unless Landlord shall have notified Tenant in writing that it has so elected to terminate this Lease and Tenant's right of possession. Tenant further covenants that Landlord's service of any notice pursuant to the unlawful detainer statutes of the State of Washington and Tenant's surrender of possession pursuant to

such notice shall not (unless Landlord elects in writing to the contrary at the time of, or at any time subsequent to, the serving of such written notice and such election is evidenced by a notice to Tenant) be deemed to be a termination of this Lease.

19.4 Landlord's Damages. If Landlord terminates this Lease and/or Tenant's right to possession of the Premises pursuant to the terms of this Section 19, Landlord may recover from Tenant as damages, all of the following:

19.4.1 Delinquent Rent. The worth at the time of award of any unpaid Rent earned at the time of such termination;

19.4.2 Rent After Termination Until Judgment. The worth at the time of award of the amount by which the unpaid Rent that would have been earned after termination until the time of award exceeds such rent loss that could have been reasonably avoided;

19.4.3 Rent After Judgment. The worth at the time of award of the amount by which the unpaid Rent for the balance of the Lease Term after the time of award exceeds the amount of such rent loss that could be reasonably avoided;

19.4.4 Leasing Concessions. The unamortized portion of any financial concessions incurred by Landlord on Tenant's behalf to arrange for Tenant's leasing of the Premises that Landlord conditionally waived at the commencement of the Lease in consideration of Tenant's full performance of this Lease, but which upon termination of the Lease pursuant to this Section 19 shall accrue as Rent, which costs include, but are not limited to, leasing commissions amortized on a straight-line basis over 120 months from the Commencement Date, and such amounts shall become immediately due and payable as Rent earned at the time of such termination of the Lease;

19.4.5 Other Compensation. Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from, including, without limitation, any cost or expense incurred by Landlord in (i) retaking possession of the Premises, including reasonable attorney fees therefor, (ii) maintaining or preserving the Premises after such default, (iii) preparing the Premises for reletting to a new tenant, including repairs necessary to the Premises for such reletting, (iv) leasing commissions, limited to those years remaining in the initial Term, and (v) any other costs necessary or appropriate to relet the Premises; and

19.4.6 Additional or Alternative Damages. At Landlord's election, such other amounts in addition to or in lieu of the foregoing in this Section 19.4 as may be permitted from time to time by the laws of the State of Washington; and

19.4.7 Calculation of Damages. As used in Sections 19.4.1 and 19.4.2, the "worth at the time of award" is to be computed by allowing interest at the rate specified in Section 4.2. As used in Section 19.4.3, the "worth at the time of award" is

computed by discounting such amount at a discount rate equal to six percent (6%) per annum. All Rent, other than Base Rent, shall, for the purposes of calculating any amount due under the provisions of Section 19.4.3 be computed on the basis of the average monthly amount thereof accruing during the immediately preceding sixty (60) month period, except that if it becomes necessary to compute such rent before such a sixty (60) month period has occurred, then such rent shall be computed on the basis of the average monthly amount hereof accruing during such shorter period.

19.5 Tenant's Property. Without limiting any of Landlord's rights under this Lease, in the event of a termination of this Lease pursuant to Section 19, any of Tenant's property which, pursuant to this Lease, may be removed by Tenant (including furniture and equipment specified on Exhibit C-1) shall be removed by Tenant immediately upon demand by Landlord. If not so removed by Tenant, Landlord may remove such property from the Premises and place it in storage at a public warehouse at the expense and risk of Tenant, after which it shall be subject to the sale provisions of Section 21.

19.6 No Waiver. The waiver by either party of any breach of any term, covenant or condition contained in this Lease shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach thereof, or of any other term, covenant or condition contained in this Lease. Landlord's subsequent acceptance of partial Rent or performance by Tenant shall not be deemed to be an accord and satisfaction or a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease or of any right of Landlord to a forfeiture of the Lease by reason of such breach, regardless of Landlord's knowledge of such preceding breach at the time of Landlord's acceptance. No term, covenant or condition of this Lease shall be deemed to have been waived by either party unless such waiver is in writing and signed by the party.

19.7 Default by Landlord. Landlord's failure to perform or observe any of its obligations under this Lease or to correct a breach of any warranty or representation made in this Lease within thirty (30) days after receipt of written notice from Tenant setting forth in reasonable detail the nature and extent of the failure referencing pertinent Lease provisions or if more than thirty (30) days is required to cure the breach, Landlord's failure to begin curing within the thirty (30) day period and diligently prosecute the cure to completion, shall constitute a default. If Landlord commits a default that materially affects Tenant's use of the Premises, and Tenant has provided simultaneous written notice thereof to Landlord's mortgagee (if any and if Tenant has notice thereof) and Landlord (and/or Landlord's mortgagee if any) has failed to commence to cure such default within thirty (30) days (or such shorter time as is commercially reasonable in the case of an emergency threatening imminent harm to persons or property), Tenant may, without waiving any claim for damages for breach of agreement, thereafter cure the default for the account of the Landlord, which cure shall be preceded by an additional written notice given at least three (3) days prior to such cure to Landlord and Landlord's mortgagee that Tenant plans to undertake the cure, and the reasonable cost of such cure shall be deemed paid or incurred for the account of Landlord, and Landlord shall reimburse Tenant for Tenant's out-of-pocket

expenditures paid to third parties to effectuate such cure, such reimbursement to be within thirty (30) days after completion of the cure and invoice to Landlord showing the costs of cure. Tenant's cure rights shall be in lieu of any right to terminate this Lease; Tenant shall not have the right to terminate this Lease for a Landlord default.

19.8 Waiver of Notice. Notwithstanding anything to the contrary in this Section 19, Tenant waives (to the fullest extent permitted under law) any written notice, other than such notice as this Section 19 or any other provision of this Lease specifically requires, which any statute or law now or hereafter in force prescribes be given Tenant.

19.9 Waiver of Redemption Rights. Tenant, for itself, and on behalf of any and all persons claiming through or under it, including creditors of all kinds, does hereby waive and surrender all right and privilege which they or any of them might have under or by reason of any present or future law, to redeem the Premises or to have a continuance of this Lease for the term hereof, as it may have been extended, after having been dispossessed or ejected there from by process of law or under the terms of this Lease or after the termination of this Lease as herein provided.

19.10 Cross Default. Any default or breach under any other lease or agreement between Landlord or Landlord's affiliate and Tenant or Tenant's affiliate or any guarantor of Tenant's or Tenant's affiliate, which is not cured within the applicable cure period, if any, shall constitute a default under this Lease. Any default or breach under this Lease which is not cured within the applicable cure period shall constitute a default under any other lease or agreement between Landlord or Landlord's affiliate and Tenant or Tenant's affiliate or any guarantor of Tenant's or Tenant's affiliate.

20. SUBORDINATION AND ATTORNMEN. This Lease shall be subordinate to any mortgage or deed of trust now existing or hereafter placed upon the Land, the Building, or the Premises, created or permitted by Landlord, and to any and all advances to be made thereunder and to interest thereon and all modifications, renewals and replacements or extensions thereof ("Landlord's Mortgage"), so long as the holder of any Landlord's Mortgage provides Tenant with a customary written non-disturbance agreement under which any person or persons purchasing or otherwise acquiring the Land, Building or Premises at any sale or other proceeding under any Landlord's Mortgage shall continue this Lease in full force and effect and perform Landlord's obligations hereunder; in such event, Tenant shall attorn to such person or persons. Notwithstanding the foregoing, if a lender requires that the Lease be subordinate to any mortgage recorded after the date of this Lease affecting the Premises, this Lease shall be subordinate to such mortgage if Landlord first obtains from such lender a written statement providing that so long as Tenant performs its obligations under this Lease, no foreclosure of, deed given in lieu of foreclosure of, or sale under the mortgage, and no steps or procedures, taken under the mortgage, shall affect Tenant's rights under this Lease and that the holder of Landlord's Mortgage, or any person or persons purchasing or otherwise acquiring the Land, Building or Premises at any sale or other proceeding under any Landlord's Mortgage, shall assume and perform all of Landlord's obligations hereunder.

Tenant shall execute, acknowledge and deliver documents, which the Holder of any Landlord's Mortgage may require to effectuate the provisions of this Section 20 within ten (10) days of the date of Landlord's request therefor, provided that such document contains a customary nondisturbance covenant for Tenant's benefit, similar to that described in the preceding paragraph. In the event of any transfer of Landlord's interest in the Premises, other than a transfer for security purposes only, the transferor shall be automatically relieved of any and all obligations and liabilities on the part of Landlord accruing from and after the date of such transfer and such transferee shall have no obligation or liability with respect to any matter occurring or arising prior to the date of such transfer. Tenant agrees to attorn to such transferee, provided transferee assumes all of Landlord's responsibilities.

21. REMOVAL OF PROPERTY. Subject to Section 19.5, upon the expiration of this Lease, Tenant shall remove Tenant's personal property not permanently affixed to the Premises or as specified on Exhibit C-1, and shall pay Landlord any damages for injury to the Premises resulting from such removal. If Tenant fails to remove any such property from the Premises at the expiration of this Lease, Landlord may remove and store said property without liability for loss thereof or damage thereto. Such storage shall be for the account and at the expense of Tenant. If Tenant fails to pay the cost of storing any such property after it has been stored for a period of thirty (30) days or more, or if Tenant has not removed the property from the Premises after a thirty (30) day period, Landlord may, at its option, sell, or permit to be sold, any or all such property at public or private sale, in such manner and at such times and places as Landlord in its reasonable discretion may deem proper, without notice to Tenant, unless notice is required under applicable statutes, and shall apply the proceeds of such sale first, to the cost and expense of such sale, including reasonable attorneys' fees actually incurred; second, to the payment of the costs or charges for storing any such property; third, to the cost of removal of such property and the restoration of the Premises following such removal; fourth, to the payment of any other sums of money which may then be or thereafter become due Landlord from Tenant under any of the terms of this Lease; and, fifth, the balance, if any, shall be paid to Tenant.

22. CONDEMNATION.

22.1 Entire Taking. If all of the Premises, or such portion of the Building as may be required for the reasonable use of the Premises, in Landlord's determination, are taken by eminent domain, this Lease shall automatically terminate as of the date title vests in the condemning authority and all Rent, Additional Rent and other payments shall be paid to that date.

22.2 Constructive Taking of Entire Premises. In the event of a taking by eminent domain of a material part of but less than all of the Building, if Tenant determines that the remaining portions of the Building cannot be economically and effectively used by it (whether on account of physical, economic, aesthetic or other reasons), then Tenant shall forward a written notice to Landlord of such determination before the date which is sixty (60) days after the date of taking. The Term of this Lease shall expire upon the date specified by Tenant in such notice but not earlier than thirty (30) days after the date of such notice.

22.3 Partial Taking. Subject to the provisions of the preceding Section 22.2, in case of taking by eminent domain of a part of the Premises, or a portion of the Building not required for the reasonable use of the Premises, then this Lease shall continue in full force and effect and the Rent shall be equitably reduced based on the proportion by which the floor area of the Premises is reduced, such Rent reduction to be effective as of the date title to such portion vests in the condemning authority. If more than twenty-five percent (25%) of the Premises is taken and Landlord cannot replace such space with space in the Building, which is mutually acceptable to Landlord and Tenant, then with sixty (60) days written notice by either party, Landlord or Tenant shall have the right to terminate this Lease.

In the event of any taking, if this Lease is not terminated pursuant to the provisions of this Section 22, Tenant shall continue to utilize the Premises for the operation of its business to the extent in Tenant's business judgment that it may be practicable to do so. All Base Rent, Additional Rent, Taxes, Insurance Costs, utility expenses and any and all other charges payable hereunder by Tenant shall abate from the time any taking occurs until the Building and the Premises wholly restored, and the expiration of such further reasonable time as shall be necessary to enable Tenant to resume doing business at the Premises, unless Tenant shall continue or resume doing business at the Premises, in such event the Rent shall be equitably abated in the proportion that the unusable part of the Premises bears to the whole thereof.

22.4 Awards and Damages. Landlord reserves all rights to damages to the Premises for any partial, constructive, or entire taking by eminent domain, and Tenant hereby assigns to Landlord any right Tenant may have to such damages or award, and Tenant shall make no claim against Landlord or the condemning authority for damages for termination of the leasehold interest or interference with Tenant's business. Notwithstanding the foregoing to the contrary, in the event of taking, Tenant will have the right to receive any award which may be made for damages to or condemnation of any alterations or improvements paid for and installed by Tenant, Tenant's movable

trade fixtures and equipment, and for moving expenses, loss of goodwill, business interruption, decrease in value, as a result of such taking of Tenant's fixtures, equipment and inventory, and the value of the leasehold of which it is deprived for the remainder of the Term. In the event of a partial taking, if Tenant does not elect to terminate this Lease, (i) Landlord shall, at its sole cost and expense, restore the Building (including any alterations or improvements installed by Landlord or Tenant) to a complete architectural unit and otherwise wholly restore the Premises, and (ii) the Base Rent, Additional Rent, Insurance Costs, Taxes and all other amounts payable hereunder by Tenant shall equitably abate until the completion of the restoration.

23. NOTICES. All notices under this Lease shall be in writing and delivered in person or sent by registered or certified mail, postage prepaid, or by facsimile, or by private overnight courier to Landlord and to Tenant at their respective Notice Addresses set forth in Section 1.14 (provided that after the Commencement Date any such notice shall be mailed, delivered by hand or transmitted by facsimile to Tenant at the Premises in addition to the addresses set forth in Section 1.14) or such other addresses as may from time to time be designated by any such party in writing. Notices mailed as provided in this Section shall be deemed given and received on the date that is three (3) business days following the date of post mark, in the case of mailing, or the date of transmission confirmation by the sender's facsimile machine, in the case of facsimile transmission, one (1) day after deposit with a private overnight courier, or upon delivery in the case of personal delivery or delivery by messenger.

24. COSTS AND ATTORNEYS' FEES. If Tenant or Landlord brings any action for any relief against the other, declaratory or otherwise, arising out of this Lease, each party shall, and hereby does to the extent permitted by law, waive trial by jury and the losing party shall pay the substantially prevailing party's reasonable attorneys' fees in connection with such suit, at trial and on appeal, and such attorneys' fees shall be deemed to have accrued on the commencement of such action.

25. LANDLORD'S LIABILITY. Notwithstanding anything in this Lease to the contrary, covenants, undertakings and agreements herein made on the part of Landlord in this Lease are made and intended not as personal covenants, undertakings and agreements for the purpose of binding Landlord personally or the assets of Landlord (except Landlord's interest in the Premises and in any available insurance proceeds), but are made and intended for the purpose of binding only the Landlord's interest in the Premises and Building, as the same may from time to time be encumbered. No personal liability or personal responsibility is assumed by Landlord, nor shall at any time be asserted or enforceable against Landlord or its heirs, legal representatives, successors or assigns on account of the Lease or on account of any covenant, undertaking or agreement of Landlord in this Lease. If all or any portion of Landlord's estate in the Building is sold, assigned or conveyed to any person, firm or corporation upon the exercise of any remedy provided for in any mortgage, deed of trust, or by law or equity, such person, firm or corporation and each person, firm or corporation thereafter succeeding to its interest in the Building: (a) shall not be liable for any act or omission of Landlord under this Lease occurring prior to such sale or conveyance, (b) shall not be subject to any offset, defense or counterclaim accruing prior to such sale or

conveyance, (c) shall not be bound by any payment prior to such sale or conveyance of Base Rent, Additional Rent or other payments for more than one month in advance, and (d) shall be liable for the keeping, observance and performance of the other covenants, agreements, terms, provisions and conditions to be kept, observed and performed by Landlord under this Lease only during the period such person, firm or corporation shall hold such interest. In no event shall any incidental, consequential, special, exemplary, speculative, or punitive damages, including without limitation any claims for loss or imputed revenues, profits, and/or business opportunities be part of any Landlord liability.

26. LANDLORD'S CONSENT. Except as may be provided otherwise in this Lease, whenever Landlord's consent is required under this Lease, such consent shall not be unreasonably withheld, conditioned or delayed, provided, however, Landlord's withholding of consent due to any mortgagee's refusal to grant its consent shall not be deemed unreasonable.

27. ESTOPPEL CERTIFICATES. Tenant shall, from time to time, within ten (10) business days after Tenant's receipt of the written request of Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement stating: the Effective Date, Commencement Date and Expiration Date, the date the Term commenced and the date Tenant accepted the Premises; the amount of Base Rent and the date to which such Base Rent and Additional Rent has been paid; and certifying such additional information as may be reasonably requested by Landlord. It is intended that any such statement delivered pursuant to this Section may be relied upon by Landlord and/or a prospective purchaser or mortgagee who may acquire an interest in, or a lien upon, Landlord's interest in the Building. If Tenant shall fail to respond within ten (10) business days of receipt by Tenant of a written request by Landlord as herein provided, Tenant shall be deemed to have given such certificate as above provided without modification and shall be deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee and to have certified that this Lease is in full force and effect, that this Lease represents the entire agreement between the parties as to this leasing, that there are no existing claims, defenses or offsets which Tenant has against enforcement of the Lease by Landlord, that there are no uncured defaults in Landlord's performance, that the security deposit is as stated in the Lease, and that not more than one month's Base Rent or Additional Rent has been paid in advance.

28. RIGHT TO PERFORM. If Tenant fails to pay any sum of money required to be paid by it under this Lease or fails to perform any other act on its part to be performed under this Lease, and such failure continues for ten (10) business days after Tenant's receipt of written notice thereof from Landlord, Landlord may, but shall not be obligated to do so, and without waiving or releasing Tenant from any obligations of Tenant, make such payment or perform any such other act on Tenant's part to be made or performed as provided in this Lease. Landlord's rights under the preceding sentence include, without limitation, the right to perform any maintenance or repair obligations with respect to the Premises that Tenant fails to perform after requisite notice from Landlord, and Tenant shall promptly reimburse Landlord for all costs Landlord incurs in

performing such maintenance and repair obligations, including a reasonable management fee. Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of the nonpayment of sums due under this Section 28 as in the case of default by Tenant in the payment of Rent.

29. PARKING. Throughout the Term (as may be extended), Landlord shall arrange for Tenant to be allowed to park in not less than fifty-five (55) parking stalls located within 1,000 feet of the nearest portion of the Premises. Initially, the parking stalls shall be located on the "O" level of the parking garage located south of the Premises, with an entrance located on 15th Avenue (the "Initial Parking Location"). Tenant shall pay Landlord monthly the then market rent for the number of stalls provided by Landlord to Tenant from time to time under this Section 29. The parking stalls may be used by Tenant and its employees, patients, invitees, agents and others for parking. Tenant's parking payments shall be payable on the first day of every month during the Lease term and shall constitute Additional Rent under this Lease.

There are presently sixty-seven (67) parking stalls located at the Initial Parking Location. Landlord shall provide Tenant the number of parking passes requested by Tenant from time to time for the parking stalls at the Initial Parking Location, provided that Tenant shall not be entitled to the use of more than fifty-five (55) parking stalls at any given time without Landlord's prior written consent (regardless of the number of parking passes provided to Tenant). Landlord shall not permit more than twelve (12) stalls in the Initial Parking Location to be utilized by third parties at any time that Tenant has been allocated fifty-five (55) parking stalls under this Section 29. Landlord agrees that Tenant's parking stalls shall be located at the Initial Parking Location for the initial ten (10) year Lease term, and thereafter until the earlier to occur of: (i) a sale of such parking garage; (ii) redevelopment of the property where such parking garage is located in a manner that will interrupt or prohibit future parking at the Initial Parking Location, or (iii) casualty loss or taking that prevents Landlord from making the requisite number of parking stalls available to Tenant at the Initial Parking Location. If Landlord is not able to make 55 parking stalls available to Tenant at the Initial Parking Location (or such lesser amount as Tenant may require from time to time), at any time after expiration of the initial ten (10) year Lease term, then Landlord shall provide Tenant with 55 parking stalls (or such lesser amount as Tenant may require from time to time) within 1,000 feet of the nearest portion of the Premises.

Upon Tenant's request therefor, Landlord shall use diligent efforts to arrange for Tenant to be allowed to use additional parking stalls located in the parking facility for the then market rent, but Landlord makes no representations or warranties to Tenant regarding Landlord's ability to provide more than 55 spaces to serve the Premises. Use of the parking stalls shall be subject to such reasonable market rate charges, and such reasonable rules and regulations, as the operator of the parking garage may adopt and amend from time to time. A default by Tenant or by the parking garage operator under the parking garage lease that is not cured within any applicable cure period shall be a default by such party (or in the case of the parking garage operator, a default by Landlord) under this Lease.

As part of Tenant's Work, Tenant shall, at Tenant's expense: (i) install a sign over the entrance to the Initial Parking Location, indicating that such entrance is the entrance for the Northwest Kidney Center parking (the parking garage entrance sign shall also be subject to the terms of Section 16 of the Lease); and (ii) install and maintain a dedicated card reader system regulating access by Tenant to the Initial Parking Location.

Tenant shall initially utilize and pay for 55 parking stalls at the Initial Parking Location. During the term of this Lease, upon ninety (90) days prior notice from Tenant, Tenant may reduce and add parking spaces, provided that in no event shall Landlord be obligated to provide more than 55 parking spaces to Tenant. Tenant shall pay for only those parking spaces it is requiring that Landlord provide on a monthly basis.

Landlord shall, at its expense, install such signage or other markings as are necessary to indicate that 12 parking spaces in the Initial Parking Location are not available for Tenant's use, and are dedicated to use by third parties. The 12 parking spaces that are not available for Tenant's use as of the Commencement Date shall be located adjacent to the stairwell. If Tenant notifies Landlord that it will utilize less than 55 parking spaces, then for each parking space below the 55 initially allocated spaces that Tenant does not utilize, Landlord may provide signage or otherwise mark that such spaces are also available for third party use.

Landlord shall maintain the Initial Parking Location, and any substitute parking location, in good condition and repair, and Tenant shall pay Landlord Tenant's Pro Rata Parking Share of the cost of maintaining the parking facilities in good condition and repair. The costs of garage cleaning, striping, relamping, and similar maintenance and repair costs shall be charged to Tenant based on the number of parking spaces allocated to Tenant, in a proportion of the total number of parking spaces for which such repair and maintenance costs are incurred ("Tenant's Pro Rata Share").

30. AUTHORITY. If Tenant or Landlord is a corporation, each individual executing this Lease on behalf of such party represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of such party, in accordance with a duly adopted resolution of the Board of Directors of such party and in accordance with the bylaws of such party, and that this Lease is binding upon such party in accordance with its terms. If such party is a partnership or limited liability company, each individual executing this Lease on behalf of such party represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of such party, in accordance with the partnership or operating agreement of such party, and that this Lease is binding upon such party in accordance with its terms.

31. GENERAL.

31.1 Headings. Titles to Sections of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of this Lease.

31.2 Heirs and Assigns. All of the covenants, agreements, terms and conditions contained in this Lease shall inure to and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns.

31.3 No Brokers. Except as provided in Section 1, Landlord and Tenant represent and warrant to one another that they have not engaged any broker, finder or other person who would be entitled to any commission or fees in respect of the negotiation, execution or delivery of this Lease and Landlord and Tenant shall indemnify and hold one another harmless from and against any loss, cost, liability or expense incurred by the other party as a result of any claim asserted by any such broker, finder or other person (other than the Broker identified in Section 1) on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of the other party. In no event will a brokerage fee be paid on any renewal or Option to renew. Tenant agrees that any broker it may elect to assist in any renewal discussions or options will be compensated directly by Tenant.

31.4 Tenant's Financial Statement. If Tenant is not a publicly listed and traded company, within ten (10) days of receipt by Tenant of Landlord's written request, and provided that such request is made in connection with a prospective sale or financing of the Premises, or as the result of Tenant's default under this Lease beyond any applicable cure period, Tenant shall deliver to Landlord a copy of its most recent annual and quarterly financial statements prepared in accordance with generally accepted accounting principles, including a balance sheet, income statement, statement of changes in stockholder's or owner's equity, statement of cash flow, accompanying footnotes, and reports of independent accountants. Landlord shall hold Tenant's financial information in confidence and agrees to execute a reasonable confidentiality agreement if so requested by Tenant. Such financial information may be provided to a prospective purchaser or mortgagee, subject to the same confidentiality requirements.

31.5 Entire Agreement. This Lease, together with the exhibits which are attached hereto and which are hereby incorporated herein, contains all covenants and agreements between Landlord and Tenant relating in any manner to the leasing, use and occupancy of the Premises, to Tenant's use of the Building and other matters set forth in this Lease. No prior agreements or understanding pertaining to the same shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or added to except in writing signed by Landlord and Tenant.

31.6 Severability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof and the remaining provisions hereof shall nevertheless remain in full force and effect.

31.7 Force Majeure.

31.7.1 Landlord. Landlord shall have no liability whatsoever to Tenant on account of Landlord's inability to timely complete Landlord's Work, or the restoration of the Building and the Premises following damage or destruction, as a result of "force

majeure," which shall include (a) 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 Premises by reason of any requirement, act or omission of the public utility or others furnishing the Building with electricity or water; and (e) for any other reason, whether similar or dissimilar to the above, or for Act of God, beyond Landlord's reasonable control. If this Lease specifies a time period for performance of an obligation of Landlord to complete Landlord's Work, or the restoration of the Building and the Premises following damage or destruction, that time period shall be extended by the period of any delay in Landlord's performance caused by any of the events of force majeure described herein.

31.7.2 Tenant. Tenant shall have no liability whatsoever to Landlord on account of Tenant's inability to timely complete Tenant's Work, or to timely perform any other obligation of Tenant (other than the payment of Rent or Additional Rent) under this Lease, as a result of "force majeure," which shall include (a) 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 Premises by reason of any requirement, act or omission of the public utility or others furnishing the Building with electricity or water; and (e) for any other reason, whether similar or dissimilar to the above, or for Act of God, beyond Tenant's reasonable control. If this Lease specifies a time period for performance of an obligation of Tenant to complete Tenant's Work, or to perform any other obligation of Tenant hereunder, that time period shall be extended by the period of any delay in Tenant's performance caused by any of the events of force majeure described herein. Nothing in this section shall be construed as excusing or delaying the obligation of Tenant to pay in a timely manner when due any Rent or other amounts due under this Lease.

