



# Fresenius Medical Care

July 6, 2007

David Pierce,  
Certificate of Need Coordinator  
Dept. of Health and Social Services,  
Division of Public Health  
P.O. Box 110616  
Juneau, AK 99811-0650

Dear David:

This letter serves as follow up to the certificate of need application submitted by Fresenius Medical Care, North America proposing the establishment of a 7-station dialysis facility to be known as FMC Soldotna. As noted in the certificate of need application, Fresenius was evaluating three sites for this project. A final site has been selected. Specific information regarding the selected site and other related information is attached.

Also included with this letter is the addition certificate of need review fees in the amount of \$2,219.00.

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

Sincerely,

Jean Stevens, Regional Vice President  
Fresenius Medical Care

Enclosures

## FMC Soldotna

### Site and Financial Information

The facility will be located at the following site:

**Selected Site:** FMC Soldotna will be located at West Marydale Avenue and North Fireweed Street. The specific address of the site is 304 West Fireweed Street. Fresenius was unable to find a suitable existing building. A building will be constructed. Fresenius will lease the to-be-constructed building.

Table 1 contains the required information regarding the selected site:

**Table 1  
FMC Soldotna Site Information**

Item	Description
Square Footage for Selected Site	6,000 square feet
Diagrammatic Plan	Attachment 1
Zoning Information	Attachment 2
Single Line Drawings	Attachment 3

As a result of the site selection process, all of the required financial schedules and financial information is described in Table II below:

**Table 2  
FMC Soldotna Financial Information**

Item	Description	Location
Schedule I	Facility Income Statement	Attachment 4 (Exhibit 4)
Schedule II	Not applicable as FMC Soldotna is a new facility	N/A
Schedule III	Average Patient Cost per Day and Revenue Amounts	Attachment 5 (Exhibit 5)
Schedule IV	Operating Budget	Attachment 5 (Exhibit 5)
Schedule V- A & B	Not applicable as FMC Soldotna is a new facility. Not applicable as FMC Soldotna will utilize reserves for the financing of this project.	N/A
Schedule VI	Reimbursement Sources	Attachment 6 (Exhibit 6)
Schedule VII	Depreciation Schedule	Attachment 7 (Exhibit 7)
Capital Expenditure (Certified Estimates)	Letter from Gary Pete, Project Manager	Attachment 8
Letter of Intent	Letter of Intent for Lease of Space	Attachment 9

## Revised Certificate of Need Review Fees

The lease costs for the building were based upon the ten year lease. However, Fresenius now understands that the lease costs should have been based upon a 25 year useful life (per the American Hospital Association). As such, and included Table 3 below, is the revised calculation for determining the CN review fees.

**Table 3**  
**Revised Calculation of Certificate of Need Review Fees**

<b>Item</b>	<b>Estimated Cost</b>
Equipment	\$314,231
General Construction	\$852,047
Other Constr Fees	\$20,000
Cost of Lease	\$3,600,000
Total Considered for CN	\$4,786,278
Total Cost Times .1%	\$4,786
Amount Received	\$2,567
<b>Amount Due</b>	<b>\$2,219</b>

