

October 31, 2023

Eric Hernandez, Program Manager
Health Facilities and Certificate of Need
Department of Health
111 Israel Rd. S.E.
Tumwater, WA 98501

Dear Mr. Hernandez:

Enclosed please find a copy of Northwest Kidney Center's NKC Everett's special circumstances, cycle 2 Certificate of Need Application. This Application adds one (1) station to the existing facility.

The appropriate review fee was sent separately to the CN program via FedEx. The FedEx tracking number is 813856694923.

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

Sincerely,

Michael Kellogg

Digitally signed by Michael Kellogg
DN: CN=Michael Kellogg, OU=BKC,
OU=User accounts, DC=nwkidney,
DC=local
Date: 2023.10.31 13:54:34-07'00'

Michael Kellogg,
Senior Director, Facility Planning & Management

Certificate of Need Application
Kidney Disease Treatment Facilities
Special 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 Michael Kellogg <small>Digitally signed by Michael Kellogg DN: CN=Michael Kellogg, OU=BKC, OU=User accounts, DC=nwkidney, DC=local Date: 2023.10.31 15:14:09-07'00'</small> Michael Kellogg Senior Director, Facility Planning & Management Email Address: Michael.Kellogg@nwkidney.org	Date: 10/31/2023 Telephone Number: 206-720-8505
Legal Name of Applicant Northwest Kidney Centers/NKC Everett Address of Applicant 12901 20 th Ave. S SeaTac, WA 98168	Provide a brief project description. (example: # of stations/location) Expand NKC Everett, existing 9 station facility, by 1 station. Estimated capital expenditure: \$23,528
This application is submitted under (check one box only): [] Concurrent Review Cycle 1 – Special Circumstances: [X] Concurrent Review Cycle 2 – Special Circumstance	
Identify the Planning Area for this project as defined in <u>WAC 246-310-800(15)</u>. <u>Snohomish County Dialysis Planning Area #2</u> If this facility has previously been approved to add special circumstance stations, provide the Certificate of Need number(s) for the approval. <u>Not applicable.</u>	



**CERTIFICATE OF NEED APPLICATION
SPECIAL CIRCUMSTANCES
ONE STATION ADDITION
NKC EVERETT KIDNEY CENTER**

SNOHOMISH 2 DIALYSIS PLANNING AREA

November 2023

TABLE OF CONTENTS

SECTIONS

1. APPLICANT DESCRIPTION	3
2. PROJECT DESCRIPTION	5
3. NEED	11
4. FINANCIAL FEASIBILITY	14
5. STRUCTURE AND PROCESS (QUALITY) OF CARE	19
6. COST CONTAINMENT	27

EXHIBITS

1. BOARD ORGANIZATIONAL CHART	28
2. OPERATIONS ORGANIZATIONAL CHART	30
3. LIST OF FACILITIES	33
4. LETTER OF INTENT	36
5. SINGLE LINE DRAWINGS	38
6. NKC POLICIES & PROCEDURES	40
7. PRO FORMA FINANCIALS AND ASSUMPTIONS	51
8. MEDICAL DIRECTOR AGREEMENT	55
9. LEASE AGREEMENT	76
10. SNOHOMISH COUNTY ASSESSOR INFORMATION	220
11. KEY STAFF	225
12. TRANSFER AGREEMENT	226

APPENDIX 1

AUDITED FINANCIAL STATEMENTS

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 Everett Kidney Center (“NKC Everett”). NKC proposes to expand the existing 9 station NKC Everett facility by one station, under the special circumstances criteria specified in WAC 246-310-818.

Note: WAC 246-310-818 requires that the data used to determine eligibility for a special circumstances CN application (patients per station) be obtained from the Northwest Renal Network (the Network). Subsection 7 of the rule states that the determination as to whether a one or two-station expansion can be applied for is based on whether, with the stations, the applicant can continue to operate the facility at a calculated 4.5 patients per station. Data used to make this calculation is the average patients per station from the data obtained from the Network. As of the drafting and finalization of this application, NKC and the Network are still confirming data. As such, this application is for one station, though we may opt to amend and increase to two.

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

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:

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.

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

1010 Southeast Everett Mall Way, Suite 104
Everett, WA 98208

2. If this facility has previously been approved to add special circumstance stations, explain why this project is consistent with [WAC 246-310-818\(3\)](#).

This question is not applicable as NKC Everett has not previously been approved to add special circumstances stations.

3. Provide a detailed description of the proposed project.

This project proposes to add one station to NKC Everett consistent with the requirements of WAC 246-310-818. NKC Everett has operated above 5.0 patients per station each month for the most recent six-month period preceding the letter of intent submittal. This additional capacity will provide increased access to dialysis patients in the planning area.

The capital expenditure is **\$23,528**. The project will be completed without construction.

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 Everett.

5. With the understanding that the review of a Certificate of Need kidney dialysis Special Circumstance application typically takes three and a half months, provide an estimated timeline for project implementation using the table on the following page.

Table 1 provides the requested information¹.

Table 1
NKC Everett Timeline

Event	Anticipated Month, Day, and Year
Assumed Completion of CN Review	February 13, 2024
Design Complete	Not applicable
Construction Commenced	Not Applicable
Construction Completed	Not Applicable
Facility Prepared for Survey	June 30, 2024

Source: Applicant

6. Identify the Month/Day/Year that the additional station(s) are 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 June 30, 2024

¹ Note that WAC 246-310-818(10) requires station(s) approved under special circumstance one- or two-station expansion must be operational within six months of approval.

7. **Provide a detailed 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 Everett provides the following services:

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

This Special Circumstances CN request will not change the services listed above.

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

Table 2 provides the requested information.

Table 2
NKC Everett Kidney Center, Station Configuration

	Before		After	
	CMS Certified Stations	Stations Counted in the Methodology	CMS Certified Stations	Stations Counted in the Methodology
General Use In-center Stations	7	7	8	8
Isolation Stations (not exempt)	1	1	1	1
Permanent Bed Station/Isolation Stations (not exempt)	1	1	1	1
Exempt Isolation Stations	0	0	0	0
Total Stations	9	9	10	10

Source: Applicant

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

NKC Everett serves the following:

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

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 current and new stations are clearly labeled with their square footage identified, and specifically identify future expansion stations (if applicable)

A single line drawing, with the requested information, is included in Exhibit 5. The proposed additional station is numbered G-8 on the drawings. Table 3 provides the requested information on the treatment area.

Table 3
NKC Everett
Actual Square Footage and Maximum Allowable Treatment Area Square Footage,
At Project Completion

		Level 01		
Category		Area/ Unit	Count	Area
Actual Square Footage				
Treatment Floor Space- Stations Actual				
In-center Open Dialysis Station		80 sf	8	640 sf
In-center Isolation Station		135 sf		0 sf
In-center Private Station		110 sf	1	110 sf
In-Center Permanent Bed Station		90 sf	1	90 sf
Private Room w/ Beds		200 sf		0 sf
Future Stations		80 sf	1	80 sf
Sub-Total Treatment Floor Space			11	920 sf
Other treatment Floor Space				1,235 sf
Clinical Floor Space				2,155 sf
Non Incenter Floor Space (home training, lobby, waiting, toilets, reception, support, water rooms etc.)				7,108 sf
Total (Gross) Square Footage				9,263 sf
Maximum Allowable Treatment Area Square Footage Calculation				
Maximum Treatment Area Square Footage				Actual Areas from Clinic
		Allowable Areas		
In-center Open Dialysis Station	8	150 sf	1,200 sf	640 sf
In-center Isolation Station	0	200 sf	0 sf	0 sf
In-center Private Station	1	200 sf	200 sf	110 sf
In-Center Permanent Bed Station	1	200 sf	200 sf	90 sf
Private Room w/ Beds	0	200 sf	0 sf	0 sf
Future Stations	1	150 sf	150 sf	80 sf
Total Station Space per MTASF			1,750 sf	920 sf
Other Treatment Floor Space @75% of Station Space per MTASF			1,313 sf	1,235 sf
Total			3,063 sf	2,155 sf

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 Everett is not impacted by this project. The gross and net square feet occupied by Northwest Kidney Centers is 9,263. As depicted in the drawings, the lease includes approximately 5,853 square feet that is being sublet to an outside entity. The balance of the leased space is approximately 822 square feet of common area lobby space allocated to Northwest Kidney Centers.

13. Provide the existing facility's Medicare and Medicaid numbers.

NKC Everett's provider numbers are as follows:

Medicare #: 50-2603

Medicaid #: 1801404124 (NPI number) _____

SECTION 3 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 Everett is located in ESRD Snohomish County Planning Area #2. The other facilities in the planning area are detailed in Table 4:

**Table 4
Snohomish County Dialysis Planning Area #2
Facilities by Station Count**

Facility	Number of Stations Counted in the Methodology
PSKC Everett	25
PSKC Monroe	12
DaVita Pilchuck	10
DaVita Everett	15
NKC Everett	9

Source: Certificate of Need Program website

2. Consistent with [WAC 246-310-818\(1\)](#), provide the facility's historical utilization data for the most recent six months preceding the letter of intent period. This data should show each month separately and be acquired from the Northwest Renal Network / Comagine ESRD Network 16. Provide the original source correspondence with the monthly data from Comagine.

The requested information is in Table 5. The correspondence with the Network is pending and will be provided with our screening response.

**Table 5
NKC Everett Monthly Census Data**

	April 2023	May 2023	June 2023	July 2023	August 2023	September 2023
Total in-center stations	9	9	9	9	9	9
Total in-center patients	48	49	49	50	49	50
Patients per Station	5.33	5.44	5.44	5.56	5.44	5.56

Source: Comagine, Northwest Renal Network

3. Consistent with WAC 246-310-818(3) and (4) confirm that the facility proposing to add stations with this application:
 - a. Has not been approved to add two stations under special circumstance review or that since approval to add two special circumstance stations a facility in the planning area has been approved to add nonspecial circumstances stations.
 - b. Has not operationalized relocated stations within the last three years.

NKC Everett began serving patients in September of 2021. It has not previously requested, nor been approved, to add special circumstances stations. NKC Everett has not operationalized relocated stations. Therefore, it is permissible for NKC Everett to request this one station under WAC 246-310-818 (3) and (4).

4. Consistent with WAC 246-310-818(5) or (6) provide the most recent six months utilization data for all facilities approved to operate in the planning area and owned, operated, or affiliated with the applicant.

NKC does not own or operate, nor is it affiliated with any other facility in the planning area. This question is not applicable.

5. Provide both historical and projected utilization of the facility for the first three full years of operation with additional stations. Be sure to include the intervening years between historical and projected. Include all assumptions used to make these projections.

The requested information is included in Table 6.

Table 6
NKC Everett
Historical and Projected Census

	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Total in-center stations	9	9	9	10	10	10	10
Total in-center patients (average)	24	48	50	52	54	56	57
Total in-center treatments	1,651	5,447	6,831	7,284	8,397	8,584	8,584
Patients/station	2.66	5.22	5.44	5.0	5.3	5.5	5.5

Source: Applicant

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

This application requests Special Circumstance stations. The award of these stations is based on internal need and utilization and is not impacted by the utilization or occupancy of any other facility. That said, approval of this project will immediately improve patient access. As detailed in response to Question 7 in Section 2, Project Description, no existing services will be decreased with this project.

7. 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 Everett, as with all other NKC facilities, is committed to providing services to all patients regardless of race, color, ethnic origin, religious belief, sex, age, or lack of ability to pay.

Copies of the admission policies and procedures and the charity care policy for the existing NKC Everett are included in Exhibit 6.

8. 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 6.

SECTION 4

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.**

NKC proposes to use existing reserves to fund the small capital expenditure. Included in Appendix 1 is a copy of NKC's most recent audited financial statements. These statements demonstrate that sufficient reserves are available to cover these costs.

Utilization projections are included in Exhibit 7, along with the requested pro forma financial information.

- 2. Provide the following agreements/contracts:**
 - Management agreement**
 - Operating agreement**
 - Medical director agreement**
 - Development agreement**
 - Joint Venture agreement**

NKC Everett does not have a management agreement, operating agreement, development agreement or a joint venture agreement. A copy of the medical director's agreement is included in Exhibit 8.

- 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.**

The site for NKC Everett is leased. Included in Exhibit 9 is a copy of the executed lease and sublease agreement for the site. As was noted in response to an earlier question, NKC subleases 5853 sq ft to a separate party. The Exhibit provides the cost information for both the sublease and the lease agreement. The revenue from the sublease is assigned to the Administrative cost center and is not included as revenue for NKC Everett. Only the lease expense for the SF associated with NKC Everett is included in the pro forma financials.

- 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.**

Included in Exhibit 10 is information from the Snohomish County Assessor's office documenting that Everett Mall Office Building, LLC, the landlord, owns the site. NKC Everett is operational and there is no change to the physical plant of the existing facility proposed with this project. There are no zoning concerns.

- 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.**

The requested information is included in Table 7.

Table 7
NKC Everett Capital Expenditure

Item	Cost
a. Land Purchase	\$
b. Utilities to Lot Line	\$
c. Land Improvements	\$
d. Building Purchase	\$
e. Residual Value of Replaced Facility	\$
f. Building Construction	\$
g. Fixed Equipment (not already included in the construction contract)	\$
h. Movable Equipment	\$20,670
i. Architect and Engineering Fees	\$2,197
j. Consulting Fees	\$
k. Site Preparation	\$
l. Supervision and Inspection of Site	\$
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction)	
1. Land	\$
2. Building	\$
3. Equipment	\$
4. Other	\$
n. Washington Sales Tax	\$661
Total Estimated Capital Expenditure	\$23,528

Source: Applicant, includes sales tax on equipment other than the dialysis machine

- 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.**

The applicant, NKC, estimated the capital costs identified above. The capital is limited to equipment. NKC has strong expertise in equipment purchasing.

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

This question is not applicable. There is no construction.

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. The capital costs for this project are relatively minor and will not impact payers or patients.

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](#).

This project will have no impact on the costs and charges for services as NKC's charges for services are not determined by capital expenditures. The capital costs for this project are relatively minor and will not impact payers or patients.

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

NKC Everett's current payer mix is detailed in Table 8. No change in payer mix is assumed for this project.

**Table 8
NKC Everett Kidney Center
Current and Projected Payer Mix**

Payer Mix	Percentage by Revenue	Percentage by Patient
Medicare	42%	61%
Medicaid	20%	19%
Other Payers	38%	20%
Total	100%	100%

Source: Applicant

11. If the payer mix is expected to change as a result of this project, provide the projected payer mix by revenue and patients for the existing facility using the same table format shown above.

No change in payer mix is expected as a result of this project. The current and projected payer mix was provided in Table 8.

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.

Table 9 details the proposed equipment for this project.

Table 9
NKC Everett Kidney Center
Proposed Moveable Equipment List

Item Category	Cost
Hemodialysis Machines (1)	\$14,000
Chairs (1)	\$6,594
Patient TVs	\$550
Pillow Speakers & O2 Flowmeters	\$187
Total	\$21,331

Source: Applicant, includes sales tax on items other than the dialysis machine.

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.

NKC will use reserves to fund this project. Included in Appendix 1 is a copy of NKC's most recent audited financial statements. These statements demonstrate that funds are available to cover these costs.

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

No financing is proposed for this project. Therefore, 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 STRUCTURE AND PROCESS (QUALITY) OF CARE (WAC 246-310-230)

1. Provide a table that shows FTEs [full time equivalents] by category for 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 10 details the current and proposed staffing. These staffing numbers reflect the salaries and wages line item included in the pro forma.

**Table 10
NKC Everett Kidney Center
Current and Projected FTEs**

Job Title	Average Hourly Base Rate²	FY2021 FTE	FY2022 FTE	FY2023 FTE	FY2024 FTE	FY2025 FTE	FY2026 FTE	FY2027 FTE
Nurse Manager	\$60.01	0.2	0.4	0.5	1.0	1.0	1.0	1.0
Dialysis Technician II	\$22.93	2.1	5.1	5.7	5.43	5.43	5.43	5.43
Registered Nephrology Nurse	\$41.38	1.3	4.0	4.3	3.95	3.95	3.95	3.95
Clinical Unit Coordinator	\$21.00	0.5	1.3	0.9	1.0	1.0	1.0	1.0
Total	\$145.32	4.1	10.8	11.4	11.38	11.38	11.38	11.38

Source: Applicant

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

The staffing in Table 10 is based on current staff to patient ratios. No change in these ratios is proposed.

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

The average hourly wage by FTE category is detailed in Table 10. Employee benefits are calculated at 26% of the salaries and wages line item.

² The average hourly base rate excludes premium pay, differentials, incentives, retention, bonus, etc. For this reason, the rate cannot be multiplied by the FTE to calculate an exact match with the pro forma. NKC has historically presented salary costs this way, and it has been accepted by the CN Program.

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 Everett is Laura Mayeda, MD. Dr. Mayeda's license number is MD61044026. Dr. Mayeda is a contracted medical director. A copy of the medical director's agreement is included in Exhibit 8.

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

The requested information is provided in Exhibit 11.

6. Provide names and professional license numbers for current credentialed staff.

The requested information is included in Exhibit 11.

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. Based on adjustments made to our recruiting and retention efforts, we are glad to report that staffing is 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, LinkedIn, nursing associations, 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 recruitment and retention strategies.
- NKC human resources staff also work with agency personnel as needed for the use of temporary filling of staff positions.
- NKC has a highly successful employee referral program that incentivizes current employees to refer colleagues from outside the organization for open positions.
- 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 Everett is geographically proximate to other facilities (NKC Lake City, NKC Scribner and Kirkland) which does promote sharing of staff.

The addition of one station at NKC Everett will result in some modest staffing efficiencies because no additional staff will be needed for the added station.

8. Provide a listing of ancillary and support service vendors already in place.

Ancillary and support services currently in place at NKC Everett are detailed in Table 11.

Table 11
NKC Everett
Ancillary and Support Services

Service	Vendor
IT/Network Engineering	CDW Corporation
Copier leases and support	Copiers NW
Janitorial Services	Citywide
Lab Services	Ascend
Oxygen Supply / Repairs	Airgas / BeaconMeadaes
Linen Services	Medicleanse
Water Treatment	BBraun
Biohazard Removal	Trilogy
Dialysis Chair Repairs	CoMedical
Alarm Monitoring	Signal Services
Fire Alarm Repair	Fire Safety Pros
HVAC Maintenance	MacDonald Miller
Electrical Repairs	Northstar Electrical
Plumbing Repairs	Stirrett Johnson
Ice Machine Maintenance	Walsh Equipment
Pest Control	Sprague
Interpreter Services	United Language Group

Source: Applicant

All other services are provided by NKC through our SeaTac based shared services.

9. 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.

10. 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 12.

Table 12
Ancillary and Support Services for NKC Everett

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 and off site
Pharmacy	On and off site
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

11. Provide a listing of healthcare facilities with which the dialysis center has working relationships.

Table 13 details the health care entities that NKC has working relationships with.

Table 13
NKC's Working Relationships with Healthcare Facilities

Category	Examples/Providers	Status of Existing Relationship	Any change to existing relationship necessary?
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 Everett.
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 ▪ Swedish Nephrology ▪ 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 Everett.

Category	Examples/Providers	Status of Existing Relationship	Any change to existing relationship necessary?
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. 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 Everett.
Other not for profit dialysis providers for mutual aid.	<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 Everett.

Source: Applicant

12. Provide a copy of the existing transfer agreement with a local hospital.

A copy of NKC's existing transfer agreement is included in Exhibit 12.

13. 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.

14. 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).

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

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

No NKC facility nor practitioner associated with the application has any history with respect to the actions noted in CN regulation WAC 246-310-230(3) and (5).

16. 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.

Specific to Snohomish 2, NKC has been providing outpatient dialysis services in the Dialysis Planning Area for just a few years, but census has grown rapidly today we operate at close to 100% capacity and have a wait list of patients. Our high occupancy means that some patients have difficulty receiving timely access to services. The additional stations will ensure that our commitment to the community to provide timely access and high quality remains.

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 Everett 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 Everett 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.

17. 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 13, above, provides examples of NKC's existing working relationships with area health care providers. Table 13 also includes a brief description of its existing relationships with the health care entities noted. Exhibit 12 includes our transfer agreement with Swedish Medical Center.

SECTION 6

COST CONTAINMENT (WAC 246-310-240)

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

WAC 246-310-818 allows dialysis facilities to request up to two additional stations based on internal utilization; regardless of whether there is numeric need in the planning area. Given the high census at NKC Everett and the shortened timeline for the Special Circumstances concurrent review cycle, this project will provide for some relief to the continued census pressures at NKC Everett.

Our average occupancy as of the date collected by the Network each month for the preceding six months appears to be 0.04% below what is required in rule to allow an applicant to request a +2. As noted in the introduction, our internal census numbers are higher than those of the Network, and we are working to understand the difference. Two additional stations versus one would benefit patients and efficiencies.

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.

As discussed in response Question #1, WAC 246-310-818 allows providers to submit special circumstance applications based on internal need. The addition of one station at NKC Everett will somewhat improve patient access to dialysis services by adding capacity with relatively minimal capital expenditure. There are no legal restrictions related to this proposal and this project will have no impact on either the cost of services or the already high quality of care. Ultimately, NKC Everett will operate more efficiently because no additional staff is needed for the added station.

3. Identify any aspects of the facility's design that 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 require any construction. Therefore, this question is not applicable.

Exhibit 1
Board Organizational Chart

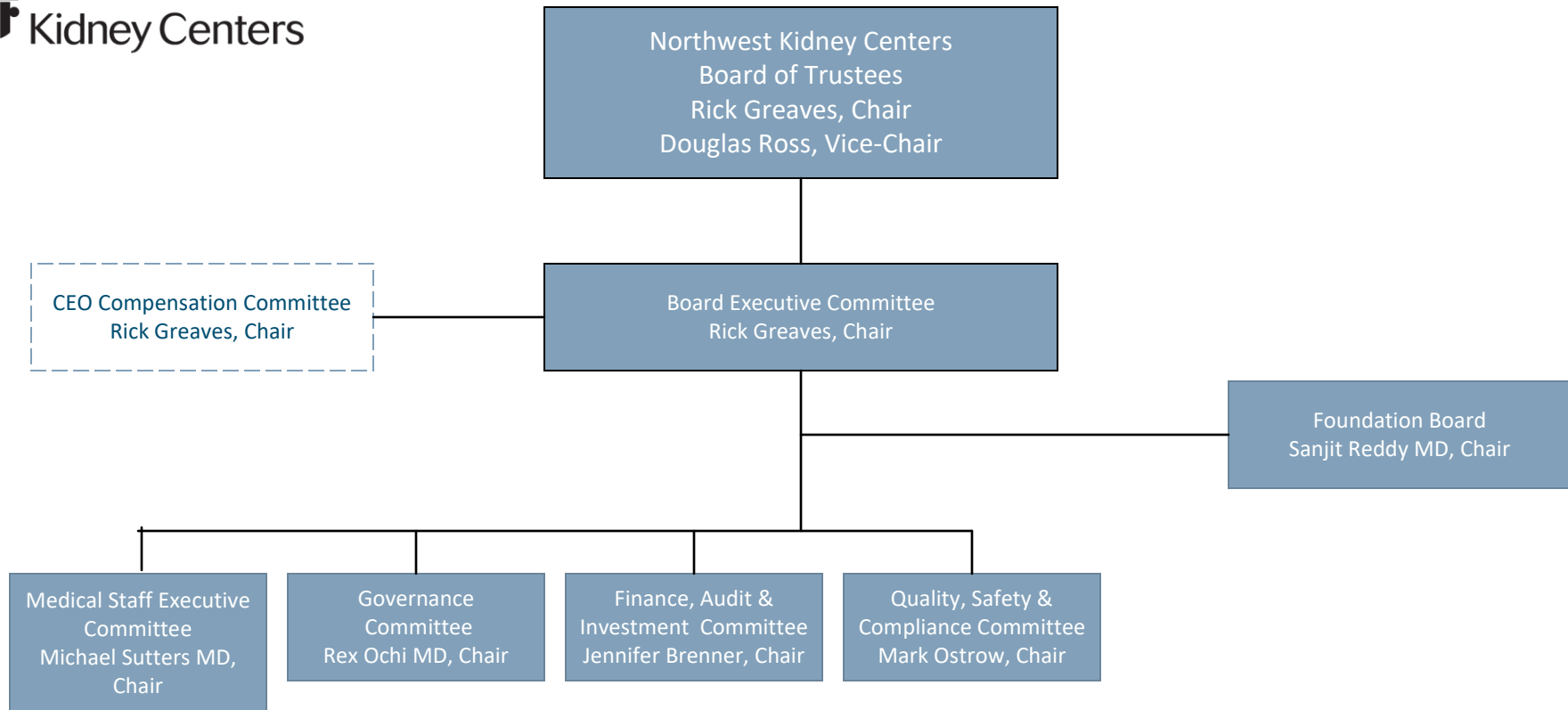
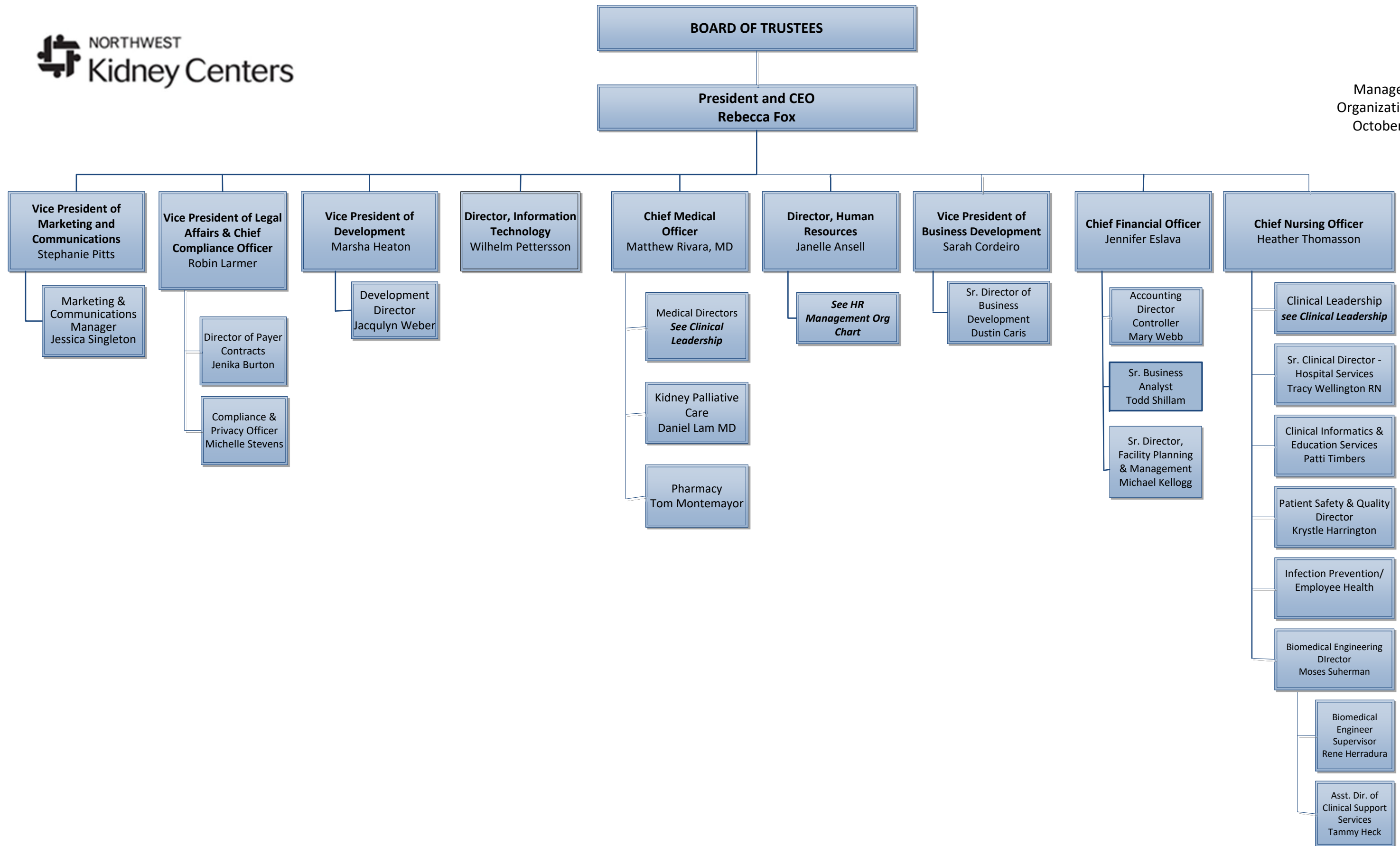


Exhibit 2
Operations Organizational Chart



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

Auburn

P. Mukherjee MD
E. Lockley RN
J. Sutton RN

Bellevue

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

Broadway

M. Rivara MD
T. Mackness RN
M. McGinnity RN

Burien

A. Anderson MD
S. Bromstrup RN
E. Beauchemin RN

Hospital Services

Raimund Pichler
MD
T. Wellington RN
S. Tran RN

Enumclaw

P. Barkan MD
S. Bromstrup RN
C. Kelley RN

Everett

L. Mayeda MD
T. Mackness RN
C. Abero RN

Federal Way East

H. Pham MD
E. Lockley RN
A. Mihulata RN

Federal Way West

M. Javed MD
E. Lockley RN
A. Mihulata RN

Fife

S. Venkataraman MD
E. Lockley RN
R. Becker RN

Kent

A. Brockenbrough MD
E. Lockley RN
C. Soon RN

Kirkland

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

Lake City

J. Joh MD
T. Mackness RN
C. Abero RN

Port Angeles

L. Nakamoto MD
S. Bromstrup RN
A. Gmazel 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. Saclolo 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
T. Mackness RN
M. McGinnity RN

Snoqualmie Ridge

L. Li MD
D. Marcella RN
RN

Admissions, Transportation & Interpreter Services

D. Marcella RN

Kent Panther Lake

A. Pesenson MD
S. Bromstrup RN
A. Piaoan RN

Exhibit 3
Facility List

Northwest Kidney Centers		FEIN: 91-6057438							
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>DOH Stations</u>	<u>Exempt Isolation</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	14	0	1/13/1997	Yes
NKC Bellevue Kidney Center	1474 - 112th Ave NE Bellevue, WA 98004	425-454-0067	502505	1043279	1215022876	18	0	8/31/1981	Yes
NKC Broadway Kidney Center	700 Broadway Seattle, WA 98122-4302	206-292-2705	502556	2002409	1700025038	15	0	6/1/2009	Yes
NKC Burien Kidney Center	12901 20th Ave. South, SeaTac WA 98168	206-923-3562	502523	1043110	1164515797	22	1	10/14/2019	Yes
NKC Elliott Bay Kidney Center	600 Broadway, Suite 240 Seattle, WA 98122	206-292-2515	502511	1046176	1912091497	0	0	9/5/1991	Yes
NKC Enumclaw Kidney Center	857 Roosevelt Ave E Enumclaw, WA 98022-9239	360-825-2050	502570	2029785	1811241656	10	0	3/4/2013	Yes
NKC Everett Kidney Center	1010 Southeast Everett Mall Way, Ste 104 Everett WA 98208	425-906-5370	502603	2181834	1801404124	9	0	9/14/2020	Yes
NKC Federal Way East Kidney Center	33820 Weyerhaeuser Way S. Federal Way, WA 98001	253-943-6262	502593	2107282	1083132799	16		3/12/2018	Yes
NKC Federal Way West Campus	501 So. 336th Street, Suite 110 Federal Wav. WA 98003	253-943-6312	502594	2123772	1861981177	8	0	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	27	1	12/16/2008	Yes
NKC Kent / Panther Lake Kidney Center	10821 SE 204th Street Kent, WA 98031 (new address by city)	253-354-6702	Not Issued	Not Issued	Not Issued	11	0	4/3/2023	No
NKC Kirkland Kidney Center	11327 NE 120th Street Kirkland, WA 98034-6907	425-821-8785	502516	1046175	1912090531	25	1	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	0	1/25/2002	Yes
NKC Port Angeles Kidney Center	707 South Chase Street Port Angeles, WA 98362	360-565-1435	34 502510	1046099	1891880332	10	0	11/7/2022	Yes

NKC Rainier Beach Kidney Center	4401 South Trenton Street, Seattle, WA 98118	206-720-8807	502601	2156824	1932757093	19	0	1/13/2020	Yes
NKC Renton Kidney Center	602 Oakesdale Ave. SW Renton, WA 98057	425-251-0647	502508	1046242	1922193564	34	0	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	0	8/1/1983	Yes
NKC SeaTac Kidney Center	17900 International Blvd S, #301 SeaTac, WA 98188	206-901-8700	502509	1043264	1205921616	43	0	11/5/2007	Yes
NKC Seattle Kidney Center	548 - 15th Avenue Seattle, WA 98122	206-720-3940	502500	1043799	1346242542	30	1	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	0	1/13/2003	Yes

Exhibit 4
Letter of Intent

September 29, 2023

Eric Hernandez, Program Manager
Certificate of Need Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852

Dear Mr. Hernandez:

This Letter of Intent is Northwest Kidney Centers to add 1 station to its existing NKC Everett Kidney Center, located in the Snohomish 2 Dialysis Planning Area. In accordance with WAC 246-310-080, the following information is provided:

1. A Description of the Extent of Services Proposed:

NKC proposes to add 1 station to NKC Everett Kidney Center per the +1 Special Circumstances as allowed per WAC 246-310-818.

2. Estimated Cost of the Proposed Project:

The estimated capital expenditure is \$23,528.

3. Description of the Service Area:

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

Sincerely,

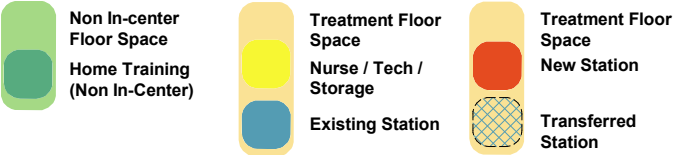
Michael Kellogg

Digitally signed by Michael Kellogg
DN: CN=Michael Kellogg, OU=BKC,
OU=User accounts, DC=nwkidney,
DC=local
Date: 2023.09.29 09:38:42-07'00'

Michael Kellogg
Senior Director, Facility Planning and Management

Exhibit 5
Single Line Drawings

COLOR LEGEND



SCALE 1/16" = 1'-0" WHEN PRINTED ON 11" x 17"

CLINICAL FLOOR SPACE
2,155 sf

NON-INCENTER FLOOR SPACE
7,108 sf

PATIENT ENTRY
SUITE 104

DROP-OFF ZONE

STAFF ENTRY / RECEIVING

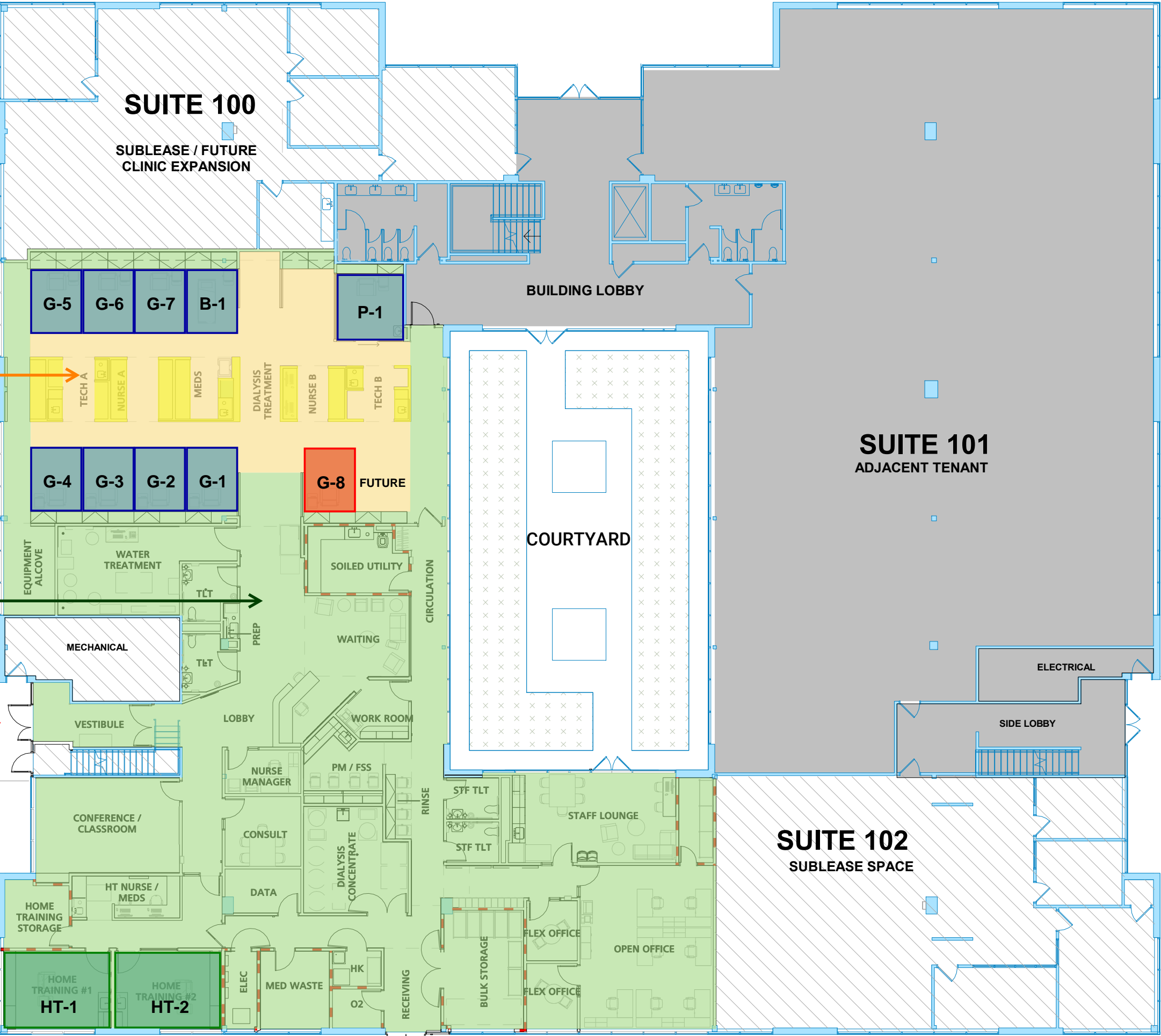


Exhibit 6

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
--	------------------------------------

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

Northwest Kidney Centers

Social Services/Admissions and Transfers/New Patient Admission Policy

References:

- "Transfer In Policy"
- "Visitor Dialysis"

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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.



FINANCIAL SERVICES – PATIENT ACCOUNTS
PATIENT FUNDING SOURCES

PATIENT'S FUNDING SOURCES

POLICY:

The Patient Finance Department will identify, and see to it that the patient obtains, every possible funding source available for each patient. This will be done following the patient's initial interview, and updated each year thereafter. The possible funding sources include: Medicare, Medicaid, Washington State Kidney Disease Program, Commercial Insurance, NKC Charity, and Personal Payment Obligation.

PROCEDURE:

See Financial Services / Patient Accounts Policy and Procedure Manual.

Charity Guidelines

Income limit: 300% FPL or less Resource limit: Current Medicaid/KDP guidelines

Dialysis and Transplanted patients eligible

Do not count 401K/Retirement accounts

Count life insurance with a cash value

Patient expresses a need for financial assistance

Income and resource amounts determined by asking patient. Must send verification if requested.

Evaluate for Medicaid and Kidney Disease Program. Can't be eligible for Medicaid or KDP and may need to apply for assistance programs if determined by Financial Case Manager.

Undocumented patients with AEM and spenddown – During spenddown patient is responsible for charges if income over 300% FPL, after spenddown is met then eligible for charity.

Notify Financial Case Manager within 10 days of changes in income or resources. Failure to do so could result in reversal of charity and balances due immediately.

Can use for patients with Out of State Medicaid if Medicaid is secondary to Medicare

Upon acceptance, charity can go back to beginning of balance due and is good for 1 year

If patients lose their Medicare Part D benefits due to non-payment of premiums they are eligible for charity for medications if income is 300% FPL or less

Exhibit 7

Pro Forma Financials and Assumptions

Northwest Kidney Center
Proforma Federal Way West
Plus 1 station Application

Everett - Adding plus 1 station	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27
Total Stations	9	9	9	9.5	10	10	10
Total Shifts	6	6	6	6	6	6	6
Total Census Capacity	54	54	54	57	60	60	60
Census as of last day of Period	24	48	50	52	54	56	57
Census Capacity	44%	89%	93%	91%	90%	93%	95%
Average Diaylsis Time	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Total Daily Treatment Capacity	27	27	27	27	30	30	30
Annual Operating Days	221	311	311	312	311	311	311
Total Annual Treatment Capacity	5,967	8,397	8,397	8,424	9,330	9,330	9,330
Total Annual Treatment Completed	1,651	5,447	6,831	7,284	8,397	8,584	8,584
Treatment Capacity	28%	65%	81%	86%	90%	92%	92%
Charity Care - \$000	0	12	76	6	7	7	7
Bad Debt - \$000	0	0	0	66	76	78	78
Net Patient Revenue - \$000	\$ 599	\$ 1,971	\$ 1,897	\$ 2,813	\$ 3,243	\$ 3,315	\$ 3,315
Revenue per TRX	362.76	361.88	277.74	386.16	386.16	386.16	386.16
Expenses - \$000							
Salary & Benefits	329	988	1,177	1,225	1,412	1,443	1,443
Facility Rent	219	47	185	104	102	100	100
Non Facility & CAM Costs	47	76	78	67	67	67	67
Depreciation And Amortization	657	403	420	420	420	420	420
Supplies	88	213	232	243	280	286	286
Drugs	57	179	174	218	251	257	257
Labs	8	25	32	41	47	48	48
Purchased Services	36	81	75	87	100	102	102
Medical Consulting	58	69	69	69	69	69	69
Utilities	29	37	54	42	48	49	49
Total Direct Expenses	\$ 1,529	\$ 2,118	\$ 2,497	\$ 2,515	\$ 2,797	\$ 2,842	\$ 2,841
Cost Per Treatment	\$ 926	\$ 389	\$ 366	\$ 345	\$ 333	\$ 331	\$ 331
Operating Margin (pre G&A) - \$000	\$ (930)	\$ (147)	\$ (600)	\$ 297	\$ 446	\$ 472	\$ 473
G&A Allocation from Cost Report - \$000	171	106	106	106	106	106	106
Excess Revenue Over Expense -\$000	\$ (1,101)	\$ (253)	\$ (706)	\$ 191	\$ 340	\$ 366	\$ 367
Cost per TRX							
Salary & Benefits	199	181	172	168			
Rent	133	9	27	14			
Non Facility & CAM Costs	35	22	15	12			
Depreciation And Amortization	398	74	61	58			
Supplies	53	39	34	33			
Drugs	35	33	26	30			
Labs	5	5	5	6			
Purchased Services	22	15	11	12			
Medical Consulting	35	13	10	9			
Utilities	18	5	8	6			

Northwest Kidney Center
Proforma Federal Way West
Plus 1 station Application

This proforma is based on FY 24 Q1 Actual Performance data thru Sept 31, 2023 then annualized.

Increase in Census in FY24 and FY 25 based on current patient wait list

Increase in Treatments to meet Organizational focused effort to improve Missed Treatments to only 8% FY 26 (see treatment capacity)

All expenses, except Medical Consulting are costed as a function of treatments

Category

Salary & Benefits	FTE counts are flat, no inflation for salaries. All increases are due to increased treatment counts
Facility Rent	Lease Expense (not Cash Payments) Consistent with new GAAP Regulation Language for Right of Use Asset Recognition Rental Liability was reduced according to Lease Schedule for Sublet Suites 100 & 102
Non Facility & CAM Costs	Non Facility Rent is equipment rentals, CAM is common area maintenance included in Building Lease Agreement. This has been reduced by 18.34% of actual spend due to Language on 2 of Sublease agreement stating sublease tenant is responsible for 18.34% of CAM for FY 21. FY 22 and beyond has CAM costs reduced by 37.30% per new Sublease Clause.
Depreciation And Amortization	Straight line depreciation for equipment and leasehold improvements. Capital Cost for New Station has been added on a 7 year straight-line depreciation schedule.
Supplies	Includes Medical, Cleaning, Pharmacy, Building and Office Supplies along with Misc expenses including staff appreciation and mileage.
Drugs	Includes ESA, Calcimetics, and Administered Drugs
Labs	Lab Testing
Purchased Services	Includes language interpretation services, housekeeping, laundry freight and external repair and maintenance costs.
Medical Consulting	Medical Director is based on contracted amount
Utilities	Building utilities and taxes along with Contaminate Waste Disposal.
G&A	Based on the organization-wide CMS Cost Report for FY22. Overhead includes administrative and support services including but not limited to all organizational licensing and insurance costs.

Lease Expense Computation - ASC 842

Everret

	Month	CASH Payment	Stright-line	Lease Reduction Sublease Suite 102	Lease Reduction Sublease Suite 100	
		Actual Payment	Lease Expense			
25	7/1/2023	18,711.89	16,754.37	-2874.67	-3432.54	10,447.16
26	8/1/2023	18,711.89	16,754.37	-2874.67	-3432.54	10,447.16
27	9/1/2023	18,711.89	16,754.37	-2874.67	-3432.54	10,447.16
28	10/1/2023	18,711.89	16,754.37	-2874.67	-3432.54	10,447.16
29	11/1/2023	18,711.89	16,754.37	-2874.67	-3432.54	10,447.16
30	12/1/2023	18,711.89	16,754.37	-2874.67	-3432.54	10,447.16
31	1/1/2024	19,273.25	16,754.37	-2874.67	-3432.54	10,447.16
32	2/1/2024	19,273.25	16,754.37	-2874.67	-3432.54	10,447.16
33	3/1/2024	19,273.25	16,754.37	-2874.67	-3432.54	10,447.16
34	4/1/2024	19,273.25	16,754.37	-2874.67	-3432.54	10,447.16
35	5/1/2024	19,273.25	16,754.37	-2874.67	-3432.54	10,447.16
36	6/1/2024	19,273.25	16,754.37	-2874.67	-3432.54	10,447.16
37	7/1/2024	19,273.25	16,754.37	-2960.91	-3535.51	10,257.95
38	8/1/2024	19,273.25	16,754.37	-2960.91	-3535.51	10,257.95
39	9/1/2024	19,273.25	16,754.37	-2960.91	-3535.51	10,257.95
40	10/1/2024	19,273.25	16,754.37	-2960.91	-3535.51	10,257.95
41	11/1/2024	19,273.25	16,754.37	-2960.91	-3535.51	10,257.95
42	12/1/2024	19,273.25	16,754.37	-2960.91	-3535.51	10,257.95
43	1/1/2025	19,851.44	16,754.37	-2960.91	-3535.51	10,257.95
44	2/1/2025	19,851.44	16,754.37	-2960.91	-3535.51	10,257.95
45	3/1/2025	19,851.44	16,754.37	-2960.91	-3535.51	10,257.95
46	4/1/2025	19,851.44	16,754.37	-2960.91	-3641.58	10,151.88
47	5/1/2025	19,851.44	16,754.37	-2960.91	-3641.58	10,151.88
48	6/1/2025	19,851.44	16,754.37	-2960.91	-3641.58	10,151.88
49	7/1/2025	19,851.44	16,754.37	-3049.73	-3641.58	10,063.06
50	8/1/2025	19,851.44	16,754.37	-3049.73	-3641.58	10,063.06
51	9/1/2025	19,851.44	16,754.37	-3049.73	-3641.58	10,063.06
52	10/1/2025	19,851.44	16,754.37	-3049.73	-3641.58	10,063.06
53	11/1/2025	19,851.44	16,754.37	-3049.73	-3641.58	10,063.06
54	12/1/2025	19,851.44	16,754.37	-3049.73	-3641.58	10,063.06
55	1/1/2026	20,446.90	16,754.37	-3049.73	-3641.58	10,063.06
56	2/1/2026	20,446.90	16,754.37	-3049.73	-3641.58	10,063.06
57	3/1/2026	20,446.90	16,754.37	-3049.73	-3641.58	10,063.06
58	4/1/2026	20,446.90	16,754.37	-3049.73	-3750.83	9,953.81
59	5/1/2026	20,446.90	16,754.37	-3049.73	-3750.83	9,953.81
60	6/1/2026	20,446.90	16,754.37	-3049.73	-3750.83	9,953.81
61	7/1/2026	20,446.90	16,754.37	-3049.73	-3750.83	9,953.81
62	8/1/2026	20,446.90	16,754.37	-3049.73	-3750.83	9,953.81
63	9/1/2026	20,446.90	16,754.37	-3049.73	-3750.83	9,953.81
64	10/1/2026	20,446.90	16,754.37	-3049.73	-3750.83	9,953.81
65	11/1/2026	20,446.90	16,754.37	-3049.73	-3750.83	9,953.81
66	12/1/2026	20,446.90	16,754.37	-3049.73	-3750.83	9,953.81
67	1/1/2027	21,060.40	16,754.37	-3049.73	-3750.83	9,953.81
68	2/1/2027	21,060.40	16,754.37	-3049.73	-3750.83	9,953.81
69	3/1/2027	21,060.40	16,754.37	-3049.73	-3750.83	9,953.81
70	4/1/2027	21,060.40	16,754.37	-3049.73	-3750.83	9,953.81
71	5/1/2027	21,060.40	16,754.37	-3049.73	-3750.83	9,953.81
72	6/1/2027	21,060.40	16,754.37	-3049.73	-3750.83	9,953.81
73	7/1/2027	21,060.40	16,754.37	-3049.73	-3750.83	9,953.81

104,471.60 FY 24

102,367.36 FY 25

100,412.10 FY 26

99,538.10 FY 27

Exhibit 8
Medical Director Agreement

MEDICAL DIRECTOR AGREEMENT

This MEDICAL DIRECTOR AGREEMENT (this “Agreement”), effective as of August 1, 2023 is entered into by and between Northwest Kidney Centers, a Washington nonprofit corporation (“NKC”) and the University of Washington, a state institution of higher education, on behalf of UW Medicine (“UW”).

RECITALS

A. UW has designated its healthcare operations as UW Medicine, whose mission is to improve the health of the public by advancing medical knowledge, preparing the next generation of physicians, scientists and other healthcare professionals, and providing outstanding clinical care. The UW School of Medicine (“School”) is among the component entities of UW Medicine. School Healthcare Professionals (hereinafter “School HCPs”) provide clinical and other professional services at sites of practice approved by the UW Medicine CEO/Executive Vice President for Medical Affairs/School Dean, in furtherance of its teaching, research and clinical activities.

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

C. Consistent with their respective missions, NKC is in need of, and UW desires to provide, medical director services from a School HCP.

AGREEMENT

Now, therefore, the parties agree as follows:

1. MEDICAL DIRECTOR SERVICES

1.1 Appointment and Replacement.

(a) NKC hereby engages UW to furnish the services of a School HCP as medical director of the Program, and UW accepts such engagement, under the terms and conditions of this Agreement.

(b) UW will assign the School HCP identified in Exhibit A, attached hereto and incorporated herein, to serve as Medical Director and to provide to NKC the medical director services set forth in Exhibit B. Exhibit B may be amended as agreed by the parties. Any such amendments to Exhibit B shall be effective only upon execution by both parties.

