CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Total Renal Care Inc.* in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.

SIGNATURE

Kent J. Thiry
PRINTED NAME

Chairman & CEO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this ____ day of ____________

Signature of Notary

Seal

SEE ATTACHED

SIGNATURE

Dennis L. Kogod
PRINTED NAME

Chief Operating Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this ____ day of ____________

Signature of Notary

Seal

SEE ATTACHED

*Insert EXACT legal name of the applicant

Jurat

State of California

County of LOS ANGELES

Subscribed and sworn to (or affirmed) before me on this 12 day of JUNE,

2009 by DENNIS L. KOGOD,

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Christina Jimenez
Signature

(Notary seal)

SEC1A CHRISTINA JIMENEZ COMM. #1754641 NOTARY PUBLIC-CALIFORNIA Los Angeles County Comm. Expires Jun 30, 2011 SEC1A

OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED DOCUMENT

CERTIFICATE OF NEED APPLICATION FOR
(Title or description of attached document)

IL HEALTH FACILITIES PLANNING BOARD
(Title or description of attached document continued)

Number of Pages 1 Document Date 6/12/09

TOTAL RENAL CARE INC
(Additional information)

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CHRISTINA JIMENEZ
COMM. #1754641
NOTARY PUBLIC-CALIFORNIA
Los Angeles County
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Chairman & CEO	Chief Operating Officer
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Seal	Seal
SEE ATTACHED	SEE ATTACHED

*Insert EXACT legal name of the applicant

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County of LOS ANGELES

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Christina Jimenez
Signature

(Notary seal)

CHRISTINA JIMENEZ
COMM. #1754641
NOTARY PUBLIC • CALIFORNIA
Los Angeles County
Comm. Expires Jun 30, 2011

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Number of Pages 1 Document Date 6/12/09

DAVITA INC.
(Additional information)

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GRAND CROSSING DIALYSIS

RECEIVED
FEB 10 2010
HEALTH FACILITIES &
SERVICES REVIEW BOARD

CON APPLICATION

October 2009

ORIGINAL

ILLINOIS HEALTH FACILITIES PLANNING BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

ORIGINAL

Facility/Project Identification

Facility Name:	**Total Renal Care Inc. d/b/a Grand Crossing Dialysis**		
Street Address:	**7319-7325 S. Cottage Grove Avenue**		
City and Zip Code:	**Chicago, Illinois 60619**		
County:	**Cook County**	Health Service Area: **6**	Health Planning Area: **6**

Co-Applicant Identification (Parent)
[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name:	**DaVita Inc.**
Address:	**601 Hawaii Street, El Segundo, California 90245**
Name of Registered Agent: -	
Name of Chief Executive Officer:	**Kent Thiry**
CEO Address:	**601 Hawaii Street, El Segundo, California 90245**
Telephone Number:	**(310) 792-2600 ext. 2100**

APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Type of Ownership

- ☐ Non-profit Corporation
- ☑ For-profit Corporation
- ☐ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

- Corporations and limited liability companies must provide an Illinois certificate of good standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

Primary Contact
[Person to receive all correspondence or inquiries during the review period]

Name:	**Kelly Ladd**
Title:	**Group Director**
Company Name:	**DaVita Inc. – Chicago**
Address:	**2659 N. Milwaukee Avenue, 2nd Floor, Chicago, Illinois 60647**
Telephone Number:	**(773) 276-2380, Ext. 29**
E-mail Address:	**Kelly.Ladd@davita.com**
Fax Number:	**(773) 276-4176**

Additional Contact
[Person who is also authorized to discuss the application for permit]

Name:	**Delia M. Wozniak**
Title:	**President**
Company Name:	**DMW and Associates, Inc.**
Address:	**3716 N. Bernard Street, Chicago, Illinois 60618**
Telephone Number:	**(773) 279-0458**
E-mail Address:	**deliawoz@comcast.net**
Fax Number:	**(773) 279-0473**

ILLINOIS HEALTH FACILITIES PLANNING BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	**Total Renal Care Inc. d/b/a Grand Crossing Dialysis**		
Street Address:	**7319-7325 S. Cottage Grove Avenue**		
City and Zip Code:	**Chicago, Illinois 60619**		
County:	**Cook County**	Health Service Area: **6**	Health Planning Area: **6**

Co-Applicant Identification (Operating Entity)
[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name:	**Total Renal Care Inc.**
Address:	**601 Hawaii Street, El Segundo, California 90245**
Name of Registered Agent: -	
Name of Chief Executive Officer:	**Kent Thiry**
CEO Address:	**601 Hawaii Street, El Segundo, California 90245**
Telephone Number:	**(310) 792-2600 ext. 2100**

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E-mail Address:	**deliawoz@comcast.net**
Fax Number:	**(773) 279-0473**

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance]

Name:	**Kelly Ladd**
Title:	**Group Director**
Company Name:	**DaVita Inc. - Chicago**
Address:	**2659 N. Milwaukee Avenue, 2nd Floor, Chicago, IL 60647**
Telephone Number:	**(773) 276-2380, Ext. 29**
E-mail Address:	**Kelly.Ladd@davita.com**
Fax Number:	**(773) 276-4176**

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	**Cottage Grove Terrace, LLC**
Address of Site Owner:	**1 Trans Am Plaza, Suite 480**
Street Address or Legal Description of Site:	**Oakbrook Terrace, Illinois 60181**

APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility, and insert after this page.]

Exact Legal Name:

Address:

☐ Non-profit Corporation ☐ Partnership
☑ For-profit Corporation ☐ Governmental
☐ Limited Liability Company ☐ Sole Proprietorship ☐ Other

- Corporations and limited liability companies must provide an Illinois certificate of good standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

Organizational Relationships

Provide (for each co-applicant) an organizational chart containing the name and relationship of any person who is related (as defined in Part 1130.140). If the related person is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements **Not Applicable**

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Flood Plain requirements of Executive Order #5, 2006.

APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT-5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

Part 1110 Classification:	Part 1120 Applicability or Classification: [Check one only.]
☐ Substantive ☑ Non-substantive	☐ Part 1120 Not Applicable ☐ Category A Project ☑ Category B Project ☐ DHS or DVA Project

2. Project Outline

In the chart below, indicate the proposed action(s) for each clinical service area involved by writing the number of beds, stations or key rooms involved:

Clinical Service Areas	Establish	Expand	Modernize	Discontinue	No. of Beds, Stations or Key Rooms
Medical/Surgical, Obstetric, Pediatric and Intensive Care					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
Open Heart Surgery					
Cardiac Catheterization					
In-Center Hemodialysis	**12 Stations**				
Non-Hospital Based Ambulatory Surgery					
General Long Term Care					
Specialized Long Term Care					
Selected Organ Transplantation					
Kidney Transplantation					
Subacute Care Hospital Model					
Post Surgical Recovery Care Center					
Children's Community-Based Health Care Center					
Community-Based Residential Rehabilitation Center					
Long Term Acute Care Hospital Bed Projects					
Clinical Service Areas Other Than Categories of Service:					
• Surgery					
• Ambulatory Care Services (organized as a service)					
• Diagnostic & Interventional Radiology/Imaging					
• Therapeutic Radiology					
• Laboratory					
• Pharmacy					
• Occupational Therapy					
• Physical Therapy					
• Major Medical Equipment					
Freestanding Emergency Center Medical Services					
Master Design and Related Projects					
Mergers, Consolidations and Acquisitions					

APPEND DOCUMENTATION AS ATTACHMENT-6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

3. Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms, NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

NARRATIVE DESCRIPTION

DaVita Inc., the parent company, and Total Renal Care Inc. (TRC), the operating entity, propose to establish Grand Crossing Dialysis, a 12-station in-center hemodialysis facility to be located at 7319-7325 South Cottage Grove in Chicago, Illinois (60619.) The facility will lease approximately 6,200 rentable gross square feet (gsf) for the 12-station hemodialysis clinic and regional offices/conference space.

The project is in the schematic stage of design. Please refer to Attachment 13(1) for schematics. Modernization of the interior is expected to take three and one-half months, from October 15, 2010 to February 1, 2011. The first patient treatment is anticipated to be on March 15, 2011.

The facility would receive certification by June 30, 2011, approximately four (4) months after construction. The project completion date is December 31, 2011.

The estimated total project cost is $2,169,191, excluding the fair market value (FMV) of leased space which is $636,182, $102.61/gsf x 6,200 gsf.

TRC signed a letter of intent (LOI) to lease the space (see Attachment 7C.)
The lease will be for ten (10) years, with three (3) five-year options to renew. The initial base lease would be $12.10/gsf for years 1-5 and $13.30/gsf for years 6-10. The lease is triple net. Option rent would be the rent during the prior term escalated by the increase in the CPI over the prior term, capped at three percent (3%) annually.

Project costs will be funded entirely from cash and securities by DaVita Inc. DaVita Inc. will also fund the all working capital estimated to be four months' operating expenses and the initial operating deficit.

At this time it appears that the project may be considered Non-Substantive, per Section 1110.40(b), as the project consists entirely of in-center hemodialysis. The project is considered a Class B project as it establishes a new facility.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-clinical components that are not related to the provision of health care, complete the second column of the table below. See 20 ILCS 3960 for definition of non-clinical. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NON-CLINICAL**	**TOTAL**
Preplanning Costs	**$5,000**	-	**$5,000**
Site Survey and Soil Investigation	-	-	-
Site Preparation	-	-	-
Off Site Work	-	-	-
New Construction Contracts	-	-	-
Modernization Contracts	**$758,000**	-	**$758,000**
Contingencies	**$113,625**	-	**$113,625**
Architectural/Engineering Fees	**$62,000**	-	**$62,000**
Consulting and Other Fees	**$41,000**	-	**$41,000**
Movable or Other Equipment (not in construction contracts)	**$473,884**	-	**$473,884**
Bond Issuance Expense (project related)	-	-	-
Net Interest Expense During Construction (project related)	-	-	-
Fair Market Value of Leased Space	**FMV $636,182**	-	**FMV $636,182**
Other Costs To Be Capitalized	**$79,500**	-	**$79,500**
Acquisition of Building or Other Property (excluding land)	-	-	-
TOTAL USES OF FUNDS	**$2,169,191**	-	**$2,169,191**
SOURCE OF FUNDS	**CLINICAL**	**NON-CLINICAL**	**TOTAL**
Cash and Securities	**$1,533,009**	-	**$1,533,009**
Pledges	-	-	-
Gifts and Bequests	-	-	-
Bond Issues (project related)	-	-	-
Mortgages	-	-	-
Leases (fair market value)	**FMV $636,182**	-	**FMV $636,182**
Governmental Appropriations	-	-	-
Grants	-	-	-
Other Funds and Sources	-	-	-
TOTAL SOURCES OF FUNDS	**$2,169,191**	-	**$2,169,191**

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTI-AL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

* **The fair market value (FMV) of the leased space is $102.61/gsf. Therefore, the FMV of the 6,200 gsf to be leased is $636,182. See Attachment 7B.**

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project ☐ Yes ☑ No
Purchase Price: $________________
Fair Market Value: $________________

The project involves the establishment of a new facility or a new category of service

☑ Yes ☐ No

If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is $ **$338,798 (See Attachment 75(3)**

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary

☑ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): **December 31, 2011**

Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☑ Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON contingencies. **See Attachment 7C.**
☐ Project obligation will occur after permit issuance.

State Agency Submittals

Are the following submittals up to date as applicable:
☐ Cancer Registry
☐ APORS
☐ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
☑ All reports regarding outstanding permits **See Attachment 7D.**

Cost Space Requirements

Provide in the following format, the department/area GSF and cost. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
CLINICAL							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON CLINICAL							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

APPEND DOCUMENTATION AS ATTACHMENT-8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Facility Bed Capacity and Utilization NOT APPLICABLE

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are available**. Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME: **CITY:**

REPORTING PERIOD DATES: From: to:

Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical					
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:					

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of DaVita Inc.* in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.

SIGNATURE	SIGNATURE
Kent J. Thiry	Dennis L. Kogod
Chairman & CEO	Chief Operating Officer
~~Notarization:~~	~~Notarization:~~
~~Subscribed and sworn to before me this ____ day of ____~~	~~Subscribed and sworn to before me this ____ day of ____~~
~~Signature of Notary~~	~~Signature of Notary~~
Seal	Seal
SEE ATTACHED	SEE ATTACHED

*Insert EXACT legal name of the applicant

Jurat

State of California

County of LOS ANGELES

Subscribed and sworn to (or affirmed) before me on this 12 day of JUNE,

2009 by KENT J. THIRY,

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Christina Jimenez

Signature

(Notary seal)

SEC1A CHRISTINA JIMENEZ COMM. #1754641 NOTARY PUBLIC-CALIFORNIA Los Angeles County Comm. Expires Jun 30, 2011 SEC1A

OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED DOCUMENT

CERTIFICATE OF NEED APPLICATION FOR
(Title or description of attached document)

IL HEALTH FACILITIES PLANNING BOARD
(Title or description of attached document continued)

Number of Pages 1 Document Date 6/12/09

DAVITA INC.
(Additional information)

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- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Total Renal Care Inc.* in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.

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013

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(Notary seal)

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COMM. #1754641
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Los Angeles County
Comm. Expires Jun 30, 2011

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SECTION III. - PROJECT PURPOSE, BACKGROUND AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

Criterion 1110.230 - Project Purpose, Background and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, certification and accreditation identification numbers, if applicable.

2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.

3. Authorization permitting HFPB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFPB.**

4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT-10, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.

2. Define the planning area or market area, or other, per the applicant's definition.

3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]

4. Cite the sources of the information provided as documentation.

5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.

6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals.

For projects involving modernization, describe the conditions being upgraded. For facility projects, include statements of age and condition and regulatory citations. For equipment being replaced, include repair and maintenance records.

NOTE: The description of the "Purpose of the Project" should not exceed one page in length. Information regarding the "Purpose of the Project" will be included in the State Agency Report.

APPEND DOCUMENTATION AS ATTACHMENT-11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ALTERNATIVES

Document **ALL** of the alternatives to the proposed project:

Examples of alternative options include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.

3) The applicant shall provide empirical evidence, including quantified outcome data, that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT-12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV - PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.234 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive.
2. If the gross square footage exceeds the GSF standards in Appendix B, justify the discrepancy by documenting one of the following::
   a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;
   b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;
   c. The project involves the conversion of existing bed space that results in excess square footage.

APPEND DOCUMENTATION AS <u>ATTACHMENT-13,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION: <u>NOT APPLICABLE</u>
This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFPB has not established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B.

APPEND DOCUMENTATION AS <u>ATTACHMENT-14,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE. APPLICATION FORM.

UNFINISHED OR SHELL SPACE: <u>NOT APPLICABLE</u>
Provide the following information:

1. Total gross square footage of the proposed shell space;
2. The anticipated use of the shell space, specifying the proposed GSF tot be allocated to each department, area or function;
3. Evidence that the shell space is being constructed due to
   a. Requirements of governmental or certification agencies; or
   b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
4. Provide:
   a. Historical utilization for the area for the latest five-year period for which data are available; and
   b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS <u>ATTACHMENT-15,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES: NOT APPLICABLE

Submit the following:

1. Verification that the applicant will submit to HFPB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.

2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and

3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT-16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VII. - CATEGORY OF SERVICE - REVIEW CRITERIA

1. This Section is applicable to all projects proposing establishment, expansion or modernization of **ALL categories of service that are subject to CON review**, as provided in the Illinois Health Facilities Planning Act [20 ILCS 3960], WITH THE EXCEPTION OF:
   - General Long Term Care;
   - Subacute Care Hospital Model;
   - Postsurgical Recovery Care Center Alternative Health Care Model;
   - Children's Community-Based Health Care Center Alternative Health Care Model; and
   - Community-Based Residential Rehabilitation Center Alternative Health Care Model.

   If the project involves any of the above-referenced categories of service, refer to "SECTION VIII.- Service Specific Review Criteria" for applicable review criteria, and submit all necessary documentation for each service involved..

2. READ THE APPLICABLE REVIEW CRITERIA FOR EACH OF THE CATEGORIES OF SERVICE INVOLVED. **[Refer to SECTION VIII regarding the applicable criteria for EACH action proposed, for EACH category of service involved.]**

3. **After identifying the applicable review criteria for each category of service involved (see the charts in Section VIII), provide the following information, AS APPLICABLE TO THE CRITERIA THAT MUST BE ADDRESSED:**

A. Planning Area Need - Formula Need Calculation:

1. **Complete the requested information for each category of service involved:**
   Refer to 77 Ill. Adm. Code 1100 for information concerning planning areas, bed/station/key room deficits and occupancy/utilization standards.

Planning Area Health Service Area 6 – City of Chicago

Category of Service	No. of Beds/Stations/Key Rooms Proposed	HFPB Inventory Need or Excess	Part 1100 Occupancy/Utilization Standard
In-Center Hemodialysis	12 stations	94 excess stations	80% use rate

Using the formatting above:

2. Indicate the number of beds/stations/key rooms proposed for each category of service.
3. Document that the proposed number of beds/stations/key rooms is in conformance with the projected deficit specified in 77 Ill. Adm. Code 1100.
4. Document that the proposed number of beds/stations/key rooms will be in conformance with the applicable occupancy/utilization standard(s) specified in Ill. Adm. Code 1100.

B. Planning Area Need - Service to the Planning Area Residents:

1. If establishing or expanding beds/stations/key rooms, document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.
2. If expanding an existing category of service, provide patient origin information for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the area. For all other projects, document that at least 50% of the projected patient volume will be from residents of the area.
3. If expanding an existing category of service, submit patient origin information by zip code, based upon the patient's legal residence (other than a health care facility).

APPEND DOCUMENTATION AS <u>ATTACHMENT -19</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

C. Service Demand - Establishment of Category of Service

Document "Historical Referrals" and **either** "Projected Referrals" or "Project Service Demand - Based on Rapid Population Growth" :

1. Historical Referrals
   If the applicant is an existing facility, document the number of referrals for the last two years for each category of service, as formatted below:

EXAMPLE:

Year	CY or FY	Category of Service	Patient Origin by Zip Code	Name & Specialty of Referring Physician	Name & Location of Recipient Hospital
2008	CY	Medical/Surgical	62761 [Patient Initials]	Dr. Hyde	Wellness Hospital

2. Projected Referrals
   An applicant proposing to establish a category of service or establish a new hospital shall submit physician referral letters containing ALL of the information outlined in Criterion 1110.530(b)(3)

3. Project Service Demand - Based on Rapid Population Growth

   If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area (as experienced annually within the latest 24-month period), the projected service demand must be determined, as specified in the Criterion titled "Project Service Demand - Based on Rapid Population Growth".

APPEND DOCUMENTATION AS ATTACHMENT-20, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

D. Service Demand - Expansion of an Existing Category of Service **NOT APPLICABLE**

Document "Historical Service Demand" and **either** "Projected Referrals" or "Project Service Demand - Based on Rapid Population Growth" :

1. Historical Service Demand

Category of Service	Board Occupancy/Utilization Standards	Year One Indicate CY or FY	Year Two Indicate CY or FY
	[Indicate standards for the planning area.]		

a. As formatted above, document that the average annual occupancy/utilization rate has equaled or exceeded occupancy standards for the category of service, as specified in 77 Ill. Adm. Code 1100, for each of the latest two years;

b. If patients have been referred to other facilities in order to receive the subject services, provide documentation of the referrals, including: patient origin by zip code; name and specialty of referring physician; and name and location of the recipient hospital, for each of the latest two Years

2. Projected Referrals
   An applicant proposing to establish a category of service or establish a new hospital shall submit physician referral letters containing ALL of the information outlined in subsection(b)(4) of the criteria for the subject service(s).

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3. Projected Service Demand – Based on Rapid Population Growth **NOT APPLICABLE**

If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area (as experienced annually within the latest 24-month period), the projected service demand must be determined, as specified in the criterion titled "Projected Service Demand-Based on Rapid Population Growth" of the criteria for the subject service(s).

APPEND DOCUMENTATION AS ATTACHMENT-21, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

E. Service Accessibility - Service Restrictions

1. The applicant shall document that at least one of the factors listed in subsection (b)(5) of the criteria for subject service(s) exists in the planning area.
2. Provide documentation, as applicable, listed in subsection (b)(5) of the criteria for the subject service(s), concerning existing restrictions to service access:

APPEND DOCUMENTATION AS ATTACHMENT-22, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

F. Unnecessary Duplication/Maldistribution

1. Document that the project will not result in an unnecessary duplication, and provide the following information:

   a. A list of all zip code areas that are located, in total or in part, within 30 minutes normal travel time of the project's site;

   b. The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois); and

   c. The names and locations of all existing or approved health care facilities located within 30 minutes normal travel time from the project site that provide the categories of bed service that are proposed by the project.

2. Document that the project will not result in maldistribution of services. Maldistribution exists when the identified area (within the planning area) has an excess supply of facilities, beds and services characterized by such factors as presented in subsection (c)(1) and (2) of the criteria for the subject service(s)..

3. Document that, within 24 months after project completion, the proposed project:

   A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and

   B) Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.

APPEND DOCUMENTATION AS ATTACHMENT-23, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

G. Category of Service Modernization **NOT APPLICABLE**

1. Document that the inpatient beds areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized, citing factors, as listed in subsection (d)(1) of the criteria for the subject service(s), but not limited to the reasons cited in the rule.

2. Provide the following documentation of the need for modernization:

   A. the most recent IDPH Centers for Medicare and Medicaid Services (CMMS) inspection reports;
   B. the most recent Joint Commission on Accreditation of Healthcare Organizations (JCAHO) reports;

3. Include other documentation, as applicable to the factors cited above:

   A. Copies of maintenance reports;
   B. Copies of citations for life safety code violations; and
   C. Other pertinent reports and data.

4. Provide the annual occupancy/utilization for each category of service to be modernized, for each of the last three years.

APPEND DOCUMENTATION AS ATTACHMENT-24, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

H. Staffing Availability

1. For each category of service, document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements can be met.

2. Provide the following documentation:

   a. The name and qualification of the person currently filling the position, if applicable; and
   b. Letters of interest from potential employees; and
   c. Applications filed for each position; and
   d. Signed contracts with the required staff; or
   e. A narrative explanation of how the proposed staffing will be achieved.

APPEND DOCUMENTATION AS ATTACHMENT-25, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

I. Performance Requirements

READ the subsection titled "Performance Requirements" for the subject service(s).

K. Assurances

Submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after project completion, the applicant will achieve and maintain the occupancy/utilization standards specified in 77 Ill. Adm Code 1100 for each category of service involved in the proposal.

APPEND DOCUMENTATION AS ATTACHMENT-26, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

G. Criterion 1110.1430 - In-Center Hemodialysis

1. In addition to addressing the Review Criteria for ALL category of service projects, applicants proposing to establish, expand and/or modernize In-Center Hemodialysis must submit the following information:

2. Indicate station capacity changes by Service: Indicate # of stations changed by action(s):

Category of Service	# Existing Stations	# Proposed Stations	# to Establish	# to Expand	# to Modernize
☐ In-Center Hemodialysis					

3. READ the applicable review criteria outlined below and **submit required documentation for the criteria printed below in bold:**

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.1430(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X		
1110.1430(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.1430(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.1430(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.1430(b)(5) - Planning Area Need - Service Accessibility	X		
1110.1430(c)(1) - Unnecessary Duplication of Services	X		
1110.1430(c)(2) - Maldistribution	X		
1110.1430(c)(3) - Impact of Project on Other Area Providers	X		
1110.1430(d)(1) - Deteriorated Facilities			X
1110.1430(d)(2) - Documentation			X
1110.1430(d)(3) - Documentation Related to Cited Problems			X
1110.1430(e) - Staffing Availability	X	X	
1110.1430(f) - **Support Services**	X	X	X
1110.1430(g) - **Minimum Number of Stations**	X		
1110.1430(h) - **Continuity of Care**	X		
1110.1430(j) - Assurances	X	X	

4. Projects for relocation of a facility from one location in a planning area to another in the same planning area must address the requirements listed in subsection (a)(1) for the "Establishment of Services or Facilities", as well as the requirements in Section 1110.130 - "Discontinuation" and subsection 1110.1430(i) - "Relocation of Facilities".

APPEND DOCUMENTATION for "Support Services", Minimum Number of Stations" and Continuity of Care", AS ATTACHMENT-31, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Section IX. Financial Feasibility

This section is applicable to all projects subject to Part 1120.

REVIEW CRITERIA RELATING TO FINANCIAL FEASIBILITY (FIN)

Does the applicant (or the entity that is responsible for financing the project or is responsible for assumin applicant's debt obligations in case of default) have a bond rating of "A" or better?
Yes ☐ No ☑.

If yes is indicated, submit proof of the bond rating of "A" or better (that is less than two years old) from Fitch's, Moody's or Standard and Poor's rating agencies and go to Section XXVI. **If no is indicated, submit the most recent three years' audited financial statements including the following:**

1. **Balance sheet**
2. **Income statement**
3. **Change in fund balance**
4. **Change in financial position**

A. Criterion 1120.210(a), Financial Viability

1. Viability Ratios

If proof of an "A" or better bond rating has not been provided, read the criterion and complete the following table providing the viability ratios for the most recent three years for which audited financial statements are available. Category B projects must also provide the viability ratios for the first full fiscal year after project completion or for the first full fiscal year when the project achieves or exceeds target utilization (per Part 1100), whichever is later.

Provide Data for Projects Classified as:	**Category A or Category B (last three years)**			**Category B (Estimated)**
Enter Historical and/or Projected Years:	**2006**	**2007**	**2008**	**2012**
Current Ratio	**1.5**	**1.8**	**1.8**	**2.0**
Net Margin Percentage	**5.9%**	**7.3%**	**6.6%**	**6.1%**
Percent Debt to Total Capitalization	**38.7%**	**38.0%**	**41.8%**	**38.1%**
Projected Debt Service Coverage	**2.6**	**3.1**	**2.8**	**0.7**
Days Cash on Hand	**29**	**39**	**32**	**39**
Cushion Ratio	**1.1**	**1.7**	**1.4**	**0.5**

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each. Insert the worksheets after this page.

2. Variance

Compare the viability ratios provided to the Part 1120 Appendix A review standards. If any of the standards for the applicant or for any co-applicant are not met, provide documentation that a person or organization will assume the legal responsibility to meet the debt obligations should the applicant default. The person or organization must demonstrate compliance with the ratios in Appendix A when proof of a bond rating of "A" or better has not been provided.

DAVITA INC. (a)

AUDITED HISTORIC VIABILITY RATIOS
(DOLLARS IN 000'S)

RATIOS	CY 2006	CY 2007	CY 2008
Current Ratio			
Current Assets	1,709,496	1,976,250	2,128,304
Current Liabilities	1,112,172	1,086,496	1,163,063
Equals	1.5	1.8	1.8
Net Margin Percentage			
Net Income	289,691	381,778	374,160
Net Operating Revenue	4,880,662	5,264,151	5,660,173
Time 100 Equals	5.9%	7.3%	6.6%
Debt Service Coverage			
(See calculations, next page)			
Net Income+Dep+Int+Amort	725,953	817,968	806,021
Principal + Interest	283,838	266,151	287,669
Equals	2.6	3.1	2.8
Debt Capitalization Ratio			
(See calculations, next page)			
Long Term Debt	3,751,251	3,707,318	3,695,146
Long Term Debt + Equity (b)	9,701,251	9,744,094	8,838,034
Equals	38.7%	38.0%	41.8%
Days Cash on Hand			
Cash	310,202	447,046	410,881
Operating Expense-Depreciation	3,967,935	4,208,472	4,621,491
Divided by 365 days/year	10,871	11,530	12,661
Equals	29 days	39 days	32 days
Cushion Ratio			
Cash	310,202	447,046	410,881
Maximum Annual Debt Service	283,838	266,151	287,669
Equals	1.1	1.7	1.4

DAVITA INC. (a)

AUDITED HISTORIC VIABILITY RATIOS
COMPUTATIONS: DOLLARS IN 000'S

	CY2006	CY2007	CY2008
DEBT COVERAGE RATIO			
Net Income	289,691	381,778	374,160
Depreciation / Amortization	173,295	193,470	216,917
Interest	262,967	242,720	214,944
Total	725,953	817,968	806,021
Divided By:			
Principal	20,871	23,431	72,725
Interest	262,967	242,720	214,944
Total	283,838	266,151	287,669
Equals	2.6	3.1	2.8
DEBT CAPITALIZATION RATIO			
Long Term Debt	3,751,251	3,707,318	3,695,146
Divided By:			
Long Term Debt	3,751,251	3,707,318	3,695,146
Equity (b)	5,950,000	6,036,776	5,142,888
Total	9,701,251	9,744,094	8,838,034
Equals	38.7%	38.0%	41.8%
DAYS CASH ON HAND			
Cash	310,202	447,046	410,881
Divided By:			
Operating Expenses	4,141,230	4,401,942	4,838,408
Minus Depreciation	-173,295	-193,470	-216,917
Subtrahend	3,967,935	4,208,472	4,621,491
÷ 365 = Expenses/Day	10,871	11,530	12,661
Equals	29 days	39 days	32 days
CUSHION RATIO			
Cash & LOC	310,202	447,046	410,881
Divided By:			
Principal	20,871	23,431	72,725
Interest	262,967	242,720	214,944
Total	283,838	266,151	287,669
Equals	1.1	1.7	1.4

NOTES:

(a) Total Renal Care Inc. (TRC), Renal Treatment Centers, Inc. and Renal Life Link Inc. (RLL) are wholly-owned subsidiaries of DaVita Inc.

(b) Equity is defined by market equity and is the number of shares outstanding at the closing price on the last trading day of the calendar year.

SOURCES: DaVita Inc., Audited Financial Statements, Annual Reports, Form 10-K, for the years ended December 31, 2005 – 2008.

For Illinois CON Reporting

12/31/2008

DaVita Inc.	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	Illinois Standard
Current Ratio	1.97	1.67	1.54	1.82	1.83	2.03	2.03	2.03	2.03	>1.5
Net Margin Percentage	10.21%	7.69%	5.94%	7.25%	6.61%	6.05%	6.05%	6.05%	6.05%	>3.5%
Percent Debt to Total Capitalization	26.08%	44.62%	38.67%	38.05%	41.81%	38.08%	38.08%	38.08%	38.08%	<80%
Projected Debt Service Coverage	3.43	2.33	2.56	3.07	2.80	2.44	2.62	0.41	0.70	>1.75
Days Cash on Hand	51.44	66.51	28.53	39.20	29.59	38.66	38.66	38.66	38.66	>45
Cushion Ratio	2.43	2.09	1.09	1.68	1.43	1.67	1.80	0.28	0.48	>5.00

SUPPORTING CALCULATIONS:

Current Ratio:									
Current Assets	868,720	1,654,408	1,709,496	1,976,250	2,128,304	2,128,304	2,128,304	2,128,304	2,128,304
Current Liabilities	441,735	989,733	1,112,172	1,086,496	1,163,063	1,049,929	1,049,929	1,049,929	1,049,929
Current Ratio	1.97	1.67	1.54	1.82	1.83	2.03	2.03	2.03	2.03
Net Margin Percentage:									
Net Income	222,254	228,643	289,691	381,778	374,160	343,837	343,837	343,837	343,837
Net Revenues	2,177,330	2,973,918	4,880,662	5,264,151	5,660,173	5,680,437	5,680,437	5,680,437	5,680,437
Net Margin Percentage	10.21%	7.69%	5.94%	7.25%	6.61%	6.05%	6.05%	6.05%	6.05%
Percent Debt to Total Capitalization:									
Total Long Term Debt	1,375,832	4,157,202	3,751,251	3,707,318	3,695,146	3,690,422	3,690,422	3,690,422	3,690,422
Equity*	3,900,000	5,160,000	5,950,000	6,036,776	5,142,888	6,000,000	6,000,000	6,000,000	6,000,000
Percent Debt to Total Capitalization	26.08%	44.62%	38.67%	38.05%	41.81%	38.08%	38.08%	38.08%	38.08%
Projected Debt Service Coverage:									
Net Income	222,254	228,643	289,691	381,778	374,160	343,837	343,837	343,837	343,837
Depreciation/Amortization	82,912	116,836	173,295	193,470	216,917	213,530	213,530	213,530	213,530
Interest Expense	50,324	134,429	262,967	242,720	214,944	235,426	235,426	235,426	235,426
Available Funds	355,490	479,908	725,953	817,968	806,021	792,792	792,792	792,792	792,792
Interest Expense and principal payments	103,688	206,196	283,838	266,151	287,669	324,859	302,322	1,942,368	1,136,593
Projected Debt Service Coverage	3.43	2.33	2.56	3.07	2.80	2.44	2.62	0.41	0.70
Days Cash on Hand:									
Cash and Investments	251,979	431,811	310,202	447,046	410,881	542,690	542,690	542,690	542,690
Net Revenue	2,177,330	2,973,918	4,880,662	5,264,151	5,660,173	5,680,437	5,680,437	5,680,437	5,680,437
Net Income	222,254	228,643	289,691	381,778	374,160	343,837	343,837	343,837	343,837
Operating Expense	1,955,076	2,745,275	4,590,971	4,882,373	5,286,013	5,336,601	5,336,601	5,336,601	5,336,601
Less Dep/Amort	82,912	116,836	173,295	193,470	216,917	213,530	213,530	213,530	213,530
Operating Expense Net of Dep/Amort	1,788,112	2,369,622	3,967,935	4,162,987	5,069,096	5,123,071	5,123,071	5,123,071	5,123,071
Days Cash on Hand	51.44	66.51	28.53	39.20	29.59	38.66	38.66	38.66	38.66
Cushion Ratio:									
Total Cash	251,979	431,811	310,202	447,046	410,881	542,690	542,690	542,690	542,690
Interest Expense and Principal payments	103,688	206,196	283,838	266,151	287,669	324,859	302,322	1,942,368	1,136,593
Cushion Ratio	2.43	2.09	1.09	1.68	1.43	1.67	1.80	0.28	0.48

**Equity as defined by market equity. Market equity = shares outstanding * closing price at last trading day of calendar year.*

For forecasting: DVA market capitalization was approximiately ~$6Bn at close on Dec 31st, 2007. Assume constant market capitalization at $6Bn going forward

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REVIEW CRITERIA RELATING TO FINANCIAL FEASIBILITY (FIN) (continued)

B. Criterion 1120.210(b), Availability of Funds

If proof of an "A" or better bond rating has not been provided, read the criterion and document that sufficient resources are available to fund the project and related costs including operating start-up costs and operating deficits. Indicate the dollar amount to be provided from the following sources:

$1,533,009 Cash & Securities
Provide statements as to the amount of cash/securities available for the project. Identify any security, its value and availability of such funds. Interest to be earned or depreciation account funds to be earned on any asset from the date of application submission through project completion are also considered cash.

_________ Pledges
For anticipated pledges, provide a letter or report as to the dollar amount feasible showing the discounted value and any conditions or action the applicant would have to take to accomplish goal. The time period, historical fund raising experience and major contributors also must be specified.

_________ Gifts and Bequests
Provide verification of the dollar amount and identify any conditions of the source and timing of its use.

FMV **$636,182** Debt Financing (indicate type(s) **Space Lease and the FMV of the Shell Space (See Attachments 7B and 7C.)**
For general obligation bonds, provide amount, terms and conditions, including any anticipated discounting or shrinkage) and proof of passage of the required referendum or evidence of governmental authority to issue such bonds;
For revenue bonds, provide amount, terms and conditions and proof of securing the specified amount;
For mortgages, provide a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated;
For leases, provide a copy of the lease including all terms and conditions of the lease including any purchase options.

_________ Governmental Appropriations
Provide a copy of the appropriation act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, provide a resolution or other action of the governmental unit attesting to such future funding.

_________ Grants
Provide a letter from the granting agency as to the availability of funds in terms of the amount, conditions, and time or receipt.

_________ Other Funds and Sources
Provide verification of the amount, terms and conditions, and type of any other funds that will be used for the project.

$2,169,191 TOTAL FUNDS AVAILABLE

C. Criterion 1120.210(c), Operating Start-up Costs

If proof of an "A" or better bond rating has not been provided, indicate if the project is classified as a Category B project that involves establishing a new facility or a new category of service? Yes ☑ No ☐. If yes is indicated, read the criterion and provide in the space below the amount of operating start-up costs (the same as reported in Section I of this application) and provide a description of the items or components that comprise the costs. Indicate the source and amount of the financial resources available to fund the operating start-up costs (including any initial operating deficit) and reference the documentation that verifies sufficient resources are available.

APPEND DOCUMENTATION AS ATTACHMENT 75, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Section X. Economic Feasibility

This section is applicable to all projects subject to Part 1120.

REVIEW CRITERIA RELATING TO ECONOMIC FEASIBILITY (ECON)

A. Criterion 1120.310(a), Reasonableness of Financing Arrangements

Is the project classified as a Category B project? Yes ☑ No ☐. If no is indicated this criterion is not applicable. If yes is indicated, has proof of a bond rating of "A" or better been provided? Yes ☐ No ☑ If yes is indicated this criterion is not applicable, go to item B. If no is indicated, read the criterion and address the following:

Are all available cash and equivalents being used for project funding prior to borrowing? ☑Yes ☐ No

If no is checked, provide a notarized statement signed by two authorized representatives of the applicant entity (in the case of a corporation, one must be a member of the board of directors) that attests to the following:

1. a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order that the current ratio does not fall below 2.0 times; or
2. borrowing is less costly than the liquidation of existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Criterion 1120.310(b), Conditions of Debt Financing

Read the criterion and provide a notarized statement signed by two authorized representatives of the applicant entity (in the case of a corporation, one must be a member of the board of directors) that attests to the following as applicable:

1. The selected form of debt financing the project will be at the lowest net cost available or if a more costly form of financing is selected, that form is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional debt, term (years) financing costs, and other factors;
2. All or part of the project involves the leasing of equipment or facilities and the expenses incurred with such leasing are less costly than constructing a new facility or purchasing new equipment.

B. Criterion 1120.310(c), Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (list below)	A	B	C	D	E	F	G	H	Total Cost
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. $ (A x C)	Mod. $ (B x E)	(G + H)
ESRD	-	**$122.26**	-	-	**6,200**	-	-	**$758,000**	**$758,000**
Contingency	-	**$ 18.32**	-	-	**6,200**	-	-	**$113,625**	**$113,625**
TOTALS	-	**$140.58**	-	-	**6,200**	-	-	**$871,625**	**$871,625**

* Include the percentage (%) of space for circulation

2. For each piece of major medical equipment included in the proposed project, the applicant must certify one of the following: **Not Applicable**

REVIEW CRITERIA RELATING TO ECONOMIC FEASIBILITY (ECON) (continued)

a. that the lowest net cost available has been selected; or

b. that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.

3. List the items and costs included in preplanning, site survey, site preparation, off-site work, consulting, and other costs to be capitalized. If any project line item component includes costs attributable to extraordinary or unusual circumstances, explain the circumstances and provide the associated dollar amount. When fair market value has been provided for any component of project costs, submit documentation of the value in accordance with the requirements of Part 1190.40.

D. Criterion 1120.310(d), Projected Operating Costs

Read the criterion and provide in the space below the facility's projected direct annual operating costs (in current dollars per equivalent patient day or unit of service, as applicable) for the first full fiscal year of operation after project completion or for the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. If the project involves a new category of service, also provide the annual operating costs for the service. Direct costs are the fully allocated costs of salaries, benefits, and supplies. Indicate the year for which the projected operating costs are provided.

E. Criterion 1120.310(e), Total Effect of the Project on Capital Costs

Is the project classified as a category B project? Yes ☑ No ☐. If no is indicated, go to item F. If yes is indicated, provide in the space below the facility's total projected annual capital costs as defined in Part 1120.130(f) (in current dollars per equivalent patient day) for the first full fiscal year of operation after project completion or for the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. Indicate the year for which the projected capital costs are provided.

F. Criterion 1120.310(f), Non-patient Related Services – Not Applicable

Is the project classified as a category B project and involve non-patient related services? Yes ☐ No ☑. If no is indicated, this criterion is not applicable. If yes is indicated, read the criterion and document that the project will be self-supporting and not result in increased charges to patients/residents or that increased charges are justified based upon such factors as, but not limited to, a cost benefit or other analysis that demonstrates the project will improve the applicant's financial viability.

APPEND DOCUMENTATION AS <u>ATTACHMENT 76</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

INDEX OF ATTACHMENTS

GRAND CROSSING DIALYSIS

INDEX OF ATTACHMENTS

GRAND CROSSING DIALYSIS

* **The symbol " ' " indicates that a section is not applicable, except for Attachment 6 which was not needed.**

** **Attachment 7 also includes documentation of the FMV of the space (7B); a copy of the letter of intent to lease the space (7C); and documentation of the status of previously approved CONs/COEs (7D.)**

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "DAVITA INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SECOND DAY OF MARCH, A.D. 2009.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "DAVITA INC." WAS INCORPORATED ON THE FOURTH DAY OF APRIL, A.D. 1994.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

SECRETARY'S OFFICE DELAWARE

Jeffrey W. Bullock, Secretary of State

2391269 8300

090226176

AUTHENTICATION: 7161943

DATE: 03-02-09

ATTACHMENT 1
Page 1 of 2

File Number 5823-002-2

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

TOTAL RENAL CARE, INC., INCORPORATED IN CALIFORNIA AND LICENSED TO TRANSACT BUSINESS IN THIS STATE ON MARCH 10, 1995, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 2ND *day of* MARCH *A.D.* 2009 .

SEAL OF THE STATE OF ILLINOIS
AUG. 26TH 1818

Authentication #: 0906101548

Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

Total Renal Care Inc. d/b/a Grand Crossing Dialysis

PROPOSED SITE

7319-7325 S. Cottage Grove
Chicago, Illinois 60619

SITE OWNERSHIP

Cottage Grove Terrace, LLC
1 Trans AM Plaza, Suite 480
Oakbrook Terrace, Illinois 60181

Mao Mei, Landlord Contact

ATTACHMENT 2

DaVita Inc. (Parent)
and
Total Renal Care Inc. (Operating Entity)

ORGANIZATIONAL STRUCTURE

DaVita Inc. owns 100% of the following entities:

Renal Life Link Inc.;
Physician Dialysis Inc.;
DVA Renal Healthcare Inc. (formerly Gambro);
Renal Treatment Centers Inc.;
Total Renal Care Inc.;
The DaVita Collection Inc.; and
DaVita Village Health Inc.

Please see Attachment 3A for major subsidiaries of these entities.
Please see Attachment 3B for organizational chart for Illinois facilities.

[redacted]

- HomeChoice Partners, Inc. (Barbara J. Exum- .5208% Joseph W. Boyd- .5208% Mary Ann Cope- 10.4167% DaVita Inc.- 85.625% Kathy F. Puglise- 2.9167%)
- The DaVita Collection, Inc. (DaVita Inc.- 100%)
- DVA Renal Healthcare, Inc. (DaVita Inc.- 100%)
  - Columbus-RNA-DaVita, LLC (DVA Renal Healthcare, Inc.- 60% RNA Dialysis Ventures, LLC- 40%)
  - DVA Healthcare Procurement Services, Inc. (DVA Renal Healthcare, Inc.- 100%)
  - DVA Healthcare of Maryland, Inc. (DVA Renal Healthcare, Inc.- 100%)
  - DVA Healthcare of Massachusetts, Inc. (DVA Renal Healthcare, Inc.- 100%)
  - DVA Healthcare of New London, LLC (DVA Renal Healthcare, Inc.- 51% CONNcare, Inc.- 24.5% L & M Home Care Services, Inc.- 24.5%)
  - DVA Healthcare of Norwich, LLC (DVA Renal Healthcare, Inc.- 51% CONNcare, Inc.- 49%)
  - DVA Healthcare of Pennsylvania, Inc. (DVA Renal Healthcare, Inc.- 100%)
  - DVA Healthcare of Tuscaloosa, LLC (DVA Renal Healthcare, Inc.- 51% DCH Holdings, Inc.- 49%)
  - DVA Laboratory Services, Inc. (DVA Renal Healthcare, Inc.- 100%)
  - DVA Nephrology Partners, Inc. (DVA Renal Healthcare, Inc.- 100%)
  - DVA Supply Corp. (DVA Renal Healthcare, Inc.- 100%)
  - DVA of New York, Inc. (DVA Renal Healthcare, Inc.- 100%)
  - DVA/Washington University Healthcare of Greater St. Louis, LLC (DVA Renal Healthcare, Inc.- 51% Washington University- 49%)
  - DaVita Nephrology Partners- Midwest, Co. (Kadir Mansur, M.D.- 100%)
  - Freehold Artificial Kidney Center, L.L.C. (DVA Renal Healthcare, Inc.- 100%)
  - Neptune Artificial Kidney Center, L.L.C. (DVA Renal Healthcare, Inc.- 100%)
  - Ohio River Dialysis, LLC (Nephrology Investments of Florence, LLC- 45% DVA Renal Healthcare, Inc.- 55%)
  - American Access Care of New Jersey, L.L.C. (American Access Care, LLC- 33.3% DVA Renal Healthcare, Inc.- 33.3% Philadelphia Vascular Institute, LLC- 33.3%)
  - American Access Care of Pennsylvania, L.L.C. (DVA Renal Healthcare, Inc.- 33.3% American Access Care, LLC- 33.3% Philadelphia Vascular Institute, LLC- 33.3%)
  - American Access Care of SP, L.L.C. (DVA Renal Healthcare, Inc.- 33.3% Philadelphia Vascular Institute, LLC- 33.3% American Access Care, LLC- 33.3%)
  - UT Southwestern DVA Healthcare, L.L.P. (UT Southwestern Health Systems- 49% DVA Renal Healthcare, Inc.- 51%)
  - DVA Healthcare - Southwest Ohio, LLC (Community Limited Care Dialysis Center.- 19.5% DVA Renal Healthcare, Inc.- 80.5%)
    - River Valley Dialysis, LLC (Nephrology Investments of Florence, LLC- 29.5% DVA Healthcare - Southwest Ohio, LLC- 70.5%)
  - Dialysis Holdings, Inc. (DVA Renal Healthcare, Inc.- 100%)
    - DVA Healthcare Nephrology Partners, Inc. (Dialysis Holdings, Inc.- 100%)
    - DVA Nephrology Services, Inc. (Dialysis Holdings, Inc.- 100%)
    - DVA Healthcare Renal Care, Inc. (Dialysis Holdings, Inc.- 100%)
      - Hanford Dialysis, LLC (DVA Healthcare Renal Care, Inc.- 100%)
- DaVita VillageHealth, Inc. (DaVita Inc.- 100%)
  - DaVita VillageHealth of Georgia, Inc. (DaVita VillageHealth, Inc.- 100%)
  - DaVita VillageHealth of Colorado, Inc. (DaVita VillageHealth, Inc.- 100%)
  - DaVita VillageHealth of Kansas, Inc. (DaVita VillageHealth, Inc.- 100%)
  - DaVita VillageHealth Insurance Of Alabama, Inc. (DaVita VillageHealth, Inc.- 100%)
  - DaVita VillageHealth of Michigan, Inc. (DaVita VillageHealth, Inc.- 100%)
  - DaVita VillageHealth of Ohio, Inc. (DaVita VillageHealth, Inc.- 100%)
  - DaVita VillageHealth of Virginia, Inc. (DaVita VillageHealth, Inc.- 100%)
  - Davita VillageHealth of Maryland, Inc. (DaVita VillageHealth, Inc.- 100%)
  - Davita VillageHealth of California, Inc. (DaVita VillageHealth, Inc.- 100%)
- Physicians Dialysis, Inc. (DaVita Inc.- 100%)
  - Physicians Dialysis Ventures, Inc. (Physicians Dialysis, Inc.- 100%)
    - Physicians Management, LLC (Physicians Dialysis Ventures, Inc.- 100%)
      - Physicians Choice Dialysis, LLC (Physicians Management, LLC- 100%)
        - Physicians Choice Dialysis Of Alabama, LLC (Physicians Choice Dialysis, LLC- 100%)
    - Middlesex Dialysis Center, LLC (Physicians Dialysis Ventures, Inc.- 100%)
    - Physicians Dialysis of Lancaster, LLC (Lancaster Dialysis Ventures, LLC- 49% Physicians Dialysis Ventures, Inc.- 51%)
  - PDI Holdings, Inc. (Physicians Dialysis, Inc.- 100%)
  - PDI Supply, Inc. (Physicians Dialysis, Inc.- 100%)
  - Physicians Dialysis Acquisitions, Inc. (Physicians Dialysis, Inc.- 100%)
- Renal Life Link, Inc. (DaVita Inc.- 100%)
  - Central Ohio Dialysis, LLC (Renal Life Link, Inc.- 100%)
  - Ionia Dialysis, LLC (Ionia Dialysis Operations, LLC- 32% Royal Spartan Holdings, LLC- 13% Renal Life Link, Inc- 55%)
  - La Grange Dialysis, LLC (Renal Life Link, Inc.- 80% Abdul G. Buridi, M.D.- 20%)
  - New Hope Dialysis, LLC (Renal Life Link, Inc.- 100%)
  - New Orleans East Dialysis Center, LLC (Uribe and Mims, LLC- 20% Renal Life Link, Inc.- 80%)
  - Seneca Dialysis, LLC (Renal Life Link, Inc.- 65% Mercy Hospital of Tiffin, Ohio- 35%)
  - Strongsville Dialysis, LLC (Insuck Chang- 5% Graham Finance LLC- 30% Renal Life Link, Inc.- 60% Rafik Hussain, M.D.- 5%)
- Renal Treatment Centers, Inc. (DaVita Inc.- 100%)
  - DaVita - West, LLC (Renal Treatment Centers, Inc.- 100%)
    - Renal Treatment Centers - Southeast, LP (Renal Treatment Centers, Inc.- 1% DaVita - West, LLC- 99%)
      - Baytown Dialysis, LLC (Renal Treatment Centers - Southeast, LP- 100%)
      - Indian River Dialysis Center, LLC (PRI Dialysis, LLC- 20% Renal Treatment Centers - Southeast, LP- 80%)
      - Dallas-Fort Worth Nephrology II, LLC (HEAL Partners, LLC- 40% Renal Treatment Centers - Southeast, LP- 60%)
      - West Monroe Dialysis, LLC (Renal Treatment Centers - Southeast, LP- 100%)
      - Talladega Dialysis, LLC
      - Northwest Arkansas Kidney Centers, LLC (Renal Treatment Centers - Southeast, LP- 100%)
      - Renal Clinic Of Houston, LLC (Renal Treatment Centers - Southeast, LP- 100%)
      - Taylor Dialysis, LLC (Renal Treatment Centers - Southeast, LP- 100%)
      - Ross Clark Circle Dialysis, LLC (Renal Treatment Centers - Southeast, LP- 100%)
      - Greenspoint Dialysis, LLC (Renal Treatment Centers - Southeast, LP- 100%)
      - Austin Dialysis Centers, L.P. (Total Renal Care, Inc.- 1% Renal Treatment Centers - Southeast, LP- 59% HMB Holdings, LLC- 40%)
      - DaVita Denham Springs Kidney Care, LLC (Renal Treatment Centers - Southeast, LP- 100%)
      - East Ft. Lauderdale, LLC (Albert Casaretto, M.D.- 40% Renal Treatment Centers - Southeast, LP- 60%)
      - Mid-City New Orleans Dialysis Center, LLC (Renal Treatment Centers - Southeast, LP- 100%)
      - RTC - Texas Acquisition, Inc. (Renal Treatment Centers - Southeast, LP- 100%)
      - Weston Dialysis Center, LLC (Cleveland Clinic Florida- 20% Renal Treatment Centers - Southeast, LP- 80%)
      - Renaissance Dialysis, LLC (Renal Treatment Centers - Southeast, LP- 100%)
  - RTC TN, Inc. (Renal Treatment Centers, Inc.- 100%)
    - RTC Holdings, Inc. (RTC TN, Inc.- 100%)
  - Renal Treatment Centers - California, Inc. (Renal Treatment Centers, Inc.- 100%)
    - Canyon Springs Dialysis, LLC (Renal Treatment Centers - California, In- 100%)

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- Yucaipa Dialysis, LLC (NAMG Dialysis Ventures III, LLC- 40% Renal Treatment Centers - California, In- 60%)
- Santa Fe Springs Dialysis, LLC (Renal Treatment Centers - California, In- 100%)
- DaVita-Riverside II, LLC (NAMG Dialysis Ventures II, LLC- 40% Renal Treatment Centers - California, In- 60%)
- DaVita-Riverside, LLC (Renal Treatment Centers - California, In- 60% NAMG Dialysis Ventures, LLC- 40%)
- Elk Grove Dialysis Center, LLC (Jane O'Green Koeing, M.D.- 33% Ratnaji Nallamothu, M.D.- 16% Renal Treatment Centers - California, In- 51%)
- Fullerton Dialysis Center, LLC (Renal Investment Partnership II- 40% Renal Treatment Centers - California, In- 60%)
- Irvine Dialysis Center, LLC (Renal Treatment Centers - California, In- 60% Jonathan Ahdoot, M.D.- 20% Jacob Ahdoot, M.D.- 20%)
- Long Beach Dialysis Center, LLC (Renal Treatment Centers - California, In- 90% JAYRAJ Enterprises, LLC- 10%)
- Marysville Dialysis Center, LLC (Venu Kondle, M.D.- 25% Robert Polhemus, M.D.- 20% Renal Treatment Centers - California, In- 55%)
- Ontario Dialysis Center, LLC (Renal Treatment Centers - California, In- 100%)
- Orange Dialysis, LLC (Renal Treatment Centers - California, In- 100%)
- Riverside County Home PD Program, LLC (Renal Treatment Centers - California, In- 100%)
- Soledad Dialysis Center, LLC (Soledad Dialysis Services, Inc.- 40% Renal Treatment Centers - California, In- 60%)
- Tustin Dialysis Center, LLC (NSMG Partners- 20% Renal Treatment Centers - California, In- 60% Renal Investment Partnership- 20%)

Renal Treatment Centers - Illinois, Inc. (Renal Treatment Centers, Inc.- 100%)

- Clinton Township Dialysis, LLC (Renal Treatment Centers - Illinois, Inc.- 100%)
- Sandusky Dialysis, LLC (Renal Treatment Centers - Illinois, Inc.- 80% Nephrology Partners of Sandusky, Inc.- 20%)
- Commerce Township Dialysis Center, LLC (Huron Valley Dialysis, LLC- 35% Commerce Dialysis, LLC- 10% Renal Treatment Centers - Illinois, Inc.- 55%)
- St. Luke'S Dialysis, LLC (Hillmed Dialysis Center of St. Luke's In- 40% Renal Treatment Centers - Illinois, Inc.- 60%)
- South Lincoln Dialysis, LLC (Renal Treatment Centers - Illinois, Inc.- 100%)
- Amarillo Dialysis, LLC (Renal Treatment Centers - Illinois, Inc.- 100%)
- Grosse Pointe Dialysis, LLC (Renal Treatment Centers - Illinois, Inc.- 100%)
- Central Iowa Dialysis Partners, LLC (Renal Treatment Centers - Illinois, Inc.- 70% Central Iowa Dialysis Investors, LLC- 30%)
- Central Kentucky Dialysis Centers, LLC (Mahendra Patel, M.D.- 20% Renal Treatment Centers - Illinois, Inc.- 60% Bhatti Investments, LLC- 20%)
- Chesterfield Dialysis, LLC (Renal Treatment Centers - Illinois, Inc.- 60% Lenox IV LLC- 40%)
- Chicago Heights Dialysis, LLC (Chicago Heights Renal Care, LLC- 49% Renal Treatment Centers - Illinois, Inc.- 51%)
- Dialysis of Des Moines, LLC (Renal Treatment Centers - Illinois, Inc.- 51% Dialysis of Georgia, LLC- 49%)
- Dialysis of Northern Illinois, LLC (Rockford Nephrology Partners, Ltd.- 40% Renal Treatment Centers - Illinois, Inc.- 60%)
- Downriver Centers, Inc. (Renal Treatment Centers - Illinois, Inc.- 100%)
- East Dearborn Dialysis, LLC (Kristy Enterprises, LLC- 40% Renal Treatment Centers - Illinois, Inc.- 60%)
- Kidney Centers of Michigan, L.L.C. (Renal Treatment Centers - Illinois, Inc.- 90% Michigan Dialysis Partners, LLC- 10%)
- Lawrenceburg Dialysis, LLC (Bepo, Inc.- 20% Renal Treatment Centers - Illinois, Inc.- 60% Pupizen, Inc.- 20%)
- Louisville Dialysis Centers, LLC (Renal Treatment Centers - Illinois, Inc.- 85% Abdul G. Bundi, M.D.- 15%)
- Richfield Dialysis, LLC (Renal Treatment Centers - Illinois, Inc.- 100%)
- Rochester Dialysis Center, LLC (Renal Treatment Centers - Illinois, Inc.- 60% Rochester Dialysis Partners, LLC- 30% Michigan Dialysis Partners, LLC- 10%)
- St. Clair Dialysis, LLC (Renal Treatment Centers - Illinois, Inc.- 100%)
- TRC - Indiana, LLC (Renal Treatment Centers - Illinois, Inc.- 90% Total Renal Care, Inc.- 10%)
- Westview Dialysis, LLC (Renal Treatment Centers - Illinois, Inc.- 100%)
- Wauseon Dialysis, LLC
- Princeton Dialysis, LLC (Renal Treatment Centers - Illinois, Inc.- 100%)
- Northeast Ohio Home Dialysis, LLC (Renal Treatment Centers - Illinois, Inc.- 100%)

Renal Treatment Centers - Mid-Atlantic, Inc. (Renal Treatment Centers, Inc.- 100%)

- Waldorf Dialysis, LLC (Renal Treatment Centers - Mid-Atlantic, - 100%)
- Aberdeen Dialysis, LLC (Nephrology Investments of Aberdeen, LLC- 40% Renal Treatment Centers - Mid-Atlantic, - 60%)
- Dialysis Treatment Centers of Macon, LLC (Renal Treatment Centers - Mid Atlantic, - 20% OCK LLC- 80%)
- Buford Dialysis, LLC (Renal Treatment Centers - Mid-Atlantic, - 90% Quality Kidney Care, LLC- 10%)
- Central Georgia Dialysis, LLC (Renal Treatment Centers - Mid-Atlantic, - 70% Martinez Business Holdings, LLLP- 30%)
- DaVita Tidewater, LLC (Renal Treatment Centers - Mid-Atlantic, - 60% TKS Holding Company, LLC- 40%)
- DaVita Tidewater-Virginia Beach, LLC (TKS, Virginia Beach Holding Company, LLC- 40% Renal Treatment Centers - Mid-Atlantic, - 60%)
- Dialysis of North Atlanta, LLC (Renal Treatment Centers - Mid-Atlantic, - 100%)
- North Atlanta Dialysis Center, LLC (Renal Treatment Centers - Mid-Atlantic, - 100%)
- Peninsula Dialysis Center, Inc. (Renal Treatment Centers - Mid-Atlantic, - 100%)
- Southwest Atlanta Dialysis Centers, LLC (Renal Treatment Centers - Mid-Atlantic, - 79% Total Renal Care, Inc.- 21%)
- Sugarloaf Dialysis, LLC (Quality Kidney Care, LLC- 30% Renal Treatment Centers - Mid-Atlantic, - 70%)
- Tri-City Dialysis Center, Inc. (Renal Treatment Centers - Mid-Atlantic, - 100%)

Renal Treatment Centers - Northeast, Inc. (Renal Treatment Centers, Inc.- 100%)

- Riddle Dialysis, LLC (Zenith Renal Group, LLC- 20% Renal Treatment Centers - Northeast, Inc- 70% Riddle Memorial Hospital- 10%)

Renal Treatment Centers - West, Inc. (Renal Treatment Centers, Inc.- 100%)

- Hutchinson Dialysis, L.L.C. (Kansas Nephrology Associates, P.A.- 50% Renal Treatment Centers - West, Inc.- 50%)
- Wyandotte Central Dialysis, LLC (Andrew J. Stinge, M.D.- 5.29% Richard A. Schumacher, M.D.- 5.29% Venu Nair, M.D.- 7.93% Sunganthi Beeki, M.D.- 6.61% Kristine Gish Herron, M.D.- 5.29% Kirk A Duncan, M.D.- 7.93% Renal Treatment Centers - West, Inc.- 61.66%)
- DaVita Dakota Dialysis Center, LLC (Renal Treatment Centers - West, Inc.- 55% Red River Valley Dialysis, LLC- 45%)
- North Colorado Springs Dialysis, LLC (Renal Treatment Centers - West, Inc.- 100%)
- Oakes Dialysis, LLC (Renal Treatment Centers - West, Inc.- 100%)
- Brighton Dialysis Center, LLC (Western Nephrology & Metabolic Bone Dise- 40% Renal Treatment Centers - West, Inc.- 60%)
- Durango Dialysis Center, LLC (Renal Treatment Centers - West, Inc.- 95% Mark Saddler, M.D.- 5%)
- Greenwood Dialysis, LLC (Renal Treatment Centers - West, Inc.- 85% Greenwood Investment Group, LLC- 15%)
- Muskogee Dialysis, LLC (Muskogee Investment Group, LLC- 22.5% Robert M. Gold, M.D.- 5% Renal Treatment Centers - West, Inc.- 72.5%)
- Rocky Mountain Dialysis Services, LLC (DNPC Investments, LLC- 49% Renal Treatment Centers - West, Inc.- 51%)
- Sierra Rose Dialysis Center, LLC (Renal Treatment Centers - West, Inc.- 100%)
- Southcrest Dialysis, LLC (Southcrest Venture, LLC- 40% Renal Treatment Centers - West, Inc.- 60%)
- Southern Colorado Joint Ventures, LLC (Renal Treatment Centers - West, Inc.- 60% Physicians Investment Group I, LLC- 40%)
- Southern Hills Dialysis Center, LLC (SHDC, LLC- 40% Renal Treatment Centers - West, Inc.- 60%)
- Sun City Dialysis Center, L.L.C. (Ishan N VKC, Inc.- 7.5% Asan M. Ariff, M.D., P.C.- 7.5% Anup Rai, M.D.- 25% Renal Treatment Centers - West, Inc.- 60%)
- Tulsa Dialysis, LLC (Sapulpa Venture, LLC- 30.77% Greenwood Investment Group, LLC- 9% Renal Treatment Centers - West, Inc.- 60.23%)
- Anadarko Dialysis of Oklahoma, LLC (Renal Treatment Centers - West, Inc.- 60% Oklahoma Nephrology Associates, Inc.- 40%)

Renal Treatment Centers - Hawaii, Inc. (Renal Treatment Centers, Inc.- 100%)

Total Renal Care, Inc. (DaVita Inc.- 100%)

- West Broomfield Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Lockport Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Hialeah Kidney Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Blackfoot Dialysis Partners, LLC (Total Renal Care, Inc.- 100%)
- Medlock Bridge Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Five Star Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Northwest Tucson Dialysis, LLC (Total Renal Care, Inc.- 100%)
- J.E.T. New Orleans East Dialysis, LLC (Total Renal Care, Inc.- 100%)

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- or City Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Sun City West Dialysis Center LLC (William L. Weiss, MD- 6% Anup Rai, MD- 11.33% Ishan N. VKC, Inc.- 11.33% Asan M. Ariff Trust- 11.33% T nal Care, Inc.- 60%)
- Joliet Dialysis, LLC (Total Renal Care, Inc.- 100%)
- West Pensacola Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Tree City Dialysis, LLC (Total Renal Care, Inc.- 100%)
- American Fork Dialysis, LLC (AFDI, LLC- 40% Total Renal Care, Inc.- 60%)
- Eastover Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Pacific Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Valley Springs Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Ridgeland Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Southwestern Tennessee Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Las Vegas Pediatric Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Salisbury Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Huntington Park Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Somerville Dialysis Center, LLC (Total Renal Care, Inc.- 60% Mittal Dialysis Enterprises, PLLC- 40%)
- San Marcos Dialysis, LLC (Total Renal Care, Inc.- 100%)
- North Austin Dialysis, LLC (Total Renal Care, Inc.- 1% Renal Treatment Centers - Southeast, LP- 99%)
- Grand Home Dialysis, LLC (Total Renal Care, Inc.- 60% Anup Rai, M.D.- 13.33% Asan M. Ariff Trust- 13.33% Ishan N. VKC, Inc.- 13.33%)
- Tel-Huron Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Colville Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Modesto Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Hagerstown Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Cherry Valley Dialysis, LLC (Total Renal Care, Inc.- 100%)
- DNP Management Company, LLC (Total Renal Care, Inc.- 100%)
- Turlock Dialysis Center, LLC (Total Renal Care, Inc.- 100%)
- Owasso Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Lord Baltimore Dialysis, LLC (Total Renal Care, Inc.- 100%)
- West Sacramento Dialysis, LLC (Total Renal Care, Inc.- 51% Capital Dialysis, LLC- 49%)
- Pooler Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Miramar Dialysis Center, LLC (Total Renal Care, Inc.- 100%)
- Green Desert Dialysis, LLC (Total Renal Care, Inc.- 55% Barney Makhija & Qazi, LLC- 45%)
- Little Rock Dialysis Centers, LLC (Total Renal Care, Inc.- 60% Arkansas Dialysis, LLC- 40%)
- Centennial LV, LLC (Total Renal Care, Inc.- 51% Centennial HD LLC- 49%)
- Mountain Park Dialysis Center, LLC (Total Renal Care, Inc.- 100%)
- Lifeline Vascular Access Network, LLC (Total Renal Care, Inc.- 100%)
- Pittsburgh Dialysis Partners, LLC (Total Renal Care, Inc.- 100%)
- RNA - DaVita Dialysis, LLC (RNA Dialysis Ventures, LLC- 40% Total Renal Care, Inc.- 60%)
- South Central Florida Dialysis Partners, LLC (Dialysis Partners I, Inc.- 40% Total Renal Care, Inc.- 60%)
- Hyattsville Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Hawaiian Gardens Dialysis Center, LLC (Total Renal Care, Inc.- 100%)
- Cordele Dialysis Center, LLC (Total Renal Care, Inc.- 100%)
- West Elk Grove Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Sylvania Dialysis Center, LLC (Total Renal Care, Inc.- 100%)
- Perry County Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Maple Grove Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Mayfield Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Union City Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Capelville Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Rita Ranch Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Reno Avenue Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Lakeside Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Lexington Dialysis, LLC (Total Renal Care, Inc.- 100%)
- University Dialysis Center, LLC (Capital Dialysis, LLC- 49% Total Renal Care, Inc.- 51%)
- Bay Area Dialysis Partnership (Renal Treatment Centers - Southeast, LP- .33% Total Renal Care, Inc.- 99.67%)
- Continental Dialysis Center of Springfield-Fairfax, Inc. (Total Renal Care, Inc.- 100%)
- Continental Dialysis Center, Inc. (Total Renal Care, Inc.- 100%)
- DaVita Nephrology Associates Of Utah, L.L.C. (Total Renal Care, Inc.- 100%)
- DaVita Rx, LLC (Total Renal Care, Inc.- 100%)
- Dialysis Center Of Abilene, L.P. (Total Renal Care, Inc.- 100%)
- Dialysis Specialists of Dallas, Inc. (Total Renal Care, Inc.- 100%)
- East Bay - DaVita Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Elberton Dialysis Facility, Inc. (Total Renal Care, Inc.- 100%)
- Greater Las Vegas Dialysis, LLC (Total Renal Care, Inc.- 60% RRT, LLC- 40%)
- Beverly Hills Dialysis Partnership (DaVita Inc.- .045% Total Renal Care, Inc.- 99.955%)
- Capital Dialysis Partnership (Total Renal Care, Inc.- 50.1% Capital Dialysis, LLC- 49.9%)
- Eastmont Dialysis Partnership (Total Renal Care, Inc.- 60.78% Renal Treatment Centers - California, In- 39.22%)
- Urbana Dialysis, LLC (Total Renal Care, Inc.- 100%)
- North Ogden Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Southwest Kidney-Davita Dialysis Partners, LLC (Total Renal Care, Inc.- 100%)
- Western Nevada Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Waycross Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Carroll County Dialysis Facility, Inc. (Total Renal Care, Inc.- 100%)
  - Carroll County Dialysis Facility Limited Partnership (Carroll County Medical Services- 33.33% Carroll County Dialysis Facility, Inc.- 66.67%)
- East End Dialysis Center, Inc. (Total Renal Care, Inc.- 100%)
  - MD Investments, L.L.C. (Michael Douglas- 49.9% East End Dialysis Center, Inc.- 50.1%)
  - TRC - Petersburg, LLC (East End Dialysis Center, Inc.- 80% Sandy Gibson, M.D.- 20%)
- Kidney Care Rx, Inc. (Total Renal Care, Inc.- 100%)
  - Total Renal Support Services of North Carolina, LLC (Neil Realty, Inc.- 15% Kidney Care Rx, Inc.- 85%)
- RMS Lifeline Inc. (Total Renal Care, Inc.- 89.59% Minority Stockholders- 10.41%)
  - Open Access Lifeline, LLC (RMS Lifeline Inc.- 100%)
- TRC of New York, Inc. (Total Renal Care, Inc.- 100%)
  - Bronx RC Development, LLC (TRC of New York, Inc.- 51% Montefiore Medical Center, LLC- 49%)
  - TRC-Dyker Heights, L.P. (Henry Lipner, M.D.- 10% New York Methodist Hospital- 10% TRC of New York, Inc.- 70% Sonia Borra, M.D.- 10%)
- TRC West, Inc. (Total Renal Care, Inc.- 100%)
  - Total Renal Care Texas Limited Partnership (Total Renal Care, Inc.- 1% TRC West, Inc.- 99%)

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- Deerbrook Dialysis Center, LLC (Total Renal Care Texas Limited Partnersh- 100%)
- West Texas Dialysis, LLC (Total Renal Care Texas Limited Partnersh- 100%)
- Houston Acute Dialysis, L.P. (Total Renal Care, Inc.- 1% Total Renal Care Texas Limited Partnersh- 99%)
- Memorial Dialysis Center, L.P. (Total Renal Care Texas Limited Partnersh- 79% Memorial Dialysis Partners, L.P.- 20% Total Renal Care, Inc.- 1%)
- Astro, Hobby, West Mt. Renal Care Limited Partnership (Total Renal Care, Inc.- 1% TRC West, Inc.- 99%)
- Bear Creek Dialysis Center, L.P. (Total Renal Care, Inc.- 1% TRC West, Inc.- 69% Bear Creek Nephrology Group- 30%)
- DaVita El Paso East, L.P. (Eastside Dialysis Consultants, LLC- 40% TRC West, Inc.- 59% Total Renal Care, Inc.- 1%)
- Dallas-Fort Worth Nephrology, L.P. (TRC West, Inc.- 83.7% Total Renal Care, Inc.- 1% HEAL Partners, LLC- 15.3%)
- Downtown Houston Dialysis Center, L.P. (TRC West, Inc.- 59% URR, LLC- 25% Joey Buquing, M.D.- 5% Stephen Fadem, M.D.- 5% Wasae Tabibi, M.D.- 5% Total Renal Care, Inc.- 1%)
- East Houston Kidney Center, L.P. (TRC-West, Inc.- 59% Stephen Fadem, M.D.- 8% Joey Buquing, M.D.- 8% Julie Robeson, M.D.- 8% Wasae Tabibi, M.D.- 8% Total Renal Care, Inc.- 1% URR, LLC- 8%)
- Edna Dialysis, L.P. (Total Renal Care, Inc.- 1% TRC West, Inc.- 99%)
- Houston Kidney Center/Total Renal Care Integrated Service Network Limited Partnership (Total Renal Care, Inc.- 1% TRC West, Inc.- 99%)
- Moncrief Dialysis Center/Total Renal Care Limited Partnership (TRC West, Inc.- 55.36% Total Renal Care, Inc.- 1% Jack Moncrief Group, P.A.- 43.64%)
- SAKDC-DaVita Dialysis Partners, L.P. (SAKDC JV I, LLC- 49% TRC-West, Inc.- 50% Total Renal Care, Inc.- 1%)
- South Shore Dialysis Center, L.P. (Total Renal Care, Inc.- 1% Space City Associates of Nephrology- 40% TRC-West, Inc.- 59%;
- Summit Dialysis Center, L.P. (Hagstrom 1997 Limited Partnership- 10.5% Tam Viet Ho, M.D.- 4% Juan J. Olivero, M.D.- 10.5% Total Renal Care, Inc.- 1% TRC West, Inc.- 74%)
- TRC El Paso Limited Partnership (TRC West, Inc.- 49.1% Dionicio Alvarez, M.D.- 49.9% Total Renal Care, Inc.- 1%)
- The Woodlands Dialysis Center, LP (Total Renal Care, Inc.- 1% Richard Foley- 22.5% Barry Neeland- 22.5% TRC West, Inc.- 54%)
- Transmountain Dialysis, L.P. (TRC West, Inc.- 59% Southwest Dialysis Consultants, LLC- 40% Total Renal Care, Inc.- 1%)
- Upper Valley Dialysis, L.P. (Total Renal Care, Inc.- 1% TRC West, Inc.- 59% Diane Demick, M.D.- 20% Alfredo Gonzalez, M.D.- 20%)
- Willowbrook Dialysis Center, L.P. (Redentor R. Roy, M.D.- 1% Washington Sereatan, M.D.- 3% Krishna Raman, M.D.- 4% Rahul Prakash, M.D.- 10% Total Renal Care, Inc.- 1% TRC West, Inc.- 59% Rupinder K. Chatha, M.D.- 5% Anil U. Sheth, M.D.- 6% Ariel Velasco, M.D.- 5% Vijayaprakash Sreenarasimhaiah, M.D.- 1% Umesh Jain- 5%)
- Total Renal Care of North Carolina, LLC (Neil Realty Co.- 15% Total Renal Care, Inc.- 85%)
- Central Carolina Dialysis Centers, LLC (BTI Investments, LLC- 15% Total Renal Care of North Carolina, LLC- 85%)
- Ripley Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Quincy Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Decker Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Southwest Indiana Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Manzanita At Home, LLC (Total Renal Care, Inc.- 51% Capital Dialysis, LLC- 49%)
- Southeastern Indiana Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Wesley Chapel Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Jedburg Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Lincoln Park Dialysis Services, Inc. (Total Renal Care, Inc.- 100%)
- Flamingo Park Kidney Center, Inc. (Total Renal Care, Inc.- 100%)
- Greater Los Angeles Dialysis Centers, LLC (Total Renal Care, Inc.- 52.59% Mendez Transplant Associates- 25.56% Rafael G. Mendez, M.D.- 7.9% National Renal Transplant Services, Inc.- 6.05% Robert Mendez, M.D.- 7.9%)
- Iowa Health-Des Moines DaVita Dialysis Partnership, LLC (Total Renal Care, Inc.- 100%)
- Kidney Care Services, LLC (Total Renal Care, Inc.- 100%)
- Mason-Dixon Dialysis Facilities, Inc. (Total Renal Care, Inc.- 100%)
- Mena Dialysis Center, LLC (Total Renal Care, Inc.- 60% Arkansas Nephrology- 40%)
- Natomas Dialysis, LLC (Capital Dialysis, LLC- 49% Total Renal Care, Inc.- 51%)
- Nephrology Medical Associates of Georgia, LLC (Total Renal Care, Inc.- 100%)
- Open Access Sonography, Inc. (Total Renal Care, Inc.- 100%)
- Siena Dialysis Center, LLC (Total Renal Care, Inc.- 100%)
- Southeast Florida Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Spokane Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Total Renal Laboratories, Inc. (Total Renal Care, Inc.- 100%)
- Total Renal Research, Inc. (Total Renal Care, Inc.- 100%)
- USC-DaVita Dialysis Center, LLC (USC Internal Medicine, Inc.- 40% Total Renal Care, Inc.- 60%)
- VillageHealth DM, LLC (Total Renal Care, Inc.- 100%)
- Garey Dialysis Center Partnership (Victor L. Pappoe, M.D., Inc.- 40% Total Renal Care, Inc.- 60%)
- Guam Renal Care Partnership (Total Renal Care, Inc.- 99.9% DaVita Inc.- .1%)
- Los Angeles Dialysis Center (Dialysis Associates- 31.84% Total Renal Care, Inc.- 68.16%)
- Pacific Coast Dialysis Center (Renal Treatment Centers - California, In- 7% Total Renal Care, Inc.- 93%)
- Pacific Dialysis Partnership (Total Renal Care, Inc.- 99.9% DaVita Inc.- .1%)
- San Gabriel Valley Partnership (Ashok Sunder Raj, M.D.- 12.5% Total Renal Care, Inc.- 75% Nirmal Kumar, M.D.- 12.5%)
- Total Renal Care/Piedmont Dialysis Center Partnership (Total Renal Care, Inc.- 99.9% DaVita Inc.- .1%)
- Lufkin Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Sunset Dialysis, LLC (Total Renal Care, Inc.- 100%)
- TRC - Four Corners Dialysis Clinics, L.L.C. (Total Renal Care, Inc.- 51% Mark Bevan, M.D.- 49%)
- TRC-Georgetown Regional Dialysis, LLC (Total Renal Care, Inc.- 80% Georgetown University- 20%)
- Tennessee Valley Dialysis Center, LLC (Total Renal Care, Inc.- 60% Stan Vermillion, M.D.- 20% Martin Tran, D.O.- 20%)
- Total Acute Kidney Care, Inc. (Total Renal Care, Inc.- 100%)
- Total Renal Care of Colorado, Inc. (Total Renal Care, Inc.- 100%)
- Total Renal Care of Utah, L.L.C. (Total Renal Care, Inc.- 100%)
- Total Renal Care/Eaton Canyon Dialysis Center Partnership (Total Renal Care, Inc.- 87.5% Renal Treatment Centers - California, In- 12.5%)
- Total Renal Care/Peralta Renal Center Partnership (Total Renal Care, Inc.- 99.9% DaVita Inc.- .1%)
- Arcadia Gardens Dialysis, LLC (Total Renal Care, Inc.- 100%)
- SE Ohio Regional Dialysis, LLC (Total Renal Care, Inc.- 100%)
- DaVita of New York, Inc. (Total Renal Care, Inc.- 100%)
- Amery Dialysis, LLC (Total Renal Care, Inc.- 100%)
- Robinson Dialysis, LLC
- Total Renal Support Services, Inc.