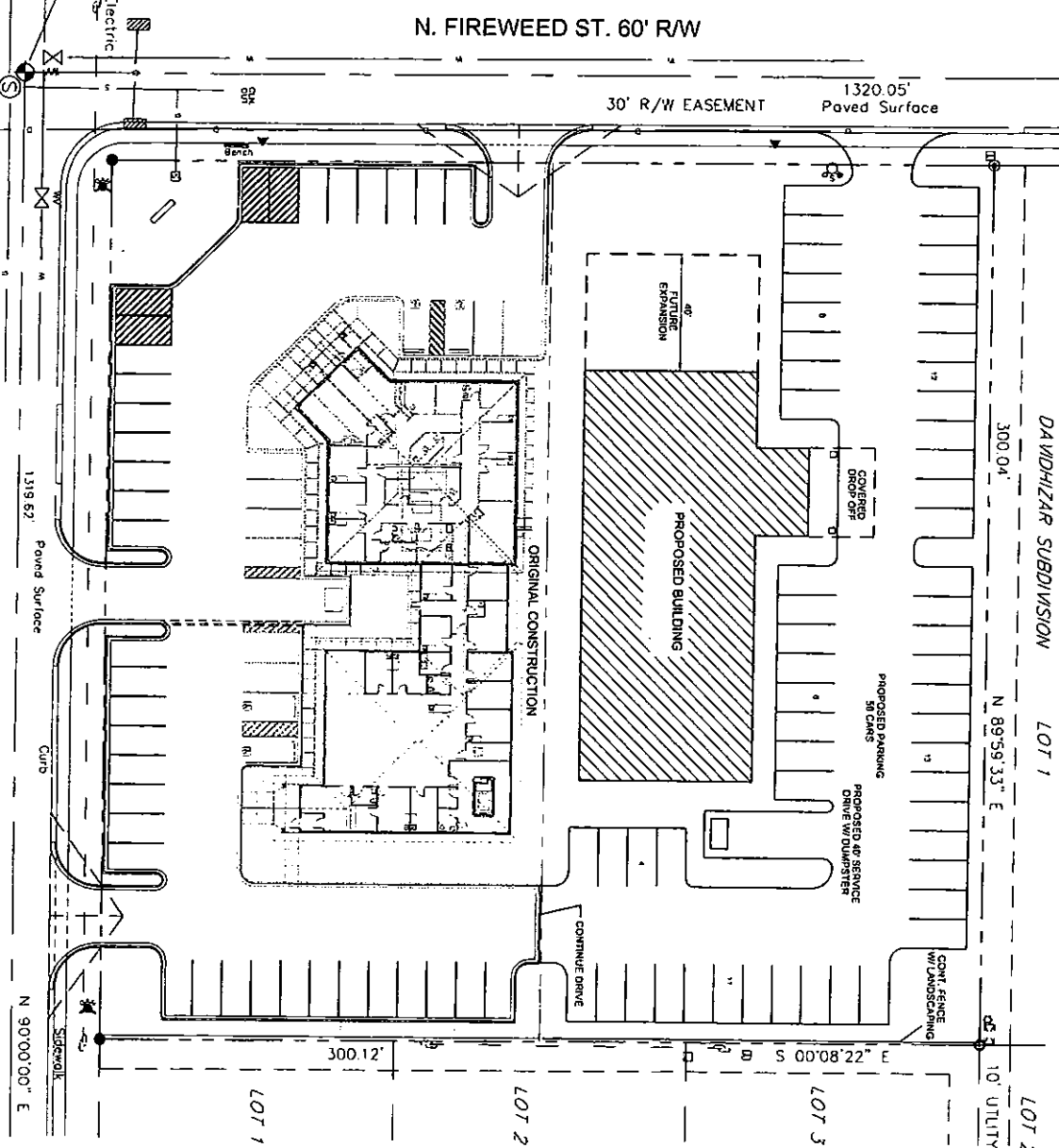
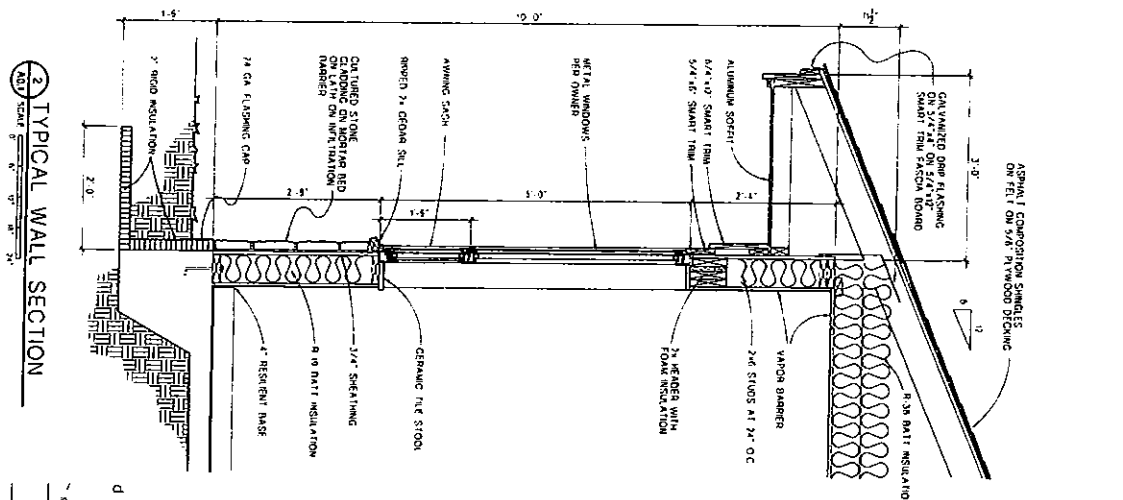
Lease Expense per SF	\$24.00
Number of SF	6,000
Annual Lease	\$144,000
AHA useful life in years	25
Amount considered for CN	\$3,600,000

*Source: Applicant*

## Stakeholder Participation in Planning –

Fresenius' planning process includes patients, transportation providers, physicians, and staff. Input is solicited to determine the need, location and other elements of the project. The establishment of the FMC Soldotna facility came as a result of direct input and involvement from physicians, staff and patients.