(c) The School HCP shall assume and discharge all responsibilities hereunder on an ethical and professional basis consistent with the policies and objectives of NKC, the requirements of the School HCP’s professional societies, and all applicable laws and regulations.

(d) In the event that NKC is reasonably dissatisfied with the Medical Director services provided by the School HCP, it may request that another qualified School HCP be

designated to provide the services. Prior to requesting that another School HCP be designated, NKC will provide thirty (30) days' notice to UW of any issues or concerns with regard to performance. Whenever such issues or concerns are raised, the parties will engage in good faith discussions to resolve any disagreement as to the performance and to resolve any dispute to the mutual satisfaction of the parties. Proposal of any subsequent School HCP to provide the same Medical Director services shall be within the sole discretion of UW. However, prior to designation of any other School HCP, UW will seek consultation with and concurrence from NKC, which NKC shall not unreasonably withhold. If NKC reasonably withholds such consent, this Agreement shall terminate upon written notice thereof to UW.

1.2 Responsibilities. The School HCP's primary task shall be to ensure 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. The School HCP shall devote his/her best efforts to serving as Medical Director of the Program, including, but not limited to, performing: (a) those services customarily performed by medical directors of dialysis facilities; (b) the duties set forth in the attached Exhibit B; and (c) such other duties as NKC may reasonably request from time to time. The School HCP shall report to NKC's Chief Medical Officer while performing services under this Agreement.

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

1.4 Absences. If the School HCP will be absent from the Program, UW and the School HCP shall give prior notice to NKC's Chief Medical Officer and arrange for competent and qualified services of another physician (the "Covering Medical Director") acceptable to NKC to discharge all the School HCP's duties to NKC's satisfaction. UW 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. UW 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 terms; and that NKC may require such physician to execute a document acknowledging such obligations before such physician may serve as the Covering Medical Director. The UW 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. The School HCP may, in the performance of his or her duties, be asked to participate in determining expenditures and reviewing agreements of NKC and/or the Program as provided in Exhibit B. Notwithstanding any other provision of this Agreement, neither UW nor the School HCP 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. The School HCP 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 Medical 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, the School HCP 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, UW and the School HCP shall provide evidence satisfactory to NKC of his/her compliance with this section. UW and the School HCP shall immediately notify NKC if the School HCP lacks any of the above qualifications; if the School HCP's medical staff membership or privileges at any other health care facility are revoked, terminated, restricted, suspended or unrenewed; or if the School HCP ceases to maintain a substantial clinical practice as a nephrologist.

2.2 Medical Staff Activities. To the extent feasible, the School HCP shall attend staff conferences and shall comply with the procedures, rules, and regulations of NKC's Medical Staff. NKC shall be responsible for providing the School HCP with notice of such procedures, rules, and regulations. The School HCP 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 the School HCP to perform his/her duties as Medical Director. NKC shall maintain such facilities and equipment in good condition and repair. The School HCP will not use any such space, utilities, supplies, equipment or personnel at any time for the private practice of medicine. NKC shall maintain any applicable licensure under Washington State law and applicable accreditation by appropriate accrediting body or bodies. NKC shall notify UW promptly of any material change in such Washington licensing or accreditation status.

4. COMPENSATION

UW's entire compensation under this Agreement is set forth in the attached Exhibit C. The School HCP 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 among UW, the School HCP, 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, is one (1) year, commencing on the date set forth at the end of this Agreement. This Agreement shall

automatically renew for additional one-year term(s) unless earlier terminated as provided herein or by notice of nonrenewal at least thirty (30) days before an anniversary of the commencement date. UW reserves the right to review and request changes to the financial terms on an annual basis, to account for changes in School HCP compensation and FMV.

5.2 Automatic Termination. This Agreement shall terminate automatically and without notice upon (a) the exclusion of UW or the School HCP from participation in a federal health care program or from contracting with state or federal agencies; (b) conviction, including a plea of *nolo contendere*, of any felony or of any crime involving moral turpitude by either party; or (c) the termination of the School HCP's employment with UW, unless UW's rights and obligations under this Agreement are assigned to a successor employer pursuant to Section 1.6 above effective as of the date of such termination..

5.3 Termination for Material Breach. UW may terminate this Agreement in the event of a material breach of this Agreement by NKC, and NKC may terminate this Agreement in the event of a material breach of this Agreement by UW or the School HCP. 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. UW or NKC may terminate this Agreement for cause and without notice except that termination under subsections (c) and (ii) 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) conduct of the other party that, in the non-breaching party's reasonable judgment, makes termination necessary to protect patient health or safety; (c) a determination that, in the reasonable judgment of the Chief Medical Officer, the School HCP has failed to provide effective supervision of Program staff; or (d) other good cause as defined in law or in equity. Cause for termination by IUW also shall include but not be limited to: (i) any of the foregoing as it relates to the School HCP; (ii) the failure of the School HCP 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; or (iii) the School HCP'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 School HCP has privileges.

5.5 Effect of Termination. Upon termination of this Agreement, neither UW nor the School HCP shall in any way interfere with the assumption by a successor physician or successor employer of any of UW's or the School HCP's duties under this Agreement; UW and the School HCP shall deliver to NKC all records necessary for the conduct of the business of NKC and the Program, and all other NKC property in UW's or the School HCP'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 the School HCP 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. NKC will pay services through the date of termination.

6. INSURANCE AND INDEMNIFICATION

6.1 UW Insurance. UW provides professional liability coverage for the direct patient care activities of its physicians, including the School HCP. UW shall maintain and provide NKC with proof of professional liability insurance coverage for the School HCP with minimum limits of one million dollars (\$1,000,000) per occurrence and five million dollars (\$5,000,000) in the aggregate. UW's self-insurance program operates on an occurrence basis.

6.2 NKC Insurance. NKC shall provide to the School HCP the same professional and general liability coverage it provides its employees, independent contractors and advisors while the School HCP is acting within the scope of his/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 the School HCP for five years after termination of this Agreement.

6.3 Mutual Indemnification. UW agrees to defend, indemnify, and hold NKC and its employees, agents, and officers harmless for any and all losses, claims, damages, costs, or expenses, including reasonable attorneys' and/or consultants' fees ("Claims"), arising from negligent acts or omissions of UW, its employees, agents, or officers in the performance of duties imposed under this Agreement except to the extent a School HCP is performing services as Medical Director under this Agreement. NKC agrees that UW shall not be responsible for any corporate or other liability arising from the managerial, financial, administrative, or operational activities unrelated to direct clinical care. This indemnification shall not apply to the extent that the claim, suit, damage, or liability is caused by the negligent, reckless, or intentionally tortious acts or omissions of NKC or its agents, employees, or officers.

NKC agrees to defend, indemnify, and hold UW and its employees, agents, including School HCP when performing services as Medical Director, and officers harmless for any Claims arising from negligent acts or omissions of NKC, its employees, agents, or officers in the performance of duties imposed under this Agreement. This indemnification shall not apply to the extent that the claim, suit, damage, or liability is caused by the negligent, reckless, or intentionally tortious acts or omissions of UW or its agents, employees, or officers.

The party seeking indemnification under this Section (the "Indemnified Party") shall provide written notice within thirty (30) days of the receipt of any third-party claim covered hereunder to the party from whom indemnification is sought (the "Indemnifying Party"). The Indemnifying Party shall have the right to assume exclusive control of the defense of such claim, or at the option of the Indemnifying Party, to settle such claim. The Indemnified Party agrees to cooperate reasonably with the Indemnifying Party in connection with the performance by the Indemnifying Party of its obligations under this Section, and failure to do so shall terminate the Indemnifying Party's obligations under this Section.

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 NKC and are to be considered and treated as the NKC's records.

7.2 Access to Records. NKC agrees to provide access to UW to records, including medical records, for the purposes of treatment, payment, and health care operations related to the services provided under this Agreement.

7.3 Maintenance of and Access to Books and Records. This Section 7.3 is included because of the possible application of Section 1861(v)(1)(I) of the Social Security Act to this Agreement; but if that section should be found inapplicable to this Agreement, then this Section 7.3 shall be deemed not to be part of this Agreement and shall be void: Upon the written request of the Secretary of Health and Human Services or the Comptroller General or any of their duly authorized representatives, UW and/or the School HCP 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 UW and/or the School HCP 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, UW and/or the School HCP shall include this requirement in any such subcontract. No attorney-client, accountant-client, or other legal privilege will be deemed to have been waived by UW, the School HCP, or NKC by virtue of this Agreement.

8. CONFIDENTIALITY

Neither UW nor the School HCP shall, 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 UW or the School HCP. The terms of this section shall survive any termination or expiration of this Agreement.

NKC acknowledges that UW is a state agency subject to public disclosure laws. Should UW receive a Public Records Act request for NKC's Confidential Information, UW will provide notice to NKC to permit NKC to seek a protective order or other judicial relief. UW at all times retains sole discretion regarding which documents it believes it is required to produce.

9. COVENANTS

9.1 Nonsolicitation by the School HCP. During the term of this Agreement and for a period of six (6) months following its termination, the School HCP will not, for his or her own benefit or the benefit of others, directly or indirectly, (a) solicit any kidney dialysis 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 Nonsolicitation by NKC. For a period ending six (6) months after the date of the earlier of (i) the date that School HCP ceases to be employed by UW or (ii) termination of this Agreement (“the Restriction Period”), NKC (whether through its officers, administrators or otherwise) will not offer, directly or indirectly, or through any third Parties, partnerships, firms, corporations, associations or other entities, employment to any practitioner who has performed services under this Agreement, or solicit School HCP to terminate any contract or working relationship with UW.

9.3 Remedies. The parties agree that any breach or any threatened breach of any covenant in this Section 9 will cause irreparable injury to the non-breaching party 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, the non-breaching party 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 the non-breaching party’s option.

9.4 Priority of Patient Care. Nothing in these covenants shall be deemed to prohibit the School HCP from exercising his/her independent medical judgment, or to permit any interference with such independent medical judgment, concerning the medical treatment of the School HCP’s 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.

9.5 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 Notice of Dispute, Negotiation and Mediation. Prior to commencing any legal action, the Parties will attempt in good faith to resolve through negotiation any dispute, claim or controversy arising out of or relating to this Agreement. Either Party may initiate such negotiations by providing written notice to the other Party specifying that this provision of the Agreement is being utilized and describing the subject matter of the dispute and relief requested. The Party receiving such notice will respond in writing within seven (7) business days with a statement of its position on and recommended solution to the dispute. If the dispute is not resolved by this exchange of correspondence, then the representatives of each Party with full

settlement authority shall meet at a mutually agreeable time and place in Seattle, Washington within fourteen (14) business days of the date of the initial notice to exchange information and perspectives, and to attempt in good faith to resolve the dispute. If the dispute is not resolved by these negotiations, then the matter will be submitted to a mutually agreeable and recognized mediation service prior to initiating legal action. Any such mediation will be conducted in Seattle, Washington, and the costs of the mediation shall be shared equally by the Parties.

10.2 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 provisions set forth in Section 10.1 above. The parties may seek relief from any court for disputes involving such matters.

11. GENERAL PROVISIONS

11.1 Relationship of Parties. Nothing in this Agreement will be construed or deemed to create a relationship of employer and employee, partner, joint venture, or principal agent between NKC and UW, its faculty, employees, agents or officers. In the performance of the professional work and responsibilities for medical services assumed by the School HCP under this Agreement, it is mutually understood and agreed that the School HCP is an independent nephrologist. The School HCP shall exercise medical judgment as a nephrologist, free of any direction or control of NKC, in a manner consistent with currently approved methods and practices of the profession and in compliance with the standards and policies of NKC's Medical Staff. In administrative matters, it is mutually understood and agreed that the School HCP shall cause the Program to comply with all business and administrative policies prescribed by NKC.

11.2 Use of Names, Trade Names, Trademarks and Service Marks. Except as otherwise agreed in advance in writing, neither party will use the other party's name, either alone or in connection with another word or words, nor shall it use the other's proprietary marks, trademarks, service marks, trade names, symbols, logos or designs, for any purpose that implies endorsement by or affiliation or association with the other party or for any promotional or commercial purpose whatsoever (including, but not limited to, any press release, sales or marketing publication or correspondence, advertisement, or similar communication), without the express prior written approval of the other party's officer who has been duly-designated for such purposes.

11.3 Nonassignability. Neither party may assign or delegate its rights, obligations, and duties under this Agreement without the prior written agreement of the other party, except as provided in Sections 1.1 and 1.5.

11.4 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.

If to UW: Department of Medicine
University of Washington
Box 356521
Seattle, WA 98195
Attention: Division Administrator, Nephrology

with a copy to:
Sam Caldwell, Agreements Manager
UW Department of Medicine
Box 356420
Seattle, WA 98195

If to NKC: Northwest Kidney Centers
12901 20th Avenue S
SeaTac, WA 98168
Attention: President/Chief Executive Officer

11.5 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.

11.6 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.

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

11.8 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. If the Parties are unable to reach agreement, or if in the opinion of any Party it is not possible to bring the Agreement into compliance through mutual agreement, either Party may terminate this Agreement upon thirty (30) days' written notice to the other Party.

11.9 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 providers in Exhibit A 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.

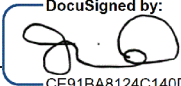
11.10 HIPAA. The parties agree that UW is a Business Associate of NKC in the provision of medical director services and that NKC is a Covered Entity as defined in 45 C.F.R. Parts 160, 162, and 164. Confidentiality of protected health information will be maintained as set forth in Exhibit D. UW will instruct School HCPs performing services pursuant to this Agreement to follow the terms and conditions of NKC's Notice of Privacy Practices (NPP). In accordance with the NPP, the Parties may share protected health information with each other to carry out treatment, payment, or health care operations. NKC shall make good faith efforts to obtain patients' written acknowledgement of the NPP as required by 45 C.F.R. §164.520.

11.11 Risk Management, Quality Improvement, and Peer Review. UW Medicine's and NKC's quality improvement, patient grievance, adverse event, and risk management activities are protected as applicable under RCW 70.41.200, 4.24.250, and/or 43.70.510. School HCPs shall fully participate in and cooperate with NKC's above-described activities related to Medical Director services under this Agreement. Through the UW Medicine Coordinated Quality Improvement Plan and program, UW also may perform quality reviews on clinical professional services rendered by School HCPs as members of NKC's Medical Staff. Coordination, cooperation, and communication between UW Medicine and NKC related to the above-described activities also are protected by the laws cited in this subsection, and are not intended to waive any rights to confidentiality or immunity from discovery provided by those laws or by other applicable law.

Signature page follows.

Effective as of the date first set forth above, when signed by both the Chief Medical Officer and the President/Chief Executive Officer of NKC.

UNIVERSITY OF WASHINGTON

By:  _____
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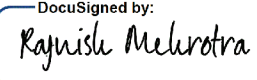
Julie Reid
 Vice Dean, Administration and Finance
 School of Medicine

Date: 9/14/2023

 By:  _____
DocuSigned by:
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Betsy Buswell, MBA
 Vice-Chair, Finance and Administration
 Department of Medicine
for Barbara Jung, MD
 Professor and Chair, Department of Medicine

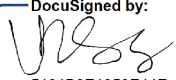
Date: 9/15/2023

By:  _____
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Rajnish Mehrotra, MD, MS
 Head, Division of Nephrology

Date: 9/14/2023

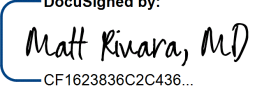
Read and Acknowledged:

By:  _____
DocuSigned by:
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Laura Mayeda, MD, MPH
 Clinical Assistant Professor

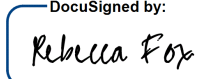
Date: 9/14/2023

NORTHWEST KIDNEY CENTERS, a Washington nonprofit corporation

By:  _____
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Its Chief Medical Officer

Date: 9/20/2023 | 3:22 PM PDT

By:  _____
DocuSigned by:
149DF037EEB949E...

Its President/Chief Executive Officer

Date: 9/20/2023 | 4:19 PM PDT

Exhibit A

The following School HCP shall provide Medical Director services as described in Exhibit B:

Laura Mayeda, MD

Exhibit B

Facility Medical Director Responsibilities – NKC Everett Kidney Center

1. DEFINITION OF THE TERM, “FACILITY MEDICAL DIRECTOR” AND ASSIGNMENT OF MEDICAL DIRECTOR

The “Facility” as used in the Agreement means the NKC Everett Kidney Center operated by the Northwest Kidney Centers. Laura Mayeda, MD shall provide the Medical Director services described in the Exhibit B and 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)), the Medical Director must be board certified in Internal Medicine and have completed a Board-approved training program in nephrology, or have been granted exception approval by the Secretary of DHHS. 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

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 multidisciplinary team. The Medical Director is the chair of the facility’s multidisciplinary team and shall collaborate closely with the Clinical Director in directing the QA/PI program.
2. The QA/PI program must reflect the complexity of the facility’s organization and services and must focus on indicators related to improved health outcomes and the prevention and reduction of medical errors. The facility must maintain and demonstrate evidence of its QA/PI program for review by CMS.
3. The QA/PI program, as defined in 42 C.F.R. § 494.110, must include, but not be limited to, an ongoing program that achieves measurable improvement in health outcomes and a reduction of medical errors, using indicators or performance measures associated with improved health outcomes and reduction of errors.
4. The Medical Director shall ensure that the facility measures, analyzes and tracks quality indicators and other aspects of performance that reflect processes of care and facility operations. Components of the facility’s Quality Assessment program shall include, but are not limited to, the following:
 - a. Adequacy of dialysis

- b. Nutritional status
 - c. Mineral metabolism and renal bone disease
 - d. Anemia management
 - e. Vascular access
 - f. Medical injuries and medical errors identification: The Medical Director shall review and monitor all Quality Improvement Reports (QIRs), analyze trends and identify areas that need remediation.
 - g. Patient satisfaction and grievances
 - 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 multidisciplinary 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

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.
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. To the extent feasible, the Medical Director shall participate as a member of the NKC Medical Director team and attend monthly Medical Director meetings.
4. To the extent feasible, 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's 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).

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 C**Medical Director Compensation and Log**

Laura Mayeda, MD

NKC agrees to pay UW as follows for the provision of Medical Director services by the School HCP, subject to changes based on the calculations made per paragraph 2 below. The amount stated below is effective on August 1, 2023 and reflects the mutual agreement of the parties as to the payment required to compensate for the responsibilities and duties set forth in Exhibit B. This amount is also consistent with the fair market range of compensation for similarly situated Medical Directors with similar sets of duties. UW may compensate the School HCP in any way UW deems appropriate, but consistent with Sections 4 and 11.4 of this Agreement.

1. The compensation from NKC to UW is seventy thousand (\$70,000.00) per year, payable in equal monthly installments based on submission of the Medical Director log, in arrears, as of the 15th day of the following month. Payment shall be directed to:

University of Washington School of Medicine
 Dept of Medicine, Division of Nephrology
 1959 NE Pacific Street, BB1263, Box 356521
 Seattle, WA 98195
 Attention: Division Administrator

2. On or before the 10th day of each month, Medical Director will submit a signed medical director log documenting the hours he spent during the previous month on medical director duties. Medical Director is not entitled to payment from NKC unless and until he/she submits the completed medical director log for the previous month.

3. Pursuant to RCW 43.17.240, NKC agrees to pay UW interest at the rate of one percent per month, on any undisputed past due amounts. An amount shall be considered "past due" hereunder only if (a) the signed Medical Director log for the month in question has been accurately completed and submitted to NKC pursuant to paragraph 2 above, (b) UW has invoiced NKC accurately for the payment in question, and (c) NKC failed to pay the amount stated in such invoice within thirty (30) days following NKC's receipt of such invoice.

4. UW periodically increases salaries and fringe benefits awarded to UW faculty members within UW guidelines. In the event that, during the term of this Agreement, UW provides for an increase in salary and/or fringe benefits that would otherwise be available to the School HCP, UW will provide NKC notice of such change and the parties may mutually agree to negotiate a change in the compensation due under this Agreement pursuant to Section 11.8 and consistent with Section 4.

Exhibit D

HIPAA Business Associate Addendum

Section 1. **Use or Disclosure of Protected Health Information.** Business Associate shall not use or disclose PHI received from Covered Entity in any manner that would constitute a violation of federal law, the Health Insurance Portability and Accountability Act of 1996 and any regulations enacted pursuant to its provisions (“HIPAA Standards”), and applicable provisions of Washington state law. Business Associate shall ensure that its directors, officers, employees, contractors and agents use or disclose PHI received from, or created or received on behalf of Covered Entity only in accordance with the provisions of the Addendum, the Agreement, and federal and state law. Business Associate shall not use or disclose PHI in any manner other than that permitted or required by the Covered Entity for the purpose of providing services to or on behalf of Covered Entity. Notwithstanding the foregoing, Business Associate may use PHI for the proper management and administration of the Business Associate and to carry out its legal responsibilities.

Section 2. **Reporting of Unauthorized Use or Disclosure of PHI.** Business Associate shall, within five (5) working days of becoming aware of an unauthorized use or disclosure of PHI by Business Associate, its officers, directors, employees, contractors, agents or by a third party to which Business Associate disclosed PHI as permitted by this Addendum of the Agreement, report any such disclosure to Covered Entity.

Section 3. **Agreement by Third Parties.** Business Associate shall obtain satisfactory assurances from any agent or subcontractor who will have access to PHI that is received or created or received on behalf of the Covered Entity, and shall ensure that the agent or subcontractor agrees to be bound by the same restrictions, terms and conditions that apply to Business Associate through this Agreement with respect to PHI. Business Associate shall require that any agent or subcontractor notify Business Associate of any instances in which PHI is used or disclosed in an unauthorized manner. Business Associate shall take steps to reasonably cure the breach of confidentiality and end the violation or shall terminate the agency agreement or subcontract.

Section 4. **Access to Information.** If Business Associate maintains a Designated Record Set (DRS) on behalf of Covered Entity, Business Associate agrees to provide access to PHI about an individual contained in a DRS to Covered Entity, Business Associate shall make available to Covered Entity such PHI for so long as the information is maintained in the DRS. If any individual requests access to PHI directly from Business Associate, Business Associate shall forward such requests to the Covered Entity. Business Associate shall not deny any individual’s request for access to the individual’s PHI. Instead, any denials of access to PHI requested will be the responsibility of the Covered Entity.

Section 5. **Availability of PHI for Amendment.** Within five days of request from Covered Entity for the amendment of an individual's PHI or a record regarding an individual contained in a DRS (for so long as the PHI is maintained in the DRS), Business Associate shall provide such information to Covered Entity for amendment and incorporate any such amendments in the PHI as required by 45 C.F.R. §164.526.

Section 6. **Accounting of Disclosures.** Business Associate agrees to implement an appropriate record keeping process to enable it to provide the following information: (i) the date of the disclosure, (ii) the name of the entity or person who received the PHI, and if known, the address of such entity or person, (iii) a brief description of the PHI disclosed, and (iv) a brief statement of the purpose of such disclosure which includes an explanation of the basis for such disclosure. If Business Associate receives a request for an accounting of disclosures Business Associate shall forward such request to Covered Entity within a reasonable time frame. It is Covered Entity's responsibility to prepare and deliver any requested accounting of disclosures.

Section 7. **Availability of Books and Records.** Business Associate agrees to make its internal practices, books and records relating to the use and disclosure of PHI received from Covered Entity, or created and received on behalf of Covered Entity, available to the Secretary of the U.S. Department of Health and Human Services for purposes of determining Covered Entity's and Business Associate's compliance with the HIPAA standards. Business Associate promptly shall provide to Covered Entity a copy of any documentation that Business Associate provides to the Secretary.

Section 8. **Return or Destruction of Information.** At the termination of the Agreement, Business Associate shall return or destroy all PHI received from, or created or received on behalf of Covered Entity that Business Associate still maintains in any form and retain no copies of PHI. If Business Associate determines the return or destruction is not feasible, Business Associate shall notify Covered Entity of the reasons why return or destruction is not feasible. If destruction or return of PHI is not feasible, Business Associate shall extend the protections of this Addendum and the Agreement to such PHI and limit further uses and disclosures of such PHI to those purposes that make the return or destruction infeasible, for as long as Business Associate maintains such PHI.

Section 9. **Electronic Protected Health Information (ePHI).** If Business Associate creates, receives, maintains or transmits ePHI on behalf of Covered Entity, Business Associate agrees to (1) implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of Covered Entity's ePHI (2) ensure that any third party agent or subcontractor who receives Covered Entity's ePHI from Business Associate agrees to implement physical and technical safeguards; and (3) report any security incidents involving Covered Entity's ePHI that Business Associate is aware of within a reasonable time period.

Section 10. **Immediate Termination.** Notwithstanding any provision to the contrary in the underlying Agreement, Covered Entity may terminate its participation in this Agreement immediately upon written notice to Business Associate without liability for such termination, in the event that Covered Entity determines that Business Associate has violated a material provision of the Agreement.

Section 11. **Definitions.** All terms not otherwise defined herein shall be defined in accordance with 45 C.F.R. Parts 160 and 164.

Exhibit 9
Lease



Kidder Mathews
601 Union St Ste. 4720
Seattle, WA 98101
Phone: 206-296-9600
Fax: 206-296-9629

© Commercial Brokers
Association
ALL RIGHTS RESERVED



Form: SUB_LS
Sublease Agreement
Rev. 9/2020
Page 1 of 24

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT ("Sublease") is entered and effective this 9th day of MARCH, 2021, by NW Kidney Center, a(n) a Washington nonprofit corporation ("Tenant"), and United Seattle LLC, a(n) Washington Limited Liability Company ("Subtenant"). Tenant entered into that certain lease agreement dated JUNE 14, 2018 ("Master Lease") with Everett Mall Office Building, LLC, a(n) a Washington limited liability company as landlord ("Landlord"), for the leased premises legally described in the attached Exhibit 1 (the "Master Premises"). The Master Premises is located in that certain building commonly known as Everett Mall Office Park (the "Building"), and situated on real property legally described in the Master Lease (the "Property"). A copy of the Master Lease, including all amendments and addenda thereto, is attached as Exhibit 2.

Tenant and Subtenant agree as follows:

1. SUBLEASE SUMMARY.

- a. **Subleased Premises.** Tenant leases to Subtenant and Subtenant leases from Tenant that portion of the Master Premises (the "Subleased Premises") consisting of an agreed area of 2,876 rentable square feet on the 1st floor(s) of the Master Premises, as outlined on the floor plan attached as Exhibit 3 and commonly known as 1010 SE Everett Mall Way SE 100, Everett, WA 98208 (insert address or suite number).
- b. **Sublease Commencement Date.** The term of this Sublease shall commence upon (check one):
☐ Substantial completion of (choose one) ☐ Tenant's Work, or ☐ Subtenant's Work as further described in the attached Exhibit 4 ("Work Letter"), but in no event later than _____, 20____
☒ upon mutual execution of the sublease targeted for February 15, 2021
 (the "Sublease Commencement Date").
- c. **Sublease Termination Date.** The term of this Sublease shall terminate at midnight on the last day of the Thirty-Ninth (39th) full month following the Sublease Commencement Date, or one (1) day prior to the termination date of the Master Lease, whichever is earlier, unless sooner terminated in accordance with the terms of this Sublease (the "Sublease Termination Date"). Subtenant shall have no right or option to extend this Sublease.
- d. **Base Rent.** Subtenant shall pay to Tenant monthly base rent (check one): ☐ \$ _____, or ☒ according to the Rent Rider attached hereto ("Base Rent"). Rent shall be payable at Tenant's address shown in Section 1(h) below, or such other place designated in writing by Tenant.
- e. **Prepaid Rent.** Upon execution of this Sublease, Subtenant shall deliver to Tenant the sum of \$ 5,272 as prepaid rent to be applied to Rent due for ~~months~~ MONTH 4 through 4 of the Sublease.
- f. **Security Deposit.** Upon execution of this Sublease, Subtenant shall deliver to Tenant the sum of \$ \$10,545 to be held as a security deposit pursuant to Section 5 below. The security deposit shall be in the form of (check one): ☒ cash, check or wire transfer, or ☐ letter of credit according to the Letter of Credit Rider (CBA Form LCR) attached hereto.
- g. **Permitted Use.** The Subleased Premises shall be used only for general office purposes, subject to the Master Lease, applicable zoning, and other laws, and for no other purpose without the prior written consent of Tenant (the "Permitted Use").
- h. **Notice and Payment Addresses:**

Tenant:
NW Kidney Center



Kidder Mathews
601 Union St Ste. 4720
Seattle, WA 98101
Phone: 206-296-9600
Fax: 206-296-9629

© Commercial Brokers
Association
ALL RIGHTS RESERVED



Form: SUB_LS
Sublease Agreement
Rev. 9/2020
Page 2 of 24

SUBLEASE AGREEMENT

700 Broadway Seattle, WA, 98122
Attn: Austin Ross
Email: Austin.ross@nwkidney.org

Subtenant:
United Seattle LLC - 1010 SE Everett Mall Way Suite 100, Everett, WA 98208

Email: finance@unitedseattlellc.com

- i. **Subtenant's Sublease Share.** Subtenant's Sublease Share of any operating costs, common area charges, additional rent, or other amounts payable by Tenant under the Master Lease is 18.34 % of such amounts, based upon the ratio of the rentable area of the Subleased Premises to the rentable area of the Master Premises.

2. PREMISES.

- a. **Lease of Premises.** Tenant leases to Subtenant, and Subtenant leases from Tenant the Subleased Premises upon the terms specified in this Sublease.
- b. **Acceptance of Premises.** Except as specified elsewhere in this Sublease, Tenant makes no representations or warranties to Subtenant regarding the Subleased Premises, including the structural condition of the Subleased Premises or the condition of all mechanical, electrical, and other systems on the Subleased Premises. Except for any subtenant improvements to be completed by Tenant as described in the Work Letter attached as Exhibit 4 ("Tenant's Work"), Subtenant shall accept the Subleased Premises and its appurtenances in their respective AS-IS, WHERE-IS condition, and shall further be responsible for performing any work necessary to bring the Subleased Premises into a condition satisfactory to Subtenant. By signing this Sublease, Subtenant acknowledges that it has had adequate opportunity to investigate the Subleased Premises, acknowledges responsibility for making any corrections, alterations and repairs to the Subleased Premises (other than Tenant's Work), and acknowledges that the time needed to complete any such items shall not delay the Sublease Commencement Date.
- c. **Subtenant Improvements.** The Work Letter attached as Exhibit 4 sets forth all of Tenant's Work, if any, and all improvements to be completed by Subtenant ("Subtenant's Work"), if any, that will be performed on the Subleased Premises. Responsibility for design, payment and performance of all such work shall be as set forth in the Work Letter.

3. **TERM.** The term of this Sublease shall commence on the Commencement Date and shall end on the Termination Date (the "Term").

- a. **Early Possession.** Subtenant acknowledges that Tenant may need to obtain Landlord's consent to this Sublease as provided in Sections 21 and 24 of this Sublease prior to Subtenant occupying the Subleased Premises, and that Subtenant shall not occupy the Subleased Premises without the prior written consent of Tenant. In the event Tenant gives Subtenant access to the Premises preceding the Sublease Commencement Date for the purpose of installing Subtenant's furniture, telecommunications, fixtures, telephone systems and computer cabling and the performance of Subtenant's Work, if any, such access shall be fully coordinated with Tenant in advance and Subtenant shall not interfere with Tenant's Work. All of the terms and conditions of this Sublease, including Subtenant's insurance and indemnification obligations, shall apply during such time, except for payment of Base Rent. If Subtenant occupies the Subleased Premises before the Sublease Commencement Date specified in Section 1, then such date of occupancy shall not advance the Sublease Commencement Date or Sublease Termination Date set forth above.
- b. **Delayed Possession.** Tenant shall act diligently to make the Subleased Premises available to Subtenant,

SUBLEASE AGREEMENT

provided, however, that neither Tenant nor any agent or employee of Tenant shall be liable for any damage or loss due to Tenant's inability or failure to deliver possession of the Premises to Subtenant as provided in this Sublease. If possession is delayed, the Sublease Commencement Date set forth in Section 1 shall also be delayed, but the Sublease Termination Date shall not be extended by such delay. If Tenant has not delivered possession of the Subleased Premises to Subtenant within _____ days ((60) days if not filled in) after the Sublease Commencement Date specified in Section 1 (check one): ☐ Subtenant may elect to cancel this Sublease by giving written notice to Tenant no later than _____ ((10) days if not filled in) after such time period ends, or ☒ then all Base Rent and Additional Rent (as defined below) shall be abated for each one (1) day after the Sublease Commencement Date during which possession of the Subleased Premises has not been delivered to Subtenant. If Subtenant gives notice of cancellation, as Subtenant's sole and exclusive remedy, this Sublease shall be cancelled, all prepaid rent and security deposits shall be refunded to Subtenant, and neither Tenant nor Subtenant shall have any further obligations to the other.

Notwithstanding anything in this Section 3 to the contrary, to the extent that any portions of the Tenant's Work or the Subtenant's Work have not been completed in time for the Subtenant to occupy or take possession of the Subleased Premises on the Sublease Commencement Date due to the failure of Subtenant to fulfill any of its obligations under this Sublease ("Subtenant Delays"), the Sublease shall nevertheless commence on the Sublease Commencement Date, including without limitation, Subtenant's obligation to pay Base Rent and Additional Rent, as set forth in Section 1, or upon the date that the Sublease Commencement Date would have occurred but for the Subtenant Delays.

4. RENT.

- a. **Payment of Rent.** Subtenant shall pay Tenant without notice, demand, deduction or offset, in lawful money of the United States, the monthly Base Rent stated in Section 1 in advance on or before the first day of each month during the Sublease Term beginning on (check one): ☐ the Sublease Commencement Date, or ☒ 30 days after mutual execution of a sublease (if no date specified, then on the Sublease Commencement Date), and any other additional payments due to Tenant ("Additional Rent", and together with Base Rent, the "Rent") when required under this Sublease. Payments for any partial month during the Term shall be prorated. All payments due to Tenant under this Sublease, including late fees and interest, shall also constitute Additional Rent, and upon Subtenant's failure to pay any such costs, charges or expenses, Tenant shall have the same rights and remedies as otherwise provided in this Sublease for the failure of Subtenant to pay Rent.
- b. **Late Charges; Default Interest.** If any sums payable by Subtenant to Tenant under this Sublease are not received within five (5) days of their due date, Subtenant shall pay Tenant an amount equal to the sum which would be payable by Tenant to the Landlord for an equivalent default under the Master Lease or 5% of the delinquent amount for the cost of collecting and handling such late payment in addition to the amount due and as Additional Rent, whichever is greater. All delinquent sums not paid by Subtenant within five (5) business days of the due date shall, at Tenant's option, bear interest at the rate the Tenant would pay the Landlord under the Master Lease for an equivalent default or the highest rate of interest allowable by law, whichever is less. Interest on all delinquent amounts shall be calculated from the original due date to the date of payment.
- c. **Less Than Full Payment.** Tenant's acceptance of less than the full amount of any payment due from Subtenant shall not be deemed an accord and satisfaction or compromise of such payment unless Tenant specifically consents in writing to payment of such lesser sum as an accord and satisfaction or compromise of the amount which Tenant claims. Any portion that remains to be paid by Tenant shall be subject to the late charges and default interest provisions of this Section.

5. **SECURITY DEPOSIT.** Upon execution of this Sublease, Subtenant shall deliver to Tenant the security deposit specified in Section 1 above. Tenant's obligations with respect to the security deposit are those of a debtor and not of a trustee, and Tenant may commingle the security deposit with its other funds. If Subtenant defaults in the performance of any covenant or condition of this Sublease, Tenant shall have the right, but not the



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Form: SUB_LS
 Sublease Agreement
 Rev. 9/2020
 Page 4 of 24

SUBLEASE AGREEMENT

obligation, to use or retain all or any portion of the security deposit for the payment of: (i) Base Rent, Additional Rent, or any other sum as to which Subtenant is in default; or (ii) the amount Tenant spends or may become obligated to spend, or to compensate Tenant for any losses incurred by reason of Subtenant's default. Subtenant acknowledges, however, that the security deposit shall not be considered as a measure of Subtenant's damages in case of default by Subtenant, and any payment to Tenant from the security deposit shall not be construed as a payment of liquidated damages for Subtenant's default. If at any time during the Term of the Sublease the security deposit delivered by Subtenant becomes insufficient to cover the amounts required under this Section 5, whether or not due to Tenant's application of all or a portion of the security deposit contemplated by this Section, Subtenant shall, within five (5) days after written demand therefore by Tenant, deposit with Tenant an amount sufficient to replenish the security deposit to the amount required in Section 1 above. If Subtenant is not in default of any covenant or condition of this Sublease at the end of the Term, Tenant shall return any unused portion of the security deposit without interest within 30 days after the surrender of the Subleased Premises by Subtenant in the condition required by Section 9 of this Sublease.

6. **MASTER LEASE.** Tenant represents to Subtenant that as of the effective date of this Sublease: (a) Tenant has delivered to Subtenant a complete copy of the Master Lease (which may contain redacted business terms), which represents all agreements between Landlord and Tenant relating to the leasing, use, and occupancy of the Subleased Premises, and (b) Tenant has not received notice of an uncured breach or default from Landlord under the Master Lease. Tenant shall not agree to an amendment to the Master Lease which would have an adverse effect on Subtenant's occupancy of the Subleased Premises or its intended use of the Subleased Premises, without obtaining Subtenant's prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed. Subtenant represents that it has read and is familiar with the terms of the Master Lease.

This Sublease is subject to and subordinate to the Master Lease. If the Master Lease terminates, this Sublease shall automatically terminate. Tenant and Subtenant shall not, by their omission or act, do or permit anything to be done which would cause a default under the Master Lease. If the Master Lease terminates or is forfeited as a result of a default or breach by Tenant or Subtenant under this Sublease and/or the Master Lease, then the defaulting party shall be liable to the non-defaulting party for the damage suffered as a result of such termination or forfeiture. Tenant shall exercise diligent, commercially reasonable efforts to cause Landlord to perform its obligations under the Master Lease for the benefit of the Subtenant.

All the terms, covenants and conditions contained in the Master Lease are incorporated into and made a part of this Sublease by this reference as if Tenant were the landlord under the Master Lease, the Subtenant were the tenant under the Master Lease, and the Subleased Premises were the Master Premises, except as may be inconsistent with the terms contained in this Sublease and except for the following: N/A (none if not specified).

7. **ADDITIONAL CHARGES.** If Tenant shall be charged for additional rent or other sums pursuant to the provisions of the Master Lease, Subtenant shall be liable for its Sublease Share, as stated in Section 1 above, of such additional rent or sums, including without limitation, payments for taxes, common area charges, utilities and services, and operating costs. Subtenant shall be responsible for determining the availability of utilities and for determining the adequacy of their capacities for Subtenant's needs. Subtenant shall install and connect, as necessary, and directly pay for all water, sewer, gas, janitorial, electricity, garbage removal, heat, telephone, internet, cable services, and other utilities and services used by Subtenant at the Subleased Premises during the Term to the extent not already provided by and/or billed by Tenant or Landlord. Notwithstanding the foregoing, if Subtenant's use of the Premises incurs utility service charges which are above those usual and customary for the Permitted Use, Tenant reserves the right to require Subtenant to pay a reasonable additional charge for such usage. If Subtenant shall procure any additional service for the Subleased Premises, including but not limited to after-hours HVAC services, Subtenant shall pay for same at the rates charged by Landlord and shall make such payment to Tenant or to Landlord, as Tenant shall direct. Any sums payable by Subtenant under this Section shall constitute Additional Rent and shall be paid to Tenant no later than five (5) days before they are due from Tenant to Landlord under the Master Lease. If Tenant shall receive any refund for Additional Rent or sums paid under the Master Lease, then, to the extent such refund relates to time periods falling within the Term of this Sublease, Subtenant shall receive a refund proportionate to the amounts previously paid by Subtenant for the same. Tenant shall, upon request by Subtenant, furnish



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Sublease Agreement
Rev. 9/2020
Page 5 of 24

SUBLEASE AGREEMENT

Subtenant with copies of all statements received from Landlord of actual or estimated Additional Rent or other sums charged under the Master Lease.

Notwithstanding anything in this Sublease to the contrary, the only services or utilities to which Subtenant is entitled under this Sublease are those to which Tenant is entitled under the Master Lease.

8. **ALTERATIONS.** Subtenant may make alterations, additions or improvements to the Subleased Premises (the "Alterations"), only with the prior written consent of Tenant and, to the extent required by the Master Lease, Landlord. The term "Alterations" shall not include: (i) any of Subtenant's Work approved by Tenant pursuant to Exhibit 4, and (ii) the installation of shelves, movable partitions, or Subtenant's equipment and trade fixtures, which may be installed and removed without damaging existing improvements or the structural integrity of the Subleased Premises, Master Premises, Building, or Property, and Tenant's consent shall not be required for Subtenant's installation of those items except to the extent Tenant must obtain the consent of Landlord under the Master Lease for such installations. Subtenant shall perform all work within the Subleased Premises at Subtenant's expense in compliance with all applicable laws and shall complete all Alterations in accordance with plans and specifications approved by Tenant, using contractors approved by Tenant, and in a manner so as to not unreasonably interfere with other tenants. Subtenant shall pay when due, all claims for labor or materials furnished to or for Subtenant at or for use in the Subleased Premises, which claims are or may be secured by any mechanics' or materialmen's liens against the Subleased Premises or Property or any interest therein. Except as otherwise provided in the Work Letter attached as Exhibit 4 with respect to Subtenant's Work, Subtenant shall remove all Alterations at the end of the Sublease term unless Tenant conditioned its consent upon Subtenant leaving a specified Alteration at the Subleased Premises, in which case Subtenant shall not remove such Alteration and it shall become Tenant's property. Subtenant shall immediately repair any damage to the Subleased Premises or adjacent portions of the Master Premises, Building and Property caused by installation and/or removal of improvements performed as part of Subtenant's Work and/or Alterations.
9. **REPAIRS AND MAINTENANCE; SURRENDER.** Subtenant shall, at its sole cost and expense, maintain the Subleased Premises in good condition and promptly make all repairs and replacements, whether structural or non-structural, necessary to keep the Subleased Premises safe and in good condition, including all utilities and other systems serving the Subleased Premises, PROVIDED, HOWEVER, IF A REPLACEMENT IS NECESSARY THROUGH NO FAULT OF SUBTENANT, SUBTENANT SHALL ONLY BE CHARGED A FRACTION OF THE COST OF THE REPLACEMENT, WHICH SHALL BE CALCULATED AS FOLLOWS: THE COST OF THE REPLACEMENT MULTIPLIED BY THE NUMBER OF MONTHS REMAINING OF THE SUBLEASE TERM DIVIDED BY THE NUMBER OF MONTHS OF THE USEFUL LIFE OF THE REPLACEMENT ITEM. Subtenant shall not damage any demising wall or disturb the structural integrity of the Subleased Premises and shall promptly repair any damage or injury done to any such demising walls or structural elements caused by Subtenant or its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees. If Subtenant fails to maintain or repair the Subleased Premises, Tenant may enter the Subleased Premises and perform such repair or maintenance on behalf of Subtenant. In such case, Subtenant shall be obligated to pay to Tenant immediately upon receipt of demand for payment, as Additional Rent, all costs incurred by Tenant in performing such repair or maintenance on behalf of Subtenant. Subtenant shall be obligated to repair or maintain only those portions of the Subleased Premises as required of Tenant under the Master Lease. Tenant shall not be required to perform any maintenance, repairs, or improvements that are the obligation of Landlord under the Master Lease (provided that Tenant shall exercise diligent, commercially reasonable efforts to cause Landlord to perform its obligations under the Master Lease for the benefit of the Subtenant) or to make any changes to the Subleased Premises because of the enactment of any law, ordinance, regulation, order or code during the Term. Notwithstanding anything in this Section to the contrary, Subtenant shall not be responsible for any repairs to the Subleased Premises made necessary by the acts of Tenant, Landlord, or their respective employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees.

Upon expiration or earlier termination of the Term, Subtenant shall promptly and peacefully surrender the Subleased Premises to Tenant, together with all keys, in as good condition as when received by Subtenant or as thereafter improved (but subject to any obligations to remove any Subtenant's Work and Alterations and/or to restore the same as provided elsewhere in this Sublease), reasonable wear and tear and insured casualty



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 Sublease Agreement
 Rev. 9/2020
 Page 6 of 24

SUBLEASE AGREEMENT

excepted.

10. **ACCESS AND RIGHT OF ENTRY.** After reasonable notice from Tenant (except in cases of emergency, where no notice is required), Subtenant shall permit Tenant and/or Landlord and their respective agents, employees and contractors to enter the Subleased Premises at reasonable times to make repairs, alterations, improvements or inspections. This Section shall not impose any repair or other obligation upon Tenant or Landlord not expressly stated elsewhere in this Sublease. After reasonable notice to Subtenant, each of Tenant and Landlord, as the case may be, shall have the right to enter the Subleased Premises for the purpose of (a) showing the Subleased Premises to prospective purchasers or lenders at any time, and to prospective tenants within 180 days prior to the expiration or sooner termination of the Term; and (b) posting "for lease" signs within 180 days prior to the expiration or sooner termination of the Term.

11. DESTRUCTION OR CONDEMNATION.

a. **Damage and Repair.** If either Landlord or Tenant terminates the Master Lease as a result of condemnation of or casualty to the Subleased Premises, Master Premises, or Building or Property in accordance with the Master Lease, this Sublease shall terminate on the same date and in accordance therewith. If the Subleased Premises or the portion of the Building or Property reasonably necessary for Subtenant's occupancy are damaged, destroyed or rendered untenable, by fire or other casualty, Tenant may, at its option: (a) terminate this Sublease, or (b) restore (or cause Subtenant to restore) the Subleased Premises and the portion of the Building and Property reasonably necessary for Subtenant's occupancy to the same or substantially similar condition that existed before the casualty event. Provided, however, if such casualty event occurs during the last six (6) months of the Term, then either Subtenant or Tenant may elect to terminate this Sublease. If, within 60 days after Tenant's receipt of written notice from Subtenant that Subtenant deems the Subleased Premises or the portion of the Property reasonably necessary for Subtenant's occupancy untenable, Tenant fails to notify Subtenant of its election to restore those areas, or if Tenant is unable to restore those areas which Tenant is expressly required hereunder to restore within six (6) months of the date of the casualty event, then Subtenant may elect to terminate this Sublease by written notice given to Tenant at any time prior to the date on which Tenant substantially completes restoration of those areas which it is required hereunder to restore.

If Tenant restores the Subleased Premises or the Property as provided under this Section, Tenant shall proceed with reasonable diligence to complete the work, and Base Rent shall be abated in the same proportion as the untenable portion of the Subleased Premises bears to the whole Subleased Premises, provided that there shall be a Base Rent abatement only if the damage or destruction of the Subleased Premises or the Property did not result from, or was not contributed to directly or indirectly by, the act, fault or neglect of Subtenant or Subtenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees. No damages, compensation or claim shall be payable by Tenant for Subtenant's inconvenience, loss of business or annoyance directly, incidentally or consequentially arising from any repair or restoration of any portion of the Subleased Premises, Master Premises, Building, or Property. Tenant shall have no obligation to carry insurance of any kind for the protection of Subtenant or any Alterations or improvements paid for or installed by or on behalf of Subtenant; any Tenant's Work or Subtenant's Work identified in Exhibit 4 (regardless of who may have completed them); Subtenant's furniture; or on any fixtures, equipment, improvements or appurtenances of Subtenant under this Sublease; and Tenant shall not be obligated to repair any damage thereto or replace the same unless the damage is caused by Tenant's negligence.

b. **Condemnation.** If either Landlord or Tenant terminates the Master Lease based on any provision in the Master Lease relating to eminent domain or conveyance under threat of condemnation, this Sublease shall terminate on the same date and in accordance therewith. If the Subleased Premises, the portion of the Building or Property reasonably necessary for Subtenant's occupancy, or 50% or more of the total rentable area of the Property are made untenable by eminent domain, or conveyed under a threat of condemnation, this Sublease shall terminate at the option of each of Tenant and Subtenant as of the earlier of the date title vests in the condemning authority or the condemning authority first has possession of the portion of the Property taken by the condemning authority. All Rent and other payments required



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Sublease Agreement
Rev. 9/2020
Page 7 of 24

SUBLEASE AGREEMENT

under this Sublease shall be paid to that date.

If the condemning authority takes a portion of the Subleased Premises or the portion of the Property necessary for Subtenant's occupancy that does not render them untenable, then this Sublease shall continue in full force and effect and the Base Rent shall be equitably reduced based on the proportion by which the floor area of the Subleased Premises is reduced. The reduction in Base Rent shall be effective on the earlier of the date the condemning authority first has possession of such portion or title vests in the condemning authority. The Subleased Premises or the portion of the property reasonably necessary for Subtenant's occupancy shall not be deemed untenable if 25% or less of each of those areas is condemned. As between Tenant and Subtenant, Tenant shall be entitled to the entire award from the condemning authority attributable to the value of the Master Premises, Subleased Premises, or the Property or Building, and Subtenant shall make no claim for the value of its subleasehold estate or the Subtenant's Work or any Alterations. Subtenant shall be permitted to make a separate claim against the condemning authority for moving expenses or damages resulting from interruption in its business if this Sublease is terminated under this Section, provided that in no event shall Subtenant's claim reduce Landlord's or Tenant's awards.

12. **INSURANCE.** Subtenant shall procure and maintain, at its sole cost and expense, such liability insurance as is required to be carried by Tenant under the Master Lease, including, without limitation, obtaining additional insured endorsement(s) naming Tenant and Landlord as additional insureds, in the manner required therein, and property insurance as is required to be carried by Tenant under the Master Lease to the extent property insurance pertains to the Subleased Premises. If the Master Lease requires Tenant to insure leasehold improvements or Alterations, then Subtenant shall insure the leasehold improvements which are located in the Subleased Premises, as well as the Tenant's Work and Subtenant's Work, and any Alterations in the Subleased Premises performed by or on behalf of Subtenant. Subtenant shall furnish to Tenant certificates of Subtenant's insurance policies and copies of any endorsements required hereunder not later than 10 days prior to Subtenant's taking possession of the Subleased Premises. Tenant shall carry insurance as required by the Master Lease and shall not be obligated to carry property or liability insurance to the extent such insurance is an obligation of Landlord under the Master Lease.

Tenant and Subtenant hereby release each other and their respective employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, from responsibility for and waive their respective claims for recovery of any loss or damage arising from any cause covered by insurance required to be carried by each of them. Each party shall provide notice to the insurance carrier or carriers of this mutual waiver of subrogation, and shall cause its respective insurance carriers to waive all rights of subrogation against the other. This waiver shall not apply to the extent of the deductible amounts to any such policies or to the extent of liability exceeding the limits of such policies. Tenant agrees to use reasonable efforts to obtain from Landlord for the benefit of Subtenant the same waiver of claims for any loss or damage arising from any cause covered by insurance required to be carried by Landlord under the Master Lease and, if and to the extent of such waiver received from Landlord, Subtenant agrees to grant the same waiver to Landlord.