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DaVita Inc.-Illinois Organization Chart

VillageHealth DM, LLC	Total Renal Care, Inc.	RMS Lifeline Inc.	DVA Renal Healthcare, Inc.	Renal Treatment Centers-Illinois, Inc.	Renal Life Link, Inc.	Lincoln Park Dialysis Services, Inc.	Dialysis of Northern Illinois, LLC	Chicago Heights Dialysis, LLC	Total Nephrology Care Network Medical Associates, PC
DaVita VillageHealth Division Office	Archway Acutes	Lifeline - Alsip - IL	Alton Dialysis	Churchview Dialysis	Benton Dialysis	Great Lakes Acute	Rock River Acutes	Chicago Heights Dialysis	
RMS Disease Management	DNP Regional Office East	Lifeline - MP Budget Center	Central Illinois Acutes	Dixon Kidney Center	Beverly Dialysis	Kennedy Home Dialysis At Home	Roxbury At Home	Chicago Heights PD	
	DNVO-Peoria HHD/PD IL	Lifeline - Rockford - IL	Decatur East Wood at Home	DNVO-Lake Villa PD - IL	Centralia Dialysis	Lincoln Park Dialysis fka Lincoln Park Nephrology	Roxbury Dialysis		
	DNVO-Vandalia Dialysis - IL	Lifeline - Rolling Meadows (A) - IL	Decatur East Wood Dialysis	Freeport Dialysis	Marion At Home	Skyline Home Dialysis (fka Lincoln Park PD)	Sycamore at Home		
	Emerald Dialysis (fka Hyde Park Kidney Center	Lifeline - Rolling Meadows (B) - IL	Effingham At Home	Granite City At Home	Marion Dialysis		Sycamore Dialysis (aka DeKalb)		
	Emerald Dialysis PD (fka Hyde Park PD)	Lifeline - Woodridge - IL (aka DuPage A)	Effingham Dialysis	Granite City Dialysis Center	Metro East At Home				
	Heartland (NC) Region 01 - Chicago Fire (fka Great Lakes & Skyline Region)	Lifeline Divisional Office	Illini At Home	Kankakee County Dialysis	Metro East Dialysis				
	Lake County Dialysis		Illini Renal Dialysis	Kankakee County Dialysis PD	Mount Vernon At Home				
	Lake County PD		Jacksonville Dialysis	Lake Villa at Home	Mount Vernon Dialysis				
	Logan Square Dialysis Services		Lincoln Dialysis	Lake Villa Dialysis	Olney Dialysis Center (aka Good Samaritan Hospital)				
	Montclare Dialysis Center (aka Belmont Ave)		Litchfield Dialysis	Little Village at Home (Chicago)	Southern Illinois Acute				
	Olympia Fields At Home		Macon County Dialysis	Little Village Dialysis (Chicago)	Stony Creek Dialysis				
	Olympia Fields Dialysis		Mattoon Dialysis	Little Village PD					
	Olympia Fields PD		Rushville Dialysis	Maryville At Home					
	Big Oaks Dialysis		Springfield Central At Home	Maryville Dialysis					
	West Lawn Dialysis		Springfield Central Dialysis	Maryville Dialysis PD					
	Star Catchers Region 08 - Rock River		Springfield Montvale Dialysis	Mt Greenwood PD					
	TRC Children's Dialysis Center aka Children's Chicago/Childrens Memorial Hospital		Star Catchers Region 02 Office	Mt. Greenwood At Home					
	Wayne County Dialysis (fka Fairfield)		Star Catchers Region 04 Office	Mt. Greenwood Dialysis					
			Taylorville Dialysis	Rockford Dialysis					
				Sauget Dialysis (fka East St. Louis Dialysis Center)					
				Whiteside Dialysis					

July 11, 2009

Kidney Care Services, LLC	Joliet Dialysis, LLC	DVA Healthcare Renal Care, Inc.	DaVita Rx, LLC	DaVita Nephrology Medical Associates of Illinois, P.C.	Quincy Dialysis, LLC	Lifeline Vascular Access Network, LLC	Lockport Dialysis, LLC	Robinson Dialysis, LLC

Illinois Historic
Preservation Agency

1 Old State Capitol Plaza • Springfield, Illinois 62701-1512 • www.illinois-history.gov

Cook County PLEASE REFER TO: IHPA LOG #019062209
Chicago
7319-7325 South Cottage Grove Avenue
CON - Lease to Establish a 12-Station Chronic Renal Dialysis Facility

June 29, 2009

Delia M. Wozniak
DMW and Associates, Inc.
3716 N. Bernard St.
Chicago, IL 60618

Dear Ms. Wozniak:

The Illinois Historic Preservation Agency is required by the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420, as amended, 17 IAC 4180) to review all state funded, permitted or licensed undertakings for their effect on cultural resources. Pursuant to this, we have received information regarding the referenced project for our comment.

Our staff has reviewed the specifications under the state law and assessed the impact of the project as submitted by your office. We have determined, based on the available information, that no significant historic, architectural or archaeological resources are located within the proposed project area.

According to the information you have provided concerning your proposed project, apparently there is no federal involvement in your project. However, please note that the state law is less restrictive than the federal cultural resource laws concerning archaeology. If your project will use federal loans or grants, need federal agency permits, use federal property, or involve assistance from a federal agency, then your project must be reviewed under the National Historic Preservation Act of 1966, as amended. Please notify us immediately if such is the case.

This clearance remains in effect for two (2) years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the IL Human Skeletal Remains Protection Act (20 ILCS 3440).

Please retain this letter in your files as evidence of compliance with the Illinois State Agency Historic Resources Preservation Act.

Sincerely,

Anne E. Haaker

Anne E. Haaker
Deputy State Historic
Preservation Officer

AEH

ATTACHMENT 5

OTHER PROJECT COSTS
Grand Crossing Dialysis

Area	Amount	Basis for Estimate
PREPLANNING		
CON Fee	$5,000	Regulation
NEW EQUIPMENT	$473,884	DaVita Estimate See following pages for Summary & Full Itemized List
CONSULTING & OTHER FEES		
Architect/Engineering	$62,000	DaVita Estimate
CON Consulting	$35,000	Agreement
Legal	$3,000	DaVita Estimate
Reimbursables	$3,000	DaVita Estimate
	$103,000	
OTHER COSTS TO BE CAPITALIZED		
Utility Hook-ups:		
Electric	$10,000	DaVita Estimate
Water – Tap	$10,000	DaVita Estimate
Sewer	$2,000	DaVita Estimate
Gas	$2,000	DaVita Estimate
Cable	$2,000	DaVita Estimate
	($26,000)	
Building Systems:		
Telephone System	$9,000	DaVita Estimate
Network Cabling	$12,000	DaVita Estimate
Emergency Call System	$2,500	DaVita Estimate
Security System	$3,500	DaVita Estimate
DSS Syste	$10,000	DaVita Estimate
Fire Alarm System	$4,000	DaVita Estimate
	($41,000)	
Signage	($12,500)	DaVita Estimate
Total	$79,500	

GRAND CROSSING DIALYSIS

Summary
Equipment And Furnishings Cost

(See Following Pages for Complete Itemized List)

Equipment Type	Cost
Communications	$27,400 *
Water Treatment	$115,500
Bio-Medical	$10,275
Re-use Equipment/Fixtures	$26,599
Clinical Equipment	$213,110
Clinical Furniture/Fixtures	$15,300
Lounge Furniture/Fixtures	$2,750 *
Storage Fixtures/Equipment	$8,650 *
Business Office Fixtures	$27,300 *
General Furniture/Fixtures	$27,000 *
Total Equipment/Furnishings For Twelve (12) Stations	$473,884
Total Equipment Cost Per Station	$39,490
Total Adjusted Equipment Cost Per Station	$31,490 *

* Grand Crossing Dialysis is a new facility that includes the added costs of business equipment, fixtures, and furniture of $68,800. Together with the costs of providing two (2) back-up dialysis machines ($27,200) needed in the event of an emergency, these additional costs amount to $96,000.

If these costs are excluded the equipment cost would be $377,884, or $31,490/station.

DEVELOPMENT COSTING WORKSHEET - AT STARTUP: Grand Crossing Facility #: 4361

	Incremental	Total	
Square Footage:	6173	6173	470 square feet per station
Number of Hemo Stations (at Startup):	12	12	350 = typical DVA minimum standard
Number of PD Training Rooms	0	0	
Number of Home Training Stations:	0	0	

		Task Number	#	Cost/Unit	Total Cost	Per Total Sq. Ft.	Per Total Station	Comments/BDP
Services/Fees	Architecture and Eng. Costs	01.04			$ 62,000	$ 11.92	$ 5,166.67	
	Mover	01.05			$ -	$ -	$ -	
	Legal Fees	01.06			$ 3,000	$ 0.58	$ 250.00	
	CON Expense	01.07			$ 43,000	$ 8.27	$ 2,916.67	planning board 5,000.
					$ 108,000	$ 20.77		
						$ -		
Construction	Gross Interiors (permit included)	02.01			$ 771,625	$ 148.39	$ 58,750.00	
	Gross MBBI (permit included)	02.02			$ 90,000	$ 17.31	$ 7,500.00	
	Fire & Life Safety	02.03			$ 10,000	$ 1.92	$ 833.33	
	Leasehold Improvemt. Credits	02.07			$ -	$ -	$ -	
					$ 871,625	$ 167.62		
						$ -		
Utilities (hook-up)	Electric	03.01	1	$ 10,000	$ 10,000	$ 1.92	$ 833.33	
	Back-up Generator	03.02	0	$ -	$ -	$ -	$ -	
	Gas	03.03	1	$ 2,000	$ 2,000	$ 0.38	$ 166.67	
	Water (tap fee)	03.04	1	$ 10,000	$ 10,000	$ 1.92	$ 2,916.67	
	Sewer (impact fee)	03.05	1	$ 2,000	$ 2,000	$ 0.38	$ 166.67	
	Cable	03.06	1	$ 2,000	$ 2,000	$ 0.38	$ 166.67	
					$ 26,000	$ 5.00		
						$ -		
Building Systems	Telephone System	04.01	1	$ 9,000	$ 9,000	$ 1.73	$ 750.00	
	Network Cabling	04.02	1	$ 12,000	$ 12,000	$ 2.31	$ 2,500.00	updated per IT 8/8/08
	Emergency Call System	04.03	1	$ 2,500	$ 2,500	$ 0.48	$ 208.33	
	Security System	04.04	1	$ 3,500	$ 3,500	$ 0.67	$ 291.67	
	DSS System	04.06	1	$ 10,000	$ 10,000	$ 1.92	$ 833.33	
	Fire Alarm System	04.07	1	$ 4,000	$ 4,000	$ 0.77	$ 333.33	
					$ 41,000	$ 7.88		
						$ -		
Communications	TV System (w/ VCR)	04.05	14	$ 1,100	$ 15,400	$ 2.96	$ 1,283.33	
	Chairside Snappy - Server	04.08	1	$ 7,000	$ 7,000	$ 1.35	$ 666.67	updated per IT 8/8/08
	Chairside Snappy - Machine	04.09	1	$ 5,000	$ 5,000	$ 0.96	$ 583.33	updated per IT 8/8/08
					$ 27,400	$ 5.27		
						$ -		
						$ -		
Water Treatment	R/O System	05.01	1	$ 90,000	$ 90,000	$ 17.31	$ 7,500.00	
	Station Boxes and Fittings	05.02	14	$ 650	$ 9,100	$ 1.75	$ 466.67	
	Dry Acid System	05.03	1	$ 3,800	$ 3,800	$ 0.73	$ 316.67	orig. 0; revised to 1
	Concentrate Tanks	05.04	2	$ 900	$ 1,800	$ 0.35	$ 150.00	
	Concentrate Pumps	05.05	2	$ 500	$ 1,000	$ 0.19	$ 83.33	
	Drum Dolly	05.06	1	$ 300	$ 300	$ 0.06	$ 25.00	
	Central Bi-carb System	05.07	1	$ 9,000	$ 9,000	$ 1.73	$ 750.00	
	Bi-carb Mixer	05.08	0	$ 3,348	$ -	$ -	$ -	
	Bi-carb Drying Racks	05.09	1	$ 500	$ 500	$ 0.10	$ 41.67	
	Electrical Analyzer/Tester	06.01	0	$ -	$ -	$ -	$ -	
					$ 115,500	$ 22.21		
						$ -		
Bio-Medical Equipment	Conductivity Meter	06.02	1	$ 1,800	$ 1,800	$ 0.35	$ 150.00	
	Dialysate Meter	06.03	1	$ 1,700	$ 1,700	$ 0.33	$ 141.67	
	R/O TDS Water Meter	06.04	1	$ 275	$ 275	$ 0.05	$ 22.92	
	Air Test Kit	06.05	1	$ 500	$ 500	$ 0.10	$ 41.67	
	Water Analysis Test Kit	06.06	0	$ 50	$ -	$ -	$ -	
	Heat Block	06.07	0	N/A	$ -	$ -	$ -	
	Spill Kit	06.08	0	$ 1,300	$ -	$ -	$ -	
	Respirator	06.09	0	N/A	$ -	$ -	$ -	
	Tool Chest - Portable	06.10	0	N/A	$ -	$ -	$ -	
	Parts Storage Cart	06.11	1	$ 500	$ 500	$ 0.10	$ 41.67	
	Miscellaneous Technical Tools	06.12	1	$ 1,500	$ 1,500	$ 0.29	$ 125.00	
	Miscellaneous Fittings, Tubing	06.13	1	$ 4,000	$ 4,000	$ 0.77	$ 333.33	
					$ 10,275	$ 1.98		
						$ -		
Reuse Equipment/ Fixtures	DRS4	07.01	0	No Need	$ -	$ -	$ -	
	Manual Reuse Station	07.02	0	No Need	$ -	$ -	$ -	
Reuse Equipment/ Fixtures	Renatron	07.03	1	$ 20,699	$ 20,699	$ 3.98	$ 1,724.93	orig. $19K
	Renaclear	07.04	0	$ 5,355	$ -	$ -	$ -	
	Dialyzer Racks	07.05	1	$ 900	$ 900	$ 0.17	$ 75.00	
	Reuse Refrigerator	07.06	1	$ 5,000	$ 5,000	$ 0.96	$ 416.67	
					$ 26,599	$ 5.12		
						$ -		
Clinical Equipment	Dialysis Machine	08.01	14	$ 13,600	$ 190,400	$ 36.62	$ 15,866.67	orig. $13.7K/ea
	Diapure Machine	08.34	0	$ 36	$ -	$ -	$ -	
	Patient Lift	08.02	1	$ 1,400	$ 1,400	$ 0.27	$ 116.67	updated unit price
	Scale (tx)	08.03	1	$ 4,500	$ 4,500	$ 0.87	$ 375.00	
	Scale (PD)	08.04	0	$ 2,000	$ -	$ -	$ -	
	Lab Refrigerator	08.05	1	$ 400	$ 400	$ 0.08	$ 33.33	
	Lab Freezer	08.06	1	$ 400	$ 400	$ 0.08	$ 33.33	
	Meds Refrigerator (tx)	08.07	1	$ 400	$ 400	$ 0.08	$ 33.33	
	EPO Refrigerator (tx)	08.08	0	$ -	$ -	$ -	$ -	
	Meds Refrigerator (PD)	08.09	0	$ 305	$ -	$ -	$ -	
	Microwave (PD)	08.10	0	$ 117	$ -	$ -	$ -	
	Ice Machine	08.11	1	$ 3,300	$ 3,300	$ 0.63	$ 275.00	
	Crash Cart	08.12	1	$ 800	$ 800	$ 0.15	$ 66.67	
	Medication Cart	08.13	1	$ 500	$ 500	$ 0.10	$ 41.67	
	Defibrillator	08.14	1	$ 2,300	$ 2,300	$ 0.44	$ 191.67	
	EKG	08.15	0	$ 4,150	$ -	$ -	$ -	
	Ambubag	08.16	2	$ 25	$ 50	$ 0.01	$ 4.17	
	Suction Machine	08.17	1	$ 260	$ 260	$ 0.05	$ 21.67	
	Oxygen Equipment	08.18	2	$ 800	$ 1,600	$ 0.31	$ 133.33	
	Infusion Pump	08.19	1	$ 1,200	$ 1,200	$ 0.23	$ 100.00	

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	IV Pole	08.20	2	$ 50	$ 100	$ 0.02	$ 8.33	
	ACT Tester	08.21	0	N/A	$ -	$ -	$ -	
	Glucometer	08.22	0	$ 36	$ -	$ -	$ -	
	Thermometer	08.23	0	$ 171	$ -	$ -	$ -	
	Stethescope	08.24	0	$ 4	$ -	$ -	$ -	
	Laryngoscope	08.25	0	$ 55	$ -	$ -	$ -	
	Opthalmoscope	08.26	0	$ 379	$ -	$ -	$ -	
	Centrifuge	08.27	0	N/A	$ -	$ -	$ -	
	Incubator	08.28	0	N/A	$ -	$ -	$ -	
	Ultrsonic Mini Doppler	08.29	0	N/A	$ -	$ -	$ -	
	Mobile BP Module(s)	08.30	2	$ 200	$ 400	$ 0.08	$ 33.33	
	Infectious Waste Hampers	08.31	0	$ -	$ -	$ -	$ -	
	Emergency Evacuation Kit	08.32	1	$ 300	$ 300	$ 0.06	$ 25.00	
	Miscellaneous Clinical	08.33	12	$ 400	$ 4,800	$ 0.92	$ 400.00	
					$ 213,110	$ 40.98		
						$ -		
Clinical Furniture/ Fixtures	Dialysis Chair - regular	09.01	11	$ 1,000	$ 11,000	$ 2.12	$ 916.67	
	Dialysis Chair - oversized	09.02	1	$ 1,100	$ 1,100	$ 0.21	$ 91.67	
	Task Stool	09.03	4	$ 125	$ 500	$ 0.10	$ 41.67	
	Privacy Screen	09.04	2	$ 200	$ 400	$ 0.08	$ 33.33	
	Exam Table	09.05	0	$ 644	$ -	$ -	$ -	
	Training Table	09.06	0	N/A	$ -	$ -	$ -	
	Exam Light	09.07	0	N/A	$ -	$ -	$ -	
	Chart Rack	09.08	1	$ 2,000	$ 2,000	$ 0.38	$ 166.67	
	Wheelchair	09.09	1	$ 300	$ 300	$ 0.06	$ 25.00	
					$ 15,300	$ 2.94		
						$ -		
Lounge Furniture/ Fixtures	Refrigerator (lounge)	10.01	1	$ 1,000	$ 1,000	$ 0.19	$ 83.33	
	Microwave (lounge)	10.02	1	$ 150	$ 150	$ 0.03	$ 12.50	
	Dishwasher	10.03	0	$ -	$ -	$ -	$ -	
	Coffee Machine (lounge)	10.04	0	$ 95	$ -	$ -	$ -	
	Toaster Oven (lounge)	10.05	0	$ 125	$ -	$ -	$ -	
	Lockers	10.06	1	$ 1,600	$ 1,600	$ 0.31	$ 133.33	orig. $1K
					$ 2,750	$ 0.53		
						$ -		
Storage Fixtures/ Equipment	Supply Cart	11.01	1	$ 500	$ 500	$ 0.10	$ 41.67	
	Shelving	11.02	1	$ 6,500	$ 6,500	$ 1.25	$ 541.67	
	Hand Dolly	11.03	1	$ 300	$ 300	$ 0.06	$ 25.00	
	Flatbed Truck (hand)	11.04	1	$ 350	$ 350	$ 0.07	$ 29.17	
	Utility Cart	11.05	0	N/A	$ -	$ -	$ -	
	Floor Palates	11.06	1	$ 1,000	$ 1,000	$ 0.19	$ 83.33	orig. $200
	Linen Cart	11.07	0	N/A	$ -	$ -	$ -	
					$ 8,650	$ 1.66		
						$ -		
Business Office Fixtures	Copier	13.01	1	$ 4,500	$ 4,500	$ 0.87	$ 375.00	
	Facsimile	13.02	1	$ 1,100	$ 1,100	$ 0.21	$ 91.67	
	Timeclock	13.03	1	$ 1,700	$ 1,700	$ 0.33	$ 141.67	
	Computer System	13.04	1	$ 20,000	$ 20,000	$ 3.85	$ 2,166.67	updated per IT 8/8/08
	Imprinter	13.07	0	$ -	$ -	$ -	$ -	
					$ 27,300	$ 5.25		
						$ -		
General Furniture/ Fixtures	Office Furniture	14.01	1	$ 20,000	$ 20,000	$ 3.85	$ 1,666.67	
	Artwork/Plants	14.02	1	$ 4,000	$ 4,000	$ 0.77	$ 333.33	
	Window Blinds/Curtains	14.04	1	$ 3,000	$ 3,000	$ 0.58	$ 250.00	
					$ 27,000	$ 5.19		
						$ -		
						$ -		
Signage	Interior	15.01	1	$ 2,500	$ 2,500	$ 0.48	$ 208.33	orig. $1400
	Exterior	15.02	1	$ 10,000	$ 10,000	$ 1.92	$ 833.33	orig. $9K
					$ 12,500	$ 2.40		
						$ -		
	Gross Leasehold Improvements				$871,625	$ 167.62		
	Less: Landlord Contribution				$0	$ -	$0.00	
	Leasehold Improvements Total				$871,625	$ 167.62	$66,166.66	
						$ -		
	Fees/Services/Utilities				$134,000	$ 25.77	$13,416.67	
	Equipment/Building Systems/Signs				$527,384	$ 101.42	$45,907.01	
	TOTAL				$1,533,009	$ 294.81	$125,490.33	
	Shipping & Taxes				assumed w/in $			

DaVita/USI Real Estate Services Alliance
Chicago (Grand Crossing), IL
Opinion of Value
6/10/09

To: Jim Burke

From: Matthew Fetter

The following is the opinion of value of market rent for the facility referenced below.

GOAL:	Determine fair market value for current land available for purchase as well as the range of fair market values for similar types of properties in this market.
LOCATION:	7311 S Cottage Grove, Chicago, IL
ASSUME:	Properties available in the area ranging for 5,000-7,000 SF.
PRICE/SF:	**1360-1374 E 70th St, Chicago, IL** 6,219 SF - $550,000.00 Price/SF: $88.44 **1848-1850 W 79th St, Chicago, IL** 5,600 SF - $499,000.00 Price/SF: $89.14 **7840-7856 S Colfax Ave, Chicago, IL** 6,225 SF - $850,000.00 Price/SF: $136.55 **10305 S King Dr, Chicago, IL** 5,700 SF - $549,000.00 Price/SF: $96.32
CONCESSIONS:	In our market, spaces are usually delivered to tenants in "as-is" condition and the buyer is responsible to complete their own build out.
OVERVIEW:	The spaces above are not considered "Medical" at this time. Parking is available at both locations.
CONCLUSION:	**The average purchase price in the subject area above for single tenant buildings in the required range of 5,000-6,000 SF is $102.61/SF.**

Matthew Fetter
Director, Real Estate Services
USI Real Estate Services, Inc

USI REAL ESTATE BROKERAGE SERVICES INC.

A USI COMPANY

2215 YORK ROAD
SUITE 110
OAK BROOK, IL 60523

TELEPHONE: 630-990-3658
FACSIMILE: 630-990-2300
WEB: www.usirealestate.com

June 3, 2009

Chris Renn, aia
Direct (630)282-4939
Main (630)282-4868
Integrated Group, Ltd.
a TransAmerica Group co.
1 TransAm Plaza, Ste. 480
Oakbrook Terrace, IL 60181

RE: **Final Agree to Terms**
7319-7325 S Cottage Grove
Chicago, IL

Dear Chris:

USI Real Estate Brokerage Services Inc. has been exclusively authorized by Total Renal Care, Inc. – a subsidiary of DaVita Inc. ("Tenant") to secure proposals and assist them in negotiations regarding the acquisition of leased space. DaVita Inc. is a Fortune 1000 company with approximately 675 locations across the country and revenues in excess of $1.5 billion.

LOCATION: 7319-7325 S Cottage Grove, Chicago, IL

TENANT: "Total Renal Care, Inc. or related entity to be named",

LANDLORD: Cottage Grove Terrace, LLC

INITIAL SPACE REQUIREMENTS: Approximately 5,200 contiguous useable square feet.

PRIMARY TERM: Ten (10) years

POSSESSION AND COMMENCEMENT: Tenant will take possession of the premises upon the later of completion of Landlords required work or mutual lease execution. In any event, the rent and term shall commence the earlier of seven (7) months from possession or until:

a. Leasehold Improvements within the Premises have been completed in accordance with the final construction documents (except for nominal punch list items); and

b. A Certificate of Occupancy for the Premises has been obtained from the City of Chicago; and

c. Tenant has obtained all necessary licenses and permits.

Landlord will complete its base building and site development work, except for demising walls, sprinkler system and parking, in 30 days.

FAILURE TO DELIVER PREMISES:

If Landlord has not delivered the premises to Tenant with all base building items substantially completed within sixty (60) days from lease execution, Tenant may elect to terminate the lease by written notice to Landlord.

LEASE FORM:

The Tenant will provide its standard lease form

USE:

The use is for a Dialysis Clinic. Please verify that the use and parking are permitted within the building's zoning.

C3, use permitted. Required parking ratio is 2.5/1000 SF. Landlord owns a unpaved lot south of the complex which will accommodate at least 16 cars. Landlord will let the tenant use it for no cost.

BASE BUILDING

The following items must be delivered by the Landlord to the premises as part of the base building:

- Install demising wall
- A 2" dedicated water meter and line
- A 4" sewer line to a municipal sewer system
- 600 amp, 120/208 volt 3 phase, 4 wire electrical service
- Gas service, at a minimum, will be rated to have 6" of water column pressure and supply 800,000-BTU's
- A complete Sprinkler system for building
- Paving parking area south of the complex.

Please refer to Exhibit B regarding additional base building and site development requirements.

TENANT IMPROVEMENTS:

None

OPTION TO RENEW:

Tenant will have three (3) five (5) year options to renew the lease. Option Rent shall be the rent during the prior term escalated by the increase in the CPI over the prior term, capped at three percent (3%) annually.

RIGHT OF FIRST REFUSAL ON ADJACENT SPACE:

Tenant will have the right of first offer on any adjacent space that may become available during the initial term of the lease and any extension thereof.

RENTAL RATE:

$12.10/SF NNN Years 1-5
$13.30/SF NNN Years 6-10

HOLDING OVER: In the event Tenant remains in possession of the Premises after the expiration of the term of this Lease, then Tenant shall be obligated to pay rent at 150% the then current rate.

PARKING: Street parking in front of the building. City may when requested post handicap parking signs. Landlord has an unpaved lot for 16 cars south of the building which Tenant can use for no charge.

CONCESSIONS: None

COMMON AREA EXPENSES AND REAL ESTATE TAXES: Current tax is about $0.6/SF, when fully occupied it will probably go up to $1.2/SF. Insurance is $0.5/SF. CAM is mostly management fees which should be no more than $0.6/SF

SIGNAGE: Tenant will have the right to install building signage on the Building, subject to Landlord's consent, which consent shall not be unreasonably withheld, and subject to compliance by Tenant with all applicable laws and regulations.

BUILDING HOURS: Tenant requires building hours of 24 hours a day, 7 days a week for both HVAC and utility services.

SUBLEASE/ASSIGNMENT: Tenant will have the right at any time to sublease or assign its interest in this Lease to any majority owned subsidiaries or related entities of DaVita, Inc. without the consent of the Landlord, provided Tenant remains responsible for the performance of the Lease.

GOVERNMENTAL COMPLIANCE: Landlord shall represent and warrant to Tenant that Landlord, at Landlord's sole expense, will cause Tenant's Premises, the Building and parking facilities to be in full compliance with any governmental laws, ordinances, regulations or orders relating to, but not limited to, compliance with the Americans with Disabilities Act (ADA), and environmental conditions relating to the existence of asbestos and/or other hazardous materials, or soil and ground water conditions, and shall indemnify and hold Tenant harmless from any claims, liabilities and cost arising from environmental conditions not caused by Tenant(s).

It is in compliance for the current use only. Tenant shall be responsible to be in compliance for its own use.

ZONING AND RESTRICTIVE COVENANTS: Landlord shall provide a letter verifying the property zoning will be acceptable for use as a Dialysis Clinic. Landlord will also provide a letter stating there are no restrictive covenants imposed by the development, owner, and/or municipality or other tenants for Tenant's use.

The City of Chicago will not issue letter, but landlord provided the current zoning C-3 and a letter.

ROOF RIGHTS: Tenant will have the right to have cable installed or place a satellite dish on the roof at no additional fee.

SECURITY DEPOSIT: None

CORPORATE GUARANTEE: None

CONTINGENCIES: Tenant will need to apply for a Certificate of Need for the final location. If Tenant does not get the Certificate of Need by November 30, 2009, the Lease will be null and void. If they do get the Certificate of Need, then they will go forward with the lease based on satisfying the other contingencies that are in the their standard Lease Document.

Tenant CON Obligation: Landlord and Tenant understand and agree that the establishment of any chronic outpatient dialysis facility in the State of Illinois is subject to the requirements of the Illinois Health Facilities Planning Act, 20 ILCS 3960/1 et seq. and, thus, the Tenant cannot establish a dialysis facility on the Premises or execute a binding real estate lease in connection therewith unless Tenant obtains a Certificate of Need (CON) permit from the Illinois Health Facilities Planning Board (the "Planning Board"). Tenant agrees to proceed using its commercially reasonable best efforts to submit an application for a CON permit and to prosecute said application to obtain the CON permit from the Planning Board. Based on the length of the Planning Board review process, Tenant does not expect to receive a CON permit prior to November 30, 2009. In light of the foregoing facts, the parties agree that they shall promptly proceed with due diligence to negotiate the terms of a definitive lease agreement and execute such agreement prior to approval of the CON permit provided, however, the lease shall not be binding on either party prior to the approval of the CON permit and the lease agreement shall contain a contingency clause indicating that the lease agreement is not effective pending CON approval. Assuming CON permit approval is granted, the effective date of the lease agreement shall be the first day of the calendar month following CON permit approval. In the event that the Planning Board does not award Tenant a CON permit to establish a dialysis center on the Premises by November 30, 2009, neither party shall have any further obligation to the other party with regard to the negotiations, lease or Premises contemplated by this Letter of Intent.

BROKERAGE FEE: Landlord agrees that it recognizes USI Real Estate Brokerage Services Inc. as the client's sole representatives and a brokerage fee equal to 5% of the total rent over the lease term per separate commission agreement. Commission to be paid 100% within 30 days of waive of all lease contingencies by landlord and tenant. The client shall retain the right to offset rent for failure to pay the Real Estate Commission.

Please sign below in acceptance of the agreed upon terms and I will have DaVita draft the lease.

Agreed to and accepted this 1st Day of June 2009

By: ______________________

Cottage Grove Terrace, ~~LLC~~
("Landlord")

Agreed to and accepted this 1st Day of June 2009

By: ______________________

On behalf of Total Renal Care, Inc. a wholly owned subsidiary of DaVita, Inc. ("Tenant

It should be understood that this Final Agree to Terms Letter is subject to the terms of Exhibit A attached hereto.

Thank you for your time and cooperation in this matter.

Very truly yours,

Matthew Fetter
Director, Real Estate Services
USI Real Estate Brokerage Services Inc.
Drake Oak Brook Plaza
2215 York Road, Suite 110
Oak Brook, IL 60523

Cc: Bernie Lewis, Emmett Purcell

EXHIBIT A

NON-BINDING NOTICE

NOTICE: THE PROVISONS CONTAINED IN THIS LETTER OF INTENT ARE AN EXPRESSION OF THE PARTIES' INTEREST ONLY. SAID PROVISIONS TAKEN TOGETHER OR SEPERATELY ARE NEITHER AN OFFER WHICH BY AN "ACCEPTANCE" CAN BECOME A CONTRACT, NOR A CONTRACT. BY ISSUING THIS LETTER OF INTENT NEITHER DAVITA INC, ANY OF ITS AFFILIATES OR RELATED ENTITIES (COLLECTIVELY "DAVITA") NOR LANDLORD (OR USI) SHALL BE BOUND TO ENTER INTO ANY (GOOD FAITH OR OTHERWISE) NEGOTIATIONS OF ANY KIND WHATSOEVER. DAVITA RESERVES THE RIGHT TO NEGOTIATE WITH OTHER PARTIES. NEITHER DAVITA, LANDLORD OR USI INTENDS ON THE PROVISIONS CONTAINED IN THIS LETTER OF INTENT TO BE BINDING IN ANY MANNER, AS THE ANALYSIS FOR AN ACCEPTABLE TRANSACTION WILL INVOLVE ADDITIONAL MATTERS NOT ADDRESSED IN THIS LETTER, INCLUDING, WITHOUT LIMITATION, THE TERMS OF ANY COMPETING PROJECTS, OVERALL ECONOMIC AND LIABILITY PROVISIONS CONTAINED IN ANY LEASE DOCUMENT AND INTERNAL APPROVAL PROCESSES AND PROCEDURES. THE PARTIES UNDERSTAND AND AGREE THAT A CONTRACT WITH RESPECT TO THE PROVISIONS IN THIS LETTER OF INTENT WILL NOT EXIST UNLESS AND UNTIL THE PARTIES HAVE EXECUTED A FORMAL, WRITTEN LEASE AGREEMENT APPROVED IN WRITING BY THEIR RESPECTIVE COUNSEL. USI IS ACTING SOLELY IN THE CAPACITY OF SOLICITING, PROVIDING AND RECEIVING INFORMATION AND PROPOSALS AND NEGOTIATING THE SAME ON BEHALF OF DAVITA. UNDER NO CIRCUMSTANCES WHATSOEVER DOES USI HAVE ANY AUTHORITY TO BIND DAVITA TO ANY ITEM, TERM OR COMBINATION OF TERMS CONTAINED HEREIN. THIS LETTER OF INTENT IS SUBMITTED SUBJECT TO ERRORS, OMISSIONS, CHANGE OF PRICE, RENTAL OR OTHER TERMS; ANY SPECIAL CONDITIONS IMPOSED BY DAVITA; AND WITHDRAWAL WITHOUT NOTICE. WE RESERVE THE RIGHT TO CONTINUE SIMULTANEOUS NEGOTIATIONS WITH OTHER PARTIES ON BEHALF OF DAVITA. NO PARTY SHALL HAVE ANY LEGAL RIGHTS OR OBLIGATIONS WITH RESPECT TO ANY OTHER PARTY, AND NO PARTY SHOULD TAKE ANY ACTION OR FAIL TO TAKE ANY ACTION IN DETRIMENTAL RELIANCE ON THIS OR ANY OTHER DOCUMENT OR COMMUNICATION UNTIL AND UNLESS A DEFINITIVE WRITTEN LEASE AGREEMENT IS PREPARED AND SIGNED BY DAVITA AND LANDLORD.

EXHIBIT B

Existing Building MBBI

At a minimum, the Lessor shall provide the following Base Building Improvements to meet DaVita's requirements for an Existing Base Building Improvements at Lessor's sole cost:

Building Codes & Design – All Minimum Base Building Improvements(MBBI) are to be performed in accordance with all local, state, and federal building codes including any related amendments, fire and life safety codes, ADA regulations, State Department of Public Health, and other applicable and codes. All Lessor's work will have Governmental Authorities Having Jurisdiction ("GAHJ") approved architectural and engineering (Mechanical, Plumbing, Electrical, Structural, Civil, Environmental) plans and specifications prepared by a licensed architect and engineer. (Insert for California and other states/jurisdictions requiring I 1.2 standards: Building to adhere to any criteria by state or local fire department in regard to compliance with an occupancy criteria for I 1.2 building rating in regard to set-backs, life safety systems, emergency egress or other applicable requirements adhering to occupancy standards.)

Zoning & Permitting – Building and premises must be zoned to perform services as a dialysis clinic. Lessor to provide all Zoning information related to the base building.

Common Areas – Lessee will have access and use of all common areas i.e. Restrooms, Stairwells, and Elevators. All common areas must be code and ADA compliant.

Demolition - Lessor will be responsible for demolition of all interior partitions, doors and frames, plumbing, electrical, mechanical systems and finishes of the existing building from slab to roof deck to create a "Vanilla box" condition. Space shall be broom clean and ready for interior improvements specific to the buildout of a dialysis facility. Building to be free and clear of any components, asbestos or material that is in violation of any EPA standards of acceptance.

Foundation and Floor – Existing Foundations and Slab on Grade in Lessee space must be free of major cracks and settlement issues. All repairs will be done by Lessor at his cost and be done prior to Lessee acceptance of space for construction. Any issues with slab during Lessee construction will be brought up to Lessor attention and cost associated with slab issue to repair will be paid by Lessor. Landlord will repair major cracks.

Any slab replacement will be a minimum five-inch (5") thick with minimum concrete strength of 4,000-psi with wire or fiber mesh, and/or rebar reinforcement over vapor barrier. Infill slab/trenches will be pinned to existing slab at 24" O.C. with # 4bars or greater x 16" long.

Structural – Existing exterior walls, lintels, floor and roof framing shall remain as-is and be free of defects. Should any major defects be found repairs will be made by Lessor at his cost. Any repairs will meet with current codes and approved by a Structural Engineer and or Lessee.

Existing and Demising Walls
All exterior walls shall be in good shape and properly maintained. Demising walls to be installed by Lessor and shall be a 1 or 2hr fire rated wall depending on local codes. Walls should be properly fire safed at top and bottom. It will be the Lessors responsibility for all cost to bring them up to code before Lessee takes possession. Demising walls to include sound attenuation batts from floor to bottom of deck.

Roof Covering – The roof, roof drains and downspouts shall be properly maintained to guard against roof leaks and can properly drain. Lessor will provide Lessee the information on the Roof and Contractor holding warranty. Landlord will be responsible for roof repairs.

Any new penetrations made during buildout will be at the Lessee's cost.

Canopy – NA

Windows – As-is. All windows and storefront are newly installed and of single pane glass specifically to avoid long waitin period for replacement.

Thermal Insulation – Lessor to replace any missing, damaged insulation and or insulation in any modification to walls in demising walls.

Exterior Doors – **All exterior doors shall meet American Disabilities Act (ADA), Local Codes and State Department of Health requirements for egress. If not Lessor at his cost will need to bring them up to code, this will include installing push paddles and/or panic hardware or any other hardware for egress. Any missing weather striping will be replaced by Lessor.**

Lessor will provide, if not already present, a front entrance and rear door to space. Should one not be present at each of the locations Lessor,to have them installed per the following criteria:

- Front/ Patient Doors: Storefront with glass doors and Alum framing are of existing and not less than 60" in opening width. Lessee wil be responsible for any mofications.

- Service Doors: Landlord will provide front and rear doors "as is".

Utilities – Unless it is existing, All utilities to be provided at designated utility entrance points into the building at locations approved by the Lessee. Lessor is responsible for all tap/connection and impact fees for all utilities.

Plumbing – Provide a dedicated 2" water line, if not already present (and not tied-in to any other lessees, fire suppression systems, or irrigation systems) with a shut off valve, 2 (two) 2" backflow preventors in parallel only if it is required by code (with drain under BFP's), and 2" meter to provide a continuous minimum 50 psi, with a minimum flow rate of 30 gallons per minute. Lessor to provide Lessee with the most recent water flow and pressure test results (gallons per minute and psi) for approval. Unless it is existing, Lessor shall stub the dedicated water line into the building and to the location on Lessee plans. Lessor to provide and pay for all tap fees related to new sanitary sewer and water services in accordance with local building and regulatory agencies.

Building has no hose bibs and will be responsibility of Tenant.

Existing Sanitary sewer needs to be four-inch (4") minimum to Lessee space and have an invert level of 42" minimum entering the space. Sanitary sewer service feeding the demised space to be video scoped for integrity with a copy available for Lessee and his architect to review. Sewer line to receive a power rod with high pressure cleaning to insure flow integrity from facility inlet to city main.

If the Sanitary line is not 4" Lessor will have installed a new line to a location per Lessee plans. All cost associated with line, tap and impact fee's will be Lessor responsibility

Sanitary sampling manhole if required by local municipality on new line.

Fire Suppression and Alarm System – .

Lessor shall design and install a complete sprinkler system that meets all local building and life safety codes as part of lease. Lessee shall be responsible at its sole expense for any modifications of the sprinkler system for its build-out, including the location and additional numbers of sprinkler heads.

This system will be on a dedicated water line independent of Lessee's water line requirements, including municipal approved shop drawings, service drops and sprinkler heads at heights per code and Lessee's reflective ceiling plan if available prior to Lessor' application for sprinkler permit, flow control switches wired and tested, alarms including wiring to an electrically/telephonically controlled fire alarm control panel installed by Lessee connected to a monitoring systems for emergency dispatch.

There is no existing fire alarm system. Lessee shall at its sole expense to install its fire alarm system including an electrically/telephonically controlled fire alarm control panel connected to a monitoring systems for emergency dispatch.

Electrical – Existing service to be a minimum of a single 600 amp (3ph – 4 Wire 120/208) combined service for Lessee space. Lessee will not accept multiple services to equal 600 amps. Should this not be available Lessor to up grade to meet the following criteria.

Provide new service (preferably underground) with a separately metered via a new CT cabinet, minimum of a single 600 amps service (Additional electrical capacity will be required if natural gas service is not available to the building or if the clinic is larger than 20 dialysis stations) 120/208 volt, 3 phase, 4 wire to a load center in the Lessee's utility room (location to be per Code and to a location per Lessee plans) for Lessee's exclusive use in powering equipment, appliances, lighting, heating, cooling and miscellaneous use. Transformer coordination with utility company, transformer pad, and underground conduit sized for service, circuit termination cabinet, grounding rod, main panel with 600 amp breaker, conduit and wire inclusive of excavation, trenching and restoration. If gas service is not available to heat Lessee's R/O water, There are two new 200 amp panels with own meters. Tenant will need to upgrade at its own expense. Lessee's engineer shall have the final approval on the electrical service size and location.

Gas Service – Existing Natural gas service at a minimum to have a 6" water column pressure and be able to supply 800,000-BTU's. Natural gas line shall be individually metered and sized per demand.

Mechanical /Heating Ventilation Air Conditioning – This space has no existing HVAC and tenant will have to install at tenants expense.

Telephone – If in a multi tenant building Lessor to provide a 1" conduit from Building Demark location to phone room location in Lessee space.

Cable or Satellite TV – Lessor to have Cable TV extend to Lessee space if available. If cable is not available, Lessee will have the right to place a satellite dish at Lessee's cost on roof.

Handicap Accessibility - Full compliance with ADA and all local jurisdictions' handicap requirements. Lessor shall comply with all ADA regulations affecting the Building and entrance to Lessee space including, but not limited to, the elevator, exterior and interior doors, concrete curb cuts, ramps and walk approaches to / from the parking lot, parking lot striping for four (4) dedicated handicap stalls for a unit up to 20 station clinic and six (6) HC stalls for units over 20 stations inclusive of pavement markings and stall signs with current local provisions for handicap parking stalls, delivery areas and walkways.

Generator – Lessor to allow a generator to be installed onsite if required by code or Lessee chooses to provide one.

Site Lighting – Lessor to provide adequate lighting per code and to illuminate all parking, pathways, and building access points. Parking lot lighting to be on a timer (and be programmed per Lessee business hours of operation) or photocell.

Exterior Building Lighting – Lessor to provide adequate lighting per code and to illuminate the building main and service entrance with related sidewalks.

Parking Lot – Provide adequate amount of handicap and standard parking stalls in accordance with dialysis use and overall building uses. Stalls to receive striping, lot to receive traffic directional arrows and concrete parking bumpers. Bumpers to be anchored in place onto the asphalt per stall layout. Landlord will be responsible for paving of parking lot at no additional cost to tenant.

Except for the afore mentioned sprinkler system and parking lot construction Lessor shall deliver the premises to Lessee in "as-is" condition and not be required to perform any other work to the building. Lessor shall not be required to proceed with the design, permit and construction of the sprinkler system and parking lot until Lessee waives all lease contingencies.

DaVita Inc.
Fire Region – Chicago Metropolitan Area

Compliance Checklist
4th Quarter 2009

CON PROJECT	PERMIT/ DATE	PERMIT AMOUNT	DATES: OBLIGATION	DATES: ANNUAL PROG. REPORTS	PROJECT COMPLETION
TRC Inc. d/b/a Big Oaks Dialysis	#08-066 11/5/08	$2,812,212	Upon Permit Issuance	Sent 11/10/09 and in compliance	1/15/2011
RLL Inc. d/b/a Beverly Dialysis	#08-067 11/5/08	$2,738,465	Upon Permit Issuance	Sent 11/10/09 and in compliance	1/15/2011
TRC Inc. d/b/a West Lawn Dialysis	#08-100 3/10/09	$1,888,441	Obligated 5/29/09 Letter sent 6/18/09 State Agency response received 6/23/09	Feb. 10 – April 10	12/31/10

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COMMENTS:

CONs
Big Oaks Dialysis: The project is under budget. First patient was treated and certification is expected by February 15, 2010.

Beverly Dialysis: The project is under budget. The first patient is expected to be treated in mid-December 2009. Certification is expected by February 15, 2010.

West Lawn Dialysis construction is expected to be complete on January 15, 2010. The first patient is expected to be treated on March 1, 2010. Certification is expected by March 15, 2010.

CON Project	Permit Date	Permit Amt.	Obligation	Annual Progress Reports	Project Completion
Fairfield Dialysis 07-075	7/24/08				Complete. Final report submitted and approved.
Vandalia Dialysis 07-098	10/22/07	1,508.262	10/22/07	11/22/08	Facility approved. Final report pending.
Rockford Dialysis 07-115	10/22/08	$3,106,926	10/22/07	11/22/08	Final Report pending
Robinson Dialysis 07-154	5/20/08	$1,694,954		Due 5/09	Under construction
Edwardsville Dialysis 07-099	7/1/08	$1,591,648	obligated	Due 7/09	Open and CMS approved. Reports pending
Benton Dialysis E-002-08	4/17/2008	$ 275,000	4/17/2008	Due 4/09	Construction started
Marion Dialysis E-016-07					Complete and final report submitted and accepted
Whiteside Dialysis E-008-08	8/12/2008	$ 100,000	08/12/2008	Due 8/2009	Construction in process
Freeport Dialysis					Plans in process

Cost/Space Requirements **Grand Crossing Dialysis**

		Gross Square Feet		Amount of Proposed Total GSF That Is:			
Department/Area	Cost	Existing	Proposed	New Const.	Remodeled	As Is	Vacated Space
ESRD	$2,169,191*	0	6,200		6,200	0	0

* The estimated total project cost includes the fair market value (FMV) of the leased space estimated at $102.61/gsf, $636,182 for 6,200 rentable gross square feet (gsf.)

BACKGROUND OF APPLICANT

1 & 2. DaVita Inc. and Total Renal Care Inc. d/b/a Grand Crossing Dialysis are fit, willing and able and have the qualifications background and character to adequately provide a proper standard of care.

The physicians who will be providing the medical care services at Grand Crossing Dialysis are as follows:

Mohamed Salem, M.D.
Mamoud Salem, M.D.
Osvaldo Wagener, M.D.
Izabella Gurau, M. D.

Please refer to Attachment 10(1) for their credentials.

See Attachment 10(2) for a list of Illinois facilities owned or operated by DaVita Inc. and its operating entities. The list includes the Medicare and Medicaid provider numbers for each of these facilities.

3. No adverse action has been taken against DaVita or Total Renal Care within three years preceding the filing of this Certificate of Need. Refer to Attachment 10(3.)

4. Attachment 10(3) also authorizes the State Board and its Agencies access to information in order to verify any documentation or information necessary and pertinent to this subsection.

Background of the Applicant

Physician Credentials

State of Illinois

Department of Financial and Professional Regulation
Division of Professional Regulation

LICENSE NO.
336.036103
036.072417

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below

EXPIRES:
07/31/2011

LICENSED PHYSICIAN AND SURGEON
CONTROLLED SUBSTANCE
IIN II III IV V IIIN

MOHAMED M SALEM MD
3023 N ASHLAND AVE STE 1
CHICAGO, IL 60657

DEAN MARTINEZ
SECRETARY

DANIEL E. BLUTHARDT
DIRECTOR

The official status of this license can be verified at www.idfpr.com

3225569

State of Illinois

Department of Financial and Professional Regulation
Division of Professional Regulation

LICENSE NO.
036.072417

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below

EXPIRES:
07/31/2011

LICENSED
PHYSICIAN AND SURGEON

MOHAMED M SALEM MD
3023 NORTH ASHLAND AVE
CHICAGO, IL 60657

DEAN MARTINEZ
SECRETARY

DANIEL E BLUTHARDT
DIRECTOR

The official status of this license can be verified at www.idfpr.com

3224919

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CURRICULUM VITAE

Mohamed Medhat Salem, MD, FACP

Chief, Section of Nephrology, Saint Joseph Hospital

Assistant Professor of Clinical Medicine, University of Illinois

PERSONAL INFORMATION:

Address (Office)	3023 N. Ashland Ave. STE 1 Chicago, IL 60657
Address (Home)	1722 W. School St. Chicago, IL 60657
Tel (Residence):	773-755-0954
Tel (Office):	773-525-4701
Marital Status:	Married
Citizenship:	USA

CURRENT POSITION AND PRACTICE

Chief Section of Nephrology. Resurrection Health Care. St. Joseph Hospital.

From July 1997 to Present

Optimum Kidney Care SC

3023 N. Ashland Ave.

Chicago, IL 60657

March 2006 to Present

LICENSURE:

State Of Illinois	036-072417

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DEA Number: BS-0675819

CERTIFICATION:

American Board of Nephrology

11/1990.

Recertification American Board of Nephrology

2000

American Board of Internal Medicine

9/1988

FLEX

12/85

V.Q.E.

9/83.

M.B B.Ch. 12/1977

EDUCATION:
FELLOWSHIP:

Nephrology

Northwestern University

Chicago, Illinois

From 7/1988 to 7/1991

RESIDENCY:

Internal Medicine

Cook County Hospital

Chicago, Illinois

From 7/1986 to 6/1988

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INTERNSHIP:

Internal Medicine

Cook County Hospital

Chicago, Illinois

From 7/1985 to 6/1986

MEDICAL SCHOOL:

Cairo University Faculty of Medicine

Cairo, Egypt

From 10/1972 to 12/1977

Dec 77. MD Diploma (M.B B.Ch.)

UNDERGRADUATE:

Cairo University, Faculty of Science

Sept 72. Pre Medical Diploma.

OTHER TRAINING AND PROFESSIONAL EXPERIENCES:

Rotating Internship:

Cairo University Hospitals

From 3/1978 to 2/1979

MILITARY SERVICE:

Military Hospital in Cairo, Egypt

From 6/1979 to 10/1980

RESIDENCY:

Heliopolis Hospital, Cairo, Egypt

From 11/1980 to 12/1981

GENERAL PRACTICE:

Institut d' Hygiene Sociale,

Dakar, Senegal, West Africa

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12/03/2008 12:48 7734420046 OPTIMUM KIDNEY CARE PAGE 04/18

From 12/1981 to 7/1984

NEPHROLOGY PRACTICE:

Associates in Nephrology

450 East Ohio, Chicago, IL 60611

August 1991 to February 2006

MEDICAL SOCIETIES:

Fellow, American College of Physicians

Member, National Kidney Foundation

Member, American Society of Nephrology

Member, International Society of Nephrology

Member European Dialysis and Transplant Association

Honors

- **Teaching attending of the year** at St. Joseph Hospital for the academic year 1993-1994
- Ranked among top 12 educators by residents at St. Joseph Hospital for the academic year 1991-1992
- Ranked among top 12 educators by residents at St. Joseph Hospital for the academic year 1992-1993
- Certificate of Recognition by the American Association of Family Practice for the academic year 1993-1994
- Ranked among top 12 educators by residents at St. Joseph Hospital 1994 and 1995
- Elected as **Fellow of the American College of Physician,** January 1999
- Certificate of Appreciation from St. Joseph Hospital for support of the residency program 2001-2002

Previous Appointments:

Assistant Professor of Clinical Medicine

Northwestern University

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August 1991 to June 2002

12

PUBLICATIONS:

- D Batlle, **M Salem**, et al. More on therapy for hyperkalemia in renal insufficiency (Letter). **N Engl J Med** 320:1496 1989.
- **M Salem**, G Rombola, DC Batlle. A Na-independent, ATP-Dependent, NEM-sensitive mechanism of ipH regulation in rat lymphocytes. Abstract presented at the central society of nephrology, held in Chicago on 11/2/90: Chicago, Ill.
- **M Salem**, Mujais SK. Coronary Revascularization in Dialysis Patients, The Need for Vigilance. **Inter J Artificial Organs**. 14:7-9; 1991
- **M Salem**, Batlle DC. Extra renal potassium homeostasis, implications for treatment of severe hyperkalemia. In Depth Review. **Am J Kidney Dis**. 18:421-440,1991
- **M Salem**, Ing TS, P Ivanovich, J Daugirdas: Adverse reactions to Dialysis Membranes, Nephrol **Dial and Transplant 9 (suppl 2): 127-137**, 1994
- **M. Salem**, John F. Brennan. Anaphylactoid Reactions in Dialysis Patients: pathogenesis and management. Seminars in Dialysis- Vol. 8, No 4(Jul-Aug) pp 212-219, 1995
- **M Salem**, D. Batlle. Metabolic Acidosis. **Textbook of Nephrology**. Third Edition, 1995. Massry and Glassock Editors. Pages 430- 449, chapter23,. Publisher Williams & Wilkins, Baltimore, Maryland
- **M Salem**, D Batlle. Hypokalemia and Hyperkalemia. **Current Practice of Medicine**. R. Bone Editor. Churchill Livingstone, Inc Publisher 1996
- Serafino Garella and **M. Salem**, Disorders of Acid base Balance, Oxford text book of nephrology, Second Edition, 1997
- **M. Salem**, Book Review. Immunologic Renal Diseases. Chicago Medicine vol. 102, no 4, p 20, 1999
- **M. Salem**, D Batlle.. Hypokalemia and Hyperkalemia. Current Practice of Medicine. Reference Journal of Medicine. August 1999. Antonio Gotto . Editor. Saulo Klahr, Section Editor.

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Lectures and Other Academic Activities since Graduation from Fellowship at Northwestern University

Northwestern University

- Nephrology course at Northwestern University for medical students 4/2/93 through 4/6/93
- Physical Diagnosis Course for sophomore medical students of Northwestern University 2/17/92 through 4/24/92
- Pathophysiology course at Northwestern University for medical students 3/5/96
- Pathophysiology Course at Northwestern University for medical students November 1997
- Pathophysiology Course at Northwestern University for medical students November 1998
- Pathophysiology Course at Northwestern University for medical students November 1999
- Pathophysiology Course at Northwestern University for medical students November 2000
- Pathophysiology Course at Northwestern University for medical students November 2001
- Pathophysiology Course at Northwestern University for medical students November 2002
- Pathophysiology Course at Northwestern University for medical students November 2003
- Pathophysiology Course at Northwestern University for medical students November 2004
- Member Interview committee , Northwestern university October 2000 to 2002

St. Joseph Hospital

Committees

- Member of the Medical Education Committee since January 1993
- Member of the Promotions, Appointments and credentialing committee since Jan 1993

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- Member of the Medical Executive Committee since January 1996 through December 1997
- Medical Advisory Board, National Kidney Foundation of Illinois since 3/1996
- Physician Task Force , St. Joseph Hospital , December 1999 through first quarter of 2000
- Member of the CME Committee , Catholic Health Partners 10/96 to 3/99
- Member of the Quality Assessment and Improvement committee January 1, 2003 to present
- Member of Ad Hoc Committee on Critical Care Jan 1, 2003 to December 31, 2003

Teaching Activities

- Ward attending at Columbus Cabrini Hospital April 92
- Ward attending at St. Joseph Hospital October 92
- Ward attending at St. Joseph Hospital May 92
- Ward attending at St. Joseph Hospital December 1994
- Ward Attending July 2002
- Ward Attending December 2002
- Ward attending at St. Joseph Hospital February 1995
- Ward attending at St. Joseph Hospital April 1995
- Ward attending at St. Joseph Hospital August 1995
- Ward Attending at St. Joseph Hospital July 2002
- Ward Attending at St. Joseph Hospital December 2002
- Ward Attending at St. Joseph Hospital July 2005
- Ward Attending at St. Joseph Hospital July 2006
- Ward Attending at St. Joseph Hospital July 2007
- Ward Attending at St. Joseph Hospital July 2008

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Lectures Grand Rounds

Grand Rounds at St. Joseph Hospital on Acute renal Failure 1993

Grand Rounds at Ravenswood Hospital on Acid base regulation 3/26/1996

Grand Rounds St. Joseph Hospital "Hyponatremia : an update on diagnosis and management" May 1, 2002

Grand rounds St. Joseph Hospital. " Treatment of Hepato-renal syndrome" . May 2004

Grand rounds St. Joseph Hospital . Renal complications of HIV Disease. May 18, 2005

Grand rounds St. Joseph Hospital . Acute renal failure. An update November 2005

Date	*Topic*	*Place*
9/5/91	Hyperkalemia	St. Joseph Hospital
10/10/91	Acute Renal Failure	Columbus Cabrini Hospital
11/7/91	Glomerulonephritis	St. Joseph Hospital
12/5/91	Hematuria	St. Joseph Hospital
1/2/92	Urinary tract infection	St. Joseph Hospital
1/24/92	Electrolytes Disturbances	Columbus Cabrini Hospital
2/6/92	Hypo and Hypernatremia	St. Joseph Hospital
2/28/92	Acid base disturbances	Columbus Cabrini Hospital
3/5/92	Urinary tract obstruction	St. Joseph Hospital
4/2/92	Hypertension	St. Joseph Hospital
5/7/92	Diabetic nephropathy	St. Joseph Hospital
6/4/92	Acid base disturbances	St. Joseph Hospital
7/14/92	Acid base disorders. Emergency Medicine Lectures	Columbus Cabrini Hospital
8/26/92	Renal Problems in Diabetics (Diabetes Education Program)	St. Joseph Hospital

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9/3/92	Acute renal failure	St. Joseph Hospital
10/1/92	Chronic renal Failure	St. Joseph Hospital
11/5/92	Glomerulonephritis	St. Joseph Hospital
12/3/92	Kidney Stones	St. Joseph Hospital
1/6/93	Nephrotic Syndrome	Columbus Cabrini Hospital
1/7/93	Nephrotic Syndrome	St. Joseph Hospital
2/4/93	Questions and answers	St. Joseph Hospital
3/4/93	MKSAP review part 1	St. Joseph Hospital
3/30/93	Diabetes Education Program. Renal Problems in Diabetics	St. Joseph Hospital
4/1/93	MKSAP review part 2	St. Joseph Hospital
4/13/93	ICU Case discussion	St. Joseph Hospital
4/29/93	Divalent cation metabolism	St. Joseph Hospital
5/6/93	MKSAP review part 3	St. Joseph Hospital
5/25/93	Diabetes Education Program. Renal Problems in Diabetics	St. Joseph Hospital
6/3/93	MKSAP review part 4	St. Joseph Hospital
6/15/93	ICU Case discussion	St. Joseph Hospital
7/19/93	Acid base disorders. Emergency Medicine Lecture	Columbus Cabrini Hospital
8/9/93	Electrolytes Imbalance Emergency Medicine Lecture	St. Joseph Hospital
8/12/93	Hypercalcemia and Hypocalcemia	St. Joseph Hospital
3/1/94	CCU/ ICU lecture	St. Joseph Hospital
3/17/94	Monthly nephrology Lecture	St. Joseph Hospital
4/21/94	Nephrology Lecture	St. Joseph Hospital

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6/16/94	Monthly nephrology Lecture	St. Joseph Hospital
7/19/94	ICU Case discussion	St. Joseph Hospital
7/28/94	Acid base Disorders/ Emergency Medicine Lecture	Columbus Cabrini Hospital
8/4/94	emergency series lecture, St. Joseph	St. Joseph Hospital
8/8/94	electrolytes imbalance St. Joseph	St. Joseph Hospital
8/11/94	lecture to Family practice	St. Joseph Hospital
8/18/94	Introduction to Nephrology / Review of Renal Physiology	St. Joseph Hospital
9/15/94	Acute Renal Failure, Management	St. Joseph Hospital
9/27/94	ICU Case discussion	St. Joseph Hospital
10/5/94	Acid base Disorders/ Emergency Medicine Lecture	Columbus Cabrini Hospital
10/6/94	family practice on electrolytes	St. Joseph Hospital
10/20/94	Chronic renal Failure for Primary Care Physician	St. Joseph Hospital
11/17/94	Hypokalemia and Hyperkalemia	St. Joseph Hospital
12/15/94	Sodium Homeostasis	St. Joseph Hospital
1/17/95	ICU Case discussion	St. Joseph Hospital
1/19/95	Metabolic Acidosis, Pathogenesis and Management	St. Joseph Hospital
02/16/95	Other Acid-Base Disturbances	St. Joseph Hospital
3/14/95	ICU Case discussion	St. Joseph Hospital
3/16/95	Obstructive Uropathy	St. Joseph Hospital
3/24/95	ICU Case discussion	St. Joseph Hospital
4/10/95	Glomerulonephritis Part I	St. Joseph Hospital
5/18/95	Glomerulonephritis Part II	St. Joseph Hospital

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05/19/95	Monthly nephrology Lecture	St. Joseph Hospital
6/15/95	Hypertension	St. Joseph Hospital
8/8/95	Emergency Management of Life Threatening Electrolytes Disturbances	St. Joseph Hospital
8/17/95	Introduction to Renal physiology	St. Joseph Hospital
9/19/95	Hypo and Hypernatremia/Medical Students Conference	St. Joseph Hospital
9/21/95	Acute Renal Failure, Management and Diagnosis	St. Joseph Hospital
9/19/95	Case Discussion (Medical Students)	St. Joseph Hospital
9/21/95	Acute Renal Failure. Diagnosis	St. Joseph Hospital
10/19/95	Acute Renal Failure. Management	St. Joseph Hospital
11/16/95	Chronic Renal Failure	St. Joseph Hospital
12/5/95	Case Discussion. Students	St. Joseph Hospital
12/21/95	Dye induced nephropathy	St. Joseph Hospital
1/18/96	Interstitial Nephritis	St. Joseph Hospital
2/15/96	Case presentation and discussion	St. Joseph Hospital
3/14/96`	Case Discussion. Students	St. Joseph Hospital
3/21/97	Hypertension	St. Joseph Hospital
4/18/96	Hyp0ertension. Secondary causes	St. Joseph Hospital
5/16/96	Diabetic nephropathy	St. Joseph Hospital
6/4/96	Case Discussion. Students	St. Joseph Hospital
8/6/96	Electrolytes Disturbances. Emergency care	St. Joseph Hospital
9/3/96	Case discussion. Students	St. Joseph Hospital
9/19/96	Vasculitis	St. Joseph Hospital

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10/17/96	Hypokalemia	St. Joseph Hospital
11/21/96	Hyperkalemia	St. Joseph Hospital
12/10/96	Case discussion Medical students	St. Joseph Hospital
12/19/96	Hyponatremia	St. Joseph Hospital
1/7/97	ICU case discussion	St. Joseph Hospital
1/9/97	Family Practice Lecture	St. Joseph Hospital
1/16/97	Chronic renal failure	St. Joseph Hospital
2/6/97	Case Discussion . students	St. Joseph Hospital
2/20/97	Hematuria and proteinuria.	St. Joseph Hospital
4/17/97	Calcium metabolism	St. Joseph Hospital
5/15/97	Hypophospahtemia	St. Joseph Hospital
10/15/1998	Glomerulonephritis	St. Joseph Hospital
8/05/1999	Acid base and electrolytes disturbances. Medical students presentations	St. Joseph Hospital
8/19/99	ARF. Primary care approach	St. Joseph Hospital
10/21/1999	Acid base and electrolytes disturbances	St. Joseph Hospital
09/12/2001	Grand Rounds. Role of renal biopsy in diagnosis and management of renal diseases"	St. Joseph Hospital
6/19/97	Introduction to Transplant	St. Joseph Hospital
8/19/1999	Family Practice Lecture	St. Joseph Hospital
8/24/2000	Electrolytes disturbances. Ins and Outs. To Family Practice	St. Joseph Hospital
5/1/01	Family Practice Lecture	St. Joseph Hospital
5/13/02	Nephrology update, questions and answers	St. Joseph Hospital

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10/24/02	Hypo and Hyperkalemia. Family practice lecture	St. Joseph Hospital
11/08/02	Grand Rounds . Evaluation and Treatment of Chronic Hypertension. Presented to Dept of Gyn and OB . St. Joseph	St. Joseph Hospital
11/27/02	Grand Rounds " Advances in Management and Diagnosis of Hepatorenal Syndrome"	St. Joseph Hospital
12/09/02	Resident Lecture. Hypo and Hypernatremia	St. Joseph Hospital
12/13/2004	Sodium metabolism	St. Joseph Hospital
03/14/2005	Glomerulonephritis	St. Joseph Hospital
05/05/2005	Board Review for residents	St. Joseph Hospital
05/09/2005	Tubulo-interstitial Disease	St. Joseph Hospital
09/12/2005	Management of chronic kidney disease patients	St. Joseph Hospital
11/14/2005	Rhabdomyolysis	St. Joseph Hospital
10/9/2006	Hypernatremia. New approach	St. Joseph Hospital
05/02/2007	Board Review Part I	St. Joseph Hospital
05/15/2007	Board Review Part II	St. Joseph Hospital
09/10/2007	Drug prescription in kidney failure	St. Joseph Hospital

Nursing Lectures

Date	Topic

80

8/19/97	Nursing Care of the Renal Patient . Part I
9/29/97	Nursing Care of the Renal Patient . Part II
10/10/2006	Nursing Care of Kidney patients

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Columbus Hospital

Teaching attending

April 92

June 1994

Lectures

Date	Topic
10/10/91	Acute Renal Failure
1/24/92	Electrolytes Disturbances
2/28/92	Acid base disturbances
7/14/92	Acid base disorders. Emergency Medicine Lectures
1/6/93	Nephrotic Syndrome
7/19/93	Acid base disorders. Emergency Medicine Lecture
7/28/94	Acidbase balance. Physiology and Pathophysiology
10/5/94	Metabolic Acidosis, Management and Diagnosis
7/27/95	Acidbase Disorders. Emergency Medicine Lecture
7/25/96	Acidbase disorders : Diagnosis and management

Physicians Community Based Lectures

Lactic Acidosis and anti retroviral therapy: Diagnosis, Treatment and implications

Date January 20, 2000. Location One Sixty Blue Restaurant

82

Meetings and CME activities

20th annual Conference on Dialysis. San Francisco, California . February 27-29, 2000

Board Review Course and update, American Society of Nephrology, San Francisco California August 26-September 1, 2000

11th International Congress on Nutrition and Metabolism in Renal Disease. Nagoya/ Japan . March 29-31, 2002

ASN in Philadelphia 2002

ASN Philadelphia, Course on Critical Care Nephrology 2002

European Dialysis Association meeting . Portugal 2004

ASN. St Louis 2004

European Dialysis Association Meeting. Istanbul 2005

American Society of Nephrology Meeting . Philadelphia Nov 2005 nov 8 to 13/2005

American Society of Nephrology. Postgraduate course in epidemiology and statistics . Philadelphia, November 2005

European Dialysis Association Meeting , Barcelona , Spain. 2007

American Society of Nephrology. Meeting. San Francisco Nov 2007

Medicare and Medicaid numbers

NPI 1538139316

UPIN E35969

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State of Illinois

Department of Financial and Professional Regulation

Division of Professional Regulation

LICENSE NO.
036.070619

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

EXPIRES
07/31/2011

LICENSED
PHYSICIAN AND SURGEON

MAHMOUD M SALEM MD
1 E SCHILLER ST APT 11A
CHICAGO, IL 60610

DEAN MARTINEZ
SECRETARY

DANIEL E. BLUTHARDT
DIRECTOR

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8213132

85

State of Illinois

Department of Financial and Professional Regulation

Division of Professional Regulation

LICENSE NO.
336.076233
036.070619

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

EXPIRES
07/31/2011

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DEAN MARTINEZ
SECRETARY

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323337

Curriculum Vitae

Mahmoud Mokhles Salem, M.D.