**Attachment 1**  
**Diagrammatic Plan**



KNIGHT ESTATES SUBDIVISION NO. 5

**KPO Development**  
SOLDOTNA, ALASKA

ARCHITECTURE · PLANNING · INTERIORS · GRAPHICS

DATE: 05-15-07

PROJECT: KCCG-A0

OVERALL SITE PLAN

NO. 1

**Attachment 2**  
**Zoning Information**



## **City of Soldotna**

177 North Birch Street ▶ Soldotna, Alaska ▶ Phone (907) 262-9107

July 6, 2007

Charles Newth  
Real Estate Manager  
Health Property Services, Inc.  
Via-Email at [charles.newth@healthproperty.com](mailto:charles.newth@healthproperty.com)

Dear Mr. Newth,

The subject property located at 304 West Fireweed Street (PIN# 059-071-01) is located in a Limited Commercial District (Soldotna Municipal Code (SMC) 17.10.260). General medical offices are a permitted use within this zoning district.

When there is a change of usage from a single family dwelling unit to a medical office it triggers the property to become compliant with the current land use regulations, and a zoning permit will need to be issued.

SMC 17.110.115 states, "no building or structure or part thereof shall hereafter be erected, altered or maintained, and no new use or alteration of use shall be made or maintained on or in any building, structure or land except in conformity with the provisions of this zoning code."

Therefore, the change of usage will require one off-street parking stall measuring 10-feet by 20-feet for every 200-feet of gross floor area (SMC 17.10.330). The Kenai Peninsula Borough tax parcel information system shows the structure being 2328 square feet including the attached garage. Therefore, the property would require 12 off-street parking stalls. Also, the parking area would be required to have pavement within 3 years of the issuance of a zoning permit.

The change of usage would also trigger the need to provide landscaping; SMC 17.10.335 requires a ten-foot wide landscaping bed adjacent to all right-of-ways excluding the ingress and egress. The landscape plantings would need to meet the requirements of the subject section. I believe there is still a large stand of ever greens on the western portion of the property. Natural vegetation can be used in the landscaping plan.

A Building Permit may also be required, please check with the building department before any changes occur.

You can find all of the requirements for developing in Soldotna at [www.ci.soldotna.ak.us](http://www.ci.soldotna.ak.us).

I hope this has been helpful and if I can be of any further assistance please feel free to contact me via e-mail or at 907-262-9107.

Sincerely,  
Anna M. Johnson  
Admin. Assist. to Planning and Zoning  
City of Soldotna