13. **ASSIGNMENT AND SUBLETTING.** Subtenant shall not assign, sublet, mortgage, encumber or otherwise transfer any interest in this Sublease or any part of the Subleased Premises (collectively referred to as a "Transfer"), without first obtaining the written consent of Tenant, which shall not be unreasonably withheld or delayed. Tenant may condition its consent on (a) obtaining any required consent from Landlord; (b) Subtenant satisfying any conditions to the Transfer imposed by Landlord and/or required to be satisfied by Tenant under the Master Lease; and (c) such other reasonable conditions that Tenant may impose. No Transfer shall relieve Subtenant of any liability under this Sublease notwithstanding Tenant's consent to such Transfer. Consent to any Transfer shall not operate as a waiver of the necessity for Tenant's consent to any subsequent Transfer. In connection with each request for consent to a Transfer, Subtenant shall pay the reasonable cost of processing same, including attorneys' fees and any cost charged by Landlord for granting its consent under the Master Lease, upon demand of Tenant.

Any transfer of this Sublease by merger, consolidation, redemption or liquidation of Subtenant, or any change



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Sublease Agreement
Rev. 9/2020
Page 8 of 24

SUBLEASE AGREEMENT

in the ownership of, or power to vote, which singularly or collectively represents a majority of the beneficial interest in Subtenant, shall constitute a Transfer.

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

14. **MORTGAGE SUBORDINATION AND ATTORNMEN**. This Sublease shall automatically be subordinate to any mortgage or deed of trust created by Landlord to the extent the Master Lease is subordinate to the same mortgage or deed of trust, and Subtenant shall attorn upon the same terms and conditions as the Tenant in the Master Lease, provided Subtenant shall enjoy the terms and conditions relating to such subordination and attornment to the same extent as Tenant under the terms of the Master Lease.
15. **HOLDOVER**. If Subtenant shall, without the written consent of Tenant, remain in possession of the Subleased Premises and shall fail to return the Subleased Premises to Tenant after the expiration or termination of the Sublease, the tenancy shall be a holdover tenancy at sufferance, which may be terminated in accordance with Washington law; provided that, upon expiration of the Master Lease, such holdover tenancy by Subtenant shall automatically be deemed a tenancy at sufferance, terminable immediately. Unless Tenant agrees in writing to a different rental rate Subtenant agrees to pay to Tenant 150% of the rate of Base Rent last payable under this Sublease or the holdover rental rate provided in the Master Lease, whichever is greater, during any holdover tenancy, in addition to all Additional Rent and other sums due under this Sublease. All other terms of the Sublease shall remain in effect. Nothing herein shall be deemed Tenant's consent to holdover by Subtenant, or be deemed to permit Subtenant to remain in possession of the Subleased Premises on and after expiration of the Master Lease.
16. **NOTICES**. All notices under this Sublease shall be in writing and effective (i) when delivered in person or via overnight courier to the other party, or (ii) three (3) days after being sent by registered or certified mail to the other party at the addresses set forth in Section 1. The addresses for notices and payment of Rent set forth in Section 1 may be modified by either party only by written notice delivered in conformance with this Section.
17. **ESTOPPEL CERTIFICATES**. Upon the written request of Tenant, Subtenant shall execute and deliver to Tenant and/or Landlord or their designee a written estoppel certificate on the same terms and conditions as required of Tenant under the Master Lease.
18. **GENERAL**.
 - a. **Heirs and Assigns**. This Sublease shall apply to and be binding upon Tenant and Subtenant and their respective heirs, executors, administrators, successors and assigns.
 - b. **Brokers' Fees**. Subtenant represents and warrants to Tenant that except for Subtenant's Broker, if any, described and disclosed in Section 20 of this Sublease, it has not engaged any firm, finder or other person who would be entitled to any commission or fees for the negotiation, execution or delivery of this Sublease and shall indemnify and hold harmless Tenant against any loss, cost, liability or expense incurred by Tenant as a result of any claim asserted by any such firm, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Subtenant. Tenant represents and warrants to Subtenant that except for Tenant's Broker, if any, described and disclosed in Section 20, it has not engaged any firm, finder or other person who would be entitled to any commission or fees for the negotiation, execution or delivery of this Sublease and shall indemnify and hold harmless Subtenant against any loss, cost, liability or expense incurred by Subtenant as a result of any claim asserted by any such firm, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Tenant.



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 Sublease Agreement
 Rev. 9/2020
 Page 9 of 24

SUBLEASE AGREEMENT

- c. **Entire Agreement.** This Sublease, which incorporates portions of the Master Lease, contains all of the covenants and agreements between Tenant and Subtenant relating to the Subleased Premises. No prior or contemporaneous agreements or understandings pertaining to the Sublease shall be valid or of any force or effect and the covenants and agreements of this Sublease shall not be altered, modified, or amended to except in writing signed by Tenant and Subtenant.
 - d. **Severability.** Any provision of this Sublease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision of this Sublease.
 - e. **Governing Law.** This Sublease shall be governed by and construed in accordance with the laws of the State of Washington.
 - f. **Memorandum of Sublease.** Neither this Sublease nor any memorandum or "short form" thereof shall be recorded without Tenant's prior consent.
 - g. **Submission of Sublease Form Not an Offer.** One party's submission of this Sublease to the other for review shall not constitute an offer to sublease the Subleased Premises. This Sublease shall not become effective and binding upon Tenant and Subtenant until it has been fully executed by both Tenant and Subtenant, and consented to by Landlord (if required by the Master Lease).
 - h. **Authority of Parties.** Each party to this Sublease represents and warrants to the other that the person executing this Sublease on behalf of such party has the authority to enter into this Sublease on behalf of this Sublease, that the execution and delivery of this Sublease has been duly authorized, and that upon such execution and delivery this Sublease shall be binding upon and enforceable against such party upon execution and delivery.
19. **EXHIBITS AND RIDERS.** The following exhibits and riders are made a part of this Sublease:
- Exhibit 1: Legal Description of the Master Premises or Property
 - Exhibit 2: Master Lease
 - Exhibit 3: Outline of Subleased Premises
 - Exhibit 4: Work Letter
 - Other: Rent
 - EXHIBIT 5: SIGNAGE AND DUMP TRAILER
20. **AGENCY DISCLOSURE.** At the signing of this Sublease,

Tenant is represented by Todd Battison and Larry Blackett, Kidder Mathews (insert name of Broker and Firm as licensed) (the "Tenant's Broker"); and Subtenant is represented by Katie Nagle, Kidder Mathews (insert name of Broker and Firm as licensed) (the "Subtenant's Broker").

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



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 Rev. 9/2020
 Page 10 of 24

SUBLEASE AGREEMENT

disclosed on an attached addendum, in which case Subtenant and Tenant consent to such compensation. Subtenant and Tenant confirm receipt of the pamphlet entitled "The Law of Real Estate Agency."

21. **CONSENT BY LANDLORD.** This Sublease shall be of no force or effect unless consented to by Landlord within 10 days of execution, if such consent is required under the Master Lease. Tenant and Subtenant agree for the benefit of Landlord that this Sublease and Landlord's consent shall not (a) create privity of contract between Landlord and Subtenant; (b) be deemed to have amended the Master Lease in any regard (unless Landlord shall have expressly agreed in writing to such amendment); or (c) be construed as a consent by Landlord to any future assignment or subletting. Landlord's consent shall, however, be deemed evidence of Landlord's agreement that Subtenant may use the Subleased Premises for the purpose set forth in Section 1(g) and that Subtenant shall be entitled to the waiver of claims and of the right of subrogation as provided in Section 12, Insurance, above.
22. **COMMISSION AGREEMENT.** If Tenant has not entered into a listing agreement (or other compensation agreement with Tenant's Firm), Tenant agrees to pay a commission to Tenant's Firm (as identified in the Agency Disclosure Section above) as follows:

- ☐ \$ _____
☐ _____% of the gross rent payable pursuant to this Sublease
☐ \$ _____ per rentable square foot of the Subleased Premises
☒ Other 5% of the total base rent payable 100% to sublease's procuring broker


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

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

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

23. BROKER PROVISIONS.

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

 **Kidder Mathews**
Kidder Mathews
601 Union St Ste. 4720
Seattle, WA 98101
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Form: SUB_LS
Sublease Agreement
Rev. 9/2020
Page 11 of 24

SUBLEASE AGREEMENT

NW Kidney Center

TENANT:

United Seattle LLC

SUBTENANT:

TENANT:

SUBTENANT:

Carrie McCabe
By:

Timofey Karpach
By:

CEO
Its:

managing partner
Its:

24. LANDLORD'S CONSENT.

Landlord consents to the foregoing Sublease without waiver of any restriction in the Master Lease concerning further assignment, subletting or transfer, nor shall its consent to the Sublease constitute a consent to any amendment or modification of the Sublease, without Landlord's prior written consent. The execution of this Sublease by Subtenant and Tenant shall indicate the joint and several confirmation by Tenant and Subtenant of the foregoing terms and conditions and of Tenant's and Subtenant's agreement to be bound thereby, and shall constitute Subtenant's acknowledgment it has received a copy of the Master Lease from Tenant.

LANDLORD:

EVERETT MAIN OFFICE BUILDING LLC

LANDLORD:

[Signature]
By:

MANAGING MEMBER
Its:





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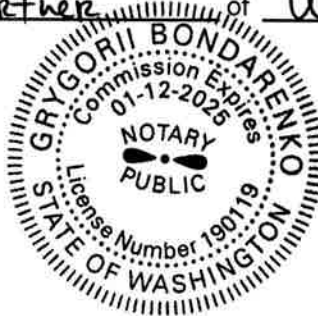
Form: SUB_LS
 Sublease Agreement
 Rev. 9/2020
 Page 12 of 24

SUBLEASE AGREEMENT

STATE OF WASHINGTON

COUNTY OF Snohomish

This record was acknowledged before me on March 9th, 20 21, by Timofey Karpenko
managing partner of United Seattle LLC



G. Bondarenko
 Notary Public for the State of Washington

My commission expires: 01/12/2025

STATE OF WASHINGTON

COUNTY OF KING

This record was acknowledged before me on March 10, 20 21, by CARRIE MCGEE
Chief Financial Officer of Northwest Kidney Centers



Maureen T O'Reilly
 Notary Public for the State of Washington

My commission expires: 1/03/2022



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 Sublease Agreement
 Rev. 9/2020
 Page 13 of 24

SUBLEASE AGREEMENT

STATE OF WASHINGTON

COUNTY OF _____

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

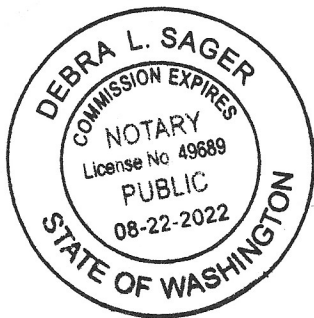
 Notary Public for the State of Washington

My commission expires: _____

STATE OF WASHINGTON

COUNTY OF CHELAN

This record was acknowledged before me on MARCH 10, 2021, by RALPH KIRTLIX as
MANAGING MEMBER of EVERETT MALL OFFICE BUILDING LLC



Debra L. Sager
 Notary Public for the State of Washington

My commission expires: 8/22/2022



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Form: SUB_LS
Sublease Agreement
Rev. 9/2020
Page 14 of 24

SUBLEASE AGREEMENT

EXHIBIT 1

[Legal Description of Master Premises or Property]

That portion of the southeast quarter of the southwest quarter of Section 18, Township 28 North, Range 5 East, W.M. in Snohomish County, Washington described as follows:

Beginning at the southwest corner of said Section 18; thence north $00^{\circ}41'40''$ east along the west line thereof 265.43 feet; thence north $69^{\circ}14'20''$ E along the southerly margin of State Highway Broadway Cut-Off 2417.91 feet; thence south $20^{\circ}45'40''$ E 50.00 feet; thence South 365.22 feet to the TRUE POINT OF BEGINNING; thence south 402.52 feet; thence south $89^{\circ}23'47''$ E 253.13 feet to the west line of the east 30.00 feet in width of said subdivision; thence south $00^{\circ}14'26''$ E along said west line 298.18 feet to the north margin of 100th St. S.W.; thence south $89^{\circ}29'01''$ E along said north margin 30.00 feet to the east line of said subdivision; thence north $00^{\circ}14'26''$ W along said east line 700.68 feet to a point which bears south $89^{\circ}23'47''$ E from the TRUE POINT OF BEGINNING; thence north $89^{\circ}23'47''$ W 281.44 feet to the TRUE POINT OF BEGINNING.

Together with:

An easement for Ingress, egress, drainage and utilities over that portion of the southeast quarter of the southwest quarter of Section 18, Township 28 North, Range 5 East, W. M. in Snohomish County, Washington, described as follows:

Beginning at the southwest corner of said Section 18; thence north $00^{\circ}41'40''$ E along the west line thereof 265.43 feet; thence north $69^{\circ}14'20''$ E along the southerly margin of State Highway Broadway Cut-Off 2417.91 feet; thence south $20^{\circ}45'40''$ E 50.00 feet; thence South 365.22 feet; thence south $89^{\circ}24'47''$ E 251.44 feet to the west line of the east 30.00 feet of said subdivision and the TRUE POINT OF BEGINNING; thence north $00^{\circ}14'26''$ W along said west line 462.46 feet to the south margin of said State Highway Broadway Cut-Off; thence north $69^{\circ}14'20''$ E along said south margin 32.03 feet to the east line of said subdivision; thence south $00^{\circ}14'26''$ E along the east line 474.4 13 feet to a point which bears south $89^{\circ}23'47''$ east from the TRUE POINT OF BEGINNING; thence north $89^{\circ}23'47''$ W 30.00 feet to the TRUE POINT OF BEGINNING, as disclosed by instruments recorded under Recording Nos. 1119094, 8010150228 and 8011130240.

ALSO TOGETHER WITH an easement for common parking as set out in Agreement Recorded March 29, 1988 under Recording No. 8803290447 and Amendment of Common Parking Agreement Recorded May 29, 1992 under Recording No. 9205290605.

Situate in the county of Snohomish, State of Washington.



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Sublease Agreement
Rev. 9/2020
Page 15 of 24

SUBLEASE AGREEMENT

EXHIBIT 2 **[Master Lease]**

See Master Lease at the end of the Sublease document.



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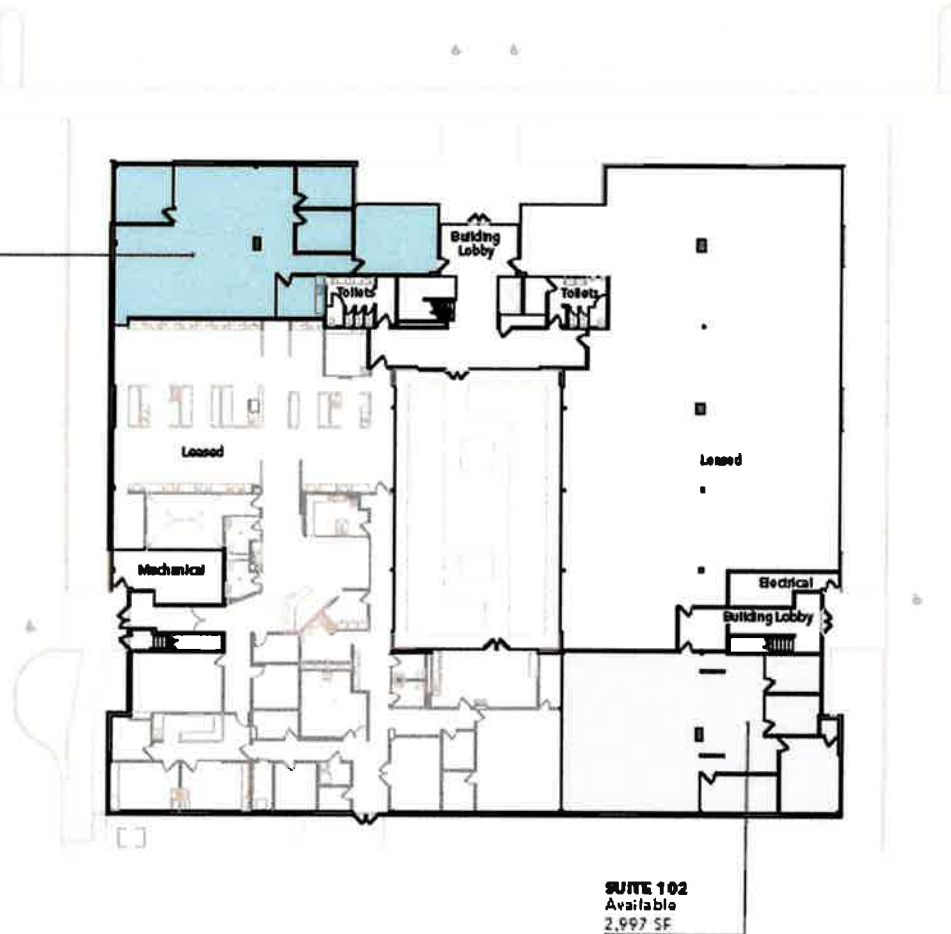
Form: SUB_LS
Sublease Agreement
Rev. 9/2020
Page 16 of 24

SUBLEASE AGREEMENT

EXHIBIT 3

[Outline of the Subleased Premises]

SUITE 100
Available
2,876 SF



SUITE 102
Available
2,997 SF



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Sublease Agreement
Rev. 9/2020
Page 17 of 24

SUBLEASE AGREEMENT

EXHIBIT 4 [Work Letter]

CHECK IF APPLICABLE:

1. ☐ Improvements to be Completed by Tenant

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

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

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

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

☐ As mutually agreed upon between Tenant and Subtenant as follows:

- a. Within _____ days (ten (10) days if not filled in) after mutual acceptance of the Sublease, Subtenant shall prepare and submit for Tenant's review a preliminary sketch of the improvements to be performed by Tenant ("Preliminary Tenant Plan"). Tenant and Subtenant shall cooperate in good faith to adopt a mutually acceptable Preliminary Tenant Plan. Subtenant acknowledges that the timelines set forth in this Section 1 with respect to Tenant's promulgation and approval of the Tenant Improvement Plans (as such term is defined herein) may be subject to reasonable extensions to the extent additional time is necessary to obtain any consent of Landlord that may be required under the Master Lease.
- b. Upon Tenant's approval of the Preliminary Tenant Plan, Tenant shall promptly prepare (or cause to be prepared) construction documents (i.e., those plans used for submittal to the appropriate governmental bodies for all necessary permits and approvals for Tenant's Work, if any) for Subtenant's review and approval, which approval shall not be unreasonably withheld, conditioned or delayed. The construction documents, once approved, shall then constitute "Tenant's Improvement Plans."
- c. Tenant shall submit the Tenant's Improvement Plans to the appropriate governmental body for plan checking and issuance of necessary permits and approvals, as applicable. Tenant and Subtenant shall cooperate and use commercially reasonable efforts to cause to be made any



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 Sublease Agreement
 Rev. 9/2020
 Page 18 of 24

SUBLEASE AGREEMENT

changes in the Tenant's Improvement Plans necessary to obtain such permits and approvals; provided, however, any costs and expenses resulting from the foregoing changes to Tenant's Work that exceed the Improvement Allowance shall be borne at Subtenant's sole cost and expense.

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

2. ☒ Improvements to be Completed by Subtenant

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

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

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

ANY OR ALL OF THE ABOVE TBD BASED ON SUBTENANT'S FINAL PLAN. EARLY ACCESS - UPON MUTUAL EXECUTION OF THE SUBLEASE SUBTENANT WILL BE GRANTED EARLY ACCESS TO THE SUITE TO PREPARE THE PREMISES FOR TI CONSTRUCTION. REMOVING ANY EXISTING FLOORCOVERING SHALL BE A SUBTENANT COST.

☐ As mutually agreed upon between Tenant and Subtenant as follows:

- a. Within _____ days (ten (10) days if not filled in) after mutual acceptance of the Sublease, Subtenant shall prepare and submit for Tenant's review a preliminary sketch of the Subtenant Improvements ("Preliminary Subtenant Plan"). Tenant and Subtenant shall cooperate in good faith to adopt a mutually acceptable Preliminary Subtenant Plan. Subtenant acknowledges that the timelines set forth in this Section 2 with respect to Tenant's promulgation and approval of the Subtenant Improvement Plans (as such term is defined herein) may be subject to reasonable



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 Sublease Agreement
 Rev. 9/2020
 Page 19 of 24

SUBLEASE AGREEMENT

extensions to the extent additional time is necessary to obtain any consent of Landlord that may be required under the Master Lease.

- b. Upon approval of the Preliminary Subtenant Plan by Tenant, Subtenant shall promptly prepare construction documents (i.e., those plans used for submittal to the appropriate governmental bodies for all necessary permits and approvals for the Subtenant's Work, if any) for Tenant's review and approval. The construction documents, once approved, shall then constitute the "Subtenant Improvement Plans."
 - c. Upon approval by Tenant, Subtenant shall submit the Subtenant Improvements Plans to the appropriate governmental body for plan checking and issuance of necessary permits and approvals. Subtenant, with Tenant's approval, shall cause to be made any changes in the Subtenant Improvements Plans necessary to obtain such permits and approvals.
 - d. Tenant makes no warranty or representation of any type or nature with respect to the adequacy or sufficiency of the Subtenant Improvements Plans for any purpose. Tenant makes no warranty or representation of any type or nature with respect to the quality, suitability, or ability of contractor or the quality of the work or materials supplied or performed with respect to the Subtenant Improvements by contractor, the subcontractors, Subtenant's agents, or any other person or entity.
- B. General Requirements. Subtenant shall submit to Tenant, prior to the commencement of the construction of Subtenant's Work, the following information for Tenant's review and approval (check all that apply):
- ☒ The names, contact names, addresses, and license numbers of all general contractors and subcontractors Subtenant intends to use in the construction of Subtenant's Work.
 - ☒ A reasonably detailed schedule for Subtenant's performance of Subtenant's Work (including, without limitation, the date on which Subtenant's Work will commence, the estimated date of completion of Subtenant's Work, and the date on which Subtenant expects to open for business in the Premises).
 - ☒ Evidence of insurance as required in the Sublease and Master Lease and any other insurance usual and customary for performance of Subtenant's Work and requested by Tenant.
 - ☒ Copies of all required governmental permits.
- C. Contractor Qualifications. All contractors and subcontractors to perform Subtenant's Work shall be licensed contractors, capable of performing quality workmanship and working in harmony with Tenant's general contractor in the Building. Upon notice from Tenant, Subtenant shall stop using (or cause contractor or any subcontractor to stop using) any person or entity disturbing labor harmony with any work force or trade engaged in performing Subtenant's Work or other work, labor, or services in or about the Building. All work shall be coordinated with any on-going construction work on the Building. Tenant shall have the right to disapprove, in Tenant's reasonable discretion, any contractor or subcontractor which Subtenant desires to engage for Subtenant's Work.

3. Improvement Allowance

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

- ☒ \$ Up to \$20,000 per rentable square foot of the Premises. TENANT SHALL REIMBURSE SUBTENANT UP TO \$20,000 FOR THE COST OF NEW BUILDING STANDARD PAINT AND CARPET/LVP FLOORING THROUGHOUT THE PREMISES. OVER AND ABOVE THE \$20,000 TENANT IMPROVEMENT ALLOWANCE, SUBTENANT SHALL ADDITIONALLY RECEIVE FREE



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Sublease Agreement
Rev. 9/2020
Page 20 of 24

SUBLEASE AGREEMENT

BASE RENT (OPERATING EXPENSES AND TAXES WILL STILL BE DUE) FOR MONTHS 4-6 OF THE SUBLEASE, PROVIDED SUBTENANT SUBMITS COPIES OF PAID INVOICES TO TENANT SHOWING THAT SUBTENANT TENANT IMPROVEMENT COSTS EXCEEDED THE VALUE OF THREE (3) MONTHS OF BASE RENT. The Improvement Allowance shall be used only for (choose one): ☐ Tenant's Work, or ☒ Subtenant's Work, excepting N/A. If costs associated with completing Subtenant's Work exceed the Improvement Allowance, or if any costs of Subtenant's Work are not to be paid out of the Improvement Allowance, then the excess or excluded amount shall be paid directly by Subtenant.

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

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

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

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

upon the expiration or earlier termination of the Sublease Term: Thirty-nine (39) months following the sublease commencement date.

SUBLEASE AGREEMENT

EXHIBIT 5

SIGNAGE AND DUMP TRAILER EXHIBIT

LANDLORD AND TENANT HEREBY APPROVE:

- 1) SUBTENANT'S SIGNAGE, WHICH SHALL BE SUBSTANTIALLY SIMILAR TO THE SIGNAGE DEPICTED IN THIS EXHIBIT, AND
- 2) SUBTENANT'S PARKING OF ITS DUMP TRAILER IN ONE OF THE PARKING STALLS IN THE AREA OF THE PARKING LOT OUTLINED BY LANDLORD IN THIS EXHIBIT.





**Kidder
Mathews**

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Rev. 9/2020
Page 22 of 24

SUBLEASE AGREEMENT





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Rev. 9/2020
Page 23 of 24

SUBLEASE AGREEMENT

3/1/2021

Google Earth





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Form: SUB_LS
Sublease Agreement
Rev. 9/2020
Page 24 of 24

SUBLEASE AGREEMENT



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Rev 4/2019
Page 1 of 1

SUBLEASE RENT RIDER

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

This Rent Rider ("Rider") is a part of the lease agreement dated _____ (the "Lease") between NW Kidney Center, a Washington non profit corporation ("Tenant") and United Seattle LLC, a Washington Limited Liability Company ("Subtenant") concerning the space commonly known as 1010 SE Everett Mall Way SE 100, Everett, WA 98208 (the "Premises"), located at the property commonly known as Everett Mall Office Park Building I (the "Property").

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

Lease Year (Stated in Years or Months)	Base Monthly Rent Amount
<u>1-3</u>	<u>\$ 0.00/month (Subtenant to pay NNNs) Sublease rent schedule to commence 30 days following sublease execution.</u>
<u>4-12</u>	<u>\$ \$3,235.50/month</u>
<u>13-24</u>	<u>\$ 3,332.56/month</u>
<u>25-36</u>	<u>\$ 3,432.54/month</u>
<u>37-39</u>	<u>\$ 3,535.51/month</u>

- ☐ **2. CONSUMER PRICE INDEX ADJUSTMENT ON BASE MONTHLY RENT.** The base monthly rent shall be increased on the first day of the second year of the Lease and on the first day of each year of the Lease thereafter (each, an "Adjustment Date") during the term of this Lease (but not during any extension term(s) unless specifically set forth elsewhere in the Lease or another Rider attached thereto). The increase shall be determined in accordance with the increase in the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (all items for the geographical statistical area in which the Premises is located on the basis of 1982-1984 equals 100) (the "Index"). The base monthly rent payable immediately prior to the applicable adjustment date shall be increased by the percentage that the Index published for the date nearest preceding the applicable Adjustment Date has increased over the Index published for the date nearest preceding the first day of the Lease Year from which the adjustment is being measured. Upon the calculation of each increase, Tenant shall notify Subtenant of the new base monthly rent payable hereunder. Within twenty (20) days of the date of Tenant's notice, Subtenant shall pay to Tenant the amount of any deficiency in Rent paid by Subtenant for the period following the subject Adjustment Date, and shall thereafter pay the increased Rent until receiving the next notice of increase from Tenant. If the components of the Index are materially changed after the Commencement Date, or if the Index is discontinued during the Lease term, Tenant shall notify Subtenant of a substitute published index which, in Tenant's reasonable discretion, approximates the Index, and shall use the substitute index to make subsequent adjustments in base monthly rent. In no event shall base monthly rent be decreased pursuant to this Rider.

INITIALS: TENANT _____ DATE _____ SUBTENANT TK DATE 9.9.2021
TENANT _____ DATE _____ SUBTENANT _____ DATE _____

OFFICE LEASE

THIS LEASE, made and entered into in the City of Everett, state of Washington, this 14 day of June, 2018 by and between Everett Mall Office Building, LLC, a Washington Limited Liability Company, (hereinafter referred to as "Lessor"), and Northwest Kidney Centers, a Washington nonprofit corporation ("NKC" or "Tenant"), (hereinafter referred to as "Lessee"):

WITNESSETH:

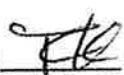
In consideration of the mutual covenants contained, Lessor hereby leases to Lessee and Lessee hereby leases from Lessor, for the term hereinafter specified, the following described premises:

1. PREMISES

A. That certain space of approximately **15,678** square feet of rentable area, which comprises approximately 30.77% of the Building area, commonly known as **Suites 100, 102 and 104**, (as shown on Exhibit G) Everett Mall Office Park, 1010 S. E. Everett Mall Way, Everett, Washington 98208, hereinafter referred to as the "Demised Premises" and marked as Exhibit "A" attached hereto, which Demised Premises are located on the first floor (herein the "Building"), located on the real property described in the legal description, and marked as Exhibit "B" attached hereto, and the site plan of the Building as set forth and marked as Exhibit "C" attached hereto. All that real property including improvements there located at 1010 S.E. Everett Mall Way, Everett, Washington shall be referred to as the "Property". Lessor reserves all air rights over the Building, the exterior and roof thereof, all space under the floor of the Demised Premises and the right to install, maintain, use, repair and replace pipes, ducts, conduits and wires leading through the Demised Premises in locations which will not materially interfere with Lessee's use thereof. Lessor also reserves the right to alter and expand the Building, in such manner as Lessor may determine in Lessor's sole discretion.

B. Exhibits: The following Exhibits are attached hereto and made a part hereof:

Exhibit A	-	Demised Premises
Exhibit B	-	Legal Description
Exhibit C	-	Site Plan
Exhibit D	-	Rules and Regulations
Exhibit E	-	Certificate of Lessee Occupation Date
Exhibit F	-	Option To Extend
Exhibit G	-	Lessee Renovation Space Plans
Exhibit H	-	Signage

LESSOR: 
4842-1375-4467v.6 0001795-000332

1

LESSEE: 


Any additional Exhibits attached hereto at a later date are automatically to be made a part hereof.

2. TERM

- A. **Lease Effective Date:** This Lease shall be effective upon execution (the "Effective Date"). Lessee's occupation shall begin upon the earlier of: (1) Lessee's receipt of the Certificate of Need ("CON"); or (2) twelve (12) months after the Effective Date unless otherwise extended as set forth in Section 4(A) ("Lessee's Occupation Date"). Upon determination of the Lessee's Occupation Date, the parties shall execute the Certificate of Lessee Occupation Date in the form set forth in Exhibit E.
- B. **The term of this Lease shall be for One Hundred and Fifty (150) months beginning on Lessee's Occupation Date and terminating One Hundred and Fifty (150) months thereafter (the "Lease Term").**
- C. Lessee shall have three (3) successive five-year extension option periods as specified in Exhibit "F" attached hereto.
- D. **Termination Right:** Lessee shall have the right to terminate this Lease during the period from the Effective Date to the Lessee's Occupation Date, if the Washington State department of Health provides written notice to Lessee that the CON will not be issued to Lessee. Upon receipt of such notice from the Washington State Department of Health that it will not issue the CON, Lessee shall provide written termination notice to Lessor within fifteen (15) days of receipt of the notice.
- E. **First Right of Refusal:** Lessee shall have a one-time Right of First Refusal on any adjacent space on the first floor of the building. Upon notice from Lessor, Lessee shall have 15 days to provide notice of its election to exercise the Right of First Refusal on the same terms and conditions of this Lease.

3. SECURITY DEPOSIT

Lessee has deposited with Lessor the sum of \$17,637.75 (one month's base rent) as a security deposit. Upon any default by Lessee in its obligations under this Lease, Lessor may retain the security deposit to offset the liability of Lessee to Lessor. Retention of the security deposit shall not relieve Lessee of liability, shall not limit any of Lessor's other remedies, and shall not reinstate or cure the default or prevent termination of the Lease because of the default. Unless otherwise provided herein, Lessor shall return the balance of the security deposit to Lessee within thirty (30) days following expiration of the Lease.

LESSOR: 
4842-1375-4467v.6 0001795-000332

2

LESSEE: 

4. **RENT**

Upon the Effective Date, Lessee shall pay to Lessor at its office, without demand, or such other place or party as may be designated in writing by Lessor, as "Rent" for the Demised Premises, the following sums:

Rent Adjustments upon Lessee Occupancy Date:

Beginning on Lessee's Occupation Date, the Rent shall thereafter be paid as follows:

(A) Annual Base Rent An annual "Base Rent" shall be as follows and Lessee shall begin to pay Base Rent on the first day of the seventh (7) calendar month following Lessee's Occupation Date.

Months	Annual Base Rent / SF	Annual Base Rent in dollars	Monthly Base Rent in dollars
Months 01 - 06			
Months 07 - 18			
Months 19 - 30			
Months 31 - 42			
Months 43 - 54			
Months 55 - 66			
Months 67 - 78			
Months 79 - 90			
Months 91 - 102			

LESSOR:

4842-1375-4467v.6 0001795-000332

3

LESSEE:

Months 103 - 114			
Months 115 - 126			
Months 127 - 138			
Months 139 - 150			


Except for the first six (6) full calendar months of the Lease Term (the "Free Rent Period"), this annual Base Rent to be paid in twelve (12) equal monthly installments on or before the first day of each month during the Lease Term continuing throughout the balance of the Lease Term. The Base Rent for a part of a month shall be prorated in proportion to the number of days of the month included in the Lease Term. Lessee shall be responsible for its pro rata share of Operating Expenses, including Extraordinary Services, during the Free Rent Period (Rent Abatement) in accordance with Section 4.

(B) Lessee's Share of Operating Expenses. As "Additional Rent", the Lessee shall pay to the Lessor in the manner provided herein for each calendar year during the Lease Term, an amount estimated by Lessor to be Lessee's share of Building Operating Expenses ("Lessee's Proportionate Share") as defined in this section. This amount is payable in advance on the first day of each month per each and all of the terms related to the payment of Base Rent. Such Additional Rent for the first month of the Lease Term or any portion thereof shall be paid on or before the date the Lease Term commences. Additional Rent for any partial month shall be prorated.

(1) "Operating Expenses" shall mean all expenses paid or incurred by Lessor, and reasonable reserves, for maintaining, operating, repairing, replacing and administering the Building, the roof, related parking lot areas, landscaping and other common areas and facilities (collectively referred to as the "Project"), and the repair, replacement and maintenance of personal property used in conjunction therewith, including, without limitation, the costs of equipment used for water, sewer, electricity, heating, air conditioning, elevator and lighting systems. Operating expenses include services related to maintaining the Building and Demised Premises including water, sewer and electricity, refuse collection and removal, fire protection, and other utilities; supplies; janitorial and cleaning supplies and services for common areas of the Building; window washing; snow removal, security services and systems; landscaping and landscape maintenance services of independent contractors; compensation (including employment taxes and fringe benefits) of all persons who perform duties in connection with the operation, maintenance, repair, replacement and administration of the Project, its equipment, and common areas and facilities in a proportionate amount equal to the time spent on those related duties. Operating expenses include: insurance premiums with commercially reasonable deductibles; Property Taxes as defined in 4 (B) (4) and limited by 4 (B) (5); licenses, permits and inspection fees; subsidies and other payments required by public bodies, including those for traffic signals and controls and for fire protection; management and administrative service fees not exceeding 5% of gross revenue generated by the Project; legal and accounting expenses related to the ongoing operation of the Demised Premises.

LESSOR: 
4842-1375-4467v.6 0001795-000332

4

LESSEE: 

(2) The amortization of capital improvements to the extent permitted hereunder will be amortized over the reasonable useful life of the particular item.

(3) Operating Expenses to exclude the following: (a) costs of any special services rendered to individual tenants (including Lessee) for which a special charge is made; (b) costs for which reimbursement is received from Lessee's insurer or other third party including costs paid directly by tenants (including Lessee); (c) the cost of tenant improvements; (d) leasing costs, finder fees and real estate commissions, including all expenses for preparation of space for any tenant or prospective tenant; (e) mortgage interest, amortization costs, and principal payments encumbering all or any portion of the Building or the land on which it is located associated with any mortgage, loan or refinancing of the Building or land; (f) Legal and professional fees incurred in the facilitation and execution of leases for space in the building or costs due to Lessor's breach of the lease, costs for legal fees related to activities for leasing or enforcing Lessor's rights under other leases unrelated to the Lessee; (g) Depreciation on the Building structure; (h) costs incurred due to negligence of Lessor or breach of Lessor under its obligations under any lease agreement; (i) repairs and restoration paid for by the proceeds of insurance policies or amounts otherwise reimbursed to Lessor or paid by any other source; (j) The costs of repair of casualty damage or for restoration following condemnation; (k) Costs arising from remediation of hazardous substances; (l) Any costs to upgrade the Building to comply with LEED or "green" requirements; (m) repairs, alterations, additions, improvements, or replacements made to rectify or correct any defect in the original design, materials or workmanship of the Building or common areas (but not including repairs, alterations, additions, improvements or replacements made as a result of ordinary wear and tear); (n) Wages, bonuses, payroll taxes and health benefits and other compensation of employees above the grade of building manager; (o) costs and expenses which would be capitalized under generally accepted accounting principles, with the exception of the amortization cost of capital investment items and of the installation thereof, which are primarily for the purpose of reducing operating costs, or which may be required by governmental authority after the date of this Lease, (all such costs shall be amortized over the reasonable useful life of the capital investment item, with the reasonable life and amortization schedule being determined in accordance with generally accepted accounting principles; and (p) increases in insurance premiums to the extent caused by other tenants.


(a) In addition, no item shall be counted more than once, nor shall the Lessor collect more than one hundred percent (100%) of expenses.

(4) "Property Taxes" shall mean all real and personal taxes and assessments, whether special or general, levied on or assessed against the Project (including common areas and facilities) and/or the personal property used in conjunction therewith, including all tenant improvements which are paid for by Lessor and not reimbursed by tenants; surcharges and all local improvement and other assessments

LESSOR: 

4842-1375-4467v.6 0001795-000332

5


LESSEE: 

levied with respect to the Project and all other property of Lessor used in connection with the operation of the Project; and any taxes levied or assessed in addition to or in lieu of, in whole or in part, such real or personal property taxes, or any other tax upon leasing of the Project or rents collected therefrom, other than any federal or state income or franchise tax. Local improvement and other assessments will be prorated over the installment payment period, even if Lessor elects to pay such in a lump sum.


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

(C) Late Charge; Interest

Time is of the essence of this Lease. If Lessee fails to pay any amount due hereunder, within ten (10) days of the due date, a late charge equal to ten percent (10%) of the amount due shall be assessed and shall be immediately due and payable. Such late charge shall be re-imposed on the first day of each subsequent month that such payment remains outstanding. In addition, interest shall accrue at five percent (5%) in excess of the publicly quoted prime lending rate of Bank of America (Seattle, Washington), unless such rate would exceed the maximum rate permitted by applicable law, in which event it shall accrue at the maximum rate so permitted by law, from the date due until paid on any Base Rent or Additional Rent which is not paid when due. If Lessee defaults in making any Rent payment, Lessor shall have the right to require that subsequent Rent payments be made by cashier's or certified check. Notwithstanding the foregoing, in no event shall Lessee incur a late charge or interest for the first late payment in any lease year.

LESSOR: 
4842-1375-4467v.6 0001795-000332

6

LESSEE: 

(D) Extraordinary Services

Lessee agrees to pay as Additional Rent the cost of any extraordinary services provided by Lessor provided said service is authorized in writing by Lessee and identified as extraordinary services subject to additional cost. Extraordinary services includes, among others, janitorial and cleaning services, garbage disposal and utility usage in excess of the service normally provided to office users in the community whose business operates during the normal business hours of the Building. Lessee shall pay the cost of said extraordinary services upon demand by the Lessor. Lessee's use of the Demised Premises for kidney dialysis shall not be deemed an extraordinary service.

Electrical, HVAC, Water & Sewer: Lessee's consumption of electricity, water, sewer and HVAC for the Kidney Dialysis and related uses shall be separately metered at Lessee's cost. Lessee shall pay Lessor as Additional Rent in advance on the first day of each month during the Lease Term the actual amount to cover the cost of operating and maintaining the supplementary systems. The limitation imposed under the preceding paragraph that the use of the Demised Premises for kidney dialysis shall not be deemed an extraordinary service shall not result in any limitation to charges for electricity, water, sewer and HVAC.

(E) Payment of the Demised Premises' Share of Operating Expenses and Real Property Taxes

Before the commencement of each calendar year, or as soon thereafter as practicable, Lessor shall give Lessee written notice of its estimates of amounts payable under paragraph 4(B) above for the following calendar year. On or before the first day of each month during the ensuing calendar year, Lessee shall pay to Lessor 1/12 of such estimated amounts, provide that if such notice is not given in December, Lessee shall continue to pay on the basis of the prior year's estimate, until the month after such notice is given. The Demised Premises' 2018 Operating Expenses for the initial Lease Term are estimated to be Eight & 28/100 Dollars (\$8.28) per rentable square feet per year; however, the Operating Expenses will vary from year to year. If at any time or times it appears to Lessor that the amounts payable as Additional Rent for the current calendar year will vary from its estimate by more than ten percent (10%), Lessor may, by written notice to Lessee, revise its estimate for such year, and subsequent payments by Lessee for such year shall be based upon such revised estimate. Within 90 days after the close of each calendar year, Lessor shall deliver to Lessee a statement of amounts payable as Additional Rent for such calendar year. If such statement shows an amount owing by Lessee that is less than the estimated payments for such calendar year previously made by Lessee, then the amount of such overpayment shall be credited by Lessor to the next immediate Rent payable by Lessee, within 30 days following the date of such statement (or if in the last calendar month of the Lease Term, Lessor shall promptly refund such amount). If such statement shows an amount owing by Lessee that is more than the estimated payments for such calendar year previously made by Lessee, Lessee shall pay the deficiency to

LESSOR:



4842-1375-4467v.6 0001795-000332

7

LESSEE:




Lessor within 30 days after delivery of the statement. If, for any reason other than the default of Lessee, this Lease shall terminate on a day other than the last day of a calendar year, the amount of increase, if any, in Additional Rent payable by Lessee applicable to a calendar year in which such termination shall occur shall be prorated on the basis with which the number of days from the commencement of such calendar year to and including such termination date bears to 365. Notwithstanding any sections of this Lease to the contrary, in the event of any dispute regarding the amount due as Lessee's Proportionate Share of Operating Expenses or Property Taxes, Lessee shall have the right, after reasonable notice and at reasonable times, to audit and/or review Lessor's records to determine the proper amount of its Proportionate Share of Operating Expenses and Property Taxes. If such audit reveals that Lessor has overcharged Lessee for Operating Expenses or Property Taxes, Lessor shall reimburse Lessee the amount of such overcharge within thirty (30) days. If the audit reveals that Lessee was undercharged, then within thirty (30) days after the results of the audit are made available to Lessee, Lessee shall reimburse Lessor the amount of such undercharge. Lessee shall be responsible for the costs of the audit unless such audit reveals Lessee was overcharged by 3% or more in which event Lessor shall pay the cost of the audit. Lessor shall be required to maintain records of all Operating Expenses and Property Taxes and other Additional Rent for a three year period ("Review Period") following Lessor's delivery to Lessee of each statement.

(F) End of Term: If this Lease shall terminate on a day other than the last day of a calendar year, the amount of any adjustment between the estimated and actual Lessee's share of Operating Expenses and Property Taxes with respect to the calendar year in which such termination occurs shall be prorated on the basis which the number of days from commencement of such calendar year to and including such termination date bears to 365; and any amount payable by Lessor to Lessee or Lessee to Lessor with respect to such adjustment shall be payable within 30 days after delivery by Lessor to Lessee of the statement of Lessee's Proportionate Share of said expenses with respect to such calendar year.

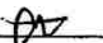
(G) Personal Property Taxes: Unless otherwise exempted as set forth in Section 4(B)(5), Lessee shall pay, prior to delinquency, all Personal Property Taxes payable with respect to all Property of Lessee located on the Demised Premises or the Building and promptly upon request of Lessor shall provide written proof of such payment. As used herein, "Property of Lessee" shall include all improvements of the Lessee. "Personal Property Taxes" shall include all property taxes assessed against the Property of Lessee, whether assessed as real or personal property.

5. USE.

Lessee shall and may use the Demised Premises for office and related uses, including the operation of a Kidney Dialysis Center and related uses and for no other purposes. Nothing contained herein shall be deemed to give Lessee any exclusive right to

LESSOR: 
4842-1375-4467v.6 0001795-000332


8

LESSEE: 


such use in the Building. Lessee shall not use or occupy the Demised Premises in violation of law or of the Certificate of Occupancy. Lessor represents and warrants that to its knowledge, the use contemplated hereunder will not violate the Certificate of Occupancy. Upon receipt of written notice from Lessor, Lessee shall discontinue immediately any such illegal or unpermitted use. Lessee shall not commit or suffer to be committed any waste in or upon the Demised Premises and shall keep the Demised Premises in first class appearance. Lessee shall fully and promptly comply, at Lessee's sole cost and expense, with all statutes, ordinances, rules, regulations and governmental or quasi-governmental orders now or hereafter in effect and pertaining to the Demised Premises and/or the use or occupancy thereof by Lessee and/or its assignees, subtenants, invitees, officers, agents or employees.

6. ASSIGNMENT.

Lessee shall not, except as set forth herein, assign, mortgage, encumber or otherwise transfer this Lease or any interest hereunder and will not permit any transfer hereof by operation of law. Lessee shall not sublet the Demised Premises or any portion thereof and will not permit the use of Premises by others, other than Lessee and agents and employees of Lessee, without first obtaining the written consent of Lessor which consent shall not be unreasonably withheld or delayed; provided, however, it shall be reasonable for Lessor to reject an assignment of this Lease if the assignee proposes to use the Demised Premises for a use other than uses permitted hereunder which shall be deemed to include standard and customary office uses and dialysis. If Lessee is a corporation, then any transfer of this Lease from Lessee by merger, consolidation, or liquidation and a sale of Fifty One (51%) Percent or more of the outstanding shares of Lessee shall constitute an assignment for purposes of this paragraph. However, Lessee shall have the right, without Lessor's consent, but upon notice to Lessor, to assign this Lease or sublet all or any part of the Demised Premises to any parent, subsidiary or affiliate of Lessee or to any entity which shall be controlled by, under the control of, or under common control with Lessee, or any entity into which Lessee may be merged or consolidated or which purchases all or substantially all of the assets of Lessee ("Permitted Transfer"). Except for a Permitted Transfer, any assignment or other transfer without Lessor's consent shall be void and Lessor at its option may terminate this Lease. In the event Lessee desires to assign or sublet more than 6,000 square feet of said Demised Premises, Lessor shall have the first right, but not the obligation, to release said Demised Premises or said part thereof. In the event Lessor consents to any transfer of this Lease or any interest therein, such transfer shall not extinguish or diminish the liability of Lessee herein. If consent is once given by Lessor to any transfer of this Lease, or any interest therein, Lessor shall not be barred from afterward refusing to consent to any future transfer, provided that Lessor's consent is not unreasonably withheld; provided, however, it shall be reasonable for Lessor to reject an assignment of this Lease if the assignee proposes to use the Demised Premises for a use other than uses permitted hereunder which shall be deemed to include standard and customary office uses and dialysis. In the event Lessor consents to a sublease of the Demised Premises, 50% of any rent paid by

LESSOR: 
4842-1375-4467v.6 0001795-000332

9

LESSEE: 

such subtenant to Lessee in excess of Lessee's Rent, including operating expenses and taxes hereunder after factoring in Lessee's cost of subleasing (including, but not limited to, concessions, tenant improvement allowances, free rent, and broker fees) shall be paid to Lessor by Lessee as Additional Rent.

7. **PARKING.** Lessee shall be entitled to four (4) parking stalls per 1,000 RSF leased within the Project at no additional cost to Lessee. Up to 15 of these stalls shall be reserved and shall be located adjacent to Lessee's entrance along the West side of the Building. Three (3) stalls will be reserved to accommodate loading and unloading of patients from access vans at Lessee's entrance area on the west side of the Building. The balance of the parking will be unreserved and unassigned parking spaces on those portions of the Common Area designated by Lessor for parking. These parking spaces shall be free of charge during the Lease Term.


A. Said parking spaces shall be used only for parking by vehicles no larger than full size passenger automobiles, SUV's or 4-wheel drive vehicles or vans or similar size vehicles, which can fit in a single parking space.

B. Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customer, or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities. Notwithstanding the foregoing, Lessor hereby pre-approves passenger vans to unload and load Lessee's patients throughout the Lease Term. As noted in the Plans, Lessor hereby approves deliveries at the loading door on the south side of the building.


C. If Lessee permits or allows any of the prohibited activities described in this Section 7, then Lessor shall provide notice to Lessee of the prohibited activity and shall subsequently have the right, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to the auto owner, which cost shall be due and payable within five (5) days of written demand by Lessor.

D. All automobiles, trucks, and other vehicles of Lessee, Lessee's subtenants, concessionaires and licensees and its or their officers, agents and employees shall be parked only in such places as may be designated by Lessor as employee parking areas. If requested by Lessor, Lessee will furnish Lessor with make, model and license numbers of said vehicles.

E. Lessor reserves the right at any time to grant similar non-exclusive parking spaces use to other tenants, to promulgate rules and regulations relating to the use of such parking areas, including reasonable restrictions on parking by tenants and employees, to designate specific spaces for the use of any tenant, to make changes in the parking layout from time to time, and to establish reasonable time limits on parking provided the changes to the parking lot do not result in a reduction of available parking spaces to Lessee, reduction of the overall size of the parking lot or require Lessee to park

LESSOR: 
4842-1375-4467v.6 0001795-000332

10

LESSEE: 

in another parking lot. Lessor's current rules and regulations, including those pertaining to parking, are attached hereto as Exhibit "D".

8. RENOVATIONS, ALTERATIONS AND ADDITIONS.

(A) Landlord agrees to provide Lessee with an allowance for the Renovations in the amount of \$35.00 per RSF for the 15,678 RSF equaling a total of \$548,730.00 (the "Renovation Allowance"). The Renovation Allowance may be used toward Lessee's hard and soft costs, including but not limited to architectural services, space planning, signage, construction drawings, permitting and construction of Lessee's Renovation work. The Renovation Allowance shall be payable in a single lump sum to Lessee on the Renovation Completion Date. The Renovation Allowance shall be Landlord's sole contribution to the cost of the Lessee's Renovation Work. All other costs of Lessee's Renovation Work of any kind or nature shall be at Lessee's sole cost and expense.

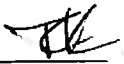
"Renovation Completion Date" means the date that all renovations have been completed in accordance with the terms hereof AND the Lessee Occupation Date has occurred.

Lessee shall be permitted to install the renovations in the Premises (the "Renovations") in accordance with the space plan attached hereto as Exhibit G and subject to plans and specifications (the "Plans") approved by Lessor which shall not be unreasonably withheld, conditioned or delayed. Lessee shall submit Plans to Lessor for Lessor's reasonable approval. Lessor shall have ten (10) business days from receipt of the Plans to either approve or reasonably disapprove same. If Lessor fails to respond in such ten (10) days, the Plans shall be deemed approved. Lessee shall be installing floor covering as part of its Renovations.