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Citizenship: USA

Social Security #: 437-47-7521

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Pager773-781-6029
Mobile 773-562-4909
E mail salem.mahmoud@gmail.com

Home Address:

1 East Schiller St, Apt 11 A
Chicago, IL 60610

Current Position: Attending Nephrologist

Clinical Associate Professor of Medicine
University of Illinois at Chicago,

EDUCATION

PreMed	Cairo University, Cairo, Egypt	Biology/Chemistry	1973-1974

M.D.	Cairo University, Cairo, Egypt	MD	1974-1979

GRADUATE MEDICAL EDUCATION

Intern	Medicine	Cairo Univ. Hospitals	3/80 - 3/81
Resident	Medicine	Cairo Univ. Hospitals	6/81 - 6/82
Fellow	Tropical Medicine	Tulane University New Orleans - LA	6/82 - 6/83
Intern	Medicine	Cook County Hospital Chicago, IL	12/83 - 12/84
Resident	Medicine	Cook County Hospital Chicago, IL	12/84 - 12/86
Chief Resident	Medicine	Cook County Hospital Chicago, IL	12/86 - 3/87
Fellow	Nephrology	Northwestern University Chicago - Illinois	7/90 - 6/92

PROFESSIONAL EXPERIENCE

Associate Professor of Medicine	University of Mississippi Medical School, Department of Medicine, Section of Nephrology Jackson, Mississippi, USA Medical Director of Dialysis	7/1/99 – 7/31/2006
Assistant Prof. of Medicine	University of Mississippi Medical School, Department of Medicine, Section of Nephrology Jackson, Mississippi, USA	10/1/93- 6/30/99
Internist	Sparta/Gundersen Clinic Sparta, WI, USA	8/1/92- 9/30/93
Assistant Prof. of Medicine	Jordan University of Science Irbid, Jordan	8/1/89 - 6/30/90

Internist	Private Practice, Cairo, Egypt	4/1/87 - 6/30/89

PROFESSIONAL ACTIVITY

1. Honors

M.D. graduated summa cum laude 1979

Winner of the National Kidney Foundation 1992 senior fellow research grant.

Winner of the "Outstanding teacher award" 2006-2007 from IL Masonic Medical Residency Program

2. Membership in Professional organizations

International Society of Nephrology	1991-present
American Society of Nephrology	1995-present
American College of Physicians	1987-present
American College of Emergency Physicians	1991-present
Member of the Editorial Board of Home Hemodialysis International	1999-present

Licenses

Mississippi No. 13785 issued 3/31/94, expires 6/30/2007

Illinois state no. 036-070619, issued 6/28/85, expires 7/31/2008

IL Controlled Substance License# 336076233

Washington state no. 0021168, issued 10/7/83, expires 9/2/1994

Wisconsin state no. 28189, issued 1/16/87, expires 11/1/1997

Ohio State No. 65187, issued 6/9/1993, expires 1/1/2000

California # C 043171 issued 2/16/94, expires 9/30/1996

DEA no. BS2272110, issued 6/6/90, expires 2/29/2008

Medicare UPIN# K27597 (Group# 212924)

National Provider Identification Number (NPI) # 1790743169

Medicaid ID# 0360706191

Malpractice Insurance: ISMIE policy# 63037

5. Salem MM, Chen, Y, Mujais SK: *Potassium Adaptation in Hypothyroidism. Changes in Transport ATPases.* American Journal of Physiology. 1993; 264:F31-F36

6. Salem MM, Ivanovich P, Mujais SK. *Biocompatibility of Dialysis Membranes.* Contributions to Nephrology. 1993; 103:55-64

7. Salem MM, Mujais SK. *Gastrointestinal Tract in Uremia.* Textbook of Nephrology. Al-Massry. (Editor). Third Edition. 1994.

8. Salem MM. Renal Ammoniagenesis and Interorgan Cooperation in Acid-Base Homeostasis. By A. Tizianello, et al. Book Review. Digestive Diseases and Sciences. Vol. 40, No. 7 (July 1995) p 1602

9. Salem MM, Mujais SK. *Unique Aspects of Blood Pressure Control in Disability.* Medical Management of Long-term Disability. Greene D, MD. Ed.Butterworth Heinman (Publisher). Second edition 1996;pp 34-43.

10. Salem MM. *Hypertension in the Hemodialysis Population: A Survey of 649 Patients.* Am J Kid Dis. 1995;25:461-468

11. Salem MM, Kirschner K. *Diuretics Plus Albumin. Diuretic Agents.* Donald Seldin and Gerhard Giebisch (Editors). Academic Press, California, USA (in press).

12. Salem MM, Bower J. *Hypertension in the Hemodialysis Population: Any Relation to One Year Survival.* Am J Kid Dis. November 1996;28:737-740.

13. Salem MM. *Hypertension in the Hemodialysis Population.* An Editorial Review. International Journal of Artificial Organs. 1996; Volume 19, No. 12, p 693-694

14. Taylor R, Bower J, Salem M. *Coma and Acidosis Following Hemodialysis.* J Am Soc Nephrology. May 1997;8: 853-857.

15. Salem MM, Davis M. *Effect of One Year Hemodialysis on Weight and Blood Pressure.* Artificial Organs. May 1997;21, No 5, p 402-404

16. Salem MM. *Hyperparathyroidism in the Hemodialysis Population: A Survey of 612 Patients.* American Journal of Kidney Diseases. June 1997, Vol 29, No 6 pp 862-865

17. Salem MM, Taylor R. *Management of hypertension in the renal clinic: Are we successful?* (Accepted in Contemporary Dialysis and Nephrology)

18. Salem MM, Kirchner KA. *Albumin as an Adjunct to Diuretics for the Treatment of Edema.* In Diuretic Agents: Clinical Physiology and Pharmacology. 1997 by Academic Press. pp 271-279

19. Salem MM. *Hypertension in the Hemodialysis Population: Any Relation to Two Years Survival.* Nephrology Dialysis Transplantation. 1999 14:125-128

20. Salem MM. *Hypertension in the Hemodialysis Population: High Time for Answers.* Editorial. Am J Kidney Disease. Vol 33, No 3 (March), 1999: pp 592-594
21. Gwen Oldenquest and Mahmoud Salem. *Parenteral Copper Sulfate Poisoning Causing Acute Renal Failure.* Nephrology Dialysis Transplantation. (1999) 14:441-443
22. M. Salem. *Hypertension in the Hemodialysis Population: How Little do We Know?* Saudi Journal of Kidney Diseases and Transplantation. 1999;10(3):283-285
23. Julia Breyer Lewis, M.D.; Mahmoud M. Salem, M.D.; Glenn M. Chertow, M.D, M.P.H.; Lawrence S. Weisberg, M.D; Frank McGrew, M.D.; Thomas C. Marbury, M.D.; and Robin L. Allgren., Ph.D, for the Anaritide Acute Renal Faliure Study Group. *Atrial Natriuretic Factor in Oliguric Acute Renal Failure.* Am J Kid Dis 2000;36(4):767-774
24. Gregory Crenshaw, Steven Bigler, Mahmoud Salem, Errol D. Crook. *Focal Segmental Glomerulosclerosis in African Americans: Effects of Steroids and ACE Inhibition.* Am J Med Sci. 2000;319(5):320-5
25. Salem MM. Is Hypertension Beneficial to the Conventional Hemodialysis Patient? Hemodial Int. 2000;4, 59-61
26. Salem MM. Treatment of Hypertension in the Hemodialysis Population: beneficial or Not?. Current Hypertension Reports. 2000;2 (5):441-444
27. Crook Errol D. MD; Flack, JohnM. MD; Salem, Mahmoud MD; Salahudeen, Abdulla K. MD; Hall, John PhD. Primary Renal Disease as aCardiovascular Risk Factor. Am J Med Sci 2002;324(3):138-145

Abstracts:

1. Salem MM. Serum Calcium, the Parathyroid and Hypertension in the Hemodialysis Population. J Am Soc Nephrol. 1995;6:648
2. Mujais SK, Salem,MM. Renal Na:K Pump: regulatory Role of the p450 Enzyme System. J Am Soc Nephrol. 1995;6:759
3. Nawaz M, Crook E, Salem M, Bower J, Salahudeen A. Cervical spine abscess with cord compression: An unusual and previously unreported complication of subclavian vein cannula. Am J Kid Dis. 1996,
4. Salem MM, Taylor R. Management of Hypertension in the Renal Clinic: Are we successful? Am J Kidnsey Diseases. 1997
5. Basu A, Fleischmann E, Salem MM, Bower JD, Salahudeen AK. Inverse relationship between body mass index (BMI) and blood pressure in patients on hemodialysis. Presented in the Southern section meeting of the American federation of Clinical research in New Orleans on Feb 18th, 1999
6. Grenshaw G, Salem M, Bigler S, Crook ED. Focal segmental glomerulosclerosis in African Americans. Effects of steroids and ACE inhibition. Presented in the Southern section meeting of the American federation of Clinical research in New Orleans on Feb 18th, 1999
7. Steven Clark, Stephanie Elkins, Bernadette Deogaygay, and Mahmoud Salem. Ayoung woman with severe hypercalcemia. Journal of the Mississippi State Medical Association. Vol XLI no 6, June 2000 page 608

Reviewer:

Home Hemodialysis International

Kidney International

American Journal of Kidney Diseases

Editorial Board Membership:

Hemodialysis International

Seminars in Nephrology Guest Editor on Pathogenesis of Hypertension

Grants: Principal Investigator for the Losartan study $ 48,000

Principal Investigator for the Auriculin study Research Fund: $ 38,000

Principal Investigator for the "NESP Study" from Amgen $ 20,000

Invited Lectures:

1. Grand Rounds on "Hypertensive Nephrosclerosis" at St. Joseph Hospital in Chicago, IL on 12/6/95

2. Lectured on "Hypertension in the Hemodialysis Poulation" to Neomedica nephrology foundation members in Chicago, IL on 12/7/95

3. Lectured on "Is Hypertension good or Bad for the Conventional Hemodialysis Patietnt?" in the 20th International Conference on Dialysis on 2/27/00 in San Francisco, California.

Lectures:

1. Adequacy of Dialysis. Clinical Nephrology Conference. 1/24/96 Nephrology Division, UMC.

2. ASN Report. Food for Thought. Nephrology Division Research Conference. UMC 1/29/96

3. Peritoneal Dialysis Conference Report. What's new in Peritoneal Dialysis?. 3/13/96

4. Taught Physical Exam course for 13 weeks (2 hours a week) for second year medical students from 2/5/96 till 5/15/96

5. Statistics: a commonsense approach. Lecture to nephrology division on 6/20/96

6. Hypertension in the Hemodialysis Population. Lecture to physiology seminar on 6/26/96
7. Is hypertension good or bad for the conventional hemodialysis patient? Lecture to the International conference on dialysis. San Francisco Feb 27, 2000

State of Illinois

Department of Financial and Professional Regulation

Division of Professional Regulation

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EXPIRES: 07/3[illegible]

LICENSED

PHYSICIAN AND SURGEON

OSVALDO E WAGENER MD

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CHICAGO, IL 60615

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[illegible] DIRECTOR

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State of Illinois

Department of Financial and Professional Regulation

Division of Professional Regulation

LICENSE NO. 336.067780

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94

OSVALDO ENRIQUE WAGENER, M.D.

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Chicago, IL 60615
(773) 752-3438

PERSONAL:	**Born:** April 9, 1956 **Place:** Santa Fe, Argentina **Married:** Maria Inez Sobrero, M.D.
LANGUAGES:	Fluent in English and Spanish
IMMIGRANT STATUS: **CITIZENSHIP:**	Permanent Resident Argentina
EDUCATION: **Medical School** 1974-1981	Universidad Nacional de Rosario Rosario. Santa Fe, Argentina
January 1982 - April 1983	Private, non-medical activity
Internship, Internal Medicine 05/83 - 04/84	Instituto de Investigaciones Medicas Universidad de Buenos Aires, Argentina
Residency, Internal Medicine 05/84 - 04/86	Instituto de Investigaciones Medicas Universidad de Buenos Aires, Argentina
Chief Medical Residency **Internal Medicine** 05/86 - 04/87	Instituto de Investigaciones Medicas Universidad de Buenos Aires, Argentina
05/87 - 12/87	Volunteer Research/Northwestern University
Research Fellowship 01/01/88 - 06/01/90	Northwestern University Section of Nephrology
Internship Internal Medicine 06/25/90 - 06/24/91	University of Illinois Michael Reese Hospital
Residency Internal Medicine 06/25/91 - 06/24/93	University of Illinois Michael Reese Hospital
Fellowship in Nephrology 07/01/93 - 06/30/96	University of Chicago Section of Nephrology
07/96 - 02/98	Volunteer Research/University of Chicago

95

Osvaldo Enrique Wagener, M.D.

CERTIFICATIONS:

12/09/89	Educational Commission for Foreign Medical Graduates, number 355-365-8
1992	Federal Licensing Exam (FLEX)
1993	American Board of Internal Medicine
1996	American Board of Nephrology

PROFESSIONAL LICENSE:

Illinois State License number 036-086015
Illinois Substance Abuse License 0336-057780
Argentina: Ministerio de Salud y Accion Social number 68540

HONORS AND AWARDS:

1992 - 1993 Resident Teacher of the Year, Michael Reese Hospital

PUBLICATIONS AND ARTICLES:

1. **Wagener OE,** Roncoroni AJ, Barcat JA. Severe pulmonary hypertension in a man with diffuse smooth muscle proliferation of the lungs (pulmonary Tuberous Sclerosis?). Chest, 95:234-237, 1989.

2. **Wagener OE,** Mujais SK, Quintanilla AP, delGreco F. Stimulation of erythrocyte and renal Na+,K+ATPase activity by antidigoxin antibody in normal rats. Clinical Science, 77:617-621, 1989.

3. Quintanilla AP, **Wagener OE.** Diuretics and cation transport in hypertensive blacks. Cardiovascular Drugs and Therapy, 4: 383-387, 1990.

4. Dalton DP, Levin ML, Schaeffer AJ, Quintanilla AP, **Wagener OE,** Grayhack JT. Unilateral renal papillectomy via laser or incisional techniques: Chronic functional effects in the dog. Urology, 43 (3):310-316, 1994

REVIEW:

1. **Wagener OE,** Lieske JC, Toback FG. Molecular and cell biology of acute renal failure - New therapeutic strategies. New Horizons. 3:634-649, 1995.

Osvaldo Enrique Wagener, M.D.

ABSTRACTS:

1. **Wagener OE**, Quintanilla AP. Na, K-ATPase, balance, and blood pressure, in rats fed NaCl and Na Citrate. Clinical Research, vol.36 N°6, 892A, 1988.

2. **Wagener OE**, Quintanilla AP. Deckmyn T, Kwaan HC, Blaton VH. Effect of prostaglandin precursors on renal function in diabetic rats. Clinical Research, vol.37, N° 953A. 1989.

3. **Wagener OE**, Zeiss CR. del Greco F, Quintanilla AP. Antidigoxin-antibody raised in rats with DOCA-Salt hypertension does not alter blood pressure or renal Na,K-ATPase. FASEB 4: A702, 1990.

4. **Wagener OE**, Quintanilla AP. Bornstein S, Verdonck A, Kwaan HC, Blaton VH. Renal Na,K-ATPase in normal and diabetic rats subjected to dietary manipulations. Clinical Research. 38:N° 2, 570A, 1990.

5. **Wagener OE**, Rahman M, Verdonck A. Bornstein S, Kwaan HC, Blaton VH, Quintanilla AP. Effect of high cholesterol diet on blood pressure and glomerular prostaglandin E_2 and thromboxane, in normal and diabetic rats. Clinical Research. 38: N° 2, 570A, 1990.

6. **Wagener OE**, Quintanilla AP, Zeiss CR, del Greco F. Immunization of the rat with a digoxin antigenic complex stimulates the Na,K-Pump in the kidney. Clinical Re search. 38: N°3, 867A, 1990.

7. Quintanilla AP, **Wagener OE**, Kwaan HC, Verdonck A, Rahman M, Blaton VH. Effect of lipid dietary changes on PGE_2, TxB_2, ATPase. BP, and renal function in diabetic rats. Clinical Research. 38: N°3, 834A, 1990.

REFERENCES:

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Melrose Park, Illinois 60160

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455 North York Road
Elmhurst, Illinois 60126

OSVALDO WAGENER
CME'S

Reviewed 7/03

DATE	COURSE	HOURS	AMA
February 19, 2003- May 27, 2003	Loyola University of Chicago Loyola-Hines Board Review Course 2003	50	1
August 25-31, 2001	American Society of Nephrology The Official ASN 6th Annual Board Review Course and Update	59.25	1
March 27, 2001	Westlake Hosptial New Advances in the Treatment of CHF	1	1
March 13, 2001	Westlake Hospital The Effects of Negative Emotions on Cardiovascular Morbity and Mortality	1	1
March 12, 2001	Quality Improvement Workshop II Conference Westin O'Hare, Rosemont, IL	5	1
November 14, 2000	The Renal Network Quality Improvement Workshop Hyatt Regency O'Hare, Rosemont, IL	5	1
September 23, 2000	University of California, San Diego Department of Psychiatry Advanced Psychopharmacology Course Using Mechanism of Action to Select & Combine Antidepressants	14	1
January – June, 2000	Westlake Hospital Department of Continuing Medicial Education	1	1
May 24-25, 2000	University of Michigan Medical School Satellite Symposium, Navy Pier, Chicago, IL Healcare Informatics	10.5	1
May 24-25, 2000	University of Michigan Medical School Satellite Symposium, Navy Pier, Chicago, IL Healthcare Informatics	10.5	2
August 25, 1999	American College of Physicians American Society of Internal Medicine NP MKSAP	50	1
July – December 1999	Westlake Hospital Physician's Recognition Award	7	1
March 1, 1999	Gottlieb Memorial Hospital Venereal disease	1	1


State of Illinois

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Izabella Gurau, MD
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Elmhurst, IL 60126
(801)556-5252
Izabella@thekidney.com

Work experience

♦ Clinical Nephrologist, Optimum Kidney Care, Chicago, IL (starting June 2008)

♦ Clinical Nephrologist, Central Utah Multi-Specialty Clinic, Provo, UT (Sept 2004 – June 2008)

Education

- Nephrology fellow, University of New Mexico Medical School, Albuquerque, NM (July 2002 – July 2004)
- Resident in Internal Medicine, St. Joseph Hospital (affiliate of Northwestern University Medical School), Chicago, IL (June 1999 – June 2002)
- Resident in Family Medicine, University of Medicine and Pharmacy Cluj Napoca and Carol Davila University of Medicine and Pharmacy, Bucharest, Romania (Feb 1995 – Jan 1998)
- Medical School: University of Medicine and Pharmacy Cluj Napoca, Romania, Europe (Sept 1988 – July 1994)
    - Degree: MD
    - GPA: 9.52 (on 1 to 10 scale)

Certification

- American Board of Nephrology (2004- 2014)
- American Board of Internal Medicine (2003-2013)
- USMLE Step 1 June 1997 Score: 84
  Step 2 March 1998 Score: 88
  Step 3 Dec 1998 Score: 80
- Family Practice Board certified in Romania (Nov 1997)

Medical licensure

- Utah
- Illinois

Research projects

- The Zuni kidney project – NIH sponsored grant, The University of New Mexico, Albuquerque, NM
- A multicenter, randomized, open-label study to compare the efficacy and safety of an oral calcimimetic agent (AMG 073) when two different vitamin D regimens are used in subjects with secondary hyperparathyroidism of end-stage renal disease – University of New Mexico, Albuquerque, NM

- The efficacy of N-acetylcysteine in preventing NSAID induced renal dysfunction – St Joseph Hospital, Chicago, IL
- Therapeutic effects of hormonal contraceptives – University of Medicine and Pharmacy, Cluj Napoca, Romania

Publications and presentations

- High cholesterol and statins are associated with decreased mortality in hemodialysis patients – oral presentation at Western Regional Meetings, Carmel, California. Abstract published in Journal of Investigative Medicine, February 2003.
- Heavy metal exposure is associated with high levels of TGF-β in Zuni Indians - oral presentation at Western Regional Meetings, Carmel, California, Jan 2004
- Creatine induced interstitial nephritis: case report
- NSAID induced acute renal failure in a marathon runner: case report
- SLE presenting with ascending paralysis: case report

Professional memberships

- American College of Physicians – American Society of Internal Medicine (since 2000)
- American Medical Association (since 2000)
- American Society of Nephrology (since 2003)

Institutional activities

- Medical Director of the Acute Dialysis Unit at the Utah Valley Specialty Hospital, Provo, UT
- Member, Code Blue Committee, St Joseph Hospital, Chicago, IL (July 2001-June 2002)

Skills and hobbies

- Versed in using common medical software
- Excellent oral, reading and writing skills in Romanian, Hungarian and French
- Listening to classical music, swimming, hiking, outdoor activities

DaVita. Total Facility Count 43

DVA Renal Healthcare, Inc.
D/B/A **Alton Dialysis**
3511 COLLEGE AVE,
ALTON, IL 62002
Phone: 618-465-4745
Medicare Certification Number: 142619
NPI Number: 1154381697
Primary Medicaid Number: 621323090037
Ownership Type: Wholly Owned
Tax ID Number: 62-1323090

Renal Life Link, Inc.
D/B/A **Benton Dialysis**
1151 ROUTE 14 WEST,
BENTON, IL 62812-1500
Phone: 618-435-4850
Medicare Certification Number: 14-2608
NPI Number: 1609885185
Primary Medicaid Number:
Ownership Type: Wholly Owned
Tax ID Number: 20-1649898

Renal Life Link, Inc.
D/B/A **Beverly Dialysis**
9415 S WESTERN AVE,STE 105
CHICAGO, IL 60620-6232
Phone: 773-238-5200
Medicare Certification Number: 14-2638
NPI Number: 1215023338
Primary Medicaid Number:
Ownership Type: Wholly Owned
Tax ID Number: 20-1649898

Renal Life Link, Inc.
D/B/A **Centralia Dialysis**
1231 STATE ROUTE 161 EAST,
CENTRALIA, IL 62801-6739
Phone: 618-533-2535
Medicare Certification Number: 14-2609
NPI Number: 1467461947
Primary Medicaid Number:
Ownership Type: Wholly Owned
Tax ID Number: 20-1649898

Chicago Heights Dialysis, LLC
D/B/A **Chicago Heights Dialysis**
177 B WEST JOE ORR ROAD,
CHICAGO HEIGHTS, IL 60411-1733
Phone: 708-755-9000
Medicare Certification Number: 14-2635
NPI Number: 1881654325
Primary Medicaid Number: 201252883-001
Ownership Type: Majority Partner
Tax ID Number: 20-1252883

Renal Treatment Centers-Illinois, Inc.
D/B/A **Churchview Dialysis**
5970 CHURCHVIEW DR,
ROCKFORD, IL 61107-2574
Phone: 815-637-9644
Medicare Certification Number: 14-2640
NPI Number: 1285694729
Primary Medicaid Number: 232798598 010
Ownership Type: Wholly Owned
Tax ID Number: 23-2798598

DVA Renal Healthcare, Inc.
D/B/A **Decatur East Wood Dialysis**
794 EAST WOOD ST,
DECATUR, IL 62521
Phone: 217-425-6403
Medicare Certification Number: 142599
NPI Number: 1336100734
Primary Medicaid Number: 621323090010
Ownership Type: Wholly Owned
Tax ID Number: 62-1323090

Renal Treatment Centers-Illinois, Inc.
D/B/A **Dixon Kidney Center**
1131 NORTH GALENA AVENUE,
DIXON, IL 61021-1015
Phone: 815-284-0595
Medicare Certification Number: 14-2651
NPI Number: 1396706750
Primary Medicaid Number: 232798598 012
Ownership Type: Wholly Owned
Tax ID Number: 23-2798598

DVA Renal Healthcare, Inc.
D/B/A **Effingham Dialysis**
904 MEDICAL PARK DR,STE 1
EFFINGHAM, IL 62401-2193
Phone: 217-342-9558
Medicare Certification Number: 142580
NPI Number: 1245290782
Primary Medicaid Number: 621323090031
Ownership Type: Wholly Owned
Tax ID Number: 62-1323090

Renal Treatment Centers-Illinois, Inc.
D/B/A **Freeport Dialysis**
1028 KUNKLE BLVD,
FREEPORT, IL 61032-3801
Phone: 815-232-2477
Medicare Certification Number: 14-2642
NPI Number: 1568431864
Primary Medicaid Number: 232798598 011
Ownership Type: Wholly Owned
Tax ID Number: 23-2798598

Renal Treatment Centers-Illinois, Inc.
D/B/A **Granite City Dialysis Center**
9 AMERICAN VILLAGE,
GRANITE CITY, IL 62040-3706
Phone: 618-452-5858
Medicare Certification Number: 14-2537
NPI Number: 1952360703
Primary Medicaid Number: 232798598 001
Ownership Type: Wholly Owned
Tax ID Number: 23-2798598

Total Renal Care, Inc.
D/B/A **Hyde Park Kidney Center**
710 W 43RD ST,
CHICAGO, IL 60609-3435
Phone: 773-843-5668
Medicare Certification Number: 14-2529
NPI Number: 1578522215
Primary Medicaid Number: 953372911-006
Ownership Type: Wholly Owned
Tax ID Number: 95-3372911

DVA Renal Healthcare, Inc.
D/B/A **Illini Renal Dialysis**
507 E UNIVERSITY,
CHAMPAIGN, IL 61820
Phone: 217-378-7800
Medicare Certification Number: 142633
NPI Number: 1275502437
Primary Medicaid Number: 621323090039
Ownership Type: Wholly Owned
Tax ID Number: 62-1323090

DVA Renal Healthcare, Inc.
D/B/A **Jacksonville Dialysis**
1515 WEST WALNUT,
JACKSONVILLE, IL 62650
Phone: 217-243-3042
Medicare Certification Number: 142581
NPI Number: 1316916513
Primary Medicaid Number: 621323090029
Ownership Type: Wholly Owned
Tax ID Number: 62-1323090

Total Renal Care, Inc.
D/B/A **Lake County Dialysis Services**
918 S MILWAUKEE AVE,
LIBERTYVILLE, IL 60048-3229
Phone: 847-918-7010
Medicare Certification Number: 14-2552
NPI Number: 1265401475
Primary Medicaid Number: 953372911-004
Ownership Type: Wholly Owned
Tax ID Number: 95-3372911

Renal Treatment Centers-Illinois, Inc.
D/B/A **Lake Villa Dialysis**
37809 N IL ROUTE 59,
LAKE VILLA, IL 60046-7332
Phone: 847-245-4872
Medicare Certification Number: 14-2666
NPI Number: 1346209590
Primary Medicaid Number: 232798598-014
Ownership Type: Wholly Owned
Tax ID Number: 23-2798598

DVA Renal Healthcare, Inc.
D/B/A **Lincoln Dialysis**
2100 WEST FIFTH,
LINCOLN, IL 62656
Phone: 217-732-6798
Medicare Certification Number: 142582
NPI Number: 1760441976
Primary Medicaid Number: 621323090034
Ownership Type: Wholly Owned
Tax ID Number: 62-1323090

Lincoln Park Dialysis Services, Inc.
D/B/A **Lincoln Park Dialysis**
3157 N LINCOLN AVE,
CHICAGO, IL 60657-3111
Phone: 773-348-0101
Medicare Certification Number: 14-2528
NPI Number: 1659330694
Primary Medicaid Number: 363191860 002
Ownership Type: Wholly Owned
Tax ID Number: 36-3191860

Lincoln Park Dialysis Services, Inc.
D/B/A **Lincoln Park PD**
7009 W BELMONT AVE,
CHICAGO, IL 60634-4533
Phone: 773-637-7303
Medicare Certification Number: 14-2560
NPI Number: 1306805551
Primary Medicaid Number: 363191860 003
Ownership Type: Wholly Owned
Tax ID Number: 36-3191860

DVA Renal Healthcare, Inc.
D/B/A **Litchfield Dialysis**
915 ST FRANCES WAY,
LITCHFIELD, IL 62056-1775
Phone: 217-324-2200
Medicare Certification Number: 142583
NPI Number: 1184683138
Primary Medicaid Number: 621323090030
Ownership Type: Wholly Owned
Tax ID Number: 62-1323090

Renal Treatment Centers-Illinois, Inc.
D/B/A **Little Village Dialysis**
2335 W CERMAK ROAD,
CHICAGO, IL 60608-3811
Phone: 773-523-2939
Medicare Certification Number: 14-2668
NPI Number: 1497714414
Primary Medicaid Number: 232798598-013
Ownership Type: Wholly Owned
Tax ID Number: 23-2798598

Total Renal Care, Inc.
D/B/A **Logan Square Dialysis**
2659 N MILWAUKEE AVE,1ST FL
CHICAGO, IL 60647-1643
Phone: 773-276-3699
Medicare Certification Number: 14-2534
NPI Number: 1578522579
Primary Medicaid Number: 953372911 005
Ownership Type: Wholly Owned
Tax ID Number: 95-3372911

DVA Renal Healthcare, Inc.
D/B/A **Macon County Dialysis**
1090 WEST MCKINLEY,
DECATUR, IL 62526
Phone: 217-877-9351
Medicare Certification Number: 142584
NPI Number: 1972562890
Primary Medicaid Number: 621323090033
Ownership Type: Wholly Owned
Tax ID Number: 62-1323090

Renal Life Link, Inc.
D/B/A **Marion Dialysis**
324 SOUTH 4TH ST,
MARION, IL 62959-1241
Phone: 618-997-8410
Medicare Certification Number: 14-2570
NPI Number: 1932118403
Primary Medicaid Number:
Ownership Type: Wholly Owned
Tax ID Number: 20-1649898

Renal Treatment Centers-Illinois, Inc.
D/B/A **Maryville Dialysis**
2130 VADALABENE DR,
MARYVILLE, IL 62062-5632
Phone: 618-288-0703
Medicare Certification Number: 14-2634
NPI Number: 1952360869
Primary Medicaid Number: 232798598 009
Ownership Type: Wholly Owned
Tax ID Number: 23-2798598

DVA Renal Healthcare, Inc.
D/B/A **Mattoon Dialysis**
200 RICHMOND AVE EAST,
MATTOON, IL 61938
Phone: 217-234-8468
Medicare Certification Number: 142585
NPI Number: 1194794487
Primary Medicaid Number: 621323090298
Ownership Type: Wholly Owned
Tax ID Number: 62-1323090

Renal Life Link, Inc.
D/B/A **Metro East Dialysis**
5105 WEST MAIN STREET,
BELLEVILLE, IL 62226-4728
Phone: 618-233-9018
Medicare Certification Number: 14-2527
NPI Number: 1588633812
Primary Medicaid Number: 201649898002
Ownership Type: Wholly Owned
Tax ID Number: 20-1649898

Total Renal Care, Inc.
D/B/A **Montclare Dialysis Center**
7009 W BELMONT,
CHICAGO, IL 60634-4533
Phone: 773-889-6051
Medicare Certification Number: 14-2649
NPI Number: 1861461030
Primary Medicaid Number: 953372911 012
Ownership Type: Wholly Owned
Tax ID Number: 95-3372911

Renal Life Link, Inc.
D/B/A **Mount Vernon Dialysis**
1800 JEFFERSON AVE,
MT VERNON, IL 62864-4300
Phone: 618-244-4852
Medicare Certification Number: 14-2541
NPI Number: 1326072638
Primary Medicaid Number: 201649898007
Ownership Type: Wholly Owned
Tax ID Number: 20-1649898

Renal Treatment Centers-Illinois, Inc.
D/B/A **Mt. Greenwood Dialysis**
3401 WEST 111TH STREET,
CHICAGO, IL 60655-3329
Phone: 773-445-0558
Medicare Certification Number: 14-2660
NPI Number: 1982673166
Primary Medicaid Number: 232798598-015
Ownership Type: Wholly Owned
Tax ID Number: 23-2798598

Renal Life Link, Inc.
D/B/A **Olney Dialysis Center**
117 N BOONE ST,
OLNEY, IL 62450-2109
Phone: 618-393-4234
Medicare Certification Number: 14-2674
NPI Number: 1003885229
Primary Medicaid Number: 201649898-001
Ownership Type: Wholly Owned
Tax ID Number: 20-1649898

Total Renal Care, Inc.
D/B/A **Olympia Fields Dialysis Center**
4557B LINCOLN HWY,STE B
MATTESON, IL 60443-2385
Phone: 708-503-1112
Medicare Certification Number: 14-2548
NPI Number: 1114986155
Primary Medicaid Number: 953372911 007
Ownership Type: Wholly Owned
Tax ID Number: 95-3372911

Renal Treatment Centers-Illinois, Inc.
D/B/A **Rockford Dialysis**
2400 NORTH ROCKTON AVENUE,STE D-1
ROCKFORD, IL 61103-3655
Phone: 815-963-4840
Medicare Certification Number: 14-2647
NPI Number: 1235198235
Primary Medicaid Number: 232798598 006
Ownership Type: Wholly Owned
Tax ID Number: 23-2798598

Dialysis of Northern Illinois, LLC
D/B/A **Roxbury Dialysis Center**
622 ROXBURY ROAD,
ROCKFORD, IL 61107-5089
Phone: 815-397-0713
Medicare Certification Number: 14-2665
NPI Number: 1003875402
Primary Medicaid Number: 680555153-002
Ownership Type: Majority Partner
Tax ID Number: 68-0555153

DVA Renal Healthcare, Inc.
D/B/A **Rushville Dialysis**
112 SULLIVAN DRIVE,
RUSHVILLE, IL 62681-1293
Phone: 217-322-2652
Medicare Certification Number: 142620
NPI Number: 1205805488
Primary Medicaid Number: 621323090038
Ownership Type: Wholly Owned
Tax ID Number: 62-1323090

Renal Treatment Centers-Illinois, Inc.
D/B/A **Sauget Dialysis**
2061 GOOSE LAKE RD,
SAUGET, IL 62206
Phone: 618 332-7801
Medicare Certification Number: 14-2561
NPI Number: 1659337418
Primary Medicaid Number: 232798598 002
Ownership Type: Wholly Owned
Tax ID Number: 23-2798598

DVA Renal Healthcare, Inc.
D/B/A **Springfield Central Dialysis**
932 NORTH RUTLEDGE,
SPRINGFIELD, IL 62781
Phone: 217-788-3688
Medicare Certification Number: 142586
NPI Number: 1720047970
Primary Medicaid Number: 621323090027
Ownership Type: Wholly Owned
Tax ID Number: 62-1323090

DVA Renal Healthcare, Inc.
D/B/A **Springfield Montvale Dialysis**
2930 S MONTVALE DR,STE A
SPRINGFIELD, IL 62704-5376
Phone: 217-793-2781
Medicare Certification Number: 142590
NPI Number: 1518926781
Primary Medicaid Number: 621323090035
Ownership Type: Wholly Owned
Tax ID Number: 62-1323090

Renal Life Link, Inc.
D/B/A **Stony Creek Dialysis**
9115 S CICERO AVE,
OAK LAWN, IL 60453-1895
Phone: 708-423-0300
Medicare Certification Number: 14-2661
NPI Number: 1295821304
Primary Medicaid Number:
Ownership Type: Wholly Owned
Tax ID Number: 20-1649898

Total Clinics by State IL	43

Dialysis of Northern Illinois, LLC
D/B/A **Sycamore Dialysis**
2200 GATEWAY DRIVE,
SYCAMORE, IL 60178-3113
Phone: 815-758-0205
Medicare Certification Number: 14-2639
NPI Number: 1295794485
Primary Medicaid Number: 680555153 001
Ownership Type: Majority Partner
Tax ID Number: 68-0555153

DVA Renal Healthcare, Inc.
D/B/A **Taylorville Dialysis**
901 WEST SPRESSER,
TAYLORVILLE, IL 62568
Phone: 217-824-5460
Medicare Certification Number: 142587
NPI Number: 1821057027
Primary Medicaid Number: 621323090032
Ownership Type: Wholly Owned
Tax ID Number: 62-1323090

Total Renal Care, Inc.
D/B/A **TRC Children's Dialysis Center**
2611 N HALSTED,
CHICAGO, IL 60614-2304
Phone: 773-549-2010
Medicare Certification Number: 14-2604
NPI Number: 1396704508
Primary Medicaid Number: 953372911-010
Ownership Type: Wholly Owned
Tax ID Number: 95-3372911

Renal Treatment Centers-Illinois, Inc.
D/B/A **Whiteside Dialysis**
2600 NORTH LOCUST,SUITE D - DIALYSIS UNIT
STERLING, IL 61081-4602
Phone: 815-626-3173
Medicare Certification Number: 14-2648
NPI Number: 1538128533
Primary Medicaid Number: 232798598 008
Ownership Type: Wholly Owned
Tax ID Number: 23-2798598

DaVita.

Heartland Region I
2659 N. Milwaukee Avenue
Chicago, IL 60647
Tel: 773-276-2380 | Fax: 773-276-4176
www.davita.com

June 12, 2009

Jeffrey S. Mark
Executive Secretary
Illinois Health Facilities Planning Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Dear Mr. Mark:

RE: Certificate Of Need to Establish Grand Crossing Dialysis, a 12-Station Facility

With regard to the above, this is to affirm that no "adverse action" has been taken against the co-applicant, DaVita Inc., within three (3) years preceding the filing of this Certificate of Need (CON). "Adverse Action" means any final action by any governmental agency or nationally recognized accredited body which is adverse to the co-applicant, DaVita Inc. These actions include, but are not limited to, any criminal conviction; any supervision, probation, suspension, revocation, termination or denial of a license or certificate or registration; in position of a conditional license; termination or suspension from participation in any program involving payment authorized under title XVIII "Medicare".

I also wish to indicate that the co-applicant, DaVita Inc., is fit, willing, and able and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. Further, this letter authorizes the State Board and Agency access to information in order to verify any documentation or information submitted with respect to the above Certificate of Need.

Sincerely,

Kent Thiry
Chairman and CEO
DaVita Inc.

Heartland Region I
2659 N. Milwaukee Avenue
Chicago, IL 60647
Tel: 773-276-2380 | Fax: 773-276-4176
www.davita.com

June 12, 2009

Jeffrey S. Mark
Executive Secretary
Illinois Health Facilities Planning Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Dear Mr. Mark:

RE: Certificate Of Need to Establish Grand Crossing Dialysis, a 12-Station Facility

With regard to the above, this is to affirm that no "adverse action" has been taken against the co-applicant, Total Renal Care Inc., within three (3) years preceding the filing of this Certificate of Need (CON). "Adverse Action" means any final action by any governmental agency or nationally recognized accredited body which is adverse to the co-applicant, Total Renal Care Inc. These actions include, but are not limited to, any criminal conviction; any supervision, probation, suspension, revocation, termination or denial of a license or certificate or registration; in position of a conditional license; termination or suspension from participation in any program involving payment authorized under title XVIII "Medicare".

I also wish to indicate that the co-applicant, Total Renal Care Inc., is fit, willing, and able and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. Further, this letter authorizes the State Board and Agency access to information in order to verify any documentation or information submitted with respect to the above Certificate of Need.

Sincerely,

Kent Thiry
Chairman and CEO
DaVita Inc.

PURPOSE OF THE PROJECT

DaVita Inc. and Total Renal Care Inc. (TRC) propose to establish Grand Crossing Dialysis, a new 12-station in-center hemodialysis facility to be located at 7319-7325 S. Cottage Grove Avenue in Chicago (606619.) The purpose of the project is to improve the availability of dialysis stations for the target population and the distribution of hemodialysis services within the planning area.

Grand Crossing Dialysis would serve a very large target population over two (2) million people. According to the 2000 U.S. Census of Population, the population living within 30 minutes of the facility contained 2,244,200 people. See Attachment 11(1) for these zip codes and their 2000 population. Attachment 11(1) also identifies the 40 facilities within this 30-minute drive-time, indicating that their 4th quarter 2009 utilization averaged over 75%, serving 4,169 patients in 923 stations. MapQuest documentation of mileage and drive-times is in Attachment 12(3). At 75% average utilization, these 40 facilities cannot provide timely, coherent service to Grand Crossing Dialysis' large proposed patient population.

The target population needs additional in-center hemodialysis services as follows:

1. Four (4) physicians support the project: Mohamed Salem, Mamoud Salem, Osvaldo Wagener and Izabella Gurau. Dr. Mohamed Salem identifies 78 patients by initials and zip code of residence that he would refer to Grand Crossing Dialysis (see Attachment 20(1) for referral letter.) Dr. Salem certifies that these patient referrals have not been used to support other pending or approved CON applications. He also certifies that this information is true and correct. Due to physician support and referrals, DaVita projects that Grand Crossing Dialysis would serve 58 patients in the second year, achieving 80% utilization consistent with HFSRB standards (see Attachment 11(2) for projected utilization.)

2. All 78 patient referrals emanates from the large target population. Please see patient origin data in Attachment 11(3).

3. The 40 facilities in the market area were over 75% utilized in the 4th quarter 2009 (refer back to Attachment 11(1) for distance, travel time and utilization of facilities in the area.)

4. The project will serve the needs of patients in the planning area. Refer again to Attachment 11(3) which shows that 95% (74) of the initial 78 patients live in Planning Area 6.

DaVita will continue to provide a high quality of care. Its patient outcomes significantly exceed HFSRB standards. See Attachment 11(4) for recent patient outcomes in DaVita's 15 Chicago-area facilities which document DaVita's high quality of care as follows:

90.60% of DaVita's patients had URRs of 65% or higher vs. the HFSRB standard of at least 85% &
93.98% of DaVita's patients had a Kt/V Dauridgas 11.1.2 vs. the HFSRB standard of 85%.

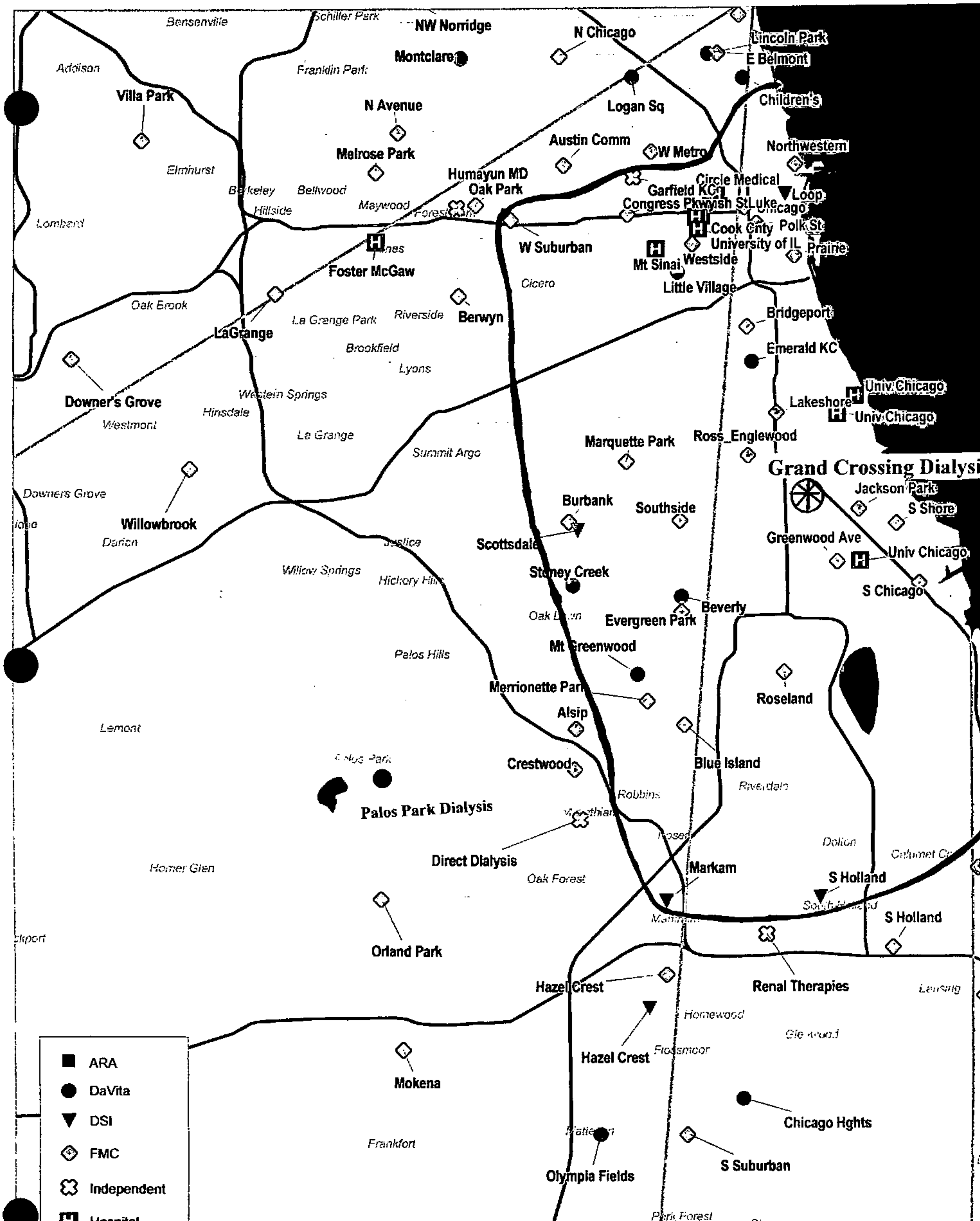
POPULATION WITHIN 30 MINUTES TRAVEL TIME OF GRAND CROSSING DIALYSIS

ZIP Code	City	State	County	Population	Distance
60619	CHICAGO	IL	COOK	74,963	0
60649	CHICAGO	IL	COOK	54,823	2.2
60620	CHICAGO	IL	COOK	85,771	2.4
60637	CHICAGO	IL	COOK	57,090	2.5
60621	CHICAGO	IL	COOK	47,514	2.6
60617	CHICAGO	IL	COOK	96,288	3
60636	CHICAGO	IL	COOK	51,451	3.8
60628	CHICAGO	IL	COOK	87,827	3.8
60615	CHICAGO	IL	COOK	45,096	3.9
60643	CHICAGO	IL	COOK	52,568	4.3
60653	CHICAGO	IL	COOK	34,502	5.1
60805	EVERGREEN PARK	IL	COOK	20,821	5.2
60609	CHICAGO	IL	COOK	79,469	5.4
60629	CHICAGO	IL	COOK	113,984	5.7
60652	CHICAGO	IL	COOK	39,126	5.7
60655	CHICAGO	IL	COOK	29,138	6
60456	HOMETOWN	IL	COOK	4,452	6.7
60827	RIVERDALE	IL	COOK	33,209	6.8
60632	CHICAGO	IL	COOK	87,577	7
60633	CHICAGO	IL	COOK	13,262	7.1
60616	CHICAGO	IL	COOK	47,073	7.1
46394	WHITING	IN	LAKE	12,728	7.2
60406	BLUE ISLAND	IL	COOK	25,370	7.3
60453	OAK LAWN	IL	COOK	54,499	7.7
60608	CHICAGO	IL	COOK	92,472	8
60803	ALSIP	IL	COOK	22,757	8.1
60419	DOLTON	IL	COOK	25,567	8.2
60459	BURBANK	IL	COOK	27,978	8.4
60605	CHICAGO	IL	COOK	12,423	8.6
60472	ROBBINS	IL	COOK	6,672	8.7
60638	CHICAGO	IL	COOK	55,788	9.1
60469	POSEN	IL	COOK	4,703	9.1
46327	HAMMOND	IN	LAKE	12,075	9.2
60604	CHICAGO	IL	COOK	78	9.3
60607	CHICAGO	IL	COOK	15,552	9.4
60623	CHICAGO	IL	COOK	108,144	9.4
60603	CHICAGO	IL	COOK	378	9.4
60426	HARVEY	IL	COOK	47,649	9.4
60409	CALUMET CITY	IL	COOK	39,065	9.5
60606	CHICAGO	IL	COOK	1,682	9.5
60602	CHICAGO	IL	COOK	70	9.6
60661	CHICAGO	IL	COOK	4,382	9.6
60601	CHICAGO	IL	COOK	5,591	9.8
60445	MIDLOTHIAN	IL	COOK	25,979	10.1
60612	CHICAGO	IL	COOK	37,990	10.2
60473	SOUTH HOLLAND	IL	COOK	22,218	10.2
60654	CHICAGO	IL	COOK	7	10.2
60455	BRIDGEVIEW	IL	COOK	16,138	10.2
46320	HAMMOND	IN	LAKE	16,539	10.3
60611	CHICAGO	IL	COOK	26,522	10.4
46312	EAST CHICAGO	IN	LAKE	32,385	10.7
60624	CHICAGO	IL	COOK	45,647	11
60610	CHICAGO	IL	COOK	47,513	11.1
60622	CHICAGO	IL	COOK	76,015	11.5
46324	HAMMOND	IN	LAKE	23,248	12.2
60644	CHICAGO	IL	COOK	59,059	12.3
60614	CHICAGO	IL	COOK	65,474	12.5
60304	OAK PARK	IL	COOK	17,839	12.8
				2,244,200	

Total population in radius = 2,244,200

SOURCE: **2000 U.S. Census of Population**

NOTE: **Travel time is adjusted (1.25) Map Quest drive-time.**



FACILITIES WITHIN 30 MINUTES ADJUSTED TRAVEL TIME OF GRAND CROSSING DIALYSIS

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IN-CENTER HEMODIALYSIS FACILITIES WITHIN 30 MINUTES TRAVEL TIME OF GRAND CROSSING DIALYSIS

Utilization - 4th Quarter 2009

Grand Crossing Dialysis - 7319-25 S. Cottage Grove, Chicago, Illinois 60619

Facilities within 30 minutes ADJUSTED (1.25) MapQuest travel time

	Ref # MapQuest	Facility Name	Address	City	Zip Code	Mileage	Drive Time	MapQuest Time (1.25)	Capacity	IHFPB Inventory	12/31/2009 Pt. Census	12/31/2009 Utilization
1	20	FMC - Jackson Park Dialysis Center	7531 S. Stony Island	Chicago	60649	1.31	3	3.75	144	24	120	83.33%
2	25	FMC - Neomedica - South	9200 S. South Chicago Avenue	Chicago	60617	3.68	5	6.25	216	36	166	76.85%
3	16	FMC - Greenwood Avenue Dialysis Center	1111 E. 87th Street	Chicago	60619	2.15	6	7.50	168	28	153	91.07%
4	23	FMC - Neomedica - South Shore	2420 E. 79th St.	Chicago	60649	2.8	7	8.75	96	16	80	83.33%
5	17	University of Chicago - Stony Island Center	8725 South Stony Island Avenue	Chicago	60617	2.68	8	10.00	138	23	155	112.32%
6	86	FMC - Chatham	8315 - 8318 S. Holland Ave.	Chicago	60620	3.21	8	10.00	72	12	0	0.00%
7	18	RCG - Garfield	5401 S. Wentworth	Chicago	60609	3.94	8	10.00	132	22	97	73.48%
8	24	University of Chicago - Woodlawn	1164 E. 55th Street	Chicago	60615	2.72	8	10.00	120	20	133	110.83%
9	14	FMC - Ross Dialysis - Englewood	6333 S. Green Street	Chicago	60621	3.27	10	12.50	96	16	91	94.79%
10	22	DaVita - Emerald Dialysis	710 West 43rd St.	Chicago	60609	6.11	11	13.75	144	24	122	84.72%
11	26	University of Chicago - Lakepark	1531 E. Hyde Park Blvd.	Chicago	60615	3.75	11	13.75	120	20	121	100.83%
12	3A	DaVita - Beverly Dialysis	8111 S. Western Avenue	Chicago	60620	5.04	13	16.25	72	12	58	80.56%
13	27	FMC - Bridgeport	825 W. 35th St	Chicago	60609	7.26	14	17.50	162	27	113	69.75%
14	13	FMC - Roseland Dialysis	132 W. 111th St.	Chicago	60628	6.38	15	18.75	72	12	45	62.50%
15	35	RCG - Prairie	1717 S. Wabash Street	Chicago	60616	8.6	15	18.75	144	24	93	64.58%
16	6	FMC - Southside Dialysis Center	3134 West 76th Street	Chicago	60652	6.17	16	20.00	234	39	185	79.06%
17	10	FMC - Neomedica - Marquette Park	6515 S. Western Avenue	Chicago	60636	4.73	15	18.75	84	14	78	92.86%
18	39	DSI - Chicago South	1100 S. Canal	Chicago	60607	9.64	16	20.00	168	28	71	42.26%
19	41	FMC - Neomedica Loop	557 W Polk Street	Chicago	60607	9.8	16	20.00	144	24	98	68.06%
20	11	FMC - Blue Island Dialysis Center	12200 S. Western	Blue Island	60406	9.55	17	21.25	144	24	113	78.47%
21	44	FMC - Chicago Dialysis Center	820 W. Jackson Street	Chicago	60607	10.67	17	21.25	198	33	87	43.94%
22	1	FMC - Neomedica - Evergreen Park	9730 S. Western Avenue	Evergreen Par	60805	7.07	18	22.50	162	27	158	97.53%
23	38	John H. Stroger Jr Hospital of Cook County	1901 W. Harrison	Chicago	60612	11.86	18	22.50	54	9	102	188.89%
24	7	RCG - Merrionette Park	11630 S. Kedzie	Merrionette Pa	60803	10.5	19	23.75	96	16	74	77.08%
25	8	DSI - Scottsdale	4651 W. 79th Street	Chicago	60652	7.93	19	23.75	210	35	153	72.86%
26	42	DaVita - Little Village Dialysis	2335 W. Cermak Road	Chicago	60608	11.28	19	23.75	96	16	83	86.46%
27	46	Circle Medical Management	1426 W. Washington Blvd	Chicago	60607	11.65	19	23.75	162	27	110	67.90%
28	83	DaVita - West Lawn (DENOVO)	7000 S. Pulaski Road	Chicago	60629	7.91	19	23.75	72	12	0	0.00%
29	4	DaVita - Mt. Greenwood Dialysis	3401 W. 111th Street	Chicago	60655	9.65	20	25.00	96	16	74	77.08%
30	9	FMC - Dialysis Services of Burbank	4811 W. 77th Street	Burbank	60459	8.28	20	25.00	132	22	106	80.30%
31	37	University of Illinois Hospital - Dialysis	1859 W. Taylor	Chicago	60612	11.89	20	25.00	156	26	135	86.54%
32	40A	FMC - Dialysis Services of Congress Parkw	3410 West Van Buren St.	Chicago	60624	13.4	21	26.25	180	30	106	58.89%
33	33	FMC - Chicago Westside Dialysis	2011 Hastings Street	Chicago	60608	11.16	21	26.25	186	31	53	28.49%
34	5	DaVita - Stony Creek Dialysis	9115 S. Cicero Avenue	Oak Lawn	60453	9.32	22	27.50	72	12	67	93.06%
35	29A	RCG - South Holland	16136 South Park Avenue	South Holland	60473	15.51	23	28.75	120	20	94	78.33%
36	30	Mt. Sinai Hosp Med Ctr Renal	2700 W. 15th Street	Chicago	60608	13.13	22	27.50	96	16	67	69.79%
37	56	Renal Care Group - Univ Program	710 N.Fairbanks	Chicago	60611	12.16	22	27.50	264	44	203	76.89%
38	28	DSI - Markham	3053-3055 West 159th Street	Markham	60426	15.74	23	28.75	144	24	95	65.97%
39	47	Garfield Kidney Center	3250 W. Franklin Blvd	Chicago	60624	14.25	24	30.00	96	16	83	86.46%
40	52	FMC - West Suburban Dialysis Center	518 S. Austin	Oak Park	60304	16.85	24	30.00	276	46	227	82.25%
									5538	923	4169	75.28%

SOURCES: Patients: The Renal Network, Inc.
Stations: IHFSRB Inventory, Updated 1/18/100.
Mileage and Drive Time: MapQuest. See documentation in Attachment 12A.

NOTE: Occupanccy rates are calculated based on the IHFSRB standard of 3 shifts per day, six days per week.

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IN-CENTER HEMODIALYSIS FACILITIES WITHIN 30 MINUTES TRAVEL TIME OF GRAND CROSSING DIALYSIS

Grand Crossing Dialysis - 7319-25 S. Cottage Grove, Chicago, Illinois 60619

Facilities within 30 minutes UNADJUSTED (1.25) MapQuest travel time

	Ref # MapQuest	Facility Name	Address	City	Zip Code	Mileage	Drive Time	MapQuest Time (1.25)	Capacity	IHFPB Inventory	12/31/2009 Pt. Census	12/31/2009 Utilization
1	12	FMC - Alsip Dialysis Center	12250 S. Cicero	Alsip	60803	13.69	25	31.25	96	16	60	62.50%
2	61	DaVita - Logan Square Dialysis	2659 N. Milwaukee Avenue	Chicago	60647	15.79	25	31.25	120	20	110	91.67%
3	66	DaVita - Lincoln Park Dialysis	3157 N. Lincoln Avenue	Chicago	60657	14.86	25	31.25	132	22	119	90.15%
4	15	FMC - Crestwood	4861 West Cal Sag Road	Crestwood	60445	13.8	26	32.50	192	32	125	65.10%
5	32	Community Dialysis of Harvey	16657 S. Halsted	Harvey	60426	18.84	26	32.50	96	16	42	43.75%
6	50	Maple Avenue Kidney Center	610 S. Maple Avenue	Oak Park	60304	18.6	26	32.50	72	12	82	113.89%
7	55	FMC - West Metro Dialysis	1044 N. Mozart	Chicago	60622	14.19	26	32.50	180	30	168	93.33%
8	67	FMC - Northcenter	1331 W. Belmont Avenue	Chicago	60657	15.14	26	32.50	72	12	63	87.50%
9	19	Direct Dialysis	14255 S. Cicero Avenue	Crestwood	60445	15.82	27	33.75	36	6	49	136.11%
10	48	FMC - Neomedica - South Holland	17225 S. Paxton Avenue	South Holland	60473	17.77	27	33.75	102	17	75	73.53%
11	36	FMC - Neomedica - Hazelcrest	17524 E. Carriageway Drive	Hazel Crest	60429	18.39	28	35.00	96	16	75	78.13%
12	72	FMC-Neomedica - North Kilpatrick	4800 N Kilpatrick	Chicago	60630	18.81	28	35.00	132	22	112	84.85%
13	45	DSI - Hazelcrest	3470 W. 183rd St	Hazel Crest	60429	18.75	29	36.25	84	14	83	98.81%
14	49	FMC - Oak Park Dialysis Unit	733 W. Madison	Oak Park	60302	19.23	29	36.25	192	32	137	71.35%
15	51	FMC - Austin Communicty Kidney Center	4800 W. Chicago Avenue	Chicago	60651	17.75	29	36.25	96	16	41	42.71%
16	85	FMC Midway (DENOVO)	6201 W. 63rd St.	Chicago	60638	11.57	29	36.25	72	12	0	0.00%
17	53	Foster McGaw Hospital of Loyola	1201 W. Roosevelt Road	Maywood	60153	20.96	30	37.50	180	30	138	76.67%
18	68	FMC-Neomedica - West Belmont	4935 W. Belmont Avenue	Chicago	60641	17.76	30	37.50	60	10	48	80.00%
19	71	FMC-NA Lakeview Dialysis	4008 North Broadway Avenue	Chicago	60613	16.72	30	37.50	60	10	55	91.67%
20	73	FMCNA-Uptown	4720 N. Marine	Chicago	60640	17.4	30	37.50	72	12	43	59.72%
21	34	FMC - Berwyn	2601 S. Harlem Avenue	Berwyn	60402	20.35	31	38.75	156	26	139	89.10%
22	64	DaVita - Olympia Fields Dialysis Center	4557 B West Lincoln Highway	Matteson	60443	22.91	31	38.75	144	24	104	72.22%
									2442	407	1868	76.49%

SOURCES: Patients: The Renal Network, Inc.
Stations: IHFSRB Inventory, Updated 1/18/10.
Mileage and Drive Time: MapQuest. See documentation in Attachment 12A.

NOTE: Occupanccy rates are calculated based on the IHFSRB standard of 3 shifts per day, six days per week.

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GRAND CROSSING DIALYSIS

PROJECTED ANNUAL UTILIZATION
2011 - 2013

				Occupancy	
Year	Stations	Treatments	Patients*	On Treatments	On Patients
2011	12	2,386	29	21%	40%
2012	12	6,417	58	57%	80%
2013	12	8,946	66	80%	92%

SOURCES: See notarized physician Letter of Referral in Attachment 20(1).
See Financial Feasibility Study in Attachment 76(4).

NOTES: * Number of patients is for the last day of the reporting period.

Number of patients assumes an average of five (5) patients per year will receive kidney transplants as indicated by the physician's current practice.

Number of patients assumes an average annual 14% mortality which is DaVita's experience at similar Chicago facilities.

IN - CENTER

Month	Year 1 Patients	Year 1 Treatments	Year 2 Patients	Year 2 Treatments	Year 3 Patients	Year 3 Treatments	Year 4 Patients	Year 4 Treatments	Year 5 Patients	Year 5 Treatments
	0									
1	4	48	31	371	59	706	66	789	69	825
2	7	84	34	407	59	706	67	801	70	837
3	9	108	36	431	60	718	67	801	70	837
4	11	132	39	466	61	730	67	801	70	837
5	13	155	41	490	61	730	67	801	70	837
6	16	191	44	526	62	742	68	813	71	833
7	18	215	46	550	63	753	68	813	71	849
8	20	239	48	568	63	753	68	813	71	849
9	22	263	51	610	64	765	68	813	71	847
10	25	299	53	634	65	777	69	808	72	861
11	27	305	56	670	65	777	69	825	72	861
12	29	347	58	694	66	789	69	825	72	861
Total		2,386		6,417		8,946		9,706		10,136

HOME

Month	Year 1 Patients	Year 1 Treatments	Year 2 Patients	Year 2 Treatments	Year 3 Patients	Year 3 Treatments	Year 4 Patients	Year 4 Treatments	Year 5 Patients	Year 5 Treatments
1	0	0	0	0	0	0	0	0	0	0
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
Total		-		-		-		-		-

New Patients on Service					
Beginning Patients	4	31	59	66	69
Less 14.0% Mortality	1	4	8	9	10
Ending Patients	29	58	66	69	72
Net New Patients	**26**	**31**	**15**	**12**	**13**

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GRAND CROSSING DIALYSIS

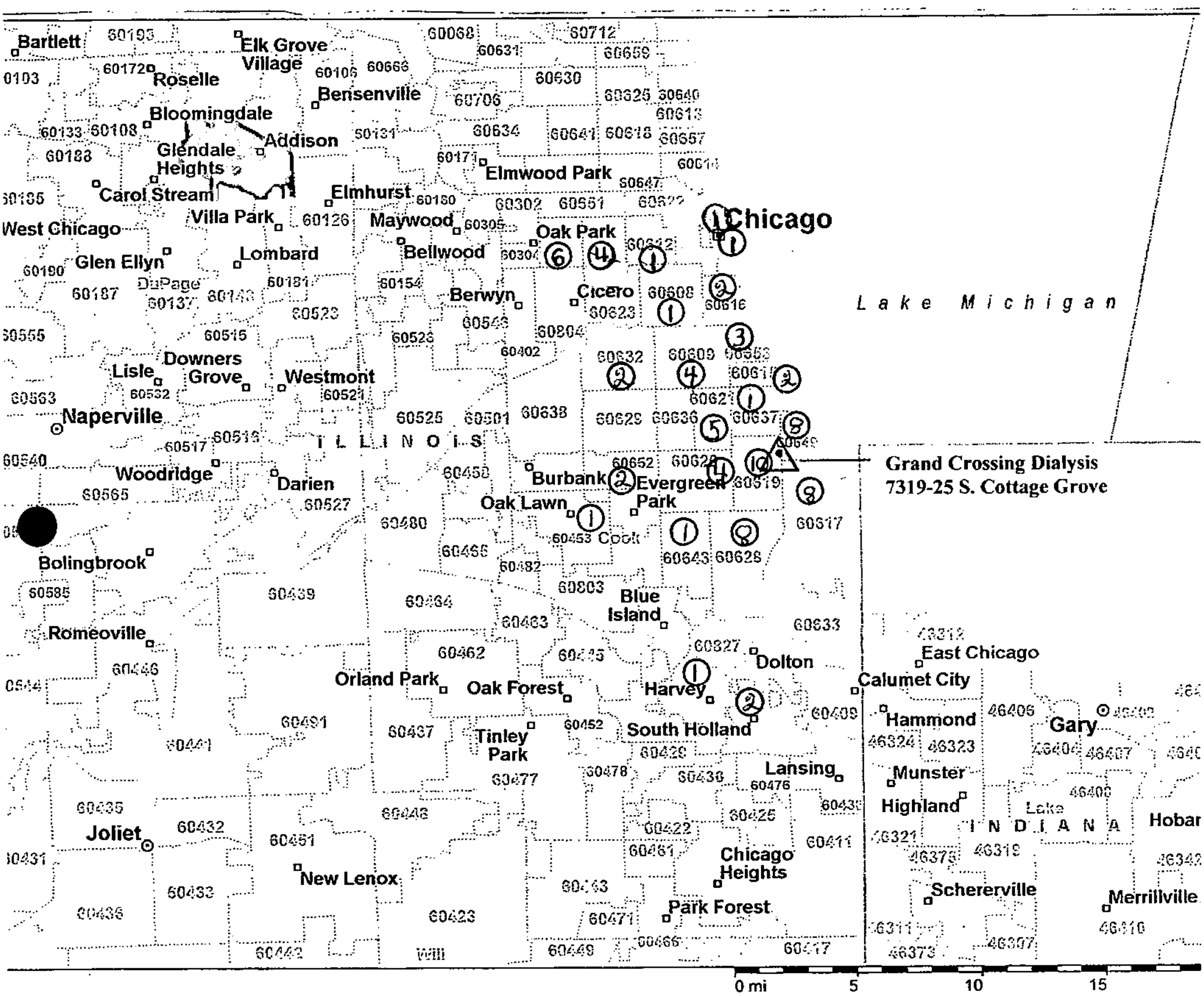
PATIENT ORIGIN
Proposed Patients

	Zip Code	Number of Patients	Percentage of Patients*
PLANNING AREA 6			
Chicago	60601	1	1 %
	60608	1	1
	60609	4	5
	60611	1	1
	60612	1	1
	60615	2	3
	60616	2	3
	60617	8	10
	60619	10	13
	60620	4	5
	60621	5	6
	60624	4	5
	60628	8	10
	60632	2	3
	60637	1	1
	60643	1	1
	60644	6	8
	60649	8	10
	60652	2	3
	60653	3	4
(Subtotal)		74	95 %
OUTSIDE PLANNING AREA			
Harvey	60426	1	1
Oak Lawn	60453	1	1
South Holland	60473	2	3
(Subtotal)		4	5 %
TOTAL		78	100%

SOURCE: Physician letter of referral in Attachment 20(1).
NOTE: Percentages may not add due to rounding.

GRAND CROSSING DIALYSIS

PATIENT ORIGIN



SOURCE: Physician letter of referral in Attachment 20(1).

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ATTACHMENT 11(3)
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DaVita Chicago Area Facilities
Clinical Outcomes Review
January 2009 to December 2009

Adequacy of Dialysis
This facility will be able to demonstrate the ability to provide adequate dialysis with Urea Reduction Ration (URR) greater than 65% in at least 85% of patients. This data is a compilation of clinical outcomes data from 15 facilities in the Chicago area. They are Logan Square Dialysis, Lake County Dialysis, Lincoln Park Dialysis, Children's Dialysis, Emerald Kidney Center, Olympia Fields Dialysis Center, Chicago Heights Renal Care, Stony Creek Dialysis, Beverly Dialysis, Montclare Dialysis, Mt. Greenwood Dialysis, Lake Villa Dialysis, Little Village Dialysis, Kankakee County Dialysis and Big Oaks Dialysis (December only).