**Attachment 3**  
**Single Line Drawings**



**Freeman Medical Care**

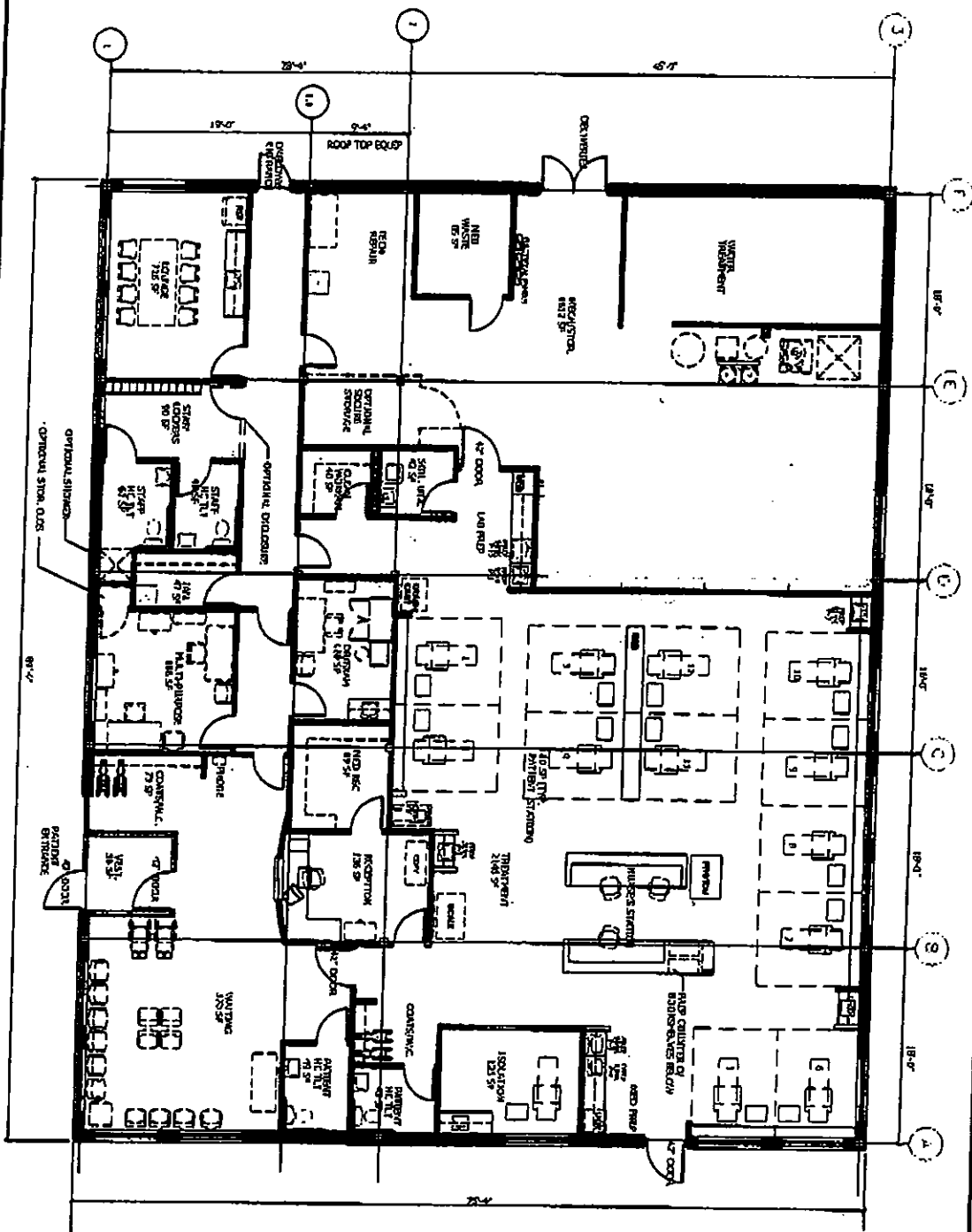


North American  
in Medical Care  
Freeman Medical Care

**12 STATIONS + 1 ISOLATION  
PRELIMINARY FLOOR PLAN**

SCALE: 1/8" = 1'-0"  
DATE: 10-05-06  
DRAWN BY: CMR/GIC

RENTABLE AREA:  
PROPOSED AREA: 6408 S.F. NET



**REVISIONS:**

DATE	REVISIONS

**APPROVED:**

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

**Attachment 4  
Schedule I  
Facility Income Statement**

**Kenai CON**  
**Schedule I - Facility Income Statement - Gross**  
**Through 5 Years Beyond Project Completion**

	Projected 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012
<b>Revenue From Patients</b>					
In Center	367,200	554,717	779,125	914,178	965,007
Home	711,216	932,340	1,097,497	1,207,253	1,274,377
Home Hemo	0	0	0	0	0
Ancillary	295,704	411,588	525,680	596,905	630,093
EPO	426,240	593,281	757,737	860,404	908,241
<b>Total Clinical Revenue</b>	<b>1,800,360</b>	<b>2,491,926</b>	<b>3,160,039</b>	<b>3,578,740</b>	<b>3,777,718</b>
<b>Less Deductions</b>					
Charity Care	(27,006)	(37,379)	(47,401)	(53,681)	(56,666)
Contractual Adjustments	0	0	0	0	0
Bad Debts	(27,006)	(37,379)	(47,401)	(53,681)	(56,666)
<b>Total Deductions</b>	<b>(54,011)</b>	<b>(74,758)</b>	<b>(94,801)</b>	<b>(107,362)</b>	<b>(113,332)</b>
<b>Net Operating Revenues</b>	<b>1,746,349</b>	<b>2,417,168</b>	<b>3,065,238</b>	<b>3,471,378</b>	<b>3,664,386</b>
<b>All Other Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Expenses</b>					
Salaries	306,573	370,628	438,974	487,866	516,321
Benefits	57,893	72,970	89,071	100,261	106,289
Med Supplies	155,196	207,870	252,299	276,823	287,896
Equip Leasing	37,467	37,467	37,467	37,467	37,467
Housekeeping/Utilities	27,972	38,367	48,289	54,831	57,880
Property Insurance	2,877	2,963	3,052	3,143	3,238
Rent	138,072	142,214	146,481	150,875	155,401
Other Expenses and Admin	50,616	69,426	87,380	99,218	104,735
Depreciation/Amort	102,384	102,384	102,384	102,384	102,384
Ancillary and EPO	197,136	274,392	350,454	395,977	415,933
<b>Total Expenses</b>	<b>1,076,186</b>	<b>1,318,681</b>	<b>1,555,851</b>	<b>1,708,845</b>	<b>1,787,544</b>
<b>Excess (Shortage) of Revenue Over Expenditures</b>	<b>670,163</b>	<b>1,098,487</b>	<b>1,509,387</b>	<b>1,762,533</b>	<b>1,876,842</b>