31.8 [Intentionally deleted]

31.9 Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of Washington.

31.10 Building Name/Light, Air and View. During the Term (as may be extended), the Building will be known as the Northwest Kidney Centers Building or by such name as Tenant may designate from time to time. Landlord does not guarantee the continued present status of light or air over any property adjoining or in the vicinity of the Building, provided that Landlord agrees not to permit any permanent structures to be located above the Building. Any diminution or shutting off of light, air or view by any structure which may be erected near or adjacent to the Building shall in no way affect this Lease or impose any liability on Landlord.

31.11 Quiet Enjoyment. Landlord agrees that Tenant, upon paying the Rent and performing all other terms, covenants and conditions of this Lease to be performed by Tenant, may quietly have, hold and enjoy the Premises from and after the Commencement Date until the Expiration Date, subject, however, to the provisions of

Section 11, 22, and to Landlord's Mortgage to which this Lease is, or may become, subordinate.

31.12 Survival. The representations, warranties and indemnification obligations of the parties to this Lease shall survive the termination or expiration of this Lease.

31.13 Time. Time is of the essence of each and every provision of this Lease.

31.14 Interpretation. This Lease has been submitted to the scrutiny of all parties hereto and their counsel, if desired, and shall be given a fair and reasonable interpretation in accordance with the words hereof, without consideration or weight being given to its having been drafted by any party hereto or its counsel.

31.15 Execution. This Lease may be executed in several counterparts and all so executed shall constitute one agreement, binding on all the parties hereto even though all the parties are not signatories to the original or the same counterpart. Delivery of a facsimile or other copy of this Agreement has the same effect as delivery of an original. Landlord shall not be deemed to have made an offer to Tenant by furnishing Tenant with a copy of this Lease. No contractual or other right shall exist or be created between Landlord and Tenant until all parties hereto have executed this Lease, and if so indicated by Landlord, until it has been approved in writing by Landlord's Lender and fully-executed copies have been delivered to Landlord and Tenant.

31.16 Arbitration. Landlord and Tenant agree to submit disputes of the nature described in the second paragraph of this Section 31.16 to binding arbitration for resolution. Any arbitration hereunder shall be settled by Judicial Dispute Resolution of Seattle ("JDR"), or if JDR is unavailable, then Landlord and Tenant shall attempt to agree on a replacement arbitrator or arbitration service within ten (10) days after learning that JDR is unavailable. If Landlord and Tenant cannot so agree within this 10-day period, then the matter shall be settled by arbitration administered by the American Arbitration Association in accordance with its rules for the real estate industry before a single neutral arbitrator of the American Arbitration Association sitting in Seattle, Washington. The arbitrator shall be a person having at least ten (10) years' experience and knowledge about commercial leasing and property management. The arbitration hearing shall be held within sixty (60) days after the initiation of the arbitration. The cost of the arbitrator shall be shared equally by the parties. The prevailing party shall be entitled to an award of its reasonable attorney's fees. The arbitrator's award shall be final and binding on the parties.

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Disputes involving the following matters shall be subject to arbitration under this Lease: parking; determinations of Operating Costs and Tenant's Share; signage; Landlord's Work and Tenant's Work; Tenant's right to cure under Section 19.7; Alterations; and permitted and prohibited uses of the Premises.

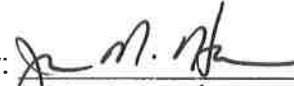
IN WITNESS WHEREOF this Lease has been executed, effective as of the day and year first above set forth.

LANDLORD:

15TH AND CHERRY LLC,
a Washington limited liability company

By: Sabey Corporation, a Washington
corporation, its manager


Date: January 31, 2007

By: 
Its: Treasurer; Secretary

TENANT:

NORTHWEST KIDNEY CENTERS,
a Washington nonprofit corporation

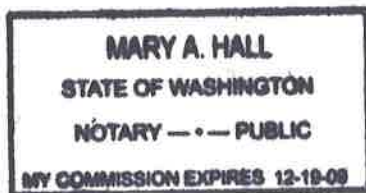
Date: January 24, 2007

By: 
Its: President & CEO

STATE OF WASHINGTON)
) ss.
 COUNTY OF KING)

On this 31st day of January, 2007, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn as such, personally appeared James N. Harmon, to me known to be the Treasurer & Secretary of Sabey Corporation, a manager of 15TH AND CHERRY LLC, a Washington limited liability company, the party that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said party for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal the day and year in this certificate first above written.



Mary A. Hall
 Printed Name: MARY A. HALL
 NOTARY PUBLIC in and for the State of
 Washington,
 residing at Seattle
 My commission expires: 12-19-09

STATE OF WASHINGTON)
) ss.
 COUNTY OF KING)

On this 24th day of January, 2007, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn as such, personally appeared Joyce F. Jackson, to me known to be the President & CEO of NORTHWEST KIDNEY CENTERS, the Washington nonprofit corporation that executed the within and foregoing instrument, and acknowledged the 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/she was authorized to execute said instrument.

WITNESS my hand and official seal the day and year in this certificate first above written.



Cheryl L. Lake
 Printed Name: Cheryl L. Lake
 NOTARY PUBLIC in and for the State of
 Washington,
 residing at Lake Forest Park
 My commission expires: 10-01-08

EXHIBIT A TO LEASE AGREEMENT**LEGAL DESCRIPTION OF LAND**

LOT 6 AND THE WEST 16 FEET OF LOT 5 IN BLOCK 5 OF SQUIRE PARK,
ADDITION TO THE CITY OF SEATTLE, AS PER PLAT RECORDED IN VOLUME 8
OF PLATS, PAGE 6, RECORDS OF KING COUNTY;

EXCEPT THE SOUTH 8 FEET THEREOF;

TOGETHER WITH LOT 7 AND THE SOUTH 8 FEET OF LOTS 4, 5, AND 6 IN SAID
BLOCK 5;

SITUATE IN THE CITY OF SEATTLE, COUNTY OF KING, STATE OF WASHINGTON.

EXHIBIT B TO LEASE AGREEMENT

[RESERVED]

EXHIBIT C

LANDLORD'S WORK AND TENANT'S WORK

I. LANDLORD'S WORK

Landlord warrants that, at Landlord's sole cost and expense, the Landlord's Work shall be performed in a good and workmanlike manner in conformance with the provisions set forth in this Exhibit C, and all applicable federal, state and local codes and regulations in effect at that time. Landlord shall obtain from Landlord's contractor a one (1) year warranty from the date of Substantial Completion of Landlord's Work for the repair or replacement of any defects in materials or workmanship in the Landlord's Work, and Landlord will cooperate with Tenant in pursuing remedies against Landlord's contractor, subcontractors and all suppliers and installers under any warranties provided by such parties at Tenant's written request within the applicable warranty period. Landlord and Tenant hereby agree that the Landlord's Work shall be constructed by Landlord's contractor, Sabey Construction Inc. Landlord shall submit a building permit application to the City of Seattle for the Landlord's Work on or before May 1, 2007.

Landlord agrees that, at no expense to Tenant, Landlord shall clear the Land of existing improvements, if any. Landlord shall thereafter perform the Landlord's Work in substantial accordance with plans, drawings and specifications to be prepared at Landlord's expense by Landlord's licensed architect and engineer ("Landlord's Architect"), and approved by the parties as described below, incorporating the terms and provisions of the Building Shell Specifications attached hereto as Exhibit C-2.

Landlord's Work shall be deemed Substantially Complete when the architect who prepares the working drawings for the Landlord's Work (the "Landlord's Architect") certifies that the Landlord's Work is sufficiently complete to allow Tenant to commence construction of the Tenant's Work without material interference with the Landlord's Work. The Commencement Date shall not be extended due to Tenant Delay (as defined below). If Landlord is not able to achieve Substantial Completion of the Landlord's Work within twelve (12) months after Landlord obtains a building permit from the City of Seattle for Landlord's Work (the "Building Permit Date"), for some reason other than Tenant Delay or a force majeure event, as described in Section 31.7 of the Lease, then for each such day following such period and until the date of Substantial Completion of the Landlord's Work, Landlord shall offset against the Base Rent payable by Tenant following the Commencement Date the sum of \$500.00 per day for each such day of delay. Landlord and Tenant agree that the actual damages suffered by Tenant as a result of late delivery are difficult or impossible to determine, and that the sum of \$500.00 per day is a reasonable estimate of the harm that Tenant may suffer, and that such figure was mutually negotiated by Landlord and Tenant. If Landlord is not able to achieve Substantial Completion of the Landlord's Work within eighteen (18) months after the Building Permit Date for some reason other than Tenant Delay, then for so long as such lack of Substantial Completion continues, Tenant may terminate this Lease by giving written notice to Landlord within fifteen (15) days after such eighteen

month period expires. If Tenant so terminates this Lease, within fifteen (15) days after Landlord's receipt of Tenant's termination notice, Landlord shall pay to Tenant the sum of \$400,000. Landlord and Tenant agree that the actual damages suffered by Tenant as a result of failure to deliver the Premises within such 18 month period are difficult or impossible to determine, and that the sum of \$400,000 is a reasonable estimate of the harm that Tenant may suffer, and that such figure was mutually negotiated by Landlord and Tenant. If Landlord makes the \$400,000 termination payment, Landlord's \$500 per day liquidated damage payment described above shall not apply. Upon making such termination payment to Tenant, Landlord shall be entitled to all right, title and interest in the agreements with and work product prepared by Tenant's outside consultants and contractors, to the extent assignable by Tenant. Tenant shall cooperate with Landlord, at Landlord's expense, in procuring assignments of agreements, reliance letters, and the like, to provide Landlord with the use and benefit of the work product of Tenant's contractors and consultants. To the extent reasonably possible to do so, Tenant shall attempt to include provisions in its agreements with its consultants and contractors which will permit Tenant to assign its rights under such agreements with such consultants and contractors to Landlord upon termination of the Lease. The liquidated damages and termination rights described in this paragraph shall be Tenant's sole and exclusive remedy for the failure of the Commencement Date to occur.

II. TENANT'S WORK.

A. Tenant's Work. The "Tenant's Work" shall be furnished and installed within the Building substantially in accordance with the plans and specifications to be prepared by an architect selected by Tenant and approved by Landlord in its reasonable discretion ("Tenant's Architect"). All Tenant's Work shall be approved by Landlord and Tenant in accordance with this Exhibit C. The Tenant's Work shall be furnished and installed by a tenant improvement contractor selected by the parties as provided for herein at Tenant's sole expense. For purposes hereof, the cost of the Tenant's Work shall include all costs associated with the design and construction of the Tenant's Work, including, without limitation, all building permit fees, payments to design consultants for services and disbursements (including costs associated with design changes required by Landlord's Architect or its errors and omissions insurance carrier), inspection fees (including City of Seattle inspections) that Landlord or Tenant may incur, reimbursement to Landlord for permit and other fees Landlord may actually incur that are fairly attributable to the Tenant's Work, as well as the cost of installing any additional HVAC, electrical or telecommunications capacity required by Tenant.

Tenant's Architect shall design the Tenant's Work, complete the working drawings for the Tenant's Work (the "Working Drawings") and obtain all required building or other permits to allow construction of the Tenant's Work in the Premises. Tenant's Architect shall, on Tenant's behalf, retain the consultants designing the Building's structural system to design these components of the Tenant's Work. Tenant's Architect shall retain consultants designing Tenant's mechanical, electrical and plumbing systems that are approved by Landlord in its reasonable discretion. Tenant shall be responsible for ensuring that Tenant's Architect coordinates its work with Landlord's Architect. The cost of preparing all plans and specifications for the Tenant's

Work (including without limitation a space plan for the Premises (the "Space Plan") and the Working Drawings described below), the cost of preparing any changes thereto (except as provided to the contrary below regarding Landlord changes) and the cost of obtaining all required permits therefor shall be paid by Tenant.

B. Submittal of Space Plan. Tenant shall submit to Landlord a Space Plan for the Tenant's Work after receipt from Landlord of the Working Drawings approved for the Landlord's Work, and when Tenant wishes to initiate the Tenant's Work with respect to a portion of the Premises. Within ten (10) days following its receipt of the Space Plan, Landlord may review, comment on and return the Space Plan to Tenant, marked "Approved," "Approved as Noted" or "Disapproved as Noted, Revise and Resubmit." Such Space Plan shall be for the general information of Landlord, and to assist in the coordination of the design and construction of the Tenant's Work, and Landlord's failure to respond to the Space Plan shall not constitute approval by Landlord of the design or specification shown thereon.

(1) If the Space Plan is returned to Tenant marked "Approved" or is not returned by the Landlord within the ten (10) day time period described above, the Space Plan shall be deemed approved by Landlord.

(2) If the Space Plan is returned to Tenant marked "Approved as Noted," the Space Plan so submitted shall be deemed approved by Landlord; provided, however, prior to preparing the Tenant's Working Drawings, Tenant and Landlord shall meet and discuss Landlord's noted items in the drawings and the parties and their architects agree to work cooperatively to resolve any concerns Landlord has identified with the Space Plan.

(3) If the Space Plan is returned to Tenant marked "Disapproved as Noted, Revise and Resubmit," Tenant shall cause such Space Plan to be revised, taking into account the reasons for Landlord's disapproval (which shall be noted in writing) and shall resubmit revised plans to Landlord for review. The same procedure shall be repeated until Landlord fully approves the Space Plan. Landlord's review of the Space Plan shall be subject to Landlord's approval or disapproval in Landlord's reasonable discretion, consistent with Landlord's and Tenant's desire to construct a Class A medical office building in the First Hill area.

In the event the Space Plan is returned to Tenant as described above, the parties agree to attempt to resolve the same cooperatively.

C. Submittal of Working Drawings.

(1) Following Landlord's approval of the Space Plan, and after Landlord has provided Tenant with a set of final plans for the Landlord's Work ("Final Building Plans"), Tenant shall deliver to Landlord one (1) set of reproducible sepia and three (3) sets of blue-lined prints of working drawings and specifications hereinafter referred to collectively as the "Working Drawings") for the Tenant's Work. Tenant shall also deliver to Landlord a diskette containing the Working Drawings in the AutoCAD

format (or other computer assisted design format approved by Landlord) ("CAD"). The Working Drawings shall be consistent with, and a logical extension of, the Space Plan approved by Landlord. Within twenty (20) business days after receipt of the draft Working Drawings from Tenant, Landlord shall return to Tenant one (1) set of the Working Drawings marked "Approved," "Approved as Noted" or "Disapproved as Noted, Revise and Resubmit;" provided, however, that failure to respond to the Working Drawings shall not constitute approval by Landlord of the design or specifications shown thereon. If the Working Drawings are returned to Tenant marked "Approved," the Working Drawings as so submitted, shall be deemed approved by Landlord.

(2) If the Working Drawings are returned to Tenant marked "Approved as Noted," the draft of the Working Drawings shall be deemed approved by Landlord; provided, however, prior to preparing the final approved Working Drawings, Tenant and Landlord shall meet and discuss Landlord's noted items in the Working Drawings and the parties and their architects agree to work cooperatively to resolve any concerns Landlord has identified with the drawings.

(3) If the Working Drawings are returned to Tenant marked "Disapproved as Noted, Revise and Resubmit," Tenant shall cause such Working Drawings to be revised, taking into account the reasons for Landlord's disapproval (which shall be noted in writing) and shall resubmit revised plans to Landlord for review. The same procedure shall be repeated until Landlord fully approves the Working Drawings. Landlord's review of the Working Drawing shall be subject to Landlord's approval or disapproval in Landlord's reasonable discretion, consistent with Landlord's and Tenant's desire to construct a Class A medical office building in the First Hill area.

(4) Tenant shall be solely responsible for: (i) the completeness of the Working Drawings; (ii) the conformity of the Working Drawings with the existing conditions in the Building and the Premises and to the Final Building Plans provided by Landlord (including any changes in the Final Building Plans provided by Landlord to Tenant); (iii) the compatibility of the Working Drawings with the Landlord's Work as depicted on the Final Building Plans, including the mechanical, plumbing, life safety or electrical systems of the Building; and (iv) the compliance of the Working Drawings with all applicable regulations, laws, ordinances, codes and rules, including, without limitation, the ADA, with respect to the Premises.

(5) In the event the Working Drawings are returned to Tenant, Landlord and Tenant agree to meet and attempt to resolve the same cooperatively. In considering the Working Drawings, Landlord shall not unreasonably withhold, delay or condition its approval of the Working Drawings.

(6) When the Working Drawings are approved by Landlord and Tenant, the parties shall each acknowledge their approval by signing or initialing each sheet of the Working Drawings and Tenant shall promptly submit the Working Drawings to the City of Seattle for permitting. Tenant shall also deliver to Landlord a diskette containing the approved Working Drawings in the CAD format.

D. Deadlines for Approval; Certain Modifications. Tenant shall cause the Space Plan and Working Drawings to be prepared by Tenant's Architect, submitted to Landlord and, where required, revised so as to obtain the approval of the Working Drawings by Landlord. In the event Landlord changes or modifies the Final Building Plans subsequent to Landlord's delivery of the Final Building Plans to Tenant and such modified plans require material changes to the Working Drawings (other than changes required by the City of Seattle, except for items not conforming to applicable codes at the time of submission to the City and for which the City initially failed to note such nonconformance prior to approving the Final Building Plans), then Landlord shall reimburse Tenant for the actual design costs incurred in connection with modifying the Working Drawings to the extent caused by such changes to the Final Building Plans. Any such reimbursement hereunder shall be made within thirty (30) days after Landlord's receipt of invoices and appropriate backup documentation for such additional design costs. In addition, Tenant shall be given an equitable extension of time if such delay by the Landlord or change to the Final Building Plans causes a delay to Tenant in the permitting or construction process for the Tenant's Work.

E. Landlord's Review Responsibilities. Tenant acknowledges and agrees that Landlord's review and approval, if granted, of the Space Plan and the Working Drawings is solely for the benefit of Landlord and to protect the interests of Landlord in the Building and the Premises, and Landlord shall not be the guarantor of, nor in any way or to any extent responsible for, the correctness or accuracy of any Space Plan or Working Drawings or of the compliance of the Space Plan or Working Drawings with applicable regulations, laws, ordinances, codes and rules or of the conformance or compatibility of the Space Plan or Working Drawings with existing conditions in the Building or Premises or with the Landlord's Work to be constructed by Landlord.

F. Existing Conditions. Prior to commencement of construction of the Tenant's Work, Tenant shall require and be solely responsible for insuring that its architects, engineers and (if applicable) contractors verify all existing conditions in the Building, insofar as they are relevant to, or may affect, the design and construction of the Tenant's Work. Tenant shall be solely responsible for the completeness of all plans for the Tenant's Work and for conformity of the plans with the Final Building Plans (including any changes thereto provided by Landlord to Tenant, subject to potential reimbursement of redesign costs as provided above) and existing conditions in the Building and the Premises. Tenant shall ensure that Tenant's Architect inspects the Premises to verify existing conditions and construction prior to the start of construction of the Tenant's Work. Tenant shall notify Landlord immediately following such inspection of any discrepancy discovered by Tenant or Tenant's Architect between existing conditions and/or construction and the Final Building Plans; otherwise, Landlord shall be conclusively deemed to have met its obligations relating to the construction of the Premises to the extent the Premises are complete as of the date of such inspection. In the absence of such notice, Tenant shall be responsible for any modifications to the Working Drawings necessary to accommodate existing conditions and construction. Tenant shall be solely responsible for, and Landlord specifically reserves the right to require Tenant to make at any time and from time to time during the construction of the Tenant's Work, any changes to the Working Drawings necessary

(a) to obtain any permit, (b) to comply with all applicable regulations, laws, ordinances, codes and rules, (c) to achieve the compatibility, as reasonably determined by Landlord, of the Working Drawings with the Landlord's plans for the Landlord's Work, or (d) to avoid impairing or voiding any third-party warranties.

Landlord is not obligated to authorize construction of the Tenant's Work to commence until Tenant has provided sufficient proof to Landlord of Tenant's ability to pay the cost of Tenant's Work.

All Tenant's Work shall be constructed by the Tenant's Contractor. Installation of office furniture, telecommunications equipment and wiring and cabling shall not be considered part of the Tenant's Work, and shall be separately designed, constructed, installed or provided by Tenant in accordance with the Working Drawings. Connection of installed work stations to the Building's electrical system shall be a part of the Tenant's Work; however, completion of such connection work shall not be required in order to achieve Substantial Completion.

All Tenant's Work shall be installed in a manner that conforms with the contractor's and its subcontractors' schedules for completion of the Tenant's Work, and the work of installation shall be handled in such a manner as to maintain harmonious labor relations and as not to interfere with or delay the Landlord's Work. No portion of Landlord's Work shall be dependent on completion of any Tenant's Work, and Tenant's Work shall be scheduled so it does not interfere with Landlord's Work. Landlord shall provide the contractor performing the Tenant's Work with access to the Premises for purposes of performing the Tenant's Work upon substantial completion of the Landlord's Work. Landlord shall notify Tenant in writing 5 days before providing Tenant with access to the Building. If Landlord, in its sole discretion, allows Tenant to commence the Tenant's Work before substantial completion of Landlord's Work, the contractors, subcontractors and materialmen performing Tenant's Work shall be subject to prior reasonable approval by Landlord and shall be subject to the administrative supervision of Landlord and Landlord contractor.

Tenant shall require that each of its contractors, subcontractors and materialmen maintain commercial general liability insurance in an amount of not less than Two Million Dollars (\$2,000,000.00) on a combined single limit basis and all worker's compensation insurance required by law.

G. Obligation of Tenant To Provide As Built Plans; Assignment of Warranties. Within sixty (60) days of substantial completion of the Tenant's Work, Tenant shall cause Tenant's Architect to provide Landlord with a complete set of plans on mylar and specifications reflecting the actual conditions of Tenant's Work as constructed in the Premises, together with a copy of such plans on diskette in the CAD format.

H. Reimbursement and Compensation. Tenant shall reimburse Landlord for all actual costs reasonably incurred by Landlord in connection with the review of Space Plan and Working Drawings for each phase of the Tenant's Work. Such

reimbursement shall include Landlord's direct personnel costs (billed at the rate of \$50 per hour), as well as the actual costs for Landlord's Architect and consultants to review such Space Plan and Working Drawings. Upon request, Landlord agrees to provide Tenant with invoices and other documentation supporting its request for reimbursement for time spent by professionals in connection with review of the Space Plan and Working Drawings for Tenant's Work. Tenant shall be responsible for delays and additional costs incurred by Landlord in completing the Landlord's Work due to Tenant-requested changes to the Landlord's Work.

I. Modifications. Any changes to the Tenant Work requested by the Tenant after final Landlord approval of the Working Drawings ("Additional Work") shall be subject to Landlord's prior approval and shall, upon approval by Landlord, be incorporated into the Working Drawings by Tenant's Architect. Any Additional Work shall be completed at Tenant's sole cost and expense, including without limitation costs associated with: (i) revisions to the Working Drawings; (ii) construction of the Additional Work; (iii) required permits, governmental fees, and inspections; (iv) Washington State sales tax; (v) as-built record documentation; and (vi) any delays resulting from the performance of the Additional Work. Under no circumstances shall the Commencement Date or the rent commencement date change as a result of Tenant's Additional Work.

Tenant may request changes to the Landlord's Work on or before March 1, 2007. In response to such a request, Landlord shall determine the cost of making the requested change, and the delay (if any) on the Commencement Date and Landlord's delivery obligations, and provide Tenant with written notice of any change in cost and change in schedule. (All changes in cost, whether additive or deductive, shall be determined by taking Landlord's actual cost (or savings, as applicable), and multiplying such amount by a factor of 1.227; this multiplying factor shall include additions or deductions due to Landlord's overhead, general conditions, sales tax and other costs related to the additive or deductive work). Tenant shall have two (2) business days after receipt of this cost and schedule change information from Landlord in which to authorize the requested changes to the Landlord's Work; if Tenant does not reply within such two business day period, then Tenant shall be deemed to have withdrawn its request for such change(s). As of the date of mutual execution of this Lease, Tenant has approved changes totaling an additional \$242,000, plus a multiplier of 1.227, for a total cost of \$296,934.00. Tenant shall pay this sum (and any additional sums), or get a credit for any reductions, under this paragraph within ten days after written demand from Landlord, which demand shall be made prior to Landlord's commencement of construction of the Premises.

Tenant hereby appoints Palmer Pollack and Craig Klinkam as its initial representatives in connection with the design and construction of the Tenant's Work and Landlord shall be entitled to rely upon the decisions and agreements made by such representative as binding upon Tenant. Tenant may change its designated representative upon written notice to Landlord. Landlord hereby appoints Eric Leland and Christine Page to act on its behalf and represent its interests with respect to all matters requiring Landlord action in this Exhibit C. Tenant hereby expressly recognizes

and agrees that no other person claiming to act on behalf of Landlord is authorized to do so. No consent, authorization or other action shall bind Landlord or Tenant unless in writing and signed by the aforementioned person. If Landlord or Tenant complies with any request or direction presented to it by anyone else claiming to act on behalf of the other party, such compliance shall be at such party's sole risk and responsibility and shall not in any way alter or diminish the obligations and requirements created and imposed by this Exhibit. Landlord shall have the right to observe the construction of the Tenant's Work and Tenant shall have the right to observe construction of the Landlord's Work. The parties shall notify each other of all regularly scheduled design and construction meetings and they each shall have the right to attend all regularly scheduled design and construction meetings and agree to provide for such participation in the construction contracts. Each party shall cause its architects, engineers and contractors to cooperate fully and promptly with each other as and when deemed necessary by such party in its good faith determination in the course of construction of the Tenant's Work. If Tenant's Work interferes with Landlord's Work and Tenant fails to comply with Landlord's requests for cooperation then Landlord may require Tenant to cease work in the Premises.