Month	Percent of patients with URR>65%	Percent of patients with KT/V Daugirdas II.1.2
January 2009	91.06%	94.08%
February 2009	90.76%	93.93%
March 2009	90.99%	93.46%
April 2009	90.93%	93.74%
May 2009	90.95%	94.58%
June 2009	91.05%	94.44%
July 2009	89.25%	93.45%
August 2009	90.20%	94.50%
September 2009	91.07%	94.40%
October 2009	91.00%	94.24%
November 2009	90.38%	93.73%
December 2009	89.56%	93.18%
Average	90.60%	93.98%

Alternatives

DaVita Inc. and Total Renal Care Inc. (TRC) propose to establish Grand Crossing Dialysis, a new 12-station in-center hemodialysis center to be located at 7319-7325 South Cottage Grove Avenue in Chicago, IL (60619.) Due to significant physician support and a large target population, DaVita projects the facility to serve 58 patients by the end of the second full year of operation achieving 80% occupancy (see Attachment 12(1) for projected utilization.) The facility would rent 6,200 building gross square feet (gsf,) 5,640 gsf for the 12-station in-center hemodialysis clinic and 560 gsf for a regional office and conference room.

DaVita Inc. and Total Renal Care Inc. (TRC) considered the following three (3) alternatives for meeting the needs of the identified patient population:

1. Do nothing and continue to use existing facilities within 30 minutes travel time
2. Expand an existing DaVita facility
3. Establish a new facility

1. Do nothing and continue to use existing facilities within 30 minutes travel time
   No initial capital cost with this no benefit option

There are 40 in-center hemodialysis facilities located within 30 minutes, adjusted Map Quest drive-time of Grand Crossing Dialysis. See Attachment 12(2) for the location, distance, travel time, and utilization of these 40 facilities. See Attachment 12(3) for MapQuest documentation. Patient data from The Renal Network indicates that these 40 facilities were over 75% utilized on Dec. 31, 2009, serving 4,169 patients in 923 stations. At 75% average utilization, these 40 facilities cannot coherently serve the large patient population.

The following four (4) physicians support the project: Mohamed Salem, Mamoud Salem, Osvaldo Wagener and Izabella Gurau. Dr. Mohamed Salem identifies 78 patients by initials and zip code of residence that he would refer to Grand Crossing Dialysis (see Attachment 20(1) for referral letter.) Dr. Salem certifies that these patient referrals have not been used to support other pending or approved CON applications. He also certifies that this information is true and correct. Due to physician support and referrals, DaVita projects that Grand Crossing Dialysis would serve 58 patients in the second year, achieving 80% utilization.

Due to the large target population and significant physician support and referrals, DaVita determines that it is infeasible to use existing facilities which already operate at over 75% average utilization.

2. Use and/or expand an existing DaVita facility
   Expansion cost is approximately $90,000 per station if renovation is required.

In 2009 DaVita operated seven (7) facilities within about 30 minutes drive of Grand Crossing (refer back to Attachment 12(2).) Patient data from The Renal Network for December 31, 2009 indicate that these seven (7) facilities operated at average 86.48% utilization, serving 633 patients in 122 stations. DaVita also owns West Lawn Dialysis which is projected to be opened in spring 2010.

While operating at high utilization, DaVita's seven (7) facilities also operate at optimum capacity. Three (3) facilities were recently expanded, Beverly Dialysis, Little Village Dialysis, and Mount Greenwood Dialysis. These facilities are already at or above 80% occupancy. Therefore, DaVita determines that, while this option incurs less capital cost, it is not feasible to use or expand existing DaVita facilities due to their current and proposed utilization and physical plant limitations.

3. Establish a new facility

DaVita has determined that the most effective and efficient way to serve the large number of patient referrals and target population on Chicago's south side is to add capacity to the area, and establish a new facility. Four (4) properties within two miles of the site at 7311-7325 S. Cottage Grove in Chicago were considered for development. The lease rates of these properties are comparable to the chosen property (see Attachment 12(4).) However, only the selected property had sufficient, nearby parking or enough square footage for 12 stations.

Therefore DaVita selected the property at 7319-7325 S. Cottage Grove Avenue which had sufficient space and parking and was accessible to its patient population. The lease will be for ten (10) years, with three (3) five-year options to renew. The initial base lease rate would be $12.10 per square foot, triple net, for the first five years and $13.30 per square foot, triple net for Years 6 - 10. Option rent shall be the rent during the prior term escalated by the increase in the CPI over the prior term, capped at three percent (3%) annually (refer back to Attachment 7C for the letter of intent (LOI) to lease the space.) The LOI to lease the space also indicates that the site is conveniently zoned for medical use.

Due to the property's size, accessibility and lease terms DaVita has determined that the site at 7319-7325 S. Cottage Grove Avenue in Chicago is the most effective and efficient alternative for meeting the needs of its large identified patient population.

The Alternative Assures DaVita's High Quality of Care

DaVita provides a high quality of care with patient outcomes significantly exceeding HFSRB standards. See Attachment 12(5) for recent patient outcomes in DaVita's 14 Chicago-area facilities which document DaVita's high quality of care as follows:

90.60% of DaVita's patients had URRs of 65% or higher vs. the HFSRB standard of at least 85% &
93.98% of DaVita's patients had a Kt/V Dauridgas II.1.2 vs. the HFSRB standard of 85%.

The Alternative Improves Access to Care in the Market Area

Over two million people live within 30 minutes of Grand Crossing Dialysis (refer back to Attachment 11(1).) Facilities serving this market already operate at over 75% average utilization. Physicians identify 78 initial patient referrals who would utilize the facility when it is fully operational in March 2011. All 78 patients live within 30 minutes of Grand Crossing Dialysis. See Attachment 12(6) for patient origin data which also indicates that 96% of patients live in Chicago, Planning Area 6.

While improving access to in-center hemodialysis, the project will not impact other facilities. The 78 initial patients are pre-renal patients. The physician certifies that these referrals have not been used to support other pending or approved CON applications. He also certifies that the information is true and correct.

GRAND CROSSING DIALYSIS

PROJECTED ANNUAL UTILIZATION
2011 - 2013

Year	Stations	Treatments	Patients*	Occupancy On Treatments	Occupancy On Patients
2011	12	2,386	29	21%	40%
2012	12	6,417	58	57%	80%
2013	12	8,946	66	80%	92%

SOURCES: See notarized physician Letter of Referral in Attachment 20(1).
See Financial Feasibility Study in Attachment 76(4).

NOTES: * Number of patients is for the last day of the reporting period.

Number of patients assumes an average of five (5) patients per year will receive kidney transplants as indicated by the physician's current practice.

Number of patients assumes an average annual 14% mortality which is DaVita's experience at similar Chicago facilities.

IN - CENTER

	Year 1		Year 2		Year 3		Year 4		Year 5	
Month	Patients	Treatments	Patients	Treatments	Patients	Treatments	Patients	Treatments	Patients	Treatments
	0									
1	4	48	31	371	59	706	66	789	69	825
2	7	84	34	407	59	706	67	801	70	837
3	9	108	36	431	60	718	67	801	70	837
4	11	132	39	466	61	730	67	801	70	837
5	13	155	41	490	61	730	67	801	70	837
6	16	191	44	526	62	742	68	813	71	833
7	18	215	46	550	63	753	68	813	71	849
8	20	239	48	568	63	753	68	813	71	849
9	22	263	51	610	64	765	68	813	71	847
10	25	299	53	634	65	777	69	808	72	861
11	27	305	56	670	65	777	69	825	72	861
12	29	347	58	694	66	789	69	825	72	861
Total		2,386		6,417		8,946		9,706		10,136

HOME

	Year 1		Year 2		Year 3		Year 4		Year 5	
Month	Patients	Treatments	Patients	Treatments	Patients	Treatments	Patients	Treatments	Patients	Treatments
1	0	0	0	0	0	0	0	0	0	0
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
Total		-		-		-		-		-

New Patients on Service					
Beginning Patients	4	31	59	66	69
Less 14.0% Mortality	1	4	8	9	10
Ending Patients	29	58	66	69	72
Net New Patients	**26**	**31**	**15**	**12**	**13**

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Attachment 12(1)
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IN-CENTER HEMODIALYSIS FACILITIES WITHIN 30 MINUTES TRAVEL TIME OF
GRAND CROSSING DIALYSIS

Utilization - 4th Quarter 2009

Grand Crossing Dialysis - 7319-25 S. Cottage Grove, Chicago, Illinois 60619

Facilities within 30 minutes ADJUSTED (1.25) MapQuest travel time

	Ref # MapQuest	Facility Name	Address	City	Zip Code	Mileage	Drive Time	MapQuest Time (1.25)	Capacity	IHFPB Inventory	12/31/2009 Pt. Census	12/31/2009 Utilization
1	20	FMC - Jackson Park Dialysis Center	7531 S. Stony Island	Chicago	60649	1.31	3	3.75	144	24	120	83.33%
2	25	FMC - Neomedica - South	9200 S. South Chicago Avenue	Chicago	60617	3.68	5	6.25	216	36	166	76.85%
3	16	FMC - Greenwood Avenue Dialysis Center	1111 E. 87th Street	Chicago	60619	2.15	6	7.50	168	28	153	91.07%
4	23	FMC - Neomedica - South Shore	2420 E. 79th St.	Chicago	60649	2.8	7	8.75	96	16	80	83.33%
5	17	University of Chicago - Stony Island Center	8725 South Stony Island Avenu	Chicago	60617	2.68	8	10.00	138	23	155	112.32%
6	86	FMC - Chatham	8315 - 8318 S. Holland Ave.	Chicago	60620	3.21	8	10.00	72	12	0	0.00%
7	18	RCG - Garfield	5401 S. Wentworth	Chicago	60609	3.94	8	10.00	132	22	97	73.48%
8	24	University of Chicago - Woodlawn	1164 E. 55th Street	Chicago	60615	2.72	8	10.00	120	20	133	110.83%
9	14	FMC - Ross Dialysis - Englewood	6333 S. Green Street	Chicago	60621	3.27	10	12.50	96	16	91	94.79%
10	22	DaVita - Emerald Dialysis	710 West 43rd St.	Chicago	60609	6.11	11	13.75	144	24	122	84.72%
11	26	University of Chicago - Lakepark	1531 E. Hyde Park Blvd.	Chicago	60615	3.75	11	13.75	120	20	121	100.83%
12	3A	DaVita - Beverly Dialysis	8111 S. Western Avenue	Chicago	60620	5.04	13	16.25	72	12	58	80.56%
13	27	FMC - Bridgeport	825 W. 35th St	Chicago	60609	7.26	14	17.50	162	27	113	69.75%
14	13	FMC - Roseland Dialysis	132 W. 111th St.	Chicago	60628	6.38	15	18.75	72	12	45	62.50%
15	35	RCG - Prairie	1717 S. Wabash Street	Chicago	60616	8.6	15	18.75	144	24	93	64.58%
16	6	FMC - Southside Dialysis Center	3134 West 76th Street	Chicago	60652	6.17	16	20.00	234	39	185	79.06%
17	10	FMC - Neomedica - Marquette Park	6515 S. Western Avenue	Chicago	60636	4.73	15	18.75	84	14	78	92.86%
18	39	DSI - Chicago South	1100 S. Canal	Chicago	60607	9.64	16	20.00	168	28	71	42.26%
19	41	FMC - Neomedica Loop	557 W Polk Street	Chicago	60607	9.8	16	20.00	144	24	98	68.06%
20	11	FMC - Blue Island Dialysis Center	12200 S. Western	Blue Island	60406	9.55	17	21.25	144	24	113	78.47%
21	44	FMC - Chicago Dialysis Center	820 W. Jackson Street	Chicago	60607	10.67	17	21.25	198	33	87	43.94%
22	1	FMC - Neomedica - Evergreen Park	9730 S. Western Avenue	Evergreen Par	60805	7.07	18	22.50	162	27	158	97.53%
23	38	John H. Stroger Jr Hospital of Cook County	1901 W. Harrison	Chicago	60612	11.86	18	22.50	54	9	102	188.89%
24	7	RCG - Merrionette Park	11630 S. Kedzie	Merrionette Pa	60803	10.5	19	23.75	96	16	74	77.08%
25	8	DSI - Scottsdale	4651 W. 79th Street	Chicago	60652	7.93	19	23.75	210	35	153	72.86%
26	42	DaVita - Little Village Dialysis	2335 W. Cermak Road	Chicago	60608	11.28	19	23.75	96	16	83	86.46%
27	46	Circle Medical Management	1426 W. Washington Blvd	Chicago	60607	11.65	19	23.75	162	27	110	67.90%
28	83	DaVita - West Lawn (DENOVO)	7000 S. Pulaski Road	Chicago	60629	7.91	19	23.75	72	12	0	0.00%
29	4	DaVita - Mt. Greenwood Dialysis	3401 W. 111th Street	Chicago	60655	9.65	20	25.00	96	16	74	77.08%
30	9	FMC - Dialysis Services of Burbank	4811 W. 77th Street	Burbank	60459	8.28	20	25.00	132	22	106	80.30%
31	37	University of Illinois Hospital - Dialysis	1859 W. Taylor	Chicago	60612	11.89	20	25.00	156	26	135	86.54%
32	40A	FMC - Dialysis Services of Congress Parkw	3410 West Van Buren St.	Chicago	60624	13.4	21	26.25	180	30	106	58.89%
33	33	FMC - Chicago Westside Dialysis	2011 Hastings Street	Chicago	60608	11.16	21	26.25	186	31	53	28.49%
34	5	DaVita - Stony Creek Dialysis	9115 S. Cicero Avenue	Oak Lawn	60453	9.32	22	27.50	72	12	67	93.06%
35	29A	RCG - South Holland	16136 South Park Avenue	South Holland	60473	15.51	23	28.75	120	20	94	78.33%
36	30	Mt. Sinai Hosp Med Ctr Renal	2700 W. 15th Street	Chicago	60608	13.13	22	27.50	96	16	67	69.79%
37	56	Renal Care Group - Univ Program	710 N.Fairbanks	Chicago	60611	12.16	22	27.50	264	44	203	76.89%
38	28	DSI - Markham	3053-3055 West 159th Street	Markham	60426	15.74	23	28.75	144	24	95	65.97%
39	47	Garfield Kidney Center	3250 W. Franklin Blvd	Chicago	60624	14.25	24	30.00	96	16	83	86.46%
40	52	FMC - West Suburban Dialysis Center	518 S. Austin	Oak Park	60304	16.85	24	30.00	276	46	227	82.25%
									5538	923	4169	75.28%

SOURCES: Patients: The Renal Network, Inc.
Stations: IHFSRB Inventory, Updated 1/18/100.
Mileage and Drive Time: MapQuest. See documentation in Attachment 12A.

NOTE: Occupancy rates are calculated based on the IHFSRB standard of 3 shifts per day, six days per week.

123

IN-CENTER HEMODIALYSIS FACILITIES WITHIN 30 MINUTES TRAVEL TIME OF GRAND CROSSING DIALYSIS

Grand Crossing Dialysis - 7319-25 S. Cottage Grove, Chicago, Illinois 60619

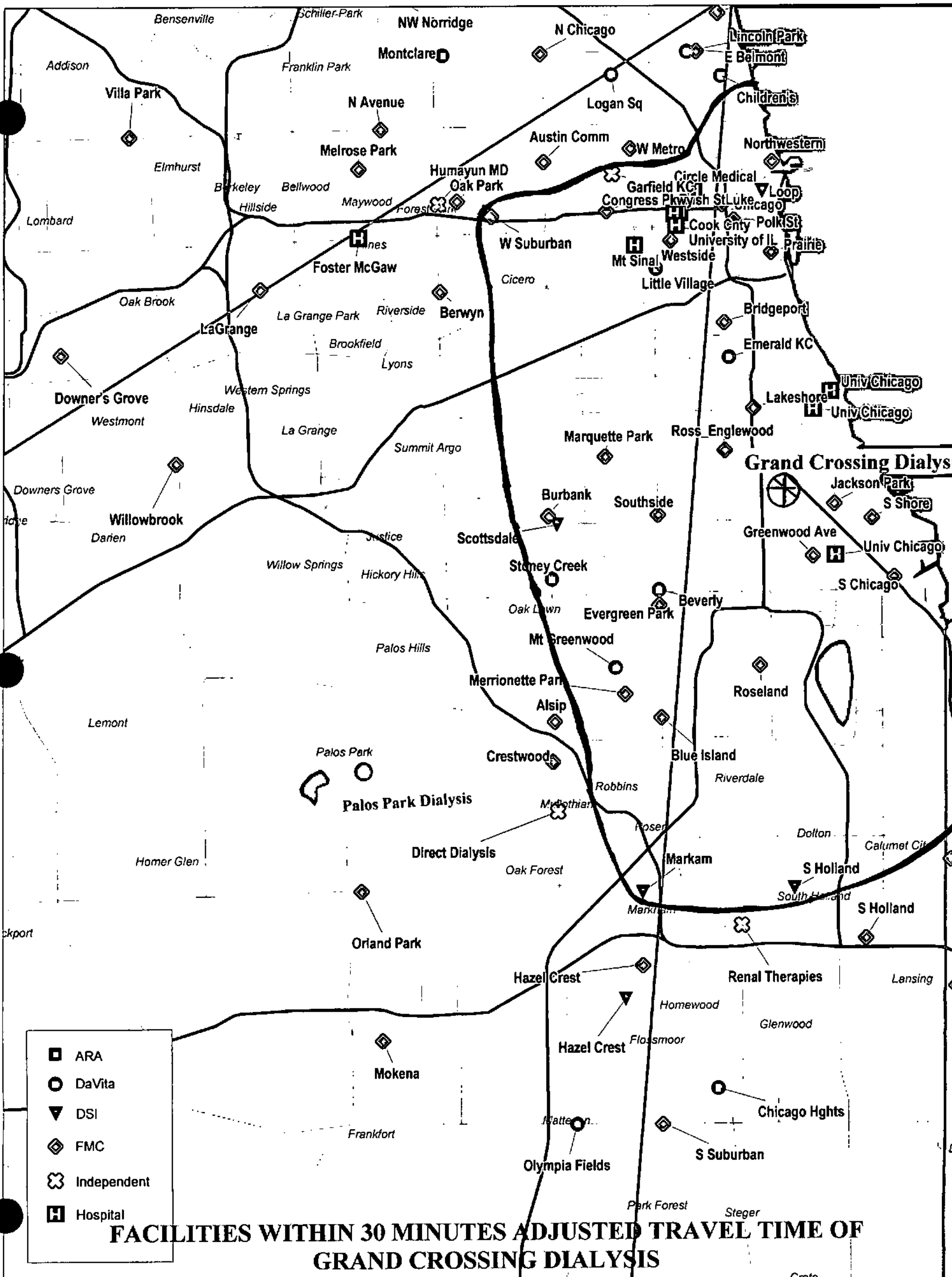
Facilities within 30 minutes UNADJUSTED (1.25) MapQuest travel time

	Ref #							MapQuest		IHFPB	12/31/2009	12/31/2009
	MapQuest	Facility Name	Address	City	Zip Code	Mileage	Drive Time	Time (1.25)	Capacity	Inventory	Pt. Census	Utilization
1	12	FMC - Alsip Dialysis Center	12250 S. Cicero	Alsip	60803	13.69	25	31.25	96	16	60	62.50%
2	61	DaVita - Logan Square Dialysis	2659 N. Milwaukee Avenue	Chicago	60647	15.79	25	31.25	120	20	110	91.67%
3	66	DaVita - Lincoln Park Dialysis	3157 N. Lincoln Avenue	Chicago	60657	14.86	25	31.25	132	22	119	90.15%
4	15	FMC - Crestwood	4861 West Cal Sag Road	Crestwood	60445	13.8	26	32.50	192	32	125	65.10%
5	32	Community Dialysis of Harvey	16657 S. Halsted	Harvey	60426	18.84	26	32.50	96	16	42	43.75%
6	50	Maple Avenue Kidney Center	610 S. Maple Avenue	Oak Park	60304	18.6	26	32.50	72	12	82	113.89%
7	55	FMC - West Metro Dialysis	1044 N. Mozart	Chicago	60622	14.19	26	32.50	180	30	168	93.33%
8	67	FMC - Northcenter	1331 W. Belmont Avenue	Chicago	60657	15.14	26	32.50	72	12	63	87.50%
9	19	Direct Dialysis	14255 S. Cicero Avenue	Crestwood	60445	15.82	27	33.75	36	6	49	136.11%
10	48	FMC - Neomedica - South Holland	17225 S. Paxton Avenue	South Holland	60473	17.77	27	33.75	102	17	75	73.53%
11	36	FMC - Neomedica - Hazelcrest	17524 E. Carriageway Drive	Hazel Crest	60429	18.39	28	35.00	96	16	75	78.13%
12	72	FMC-Neomedica - North Kilpatrick	4800 N Kilpatrick	Chicago	60630	18.81	28	35.00	132	22	112	84.85%
13	45	DSI - Hazelcrest	3470 W. 183rd St	Hazel Crest	60429	18.75	29	36.25	84	14	83	98.81%
14	49	FMC - Oak Park Dialysis Unit	733 W. Madison	Oak Park	60302	19.23	29	36.25	192	32	137	71.35%
15	51	FMC - Austin Communicty Kidney Center	4800 W. Chicago Avenue	Chicago	60651	17.75	29	36.25	96	16	41	42.71%
16	85	FMC Midway (DENOVO)	6201 W. 63rd St.	Chicago	60638	11.57	29	36.25	72	12	0	0.00%
17	53	Foster McGaw Hospital of Loyola	1201 W. Roosevelt Road	Maywood	60153	20.96	30	37.50	180	30	138	76.67%
18	68	FMC-Neomedica - West Belmont	4935 W. Belmont Avenue	Chicago	60641	17.76	30	37.50	60	10	48	80.00%
19	71	FMC-NA Lakeview Dialysis	4008 North Broadway Avenue	Chicago	60613	16.72	30	37.50	60	10	55	91.67%
20	73	FMCNA-Uptown	4720 N. Marine	Chicago	60640	17.4	30	37.50	72	12	43	59.72%
21	34	FMC - Berwyn	2601 S. Harlem Avenue	Berwyn	60402	20.35	31	38.75	156	26	139	89.10%
22	64	DaVita - Olympia Fields Dialysis Center	4557 B West Lincoln Highway	Matteson	60443	22.91	31	38.75	144	24	104	72.22%
									2442	407	1868	76.49%

SOURCES: Patients: The Renal Network, Inc.
Stations: IHFSRB Inventory, Updated 1/18/10.
Mileage and Drive Time: MapQuest. See documentation in Attachment 12A.

NOTE: Occupanccy rates are calculated based on the IHFSRB standard of 3 shifts per day, six days per week.

124



FACILITIES WITHIN 30 MINUTES ADJUSTED TRAVEL TIME OF GRAND CROSSING DIALYSIS

MAPQUEST.

1

Total Time: 18 minutes **Total Distance: 7.07 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

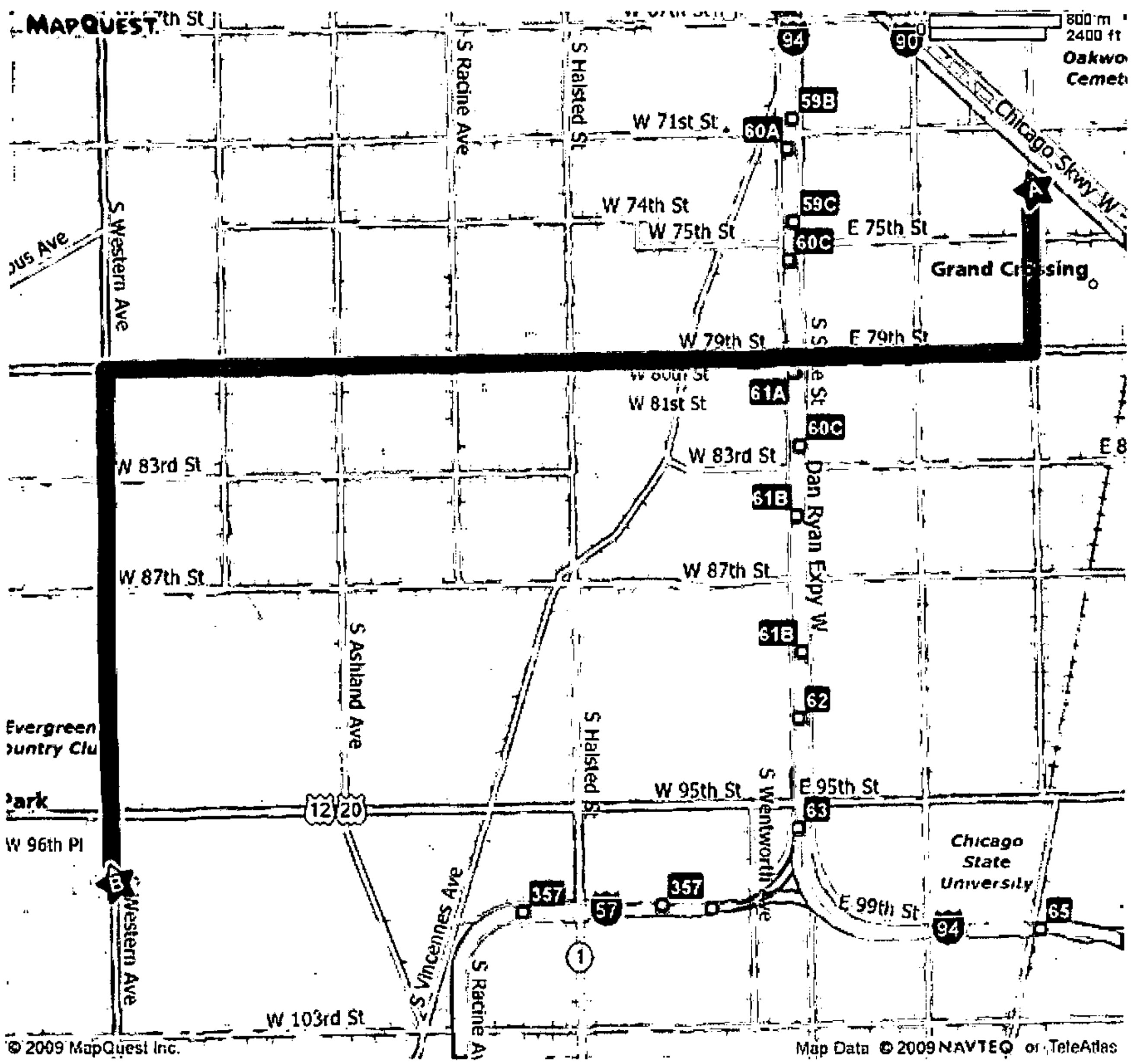
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.7 mi
	2:	Turn RIGHT onto E 79TH ST.	4.0 mi
	3:	Turn LEFT onto S WESTERN AVE.	2.3 mi
END	4:	End at 9730 S Western Ave Evergreen Park, IL 60805-2814	

B: 9730 S Western Ave, Evergreen Park, IL 60805-2814

Total Time: 18 minutes **Total Distance: 7.07 miles**

126

Attachment 12(3)
Page 1 of 124



127

Attachment 12(3)
Page 2 of 124

MAPQUEST.

3a

Total Time: 13 minutes **Total Distance: 5.04 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

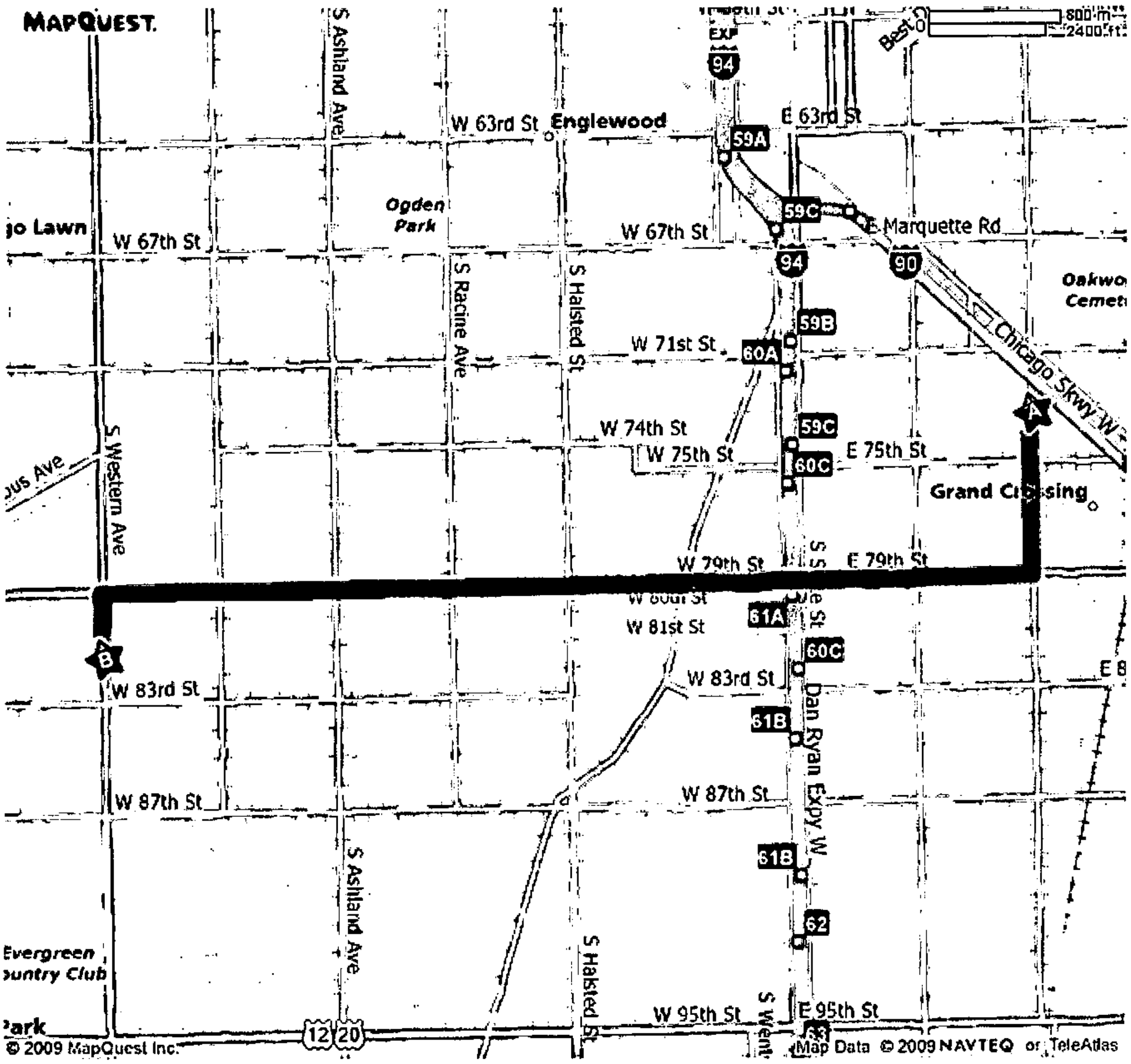
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.7 mi
	2:	Turn RIGHT onto E 79TH ST.	4.0 mi
	3:	Turn LEFT onto S WESTERN AVE.	0.3 mi
END	4:	End at 8111 S Western Ave Chicago, IL 60620-5939	

B: 8111 S Western Ave, Chicago, IL 60620-5939

Total Time: 13 minutes **Total Distance: 5.04 miles**

128

Attachment 12(3)
Page 3 of 124



129

Attachment 12(3)
Page 4 of 124

MAPQUEST.

4

Total Time: 20 minutes   **Total Distance: 9.65 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

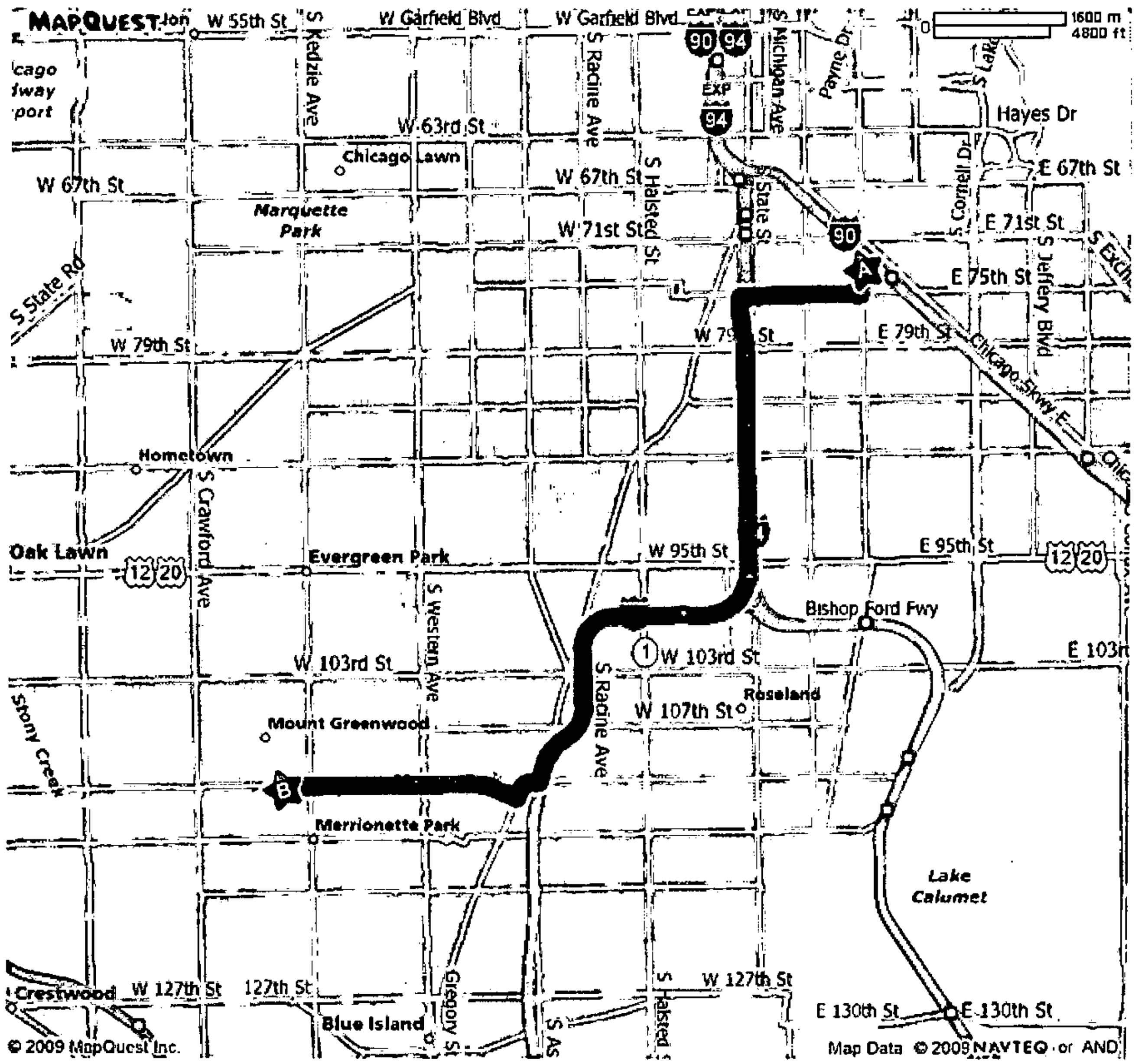
START	1: Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2: Turn RIGHT onto E 75TH ST.	1.1 mi
	3: Turn LEFT onto S LAFAYETTE AVE.	0.2 mi
EAST 94	4: Merge onto I-94 E/DAN RYAN EXPY E via the ramp on the LEFT.	2.5 mi
SOUTH 57	5: Merge onto I-57 S via EXIT 63 toward MEMPHIS.	2.9 mi
355 EXIT	6: Take the 111TH ST exit, EXIT 355.	0.3 mi
	7: Turn RIGHT onto W 111TH ST.	0.1 mi
	8: Turn LEFT onto S VINCENNES AVE.	0.2 mi
	9: Turn RIGHT onto W MONTEREY AVE.	0.3 mi
	10: W MONTEREY AVE becomes W 111TH ST.	1.8 mi
END	11: End at 3401 W 111th St Chicago, IL 60655-3329	

B: 3401 W 111th St, Chicago, IL 60655-3329

Total Time: 20 minutes   Total Distance: 9.65 miles

130

Attachment 12(3)
Page 5 of 124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W 55th St
W Garfield Blvd
W Garfield Blvd
S Kedzie Ave
S Racine Ave
Michigan Ave
Payne Dr
Hayes Dr
W 63rd St
Chicago Lawn
S Halsted St
E 67th St
W 67th St
S State St
S Cornell Dr
Marquette Park
W 71st St
E 71st St
S Jeffery Blvd
E 75th St
S State Rd
W 79th St
E 79th St
Chicago Skwy E
Hometown
S Crawford Ave
Oak Lawn
Evergreen Park
W 95th St
E 95th St
S Western Ave
Bishop Ford Fwy
W 103rd St
W 103rd St
E 103rd
Roseland
W 107th St
Stony Creek
Mount Greenwood
S Racine Ave
Merrionette Park
Lake Calumet
Crestwood
W 127th St
127th St
W 127th St
Gregory St
S Halsted St
E 130th St
E 130th St
Blue Island
© 2009 MapQuest Inc.
Map Data © 2009 NAVTEQ or AND
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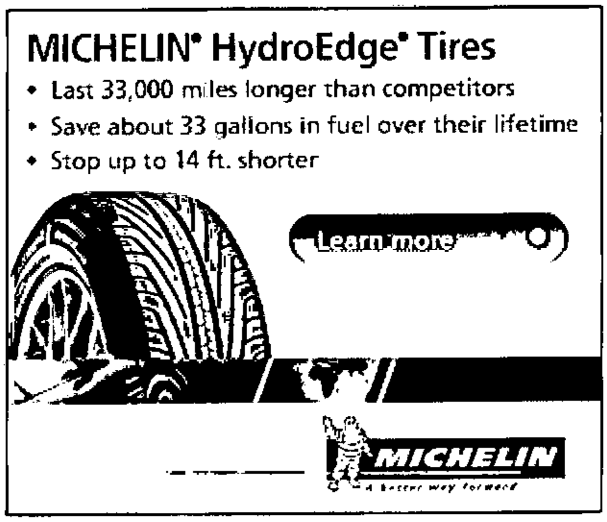
4800 ft

131

MAPQUEST.



5

Total Time: 22 minutes **Total Distance: 9.32 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

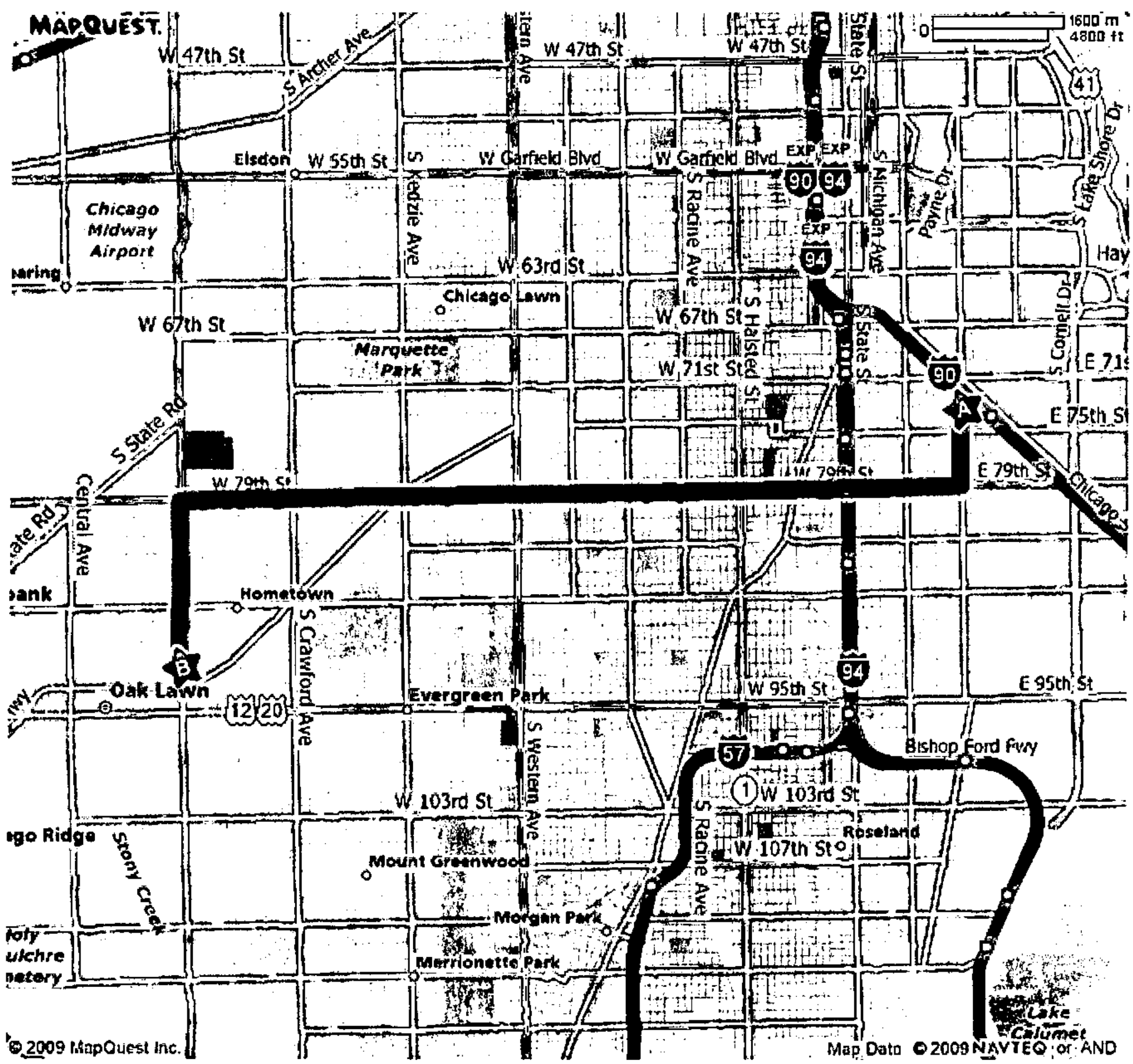
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.7 mi
	2:	Turn RIGHT onto E 79TH ST.	7.0 mi
	3:	Turn LEFT onto S CICERO AVE/IL-50.	1.5 mi
END	4:	End at 9115 S Cicero Ave Oak Lawn, IL 60453-1895	

B: 9115 S Cicero Ave, Oak Lawn, IL 60453-1895

Total Time: 22 minutes **Total Distance: 9.32 miles**

132

Attachment 12(3)
Page 7 of 124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S Archer Ave
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State St
Elsdon
W 55th St
S Kedzie Ave
W Garfield Blvd
W Garfield Blvd
EXP
EXP
90
94
94
S Racine Ave
S Michigan Ave
Payne Dr
S Lake Shore Dr
Chicago Midway Airport
W 63rd St
Chicago Lawn
W 67th St
W 67th St
S Halsted St
S State St
S Cornell Dr
E 71st
Marquette Park
W 71st St
90
S State Rd
E 75th St
W 79th St
W 79th St
E 79th St
Central Ave
Hometown
S Crawford Ave
94
E 95th St
W 95th St
Oak Lawn
12
20
Evergreen Park
S Western Ave
57
Bishop Ford Fwy
W 103rd St
W 103rd St
Roseland
W 107th St
Stony Creek
Mount Greenwood
Morgan Park
Merrionette Park
Lake Calumet
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MAPQUEST.

6

Total Time: 16 minutes **Total Distance: 6.17 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

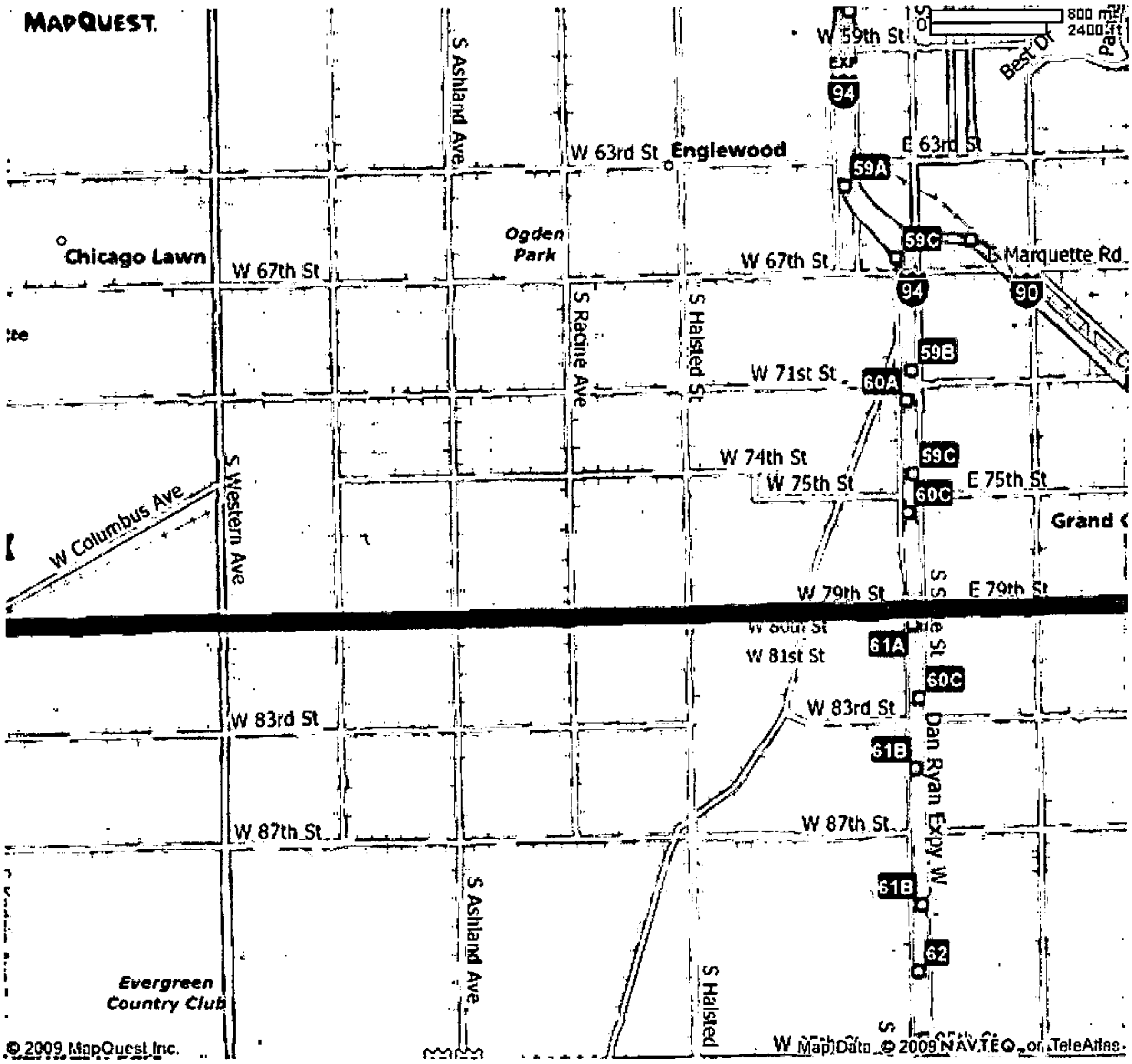
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.7 mi
	2:	Turn RIGHT onto E 79TH ST.	5.0 mi
	3:	Turn RIGHT onto S KEDZIE AVE.	0.4 mi
	4:	Turn RIGHT onto W 76TH ST.	0.0 mi
END	5:	End at 3134 W 76th St Chicago, IL 60652-1968	

B: 3134 W 76th St, Chicago, IL 60652-1968

Total Time: 16 minutes **Total Distance: 6.17 miles**

134

Attachment 12(3)
Page 9 of 124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94
800 m
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Best Dr
W 63rd St
Englewood
E 63rd St
59A
S Ashland Ave.
Chicago Lawn
Ogden Park
W 67th St
59C
E Marquette Rd
94
90
S Racine Ave
S Halsted St
59B
W 71st St
60A
W 74th St
59C
W 75th St
60C
E 75th St
Grand
W Columbus Ave
S Western Ave
W 79th St
E 79th St
W 81st St
61A
60C
W 83rd St
W 83rd St
61B
Dan Ryan Expy W
W 87th St
W 87th St
61B
62
S Ashland Ave.
S Halsted
Evergreen Country Club
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135

MAPQUEST.

(1)

Total Time: 19 minutes **Total Distance: 10.50 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

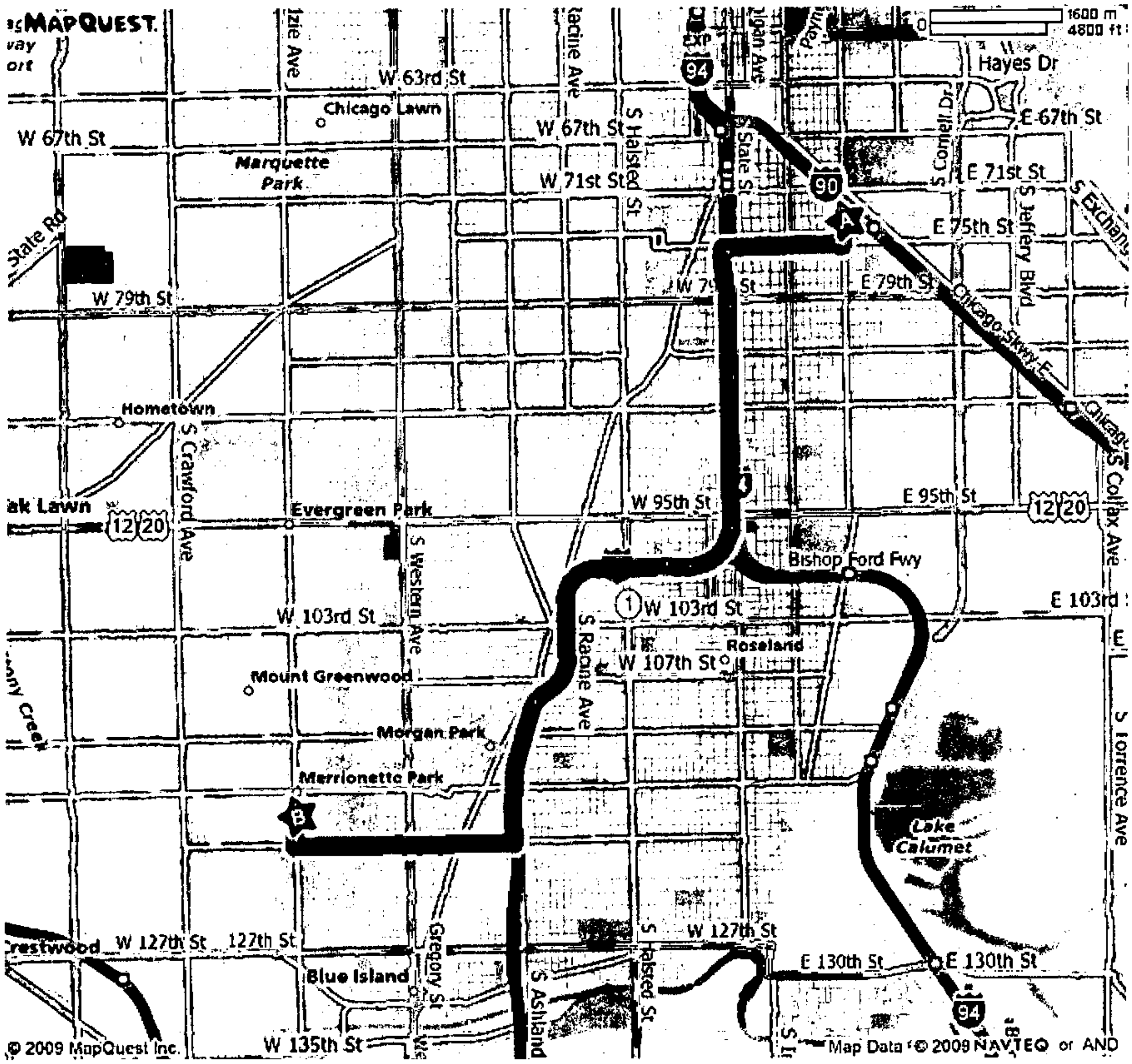
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.1 mi
	3:	Turn LEFT onto S LAFAYETTE AVE.	0.2 mi
EAST 94	4:	Merge onto I-94 E/DAN RYAN EXPY E via the ramp on the LEFT.	2.5 mi
SOUTH 57	5:	Merge onto I-57 S via EXIT 63 toward MEMPHIS.	3.8 mi
354 EXIT	6:	Take EXIT 354 toward 119TH ST.	0.2 mi
	7:	Stay STRAIGHT to go onto S MARSHFIELD AVE.	0.2 mi
	8:	Turn RIGHT onto W 119TH ST.	2.0 mi
	9:	Turn RIGHT onto S KEDZIE AVE.	0.3 mi
END	10:	End at 11630 S Kedzie Ave Merrionette Park, IL 60803-6302	

B: 11630 S Kedzie Ave, Merrionette Park, IL 60803-6302

Total Time: 19 minutes **Total Distance: 10.50 miles**

136

Attachment 12(3)
Page 11 of 124


MAPQUEST
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W 63rd St
Chicago Lawn
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Hayes Dr
Marquette Park
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E 75th St
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E 79th St
Chicago Skwy E
Hometown
Evergreen Park
W 95th St
E 95th St
Bishop Ford Fwy
W 103rd St
W 103rd St
E 103rd
W 107th St
Roseland
Mount Greenwood
Morgan Park
Merrionette Park
Lake Calumet
W 127th St
127th St
W 127th St
E 130th St
E 130th St
Crestwood
Blue Island
W 135th St
S Crawford Ave
S Western Ave
S Racine Ave
S Halsted St
State St
S Ashland
Gregory St
S Jeffery Blvd
S Colfax Ave
S Torrence Ave
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137

MAPQUEST.

6

Total Time: 19 minutes **Total Distance: 7.81 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

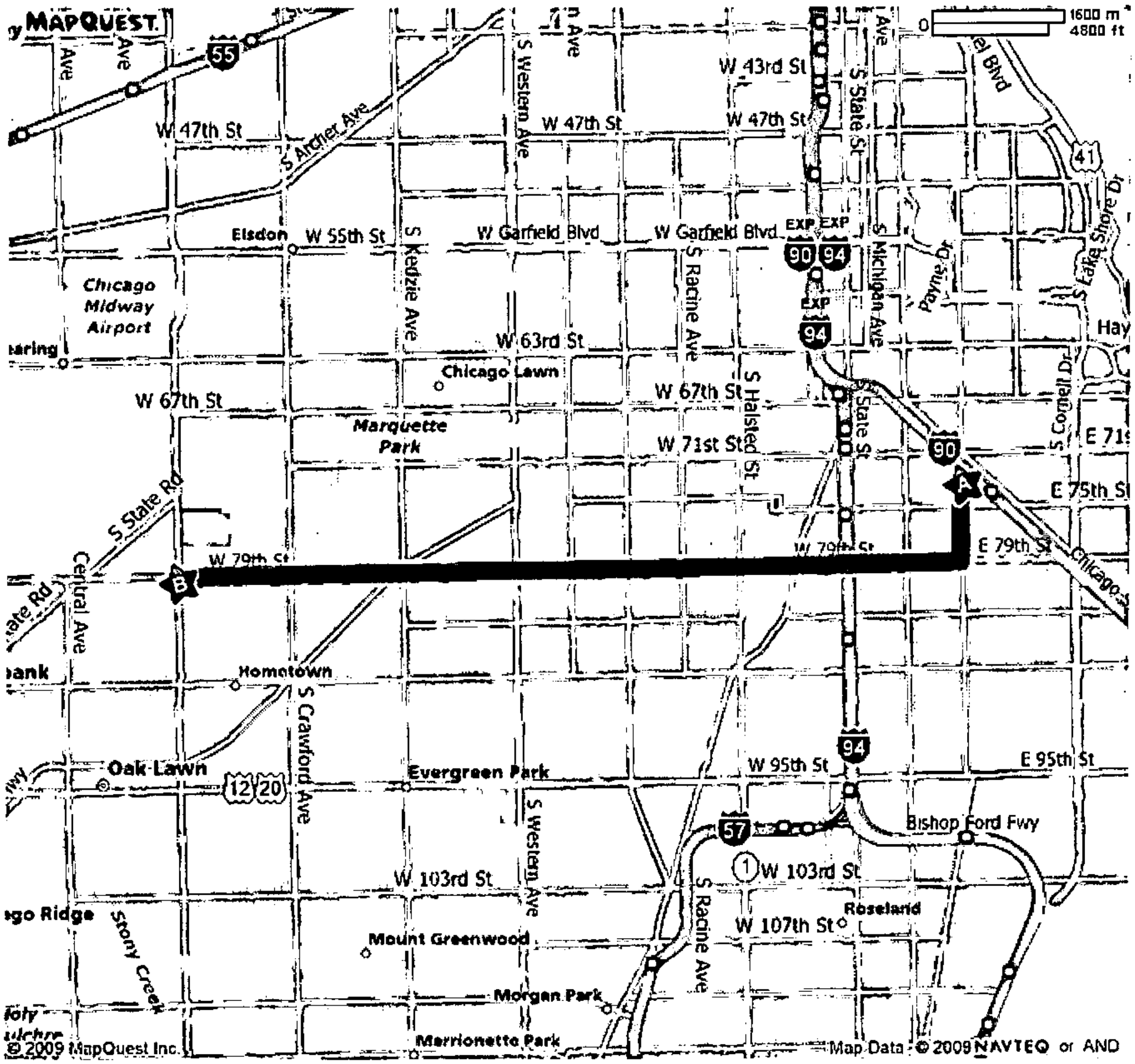
START	**1:** Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.7 mi
	2: Turn RIGHT onto E 79TH ST.	7.0 mi
	3: Turn LEFT onto S CICERO AVE/IL-50.	0.0 mi
END	**4:** End at 7929 S Cicero Ave Chicago, IL 60652-2037	

B: 7929 S Cicero Ave, Chicago, IL 60652-2037

Total Time: 19 minutes **Total Distance: 7.81 miles**

138

Attachment 12(3)
Page 13 of 124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W 47th St
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S Kedzie Ave
S Racine Ave
S Michigan Ave
Chicago Midway Airport
W 63rd St
Chicago Lawn
W 67th St
W 67th St
S Halsted St
Marquette Park
W 71st St
S State Rd
W 79th St
E 79th St
E 75th St
Central Ave
Hometown
S Crawford Ave
Oak Lawn
Evergreen Park
W 95th St
E 95th St
Bishop Ford Fwy
S Western Ave
W 103rd St
W 103rd St
W 107th St
Roseland
Mount Greenwood
S Racine Ave
Stony Creek
Morgan Park
Merrionette Park
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Map Data © 2009 NAVTEQ or AND
1600 m
4800 ft

MAPQUEST.

a

Total Time: 20 minutes **Total Distance: 8.28 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

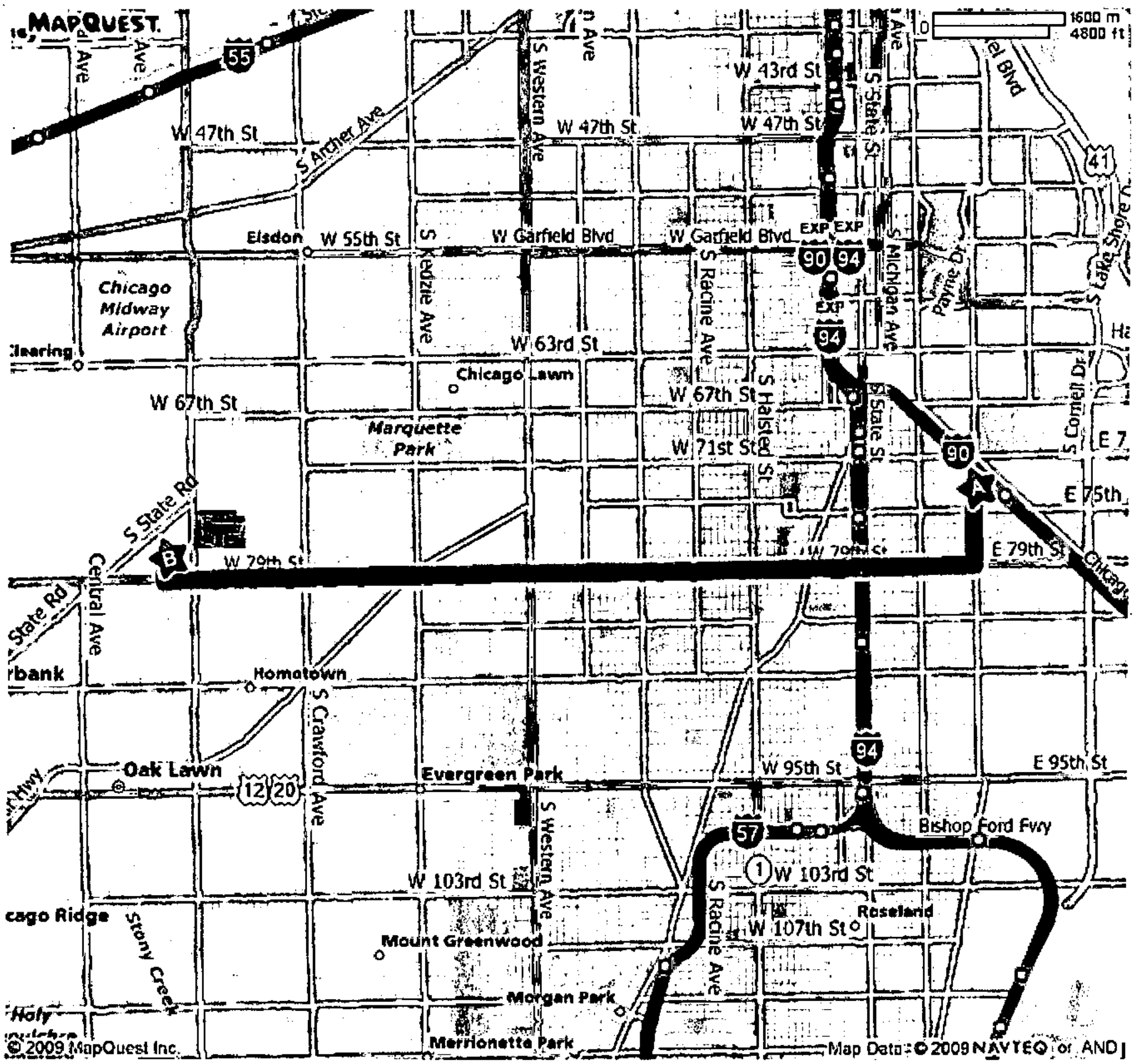
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.7 mi
	2:	Turn RIGHT onto E 79TH ST.	7.3 mi
	3:	Turn RIGHT onto LAVERGNE AVE.	0.3 mi
END	4:	End at 4811 W 77th St Burbank, IL 60459-1586	

B: 4811 W 77th St, Burbank, IL 60459-1586

Total Time: 20 minutes **Total Distance: 8.28 miles**

140

Attachment 12(3)
Page 15 of 124


MAPQUEST
1600 m
4800 ft
W 43rd St
W 47th St
W 47th St
W 47th St
S Archer Ave
S Western Ave
S State St
Elsdon
W 55th St
W Garfield Blvd
W Garfield Blvd
S Kedzie Ave
S Racine Ave
S Michigan Ave
Payne Dr
Chicago Midway Airport
W 63rd St
Chicago Lawn
W 67th St
W 67th St
S Halsted St
Marquette Park
W 71st St
S Cornell Dr
S State Rd
E 75th
E 79th St
W 79th St
Central Ave
Hometown
S Crawford Ave
Oak Lawn
Evergreen Park
W 95th St
E 95th St
Bishop Ford Fwy
S Western Ave
W 103rd St
W 103rd St
Roseland
W 107th St
Mount Greenwood
Morgan Park
Merrionette Park
Stony Creek
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141

MAPQUEST.

(10)

Total Time: 16 minutes **Total Distance: 4.73 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going NORTH on S COTTAGE GROVE AVE toward E 73RD ST.	0.3 mi
	2:	Turn LEFT onto E 71ST ST.	4.0 mi
	3:	Turn RIGHT onto S WESTERN AVE.	0.3 mi
	4:	Turn LEFT onto W 69TH ST/W LITHUANIAN PLAZA CT.	0.2 mi
END	5:	End at 2534 W 69th St Chicago, IL 60629	

B: 2534 W 69th St, Chicago, IL 60629

Total Time: 16 minutes Total Distance: 4.73 miles

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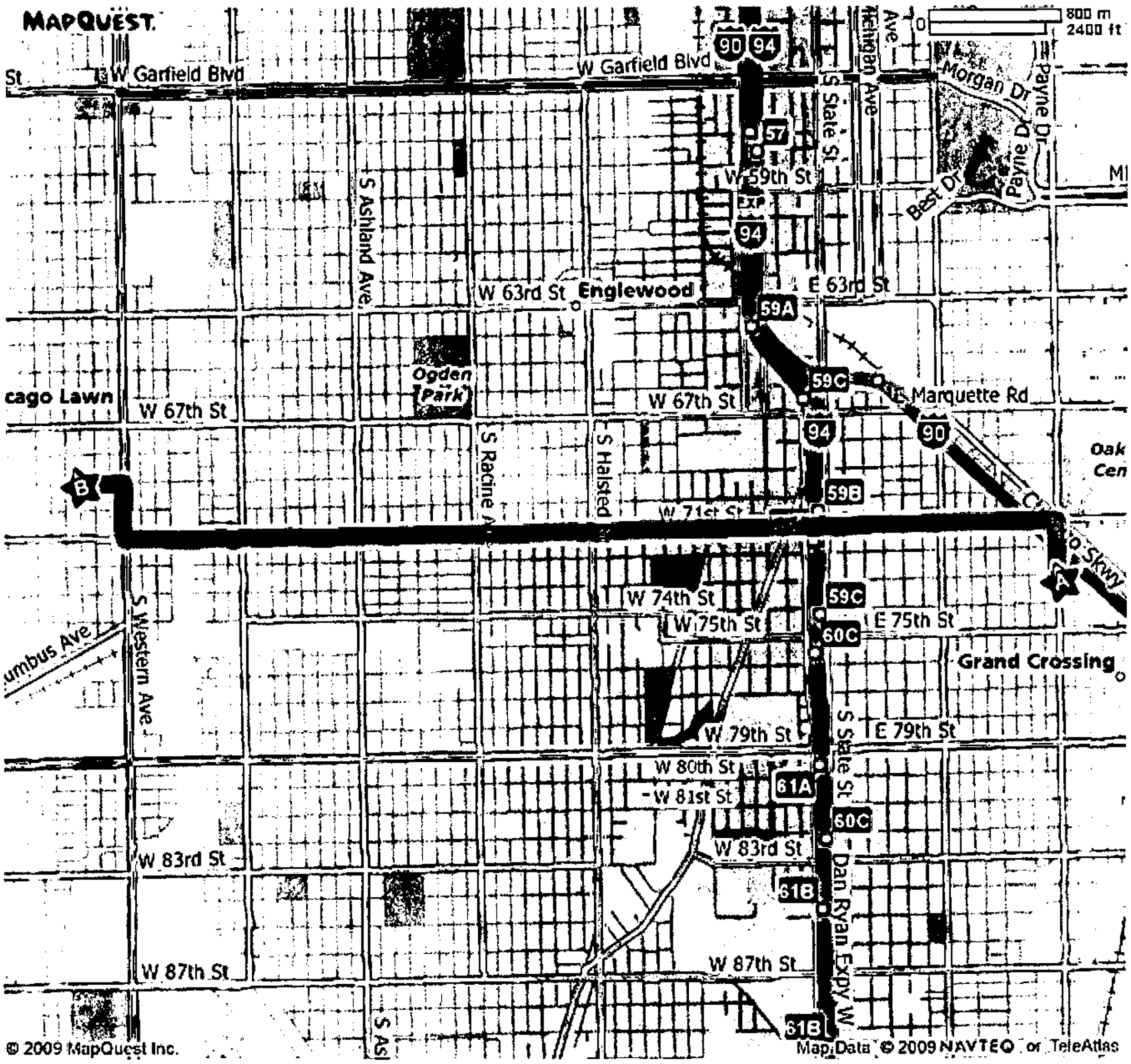
Attachment 12(3)
Page 17 of 124


MAPQUEST.
800 m
2400 ft
W Garfield Blvd
W Garfield Blvd
90
94
57
S State St
Morgan Dr
Payne Dr
W 59th St
94
S Ashland Ave
W 63rd St
Englewood
E 63rd St
59A
Ogden Park
59C
E Marquette Rd
cago Lawn
W 67th St
W 67th St
94
90
S Racine Ave
S Halsted
59B
Oak
W 71st St
B
A
W 74th St
59C
W 75th St
E 75th St
60C
Grand Crossing
S Western Ave
W 79th St
E 79th St
S State St
W 80th St
W 81st St
61A
60C
W 83rd St
W 83rd St
61B
Dan Ryan Expy W
W 87th St
W 87th St
61B
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143

MAPQUEST.