**Attachment 5**  
**Schedule III**  
**Average Patient Cost per Day and Revenue Amounts**

**Soldotna CON**  
**Schedule III-Average Patient Cost Per Day**  
**Reimbursement Sources**  
**3 Years Projected**

<b>PROJECTED</b>			
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>Net Revenue</b>	<b>Net Revenue</b>	<b>Net Revenue</b>
Revenues	1,746,349	2,417,168	3,065,238
Expenses	1,076,186	1,318,681	1,555,851
Treatments	2,664	3,600	4,464
Revenue Per Treatment	655.54	671.44	686.66
<b>Operating and Capital Budget Summary:</b>			
Gross Revenues	1,800,360	2,491,926	3,160,039
Deductions from Revenue	(54,011)	(74,758)	(94,801)
<b>Net Revenue</b>	<b>1,746,349</b>	<b>2,417,168</b>	<b>3,065,238</b>
Direct Expenses	1,076,186	1,318,681	1,555,851
Indirect Expense	0	0	0
<b>Net Income Projected</b>	<b>670,163</b>	<b>1,098,487</b>	<b>1,509,387</b>

<b>Rate Computation</b>			
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>Annual Medicaid Rate (Total Cost/Pt)</b>	<b>Annual Medicaid Rate (Total Cost/Pt)</b>	<b>Annual Medicaid Rate (Total Cost/Pt)</b>
Base Year Cost	106,300	0	116,691
Less Ancillary	NA	NA	NA
Plus Admin. Overhead	Above Includes Ancillary/Overhead	Above Includes Ancillary/Overhead	Above Includes Ancillary/Overhead
Cost Basis for Rate	Above Includes Overhead	Above Includes Overhead	Above Includes Overhead
Base Year Patient Days	NA	NA	NA
Cost Per Treatment (Incenter)	137.84	154.09	174.54

**Schedule IV  
Operating Budget**

### Schedule IV. Operating Budget

Provide Last Five Years Actual and Projections for Three Years Beyond Project Completion

Description:	Projected 2008	Projected 2009	Projected 2010
Number of Stations	7	7	7
Treatments Per Year	780	780	780
Available Treatments	5,460	5,460	5,460
Projected Treatments	2,664	3,600	4,464
Percent Growth		35.1%	24.0%
Occupancy	48.8%	65.9%	81.8%
Average Length of Stay	NA	NA	NA
Patient Bed Days	NA	NA	NA
Number of Residents	NA	NA	NA
Daily Room and Board Rate	NA	NA	NA
Nursing Revenue	NA	NA	NA
Nursing Services	NA	NA	NA
Payer Mix:			
Medicaid	5.0%	5.0%	5.0%
Medicare	88.2%	88.2%	88.2%
Other	6.8%	6.8%	6.8%
Ancillary Revenue	295,704	411,588	525,680
Total Revenue	1,746,349	2,417,168	3,065,238
Rate Computation			
Annual Medicaid Rate (Total Cost/Pt)	106,300	116,691	122,610
Base Year Cost	NA	NA	NA
Less Ancillary	Above Includes Ancillary	Above Includes Ancillary	Above Includes Ancillary
Plus Admin. Overhead	Above Includes Overhead	Above Includes Overhead	Above Includes Overhead
Cost Basis for Rate	NA	NA	NA
Base Year Patient Days	NA	NA	NA
Cost Per Treatment (Incenter)	137.84	154.09	174.54

**Attachment 6**  
**Schedule VI**  
**Reimbursement Sources**



**Schedule VI. Reimbursement Sources**

Show reimbursement sources for the projections for three years after the new project opens.

**2008**

<b>Reimbursement Source</b>	<b>Number of Patients</b>	<b>Net Patient Revenue</b>
Medicare	20	\$ 1,266,914
Medicaid	1	\$ 122,244
Private Insurance	1	\$ 349,270
Charity/Self Pay	0	\$ (27,006)
VA/Other	0	\$ 34,927
<b>Total</b>	<b>23</b>	<b>\$ 1,746,349</b>

**2009**

<b>Reimbursement Source</b>	<b>Number of Patients</b>	<b>Net Patient Revenue</b>
Medicare	26	\$ 1,753,568
Medicaid	1	\$ 169,202
Private Insurance	1	\$ 483,434
Charity/Self Pay	0	\$ (37,379)
VA/Other	0	\$ 48,343
<b>Total</b>	<b>29</b>	<b>\$ 2,417,168</b>