J. Tenant's Delay. If completion of the Tenant's Work is delayed as a result of any of the following causes, such delay shall be considered a "Tenant Delay":

(1) Changes in the Working Drawings requested by Tenant after approval of the Working Drawings by Landlord, except to the extent such changes are necessitated by Landlord's changes to the Final Building Plans or due to defects or delays in Landlord's completion of the Landlord's Work;

(2) Any delays in starting construction due to Tenant's disapproval of any construction bids and/or the need to revise the Working Drawings to obtain revised bids;

(3) Tenant's request for materials, finishes or installations other than building standard improvements which require a longer time than building standard improvements to obtain, install or complete;

(4) Delay caused by Tenant in construction, but only if and to the extent that such delay causes a delay in any item on the critical path to completion of the Tenant's Work, and is not caused by other factors (such as concurrent delays caused to Tenant by the Landlord or the Landlord's contractor).

Landlord shall notify Tenant promptly after learning of any events or circumstances which Landlord believes may constitute Tenant Delay hereunder; however, Landlord's failure to so notify shall not constitute a waiver by Landlord of its right to claim that a Tenant Delay has occurred. The Lease Commencement Date shall not be delayed due to any Tenant Delay, provided, however, that in the event the Tenant's Work is not substantially completed by the Commencement Date due to a Force Majeure Event (as defined in Section 31.7 of the Lease), or due to Landlord's breach of the Lease, then the Commencement Date shall be extended until the date the Tenant's Work is

substantially completed but not later than thirty (30) days. Tenant acknowledges that the length of any Tenant Delay is to be measured by the duration of the delay in the occurrence of the event in question caused by the event or conduct constituting Tenant Delay, which may exceed the duration of such event or conduct due to the necessity of rescheduling work or other causes.

EXHIBIT C-1**TENANT'S REMOVABLE PROPERTY**

Subject to the terms and conditions of this Lease, the fixtures, improvements, furniture, equipment and other property of Tenant which may be removed by Tenant from the Premises at the expiration or earlier termination of this Lease are as set forth below in this Exhibit C-1. No other improvements, alterations or property shall be removed from the Premises at the expiration or termination of this Lease except as may be provided otherwise in the Lease or as may be agreed upon by Landlord and Tenant and added to this Exhibit C-1 by amendment to this Lease.

1. Upon the termination or expiration of this Lease, Tenant, at Tenant's expense, shall remove all cabling and wiring which was included within the scope of Tenant's Work, or which was otherwise installed by Tenant, from all interstitial/ceiling plenum areas.

2. Furniture, computers, medical and other equipment and instruments, and any and all other personal property which is not attached to the Building, or which is attached to the Building but is removable without substantial damage to the Building.

EXHIBIT C-2

BUILDING SHELL SPECIFICATIONS

General Clarifications:

- Core restrooms will be built out during the tenant improvement and are not part of this scope.
- If a tenant improvement will not take place immediately, freeze protection measures will need to be provided by others.
- Gas service is excluded, , although contractor will coordinate sleeve placement in foundation walls to accommodate the tenant supplied service.
- The emergency generator is not considered part of the shell and core.
- Toilet rooms will stack from level to level

Construction Scope Clarifications/Qualifications:

Division 1 – General Conditions

- Provide full-time project Superintendent and Project Engineer for project duration: (8) months
- Provide temporary utilities
- Provide necessary equipment rental and consumables
- Provide progressive clean-up and debris disposal
- Provide jobsite construction trailer
- Subcontractor parking to be provided by others
- Provide special inspections as required by DPD

Division 2 – Sitework

- Provide demolition to include removal of any hazardous materials including but not limited to asbestos, PCB's, lead and oil tanks
- Provide traffic control and barricades
- Furnish and install shoring/soil system
- Earth work and mass excavation to include dewatering
- Provide site improvements including landscaping wall and non-lite protection bollards.
- Provide irrigation and landscaping
- Provide offsite improvements to include sidewalks, driveway and street trees
- Provide utilities
- Miscellaneous asphalt patching included

Division 3 – Concrete

- Provide slab-on-grade and footings with slab on metal deck at upper floors.

Division 4 – Masonry

- Provide exterior concrete pre-cast panels with brick cladding at elevations with glazing and concrete pre-cast panels with no brick cladding at all other elevations.

Division 5 – Metals

- Provide miscellaneous metals
- Provide structural steel frame with metal decking.

Division 6 – Woods & Plastics

- Provide miscellaneous rough carpentry to include blocking and backing for Shell and Core only
- Provide miscellaneous finish carpentry for Shell and Core only
- All casework excluded

Division 7 – Thermal & Moisture Protection

- Provide water-proofing at exterior concrete walls and interior underslab drainage
- Provide miscellaneous metal siding and roofing at entrance canopy
- Provide 60-mil single ply roofing with R-30 rigid insulation with 20 year guarantee.
- Provide parapet flashing
- Provide one roof hatch
- Provide exterior caulking

Division 8 – Doors & Windows

Provide shell and core doors, frames and hardware. All doors and frames to be hollowmetal. All hardware to be Sabey Corporation building standard Corbin Russwin mortise locks, latchsets, closers, exit devices and Stanley hinges. Exterior cylinders to be Medico Three provided by Contract Hardware
Provide two overhead garage door with one being an 8'0" 1 hour rated door at loading dock location.

- Provide aluminum storefront system as based on "T-500 Series" as manufactured by Arcadia or equal subject to approval. Finish to be minimum 70 percent Kynar 500 or equal. Glazing to be dual pane insulated with ½ inch air space with summer U-value of 0.28 and SHGC of 0.38. Tenant is allowed to upgrade these coefficients at Tenants sole cost prior to the final design being completed.
- Provide aluminum storefront doors with medium stile, 10" bottom rail based on MS362 Series as manufactured by Arcadia or equal subject to approval. To include extra heavy-duty overhead closer, standard panic hardware and 1" clear tempered glass. Provide rough-in conduits only for card reader and security camera system. Vestibule to have sliding glass doors with automatic opener.
-

Division 9 – Finishes

- Provide metal stud framing and gypsum wallboard at code required rated core and shell assemblies to include exit stairs, 10' x 8' mechanical shaft and elevators.
- Provide metal stud framing and thermal insulation only at exterior walls (gwb excluded at all exterior walls)
- All acoustical ceiling systems and grid excluded
- All floor coverings excluded
- Provide interior paint at exit stairwells only

Division 10 – Specialties

- Provide code required signage
- Provide fire extinguishers for Shell and Core only
- No window coverings will be provided.

Division 11 - Equipment

- Provide loading dock equipment

Division 14 – Conveying Systems

- Provide two traction passenger elevators with a speed of 200 F.P.M. The elevator design provides for two 4500 lb cars. Car #1 has four front and four reverse openings. The rear openings are secure and are only used by facility personnel. Car #2 has only front openings, has a hospital sized cab, and is duplexed with elevator #1 to provide acceptable vertical transportation requirements.

Division 15**HVAC**

- One (1) Trane Intellipak unit (**or equal**) – 90 nominal tons (sized according to McKinstry premises assumptions sent under separate cover) with supply / relief fan VFD's, 100% outside air economizer, GBAS modules, and factory roof curb. (No gas heat is included).
- An allowance for RTU acoustical options as directed by the acoustical consultant to meet the City of Seattle noise to neighbor property line sound levels.
- One toilet exhaust system for future core restrooms and janitor closets. Rooftop fan and duct riser (GWB rated shaft, by others). A take off with a fire/smoke damper will be provided at each floor.
- One (1) elevator machine room cooling unit (wall mounted). It is assumed that the elevator machine room is located on the roof.
- Four (4) transfer fans for electrical room heat removal. Line voltage thermostat provided and installed by the electrical contractor.
- Supply air ductwork consisting of riser duct (in shaft below unit) and two take-offs per floor with fire/smoke dampers. Distribution ducting to be installed during tenant improvement.
- One (1) elevator shaft relief hood assembly.
- DDC control system with onsite operator's terminal. Expandable as required for future tenant improvement.

- Duct insulation as required by energy code.

Plumbing

- Underground storm sewer stubbed into the building at location shown on the civil drawings (with an allowance of an additional 15' piping to bring stub up at a location optimized for the tenant layout.)
- Vent stack to roof in the vicinity of grids C & D and 3 & 4 with a tee for future connection on each floor.
- 3" Cold water service stubbed into the building at location shown on the civil drawings (with an allowance of an additional 15' piping to bring stub up at a location optimized for the tenant layout.)
- Four (4) roof/overflow drain assemblies.
- Storm / rain leader piping to 5' from perimeter of building.
- Two (2) hose bibb connections at perimeter of building and one at loading dock.
- One (1) floor drain at the level one mechanical room.
- One (1) hub drain at the level one mechanical room.
- One (1) floor drain per restroom
- One (1) area drain at the dumpster
- One (1) area drain piped to a sand oil separator at the loading dock
- Pipe insulation as required by energy code

Fire Sprinkler

- Start at property line
- 6" underground from property line to floor flange at building perimeter, approximately grid A-6.9.
- Fire department connection located on the building at grid A-6.9.
- Wet standpipe located inside each required stair.
- Floor control valves provided for each level
- Dry system provided at 1st floor overhand and loading area.
- Wet pipe ordinary hazard system provided in mechanical areas
- Wet pipe light hazard "shell" system provided in MOB office areas
- Core areas with suspended ceilings to have recessed chrome pendent heads
- "Shell" areas to have uprights with provisions left for future drops to future ceilings
- Exposed areas to have standard brass uprights
- Design is per NFPA 13 and 20 standards
- City of Seattle Fire Marshal approval

Division 16 – Electrical

Site Electrical

- We have provided a design and installation costs for a 1600 A 480 volt electrical service. We have included provisions for the future purchase and installation of (1) future 800A Automatic Transfer Switch and a 500KW future generator, One 800A distribution panel, (1) 225A 480/277V panel, (1) 75KVA transformer, (1) 225A 120/208V electrical panel to be located in the main electrical room.
- We have included rough in only for underground conduits from the ATS to the proposed generator location.

Lighting

- We have included the conduit, wiring and fixtures including battery backup exits and egress lights for a complete core and shell project, less any toilet or specialty rooms.
- Included is the installation of (20) exterior rated recessed lighting over the drive up area, and 5 wall pack fixtures to be located at the side exits and loading dock area.
- We have allowed for the installation of (8) 8' two lamp strip fixtures for normal pathway lighting on each floor until the TI build out occurs.

Fire Alarm

- The fire alarm system provided will be for shell and core purposes only.

Telephone

- Three 3" conduits from the north wall of the generator room to the property line have been allowed for.
- Two ¾" underground conduits from the lobby wall to the reception desk have been included. The exact location for the conduit stub ups at the desk will need to be provided by the owner/architect before the first floor slab pour.
- Telephones will be connected to the elevators.

Power

- We have designed and allowed for the installation of two 100A 480V elevator feeds to the rooftop penthouse. Including DPD elevator electrical shut trips, pit lighting and GFI outlets.
- GFI outlets will be provided at the loading dock, one on each side of the front entrance and one on the roof per code for mechanical equipment repair.
- One duplex at the telephone board location, four in the elevator machine room as well as power for the fire alarm control panel have been allowed for.
- One ¾" underground conduit from the lobby wall to the reception desk have been included. The exact location for the conduit stub ups at the desk will need to be provided by the owner/architect before the first floor slab pour.
- We have provided rough-in conduit only at 3 exterior doors for the installation of a future security system.
- Site lighting will be provided consistent with Campus lighting standards as determined by Landlord.

HVAC Connections

- We have designed and allowed for the installation of one 90 ton RTU rated at 100A 480V with a factory provided on/off disconnect and mechanical furnished electrical contractor install VFD.
- No other mechanical equipment has been identified and none has been allowed for.
- Provide control data for tenant interface and control.
- Shell and Core Telephone
 - Provide two 3" conduits from the north wall of the generator room to the property line and two ¾" underground conduits from the lobby wall to the reception desk.
- Generator:
 - Provide for future generator per Veca Electric attached proposal

Specific Exclusions:

- Natural Gas piping and utility connection.
- Security System
- Computer Cabling
- Phone/Data wiring or systems
- Furniture/Work Stations
- Phone connection and monitoring by tenant
- Floor Loading Modifications

EXHIBIT D TO LEASE AGREEMENT

RULES AND REGULATIONS

1. Tenant shall not place any new or additional locks on any doors of the Premises or re-key any existing locks without the prior written notice to Landlord.

2. Landlord reserves the right to exclude or expel from the common areas, if any, any person who, in the sole judgment of Landlord, is intoxicated, under the influence of drugs or who shall in any manner violate any of these Rules and Regulations.

3. No storage of materials, equipment or property of any kind is permitted outside the Premises unless otherwise approved in writing by Landlord and any such property may be removed by Landlord at Tenant's risk and expense.

4. Tenant shall not make or permit any use of the Premises which in the reasonable judgment of Landlord, may be dangerous to persons or property; or to create, maintain or permit a nuisance or any violation of any regulation of any governmental agency thereon.

5. Tenant understands that any equipment required for maintenance of the Premises is Tenant's responsibility and that Landlord has no equipment available for Tenant's use therefor (e.g., ladders or lifts for re-lamping, etc.).

6. Tenant shall use the Premises and shall operate its equipment on the Premises in a safe and prudent manner, and any damage or cracks occurring in the floor of the Premises caused by Tenant shall be promptly brought to the attention of Landlord by written notice and repaired by Tenant at its expense.

7. Tenant shall not at any time display a "For Rent" sign upon the Premises.

8. Tenant shall be responsible for keeping a copy of this Lease and Landlord's current rules and regulations upon the Premises.

9. Tenant shall keep Landlord advised of current telephone numbers of Tenant's employees who may be contacted in an emergency, i.e., fire, break-in, vandalism, etc. If Landlord shall deem it necessary, in its reasonable judgment, to respond to such emergency in Tenant's behalf, Tenant shall pay all costs incurred for services ordered by Landlord to secure or otherwise protect the Premises and the contents thereof, including a reasonable charge for any time spent by Landlord's employees in responding to such emergency.

10. Tenant shall not smoke, and shall cause its employees, contractors, agents and invitees to refrain from smoking, in the Building except in such areas as may be designated as smoking areas by Landlord, if any. In the event that Tenant desires to allow smoking in the Premises and such smoking is permitted under applicable laws, then Tenant, at Tenant's sole expense and subject to the requirements

of Section 9 (Improvements And Alterations By Tenant), shall first take such action as may be necessary to have a smoke exhaust system installed in the Premises that is acceptable to Landlord.

11. No pets or other animals are permitted on the Property, including the Premises, at any time except: (i) dogs which are present on the Property or Premises in their capacity of providing assistance to a disabled person; and (ii) laboratory animals of tenants leasing laboratory space and pursuant to terms agreed upon by Landlord in writing prior to such animals being brought onto the Property.

12. Tenant shall not commit or permit to be committed any waste, damage or injury to the Premises, the Building or parking, loading and other common areas adjoining and shall promptly notify Landlord in writing of such waste, damage or injury and repair the same at its expense.

13. Landlord shall not unlock the Premises door for any person known or unknown as an employee of Tenant without a waiver in writing by Tenant indemnifying Landlord to do so and under what conditions. Tenant acknowledges that in the event Landlord or Building security responds to a request for someone to go to the Property to unlock a door, a minimum Two Hundred Fifty Dollars (\$250.00) will be charged if Landlord's employees unlock the door, and Seventy-Five Dollars (\$75.00) if Building security responds to the request.

EXHIBIT E TO LEASE AGREEMENT
TENANT & TENANT CONTRACTOR
CONSTRUCTION CRITERIA

[Landlord shall provide its proposed form of Exhibit E to Tenant on or before February 5, 2007. Landlord and Tenant shall negotiate in good faith to reach a mutually acceptable form of Exhibit E on or before February 20, 2007. If Landlord and Tenant are not able to agree on a mutually acceptable form of Exhibit E by February 20, 2007, then all references in this lease to Exhibit E shall be deemed stricken, and this Lease shall continue in full force and effect without reference to Exhibit E.]

EXHIBIT F TO LEASE AGREEMENT
MEMORANDUM OF LEASE AND OPTION FORM

When Recorded, Return to:

David D. Buck
 Riddell Williams P.S.
 1001 Fourth Avenue, Suite 4500
 Seattle, WA 98154

Grantor: 15th and Cherry LLC, a Washington limited liability company

Grantee: Northwest Kidney Centers, a Washington nonprofit corporation

Legal description (Abbreviated):

Complete legal descriptions contained in Exhibit A attached hereto.

Assessor's Tax Parcel Number: _____

1. Lease Agreement. Grantor and Grantee entered into that certain Lease Agreement (the "Lease Agreement"), dated _____, 2006, concerning the real property (the "Property") located in King County, Washington, legally described in Exhibit A attached hereto and made a part hereof, whose terms and conditions are incorporated herein by this reference. The initial term of the Lease Agreement is for ten (10) years commencing on or about _____, 200__; and Grantee has the option to extend the term of the Lease Agreement for five (5) additional periods of five (5) years each.
2. Right of First Refusal. Under the Lease Agreement, Grantee has a qualified right of first refusal to purchase the Property and such right is exercisable during the term of the Lease Agreement, as may be extended.
3. Purpose. This Memorandum is prepared for the purposes of recordation and to provide constructive notice of the Lease Agreement, and the right of first refusal to purchase the Property granted to Grantee thereunder, and it in no way

modifies or amends the terms and conditions of the Lease Agreement. Provisions of this Memorandum should not be used in interpreting the provisions of the Lease Agreement. In the event of conflict between this Memorandum and the Lease Agreement, the Lease Agreement shall control.

GRANTOR:

15TH AND CHERRY, LLC,
a Washington limited liability company

By: Sabey Corporation,
a Washington corporation,
Its: Manager

By: _____
Printed Name: _____
Title: _____

GRANTEE:

NORTHWEST KIDNEY CENTERS,
a Washington nonprofit corporation

By: _____
Printed Name: _____
Title: _____

Exhibit A: Legal Description

STATE OF WASHINGTON)
) ss.
 COUNTY OF KING)

On this _____ day of _____, 2007, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn as such, personally appeared _____, to me known to be the _____ of Sabey Corporation, Manager of 15th and Cherry LLC, a Washington limited liability company, the party that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said party for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal the day and year in this certificate first above written.

 Printed Name: _____
 NOTARY PUBLIC in and for the State of
 Washington,
 residing at _____
 My commission expires: _____

STATE OF WASHINGTON)
) ss.
 COUNTY OF KING)

On this _____ day of _____, 2007, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn as such, personally appeared _____, to me known to be the _____ of NORTHWEST KIDNEY CENTERS, the Washington nonprofit corporation that executed the within and foregoing instrument, and acknowledged the 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/she was authorized to execute said instrument.

WITNESS my hand and official seal the day and year in this certificate first above written.

 Printed Name: _____
 NOTARY PUBLIC in and for the State of
 Washington,
 residing at _____
 My commission expires: _____

EXHIBIT G TO LEASE AGREEMENT
LEASE COMMENCEMENT MEMORANDUM

THIS AGREEMENT, made this _____ day of _____, 200__, by and between 15TH AND CHERRY LLC, a Washington limited liability company ("Landlord") and NORTHWEST KIDNEY CENTERS, a Washington nonprofit corporation (herein "Tenant").

Landlord and Tenant have entered into that certain Lease dated _____, 200__ ("Lease") for the Premises located at 548 15th Avenue, in Seattle, Washington. Landlord and Tenant wish to set forth their agreements as to the commencement of the term of this Lease.

For valuable consideration, the receipt of which is acknowledged, Landlord and Tenant agree as follows:

1. The initial term of this Lease and Tenant's obligation to pay rent commenced on _____, 200__.
2. The initial term of this Lease shall expire on _____, 201__.

LANDLORD:

15TH AND CHERRY LLC,
a Washington limited liability company

By: Sabey Corporation, a Washington
corporation, its manager

Date: _____

By: _____
Its: _____

TENANT:

NORTHWEST KIDNEY CENTERS,
a Washington nonprofit corporation

Date: _____

By: _____
Its: _____

September 25, 2008

Northwest Kidney Centers
700 Broadway
Seattle, WA 98122
Attn: Scott N. Strandjord, VP-Finance & CFO

RE: 15th & Cherry LLC / Symetra Life Insurance Company / NW Kidney Center

Dear Mr. Strandjord,

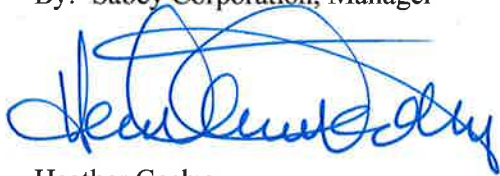
Please find enclosed original documents pertaining to 15th & Cherry LLC's financing with Symetra Life Insurance Company, which closed on August 19, 2008:

1. Lease Commencement Memorandum;
2. Subordination, Non-Disturbance and Attornment Agreement.

Sincerely,

15th & CHERRY LLC,

By: Sabey Corporation, Manager



Heather Cosby
Real Estate Acquisitions Associate

LEASE COMMENCEMENT MEMORANUM

THIS AGREEMENT, made this 7~~th~~ day of August, 2008, by and between 15th AND CHERRY LLC, a Washington limited liability company ("Landlord") and NORTHWEST KIDNEY CENTERS, a Washington nonprofit corporation (herein "Tenant").

Landlord and Tenant have entered into that certain Lease dated January 23, 2007, ("Lease") which was amended by the First Amendment dated February 22, 2007 and that certain Second Amendment dated June 6, 2007 for the Premised located at 548 15th Avenue, in Seattle, Washington. Landlord and Tenant wish to set forth their agreements as to the commencement of the term of this Lease.

For valuable consideration, the receipt of which is acknowledged, Landlord and Tenant agree as follows:

1. The initial term of this Lease commences on August 7, 2008 and Tenant's obligation to pay rent commences on September 1, 2008.
2. The Initial term of this Lease shall expire on March 31, 2024.

LANDLORD:

15th AND CHERRY LLC,
a Washington limited liability company

By: Sabey Corporation, a Washington
Corporation, its manager

By: Patricia A. Sewell
Patricia A. Sewell
Its: Sr.VP - Finance & Secretary

TENANT:

NW KIDNEY CENTERS,
a Washington nonprofit corporation

Date: AUGUST 7, 2008

By: Robert Jackson
Its: President and CEO

WHEN RECORDED RETURN TO:

Symetra Life Insurance Company
 Mortgage Loan Department
 PO Box 84066
 Seattle, Washington 98124-8466
 Loan No. SPLM1800

This Space Provided for Recorder's Use

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENMENT AGREEMENT

GRANTOR (LANDLORD): 15th & Cherry LLC, a Washington limited liability company

GRANTEE (TENANT): Northwest Kidney Centers, a Washington nonprofit corporation

GRANTEE (LENDER): Symetra Life Insurance Company, a Washington corporation

LEGAL DESCRIPTION (ABBREVIATED): PTN LOTS 5-7 BLK 5 SQUIRE PARK ADD, **ADDITIONAL LEGAL(S) ON PAGE 5**

ASSESSOR'S TAX PARCEL NO. 7942600707 and 7942600710

THIS AGREEMENT, dated this 7th day of August, 2008, between **Symetra Life Insurance Company**, a Washington corporation, whose address for notices is PO Box 84066, Seattle, WA 98124-8466 (the "**Lender**"), and Northwest Kidney Centers, a Washington nonprofit corporation whose address for notices is Attn: Scott Strandjord, Vice-President of Finance and Administrative Services, 548 15th Avenue, Seattle, WA 98122 (the "**Tenant**") with respect to the real property located in King County, Washington more particularly described in Exhibit "A" attached hereto (the "**Property**").

WITNESSETH:

WHEREAS, Lender has made, or is about to make, a loan to 15th & Cherry LLC, a Washington limited liability company ("**Landlord**"), secured by a mortgage or deed of trust (the "**Deed of Trust**") and an assignment of leases and rents ("**Assignment of Leases**") with respect to the Property (the Deed of Trust, Assignment of Leases and any other documents evidencing or securing the loan are jointly referred to herein as the "**Loan Documents**"); and

WHEREAS, Tenant leases all or a portion of the Property pursuant to a lease between Landlord and Tenant dated January 23, 2007 (the "**Lease**") located at 548 15th Avenue, City of Seattle, Washington (the "**Premises**"); and

WHEREAS, the parties desire to subordinate the Lease to the lien of the Deed of Trust and set forth their agreement as to their respective rights and priorities with respect to the Lease; and

WHEREAS, Tenant has requested that Lender agree not to disturb Tenant's rights in the Premises in the event Lender should foreclose the Deed of Trust, provided no event of default under the Lease on the part of Tenant has occurred and is continuing, and Tenant attorns to Lender or to the purchaser at any foreclosure or trustee's sale of the Property.

NOW, THEREFORE, in consideration of the foregoing and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is hereby represented and agreed as follows:

1. **Subordination of Lease.** Notwithstanding any provision in the Lease to the contrary, the Lease and the leasehold estate created thereby and all of Tenant's rights under the Lease (including without limitation, any right, option or opportunity of Tenant to purchase the Property) are and shall at all times remain subject, subordinate and inferior (i) to the Deed of Trust and the lien thereof, and (ii) to all rights of Lender under the Deed of Trust, and (iii) to any and all renewals, modifications, consolidations, restructurings, replacements and extensions of the Deed of Trust and (iv) to any future deed of trust or mortgage affecting the Property held by or made for the benefit of Lender (and its successors and assigns) or (v) to any loan or loans made by Lender, or any subsequent increase, modification, replacement, consolidation, extension or refinancing of any such loan, if a purpose of such loan is to refinance the loan secured by the Deed of Trust. Tenant will not cause the Lease to be subordinated to any interests other than those held by Lender (and its successors and assigns) without notice to and written consent of Lender.

2. **Notice to Lender; Right to Cure.** Tenant agrees to deliver to Lender at the address set forth above (or such other addresses as may be designated from time to time in writing to Tenant by Lender), prompt written notice of any default by Landlord under the Lease which would entitle Tenant to cancel the Lease or abate the Rent payable thereunder. No such notice given on behalf of Tenant shall be effective unless Lender has received said notice and has failed within thirty (30) days of the date of receipt thereof to cure Landlord's default; however, Lender shall have no obligation to cure (and shall have no liability for not curing). Tenant further agrees to give written notice to any successor of Lender provided that such successor shall have given notice to Tenant of its acquisition of Lender's interest and the designated address to which such notices are to be sent.