Lessee shall be responsible for complying with all laws applicable to the Demised Premises as a result of Lessee's specific use of the Premises (as opposed to uses typically made by tenants in the Building) or any Renovations or Alterations performed in the Premises by Lessee, and Lessee shall be responsible for making any changes or alterations to the Premises as may be required by law, rule, regulation, or order required due to Lessee's Renovations or Alterations at its sole cost and expense.

Lessee shall be permitted to use the following contractors for the Renovations: Aldrich and Associates.

(B) Lessee's Alterations: Lessee shall not make any alterations, additions or improvements in or to the Demised Premises without first submitting to Lessor professionally prepared plans and specifications for such work and obtaining Lessor's prior written approval thereof, which approval shall not be unreasonably withheld, conditioned or delayed so long as alterations, additions or improvements are reasonably related to the permitted use of the Demised Premises hereunder. Lessee covenants that it will cause all


LESSOR: 
4842-1375-4467v.6 0001795-000332

11

LESSEE: 

such alterations, additions and improvements to be performed by a licensed contractor approved by Lessor and in a manner which: (a) is consistent with the Lessor-approved plans and specifications and any conditions imposed by Lessor in connection therewith; (b) is in conformity with commercial standards, and is in accordance with all applicable laws, rules and regulations; (c) includes acceptable insurance coverage for Lessor's benefit; (d) does not affect the structural integrity of the Building; (e) does not unreasonably disrupt the business or operation of adjoining tenants; and (f) does not invalidate or otherwise affect the construction and systems warranties then in effect with respect to the Building. Lessee shall secure all governmental permits and approvals and comply with all other applicable governmental requirements and restrictions. Lessee shall indemnify, defend and hold Lessor harmless from and against all losses, liabilities, damages, liens, costs and expenses (including attorneys' fees, but without waiver of the duty to hold harmless) arising from or out of the performance of such alterations, additions and improvements, including, but not limited to, all which arise from or out of Lessee's breach of its obligations under terms of this paragraph. All such alterations, additions and improvements (expressly including all light fixtures, heating, ventilation and air conditioning units and floor coverings), except trade fixtures and appliances and equipment not affixed to the Demised Premises, shall immediately become the property of Lessor without any obligation on its part to pay therefor, and shall not be removed by Lessee prior to the termination of this Lease; provided, however, that Lessor may require at the time Lessor gives consent to such alterations, at Lessee's expense, that Lessee remove, upon termination of this Lease, any additions made or fixtures added by Lessee and restore the Demised Premises to the original condition. Notwithstanding anything to the contrary set forth above, the Renovations shall not be subject to this Section 8(B).

(C) Lessor's Right to Make Changes: Lessor shall have the right at any time before or after the completion of the Building upon reasonable notice, without thereby creating an actual or constructive eviction or incurring any liability to Lessee therefor, to change the arrangement or location of such of the following as are not contained within the Demised Premises or any part thereof so long as such changes do not interfere with Lessee or Lessee's employees, agents, licensee's or invitees use and or access to the Demised Premises: entrances, passageways, doors and doorways, corridors, stairs, toilets and other like public service portions of the Building provided however such change does not deprive Lessee of the substantial benefit and enjoyment of the Demised Premises. Nevertheless, in no event shall Lessor diminish any service, change the arrangement or locations of the elevators servicing the Demised Premises, make any change which shall diminish the area of the Demised Premises, make any change which shall interfere with access to the Demised Premises. Lessor may, at any time upon 60 days' written notice to Lessee and without liability to Lessee therefor, change the name of the Building.

LESSOR: 
4842-1375-4467v.6 0001795-000332

12

LESSEE: 


9. REPAIRS, SURRENDER OF PREMISES.

Lessor shall maintain the Building and Common Areas in good clean condition commensurate with the condition existing as of the Commencement Date and in accordance with all applicable laws, including but not limited to ADA. Lessee shall at all times take good care of the Demised Premises Lessee shall promptly report to Lessor any damage or injury done by Lessee to the Demised Premises, or to the Building or the Common Area (to the extent such damage is extraordinary in nature and not just wear and tear) during the Lease Term and at the expiration or other termination of this Lease. Lessee shall return the Demised Premises peaceably and promptly to the Lessor at the expiration or earlier termination of this Lease in as good condition as at the beginning of the Term of this Lease, ordinary wear and tear excepted and damage caused by fire or other casualty not required to be repaired by Lessee under this Lease.

Lessee agrees to reimburse Lessor for the actual costs incurred by Lessor to repair the following:

(A) All injury to the Demised Premises, or to the Building or the Common Area caused by Lessee in the moving the property of Lessee into or out of the Building or the Demised Premises;

The "Common Area" shall mean all areas and improvements located in the Building as are provided from time to time by Lessor for general use, in common, of all lessees, their officers, agents, employees and customers, including but not limited to, parking areas, sidewalks, landscaping, curbs, loading areas, lighting facilities, stairs, restrooms, roofs, building exteriors, project identification signs, traffic markers and signs, storm drains and sewers, utility lines, service areas and other areas and improvements provided by Lessor for the common use of all lessees, all of which shall be subject to Lessor's sole management and control and shall be operated and maintained in such manner as Lessor, in its discretion, shall determine, provided no decisions regarding Common Areas shall deprive Lessee of the substantial benefit and enjoyment of the Demised Premises, interfere with Lessee's business, cause a breach of any of the terms of this Lease or breach of Lessor's obligations to Lessee.

LESSOR: 
4842-1375-4467v.6 0001795-000332

13

LESSEE: 


10. LIENS.

Lessee shall at all times keep the Demised Premises and Building free from any liens arising out of Lessee's use or improvement thereof and shall indemnify and hold Lessor harmless from all costs, losses, liabilities, damages and expenses (including attorneys' fees) from any liens arising out of Lessee's use or improvement thereof. If any lien is filed as a result of Lessee's actions or inaction, Lessee shall immediately notify Lessor thereof. If any lien is not removed within fifteen (15) days following receipt of Lessee of notice of such lien, then Lessor shall have the right to require Lessee to post a bond, or to deposit cash with Lessor, in an amount equal to one hundred fifty percent (150%) of the lien, to protect Lessor from such lien. Any amount paid by Lessor for any of the expenses or fees incurred or arising from such lien, including all reasonable legal or other expenses of Lessor, shall be repaid by Lessee to Lessor on demand with interest at 12%, and if unpaid may be treated as Additional Rent.

11. INDEMNITY, PUBLIC LIABILITY INSURANCE AND FIRE AND EXTENDED COVERAGE INSURANCE.

(A) Indemnity: Subject to Section 11(f) below, Lessee shall indemnify, defend, and hold Lessor harmless from any and all claims arising from Lessee's use of the Building or Common Areas, or from any act, omission, or negligence of Lessee, or that of its agents, employees, or licensees in or about the Demised Premises, Building or Common Areas. Lessee shall not be obligated to indemnify Lessor for the portion of any claim or liability caused by or arising from the act, omission or negligence of any party other than Lessee, or its agents, employees, or licensees. Lessee also shall indemnify, defend and hold Lessor harmless from all costs, attorney's fees, expenses and liabilities incurred in connection with any claim or proceeding for which Lessee is responsible under this paragraph 11(A). If any action or proceeding is brought against Lessor for reason of any such claims described herein, Lessee upon notice from Lessor will defend the claim at Lessee's expense with counsel reasonably satisfactory to Lessor.

Subject to Section 11(f) below, Lessor shall indemnify, defend, and hold Lessee harmless from any and all claims arising from Lessor's use of the Building or Common Areas, or from any act, omission, or negligence of Lessor, or that of its agents, employees, or licensees in or about the Demised Premises, Building or Common Areas. Lessor shall not be obligated to indemnify Lessee for the portion of any claim or liability caused by or arising from the act, omission or negligence of any party other than Lessor, or its agents, employees or licensees. Lessor also shall indemnify, defend and hold Lessee harmless from all costs, attorney's fees, expenses and liabilities incurred in connection with any claim or proceeding for which Lessor is responsible under this paragraph 11(A). If any action or proceeding is brought against Lessee for reason of any such claims described herein, Lessor upon notice from Lessee will defend the claim at Lessor's expense with counsel reasonably satisfactory to Lessee.

LESSOR: 
4842-1375-4467v.6 0001795-000332

14

LESSEE: 

(B) Lessee's Insurance: Lessee shall, at its sole cost and expense, keep in full force and effect the following insurance;

(1) Standard form property insurance insuring against the perils of fire, extended coverage, vandalism malicious mischief, and special extended coverage ("All-Risk"). (This insurance policy shall be upon all of "Lessee's Property" and any Renovations, alterations or improvements installed by Lessee in the Demised Premises or which is located in the Building or Common Areas in an amount not less than ninety percent (90%) of the full replacement cost thereof.)


(2) Comprehensive General Liability Insurance insuring Lessee against any liability arising out of the lease, use, occupancy or maintenance of the Demised Premises and all areas appurtenant thereto. Such insurance shall be in the amount of at least \$2,000,000 Combined Single Limit for injury to, or death of one or more persons in an occurrence. The Policy shall insure the hazards of the Premises and Lessee's operations thereon, independent contractors, and contractual liability (covering the indemnity contained in paragraph 11(A)). Such policy shall name Lessor and any Mortgagees of Lessor as insured parties, as their respective interests may appear.

(3) Workers' Compensation and Employer's Liability insurance as required by state law. Any other form or forms of insurance or increased amounts of insurance as Lessee or any Mortgagees of Lessor may reasonably require from time to time in form, in amounts and for insurance risks against which a prudent tenant would protect itself.


(4) Insurance for all tenant improvements installed by Lessee naming Lessor.

(C) All policies shall be written in a form and with an insurance company satisfactory to Lessor and shall provide that Lessor shall receive not less than thirty (30) days' prior written notice of any cancellation. Prior to or at the time that Lessee takes possession of the Demised Premises, Lessee shall deliver to Lessor copies of policies or certificates evidencing the existence of the amounts and forms of coverage satisfactory to Lessor. Lessee shall, within ten (10) days prior to the expiration of such policies, furnish Lessor with renewals or "binders" thereof, or Lessor may order such insurance and charge the cost thereof to Lessee as Additional Rent. Furthermore, each policy of insurance required to be maintained by Lessee and Lessor hereunder shall be issued by a good and solvent insurance carrier with a financial rating of at least an A-VI status as rated in the most recent edition of Best's Insurance Reports, licensed to do business in the state in which the Demised Premises are located.

(D) During the Term of this Lease, Lessor shall insure the Building, Demised Premises and Common Areas against damage with All-Risk insurance and public liability

LESSOR: 
4842-1375-4467v.6 0001795-000332

15

LESSEE: 

insurance, earthquake and flood and any other perils as Lessor deems reasonably necessary, all in such amounts equal to the replacement value of the Building and any other improvements on the Property. [Note to Landlord, please also add liability insurance requirement]

(E) Lessee will not keep, use, sell or offer for sale in or upon the Demised Premises any article or use the Demised Premises in any way which may be prohibited by any insurance policy periodically in force covering the Building. Lessor represents and warrants to Lessee that the use contemplated herein is not prohibited under Lessor's insurance policies nor will it increase the cost of Lessor's insurance. Lessee will not keep, use, sell or offer for sale in or upon the Demised Premises any article or use the Demised Premises in any way which may be prohibited by any insurance policy periodically in force covering the Building. If Lessee's occupancy, use, or business in, or on, the Demised Premises, whether or not Lessor has consented to the same, results in any increase in premiums for the insurance periodically carried by Lessor with respect to the Building, Lessee shall pay any such increase in premiums as Additional Rent within ten (10) days after being billed therefor by Lessor. Lessee shall promptly comply with all reasonable requirements of any present or future insurer relating to the Demised Premises.


(F) Lessor and Lessee, for themselves and their respective insurers, agree to and do hereby, to the extent the damage or injury to their property is covered by insurance, release each other of and from any and all claims, demands, actions, and causes of action that each may have or claim to have against the other for loss or damage to the property of the other, both real and personal, notwithstanding that any such loss or damage may be due to or result from the negligence of either of the parties hereto or their respective employees or agents. The damaged or injured party agrees to make and diligently pursue a claim against its insurance carrier for such damage or injury prior to seeking recovery against the other party or against the other party's insurance carrier.

12. LIABILITY FOR INJURY OR DAMAGE.

Lessor shall not be liable for any damage to personal property resulting from the carelessness, negligence or improper conduct on the part of any other tenant or occupant or anyone other than Lessor, its servants, agents, employees, independent contractors or invitees but no other subtenant's servants, agents, employees, independent contractors or invitees or for any damage to person or property resulting from any condition of the Demised Premises or other cause, including, but not limited to, damage by water not resulting from the sole negligence of Lessor.

13. DESTRUCTION OF PREMISES.

(A) If less than forty percent (40%) of the Demised Premises are rendered untenantable by fire or other insured casualty, and if the damage is repairable within sixty (60) days from the date of the occurrence (with the repair work and preparation therefore

LESSOR: 
4842-1375-4467v.6 0001795-000332

16

LESSEE: 

to be done during regular working hours on regular work days), Lessor shall repair the Demised Premises with due diligence, to the extent of the insurance proceeds available, and the monthly Base Rent and Operating Expenses shall be abated in the proportion that the untenable portion of the Demised Premises bears to the whole thereof for the period from the date of the casualty to the completion of the repairs, unless the casualty results from Lessee's negligence or its breach of the terms hereof.

If more than forty percent (40%) of the Demised Premises are rendered untenable by fire or other insured casualty, or such fire or other casualty occurs during the last two (2) years of the Lease, Lessee may terminate this lease on thirty (30) days' written notice, effective as of any date not more than sixty (60) days after the occurrence.


If thirty percent (30%) or more of the Building is destroyed or damaged, regardless of whether the Demised Premises are damaged, Lessor may terminate this lease as of the date of such damage or destruction by giving notice to Lessee within thirty (30) days thereafter of the election to do so. In no event shall Lessor be liable to Lessee for destruction or for damage to any of Lessee's property including fixtures, equipment or other improvements unless the casualty results from Lessor's negligence or its breach of the terms hereof.

14. EMINENT DOMAIN.

If all or part of the Demised Premises shall be taken as a result of the exercise of the power of eminent domain, this Lease shall terminate as to the part so taken as of the date of taking. In the event of a partial taking, either Lessor or Lessee shall have the right to terminate this Lease as to the balance of the Demised Premises by written notice to the other within thirty (30) days after such date; provided, however, that a condition to the exercise by Lessee of such right to terminate shall be that the portion of the Demised Premises taken shall be of such extent and nature as to substantially handicap, impede or impair Lessee's use of the balance of the Demised Premises. In the event of a total taking or a partial taking resulting in termination of this Lease, Lessor shall be entitled to any and all compensation, damages or awards which may be paid in connection therewith. Lessee shall be entitled to any damages separately awarded by the condemning authority that are attributable to moving expenses or damages to Lessee's non-removable fixtures, provided that such award does not diminish the award to Lessor and further provided that no portion of the award is for any excess value or leasehold value of this Lease. In the event of a partial taking of the Demised Premises which does not result in termination of this Lease, the monthly Base Rent thereafter shall be equitably reduced in fair proportion to the reduction in area of the Demised Premises and reduction in its fair market rental value.

15. ADMITTANCE BY PASS KEY.

Lessor shall issue pass keys to Lessee for after hours admittance to the Building and Demised Premises. Lessor shall not be liable for the consequences of admitting by

LESSOR: 
4842-1375-4467v.6 0001795-000332

17

LESSEE: 

pass key or refusing to admit to the Demised Premises any of the Lessee's agents and employees claiming the right of admittance. Notwithstanding the forgoing, Lessee will be permitted to install its own card access system for the patient entrance door and its employee entrance/supply door.

16. EXHIBITION AND INSPECTION OF PREMISES.


Lessor and Lessor's agents shall have the right at reasonable hours but subject to Section 38(s), upon one (1) day's notice to (a) exhibit the Demised Premises to prospective purchasers and during the final six months of the Lease Term hereof to prospective Lessees; (b) to examine the Demised Premises to determine whether Lessee is complying with its obligations hereunder and in reference to any emergency or general maintenance; (c) supply any service to be supplied by Lessor to Lessee hereunder; and (d) to make repairs or alteration to any portion of the Building; provided that during any such entry into the Demised Premises, Lessor uses commercially reasonable efforts not to interfere with Lessee's use or access to the Demised Premises or any Common Areas serving the Demised Premises. Lessee hereby waives any claim for damages for any injury or inconvenience to or interference with Lessee's business, occupancy or quiet enjoyment of the Demised Premises.

17. VACATION OR ABANDONMENT.


Upon abandonment of the Demised Premises for a period in excess of sixty (60) consecutive days, coupled with the nonpayment of Base Rent and such nonpayment is not permitted by the terms of this Lease, by the Lessee without the prior written consent of Lessor, Lessor may forthwith enter upon the Demised Premises or any portion hereof and relet and otherwise exercise control over the Demised Premises and Lessee's fixtures and equipment situated therein. For the purpose of such reletting, Lessor is authorized at the cost of Lessee to make any repairs, changes, alterations or additions in or to said Demised Premises which may be necessary in the opinion of Lessor for the purpose of such reletting. Such entry and control shall not release Lessee from the obligations herein, and Lessee shall remain liable and continue to be bound and shall continue to pay rent, unless Lessor, at Lessor's election, shall terminate this lease, and in that event Lessor shall be entitled to damages as provided in paragraph 24. Any personal property left on the Demised Premises shall be deemed to be abandoned at the option of Lessor, and Lessee waives any claims to or arising from said property.

18. SIGNS.

No sign, picture, advertisement or notice shall be displayed, inscribed, painted or affixed to any of the glass or woodwork of the Demised Premises, or on the exterior walls of the Building, except such as shall be approved in writing by Lessor or otherwise set forth in Exhibit "H" attached hereto. Lessor will provide lobby, suite and mail box signs at Lessor's expense.

LESSOR: 
4842-1375-4467v.6 0001795-000332

18

LESSEE: 

19. ELECTRICAL AND MECHANICAL DEVICES AND INSTALLATION.

Lessee shall not without Lessor's prior written consent, operate or install any electrical equipment or operate or install any machinery or mechanical device on the Demised Premises other than those that are used in Lessee's dialysis centers and related administrative and office use. No electrical wiring or other electrical apparatus shall be installed, maintained or operated on the Demised Premises, except with the prior written approval of and in a manner satisfactory to Lessor, and in no event shall Lessee overload the electrical circuits from which Lessee obtains current. Notwithstanding the foregoing, Lessor shall allow Lessee to install a generator at some point during the lease term, at Lessee's option and at Lessee's expense. The generator will be installed behind the building at a mutually acceptable location.

20. WINDOWS.

Lessee shall not allow anything to be placed on the outside window ledges of the Demised Premises. No awnings shall be attached to the outside of any windows of the Demised Premises. Only such window draperies furnished by Lessor, which shall be uniform to building standards, shall be exposed to exterior views.


21. FLOOR COVERINGS.

Lessee, or any other person, shall be permitted to lay linoleum or any other floor covering or attach or affix any covering to the walls or ceiling of the Demised Premises or any part thereof with the prior consent of Lessor, which consent shall not be unreasonably withheld. Any such addition shall be deemed an alteration within the meaning of paragraph 8 and shall be subject to the conditions set forth therein.

22. SERVICES.

(A) Lessee's Responsibility: Lessee shall be solely responsible for and shall promptly pay all charges for telephone and all other charges which are separately metered and supplied to the Demised Premises at Lessee's request. Lessee agrees to keep the temperature of the Demised Premises at such level as may be reasonably required by Lessor, provided that it is consistent with a first class dialysis center, to protect the Building and prevent the dissipation of heat or air conditioning in the areas adjacent to the Demised Premises.

(B) Services: As long as Lessee is not in default beyond any applicable cure period under this Lease, Lessor shall cause the public and common areas of the Building, such as lobbies, elevators, stairs, corridors and restrooms, to be maintained in reasonably good order and condition, except for damage occasioned by any act or omission of Lessee or Lessee's officers, contractors, agents, invitees, licensees or employees, the repair of

LESSOR: 
4842-1375-4467v.6 0001795-000332

19

LESSEE: 


which shall be paid for by Lessee. From 7:00 a.m. to 6:00 p.m. on weekdays, excluding legal holidays ("Normal Business Hours"), Lessor shall furnish the Demised Premises with heat and air conditioning services and usual janitorial services. From 5:00 a.m. to 1:00 a.m. (the following stated day) on weekdays and Saturdays, Lessor shall furnish the Demised Premises with electricity for lighting and operation of 110-volt office machines and hot and cold water. Lessor covenants that notice will be provided no less than 48 hours in advance of any planned repairs or any other event that may impact the ability to provide continuous services to the Demised Premises, not including emergencies. If requested by Lessee, Lessor shall furnish services at times other than Normal Business Hours, and Lessee shall pay for the cost of such services at reasonable rates established by Lessor, as Additional Rent.

(C) Janitorial: Lessee shall provide its own janitorial services within the Demised Premises. Normal janitorial services provided for common areas are hereby attached as Exhibit "I".

(D) Electrical: If Lessee's consumption of electricity is in excess of the normal consumption standard reasonably established by Lessor, then Lessee shall promptly reimburse Lessor and Additional Rent upon receipt of an invoice for such excess consumption. If a separate meter is not installed at Lessee's cost, such excess costs will be established by an estimate agreed upon by Lessor and Lessee, and if the parties fail to agree, the excess cost shall be established by an independent licensed engineer. In addition to the above, if Lessee's electrical needs exceed Building standards established by Lessor, then Lessee agrees to pay the costs incurred by Lessor for installing necessary supplementary air conditioning capacity or electrical systems. In addition, Lessee shall pay Lessor Additional Rent in advance on the first day of each month during the Lease Term amounts reasonably estimated by Lessor to cover the cost of operating and maintaining the supplementary systems.

(E) Interruption: Except as provided herein, Lessor 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 such services due to any cause whatsoever, or from failure to make any repairs or perform any maintenance. No temporary interruption or failure of such services incident to the making of repairs, alterations or improvements, or due to accident, strike or conditions or events beyond Lessor's reasonable control shall be deemed an eviction of Lessee or to relieve Lessee from any of Lessee's obligations hereunder or to give Lessee a right of action against Lessor for damages; provided, however, if Lessee is deprived of utility services for more than three (3) consecutive business days, the Base Rent shall be appropriately abated until utility services are restored

23. ACTION OR SUIT.

LESSOR: 
4842-1375-4467v.6 0001795-000332

20

LESSEE: 

If either party institutes a suit to enforce any covenants or agreements herein or to obtain any of the remedies provided herein, the prevailing party shall be entitled an award for reasonable attorney's fees in such suit or action including any appeal taken by either party to such suit or action.

24. DEFAULT.


The occurrence of any one or more of the following events shall constitute a breach of the Lease and default by Lessee:

(A) If the Base Rent, Additional Rent or other payments required of Lessee to Lessor shall be in arrears for a period of ten (10) days after due; or


(B) If Lessee fails to keep or perform any of the covenants or conditions of this Lease or rules or regulations in connection therewith, within thirty (30) days after written notice of default (or longer if Lessee commences to cure within said thirty day period but the default cannot reasonably be cured in thirty days), or

(C) If a receiver shall be appointed for Lessee's property or any part thereof, or if a petition is filed by Lessee for an arrangement with his creditors under Chapter 11 of the Bankruptcy Act, or if Lessee shall be declared bankrupt or insolvent according to law, or if any assignment of Lessee's property shall be made for the benefit of creditors; or

(D) If Lessee shall fail to pay any sum of money, other than Rent and Additional Rent required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for 10 days after notice thereof by Lessor provided Lessee has not otherwise contested the validity of such payment, Lessor may, but shall not be obligated so to do, and without waiving or releasing Lessee from any obligations of Lessee, make any such payment or perform any such other act on Lessee's part to be made or performed as provided in this Lease. Upon default Lessor may, at Lessor's option, immediately without notice declare Lessee's rights under this Lease terminated, and upon termination Lessor may forthwith enter into and upon the Demised Premises, repossess them and expel Lessee or those claiming under Lessee, removing all persons and effects therefrom, forcibly, if necessary, and lock the Demised Premises. In so acting Lessor shall not be deemed to have trespassed in any manner nor shall Lessor's actions be construed to be a waiver or relinquishment of any of Lessor's rights or remedies. Lessee expressly agrees herein that it waives service of any demand for payment of Rent or for possession and hereby waives any claim for damages by reason of such repossession. All sums so paid by for and all necessary incidental costs together with interest thereon at the rate of eighteen percent (18%) per annum or four percent (4%) above the prime rate of Bank of America (Seattle, Washington), whichever is more per annum from the date of such payment by Lessor, shall be payable as Additional Rent to Lessor on demand, and Lessee covenants to pay any such sums.

LESSOR: 
4842-1375-4467v.6 0001795-000332

21

LESSEE: 

25. DAMAGES.

In the event of termination on default, Lessor shall be entitled to request immediately, without waiting until the due date of any future Rent or until the date fixed for expiration of the Lease Term, any excess of the value of Lessee's obligations under this Lease, including the obligation to pay Rent, from the date of default until the end of the Lease Term, over the reasonable rental value of the property for the same period figured as of the date of default, plus the reasonable cost of reentry, reletting, including, without limitation, the cost of any clean-up, refurbishing, removal of Lessee's property and fixtures, storage, or any other expense occasioned by Lessee's failure to quit the Demised Premises upon termination or to leave them in the required condition, any remodeling costs, attorneys' fees, court costs, broker commissions and advertising costs plus the amount of the loss of the reasonable rental value from the date of default until a new tenant has been, or, with the exercise of reasonable diligence, could have been secured.


26. CUMULATIVE REMEDIES--NO WAIVER.

No right to remedy herein expressly conferred upon or reserved to Lessor is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute. The failure of Lessor to insist in any one or more instances upon the strict performance by Lessee of any of the covenants of this Lease or to exercise any option herein contained shall not be construed as a waiver or a relinquishment for the future of any such covenant or option. The receipt by Lessor of Rent with the knowledge of a breach of any covenant or agreement hereof shall not be deemed a waiver of such breach, and no waiver by Lessor of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Lessor or its duly authorized agent.


27. REPAIR.

In the event Lessor, during the Lease Term deems it necessary to repair, alter, remove, reconstruct or improve any part of the Demised Premises or of the Building of which the Demised Premises are all part, then such repairing, alteration, or removal, reconstruction or improvement may be made by and at the expense of Lessor without any interference or claim for damages by Lessee, so long as the repairs are undertaken within a reasonable time after receipt of notice from Lessee of the defect or need of repair. Furthermore, Lessor agrees to undertake any repairs or improvements that impact the Demised Premises on such occasion with as little interference with Lessee's business as possible.

28. HOLDING OVER

LESSOR: 
4842-1375-4467v.6 0001795-000332

22

LESSEE: 

If Lessee shall hold over after the expiration of the Lease Term and shall not have agreed in writing with Lessor upon the terms and provisions of a new lease prior to such expiration, Lessee shall remain bound by all terms, covenants and agreements hereof, except that the tenancy shall be one from month to month at 150% of the then scheduled Rent for comparable space within the Building, as solely and reasonably determined by the Lessor.

29. FURNITURE AND BULKY ITEMS

Safes, furniture or bulky items shall be moved in or out of the Demised Premises shall be made through the service door to the Demised Premises, and such transfers shall not require the consent of Lessor.

30. REGULATIONS


Lessor may make and enforce regulations appropriate for maintenance and management of the Building and Project, including but not limited to regulations for order, cleanliness and security, but said regulations shall not be inconsistent with the terms, covenants and conditions of this Lease. Lessor shall not be responsible to Lessee for the nonperformance by any other lessee or occupant of any said rules or regulations, provided, however, Lessor shall be responsible to take action to enforce the rules and regulations against other lessees or occupants of the Building.

31. LESSEE'S ACCEPTANCE OF THE DEMISED PREMISES

Lessor and Lessee agree that the terms of the subparagraph checked below apply to Lessee's acceptance of the Demised Premises:

(A) _____ Lessor shall prepare the Demised Premises for occupancy in accordance with the Tenant Improvement Space Plan attached Exhibit G, and Work Letter Agreement attached hereto as Exhibit H. All improvements made in connection with the preparation of the Demised Premises for occupancy shall be and remain the property of Lessor. Lessee shall pay all cost of furnishing, installing or connecting fixtures and any equipment required by Lessee. Lessee agrees to accept delivery of the Demised Premises upon notice of the availability and Substantial Completion (as defined in the Work Letter) of the Demised Premises given to Lessee by Lessor (the "Delivery Date"). By taking delivery of the Demised Premises, Lessee formally accepts the same and acknowledges that the Demised Premises are in the condition called for hereunder, except as otherwise set forth and agreed to in writing at the time of taking possession.

(B) X Lessor shall deliver the Demised Premises to Lessee on the Lessee Occupation Date in good and clean condition, and Lessor warrants that, to the best of Lessor's knowledge, all other Building systems (including electrical, mechanical

LESSOR: 
4842-1375-4467v.6 0001795-000332

23

LESSEE: 

and plumbing) are in good working order. Subject to the preceding sentence, Lessee accepts delivery of the Demised Premises in their then- present condition, "as is". Lessee is not relying on any representation or warranty of Lessor as to the fitness of the Demised Premises for Lessee's particular use, except as otherwise set forth in this Lease.

33. SUBSTITUTION SPACE.

N/A


34. SUBORDINATION.

This Lease and all interest and estate of Lessee hereunder is subject to and is hereby subordinated to any first mortgage and deed of trust affecting the Demised Premises or the Property of which said Demised Premises are a part. Lessee agrees to execute at no expense to the Lessor, any instrument which may be deemed necessary or desirable by the Lessor or mortgagee to further effect the subordination of this Lease to any such mortgage or deed of trust provided such instrument does not amend the terms of this Lease. In the event of a sale or assignment of Lessor's interest in the Demised Premises, or in the event of any proceedings brought for the foreclosure of, or in the event of exercise of the power of sale under any mortgage or deed of trust made by Lessor covering the Demised Premises, Lessee shall attorn to the purchaser and recognize such purchaser as Lessor; provided such purchaser agrees to not to disturb Lessee's rights under this Lease, recognize this Lease and Lessee's rights hereunder. [Note the estoppel section is below, and requiring a lender to recognize a tenant's rights under the lease is standard in commercial leases]


35. ESTOPPEL CERTIFICATE.

At any time upon ten (10) days prior written request by Lessor, Lessee shall promptly execute, acknowledge and deliver to Lessor a certificate certifying (a) that this Lease is unmodified and in full force and effect or, if there had been modifications, that this Lease is in full force and effect as modified, and state the date and nature of each modification; (b) the date, if any, to which Rent and other sums payable hereunder have been paid; (c) that no notice has been received by Lessee of any default which has not been cured, except as to default specified in said certificate; and (d) such other matters as may be reasonably requested by Lessor. Any such certificate may be relied upon by any prospective Purchaser, Mortgagee or Beneficiary of a Deed of Trust placed on or against the Building or Project or on or against Lessor's interest or estate or any part thereof, provided that any prospective Purchaser, Mortgagee or Beneficiary of a Deed of Trust agrees in writing not to disturb Lessee's right to possession and use of the Demised Premises and Lessee's rights under this Lease so long as no default by Lessee has occurred and is continuing.

36. FINANCIAL STATEMENTS.

LESSOR: 
4842-1375-4467v.6 0001795-000332

24

LESSEE: 

Within thirty (30) days after Lessor's request therefor, Lessee shall deliver to Lessor such financial statements regarding Lessee as Lessor may reasonably request but no more than once per calendar year. Lessee shall certify the accuracy of such statements. Lessor may make the financial statements available to potential lenders or purchasers, but shall otherwise preserve their confidentiality except in connection with legal proceedings between the parties or as otherwise directed by court rule or order.

37. ENVIRONMENTAL PROVISIONS.

(A) Covenants and Agreements.

(1) Lessee covenants and agrees from the date hereof and so long as this Lease shall remain in effect not to cause or permit the presence, use, generation, release, discharge, storage, disposal, or transportation of any Hazardous Materials (as hereinafter defined) on, under, in, about, or from the Demised Premises, the Building or the Project by Lessee, Lessee's agents, representatives, employees, contractors, invitees (but excluding Lessor or any agent, representative, employee or contractor of Lessor), or licensees, except for those items used in the ordinary course of Lessee's business or an office setting but all in accordance with all environmental laws.


(2) Notwithstanding the foregoing, Lessee hereby covenants and agrees to promptly remove from the Project, the Building and/or the Demised Premises, any Hazardous Materials discovered thereon which have been used, discharged, disposed of, sold or stored thereon by Lessee or Lessee's agents, representatives, employees, contractors, invitees (but excluding Lessor or any agent, representative, employee or contractor of Lessor), or licensees, and to comply in all respect with any and all such Hazardous Materials to remain, and be stored or disposed of, in Lessee's name.

(B) Environmental Indemnification. Lessee agrees to indemnify, pay and protect, defend (with counsel approved by Lessor), and hold harmless Lessor and its trustees, officers, employees, agents, assigns and mortgagees from and against any claims (including, without limitation, third party claims for personal injury or real or personal property damage or damage to the environment), actions, administrative proceedings (including informal proceedings), judgments, damages, penalties, fines, costs, liabilities (including sums paid in settlement of claims), interest, or losses, including reasonable attorneys' fees and expenses (including, without limitation, any such fees and expenses incurred in enforcing this Lease or collecting any sums due hereunder), consultant fees, and expert fees, together with all other costs and expenses of any kind or nature (collectively, the "Costs"), incurred during or after the term of this Lease that arise directly from or in connection with the presence, suspected presence, release, or suspected release of any Hazardous Material in or into the air, soil, groundwater, or surface water at, on, about, under, or within the Project, the Building and/or the Demised Premises, or any portion thereof, by Lessee or Lessee's agents, representatives, employees, contractors,

25

LESSOR: 


4842-1375-4467v.6 0001795-000332

LESSEE: 

invitees (but excluding Lessor or any agent, representative, employee or contractor of Lessor), or licensees. The indemnification provided in this paragraph 37(B) shall specifically apply to and include claims or actions brought by or on behalf of employees, guests, contractors, agents, licensees and/or invitees of Lessee. In the event Lessor shall suffer or incur any such Costs, Lessee shall pay to Lessor the total of all such Costs suffered or incurred by Lessor upon demand by Lessor. Without limiting the generality of the foregoing, the indemnification provided in this paragraph 37(B) shall specifically cover costs, including capital, operating, and maintenance costs, incurred in connection with any investigation or monitoring of site conditions, any clean-up, containment, remedial, removal, or restoration work required or performed by any federal, state, or local governmental agency or political subdivision or performed by any nongovernmental entity or person because of the presence, suspected presence, release, or suspected release of any Hazardous Material in or into the air, soil, groundwater, or surface water, at, on, about, under or within the Project, the Building and/or Demised Premises (or any portion thereof), by Lessee or Lessee's agents, representatives, employees, invitees (but excluding Lessor or any agent, representative, employee or contractor of Lessor), contractors, or licensees and any claims of third parties for loss or damage due to such Hazardous Material.

Lessor hereby represents and warrants to the best of Lessor's knowledge that as of the date hereof there are no Hazardous Materials on, under, in, about, or from the Demised Premises, the Building or the Project. Lessor agrees to indemnify, defend and hold harmless Lessee and its trustees, officers, employees, agents, assigns and mortgagees(s) from and against any claims (including, without limitation, third party claims for personal injury or real or personal property damage or damage to the environment), actions, administrative proceedings (including informal proceedings), judgments, damages, penalties, fines, costs, liabilities (including sums paid in settlement of claims), interest, or losses, including reasonable attorneys' fees and expenses (including, without limitation, any such fees and expenses incurred in enforcing this Lease or collecting any sums due hereunder), consultant fees, and expert fees, together with all other costs and expenses of any kind or nature (collectively, the "Costs"), incurred during or after the term of this Lease that arise directly from or in connection with the presence, suspected presence, release, or suspected release of any Hazardous Material in or into the air, soil, groundwater, or surface water at, on, about, under, or within the Project, the Building and/or the Demised Premises, or any portion thereof, as of the date hereof.

(C) Remedial Work. In the event any investigation or monitoring of site conditions or any clean-up, containment, restoration, removal, or other remedial work (collectively the "Remedial Work") is required under any applicable federal, state, or local law or regulation, by any judicial order, or by any governmental entity, or in order to comply with any agreements affecting the Project, the Building and/or Demised Premises because of, or in connection with, any occurrence or event described in paragraph 37(B) above, Lessee shall perform or cause to be performed the Remedial Work in compliance with such law, regulation, order, or agreement. All Remedial Work shall be performed by one or more contractors selected by Lessor and under the supervision of a consulting engineer

LESSOR: 
4842-1375-4467v.6 0001795-000332

LESSEE: 

selected by Lessor, promulgated in accordance with the remediation plan promulgated by an environmental consulting firm selected by Lessor. All costs and expenses of such Remedial Work shall be paid by Lessee including, without limitation, the charges of such contractor(s), the consulting engineer, the environmental consulting firm and Lessor's reasonable attorneys' fees and costs incurred in connection with monitoring or review of such Remedial Work. In the event Lessee shall fail to timely commence, or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work, Lessor may, but shall not be required to, cause such Remedial Work to be performed, and all costs and expenses thereof, or incurred in connection therewith shall be Costs within the meaning of paragraph 37(B) above. All such Costs shall be due and payable upon demand by Lessor.

(D) Notice of Claims. Lessee shall give notice to Lessor of any claim, action, administrative proceeding (including, without limitation, informal proceedings), or other demand by any governmental agency or other third party involving Hazardous Materials, Costs and/or Remedial Work at the time such claim or other demand first becomes known to Lessee. Receipt of any such notice shall not be deemed to create any obligation on Lessor to defend or otherwise respond to any claim or demand.


(E) Survival. The provisions of this paragraph 37 shall be in addition to any other obligations and liabilities Lessee may have to Lessor at law or equity and shall expressly survive the expiration of the Term or other termination of this Lease.

38. GENERAL PROVISIONS.

(A) Lessor's Liability: Anything in this Lease to the contrary notwithstanding, covenants, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal covenants, undertakings and agreements for the purpose of binding only the Lessor's interest in the Demised Premises and Building, as the same may from time to time be encumbered. No personal liability or personal responsibility is assumed by nor shall at any time be asserted or enforceable against Lessor or its partners or their respective heirs, legal representatives, successor and assigns on account of the Lease or on account of any covenant, undertaking or agreement of Lessor in the Lease contained.

(B) Transfer of Lessor's Interest: In the event of any transfer or transfers of Lessor's interest in the Demised Premises or in the Building, 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 Lessor accruing from and after the date of such transfer and Lessee agrees to attorn to the transferee.

(C) 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.

LESSOR: 
4842-1375-4467v.6 0001795-000332

27

LESSEE: 

(D) Force Majeure: Time periods for Lessor performance under any provision of this Lease shall be extended for periods of time during which the Lessor's performance is prevented due to circumstances beyond the Lessor's control, including without limitation, strikes, embargoes, governmental regulations, acts of God, war or other strife.

(E) Authority: If Lessee is a corporation, partnership or other entity, each individual executing this Lease on behalf of Lessee represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of Lessee in accordance with a duly adopted resolution of the Board of Directors of Lessee, bylaws, partnership agreement or other organizational documents, and that this Lease is binding upon Lessee in accordance with its terms. Lessee shall, within thirty (30) days after execution of this Lease deliver to Lessor a certified copy of a board resolution authorizing and ratifying the execution of this Lease or other confirmation as Lessor may require.


(F) Abandonment: Lessee shall not abandon the Demised Premises without paying rent at any time during the Lease Term, and any such vacation or abandonment shall be a breach of this Lease. If Lessee shall abandon or surrender said Demised Premises or be dispossessed by process of law or otherwise, any personal property belonging to Lessee and left on the Demised Premises shall, at the option of Lessor, be deemed to be abandoned and title thereto shall pass to Lessor, except such property as may be mortgaged by Lessor.

(G) Lease Effective Date: Submission of this instrument for examination or signature by Lessee does not constitute a reservation of or option for Lease, and it is not effective as a Lease or otherwise until execution and delivery by both Lessor and Lessee.

(H) Article Headings: The article headings throughout this instrument are for convenience in reference only, and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction or meaning of the provisions of this Lease.

(I) Notice: Any notice which may be given by either party to the other whether required under the terms of this Lease or by law shall be conclusively deemed to be sufficiently given when deposited in the United States mail, postage prepaid, registered, or certified, addressed if to the Lessor at:

Everett Mall Office Building, LLC
1429 Ave D, #521
Snohomish, WA 98290
Ray Kirtley
P: 425-330-6882
rkirtley@kirtleysite.com

LESSOR: 
4842-1375-4467v.6 0001795-000332

28

LESSEE: 

and if to Lessee:

Northwest Kidney Centers
700 Broadway
Seattle, WA 98122
Attn: Austin Ross
P: 206-720-8505
Austin.Ross@nwkidney.org

or at such other address which the parties may from time to time designate in writing.

(J) Parties Affected: The rights, liabilities and remedies provided for herein shall extend to the heirs, legal representatives, successors and as far as the terms of this Lease permit, assigns of the parties hereto. The words "Lessor" and "Lessee" and their accompanying verbs or pronouns, whenever used in this Lease shall apply equally to all persons, firms, or corporations which may be or become parties hereto.

(K) Brokers' Commission. Broker shall receive commission as provided for in Leasing Commission Agreement. All references to "Lease Commencement" in the Leasing Commission Agreement shall mean Lessee's Occupation Date as defined in Section 2(A) of this Lease; therefore, the Broker's Commission shall be paid out only after the Lessee's Occupation Date in accordance with the terms of the Leasing Commission Agreement.

(1) At the signing of this Lease Derek Heed of Colliers International represented the Lessor as the Broker.


(L) Partial Invalidity. If any term, covenant or condition of this Lease or the application thereof to any person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

(M) Recording. Lessee shall not record this Lease without the prior written consent of Lessor, which consent may be denied or conditioned within Lessor's discretion. However, upon Lessor's request, both parties shall execute a memorandum of this Lease, in a form customarily used for such purpose of recordation. The memorandum shall describe the parties, the Premises and the term of this Lease and shall incorporate the other terms of this Lease by reference.

(N) Time of Essence. TIME IS OF THE ESSENCE OF THIS AGREEMENT.

LESSOR: 
4842-1375-4467v.6 0001795-000332

29

LESSEE: 


(O) Place of Law. This Lease shall be governed by the laws of the state of Washington.

(P) Entire Agreement. This Lease and the exhibits hereto constitute the entire agreement between the parties hereto and supersede and replace all prior written and oral agreements. No prior agreement, understandings, representations by any broker or other party shall be valid or of any force or effect.


(Q) Lessor's Consent If any action by the Lessee requires consent by the Lessor, said consent by Lessor shall not be unreasonably withheld or delayed unless otherwise stated.

(R) Quiet Enjoyment: Except as otherwise provided in the Lease, Lessee shall lawfully, peaceably, and quietly have, hold, occupy and enjoy the Demised Premises during the Lease Term, without injurious hindrance or ejection by Lessor or by anyone claiming under Lessor.

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

LESSOR: 
4842-1375-4467v.6 0001795-000332

30

LESSEE: 

transmitted, or otherwise obtained by Lessor or which may be encountered in the course of Lessor's performance under this Lease, strictly confidential.

LESSOR: 
4842-1375-4467v.6 0001795-000332

31

LESSEE: 

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date herein written.

LESSOR:

Everett Mall Office Building, LLC

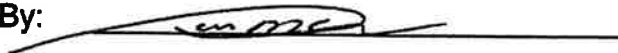
Executed this 14 day of
June, 2018


By: 
Its: Ralph Kirtley
Managing Member

LESSEE:

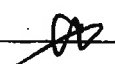
**Northwest Kidney Center,
a Washington nonprofit corporation**

Executed this 14 day of
June, 2018

By: 
Its: CFO

LESSOR: 
4842-1375-4467v.6 0001795-000332

32

LESSEE: 

FOR AN ACKNOWLEDGMENT IN AN CORPORATE CAPACITY:

State of Washington)
County of Snohomish)

On this 14th day of June, 2018, before me personally appeared Ralph Kirtley to me known to be the Managing Member of Everett Mall Office Building, LLC the entity that executed the within and foregoing instrument, and acknowledged the same instrument to be the free and voluntary act and deed of said entity, for the uses and purposes therein mentioned and on oath stated that they were authorized to execute said instrument.

Dated: June 14, 2018



[Signature]
Notary Public - Signature
Laura Yepez
Type or Print Name of Notary

State of Washington

Residing in Everett, WA
My Appointment expires: November 22, 2020

FOR AN ACKNOWLEDGMENT IN A CORPORATE CAPACITY:

State of _____)
County of _____)

On this _____ day of _____, 20____, before me personally appeared _____ to me known to be the _____ of _____ the _____ that executed the within and foregoing instrument, and acknowledged the same 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 they were authorized to execute said instrument.

Dated: _____

Notary Public - Signature

Type or Print Name of Notary

(SEAL OR STAMP)

State of _____

Residing in _____
My appointment expires _____

LESSOR: [Signature]
4842-1375-4467v.6 0001795-000332

33

LESSEE: [Signature]

FOR AN ACKNOWLEDGMENT IN A CORPORATE CAPACITY:

State of Washington)
County of King)

On this 14 day of June 2018 before me personally appeared Cardmiller to me known to be the CEO of Northwest Kidney Centers, a Washington nonprofit corporation, the Entity that executed the within and foregoing instrument) and acknowledged the same 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 they were authorized to execute said instrument.

Dated: 6/14/18

MTD Reilly
Notary Public - Signature
Maureen T. O'Reilly
Type or Print Name of Notary

(SEAL OR STAMP)

State of Washington

Residing in King



LESSOR: [Signature]
4842-1375-4467v.6 0001795-000332


34

LESSEE: [Signature]

EXHIBIT "A"

DEMISED PREMISES

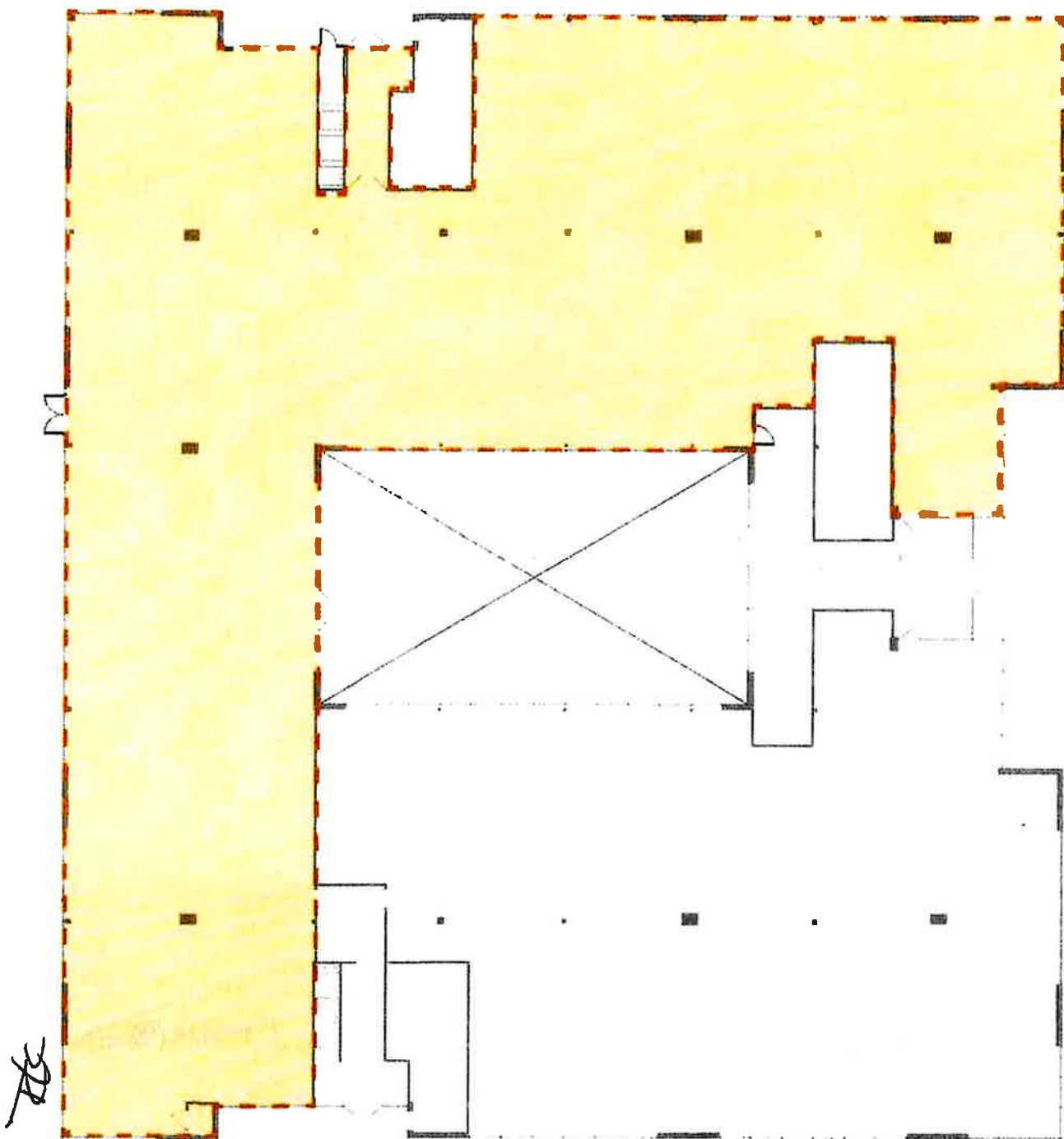
**EVERETT MALL OFFICE PARK 1
1010 S. E. EVERETT MALL WAY
EVERETT, WASHINGTON 98208**

LESSOR: 
4842-1375-4467v.6 0001795-000332

35

LESSEE: 

EXHIBIT A



LEGAL DESCRIPTION

That portion of the southeast quarter of the southwest quarter of Section 18, Township 28 North, Range 5 East, W.M. in Snohomish County, Washington described as follows:

Beginning at the southwest corner of said Section 18; thence north $00^{\circ}41'40''$ east along the west line thereof 265.43 feet; thence north $69^{\circ}14'20''$ E along the southerly margin of State Highway Broadway Cut-Off 2417.91 feet; thence south $20^{\circ}45'40''$ E 50.00 feet; thence South 365.22 feet to the TRUE POINT OF BEGINNING; thence south 402.52 feet; thence south $89^{\circ}23'47''$ E 253.13 feet to the west line of the east 30.00 feet in width of said subdivision; thence south $00^{\circ}14'26''$ E along said west line 298.18 feet to the north margin of 100th St. S.W.; thence south $89^{\circ}29'01''$ E along said north margin 30.00 feet to the east line of said subdivision; thence north $00^{\circ}14'26''$ W along said east line 700.68 feet to a point which bears south $89^{\circ}23'47''$ E from the TRUE POINT OF BEGINNING; thence north $89^{\circ}23'47''$ W 281.44 feet to the TRUE POINT OF BEGINNING.