**2010**

<b>Reimbursement Source</b>	<b>Number of Patients</b>	<b>Net Patient Revenue</b>
Medicare	31	\$ 2,223,720
Medicaid	2	\$ 214,567
Private Insurance	2	\$ 613,048
Charity/Self Pay	0	\$ (47,401)
VA/Other	0	\$ 61,305
<b>Total</b>	<b>35</b>	<b>\$ 3,065,238</b>

**Attachment 7**  
**Schedule VII**  
**Depreciation Schedule**

**Schedule VII**  
**Use the Straight Line Method**  
**Provide a separate schedule for any pieces of major moveable equipment**  
**Depreciation Schedule**

<b>Equipment Description</b>	<b>Cost</b>	<b>AHA Life</b>	<b>Depreciation Per Year</b>
Leasehold	\$ 852,047.00	10	\$ 85,204.70
Office Furniture	\$ 12,265.00	8	\$ 1,533.13
Facility Automation	\$ 16,500.00	8	\$ 2,062.50
TV and Accessories	\$ 19,820.00	8	\$ 2,477.50
Telephones	\$ 4,676.00	8	\$ 584.50
Dialysis Chairs	\$ 7,500.00	8	\$ 937.50
Dialysis Machines	\$ 176,800.00	8	\$ 22,100.00
Solution Delivery System	\$ -	8	\$ -
BI-CARB Mixers	\$ 18,750.00	8	\$ 2,343.75
Granule Flow	\$ 12,500.00	8	\$ 1,562.50
Water Treatment Equipment	\$ 31,620.00	8	\$ 3,952.50
Miscellaneous Equipment/ Costs	\$ 13,800.00	8	\$ 1,725.00
Optional Other Costs	\$ -	8	\$ -

**Attachment 8**  
**Letter from Gary Pete, Project Manager**



# Fresenius Medical Care

June 25, 2007

David Pierce, Certificate of Need Coordinator  
Dept. of Health and Social Services,  
Division of Public Health  
P.O. Box 110616  
Juneau, AK 99811-0650

Dear Mr. Pierce:

RE: FMC Soldotna Certificate of  
Need Application Proposing the  
Establishment of a 7-station dialysis  
facility.

I am writing to certify the capital cost estimates included in the certificate of need application from Fresenius Medical Care proposing the establishment of a 7-station dialysis facility in Soldotna.

I certify the following cost estimates are accurate and reflect the anticipated costs of undertaking and completing a 7-station dialysis facility located at West Marydale Avenue and North Fireweed Street. The costs below are for the tenant improvements and equipment for either site:

Estimated General Construction	\$852,047
Major Moveable Equipment	\$314,231
Other Consultation Fees	\$20,000
<b>Total</b>	<b>\$1,166,278</b>

The above estimates are consistent with the selected site and Fresenius' experience in the development of free-standing dialysis centers. The moveable equipment costs are based upon Fresenius' present purchasing relationships.

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

Sincerely,

Gary Pete, Project Manager  
Fresenius Medical Care

**Attachment 9**  
**Letter of Intent for Site**

# Health Property Services, Inc.

Corporate Real Estate Solutions

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June 29, 2007

Henry Krull, MD  
K&R Development  
291 N Fireweed Street  
Soldotna, AK 99669

RE: **Bio-Medical Applications of Alaska, Inc.**  
**Request For Proposal**

Dear Dr. Krull

Health Property Services Inc. has been exclusively authorized by Bio-Medical Applications of Alaska, Inc. ("BMA"), a wholly owned subsidiary of Fresenius Medical Care Holdings, Inc. d/b/a Fresenius Medical Care North America ("FMCNA") to present you with the following letter of intent.

**LANDLORD:** K&R development

**TENANT:** Bio-Medical Applications of Alaska, Inc., a Delaware corporation ("BMA") or its assignee

**LOCATION:** Building to be constructed at North Fireweed and Marydale, Soldotna, Alaska.

**INITIAL SPACE REQUIREMENTS:** Approximately 6,000 contiguous usable square feet.

Tenant may have the need and therefore must have the option to increase or decrease the area by up to ten percent (10%) until approval of final construction drawings.

**PRIMARY TERM:** Tenant requires an initial lease term of ten (10) years. The Lease and rent would commence on the earlier of 120 days after delivery of the shell space or the date that the facility starts treating patients. For purposes of establishing an actual occupancy date, both parties will execute an amendment after occupancy has occurred, setting forth dates for purposes of calculations, notices, or other events in the Lease that may be tied to a commencement date.

**DELIVERY OF PREMISES:** The parties acknowledge that Tenant is required to submit an application to the State of Alaska for a Certificate of Need ("CON"). Current projections suggest that the CON will not be forthcoming

until November 30, 2007. Tenant proposes to continue negotiating a lease document in the meantime.