3. **Tenant Acknowledgment of Assignment.** Tenant acknowledges that the Lease and the rent due under the Lease will be assigned to Lender pursuant to the Assignment of Leases as security for the loan secured by the Deed of Trust. If Lender notifies Tenant of a default by Landlord under the Loan Documents and demands that Tenant pay rent and all other sums due under the Lease to Lender, Tenant agrees to honor such demand and pay rent due under the Lease as directed by Lender.

4. **Attornment.** In the event of foreclosure of the Deed of Trust, or upon a sale of the Property pursuant to the trustee's power of sale contained in the Deed of Trust, or upon the transfer of the Property by conveyance in lieu of foreclosure (collectively a "Transfer"), so long as Tenant complies with this Agreement and no default has occurred and is continuing under the Lease, the Lease shall continue in full force and effect as a direct lease between the succeeding owner of the Property and Tenant, upon and subject to all of the terms, covenants and conditions of the Lease for the balance of the Lease term. Tenant agrees to attorn to and accept any such successor owner as landlord under the Lease, and to be bound by and perform all of the obligations imposed by the Lease, said attornment to be self-operative, without execution of any further instruments, upon a Transfer.

5. **Non-Disturbance.** Lender, and any successor owner of the Property resulting from a Transfer, will not disturb the possession of the Tenant, its successors and assigns, and will perform and be bound by all of the obligations imposed on the Landlord by the Lease for the balance of the term of the Lease and any extension or renewals thereof, so long as no event of default has occurred and is continuing which would entitle the Landlord to terminate the Lease, or would cause, without further action of the Landlord, the termination of the Lease or would entitle the Landlord to dispossess the Tenant from the Premises; provided, however, that neither Lender nor any successor owner of the Property resulting from a Transfer shall be (i) liable for any act or omission of a prior landlord, (ii) subject to any offsets or defenses which Tenant may have against any prior landlord (including Landlord), (iii) bound by any rent or additional rent which Tenant after the date of this Agreement may have paid in advance to any prior landlord (including Landlord) for a period in excess of one month or by any security deposit, cleaning deposit or other prepaid charge which Tenant might have paid after the date of this Agreement in advance to any prior landlord (including Landlord), unless such advance rent, deposit or charge has been delivered to Lender or approved by Lender, (iv) bound by any amendment or renewals or extensions thereof entered into after

the date of this Agreement which reduces the amount of rent, accelerates the payment of rent, shortens the original term or changes any renewal option, made without the consent of Lender, or (v) bound by any assignment or subletting, unless expressly permitted by the Lease.

6. **No Construction by Lender.** Lender shall have no obligation nor incur any liability for erection and completion of the building in which the Premises are located or for completion of any tenant improvements at the Premises for Tenant's use and occupancy.

7. **No Recourse to Lender.** Tenant agrees to look solely to the Premises for recovery of any judgment or damages from Lender (or from any successor of Lender) in connection with the Lease, and Tenant will not collect or attempt to collect any such judgment or damages out of any other assets of Lender.

8. **Notices.** All notices, requests and demands hereunder shall be in writing and deemed to have been duly given, served or received (i) if mailed, on the third day after deposit in the United States Mail, registered or certified, postage prepaid, return receipt requested, or (ii) if delivered by reputable commercial overnight courier (like Federal Express or similar firms), freight prepaid, the next business day after delivery to such courier, in each case addressed to the party at its address set forth herein (or at such other address as shall hereafter be designated in writing by the applicable party to the sender).

9. **Delivery of Certificates.** Tenant shall, from time-to-time, deliver such certificates as Lender shall request as to the continuance of the Lease in effect or as to payment of rents thereunder.

10. **No Lien on Trade Fixtures of Tenant.** None of the Loan Documents shall be construed as subjecting in any manner to the lien thereof, any trade fixtures, signs or other personal property at any time furnished or installed by Tenant or its subtenants or licensees on or within the portion of the Premises leased to Tenant, regardless of the manner or extent of attachment thereof.

11. **Binding Agreement.** This Agreement shall be binding upon the parties and their respective successors and assigns.

12. **Miscellaneous.** This Agreement supercedes any inconsistent provision in the Lease. Nothing in this Agreement shall be construed to derogate from or in any way impair or affect the lien and charge of the Deed of Trust.

13. **Counterparts.** This Agreement may be executed in separate counterparts all of which shall constitute a single instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year stated above.

"TENANT"

Northwest Kidney Centers, a Washington nonprofit corporation

By: Joyce T. Jackson
Its: President + CEO

"LENDER"

Symetra Life Insurance Company, a Washington corporation

By: Colin M. Elder
Colin M. Elder, Vice President

(all signatures must be acknowledged)

STATE OF WASHINGTON

)
) ss.
)

COUNTY OF KING

On 08-11-08 before me, Cheryl L. Lake, a Notary Public in and for said County and State, personally appeared Joyce F. Jackson, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Signature:

Residing At: Lake Forest Park, WAMy Commission Expires: 10-01-08

STATE OF WASHINGTON

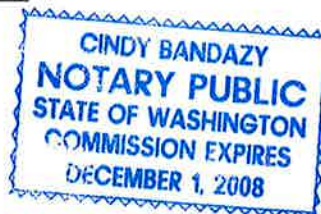
)
) ss.
)

COUNTY OF KING

On 08-13-08 before me, Cindy Bandazy, a Notary Public in and for said County and State, personally appeared **Colin M. Elder**, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Signature:

Residing At: Bothell, WAMy Commission Expires: 12/1/08

**EXHIBIT "A" TO SUBORDINATION, NON-DISTURBANCE AND
ATTORNMMENT AGREEMENT**

(Legal Description of Property)

Land and improvements situated in King County, Washington and described as follows:

LOT 6 AND THE WEST 16 FEET OF LOT 5 IN BLOCK 5 OF SQUIRE PARK ADDITION TO THE CITY OF SEATTLE, AS PER PLAT RECORDED IN VOLUME 8 OF PLATS, PAGE 6, RECORDS OF KING COUNTY;

EXCEPT THE SOUTH 8 FEET THEREOF;

TOGETHER WITH LOT 7 AND THE SOUTH 8 FEET OF LOTS 4, 5, AND 6 IN SAID BLOCK 5;

SITUATED IN THE CITY OF SEATTLE, COUNTY OF KING, STATE OF WASHINGTON.



March 1, 2007

NW Kidney Centers
Attn: Joyce Jackson
700 Broadway
Seattle, WA 98122

Re: First Amendment to Lease at 15th & Cherry LLC

Dear Joyce:

Enclosed for your files, please find one fully-executed original of the subject Amendment.

Sincerely,

15th & Cherry LLC,
by Sabey Corporation, Manager

A handwritten signature in blue ink, appearing to read "Annastina Sobole".

Annastina Sobole
Administrative Coordinator

Enclosure

cc: Suzanne Bissett, Assistant Controller (w/enc.)

g:\legal\wp\doc\NW Kidney Center\return signed amendment ltr.doc

FIRST AMENDMENT OF LEASE AGREEMENT

This First Amendment of Lease Agreement ("Amendment") is entered into by and between 15th & Cherry LLC, a Washington limited liability company ("Landlord"), as Landlord and Northwest Kidney Centers, a Washington non-profit corporation ("Tenant"), as Tenant, under that certain Lease Agreement ("Lease"), dated January 23, 2007, between the parties hereto.

RECITALS

A. Landlord and Tenant desire to amend the Lease to extend the date by which Tenant may request changes to the Landlord's Work in accordance with the terms and conditions contained herein.

B. Except as may be expressly provided otherwise in this Amendment, capitalized terms in this Amendment shall have the meaning given such terms in the Lease.

NOW, THEREFORE, in consideration of the mutual promises contained herein, Landlord and Tenant agree as follows:

1. Amendments.

1.1 The first sentence of the second paragraph of Exhibit C, Section II, Subsection I. (Modifications) is amended to provide that Tenant may request changes to the Landlord's Work on or before March 15, 2007 instead of March 1, 2007.

2. Entire Amendment. This Amendment sets forth the entire agreement of the parties with respect to the subject matter set forth herein and may not be modified other than by an agreement in writing signed by the parties hereto or their respective successors and interests.

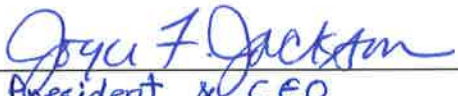
3. Acknowledgement. The parties hereto each acknowledge that except as expressly modified by this Amendment, all the terms and conditions of the Lease remain unchanged and are in full force and effect and enforceable in accordance with their terms. In the event of a conflict between the Lease and this Amendment, the terms and provisions of this Amendment shall control.

4. Execution. This Amendment may be executed in several counterparts and all so executed shall constitute one Amendment, binding on all the parties hereto even though all the parties are not signatories to the original or the same counterpart. Delivery of a facsimile or other copy of this Amendment has the same effect as delivery of an original.

DATED this 22nd day of February, 2007.

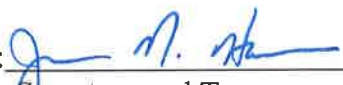
TENANT:

NORTHWEST KIDNEY CENTERS

By: 
Its: President & CEO

LANDLORD:

15TH & CHERRY LLC by Sabey Corporation,
Manager

By: 
Its: Secretary and Treasurer

**RIDDELL WILLIAMS P.S.**

1001 FOURTH AVENUE, SUITE 4500 | SEATTLE, WASHINGTON 98154-1192
206.624.3600 TELEPHONE | 206.389.1708 FACSIMILE
WWW.RIDDELLWILLIAMS.COM

206.389.1581
DBUCK@RIDDELLWILLIAMS.COM

February 15, 2007

Mr. Palmer Pollock
Planning Administrator
Northwest Kidney Centers
700 Broadway
Seattle WA 98122

Re: Sabey Lease/15th & Cherry

Dear Palmer:

Enclosed please find a Memorandum of Lease and Option executed by 15th & Cherry LLC. Please arrange to have the Memorandum executed and return it to me for recording. If you have any questions, please call.

Very truly yours,

David D. Buck
of
RIDDELL WILLIAMS P.S.

DDB/ap
Our File: 60123.10

Enclosure

MEMORANDUM OF LEASE AND OPTION

When Recorded, Return to:

David D. Buck
Riddell Williams P.S.
1001 Fourth Avenue, Suite 4500
Seattle, WA 98154

Grantor: 15th and Cherry LLC, a Washington limited liability company

Grantee: Northwest Kidney Centers, a Washington nonprofit corporation

Legal description (Abbreviated): Squire Park Add S 8 FT OF 4-5-6 & ALL 7

Complete legal descriptions contained in Exhibit A attached hereto.

Assessor's Tax Parcel Number: 794260-0707

1. Lease Agreement. Grantor and Grantee entered into that certain Lease Agreement (the "Lease Agreement"), dated January 23, 2007, concerning the real property (the "Property") located in King County, Washington, legally described in Exhibit A attached hereto and made a part hereof, whose terms and conditions are incorporated herein by this reference. The initial term of the Lease Agreement is for ten (10) years commencing on or about April 1, 2008; and Grantee has the option to extend the term of the Lease Agreement for five (5) additional periods of five (5) years each.
2. Right of First Refusal. Under the Lease Agreement, Grantee has a qualified right of first refusal to purchase the Property and such right is exercisable during the term of the Lease Agreement, as may be extended.
3. Purpose. This Memorandum is prepared for the purposes of recordation and to provide constructive notice of the Lease Agreement, and the right of first refusal to purchase the Property granted to Grantee thereunder, and it in no way modifies or amends the terms and conditions of the Lease Agreement. Provisions of this Memorandum should not be used in interpreting the provisions of the Lease Agreement. In the event of conflict

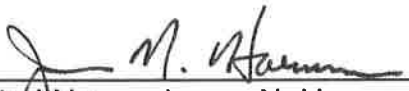
between this Memorandum and the Lease Agreement, the Lease Agreement shall control.

4. Amendment or Release Upon Termination. Grantee agrees to promptly execute and deliver to Grantor (a) a recordable release of this Memorandum upon termination of the Lease Agreement, or (b) an amendment to this Memorandum to reflect the terms of the Lease Agreement (for example, to make clear the commencement date).

GRANTOR:

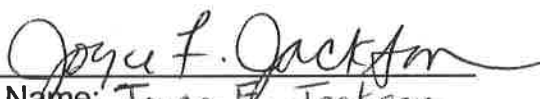
15TH AND CHERRY, LLC,
a Washington limited liability company

By: Sabey Corporation,
a Washington corporation,
Its: Manager

By: 
Printed Name: James N. Harmon
Title: Secretary & Treasurer

GRANTEE:

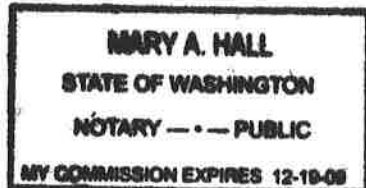
NORTHWEST KIDNEY CENTERS,
a Washington nonprofit corporation

By: 
Printed Name: Joyce F. Jackson
Title: President and CEO

STATE OF WASHINGTON)
) ss.
 COUNTY OF KING)

On this 5th day of February, 2007, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn as such, personally appeared James N. Harmon, to me known to be the Secretary & Treasurer of Sabey Corporation, Manager of 15th and Cherry LLC, a Washington limited liability company, the party that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said party for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal the day and year in this certificate first above written.



Mary A. Hall
 Printed Name: MARY A. HALL
 NOTARY PUBLIC in and for the State of
 Washington,
 residing at Seattle
 My commission expires: 12-19-07

STATE OF WASHINGTON)
) ss.
 COUNTY OF KING)

On this 21st day of February, 2007, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn as such, personally appeared Joyce E. Jackson, to me known to be the President & CEO of NORTHWEST KIDNEY CENTERS, the Washington nonprofit corporation that executed the within and foregoing instrument, and acknowledged the 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/she was authorized to execute said instrument.

WITNESS my hand and official seal the day and year in this certificate first above written.



Cheryl L. Lake
 Printed Name: Cheryl L. Lake
 NOTARY PUBLIC in and for the State of
 Washington,
 residing at Lake Forest Park
 My commission expires: 10-01-08

EXHIBIT A
TO
MEMORANDUM OF LEASE AND OPTION
LEGAL DESCRIPTION OF LAND

LOT 6 AND THE WEST 16 FEET OF LOT 5 IN BLOCK 5 OF SQUIRE PARK,
ADDITION TO THE CITY OF SEATTLE, AS PER PLAT RECORDED IN
VOLUME 8 OF PLATS, PAGE 6, RECORDS OF KING COUNTY;

EXCEPT THE SOUTH 8 FEET THEREOF;

TOGETHER WITH LOT 7 AND THE SOUTH 8 FEET OF LOTS 4, 5, AND 6 IN
SAID BLOCK 5;

SITUATE IN THE CITY OF SEATTLE, COUNTY OF KING, STATE OF
WASHINGTON



September 25, 2008

Northwest Kidney Centers
700 Broadway
Seattle, WA 98122
Attn: Scott N. Strandjord, VP-Finance & CFO

RE: 15th & Cherry LLC / Symetra Life Insurance Company / NW Kidney Center

Dear Mr. Strandjord,

Please find enclosed original documents pertaining to 15th & Cherry LLC's financing with Symetra Life Insurance Company, which closed on August 19, 2008:

1. Lease Commencement Memorandum;
2. Subordination, Non-Disturbance and Attornment Agreement.

Sincerely,

15th & CHERRY LLC,

By: Sabey Corporation, Manager

A handwritten signature in blue ink, appearing to read "Heather Cosby", written over a horizontal line.

Heather Cosby
Real Estate Acquisitions Associate

LEASE COMMENCEMENT MEMORANUM

THIS AGREEMENT, made this 7~~th~~ day of August, 2008, by and between 15th AND CHERRY LLC, a Washington limited liability company ("Landlord") and NORTHWEST KIDNEY CENTERS, a Washington nonprofit corporation (herein "Tenant").

Landlord and Tenant have entered into that certain Lease dated January 23, 2007, ("Lease") which was amended by the First Amendment dated February 22, 2007 and that certain Second Amendment dated June 6, 2007 for the Premised located at 548 15th Avenue, in Seattle, Washington. Landlord and Tenant wish to set forth their agreements as to the commencement of the term of this Lease.

For valuable consideration, the receipt of which is acknowledged, Landlord and Tenant agree as follows:

1. The initial term of this Lease commences on August 7, 2008 and Tenant's obligation to pay rent commences on September 1, 2008.
2. The Initial term of this Lease shall expire on March 31, 2024.

LANDLORD:

15th AND CHERRY LLC,
a Washington limited liability company

By: Sabey Corporation, a Washington
Corporation, its manager

By: Patricia A. Sewell
Patricia A. Sewell
Its: Sr.VP - Finance & Secretary

TENANT:

NW KIDNEY CENTERS,
a Washington nonprofit corporation

By: Gregory Jackson
Its: President and CEO

Date: AUGUST 7, 2008

WHEN RECORDED RETURN TO:

This Space Provided for Recorder's Use

Symetra Life Insurance Company
 Mortgage Loan Department
 PO Box 84066
 Seattle, Washington 98124-8466
 Loan No. SPLM1800

SUBORDINATION, NON-DISTURBANCE AND ATTORNMEN AGREEMENT

GRANTOR (LANDLORD): 15th & Cherry LLC, a Washington limited liability company

GRANTEE (TENANT): Northwest Kidney Centers, a Washington nonprofit corporation

GRANTEE (LENDER): Symetra Life Insurance Company, a Washington corporation

LEGAL DESCRIPTION (ABBREVIATED): PTN LOTS 5-7 BLK 5 SQUIRE PARK ADD, **ADDITIONAL LEGAL(S) ON PAGE 5**

ASSESSOR'S TAX PARCEL No. 7942600707 and 7942600710

THIS AGREEMENT, dated this 7th day of August, 2008, between **Symetra Life Insurance Company**, a Washington corporation, whose address for notices is PO Box 84066, Seattle, WA 98124-8466 (the "**Lender**"), and Northwest Kidney Centers, a Washington nonprofit corporation whose address for notices is Attn: Scott Strandjord, Vice-President of Finance and Administrative Services, 548 15th Avenue, Seattle, WA 98122 (the "**Tenant**") with respect to the real property located in King County, Washington more particularly described in Exhibit "A" attached hereto (the "**Property**").

WITNESSETH:

WHEREAS, Lender has made, or is about to make, a loan to 15th & Cherry LLC, a Washington limited liability company ("**Landlord**"), secured by a mortgage or deed of trust (the "**Deed of Trust**") and an assignment of leases and rents ("**Assignment of Leases**") with respect to the Property (the Deed of Trust, Assignment of Leases and any other documents evidencing or securing the loan are jointly referred to herein as the "**Loan Documents**"); and

WHEREAS, Tenant leases all or a portion of the Property pursuant to a lease between Landlord and Tenant dated January 23, 2007 (the "**Lease**") located at 548 15th Avenue, City of Seattle, Washington (the "**Premises**"); and

WHEREAS, the parties desire to subordinate the Lease to the lien of the Deed of Trust and set forth their agreement as to their respective rights and priorities with respect to the Lease; and

WHEREAS, Tenant has requested that Lender agree not to disturb Tenant's rights in the Premises in the event Lender should foreclose the Deed of Trust, provided no event of default under the Lease on the part of Tenant has occurred and is continuing, and Tenant attorns to Lender or to the purchaser at any foreclosure or trustee's sale of the Property.

NOW, THEREFORE, in consideration of the foregoing and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is hereby represented and agreed as follows:

1. **Subordination of Lease.** Notwithstanding any provision in the Lease to the contrary, the Lease and the leasehold estate created thereby and all of Tenant's rights under the Lease (including without limitation, any right, option or opportunity of Tenant to purchase the Property) are and shall at all times remain subject, subordinate and inferior (i) to the Deed of Trust and the lien thereof, and (ii) to all rights of Lender under the Deed of Trust, and (iii) to any and all renewals, modifications, consolidations, restructurings, replacements and extensions of the Deed of Trust and (iv) to any future deed of trust or mortgage affecting the Property held by or made for the benefit of Lender (and its successors and assigns) or (v) to any loan or loans made by Lender, or any subsequent increase, modification, replacement, consolidation, extension or refinancing of any such loan, if a purpose of such loan is to refinance the loan secured by the Deed of Trust. Tenant will not cause the Lease to be subordinated to any interests other than those held by Lender (and its successors and assigns) without notice to and written consent of Lender.

2. **Notice to Lender; Right to Cure.** Tenant agrees to deliver to Lender at the address set forth above (or such other addresses as may be designated from time to time in writing to Tenant by Lender), prompt written notice of any default by Landlord under the Lease which would entitle Tenant to cancel the Lease or abate the Rent payable thereunder. No such notice given on behalf of Tenant shall be effective unless Lender has received said notice and has failed within thirty (30) days of the date of receipt thereof to cure Landlord's default; however, Lender shall have no obligation to cure (and shall have no liability for not curing). Tenant further agrees to give written notice to any successor of Lender provided that such successor shall have given notice to Tenant of its acquisition of Lender's interest and the designated address to which such notices are to be sent.

3. **Tenant Acknowledgment of Assignment.** Tenant acknowledges that the Lease and the rent due under the Lease will be assigned to Lender pursuant to the Assignment of Leases as security for the loan secured by the Deed of Trust. If Lender notifies Tenant of a default by Landlord under the Loan Documents and demands that Tenant pay rent and all other sums due under the Lease to Lender, Tenant agrees to honor such demand and pay rent due under the Lease as directed by Lender.

4. **Attornment.** In the event of foreclosure of the Deed of Trust, or upon a sale of the Property pursuant to the trustee's power of sale contained in the Deed of Trust, or upon the transfer of the Property by conveyance in lieu of foreclosure (collectively a "**Transfer**"), so long as Tenant complies with this Agreement and no default has occurred and is continuing under the Lease, the Lease shall continue in full force and effect as a direct lease between the succeeding owner of the Property and Tenant, upon and subject to all of the terms, covenants and conditions of the Lease for the balance of the Lease term. Tenant agrees to attorn to and accept any such successor owner as landlord under the Lease, and to be bound by and perform all of the obligations imposed by the Lease, said attornment to be self-operative, without execution of any further instruments, upon a Transfer.

5. **Non-Disturbance.** Lender, and any successor owner of the Property resulting from a Transfer, will not disturb the possession of the Tenant, its successors and assigns, and will perform and be bound by all of the obligations imposed on the Landlord by the Lease for the balance of the term of the Lease and any extension or renewals thereof, so long as no event of default has occurred and is continuing which would entitle the Landlord to terminate the Lease, or would cause, without further action of the Landlord, the termination of the Lease or would entitle the Landlord to dispossess the Tenant from the Premises; provided, however, that neither Lender nor any successor owner of the Property resulting from a Transfer shall be (i) liable for any act or omission of a prior landlord, (ii) subject to any offsets or defenses which Tenant may have against any prior landlord (including Landlord), (iii) bound by any rent or additional rent which Tenant after the date of this Agreement may have paid in advance to any prior landlord (including Landlord) for a period in excess of one month or by any security deposit, cleaning deposit or other prepaid charge which Tenant might have paid after the date of this Agreement in advance to any prior landlord (including Landlord), unless such advance rent, deposit or charge has been delivered to Lender or approved by Lender, (iv) bound by any amendment or renewals or extensions thereof entered into after

the date of this Agreement which reduces the amount of rent, accelerates the payment of rent, shortens the original term or changes any renewal option, made without the consent of Lender, or (v) bound by any assignment or subletting, unless expressly permitted by the Lease.

6. **No Construction by Lender.** Lender shall have no obligation nor incur any liability for erection and completion of the building in which the Premises are located or for completion of any tenant improvements at the Premises for Tenant's use and occupancy.

7. **No Recourse to Lender.** Tenant agrees to look solely to the Premises for recovery of any judgment or damages from Lender (or from any successor of Lender) in connection with the Lease, and Tenant will not collect or attempt to collect any such judgment or damages out of any other assets of Lender.

8. **Notices.** All notices, requests and demands hereunder shall be in writing and deemed to have been duly given, served or received (i) if mailed, on the third day after deposit in the United States Mail, registered or certified, postage prepaid, return receipt requested, or (ii) if delivered by reputable commercial overnight courier (like Federal Express or similar firms), freight prepaid, the next business day after delivery to such courier, in each case addressed to the party at its address set forth herein (or at such other address as shall hereafter be designated in writing by the applicable party to the sender).

9. **Delivery of Certificates.** Tenant shall, from time-to-time, deliver such certificates as Lender shall request as to the continuance of the Lease in effect or as to payment of rents thereunder.

10. **No Lien on Trade Fixtures of Tenant.** None of the Loan Documents shall be construed as subjecting in any manner to the lien thereof, any trade fixtures, signs or other personal property at any time furnished or installed by Tenant or its subtenants or licensees on or within the portion of the Premises leased to Tenant, regardless of the manner or extent of attachment thereof.

11. **Binding Agreement.** This Agreement shall be binding upon the parties and their respective successors and assigns.

12. **Miscellaneous.** This Agreement supercedes any inconsistent provision in the Lease. Nothing in this Agreement shall be construed to derogate from or in any way impair or affect the lien and charge of the Deed of Trust.

13. **Counterparts.** This Agreement may be executed in separate counterparts all of which shall constitute a single instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year stated above.

"TENANT"

Northwest Kidney Centers, a Washington nonprofit corporation

By: Joyce L. Jackson
Its: President + CEO

"LENDER"

Symetra Life Insurance Company, a Washington corporation

By: Colin M. Elder
Colin M. Elder, Vice President

(all signatures must be acknowledged)

STATE OF WASHINGTON

) ss.

COUNTY OF KING

On 08-11-08 before me, Cheryl L. Lake, a Notary Public in and for said County and State, personally appeared Soyce F. Jackson, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Signature: Cheryl L. Lake
 Residing At: Lake Forest Park, WA
 My Commission Expires: 10-01-08



STATE OF WASHINGTON

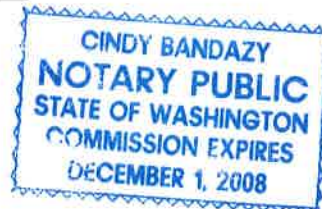
) ss.