Together with:

An easement for Ingress, egress, drainage and utilities over that portion of the southeast quarter of the southwest quarter of Section 18, Township 28 North, Range 5 East, W. M. in Snohomish County, Washington, described as follows:

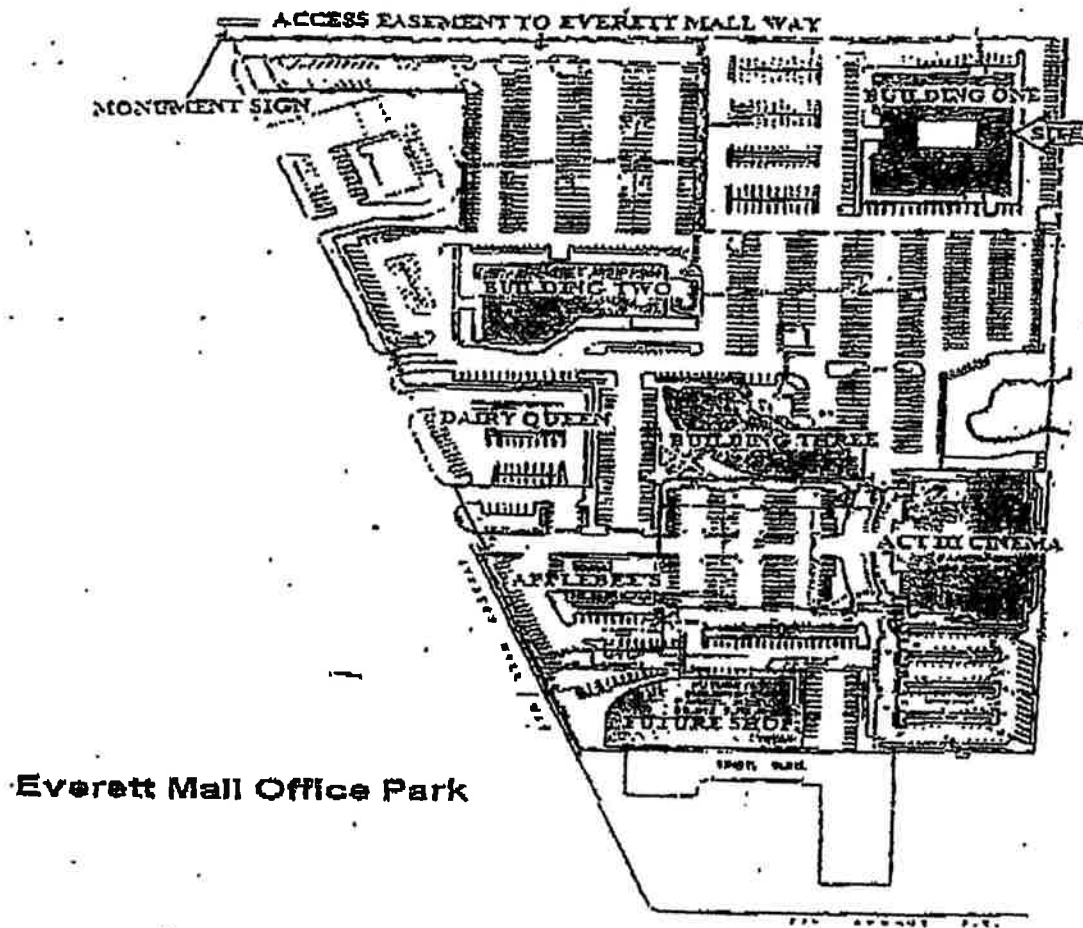
Beginning at the southwest corner of said Section 18; thence north $00^{\circ}41'40''$ E along the west line thereof 265.43 feet; thence north $69^{\circ}14'20''$ E along the southerly margin of State Highway Broadway Cut-Off 2417.91 feet; thence south $20^{\circ}45'40''$ E 50.00 feet; thence South 365.22 feet; thence south $89^{\circ}24'47''$ E 251.44 feet to the west line of the east 30.00 feet of said subdivision and the TRUE POINT OF BEGINNING; thence north $00^{\circ}14'26''$ W along said west line 462.46 feet to the south margin of said State Highway Broadway Cut-Off; thence north $69^{\circ}14'20''$ E along said south margin 32.03 feet to the east line of said subdivision; thence south $00^{\circ}14'26''$ E along the east line 474.4 13 feet to a point which bears south $89^{\circ}23'47''$ east from the TRUE POINT OF BEGINNING; thence north $89^{\circ}23'47''$ W 30.00 feet to the TRUE POINT OF BEGINNING, as disclosed by instruments recorded under Recording Nos. 1119094, 8010150228 and 8011130240.

ALSO TOGETHER WITH an easement for common parking as set out in Agreement Recorded March 29, 1988 under Recording No. 8803290447 and Amendment of Common Parking Agreement Recorded May 29, 1992 under Recording No. 9205290605.


Situate in the county of Snohomish, State of Washington.

EXHIBIT "C"

SITE PLAN



Everett Mall Office Park

LESSOR: 
4842-1375-4467v.6 0001795-000332


37

LESSEE: 

EXHIBIT "D"

RULES AND REGULATIONS

1. If Lessor objects in writing to any curtains, blinds, shades, screens or hanging plants or other similar objects attached to or used in connection with any window or door of the Demised Premises, Lessee shall immediately discontinue such use. No awning shall be permitted on any part of the Demised Premises without Lessor's specific approval in writing. Lessee shall not place anything against or near glass partitions or doors or windows which may appear unsightly from outside the Demised Premises.
2. Lessee shall not obstruct any sidewalk, halls, passages, exits, entrances, elevators, escalators, or stairways of the Building. The halls, passages, exits, entrances, shopping malls, elevators, escalators and stairways are not open to the general public. Lessor shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the judgment of Lessor would be prejudicial to the safety, character, reputation and interest of the Building and its tenants; provided that nothing herein contained shall be construed to prevent such access to persons with whom any tenant normally deals in the ordinary course of its business, unless such persons are engaged in illegal activities. No tenant and no employee or invitee of any tenant shall go upon the roof of the Building.
3. The directory of the Building will be provided exclusively for the display of the name and location of tenants only, and Lessor reserves the right to exclude any other names therefrom.
4. Lessee shall not cause any unnecessary labor by carelessness or indifference to the good order and cleanliness of the Demised Premises. Lessor shall not in any way be responsible to any Lessee for any loss of property on the Demised Premises, however occurring, or for any damage to any of Lessee's property by the janitor or any other employee or any other persons.
5. If Lessee requires telegraphic, telephonic, burglar alarm or similar services, it shall first obtain, and comply with, Lessor's instructions in their installation.
6. Any freight elevator shall be available for use by all tenants in the Building, subject to such reasonable scheduling as Lessor in its discretion shall deem appropriate. No equipment, materials, furniture, packages, supplies, merchandise or other property will be received in the Building or carried in the elevators except between such hours and in such elevators as may be designated by Lessor.
7. Lessee shall not place a load upon any floor of the Demised Premises which exceeds the load per square foot which such floor was designed to carry and which is allowed by law. Lessor shall have the right to prescribe the weight, size and position of all equipment, materials, furniture or other property brought in to the Building. Heavy objects shall, if considered necessary by Lessor,


LESSOR: 
4842-1375-4467v.6 0001795-000332

38


LESSEE: 

stand on such platforms as determined by Lessor to be necessary to properly distribute the weight. Business machines and mechanical equipment belonging to Lessee, which cause noise or vibration that may be transmitted to the structure of the Building or to any space therein to any tenants in the Building, shall be placed and maintained by Lessee, at Lessee's expense, on vibration eliminators or other devices sufficient to eliminate noise or vibration. The persons employed to move such equipment in or out of the Building must be acceptable to Lessor. Lessee agrees to place a plywood covering over any lobby, hallway, elevator and office flooring and carpeting during any time where it is constructing the Premises or moving furniture into or out of the Building. Pads shall be used in such manner to protect walls and ceilings in said lobbies, hallways, elevators and offices during said construction or moving periods. Lessor will not be responsible for loss of, or damage to, any such equipment or other property from any cause, and all damage done to the Building including common areas, hallways, elevators and doors by maintaining or moving such equipment or other property shall be repaired at the expense of Lessee.

8. Lessee shall not use or keep in the Demised Premises any kerosene, gasoline or flammable or combustible fluid or material other than those limited quantities necessary for the operation of maintenance of office equipment. Lessee shall not use or permit to be used in the Demised Premises any foul or noxious gas or substance, or permit or allow the Demised Premises to be occupied or used in a manner offensive or objectionable to Lessor or other occupants of the Building by reason of noise, odors or vibrations, nor shall Lessee bring into or keep in or about the Demised Premises any birds, dogs, cats or animals of any kind.
9. Lessee shall not use any method of heating or air-conditioning other than that supplied by Lessor, unless supplemental air-conditioning is required by Lessee.
10. Lessee shall not waste electricity, water or air-conditioning and agrees to cooperate fully with Lessor to assure the most effective operation of the Building's heating and air-conditioning and to comply with any governmental energy-saving rules, laws or regulations of which Lessee has actual notice, and shall refrain from attempting to adjust controls. Lessee shall keep corridor doors closed, and shall close window coverings at the end of each business day.
11. Lessor reserves the right, exercisable without notice and without liability to Lessee, to change the name and street address of the Building.
12. Lessee shall be responsible for all persons for whom it requests passes and shall be liable to Lessor for all acts of such persons. Lessor shall not be liable for damages for any error with regard to the admission to or exclusion from the Building of any persons. Lessor reserves the right to prevent access to the Building in case of invasion, mob, riot, public excitement or other commotion by closing the doors or by other appropriate action.
13. Lessee shall close and lock the doors of its Demised Premises and entirely shut off all water faucets or other water apparatus, and electricity, gas or air


LESSOR: 
4842-1375-4467v.6 0001795-000332

39

LESSEE: 


- outlets before Lessee and its employees leave the Demised Premises. Lessee shall be responsible for any damage or injuries sustained by other tenants or occupants of the Building or by Lessor for noncompliance with this rule.
14. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant who, or whose employees or invitees, shall have caused it.
 15. Lessee shall not sell, or permit any sales of newspapers, magazines, periodicals, theater tickets or any other goods or merchandise to the general public in or on the Demised Premises or the common area. Lessee shall not make any room-to-room solicitation of business from other tenants in the Building nor shall Lessee solicit in any part of the common areas. Lessee shall not use the Demised Premises for any business or activity other than that specifically provided for in Lessee's Lease.
 16. Lessee shall not install any radio or television antenna, loudspeaker or other device on the roof or exterior walls of the Building. Lessee shall not interfere with radio or television broadcasting or reception from or in the Building or elsewhere.
 17. Except to the extent necessary for hanging wall decorations, Lessee shall not mark, drive nails, screws or drill into the partitions, woodwork or plaster or in any way deface the Demised Premises or any part thereof without the consent of Lessor. Lessor reserves the right to direct electricians as to where and how telephone and telegraph wires are to be introduced to the Demised Premises. Lessee shall not cut or bore holes for wires unless reasonably required. Lessee shall not affix any floor covering to the floor of the Demised Premises in any manner except as approved by Lessor. Lessee shall repair any damage resulting from noncompliance with this rule. Lessee shall pay for any and all damages to the Building, walls, doors, glass, carpeting or otherwise which may be caused by Lessee's use of the Building, moving equipment, supplies or furniture into or out of the Building whether caused by Lessee or its employees, agents, contractors or invitees to the Demised Premises, ordinary wear and tear excepted. Notwithstanding anything to the contrary set forth herein, this paragraph shall not apply to the Renovations or any alterations performed by Lessee in an effort to prepare the Demised Premises for Lessee's use.
 18. Lessee shall not install, maintain or operate upon the Demised Premises any vending machine without the written consent of Lessor.
 19. Canvassing, soliciting and distribution of handbills or any other written material, and peddling in the Building or in the common areas and parking lot are prohibited, and each tenant shall cooperate to prevent same.
 20. Lessor reserves the right to exclude or expel from the Building any person who, in Lessor's judgment, is intoxicated or under the influence of liquor or drugs or who is in violation of any of the Rules and Regulations of the Building.


40

LESSOR: 
4842-1375-4467v.6 0001795-000332


LESSEE: 

21. Lessee shall store all its trash and garbage within its Demised Premises. Lessee shall not place in any trash box or receptacle any material which cannot be disposed of in the ordinary and customary manner of trash and garbage disposal. All garbage and refuse disposal shall be made in accordance with directions issued from time to time by Lessor.
22. The Demised Premises shall not be used for the storage of merchandise held for sale to the general public, or for lodging or for manufacturing of any kind, nor shall the Demised Premises be used for any improper, immoral or objectionable purpose. NO cooking shall be done or permitted by any tenant on the Demised Premises, except that use by Lessee of Underwriters' Laboratory approved equipment for brewing coffee, tea, hot chocolate and similar beverages shall be permitted, provided that such equipment and use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations.
23. Lessee shall not use in any space or in the public halls of the building any hand truck except those equipped with rubber tires and side guards or such other material-handling equipment as Lessor may approve. Lessee shall not bring any other vehicles of any kind into the Building.
24. Without the written consent of Lessor, Lessee shall not use the name of the Building in connection with or in promoting or advertising the business of Lessee except as Lessee's address.
25. Lessee shall comply with all safety, fire protection and evacuation procedures and regulations established by Lessor or any governmental agency.
26. Lessee assumes any and all responsibility for protecting its Demised Premises from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Demised Premises closed. Lessee agrees that the cost to repair any damage to the Building and Demised Premises, as a result of theft, robbery and pilferage, shall be borne by the Lessee.
27. The requirements of Lessee will be attended to only upon appropriate application to the office of the Building by an authorized individual. Employees of Lessor shall not perform any work or do anything outside of their regulated duties unless under special instructions from Lessor, and no employee of Lessor will admit any persons (Lessee or otherwise) to any office without specific instruction from Lessor.
28. Lessee shall not park its vehicles in any parking areas designated by Lessor as areas for parking by visitors to the Building. Lessee shall not leave vehicles in the Building parking areas overnight nor park any vehicles in the Building parking areas other than automobiles, motorcycles, motor drive or non-motor drive bicycles or four-wheeled trucks. Said vehicles improperly parked shall be subject to a fine of \$20.00 per day per violating vehicle or, upon 24 hours' notice, shall be subject to towing at the vehicle owner's expense.
29. Lessor may waive any one or more of these Rules and Regulations for the benefit of Lessee or any other tenant, but no such waiver by Lessor shall be construed as a waiver of such Rules and Regulations in favor of Lessee or any

LESSOR: 
4842-1375-4467v.6 0001795-000332

LESSEE: 

- other tenant, nor prevent Lessor from thereafter enforcing any such Rules and Regulations against any or all of the tenants of the Building.
30. Smoking is not allowed in the Building at any time, or within 25' of the exterior footprint of the building.
 31. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of any lease of premises in the Building.
 32. Lessor reserves the right to make such other and reasonable Rules and Regulations as, in its judgment, may from time to time be needed for safety and security, for care and cleanliness of the Building and for the preservation of good order therein. Lessee agrees to abide by all such Rules and Regulations hereinabove stated and any additional rules and regulations which are adopted.
 33. Lessee shall be responsible for the observance of all of the foregoing rules of lessee's employees, agents, clients, customers, invitees and guests.
 34. Nothing in these Rules and Regulations is intended to alter any provisions of the Lease. In the event of conflict between any provisions in these Rules and Regulations and the provisions contained in the Lease, the provisions set forth in the Lease shall prevail.

LESSOR: 
4842-1375-4467v.6 0001795-000332

42


LESSEE: 

EXHIBIT "E"

CERTIFICATE OF LESSEE OCCUPATION DATE

Everett Mall Office Building LLC
1010 SE Everett Mall Way
Suite #100 and #102
Everett , WA 98208

RE: Lessee Occupation Date
Northwest Kidney Center
1010 S.E. Everett Mall Way, Suite #100 and #102
Everett, Washington 98208

To Whom It May Concern:

Per Section 4 (A) of the Lease Agreement between Everett Mall Office Building, LLC, and Lessee, the Lessee Occupation Date, Rent Commencement Date and Lease Expiration Dates are as follows:

Lessee Occupation Date: _____

Rent Commencement Date: _____

Lease Expiration Date: _____


If this date is in agreement with your records, please acknowledge by signing in the space provided below and return a copy of this Exhibit "E" to our office as soon as possible.

Northwest Kidney Center

Acknowledged By: _____

Its: _____

Return to Lessor at:
Everett Mall Office Building, LLC
1429 Ave D, #521
Snohomish, WA 98290

LESSOR: 
4842-1375-4467v.6 0001795-000332

43

LESSEE: 


EXHIBIT "F"

OPTION TO EXTEND


1. Lessee shall have the option to extend the Lease for three (3) successive additional periods of Five (5) years (each, a "Renewal Option") following the initial Lease Term hereof. The option shall only be exercised by the Lessee delivering written notice thereof to Lessor of not less than 12 months prior to the expiration of the initial term. The terms and conditions during the applicable renewal term shall be the same as the terms and conditions during the original term of the Lease, except for Base Rent payable during the applicable renewal term ("Option Rent"). Within thirty (30) days of Lessee's notice to Lessor, Lessor shall in writing notify Lessee of Lessor's good faith determination of the Option Rent, as defined herein. Within thirty (30) days of Lessee receiving notice of Lessor's calculation of the Option Rent, Tenant shall notify Landlord of its election to exercise the Renewal Option.

2. The Base Rent shall be adjusted on the first day of each option period for which a market rent is indicated (the "market adjustment dates") to an amount equal to the fair market rental rate for the Demised Premises as of the market adjustment dates, provided, however, that the fair market rental rate shall not take into consideration the value of the space attributable to the tenant improvements paid for by Lessee, but will reflect the value attributable to the tenant improvements paid for by Lessor, including free rent; in this regard, the parties shall detail which improvements were paid for by Lessee and which improvements were paid for by Lessor as an addendum to this Lease to occur at the time of Lessee Occupancy Date. When the arbitrator establishes rent, the arbitrator will also establish annual increases, consistent with market. The Base Rent for a part of a month shall be prorated in proportion to the number of days of the month included in the Term of this Lease.


3. If the parties cannot agree on a Fair Market Option Rent the matter shall be determined through binding arbitration. The fair market rental rate based upon the amount per rentable square feet realized for buildings comparable to the Demised Premises in the vicinity of the Demised Premises in current transactions where the rent has been freshly negotiated between non-affiliated parties for a lease term of a comparable period of time, and shall take into consideration tenant improvements paid for by Lessor, commissions, and any other concessions then being granted to tenant ("Comparable Transactions"). Lessor and Lessee agree for all purposes under this Lease that the Demised Premises contain 15,678 rentable square feet. The Demised Premises are not subject to remeasurement, provided, however, that in the event of an alteration changing the exterior walls of the Demised Premises, the area of the alteration only shall be subject to new measurement. The number of

LESSOR: 
4842-1375-4467v.6 0001795-000332

44

LESSEE: 

rentable square feet in the area of an alteration shall be computed pursuant to BOMA standards.

LESSOR: 
4842-1375-4467v.6 0001795-000332

45


LESSEE: 

EXHIBIT G

SCALE: 1/16" = 1'-0"
PRINTED ON 11"x17"
0 4' 8' 16'

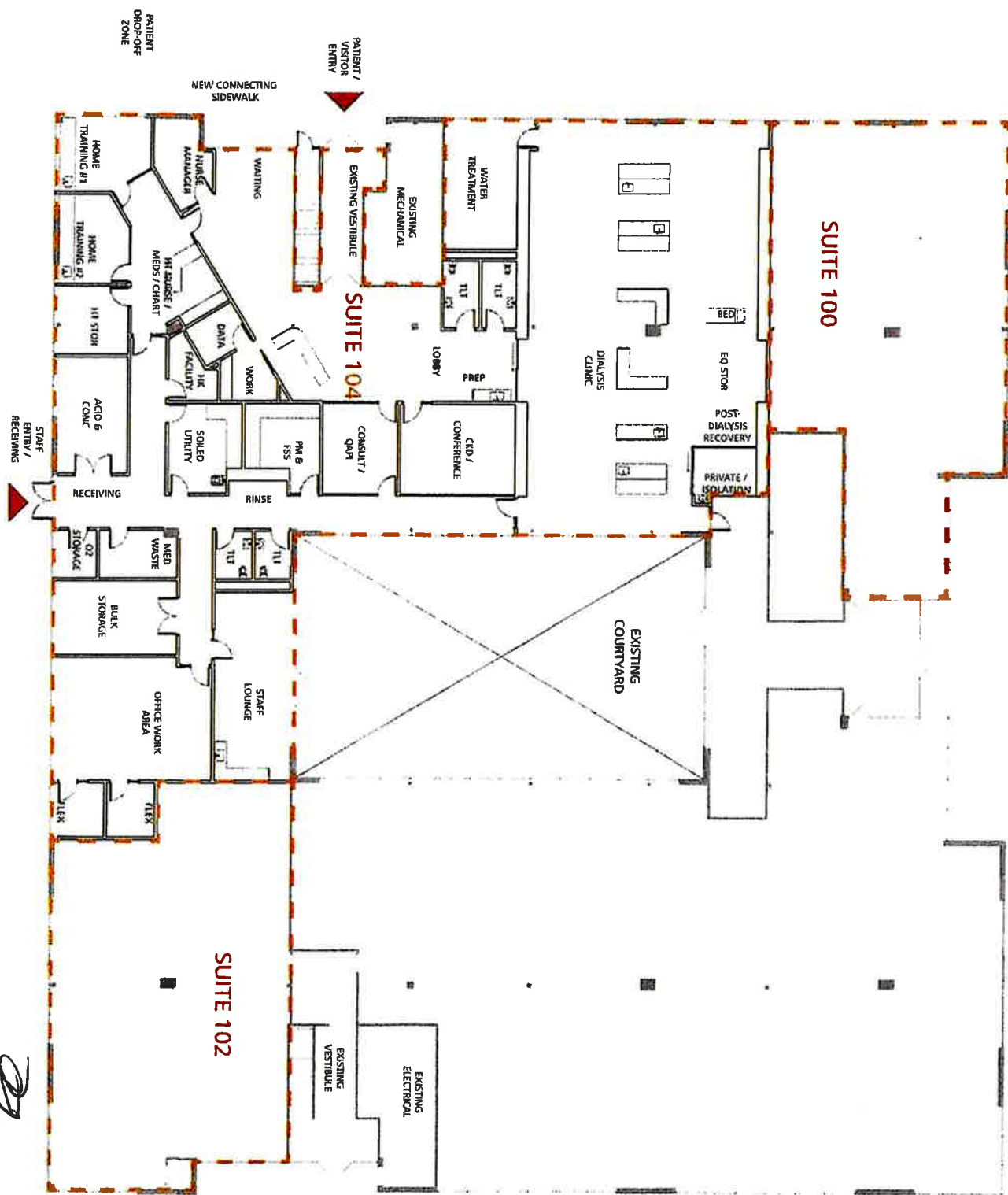


EXHIBIT G
LESSEE RENOVATION SPACE PLANS
(TO BE ATTACHED)

LESSOR: 
4842-1375-4467v.6 0001795-000332

46


LESSEE: 

EXHIBIT "H"


SIGNAGE

1. Landlord will provide building standard interior suite signage. Any additional signage must be with landlord's written consent, be in accordance with local, city and state ordinances and shall be at Lessee's sole expense. Signage on the buildings existing monument sign will be available at Tenant's sole expense. Per attached signage plan exterior building signage will be allowed at locations as shown and at the Lessee's sole expense. All signage must be in accordance with all local, city and state ordinances.

No sign, placard, picture, advertisement, name or notice shall be installed or displayed on any part of the outside or inside of the Building without the prior written consent of the Lessor. Lessor shall have the right to remove, at Lessee's expense and without notice, any sign installed or displayed in violation of this rule. All approved signs or lettering on doors and walls shall be printed, painted, affixed or inscribed at the expense of Lessee by a person chosen by Lessor.

Notwithstanding the foregoing, Lessor hereby approves the following signage:

LESSOR:


4842-1375-4467v.6 0001795-000332

47

LESSEE:



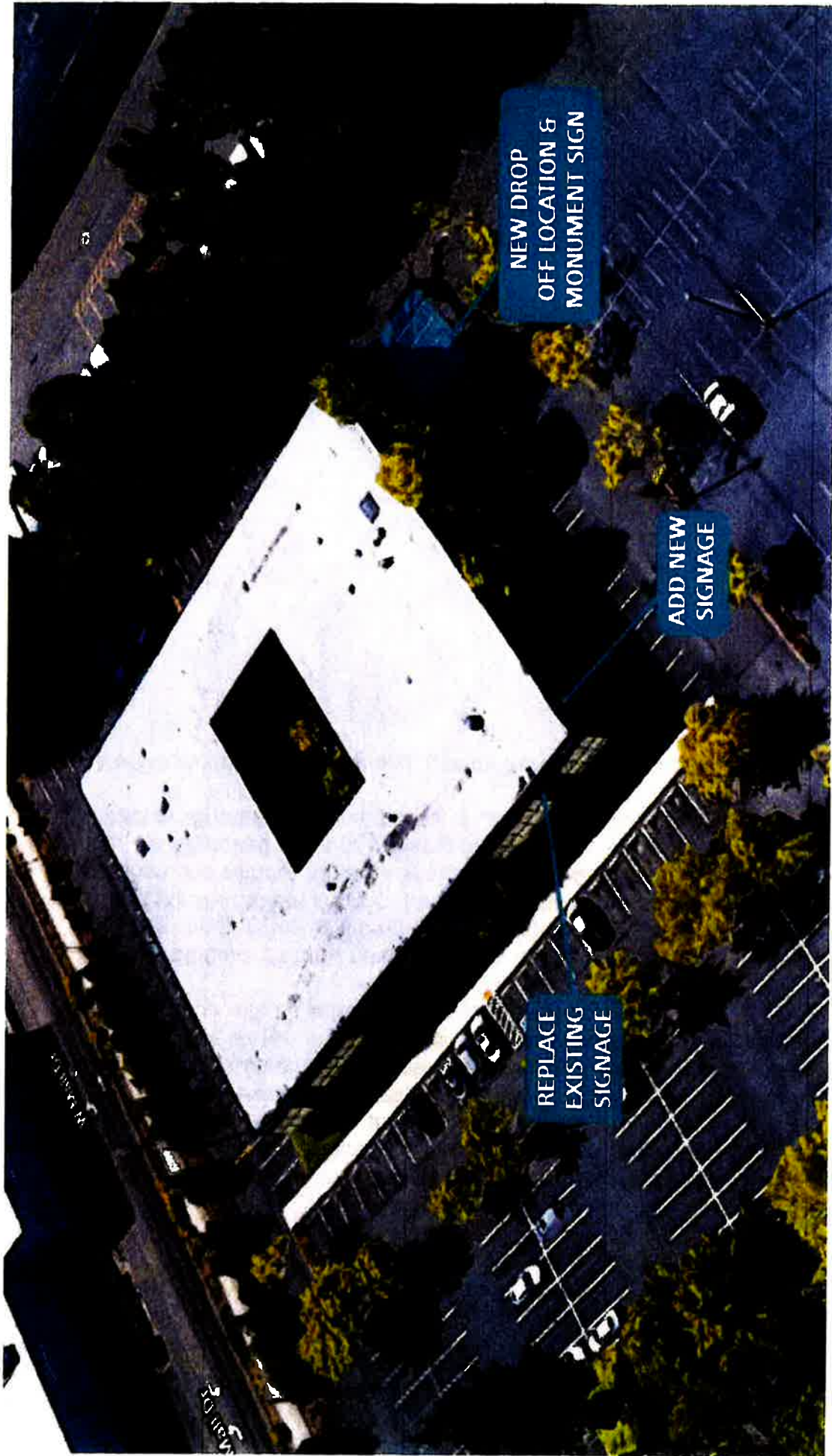



EXHIBIT H



EXHIBIT H

 NORTH-WEST
Kidney Centers **mahlum**

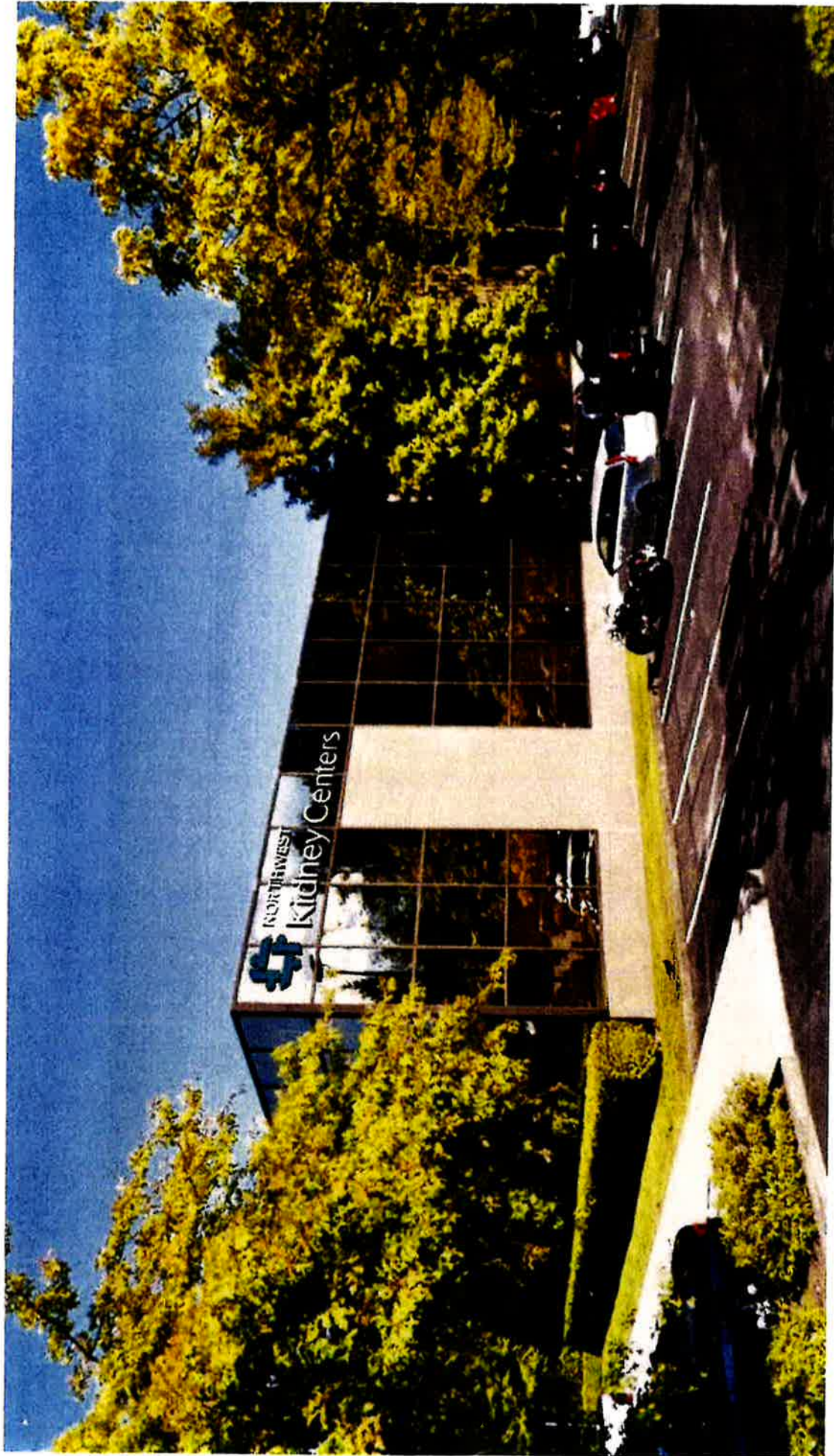


EXHIBIT H

Northwest Kidney Centers

medium



EXHIBIT H





EXHIBIT "I"

JANITORIAL SERVICES FOR COMMON AREAS

- A. Daily services 5X per week:
- (b) Carpet traffic lanes vacuumed and small spots removed.
 - (c) Hard surface floors wet mopped and cleaned.
 - (d) Empty waster receptacles and change liners, as needed.
 - (e) Collect recycle as needed, and dispose in designated collection bins.
 - (f) Furniture and trash containers neatly arranged.
 - (g) Spot clean exterior re-light glass.
- B. Weekly services:
- (a) Carpets vacuumed completely.
 - (b) Picture frames dusted and glass spot cleaned.
 - (c) Walls, light switches and cover plates spot cleaned and smudges removed.
 - (d) Door and jams spot cleaned and marks removed.
- C. Monthly services:
- (a) Dust ceiling vents and diffusers.
 - (b) Dust tops of doors, frames and "high" horizontal surfaces not requiring ladder access.

LESSOR:

4842-1375-4467v.6 0001795-000332

48

LESSEE:

OFFICE LEASE

THIS LEASE, made and entered into in the City of Everett, state of Washington, this 14 day of June, 2018 by and between Everett Mall Office Building, LLC, a Washington Limited Liability Company, (hereinafter referred to as "Lessor"), and Northwest Kidney Centers, a Washington nonprofit corporation ("NKC" or "Tenant"), (hereinafter referred to as "Lessee"):

WITNESSETH:


In consideration of the mutual covenants contained, Lessor hereby leases to Lessee and Lessee hereby leases from Lessor, for the term hereinafter specified, the following described premises:

1. PREMISES

A. That certain space of approximately **15,678** square feet of rentable area, which comprises approximately 30.77% of the Building area, commonly known as **Suites 100, 102 and 104**, (as shown on Exhibit G) Everett Mall Office Park, 1010 S. E. Everett Mall Way, Everett, Washington 98208, hereinafter referred to as the "Demised Premises" and marked as Exhibit "A" attached hereto, which Demised Premises are located on the first floor (herein the "Building"), located on the real property described in the legal description, and marked as Exhibit "B" attached hereto, and the site plan of the Building as set forth and marked as Exhibit "C" attached hereto. All that real property including improvements there located at 1010 S.E. Everett Mall Way, Everett, Washington shall be referred to as the "Property". Lessor reserves all air rights over the Building, the exterior and roof thereof, all space under the floor of the Demised Premises and the right to install, maintain, use, repair and replace pipes, ducts, conduits and wires leading through the Demised Premises in locations which will not materially interfere with Lessee's use thereof. Lessor also reserves the right to alter and expand the Building, in such manner as Lessor may determine in Lessor's sole discretion.

B. Exhibits: The following Exhibits are attached hereto and made a part hereof:

Exhibit A	-	Demised Premises
Exhibit B	-	Legal Description
Exhibit C	-	Site Plan
Exhibit D	-	Rules and Regulations
Exhibit E	-	Certificate of Lessee Occupation Date
Exhibit F	-	Option To Extend
Exhibit G	-	Lessee Renovation Space Plans
Exhibit H	-	Signage

LESSOR: 
4842-1375-4467v.6 0001795-000332

1

LESSEE: 

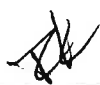
Any additional Exhibits attached hereto at a later date are automatically to be made a part hereof.

2. TERM


- A. Lease Effective Date: This Lease shall be effective upon execution (the "Effective Date"). Lessee's occupation shall begin upon the earlier of: (1) Lessee's receipt of the Certificate of Need ("CON"); or (2) twelve (12) months after the Effective Date unless otherwise extended as set forth in Section 4(A) ("Lessee's Occupation Date"). Upon determination of the Lessee's Occupation Date, the parties shall execute the Certificate of Lessee Occupation Date in the form set forth in Exhibit E.
- B. The term of this Lease shall be for **One Hundred and Fifty (150) months beginning on Lessee's Occupation Date and terminating One Hundred and Fifty (150) months thereafter** (the "Lease Term").
- C. Lessee shall have three (3) successive five-year extension option periods as specified in Exhibit "F" attached hereto.
- D. Termination Right: Lessee shall have the right to terminate this Lease during the period from the Effective Date to the Lessee's Occupation Date, if the Washington State department of Health provides written notice to Lessee that the CON will not be issued to Lessee. Upon receipt of such notice from the Washington State Department of Health that it will not issue the CON, Lessee shall provide written termination notice to Lessor within fifteen (15) days of receipt of the notice.
- E. First Right of Refusal: Lessee shall have a one-time Right of First Refusal on any adjacent space on the first floor of the building. Upon notice from Lessor, Lessee shall have 15 days to provide notice of its election to exercise the Right of First Refusal on the same terms and conditions of this Lease.

3. SECURITY DEPOSIT

Lessee has deposited with Lessor the sum of \$17,637.75 (one month's base rent) as a security deposit. Upon any default by Lessee in its obligations under this Lease, Lessor may retain the security deposit to offset the liability of Lessee to Lessor. Retention of the security deposit shall not relieve Lessee of liability, shall not limit any of Lessor's other remedies, and shall not reinstate or cure the default or prevent termination of the Lease because of the default. Unless otherwise provided herein, Lessor shall return the balance of the security deposit to Lessee within thirty (30) days following expiration of the Lease.

LESSOR: 
4842-1375-4467v.6 0001795-000332

2

LESSEE: 

4. RENT

Upon the Effective Date, Lessee shall pay to Lessor at its office, without demand, or such other place or party as may be designated in writing by Lessor, as "Rent" for the Demised Premises, the following sums:

Rent During Pre-Occupation Period:

(A) Upon the Effective Date of this Lease, Lessee will begin rent payments in the amount of \$7.00 per rentable square foot (RSF) (annual, full service) until Lessee's Occupation Date (the "Pre-Occupation Period"). The Pre-Occupation Period rent is calculated to be \$109,746 annually and the monthly payment will be \$9,145.50 and will begin upon the Effective Date.


i. In the event that a determination of CON has not been provided by the Department of Health within 12 months from the Effective Date and provided that Lessee has good reason to expect that the award will be forthcoming, Lessee may postpone the Lessee Occupation Date for up to four (4) additional months (the "Extension Period") by paying monthly consideration payments equal to \$20.00 per rentable square foot (annual rate, full service). Lessee shall provide Lessor written notice of its intent to extend the Lessee Occupation Date no later than thirty (30) days prior to the expiration of the 12 month period. The monthly rent payment for the Extension Period is \$26,130.00 monthly.

Rent Adjustments upon Lessee Occupancy Date:

Beginning on Lessee's Occupation Date, the Rent shall thereafter be paid as follows:

(A) Annual Base Rent An annual "Base Rent" shall be as follows and Lessee shall begin to pay Base Rent on the first day of the seventh (7) calendar month following Lessee's Occupation Date.

Months	Annual Base Rent / SF	Annual Base Rent in dollars	Monthly Base Rent in dollars
Months 01 - 06	Rent Abated	0	0
Months 07 - 18	\$13.50	\$211,653.00	\$17,637.75
Months 19 - 30	\$13.91	\$218,002.59	\$18,166.88
Months 31 - 42	\$14.33	\$224,542.67	\$18,711.89
Months 43 - 54	\$14.76	\$231,278.95	\$19,273.25
Months 55 - 66	\$15.20	\$238,217.32	\$19,851.44
Months 67 - 78	\$15.66	\$245,363.84	\$20,446.99
Months 79 - 90	\$16.13	\$252,724.75	\$21,060.40
Months 91 - 102	\$16.61	\$260,306.49	\$21,692.21

LESSOR: 
4842-1375-4467v.6 0001795-000332

3


LESSEE: 

Months 103 - 114	\$17.11	\$268,115.69	\$22,342.97
Months 115 - 126	\$17.62	\$276,159.16	\$23,013.26
Months 127 - 138	\$18.15	\$284,443.93	\$23,703.66
Months 139 - 150	\$18.69	\$292,977.25	\$24,414.77


Except for the first six (6) full calendar months of the Lease Term (the "Free Rent Period"), this annual Base Rent to be paid in twelve (12) equal monthly installments on or before the first day of each month during the Lease Term continuing throughout the balance of the Lease Term. The Base Rent for a part of a month shall be prorated in proportion to the number of days of the month included in the Lease Term. Lessee shall be responsible for its pro rata share of Operating Expenses, including Extraordinary Services, during the Free Rent Period (Rent Abatement) in accordance with Section 4.

(B) Lessee's Share of Operating Expenses. As "Additional Rent", the Lessee shall pay to the Lessor in the manner provided herein for each calendar year during the Lease Term, an amount estimated by Lessor to be Lessee's share of Building Operating Expenses ("Lessee's Proportionate Share") as defined in this section. This amount is payable in advance on the first day of each month per each and all of the terms related to the payment of Base Rent. Such Additional Rent for the first month of the Lease Term or any portion thereof shall be paid on or before the date the Lease Term commences. Additional Rent for any partial month shall be prorated.

(1) "Operating Expenses" shall mean all expenses paid or incurred by Lessor, and reasonable reserves, for maintaining, operating, repairing, replacing and administering the Building, the roof, related parking lot areas, landscaping and other common areas and facilities (collectively referred to as the "Project"), and the repair, replacement and maintenance of personal property used in conjunction therewith, including, without limitation, the costs of equipment used for water, sewer, electricity, heating, air conditioning, elevator and lighting systems. Operating expenses include services related to maintaining the Building and Demised Premises including water, sewer and electricity, refuse collection and removal, fire protection, and other utilities; supplies; janitorial and cleaning supplies and services for common areas of the Building; window washing; snow removal, security services and systems; landscaping and landscape maintenance services of independent contractors; compensation (including employment taxes and fringe benefits) of all persons who perform duties in connection with the operation, maintenance, repair, replacement and administration of the Project, its equipment, and common areas and facilities in a proportionate amount equal to the time spent on those related duties. Operating expenses include: insurance premiums with commercially reasonable deductibles; Property Taxes as defined in 4 (B) (4) and limited by 4 (B) (5); licenses, permits and inspection fees; subsidies and other payments required by public bodies, including those for traffic signals and controls and for fire protection; management and administrative service fees not exceeding 5% of gross revenue generated by the Project; legal and accounting expenses related to the ongoing operation of the Demised Premises.

LESSOR: 
4842-1375-4467v.6 0001795-000332

4

LESSEE: 

(2) The amortization of capital improvements to the extent permitted hereunder will be amortized over the reasonable useful life of the particular item.

(3) Operating Expenses to exclude the following: (a) costs of any special services rendered to individual tenants (including Lessee) for which a special charge is made; (b) costs for which reimbursement is received from Lessee's insurer or other third party including costs paid directly by tenants (including Lessee); (c) the cost of tenant improvements; (d) leasing costs, finder fees and real estate commissions, including all expenses for preparation of space for any tenant or prospective tenant; (e) mortgage interest, amortization costs, and principal payments encumbering all or any portion of the Building or the land on which it is located associated with any mortgage, loan or refinancing of the Building or land; (f) Legal and professional fees incurred in the facilitation and execution of leases for space in the building or costs due to Lessor's breach of the lease, costs for legal fees related to activities for leasing or enforcing Lessor's rights under other leases unrelated to the Lessee; (g) Depreciation on the Building structure; (h) costs incurred due to negligence of Lessor or breach of Lessor under its obligations under any lease agreement; (i) repairs and restoration paid for by the proceeds of insurance policies or amounts otherwise reimbursed to Lessor or paid by any other source; (j) The costs of repair of casualty damage or for restoration following condemnation; (k) Costs arising from remediation of hazardous substances; (l) Any costs to upgrade the Building to comply with LEED or "green" requirements; (m) repairs, alterations, additions, improvements, or replacements made to rectify or correct any defect in the original design, materials or workmanship of the Building or common areas (but not including repairs, alterations, additions, improvements or replacements made as a result of ordinary wear and tear); (n) Wages, bonuses, payroll taxes and health benefits and other compensation of employees above the grade of building manager; (o) costs and expenses which would be capitalized under generally accepted accounting principles, with the exception of the amortization cost of capital investment items and of the installation thereof, which are primarily for the purpose of reducing operating costs, or which may be required by governmental authority after the date of this Lease, (all such costs shall be amortized over the reasonable useful life of the capital investment item, with the reasonable life and amortization schedule being determined in accordance with generally accepted accounting principles; and (p) increases in insurance premiums to the extent caused by other tenants.

(a) In addition, no item shall be counted more than once, nor shall the Lessor collect more than one hundred percent (100%) of expenses.

(4) "Property Taxes" shall mean all real and personal taxes and assessments, whether special or general, levied on or assessed against the Project (including common areas and facilities) and/or the personal property used in conjunction therewith, including all tenant improvements which are paid for by Lessor and not reimbursed by tenants; surcharges and all local improvement and other assessments

LESSOR:



4842-1375-4467v.6 0001795-000332

5

LESSEE:




levied with respect to the Project and all other property of Lessor used in connection with the operation of the Project; and any taxes levied or assessed in addition to or in lieu of, in whole or in part, such real or personal property taxes, or any other tax upon leasing of the Project or rents collected therefrom, other than any federal or state income or franchise tax. Local improvement and other assessments will be prorated over the installment payment period, even if Lessor elects to pay such in a lump sum.

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

(C) Late Charge; Interest

Time is of the essence of this Lease. If Lessee fails to pay any amount due hereunder, within ten (10) days of the due date, a late charge equal to ten percent (10%) of the amount due shall be assessed and shall be immediately due and payable. Such late charge shall be re-imposed on the first day of each subsequent month that such payment remains outstanding. In addition, interest shall accrue at five percent (5%) in excess of the publicly quoted prime lending rate of Bank of America (Seattle, Washington), unless such rate would exceed the maximum rate permitted by applicable law, in which event it shall accrue at the maximum rate so permitted by law, from the date due until paid on any Base Rent or Additional Rent which is not paid when due. If Lessee defaults in making any Rent payment, Lessor shall have the right to require that subsequent Rent payments be made by cashier's or certified check. Notwithstanding the foregoing, in no event shall Lessee incur a late charge or interest for the first late payment in any lease year.

LESSOR: 
4842-1375-4467v.6 0001795-000332

6

LESSEE: 


(D) Extraordinary Services

Lessee agrees to pay as Additional Rent the cost of any extraordinary services provided by Lessor provided said service is authorized in writing by Lessee and identified as extraordinary services subject to additional cost. Extraordinary services includes, among others, janitorial and cleaning services, garbage disposal and utility usage in excess of the service normally provided to office users in the community whose business operates during the normal business hours of the Building. Lessee shall pay the cost of said extraordinary services upon demand by the Lessor. Lessee's use of the Demised Premises for kidney dialysis shall not be deemed an extraordinary service.

Electrical, HVAC, Water & Sewer: Lessee's consumption of electricity, water, sewer and HVAC for the Kidney Dialysis and related uses shall be separately metered at Lessee's cost. Lessee shall pay Lessor as Additional Rent in advance on the first day of each month during the Lease Term the actual amount to cover the cost of operating and maintaining the supplementary systems. The limitation imposed under the preceding paragraph that the use of the Demised Premises for kidney dialysis shall not be deemed an extraordinary service shall not result in any limitation to charges for electricity, water, sewer and HVAC.

(E) Payment of the Demised Premises' Share of Operating Expenses and Real Property Taxes

Before the commencement of each calendar year, or as soon thereafter as practicable, Lessor shall give Lessee written notice of its estimates of amounts payable under paragraph 4(B) above for the following calendar year. On or before the first day of each month during the ensuing calendar year, Lessee shall pay to Lessor 1/12 of such estimated amounts, provide that if such notice is not given in December, Lessee shall continue to pay on the basis of the prior year's estimate, until the month after such notice is given. The Demised Premises' 2018 Operating Expenses for the initial Lease Term are estimated to be Eight & 28/100 Dollars (\$8.28) per rentable square feet per year; however, the Operating Expenses will vary from year to year. If at any time or times it appears to Lessor that the amounts payable as Additional Rent for the current calendar year will vary from its estimate by more than ten percent (10%), Lessor may, by written notice to Lessee, revise its estimate for such year, and subsequent payments by Lessee for such year shall be based upon such revised estimate. Within 90 days after the close of each calendar year, Lessor shall deliver to Lessee a statement of amounts payable as Additional Rent for such calendar year. If such statement shows an amount owing by Lessee that is less than the estimated payments for such calendar year previously made by Lessee, then the amount of such overpayment shall be credited by Lessor to the next immediate Rent payable by Lessee, within 30 days following the date of such statement (or if in the last calendar month of the Lease Term, Lessor shall promptly refund such amount). If such statement shows an amount owing by Lessee that is more than the estimated payments for such calendar year previously made by Lessee, Lessee shall pay the deficiency to

LESSOR: 
4842-1375-4467v.6 0001795-000332

7

LESSEE: 

Lessor within 30 days after delivery of the statement. If, for any reason other than the default of Lessee, this Lease shall terminate on a day other than the last day of a calendar year, the amount of increase, if any, in Additional Rent payable by Lessee applicable to a calendar year in which such termination shall occur shall be prorated on the basis with which the number of days from the commencement of such calendar year to and including such termination date bears to 365. Notwithstanding any sections of this Lease to the contrary, in the event of any dispute regarding the amount due as Lessee's Proportionate Share of Operating Expenses or Property Taxes, Lessee shall have the right, after reasonable notice and at reasonable times, to audit and/or review Lessor's records to determine the proper amount of its Proportionate Share of Operating Expenses and Property Taxes. If such audit reveals that Lessor has overcharged Lessee for Operating Expenses or Property Taxes, Lessor shall reimburse Lessee the amount of such overcharge within thirty (30) days. If the audit reveals that Lessee was undercharged, then within thirty (30) days after the results of the audit are made available to Lessee, Lessee shall reimburse Lessor the amount of such undercharge. Lessee shall be responsible for the costs of the audit unless such audit reveals Lessee was overcharged by 3% or more in which event Lessor shall pay the cost of the audit. Lessor shall be required to maintain records of all Operating Expenses and Property Taxes and other Additional Rent for a three year period ("Review Period") following Lessor's delivery to Lessee of each statement.

(F) End of Term: If this Lease shall terminate on a day other than the last day of a calendar year, the amount of any adjustment between the estimated and actual Lessee's share of Operating Expenses and Property Taxes with respect to the calendar year in which such termination occurs shall be prorated on the basis which the number of days from commencement of such calendar year to and including such termination date bears to 365; and any amount payable by Lessor to Lessee or Lessee to Lessor with respect to such adjustment shall be payable within 30 days after delivery by Lessor to Lessee of the statement of Lessee's Proportionate Share of said expenses with respect to such calendar year.

(G) Personal Property Taxes: Unless otherwise exempted as set forth in Section 4(B)(5), Lessee shall pay, prior to delinquency, all Personal Property Taxes payable with respect to all Property of Lessee located on the Demised Premises or the Building and promptly upon request of Lessor shall provide written proof of such payment. As used herein, "Property of Lessee" shall include all improvements of the Lessee. "Personal Property Taxes" shall include all property taxes assessed against the Property of Lessee, whether assessed as real or personal property.


5. USE.

Lessee shall and may use the Demised Premises for office and related uses, including the operation of a Kidney Dialysis Center and related uses and for no other purposes. Nothing contained herein shall be deemed to give Lessee any exclusive right to

LESSOR: 

4842-1375-4467v.6 0001795-000332


8

LESSEE: 


such use in the Building. Lessee shall not use or occupy the Demised Premises in violation of law or of the Certificate of Occupancy. Lessor represents and warrants that to its knowledge, the use contemplated hereunder will not violate the Certificate of Occupancy. Upon receipt of written notice from Lessor, Lessee shall discontinue immediately any such illegal or unpermitted use. Lessee shall not commit or suffer to be committed any waste in or upon the Demised Premises and shall keep the Demised Premises in first class appearance. Lessee shall fully and promptly comply, at Lessee's sole cost and expense, with all statutes, ordinances, rules, regulations and governmental or quasi-governmental orders now or hereafter in effect and pertaining to the Demised Premises and/or the use or occupancy thereof by Lessee and/or its assignees, subtenants, invitees, officers, agents or employees.