11

Total Time: 17 minutes **Total Distance: 9.55 miles**

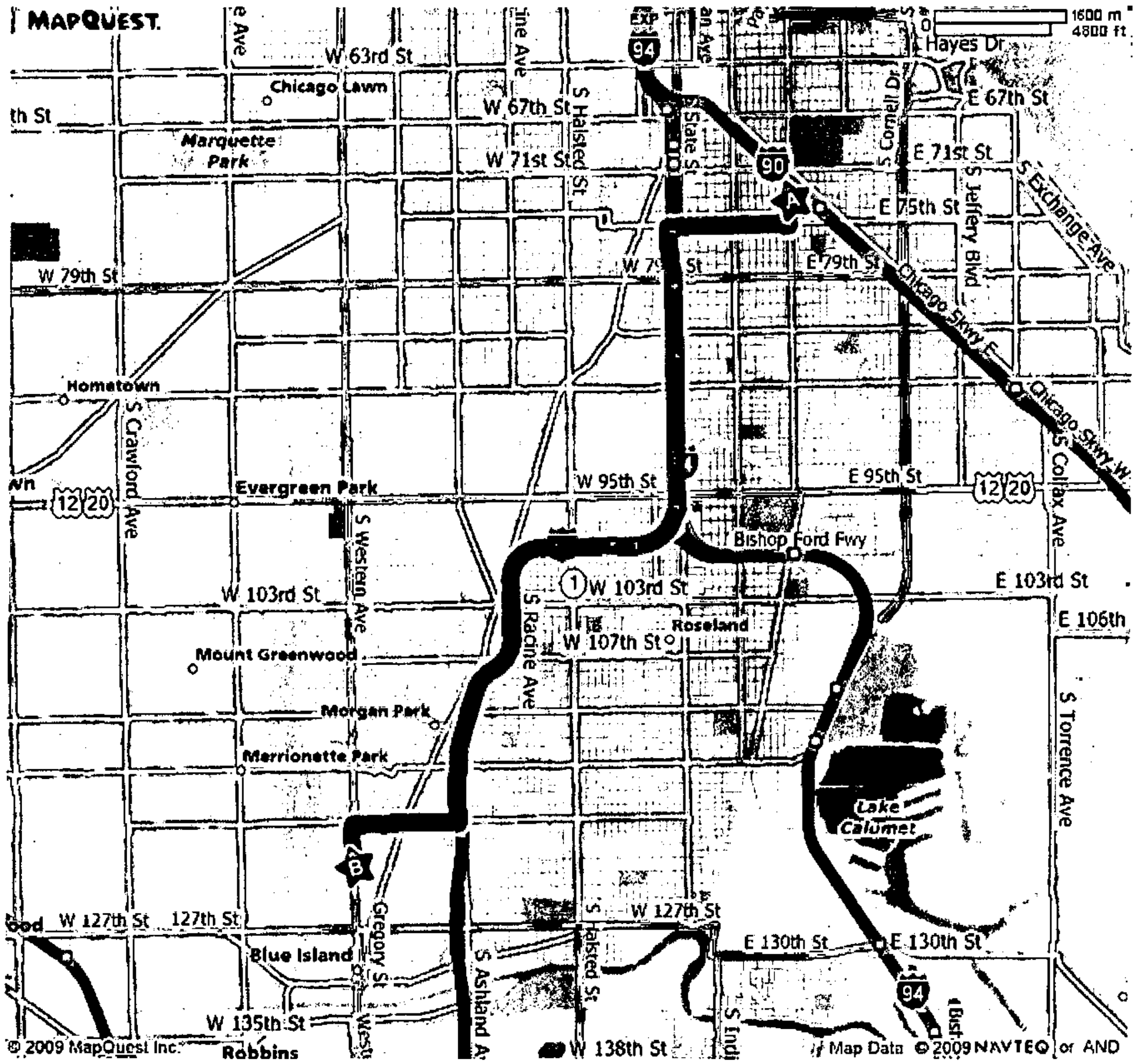
A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.1 mi
	3:	Turn LEFT onto S LAFAYETTE AVE.	0.2 mi
EAST 94	4:	Merge onto I-94 E/DAN RYAN EXPY E via the ramp on the LEFT.	2.5 mi
SOUTH 57	5:	Merge onto I-57 S via EXIT 63 toward MEMPHIS.	3.8 mi
354 EXIT	6:	Take EXIT 354 toward 119TH ST.	0.2 mi
	7:	Stay STRAIGHT to go onto S MARSHFIELD AVE.	0.2 mi
	8:	Turn RIGHT onto W 119TH ST.	0.9 mi
	9:	Turn LEFT onto WESTERN AVE.	0.4 mi
END	10:	End at 12200 Western Ave Blue Island, IL 60406-1398	

B: 12200 Western Ave, Blue Island, IL 60406-1398

Total Time: 17 minutes **Total Distance: 9.55 miles**

144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1600 m
4800 ft
W 63rd St
Chicago Lawn
W 67th St
Marquette Park
W 71st St
W 79th St
Hometown
S Crawford Ave
Evergreen Park
W 95th St
W 103rd St
S Western Ave
Mount Greenwood
Morgan Park
Merrionette Park
S Racine Ave
W 107th St
Roseland
S Halsted St
State St
Hayes Dr
E 67th St
E 71st St
S Cornell Dr
S Jeffery Blvd
S Exchange Ave
E 75th St
E 79th St
Chicago Skwy E
Chicago Skwy W
E 95th St
Bishop Ford Fwy
E 103rd St
E 106th
S Colfax Ave
S Torrence Ave
Lake Calumet
W 127th St
127th St
Blue Island
Gregory St
S Ashland Av
E 130th St
W 135th St
Robbins
W 138th St
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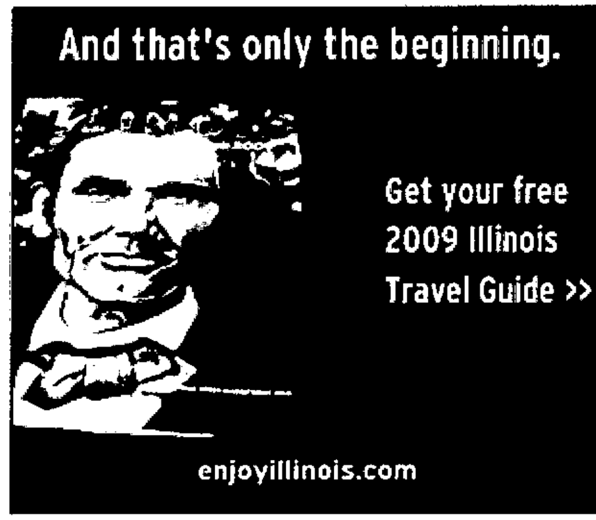
145

MAPQUEST.



12

Total Time: 25 minutes **Total Distance: 13.69 miles**

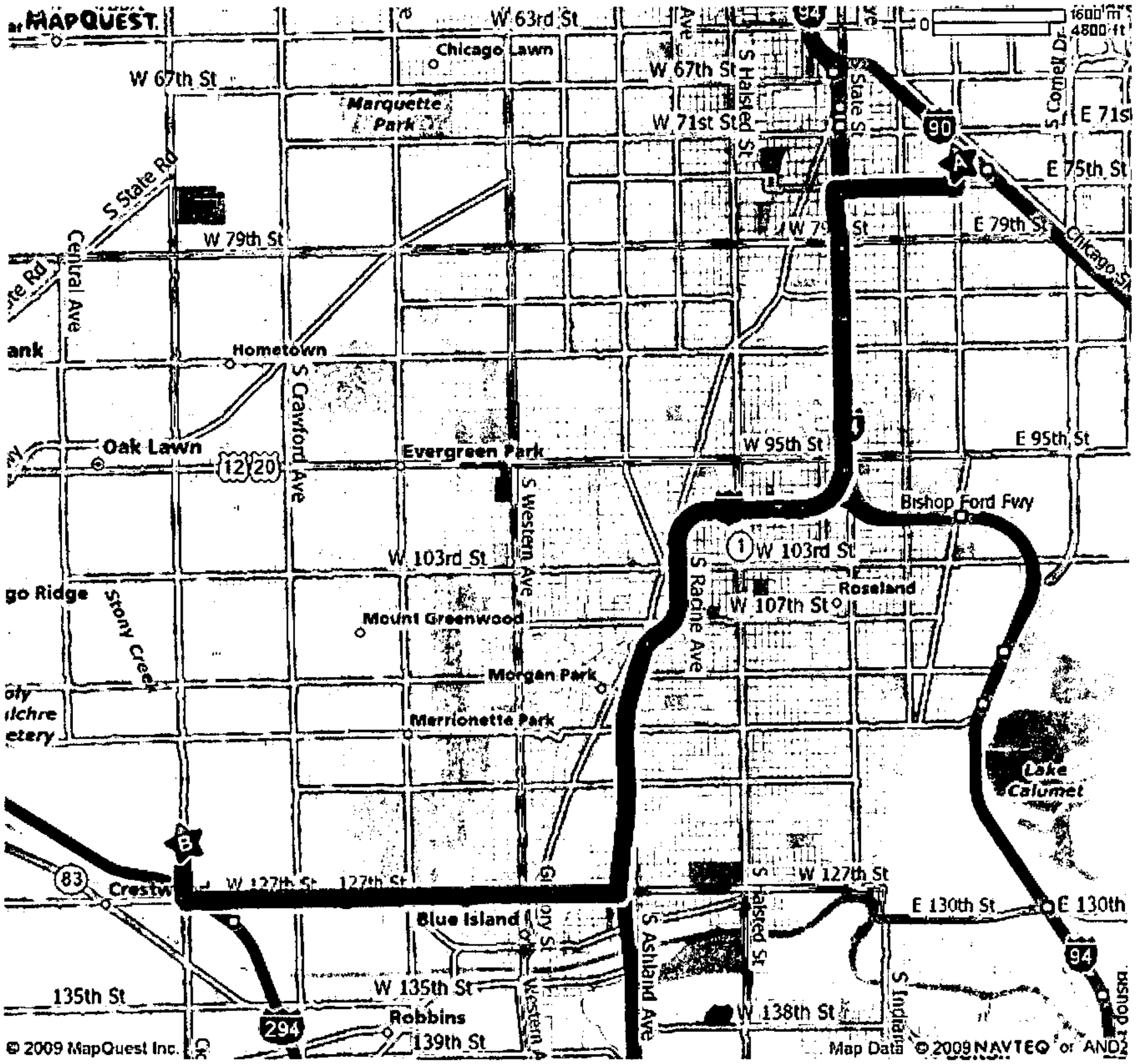
A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
2:	Turn RIGHT onto E 75TH ST.	1.1 mi
3:	Turn LEFT onto S LAFAYETTE AVE.	0.2 mi
4:	Merge onto I-94 E/DAN RYAN EXPY E via the ramp on the LEFT.	2.5 mi
5:	Merge onto I-57 S via EXIT 63 toward MEMPHIS.	5.0 mi
6:	Take EXIT 353 toward 127TH ST/BURR OAK AVE.	0.2 mi
7:	Stay STRAIGHT to go onto S PAULINA ST.	0.1 mi
8:	Turn RIGHT onto W 127TH ST/W BURR OAK AVE. Continue to follow W 127TH ST.	3.9 mi
9:	Turn RIGHT onto IL-50 N/S CICERO AVE.	0.6 mi
10:	End at 12250 S Cicero Ave Alsip, IL 60803-2946	

B: 12250 S Cicero Ave, Alsip, IL 60803-2946

Total Time: 25 minutes Total Distance: 13.69 miles

146



147

Attachment 12(3)
Page 22 of 124

MAPQUEST.

13

Total Time: 15 minutes **Total Distance: 6.38 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

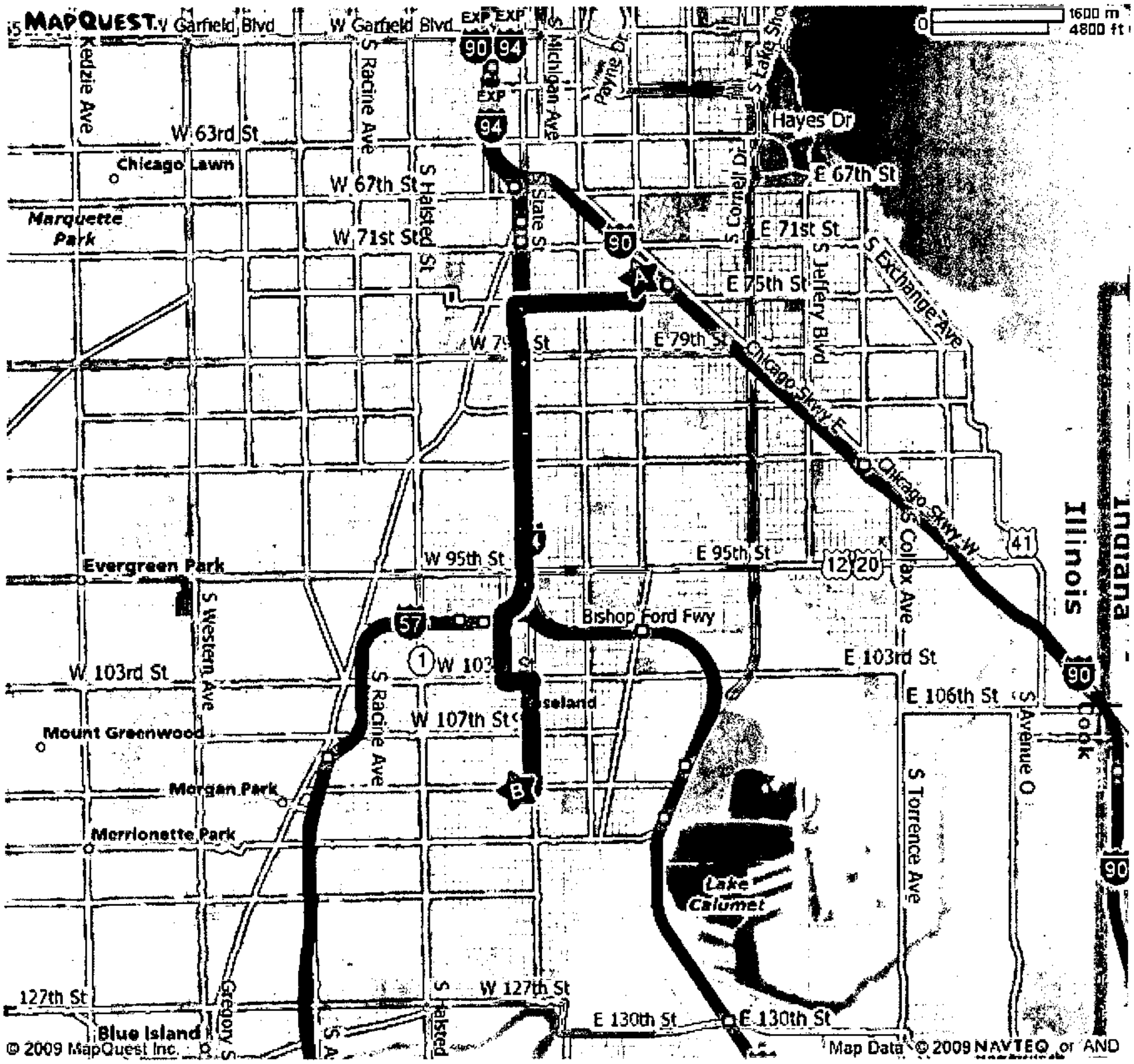
START	**1:**	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.1 mi
	3:	Turn LEFT onto S LAFAYETTE AVE.	0.2 mi
EAST 94	**4:**	Merge onto I-94 E/DAN RYAN EXPY E via the ramp on the LEFT.	2.5 mi
63 EXIT	**5:**	Take the I-57 S exit, EXIT 63, toward MEMPHIS.	0.1 mi
EXIT	**6:**	Take the exit toward WENTWORTH AVE.	0.2 mi
	7:	Turn SLIGHT LEFT onto S LAFAYETTE AVE.	0.0 mi
	8:	Turn LEFT onto S WENTWORTH AVE.	0.6 mi
	9:	Turn LEFT onto W 103RD ST.	0.3 mi
	10:	Turn RIGHT onto S STATE ST.	1.0 mi
	11:	Turn RIGHT onto W 111TH ST.	0.2 mi
END	**12:**	End at 132 W 111th St Chicago, IL 60628-4215	

B: 132 W 111th St, Chicago, IL 60628-4215

Total Time: 15 minutes **Total Distance: 6.38 miles**

148

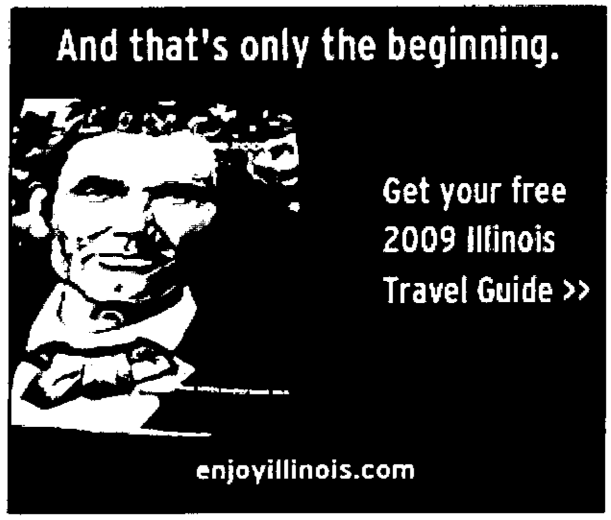
Attachment 12(3)
Page 23 of 124



149

Attachment 12(3)
Page 24 of 124

MAPQUEST.



14

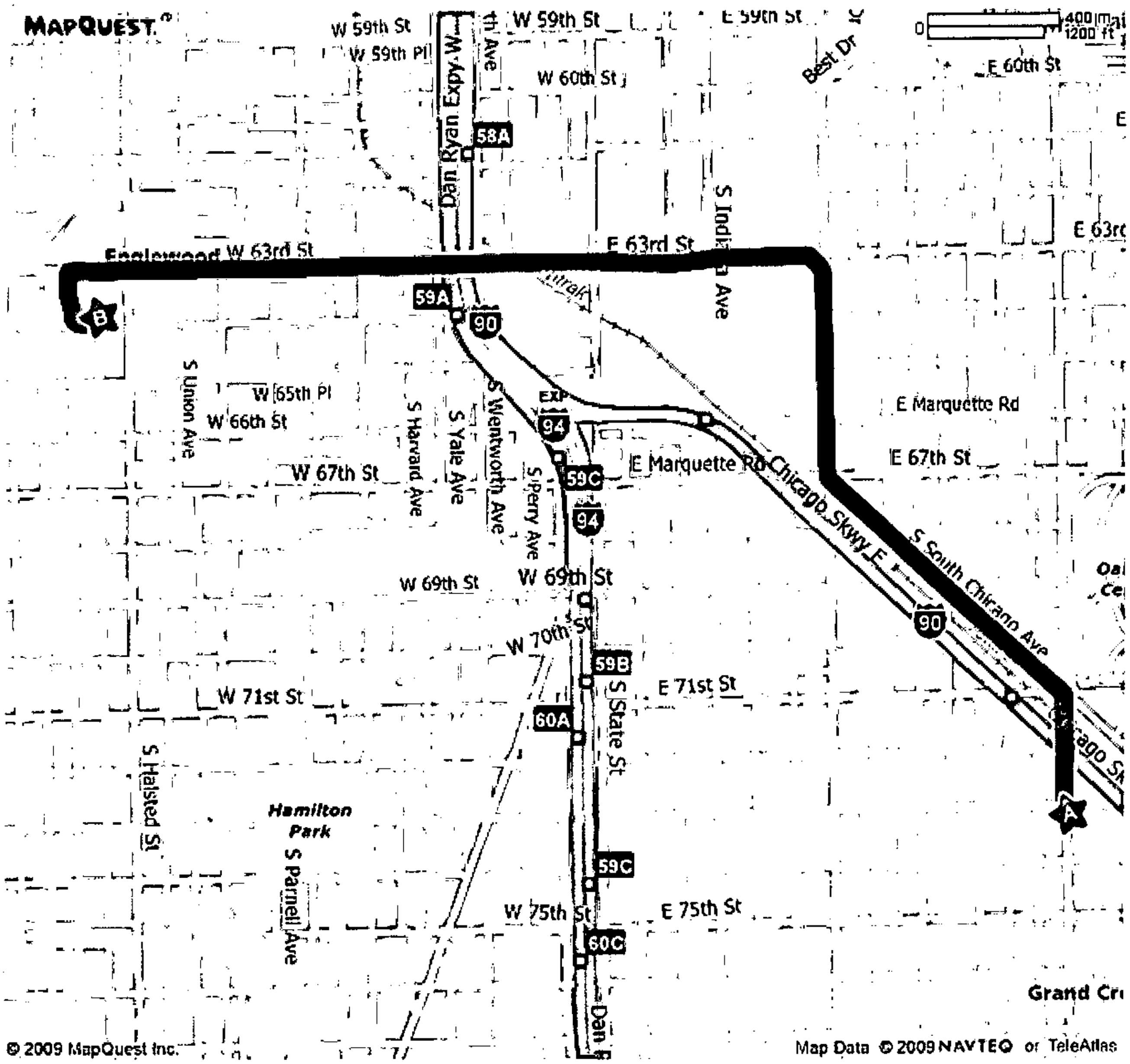
Total Time: 10 minutes **Total Distance: 3.27 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1: Start out going NORTH on S COTTAGE GROVE AVE toward E 73RD ST.	0.3 mi
	2: Turn SLIGHT LEFT onto S SOUTH CHICAGO AVE.	0.7 mi
	3: Turn SLIGHT RIGHT onto S DR MARTIN L KING JR DR.	0.5 mi
	4: Turn SLIGHT LEFT onto E 63RD ST.	1.7 mi
	5: Turn LEFT onto S PEORIA ST.	0.2 mi
	6: Turn LEFT onto S GREEN ST.	0.0 mi
END	7: End at 6333 S Green St Chicago, IL 60621-1943	

B: 6333 S Green St, Chicago, IL 60621-1943

Total Time: 10 minutes **Total Distance: 3.27 miles**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W 59th St
W 59th Pl
W 59th St
E 59th St
W 60th St
E 60th St
Best Dr
Dan Ryan Expy
58A
S Indiana Ave
Englewood W 63rd St
E 63rd St
59A
90
W 65th Pl
W 66th St
S Union Ave
S Harvard Ave
S Yale Ave
S Wentworth Ave
94
E Marquette Rd
W 67th St
59C
E Marquette Rd
E 67th St
S Perry Ave
Chicago Skwy E
S South Chicago Ave
W 69th St
W 69th St
W 70th St
59B
E 71st St
W 71st St
S State St
60A
S Halsted St
Hamilton Park
S Parnell Ave
59C
W 75th St
E 75th St
60C
Grand Cr
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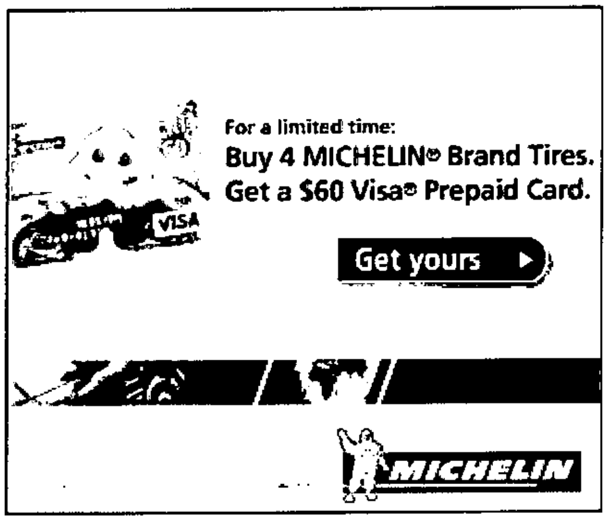
151

MAPQUEST.



5

Total Time: 26 minutes **Total Distance: 13.80 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

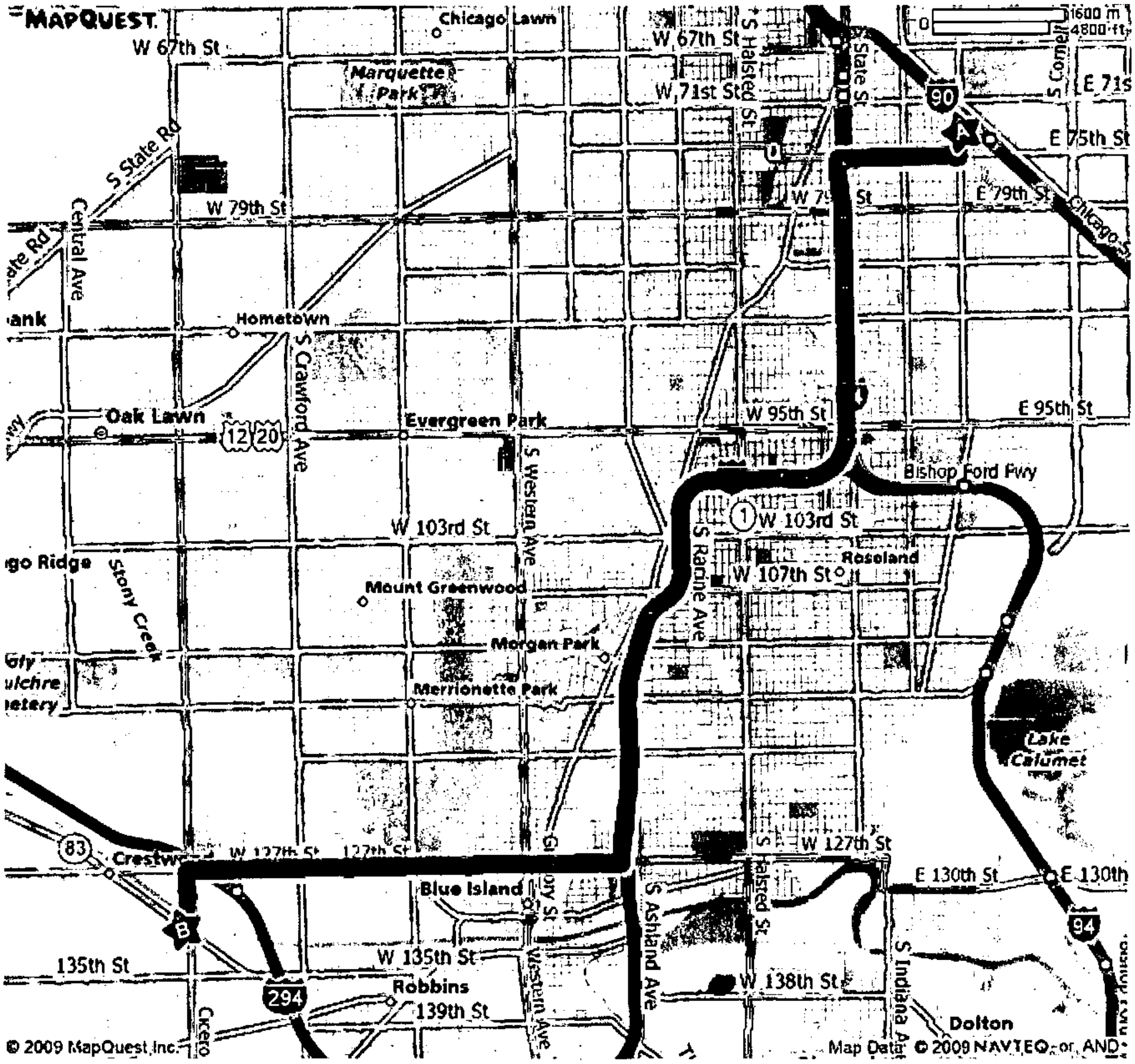
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.1 mi
	3:	Turn LEFT onto S LAFAYETTE AVE.	0.2 mi
EAST 94	4:	Merge onto I-94 E/DAN RYAN EXPY E via the ramp on the LEFT.	2.5 mi
SOUTH 57	5:	Merge onto I-57 S via EXIT 63 toward MEMPHIS.	5.0 mi
353 EXIT	6:	Take EXIT 353 toward 127TH ST/BURR OAK AVE.	0.2 mi
	7:	Stay STRAIGHT to go onto S PAULINA ST.	0.1 mi
	8:	Turn RIGHT onto W 127TH ST/W BURR OAK AVE. Continue to follow W 127TH ST.	3.9 mi
SOUTH 50	9:	Turn LEFT onto IL-50 S/S CICERO AVE/IL-83 S.	0.6 mi
	10:	Turn SLIGHT RIGHT onto CAL SAG RD.	0.1 mi
END	11:	End at 4861 Cal Sag Rd Crestwood, IL 60445-4415	

B: 4861 Cal Sag Rd, Crestwood, IL 60445-4415

Total Time: 26 minutes **Total Distance: 13.80 miles**

152

Attachment 12(3)
Page 27 of 124



153

Attachment 12(3)
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MAPQUEST.

16

Total Time: 6 minutes **Total Distance: 2.15 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

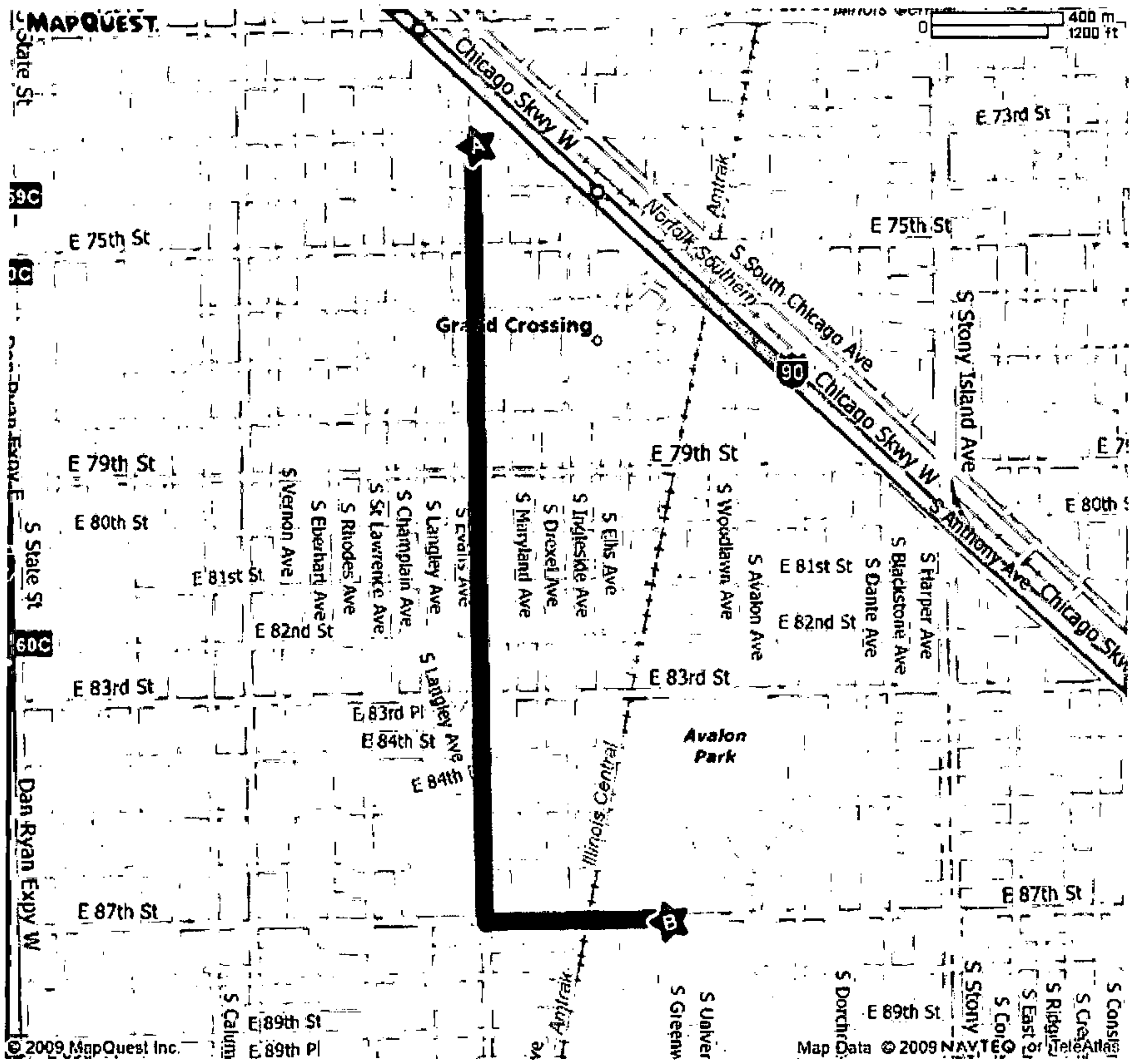
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	1.8 mi
	2:	Turn LEFT onto E 87TH ST.	0.4 mi
END	3:	End at 1111 E 87th St Chicago, IL 60619-7038	

B: 1111 E 87th St, Chicago, IL 60619-7038

Total Time: 6 minutes **Total Distance: 2.15 miles**

154

Attachment 12(3)
Page 29 of 124


MAPQUEST
400 m
1200 ft
E 73rd St
E 75th St
E 75th St
Grand Crossing
Chicago Skwy W
Norfolk Southern
S South Chicago Ave
Amtrak
S Stony Island Ave
E 79th St
E 79th St
E 80th St
E 81st St
E 82nd St
E 83rd St
E 83rd Pl
E 84th St
E 84th
E 87th St
E 87th St
E 89th St
E 89th Pl
S State St
Dan Ryan Expy W
S Vernon Ave
S Eberhart Ave
S Rhodes Ave
S St Lawrence Ave
S Champlain Ave
S Langley Ave
S Evans Ave
S Maryland Ave
S Drexel Ave
S Ingleside Ave
S Ellis Ave
S Woodlawn Ave
S Avalon Ave
S Dante Ave
S Blackstone Ave
S Harper Ave
S Anthony Ave
Illinois Central
Avalon Park
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155

MAPQUEST.

17

Total Time: 8 minutes **Total Distance: 2.68 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

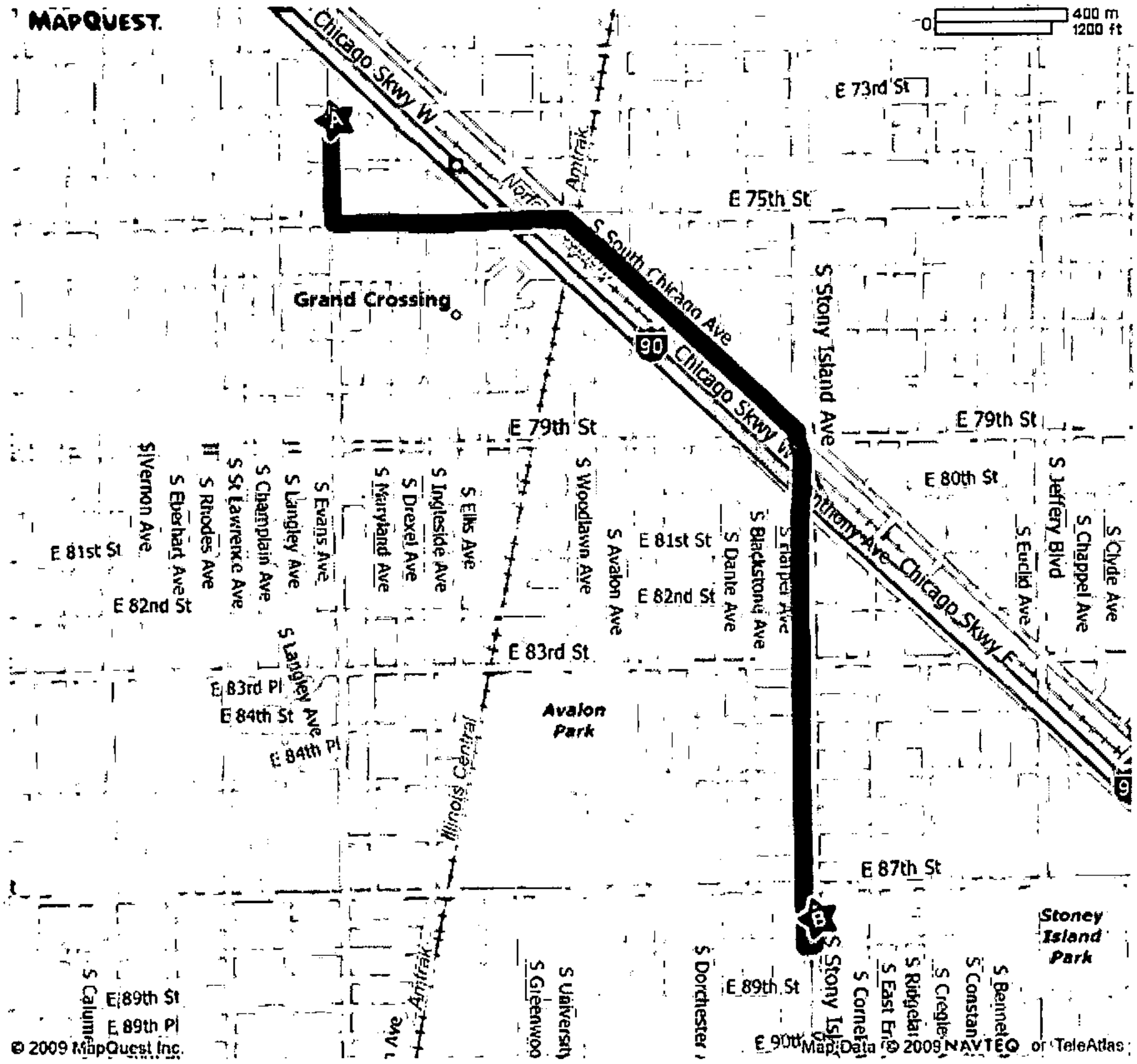
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn LEFT onto E 75TH ST.	0.5 mi
	3:	Turn SLIGHT RIGHT onto S SOUTH CHICAGO AVE.	0.7 mi
	4:	Turn SLIGHT RIGHT onto S STONY ISLAND AVE.	1.2 mi
	5:	Make a U-TURN at E 88TH ST onto S STONY ISLAND AVE.	0.1 mi
END	6:	End at 8725 S Stony Island Ave Chicago, IL 60617-2709	

B: 8725 S Stony Island Ave, Chicago, IL 60617-2709

Total Time: 8 minutes Total Distance: 2.68 miles

156

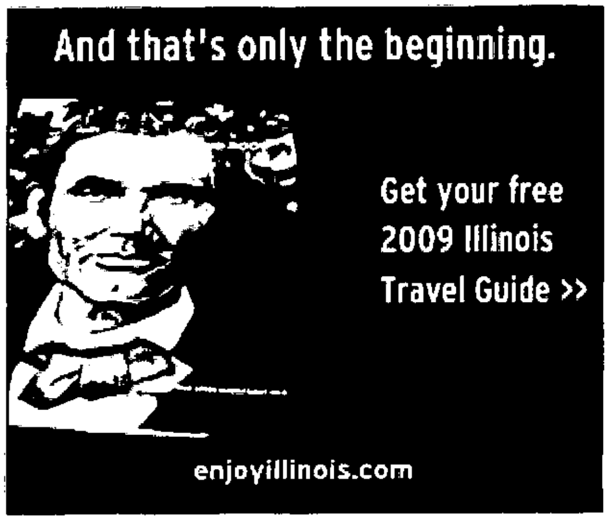
Attachment 12(3)
Page 31 of 124



157

Attachment 12(3)
Page 32 of 124

MAPQUEST.



18

Total Time: 8 minutes **Total Distance: 3.94 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

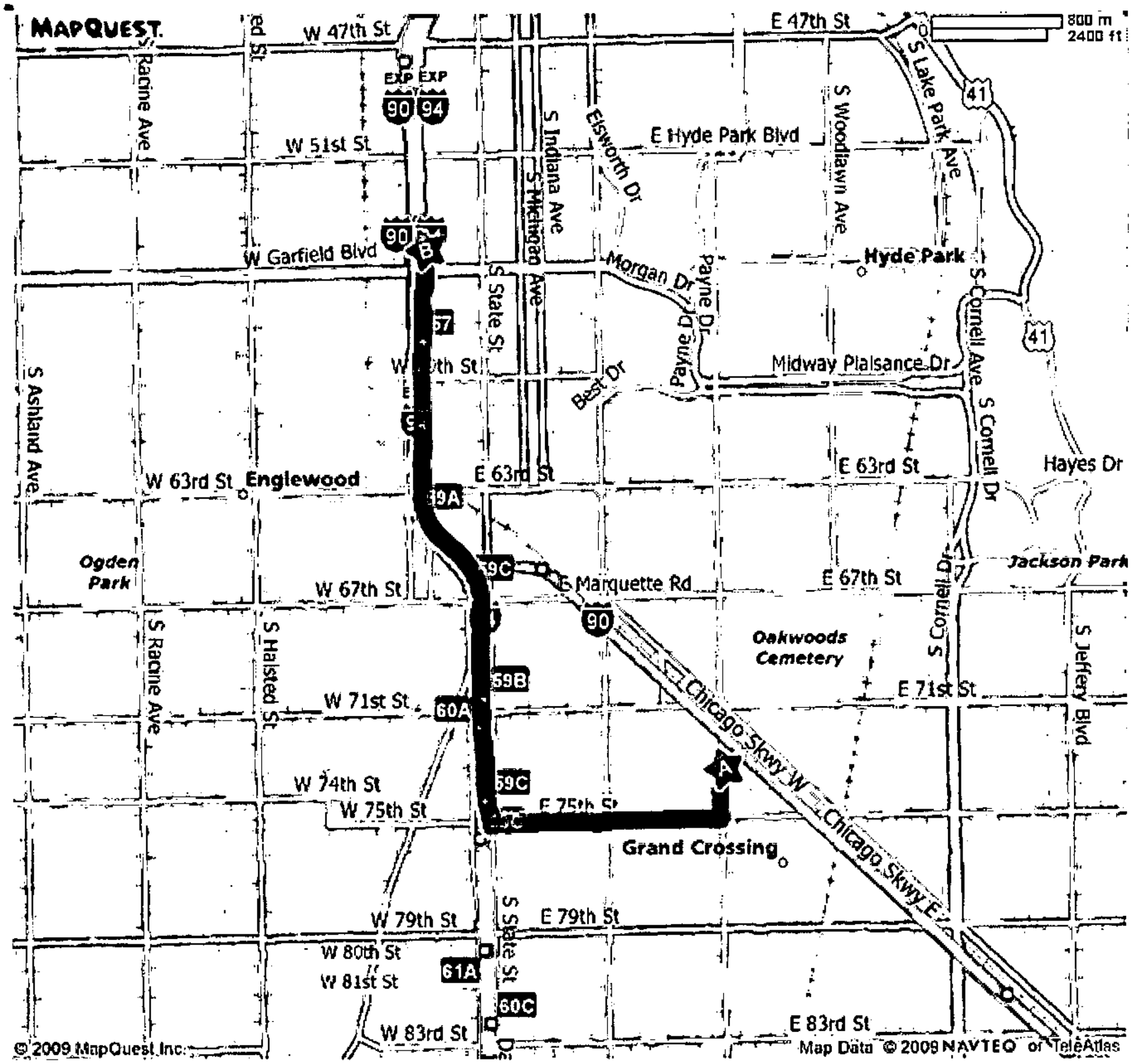
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	2.2 mi
57 EXIT	5:	Take EXIT 57 toward GARFIELD BLVD.	0.3 mi
	6:	Stay STRAIGHT to go onto S WENTWORTH AVE.	0.2 mi
END	7:	End at 5401 S Wentworth Ave Chicago, IL 60609-6300	

B: 5401 S Wentworth Ave, Chicago, IL 60609-6300

Total Time: 8 minutes **Total Distance: 3.94 miles**

158

Attachment 12(3)
Page 33 of 124



159

Attachment 12(3)
Page 34 of 124

MAPQUEST.

19

Total Time: 27 minutes **Total Distance: 15.82 miles**

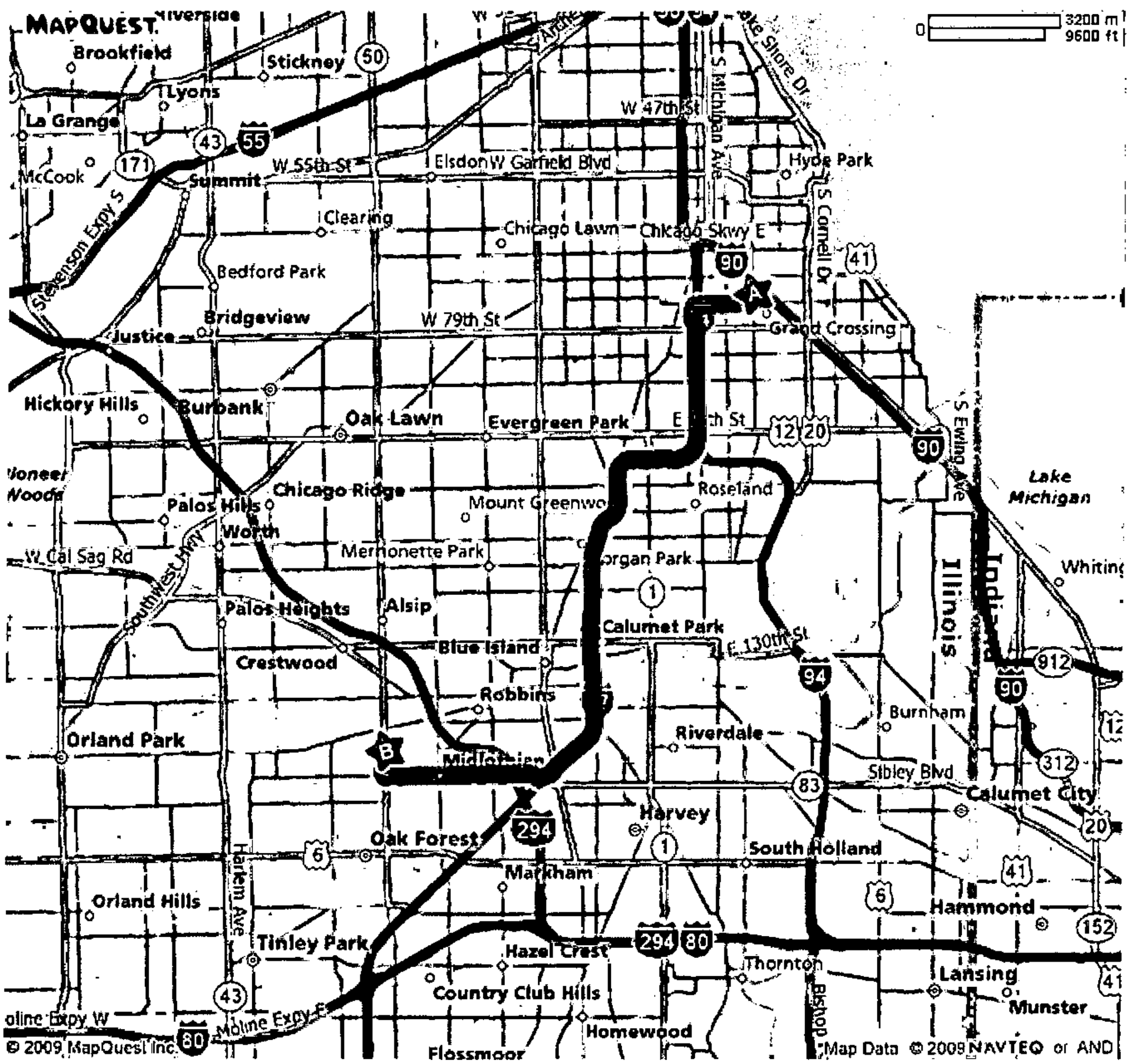
A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.1 mi
	3:	Turn LEFT onto S LAFAYETTE AVE.	0.2 mi
EAST 94	4:	Merge onto I-94 E/DAN RYAN EXPY E via the ramp on the LEFT.	2.5 mi
SOUTH 57	5:	Merge onto I-57 S via EXIT 63 toward MEMPHIS.	8.1 mi
350 EXIT	6:	Take the IL-83 N exit, EXIT 350, toward MIDLOTHIAN.	0.3 mi
	7:	Turn SLIGHT RIGHT onto W 147TH ST/W SIBLEY BLVD/IL-83. Continue to follow W 147TH ST/IL-83.	2.9 mi
	8:	Turn RIGHT onto CICERO AVE/IL-50/IL-83.	0.6 mi
END	9:	End at 14255 Cicero Ave Crestwood, IL 60445-2154	

B: 14255 Cicero Ave, Crestwood, IL 60445-2154

Total Time: 27 minutes **Total Distance: 15.82 miles**

160



161

Attachment 12(3)
Page 36 of 124

MAPQUEST.

20

Total Time: 3 minutes **Total Distance: 1.31 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

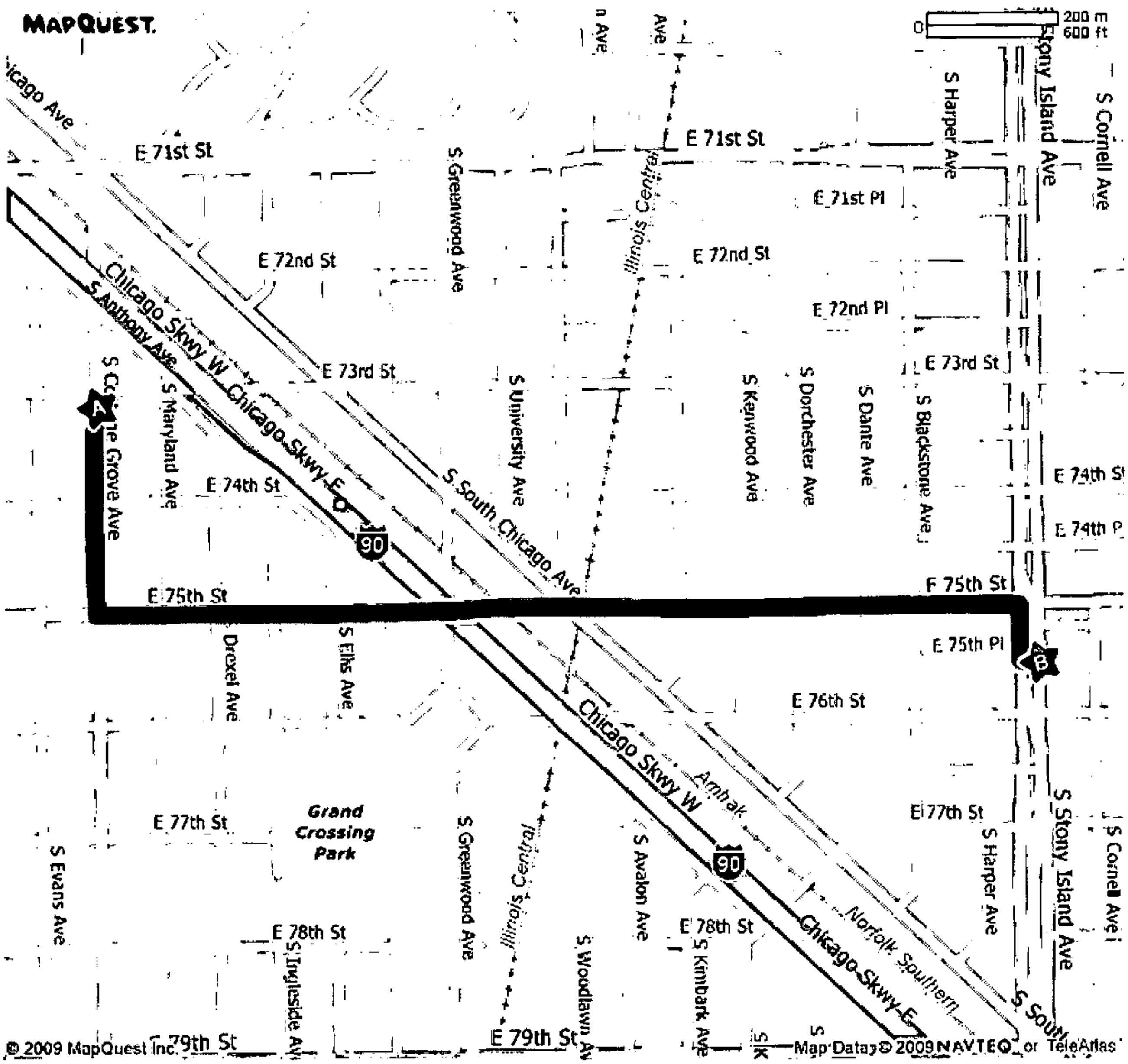
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn LEFT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STONY ISLAND AVE.	0.1 mi
	4:	Turn LEFT onto E 75TH PL.	0.0 mi
END	5:	End at 7531 S Stony Island Ave Chicago, IL 60649-3954	

B: 7531 S Stony Island Ave, Chicago, IL 60649-3954

Total Time: 3 minutes **Total Distance: 1.31 miles**

162

Attachment 12(3)
Page 37 of 124



163

Attachment 12(3)
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MAPQUEST.

22

Total Time: 11 minutes **Total Distance: 6.11 miles**

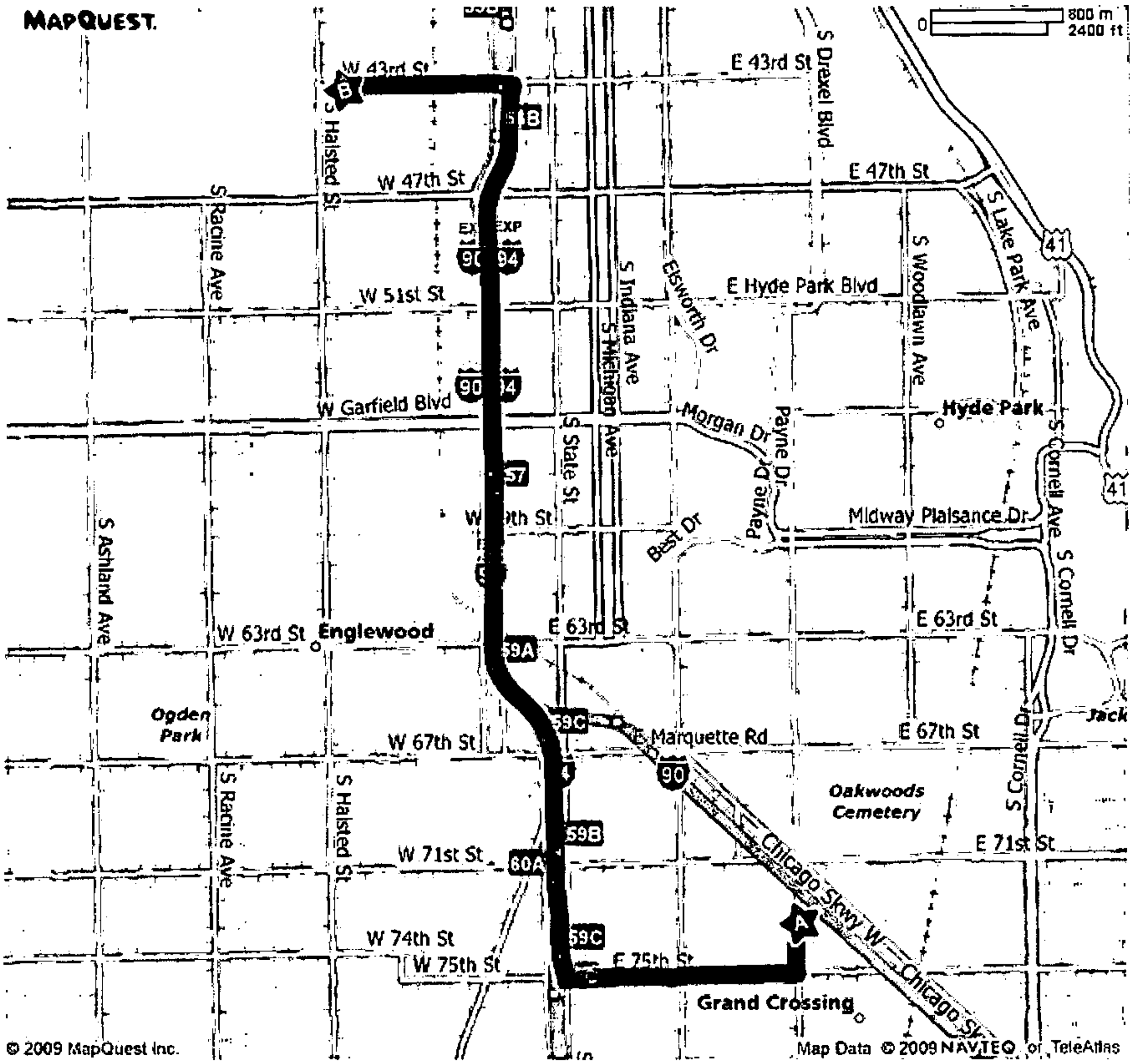
A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	2.3 mi
EXIT	6:	Take the I-90-LOCAL/I-94-LOCAL exit.	0.5 mi
WEST 90	7:	Merge onto I-90 W/I-94 W/DAN RYAN EXPY W.	0.4 mi
56A EXIT	8:	Take EXIT 56A toward 43RD ST.	0.2 mi
	9:	Turn SLIGHT LEFT onto S LASALLE ST.	0.0 mi
	10:	Turn LEFT onto W 43RD ST.	0.7 mi
END	11:	End at 710 W 43rd St Chicago, IL 60609-3435	

B: 710 W 43rd St, Chicago, IL 60609-3435

Total Time: 11 minutes **Total Distance: 6.11 miles**

164



165

Attachment 12(3)
Page 40 of 124

MAPQUEST.

23

Total Time: 7 minutes **Total Distance: 2.80 miles**

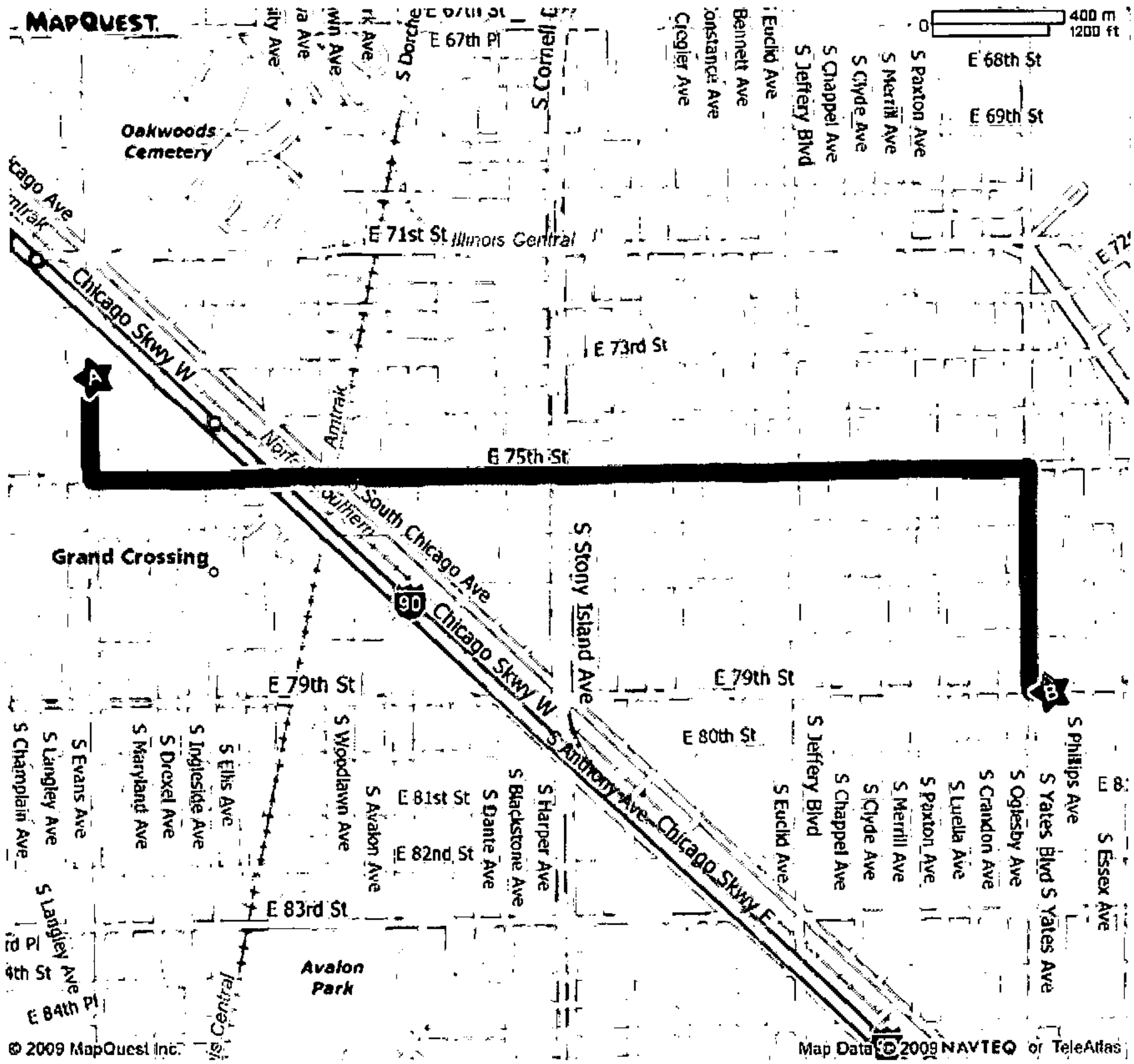
A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	**1:** Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2: Turn LEFT onto E 75TH ST.	2.0 mi
	3: Turn RIGHT onto S YATES BLVD.	0.5 mi
	4: Turn LEFT onto E 79TH ST.	0.0 mi
END	**5:** End at 2420 E 79th St Chicago, IL 60649-5112	

B: 2420 E 79th St, Chicago, IL 60649-5112

Total Time: 7 minutes **Total Distance: 2.80 miles**

166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400 m
1200 ft
E 67th Pl
E 68th St
E 69th St
Oakwoods Cemetery
E 71st St
Illinois Central
E 73rd St
E 75th St
Chicago Skwy W
South Chicago Ave
Grand Crossing
S Stony Island Ave
E 79th St
E 80th St
E 81st St
E 82nd St
E 83rd St
Avalon Park
E 84th Pl
S Anthony Ave
Chicago Skwy E
S Jeffery Blvd
S Euclid Ave
S Chappel Ave
S Clyde Ave
S Merrill Ave
S Paxton Ave
S Luella Ave
S Crandon Ave
S Oglesby Ave
S Yates Blvd
S Yates Ave
S Phillips Ave
S Essex Ave
S Champlain Ave
S Langley Ave
S Evans Ave
S Maryland Ave
S Drexel Ave
S Ingleside Ave
S Ellis Ave
S Woodlawn Ave
S Avalon Ave
S Dante Ave
S Blackstone Ave
S Harper Ave
S Cornell Ave
S Paxton Ave
S Merrill Ave
S Clyde Ave
S Chappel Ave
S Jeffery Blvd
Euclid Ave
Bennett Ave
Constance Ave
Cregier Ave
Amtrak
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167

MAPQUEST.

Total Time: 8 minutes **Total Distance: 2.72 miles**

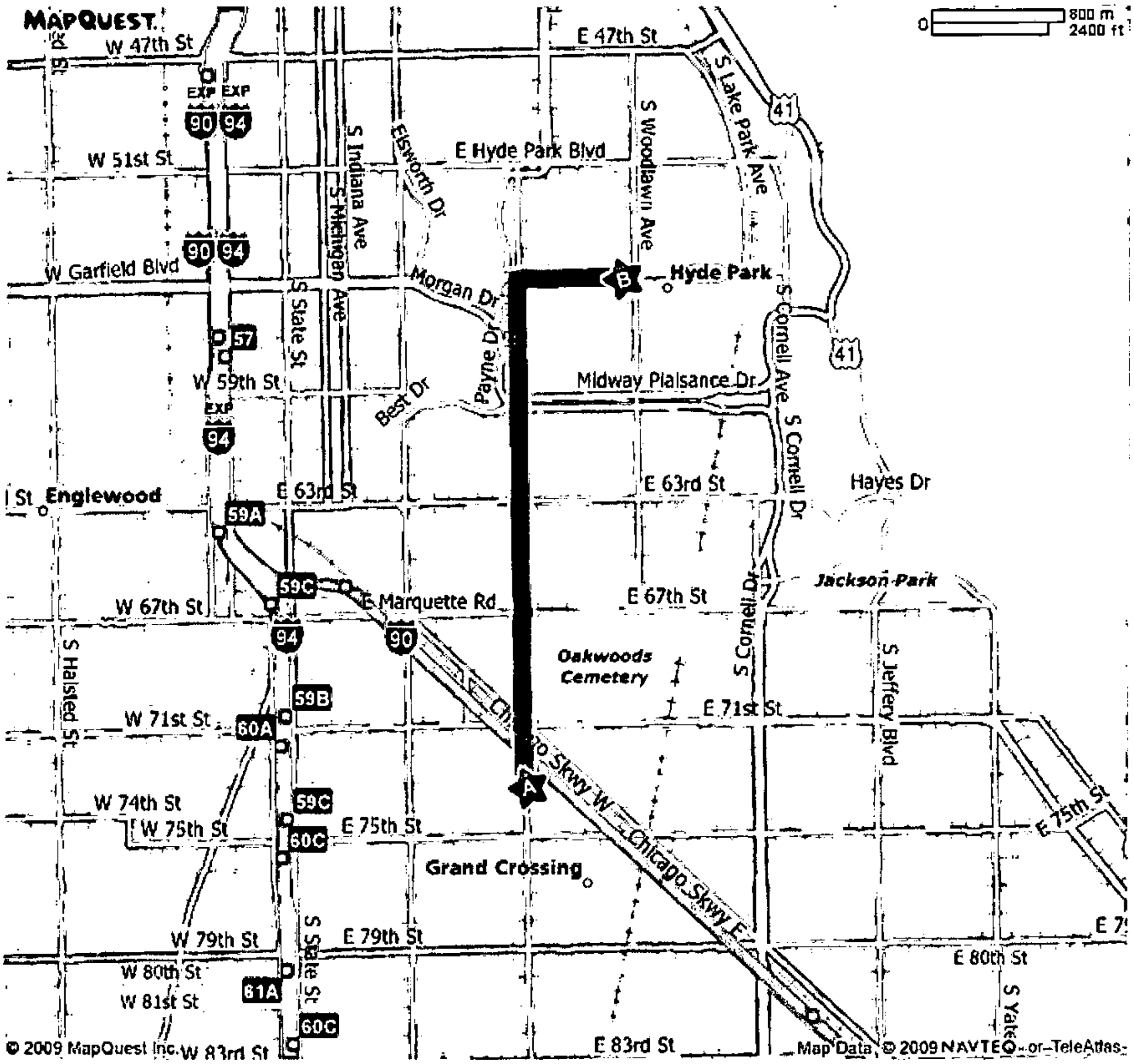
A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going NORTH on S COTTAGE GROVE AVE toward E 73RD ST.	2.3 mi
	2:	Turn RIGHT onto E 55TH ST.	0.4 mi
END	3:	End at 1164 E 55th St Chicago, IL 60615-5115	

B: 1164 E 55th St, Chicago, IL 60615-5115

Total Time: 8 minutes **Total Distance: 2.72 miles**

168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W 47th St
E 47th St
W 51st St
E Hyde Park Blvd
S Indiana Ave
S Michigan Ave
Ellsworth Dr
S Woodlawn Ave
S Lake Park Ave
W Garfield Blvd
S State St
Morgan Dr
Hyde Park
S Cornell Ave
Payne Dr
W 59th St
Best Dr
Midway Plaisance Dr
S Cornell Dr
Englewood
E 63rd St
Hayes Dr
W 67th St
E Marquette Rd
E 67th St
Jackson Park
S Halsted St
Oakwoods Cemetery
S Jeffery Blvd
W 71st St
E 71st St
W 74th St
W 75th St
E 75th St
Chicago Skwy W
Chicago Skwy E
Grand Crossing
W 79th St
E 79th St
W 80th St
E 80th St
W 81st St
S Yates
W 83rd St
E 83rd St
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Map Data © 2009 NAVTEQ or TeleAtlas
800 m
2400 ft

169

MAPQUEST.

25

Total Time: 5 minutes **Total Distance: 3.68 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

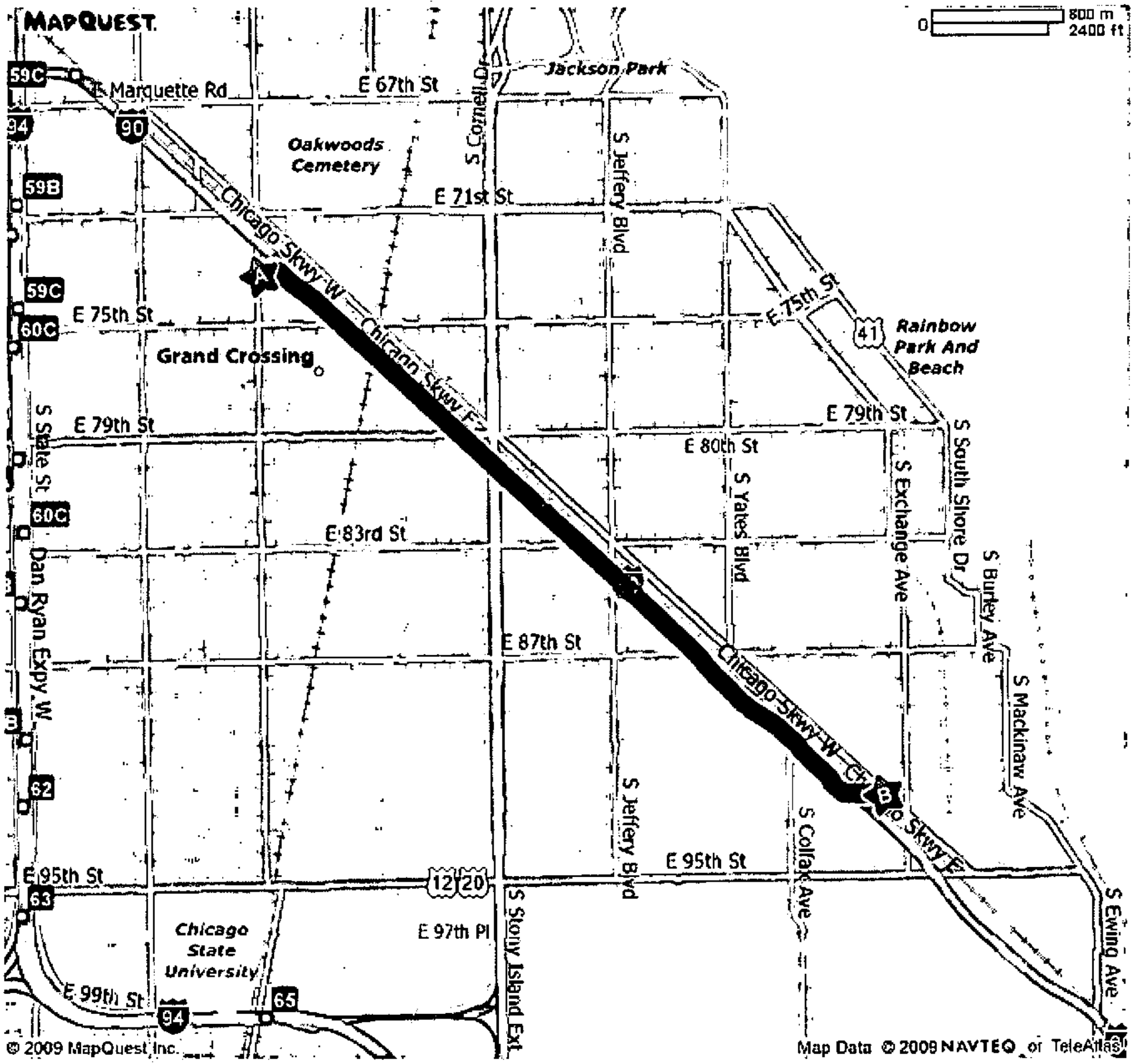
START	1:	Start out going NORTH on S COTTAGE GROVE AVE toward E 73RD ST.	0.0 mi
	2:	Turn RIGHT onto E 73RD ST.	0.1 mi
EAST 90	3:	Merge onto I-90 E/CHICAGO SKWY E toward CHICAGO SKYWAY TOLL BRIDGE (Portions toll).	3.1 mi
EXIT	4:	Take the ANTHONY AVENUE exit toward 92ND STREET.	0.2 mi
	5:	Turn LEFT onto S ANTHONY AVE.	0.1 mi
	6:	Turn SLIGHT LEFT onto E 92ND ST.	0.2 mi
END	7:	End at 9200 S South Chicago Ave Chicago, IL 60617-4512	

B: 9200 S South Chicago Ave, Chicago, IL 60617-4512

Total Time: 5 minutes **Total Distance: 3.68 miles**

170

Attachment 12(3)
Page 45 of 124


MAPQUEST
0
800 m
2400 ft
Marquette Rd
E 67th St
Jackson Park
Oakwoods Cemetery
S Cornell Dr
S Jeffery Blvd
E 71st St
Chicago Skwy W
E 75th St
Rainbow Park And Beach
Grand Crossing
Chicago Skwy E
E 79th St
E 80th St
S State St
S Yates Blvd
S Exchange Ave
S South Shore Dr
E 83rd St
Dan Ryan Expy W
S Burley Ave
E 87th St
S Mackinaw Ave
S Colfax Ave
E 95th St
Chicago State University
E 97th Pl
S Stony Island Ext
E 99th St
S Ewing Ave
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171

MAPQUEST.