COUNTY OF KING

On 08-13-08 before me, Cindy Bandazy, a Notary Public in and for said County and State, personally appeared Colin M. Elder, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Signature: Cindy Bandazy
 Residing At: Bothell, WA
 My Commission Expires: 12/1/08



**EXHIBIT "A" TO SUBORDINATION, NON-DISTURBANCE AND
ATTORNMENr AGREEMENT**

(Legal Description of Property)

Land and improvements situated in King County, Washington and described as follows:

LOT 6 AND THE WEST 16 FEET OF LOT 5 IN BLOCK 5 OF SQUIRE PARK ADDITION TO THE CITY OF SEATTLE, AS PER PLAT RECORDED IN VOLUME 8 OF PLATS, PAGE 6, RECORDS OF KING COUNTY;

EXCEPT THE SOUTH 8 FEET THEREOF;

TOGETHER WITH LOT 7 AND THE SOUTH 8 FEET OF LOTS 4, 5, AND 6 IN SAID BLOCK 5;

SITUATED IN THE CITY OF SEATTLE, COUNTY OF KING, STATE OF WASHINGTON.

AMENDMENT NO. 2
to
LEASE AGREEMENT
by and between
15th and CHERRY LLC
(as Landlord)
and
NORTHWEST KIDNEY CENTERS
(as Tenant)

Dated June 6, 2007

Amendment No. 2 to Lease Agreement

THIS AMENDMENT NO. 2 TO LEASE AGREEMENT ("Amendment") is made effective as of this 6 day of June, 2007 between 15th AND CHERRY LLC, a Washington limited liability company ("Landlord"), and NORTHWEST KIDNEY CENTERS, a Washington nonprofit corporation ("Tenant") for the purpose of amending that Lease Agreement by and between Landlord and Tenant dated January 23, 2007 (the "Lease").

IN CONSIDERATION of the mutual covenants contained herein, the parties agree as follows:

1. Amended Sections 1.7 and 1.8. Section 1.7 ("Expiration Date") and Section 1.8 ("Term") of the Lease are amended in their entirety to read as follows:

1.7 Expiration Date. "Expiration Date" shall mean the date that is fifteen (15) years and seven (7) months after the Commencement Date, unless sooner terminated or extended in accordance with this Lease.

1.8 Term. "Term" or "Lease Term" shall mean a period of fifteen (15) years and seven (7) months commencing on the Commencement Date and terminating on the Expiration Date, unless sooner terminated or extended in accordance with this Lease.

2. Amended Section 1.9. The last paragraph of Section 1.9 of the Lease is hereby deleted and the following eight (8) paragraphs shall be inserted at the end of Section 1.9 in its place:

"Base Rent" from the one hundred ninth (109) month through the one hundred twentieth (120) month shall mean \$57,229.17 per month.

"Base Rent" from the one hundred twenty-first (121) month through the one hundred thirty second (132) month shall mean \$58,659.90 per month.

"Base Rent" from the one hundred thirty third (133) month through the one hundred forty fourth (144) month shall mean \$60,126.40 per month.

"Base Rent" from the one hundred forty fifth (145) month through the one hundred fifty sixth (156) month shall mean \$61,629.56 per month.

"Base Rent" from the one hundred fifty seventh (157) month

through the one hundred sixty eighth (168) month shall mean \$63,170.30 per month.

"Base Rent" from the one hundred sixty ninth (169) month through the one hundred eightieth (180) month shall mean \$64,749.55 per month.

"Base Rent" from the one hundred eighty first (181) month through the one hundred eighty seventh (187) month shall mean \$64,750 per month.

Base Rent shall be payable as provided in Section 4.

3. Amended Section 3.2. In the second sentence of Section 3.2 ("Extension Option") the phrase "five (5) additional periods of five years" shall be revised to read "three (3) additional periods of five (5) years and one (1) additional period of four (4) years and five (5) months."

4. Amended Section 3.3. Shall be amended to read in its entirety as follows:

3.3 Base Rent During Option Term. In the event that Tenant elects to exercise its Option to extend the Term of this Lease in accordance with the terms of Section 3.2, the Base Rent for each Option Term shall equal the fair market rent of the Premises as of the commencement date of the applicable Option Term assuming a shell and core condition, without Tenant's Work or any other improvements made by Tenant, in comparable buildings for comparable use located on comparable sites in the First Hill region as determined by Landlord and Tenant; provided, however, that in no event shall the Base Rent during any Option Term (other than the Initial Option Term) be greater than \$64,750.00 per month or less than \$45,833.33 per month. For purposes of determining Base Rent under this Section 3.3, the Building shall be deemed to have a rentable area of 25,000 square feet. The adjusted Base Rent shall commence on and be payable on the first day of the Option Term and shall continue thereafter throughout the Option Term.

5. Except as expressly stated herein, all of the remaining terms and conditions of the Lease shall remain in full force and effect.

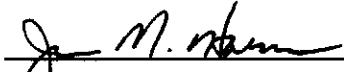

IN WITNESS WHEREOF this Amendment has been executed, effective as of the day and year first set forth above.

LANDLORD:

15TH AND CHERRY LLC,
a Washington limited liability company

By: Sabey Corporation, a Washington
corporation, its manager

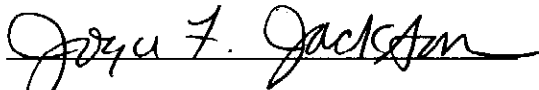
Date: ~~May~~ June 6, 2007

By: 
Its: 

TENANT:

NORTHWEST KIDNEY CENTERS,
a Washington nonprofit corporation

Date: May 23, 2007

By: 
Its: President and Chief Executive Officer

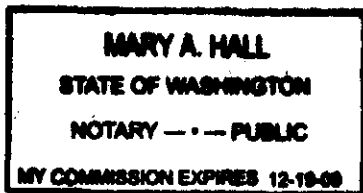
STATE OF WASHINGTON

)
) ss.
)

COUNTY OF KING

On this 6th day of June, 2007, before me personally appeared
James N. Harmon, to me known to be the
Treasurer of SABEY CORPORATION, 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/she/they was/were authorized to execute said instrument and that the seal affixed is
the corporate seal of said corporation.

In Witness Whereof I have hereunto set my hand and affixed my official seal the day and year
first above written.



Mary A. Hall
Notary Signature
MARY A. HALL
Print/Type Name
Notary Public in and for the State of Washington,
residing at Seattle
My commission expires 12-19-09

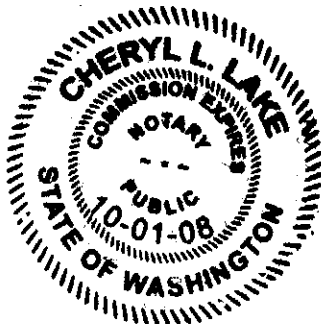
STATE OF WASHINGTON

)
) ss.
)

COUNTY OF KING

On this 23rd day of May, 2007, before me personally appeared
Joyce F. Jackson, to me known to be the
President & CEO of NORTHWEST KIDNEY CENTERS, 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/she/they was/were
authorized to execute said instrument and that the seal affixed is the corporate seal of said
corporation.

In Witness Whereof I have hereunto set my hand and affixed my official seal the day
and year first above written.



Cheryl L. Lake
Notary Signature
Cheryl L. Lake
Print/Type Name
Notary Public in and for the State of Washington,
residing at Lake Forest Park
My commission expires 10-01-08

PARKING LICENSE

This Parking License ("**License**") is entered into between Northwest Kidney Centers, a Washington non-profit corporation ("**NKC**"), and Jefferson Tower LLC, a Washington limited liability company ("**Jefferson**").

RECITALS

A. NKC and 15th and Cherry LLC, a Washington limited liability company ("**Adjacent Premises Landlord**"), are the Tenant and Landlord respectively pursuant to that Lease Agreement dated January 23, 2007 (the "**Adjacent Premises Lease**") encumbering the building located at 548-15th Avenue, Seattle, Washington (the "**Adjacent Premises**"). Adjacent Premises Landlord is affiliated with Jefferson.

B. Section 29 ("**Parking**") of the Adjacent Premises Lease (the "**Parking Provisions**") provides covenants and allocates rights and duties among NKC and Adjacent Premises Landlord regarding parking facilities for NKC's use. Section 29 is excerpted on Schedule A attached hereto.

C. Jefferson owns a parking garage located at 511 16th Avenue, in Seattle, WA (the "**Garage**") adjacent to the Adjacent Premises which is managed by Pacific Parking, LLC ("**Manager**"). The Garage is located on that real property legally described on Schedule B attached hereto (the "**Garage Property**"). The bottom floor of the Garage (the "**Zero Level**") is physically segregated from the rest of the Garage.

D. The parties wish to enter into this License in order to implement the terms of the Adjacent Premises License regarding NKC's parking rights.

IN CONSIDERATION of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows.

1. Term. This term of the License granted herein (the "**Term**") shall commence on May 10, 2009, and shall terminate upon the expiration or termination of the Adjacent Premises Lease. The Term may be terminated early by Jefferson to the extent Adjacent Premises Landlord would be permitted to terminate the Term early in accordance with the Parking Provisions, subject to all conditions precedent stated therein.

2. Handicapped Stalls. It is understood that there are no handicap parking stalls provided on the Zero Level and, as a result, the Zero Level is currently not ADA compliant. In order to accommodate the patient population served by NKC, parking arrangements on the Zero Level must be modified to add four (4) large size parking stalls (the "**Handicap Stalls**"). To accommodate the Handicap Stalls, the total number of parking spaces available on the Zero Level for the purposes of this Agreement will be reduced by Jefferson from sixty-seven (67)

stalls to sixty-five (65) stalls (the "**Reserved Stalls**"). The cost of making such modifications to the Zero Level shall be paid by Jefferson. If NKC wishes to make further modifications to the Zero Level to accommodate its patient population or employees, it shall submit a plan for comment/written approval from Jefferson. Jefferson shall not unreasonably withhold its consent to any commercially reasonable proposals made by NKC. The cost of making such further modifications shall be paid by NKC, unless otherwise agreed by the parties.

3. License. Jefferson hereby grants to NKC the exclusive right to use the Zero Level and all of the Reserved Stalls twenty-four (24) hours per day, seven (7) days per week, 365/366 days per year during the Term. The Reserved Stalls shall be used by the employees, agents, contractors, patients, vendors and invitees of NKC ("**NKC Users**"). The number of Reserved Stalls may be increased or decreased as provided in the Parking Provisions. Should NKC reduce the number of Reserved Stalls, as provided in the Parking Provisions, the Reserved Stalls shall be segregated from the total stalls located on the Zero Level. Jefferson shall cause Manager to manage the Garage in such a manner that causes access to the Zero Level to be limited for the exclusive use of the NKC Users.

4. Garage Maintenance and Management. Prior to the commencement of the Term, Jefferson shall cause Zero Level to be in compliance with all applicable governmental laws, codes and regulations and applicable property restrictions, shall cause Zero Level to be prepared and striped for use by NKC, and shall cause to be installed an entrance gate and a dedicated card reader system for controlled access to the Zero Level. Jefferson shall maintain and shall cause Manager to maintain the Garage, the gate and the card reader system in a clean, neat, safe, and well lighted condition and in good repair. Jefferson shall manage and cause Manager to manage the Garage and Zero Level in a way that permits NKC full use and enjoyment of the Zero Level during the Term and which grants NKC the rights, privileges and benefits granted by Adjacent Premises Landlord to NKC under the Parking Provisions. Jefferson reserves the right to change Garage managers upon written notice to NKC. Manager may require NKC Users to display hang tags or other means of identification in the vehicles being parked in the Reserved Stalls to identify them as authorized NKC Users. Jefferson and Manager accept no responsibility for loss, theft, or damage of any kind to any NKC Users' vehicles or their contents that is not caused by the negligence or willful misconduct of Jefferson or Manager or their employees, agents or contractors. NKC may install at its expense a badge reading system.

5. Fee. NKC shall pay a monthly license fee (the "**Reserved Fee**") to Jefferson equal to Thirteen thousand dollars (\$13,000) (the "**Base Rate**") in advance on or before the first day of each month of the Term. The Reserved Fee for the month of May 2009 shall be prorated to reflect a May 10, 2009 commencement date for the Term, and the initial Reserved fee shall be paid prior to May 10, 2009. Jefferson warrants that it is authorized by Adjacent Premises Landlord to collect the compensation owed by NKC for the Zero Level under the Parking Provisions. The monthly Reserved Fee shall be increased to: 109% of the Base Rate commencing May 1, 2012; 118% of the Base Rate commencing May 1, 2015; 127% of the Base Rate commencing May 1, 2018; 136% of the Base Rate commencing May 1, 2021; and in such

9% increments every three years thereafter on May 1 until the expiration of the Term. Both parties agree that the Base Rate has been negotiated based on leasing the entire Zero Level; any requested reduction in stalls by NKC will be accommodated by Jefferson but a new rate will be established at the then market rate per the Parking Provisions. NKC shall deliver Reserved Fee payments to Manager at 99 South Jackson, Suite 200 Seattle, WA 98104, or at such other address as Jefferson or Manager shall require by written notice to NKC. Manager will deliver to NKC a monthly invoice for the monthly Reserved Fee in advance of the monthly Reserved Fee due date. Payment received after the first day of each month will be considered late and NKC will be assessed a late fee equal to one percent of the invoiced amount. NKC shall be entitled to two grace periods per calendar year until the fifth of the month without penalty.

6. Reserved Lease Rate: The Base Rate described in Section 5 does not include sales tax or City of Seattle Parking Tax ("**Sales/Parking Tax**"). Jefferson shall use commercially reasonable efforts to oppose imposition of any Sales/Parking Tax which any taxing authority asserts. NKC agrees to pay for its defense and any Sales/Parking Tax ultimately assessed.

7. Priority of License. This License shall run with the land and be binding on successor owners and transferees of the Garage Property. It shall be superior to any foreclosable title encumbrances affecting the Garage Property except for encumbrances held by secured parties who have entered into subordination and non-disturbance agreements acceptable to NKC.

8. Operating Costs, Insurance and Taxes. NKC shall pay \$210 monthly (the "**Expense Charge**") in addition to the Reserved Fee as NKC's share of all operating costs, taxes and insurance related to the Garage and the Garage Property. The Expense Charge will be increased 9% every three years using the same schedule as the "Base Rate" adjustments in Section 5.

9. Indemnification of Jefferson Tower. NKC, at its sole cost and expense, shall indemnify, defend and hold harmless Manager and Jefferson and their subsidiaries, parent corporations, shareholders, members, managers, directors, officers, employees, partners, affiliates, and agents (the "**Jefferson Parties**") from any and all claims for property damage, personal injury, or death, to the extent caused by the negligence or willful misconduct of NKC in regard to its usage of the Garage. Nothing herein shall require NKC to protect the Jefferson Parties from any losses, claims, liabilities, costs or expenses caused by the negligent, intentional or willful acts or omissions of any of the Jefferson Parties.

10. Indemnification of NKC. Jefferson, at its sole cost and expense, shall indemnify, defend and hold harmless NKC and its directors, officers, employees, partners, subsidiaries, affiliates, and agents (the "**NKC Parties**") from any and all claims for property damage, personal injury, or death, to the extent caused by the negligence or willful misconduct of any of the Jefferson Parties in regard to the operation of the Garage. Nothing herein shall require Jefferson to protect the NKC Parties from any losses, claims, liabilities, costs or expenses caused by the negligent, intentional or willful acts or omissions of any of the NKC Parties.

11. Insurance. Jefferson shall carry and maintain during the Term such insurance as shall be required of it by its lender. Jefferson shall provide proof of Jefferson's insurance coverage to NKC upon demand.

12. Assignment. NKC shall have the right to assign this Agreement without Jefferson's consent to any entity directly or indirectly owned or controlled by, or under the common control with, NKC. NKC shall give written notice of any such assignment to Jefferson. NKC shall not assign this Agreement or its rights hereunder to any individual or entity without the prior written consent of Jefferson, which consent Jefferson may grant or withhold in its sole and absolute discretion, and any such assignment without Jefferson's consent shall be null and void *ab initio*. In the event of any permitted assignment by Jefferson, any assignee shall assume any and all obligations and liabilities of NKC under this Agreement but, notwithstanding such assumption, NKC shall continue to be liable hereunder. However, in the event that Jefferson decides to sell the property, this Agreement may be assigned to the new real property owner upon recordation of the conveyance deed.

13. Relocation. The parking facilities provided by Jefferson to NKC under this Agreement may be relocated by Adjacent Property Landlord or by Jefferson as permitted under the Parking Provisions, subject to all conditions precedent stated therein.

14. Notices. All notices under this Agreement shall be in writing and delivered in person or sent by registered or certified mail, postage prepaid, or by facsimile, or by private overnight courier to NKC, Jefferson and Manger when needed, at their respective Notice Addresses set forth below each party's signature, or such other addresses as may from time to time be designated by any such party in writing. Notices mailed as provided in this Section shall be deemed given and received on the date that is three (3) business days following the date of post mark, in the case of mailing, or the date of transmission confirmation by the sender's facsimile machine, in the case of facsimile transmission, or email, in the case of email scan transmission, or one (1) day after deposit with a private overnight courier.

15. Applicable Laws. This Agreement is subject to all applicable zoning ordinances and to all municipal, county, state and federal laws and regulations governing or regulating the use of the Parking Garages.

16. Entire Agreement. This Agreement contains all covenants and agreements between Jefferson and NKC relating in any manner to the licensing, use and occupancy of the Parking Stalls in the Garage and this Agreement shall not be altered, modified or added to except in writing signed by Jefferson and NKC.

NORTHWEST KIDNEY CENTER

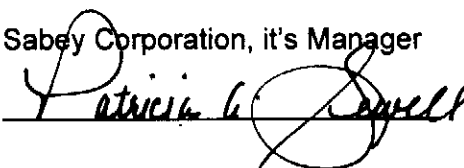
By:



JEFFERSON TOWER LLC,

By Sabey Corporation, it's Manager

By:



4

Its: President & CEO
Date: May 14, 2009

Northwest Kidney Centers
700 Broadway
Seattle, WA 98122
Attn: Scott N. Strandjord
Fax: 206- 320-3153

Its: TREASURER & SECRETARY
Date: May 20, 2009

Sabey Corporation
12201 Tukwila International Blvd., 4th Floor
Seattle, WA 98168-5121
Attn: Sr. VP Real Estate & Sr. VP Property
Operations
Fax: 206-282-9951

SCHEDULE A

Parking Rights and Obligations (excerpted from Adjacent Premises Lease)

29. **PARKING.** Throughout the Term (as may be extended), Landlord shall arrange for Tenant to be allowed to park in not less than fifty-five (55) parking stalls located within 1,000 feet of the nearest portion of the Premises. Initially, the parking stalls shall be located on the "O" level of the parking garage located south of the Premises, with an entrance located on 15th Avenue (the "Initial Parking Location"). Tenant shall pay Landlord monthly the then market rent for the number of stalls provided by Landlord to Tenant from time to time under this Section 29. The parking stalls may be used by Tenant and its employees, patients, invitees, agents and others for parking. Tenant's parking payments shall be payable on the first day of every month during the Lease term and shall constitute Additional Rent under this Lease.

There are presently sixty-seven (67) parking stalls located at the Initial Parking Location. Landlord shall provide Tenant the number of parking passes requested by Tenant from time to time for the parking stalls at the Initial Parking Location, provided that Tenant shall not be entitled to the use of more than fifty-five (55) parking stalls at any given time without Landlord's prior written consent (regardless of the number of parking passes provided to Tenant). Landlord shall not permit more than twelve (12) stalls in the Initial Parking Location to be utilized by third parties at any time that Tenant has been allocated fifty-five (55) parking stalls under this Section 29. Landlord agrees that Tenant's parking stalls shall be located at the Initial Parking Location for the initial ten (10) year Lease term, and thereafter until the earlier to occur of: (i) a sale of such parking garage; (ii) redevelopment of the property where such parking garage is located in a manner that will interrupt or prohibit future parking at the Initial Parking Location, or (iii) casualty loss or taking that prevents Landlord from making the requisite number of parking stalls available to Tenant at the Initial Parking Location. If Landlord is not able to make 55 parking stalls available to Tenant at the Initial Parking Location (or such lesser amount as Tenant may require from time to time), at any time after expiration of the initial ten (10) year Lease term, then Landlord and [17th & James] LLC agree to provide Tenant with 55 parking stalls (or such lesser amount as Tenant may require from time to time) within 1,000 feet of the nearest portion of the Premises.

Upon Tenant's request therefor, Landlord shall use diligent efforts to arrange for Tenant to be allowed to use additional parking stalls located in the parking facility for the then market rent, but Landlord makes no representations or warranties to Tenant regarding Landlord's ability to provide more than 55 spaces to serve the Premises. Use of the parking stalls shall be subject to such reasonable market rate charges, and such reasonable rules and regulations, as the operator of the parking garage may adopt and amend from time to time. A default by Tenant or by the parking garage operator under the parking garage lease that is not cured within any applicable cure period shall be a default by such party (or in the case of the parking garage operator, a default by Landlord) under this Lease.

As part of Tenant's Work, Tenant shall, at Tenant's expense: (i) install a sign over the entrance to the Initial Parking Location, indicating that such entrance is the entrance for the Northwest Kidney Center parking (the parking garage entrance sign shall also be subject to the terms of Section 16 of the Lease); and (ii) install and maintain a dedicated card reader system regulating access by Tenant to the Initial Parking Location.

Tenant shall initially utilize and pay for 55 parking stalls at the Initial Parking Location. During the term of this Lease, upon ninety (90) days prior notice from Tenant, Tenant may reduce and add parking spaces, provided that in no event shall Landlord be obligated to provide more than 55 parking spaces to Tenant. Tenant shall pay for only those parking spaces it is requiring that Landlord provide on a monthly basis.

Landlord shall, at its expense, install such signage or other markings as are necessary to indicate that 12 parking spaces in the Initial Parking Location are not available for Tenant's use, and are dedicated to use by third parties. The 12 parking spaces that are not available for Tenant's use at the Commencement Date shall be located adjacent to the stairwell. If Tenant notifies Landlord that it will utilize less than 55 parking spaces, then for each parking space below the 55 initially allocated spaces that Tenant does not utilize, Landlord may provide signage or otherwise mark that such spaces are also available for third party use.

Landlord shall maintain the Initial Parking Location, and any substitute parking location, in good condition and repair, and Tenant shall pay Landlord Tenant's Pro Rata Parking Share of the cost of maintaining the parking facilities in good condition and repair. The costs of garage cleaning, striping, relamping, and similar maintenance and repair costs shall be charged to Tenant based on the number of parking spaces allocated to Tenant, in a proportion of the total number of parking spaces for which such repair and maintenance costs are incurred ("Tenant's Pro Rata Share").