6. ASSIGNMENT.

Lessee shall not, except as set forth herein, assign, mortgage, encumber or otherwise transfer this Lease or any interest hereunder and will not permit any transfer hereof by operation of law. Lessee shall not sublet the Demised Premises or any portion thereof and will not permit the use of Premises by others, other than Lessee and agents and employees of Lessee, without first obtaining the written consent of Lessor which consent shall not be unreasonably withheld or delayed; provided, however, it shall be reasonable for Lessor to reject an assignment of this Lease if the assignee proposes to use the Demised Premises for a use other than uses permitted hereunder which shall be deemed to include standard and customary office uses and dialysis. If Lessee is a corporation, then any transfer of this Lease from Lessee by merger, consolidation, or liquidation and a sale of Fifty One (51%) Percent or more of the outstanding shares of Lessee shall constitute an assignment for purposes of this paragraph. However, Lessee shall have the right, without Lessor's consent, but upon notice to Lessor, to assign this Lease or sublet all or any part of the Demised Premises to any parent, subsidiary or affiliate of Lessee or to any entity which shall be controlled by, under the control of, or under common control with Lessee, or any entity into which Lessee may be merged or consolidated or which purchases all or substantially all of the assets of Lessee ("Permitted Transfer"). Except for a Permitted Transfer, any assignment or other transfer without Lessor's consent shall be void and Lessor at its option may terminate this Lease. In the event Lessee desires to assign or sublet more than 6,000 square feet of said Demised Premises, Lessor shall have the first right, but not the obligation, to release said Demised Premises or said part thereof. In the event Lessor consents to any transfer of this Lease or any interest therein, such transfer shall not extinguish or diminish the liability of Lessee herein. If consent is once given by Lessor to any transfer of this Lease, or any interest therein, Lessor shall not be barred from afterward refusing to consent to any future transfer, provided that Lessor's consent is not unreasonably withheld; provided, however, it shall be reasonable for Lessor to reject an assignment of this Lease if the assignee proposes to use the Demised Premises for a use other than uses permitted hereunder which shall be deemed to include standard and customary office uses and dialysis. In the event Lessor consents to a sublease of the Demised Premises, 50% of any rent paid by

LESSOR: 
4842-1375-4467v.6 0001795-000332

9

LESSEE: 

such subtenant to Lessee in excess of Lessee's Rent, including operating expenses and taxes hereunder after factoring in Lessee's cost of subleasing (including, but not limited to, concessions, tenant improvement allowances, free rent, and broker fees) shall be paid to Lessor by Lessee as Additional Rent.

7. **PARKING.** Lessee shall be entitled to four (4) parking stalls per 1,000 RSF leased within the Project at no additional cost to Lessee. Up to 15 of these stalls shall be reserved and shall be located adjacent to Lessee's entrance along the West side of the Building. Three (3) stalls will be reserved to accommodate loading and unloading of patients from access vans at Lessee's entrance area on the west side of the Building. The balance of the parking will be unreserved and unassigned parking spaces on those portions of the Common Area designated by Lessor for parking. These parking spaces shall be free of charge during the Lease Term.


A. Said parking spaces shall be used only for parking by vehicles no larger than full size passenger automobiles, SUV's or 4-wheel drive vehicles or vans or similar size vehicles, which can fit in a single parking space.

B. Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customer, or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities. Notwithstanding the foregoing, Lessor hereby pre-approves passenger vans to unload and load Lessee's patients throughout the Lease Term. As noted in the Plans, Lessor hereby approves deliveries at the loading door on the south side of the building.

C. If Lessee permits or allows any of the prohibited activities described in this Section 7, then Lessor shall provide notice to Lessee of the prohibited activity and shall subsequently have the right, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to the auto owner, which cost shall be due and payable within five (5) days of written demand by Lessor.

D. All automobiles, trucks, and other vehicles of Lessee, Lessee's subtenants, concessionaires and licensees and its or their officers, agents and employees shall be parked only in such places as may be designated by Lessor as employee parking areas. If requested by Lessor, Lessee will furnish Lessor with make, model and license numbers of said vehicles.

E. Lessor reserves the right at any time to grant similar non-exclusive parking spaces use to other tenants, to promulgate rules and regulations relating to the use of such parking areas, including reasonable restrictions on parking by tenants and employees, to designate specific spaces for the use of any tenant, to make changes in the parking layout from time to time, and to establish reasonable time limits on parking provided the changes to the parking lot do not result in a reduction of available parking spaces to Lessee, reduction of the overall size of the parking lot or require Lessee to park

LESSOR: 
4842-1375-4467v.6 0001795-000332

10

LESSEE: 

in another parking lot. Lessor's current rules and regulations, including those pertaining to parking, are attached hereto as Exhibit "D".

8. RENOVATIONS, ALTERATIONS AND ADDITIONS.

(A) Landlord agrees to provide Lessee with an allowance for the Renovations in the amount of \$35.00 per RSF for the 15,678 RSF equaling a total of \$548,730.00 (the "Renovation Allowance"). The Renovation Allowance may be used toward Lessee's hard and soft costs, including but not limited to architectural services, space planning, signage, construction drawings, permitting and construction of Lessee's Renovation work. The Renovation Allowance shall be payable in a single lump sum to Lessee on the Renovation Completion Date. The Renovation Allowance shall be Landlord's sole contribution to the cost of the Lessee's Renovation Work. All other costs of Lessee's Renovation Work of any kind or nature shall be at Lessee's sole cost and expense.


"Renovation Completion Date" means the date that all renovations have been completed in accordance with the terms hereof AND the Lessee Occupation Date has occurred.

Lessee shall be permitted to install the renovations in the Premises (the "Renovations") in accordance with the space plan attached hereto as Exhibit G and subject to plans and specifications (the "Plans") approved by Lessor which shall not be unreasonably withheld, conditioned or delayed. Lessee shall submit Plans to Lessor for Lessor's reasonable approval. Lessor shall have ten (10) business days from receipt of the Plans to either approve or reasonably disapprove same. If Lessor fails to respond in such ten (10) days, the Plans shall be deemed approved. Lessee shall be installing floor covering as part of its Renovations.


Lessee shall be responsible for complying with all laws applicable to the Demised Premises as a result of Lessee's specific use of the Premises (as opposed to uses typically made by tenants in the Building) or any Renovations or Alterations performed in the Premises by Lessee, and Lessee shall be responsible for making any changes or alterations to the Premises as may be required by law, rule, regulation, or order required due to Lessee's Renovations or Alterations at its sole cost and expense.

Lessee shall be permitted to use the following contractors for the Renovations: Aldrich and Associates.

(B) Lessee's Alterations: Lessee shall not make any alterations, additions or improvements in or to the Demised Premises without first submitting to Lessor professionally prepared plans and specifications for such work and obtaining Lessor's prior written approval thereof, which approval shall not be unreasonably withheld, conditioned or delayed so long as alternations, additions or improvements are reasonably related to the permitted use of the Demised Premises hereunder. Lessee covenants that it will cause all


LESSOR: 
4842-1375-4467v.6 0001795-000332

11

LESSEE: 

such alterations, additions and improvements to be performed by a licensed contractor approved by Lessor and in a manner which: (a) is consistent with the Lessor-approved plans and specifications and any conditions imposed by Lessor in connection therewith; (b) is in conformity with commercial standards, and is in accordance with all applicable laws, rules and regulations; (c) includes acceptable insurance coverage for Lessor's benefit; (d) does not affect the structural integrity of the Building; (e) does not unreasonably disrupt the business or operation of adjoining tenants; and (f) does not invalidate or otherwise affect the construction and systems warranties then in effect with respect to the Building. Lessee shall secure all governmental permits and approvals and comply with all other applicable governmental requirements and restrictions. Lessee shall indemnify, defend and hold Lessor harmless from and against all losses, liabilities, damages, liens, costs and expenses (including attorneys' fees, but without waiver of the duty to hold harmless) arising from or out of the performance of such alterations, additions and improvements, including, but not limited to, all which arise from or out of Lessee's breach of its obligations under terms of this paragraph. All such alterations, additions and improvements (expressly including all light fixtures, heating, ventilation and air conditioning units and floor coverings), except trade fixtures and appliances and equipment not affixed to the Demised Premises, shall immediately become the property of Lessor without any obligation on its part to pay therefor, and shall not be removed by Lessee prior to the termination of this Lease; provided, however, that Lessor may require at the time Lessor gives consent to such alterations, at Lessee's expense, that Lessee remove, upon termination of this Lease, any additions made or fixtures added by Lessee and restore the Demised Premises to the original condition. Notwithstanding anything to the contrary set forth above, the Renovations shall not be subject to this Section 8(B).

(C) Lessor's Right to Make Changes: Lessor shall have the right at any time before or after the completion of the Building upon reasonable notice, without thereby creating an actual or constructive eviction or incurring any liability to Lessee therefor, to change the arrangement or location of such of the following as are not contained within the Demised Premises or any part thereof so long as such changes do not interfere with Lessee or Lessee's employees, agents, licensee's or invitees use and or access to the Demised Premises: entrances, passageways, doors and doorways, corridors, stairs, toilets and other like public service portions of the Building provided however such change does not deprive Lessee of the substantial benefit and enjoyment of the Demised Premises. Nevertheless, in no event shall Lessor diminish any service, change the arrangement or locations of the elevators servicing the Demised Premises, make any change which shall diminish the area of the Demised Premises, make any change which shall interfere with access to the Demised Premises. Lessor may, at any time upon 60 days' written notice to Lessee and without liability to Lessee therefor, change the name of the Building.

LESSOR: 
4842-1375-4467v.6 0001795-000332

12

LESSEE: 


9. REPAIRS, SURRENDER OF PREMISES.

Lessor shall maintain the Building and Common Areas in good clean condition commensurate with the condition existing as of the Commencement Date and in accordance with all applicable laws, including but not limited to ADA. Lessee shall at all times take good care of the Demised Premises Lessee shall promptly report to Lessor any damage or injury done by Lessee to the Demised Premises, or to the Building or the Common Area (to the extent such damage is extraordinary in nature and not just wear and tear) during the Lease Term and at the expiration or other termination of this Lease. Lessee shall return the Demised Premises peaceably and promptly to the Lessor at the expiration or earlier termination of this Lease in as good condition as at the beginning of the Term of this Lease, ordinary wear and tear excepted and damage caused by fire or other casualty not required to be repaired by Lessee under this Lease.


Lessee agrees to reimburse Lessor for the actual costs incurred by Lessor to repair the following:

(A) All injury to the Demised Premises, or to the Building or the Common Area caused by Lessee in the moving the property of Lessee into or out of the Building or the Demised Premises;

The "Common Area" shall mean all areas and improvements located in the Building as are provided from time to time by Lessor for general use, in common, of all lessees, their officers, agents, employees and customers, including but not limited to, parking areas, sidewalks, landscaping, curbs, loading areas, lighting facilities, stairs, restrooms, roofs, building exteriors, project identification signs, traffic markers and signs, storm drains and sewers, utility lines, service areas and other areas and improvements provided by Lessor for the common use of all lessees, all of which shall be subject to Lessor's sole management and control and shall be operated and maintained in such manner as Lessor, in its discretion, shall determine, provided no decisions regarding Common Areas shall deprive Lessee of the substantial benefit and enjoyment of the Demised Premises, interfere with Lessee's business, cause a breach of any of the terms of this Lease or breach of Lessor's obligations to Lessee.

LESSOR: 
4842-1375-4467v.6 0001795-000332

13

LESSEE: 


10. LIENS.

Lessee shall at all times keep the Demised Premises and Building free from any liens arising out of Lessee's use or improvement thereof and shall indemnify and hold Lessor harmless from all costs, losses, liabilities, damages and expenses (including attorneys' fees) from any liens arising out of Lessee's use or improvement thereof. If any lien is filed as a result of Lessee's actions or inaction, Lessee shall immediately notify Lessor thereof. If any lien is not removed within fifteen (15) days following receipt of Lessee of notice of such lien, then Lessor shall have the right to require Lessee to post a bond, or to deposit cash with Lessor, in an amount equal to one hundred fifty percent (150%) of the lien, to protect Lessor from such lien. Any amount paid by Lessor for any of the expenses or fees incurred or arising from such lien, including all reasonable legal or other expenses of Lessor, shall be repaid by Lessee to Lessor on demand with interest at 12%, and if unpaid may be treated as Additional Rent.


11. INDEMNITY, PUBLIC LIABILITY INSURANCE AND FIRE AND EXTENDED COVERAGE INSURANCE.

(A) Indemnity: Subject to Section 11(f) below, Lessee shall indemnify, defend, and hold Lessor harmless from any and all claims arising from Lessee's use of the Building or Common Areas, or from any act, omission, or negligence of Lessee, or that of its agents, employees, or licensees in or about the Demised Premises, Building or Common Areas. Lessee shall not be obligated to indemnify Lessor for the portion of any claim or liability caused by or arising from the act, omission or negligence of any party other than Lessee, or its agents, employees, or licensees. Lessee also shall indemnify, defend and hold Lessor harmless from all costs, attorney's fees, expenses and liabilities incurred in connection with any claim or proceeding for which Lessee is responsible under this paragraph 11(A). If any action or proceeding is brought against Lessor for reason of any such claims described herein, Lessee upon notice from Lessor will defend the claim at Lessee's expense with counsel reasonably satisfactory to Lessor.

Subject to Section 11(f) below, Lessor shall indemnify, defend, and hold Lessee harmless from any and all claims arising from Lessor's use of the Building or Common Areas, or from any act, omission, or negligence of Lessor, or that of its agents, employees, or licensees in or about the Demised Premises, Building or Common Areas. Lessor shall not be obligated to indemnify Lessee for the portion of any claim or liability caused by or arising from the act, omission or negligence of any party other than Lessor, or its agents, employees or licensees. Lessor also shall indemnify, defend and hold Lessee harmless from all costs, attorney's fees, expenses and liabilities incurred in connection with any claim or proceeding for which Lessor is responsible under this paragraph 11(A). If any action or proceeding is brought against Lessee for reason of any such claims described herein, Lessor upon notice from Lessee will defend the claim at Lessor's expense with counsel reasonably satisfactory to Lessee.

LESSOR: 
4842-1375-4467v.6 0001795-000332

14

LESSEE: 

(B) Lessee's Insurance: Lessee shall, at its sole cost and expense, keep in full force and effect the following insurance;

(1) Standard form property insurance insuring against the perils of fire, extended coverage, vandalism malicious mischief, and special extended coverage ("All-Risk"). (This insurance policy shall be upon all of "Lessee's Property" and any Renovations, alterations or improvements installed by Lessee in the Demised Premises or which is located in the Building or Common Areas in an amount not less than ninety percent (90%) of the full replacement cost thereof.)

(2) Comprehensive General Liability Insurance insuring Lessee against any liability arising out of the lease, use, occupancy or maintenance of the Demised Premises and all areas appurtenant thereto. Such insurance shall be in the amount of at least \$2,000,000 Combined Single Limit for injury to, or death of one or more persons in an occurrence. The Policy shall insure the hazards of the Premises and Lessee's operations thereon, independent contractors, and contractual liability (covering the indemnity contained in paragraph 11(A)). Such policy shall name Lessor and any Mortgagees of Lessor as insured parties, as their respective interests may appear.

(3) Workers' Compensation and Employer's Liability insurance as required by state law. Any other form or forms of insurance or increased amounts of insurance as Lessee or any Mortgagees of Lessor may reasonably require from time to time in form, in amounts and for insurance risks against which a prudent tenant would protect itself.

(4) Insurance for all tenant improvements installed by Lessee naming Lessor.

(C) All policies shall be written in a form and with an insurance company satisfactory to Lessor and shall provide that Lessor shall receive not less than thirty (30) days' prior written notice of any cancellation. Prior to or at the time that Lessee takes possession of the Demised Premises, Lessee shall deliver to Lessor copies of policies or certificates evidencing the existence of the amounts and forms of coverage satisfactory to Lessor. Lessee shall, within ten (10) days prior to the expiration of such policies, furnish Lessor with renewals or "binders" thereof, or Lessor may order such insurance and charge the cost thereof to Lessee as Additional Rent. Furthermore, each policy of insurance required to be maintained by Lessee and Lessor hereunder shall be issued by a good and solvent insurance carrier with a financial rating of at least an A-VI status as rated in the most recent edition of Best's Insurance Reports, licensed to do business in the state in which the Demised Premises are located.

(D) During the Term of this Lease, Lessor shall insure the Building, Demised Premises and Common Areas against damage with All-Risk insurance and public liability

LESSOR:

4842-1375-4467v.6 0001795-000332

15

LESSEE:

insurance, earthquake and flood and any other perils as Lessor deems reasonably necessary, all in such amounts equal to the replacement value of the Building and any other improvements on the Property. [Note to Landlord, please also add liability insurance requirement]

(E) Lessee will not keep, use, sell or offer for sale in or upon the Demised Premises any article or use the Demised Premises in any way which may be prohibited by any insurance policy periodically in force covering the Building. Lessor represents and warrants to Lessee that the use contemplated herein is not prohibited under Lessor's insurance policies nor will it increase the cost of Lessor's insurance. Lessee will not keep, use, sell or offer for sale in or upon the Demised Premises any article or use the Demised Premises in any way which may be prohibited by any insurance policy periodically in force covering the Building. If Lessee's occupancy, use, or business in, or on, the Demised Premises, whether or not Lessor has consented to the same, results in any increase in premiums for the insurance periodically carried by Lessor with respect to the Building, Lessee shall pay any such increase in premiums as Additional Rent within ten (10) days after being billed therefor by Lessor. Lessee shall promptly comply with all reasonable requirements of any present or future insurer relating to the Demised Premises.


(F) Lessor and Lessee, for themselves and their respective insurers, agree to and do hereby, to the extent the damage or injury to their property is covered by insurance, release each other of and from any and all claims, demands, actions, and causes of action that each may have or claim to have against the other for loss or damage to the property of the other, both real and personal, notwithstanding that any such loss or damage may be due to or result from the negligence of either of the parties hereto or their respective employees or agents. The damaged or injured party agrees to make and diligently pursue a claim against its insurance carrier for such damage or injury prior to seeking recovery against the other party or against the other party's insurance carrier.

12. LIABILITY FOR INJURY OR DAMAGE.

Lessor shall not be liable for any damage to personal property resulting from the carelessness, negligence or improper conduct on the part of any other tenant or occupant or anyone other than Lessor, its servants, agents, employees, independent contractors or invitees but no other subtenant's servants, agents, employees, independent contractors or invitees or for any damage to person or property resulting from any condition of the Demised Premises or other cause, including, but not limited to, damage by water not resulting from the sole negligence of Lessor.

13. DESTRUCTION OF PREMISES.

(A) If less than forty percent (40%) of the Demised Premises are rendered untenantable by fire or other insured casualty, and if the damage is repairable within sixty (60) days from the date of the occurrence (with the repair work and preparation therefore

LESSOR: 
4842-1375-4467v.6 0001795-000332

16

LESSEE: 

to be done during regular working hours on regular work days), Lessor shall repair the Demised Premises with due diligence, to the extent of the insurance proceeds available, and the monthly Base Rent and Operating Expenses shall be abated in the proportion that the untenable portion of the Demised Premises bears to the whole thereof for the period from the date of the casualty to the completion of the repairs, unless the casualty results from Lessee's negligence or its breach of the terms hereof.

If more than forty percent (40%) of the Demised Premises are rendered untenable by fire or other insured casualty, or such fire or other casualty occurs during the last two (2) years of the Lease, Lessee may terminate this lease on thirty (30) days' written notice, effective as of any date not more than sixty (60) days after the occurrence.

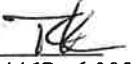
If thirty percent (30%) or more of the Building is destroyed or damaged, regardless of whether the Demised Premises are damaged, Lessor may terminate this lease as of the date of such damage or destruction by giving notice to Lessee within thirty (30) days thereafter of the election to do so. In no event shall Lessor be liable to Lessee for destruction or for damage to any of Lessee's property including fixtures, equipment or other improvements unless the casualty results from Lessor's negligence or its breach of the terms hereof.

14. EMINENT DOMAIN.


If all or part of the Demised Premises shall be taken as a result of the exercise of the power of eminent domain, this Lease shall terminate as to the part so taken as of the date of taking. In the event of a partial taking, either Lessor or Lessee shall have the right to terminate this Lease as to the balance of the Demised Premises by written notice to the other within thirty (30) days after such date; provided, however, that a condition to the exercise by Lessee of such right to terminate shall be that the portion of the Demised Premises taken shall be of such extent and nature as to substantially handicap, impede or impair Lessee's use of the balance of the Demised Premises. In the event of a total taking or a partial taking resulting in termination of this Lease, Lessor shall be entitled to any and all compensation, damages or awards which may be paid in connection therewith. Lessee shall be entitled to any damages separately awarded by the condemning authority that are attributable to moving expenses or damages to Lessee's non-removable fixtures, provided that such award does not diminish the award to Lessor and further provided that no portion of the award is for any excess value or leasehold value of this Lease. In the event of a partial taking of the Demised Premises which does not result in termination of this Lease, the monthly Base Rent thereafter shall be equitably reduced in fair proportion to the reduction in area of the Demised Premises and reduction in its fair market rental value.

15. ADMITTANCE BY PASS KEY.

Lessor shall issue pass keys to Lessee for after hours admittance to the Building and Demised Premises. Lessor shall not be liable for the consequences of admitting by

LESSOR: 
4842-1375-4467v.6 0001795-000332

17

LESSEE: 

pass key or refusing to admit to the Demised Premises any of the Lessee's agents and employees claiming the right of admittance. Notwithstanding the forgoing, Lessee will be permitted to install its own card access system for the patient entrance door and its employee entrance/supply door.

16. EXHIBITION AND INSPECTION OF PREMISES.


Lessor and Lessor's agents shall have the right at reasonable hours but subject to Section 38(s), upon one (1) day's notice to (a) exhibit the Demised Premises to prospective purchasers and during the final six months of the Lease Term hereof to prospective Lessees; (b) to examine the Demised Premises to determine whether Lessee is complying with its obligations hereunder and in reference to any emergency or general maintenance; (c) supply any service to be supplied by Lessor to Lessee hereunder; and (d) to make repairs or alteration to any portion of the Building; provided that during any such entry into the Demised Premises, Lessor uses commercially reasonable efforts not to interfere with Lessee's use or access to the Demised Premises or any Common Areas serving the Demised Premises. Lessee hereby waives any claim for damages for any injury or inconvenience to or interference with Lessee's business, occupancy or quiet enjoyment of the Demised Premises.

17. VACATION OR ABANDONMENT.


Upon abandonment of the Demised Premises for a period in excess of sixty (60) consecutive days, coupled with the nonpayment of Base Rent and such nonpayment is not permitted by the terms of this Lease, by the Lessee without the prior written consent of Lessor, Lessor may forthwith enter upon the Demised Premises or any portion hereof and relet and otherwise exercise control over the Demised Premises and Lessee's fixtures and equipment situated therein. For the purpose of such reletting, Lessor is authorized at the cost of Lessee to make any repairs, changes, alterations or additions in or to said Demised Premises which may be necessary in the opinion of Lessor for the purpose of such reletting. Such entry and control shall not release Lessee from the obligations herein, and Lessee shall remain liable and continue to be bound and shall continue to pay rent, unless Lessor, at Lessor's election, shall terminate this lease, and in that event Lessor shall be entitled to damages as provided in paragraph 24. Any personal property left on the Demised Premises shall be deemed to be abandoned at the option of Lessor, and Lessee waives any claims to or arising from said property.

18. SIGNS.

No sign, picture, advertisement or notice shall be displayed, inscribed, painted or affixed to any of the glass or woodwork of the Demised Premises, or on the exterior walls of the Building, except such as shall be approved in writing by Lessor or otherwise set forth in Exhibit "H" attached hereto. Lessor will provide lobby, suite and mail box signs at Lessor's expense.

LESSOR: 
4842-1375-4467v.6 0001795-000332

18

LESSEE: 

19. ELECTRICAL AND MECHANICAL DEVICES AND INSTALLATION.

Lessee shall not without Lessor's prior written consent, operate or install any electrical equipment or operate or install any machinery or mechanical device on the Demised Premises other than those that are used in Lessee's dialysis centers and related administrative and office use. No electrical wiring or other electrical apparatus shall be installed, maintained or operated on the Demised Premises, except with the prior written approval of and in a manner satisfactory to Lessor, and in no event shall Lessee overload the electrical circuits from which Lessee obtains current. Notwithstanding the foregoing, Lessor shall allow Lessee to install a generator at some point during the lease term, at Lessee's option and at Lessee's expense. The generator will be installed behind the building at a mutually acceptable location.

20. WINDOWS.

Lessee shall not allow anything to be placed on the outside window ledges of the Demised Premises. No awnings shall be attached to the outside of any windows of the Demised Premises. Only such window draperies furnished by Lessor, which shall be uniform to building standards, shall be exposed to exterior views.


21. FLOOR COVERINGS.

Lessee, or any other person, shall be permitted to lay linoleum or any other floor covering or attach or affix any covering to the walls or ceiling of the Demised Premises or any part thereof with the prior consent of Lessor, which consent shall not be unreasonably withheld. Any such addition shall be deemed an alteration within the meaning of paragraph 8 and shall be subject to the conditions set forth therein.

22. SERVICES.

(A) Lessee's Responsibility: Lessee shall be solely responsible for and shall promptly pay all charges for telephone and all other charges which are separately metered and supplied to the Demised Premises at Lessee's request. Lessee agrees to keep the temperature of the Demised Premises at such level as may be reasonably required by Lessor, provided that it is consistent with a first class dialysis center, to protect the Building and prevent the dissipation of heat or air conditioning in the areas adjacent to the Demised Premises.

(B) Services: As long as Lessee is not in default beyond any applicable cure period under this Lease, Lessor shall cause the public and common areas of the Building, such as lobbies, elevators, stairs, corridors and restrooms, to be maintained in reasonably good order and condition, except for damage occasioned by any act or omission of Lessee or Lessee's officers, contractors, agents, invitees, licensees or employees, the repair of

LESSOR: 
4842-1375-4467v.6 0001795-000332

LESSEE: 


which shall be paid for by Lessee. From 7:00 a.m. to 6:00 p.m. on weekdays, excluding legal holidays ("Normal Business Hours"), Lessor shall furnish the Demised Premises with heat and air conditioning services and usual janitorial services. From 5:00 a.m. to 1:00 a.m. (the following stated day) on weekdays and Saturdays, Lessor shall furnish the Demised Premises with electricity for lighting and operation of 110-volt office machines and hot and cold water. Lessor covenants that notice will be provided no less than 48 hours in advance of any planned repairs or any other event that may impact the ability to provide continuous services to the Demised Premises, not including emergencies. If requested by Lessee, Lessor shall furnish services at times other than Normal Business Hours, and Lessee shall pay for the cost of such services at reasonable rates established by Lessor, as Additional Rent.

(C) Janitorial: Lessee shall provide its own janitorial services within the Demised Premises. Normal janitorial services provided for common areas are hereby attached as Exhibit "I".

(D) Electrical: If Lessee's consumption of electricity is in excess of the normal consumption standard reasonably established by Lessor, then Lessee shall promptly reimburse Lessor and Additional Rent upon receipt of an invoice for such excess consumption. If a separate meter is not installed at Lessee's cost, such excess costs will be established by an estimate agreed upon by Lessor and Lessee, and if the parties fail to agree, the excess cost shall be established by an independent licensed engineer. In addition to the above, if Lessee's electrical needs exceed Building standards established by Lessor, then Lessee agrees to pay the costs incurred by Lessor for installing necessary supplementary air conditioning capacity or electrical systems. In addition, Lessee shall pay Lessor Additional Rent in advance on the first day of each month during the Lease Term amounts reasonably estimated by Lessor to cover the cost of operating and maintaining the supplementary systems.

(E) Interruption: Except as provided herein, Lessor 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 such services due to any cause whatsoever, or from failure to make any repairs or perform any maintenance. No temporary interruption or failure of such services incident to the making of repairs, alterations or improvements, or due to accident, strike or conditions or events beyond Lessor's reasonable control shall be deemed an eviction of Lessee or to relieve Lessee from any of Lessee's obligations hereunder or to give Lessee a right of action against Lessor for damages; provided, however, if Lessee is deprived of utility services for more than three (3) consecutive business days, the Base Rent shall be appropriately abated until utility services are restored

23. ACTION OR SUIT.

LESSOR: 
4842-1375-4467v.6 0001795-000332

20

LESSEE: 

If either party institutes a suit to enforce any covenants or agreements herein or to obtain any of the remedies provided herein, the prevailing party shall be entitled an award for reasonable attorney's fees in such suit or action including any appeal taken by either party to such suit or action.

24. DEFAULT.

The occurrence of any one or more of the following events shall constitute a breach of the Lease and default by Lessee:

(A) If the Base Rent, Additional Rent or other payments required of Lessee to Lessor shall be in arrears for a period of ten (10) days after due; or

(B) If Lessee fails to keep or perform any of the covenants or conditions of this Lease or rules or regulations in connection therewith, within thirty (30) days after written notice of default (or longer if Lessee commences to cure within said thirty day period but the default cannot reasonably be cured in thirty days), or

(C) If a receiver shall be appointed for Lessee's property or any part thereof, or if a petition is filed by Lessee for an arrangement with his creditors under Chapter 11 of the Bankruptcy Act, or if Lessee shall be declared bankrupt or insolvent according to law, or if any assignment of Lessee's property shall be made for the benefit of creditors; or

(D) If Lessee shall fail to pay any sum of money, other than Rent and Additional Rent required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for 10 days after notice thereof by Lessor provided Lessee has not otherwise contested the validity of such payment, Lessor may, but shall not be obligated so to do, and without waiving or releasing Lessee from any obligations of Lessee, make any such payment or perform any such other act on Lessee's part to be made or performed as provided in this Lease. Upon default Lessor may, at Lessor's option, immediately without notice declare Lessee's rights under this Lease terminated, and upon termination Lessor may forthwith enter into and upon the Demised Premises, repossess them and expel Lessee or those claiming under Lessee, removing all persons and effects therefrom, forcibly, if necessary, and lock the Demised Premises. In so acting Lessor shall not be deemed to have trespassed in any manner nor shall Lessor's actions be construed to be a waiver or relinquishment of any of Lessor's rights or remedies. Lessee expressly agrees herein that it waives service of any demand for payment of Rent or for possession and hereby waives any claim for damages by reason of such repossession. All sums so paid by for and all necessary incidental costs together with interest thereon at the rate of eighteen percent (18%) per annum or four percent (4%) above the prime rate of Bank of America (Seattle, Washington), whichever is more per annum from the date of such payment by Lessor, shall be payable as Additional Rent to Lessor on demand, and Lessee covenants to pay any such sums.

LESSOR:

4842-1375-4467v.6 0001795-000332

21

LESSEE:

25. DAMAGES.

In the event of termination on default, Lessor shall be entitled to request immediately, without waiting until the due date of any future Rent or until the date fixed for expiration of the Lease Term, any excess of the value of Lessee's obligations under this Lease, including the obligation to pay Rent, from the date of default until the end of the Lease Term, over the reasonable rental value of the property for the same period figured as of the date of default, plus the reasonable cost of reentry, reletting, including, without limitation, the cost of any clean-up, refurbishing, removal of Lessee's property and fixtures, storage, or any other expense occasioned by Lessee's failure to quit the Demised Premises upon termination or to leave them in the required condition, any remodeling costs, attorneys' fees, court costs, broker commissions and advertising costs plus the amount of the loss of the reasonable rental value from the date of default until a new tenant has been, or, with the exercise of reasonable diligence, could have been secured.


26. CUMULATIVE REMEDIES--NO WAIVER.

No right to remedy herein expressly conferred upon or reserved to Lessor is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute. The failure of Lessor to insist in any one or more instances upon the strict performance by Lessee of any of the covenants of this Lease or to exercise any option herein contained shall not be construed as a waiver or a relinquishment for the future of any such covenant or option. The receipt by Lessor of Rent with the knowledge of a breach of any covenant or agreement hereof shall not be deemed a waiver of such breach, and no waiver by Lessor of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Lessor or its duly authorized agent.


27. REPAIR.

In the event Lessor, during the Lease Term deems it necessary to repair, alter, remove, reconstruct or improve any part of the Demised Premises or of the Building of which the Demised Premises are all part, then such repairing, alteration, or removal, reconstruction or improvement may be made by and at the expense of Lessor without any interference or claim for damages by Lessee, so long as the repairs are undertaken within a reasonable time after receipt of notice from Lessee of the defect or need of repair. Furthermore, Lessor agrees to undertake any repairs or improvements that impact the Demised Premises on such occasion with as little interference with Lessee's business as possible.

28. HOLDING OVER

LESSOR: 
4842-1375-4467v.6 0001795-000332

22

LESSEE: 

If Lessee shall hold over after the expiration of the Lease Term and shall not have agreed in writing with Lessor upon the terms and provisions of a new lease prior to such expiration, Lessee shall remain bound by all terms, covenants and agreements hereof, except that the tenancy shall be one from month to month at 150% of the then scheduled Rent for comparable space within the Building, as solely and reasonably determined by the Lessor.

29. FURNITURE AND BULKY ITEMS

Safes, furniture or bulky items shall be moved in or out of the Demised Premises shall be made through the service door to the Demised Premises, and such transfers shall not require the consent of Lessor.

30. REGULATIONS

Lessor may make and enforce regulations appropriate for maintenance and management of the Building and Project, including but not limited to regulations for order, cleanliness and security, but said regulations shall not be inconsistent with the terms, covenants and conditions of this Lease. Lessor shall not be responsible to Lessee for the nonperformance by any other lessee or occupant of any said rules or regulations, provided, however, Lessor shall be responsible to take action to enforce the rules and regulations against other lessees or occupants of the Building.

31. LESSEE'S ACCEPTANCE OF THE DEMISED PREMISES

Lessor and Lessee agree that the terms of the subparagraph checked below apply to Lessee's acceptance of the Demised Premises:

(A) _____ Lessor shall prepare the Demised Premises for occupancy in accordance with the Tenant Improvement Space Plan attached Exhibit G, and Work Letter Agreement attached hereto as Exhibit H. All improvements made in connection with the preparation of the Demised Premises for occupancy shall be and remain the property of Lessor. Lessee shall pay all cost of furnishing, installing or connecting fixtures and any equipment required by Lessee. Lessee agrees to accept delivery of the Demised Premises upon notice of the availability and Substantial Completion (as defined in the Work Letter) of the Demised Premises given to Lessee by Lessor (the "Delivery Date"). By taking delivery of the Demised Premises, Lessee formally accepts the same and acknowledges that the Demised Premises are in the condition called for hereunder, except as otherwise set forth and agreed to in writing at the time of taking possession.

(B) X Lessor shall deliver the Demised Premises to Lessee on the Lessee Occupation Date in good and clean condition, and Lessor warrants that, to the best of Lessor's knowledge, all other Building systems (including electrical, mechanical

LESSOR: 
4842-1375-4467v.6 0001795-000332

23

LESSEE: 

and plumbing) are in good working order. Subject to the preceding sentence, Lessee accepts delivery of the Demised Premises in their then- present condition, "as is". Lessee is not relying on any representation or warranty of Lessor as to the fitness of the Demised Premises for Lessee's particular use, except as otherwise set forth in this Lease.

33. SUBSTITUTION SPACE.

N/A


34. SUBORDINATION.

This Lease and all interest and estate of Lessee hereunder is subject to and is hereby subordinated to any first mortgage and deed of trust affecting the Demised Premises or the Property of which said Demised Premises are a part. Lessee agrees to execute at no expense to the Lessor, any instrument which may be deemed necessary or desirable by the Lessor or mortgagee to further effect the subordination of this Lease to any such mortgage or deed of trust provided such instrument does not amend the terms of this Lease. In the event of a sale or assignment of Lessor's interest in the Demised Premises, or in the event of any proceedings brought for the foreclosure of, or in the event of exercise of the power of sale under any mortgage or deed of trust made by Lessor covering the Demised Premises, Lessee shall attorn to the purchaser and recognize such purchaser as Lessor; provided such purchaser agrees to not to disturb Lessee's rights under this Lease, recognize this Lease and Lessee's rights hereunder. [Note the estoppel section is below, and requiring a lender to recognize a tenant's rights under the lease is standard in commercial leases]


35. ESTOPPEL CERTIFICATE.

At any time upon ten (10) days prior written request by Lessor, Lessee shall promptly execute, acknowledge and deliver to Lessor a certificate certifying (a) that this Lease is unmodified and in full force and effect or, if there had been modifications, that this Lease is in full force and effect as modified, and state the date and nature of each modification; (b) the date, if any, to which Rent and other sums payable hereunder have been paid; (c) that no notice has been received by Lessee of any default which has not been cured, except as to default specified in said certificate; and (d) such other matters as may be reasonably requested by Lessor. Any such certificate may be relied upon by any prospective Purchaser, Mortgagee or Beneficiary of a Deed of Trust placed on or against the Building or Project or on or against Lessor's interest or estate or any part thereof, provided that any prospective Purchaser, Mortgagee or Beneficiary of a Deed of Trust agrees in writing not to disturb Lessee's right to possession and use of the Demised Premises and Lessee's rights under this Lease so long as no default by Lessee has occurred and is continuing.

36. FINANCIAL STATEMENTS.

LESSOR: 
4842-1375-4467v.6 0001795-000332

24

LESSEE: 

Within thirty (30) days after Lessor's request therefor, Lessee shall deliver to Lessor such financial statements regarding Lessee as Lessor may reasonably request but no more than once per calendar year. Lessee shall certify the accuracy of such statements. Lessor may make the financial statements available to potential lenders or purchasers, but shall otherwise preserve their confidentiality except in connection with legal proceedings between the parties or as otherwise directed by court rule or order.

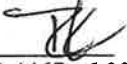
37. ENVIRONMENTAL PROVISIONS.

(A) Covenants and Agreements.


(1) Lessee covenants and agrees from the date hereof and so long as this Lease shall remain in effect not to cause or permit the presence, use, generation, release, discharge, storage, disposal, or transportation of any Hazardous Materials (as hereinafter defined) on, under, in, about, or from the Demised Premises, the Building or the Project by Lessee, Lessee's agents, representatives, employees, contractors, invitees (but excluding Lessor or any agent, representative, employee or contractor of Lessor), or , licensees, except for those items used in the ordinary course of Lessee's business or an office setting but all in accordance with all environmental laws.

(2) Notwithstanding the foregoing, Lessee hereby covenants and agrees to promptly remove from the Project, the Building and/or the Demised Premises, any Hazardous Materials discovered thereon which have been used, discharged, disposed of, sold or stored thereon by Lessee or Lessee's agents, representatives, employees, contractors, invitees (but excluding Lessor or any agent, representative, employee or contractor of Lessor), or licensees, and to comply in all respect with any and all such Hazardous Materials to remain, and be stored or disposed of, in Lessee's name.

(B) Environmental Indemnification. Lessee agrees to indemnify, pay and protect, defend (with counsel approved by Lessor), and hold harmless Lessor and its trustees, officers, employees, agents, assigns and mortgagees from and against any claims (including, without limitation, third party claims for personal injury or real or personal property damage or damage to the environment), actions, administrative proceedings (including informal proceedings), judgments, damages , penalties, fines, costs, liabilities (including sums paid in settlement of claims), interest, or losses, including reasonable attorneys' fees and expenses (including, without limitation, any such fees and expenses incurred in enforcing this Lease or collecting any sums due hereunder), consultant fees, and expert fees, together with all other costs and expenses of any kind or nature (collectively, the "Costs"), incurred during or after the term of this Lease that arise directly from or in connection with the presence, suspected presence, release, or suspected release of any Hazardous Material in or into the air, soil, groundwater, or surface water at, on, about, under, or within the Project, the Building and/or the Demised Premises, or any portion thereof, by Lessee or Lessee's agents, representatives, employees, contractors,

LESSOR: 
4842-1375-4467v.6 0001795-000332


25

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
invitees (but excluding Lessor or any agent, representative, employee or contractor of Lessor), or licensees. The indemnification provided in this paragraph 37(B) shall specifically apply to and include claims or actions brought by or on behalf of employees, guests, contractors, agents, licensees and/or invitees of Lessee. In the event Lessor shall suffer or incur any such Costs, Lessee shall pay to Lessor the total of all such Costs suffered or incurred by Lessor upon demand by Lessor. Without limiting the generality of the foregoing, the indemnification provided in this paragraph 37(B) shall specifically cover costs, including capital, operating, and maintenance costs, incurred in connection with any investigation or monitoring of site conditions, any clean-up, containment, remedial, removal, or restoration work required or performed by any federal, state, or local governmental agency or political subdivision or performed by any nongovernmental entity or person because of the presence, suspected presence, release, or suspected release of any Hazardous Material in or into the air, soil, groundwater, or surface water, at, on, about, under or within the Project, the Building and/or Demised Premises (or any portion thereof), by Lessee or Lessee's agents, representatives, employees, invitees (but excluding Lessor or any agent, representative, employee or contractor of Lessor), contractors, or licensees and any claims of third parties for loss or damage due to such Hazardous Material.

Lessor hereby represents and warrants to the best of Lessor's knowledge that as of the date hereof there are no Hazardous Materials on, under, in, about, or from the Demised Premises, the Building or the Project. Lessor agrees to indemnify, defend and hold harmless Lessee and its trustees, officers, employees, agents, assigns and mortgagees(s) from and against any claims (including, without limitation, third party claims for personal injury or real or personal property damage or damage to the environment), actions, administrative proceedings (including informal proceedings), judgments, damages, penalties, fines, costs, liabilities (including sums paid in settlement of claims), interest, or losses, including reasonable attorneys' fees and expenses (including, without limitation, any such fees and expenses incurred in enforcing this Lease or collecting any sums due hereunder), consultant fees, and expert fees, together with all other costs and expenses of any kind or nature (collectively, the "Costs"), incurred during or after the term of this Lease that arise directly from or in connection with the presence, suspected presence, release, or suspected release of any Hazardous Material in or into the air, soil, groundwater, or surface water at, on, about, under, or within the Project, the Building and/or the Demised Premises, or any portion thereof, as of the date hereof.

(C) Remedial Work. In the event any investigation or monitoring of site conditions or any clean-up, containment, restoration, removal, or other remedial work (collectively the "Remedial Work") is required under any applicable federal, state, or local law or regulation, by any judicial order, or by any governmental entity, or in order to comply with any agreements affecting the Project, the Building and/or Demised Premises because of, or in connection with, any occurrence or event described in paragraph 37(B) above, Lessee shall perform or cause to be performed the Remedial Work in compliance with such law, regulation, order, or agreement. All Remedial Work shall be performed by one or more contractors selected by Lessor and under the supervision of a consulting engineer

LESSOR: 
4842-1375-4467v.6 0001795-000332

26

LESSEE: 

selected by Lessor, promulgated in accordance with the remediation plan promulgated by an environmental consulting firm selected by Lessor. All costs and expenses of such Remedial Work shall be paid by Lessee including, without limitation, the charges of such contractor(s), the consulting engineer, the environmental consulting firm and Lessor's reasonable attorneys' fees and costs incurred in connection with monitoring or review of such Remedial Work. In the event Lessee shall fail to timely commence, or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work, Lessor may, but shall not be required to, cause such Remedial Work to be performed, and all costs and expenses thereof, or incurred in connection therewith shall be Costs within the meaning of paragraph 37(B) above. All such Costs shall be due and payable upon demand by Lessor.

(D) Notice of Claims. Lessee shall give notice to Lessor of any claim, action, administrative proceeding (including, without limitation, informal proceedings), or other demand by any governmental agency or other third party involving Hazardous Materials, Costs and/or Remedial Work at the time such claim or other demand first becomes known to Lessee. Receipt of any such notice shall not be deemed to create any obligation on Lessor to defend or otherwise respond to any claim or demand.


(E) Survival. The provisions of this paragraph 37 shall be in addition to any other obligations and liabilities Lessee may have to Lessor at law or equity and shall expressly survive the expiration of the Term or other termination of this Lease.

38. GENERAL PROVISIONS.


(A) Lessor's Liability: Anything in this Lease to the contrary notwithstanding, covenants, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal covenants, undertakings and agreements for the purpose of binding only the Lessor's interest in the Demised Premises and Building, as the same may from time to time be encumbered. No personal liability or personal responsibility is assumed by nor shall at any time be asserted or enforceable against Lessor or its partners or their respective heirs, legal representatives, successor and assigns on account of the Lease or on account of any covenant, undertaking or agreement of Lessor in the Lease contained.

(B) Transfer of Lessor's Interest: In the event of any transfer or transfers of Lessor's interest in the Demised Premises or in the Building, 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 Lessor accruing from and after the date of such transfer and Lessee agrees to attorn to the transferee.

(C) 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.

LESSOR: 
4842-1375-4467v.6 0001795-000332

27

LESSEE: 

(D) Force Majeure: Time periods for Lessor performance under any provision of this Lease shall be extended for periods of time during which the Lessor's performance is prevented due to circumstances beyond the Lessor's control, including without limitation, strikes, embargoes, governmental regulations, acts of God, war or other strife.

(E) Authority: If Lessee is a corporation, partnership or other entity, each individual executing this Lease on behalf of Lessee represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of Lessee in accordance with a duly adopted resolution of the Board of Directors of Lessee, bylaws, partnership agreement or other organizational documents, and that this Lease is binding upon Lessee in accordance with its terms. Lessee shall, within thirty (30) days after execution of this Lease deliver to Lessor a certified copy of a board resolution authorizing and ratifying the execution of this Lease or other confirmation as Lessor may require.


(F) Abandonment: Lessee shall not abandon the Demised Premises without paying rent at any time during the Lease Term, and any such vacation or abandonment shall be a breach of this Lease. If Lessee shall abandon or surrender said Demised Premises or be dispossessed by process of law or otherwise, any personal property belonging to Lessee and left on the Demised Premises shall, at the option of Lessor, be deemed to be abandoned and title thereto shall pass to Lessor, except such property as may be mortgaged by Lessor.

(G) Lease Effective Date: Submission of this instrument for examination or signature by Lessee does not constitute a reservation of or option for Lease, and it is not effective as a Lease or otherwise until execution and delivery by both Lessor and Lessee.


(H) Article Headings: The article headings throughout this instrument are for convenience in reference only, and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction or meaning of the provisions of this Lease.

(I) Notice: Any notice which may be given by either party to the other whether required under the terms of this Lease or by law shall be conclusively deemed to be sufficiently given when deposited in the United States mail, postage prepaid, registered, or certified, addressed if to the Lessor at:

Everett Mall Office Building, LLC
1429 Ave D, #521
Snohomish, WA 98290
Ray Kirtley
P: 425-330-6882
rkirtley@kirtleysite.com

LESSOR: 
4842-1375-4467v.6 0001795-000332

28

LESSEE: 

and if to Lessee:

Northwest Kidney Centers
700 Broadway
Seattle, WA 98122
Attn: Austin Ross
P: 206-720-8505
Austin.Ross@nwkidney.org

or at such other address which the parties may from time to time designate in writing.

(J) Parties Affected: The rights, liabilities and remedies provided for herein shall extend to the heirs, legal representatives, successors and as far as the terms of this Lease permit, assigns of the parties hereto. The words "Lessor" and "Lessee" and their accompanying verbs or pronouns, whenever used in this Lease shall apply equally to all persons, firms, or corporations which may be or become parties hereto.

(K) Brokers' Commission. Broker shall receive commission as provided for in Leasing Commission Agreement. All references to "Lease Commencement" in the Leasing Commission Agreement shall mean Lessee's Occupation Date as defined in Section 2(A) of this Lease; therefore, the Broker's Commission shall be paid out only after the Lessee's Occupation Date in accordance with the terms of the Leasing Commission Agreement.

(1) At the signing of this Lease Derek Heed of Colliers International represented the Lessor as the Broker.

(L) Partial Invalidity. If any term, covenant or condition of this Lease or the application thereof to any person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

(M) Recording. Lessee shall not record this Lease without the prior written consent of Lessor, which consent may be denied or conditioned within Lessor's discretion. However, upon Lessor's request, both parties shall execute a memorandum of this Lease, in a form customarily used for such purpose of recordation. The memorandum shall describe the parties, the Premises and the term of this Lease and shall incorporate the other terms of this Lease by reference.

(N) Time of Essence. TIME IS OF THE ESSENCE OF THIS AGREEMENT.

LESSOR:

4842-1375-4467v.6 0001795-000332

29

LESSEE:


(O) Place of Law. This Lease shall be governed by the laws of the state of Washington.

(P) Entire Agreement. This Lease and the exhibits hereto constitute the entire agreement between the parties hereto and supersede and replace all prior written and oral agreements. No prior agreement, understandings, representations by any broker or other party shall be valid or of any force or effect.

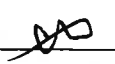
(Q) Lessor's Consent If any action by the Lessee requires consent by the Lessor, said consent by Lessor shall not be unreasonably withheld or delayed unless otherwise stated.

(R) Quiet Enjoyment: Except as otherwise provided in the Lease, Lessee shall lawfully, peaceably, and quietly have, hold, occupy and enjoy the Demised Premises during the Lease Term, without injurious hindrance or ejection by Lessor or by anyone claiming under Lessor.

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

LESSOR: 
4842-1375-4467v.6 0001795-000332

30

LESSEE: 

transmitted, or otherwise obtained by Lessor or which may be encountered in the course of Lessor's performance under this Lease, strictly confidential.

LESSOR: 
4842-1375-4467v.6 0001795-000332

31

LESSEE: 

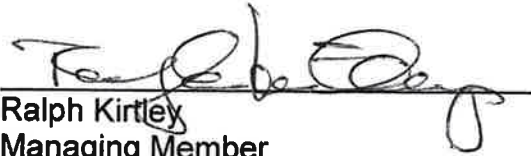
IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date herein written.

LESSOR:

Everett Mall Office Building, LLC

Executed this 14 day of
June, 2018

By:



Ralph Kirtley
Managing Member

LESSEE:


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

Executed this 14 day of
June, 2018

By:

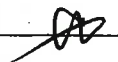

Its: CFO

LESSOR:


4842-1375-4467v.6 0001795-000332

32

LESSEE:



FOR AN ACKNOWLEDGMENT IN AN CORPORATE CAPACITY:

State of Washington)
County of Snohomish)

On this 14th day of June, 2018, before me personally appeared Ralph Kirtley to me known to be the Managing Member of Everett Mall Office Building, LLC the entity that executed the within and foregoing instrument, and acknowledged the same instrument to be the free and voluntary act and deed of said entity, for the uses and purposes therein mentioned and on oath stated that they were authorized to execute said instrument.

Dated: June 14, 2018



[Signature]
Notary Public - Signature
Laura Yepez
Type or Print Name of Notary

State of Washington

Residing in Everett, WA
My Appointment expires: November 22, 2020

FOR AN ACKNOWLEDGMENT IN A CORPORATE CAPACITY:

State of _____)
County of _____)

On this _____ day of _____, 20____, before me personally appeared _____ to me known to be the _____ of _____ the _____ that executed the within and foregoing instrument, and acknowledged the same 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 they were authorized to execute said instrument.