Tenant is prepared to offer the following inducement to Landlord to continue negotiations:

- With the execution of this letter of intent, a \$10,000 **refundable** deposit if the parties cannot come to terms on a lease agreement
- With an executed lease, the initial deposit will become **non-refundable** (and assigned against the first month's rent), plus a further **refundable** deposit of \$15,000 should the Tenant be unsuccessful in securing the CON by or before November 30, 2007.

We would then anticipate that construction of the shell building could begin in the spring of 2008, with delivery scheduled six months thereafter.

**OPTIONS TO RENEW:**

Tenant desires three (3), five (5) year options to renew the Lease. Option rental rates shall be based upon the lower of Fair Market Value or the increase in the Consumer Price Index over the previous five years, capped at 2.5% per year. Tenant shall provide sixty (60) days' prior written notification of its desire to exercise the option. Please identify the terms of any option to renew.

**RENTAL RATE:**

Years 1 – 3: \$21.00 per square foot  
Years 4 – 6: \$22.25 per square foot  
Years 7 – 10: \$23.60 per square foot

**TENANT ALLOWANCE:**

Please provide a tenant allowance.

**USE:**

Tenant shall use and occupy the Premises for the purpose of an outpatient dialysis facility and related office uses and for no other purposes except those authorized in writing by Landlord, which shall not be unreasonably withheld, conditioned or delayed. Tenant may operate on the Premises, at Tenant's option, on a seven (7) days a week, twenty-four (24) hours a day basis, subject to zoning and other regulatory requirements.

**DEMISED PREMISES**

**SHELL:**

The build-out allowance assumes the following items will be part of the demised shell, at Landlord's expense:

- Demised premises in a shell condition, which shall mean that the building is completely enclosed with permanent doors, windows, and roof installed and all required utilities, have been brought to the building.



- Adequate electrical power installed for Tenant's operation (600-amp/208-volt, 3-phase),
- HVAC units, in place, (Tenant will distribute duct work and provide the HVAC unit specifications.) for the space in an amount no less than 4 tons per 1,000 SF of leased space;
- The presence of gas service to handle the above HVAC needs and the use of two 100 gallon water heaters and one 50 gallon water heater to the Premises;
- The presence of sewer service with no less than a 4" line, into the Premises;
- The presence of water service with no less than a 2" dedicated line to the space, into the Premises;
- A sewer invert level not less than three (3) feet below the top of the slab on grade;
- Building fully serviced by automatic fire suppression system;
- A double man door on the side of the building for deliveries into their water treatment space;
- A Porte-Cochere/canopy at the main entrance (large enough to shelter an ambulance) to shield patients entering the building.

**CONTRACTOR FOR  
TENANT IMPROVEMENTS:**

Tenant will hire a contractor and/or subcontractors of their choosing to complete their tenant improvements utilizing the tenant allowance. Tenant shall be responsible for the implementation and management of the tenant improvement construction and will not be responsible to pay for Landlord's project manager, if any.

**HVAC:**

Tenant requests an allowance of \$5.50 per square foot toward the HVAC system and will be responsible for purchase and installation.

**EMERGENCY GENERATOR:**

Tenant shall have the right, at its cost, to install an emergency generator to service the Premises in a location to be mutually agreed upon between the parties.

**SPACE PLANNING/  
ARCHITECTURAL AND  
MECHANICAL DRAWINGS:**

Tenant will provide all space planning and architectural and mechanical drawings required to build out the tenant improvements, including construction drawings stamped by a licensed architect and submitted for approvals and permits. All building permits shall be the Tenant's responsibility.

**PRELIMINARY  
IMPROVEMENT PLAN:**

At this time, please provide AutoCAD files that include one-eighth inch scale architectural drawings of the proposed demised premises and detailed building specifications.

**PARKING:**

Landlord will provide a parking ratio of 5 per 1,000 RSF with as many of those spaces as possible to be directly in front of the building for patient use. Tenant shall require that 10% of the parking be designated handicapped spaces plus one ambulance space (cost to designate parking spaces to be at Landlord's sole cost and expense).

**BUILDING CODES:**

Tenant requires that the site, shell and all interior structures constructed or provided by the Landlord to meet all local, State, and Federal building code requirements, including all provisions of ADA.

**CORPORATE  
IDENTIFICATION:**

Please indicate all signage available to Tenant, on the building and at the entrance to its space. Indicate who is responsible for the cost of the sign and installation.

**ASSIGNMENT/  
SUBLETTING:**

Tenant requires the right to assign or sublet all or a portion of the demised premises to any subsidiary or affiliate without Landlord's consent. Any other assignment or subletting will be subject to Landlord's prior consent, which shall not be unreasonably withheld or delayed.