SCHEDULE B**Garage Property Legal Description**

Exhibit 11
King County Assessor Information

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Reference Links:

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- [King County Tax Links](#)
- [Property Tax Advisor](#)
- [Washington State Department of Revenue \(External link\)](#)
- [Washington State Board of Tax Appeals \(External link\)](#)
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Notice mailing date:
06/02/2022

PARCEL

Parcel Number	794260-0707
Name	15TH & CHERRY LLC
Site Address	548 15TH AVE 98122
Legal	SQUIRE PARK ADD S 8 FT OF 4-5-6 & ALL 7

BUILDING 1

Year Built	2010
Building Net Square Footage	31851
Construction Class	STRUCTURAL STEEL
Building Quality	AVERAGE
Lot Size	6144
Present Use	Medical/Dental Office
Views	No
Waterfront	

TOTAL LEVY RATE DISTRIBUTION

Tax Year: 2022 Levy Code: 0010 Total Levy Rate: \$8.82940 Total Senior Rate: \$5.08826

59.50% Voter Approved

[Click here to see levy distribution comparison by year.](#)

TAX ROLL HISTORY

Valued Year	Tax Year	Appraised Land Value (\$)	Appraised Imps Value (\$)	Appraised Total (\$)	Appraised Imps Increase (\$)	Taxable Land Value (\$)	Taxable Imps Value (\$)	Taxable Total (\$)
2022	2023	1,413,100	9,187,200	10,600,300	0	0	0	0
2021	2022	1,413,100	7,452,800	8,865,900	0	0	0	0
2020	2021	1,474,500	7,433,100	8,907,600	0	0	0	0
2019	2020	1,290,200	7,235,900	8,526,100	0	0	0	0
2018	2019	1,290,200	6,986,000	8,276,200	0	0	0	0
2017	2018	983,000	6,740,400	7,723,400	0	0	0	0
2016	2017	706,500	6,931,600	7,638,100	0	0	0	0
2015	2016	706,500	6,808,000	7,514,500	6,808,000	0	0	0
2014	2015	706,500	6,808,000	7,514,500	6,808,000	0	0	0
2013	2014	706,500	0	706,500	0	0	0	0
2012	2013	706,500	0	706,500	0	0	0	0
2011	2012	706,500	0	706,500	0	0	0	0
2010	2011	706,500	0	706,500	0	706,500	0	706,500
2009	2010	706,500	0	706,500	0	706,500	0	706,500
2008	2009	706,500	0	706,500	0	706,500	0	706,500
2007	2008	614,400	0	614,400	0	614,400	0	614,400
2006	2007	399,300	0	399,300	0	399,300	0	399,300
2005	2006	337,900	0	337,900	0	337,900	0	337,900

2004	2005	184,300	1,000	185,300	0	184,300	1,000	185,300
2003	2004	184,300	1,000	185,300	0	184,300	1,000	185,300
2002	2003	245,700	1,000	246,700	0	245,700	1,000	246,700
2001	2002	153,600	1,000	154,600	0	153,600	1,000	154,600
2000	2001	153,600	1,000	154,600	0	153,600	1,000	154,600
1999	2000	153,600	1,000	154,600	0	153,600	1,000	154,600
1998	1999	153,600	1,000	154,600	0	153,600	1,000	154,600
1997	1998	0	0	0	0	153,600	1,000	154,600
1996	1997	0	0	0	0	153,600	1,000	154,600
1994	1995	0	0	0	0	153,600	1,000	154,600
1992	1993	0	0	0	0	276,500	100	276,600
1990	1991	0	0	0	0	54,400	37,600	92,000
1988	1989	0	0	0	0	41,400	14,300	55,700
1986	1987	0	0	0	0	41,400	19,600	61,000
1984	1985	0	0	0	0	33,700	26,500	60,200
1982	1983	0	0	0	0	33,700	26,500	60,200

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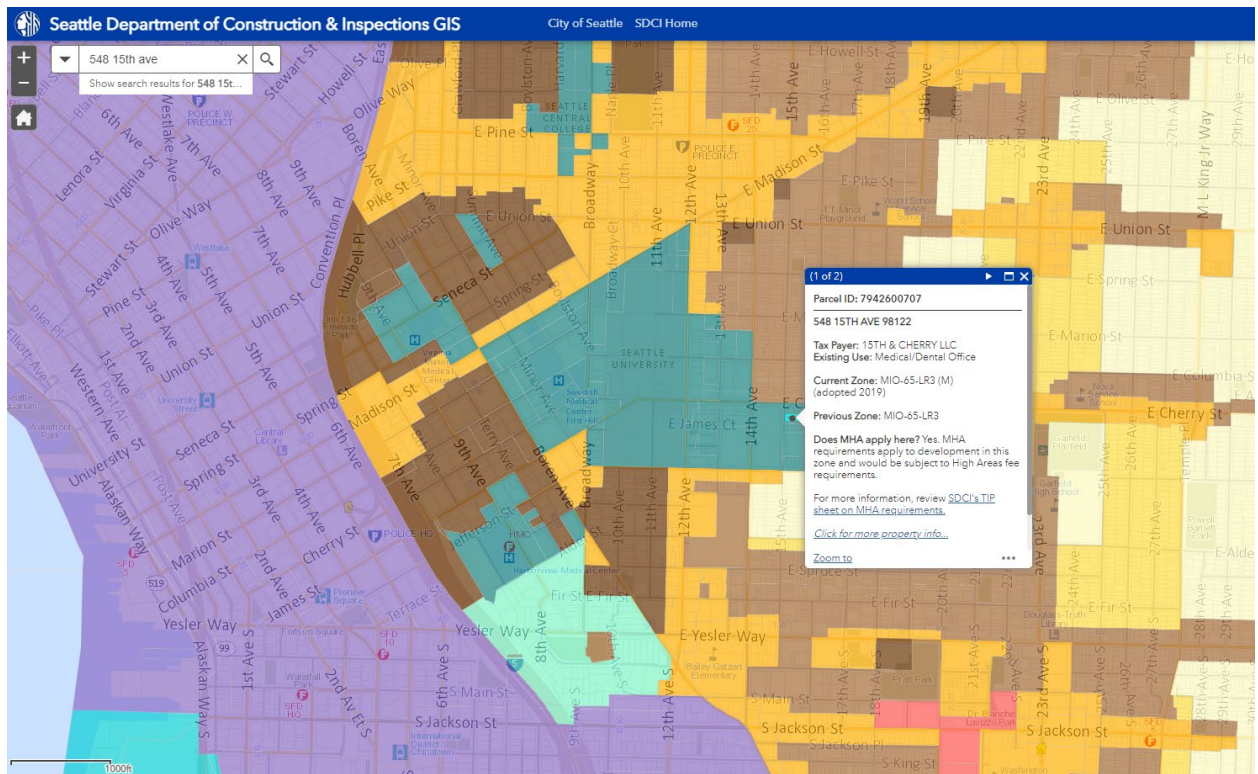


Exhibit 12
Key Staff Names and Licenses

Name	Job Title Description	License/ Certification Description	License/ Certification ID	Expiration Date
Ainslie, Christopher	Dialysis Technician II	Medical Assistant Hemodialysis Technicia	HT60701112	03/20/2023
Ainslie, Christopher	Dialysis Technician II	National Certification Test		10/31/2023
Alfonso, Maria	PerDiem Staff Nurse	Registered Nurse	RN60687695	08/17/2023
Amenu, Yohannes B	Dialysis Technician II	Medical Assistant Hemodialysis Technicia	HT60378636	03/20/2024
Amenu, Yohannes B	Dialysis Technician II	National Certification Test		07/31/2024
Bedaso, Girma E	Dialysis Technician II	Medical Assistant Hemodialysis Technicia	HT60365728	07/23/2024
Bedaso, Girma E	Dialysis Technician II	National Certification Test		10/31/2025
Bibit, Charlie	Receptionist/ Transporter	No Certification Required		
Bonus-Lynch, Ronalyn	Clinical Unit Coordinator	No Certification Required		
Bui, Todd	Registered Nephrology Nurse	Registered Nurse	RN60567369	02/10/2023
Carpio, Jonalyn	PerDiem Staff Nurse	Registered Nurse	RN60928401	01/24/2023
Cassidy, Renin	RD Home Programs Lead	Certified Dietitian	952802	08/31/2026
Cassidy, Renin	RD Home Programs Lead	Certified Dietitian	DI61284790	11/29/2023
Chu, Grace M	Registered Nephrology Nurse	Registered Nurse	RN00176179	09/05/2023
Clemente, Isagani	Registered Nephrology Nurse	Registered Nurse	RN00154824	07/31/2023
Cruz, Nino Rey M	Dialysis Technician II	Medical Assistant Hemodialysis Technicia	HT60374399	01/06/2024
Cruz, Nino Rey M	Dialysis Technician II	National Certification Test		10/31/2024
Epong, Oana	Registered Nephrology Nurse	Registered Nurse	RN60740030	03/20/2023
Fateiger, Ralph	Assistant Nurse Manager (remote)	Registered Nurse	RN60301088	01/30/2023
Gerhardt, Roxanne Marie	Registered Nephrology Nurse	Registered Nurse	RN00135705	01/04/2023
Hall, Danica C	PerDiem Staff Nurse	Registered Nurse	RN60825117	11/30/2022
Hamasaki, Yuko	Main Desk Receptionist	No Certification Required		
Howard, Concepcion	Dialysis Technician II	Medical Assistant Hemodialysis Technicia	HT60364018	12/08/2023
Howard, Concepcion	Dialysis Technician II	National Certification Test		03/31/2025

Name	Job Title Description	License/ Certification Description	License/ Certification ID	Expiration Date
Howard, Erin Michael	Receptionist/Transporter	No Certification Required		
Ireland, Matthew	Receptionist/Transporter	No Certification Required		
Ireland, Teresita	PerDiem Dialysis Tech II	Medical Assistant Hemodialysis Technicia	HT60393589	10/01/2023
Ireland, Teresita	PerDiem Dialysis Tech II	National Certification Test		06/30/2025
Jalalian, Rougin	Receptionist/Transporter	No Certification Required		
Pending	Dialysis Technician II	Medical Assistant Hemodialysis Technicia		Pending
Jones, Willow Clearwater	Dialysis Technician II	National Certification Test		08/21/2023
Lay, Phaylorn	Nurse Supervisor	Registered Nurse	RN00159681	07/03/2023
Lewis, Roy William	Dialysis Technician II	Medical Assistant Hemodialysis Technicia		Pending
Lewis, Roy William	Dialysis Technician II	National Certification Test		04/08/2023
Marilao, Janice	Dialysis Technician II	National Certification Test		06/06/2021
Marilao, Janice	Dialysis Technician II	Medical Assistant Hemodialysis Technicia	HT61113692	01/06/2024
Marin, Charles George Andra	Dialysis Technician II	Medical Assistant Hemodialysis Technicia		Pending
Marin, Charles George Andra	Dialysis Technician II	National Certification Test		10/23/2023
McGinnity, Mike Alan	Clinic Manager- non Nurse	No Certification Required		
Mulugeta, Ruth	Dialysis Technician II	Medical Assistant Hemodialysis Technicia		03/26/2023
Mulugeta, Ruth	Dialysis Technician II	National Certification Test		02/26/2024
Nalivayko, Tatyana	PerDiem Staff Nurse	Registered Nurse	RN61037974	04/12/2023
Odo, Al John	PerDiem Dialysis Tech II	Medical Assistant Hemodialysis Technicia	HT61103588	07/11/2023
Odo, Al John	PerDiem Dialysis Tech II	National Certification Test		06/30/2024
Page, Andrew D	Receptionist/Transporter	No Certification Required		
Quitog, Charisma	Registered Nephrology Nurse	Registered Nurse	RN00172514	08/12/2023
Ragas, Cielo	Licensed Practical Nurse	Licensed Practical Nurse	LP00052137	02/26/2023
Ratray, Breanna Anika	Dialysis Technician II	Medical Assistant Hemodialysis Technicia		Pending
Ratray, Breanna Anika	Dialysis Technician II	National Certification Test		07/07/2023
Ripley, Maria	Dialysis Technician II	Medical Assistant Hemodialysis Technicia	HT60371670	05/01/2024

Name	Job Title Description	License/ Certification Description	License/ Certification ID	Expiration Date
Ripley, Maria	Dialysis Technician II	National Certification Test		10/31/2024
Rodelas, Jose	Receptionist/Transporter	No Certification Required		
Salvador, Angelica	Registered Nephrology Nurse	Registered Nurse	RN61127005	01/20/2023
Shakya, Upasana	Registered Nephrology Nurse	Registered Nurse	RN61266881	05/11/2023
Singh, Aman	PerDiem Staff Nurse	Registered Nurse	RN60926039	02/28/2023
Singleton, Pamela	Licensed Practical Nurse	Licensed Practical Nurse	LP60483780	06/14/2023
Velasco, Alyanna	Dialysis Technician II	Medical Assistant Hemodialysis Technicia	HT60984026	10/15/2023
Velasco, Alyanna	Dialysis Technician II	National Certification Test		11/30/2023
Whatley, Donatella Janelle	Dialysis Technician II	Medical Assistant Hemodialysis Technicia		Pending
Whatley, Donatella Janelle	Dialysis Technician II	National Certification Test		07/07/2023
Zablan, Cherryl Anne	Dialysis Technician II	Medical Assistant Hemodialysis Technicia	HT60718128	03/19/2023
Zablan, Cherryl Anne	Dialysis Technician II	National Certification Test		11/30/2023
Zablan, Melissa Cruz	Clinical Unit Coordinator	No Certification Required		
Zamora, Aldwin	Dialysis Technician II	Medical Assistant Hemodialysis Technicia	HT60821342	01/26/2023
Zamora, Aldwin	Dialysis Technician II	National Certification Test		10/31/2024
Shanaman, Elizabeth	Nutrition & Fitness Services Manager	Registered Dietitian	837806	03/31/2023
Shanaman, Elizabeth	Nutrition & Fitness Services Manager	Dietitian Certification	DI00001955	04/12/2023
Mak, Lilian	Social Worker	SW Associate Independent Clinical	SC61314352	06/28/2023
Ruiz, Yesenia	Social Worker	SW Associate Independent Clinical	SC61083948	08/10/2023
Ocampo, Raul*	Facility Systems Specialist	National Certification Test		12/31/2023
Ocampo, Raul*	Facility Systems Specialist	Medical Assistant Hemodialysis Technicia	HT60375313	07/20/2024

*Only for his Dialysis Tech work is this required

Exhibit 13
Mutual Aid Plan

Mutual Aid Plan for Provision of Dialysis Services

Introduction and Background

Dialysis providers are susceptible to disasters and either 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.

Mutual Aid Plan for Provision of Dialysis Services

- 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.
- 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

Mutual Aid Plan for Provision of Dialysis Services

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.

Mutual Aid Plan for Provision of Dialysis Services

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.

Mutual Aid Plan for Provision of Dialysis Services

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

Mutual Aid Plan for Provision of Dialysis Services

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

Mutual Aid Plan for Provision of Dialysis Services

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.

Mutual Aid Plan for Provision of Dialysis Services

- 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.

Mutual Aid Plan for Provision of Dialysis Services

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

Mutual Aid Plan for Provision of Dialysis Services

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

Mutual Aid Plan for Provision of Dialysis Services Signatory Documentation Sheet

IN WHITNESS 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:

Organization: Puget Sound Kidney Centers

Signed: [Signature]

Printed: HAROLD Kelly

Title: PRESIDENT & CEO

Date: 3/24/21

Organization: Northwest Kidney Centers

Signed: [Signature]

Printed: Rebecca Fox

Title: President and CEO

Date: 3/23/2021

Organization: Olympic Peninsula Kidney Center

Signed: [Signature]

Printed: HAROLD Kelly

Title: PRESIDENT & CEO

Date: 3/24/21

Organization: Seattle Children's Hospital

Signed: [Signature]

Printed: Bonnie Pryzlewicz

Title: Vice President, Patient Care & CNO

Date: 3/31/21

The document will be reconfirmed as needed.

Mutual Aid Plan for Provision of Dialysis Services

Exhibit 1 – Contacts

(Refer to NW Renal Network, Medicare.gov, or corresponding organizational websites for current listings of dialysis locations)

Puget Sound Kidney Centers

Primary Contact Name: Amanda Crain, COO

Phone: (Cell) 425-328-6388

Secondary Contact Name: Aaron Herold, CAO

Phone: (Cell) 425-309-2001

Olympic Peninsula Kidney Center

Primary Contact Name: Amanda Crain, COO

Phone: (Cell) 425-328-6388

Secondary Contact Name: Aaron Herold, CAO

Phone: (Cell) 425-309-2001

Northwest Kidney Centers

Primary Contact Name:

Phone:

Secondary Contact Name:

Phone:

Seattle Children's Hospital

Primary Contact Name: *Bonnie Fryzlewicz*

Phone: *206-987-4480*

Secondary Contact Name:

Phone: *cell 206-794-8307*

Ruth Mc Donald

206-987-1518.

*Chief Medical Operations
Officer*

cell 206-356-7111.

Mutual Aid Plan for Provision of Dialysis Services

Exhibit 1 – Contacts

(Refer to NW Renal Network, Medicare.gov, or corresponding organizational websites for current listings of dialysis locations)

Puget Sound Kidney Centers

Primary Contact Name: Amanda Crain, COO

Phone: (Cell) 425-328-6388

Secondary Contact Name: Aaron Herold, CAO

Phone: (Cell) 425-309-2001

Olympic Peninsula Kidney Center

Primary Contact Name: Amanda Crain, COO

Phone: (Cell) 425-328-6388

Secondary Contact Name: Aaron Herold, CAO

Phone: (Cell) 425-309-2001

Northwest Kidney Centers

Primary Contact Name: Liz McNamara

Phone: 253-569-1668

Secondary Contact Name: Administrator on call

Phone: 206-969-1249

Seattle Children's Hospital

Primary Contact Name: Bonnie Fryzlewicz, CNO

Phone: 206-987-4480

Secondary Contact Name: Ruth McDonald, CMO

Phone: 206-987-1518

Cell: 206-356-7111

Contacts updated as of 6.8.2021

**Exhibit 14 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 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 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	

Appendix 1
Audited Financial Statements



Consolidated Financial Statements

For the Year Ended June 30, 2019

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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, 2019, 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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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, 2019, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2018.

In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 25 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.

Clark Nuber P.S.

Certified Public Accountants
September 26, 2019

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Financial Position

June 30, 2019

(With Comparative Totals for 2018)

	2019	2018
Assets		
Current Assets:		
Cash and cash equivalents	\$ 6,892,040	\$ 7,836,424
Current portion of receivables, net (Note 2)	20,917,074	22,002,417
Third party settlements receivable (Note 3)	1,509,387	2,298,750
Inventories	1,286,177	1,283,182
Prepaid expenses	1,017,347	477,412
Total Current Assets	31,622,025	33,898,185
Investments (Note 4)	59,131,354	59,693,599
Assets limited as to use:		
Pledges for the acquisition of long-term assets (Note 2)	1,564,190	1,691,853
Board-designated endowment investments	3,590,629	3,557,611
Donor-restricted endowment investments	3,169,703	2,927,143
Deposits	170,680	170,680
Deferred compensation investments (Note 9)	897,255	807,478
Beneficial interest in split-interest agreements (Notes 4 and 5)	1,582,084	1,836,172
Property and equipment, net (Note 6)	92,204,342	51,547,425
Total Assets	\$ 193,932,262	\$ 156,130,146
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 4,189,619	\$ 4,724,128
Construction payables	9,196,188	5,704
Current portion of pledge to the University of Washington (Note 11)	1,400,041	1,584,872
Accrued expenses	7,742,891	7,565,470
Current portion of long-term debt (Note 7)	2,714,626	486,792
Total Current Liabilities	25,243,365	14,366,966
Deferred compensation (Note 9)	897,255	807,478
Deferred tenant leasehold allowance (Note 10)	1,893,761	972,754
Deferred rent (Note 10)	1,459,554	1,426,939
Long-term pledge to the University of Washington, net of current portion (Note 11)	2,600,000	3,600,000
Interest rate swap contract (Note 8)	3,659,538	814,404
Long-term debt, net (Note 7)	34,702,968	11,964,156
Total Liabilities	70,456,441	33,952,697
Net Assets:		
Without donor restrictions-		
Undesignated	111,674,831	110,951,172
Board designated (Note 12)	3,590,629	3,557,611
Total net assets without donor restrictions	115,265,460	114,508,783
Net assets with donor restrictions	8,210,361	7,668,666
Total Net Assets	123,475,821	122,177,449
Total Liabilities and Net Assets	\$ 193,932,262	\$ 156,130,146

See accompanying notes.

NORTHWEST KIDNEY CENTERS

**Consolidated Statement of Activities
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)**

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
Revenues and Support:				
Net patient service revenue (Note 2)	\$ 129,547,705	\$ -	\$ 129,547,705	\$ 126,393,026
Contributions	1,009,240	1,451,392	2,460,632	1,734,192
Gain on disposition of fixed assets	27,011		27,011	22,451
Investment income and realized gains on investments, net (Note 5)	2,067,766		2,067,766	7,121,878
Net assets released from restrictions for program purposes	1,452,151	(1,452,151)		
Total Revenues and Support	134,103,873	(759)	134,103,114	135,271,547
Expenses:				
Program services	115,347,895		115,347,895	106,858,934
Management and general	15,855,703		15,855,703	18,995,295
Fundraising	1,068,358		1,068,358	1,074,277
Total Expenses	132,271,956		132,271,956	126,928,506
Excess (Deficiency) of Revenues and Support Over (Under) Expenses	1,831,917	(759)	1,831,158	8,343,041
Other:				
Contributions for capital purchases or endowment		889,897	889,897	1,202,297
Change in value of split-interest agreements (Note 5)		(254,088)	(254,088)	24,467
Change in value of interest rate swap contract (Note 8)	(2,845,134)		(2,845,134)	(814,404)
Unrealized gains (losses) on investments (Note 5)	1,603,561	170,918	1,774,479	(3,208,548)
Other		(97,940)	(97,940)	
Net assets released from restrictions for capital purchases	166,333	(166,333)		
Total Other	(1,075,240)	542,454	(532,786)	(2,796,188)
Change in Net Assets	756,677	541,695	1,298,372	5,546,853
Net assets, beginning of year	114,508,783	7,668,666	122,177,449	116,630,596
Net Assets, End of Year	\$ 115,265,460	\$ 8,210,361	\$ 123,475,821	\$ 122,177,449

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total</u>	<u>2018 Total</u>
Salaries, wages and contracted services	\$ 49,634,409	\$ 8,520,854	\$ 453,572	\$ 58,608,835	\$ 55,069,317
Employee benefits and taxes	11,465,494	1,597,599	84,854	13,147,947	12,351,433
Supplies and drugs	26,725,101	216,695	150,524	27,092,320	28,792,281
Purchased services and lab fees	7,930,040	2,204,455	259,990	10,394,485	10,377,624
Depreciation and amortization	5,643,224	1,406,165	16,794	7,066,183	6,582,670
Rent	5,472,023	343,192	3,611	5,818,826	5,171,517
Utilities and other	3,775,623	1,365,032	87,749	5,228,404	5,048,375
Gifts and grants	3,556,939			3,556,939	2,711,135
Insurance	347,076	175,784	354	523,214	455,569
Bad debt expense	696,841		8,075	704,916	230,289
Interest	101,125	25,927	2,835	129,887	138,296
Total Expenses	<u>\$ 115,347,895</u>	<u>\$ 15,855,703</u>	<u>\$ 1,068,358</u>	<u>\$ 132,271,956</u>	<u>\$ 126,928,506</u>

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Cash Flows **For the Year Ended June 30, 2019** **(With Comparative Totals for 2018)**

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,298,372	\$ 5,546,853
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	7,066,183	6,582,670
Debt issuance cost amortization	128,438	8,250
Gain on disposition of fixed assets	(27,011)	(22,451)
Contributions restricted for long-term purposes	(889,897)	(1,160,287)
Net unrealized (gain) loss on investments	(1,774,479)	3,208,548
Net loss (gain) on split-interest agreements	254,088	(24,467)
Change in value of interest rate swap contract	2,845,134	814,404
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	1,874,706	(3,361,897)
Increase in inventories	(2,995)	(126,382)
Increase in prepaid expenses	(539,935)	(30,251)
(Decrease) increase in accounts payable	(534,509)	848,430
Decrease in pledge to the University of Washington	(1,184,831)	(411,902)
Increase in accrued expenses	177,421	638,530
Increase in deferred tenant leasehold allowance	921,007	272,545
Increase in deferred rent	32,615	62,035
Net Cash Provided by Operating Activities	9,644,307	12,844,628
Cash Flows From Investing Activities:		
Purchases of investments	(12,268,891)	(93,804,231)
Proceeds from sale of investments	14,330,037	91,201,437
Purchases of property and equipment	(38,509,705)	(16,234,243)
Proceeds from sale of property and equipment	4,100	50,058
Net Cash Used in Investing Activities	(36,444,459)	(18,786,979)
Cash Flows From Financing Activities:		
Cash proceeds from contributions restricted for acquisition of long-term assets	745,354	739,420
Cash proceeds from contributions restricted for endowment	272,206	42,011
Cash proceeds from long-term debt	25,325,000	5,270,000
Principal payments on long-term debt	(486,792)	(478,381)
Cash paid for bond issuance costs		(369,337)
Net Cash Provided by Financing Activities	25,855,768	5,203,713
Net Decrease in Cash and Cash Equivalents	(944,384)	(738,638)
Cash and cash equivalents at beginning of year	7,836,424	8,575,062
Cash and Cash Equivalents at End of Year	\$ 6,892,040	\$ 7,836,424
Supplementary Disclosures of Transactions:		
Construction in progress in accounts payable and accrued expenses	\$ 9,196,188	\$ 5,704
Cash paid during the year for interest	\$ 129,887	\$ 138,296

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

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, 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.

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 substantially met. Contributions of noncash assets are recognized at their estimated fair market value on the date of contribution. For the years ended June 30, 2019 and 2018, total contributions were \$3,350,529 and \$2,936,489, 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.

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 payor revenue settlements, government payor 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, 2019 (With Comparative Totals for 2018)

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, and investment fees) is included in the excess (deficiency) of revenues and support over (under) expenses unless the income or loss is restricted by donor or by law. Unrealized gains and losses on investments are excluded from the excess (deficiency) of revenues and support over (under) expenses, but are included in the total change in net assets.

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

Excess (Deficiency) of Revenues and Support Over (Under) Expenses - The consolidated statement of activities includes excess (deficiency) of revenues and support over (under) expenses. Changes in net assets without donor restrictions which are excluded from excess (deficiency) of revenues and support over (under) expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, 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.

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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 1 - Continued

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 has recognized no revenue for the years ended June 30, 2019 or 2018. Accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements.

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.

Adoption of New Accounting Pronouncement - For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return amongst not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these consolidated financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 1 - Continued

New Accounting Pronouncements - 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 on 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. The guidance in this ASU is effective for the Organization's year ending June 30, 2020.

In June 2018, the FASB issued 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. The guidance in this ASU is effective for the Organization's year ending June 30, 2020.

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 equity securities be treated as trading securities and that changes in the fair value of equity securities will 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. The guidance in this ASU is effective for the Organization's year ending June 30, 2020.

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 capital leases on the statement of financial position, whereas in the past, these leases might have been recorded as either capital leases or operating leases. The guidance in this ASU is effective for the Organization's year ending June 30, 2021.

Summarized Information for 2018 - 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, 2018 from which the summarized information was derived.

Reclassifications - Certain reclassifications were made to the 2018 financial statements to conform to the 2019 presentation. The reclassifications have no effect on the previously reported total assets, liabilities, net assets, and change in net assets.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2019** **(With Comparative Totals for 2018)**

Note 2 - Receivables, Revenues and Discounted Services

Receivables at June 30 consisted of the following:

	2019	2018
Patient service receivables	\$ 24,484,471	\$ 24,185,836
Less allowance for contractual adjustments	(3,887,245)	(3,610,389)
Less allowance for doubtful accounts	(761,857)	(314,515)
Patient service receivables, net	19,835,369	20,260,932
Unconditional promises to give	2,066,341	1,841,535
Other receivables	579,554	1,591,803
	<u>\$ 22,481,264</u>	<u>\$ 23,694,270</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:

	2019	2018
Medicare and Medicaid	38%	39%
Other third-party payors and hospitals	62%	61%
	<u>100%</u>	<u>100%</u>

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

	2019	2018
Medicare and Medicaid	74%	72%
Other third-party payors and hospitals	26%	28%
	<u>100%</u>	<u>100%</u>

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.

Contractual adjustments amounted to \$422,870,537 and \$355,871,708 for the years ended June 30, 2019 and 2018, respectively. Patient service revenues are reported in the consolidated financial statements net of these 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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 2 - Continued

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 \$275,000 and \$141,000 for the years ended June 30, 2019 and 2018, respectively. The Organization incurred \$533,740 and \$453,335 of costs related to charity care services for the years ended June 30, 2019 and 2018, 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:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 1,695,509	\$ 1,157,736
Receivable in one to five years	<u>370,832</u>	<u>683,799</u>
	<u><u>\$ 2,066,341</u></u>	<u><u>\$ 1,841,535</u></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.

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, 2019, an estimated amount of \$1,588,828, 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 2019 cost reports is anticipated to be received in the normal course of filing and settling during fiscal year 2020. As such, that amount has been recorded as a current asset at June 30, 2019.

Third-Party Insurance Receivable - During the year ended June 30, 2018, management determined there were a number of claims that had been inappropriately underpaid by a third-party payor. The claims were rebilled prior to year end, and payments were received during fiscal year 2019. As such, \$1,279,102 was recorded as a current asset at June 30, 2018.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

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, 2019 and 2018.

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.