Dated: _____

(SEAL OR STAMP)

Notary Public - Signature

Type or Print Name of Notary

State of _____

Residing in _____
My appointment expires _____

LESSOR: [Signature]
4842-1375-4467v.6 0001795-000332

LESSEE: [Signature]

FOR AN ACKNOWLEDGMENT IN A CORPORATE CAPACITY:

State of Washington)
County of King)

On this 14 day of June 2018 before me personally appeared Carla McClellan to me known to be the CEO of Northwest Kidney Centers, a Washington nonprofit corporation, the Entity that executed the within and foregoing instrument) and acknowledged the same 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 they were authorized to execute said instrument.

Dated: 6/14/18

MTD Reilly
Notary Public - Signature
Maureen T. O'Reilly
Type or Print Name of Notary

(SEAL OR STAMP)

State of Washington

Residing in King



LESSOR: [Signature]
4842-1375-4467v.6 0001795-000332

34

LESSEE: [Signature]

EXHIBIT "A"

DEMISED PREMISES

**EVERETT MALL OFFICE PARK 1
1010 S. E. EVERETT MALL WAY
EVERETT, WASHINGTON 98208**

LESSOR: 

4842-1375-4467v.6 0001795-000332

35

LESSEE: 

EXHIBIT A

SCALE: 1/4" = 1'-0"
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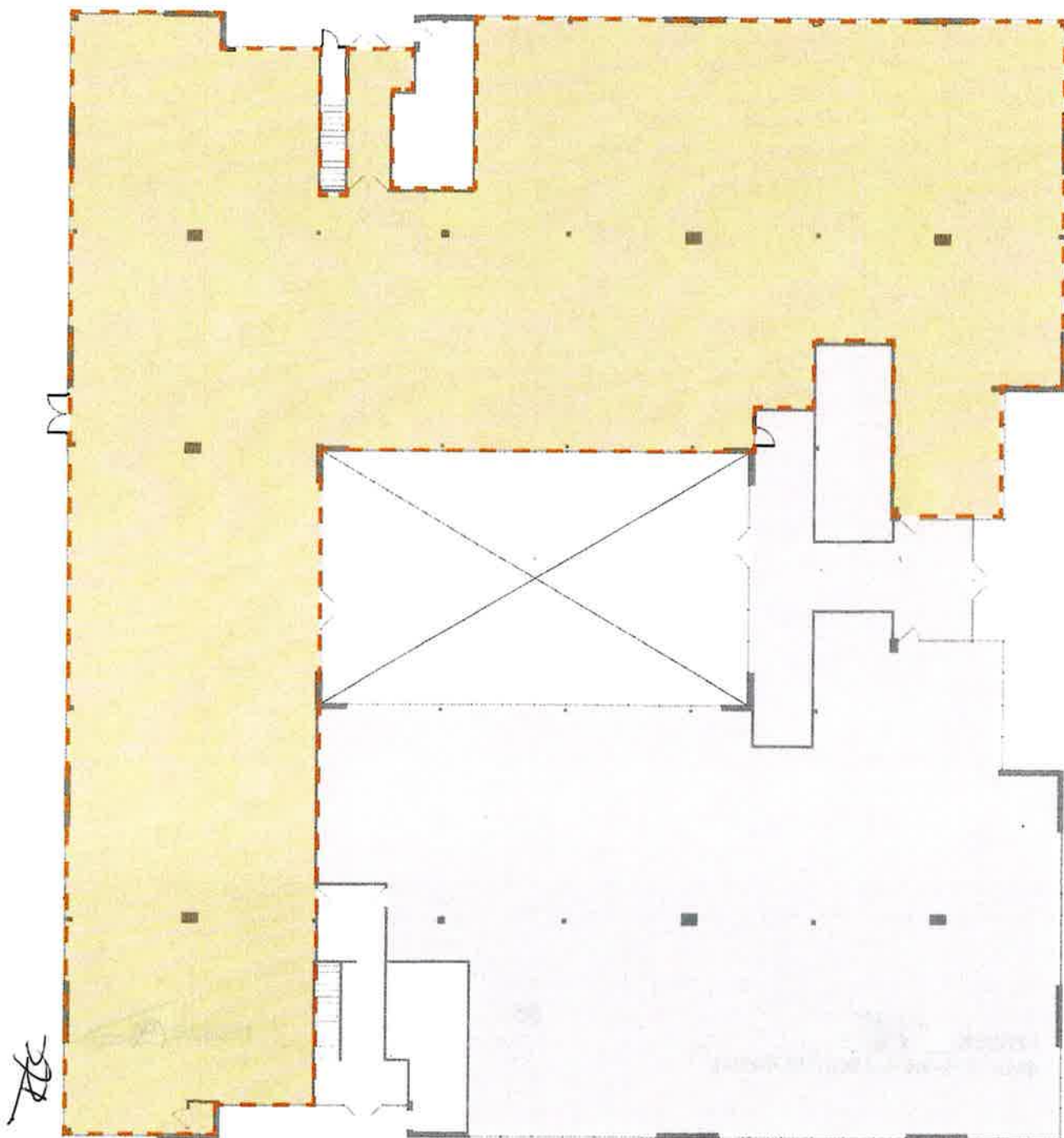


EXHIBIT "B"

LEGAL DESCRIPTION

That portion of the southeast quarter of the southwest quarter of Section 18, Township 28 North, Range 5 East, W.M. in Snohomish County, Washington described as follows:

Beginning at the southwest corner of said Section 18; thence north $00^{\circ}41'40''$ east along the west line thereof 265.43 feet; thence north $69^{\circ}14'20''$ E along the southerly margin of State Highway Broadway Cut-Off 2417.91 feet; thence south $20^{\circ}45'40''$ E 50.00 feet; thence South 365.22 feet to the TRUE POINT OF BEGINNING; thence south 402.52 feet; thence south $89^{\circ}23'47''$ E 253.13 feet to the west line of the east 30.00 feet in width of said subdivision; thence south $00^{\circ}14'26''$ E along said west line 298.18 feet to the north margin of 100th St. S.W.; thence south $89^{\circ}29'01''$ E along said north margin 30.00 feet to the east line of said subdivision; thence north $00^{\circ}14'26''$ W along said east line 700.68 feet to a point which bears south $89^{\circ}23'47''$ E from the TRUE POINT OF BEGINNING; thence north $89^{\circ}23'47''$ W 281.44 feet to the TRUE POINT OF BEGINNING.


Together with:

An easement for Ingress, egress, drainage and utilities over that portion of the southeast quarter of the southwest quarter of Section 18, Township 28 North, Range 5 East, W. M. in Snohomish County, Washington, described as follows:

Beginning at the southwest corner of said Section 18; thence north $00^{\circ}41'40''$ E along the west line thereof 265.43 feet; thence north $69^{\circ}14'20''$ E along the southerly margin of State Highway Broadway Cut-Off 2417.91 feet; thence south $20^{\circ}45'40''$ E 50.00 feet; thence South 365.22 feet; thence south $89^{\circ}24'47''$ E 251.44 feet to the west line of the east 30.00 feet of said subdivision and the TRUE POINT OF BEGINNING; thence north $00^{\circ}14'26''$ W along said west line 462.46 feet to the south margin of said State Highway Broadway Cut-Off; thence north $69^{\circ}14'20''$ E along said south margin 32.03 feet to the east line of said subdivision; thence south $00^{\circ}14'26''$ E along the east line 474.4 13 feet to a point which bears south $89^{\circ}23'47''$ east from the TRUE POINT OF BEGINNING; thence north $89^{\circ}23'47''$ W 30.00 feet to the TRUE POINT OF BEGINNING, as disclosed by instruments recorded under Recording Nos. 1119094, 8010150228 and 8011130240.

ALSO TOGETHER WITH an easement for common parking as set out in Agreement Recorded March 29, 1988 under Recording No. 8803290447 and Amendment of Common Parking Agreement Recorded May 29, 1992 under Recording No. 9205290605.

Situate in the county of Snohomish, State of Washington.

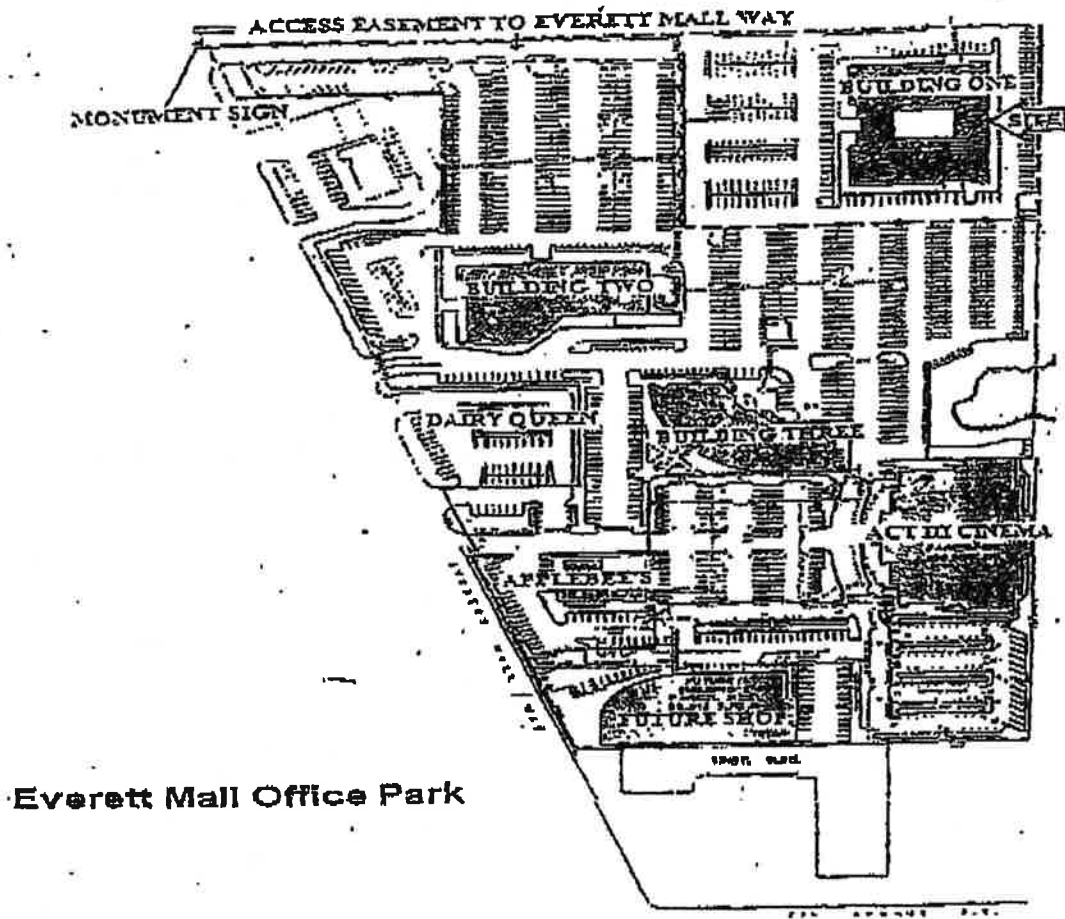
LESSOR: 
4842-1375-4467v.6 0001795-000332


36

LESSEE: 

EXHIBIT "C"

SITE PLAN



LESSOR: 
4842-1375-4467v.6 0001795-000332

37

LESSEE: 


EXHIBIT "D"

RULES AND REGULATIONS


1. If Lessor objects in writing to any curtains, blinds, shades, screens or hanging plants or other similar objects attached to or used in connection with any window or door of the Demised Premises, Lessee shall immediately discontinue such use. No awning shall be permitted on any part of the Demised Premises without Lessor's specific approval in writing. Lessee shall not place anything against or near glass partitions or doors or windows which may appear unsightly from outside the Demised Premises.
2. Lessee shall not obstruct any sidewalk, halls, passages, exits, entrances, elevators, escalators, or stairways of the Building. The halls, passages, exits, entrances, shopping malls, elevators, escalators and stairways are not open to the general public. Lessor shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the judgment of Lessor would be prejudicial to the safety, character, reputation and interest of the Building and its tenants; provided that nothing herein contained shall be construed to prevent such access to persons with whom any tenant normally deals in the ordinary course of its business, unless such persons are engaged in illegal activities. No tenant and no employee or invitee of any tenant shall go upon the roof of the Building.
3. The directory of the Building will be provided exclusively for the display of the name and location of tenants only, and Lessor reserves the right to exclude any other names therefrom.
4. Lessee shall not cause any unnecessary labor by carelessness or indifference to the good order and cleanliness of the Demised Premises. Lessor shall not in any way be responsible to any Lessee for any loss of property on the Demised Premises, however occurring, or for any damage to any of Lessee's property by the janitor or any other employee or any other persons.
5. If Lessee requires telegraphic, telephonic, burglar alarm or similar services, it shall first obtain, and comply with, Lessor's instructions in their installation.
6. Any freight elevator shall be available for use by all tenants in the Building, subject to such reasonable scheduling as Lessor in its discretion shall deem appropriate. No equipment, materials, furniture, packages, supplies, merchandise or other property will be received in the Building or carried in the elevators except between such hours and in such elevators as may be designated by Lessor.
7. Lessee shall not place a load upon any floor of the Demised Premises which exceeds the load per square foot which such floor was designed to carry and which is allowed by law. Lessor shall have the right to prescribe the weight, size and position of all equipment, materials, furniture or other property brought in to the Building. Heavy objects shall, if considered necessary by Lessor,

stand on such platforms as determined by Lessor to be necessary to properly distribute the weight. Business machines and mechanical equipment belonging to Lessee, which cause noise or vibration that may be transmitted to the structure of the Building or to any space therein to any tenants in the Building, shall be placed and maintained by Lessee, at Lessee's expense, on vibration eliminators or other devices sufficient to eliminate noise or vibration. The persons employed to move such equipment in or out of the Building must be acceptable to Lessor. Lessee agrees to place a plywood covering over any lobby, hallway, elevator and office dooring and carpeting during any time where it is constructing the Premises or moving furniture into or out of the Building. Pads shall be used in such manner to protect walls and ceilings in said lobbies, hallways, elevators and offices during said construction or moving periods. Lessor will not be responsible for loss of, or damage to, any such equipment or other property from any cause, and all damage done to the Building including common areas, hallways, elevators and doors by maintaining or moving such equipment or other property shall be repaired at the expense of Lessee.

8. Lessee shall not use or keep in the Demised Premises any kerosene, gasoline or flammable or combustible fluid or material other than those limited quantities necessary for the operation of maintenance of office equipment. Lessee shall not use or permit to be used in the Demised Premises any foul or noxious gas or substance, or permit or allow the Demised Premises to be occupied or used in a manner offensive or objectionable to Lessor or other occupants of the Building by reason of noise, odors or vibrations, nor shall Lessee bring into or keep in or about the Demised Premises any birds, dogs, cats or animals of any kind.
9. Lessee shall not use any method of heating or air-conditioning other than that supplied by Lessor, unless supplemental air-conditioning is required by Lessee.
10. Lessee shall not waste electricity, water or air-conditioning and agrees to cooperate fully with Lessor to assure the most effective operation of the Building's heating and air-conditioning and to comply with any governmental energy-saving rules, laws or regulations of which Lessee has actual notice, and shall refrain from attempting to adjust controls. Lessee shall keep corridor doors closed, and shall close window coverings at the end of each business day.
11. Lessor reserves the right, exercisable without notice and without liability to Lessee, to change the name and street address of the Building.
12. Lessee shall be responsible for all persons for whom it requests passes and shall be liable to Lessor for all acts of such persons. Lessor shall not be liable for damages for any error with regard to the admission to or exclusion from the Building of any persons. Lessor reserves the right to prevent access to the Building in case of invasion, mob, riot, public excitement or other commotion by closing the doors or by other appropriate action.
13. Lessee shall close and lock the doors of its Demised Premises and entirely shut off all water faucets or other water apparatus, and electricity, gas or air

LESSOR: 
4842-1375-4467v.6 0001795-000332

39

LESSEE: 

outlets before Lessee and its employees leave the Demised Premises. Lessee shall be responsible for any damage or injuries sustained by other tenants or occupants of the Building or by Lessor for noncompliance with this rule.


14. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant who, or whose employees or invitees, shall have caused it.
15. Lessee shall not sell, or permit any sales of newspapers, magazines, periodicals, theater tickets or any other goods or merchandise to the general public in or on the Demised Premises or the common area. Lessee shall not make any room-to-room solicitation of business from other tenants in the Building nor shall Lessee solicit in any part of the common areas. Lessee shall not use the Demised Premises for any business or activity other than that specifically provided for in Lessee's Lease.
16. Lessee shall not install any radio or television antenna, loudspeaker or other device on the roof or exterior walls of the Building. Lessee shall not interfere with radio or television broadcasting or reception from or in the Building or elsewhere.
17. Except to the extent necessary for hanging wall decorations, Lessee shall not mark, drive nails, screws or drill into the partitions, woodwork or plaster or in any way deface the Demised Premises or any part thereof without the consent of Lessor. Lessor reserves the right to direct electricians as to where and how telephone and telegraph wires are to be introduced to the Demised Premises. Lessee shall not cut or bore holes for wires unless reasonably required. Lessee shall not affix any floor covering to the floor of the Demised Premises in any manner except as approved by Lessor. Lessee shall repair any damage resulting from noncompliance with this rule. Lessee shall pay for any and all damages to the Building, walls, doors, glass, carpeting or otherwise which may be caused by Lessee's use of the Building, moving equipment, supplies or furniture into or out of the Building whether caused by Lessee or its employees, agents, contractors or invitees to the Demised Premises, ordinary wear and tear excepted. Notwithstanding anything to the contrary set forth herein, this paragraph shall not apply to the Renovations or any alterations performed by Lessee in an effort to prepare the Demised Premises for Lessee's use.
18. Lessee shall not install, maintain or operate upon the Demised Premises any vending machine without the written consent of Lessor.
19. Canvassing, soliciting and distribution of handbills or any other written material, and peddling in the Building or in the common areas and parking lot are prohibited, and each tenant shall cooperate to prevent same.
20. Lessor reserves the right to exclude or expel from the Building any person who, in Lessor's judgment, is intoxicated or under the influence of liquor or drugs or who is in violation of any of the Rules and Regulations of the Building.

LESSOR: 
4842-1375-4467v.6 0001795-000332


40

LESSEE: 

21. Lessee shall store all its trash and garbage within its Demised Premises. Lessee shall not place in any trash box or receptacle any material which cannot be disposed of in the ordinary and customary manner of trash and garbage disposal. All garbage and refuse disposal shall be made in accordance with directions issued from time to time by Lessor.
22. The Demised Premises shall not be used for the storage of merchandise held for sale to the general public, or for lodging or for manufacturing of any kind, nor shall the Demised Premises be used for any improper, immoral or objectionable purpose. NO cooking shall be done or permitted by any tenant on the Demised Premises, except that use by Lessee of Underwriters' Laboratory approved equipment for brewing coffee, tea, hot chocolate and similar beverages shall be permitted, provided that such equipment and use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations.
23. Lessee shall not use in any space or in the public halls of the building any hand truck except those equipped with rubber tires and side guards or such other material-handling equipment as Lessor may approve. Lessee shall not bring any other vehicles of any kind into the Building.
24. Without the written consent of Lessor, Lessee shall not use the name of the Building in connection with or in promoting or advertising the business of Lessee except as Lessee's address.
25. Lessee shall comply with all safety, fire protection and evacuation procedures and regulations established by Lessor or any governmental agency.
26. Lessee assumes any and all responsibility for protecting its Demised Premises from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Demised Premises closed. Lessee agrees that the cost to repair any damage to the Building and Demised Premises, as a result of theft, robbery and pilferage, shall be borne by the Lessee.
27. The requirements of Lessee will be attended to only upon appropriate application to the office of the Building by an authorized individual. Employees of Lessor shall not perform any work or do anything outside of their regulated duties unless under special instructions from Lessor, and no employee of Lessor will admit any persons (Lessee or otherwise) to any office without specific instruction from Lessor.
28. Lessee shall not park its vehicles in any parking areas designated by Lessor as areas for parking by visitors to the Building. Lessee shall not leave vehicles in the Building parking areas overnight nor park any vehicles in the Building parking areas other than automobiles, motorcycles, motor drive or non-motor drive bicycles or four-wheeled trucks. Said vehicles improperly parked shall be subject to a fine of \$20.00 per day per violating vehicle or, upon 24 hours' notice, shall be subject to towing at the vehicle owner's expense.
29. Lessor may waive any one or more of these Rules and Regulations for the benefit of Lessee or any other tenant, but no such waiver by Lessor shall be construed as a waiver of such Rules and Regulations in favor of Lessee or any

LESSOR: 
4842-1375-4467v.6 0001795-000332

41

LESSEE: 

other tenant, nor prevent Lessor from thereafter enforcing any such Rules and Regulations against any or all of the tenants of the Building.

30. Smoking is not allowed in the Building at any time, or within 25' of the exterior footprint of the building.

31. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of any lease of premises in the Building.

32. Lessor reserves the right to make such other and reasonable Rules and Regulations as, in its judgment, may from time to time be needed for safety and security, for care and cleanliness of the Building and for the preservation of good order therein. Lessee agrees to abide by all such Rules and Regulations hereinabove stated and any additional rules and regulations which are adopted.

33. Lessee shall be responsible for the observance of all of the foregoing rules of lessee's employees, agents, clients, customers, invitees and guests.

34. Nothing in these Rules and Regulations is intended to alter any provisions of the Lease. In the event of conflict between any provisions in these Rules and Regulations and the provisions contained in the Lease, the provisions set forth in the Lease shall prevail.

LESSOR: 

4842-1375-4467v.6 0001795-000332

42

LESSEE: 

EXHIBIT "E"

CERTIFICATE OF LESSEE OCCUPATION DATE

Everett Mall Office Building LLC
1010 SE Everett Mall Way
Suite #100 and #102
Everett , WA 98208

RE: Lessee Occupation Date
Northwest Kidney Center
1010 S.E. Everett Mall Way, Suite #100 and #102
Everett, Washington 98208

To Whom It May Concern:

Per Section 4 (A) of the Lease Agreement between Everett Mall Office Building, LLC,
and Lessee, the Lessee Occupation Date, Rent Commencement Date and Lease
Expiration Dates are as follows:

Lessee Occupation Date: _____

Rent Commencement Date: _____

Lease Expiration Date: _____


If this date is in agreement with your records, please acknowledge by signing in the
space provided below and return a copy of this Exhibit "E" to our office as soon as
possible.

Northwest Kidney Center

Acknowledged By: _____

Its: _____

Return to Lessor at:
Everett Mall Office Building, LLC
1429 Ave D, #521
Snohomish, WA 98290

LESSOR: 
4842-1375-4467v.6 0001795-000332

43

LESSEE: 

EXHIBIT "F"

OPTION TO EXTEND

1. Lessee shall have the option to extend the Lease for three (3) successive additional periods of Five (5) years (each, a "Renewal Option") following the initial Lease Term hereof. The option shall only be exercised by the Lessee delivering written notice thereof to Lessor of not less than 12 months prior to the expiration of the initial term. The terms and conditions during the applicable renewal term shall be the same as the terms and conditions during the original term of the Lease, except for Base Rent payable during the applicable renewal term ("Option Rent"). Within thirty (30) days of Lessee's notice to Lessor, Lessor shall in writing notify Lessee of Lessor's good faith determination of the Option Rent, as defined herein. Within thirty (30) days of Lessee receiving notice of Lessor's calculation of the Option Rent, Tenant shall notify Landlord of its election to exercise the Renewal Option.

2. The Base Rent shall be adjusted on the first day of each option period for which a market rent is indicated (the "market adjustment dates") to an amount equal to the fair market rental rate for the Demised Premises as of the market adjustment dates, provided, however, that the fair market rental rate shall not take into consideration the value of the space attributable to the tenant improvements paid for by Lessee, but will reflect the value attributable to the tenant improvements paid for by Lessor, including free rent; in this regard, the parties shall detail which improvements were paid for by Lessee and which improvements were paid for by Lessor as an addendum to this Lease to occur at the time of Lessee Occupancy Date. When the arbitrator establishes rent, the arbitrator will also establish annual increases, consistent with market. The Base Rent for a part of a month shall be prorated in proportion to the number of days of the month included in the Term of this Lease.

3. If the parties cannot agree on a Fair Market Option Rent the matter shall be determined through binding arbitration. The fair market rental rate based upon the amount per rentable square feet realized for buildings comparable to the Demised Premises in the vicinity of the Demised Premises in current transactions where the rent has been freshly negotiated between non-affiliated parties for a lease term of a comparable period of time, and shall take into consideration tenant improvements paid for by Lessor, commissions, and any other concessions then being granted to tenant ("Comparable Transactions"). Lessor and Lessee agree for all purposes under this Lease that the Demised Premises contain 15,678 rentable square feet. The Demised Premises are not subject to remeasurement, provided, however, that in the event of an alteration changing the exterior walls of the Demised Premises, the area of the alteration only shall be subject to new measurement. The number of


LESSOR:

4842-1375-4467v.6 0001795-000332

44

LESSEE:

rentable square feet in the area of an alteration shall be computed pursuant to BOMA standards.

LESSOR: 
4842-1375-4467v.6 0001795-000332

45


LESSEE: 

EXHIBIT G
LESSEE RENOVATION SPACE PLANS
(TO BE ATTACHED)

LESSOR: 
4842-1375-4467v.6 0001795-000332

46


LESSEE: 

EXHIBIT G

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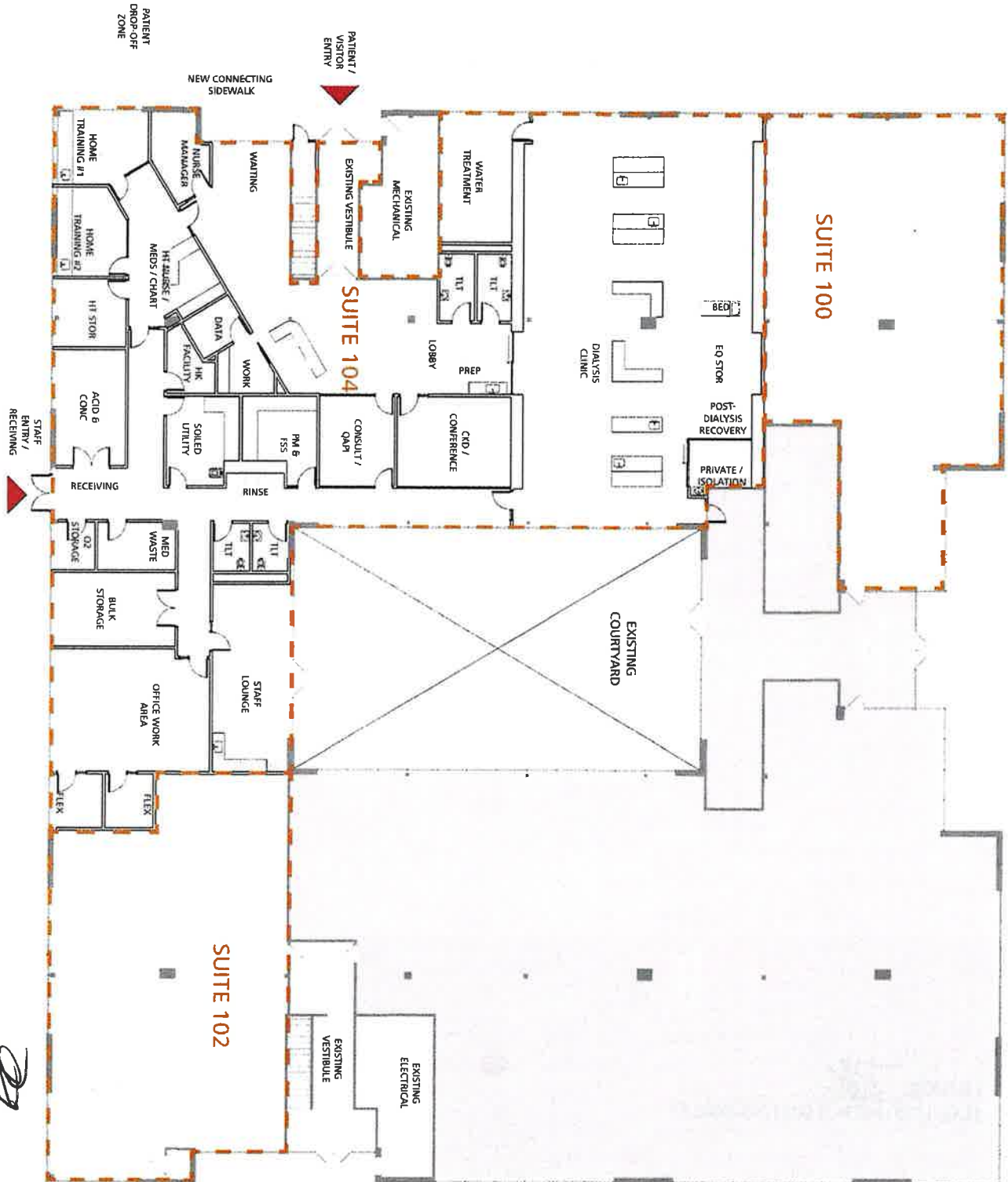


EXHIBIT "H"

SIGNAGE

1. Landlord will provide building standard interior suite signage. Any additional signage must be with landlord's written consent, be in accordance with local, city and state ordinances and shall be at Lessee's sole expense. Signage on the buildings existing monument sign will be available at Tenant's sole expense. Per attached signage plan exterior building signage will be allowed at locations as shown and at the Lessee's sole expense. All signage must be in accordance with all local, city and state ordinances.

No sign, placard, picture, advertisement, name or notice shall be installed or displayed on any part of the outside or inside of the Building without the prior written consent of the Lessor. Lessor shall have the right to remove, at Lessee's expense and without notice, any sign installed or displayed in violation of this rule. All approved signs or lettering on doors and walls shall be printed, painted, affixed or inscribed at the expense of Lessee by a person chosen by Lessor.

Notwithstanding the foregoing, Lessor hereby approves the following signage:

LESSOR:



4842-1375-4467v.6 0001795-000332

47

LESSEE:



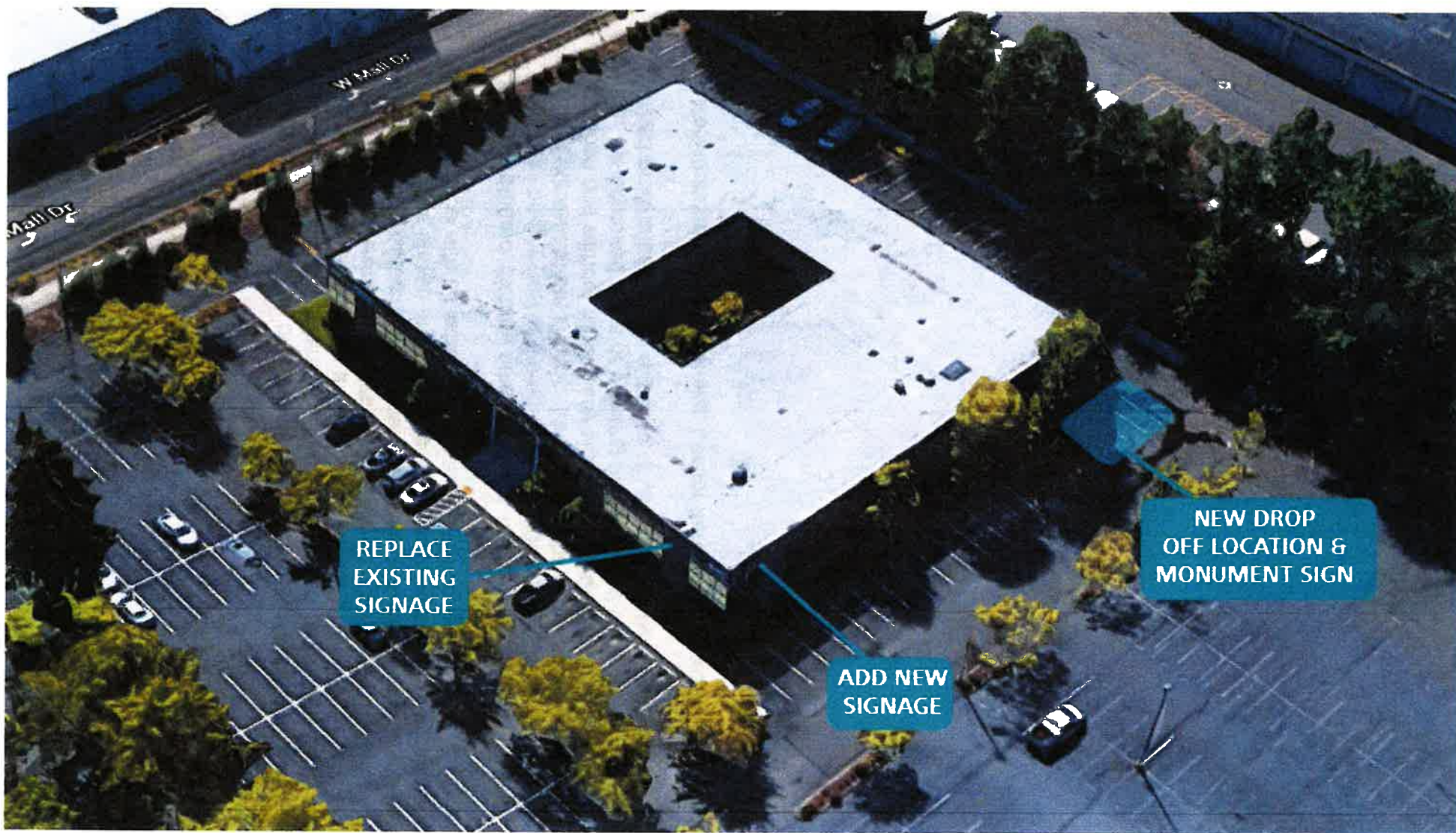


EXHIBIT H



EXHIBIT H



EXHIBIT H

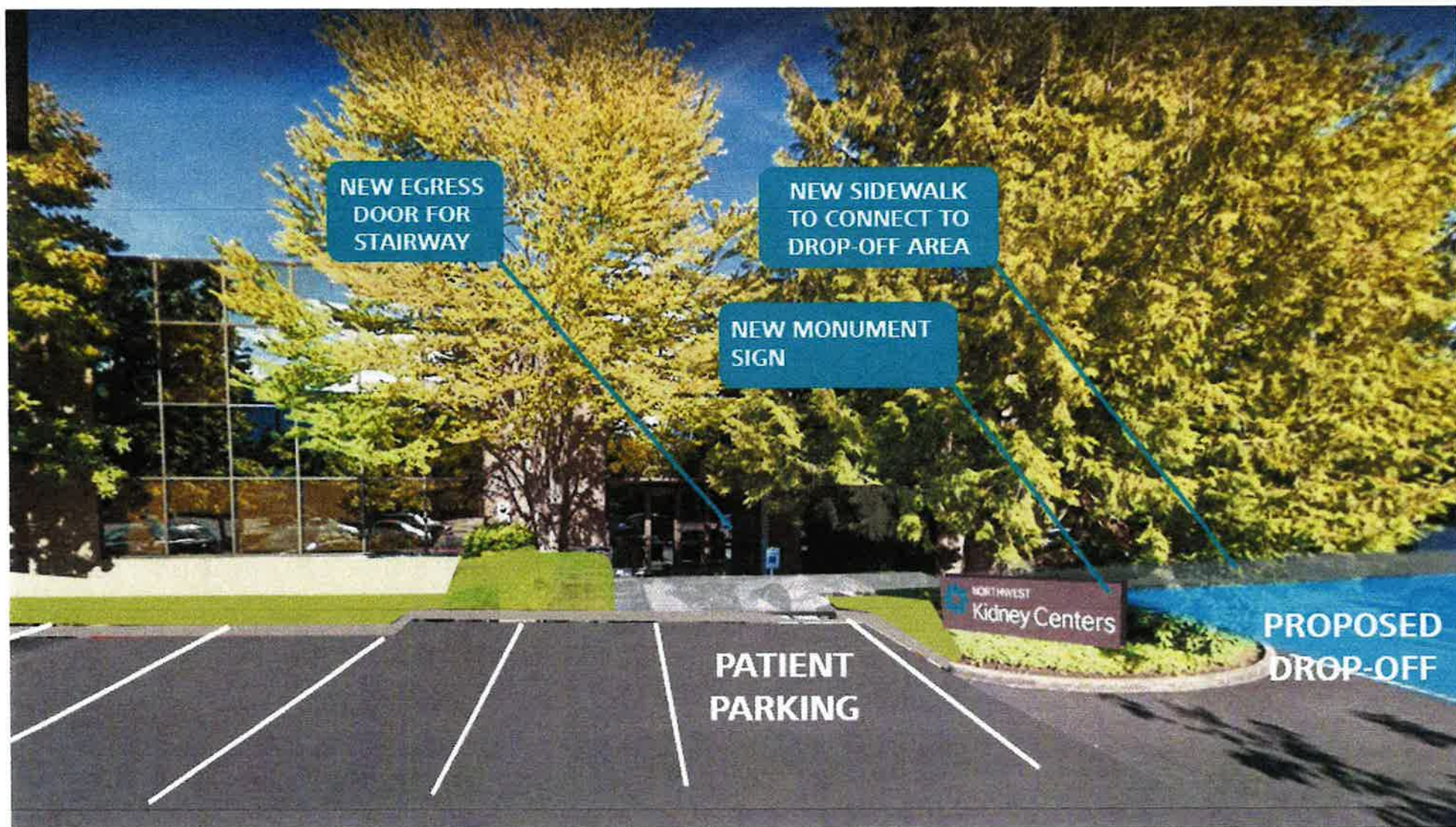


EXHIBIT H

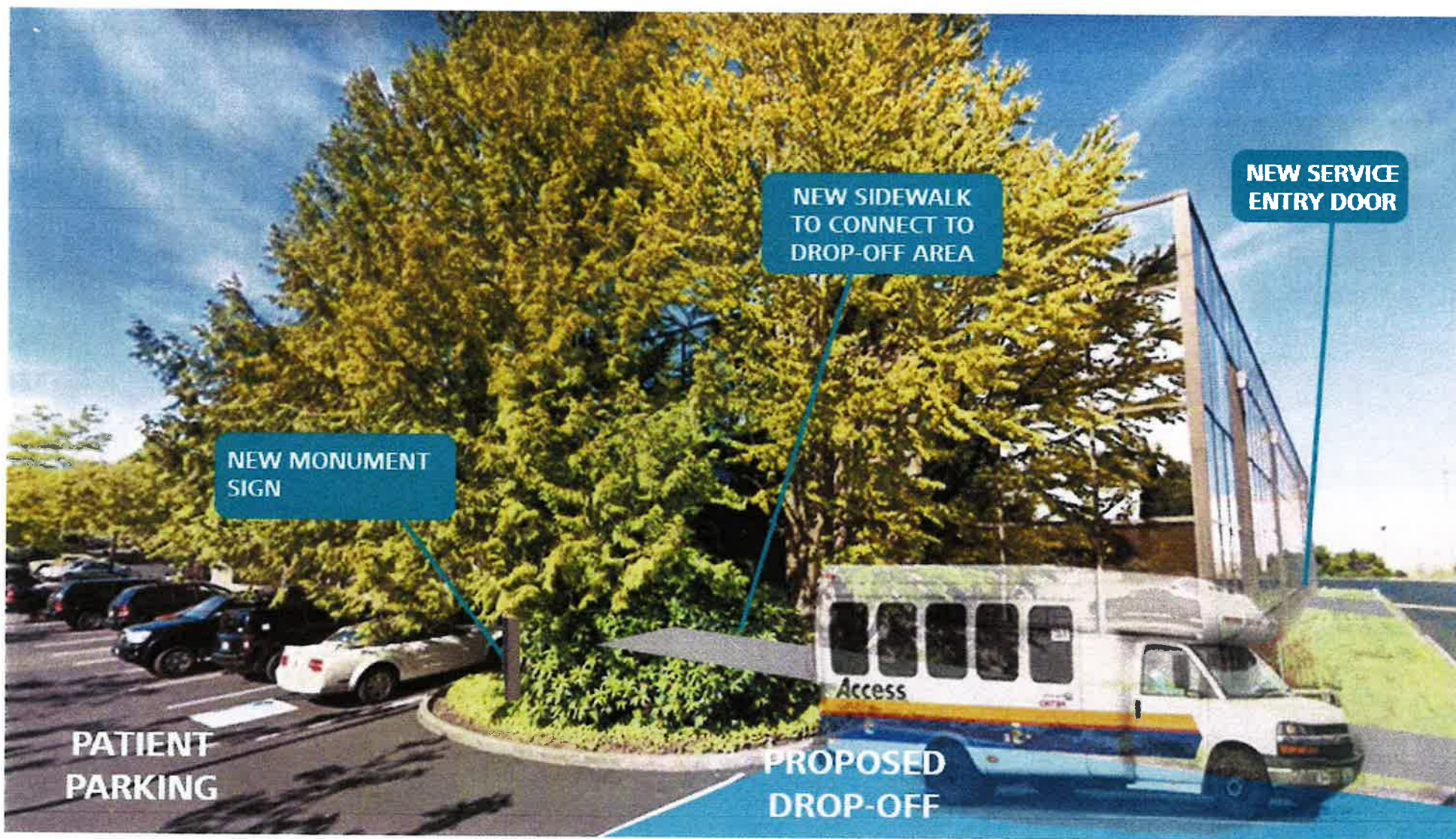



EXHIBIT H

EXHIBIT "I"


JANITORIAL SERVICES FOR COMMON AREAS

- A. Daily services 5X per week:
- (b) Carpet traffic lanes vacuumed and small spots removed.
 - (c) Hard surface floors wet mopped and cleaned.
 - (d) Empty waster receptacles and change liners, as needed.
 - (e) Collect recycle as needed, and dispose in designated collection bins.
 - (f) Furniture and trash containers neatly arranged.
 - (g) Spot clean exterior re-light glass.
- B. Weekly services:
- (a) Carpets vacuumed completely.
 - (b) Picture frames dusted and glass spot cleaned.
 - (c) Walls, light switches and cover plates spot cleaned and smudges removed.
 - (d) Door and jams spot cleaned and marks removed.
- C. Monthly services:
- (a) Dust ceiling vents and diffusers.
 - (b) Dust tops of doors, frames and "high" horizontal surfaces not requiring ladder access.

LESSOR: 
4842-1375-4467v.6 0001795-000332

48

LESSEE: 

 **Kidder Mathews**
Kidder Mathews
601 Union St Ste. 4720
Seattle, WA 98101
Phone: 206-296-9600
Fax: 206-296-9629

© Commercial Brokers
Association
ALL RIGHTS RESERVED



Form: SUB-LA
Sublease Addendum
Rev. 4/2019
Page 1 of 1

ADDENDUM/AMENDMENT TO CBA SUBLEASE

CBA Text Disclaimer: Text deleted by licensee indicated by strike.

The following is part of the Sublease Agreement, between United

Seattle, LLC, a Washington Limited Liability Company ("Subtenant")

And NW Kidney Center, a Washington Non-Profit Corporation ("Tenant"), dated 3/9/2021,

regarding the lease of the Property known as: 1010 SE Everett Mall Way SE 100, Everett, WA 98208

IT IS AGREED BETWEEN THE TENANT AND SUBTENANT AS FOLLOWS: _____

Recitals

Tenant entered into its initial lease with Everett Mall Office Building, LLC, a Washington Limited Liability Company dated June 14, 2018.

Subtenant and Tenant fully executed their original sublease dated March 9, 2021.

Tenant and Subtenant now desire to amend the original sublease to provide for the expansion of the original premises and extension of the sublease expiration date, all upon the terms and subject to the conditions set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree that the original Sublease is hereby amended as follows:

Subtenant is expanding its Premises by subleasing suite 102, totaling 2,977 rentable square feet (see attached space plan in Exhibit A) for a new total Sublease Premises of approximately 5,853 rentable square feet.

Landlord is delivering suite 102 in its current AS-IS, WHERE-IS condition. Tenant warrants that the HVAC system has been examined by a licensed HVAC contractor, who confirmed that it is operating properly for the existing Suite 102 configuration. Tenant also warrants that lighting fixtures are in the working condition. Tenant will absorb costs to fix lights and/or HVAC if they are not working properly in the existing Suite 102 configuration.

The Sublease Commencement Date for the expansion suite 102 is June 15, 2022, and the corresponding Sublease Expiration Date for both suites 100 and 102 is June 30, 2026. Upon full execution of this Amendment to the existing Sublease, including Landlord consent, Subtenant shall be entitled to receive keys from Tenant in order to prepare suite 102 for occupancy. No rent shall be charged during this pre-occupancy period, up until June 15, 2022.

Northwest Kidney Center
6/7/22
MK
TK
6/9/22

The base rent Schedule for suite 102 only is:

June 15, 2022 – June 14, 2023: \$2,790.94/mo + pro-rated NNN operating expenses/taxes

June 15, 2023 – June 14, 2024: \$2,874.67/mo + pro-rated NNN operating expenses/taxes

June 15, 2024 – June 14, 2025: \$2,960.91/mo + pro-rated NNN operating expenses/taxes

June 15, 2025 – June 30, 2026: \$3,049.73/mo + pro-rated NNN operating expenses/taxes

*As long as Subtenant is not in default, base rent for suite 102 only shall be abated for the period June 15, 2022 – November 14, 2022. Base rent due for any partial months shall be pro-rated for the number

of days in each respective month. No abatement period shall apply to Subtenant's pro rata share of operating costs/taxes, which shall be charged from June 15, 2022.

The above base rent schedule for suite 102 is in addition to the existing base rent schedule in the original Sublease for suite 100. Base rent for the suite 100 extension term shall continue under the existing suite 100 lease schedule, but shall escalate by 3% for each 12 month period through the new lease expiration date of June 30, 2026, as shown below:

July 1, 2024 – March 31, 2025: \$3,535.51.51/mo + pro-rated NNN operating expenses/taxes

April 1, 2025 – March 31, 2026: \$3,641.58/mo + pro-rated NNN operating expenses/taxes

April 1, 2026 – June 30, 2026: \$3,750.83/mo + pro-rated NNN operating expenses/taxes

Subtenant's Sublease Share percentage identified in section 11 of the initial Sublease shall be changed to 37.3%.

The existing security deposit of \$10,545 for the suite 100 initial Sublease shall be increased by \$5,000 for the suite 102 expansion, for a total Security Deposit of \$15,545, payable upon full lease execution.

Brokerage Representation. Tenant and Subtenant acknowledge that Kidder Mathews is the licensed broker associated with this sublease amendment and that Kidder Mathews is representing Tenant and that Subtenant is self-represented. Tenant shall be responsible for the sublease real estate fee, which equals five percent (5%) of the Base Rent payable for the existing sublease suite 100 extension period and the entire expansion sublease suite 102 term, which fee is payable upon mutual execution of this sublease amendment.

ALL OTHER TERMS AND CONDITIONS of said Agreement remain unchanged.

INITIALS:

Tenant: _____ Date: _____ Subtenant: TR Date: 6-3-2022
Tenant: [Signature] Date: 6/8/2022 Subtenant: _____ Date: _____

TENANT:
NW KIDNEY CENTER,
a Washington Non-Profit Corporation,

MAUREEN T OREILLY
Notary Public
State of Washington
Commission # 197464
My Comm. Expires Jan 3, 2026

By: _____

Name: Robin Larmer
Title: VP of Legal Affairs - Chief Compliance officer
Date: 6/8/2022

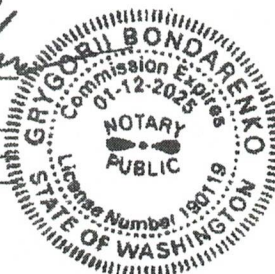
State of Washington
County of King

I certify that I know or have satisfactory evidence that Robin Larmer (name of person) is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the signing authority (type of authority, e.g., officer, trustee, etc.) of NW KIDNEY CENTER, a Washington Non-Profit Corporation (name of party on behalf of whom instrument was executed) to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: June 8, 2022
Notary Public for the State of Washington
My appointment expires: 1/3, 2026

SUBTENANT:
UNITED SEATTLE, LLC
a Washington Limited Liability Company,

By: Timothy Karpowicz
Name: Timothy Karpowicz
Title: CEO
Date: 06-05-22



State of Washington

County of King

I certify that I know or have satisfactory evidence that Timofey Karpenko (name of person) is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the

CEO (type of authority, e.g., officer, trustee, etc.) of UNITED SEATTLE, LLC (name of party on behalf of whom instrument was executed) to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 06-03, 2022

Notary Public for the State of Washington

My appointment expires: 01/12, 2025

LANDLORD CONSENT TO ADDENDUM/AMENDMENT TO SUBLEASE

LANDLORD:

EVERETT MALL OFFICE BUILDING, LLC
a Washington Limited Liability Company,

By: Ralph Kirtley

Name: RALPH KIRTLEY

Title: MANAGING MEMBER

Date: 6/9/22

State of Washington

County of King CHELAN

I certify that I know or have satisfactory evidence that RALPH KIRTLEY (name of person) is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the

MANAGING MEMBER (type of authority, e.g., officer, trustee, etc.) of EVERETT MALL OFFICE BUILDING, LLC (name of party on behalf of whom instrument was executed) to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: JUNE 9, 2022

Debra L. Sager
Notary Public for the State of Washington

My appointment expires: AUGUST 22, 2022

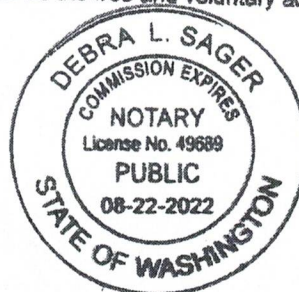


Exhibit A

Sublease Premises Suites 100 & 102

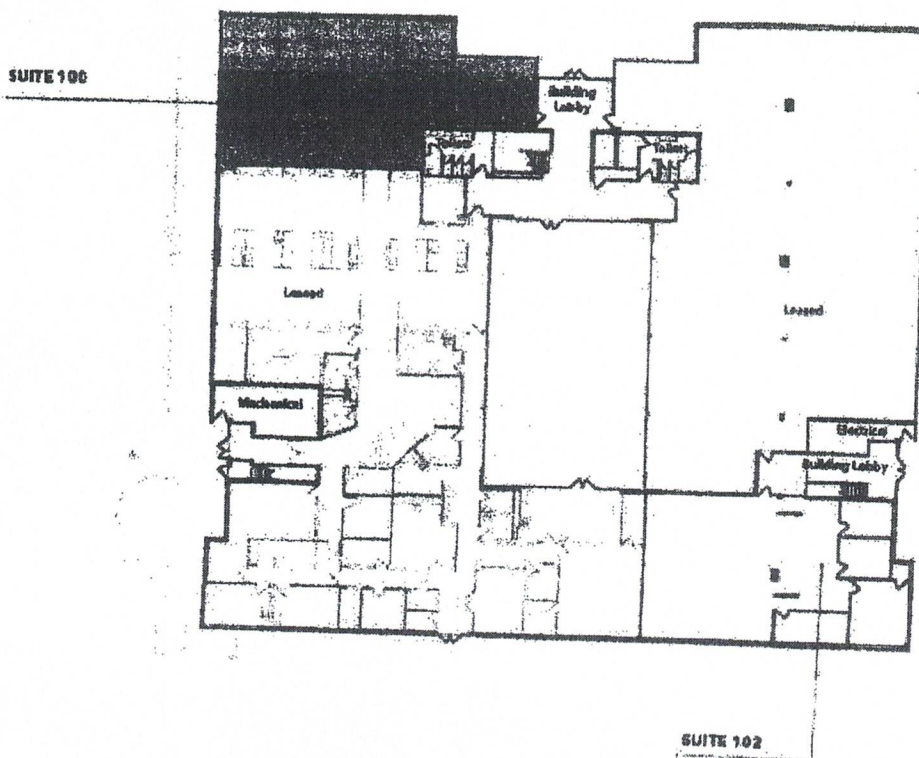


Exhibit B

Legal Description

See the legal description exhibit in the master lease attached to the initial sublease.