**MAINTENANCE:**

Landlord shall, without expense to Tenant, maintain and make all necessary repairs to the exterior portions and structural portions of the Building to keep the building weather and water tight and structurally sound including, without limitation: foundations, structure, load bearing walls, exterior walls, doors and windows, the roof and roof supports, columns, retaining walls, gutters, downspouts, flashings, footings as well as any elevators, water mains, gas and sewer lines, sidewalks, private roadways, landscape, parking areas, common areas, and loading docks, if any, on or appurtenant to the Building or the Premises. With respect to the parking and other exterior areas of the Building, Landlord shall perform the following, pursuant to good and accepted business practices throughout the term: repainting the exterior surfaces of the building when necessary, repairing, resurfacing, repaving, re-striping, and resealing, of the parking areas; repair of all curbing, sidewalks and directional markers; removal of snow and ice; landscaping; and provision of adequate lighting during all hours of darkness that Tenant shall be open for business.

Tenant shall maintain and keep the interior of the Premises in good repair, free of refuse and rubbish and shall return the same at the expiration or termination of the Lease in as good condition as received by Tenant, ordinary wear and tear, and damage or destruction by fire, flood, storm, civil commotion or other unavoidable causes excepted.

Tenant shall be responsible for maintenance and repair of Tenant's equipment in the Premises.

**UTILITIES:**

Tenant shall pay all charges for water, electricity, gas, telephone and other utility services furnished to the Premises. Tenant shall receive all savings, credits, allowances, rebates or other incentives granted or awarded by any third party as a result of any of Tenant's utility specifications in the Premises. Landlord agrees to bring water, electricity, gas and sanitary sewer to the Premises in sizes and to the location specified by Tenant and pay for the cost of meters to meter their use. Landlord shall pay for all impact fees and tapping fees associated with such utilities.

**SURRENDER:**

At any time prior to the expiration or earlier termination of the Lease, Tenant may remove any or all the alterations, additions or installations, installed by or on behalf of Tenant, in such a manner as will not substantially injure the Premises. Tenant agrees to restore the portion of the Premises affected by Tenant's removal of such alterations, additions or installations to the same condition as existed prior to the making of such alterations, additions, or installations. Upon the expiration or earlier termination of the Lease, Tenant shall turn over the Premises to Landlord in good condition, ordinary wear and tear, damage or destruction by fire, flood, storm, civil commotion, or other unavoidable cause excepted. All alterations, additions, or installations not so removed by Tenant shall become the property of Landlord without liability on Landlord's part to pay for the same.

**ZONING AND  
RESTRICTIVE COVENANTS:**

Please indicate if the current property zoning is acceptable for use as an outpatient kidney dialysis clinic and whether there are any restrictive covenants imposed by the development, owner, and/or municipality.

**FLOOD PLAIN:**

Landlord will confirm that the property and premises is not in a Flood Plain.

**FINANCING:**

Tenant will require a non-disturbance agreement.

**ENVIRONMENTAL:**

Please confirm that there is no asbestos present in the building and that there are no contaminants or environmental hazards in or on the property. Also include a brief narrative of any tenants and their activities as they relate to the generation of hazardous materials.

**DRAFT LEASE:**

Tenant requires the use of its Standard Form Lease, which shall be provided.

**BROKERAGE FEE:**

Health Property Services, Inc. ("HPS") is the exclusive real estate services provider to FMCNA, its subsidiaries and affiliates. The Landlord will pay a 5% market commission to HPS. The real estate

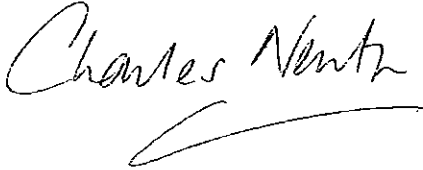
commission shall be payable 50% upon lease execution and 50% upon occupancy. BMA and FMCNA shall retain the right to offset rent for failure to pay the real estate commission.

**CONFIDENTIAL:**

The material contained herein is confidential. It is intended for use of Landlord and Tenant solely in determining whether they desire to enter into a Lease, and it is not to be copied or discussed with any other person.

Thank you for your time and cooperation in this matter.

Yours sincerely,



Charles Newth  
Real Estate Transaction Manager

AGREED TO AND ACCEPTED BY:

\_\_\_\_\_  
K&R Development

\_\_\_\_\_  
Bio-Medical Applications of Alaska, Inc.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

cc. Jean Stevens, FMCNA  
Mitch Long, FMCNA  
Gary Pete, FMCNA