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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2019** **(With Comparative Totals for 2018)**

Note 4 - Continued

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, 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 4)			1,582,084	1,582,084
Interest rate swap contract (Note 8)			(3,659,538)	(3,659,538)
Total Investments at Fair Value	\$ 62,232,219	\$ -	\$ (2,077,454)	60,154,765
Nonmarketable securities at				
net asset value-				
Private real estate fund				3,659,467
Total Investments, June 30, 2019				\$ 63,814,232

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, 2017	\$ 1,811,705	\$ -	\$ 1,811,705
Unrealized gains (losses)	24,467	(814,404)	(789,937)
Balance at June 30, 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)

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2019** **(With Comparative Totals for 2018)**

Note 5 - Investment Return

Return on investments is presented in the consolidated statement of activities as follows:

	2019	2018
Operating investment income, interest income and realized gains	\$ 2,067,766	\$ 7,121,878
Nonoperating unrealized gains (losses)	1,774,479	(3,208,548)
Total Return on Investments, Net	\$ 3,842,245	\$ 3,913,330

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.

Note 6 - Property and Equipment

Cost and accumulated depreciation and amortization of property and equipment are summarized as follows at June 30:

	2019	2018
Cost-		
Land	\$ 11,309,141	\$ 9,799,208
Buildings and improvements	29,746,569	29,062,179
Leasehold improvements	45,745,096	40,166,311
Medical, office equipment, software and other	38,934,833	36,035,132
Projects in progress	42,027,141	5,854,163
	167,762,780	120,916,993
Accumulated depreciation and amortization-		
Buildings and improvements	(20,537,498)	(19,446,194)
Leasehold improvements	(26,444,079)	(23,560,566)
Medical, office equipment, software and other	(28,576,861)	(26,362,808)
	(75,558,438)	(69,369,568)
Total Property and Equipment, Net	\$ 92,204,342	\$ 51,547,425

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 6 - Continued

As of June 30, 2018, projects in progress include multiple projects associated with incremental expansion of capacity for select facilities, or property improvement initiatives. As of June 30, 2019, projects in progress also include property improvements for two new clinic locations.

Note 7 - Long-Term Debt

2012 Bonds - In December 2012, the Organization entered into a \$10.4 million 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.

2018 Bonds - In June 2018, the Organization entered into a tax-exempt financing of up to \$43.175 million 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. The future principal payments on the note are based on the fixed payment under the swap agreement (Note 8). 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, 2019 and 2018, was \$41,206,504 and \$5,270,000, respectively.

2019 Bonds - Subsequent to year end, in August 2019, the Organization entered into a tax-exempt financing of up to \$9.525 million 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. 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 initial bond draw was \$6.255 million. The carrying value of the pledged collateral as of August 2019 was \$7.163 million.

2019 Loan - Subsequent to year end, in August 2019, the Organization entered into a \$6,650,677 five-year taxable term loan agreement with a bank 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, 2019 and 2018, was \$11,403,761 and \$11,611,745, respectively.

Long-term debt consisted of the following at June 30:

	2019	2018
WHCFA Series 2012 Bonds	\$ 7,183,797	\$ 7,670,589
WHCFA Series 2018 Bonds	30,595,000	5,270,000
Less unamortized financing costs	(361,203)	(489,641)
	37,417,594	12,450,948
Less current portion	(2,714,626)	(486,792)
Noncurrent Portion of Long-Term Debt	<u>\$ 34,702,968</u>	<u>\$ 11,964,156</u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 7 - Continued

The future principal payments on the notes outstanding at June 30, 2019 are based on the debt instruments in place as of the date of the auditor's report:

For the Year Ending June 30,

2020	\$ 2,714,626
2021	2,712,890
2022	2,749,645
2023	2,787,462
2024	2,826,370
Thereafter	<u>23,987,804</u>
Total maturities	37,778,797
Less unamortized debt issuance costs	<u>(361,203)</u>
Total Long-Term Debt	<u>\$ 37,417,594</u>

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, 2019 and 2018, the Organization was in compliance with such loan covenants.

Note 8 - 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 fixes the variable rate interest rate at 3.63% beginning September 1, 2019. As of June 30, 2019 and 2018, the notional amount was \$43,175,000.

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 \$3,659,538 and \$814,404 at June 30, 2019 and 2018, respectively. For the years ended June 30, 2019 and 2018, the Organization recognized unrealized losses of \$2,845,134 and \$814,404, respectively, related to the swap contract due to interest rate fluctuations, which is included in other activities on the consolidated statement of activities.

Note 9 - 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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 9 - Continued

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 2018 and 2019. Plan expense totaled \$2,514,736 and \$2,696,907 in 2019 and 2018, 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 \$897,255 and \$807,478 at June 30, 2019 and 2018, respectively. The assets consisted of mutual funds measured at fair value using Level 1 inputs as further described in Note 4.

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 10 - 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 \$1,893,761 and \$972,754 as of June 30, 2019 and 2018, 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, 2019 and 2018, totaled \$4,517,234 and \$3,947,236, 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 (\$32,615) and (\$165,122) for the years ended June 30, 2019 and 2018, respectively. The cumulative difference at June 30, 2019 and 2018, was \$1,459,554 and \$1,426,939, respectively.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2019** **(With Comparative Totals for 2018)**

Note 10 - Continued

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
2020	\$ 4,126,891	\$ 4,166,666	\$ (39,775)	\$ (39,775)
2021	4,214,400	4,054,462	159,938	120,163
2022	4,089,932	3,840,276	249,656	369,819
2023	3,499,584	3,270,726	228,858	598,677
2024	2,624,952	2,441,048	183,904	782,581
Thereafter	7,187,127	6,510,154	676,973	1,459,554
Total Minimum Lease Payments	<u>\$ 25,742,886</u>	<u>\$ 24,283,332</u>	<u>\$ 1,459,554</u>	<u>\$ 3,291,019</u>

Note 11 - Commitments and Contingencies

Promises to Give - As of June 30, 2019 and 2018, the Organization had unconditional promises to give to the University of Washington (the University) of \$4,000,041 and \$5,184,872, 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, 2019, the Organization has promised to pay \$1,400,041 during the year ending June 30, 2020, with the remaining amounts to be paid thereafter. Discounts to present value are immaterial and have not been applied.

In June 2017, the Organization committed to a grant of up to \$15 million 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 million award increments, upon approval by the Organization of an annual project research plan for the following year. As of June 30, 2019 and 2018, the Organization had unconditional promises to give to the University's Center for Dialysis Innovation of \$487,465 and \$766,137, respectively, included in accounts payable, each to be paid in the following year.

Construction Commitments - As of June 30, 2019, the Organization has entered into construction commitments for the construction of Rainier Beach Kidney Center, Bellevue Kidney Center, and Burien campus. The expected construction costs and expenditures to date are as follows:

	Expected Construction Costs	Expenditures To Date	Future Commitment
Rainier Beach Kidney Center	\$ 12,550,000	\$ 8,131,692	\$ 4,418,308
Bellevue Kidney Center	8,000,000	980,330	7,019,670
Burien campus	42,450,000	31,313,878	11,136,122
Total Construction Commitments	<u>\$ 63,000,000</u>	<u>\$ 40,425,900</u>	<u>\$ 22,574,100</u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 11 - Continued

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 12 - Board Designated Net Assets

Board designated net assets are available for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Quasi endowments (Note 14)-		
Blagg rehabilitation scholarship	\$ 8,295	\$ 8,046
Gervais rehabilitation scholarship	30,306	29,409
Haviland scholarship	30,063	29,379
Nordstrom emergency transportation	99,701	96,730
Scribner clinical research	74,985	73,469
Thomas E. Melang greatest need endowment	1,724,948	1,698,247
Dominick V. Driano patient care endowment	1,622,331	1,622,331
	<u><u>\$ 3,590,629</u></u>	<u><u>\$ 3,557,611</u></u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 13 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2019	2018
Subject to the Passage of Time or Expenditure for Specified Purpose:		
Program services	\$ 610,487	\$ 658,622
Acquisition of fixed assets	2,848,087	2,246,729
Total Subject to the Passage of Time or Expenditure for Specified Purpose	3,458,574	2,905,351
Endowment Funds:		
Original gifts and required retained funds (corpus)-		
General endowments	1,049,999	1,135,999
Patient support endowments	484,818	479,668
Research endowments	676,803	406,822
Employee scholarships	258,845	258,845
Patient services endowments	104,814	104,631
Patient emergency endowments	45,814	45,814
	2,621,093	2,431,779
Accumulated endowment earnings (Note 14)	548,610	495,364
Total Endowment Funds	3,169,703	2,927,143
Beneficial Interest in Split-Interest Agreements (Notes 4 and 5)	1,582,084	1,836,172
Total Net Assets With Donor Restrictions	\$ 8,210,361	\$ 7,668,666

Note 14 - 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 **For the Year Ended June 30, 2019** **(With Comparative Totals for 2018)**

Note 14 - 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	2019 Total	2018 Total
		Endowment Corpus	Accumulated Earnings			
Donor restricted endowment funds	\$ -	\$ 2,621,093	\$ 548,610	\$ 3,169,703	\$ 3,169,703	\$ 2,927,143
Board designated quasi- endowment funds	3,590,629				3,590,629	3,557,611
Endowment Net Assets	\$ 3,590,629	\$ 2,621,093	\$ 548,610	\$ 3,169,703	\$ 6,760,332	\$ 6,484,754

Changes to endowment net assets for the years ended June 30 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	2019 Total	2018 Total
		Endowment Corpus	Accumulated Earnings			
Endowment net assets, beginning of year	\$ 3,557,611	\$ 2,431,779	\$ 495,364	\$ 2,927,143	\$ 6,484,754	\$ 6,471,445
Endowment investment return	111,256	3,108	167,825	170,933	282,189	129,702
Contributions and designations		272,206		272,206	272,206	42,010
Appropriation of endowment for expenditure and transfer	(78,238)	(86,000)	(114,579)	(200,579)	(278,817)	(158,403)
Endowment Net Assets, End of Year	\$ 3,590,629	\$ 2,621,093	\$ 548,610	\$ 3,169,703	\$ 6,760,332	\$ 6,484,754

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, 2019 and 2018.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 14 - 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. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that the Organization expects to provide an average return of 8%. Actual returns in any given year may vary from this amount.

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 grow at an average of 3.5% annually. This is consistent with the Organization's objective 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 15 - 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 For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 15 - 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>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 6,892,040	\$ 7,836,424
Receivables, net	23,990,651	25,993,020
Investments	65,891,686	66,178,353
Deferred compensation investments	<u>897,255</u>	<u>807,478</u>
Total Financial Assets	97,671,632	100,815,275
Less amounts not available for general expenditure within 12 months-		
Long-term receivables	(1,564,190)	(1,691,853)
Board-designated and donor-restricted endowments	(6,760,332)	(6,484,754)
Deferred compensation investments	(897,255)	(807,478)
Plus budgeted appropriation from endowment earnings	<u>231,210</u>	<u>180,877</u>
Financial Assets Available For General Expenditure Within 12 Months	<u>\$ 88,681,065</u>	<u>\$ 92,012,067</u>

Note 16 - Subsequent Events

Subsequent to year end, the Organization has entered into a purchase and sale agreement for the acquisition of development property in Kent, Washington for \$1.8 million. The Organization intends to use a two-year fixed rate commercial loan to purchase the property.

Subsequent to year end, the Organization sold property in Seattle, Washington for \$3.65 million. The net book value of the property at June 30, 2019 was approximately \$800,000.

Financing activities subsequent to year end are disclosed in Note 7.

The Organization has evaluated subsequent events through September 26, 2019, the date on which the consolidated financial statements were available to be issued.

SUPPLEMENTARY SCHEDULE

NORTHWEST KIDNEY CENTERS

Consolidating Statement of Financial Position For the Year Ended June 30, 2019

	Northwest Kidney Centers	Northwest Kidney Care Alliance	Eliminations	Total 2019
Assets				
Current Assets:				
Cash and cash equivalents	\$ 6,892,040	\$ -	\$ -	\$ 6,892,040
Current portion of receivables, net	20,916,074	1,000		20,917,074
Third party settlements receivable	1,509,387			1,509,387
Inventories	1,286,177			1,286,177
Prepaid expenses	1,017,347			1,017,347
Intercompany due (to) from	1,184,374	(1,184,374)		
Total Current Assets	32,805,399	(1,183,374)		31,622,025
Investments	59,131,354			59,131,354
Assets limited as to use - pledges for the acquisition of long-term assets	1,564,190			1,564,190
Assets limited as to use - board-designated endowment investments	3,590,629			3,590,629
Assets limited as to use - donor-restricted endowment investments	3,169,703			3,169,703
Deposits	170,680			170,680
Deferred compensation investments	897,255			897,255
Beneficial interest in split-interest agreements	1,582,084			1,582,084
Property and equipment, net	92,204,342			92,204,342
Total Assets	\$ 195,115,636	\$ (1,183,374)	\$ -	\$ 193,932,262
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 4,189,619	\$ -	\$ -	\$ 4,189,619
Construction payables	9,196,188			9,196,188
Current portion of pledge to the University of Washington	1,400,041			1,400,041
Accrued expenses	7,742,891			7,742,891
Current portion of long-term debt	2,714,626			2,714,626
Total Current Liabilities	25,243,365			25,243,365
Deferred compensation	897,255			897,255
Deferred tenant leasehold allowance	1,893,761			1,893,761
Deferred rent	1,459,554			1,459,554
Long-term pledge to the University of Washington, net	2,600,000			2,600,000
Interest rate swap contract	3,659,538			3,659,538
Long-term debt, net	34,702,968			34,702,968
Total Liabilities	70,456,441			70,456,441
Commitments and contingencies (Notes 8 and 9)				
Net Assets:				
Without donor restrictions-				
Undesignated	112,858,205	(1,183,374)		111,674,831
Board designated	3,590,629			3,590,629
Total net assets without donor restrictions	116,448,834	(1,183,374)		115,265,460
With donor restrictions:				
Restricted for program purposes	3,458,574			3,458,574
Beneficial interest in split-interest agreements	1,582,084			1,582,084
Endowment corpus	2,621,093			2,621,093
Endowment accumulated appreciation	548,610			548,610
Total net assets with donor restrictions	8,210,361			8,210,361
Total Net Assets	124,659,195	(1,183,374)		123,475,821
Total Liabilities and Net Assets	\$ 195,115,636	\$ (1,183,374)	\$ -	\$ 193,932,262

See independent auditor's report.



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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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.

Clark Nuber P.S.

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.

NORTHWEST KIDNEY CENTERS

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

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	\$ -	\$ (2,077,454)	\$ 60,154,765
Nonmarketable securities at net asset value-				
Private real estate fund	3,659,467			
Total Investments, June 30, 2019	\$ 65,891,686			

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	\$ 1,656,181	\$ (6,851,099)	\$ (5,194,918)

NORTHWEST KIDNEY CENTERS

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

Note 4 - Continued

Investments are presented as follows on the consolidated statement of financial position at June 30:

	2020	2019
Investments	\$ 59,106,565	\$ 59,131,354
Board-designated endowment investments	3,864,417	3,590,629
Donor-restricted endowment investments	3,225,564	3,169,703
Total Investments	\$ 66,196,546	\$ 65,891,686

Note 5 - Investment Return

Return on investments is presented in the consolidated statement of activities as follows:

	2020	2019
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	(171,258)	(60,818)
Total Return on Investments, Net	\$ 3,044,822	\$ 3,842,245

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:

	2020	2019
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	(656,278)	(361,203)
	57,712,892	37,417,594
Less current portion	(2,935,640)	(2,714,626)
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	42,673,250
Total maturities	58,369,170
Less unamortized debt issuance costs	(656,278)
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 For the Year Ended June 30, 2020 (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 For the Year Ended June 30, 2020 (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 **For the Year Ended June 30, 2020** **(With Comparative Totals for 2019)**

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 For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

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.

	2020	2019
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	717,798	897,255
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	267,268	260,777
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.



Consolidated Financial Statements
For the Year Ended June 30, 2021

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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, 2021, and the related consolidated statements of operations and changes in net assets, 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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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2021, and the consolidated results of its operations, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 31 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.

Clark Nuber P.S.

Certified Public Accountants

October 18, 2021

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Financial Position

June 30, 2021

(With Comparative Totals for 2020)

	2021	2020
Assets		
Current Assets:		
Cash and cash equivalents	\$ 6,162,638	\$ 5,082,091
Cash - provider relief funds to be returned (Note 2)		5,103,157
Current portion of receivables, net (Note 2)	21,211,453	20,494,402
Third party settlements receivable, net (Note 3)	1,586,563	1,500,456
Inventories	1,540,374	1,594,430
Prepaid expenses	1,169,720	1,222,392
Total Current Assets	31,670,748	34,996,928
Investments (Note 4)	65,056,302	59,106,565
Assets limited as to use-		
Pledges for the acquisition of long-term assets (Note 2)	1,165,968	820,537
Board-designated endowment investments (Note 4)	4,535,190	3,864,417
Donor-restricted endowment investments (Note 4)	3,824,131	3,225,564
Deposits	163,370	138,915
Deferred compensation investments (Note 10)	452,488	717,798
Beneficial interest in split-interest agreements (Note 6)	1,848,862	1,656,181
Property and equipment, net (Note 7)	112,135,623	113,666,567
Total Assets	\$ 220,852,682	\$ 218,193,472
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 3,823,837	\$ 3,491,285
Construction payables	406,420	1,233,553
Current portion of pledge to the University of Washington (Note 12)	1,393,248	1,393,248
Unearned provider relief funds (Note 2)		496,228
Provider relief funds to be returned (Note 2)		5,103,157
Current portion of deferred rent (Note 11)	99,086	103,237
Accrued expenses	7,224,529	8,345,733
Current portion of long-term debt (Note 8)	1,542,092	2,935,640
Total Current Liabilities	14,489,212	23,102,081
Deferred compensation (Note 10)	452,488	717,798
Deferred tenant leasehold allowance (Note 11)	1,229,475	1,399,937
Deferred rent, net of current portion (Note 11)	1,092,644	1,219,997
Long-term pledge to the University of Washington, net of current portion (Note 12)	600,000	1,600,000
Interest rate swap contract (Note 9)		6,851,099
Long-term debt, net (Note 8)	55,258,943	54,777,252
Total Liabilities	73,122,762	89,668,164
Net Assets:		
Without donor restrictions-		
Undesignated	134,207,363	114,388,541
Board designated (Note 13)	4,535,190	3,864,417
Total net assets without donor restrictions	138,742,553	118,252,958
Net assets with donor restrictions (Note 14)	8,987,367	10,272,350
Total Net Assets	147,729,920	128,525,308
Total Liabilities and Net Assets	\$ 220,852,682	\$ 218,193,472

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Operations and Changes in Net Assets For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions		
Revenues and Support From Operations:		
Net patient service revenue (Note 2)	\$ 125,495,952	\$ 125,474,304
Contributions	813,726	665,768
Federal provider relief funding (Note 2)	496,228	2,172,368
CMS cost savings revenue	2,049,338	795,772
(Loss) or gain on disposition of fixed assets	(136,743)	2,667,722
Investment income and realized gains on investments, net (Note 5)	5,968,491	5,402,405
Net assets released from restrictions for program purposes other than grants	<u>2,003,726</u>	<u>1,117,079</u>
Total Revenues and Support From Operations	136,690,718	138,295,418
Expenses From Operations:		
Program services	105,658,986	107,058,850
Management and general	20,071,109	18,938,326
Fundraising expenses	<u>756,761</u>	<u>1,159,055</u>
Total Expenses From Operations	126,486,856	127,156,231
Operating Income	10,203,862	11,139,187
Other Revenues, Support and Expenses:		
Gifts and grants to others	(3,272,962)	(3,374,361)
Net assets released from restriction for grants	334,821	681,553
Loss on debt extinguishment	(624,106)	
Unrealized gains (losses) on investments, net (Note 5)	<u>8,446,143</u>	<u>(2,509,115)</u>
Excess of Revenues and Support Over Expenses	<u>\$ 15,087,758</u>	<u>\$ 5,937,264</u>

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Operations and Changes in Net Assets (Continued)
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Net Assets, Beginning	\$ 118,252,958	\$ 10,272,350	\$ 128,525,308	\$ 123,475,821
Excess of revenues and support over expenses	15,087,758		15,087,758	5,937,264
Contributions		2,525,528	2,525,528	3,220,954
Contributions for capital purchases or endowment		940,450	940,450	768,749
Unrealized gains on investments		693,751	693,751	151,532
Change in value of interest rate swap contract (Note 9)	2,412,599		2,412,599	(3,191,561)
Other	(309,608)		(309,608)	(112,916)
Net assets released from restrictions for programs		(2,338,547)	(2,338,547)	(1,798,632)
Net assets released from restrictions for capital purchases	3,298,846	(3,298,846)		
Change in value of split-interest agreements (Note 6)		192,681	192,681	74,097
Change in net assets	20,489,595	(1,284,983)	19,204,612	5,049,487
Net Assets, Ending	\$ 138,742,553	\$ 8,987,367	\$ 147,729,920	\$ 128,525,308

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
Salaries, wages and contracted services	\$ 44,316,364	\$ 9,696,576	\$ 350,084	\$ 54,363,024	\$ 56,987,000
Employee benefits and taxes	10,998,662	1,839,356	76,414	12,914,432	13,360,874
Supplies and drugs	26,426,161	287,466	9,402	26,723,029	25,296,287
Purchased services and lab fees	4,717,748	4,986,501	180,625	9,884,874	10,557,711
Depreciation and amortization	7,473,186	1,614,335	23,572	9,111,093	8,326,873
Rent	5,491,572			5,491,572	5,165,604
Utilities and other	4,396,542	921,741	91,630	5,409,913	5,388,098
Interest	1,460,775	391,771	24,111	1,876,657	1,057,180
Insurance	377,976	333,363	923	712,262	580,699
Bad debt expense					435,905
Total expenses from operations	105,658,986	20,071,109	756,761	126,486,856	127,156,231
Gifts and grants to others	3,272,962			3,272,962	3,374,361
Total Expenses	\$ 108,931,948	\$ 20,071,109	\$ 756,761	\$ 129,759,818	\$ 130,530,592

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Cash Flows For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 19,204,612	\$ 5,049,487
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	9,111,093	8,326,873
Debt issuance cost amortization	39,373	16,487
Loss (gain) on disposition of fixed assets	136,743	(2,667,722)
Contributions restricted for long-term purposes	(2,525,528)	(768,749)
Net unrealized (gain) loss on investments	(9,139,894)	2,357,583
Net gain on split-interest agreements	(192,681)	(74,097)
Change in value of interest rate swap contract	(2,412,599)	3,191,561
Loss on debt extinguishment	624,106	
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	820,356	463,368
Decrease (increase) in inventories	54,056	(308,253)
Decrease (increase) in prepaid expenses	52,672	(205,045)
Increase (decrease) in accounts payable	332,552	(698,334)
Decrease in pledge to the University of Washington	(1,000,000)	(1,006,793)
(Decrease) increase in unearned provider relief funds	(496,228)	496,228
(Decrease) increase in provider relief funds to be returned	(5,103,157)	5,103,157
(Decrease) increase in accrued expenses	(1,121,204)	602,842
Decrease in deferred tenant leasehold allowance	(170,462)	(493,824)
Decrease in deferred rent	(131,504)	(136,320)
Net Cash Provided by Operating Activities	8,082,306	19,248,449
Cash Flows From Investing Activities:		
Purchases of investments	(35,355,785)	(44,641,232)
Proceeds from sale of investments	37,276,602	41,978,789
Purchases of property and equipment	(8,544,025)	(38,700,006)
Proceeds from sale of property and equipment		3,615,995
Net Cash Used in Investing Activities	(6,623,208)	(37,746,454)
Cash Flows From Financing Activities:		
Cash proceeds from contributions restricted for acquisition of long-term assets	515,107	1,501,199
Cash proceeds from contributions restricted for endowment	17,021	11,203
Cash proceeds from long-term debt	58,065,000	29,785,340
Principal payments on long-term debt	(58,369,170)	(9,194,966)
Cash paid for bond issuance costs	(1,271,166)	(311,563)
Cash paid to terminate interest rate swap contract	(4,438,500)	
Net Cash (Used in) Provided by Financing Activities	(5,481,708)	21,791,213
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(4,022,610)	3,293,208
Cash, cash equivalents and restricted cash at beginning of year	10,185,248	6,892,040
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 6,162,638	\$ 10,185,248
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	\$ 6,162,638	\$ 5,082,091
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	\$ 6,162,638	\$ 10,185,248
Supplementary Disclosures of Transactions:		
Construction in progress in accounts payable and accrued expenses	\$ 696,863	\$ 1,428,342
Cash paid during the year for interest	\$ 1,678,342	\$ 1,057,181

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

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, and one location each in Clallam County, Snohomish County, and 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 in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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, 2021 and 2020, total contributions were approximately \$4,280,000 and \$4,655,000, 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 operations and changes in net assets 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.

Revenue Recognition - Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing dialysis and pharmaceuticals. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors on a monthly basis, several days after the end of the month when the services are performed. Revenue is recognized as performance obligations are satisfied.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges for services performed during dialysis or other service performed. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the remaining services needed to satisfy the obligation.

The performance obligation for dialysis is either providing dialysis services within the Organization's clinics, a participating hospital, or at the patient's home. The performance obligation for pharmaceuticals is providing the medications by shipping them to patients, directly providing medications to patients through the Organization's pharmacy, or by administering the medications to patients in the course of dialysis. The Organization measures the performance obligation for dialysis from the start of dialysis to the completion of the dialysis within one day for dialysis revenue. Revenue for performance obligations satisfied at a point in time, such as pharmacy, is recognized when the pharmaceuticals are provided.

In assessing collectability of dialysis service revenue, management has elected the portfolio approach. This portfolio approach is being used as the Organization has a large volume of similar contracts with similar classes of customers. Management reasonably expects that the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. As a result, aggregating all of the contracts (which are at the patient level) by the particular payor or group of payors, will result in the recognition of the same amount of revenue as applying the analysis at the individual patient level.