Exhibit 10
Snohomish County Assessor Information

Property Account Summary

10/9/2023

Parcel Number	28051800306600	Property Address	1010 SE EVERETT MALL WAY , EVERETT, WA 98208-2855
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General Information

Property Description	Section 18 Township 28 Range 05 Quarter SW SEG D FOR TAX PURPOSES ONLY FOR EXEMPTION: LESS 15678 SF OF APPRVD BLDG & LESS 2475SF (0.06AC) OF LAND ON FDP: TH PTN SE1/4 SW1/4 DAF - BEG W LN SEC 18DIST N00*41 04E 265.45FTFR SW COR SD SEC TH ALG SLY MGN S/HY (BROADWAY CUTOFF) N69*14 20E 2417.91FT TH S20*45 40E 50FT TH S 365.22FT TO TPB TH S 402.52FT TH S89*23 47E 253.13FT TO W LN OF E 30FT INWIDTH OF SD SUB TH S00*14 26E ALG W LN 298.18FT TO N MGN OF 100TH ST SW TH S89*29 01E ALG SD N MGN 30FT TO E LN SD SUB TH N 00*14 26W ALG SD E LN 700.68FT TAP WH BEARS S89*23 47E FR TPB TH N89*23 47W281.44FT TO TPB; PER WA STATE DOR REG # 04137-026 ; REFER TO APN 28051800306601 FOR REMAINDER
Property Category	Land and Improvements
Status	Active, Host Other Property, Locally Assessed
Tax Code Area	00010

Property Characteristics

Use Code	639 Other Business Services NEC
Unit of Measure	Acre(s)
Size (gross)	2.76

Parties

Role	Percent	Name	Address
Taxpayer	100	EVERETT MALL OFFICE BUILDING LLC	1429 AVE D PMB 521, SNOHOMISH, WA 98290-1742
Owner	100	EVERETT MALL OFFICE BUILDING LLC	1010 SE EVERETT MALL WAY STE 102, EVERETT, WA 98208

Related Properties

2951300 is Located On this property
 2910014 is Located On this property
 2818764 is Located On this property
 2774376 is Located On this property
 2773494 is Located On this property
 0241737 is Located On this property

Property Values

Value Type	Tax Year 2023	Tax Year 2022	Tax Year 2021	Tax Year 2020	Tax Year 2019
Taxable Value Regular	\$8,877,500	\$6,434,700	\$6,265,600	\$7,658,000	\$7,435,000
Exemption Amount Regular					
Market Total	\$8,877,500	\$6,434,700	\$6,265,600	\$7,658,000	\$7,435,000
Assessed Value	\$8,877,500	\$6,434,700	\$6,265,600	\$7,658,000	\$7,435,000
Market Land	\$4,301,900	\$2,759,500	\$2,759,500	\$2,561,300	\$2,108,600
Market Improvement	\$4,575,600	\$3,675,200	\$3,506,100	\$5,096,700	\$5,326,400
Personal Property					

Active Exemptions

No Exemptions Found

Events

Effective Date	Entry Date-Time	Type	Remarks
07/05/2023	07/05/2023 14:28:00	Tax Bill Recalculation	Department of Revenue for 2022 performed by strbkr
07/05/2023	07/05/2023 14:28:00	Tax Bill Recalculation	Department of Revenue for 2023 performed by strbkr
07/05/2023	07/05/2023 14:27:00	Tax Bill Recalculation	Department of Revenue for 2021 performed by strbkr
05/22/2023	05/22/2023 10:48:00	Tax Bill Recalculation	Department of Revenue for 2021 performed by strbkr
05/22/2023	05/22/2023 10:48:00	Tax Bill Recalculation	Department of Revenue for 2022 performed by strbkr
05/22/2023	05/22/2023 10:48:00	Tax Bill Recalculation	Department of Revenue for 2023 performed by strbkr
06/03/2022	06/03/2022 14:10:00	Tax Bill Recalculation	Seg/Merge for 2022 performed by stratr
06/03/2022	06/03/2022 14:09:00	Tax Bill Recalculation	Seg/Merge for 2021 performed by stratr
05/27/2022	05/27/2022 16:14:00	Property Characteristic Changed	2022 Size (gross) changed from 2.82 to 2.76 by sasard
05/27/2022	05/27/2022 16:00:00	Value Modification	Type: Value Change Due to Segregation/Merger, Status: Approved, Tax Year: 2022 by sasard
05/24/2022	05/24/2022 12:14:00	Value Modification	Type: Value Change Due to Segregation/Merger, Status: Under Review, Tax Year: 2022 by sasard
05/24/2022	05/24/2022 10:41:00	Seg/Merge Completed	Parent in Seg/Merge S220183, Effective: 01/01/2020 by sasard
05/24/2022	05/24/2022 10:41:00	Value Modification	Value Change Due to Segregation/Merger: S220183 by sasard
03/12/2013	03/12/2013 14:22:00	Taxpayer Changed	Party/Property Relationship by strjac
03/07/2013	03/07/2013 14:22:00	Tax Bill Recalculation	Other for 2013 performed by strlsb
12/03/2012	12/03/2012 00:00:00	Property Account Terminated	Property Account Terminated by SASPGS
09/09/2012	09/09/2012 20:49:00	Property Characteristic Changed	USECD changed from 614 to 639 by sasjtm
08/22/2012	08/22/2012 09:06:00	The situs address has changed	by SASPGS
01/01/2012	08/22/2012 09:06:00	Property Account Created	Itemized Property Created by SASPGS

01/01/2012	08/22/2012 09:06:00	Taxpayer Changed	Tax Payer added in Itemized Property by SASPGS
07/09/2003	07/25/2003 14:33:00	Taxpayer Changed	Property Transfer Filing No.: 179380 07/09/2003 by sasjab
07/09/2003	07/25/2003 14:33:00	Owner Terminated	Property Transfer Filing No.: 179380 07/09/2003 by sasjab
07/09/2003	07/25/2003 14:33:00	Owner Added	Property Transfer Filing No.: 179380 07/09/2003 by sasjab
07/09/2003	07/11/2003 09:20:00	Excise Processed	Property Transfer Filing No.: 179380, Special Warranty Deed 07/09/2003 by strnls
07/09/2003	07/11/2003 09:20:00	Taxpayer Changed	Property Transfer Filing No.: 179380 07/09/2003 by strnls

Tax Balance

Installments Payable

Tax Year	Installment	Due Date	Principal	Interest, Penalties and Costs	Total Due	Cumulative Due
2023	2	10/31/2023	\$36,449.75	\$0.00	\$36,449.75	\$36,449.75

Distribution of Current Taxes

District	Rate	Amount	Voted Amount	Non-Voted Amount
CENTRAL PUGET SOUND REGIONAL TRANSIT AUT	0.16	\$1,382.76	\$0.00	\$1,382.76
CITY OF EVERETT	1.88	\$16,721.81	\$3,298.47	\$13,423.34
EVERETT SCHOOL DISTRICT NO 2	3.28	\$29,120.15	\$29,120.15	\$0.00
PORT OF EVERETT	0.19	\$1,644.61	\$0.00	\$1,644.61
SNOHOMISH COUNTY-CNT	0.48	\$4,238.56	\$0.00	\$4,238.56
STATE	2.23	\$19,791.61	\$0.00	\$19,791.61
TOTAL	8.21	\$72,899.50	\$32,418.62	\$40,480.88

Pending Property Values

Pending Tax Year	Market Land Value	Market Improvement Value	Market Total Value	Current Use Land Value	Current Use Improvement	Current Use Total Value
2024	\$4,350,900.00	\$5,284,700.00	\$9,635,600.00	\$0.00	\$0.00	\$0.00

Levy Rate History

Tax Year	Total Levy Rate
2022	9.155779
2021	9.934227
2020	11.225217

Real Property Structures

Description	Type	Year Built	More Information
	Commercial	1980	View Detailed Structure Information

Receipts

Date	Receipt No.	Amount Applied	Amount Due
07/20/2023 00:00:00	12868005	\$62,243.89	\$72,899.50
07/20/2023 00:00:00	12868006	\$58,914.69	\$36,449.75
07/20/2023 00:00:00	12868007	\$36,449.75	\$0.00
04/27/2023 00:00:00	12814612	\$0.00	\$72,909.78
10/27/2022 00:00:00	12516304	\$0.00	\$29,461.46

04/21/2022 00:00:00	<u>12098228</u>	\$0.00	\$74,398.95
10/20/2021 00:00:00	<u>11788066</u>	\$0.00	\$39,184.71
04/20/2021 00:00:00	<u>11522911</u>	\$0.00	\$78,369.42
10/22/2020 00:00:00	<u>11217309</u>	\$42,985.47	\$42,985.47
04/27/2020 00:00:00	<u>11074078</u>	\$42,985.47	\$85,970.94
10/23/2019 00:00:00	<u>10658408</u>	\$41,466.72	\$41,466.72
04/19/2019 00:00:00	<u>10477492</u>	\$41,466.72	\$82,933.44
10/23/2018 00:00:00	<u>10215057</u>	\$44,792.92	\$44,792.92
04/18/2018 00:00:00	<u>9801895</u>	\$44,792.92	\$89,585.84

Sales History

Sale Date	Entry Date	Recording Number	Sale Amount	Excise Number	Deed Type	Transfer Type	Grantor(Seller)	Grantee(Buyer)	Other Parcels
07/09/2003	07/11/2003		\$5,300,000.00	179380	W	S	CURRAN PROPERTIES L P	EVERETT MALL OFFICE BUILDING LLC	No

Property Maps

Neighborhood Code	Township	Range	Section	Quarter	Parcel Map
5406000	28	05	18	SW	View parcel maps for this Township/Range/Section

Exhibit 11 Key Staff

Payroll Name	Job Title Description	LocationId	License/Certification Description	License/Certification ID	Expiration Date	ReportsToName	Reports to Email
Flores, Eduardo	PerDiem Dialysis Tech II	EVKC	Medical Assistant Hemodialysis Technicia	HT60365598	03/16/2024	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Lumio, Maria Luisa B	Dialysis Technician II	EVKC	National Certification Test	NA	09/30/2026	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Au, Hazel Lingzee	Dialysis Technician II	EVKC	Medical Assistant Hemodialysis Technicia	HT61400651	11/23/2023	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Jaramillo, Marlene	Dialysis Technician II	EVKC	Medical Assistant Hemodialysis Technicia	HT60372341	12/15/2023	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Baylon, Arlyn Palacios	Registered Nephrology Nurse	EVKC	Registered Nurse	RN60138886	01/08/2024	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Cajayon, Bryan A	Registered Nephrology Nurse	EVKC	Registered Nurse	RN61064524	01/11/2024	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Egtvedt, Karen R	Registered Nephrology Nurse	EVKC	Registered Nurse	RN60274940	01/28/2024	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Mall, Eliphaz	Dialysis Technician II	EVKC	National Certification Test	NA	02/29/2024	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Flores, Eduardo	PerDiem Dialysis Tech II	EVKC	Medical Assistant Hemodialysis Technicia	HT60365598	03/16/2024	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Au, Hazel Lingzee	Dialysis Technician II	EVKC	National Certification Test	NA	05/12/2024	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Lumio, Maria Luisa B	Dialysis Technician II	EVKC	Medical Assistant Hemodialysis Technicia	HT60951359	06/07/2024	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Go, Philippe Steven Cabuguas	Registered Nephrology Nurse	EVKC	Registered Nurse	RN61052209	06/29/2024	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Jaramillo, Marlene	Dialysis Technician II	EVKC	Medical Assistant Hemodialysis Technicia	HT60372341	12/15/2023	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Mall, Eliphaz	Dialysis Technician II	EVKC	Medical Assistant Hemodialysis Technicia	HT60365631	07/01/2024	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Dael, Norma G	Registered Nephrology Nurse	EVKC	Registered Nurse	RN00152214	07/24/2024	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Cardona, Fely E	Dialysis Technician II	EVKC	National Certification Test	NA	07/31/2024	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Cardona, Fely E	Dialysis Technician II	EVKC	Medical Assistant Hemodialysis Technicia	HT60366042	09/21/2024	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Sellers, Maolin C	PerDiem Dialysis Tech II	EVKC	Medical Assistant Hemodialysis Technicia	HT60894148	04/17/2025	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Sellers, Maolin C	PerDiem Dialysis Tech II	EVKC	National Certification Test	NA	06/30/2025	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Afante, Sherrylyn C	Clinical Unit Coordinator	EVKC	NA	NA	NA	Abero, Charmaine	Charmaine.Abero@nwkidney.org
Abero, Charmaine	Nurse Manager	EVKC	Registered Nurse	RN00170205	05/07/2024	Whitley- Mackness, Tc	Tosha.Mackness@nwkidney.org
Whitley-Mackness, Tosha	Clinical Director	EVKC	Registered Nurse	RN00130253	12/09/2023	Thomasson, Heather	Heather.Thomasson@nwkidny.org

Exhibit 12
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	206-804-8327	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	206-292-2705	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 Enumclaw	857 Roosevelt Way, E.	Enumclaw	WA	98022-9239	360-825-2050	360-825-2103	253-397-6505 & 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	253-943-6345	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	206-365-0755	206-365-5542	206-465-9466 & 206-708-3431	206-365-0775	
NKC Panther Lake Kidney Center	10821 SE 204th Street	Kent	WA	98031	253-354-6702	253-354-6704	253-308-6575		
NKC Port Angeles Kidney Center	707 South Chase Street	Port Angeles	WA	98362	360-565-1435	360-565-1440	360-808-3091 & 360-912-1153		
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	425-251-1638	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	206-364-1674	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 & 206-755-1592	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, 2020

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 26
Supplementary Schedule:	
Consolidating Statement of Financial Position	27

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	<u>\$ 66,196,546</u>	<u>\$ 65,891,686</u>

Note 5 - Investment Return

Return on investments is presented in the consolidated statement of activities as follows:

	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	<u>\$ 3,044,822</u>	<u>\$ 3,842,245</u>

Note 6 - Beneficial Interest in Split-Interest Agreements

The Organization is a beneficiary in a perpetual trust held by a third party. The trust provides that the Organization receive annual income in the amount of the minimum investment return (as defined in IRC section 4942) or \$10,000, whichever is greater.

The Organization is also named as a 13.33% beneficiary of assets held by a foundation for the benefit of various nonprofit agencies. The principal, which is held in perpetuity, is administered by the trustee of the foundation and provides for annual earnings distributions to the Organization.

There are no restrictions associated with the income on either split-interest agreement. The split-interest agreements are recorded at market value, and changes in market value are recognized in the consolidated statement of activities as a donor restricted change in the value of the split-interest agreements.

NORTHWEST KIDNEY CENTERS

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

Note 7 - Property and Equipment

Cost and accumulated depreciation and amortization of property and equipment are summarized as follows at June 30:

	2020	2019
Cost-		
Land	\$ 14,297,031	\$ 11,309,141
Buildings and improvements	79,133,780	29,746,569
Leasehold improvements	46,018,038	45,745,096
Medical, office equipment, software and other	45,559,383	38,934,833
Projects in progress	10,936,832	42,027,141
	195,945,064	167,762,780
Accumulated depreciation and amortization-		
Buildings and improvements	(20,861,976)	(20,537,498)
Leasehold improvements	(29,635,081)	(26,444,079)
Medical, office equipment, software and other	(31,781,440)	(28,576,861)
	(82,278,497)	(75,558,438)
Total Property and Equipment, Net	<u>\$ 113,666,567</u>	<u>\$ 92,204,342</u>

As of June 30, 2019, projects in progress included multiple projects associated with incremental expansion of capacity for select facilities, or property improvement initiatives and included property improvements for two clinic locations.

As of June 30, 2020, projects in progress include improvements for two additional clinic locations.

Note 8 - Long-Term Debt

2012 Bonds - In December 2012, the Organization entered into a \$10,400,000 tax-exempt financing through the private placement of bonds that were issued by the Washington Health Care Facilities Authority (WHCFA). In connection with this financing, the Organization signed a promissory note with a bank. The note bears fixed interest at 1.72% through the reset date of January 1, 2020, at which point the interest rate may be reset. This bond was paid off during the year ended June 30, 2020.

2018 Bonds - In June 2018, the Organization entered into a tax-exempt financing of up to \$43,175,000 through the private placement of bonds that were issued by WHCFA. The bond indenture allows for a 15-month interest-only draw down period. In connection with this financing, the Organization signed a promissory note with a bank. The note bears variable interest based on the LIBOR Index Rate. The interest resets monthly. The rate was 2.7119% on the date of issuance, and 1.12% at June 30, 2020. The future principal payments on the note are based on the fixed payment under the swap agreement (Note 9). The debt is collateralized by the land and future construction of the Rainier Beach Kidney Center, and the land and future construction of the Burien campus. The note matures on June 1, 2048, but has a bank repurchase date of June 1, 2028. The carrying value of the pledged collateral as of June 30, 2020 and 2019, was approximately \$49,479,000 and \$41,207,000, respectively.

NORTHWEST KIDNEY CENTERS

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

Note 8 - Continued

2019 Bonds - In August 2019, the Organization entered into a tax-exempt financing of up to \$9,525,000 through the private placement of bonds that were issued by WHCFA. The bond indenture allows for a 15-month interest-only draw down period. In connection with this financing, the Organization signed a promissory note with a bank. The note bears variable interest based on the LIBOR Index Rate. The interest resets monthly. The rate was 3.06% on the date of issuance, and 1.38% at June 30, 2020. The debt is collateralized by the Renton Kidney Center, and the Bellevue Kidney Center. The note matures on August 1, 2044, but has a bank repurchase date of August 1, 2029. The carrying value of the pledged collateral as of June 30, 2020 was approximately \$12,609,000.

2019 Loan - In August 2019, the Organization entered into a five-year taxable term loan agreement with a bank for approximately \$6,651,000 to refund the 2012 tax-exempt financing. The loan bears a fixed annual interest rate of 2.85%. The debt is collateralized by the 700 Broadway property and the Lake City property. After the refinancing, the note requires monthly principal and interest payments of \$118,160. The carrying value of the pledged collateral as of June 30, 2020, was approximately \$10,768,000.

Long-term debt consisted of the following at June 30:

	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	\$ 86,450,782	\$ 88,710,632

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

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Changes in Net Assets	4 - 5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 30
Supplementary Schedule:	
Consolidating Statement of Financial Position	31

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)**

	2021	2020
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	2,003,726	1,117,079
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	756,761	1,159,055
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)	8,446,143	(2,509,115)
Excess of Revenues and Support Over Expenses	\$ 15,087,758	\$ 5,937,264

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

	2021	2020
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
Ending Balance of Allowance for Doubtful Accounts	\$ -	\$ 852,786

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:

	2021	2020
Medicare and Medicaid	49%	41%
Other third-party payors and hospitals	51%	59%
	100%	100%

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

	2021	2020
Medicare and Medicaid	68%	73%
Other third-party payors and hospitals	32%	27%
	100%	100%

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:

	2021	2020
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	3,824,131	3,225,564
Total Investments	<u>\$ 73,868,111</u>	<u>\$ 66,914,344</u>

Note 5 - Investment Return

Return on investments is presented in the consolidated statement of operations and changes in net assets as follows:

	2021	2020
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	(198,481)	(171,258)
Total Return on Investments, Net	<u>\$ 15,108,385</u>	<u>\$ 3,044,822</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.



Consolidated Financial Statements
For the Year Ended June 30, 2022

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Changes in Net Assets	4 - 5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 30
Supplementary Schedule:	
Consolidating Statement of Financial Position	31

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Northwest Kidney Centers (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, 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 financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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
December 2, 2022

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Financial Position

June 30, 2022

(With Comparative Totals for 2021)

	2022	2021
Assets		
Current Assets:		
Cash and cash equivalents	\$ 7,472,854	\$ 6,162,638
Current portion of receivables, net (Note 2)	20,997,058	20,909,330
Third party settlements receivable, net (Note 3)	1,669,787	1,586,563
Inventories	1,688,186	1,540,374
Prepaid expenses	1,233,968	1,169,720
Total Current Assets	33,061,853	31,368,625
Long-term portion of pledges receivable (Note 2)	200,000	302,123
Investments (Note 4)	94,454,712	65,056,302
Assets limited as to use-		
Pledges for the acquisition of long-term assets (Note 2)	1,312,283	1,165,968
Board-designated endowment investments (Note 4)	3,819,303	4,535,190
Donor-restricted endowment investments (Note 4)	3,257,387	3,824,131
Deposits	128,370	163,370
Deferred compensation investments (Notes 4 and 9)	115,067	452,488
Beneficial interest in split-interest agreements (Note 6)	1,631,522	1,848,862
Property and equipment, net (Note 7)	121,394,249	112,135,623
Total Assets	\$ 259,374,746	\$ 220,852,682
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 4,143,873	\$ 2,996,704
Construction payable	3,522,425	1,233,553
Current portion of pledge to the University of Washington (Note 12)	696,650	1,393,248
Current portion of deferred rent (Note 11)	657,967	99,086
Accrued expenses	6,748,658	7,224,529
Current portion of long-term debt (Note 8)	1,567,198	1,542,092
Total Current Liabilities	17,336,771	14,489,212
Deferred compensation (Note 9)	115,067	452,488
Deferred tenant leasehold allowance (Note 11)	1,432,151	1,229,475
Deferred rent, net of current portion (Note 11)	2,596,589	1,092,644
Long-term pledge to the University of Washington, net of current portion (Note 12)	600,000	600,000
Long-term debt, net (Note 8)	67,894,056	55,258,943
Total Liabilities	89,974,634	73,122,762
Net Assets:		
Without donor restrictions-		
Undesignated	156,960,614	134,207,363
Board designated (Note 13)	3,819,303	4,535,190
Total net assets without donor restrictions	160,779,917	138,742,553
Net assets with donor restrictions (Note 14)	8,620,195	8,987,367
Total Net Assets	169,400,112	147,729,920
Total Liabilities and Net Assets	\$ 259,374,746	\$ 220,852,682

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Operations and Changes in Net Assets **For the Year Ended June 30, 2022** **(With Comparative Totals for 2021)**

	2022	2021
Net Assets Without Donor Restrictions		
Revenues and Support From Operations:		
Net patient service revenue (Note 2)	\$ 127,430,765	\$ 125,495,952
Contributions	2,561,925	813,726
Federal provider relief funding (Note 2)		496,228
CMS cost savings revenue		2,049,338
Gain (loss) on sale or disposition of property and equipment	32,216,309	(136,743)
Investment income and realized gains on investments, net (Note 5)	2,629,940	5,968,491
Net assets released from restrictions for program purposes other than grants	1,856,248	2,003,726
Total Revenues and Support From Operations	166,695,187	136,690,718
Expenses From Operations:		
Program services	112,996,420	105,658,986
Management and general	15,363,114	20,071,109
Fundraising expenses	865,027	756,761
Total Expenses From Operations	129,224,561	126,486,856
Operating Income	37,470,626	10,203,862
Other Revenues, Support and Expenses:		
Gifts and grants to others	(2,735,650)	(3,272,962)
Net assets released from restriction for grants	459,589	334,821
Loss on debt extinguishment		(624,106)
Unrealized (losses) gains on investments, net (Note 5)	(13,201,893)	8,446,143
Excess of Revenues and Support Over Expenses	\$ 21,992,672	\$ 15,087,758

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Operations and Changes in Net Assets (Continued)
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Net assets, beginning	\$ 138,742,553	\$ 8,987,367	\$ 147,729,920	\$ 128,525,308
Excess of revenues and support over expenses	21,992,672		21,992,672	15,087,758
Contributions		2,338,847	2,338,847	2,525,528
Contributions for capital purchases or endowment		348,956	348,956	940,450
Unrealized (losses) gains on investments		(468,479)	(468,479)	693,751
Change in value of interest rate swap contract (Note 9)				2,412,599
Other	(8,628)		(8,628)	(309,608)
Net assets released from restrictions for programs		(2,315,837)	(2,315,837)	(2,338,547)
Net assets released from restrictions for capital purchases	53,320	(53,320)		
Change in value of split-interest agreements (Note 6)		(217,339)	(217,339)	192,681
Change in net assets	22,037,364	(367,172)	21,670,192	19,204,612
Net Assets, Ending	\$ 160,779,917	\$ 8,620,195	\$ 169,400,112	\$ 147,729,920

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

	Program Services	Management and General	Fundraising	2022 Total	2021 Total
Salaries, wages and contracted services	\$ 47,849,874	\$ 8,824,899	\$ 343,270	\$ 57,018,043	\$ 54,363,024
Employee benefits and taxes	11,127,855	1,648,555	70,015	12,846,425	12,914,432
Supplies and drugs	27,227,121	404,900	53,016	27,685,037	26,723,029
Purchased services and lab fees	7,215,495	2,278,413	202,992	9,696,900	9,884,874
Depreciation and amortization	7,652,299	271,276	7,020	7,930,595	9,111,093
Rent	6,567,218			6,567,218	5,491,572
Utilities and other	3,541,637	1,199,487	167,132	4,908,256	5,409,913
Interest	1,338,376	427,116	20,562	1,786,054	1,876,657
Insurance	476,545	308,468	1,020	786,033	712,262
Total expenses from operations	112,996,420	15,363,114	865,027	129,224,561	126,486,856
Gifts and grants to others	2,735,650			2,735,650	3,272,962
Total Expenses	\$ 115,732,070	\$ 15,363,114	\$ 865,027	\$ 131,960,211	\$ 129,759,818

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Consolidated Statement of Cash Flows For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ 21,670,192	\$ 19,204,612
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	7,930,595	9,111,093
Debt issuance cost amortization	77,311	39,373
(Gain) loss on sale/disposition of property and equipment	(32,216,309)	136,743
Contributions restricted for long-term purposes	(348,956)	(940,450)
Net unrealized loss (gain) on investments	13,630,853	(9,139,894)
Net gain on split-interest agreements	217,340	(192,681)
Change in value of interest rate swap contract		(2,412,599)
Loss on debt extinguishment		624,106
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(33,829)	(764,722)
(Increase) decrease in inventories	(147,812)	54,056
(Increase) decrease in prepaid expenses	(64,248)	52,672
Increase in accounts payable	1,147,169	332,552
Decrease in pledge to the University of Washington	(696,598)	(1,000,000)
Decrease in unearned provider relief funds		(496,228)
Decrease in provider relief funds to be returned		(5,103,157)
Decrease in accrued expenses	(475,871)	(1,121,204)
Increase (decrease) in deferred tenant leasehold allowance	202,676	(170,462)
Increase (decrease) in deferred rent	2,062,826	(131,504)
Net Cash Provided by Operating Activities	12,955,339	8,082,306
Cash Flows From Investing Activities:		
Purchases of investments	(49,336,019)	(35,355,785)
Proceeds from sale of investments	7,589,387	37,276,602
Purchases of property and equipment	(20,235,030)	(8,544,025)
Proceeds from sale of property and equipment	37,550,990	
Net Cash Used in Investing Activities	(24,430,672)	(6,623,208)
Cash Flows From Financing Activities:		
Contributions restricted for acquisition of long-term assets	185,495	515,107
Contributions restricted for endowment	17,146	17,021
Issuance of long-term debt	14,125,000	58,065,000
Principal payments on long-term debt	(1,542,092)	(58,369,170)
Bond issuance costs		(1,271,166)
Termination of interest rate swap contract		(4,438,500)
Net Cash Provided by (Used in) Financing Activities	12,785,549	(5,481,708)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	1,310,216	(4,022,610)
Cash and cash equivalents at beginning of year	6,162,638	10,185,248
Cash and Cash Equivalents at End of Year	\$ 7,472,854	\$ 6,162,638
Supplementary Disclosures of Transactions:		
Construction in progress in accounts payable and accrued expenses	\$ 3,522,425	\$ 1,233,553
Cash paid during the year for interest	\$ 1,809,183	\$ 1,678,342

See accompanying notes.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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 twenty kidney dialysis centers, with seventeen 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 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, 2022 and 2021, total contributions were approximately \$5,250,000 and \$4,280,000, 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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 1 - Continued

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.

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 ended June 30, 2022 and 2021 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, 2022 (With Comparative Totals for 2021)

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 two 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 2022 or 2021 since the Organization makes estimates at each financial reporting period to adjust revenue based on historical collections.

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 characteristics. 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, 2022,	Over Time	Point-in-Time	Total
Dialysis service revenue	\$ 123,387,743	\$ -	\$ 123,387,743
Pharmacy revenue		4,043,022	4,043,022
	<u>\$ 123,387,743</u>	<u>\$ 4,043,022</u>	<u>\$ 127,430,765</u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 1 - Continued

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>

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, the estimated market value of rent for properties subject to sale leasebacks, fair value of investments, 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. 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. The Organization has elected to measure and report its alternative investments at net asset value (NAV). 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.

The Organization classifies its investments as long-term assets in the consolidated statement of financial position based on its intent to invest such balances for a period greater than one year.

Equity Method Investment - During the year ended June 30, 2022, NKC and another not-for-profit organization formed Northstar Kidney Care LLC, a joint venture, of which NKC is a 50% owner. The Organization will account for its interest in the joint venture as an equity-method investment because it has the ability to exercise significant influence, but not control, over the operating and financial policies of the entity. The Organization's proportionate share of net income or loss of the investee's financial results will be recorded in the consolidated statement of operations and changes in net assets on a three-month lag. Through June 30, 2022, Northstar Kidney Care LLC did not have any financial activity. See Note 17 for subsequent events.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 1 - Continued

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	10 to 40 years
Leasehold improvements	Shorter of 10 to 40 years, or the term of the lease
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 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.

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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 1 - Continued

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 of revenue for the year ended June 30, 2021. No revenue was recognized for the year ended June 30, 2022. 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 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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 1 - Continued

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.

Reclassification - Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements. The reclassifications have no effect on the previously reported change in net assets or net assets.

Summarized Information for 2021 - 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, 2021 from which the summarized information was derived.

Note 2 - Receivables, Revenues and Discounted Services

Receivables consisted of the following at June 30:

	2022	2021
Patient service receivables, net	\$ 20,460,746	\$ 20,184,756
Unconditional promises to give	1,637,135	1,486,691
Other receivables	411,460	705,974
	<u><u>\$ 22,509,341</u></u>	<u><u>\$ 22,377,421</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, was as follows at June 30:

	2022	2021
Medicare and Medicaid	46%	49%
Other third-party payors and hospitals	54%	51%
	<u><u>100%</u></u>	<u><u>100%</u></u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 2 - Continued

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

	<u>2022</u>	<u>2021</u>
Medicare and Medicaid	60%	68%
Other third-party payors and hospitals	<u>40%</u>	<u>32%</u>
	<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.

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.

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 believed 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. 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 its nonprofit mission, 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 \$81,000 and \$97,000 for the years ended June 30, 2022 and 2021, respectively. The Organization incurred approximately \$1,500,000 and \$1,100,000 of costs related to charity care services for the years ended June 30, 2022 and 2021, 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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 2 - Continued

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

	2022	2021
Receivable in less than one year	\$ 1,436,135	\$ 1,184,568
Receivable in one to five years	201,000	302,123
	<u>\$ 1,637,135</u>	<u>\$ 1,486,691</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, 2022, an estimated amount of approximately \$1,640,000, less a reserve of approximately \$82,000, has been recorded as an increase to net patient service revenue. The third-party settlements receivable relating to the fiscal year 2022 cost reports is anticipated to be received in the normal course of filing and settling during fiscal year 2023. As such, that amount has been recorded as a current asset at June 30, 2022.

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.

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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 4 - Continued

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, 2022 and 2021.

Cash - Valued at cost plus accrued interest which approximates fair value.

Mutual Funds - Valued at quoted market prices in active markets.

Beneficial Interest in Split-Interest Agreements - Valued at the Organization's beneficial interest in the fair value of the underlying trust assets, for perpetual trusts.

Nonmarketable Securities - Valued using the NAV provided by the investment's manager. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding at the valuation date. The investments are traded on private markets that are not active.

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.

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, 2022			
	Level 1	Level 2	Level 3	Total
Mutual funds-				
Large cap	\$ 11,467,997	\$ -	\$ -	\$ 11,467,997
Mid cap	3,635,969			3,635,969
International	3,139,602			3,139,602
Fixed income	58,878,424			58,878,424
Emerging markets	4,623,247			4,623,247
Collective equity funds			7,337,566	7,337,566
Deferred compensation investments	115,067			115,067
Beneficial interest in split-interest agreements (Note 6)			1,631,522	1,631,522
Total	\$ 81,860,306	\$ -	\$ 8,969,088	\$ 90,829,394
Investments at fair value				\$ 89,197,872
Cash held in investment portfolio				1,805,545
Nonmarketable securities at net asset value-				
Alternative investments				10,643,052
Total Investments, June 30, 2022				\$ 101,646,469

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2022** **(With Comparative Totals for 2021)**

Note 4 - Continued

	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	4,444,239			4,444,239
Small cap	2,082,517			2,082,517
International	4,345,630			4,345,630
Fixed income	22,061,991			22,061,991
Emerging markets	7,945,132			7,945,132
Collective equity funds			6,684,456	6,684,456
Deferred compensation investments	452,488			452,488
Beneficial interest in split-interest agreements (Note 6)			1,848,862	1,848,862
Total	\$ 52,381,076	\$ -	\$ 8,533,318	\$ 60,914,394
Investments at fair value				59,065,532
Cash held in investment portfolio				235,190
Nonmarketable securities at net asset value-				
Alternative investments				14,567,389
Total Investments, June 30, 2021				\$ 73,868,111

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2022** **(With Comparative Totals for 2021)**

Note 4 - Continued

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:

	Collective Equity Funds	Beneficial Interest in Split Interest Agreements	Interest Rate Swap Contract (Note 8)	Total Level 3
Beginning balance at July 1, 2020	\$ 3,936,223	\$ 1,656,181	\$ (6,851,099)	\$ (1,258,695)
Cash paid to terminate interest rate swap contract			4,438,500	4,438,500
Purchases	750,000			750,000
Sales	(6,337)			(6,337)
Unrealized gains	2,004,570	192,681	2,412,599	4,609,850
Balance at June 30, 2021	6,684,456	1,848,862		8,533,318
Purchases	2,000,000			2,000,000
Sales	(11,798)			(11,798)
Unrealized/realized losses	(1,335,092)	(217,340)		(1,552,432)
Balance at June 30, 2022	\$ 7,337,566	\$ 1,631,522	\$ -	\$ 8,969,088

The Organization's alternative investments consist of funds for which fair value is not readily determinable and whose fair value is estimated using the NAV per share or its equivalent. The following table sets forth a summary of the Organization's investments by major category reported at NAV at June 30:

	Fair Value		Redemption Terms
	6/30/2022	6/30/2021	
Multi-strategy fund	\$ 4,981,189	\$ 6,889,035	Quarterly liquidity subject to 25% of the investment value
Equity long/short hedge fund	3,195,509	3,750,000	Semi-annual liquidity with 90 days notice
Mortgage-backed fund	2,466,354	3,928,354	Quarterly liquidity, subject to investment manager discretion on how much will be paid out each quarter
Total Alternative Investments	\$ 10,643,052	\$ 14,567,389	

The multi-strategy fund invests in a number of alternative strategies through the use of separate accounts and limited partnerships. The goal is to provide a long-term total return with reduced volatility and reduced correlation to conventional stock and bond markets by objective utilizing a broad array of trading and investment strategies.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 4 - Continued

The equity long/short hedge fund invests in a number of long/short hedge fund strategies. The objective is to provide equity-like returns over the long term with less volatility than traditional equity markets.

The mortgage-backed fund actively manages a core portfolio consisting primarily of participating mortgage loans and equity real estate located in the United States.

There were no outstanding capital commitments at June 30, 2022 or 2021.

As part of an agreement, as of June 30, 2022, the Organization owns a minority percentage of the common stock of an early-stage company formed to further develop and commercialize certain next-generation kidney dialysis technologies developed by the Center for Dialysis Innovation, discussed in Note 12. The fair value of the stock was not material as of June 30, 2022.

Investments are presented as follows on the consolidated statement of financial position at June 30:

	<u>2022</u>	<u>2021</u>
Investments	\$ 94,454,712	\$ 65,056,302
Deferred compensation investments	115,067	452,488
Board-designated endowment investments	3,819,303	4,535,190
Donor-restricted endowment investments	<u>3,257,387</u>	<u>3,824,131</u>
Total Investments	<u>\$ 101,646,469</u>	<u>\$ 73,868,111</u>

Note 5 - Investment Return

Return on investments is presented in the consolidated statement of operations and changes in net assets as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 1,290,693	\$ 1,125,308
Net realized gains on sales of securities	1,557,247	5,041,664
Net unrealized (losses) gains without donor restrictions	(13,201,893)	8,446,143
Net unrealized (losses) gains with donor restrictions	(468,479)	693,751
Investment fees	<u>(218,000)</u>	<u>(198,481)</u>
Total Return on Investments, Net	<u>\$ (11,040,432)</u>	<u>\$ 15,108,385</u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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.

Note 7 - Property and Equipment

Cost and accumulated depreciation and amortization of property and equipment are summarized as follows at June 30:

	2022	2021
Cost-		
Land	\$ 20,284,732	\$ 14,391,003
Buildings and improvements	69,317,972	86,531,783
Leasehold improvements	49,860,384	49,751,484
Medical, office equipment, software and other	49,619,862	48,512,699
Projects in progress	19,056,837	4,209,465
	<u>208,139,787</u>	<u>203,396,434</u>
Accumulated depreciation and amortization-		
Buildings and improvements	(13,305,850)	(23,264,749)
Leasehold improvements	(35,682,576)	(32,859,882)
Medical, office equipment, software and other	(37,757,112)	(35,136,180)
	<u>(86,745,538)</u>	<u>(91,260,811)</u>
Total Property and Equipment, Net	<u>\$ 121,394,249</u>	<u>\$ 112,135,623</u>

As of June 30, 2022, projects in progress included multiple projects associated with incremental expansion of capacity for select facilities, or property improvement initiatives, and included additions for four clinic locations.

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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 8 - Long-Term Debt

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 the Washington Health Care Facilities Authority (WHCFA). 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 when a balloon payment of \$24,409,979 is required. In connection with this financing, the Organization signed a promissory note with Umpqua 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. In connection with this financing, the Organization signed a promissory note with Columbia Bank. 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 Columbia Bank for approximately \$4,700,000. The loan bears a fixed annual interest rate of 1.49% and requires monthly principal and interest payments of \$133,631. The loan matures on June 1, 2024.

The bonds described above include various 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 owned by the Organization become collateral in relation to these borrowings. At June 30, 2022, the Organization was not in compliance with certain non-financial covenants, and subsequently obtained waivers of all non-compliance from the banks.

Long-term debt consisted of the following at June 30:

	2022	2021
WHCFA Series 2021A Bonds	\$ 51,300,000	\$ 51,300,000
WHCFA Series 2021B Bonds	16,190,000	2,065,000
2021C Term Loan	3,148,805	4,700,000
Less unamortized financing costs	<u>(1,177,551)</u>	<u>(1,263,965)</u>
	69,461,254	56,801,035
Less current portion	<u>(1,567,198)</u>	<u>(1,542,092)</u>
Long-Term Debt, Net of Current Portion	<u>\$ 67,894,056</u>	<u>\$ 55,258,943</u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 8 - Continued

The future principal payments on the notes outstanding at June 30, 2022 are as follows:

For the Year Ending June 30,

2023	\$ 1,567,198
2024	1,651,644
2025	1,951,898
2026	2,010,581
2027	2,071,047
Thereafter	<u>61,386,437</u>
Total maturities	70,638,805
Less unamortized debt issuance costs	<u>(1,177,551)</u>
Total Long-Term Debt	<u>\$ 69,461,254</u>

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. 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 2022 and 2021. Plan expense totaled approximately \$2,087,000 and \$2,145,000 for the years ended June 30, 2022 and 2021, 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 their 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 \$115,000 and \$452,000 at June 30, 2022 and 2021, 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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 10 - Sale-Leaseback of Property and Equipment

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 the 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.

The terms of the agreements meet the criteria for the transaction to be accounted for as a sale-leaseback. The terms of the leaseback include amounts due from the Organization in excess of then-current market rates of \$2,490,061 in the aggregate over the term of the lease, which have been recorded as a component of deferred rent. Such amounts will be recognized as a reduction to lease expense in the consolidated statement of operations and changes in net assets over the remaining term of the lease.

The Organization recognized a net gain on sale of \$32,216,309.

Note 11 - Operating Lease Commitments and Deferred Rent

Deferred Tenant Leasehold Allowance - The Organization has entered into lease contracts in which the lessors 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 \$1,432,000 and \$1,229,000 as of June 30, 2022 and 2021, 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, 2022 and 2021, totaled approximately \$5,076,000 and \$4,096,000, respectively.

The leases have escalation clauses which, under lease accounting standards, have resulted in the recognition of deferred rent liabilities. Additionally, in connection with the sale-leaseback transaction discussed in Note 10, the Organization recognized additional deferred rent liabilities representing the amount by which the contractual leaseback obligation exceeded its estimated market value. The deferred rent liabilities are being amortized as reductions to rent expense using the straight-line method over the remaining term of the related leases. The aggregate difference between the cash lease payments and net lease expense recognized was approximately \$427,000 and \$103,000 for the years ended June 30, 2022 and 2021, respectively. Total deferred rent liability was approximately \$3,255,000 and \$1,192,000 as of June 30, 2022 and 2021, respectively.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 11 - Continued

Future minimum lease payments for the property leases are as follows:

For the Year Ending June 30,	Yearly Cash Payments Due	Straight-Line Expense	Adjustment	Cumulative Difference
2023	\$ 5,980,478	\$ 5,322,511	\$ 657,967	\$ 657,967
2024	5,567,295	4,814,756	752,539	1,410,506
2025	4,907,427	4,106,624	800,803	2,211,309
2026	4,478,286	4,077,349	400,937	2,612,246
2027	2,671,731	2,469,348	202,383	2,814,629
Thereafter	4,374,203	3,934,276	439,927	3,254,556
Total Minimum Lease Payments	<u>\$ 27,979,420</u>	<u>\$ 24,724,864</u>	<u>\$ 3,254,556</u>	

Note 12 - Commitments and Contingencies

Promises to Give - As of June 30, 2022 and 2021, the Organization had unconditional promises to give to the University of Washington (the University) of approximately \$1,297,000 and \$1,993,000, respectively, for the funding of the Kidney Research Institute and stipends for fellows in the University's Division of Nephrology. Of the outstanding commitments as of June 30, 2022, the Organization has promised to pay approximately \$697,000 during the year ending June 30, 2023, 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, 2022 and 2021, the Organization had remaining unconditional promises to give to the University's Center for Dialysis Innovation of approximately \$464,000 and \$268,000, 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 \$1,363,000 and \$4,099,000 as of June 30, 2022 and 2021, 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.

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 12 - Continued

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.

Construction Commitments - As of June 30, 2022, the Organization has entered into construction commitments for the construction and expansion of certain current and future kidney center sites to be funded by drawing on available investments on hand and other available financial assets and draws on existing debt instruments. The current contractual commitments for construction costs and expenditures are as follows:

	<u>Commitments</u>	<u>Expenditures</u>	<u>Future Commitment</u>
Panther Lake Kidney Center	\$ 12,112,989	\$ 5,783,337	\$ 6,329,652
Port Angeles Kidney Center	8,720,000	6,197,948	2,522,052
Seattle Yesler Kidney Center	48,941,893	8,489,517	40,452,376
SeaTac Kidney Center Expansion	<u>3,720,000</u>	<u>2,201,764</u>	<u>1,518,236</u>
Total Construction Commitments	<u>\$ 73,494,882</u>	<u>\$ 22,672,566</u>	<u>\$ 50,822,316</u>

Note 13 - Board Designated Net Assets

Board designated net assets are available for the following purposes at June 30:

	<u>2022</u>	<u>2021</u>
Quasi-endowments (Note 15)-		
General endowments	\$ 1,704,561	\$ 2,028,719
Patient support endowments	1,590,843	1,895,512
Research endowments	75,888	89,410
Employee scholarships	273,493	317,362
Patient services endowments	<u>174,518</u>	<u>204,187</u>
	<u>\$ 3,819,303</u>	<u>\$ 4,535,190</u>

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements **For the Year Ended June 30, 2022** **(With Comparative Totals for 2021)**

Note 14 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2022	2021
Subject to the Passage of Time or Expenditure for Specified Purpose:		
Program services	\$ 2,517,691	\$ 2,367,672
Acquisition of property and equipment	1,213,595	946,702
Total Subject to the Passage of Time or Expenditure for Specified Purpose	3,731,286	3,314,374
Endowment Funds:		
Original gifts and required retained funds (corpus)-		
General endowments	1,049,999	1,049,999
Patient support endowments	520,933	506,028
Research endowments	685,178	683,278
Employee scholarships	258,845	258,845
Patient services endowments	105,694	105,353
Patient emergency endowments	45,814	45,814
	2,666,463	2,649,317
Accumulated endowment earnings (Note 15)	590,924	1,174,814
Total Endowment Funds	3,257,387	3,824,131
Beneficial interest in split-interest agreements (Note 6)	1,631,522	1,848,862
Total Net Assets With Donor Restrictions	\$ 8,620,195	\$ 8,987,367

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, 2022** **(With Comparative Totals for 2021)**

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.

Endowment net assets consisted of the following as of June 30:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	2022 Total	2021 Total
		Endowment Corpus	Accumulated Earnings			
Donor restricted endowment funds	\$ -	\$ 2,666,463	\$ 590,924	\$ 3,257,387	\$ 3,257,387	\$ 3,824,131
Board designated quasi- endowment funds	3,819,303				3,819,303	4,535,190
Endowment Net Assets	\$ 3,819,303	\$ 2,666,463	\$ 590,924	\$ 3,257,387	\$ 7,076,690	\$ 8,359,321

Changes to endowment net assets are as follows for the years ended June 30:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	2022 Total	2021 Total
		Endowment Corpus	Accumulated Earnings			
Endowment net assets, beginning of year	\$ 4,535,190	\$ 2,649,317	\$ 1,174,814	\$ 3,824,131	\$ 8,359,321	\$ 7,089,980
Endowment investment return	(552,691)		(468,479)	(468,479)	(1,021,170)	1,520,344
Contributions and designations		17,146		17,146	17,146	17,221
Appropriation of endowment for expenditure and transfer	(163,196)		(115,411)	(115,411)	(278,607)	(268,224)
Endowment Net Assets, End of Year	\$ 3,819,303	\$ 2,666,463	\$ 590,924	\$ 3,257,387	\$ 7,076,690	\$ 8,359,321

NORTHWEST KIDNEY CENTERS

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 15 - Continued

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, 2022 and 2021.

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, 2022** **(With Comparative Totals for 2021)**

Note 16 - Continued

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 as of June 30:

	<u>2022</u>	<u>2021</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 7,472,854	\$ 6,162,638
Receivables, net	24,179,128	23,963,984
Investments	101,531,402	73,415,623
Deferred compensation investments	<u>115,067</u>	<u>452,488</u>
Total Financial Assets	133,298,451	103,994,733
Less amounts not available for general expenditure within 12 months-		
Long-term receivables	(1,512,283)	(1,468,091)
Board-designated and donor-restricted endowments	(7,076,690)	(8,359,321)
Deferred compensation investments	(115,067)	(452,488)
Plus budgeted appropriation from endowment earnings	<u>287,682</u>	<u>277,715</u>
Financial Assets Available For General Expenditure Within 12 Months	<u>\$ 124,882,093</u>	<u>\$ 93,992,548</u>

Note 17 - Subsequent Events

The Organization has evaluated subsequent events through December 2, 2022, the date on which the consolidated financial statements were available to be issued.

In October 2022, the Organization contributed \$1,000,000 to Northstar Kidney Care LLC (Note 1), in exchange for membership interests in the entity.

SUPPLEMENTARY SCHEDULE

NORTHWEST KIDNEY CENTERS

Consolidating Statement of Financial Position For the Year Ended June 30, 2022

	Northwest Kidney Centers	Northwest Kidney Care Alliance	Eliminations	2022 Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 7,472,854	\$ -	\$ -	\$ 7,472,854
Current portion of receivables, net	20,997,058			20,997,058
Third party settlements receivable	1,669,787			1,669,787
Inventories	1,688,186			1,688,186
Prepaid expenses	1,233,968			1,233,968
Intercompany due (to) from	129,270	(129,270)		
Total Current Assets	33,191,123	(129,270)		33,061,853
Long-term portion of pledges receivable	200,000			200,000
Investments	94,454,712			94,454,712
Assets limited as to use - pledges for the acquisition of long-term assets	1,312,283			1,312,283
Assets limited as to use - board-designated endowment investments	3,819,303			3,819,303
Assets limited as to use - donor-restricted endowment investments	3,257,387			3,257,387
Deposits	128,370			128,370
Deferred compensation investments	115,067			115,067
Beneficial interest in split-interest agreements	1,631,522			1,631,522
Property and equipment, net	121,394,249			121,394,249
Total Assets	\$ 259,504,016	\$ (129,270)	\$ -	\$ 259,374,746
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 4,143,873	\$ -	\$ -	\$ 4,143,873
Construction payables	3,522,425			3,522,425
Current portion of pledge to the University of Washington	696,650			696,650
Current portion of deferred rent	657,967			657,967
Accrued expenses	6,748,658			6,748,658
Current portion of long-term debt	1,567,198			1,567,198
Total Current Liabilities	17,336,771			17,336,771
Deferred compensation	115,067			115,067
Deferred tenant leasehold allowance	1,432,151			1,432,151
Deferred rent, net of current portion	2,596,589			2,596,589
Long-term pledge to the University of Washington, net	600,000			600,000
Long-term debt, net	67,894,056			67,894,056
Total Liabilities	89,974,634			89,974,634
Commitments and contingencies				
Net Assets:				
Without donor restrictions-				
Undesignated	157,089,884	(129,270)		156,960,614
Board designated	3,819,303			3,819,303
Total net assets without donor restrictions	160,909,187	(129,270)		160,779,917
With donor restrictions-				
Restricted for program purposes	3,731,286			3,731,286
Beneficial interest in split-interest agreements	1,631,522			1,631,522
Endowment corpus	2,666,463			2,666,463
Endowment accumulated appreciation	590,924			590,924
Total net assets with donor restrictions	8,620,195			8,620,195
Total Net Assets	169,529,382	(129,270)		169,400,112
Total Liabilities and Net Assets	\$ 259,504,016	\$ (129,270)	\$ -	\$ 259,374,746

See independent auditor's report.