26

Total Time: 11 minutes **Total Distance: 3.75 miles**

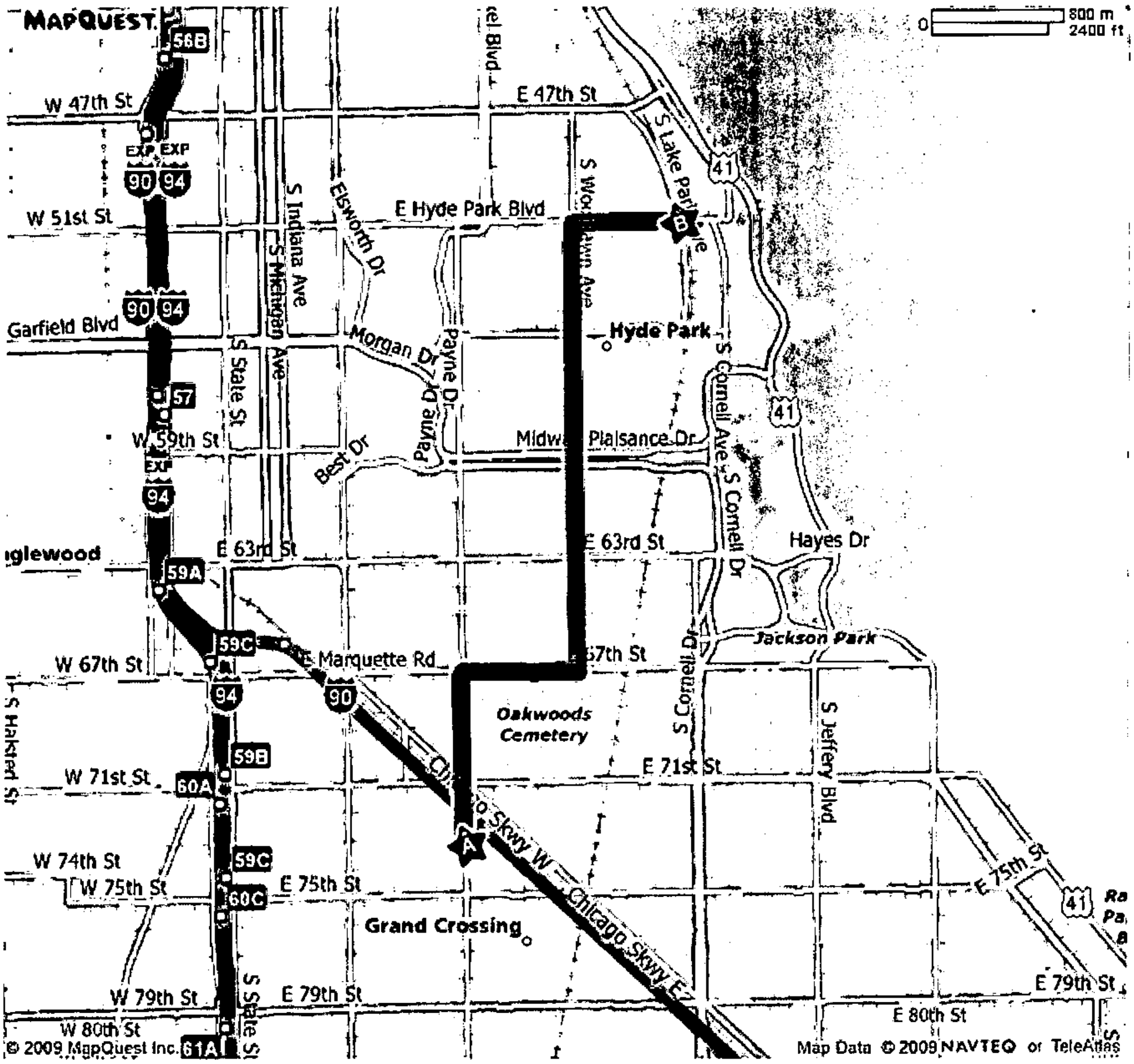
A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going NORTH on S COTTAGE GROVE AVE toward E 73RD ST.	0.8 mi
	2:	Turn RIGHT onto E 67TH ST.	0.5 mi
	3:	Turn LEFT onto S WOODLAWN AVE.	2.0 mi
	4:	Turn RIGHT onto E HYDE PARK BLVD/E 51ST ST.	0.5 mi
END	5:	End at 1531 E Hyde Park Blvd Chicago, IL 60615-3039	

B: 1531 E Hyde Park Blvd, Chicago, IL 60615-3039

Total Time: 11 minutes **Total Distance: 3.75 miles**

172



MAPQUEST
W 47th St
E 47th St
W 51st St
E Hyde Park Blvd
Garfield Blvd
Hyde Park
S Indiana Ave
S Michigan Ave
S State St
Ellsworth Dr
Morgan Dr
Payne Dr
Best Dr
W 59th St
Plaisance Dr
S Cornell Ave
S Cornell Dr
Hayes Dr
E 63rd St
Jackson Park
W 67th St
E Marquette Rd
Oakwoods Cemetery
S Jeffery Blvd
W 71st St
E 71st St
W 74th St
W 75th St
E 75th St
Grand Crossing
Chicago Skwy W
Chicago Skwy E
W 79th St
E 79th St
W 80th St
E 80th St
S Halsted St
S Lake Park Ave
800 m
2400 ft
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173

MAPQUEST.

Total Time: 14 minutes **Total Distance: 7.26 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1: Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2: Turn RIGHT onto E 75TH ST.	1.0 mi
	3: Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4: Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5: Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	2.3 mi
EXIT	6: Take the I-90-LOCAL/I-94-LOCAL exit.	0.5 mi
WEST 90	7: Merge onto I-90 W/I-94 W/DAN RYAN EXPY W.	1.1 mi
55A EXIT	8: Take EXIT 55A toward 35TH ST.	0.2 mi
	9: Stay STRAIGHT to go onto S LASALLE ST.	0.3 mi
	10: Turn LEFT onto W 35TH ST.	0.9 mi
END	11: End at 825 W 35th St Chicago, IL 60609-1511	

B: 825 W 35th St, Chicago, IL 60609-1511

Total Time: 14 minutes **Total Distance: 7.26 miles**

174

Attachment 12(3)
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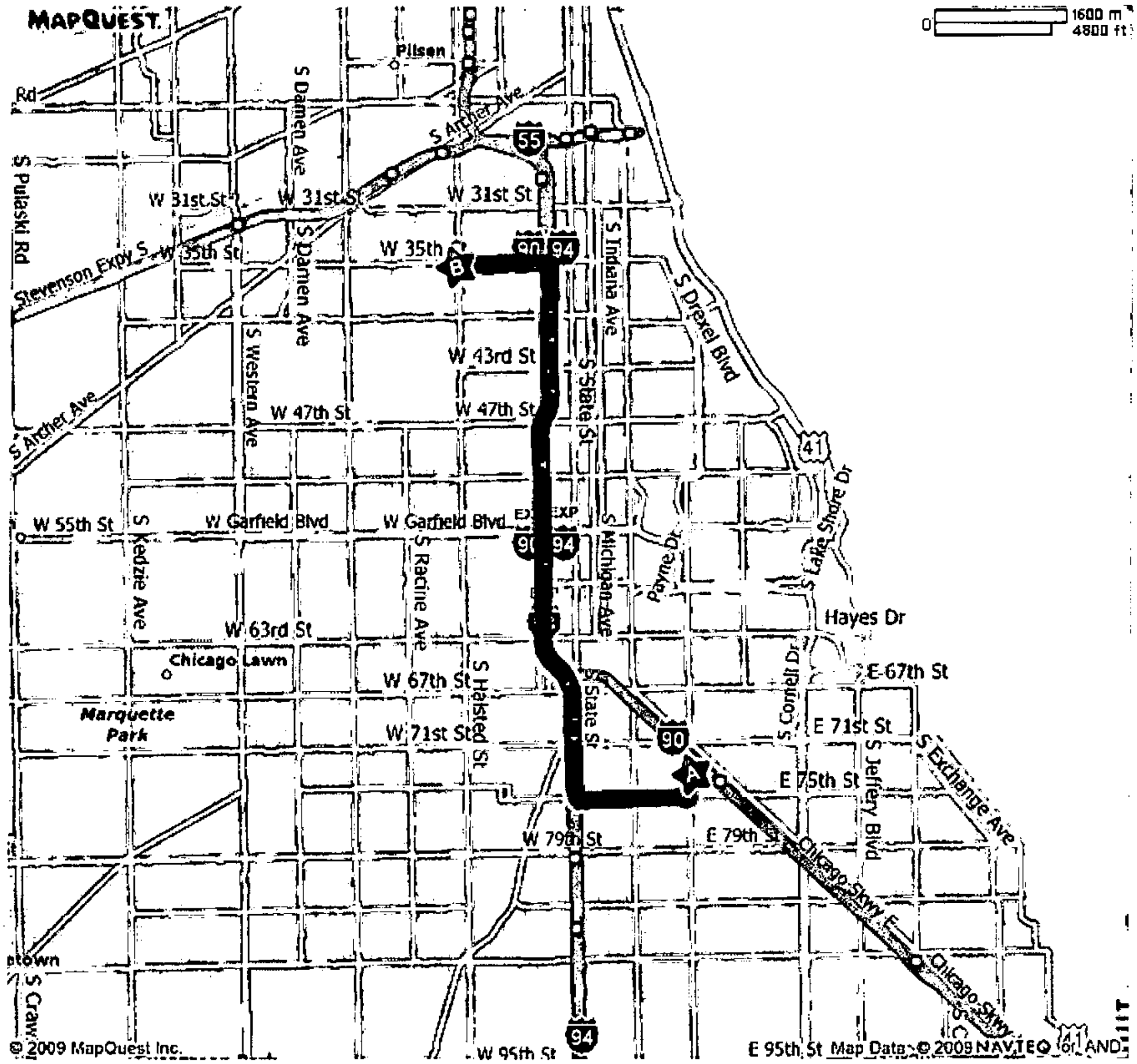
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S Pulaski Rd
S State St
S Indiana Ave
S Drexel Blvd
S Lake Shore Dr
W 55th St
W Garfield Blvd
S Kedzie Ave
S Racine Ave
S Michigan Ave
Payne Dr
Hayes Dr
W 63rd St
Chicago Lawn
Marquette Park
W 67th St
W 71st St
S Halsted St
E 67th St
S Cornell Dr
E 71st St
S Jeffery Blvd
S Exchange Ave
E 75th St
W 79th St
E 79th St
Chicago Skwy
W 95th St
E 95th St
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175

MAPQUEST.

8

Total Time: 23 minutes **Total Distance: 15.74 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.1 mi
	3:	Turn LEFT onto S LAFAYETTE AVE.	0.2 mi
EAST 94	4:	Merge onto I-94 E/DAN RYAN EXPY E via the ramp on the LEFT.	2.5 mi
SOUTH 57	5:	Merge onto I-57 S via EXIT 63 toward MEMPHIS.	10.1 mi
EAST 6	6:	Merge onto W 159TH ST/US-6 E via EXIT 348.	1.7 mi
END	7:	End at 3053 W 159th St Markham, IL 60428-4003	

B: 3053 W 159th St, Markham, IL 60428-4003

Total Time: 23 minutes **Total Distance: 15.74 miles**

176

Attachment 12(3)
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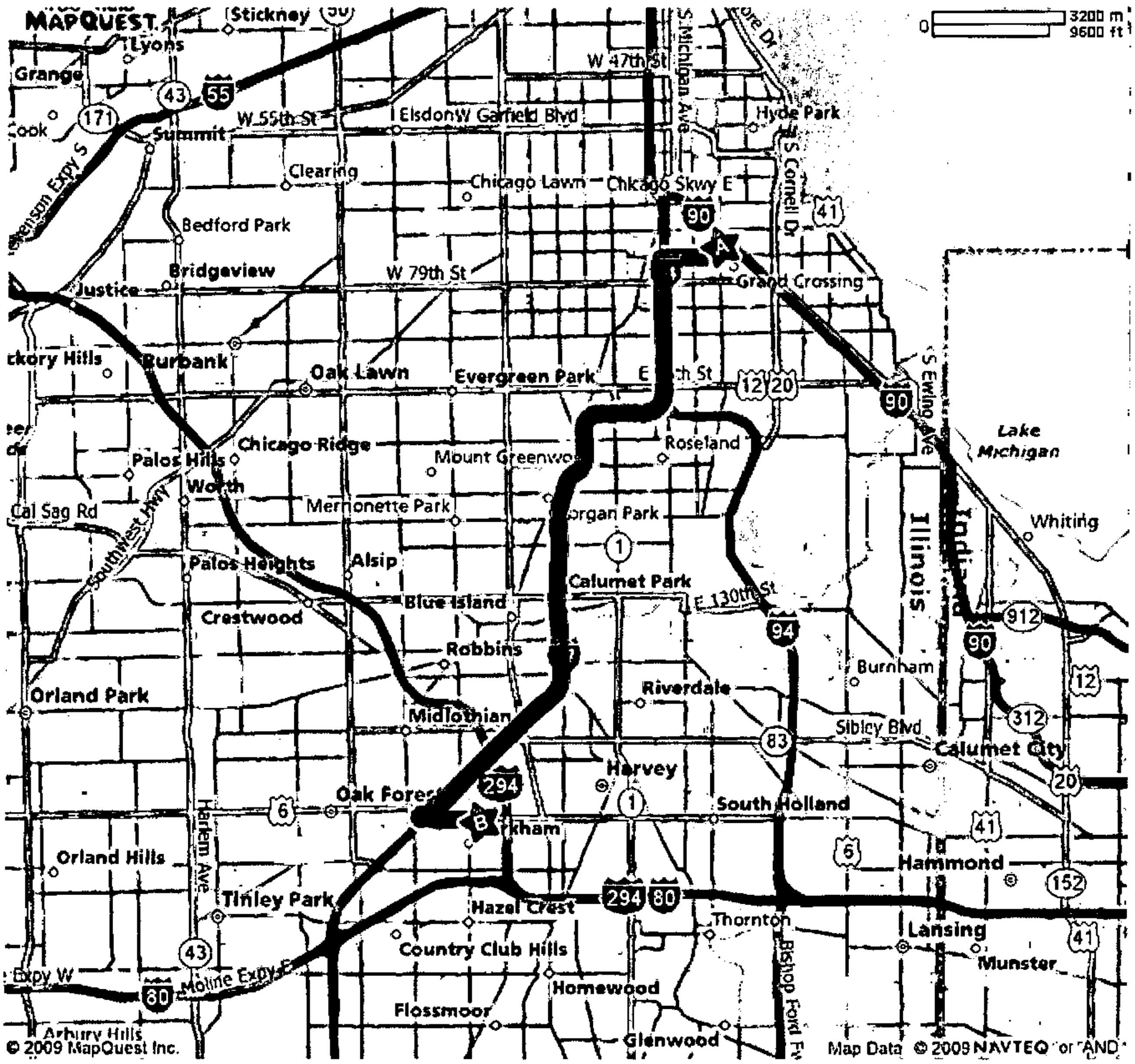
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Grange
Summit
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Elsdon
W Garfield Blvd
W 47th St
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Hyde Park
Clearing
Chicago Lawn
Chicago Skwy E
S Cornell Dr
Bedford Park
Bridgeview
W 79th St
Grand Crossing
Justice
Burbank
Oak Lawn
Evergreen Park
Palos Hills
Chicago Ridge
Mount Greenwo
Roseland
Lake Michigan
Worth
Cal Sag Rd
Merrionette Park
Whiting
Palos Heights
Alsip
Calumet Park
E 130th St
Illinois
Crestwood
Blue Island
Robbins
Burnham
Orland Park
Midlothian
Riverdale
Sibley Blvd
Calumet City
Harvey
Oak Forest
South Holland
Orland Hills
Harlem Ave
Hammond
Tinley Park
Hazel Crest
Thornton
Lansing
Country Club Hills
Munster
Moline Expy E
Homewood
Flossmoor
Glenwood
Bishop Ford Fwy
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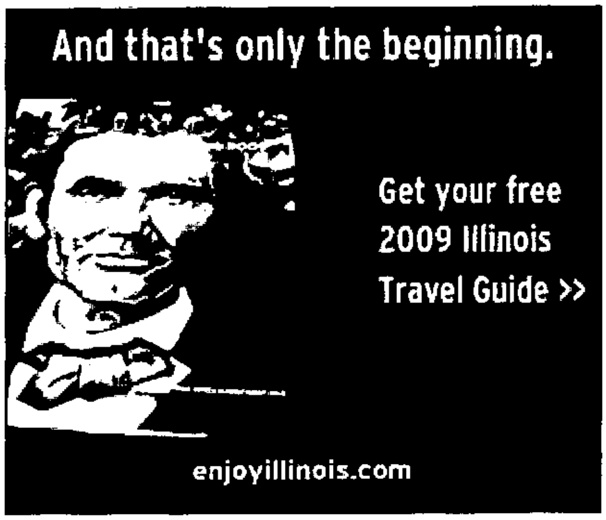
MAPQUEST.



#29A

Total Time: 23 minutes **Total Distance: 15.51 miles**

A: 16136 S Park Ave, South Holland, IL 60473-1511

START	1: Start out going SOUTH on S PARK AVE toward E 161ST PL.	0.1 mi
	2: Turn LEFT onto E 162ND ST/US-6. Continue to follow US-6.	1.3 mi
WEST 94	3: Merge onto I-94 W.	12.5 mi
60B EXIT	4: Take EXIT 60B toward 76TH ST.	0.2 mi
	5: Keep RIGHT at the fork in the ramp.	0.1 mi
	6: Turn SLIGHT LEFT onto S STATE ST.	0.2 mi
	7: Turn RIGHT onto E 75TH ST.	1.0 mi
	8: Turn LEFT onto S COTTAGE GROVE AVE.	0.2 mi
END	9: End at 7319 S Cottage Grove Ave Chicago, IL 60619-1909	

B: 7319 S Cottage Grove Ave, Chicago, IL 60619-1909

Total Time: 23 minutes **Total Distance: 15.51 miles**

178

Attachment 12(3)
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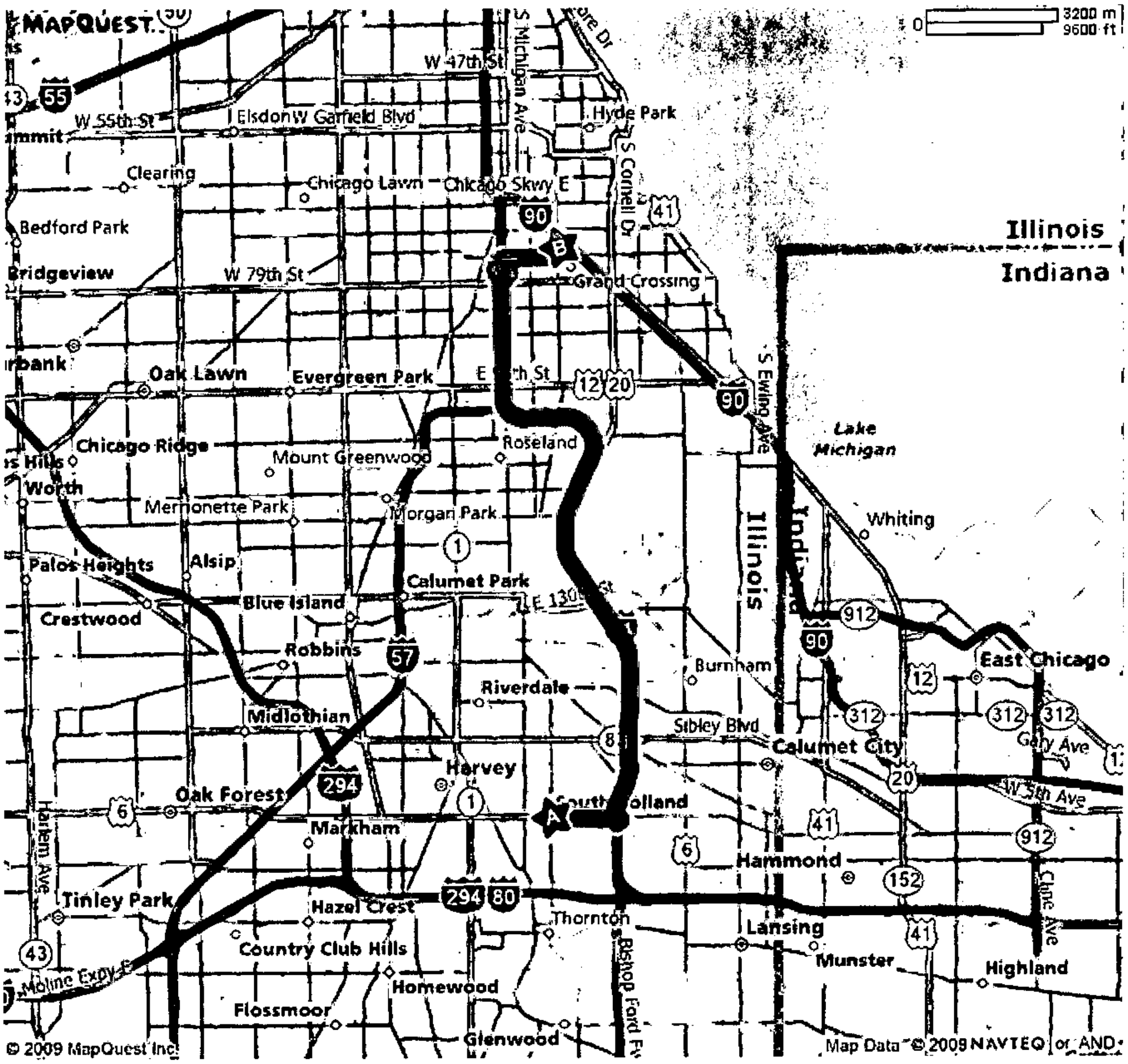

179

Attachment 12(3)
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MAPQUEST.

(90)

Total Time: 22 minutes **Total Distance: 13.13 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	1.7 mi
51H EXIT	7:	Take the I-290 W/EISENHOWER EXPY exit, EXIT 51H, toward WEST SUBURBS.	0.5 mi
WEST 290	8:	Merge onto I-290 W/EISENHOWER EXPY W via the exit on the LEFT toward WEST SURBURBS.	1.7 mi
28A EXIT	9:	Take EXIT 28A toward DAMEN AVE.	0.1 mi
	10:	Stay STRAIGHT to go onto W VAN BUREN ST.	0.0 mi
	11:	Turn LEFT onto S DAMEN AVE.	0.2 mi
	12:	Turn SLIGHT RIGHT onto W OGDEN AVE.	1.3 mi
	13:	Turn LEFT onto S CALIFORNIA AVE.	0.0 mi
END	14:	End at 1500 S California Ave Chicago, IL 60608-1729	

B: 1500 S California Ave, Chicago, IL 60608-1729

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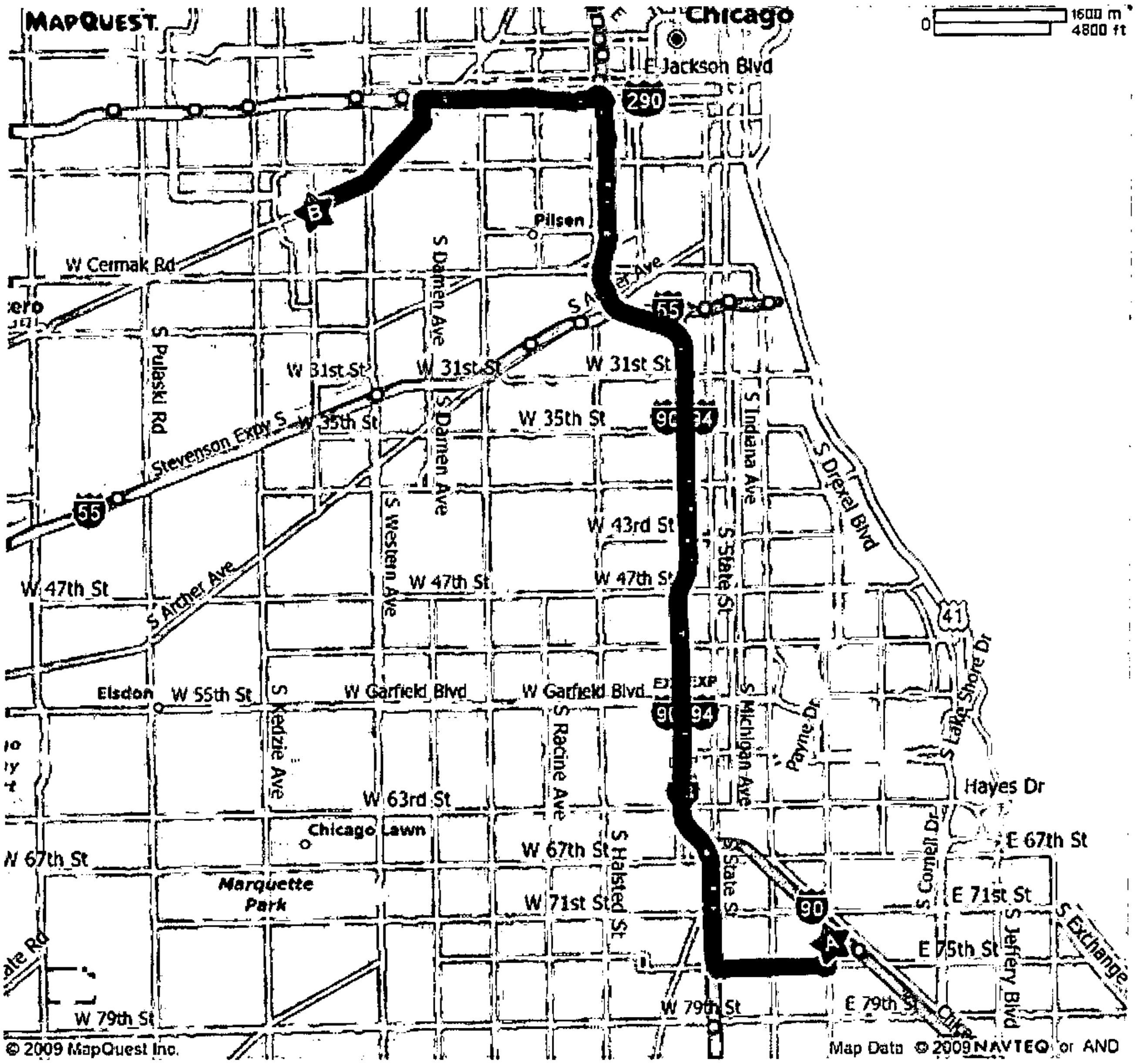
180

Total Time: 22 minutes **Total Distance: 13.13 miles**



191

MAPQUEST.

37

Total Time: 26 minutes **Total Distance: 18.84 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.1 mi
	3:	Turn LEFT onto S LAFAYETTE AVE.	0.2 mi
EAST 94	4:	Merge onto I-94 E via the ramp on the LEFT.	13.3 mi
4A/ EXIT	5:	Keep RIGHT to take BISHOP FORD FWY via EXIT 74A/B toward DANVILLE/IOWA/WISCONSIN.	0.5 mi
NORTH 294	6:	Merge onto I-294 N/I-80 W via EXIT 74B toward IOWA/WISCONSIN (Portions toll).	2.6 mi
EXIT	7:	Take the HALSTED ST/IL-1 N exit.	0.6 mi
	8:	Turn SLIGHT RIGHT onto IL-1/HALSTED ST.	0.4 mi
END	9:	End at 16641 Halsted St Harvey, IL 60426-6100	

B: 16641 Halsted St, Harvey, IL 60426-6100

Total Time: 26 minutes **Total Distance: 18.84 miles**

182

Attachment 12(3)
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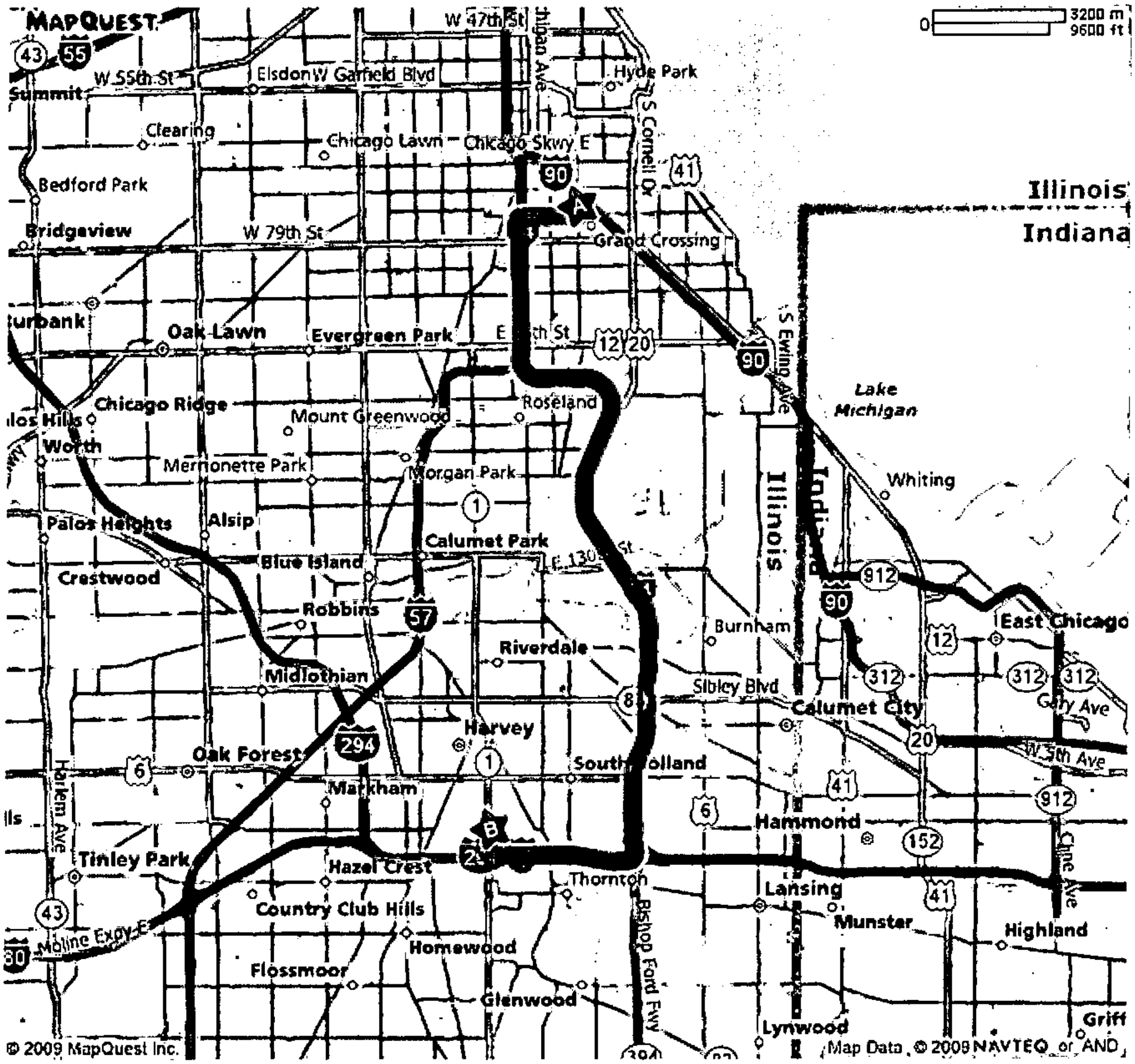

183

Attachment 12(3)
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MAPQUEST.

33

Total Time: 21 minutes **Total Distance: 11.16 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

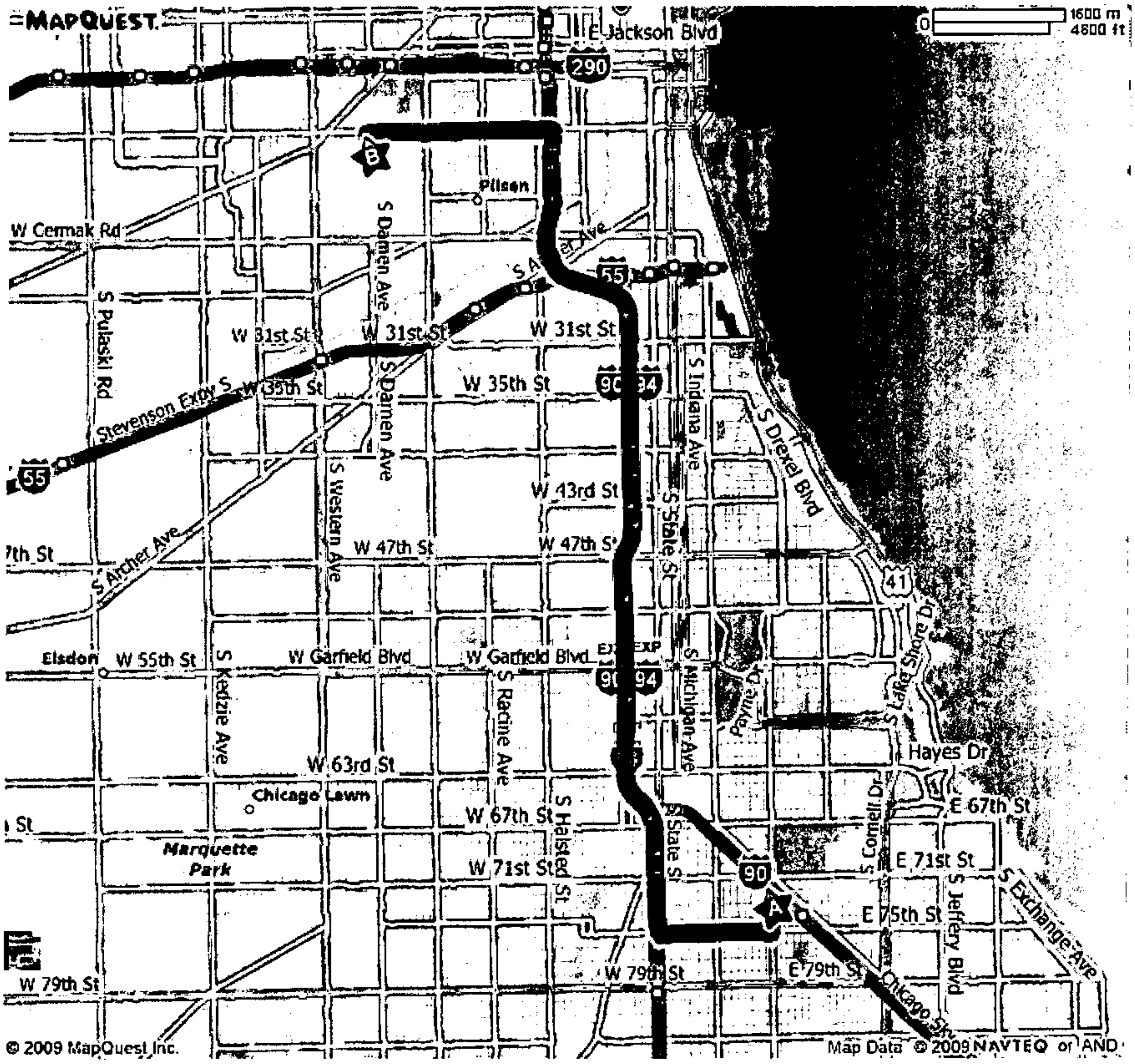
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	1.6 mi
52B EXIT	7:	Take EXIT 52B toward ROOSEVELT RD/TAYLOR ST.	0.1 mi
	8:	Stay STRAIGHT to go onto S RUBLE ST.	0.1 mi
	9:	Turn LEFT onto W ROOSEVELT RD.	1.7 mi
	10:	Turn LEFT onto S DAMEN AVE.	0.2 mi
END	11:	End at 1340 S Damen Ave Chicago, IL 60608-1169	

B: 1340 S Damen Ave, Chicago, IL 60608-1169

Total Time: 21 minutes Total Distance: 11.16 miles

184

Attachment 12(3)
Page 59 of 124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290
1600 m
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Pilsen
W Cermak Rd
S Damen Ave
55
S Pulaski Rd
W 31st St
W 31st St
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W 35th St
W 35th St
Stevenson Expy S
90
94
S Indiana Ave
S Drexel Blvd
S Damen Ave
S Western Ave
W 43rd St
S State St
W 47th St
W 47th St
S Archer Ave
41
Elsdon
W 55th St
S Kedzie Ave
W Garfield Blvd
W Garfield Blvd
S Racine Ave
S Michigan Ave
Payne Dr
S Lake Shore Dr
W 63rd St
Hayes Dr
Chicago Lawn
W 67th St
S Halsted St
S State St
S Cornell Dr
E 67th St
Marquette Park
W 71st St
E 71st St
S Jeffery Blvd
S Exchange Ave
E 75th St
W 79th St
W 79th St
E 79th St
Chicago Sky
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185

MAPQUEST.

Total Time: 31 minutes **Total Distance: 20.35 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	1.7 mi
51H EXIT	7:	Take the I-290 W/EISENHOWER EXPY exit, EXIT 51H, toward WEST SUBURBS.	0.5 mi
WEST 290	8:	Merge onto I-290 W/EISENHOWER EXPY W via the exit on the LEFT toward WEST SURBURBS.	8.3 mi
21B EXIT	9:	Take the IL-43/HARLEM AVE exit, EXIT 21B, on the LEFT.	0.3 mi
	10:	Turn LEFT onto IL-43/S HARLEM AVE/HARLEM AVE. Continue to follow IL-43/S HARLEM AVE.	2.1 mi
END	11:	End at 2601 Harlem Ave Berwyn, IL 60402-2100	

B: 2601 Harlem Ave, Berwyn, IL 60402-2100

Total Time: 31 minutes Total Distance: 20.35 miles

1 8 6

Attachment 12(3)
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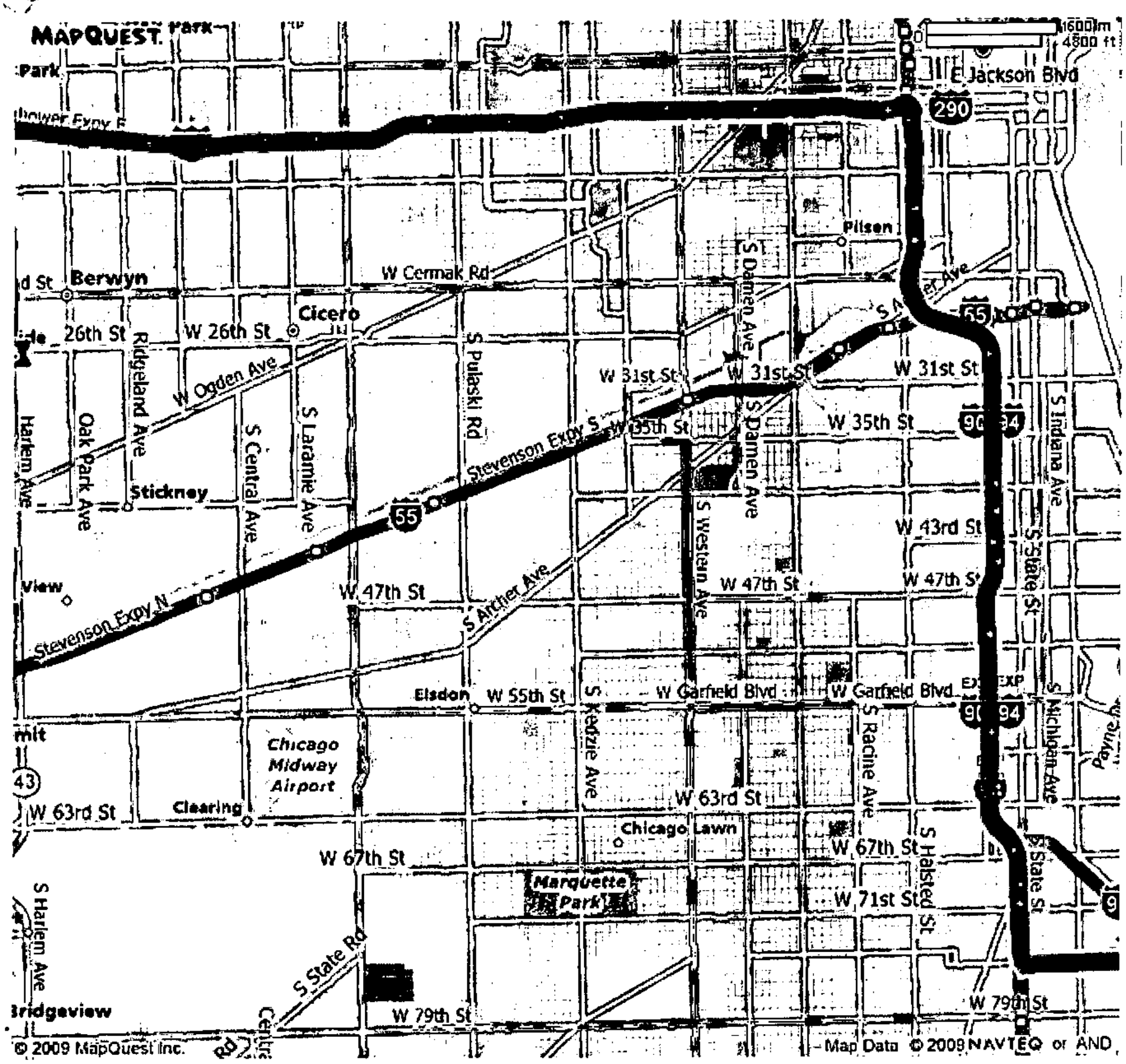
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1600m
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Pilsen
Berwyn
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Cicero
26th St
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Ridgeland Ave
W Ogden Ave
S Pulaski Rd
W 31st St
W 31st St
W 31st St
S Damen Ave
W 35th St
W 35th St
Harlem Ave
Oak Park Ave
S Central Ave
S Laramie Ave
Stevenson Expy S
Stickney
55
S Western Ave
S Indiana Ave
W 43rd St
S State St
W 47th St
W 47th St
W 47th St
Stevenson Expy N
S Archer Ave
Elsdon
W 55th St
W Garfield Blvd
W Garfield Blvd
S Kedzie Ave
S Racine Ave
S Michigan Ave
Chicago Midway Airport
43
W 63rd St
Clearing
W 63rd St
Chicago Lawn
W 67th St
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S Halsted St
Marquette Park
W 71st St
S State St
S Harlem Ave
S State Rd
Bridgeview
W 79th St
W 79th St
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187

MAPQUEST.

35

Total Time: 15 minutes **Total Distance: 8.60 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1: Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2: Turn RIGHT onto E 75TH ST.	1.0 mi
	3: Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4: Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5: Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	4.9 mi
53C EXIT	6: Take EXIT 53C toward I-55 N/STEVENSON EXPY/LAKE SHORE DR/22ND ST.	0.4 mi
EXIT	7: Take the 22ND ST exit on the LEFT.	0.5 mi
	8: Turn RIGHT onto W CERMAK RD/W 22ND ST.	0.2 mi
	9: Turn LEFT onto S STATE ST.	0.3 mi
	10: Turn RIGHT onto E 18TH ST.	0.1 mi
	11: Turn LEFT onto S WABASH AVE.	0.1 mi
END	12: End at 1717 S Wabash Ave Chicago, IL 60616-1219	

B: 1717 S Wabash Ave, Chicago, IL 60616-1219

Total Time: 15 minutes Total Distance: 8.60 miles

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Attachment 12(3)
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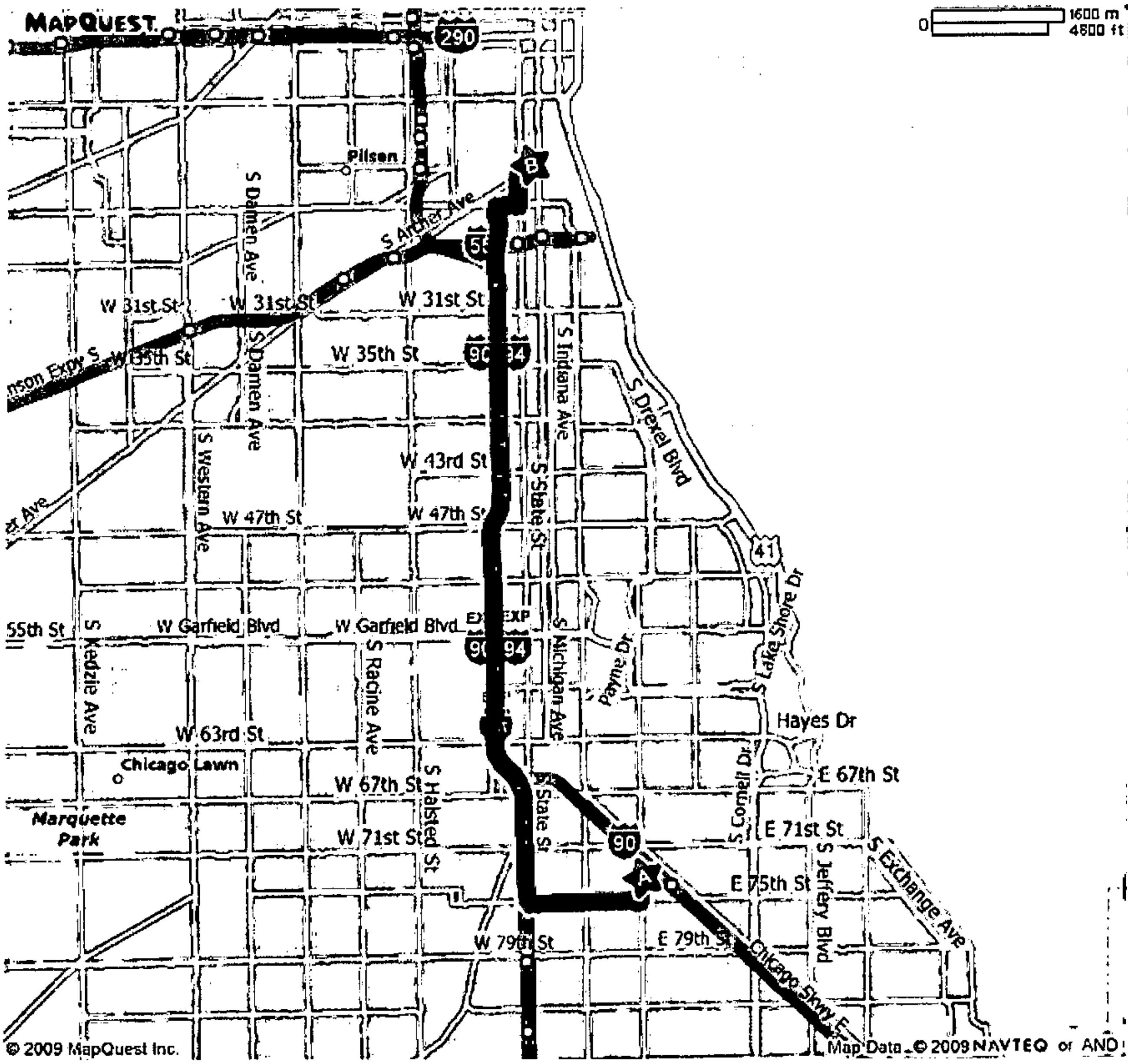

Attachment 12(3)
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189

MAPQUEST.

310

Total Time: 28 minutes **Total Distance: 18.39 miles**

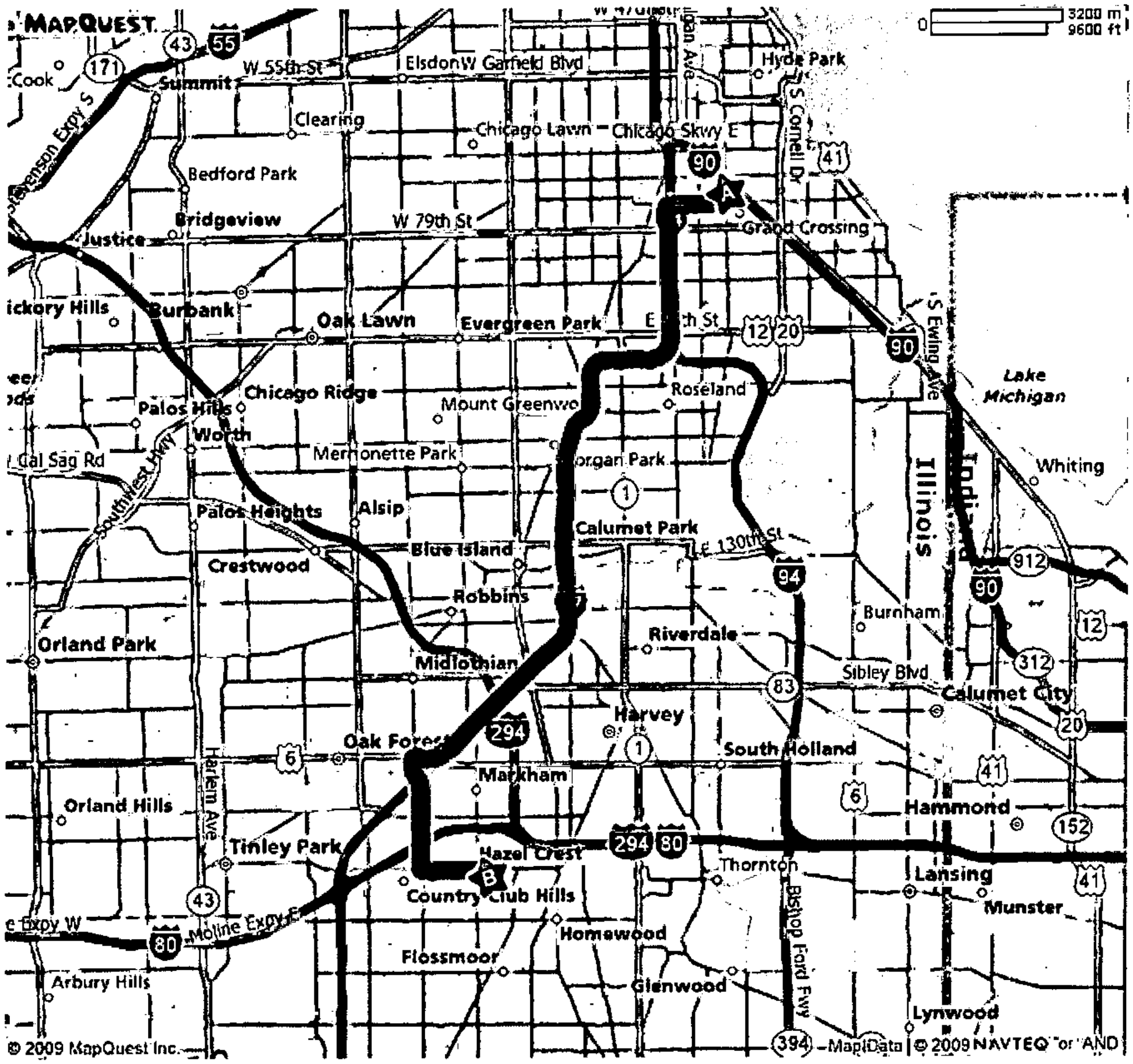
A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.1 mi
	3:	Turn LEFT onto S LAFAYETTE AVE.	0.2 mi
EAST 94	4:	Merge onto I-94 E/DAN RYAN EXPY E via the ramp on the LEFT.	2.5 mi
SOUTH 57	5:	Merge onto I-57 S via EXIT 63 toward MEMPHIS.	10.1 mi
WEST 6	6:	Merge onto US-6 W/W 159TH ST via EXIT 348.	0.8 mi
	7:	Turn LEFT onto CRAWFORD AVE/PULASKI RD.	2.2 mi
	8:	Turn LEFT onto 175TH ST.	1.2 mi
	9:	Turn RIGHT onto E CARRIAGE WAY.	0.1 mi
END	10:	End at 17524 E Carriageway Dr Hazel Crest, IL 60429-2187	

B: 17524 E Carriageway Dr, Hazel Crest, IL 60429-2187

Total Time: 28 minutes **Total Distance: 18.39 miles**

190



191

Attachment 12(3)
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MAPQUEST.

31

Total Time: 20 minutes **Total Distance: 11.89 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
2:	Turn RIGHT onto E 75TH ST.	1.0 mi
3:	Turn RIGHT onto S STATE ST.	0.0 mi
4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	1.7 mi
7:	Take the I-290 W/EISENHOWER EXPY exit, EXIT 51H, toward WEST SUBURBS.	0.5 mi
8:	Merge onto I-290 W/EISENHOWER EXPY W via the exit on the LEFT toward WEST SURBURBS.	1.2 mi
9:	Take EXIT 28B toward ASHLAND AVE/PAULINA ST.	0.2 mi
10:	Turn SLIGHT LEFT onto W VAN BUREN ST.	0.1 mi
11:	Turn LEFT onto S ASHLAND AVE.	0.5 mi
12:	Turn RIGHT onto W TAYLOR ST.	0.3 mi
13:	End at 1859 W Taylor St Chicago, IL 60612-4319	

B: 1859 W Taylor St, Chicago, IL 60612-4319

Total Time: 20 minutes **Total Distance: 11.89 miles**

Attachment 12(3)
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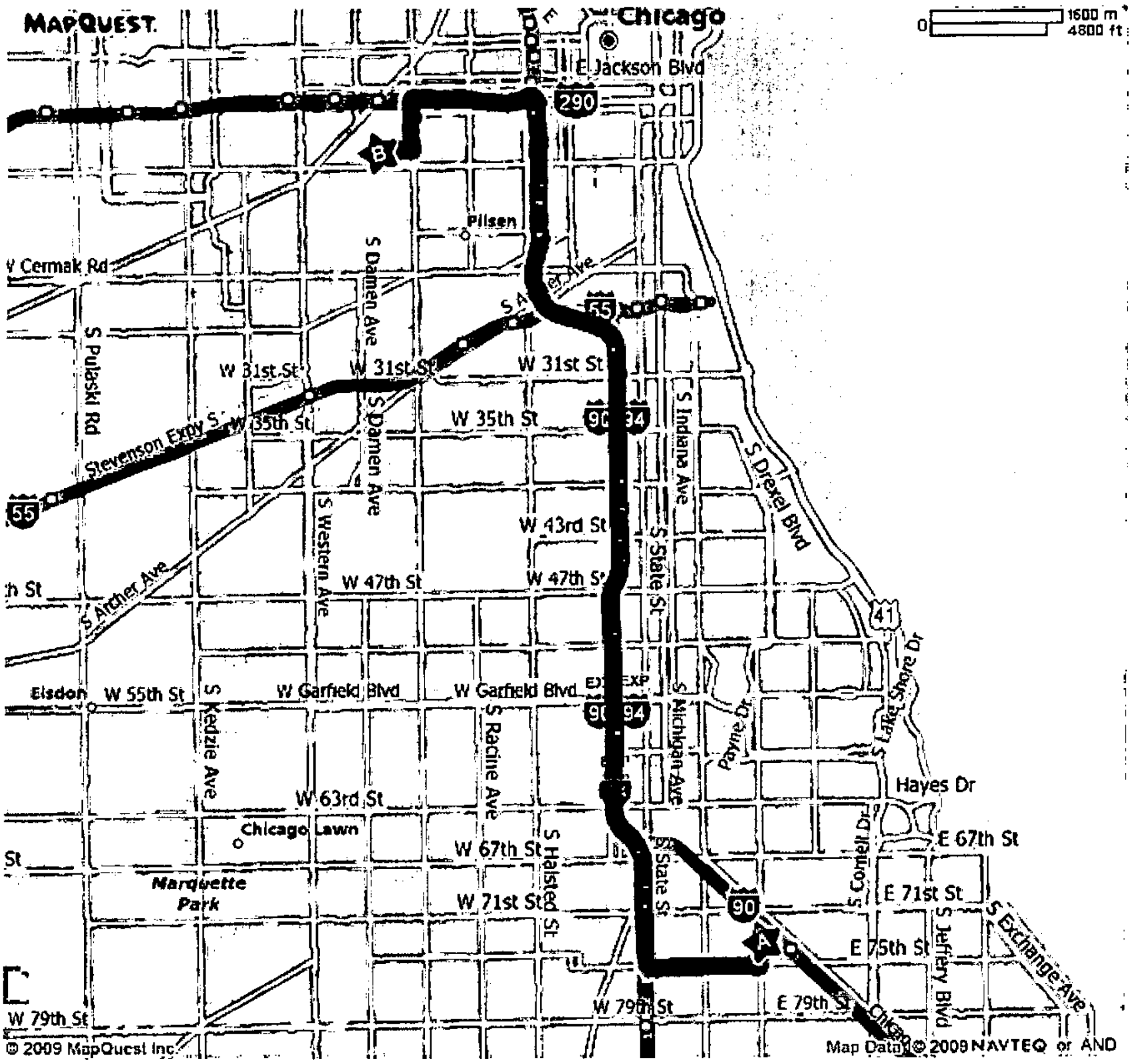
192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W 31st St
W 31st St
W 35th St
W 35th St
Stevenson Expy S
S Western Ave
S Indiana Ave
S Drexel Blvd
W 43rd St
S State St
W 47th St
W 47th St
S Archer Ave
41
S Lake Shore Dr
Elsdon
W 55th St
W Garfield Blvd
W Garfield Blvd
S Kedzie Ave
S Racine Ave
S Michigan Ave
Payne Dr
Hayes Dr
W 63rd St
Chicago Lawn
W 67th St
S Halsted St
E 67th St
Marquette Park
W 71st St
S State St
90
S Cornell Dr
E 71st St
S Exchange Ave
E 75th St
S Jeffery Blvd
W 79th St
W 79th St
E 79th St
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193

MAPQUEST.

Total Time: 18 minutes **Total Distance: 11.86 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	1.7 mi
51H EXIT	7:	Take the I-290 W/EISENHOWER EXPY exit, EXIT 51H, toward WEST SUBURBS.	0.5 mi
WEST 290	8:	Merge onto I-290 W/EISENHOWER EXPY W via the exit on the LEFT toward WEST SURBURBS.	1.7 mi
28A EXIT	9:	Take EXIT 28A toward DAMEN AVE.	0.1 mi
	10:	Stay STRAIGHT to go onto W VAN BUREN ST.	0.0 mi
	11:	Turn LEFT onto S DAMEN AVE.	0.2 mi
	12:	Turn SHARP LEFT onto W OGDEN AVE.	0.0 mi
END	13:	End at 1969 W Ogden Ave Chicago, IL 60612-3765	

B: 1969 W Ogden Ave, Chicago, IL 60612-3765

Total Time: 18 minutes **Total Distance: 11.86 miles**

Attachment 12(3)
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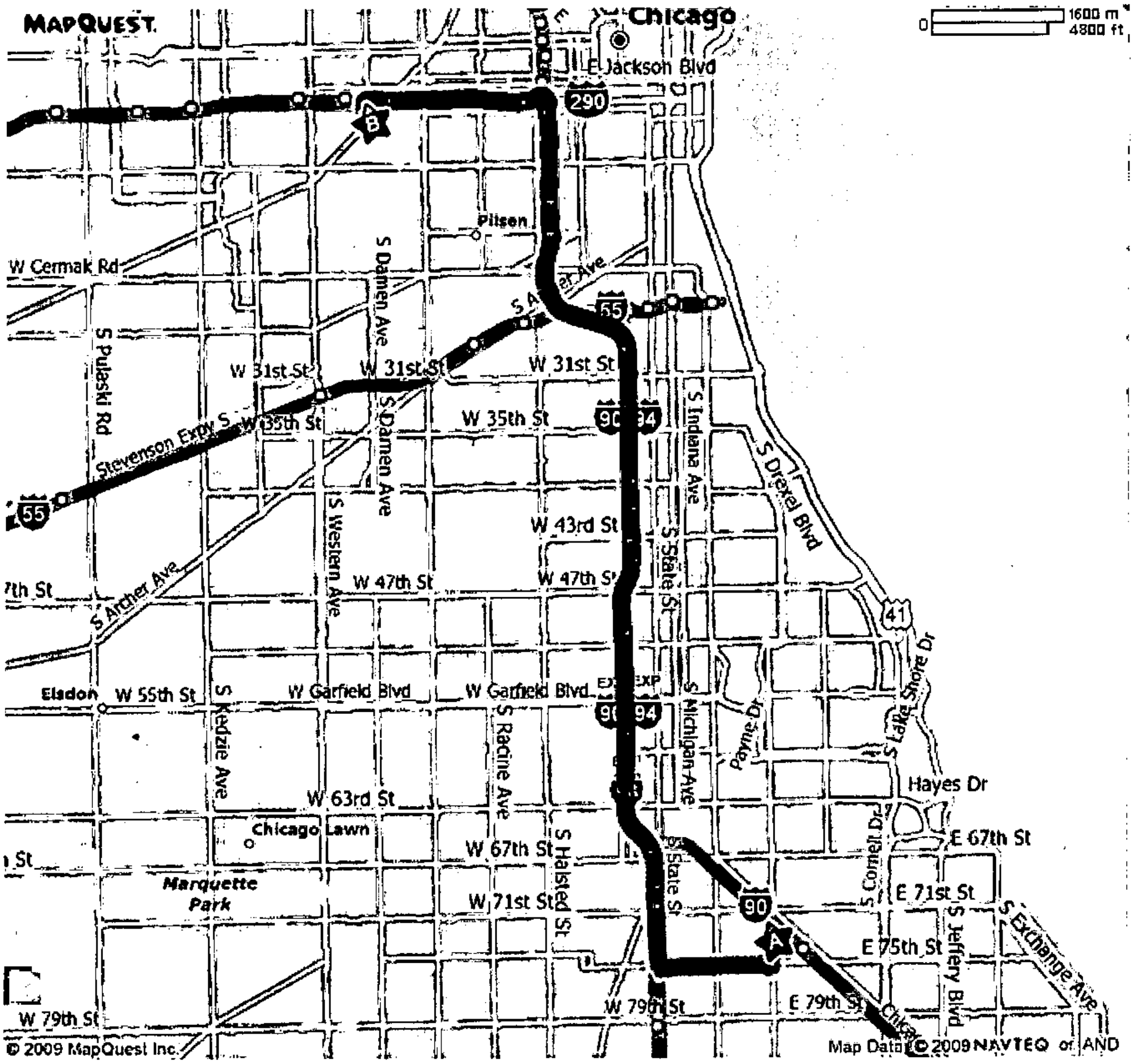
194



195

Attachment 12(3)
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MAPQUEST.

39

Total Time: 16 minutes **Total Distance: 9.64 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	1.6 mi
52B EXIT	7:	Take EXIT 52B toward ROOSEVELT RD/TAYLOR ST.	0.1 mi
	8:	Stay STRAIGHT to go onto S RUBLE ST.	0.1 mi
	9:	Turn RIGHT onto W ROOSEVELT RD.	0.3 mi
	10:	Turn LEFT onto S CANAL ST.	0.1 mi
END	11:	End at 1101 S Canal St Chicago, IL 60607-4901	

B: 1101 S Canal St, Chicago, IL 60607-4901

Total Time: 16 minutes **Total Distance: 9.64 miles**

196

Attachment 12(3)
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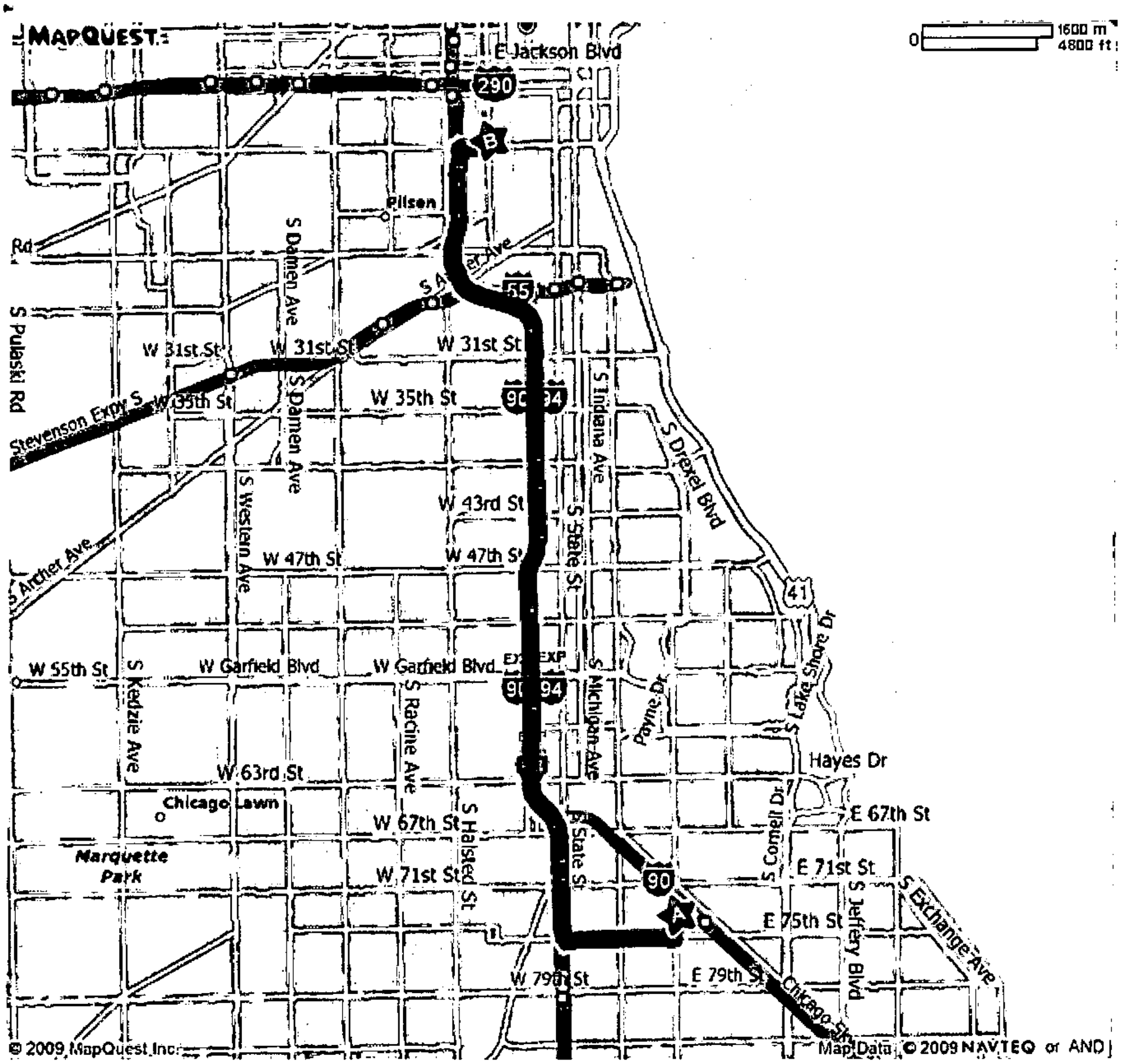
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© 2009 MapQuest Inc.
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1600 m
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197

MAPQUEST.

#40 X

Total Time: 21 minutes **Total Distance: 13.40 miles**

A: 3410 W Van Buren St, Chicago, IL 60624-3358

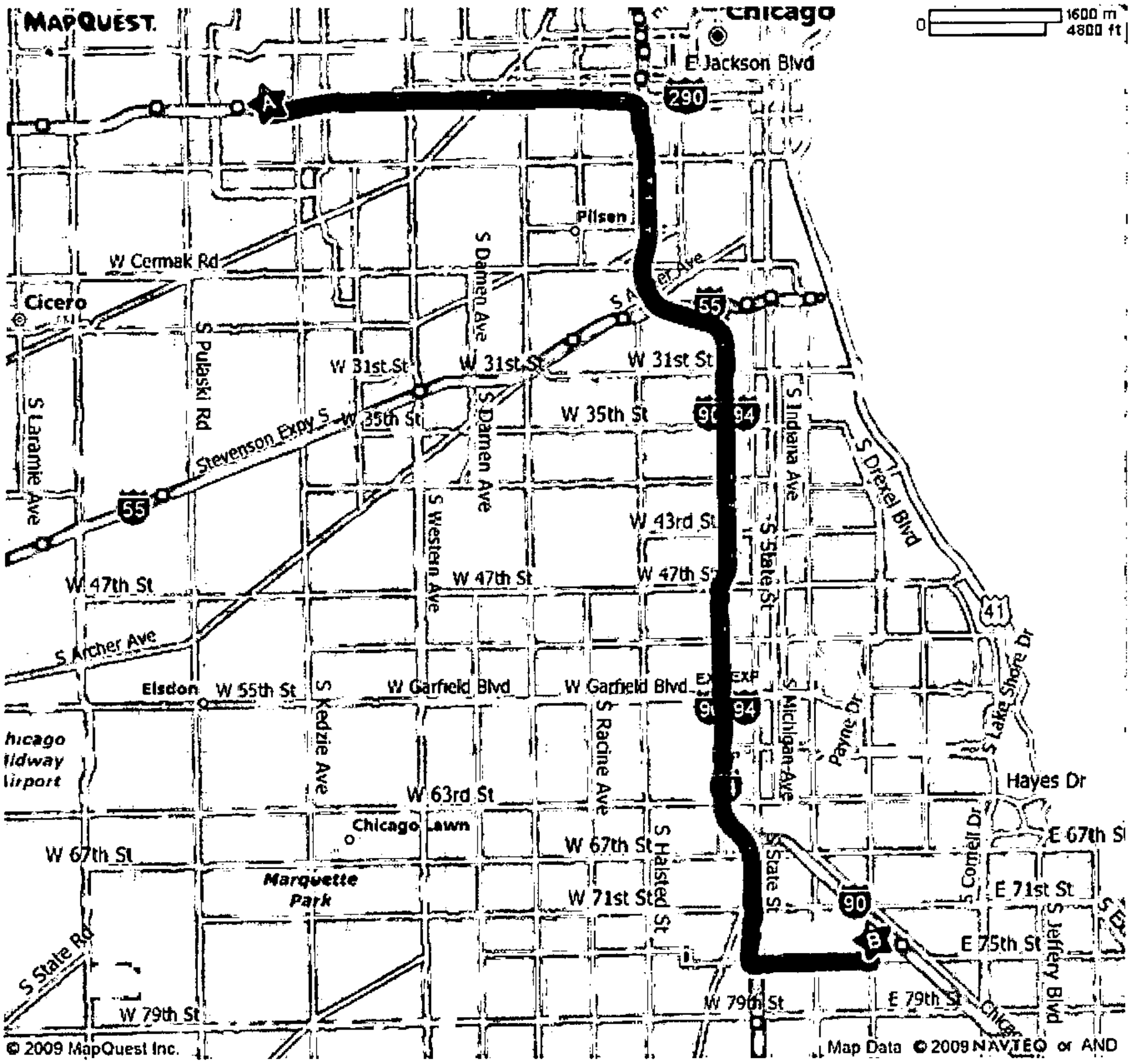
START	1:	Start out going EAST on W VAN BUREN ST toward S HOMAN AVE.	0.0 mi
	2:	Turn RIGHT onto S HOMAN AVE.	0.1 mi
	3:	Turn LEFT onto W HARRISON ST.	0.1 mi
EAST 290	4:	Merge onto I-290 E/EISENHOWER EXPY E.	3.1 mi
EAST 90	5:	Merge onto I-90 E/I-94 E/DAN RYAN EXPY E.	2.5 mi
EAST 94 EXP	6:	Keep LEFT to take I-94 EXPRESS LN E/DAN RYAN EXPRESS LN E toward GARFIELD BLVD.	5.5 mi
EAST 94	7:	I-94 EXPRESS LN E/DAN RYAN EXPRESS LN E becomes I-94 E/DAN RYAN EXPY E.	0.3 mi
60A EXIT	8:	Take EXIT 60A toward 75TH ST.	0.2 mi
	9:	Keep RIGHT at the fork in the ramp.	0.1 mi
	10:	Turn SLIGHT LEFT onto S LAFAYETTE AVE.	0.1 mi
	11:	Turn LEFT onto W 75TH ST.	1.1 mi
	12:	Turn LEFT onto S COTTAGE GROVE AVE.	0.2 mi
END	13:	End at 7319 S Cottage Grove Ave Chicago, IL 60619-1909	

B: 7319 S Cottage Grove Ave, Chicago, IL 60619-1909

Total Time: 21 minutes **Total Distance: 13.40 miles**

198

Attachment 12(3)
Page 73 of 124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199

MAPQUEST.