A summary of the payment arrangements with major third-party payors follows:

Medicare - Dialysis services rendered, and medications given to Medicare program beneficiaries are paid at prospectively determined rates per identified service. These rates vary according to a patient classification system that is based on clinical and diagnostic factors. The Organization is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The estimated settlement for the Medicare cost report for the years ending June 30, 2021 and 2020 has been recorded as estimated third-party payor settlements on the accompanying consolidated statement of financial position.

Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded third-party payor settlement estimates will change by a material amount in the near term as cost report adjustments become known or as cost report years are no longer subject to such audit.

Medicaid - Dialysis services rendered, and medications given to Medicaid program beneficiaries are paid at prospectively determined rates per identified service.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

The Organization screens patients and determines if certain patients would qualify for Presumptive Medicaid eligibility which provides temporary coverage. Applications are processed within 2 working days of submission and the patient is then classified under a Presumptive Eligible code on the patient accounting system and revenue is recognized under the Medicaid Payor source. If the patient does not qualify for Presumptive Eligibility (i.e. their temporary coverage is exhausted), but they could qualify for traditional Medicaid, they would be classified Medicaid Pending as their payor source and included in the Self Pay revenue portfolio. Once Medicaid eligibility is obtained, the patient's payor source would be changed to Medicaid. Although the patient's ultimate eligibility determination may result in adjustments to net revenues, these adjustments did not have a material impact on the results of operations in 2021 or 2020 since the Organization makes estimates at each financial reporting period to adjust revenue based on historical collections. Under ASC 605, these estimates were reported in the provision for doubtful accounts.

Other Third-Party Payors - The Organization has entered into payment agreements with certain commercial insurance carriers. The basis for payment under these agreements includes prospectively determined rates per service and discounts from established charges.

Self-Pay - Self-pay includes patients without insurance. For self-pay patients who do not qualify for charity care, the Organization recognizes revenue on the basis of uninsured discounted or standard rates. The initial estimate of revenue is determined by reducing the Organization's standard charges by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimated revenue, if any, are generally recorded as an adjustment to patient services revenue in the period of the change.

The Organization groups revenues into categories based on payment behaviors. Each component has its own reimbursement structure which allows the Organization to disaggregate the revenue into categories that share the nature and timing of payments.

The Centers for Medicare & Medicaid Services (CMS) cost savings revenue consists of payments made to the Organization based on cost savings realized through innovative payment and service delivery models to reduce Medicare, Medicaid, or Children's Health Insurance Program (CHIP) expenditures while maintaining or improving quality of care for Medicare beneficiaries. The performance obligation for CMS cost savings revenue is to enhance the quality of care for Medicare, Medicaid, or CHIP patients in their dialysis and pharmacy programs and is satisfied over time as the cost savings are realized by CMS. CMS cost savings are not estimable until calculated by CMS and are not recognized as revenue until the Organization is informed by CMS of the amount.

The following is a disaggregation of revenue from contracts with customers for the year ended June 30, 2021:

	Over Time	Point-in-Time	Total
Dialysis service revenue	\$ 120,383,158	\$ -	\$ 120,383,158
CMS cost-savings revenue	2,049,338		2,049,338
Pharmacy revenue		5,112,794	5,112,794
	<u>\$ 122,432,496</u>	<u>\$ 5,112,794</u>	<u>\$ 127,545,290</u>

NORTHWEST KIDNEY CENTERS

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 1 - Continued

Use of Estimates - The preparation of financial statements in conformity with 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 and price concessions, fair value of beneficial interests in split-interest agreements, third-party payor revenue, government payor revenue, fair value of interest rate swap contracts, depreciation useful lives and methodologies, revenue related to provider relief funds, and the functional allocation of expenses. Actual results could differ from those estimates.

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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

Operating Income - The consolidated statement of operations and changes in net assets includes operating income which reflects the program, fundraising and administration functions 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 releases of restrictions for grants, unrealized gains and losses on investments, and losses on debt extinguishment are excluded from operating income.

Excess of Revenues and Support Over Expenses - The consolidated statement of operations and changes in net assets 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.

Adoption of New Accounting Pronouncements - During the year ended June 30, 2021, the Organization adopted the provisions of Accounting Standards Codification ("ASC") Topic 606, *Revenue From Contracts with Customers* ("ASC 606"), which supersedes most existing revenue recognition guidance, including industry specific healthcare guidance, using the modified retrospective approach. ASC 606 provides for a single comprehensive standard that requires an entity's recognized revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration the entity expects in exchange for those goods and services. The expected consideration includes an estimate of implicit price concessions historically provided to self-pay clients. The adoption of ASC 606 had no impact on the Organization's current or historical financial position, results of operations, or cash flows. It is not anticipated that ASC 606 will impact the timing or amount of future revenues recognized by the Organization.

The information in the prior year comparative period has not been restated and continues to be reported under the accounting standards in effect for that period. In accordance with the new revenue standard requirements, the disclosure of the impact of the adoption on the consolidated statement of operations and changes in net assets was as follows:

For the Year Ended June 30, 2021	Balances		Effect of Change
	Without Adoption of ASC 606	As Reported	
Net patient service revenue	\$ 125,876,403	\$ 125,495,952	\$ (380,451)
Bad debt expense	\$ (380,451)	\$ -	\$ 380,451

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

Patient Accounts Receivable - Patient accounts receivable include amounts owed under client fee-for-service arrangements, which are stated at the amount management expects to collect from outstanding balances based on contractual rates and explicit and implicit price concessions for services rendered. These estimated amounts are subject to further adjustments upon review by third party payors. After satisfaction of amounts due from third party payors, the Organization follows established guidelines for collecting client balances. Subsequent changes in the estimate of collectability due to a change in the financial status of a payor, for example a bankruptcy, will be recognized as bad debt expense. Otherwise the changes will be reflected in revenue. Prior to the adoption of ASC 606, the Organization reviewed patient accounts receivable balances on a regular basis to assess potential risk of credit loss. Patient balances were reviewed in conjunction with current economic conditions to determine the need for an allowance for doubtful accounts. Management provided 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 had used reasonable collection efforts were 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 operations and changes in net assets.

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 \$2.05 million and \$796,000 of revenue for the years ended June 30, 2021 and 2020, respectively. 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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

The Organization grants credit without collateral to its patients, most of whom are local residents and most 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.

New Accounting Pronouncements - 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 2020 - 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, 2020 from which the summarized information was derived.

Note 2 - Receivables, Revenues and Discounted Services

Receivables at June 30 consisted of the following:

	2021	2020
Patient service receivables, net	\$ 20,184,756	\$ 19,492,300
Unconditional promises to give	1,486,691	1,278,122
Other receivables	705,974	544,517
	<u>\$ 22,377,421</u>	<u>\$ 21,314,939</u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2021** **(With Comparative Totals for 2020)**

Note 2 - Continued

	<u>2021</u>	<u>2020</u>
Rollforward of Allowance for Doubtful Accounts:		
Beginning balance	\$ 852,786	\$ 761,857
Write-offs		(334,674)
Effect of adopting Topic 606	(852,786)	
Provision for bad debt		425,603
	<u> </u>	<u> </u>
Ending Balance of Allowance for Doubtful Accounts	<u><u>\$ -</u></u>	<u><u>\$ 852,786</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:

	<u>2021</u>	<u>2020</u>
Medicare and Medicaid	49%	41%
Other third-party payors and hospitals	51%	59%
	<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:

	<u>2021</u>	<u>2020</u>
Medicare and Medicaid	68%	73%
Other third-party payors and hospitals	32%	27%
	<u><u>100%</u></u>	<u><u>100%</u></u>

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, and explicit and implicit price concessions. 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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 2 - 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 \$496,000 and \$2,172,000 of the amount received during the years ended June 30, 2021 and 2020, respectively, based on the available guidance from the Federal Government. During the year ended June 30, 2021, 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.

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. Contributions with donor restrictions to be used for charity care amounted to approximately \$97,000 and \$110,000 for the years ended June 30, 2021 and 2020, respectively. The Organization incurred approximately \$1,100,000 and \$700,000 of costs related to charity care services for the years ended June 30, 2021 and 2020, 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:

	2021	2020
Receivable in less than one year	\$ 1,184,568	\$ 592,378
Receivable in one to five years	302,123	685,744
	<u>\$ 1,486,691</u>	<u>\$ 1,278,122</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, 2021 (With Comparative Totals for 2020)

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, 2021, an estimated amount of approximately \$1,670,000, less a reserve of approximately \$84,000, has been recorded as an increase to net patient service revenue. The third-party settlements receivable relating to the fiscal year 2021 cost reports is anticipated to be received in the normal course of filing and settling during fiscal year 2022. As such, that amount has been recorded as a current asset at June 30, 2021.

At June 30, 2020, the third party settlements receivable represented an estimated amount of approximately \$1,579,000, 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, 2021 and 2020.

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.

In accordance with the Accounting Standards Codification (ASC) Subtopic 820-10, certain investments that were measured 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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2021** **(With Comparative Totals for 2020)**

Note 4 - Continued

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, 2021			
	Level 1	Level 2	Level 3	Total
Mutual funds-				
Large cap	\$ 11,049,079	\$ -	\$ -	\$ 11,049,079
Mid cap	2,082,517			2,082,517
Small cap	4,444,239			4,444,239
International	4,345,630			4,345,630
Fixed income	22,061,991			22,061,991
Emerging markets	7,945,132			7,945,132
Equity funds-				
Collective equity funds	10,434,456			10,434,456
Deferred compensation investments	452,488			452,488
Beneficial interest in split-interest agreements (Note 6)			1,848,862	1,848,862
Total	62,815,532	<u>\$ -</u>	<u>\$ 1,848,862</u>	<u>\$ 64,664,394</u>
Cash held in investment portfolio	235,190			
Nonmarketable securities at net asset value-				
Private real estate fund	10,817,389			
Total Investments, June 30, 2021	<u>\$ 73,868,111</u>			

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2021** **(With Comparative Totals for 2020)**

Note 4 - Continued

	Fair Value Measurements as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds-				
Large cap	\$ 13,718,946	\$ -	\$ -	\$ 13,718,946
Mid cap	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
Deferred compensation investments	717,798			717,798
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	57,309,005	\$ -	\$ (5,194,918)	\$ 52,114,087
Cash held in investment portfolio	208,021			
Nonmarketable securities at net asset value-				
Private real estate fund	9,397,318			
Total Investments, June 30, 2020	\$ 66,914,344			

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, 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	1,656,181	(6,851,099)	(5,194,918)
Cash paid to terminate interest rate swap contract		4,438,500	4,438,500
Unrealized/realized gains	192,681	2,412,599	2,605,280
Balance at June 30, 2021	\$ 1,848,862	\$ -	\$ 1,848,862

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 4 - Continued

Investments are presented as follows on the consolidated statement of financial position at June 30:

	<u>2021</u>	<u>2020</u>
Investments	\$ 65,056,302	\$ 59,106,565
Deferred compensation investments	452,488	717,798
Board-designated endowment investments	4,535,190	3,864,417
Donor-restricted endowment investments	<u>3,824,131</u>	<u>3,225,564</u>
Total Investments	<u><u>\$ 73,868,111</u></u>	<u><u>\$ 66,914,344</u></u>

Note 5 - Investment Return

Return on investments is presented in the consolidated statement of operations and changes in net assets as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 1,125,308	\$ 1,382,599
Net realized gains on sales of securities	5,041,664	4,191,064
Net unrealized gains (losses) without donor restrictions	8,446,143	(2,509,115)
Net unrealized gains with donor restrictions	693,751	151,532
Investment fees	<u>(198,481)</u>	<u>(171,258)</u>
Total Return on Investments, Net	<u><u>\$ 15,108,385</u></u>	<u><u>\$ 3,044,822</u></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 operations and changes in net assets as a change in the value of the split-interest agreements with donor restrictions.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 7 - Property and Equipment

Cost and accumulated depreciation and amortization of property and equipment are summarized as follows at June 30:

	2021	2020
Cost-		
Land	\$ 14,391,003	\$ 14,297,031
Buildings and improvements	86,531,783	79,133,780
Leasehold improvements	49,751,484	46,018,038
Medical, office equipment, software and other	48,512,699	45,559,383
Projects in progress	4,209,465	10,936,832
	<u>203,396,434</u>	<u>195,945,064</u>
Accumulated depreciation and amortization-		
Buildings and improvements	(23,264,749)	(20,861,976)
Leasehold improvements	(32,859,882)	(29,635,081)
Medical, office equipment, software and other	(35,136,180)	(31,781,440)
	<u>(91,260,811)</u>	<u>(82,278,497)</u>
Total Property and Equipment, Net	<u>\$ 112,135,623</u>	<u>\$ 113,666,567</u>

As of June 30, 2021, projects in progress included multiple projects associated with incremental expansion of capacity for select facilities, or property improvement initiatives and included additions for three clinic locations.

As of June 30, 2020, projects in progress include improvements for two additional clinic locations.

Note 8 - Long-Term Debt

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 the Washington Health Care Facilities Authority (WHCFA). The bond indenture allowed 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 bore variable interest based on the LIBOR Index Rate. The interest reset monthly. The rate was 2.7119% on the date of issuance. The future principal payments on the note are based on the fixed payment under the swap agreement (Note 9). The debt was 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 was to mature on June 1, 2048, but had a bank repurchase date of June 1, 2028. This bond was paid off during the year ended June 30, 2021.

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 allowed 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 bore variable interest based on the LIBOR Index Rate. The interest reset monthly. The rate was 3.06% on the date of issuance, and 1.38% at June 30, 2020. The debt was collateralized by the Renton Kidney Center, and the Bellevue Kidney Center. The note was to mature on August 1, 2044, but had a bank repurchase date of August 1, 2029. This bond was paid off during the year ended June 30, 2021.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2021** **(With Comparative Totals for 2020)**

Note 8 - Continued

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 bore 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 required monthly principal and interest payments of \$118,160. This loan was paid off during the year ended June 30, 2021.

2021A Bonds - In May 2021, the Organization entered into a tax-exempt financing of up to \$51,300,000 through the private placement of bonds that were issued by WHCFA to refinance the 2018 and 2019 bonds. The bond indenture allows for a three-year interest-only draw down period, after which, the note requires monthly principal and interest payments of \$236,367 until maturity where a balloon payment of \$24,409,979 will be made. In connection with this financing, the Organization signed a promissory note with a bank. The note bears a fixed annual interest based on the maximum federal tax rate. The rate was 3.16% on the date of issuance. The note matures on July 1, 2041.

2021B Bonds - In May 2021, the Organization entered into a tax-exempt financing of up to \$28,600,000 through the private placement of bonds that were issued by WHCFA. The bond requires monthly payments of \$122,329 beginning July 1, 2021 with a balloon payment of \$18,357,090 due upon maturity. The note bears a fixed annual interest based on the maximum federal tax rate, until May 21, 2036, at which point the interest rate may reset. The rate was 2.58% on the date of issuance. The note matures on May 21, 2036.

2021C Loan - In May 2021, the Organization entered into a three-year taxable term loan agreement with a bank for approximately \$4,700,000 to refinance the 2019 Loan. The loan bears a fixed annual interest rate of 1.49%. After the refinancing, the note requires monthly principal and interest payments of \$133,631. The note matures on June 1, 2024.

Long-term debt consisted of the following at June 30:

	2021	2020
WHCFA Series 2021A Bonds	\$ 51,300,000	\$ -
WHCFA Series 2021B Bonds	2,065,000	
WHCFA Series 2018 Bonds		42,095,000
WHCFA Series 2019 Bonds		9,525,000
Term loans	4,700,000	6,749,170
Less unamortized financing costs	(1,263,965)	(656,278)
	56,801,035	57,712,892
Less current portion	(1,542,092)	(2,935,640)
Long-Term Debt, Net of Current Portion	<u>\$ 55,258,943</u>	<u>\$ 54,777,252</u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 8 - Continued

The future principal payments on the notes outstanding at June 30, 2021 are as follows:

For the Year Ending June 30,

2022	\$ 1,542,092
2023	1,567,198
2024	1,651,644
2025	1,951,898
2026	2,010,581
Thereafter	<u>49,341,587</u>
Total maturities	58,065,000
Less unamortized debt issuance costs	<u>(1,263,965)</u>
Total Long-Term Debt	<u>\$ 56,801,035</u>

The notes include various loan covenants including financial covenants such as the maintenance of specified working capital, liquid unrestricted assets, debt service coverage measurements, and other affirmative and negative covenants. If certain financial covenants are not met, certain properties become collateral in relation to these borrowings. At June 30, 2021 and 2020, 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 the notional amount was \$42,095,000. As of June 30, 2021, this interest rate swap contract was terminated.

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 at June 30, 2020. For the years ended June 30, 2021 and 2020, the Organization recognized unrealized (gains) or losses of approximately (\$2,413,000) and \$3,192,000, respectively, related to the swap contract due to interest rate fluctuations and termination of the related contract which are included in other activities on the consolidated statement of operations and changes in net assets.

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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 10 - Continued

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 2021 and 2020. Plan expense totaled approximately \$2,145,000 and \$2,302,000 in 2021 and 2020, 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 \$452,000 and \$718,000 at June 30, 2021 and 2020, respectively. The assets consisted of mutual funds measured at fair value using Level 1 inputs as further described in Note 4.

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 \$1,229,000 and \$1,400,000 as of June 30, 2021 and 2020, 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, 2021 and 2020, totaled approximately \$4,096,000 and \$3,917,000, 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 \$103,000 and (\$40,000) for the years ended June 30, 2021 and 2020, respectively. The cumulative difference at June 30, 2021 and 2020, was approximately \$1,192,000 and \$1,323,000, respectively.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 11 - Continued

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
2022	\$ 3,860,878	\$ 3,761,792	\$ 99,086	\$ 99,086
2023	3,642,183	3,499,198	142,985	242,071
2024	3,123,976	2,991,443	132,533	374,604
2025	2,355,543	2,283,312	72,231	446,835
2026	2,383,964	2,254,037	129,927	576,762
Thereafter	6,562,764	5,947,796	614,968	1,191,730
Total Minimum Lease Payments	\$ 21,929,308	\$ 20,737,578	\$ 1,191,730	\$ 2,931,088

Note 12 - Commitments and Contingencies

Promises to Give - As of June 30, 2021 and 2020, the Organization had unconditional promises to give to the University of Washington (the University) of approximately \$1,993,000 and \$2,993,000, 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, 2021, the Organization has promised to pay approximately \$1,393,000 during the year ending June 30, 2022, with the remaining amounts to be paid thereafter. Discounts to present value are immaterial and have not been applied.

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, 2021 and 2020, the Organization had unconditional promises to give to the University's Center for Dialysis Innovation of approximately \$268,000 and \$304,000, 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 \$4,099,000 and \$6,342,000 as of June 30, 2021 and 2020, 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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2021** **(With Comparative Totals for 2020)**

Note 12 - Continued

Construction Commitments - As of June 30, 2021, the Organization has entered into construction commitments for the construction and expansion of certain current and future kidney center sites to be funded with draws on existing debt instruments. The expected construction costs and expenditures to date are as follows:

	Commitments to Date	Expenditures To Date	Future Commitment
Panther Lake Kidney Center	\$ 12,112,989	\$ 2,656,592	\$ 9,456,397
Port Angeles Kidney Center	8,720,000	867,406	7,852,594
Kirkland Kidney Center Expansion	1,263,632		1,263,632
Future Kidney Center	2,486,365	193,287	2,293,078
Total Construction Commitments	\$ 24,582,986	\$ 3,717,285	\$ 20,865,701

Note 13 - Board Designated Net Assets

Board designated net assets are available for the following purposes at June 30:

	2021	2020
Quasi-endowments (Note 15)-		
General endowments	\$ 2,028,719	\$ 1,733,260
Patient support endowments	1,895,512	1,622,331
Research endowments	89,410	75,839
Employee scholarships	317,362	261,184
Patient services endowments	204,187	171,803
	\$ 4,535,190	\$ 3,864,417

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 14 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2021	2020
Subject to the Passage of Time or Expenditure for Specified Purpose:		
Program services	\$ 2,367,672	\$ 2,068,295
Acquisition of fixed assets	946,702	3,322,310
Total Subject to the Passage of Time or Expenditure for Specified Purpose	3,314,374	5,390,605
Endowment Funds:		
Original gifts and required retained funds (corpus)-		
General endowments	1,049,999	1,049,999
Patient support endowments	506,028	490,833
Research endowments	683,278	681,803
Employee scholarships	258,845	258,845
Patient services endowments	105,353	105,002
Patient emergency endowments	45,814	45,814
	2,649,317	2,632,296
Accumulated endowment earnings (Note 15)	1,174,814	593,268
Total Endowment Funds	3,824,131	3,225,564
Beneficial interest in split-interest agreements (Note 6)	1,848,862	1,656,181
Total Net Assets With Donor Restrictions	\$ 8,987,367	\$ 10,272,350

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 **For the Year Ended June 30, 2021** **(With Comparative Totals for 2020)**

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	2021 Total	2020 Total
		Endowment Corpus	Accumulated Earnings			
Donor restricted endowment funds	\$ -	\$ 2,649,317	\$ 1,174,814	\$ 3,824,131	\$ 3,824,131	\$ 3,225,563
Board designated quasi- endowment funds	4,535,190				4,535,190	3,864,417
Endowment Net Assets	\$ 4,535,190	\$ 2,649,317	\$ 1,174,814	\$ 3,824,131	\$ 8,359,321	\$ 7,089,980

Changes to endowment net assets for the years ended June 30 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	2021 Total	2020 Total
		Endowment Corpus	Accumulated Earnings			
Endowment net assets, beginning of year	\$ 3,864,417	\$ 2,632,296	\$ 593,267	\$ 3,225,563	\$ 7,089,980	\$ 6,760,332
Endowment investment return	826,593		693,751	693,751	1,520,344	251,217
Contributions and designations	200	17,021		17,021	17,221	266,203
Appropriation of endowment for expenditure and transfer	(156,020)		(112,204)	(112,204)	(268,224)	(187,772)
Endowment Net Assets, End of Year	\$ 4,535,190	\$ 2,649,317	\$ 1,174,814	\$ 3,824,131	\$ 8,359,321	\$ 7,089,980

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, 2021 and 2020.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

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 For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

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.

	2021	2020
Financial Assets at Year End:		
Cash and cash equivalents	\$ 6,162,638	\$ 5,082,091
Cash - provider relief funds to be returned		5,103,157
Receivables, net	23,963,984	22,815,395
Investments	73,415,623	66,196,546
Deferred compensation investments	452,488	717,798
Total Financial Assets	103,994,733	99,914,987
Less amounts not available for general expenditure within 12 months-		
Cash - provider relief funds to be returned		(5,103,157)
Long-term receivables	(1,165,968)	(820,537)
Board-designated and donor-restricted endowments	(8,359,321)	(7,089,981)
Deferred compensation investments	(452,488)	(717,798)
Plus budgeted appropriation from endowment earnings	277,715	267,268
Financial Assets Available For General Expenditure Within 12 Months	\$ 94,294,671	\$ 86,450,782

Note 17 - Subsequent Events

The Organization has evaluated subsequent events through October 18, 2021, the date on which the consolidated financial statements were available to be issued.

In October 2021, the Organization consummated the sale of its owned properties at 700 Broadway and 920 East Cherry Street, Seattle, Washington for gross proceeds of \$42,500,000 and concurrently entered into an agreement to lease these properties from the buyer for a term of five years. The agreement is cancellable by the Organization at its sole discretion after four years of the term have elapsed.

Future noncancellable minimum lease payments for the property lease are as follows:

For the Year Ending June 30,

2022	\$ 1,287,861
2023	1,755,874
2024	1,808,386
2025	1,862,678
2026	469,094
	\$ 7,183,892

SUPPLEMENTARY SCHEDULE

NORTHWEST KIDNEY CENTERS

Consolidating Statement of Financial Position For the Year Ended June 30, 2021

	Northwest Kidney Centers	Northwest Kidney Care Alliance	Eliminations	2021 Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 6,162,638	\$ -	\$ -	\$ 6,162,638
Cash - provider relief funds to be returned				
Current portion of receivables, net	21,211,453			21,211,453
Third party settlements receivable	1,586,563			1,586,563
Inventories	1,540,374			1,540,374
Prepaid expenses	1,169,720			1,169,720
Intercompany due (to) from	120,642	(120,642)		
Total Current Assets	31,791,390	(120,642)		31,670,748
Investments	65,056,302			65,056,302
Assets limited as to use - pledges for the acquisition of long-term assets	1,165,968			1,165,968
Assets limited as to use - board-designated endowment investments	4,535,190			4,535,190
Assets limited as to use - donor-restricted endowment investments	3,824,131			3,824,131
Deposits	163,370			163,370
Deferred compensation investments	452,488			452,488
Beneficial interest in split-interest agreements	1,848,862			1,848,862
Property and equipment, net	112,135,623			112,135,623
Total Assets	\$ 220,973,324	\$ (120,642)	\$ -	\$ 220,852,682
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 3,823,837	\$ -	\$ -	\$ 3,823,837
Construction payables	406,420			406,420
Current portion of pledge to the University of Washington	1,393,248			1,393,248
Current portion of deferred rent	99,086			99,086
Accrued expenses	7,224,529			7,224,529
Current portion of long-term debt	1,542,092			1,542,092
Total Current Liabilities	14,489,212			14,489,212
Deferred compensation	452,488			452,488
Deferred tenant leasehold allowance	1,229,475			1,229,475
Deferred rent, net of current portion	1,092,644			1,092,644
Long-term pledge to the University of Washington, net	600,000			600,000
Long-term debt, net	55,258,943			55,258,943
Total Liabilities	73,122,762			73,122,762
Commitments and contingencies				
Net Assets:				
Without donor restrictions-				
Undesignated	134,328,005	(120,642)		134,207,363
Board designated	4,535,190			4,535,190
Total net assets without donor restrictions	138,863,195	(120,642)		138,742,553
With donor restrictions-				
Restricted for program purposes	3,314,374			3,314,374
Beneficial interest in split-interest agreements	1,848,862			1,848,862
Endowment corpus	2,649,317			2,649,317
Endowment accumulated appreciation	1,174,814			1,174,814
Total net assets with donor restrictions	8,987,367			8,987,367
Total Net Assets	147,850,562	(120,642)		147,729,920
Total Liabilities and Net Assets	\$ 220,973,324	\$ (120,642)	\$ -	\$ 220,852,682

See independent auditor's report.