41

Total Time: 16 minutes **Total Distance: 9.80 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	1.6 mi
52B EXIT	7:	Take EXIT 52B toward ROOSEVELT RD/TAYLOR ST.	0.1 mi
	8:	Stay STRAIGHT to go onto S RUBLE ST.	0.1 mi
RAMP	9:	Take the I-90 W/I-94 W/I-290 ramp.	0.0 mi
RAMP	10:	Take the TAYLOR ST ramp toward I-90 W/KENNEDY EXPY/I-94 W/WISCONSIN.	0.1 mi
	11:	Turn RIGHT onto W TAYLOR ST.	0.1 mi
	12:	Turn LEFT onto S JEFFERSON ST.	0.2 mi
	13:	Turn RIGHT onto W POLK ST.	0.1 mi
END	14:	End at 557 W Polk St Chicago, IL 60607-4388	

B: 557 W Polk St, Chicago, IL 60607-4388

Total Time: 16 minutes **Total Distance: 9.80 miles**

Attachment 12(3)
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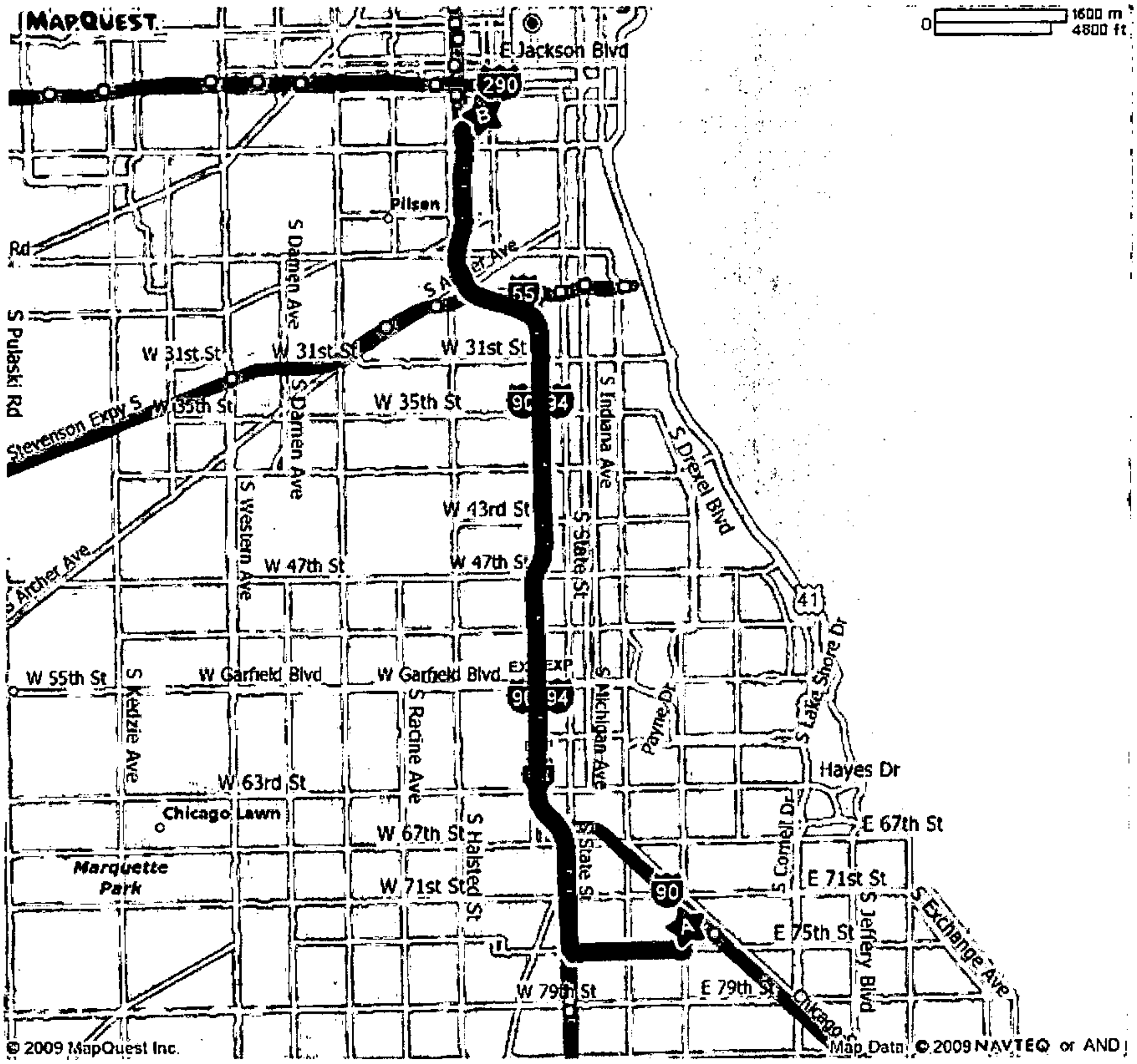
200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201

MAPQUEST.

98

Total Time: 19 minutes **Total Distance: 11.28 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	0.2 mi
SOUTH 55	7:	Merge onto I-55 S/STEVENSON EXPY S via EXIT 53B toward ST LOUIS.	1.8 mi
290 EXIT	8:	Take the DAMEN AVE exit, EXIT 290.	0.3 mi
	9:	Keep RIGHT at the fork to go on S DAMEN AVE.	1.0 mi
	10:	Turn LEFT onto W CERMAK RD.	0.5 mi
END	11:	End at 2335 W Cermak Rd Chicago, IL 60608-3811	

B: 2335 W Cermak Rd, Chicago, IL 60608-3811

Total Time: 19 minutes **Total Distance: 11.28 miles**

202

Attachment 12(3)
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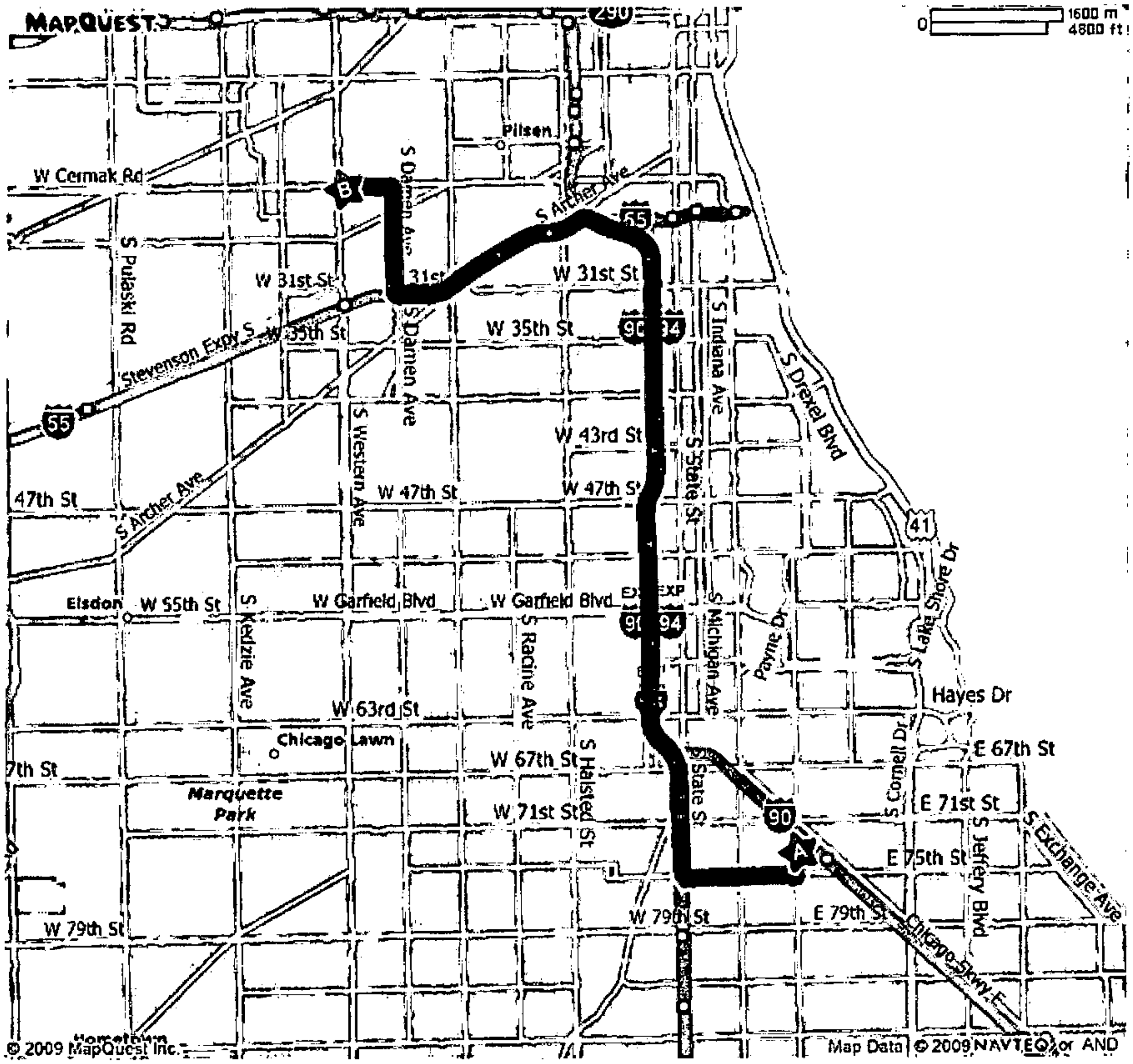
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203

MAPQUEST.

44

Total Time: 17 minutes **Total Distance: 10.67 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	1.7 mi
51H EXIT	7:	Take the I-290 W/EISENHOWER EXPY exit, EXIT 51H, toward WEST SUBURBS.	0.5 mi
WEST 290	8:	Merge onto I-290 W/EISENHOWER EXPY W via the exit on the LEFT toward WEST SURBURBS.	0.5 mi
29B EXIT	9:	Take the MORGAN ST exit, EXIT 29B.	0.1 mi
	10:	Turn RIGHT onto S MORGAN ST.	0.1 mi
	11:	Turn RIGHT onto W JACKSON BLVD.	0.2 mi
END	12:	End at 820 W Jackson Blvd Chicago, IL 60607-3026	

B: 820 W Jackson Blvd, Chicago, IL 60607-3026

Total Time: 17 minutes **Total Distance: 10.67 miles**

204

Attachment 12(3)
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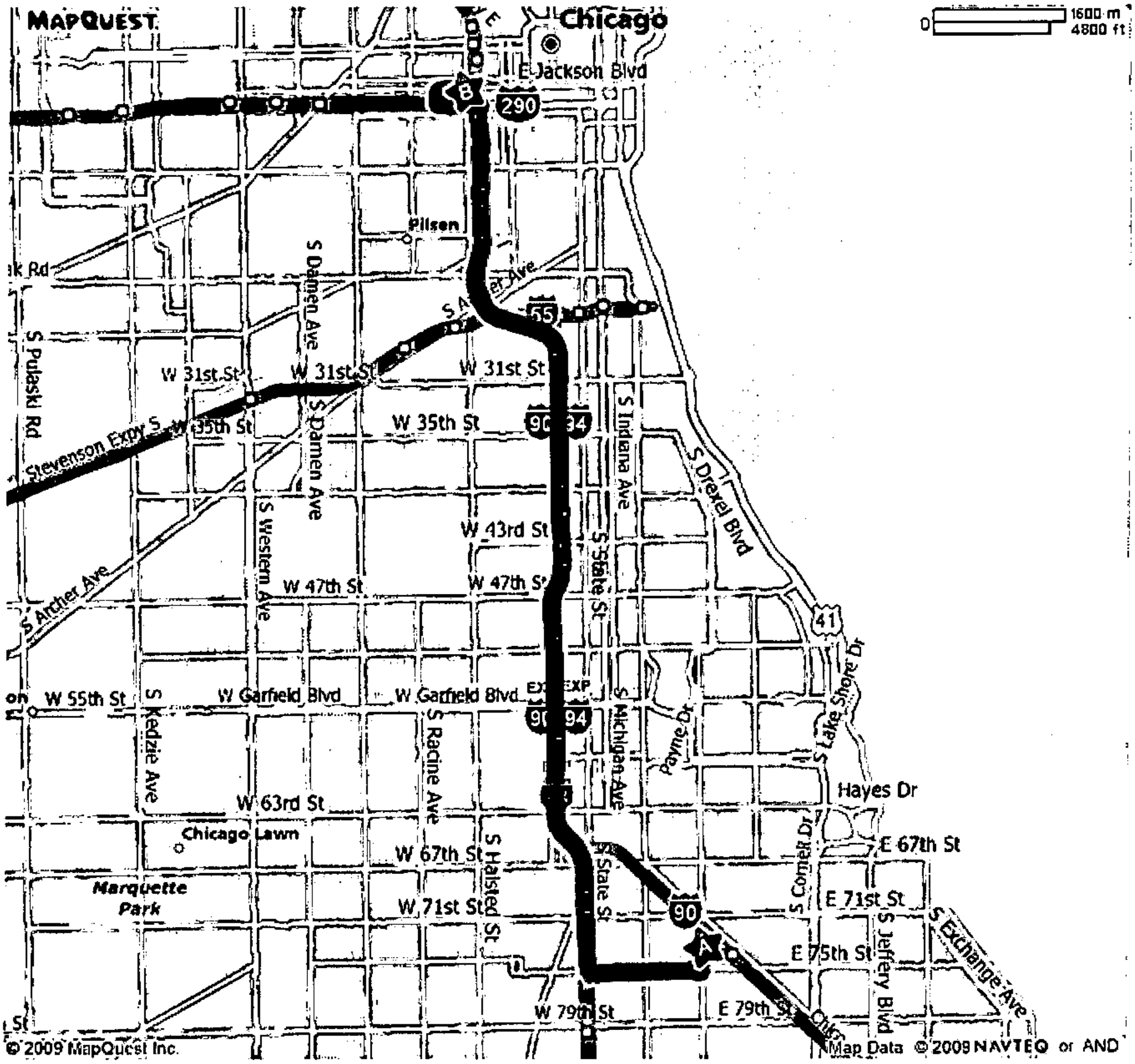
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S Jeffery Blvd
S Exchange Ave
E 75th St
W 79th St
E 79th St
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205

MAPQUEST.

45

Total Time: 29 minutes **Total Distance: 18.75 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.1 mi
	3:	Turn LEFT onto S LAFAYETTE AVE.	0.2 mi
EAST 94	4:	Merge onto I-94 E/DAN RYAN EXPY E via the ramp on the LEFT.	2.5 mi
SOUTH 57	5:	Merge onto I-57 S via EXIT 63 toward MEMPHIS.	10.1 mi
WEST 6	6:	Merge onto US-6 W/W 159TH ST via EXIT 348.	0.8 mi
	7:	Turn LEFT onto CRAWFORD AVE/PULASKI RD.	3.3 mi
	8:	Turn LEFT onto 183RD ST.	0.7 mi
END	9:	End at 3470 W 183rd St Hazel Crest, IL 60429-2428	

B: 3470 W 183rd St, Hazel Crest, IL 60429-2428

Total Time: 29 minutes **Total Distance: 18.75 miles**

206

Attachment 12(3)
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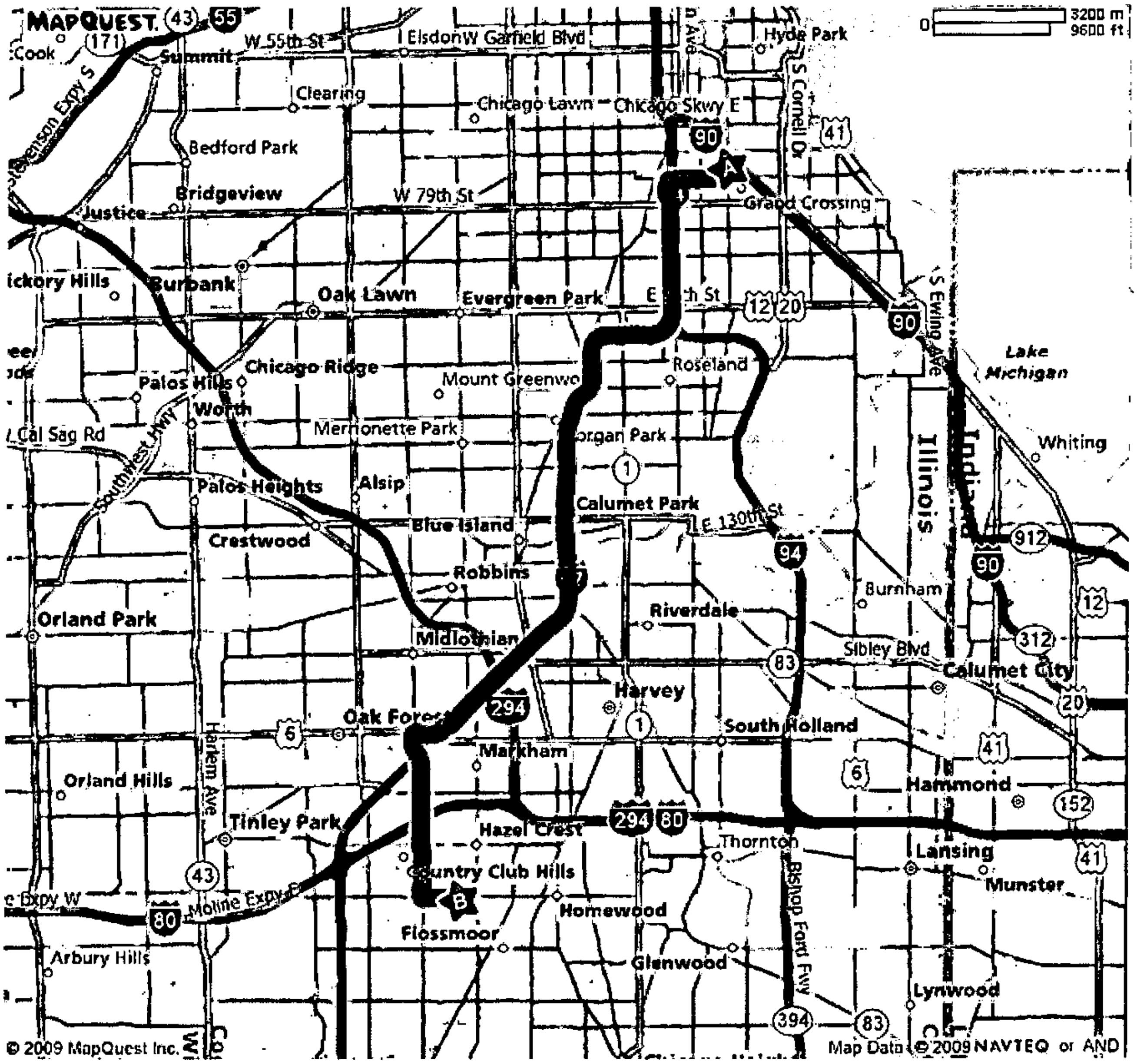
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Chicago Lawn
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Grand Crossing
Burbank
Oak Lawn
Evergreen Park
Chicago Ridge
Palos Hills
Worth
Roseland
Mount Greenwood
Merrionette Park
Lake Michigan
Whiting
Palos Heights
Alsip
Calumet Park
Blue Island
Crestwood
Robbins
Orland Park
Riverdale
Burnham
Midlothian
Harvey
Calumet City
Oak Forest
South Holland
Markham
Orland Hills
Hammond
Tinley Park
Hazel Crest
Thornton
Lansing
Country Club Hills
Munster
Homewood
Flossmoor
Glenwood
Arbury Hills
Lynwood
Illinois
Bishop Ford Fwy
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207

MAPQUEST.

26

Total Time: 19 minutes **Total Distance: 11.65 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	1.7 mi
51H EXIT	7:	Take the I-290 W/EISENHOWER EXPY exit, EXIT 51H, toward WEST SUBURBS.	0.5 mi
WEST 290	8:	Merge onto I-290 W/EISENHOWER EXPY W via the exit on the LEFT toward WEST SURBURBS.	1.2 mi
28B EXIT	9:	Take EXIT 28B toward ASHLAND AVE/PAULINA ST.	0.2 mi
	10:	Turn SLIGHT LEFT onto W VAN BUREN ST.	0.1 mi
	11:	Turn RIGHT onto S ASHLAND AVE.	0.3 mi
	12:	Turn SLIGHT RIGHT onto W OGDEN AVE.	0.2 mi
	13:	Turn RIGHT onto W WASHINGTON BLVD/W WASHINGTON ST.	0.1 mi
END	14:	End at 1426 W Washington Blvd Chicago, IL 60607-1821	

B: 1426 W Washington Blvd, Chicago, IL 60607-1821

Attachment 12(3)
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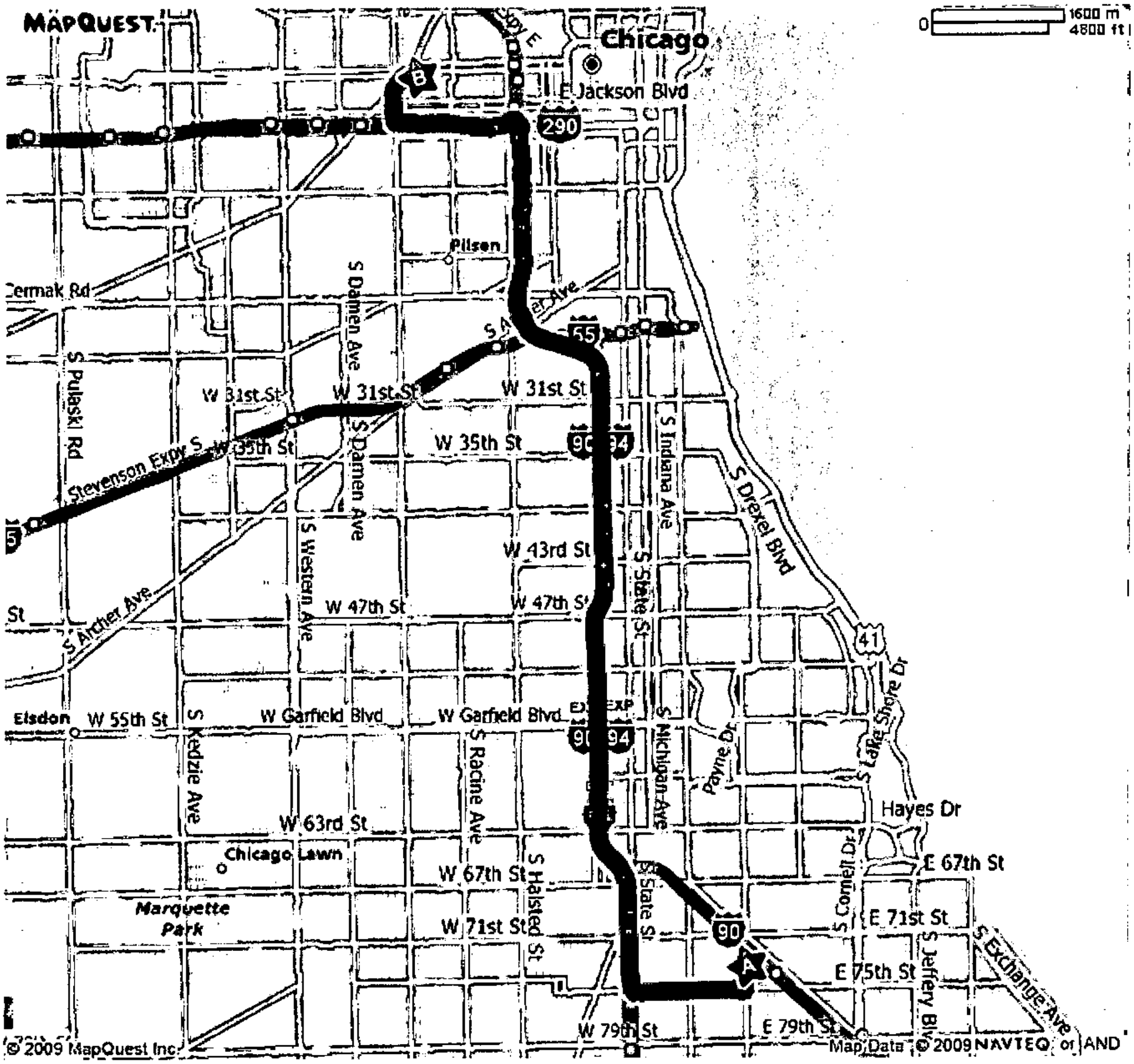
208

Total Time: 19 minutes **Total Distance: 11.65 miles**



209

MAPQUEST.

47

Total Time: 24 minutes **Total Distance: 14.25 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	1.7 mi
51H EXIT	7:	Take the I-290 W/EISENHOWER EXPY exit, EXIT 51H, toward WEST SUBURBS.	0.5 mi
WEST 290	8:	Merge onto I-290 W/EISENHOWER EXPY W via the exit on the LEFT toward WEST SURBURBS.	2.5 mi
27B EXIT	9:	Take EXIT 27B toward CALIFORNIA AVE/2800 W.	0.4 mi
	10:	Turn SLIGHT LEFT onto W VAN BUREN ST.	0.3 mi
	11:	Turn RIGHT onto S SACRAMENTO BLVD.	0.5 mi
	12:	Turn LEFT onto W WASHINGTON BLVD.	0.3 mi
	13:	Turn RIGHT onto N KEDZIE AVE.	0.5 mi
	14:	Turn LEFT onto W FRANKLIN BLVD.	0.1 mi

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Attachment 12(3)
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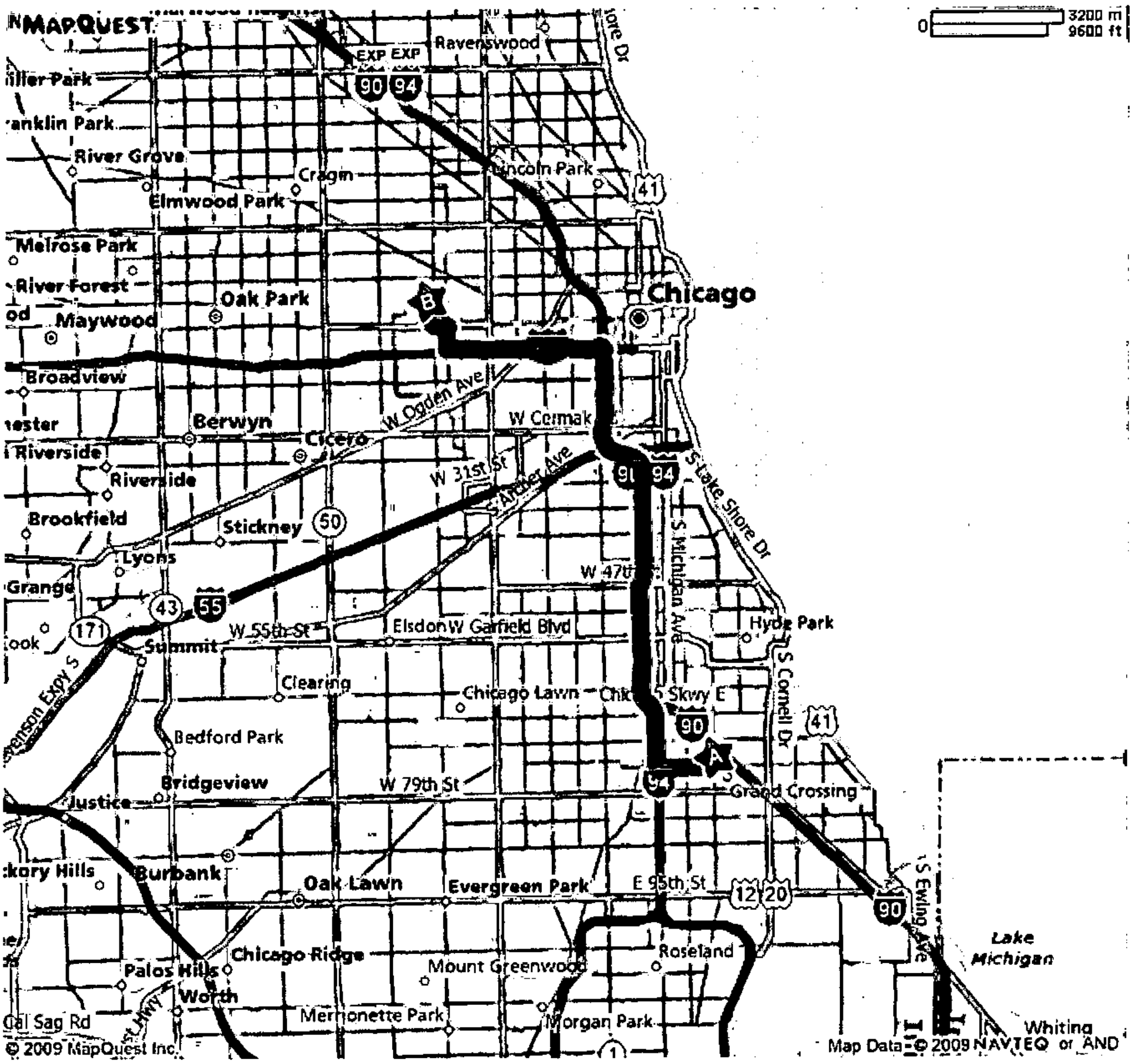
END **15:** End at 3250 W Franklin Blvd Chicago, IL 60624-1509

B: 3250 W Franklin Blvd, Chicago, IL 60624-1509

Total Time: 24 minutes **Total Distance: 14.25 miles**



211

Attachment 12(3)
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MAPQUEST.

48

Total Time: 27 minutes **Total Distance: 17.77 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

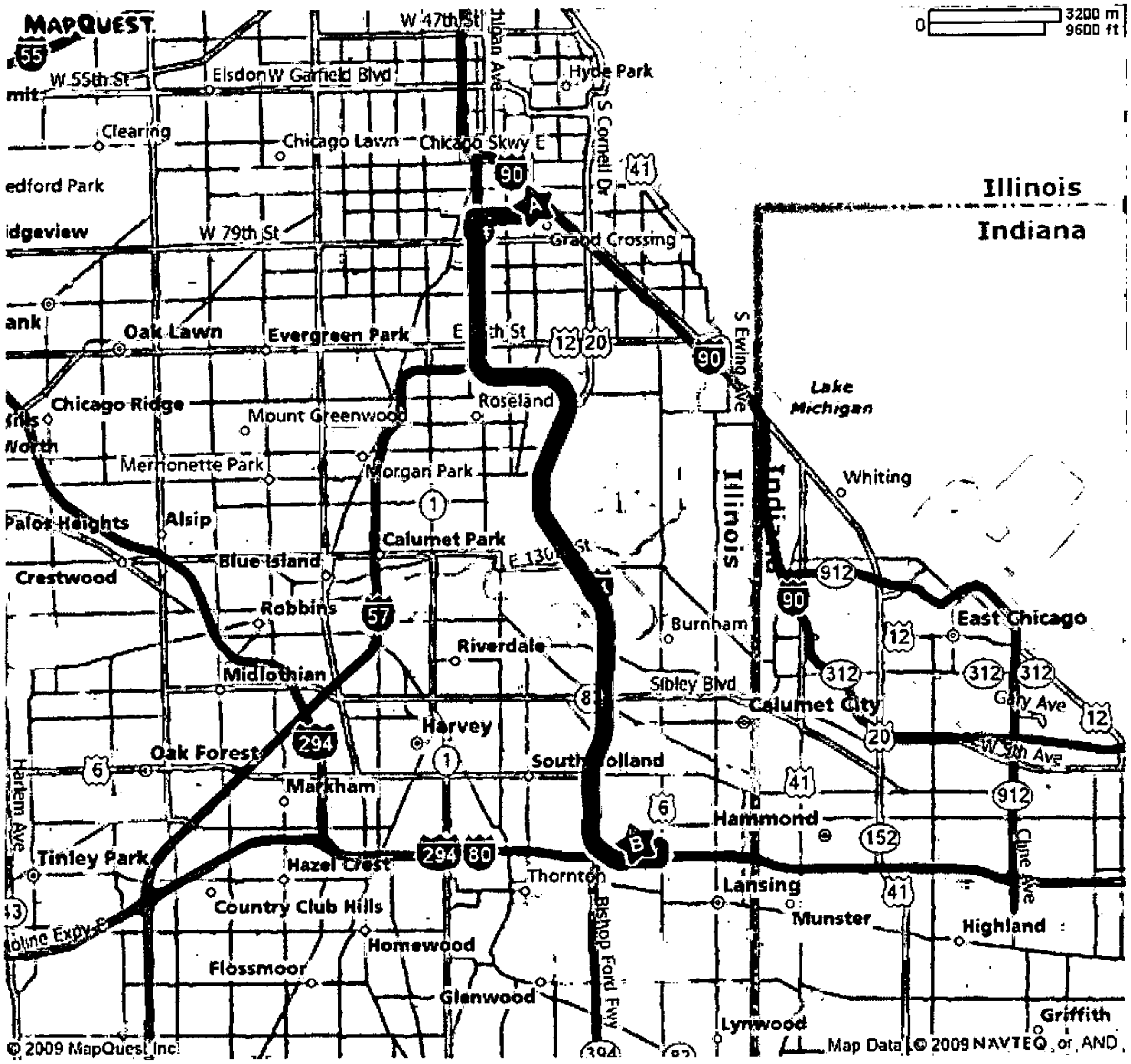
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.1 mi
	3:	Turn LEFT onto S LAFAYETTE AVE.	0.2 mi
EAST 94	4:	Merge onto I-94 E via the ramp on the LEFT.	14.4 mi
	5:	Keep RIGHT toward US-6 W/IL-83/TORRENCE AVE.	0.5 mi
161 EXIT	6:	Take the US-6 W/IL-83/TORRENCE AVE exit, EXIT 161, on the LEFT.	0.2 mi
	7:	Keep LEFT at the fork in the ramp.	0.1 mi
	8:	Merge onto TORRENCE AVE/US-6/IL-83.	0.2 mi
	9:	Turn LEFT onto 173RD ST.	0.1 mi
	10:	Turn LEFT onto BERNICE RD.	0.6 mi
	11:	Turn RIGHT onto PAXTON AVE.	0.3 mi
END	12:	End at 17225 Paxton Ave South Holland, IL 60473-3757	

B: 17225 Paxton Ave, South Holland, IL 60473-3757

Total Time: 27 minutes Total Distance: 17.77 miles

212

Attachment 12(3)
Page 87 of 124



213

Attachment 12(3)
Page 88 of 124

MAPQUEST.

Total Time: 29 minutes **Total Distance: 19.23 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	1.7 mi
51H EXIT	7:	Take the I-290 W/EISENHOWER EXPY exit, EXIT 51H, toward WEST SUBURBS.	0.5 mi
WEST 290	8:	Merge onto I-290 W/EISENHOWER EXPY W via the exit on the LEFT toward WEST SURBURBS.	8.3 mi
21B EXIT	9:	Take the IL-43/HARLEM AVE exit, EXIT 21B, on the LEFT.	0.3 mi
	10:	Turn RIGHT onto IL-43/S HARLEM AVE/HARLEM AVE.	0.4 mi
	11:	Turn RIGHT onto MADISON ST.	0.6 mi
END	12:	End at 733 Madison St Oak Park, IL 60302-4419	

B: 733 Madison St, Oak Park, IL 60302-4419

Total Time: 29 minutes **Total Distance: 19.23 miles**

214

Attachment 12(3)
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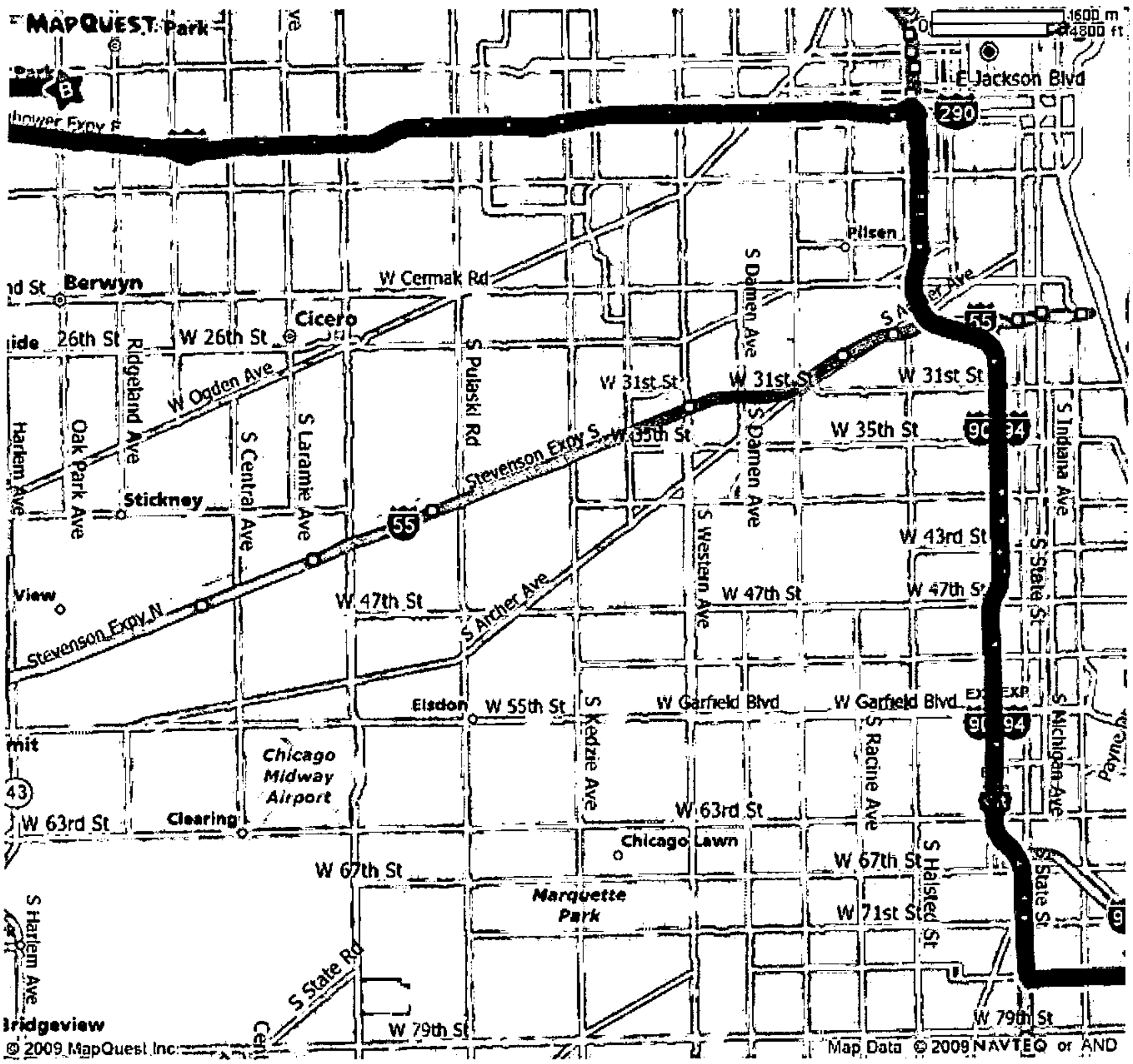
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S Laramie Ave
S Pulaski Rd
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W 47th St
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W Garfield Blvd
S Racine Ave
S Michigan Ave
Chicago Midway Airport
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W 63rd St
Clearing
Chicago Lawn
W 67th St
Marquette Park
W 71st St
S Halsted St
S Harlem Ave
S State Rd
Bridgeview
W 79th St
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215

MAPQUEST.

50

Total Time: 26 minutes **Total Distance: 18.60 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1: Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2: Turn RIGHT onto E 75TH ST.	1.0 mi
	3: Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4: Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5: Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6: I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	1.7 mi
51H EXIT	7: Take the I-290 W/EISENHOWER EXPY exit, EXIT 51H, toward WEST SUBURBS.	0.5 mi
WEST 290	8: Merge onto I-290 W/EISENHOWER EXPY W via the exit on the LEFT toward WEST SURBURBS.	8.3 mi
21B EXIT	9: Take the IL-43/HARLEM AVE exit, EXIT 21B, on the LEFT.	0.3 mi
	10: Turn RIGHT onto IL-43/S HARLEM AVE/HARLEM AVE.	0.3 mi
	11: Turn RIGHT onto MONROE ST.	0.0 mi
	12: Turn RIGHT onto S MAPLE AVE.	0.0 mi
END	13: End at 610 S Maple Ave Oak Park, IL 60304-1091	

B: 610 S Maple Ave, Oak Park, IL 60304-1091

Total Time: 26 minutes **Total Distance: 18.60 miles**

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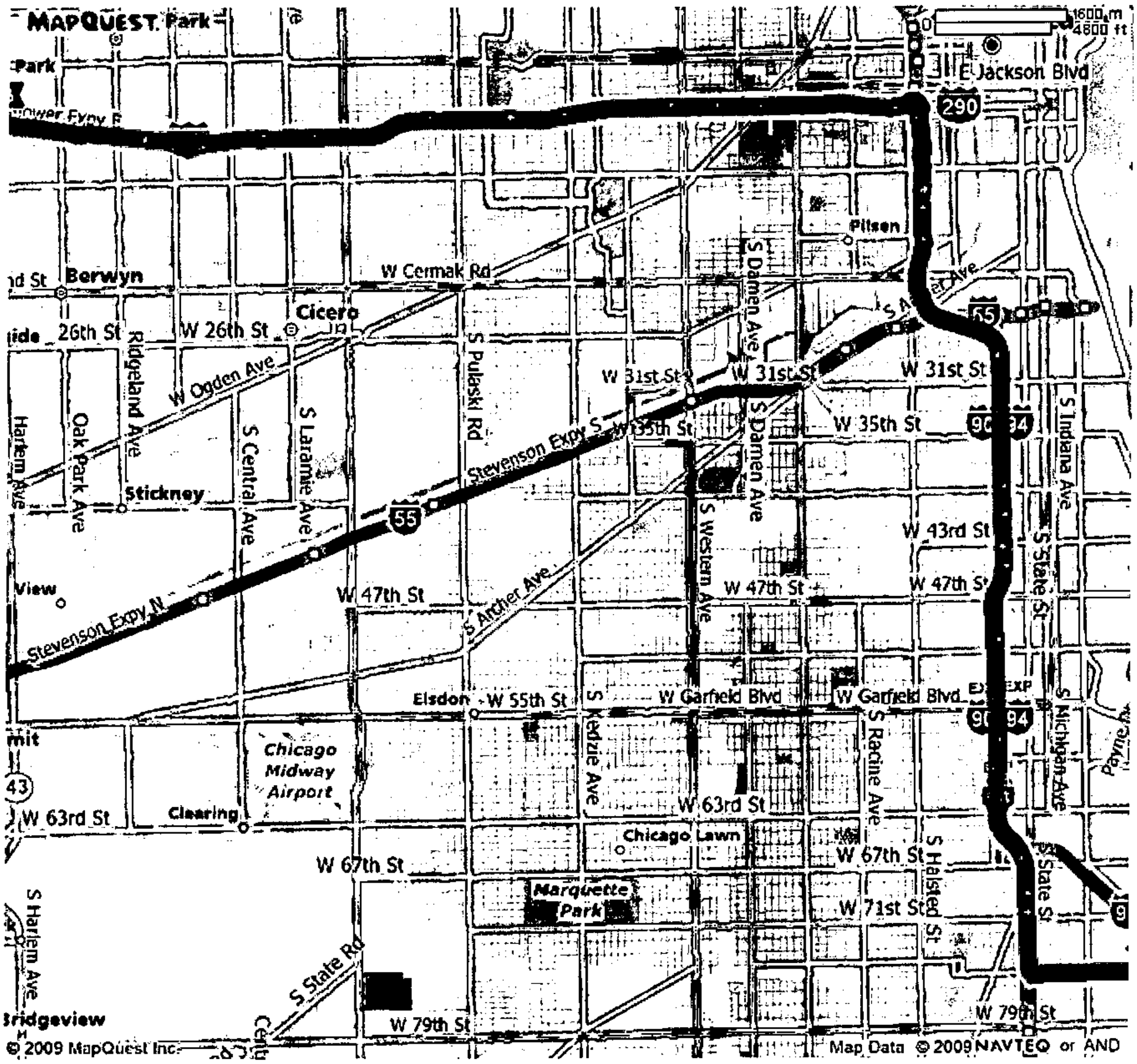
216



217

Attachment 12(3)
Page 92 of 124

MAPQUEST.

52

Total Time: 29 minutes **Total Distance: 17.75 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

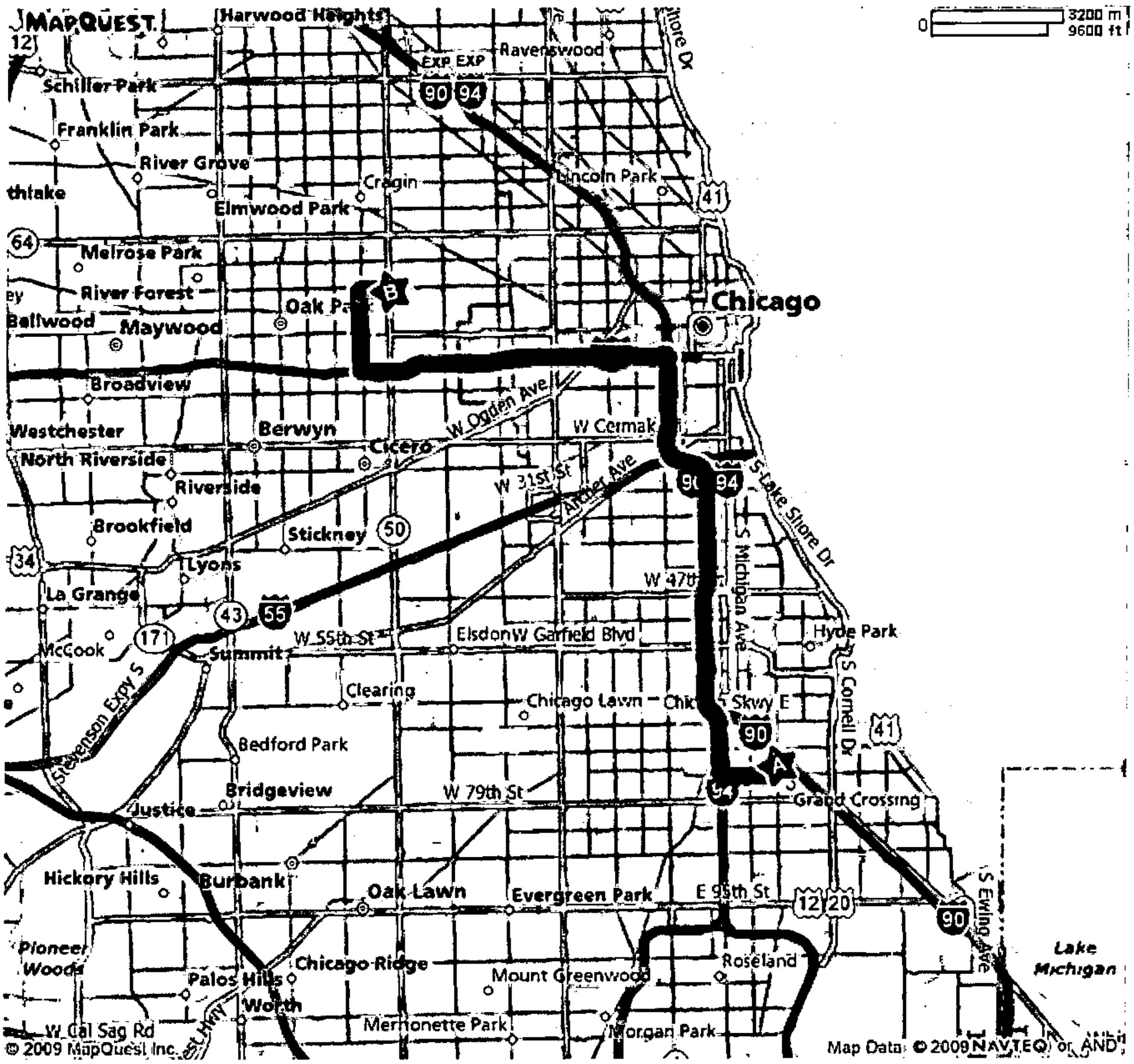
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	1.7 mi
51H EXIT	7:	Take the I-290 W/EISENHOWER EXPY exit, EXIT 51H, toward WEST SUBURBS.	0.5 mi
WEST 290	8:	Merge onto I-290 W/EISENHOWER EXPY W via the exit on the LEFT toward WEST SURBURBS.	5.7 mi
24A EXIT	9:	Take EXIT 24A toward LARAMIE AVE.	0.2 mi
	10:	Stay STRAIGHT to go onto W FLOURNOY ST.	0.1 mi
	11:	Turn RIGHT onto S LARAMIE AVE.	1.6 mi
	12:	Turn RIGHT onto W CHICAGO AVE.	0.5 mi
END	13:	End at 4800 W Chicago Ave Chicago, IL 60651-3223	

B: 4800 W Chicago Ave, Chicago, IL 60651-3223

Total Time: 29 minutes **Total Distance: 17.75 miles**

Attachment 12(3)
Page 93 of 124

218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Westchester
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Cicero
W Ogden Ave
W Cermak
North Riverside
Riverside
W 31st St
Archer Ave
S Lake Shore Dr
Brookfield
Stickney
Lyons
La Grange
W 47th
S Michigan Ave
Hyde Park
McCook
W 55th St
Elsdon
W Garfield Blvd
Summit
Clearing
Chicago Lawn
Skwy E
S Cornell Dr
Stevenson Expy S
Bedford Park
Bridgeview
W 79th St
Grand Crossing
Justice
Hickory Hills
Burbank
Oak Lawn
Evergreen Park
E 95th St
S Ewing Ave
Pioneer Woods
Palos Hills
Chicago Ridge
Mount Greenwood
Roseland
Lake Michigan
Worth
W Cal Sag Rd
Merrionette Park
Morgan Park
3200 m
9600 ft
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219

MAPQUEST.

52

Total Time: 24 minutes **Total Distance: 16.85 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

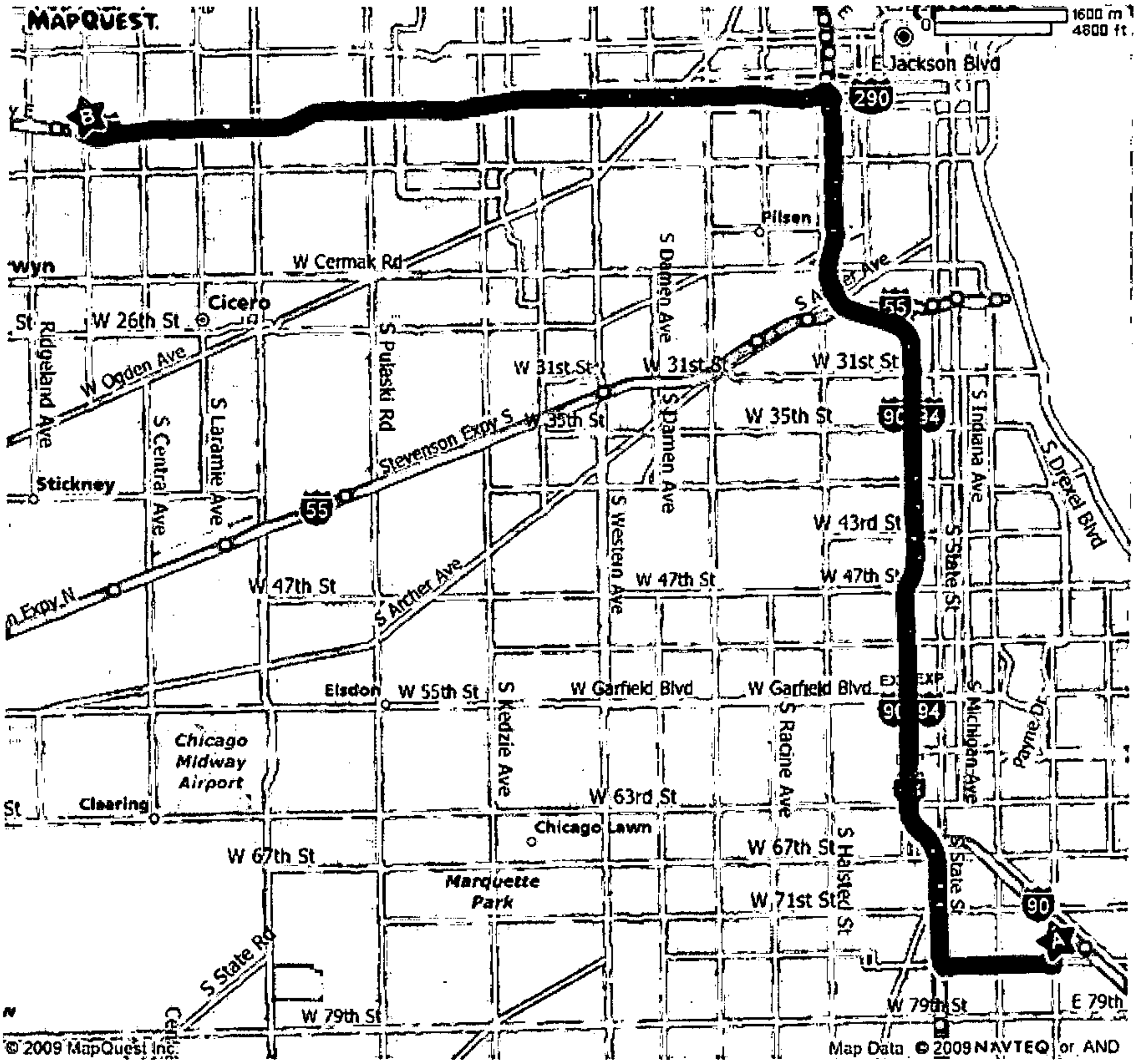
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	1.7 mi
51H EXIT	7:	Take the I-290 W/EISENHOWER EXPY exit, EXIT 51H, toward WEST SUBURBS.	0.5 mi
WEST 290	8:	Merge onto I-290 W/EISENHOWER EXPY W via the exit on the LEFT toward WEST SURBURBS.	6.7 mi
23A EXIT	9:	Take the AUSTIN BLVD exit, EXIT 23A, on the LEFT.	0.3 mi
	10:	Turn RIGHT onto S AUSTIN BLVD.	0.2 mi
END	11:	End at 518 S Austin Blvd Oak Park, IL 60304	

B: 518 S Austin Blvd, Oak Park, IL 60304

Total Time: 24 minutes **Total Distance: 16.85 miles**

220

Attachment 12(3)
Page 95 of 124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S Pulaski Rd
S Damen Ave
W 31st St
W 35th St
Stevenson Expy S
S Western Ave
S Indiana Ave
S Drexel Blvd
Stickney
W 43rd St
W 47th St
S Archer Ave
S State St
Elsdon
W 55th St
W Garfield Blvd
S Kedzie Ave
S Racine Ave
S Michigan Ave
Payne Dr
Chicago Midway Airport
Clearing
W 63rd St
Chicago Lawn
W 67th St
Marquette Park
W 71st St
S Halsted St
S State Rd
W 79th St
E 79th
55
90
94
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221

MAPQUEST.

53

Total Time: 30 minutes **Total Distance: 20.96 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

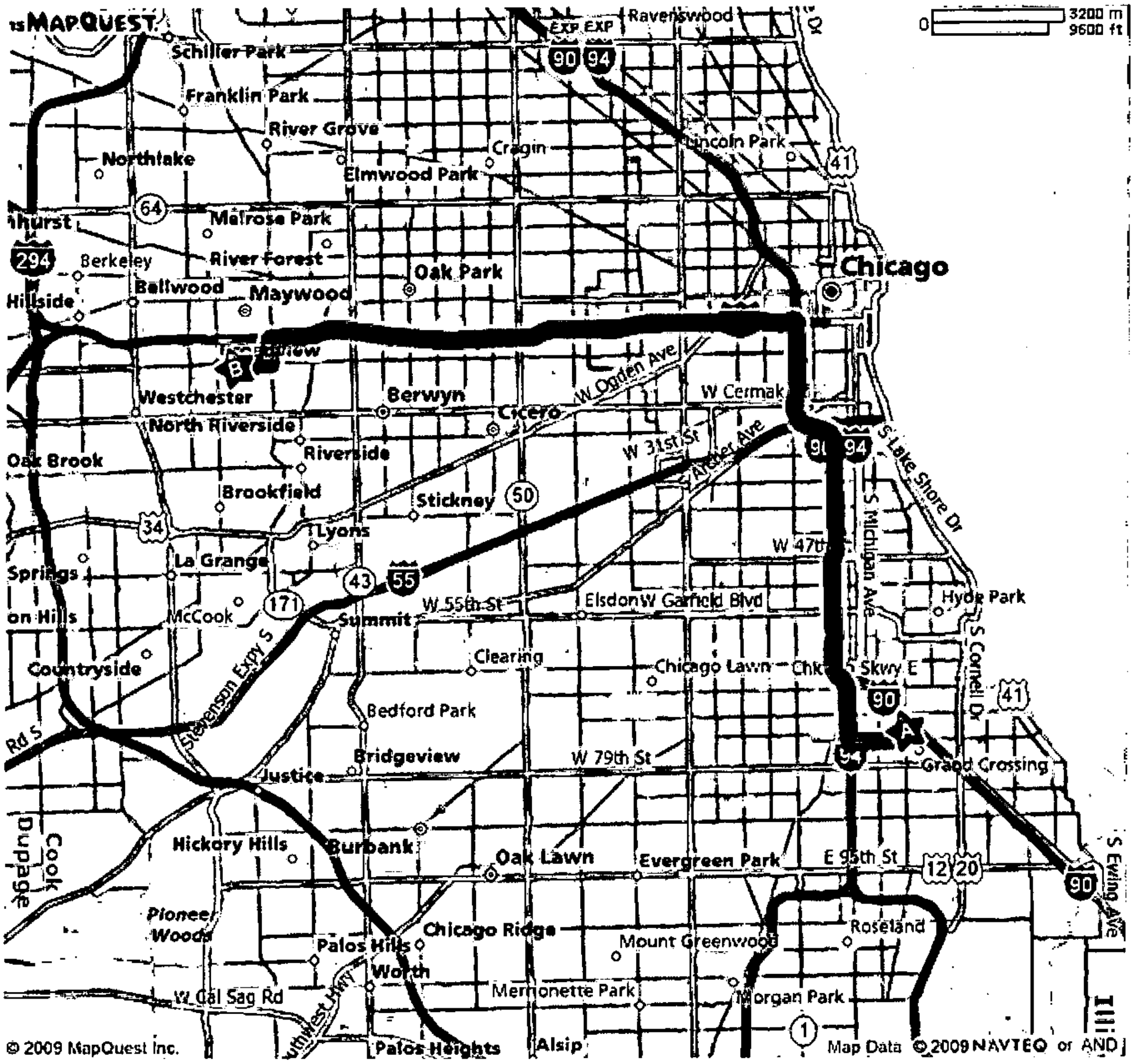
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W/DAN RYAN EXPY W.	1.7 mi
51H EXIT	7:	Take the I-290 W/EISENHOWER EXPY exit, EXIT 51H, toward WEST SUBURBS.	0.5 mi
WEST 290	8:	Merge onto I-290 W/EISENHOWER EXPY W via the exit on the LEFT toward WEST SURBURBS.	9.9 mi
20 EXIT	9:	Take the IL-171/1ST AVE exit, EXIT 20.	0.1 mi
	10:	Stay STRAIGHT to go onto HARRISON ST.	0.1 mi
	11:	Turn LEFT onto IL-171/S 1ST AVE.	0.5 mi
	12:	Turn RIGHT onto W ROOSEVELT RD.	0.7 mi
END	13:	End at 1201 W Roosevelt Rd Maywood, IL 60153-4046	

B: 1201 W Roosevelt Rd, Maywood, IL 60153-4046

Total Time: 30 minutes **Total Distance: 20.96 miles**

Attachment 12(3)
Page 97 of 124

222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Melrose Park
Berkeley
River Forest
Oak Park
Chicago
Hillside
Bellwood
Maywood
Westchester
Berwyn
Cicero
W Ogden Ave
W Cermak
North Riverside
Riverside
W 31st St
Archer Ave
Oak Brook
S Lake Shore Dr
Brookfield
Stickney
Lyons
W 47th
S Michigan Ave
La Grange
Hyde Park
W 55th St
Elsdon
W Garfield Blvd
McCook
Summit
Clearing
Countryside
Chicago Lawn
Skwy E
Stevenson Expy S
S Cornell Dr
Bedford Park
Bridgeview
W 79th St
Grand Crossing
Justice
Cook
Dupage
Hickory Hills
Burbank
Oak Lawn
Evergreen Park
E 95th St
S Ewing Ave
Pioneer Woods
Chicago Ridge
Mount Greenwood
Roseland
Palos Hills
Worth
Mernonette Park
Morgan Park
W Cal Sag Rd
Palos Heights
Alsip
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MAPQUEST.

55

Total Time: 26 minutes **Total Distance: 14.19 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

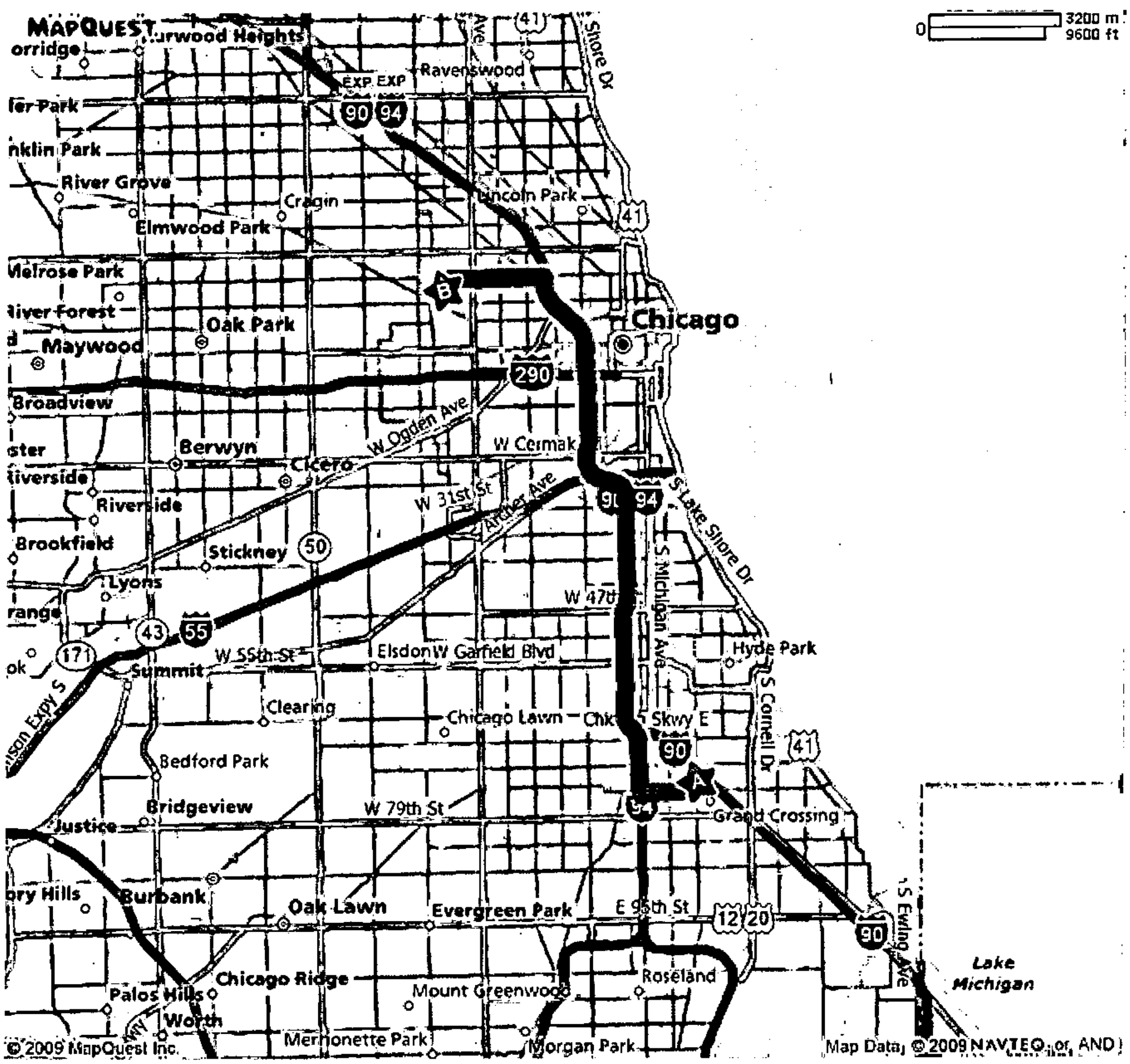
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W.	4.4 mi
49A EXIT	7:	Take the DIVISION ST exit, EXIT 49A.	0.2 mi
	8:	Turn LEFT onto W DIVISION ST.	1.9 mi
	9:	Turn LEFT onto N MOZART ST.	0.2 mi
END	10:	End at 1044 N Mozart St Chicago, IL 60622-2789	

B: 1044 N Mozart St, Chicago, IL 60622-2789

Total Time: 26 minutes **Total Distance: 14.19 miles**

224

Attachment 12(3)
Page 99 of 124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Lincoln Park
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Elmwood Park
River Grove
Chicago
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Maywood
Broadview
Berwyn
Cicero
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W 31st St
Archer Ave
Riverside
Brookfield
Stickney
Lyons
W 47th
S Michigan Ave
S Lake Shore Dr
Hyde Park
W 55th St
Elsdon
W Garfield Blvd
Summit
Clearing
Chicago Lawn
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Oak Lawn
Evergreen Park
E 95th St
Roseland
Chicago Ridge
Palos Hills
Worth
Mount Greenwood
Merrionette Park
Morgan Park
Lake Michigan
S Ewing Ave
S Cornell Dr
3200 m
9600 ft
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225

MAPQUEST.

50

Total Time: 22 minutes **Total Distance: 12.16 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	4.9 mi
53C EXIT	6:	Take EXIT 53C toward I-55 N/STEVENSON EXPY/LAKE SHORE DR/22ND ST.	0.4 mi
NORTH 55	7:	Merge onto I-55 N/STEVENSON EXPY N toward LAKE SHORE DR.	0.9 mi
NORTH 41	8:	Merge onto S LAKE SHORE DR/US-41 N via the exit on the LEFT.	2.7 mi
RAMP	9:	Take the RANDOLPH ST/WACKER DR ramp toward I-290.	0.2 mi
RAMP	10:	Take the ramp toward WACKER DR.	0.2 mi
	11:	Keep RIGHT at the fork in the ramp.	0.1 mi
	12:	Merge onto N LAKE SHORE LOWER DR.	0.2 mi
	13:	Turn LEFT onto E GRAND AVE.	0.3 mi
	14:	Turn RIGHT onto N FAIRBANKS CT.	0.2 mi
END	15:	End at 710 N Fairbanks Ct Chicago, IL 60611-3013	

B: 710 N Fairbanks Ct, Chicago, IL 60611-3013

Attachment 12(3)
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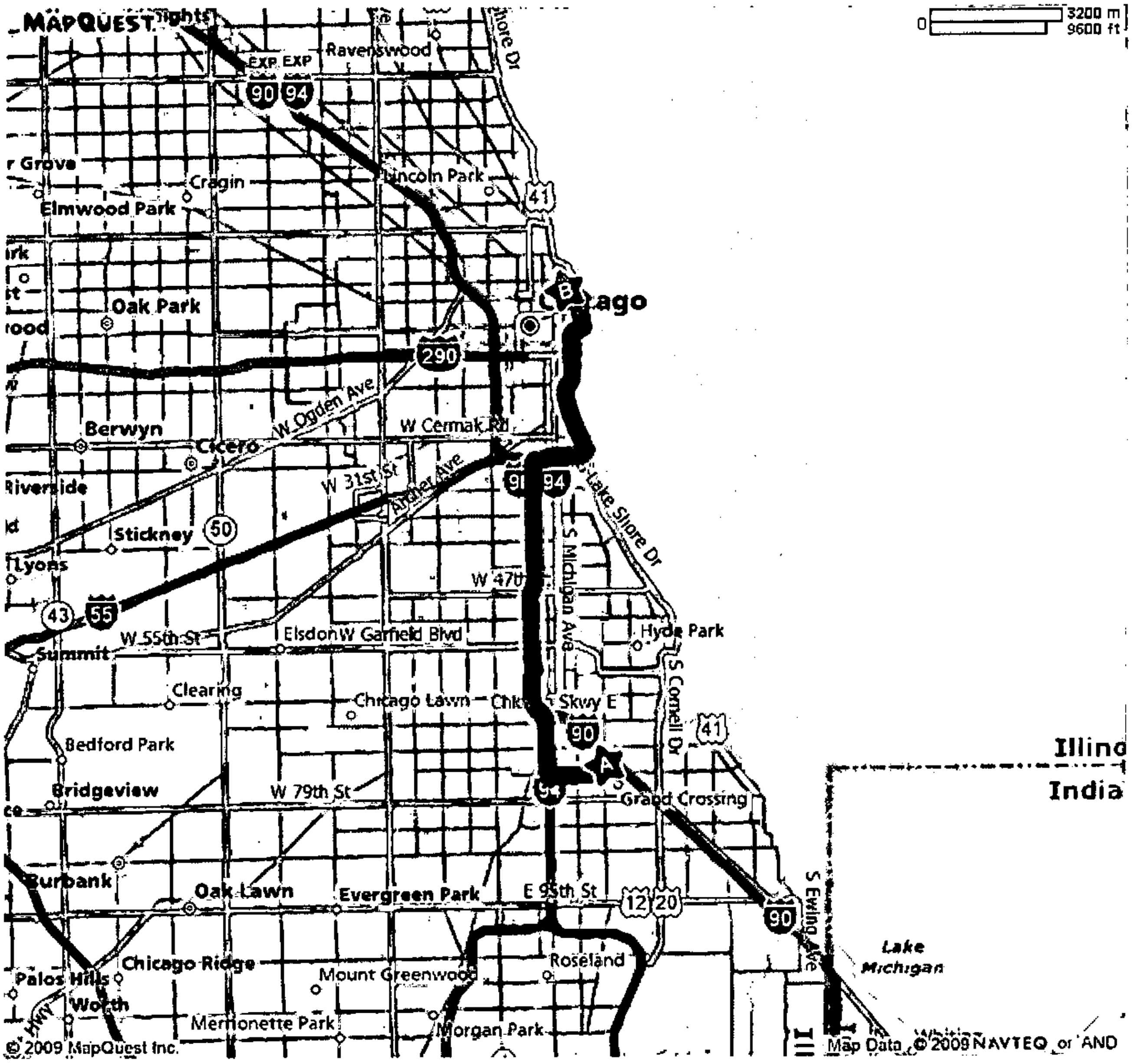
226

Total Time: 22 minutes **Total Distance: 12.16 miles**



227

MAPQUEST.

61

Total Time: 25 minutes **Total Distance: 15.79 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

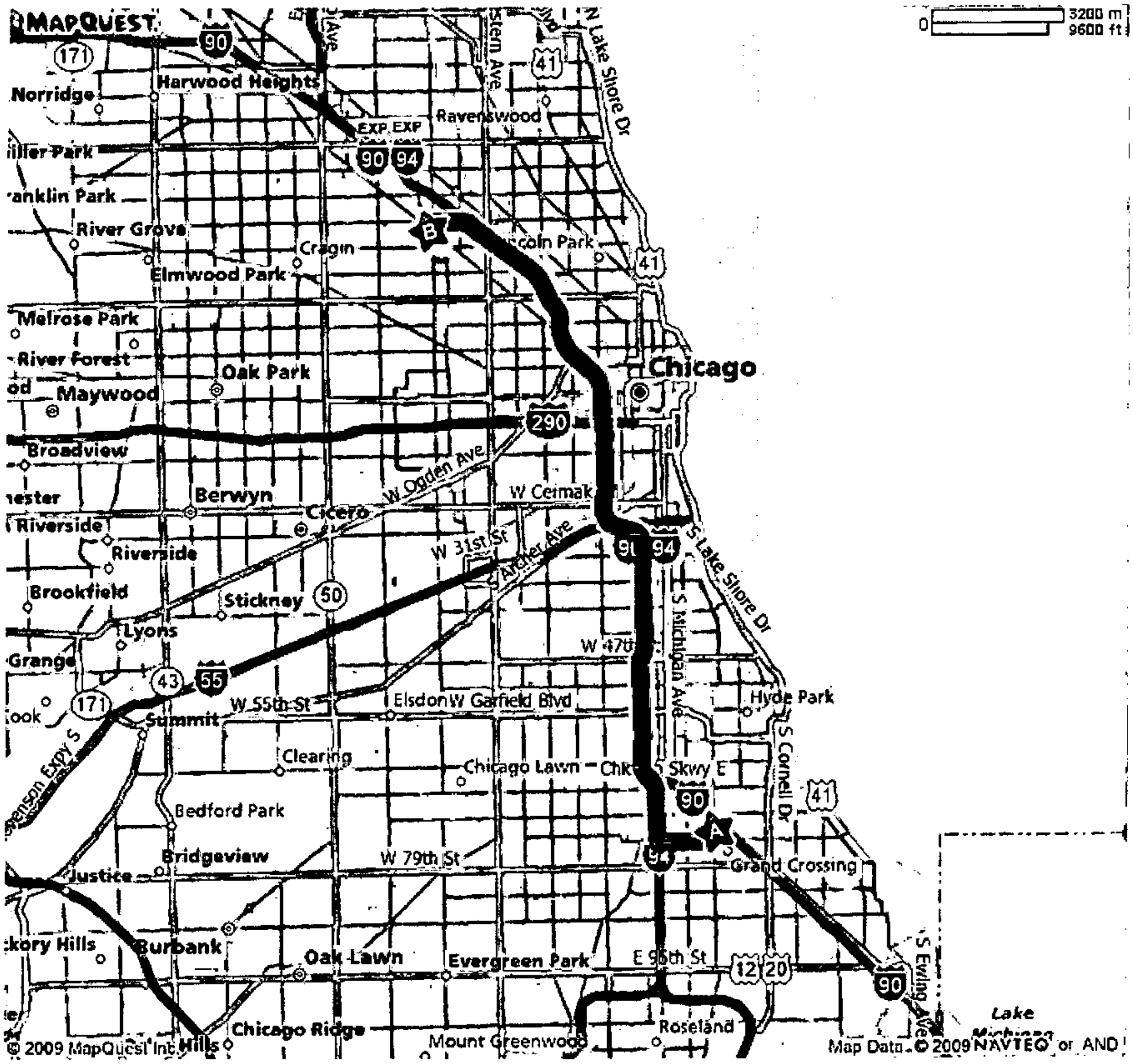
START	1: Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2: Turn RIGHT onto E 75TH ST.	1.0 mi
	3: Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4: Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5: Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6: I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W.	7.1 mi
46B EXIT	7: Take the DIVERSEY AVE exit, EXIT 46B.	0.3 mi
	8: Turn SLIGHT LEFT onto W DIVERSEY AVE.	0.7 mi
	9: Turn LEFT onto N KEDZIE AVE.	0.2 mi
	10: Turn SLIGHT RIGHT onto N MILWAUKEE AVE.	0.1 mi
END	11: End at 2659 N Milwaukee Ave Chicago, IL 60647-1643	

B: 2659 N Milwaukee Ave, Chicago, IL 60647-1643

Total Time: 25 minutes **Total Distance: 15.79 miles**

228

Attachment 12(3)
Page 103 of 124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Ravenswood
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W Cermak
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W 31st St
Archer Ave
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Stickney
Lyons
S Lake Shore Dr
S Michigan Ave
W 55th St
Elsdon
W Garfield Blvd
Hyde Park
Summit
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Bridgeview
W 79th St
Grand Crossing
Justice
Burbank
Oak Lawn
Evergreen Park
E 95th St
Chicago Ridge
Mount Greenwood
Roseland
3200 m
9600 ft
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229

MAPQUEST.

64

Total Time: 31 minutes **Total Distance: 22.91 miles**

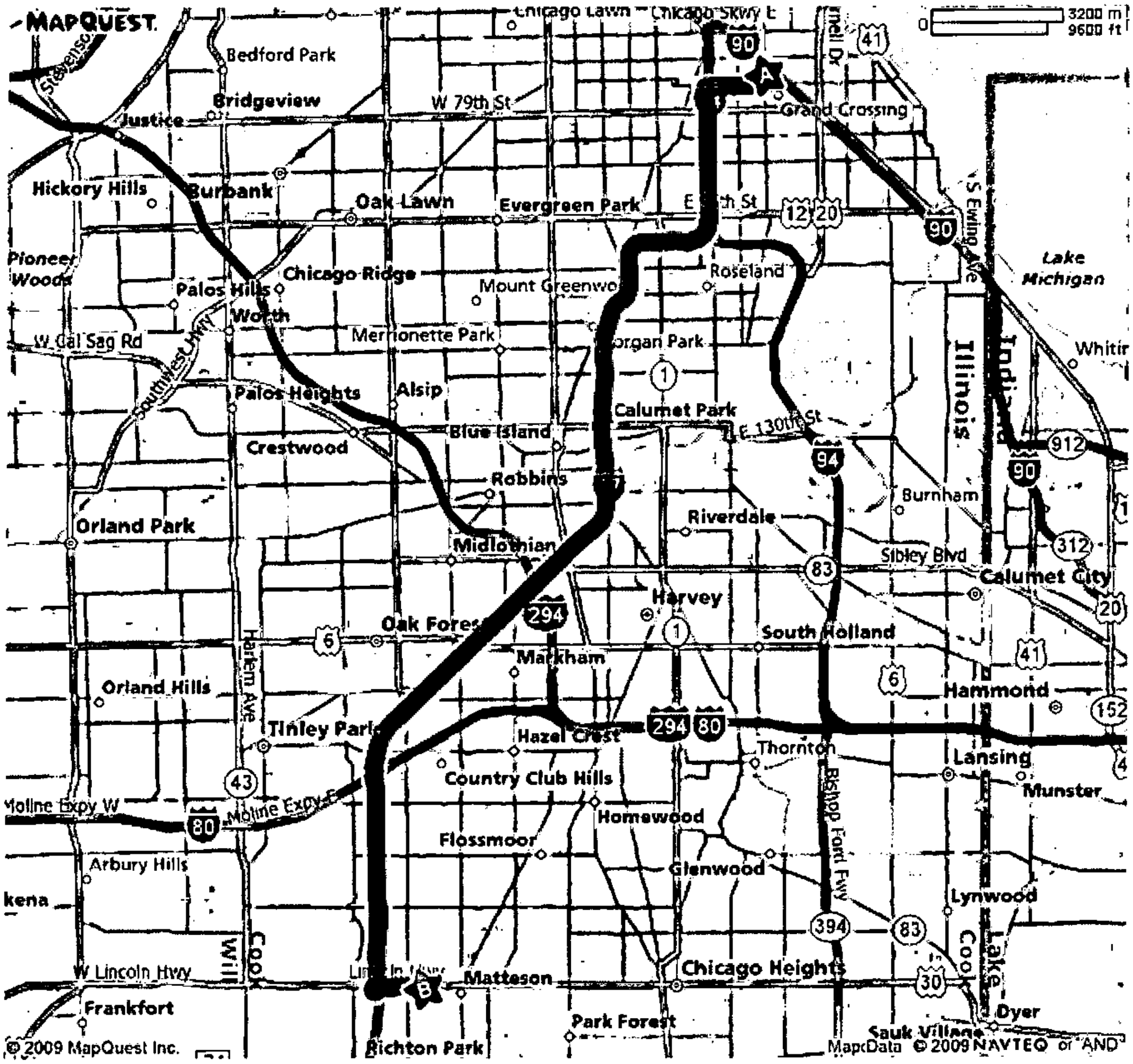
A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.1 mi
	3:	Turn LEFT onto S LAFAYETTE AVE.	0.2 mi
EAST 94	4:	Merge onto I-94 E/DAN RYAN EXPY E via the ramp on the LEFT.	2.5 mi
SOUTH 57	5:	Merge onto I-57 S via EXIT 63 toward MEMPHIS.	17.8 mi
EAST 30	6:	Merge onto US-30 E/LINCOLN HWY/211TH ST via EXIT 340A.	1.1 mi
END	7:	End at 4557 Lincoln Hwy Ste B Matteson, IL 60443-2385	

B: 4557 Lincoln Hwy Ste B, Matteson, IL 60443-2385

Total Time: 31 minutes **Total Distance: 22.91 miles**

230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Roseland
Lake Michigan
Worth
W Cal Sag Rd
Merrionette Park
Morgan Park
Palos Heights
Alsip
Calumet Park
Illinois
Indiana
Crestwood
Blue Island
Robbins
Burnham
Orland Park
Riverdale
Midlothian
Sibley Blvd
Calumet City
Harvey
Oak Forest
South Holland
Markham
Orland Hills
Harlem Ave
Hammond
Tinley Park
Hazel Crest
Thornton
Lansing
Country Club Hills
Munster
Moline Expy W
Moline Expy E
Homewood
Flossmoor
Arbury Hills
Glenwood
Bishop Ford Fwy
Lynwood
Will
Cook
W Lincoln Hwy
Matteson
Chicago Heights
Frankfort
Park Forest
Dyer
Richton Park
Sauk Village
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3200 m
9600 ft

231

MAPQUEST.

66

Total Time: 25 minutes **Total Distance: 14.86 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

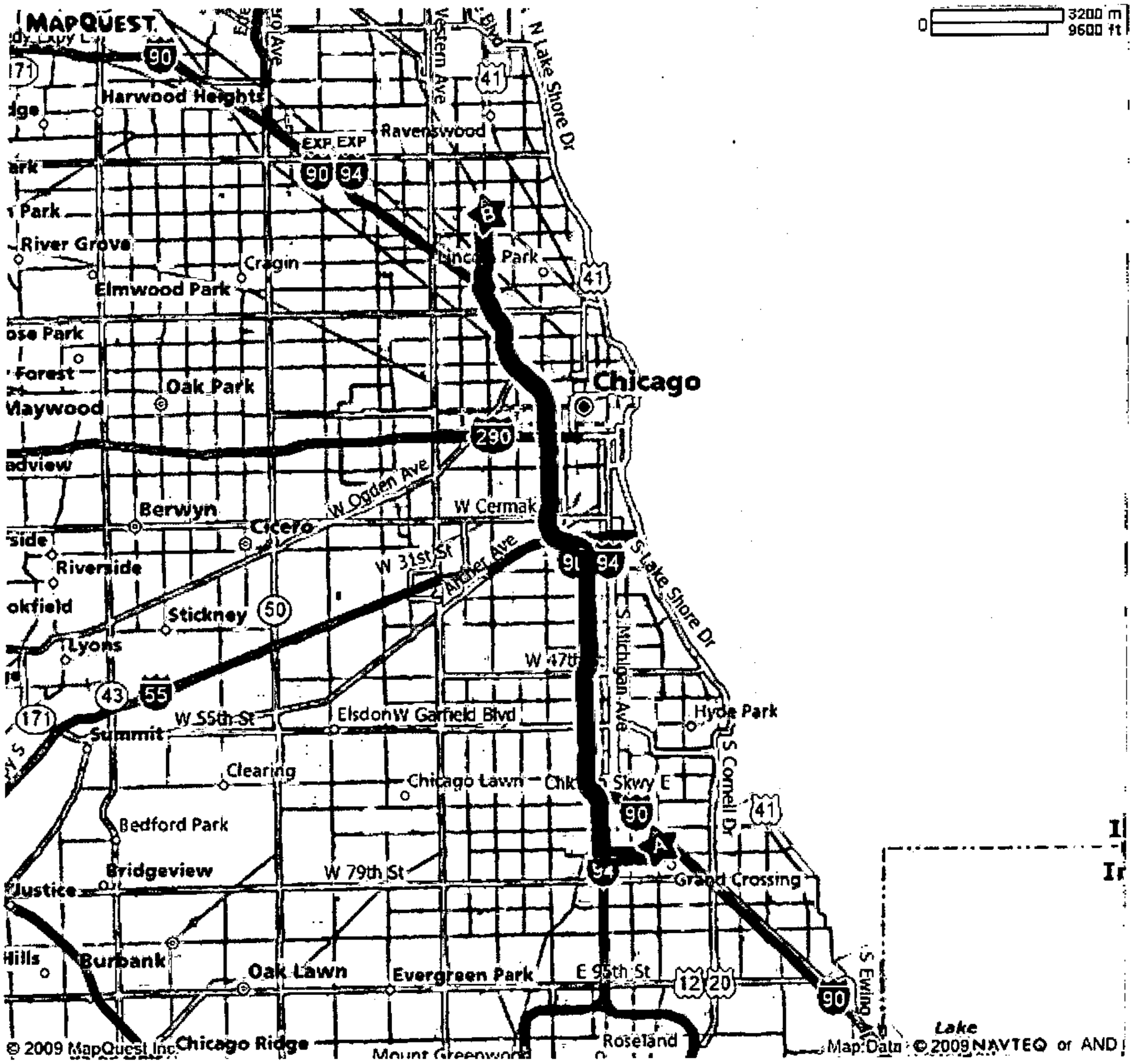
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W.	5.6 mi
48A EXIT	7:	Take the ARMITAGE AVE exit, EXIT 48A.	0.2 mi
	8:	Turn SHARP RIGHT onto W ARMITAGE AVE.	0.1 mi
	9:	Turn LEFT onto N ASHLAND AVE.	1.5 mi
	10:	Turn SHARP RIGHT onto N LINCOLN AVE.	0.0 mi
END	11:	End at 3157 N Lincoln Ave Chicago, IL 60657-3111	

B: 3157 N Lincoln Ave, Chicago, IL 60657-3111

Total Time: 25 minutes **Total Distance: 14.86 miles**

232

Attachment 12(3)
Page 107 of 124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Riverside
W 31st St
Archer Ave
S Lake Shore Dr
N Lake Shore Dr
Stickney
Lyons
W 47th
S Michigan Ave
W 55th St
Elsdon
W Garfield Blvd
Hyde Park
Summit
Clearing
Chicago Lawn
Skwy E
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Burbank
Oak Lawn
Evergreen Park
E 95th St
Roseland
Chicago Ridge
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3200 m
9600 ft

233

MAPQUEST.

67

Total Time: 26 minutes **Total Distance: 15.14 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

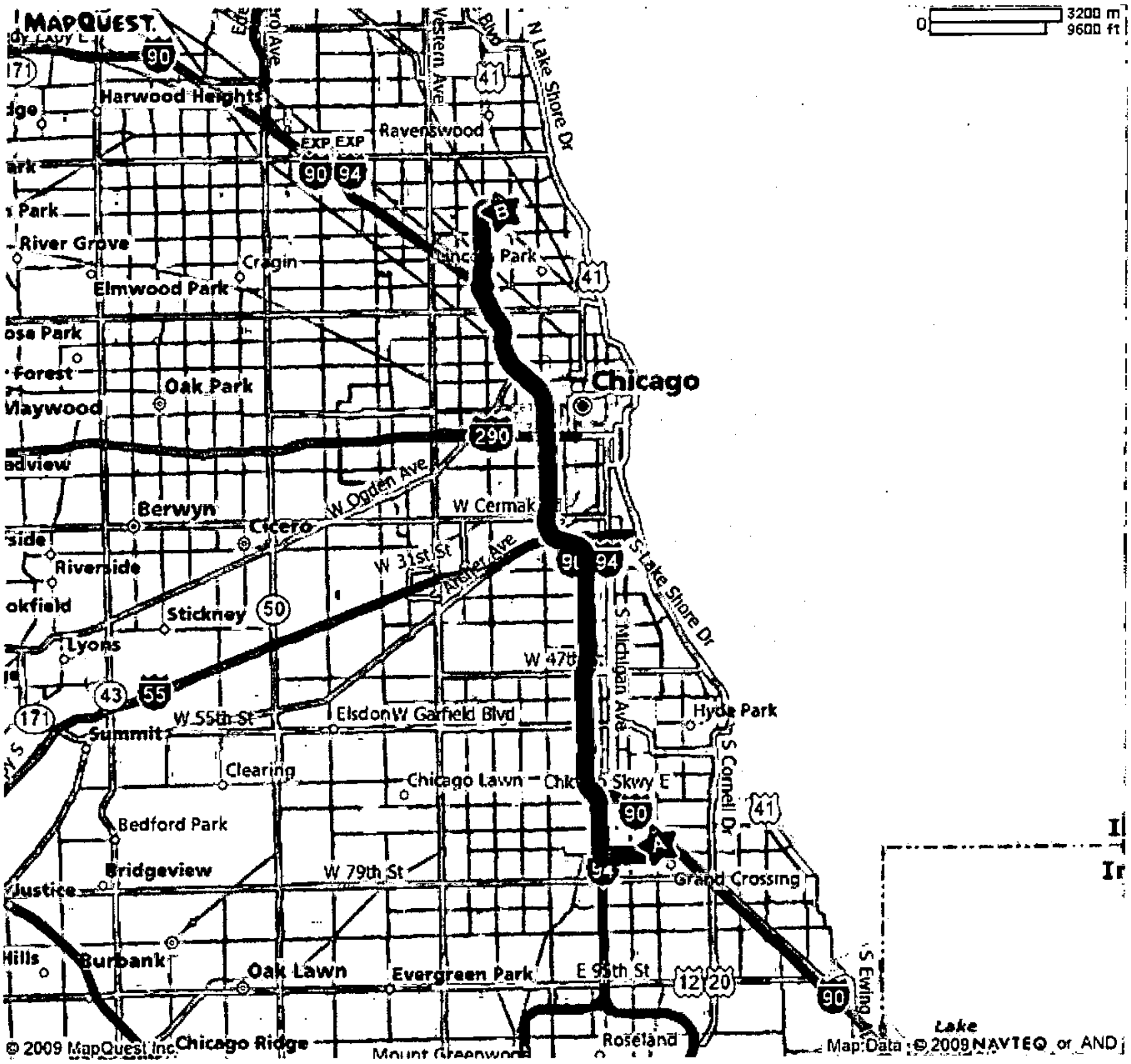
START	1: Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2: Turn RIGHT onto E 75TH ST.	1.0 mi
	3: Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4: Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5: Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6: I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W.	5.6 mi
48A EXIT	7: Take the ARMITAGE AVE exit, EXIT 48A.	0.2 mi
	8: Turn SHARP RIGHT onto W ARMITAGE AVE.	0.1 mi
	9: Turn LEFT onto N ASHLAND AVE.	1.5 mi
	10: Turn RIGHT onto W BELMONT AVE.	0.3 mi
END	11: End at [1300-1399] W Belmont Ave Chicago, IL 60657	

B: [1300-1399] W Belmont Ave, Chicago, IL 60657

Total Time: 26 minutes **Total Distance: 15.14 miles**

234

Attachment 12(3)
Page 109 of 124



235

Attachment 12(3)
Page 110 of 124

MAPQUEST.

8

Total Time: 30 minutes **Total Distance: 17.76 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

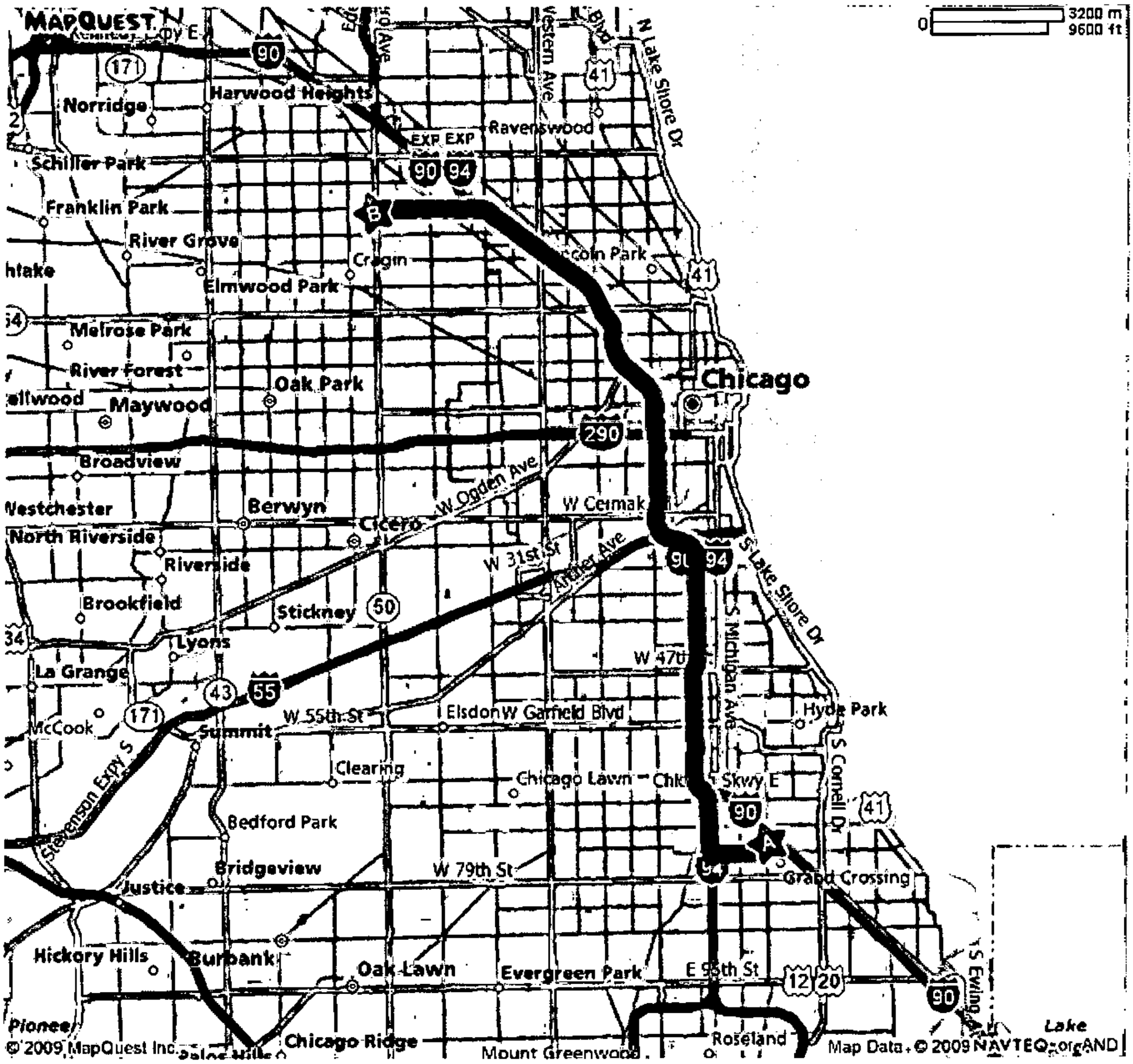
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 90	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-90 W/I-94 W.	8.0 mi
45C EXIT	7:	Take the BELMONT AVE exit, EXIT 45C.	0.2 mi
	8:	Turn SLIGHT LEFT onto W BELMONT AVE.	2.1 mi
END	9:	End at 4848 W Belmont Ave Chicago, IL 60641-4329	

B: 4848 W Belmont Ave, Chicago, IL 60641-4329

Total Time: 30 minutes **Total Distance: 17.76 miles**

236

Attachment 12(3)
Page 111 of 124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Maywood
Broadview
Westchester
Berwyn
Cicero
W Ogden Ave
W Cermak
North Riverside
Riverside
W 31st St
Archer Ave
Brookfield
Stickney
Lyons
W 47th
La Grange
McCook
Summit
W 55th St
Elsdon
W Garfield Blvd
Hyde Park
Clearing
Chicago Lawn
Bedford Park
Stevenson Expy S
Bridgeview
W 79th St
Grand Crossing
Justice
Hickory Hills
Burbank
Oak Lawn
Evergreen Park
E 95th St
Chicago Ridge
Mount Greenwood
Roseland
S Lake Shore Dr
N Lake Shore Dr
S Michigan Ave
S Cornell Dr
Western Ave
3200 m
9600 ft
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237

MAPQUEST.

A

Total Time: 30 minutes **Total Distance: 16.72 miles**

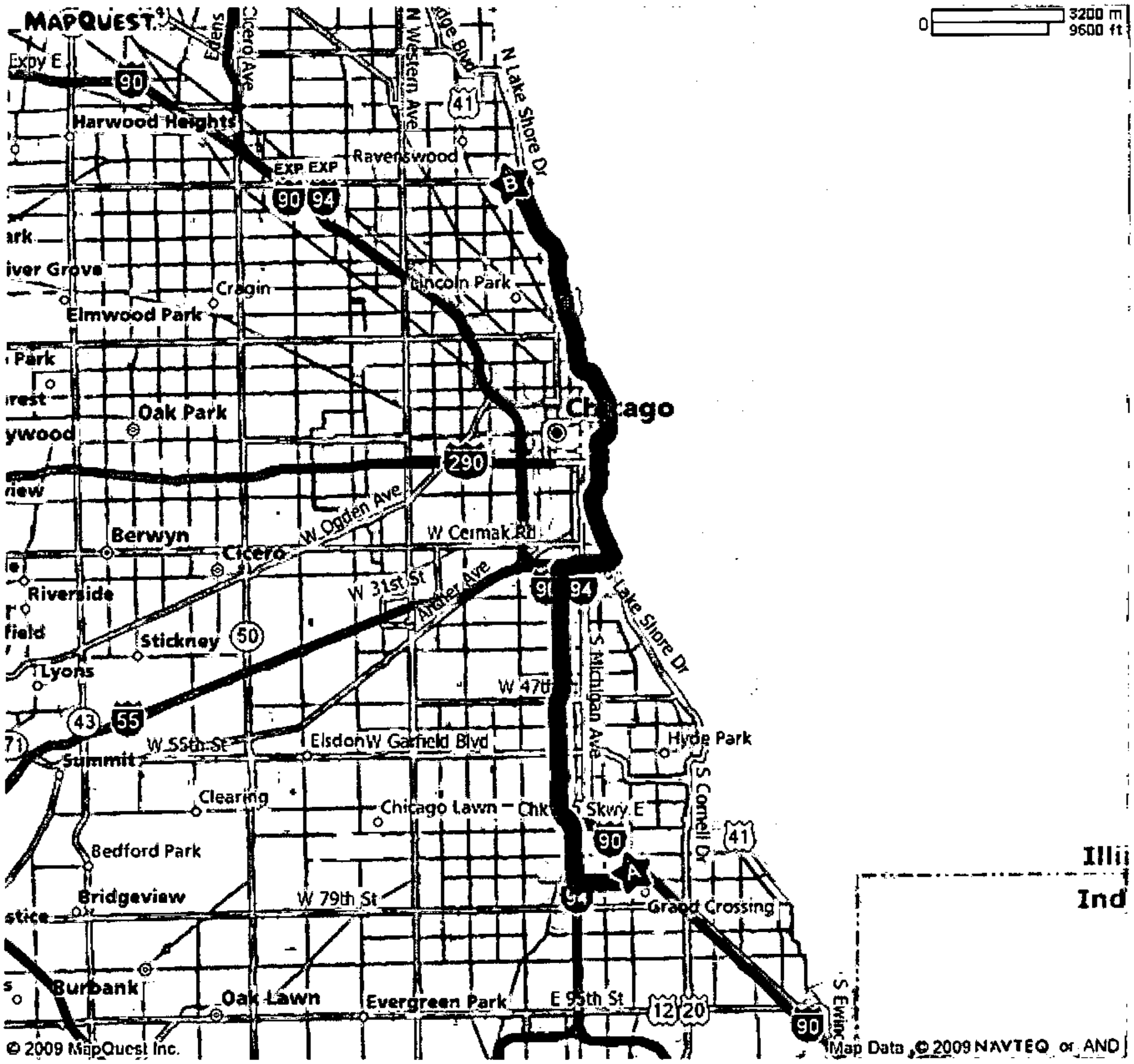
A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
2:	Turn RIGHT onto E 75TH ST.	1.0 mi
3:	Turn RIGHT onto S STATE ST.	0.0 mi
4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	4.9 mi
6:	Take EXIT 53C toward I-55 N/STEVENSON EXPY/LAKE SHORE DR/22ND ST.	0.4 mi
7:	Merge onto I-55 N/STEVENSON EXPY N toward LAKE SHORE DR.	0.9 mi
8:	Merge onto S LAKE SHORE DR/US-41 N via the exit on the LEFT.	8.0 mi
9:	Take the IRVING PARK RD/IL-19 ramp.	0.1 mi
10:	Turn LEFT onto W IRVING PARK RD/N RECREATION DR/IL-19. Continue to follow W IRVING PARK RD/IL-19.	0.3 mi
11:	Turn RIGHT onto N BROADWAY ST.	0.0 mi
12:	End at 4008 N Broadway St Chicago, IL 60613-2111	

B: 4008 N Broadway St, Chicago, IL 60613-2111

Total Time: 30 minutes **Total Distance: 16.72 miles**

238



239

Attachment 12(3)
Page 114 of 124

MAPQUEST.

2

Total Time: 28 minutes **Total Distance: 18.81 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

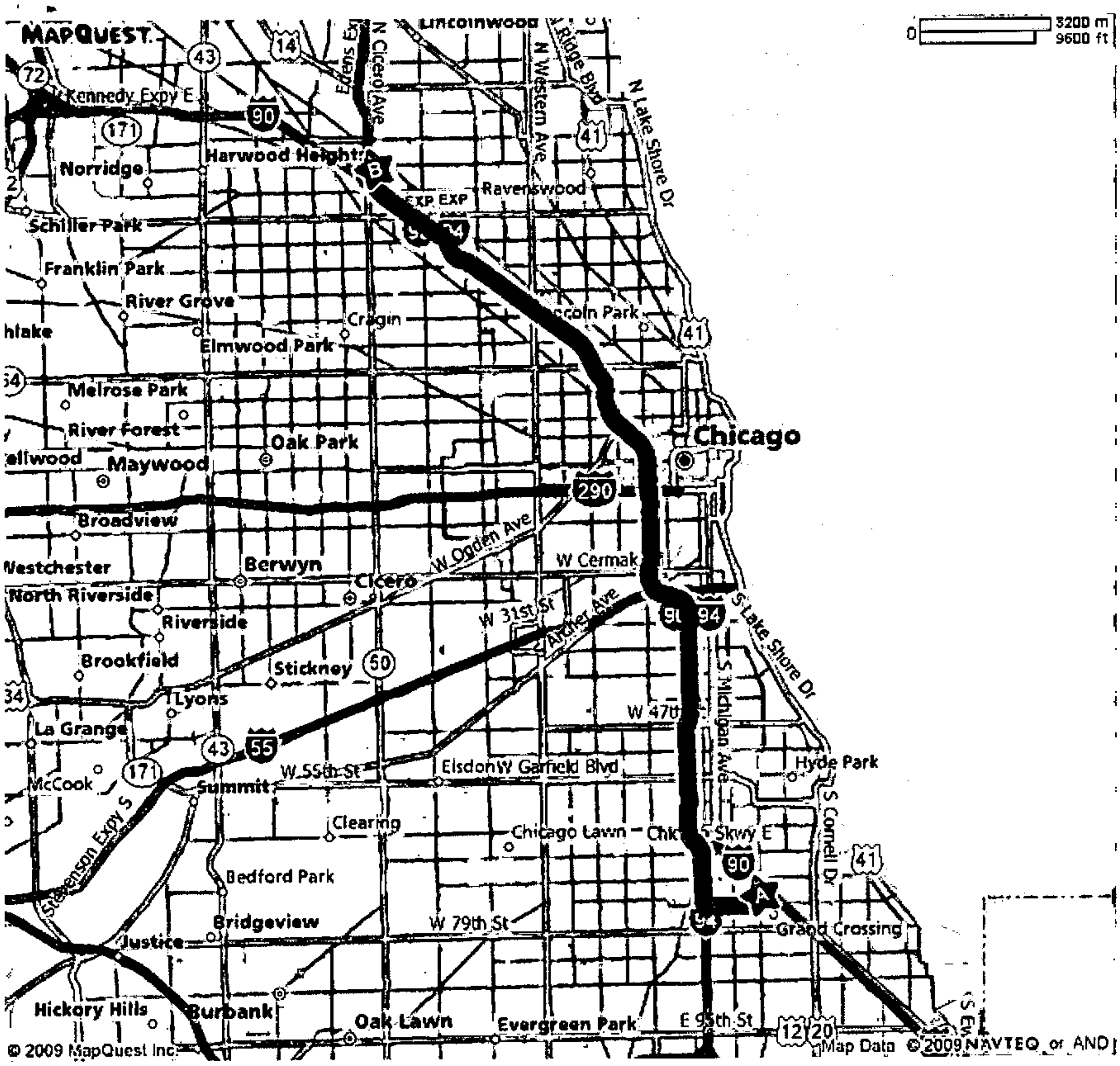
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
	2:	Turn RIGHT onto E 75TH ST.	1.0 mi
	3:	Turn RIGHT onto S STATE ST.	0.0 mi
WEST 94	4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
WEST 94 EXP	5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	5.5 mi
WEST 94	6:	I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W becomes I-94 W.	10.7 mi
43A EXIT	7:	Take the WILSON AVE exit, EXIT 43A.	0.2 mi
	8:	Turn LEFT onto W WILSON AVE.	0.1 mi
	9:	Turn RIGHT onto N CICERO AVE/IL-50.	0.3 mi
	10:	Turn RIGHT onto W LAWRENCE AVE.	0.1 mi
END	11:	End at 4800 N Kilpatrick Ave Chicago, IL 60630-1725	

B: 4800 N Kilpatrick Ave, Chicago, IL 60630-1725

Total Time: 28 minutes **Total Distance: 18.81 miles**

240

Attachment 12(3)
Page 115 of 124


MAPQUEST
Kennedy Expy E
Norridge
Harwood Heights
Ravenswood
Schiller Park
Franklin Park
River Grove
Cragin
Elmwood Park
Melrose Park
River Forest
Oak Park
Maywood
Chicago
Broadview
Berwyn
Cicero
W Ogden Ave
W Cermak
Westchester
North Riverside
Riverside
W 31st St
Archer Ave
Brookfield
Stickney
Lyons
La Grange
W 47th
McCook
Summit
W 55th St
Elsdon
W Garfield Blvd
Hyde Park
Clearing
Chicago Lawn
Bedford Park
Bridgeview
W 79th St
Grand Crossing
Justice
Hickory Hills
Burbank
Oak Lawn
Evergreen Park
E 95th St
N Cicero Ave
N Western Ave
N Lake Shore Dr
S Lake Shore Dr
S Michigan Ave
S Cornell Dr
Stevenson Expy S
3200 m
9600 ft
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241

MAPQUEST.

13

Total Time: 30 minutes **Total Distance: 17.40 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

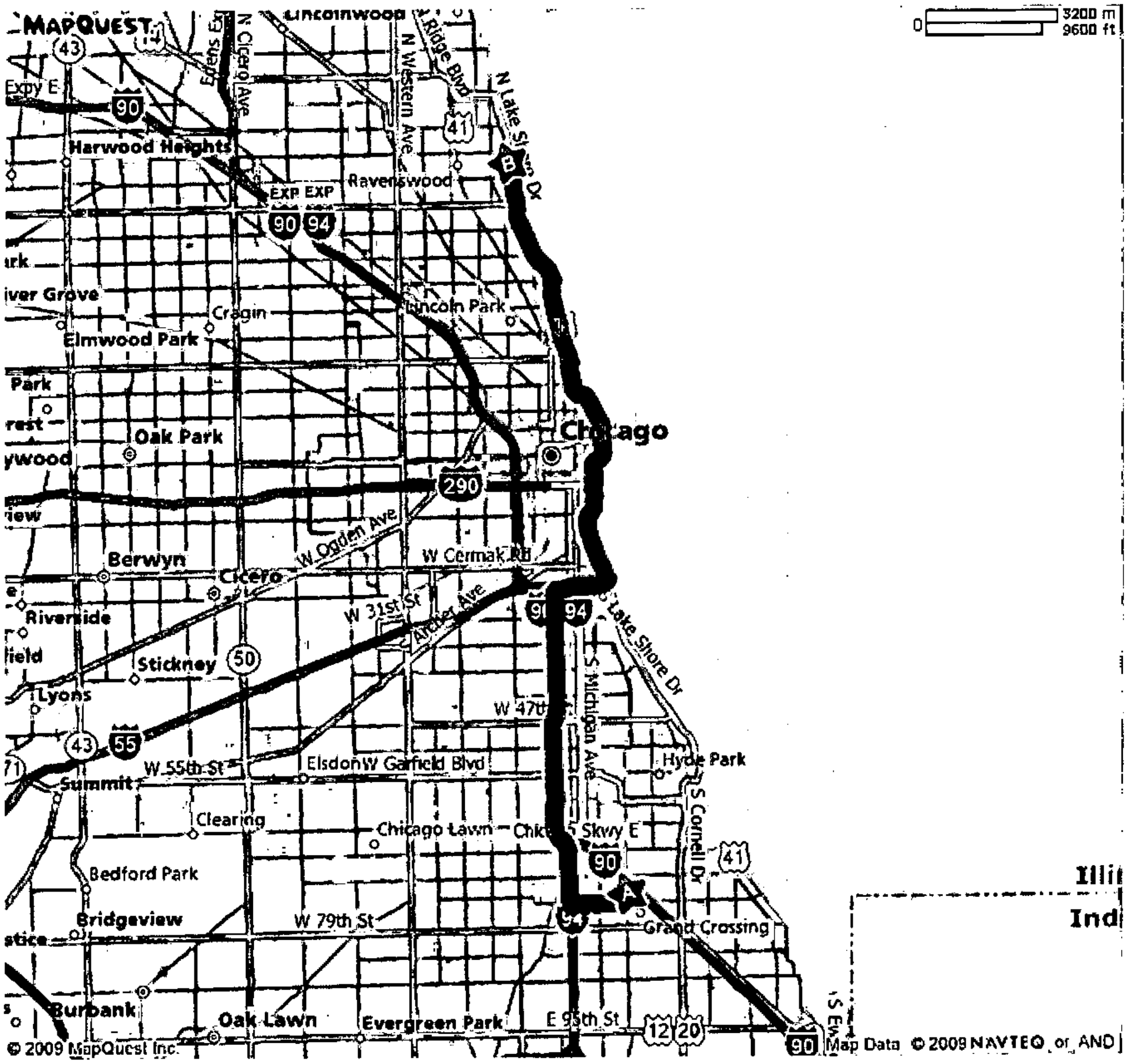
1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.2 mi
2:	Turn RIGHT onto E 75TH ST.	1.0 mi
3:	Turn RIGHT onto S STATE ST.	0.0 mi
4:	Merge onto I-94 W/DAN RYAN EXPY W via the ramp on the LEFT.	0.7 mi
5:	Keep LEFT to take I-94 EXPRESS LN W/DAN RYAN EXPRESS LN W toward PERSHING RD.	4.9 mi
6:	Take EXIT 53C toward I-55 N/STEVENSON EXPY/LAKE SHORE DR/22ND ST.	0.4 mi
7:	Merge onto I-55 N/STEVENSON EXPY N toward LAKE SHORE DR.	0.9 mi
8:	Merge onto S LAKE SHORE DR/US-41 N via the exit on the LEFT.	8.8 mi
9:	Take the WILSON AVE ramp.	0.1 mi
10:	Turn LEFT onto W WILSON AVE.	0.1 mi
11:	Turn RIGHT onto N MARINE DR.	0.1 mi
12:	End at 4700 N Marine Dr Chicago, IL 60640-5120	

B: 4700 N Marine Dr, Chicago, IL 60640-5120

Total Time: 30 minutes Total Distance: 17.40 miles

242

Attachment 12(3)
Page 117 of 124


MAPQUEST
0
3200 m
9600 ft
Lincolnwood
Edens Expy
N Cicero Ave
N Western Ave
N Ridge Blvd
N Lake Shore Dr
Harwood Heights
Ravenswood
EXP EXP
Lincoln Park
Cragin
Elmwood Park
Oak Park
Chicago
W Ogden Ave
Berwyn
Cicero
W Cermak Rd
Riverside
W 31st St
Archer Ave
Stickney
Lyons
W 47th
S Michigan Ave
Lake Shore Dr
Summit
W 55th St
Elsdon
W Garfield Blvd
Hyde Park
Clearing
Chicago Lawn
Skwy E
S Cornell Dr
Bedford Park
Bridgeview
W 79th St
Grand Crossing
Burbank
Oak Lawn
Evergreen Park
E 95th St
Illi
Ind
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243

MAPQUEST.

83

Total Time: 19 minutes **Total Distance: 7.91 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

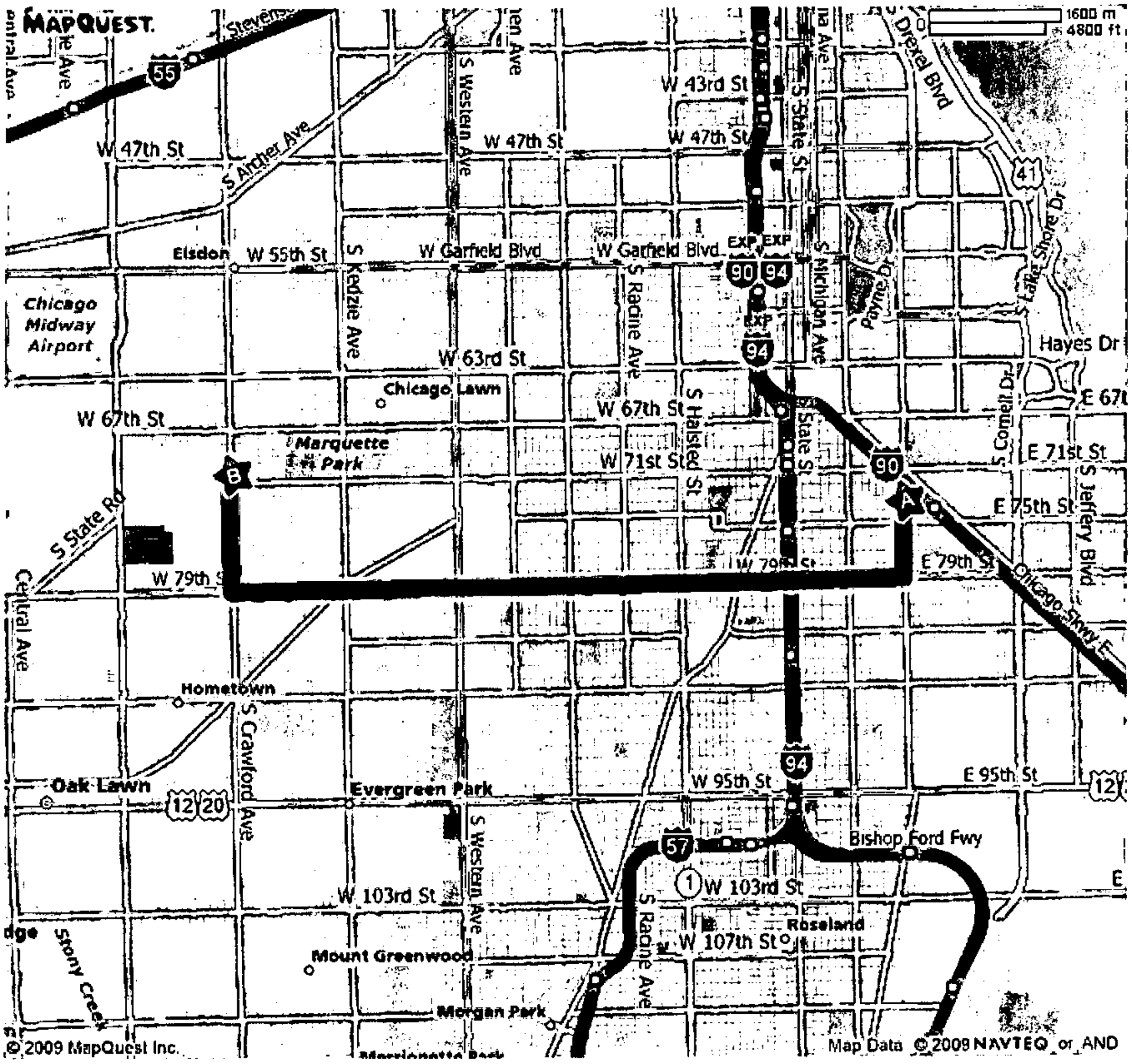
START	**1:**	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.7 mi
	2:	Turn RIGHT onto E 79TH ST.	6.0 mi
	3:	Turn RIGHT onto S PULASKI RD.	1.1 mi
END	**4:**	End at 7000 S Pulaski Rd Chicago, IL 60629-5842	

B: 7000 S Pulaski Rd, Chicago, IL 60629-5842

Total Time: 19 minutes Total Distance: 7.91 miles

244

Attachment 12(3)
Page 119 of 124


MapQuest
W 43rd St
W 47th St
W 47th St
W 47th St
S Archer Ave
S Western Ave
S State St
Drexel Blvd
Elsdon
W 55th St
W Garfield Blvd
W Garfield Blvd
Chicago Midway Airport
S Kedzie Ave
S Racine Ave
S Michigan Ave
Lake Shore Dr
W 63rd St
Chicago Lawn
Hayes Dr
W 67th St
W 67th St
S Halsted St
E 71st St
Marquette Park
W 71st St
E 75th St
S State Rd
W 79th St
E 79th St
Chicago Skwy
S Jeffery Blvd
Central Ave
Hometown
S Crawford Ave
Oak Lawn
Evergreen Park
W 95th St
E 95th St
Bishop Ford Fwy
W 103rd St
W 103rd St
Roseland
W 107th St
Mount Greenwood
Morgan Park
Stony Creek
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245

MAPQUEST.

85

Total Time: 29 minutes **Total Distance: 11.57 miles**

A: 7311 S Cottage Grove Ave, Chicago, IL 60619-1909

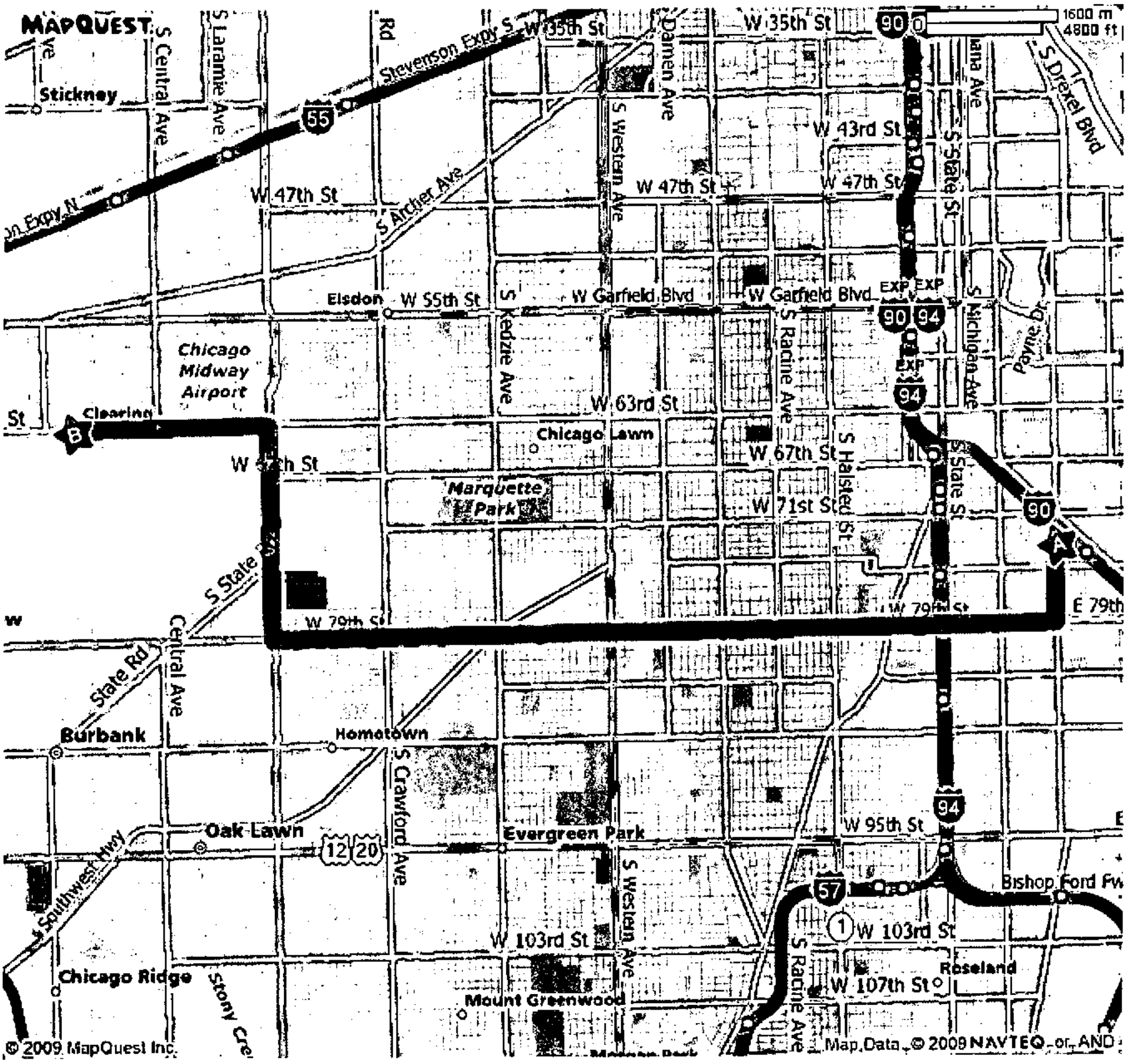
START	1:	Start out going SOUTH on S COTTAGE GROVE AVE toward E 74TH ST.	0.7 mi
	2:	Turn RIGHT onto E 79TH ST.	7.0 mi
NORTH 50	3:	Turn RIGHT onto S CICERO AVE/IL-50. Continue to follow IL-50 N.	2.0 mi
	4:	Turn LEFT onto W 63RD ST.	1.8 mi
END	5:	End at 6201 W 63rd St Chicago, IL 60638-5009	

B: 6201 W 63rd St, Chicago, IL 60638-5009

Total Time: 29 minutes **Total Distance: 11.57 miles**

246

Attachment 12(3)
Page 121 of 124


MAPQUEST
Stickney
S Central Ave
S Laramie Ave
Stevenson Expy S
W 35th St
Damen Ave
S Western Ave
W 43rd St
W 47th St
S Archer Ave
S State St
S Drexel Blvd
Elsdon
W 55th St
S Kedzie Ave
W Garfield Blvd
S Racine Ave
S Michigan Ave
Payne Dr
Chicago Midway Airport
W 63rd St
Chicago Lawn
W 67th St
S Halsted St
Marquette Park
W 71st St
S State Rd
W 79th St
E 79th
Central Ave
Burbank
Hometown
S Crawford Ave
Oak Lawn
Evergreen Park
W 95th St
S Western Ave
Bishop Ford Fw
W 103rd St
W 107th St
Roseland
Chicago Ridge
Mount Greenwood
1600 m
4800 ft
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MAPQUEST.

Trip to 8600 S Holland Rd
Chicago, IL 60620
3.21 miles - about 8 minutes

Notes
Grand Crossing Dialysis to FMC-Chatham Dialysis

#86

7319 S Cottage Grove Ave, Chicago, IL 60619-1909

START	1. Start out going **SOUTH** on **S COTTAGE GROVE AVE** toward **E 74TH ST**.		go 0.2 mi
	2. Turn **RIGHT** onto **E 75TH ST**.		go 1.1 mi
	3. Turn **LEFT** onto **S LAFAYETTE AVE**.		go 0.2 mi
EAST 94	4. Merge onto **I-94 E / DAN RYAN EXPY E** via the ramp on the **LEFT**.	Map	go 1.1 mi
61B EXIT	5. Take **EXIT 61B** toward **87TH ST**.		go 0.2 mi
	6. Stay **STRAIGHT** to go onto **S LAFAYETTE AVE**.		go 0.1 mi
	7. Turn **RIGHT** onto **W 87TH ST**.		go 0.4 mi
	8. Turn **SHARP LEFT** onto **S HOLLAND RD**.		go 0.0 mi
END	9. **8600 S HOLLAND RD** is on the **RIGHT**.		go 0.0 mi

8600 S Holland Rd, Chicago, IL 60620
Total Travel Estimate : 3.21 miles - about 8 minutes

Route Map Hide

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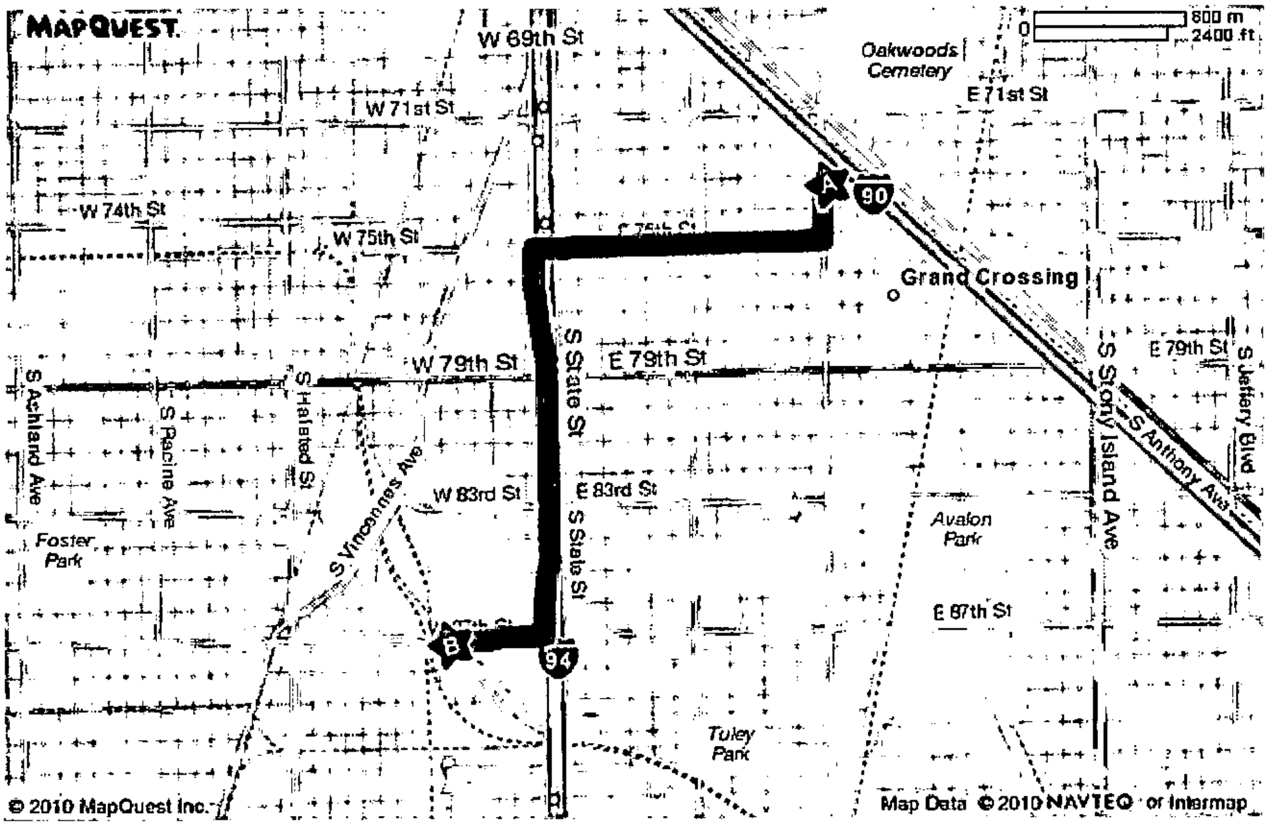
Attachment 12(3)
Page 123 of 124



249

Attachment 12(3)
Page 124 of 124

DaVita.

Johnson Controls

DAVITA / JCI REAL ESTATE SERVICES ALLIANCE
Comparable Rents Survey
Subject Property: 7311 S Cottage Grove, Chicago, IL
Date: March 6, 2009

LEASE POINT	Comp 1: 400 W 76th St Chicago, IL	Comp 2: 110 E 79th St Chicago, IL	Comp 3: 1111-1135 E 87th St Chicago, IL
SIZE (square feet)	4,000 SF	3,500 SF	4,700 SF
LEASE TERM	5 Years	5 Years	5 Years
BASE RENTAL RATE AND INCREASES	$21.00/SF Gross CPI Index Increases	$17.00/SF Gross Small annual increase	$16.00/SF NNN N/A
DISTANCE FROM SUBJECT PROPERY	1.9 Miles	1.6 Miles	2.1 Miles
TI ALLOWANCE	Small Allowance	None	Small Allowance
DATE OF TRANSACTION	Within last 12 months	Within last 6 months	Within last 12 months
TENANT	Unable to release	Unable to release	Unable to release
COMMENTS	N/A	N/A	N/A

LEASE POINT	Comp 4: 6349 S Cottage Grove Ave Chicago, IL
SIZE (square feet)	5,000 SF
LEASE TERM	5 Years
BASE RENTAL RATE AND INCREASES	$13.00/SF NNN
DISTANCE FROM SUBJECT PROPERY	1.2 Miles
TI ALLOWANCE	Unavailable
DATE OF TRANSACTION	Within last 12 months
TENANT	Unable to release
COMMENTS	N/A

250

DaVita.

Johnson Controls

DAVITA / JCI REAL ESTATE SERVICES ALLIANCE
Comparable Rents Survey
Subject Property: 7311 S Cottage Grove, Chicago, IL
Date: March 6, 2009

Chicago's Vacancy Increases to 8.4%

Net Absorption Positive 406,280 SF in the Quarter

The Chicago retail market experienced a slight decline in market conditions in the fourth quarter 2008. The vacancy rate went from 8.0% in the previous quarter to 8.4% in the current quarter. Net absorption was positive 406,280 square feet, and vacant sublease space increased by 489,544 square feet. Quoted rental rates increased from third quarter 2008 levels, ending at $18.46 per square foot per year.

A total of 54 retail buildings with 2,336,378 square feet of retail space were delivered to the market in the quarter, with 4,078,443 square feet still under construction at the end of the quarter.

Net Absorption
Retail net absorption was slightly positive in Chicago fourth quarter 2008, with positive 406,280 square feet absorbed in the quarter. In third quarter 2008, net absorption was positive 1,537,407 square feet, while in second quarter 2008, absorption came in at positive 542,645 square feet. In first quarter 2008, positive 231,952 square feet was absorbed in the market. Tenants moving out of large blocks of space in 2008 include: Target moving out of 123,700 square feet at North Aurora Towne Center; JCPenney moving out of 102,044 square feet at JC Penney; and Kohl's moving out of 100,130 square feet at Woodgrove Festival.

Tenants moving into large blocks of space in 2008 include: Wal-Mart moving into 202,300 square feet at Wal-Mart Supercenter; Target moving into 126,842 square feet at Highway 50; and JC Penny moving into 104,175 square feet at Highway 50.

Vacancy
Chicago's retail vacancy rate increased in the fourth quarter 2008, ending the quarter at 8.4%. Over the past four quarters, the market has seen an overall increase in the vacancy rate, with the rate going from 7.9% in the first quarter 2008, to 8.1% at the end of the second quarter 2008, 8.0% at the end of the third quarter 2008, to 8.4% in the current quarter.

The amount of vacant sublease space in the Chicago market has trended down over the past four quarters. At the end of the first quarter 2008, there were 1,433,361 square feet of vacant sublease space. Currently, there are 1,333,277 square feet vacant in the market.

Rental Rates
Average quoted asking rental rates in the Chicago retail market are up over previous quarter levels, and up from their levels four quarters ago. Quoted rents ended the fourth quarter 2008 at $18.46 per square foot per year. That compares to $18.32 per square foot in the third quarter 2008, and $17.63 per square foot at the end of the first quarter 2008. This represents a 0.8% increase in rental rates in the current quarter, and a 4.50% increase from four quarters ago.

DAVITA / JCI REAL ESTATE SERVICES ALLIANCE
Comparable Rents Survey
Subject Property: 7311 S Cottage Grove, Chicago, IL
Date: March 6, 2009

General Retail Properties

The General Retail sector of the market, which includes all freestanding retail buildings, except those contained within a center, reported a vacancy rate of 7.2% at the end of fourth quarter 2008. There was a total of 14,054,990 square feet vacant at that time. The General Retail sector in Chicago currently has average rental rates of $19.81 per square foot per year. There are 1,603,524 square feet of space under construction in this sector, with 744,893 square feet having been completed in the fourth quarter. In all, there are a total of 17,510 buildings with 194,809,217 square feet of General Retail space in Chicago.

Specialty Centers
There are currently 12 Specialty Centers in the Chicago market, making up 3,699,435 square feet of retail space. In this report the Specialty Centers market is comprised of Outlet Centers, Airport Retail and Theme/Festival Centers. Specialty Centers in the Chicago market have experienced negative (8,123) square feet of net absorption in 2008. The vacancy rate currently stands at 1.4%.

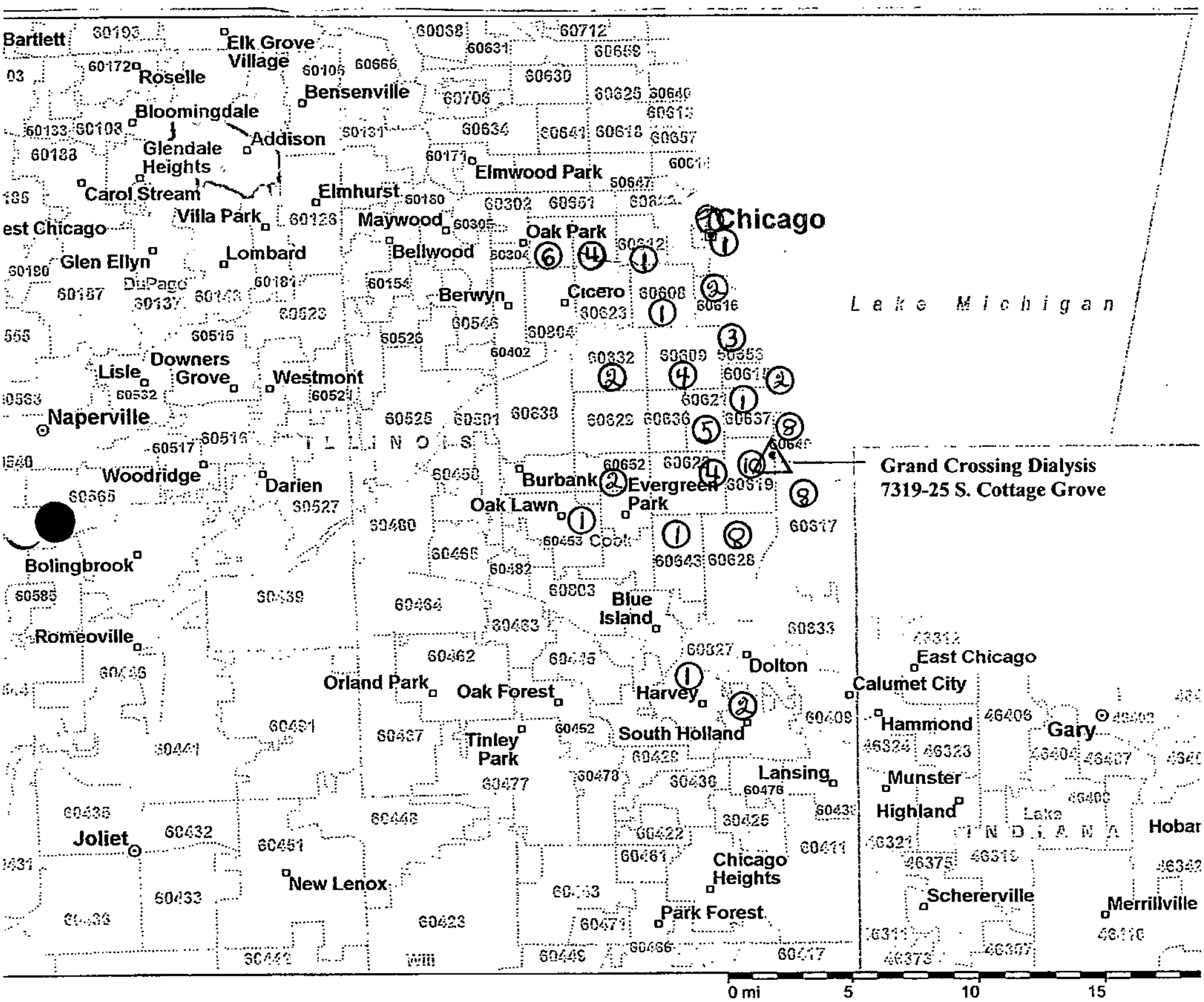
QUALITY OF CARE

Grand Crossing Dialysis is a new facility. See the following page for a summary of recent patient outcomes for DaVita's fifteen (15) other Chicago-area facilities. The data indicate that patient outcomes at DaVita facilities significantly exceed HFSRB standards, as follows:

> 90.60% of patients had URRs of 65% or higher compared to the HFSRB standard of at least 85% of patients and
>
> 93.98% of DaVita's patients in the Chicago area had a Kt/V Dauridgas II.1.2 compared to the HFSRB standard of 85% of patients.

GRAND CROSSING DIALYSIS

PATIENT ORIGIN



SOURCE: Physician letter of referral in Attachment 20(1).

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GRAND CROSSING DIALYSIS

PATIENT ORIGIN
Proposed Patients

	Zip Code	Number of Patients	Percentage of Patients*
PLANNING AREA 6			
Chicago	60601	1	1 %
	60608	1	1
	60609	4	5
	60611	1	1
	60612	1	1
	60615	2	3
	60616	2	3
	60617	8	10
	60619	10	13
	60620	4	5
	60621	5	6
	60624	4	5
	60628	8	10
	60632	2	3
	60637	1	1
	60643	1	1
	60644	6	8
	60649	8	10
	60652	2	3
	60653	3	4
(Subtotal)		74	95 %
OUTSIDE PLANNING AREA			
Harvey	60426	1	1
Oak Lawn	60453	1	1
South Holland	60473	2	3
(Subtotal)		4	5 %
TOTAL		78	100%

SOURCE: Physician letter of referral in Attachment 20(1).
NOTE: Percentages may not add due to rounding.

ATTACHMENT 12(6)
Page 2 of 2

SIZE OF PROJECT

Total Renal Care Inc. d/b/a Grand Crossing Dialysis proposes to establish a freestanding in-center hemodialysis facility containing 12-stations and a small regional office and conference room. The facility would contain a total of approximately 6,200 rentable gross square feet (gsf)

Please see schematics in Attachment 13(1.)

The proposed facility is 560 gsf over the IHFSRB guideline as the facility contains a small regional office and conference room. In addition, the facility must conform to new Medicare regulations requiring completely separate isolation stations.

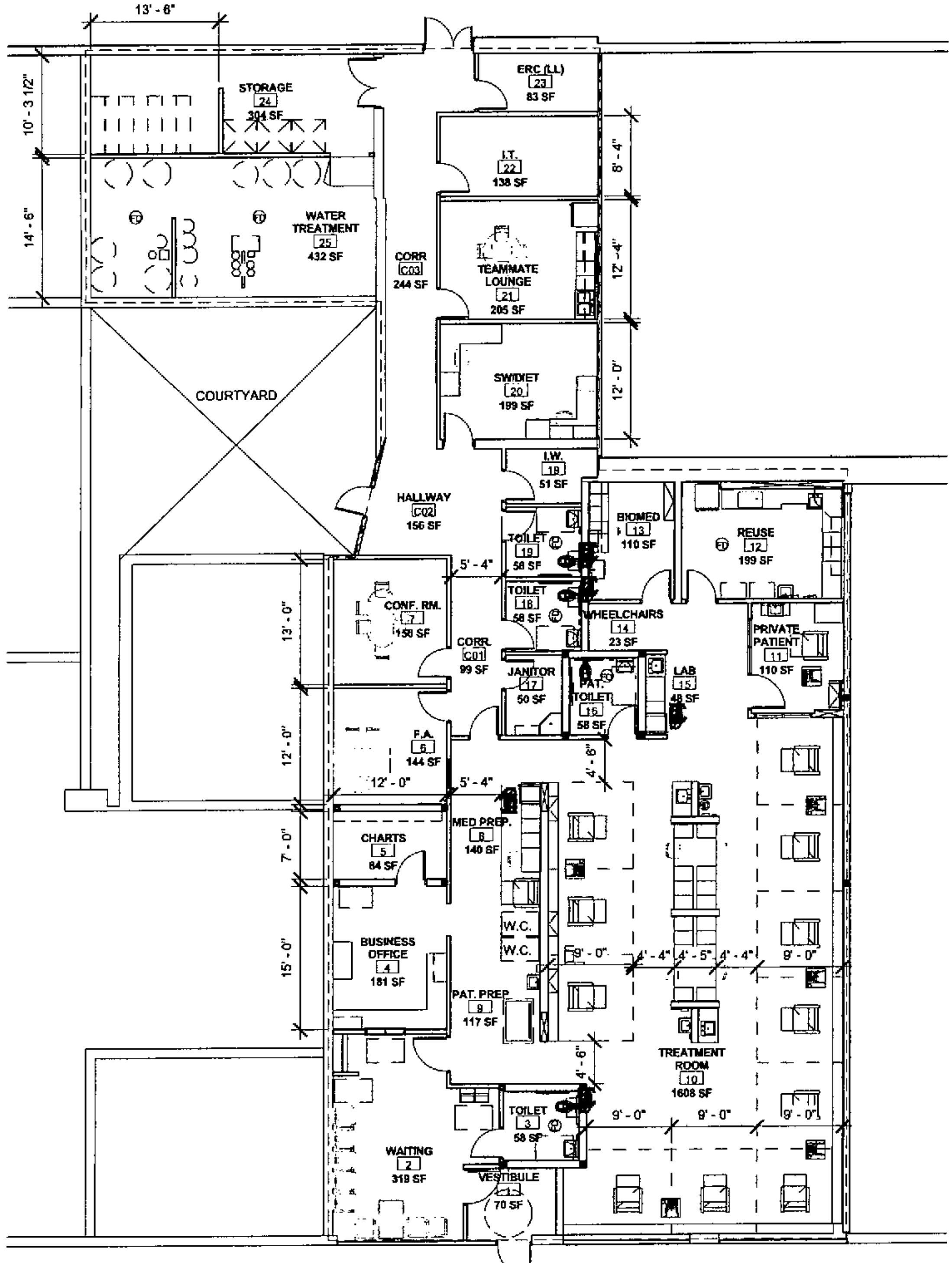
Number of Stations	Proposed DGSF	DGSF/Station	IHFSRB Standard
12	6,200	517 dgsf/station	470 dgsf/station

Grand Crossing Dialysis

For DaVita Inc.

FACILITY FLOOR PLAN

ASK-02



GROSS AREA: 6,173 SF

1 FIRST FLOOR PLAN-FACILITY
3/32" = 1'-0"

ATTACHMENT 13(1)

PLANNING AREA NEED

Grand Crossing Dialysis is a 12-station hemodialysis facility which would serve patients who live on Chicago's south side in Planning Area 6 City of Chicago. The Health Facilities and Services Review Board's (HFSRB's) most recent board-adopted rules indicates a need for 124 additional stations for Planning Area 6, as follows:

<u>Planning Area Health Service Area 6 – City of Chicago</u>

<u>Current Rules Requiring 100% Occupancy in Need Assessment</u>
<u>Year 2015</u>

Category of Service	No. of Stations Proposed	HFPB Inventory Need or Excess *Based on 100% Use*	Part 1100 Occupancy/Utilization Standard
In-Center Hemodialysis	12 stations	Excess of 94 Stations	80% use rate

<u>Board-Adopted Rules Requiring 80% Occupancy in Need Assessment</u>
<u>Year 2015</u>

Category of Service	No. of Stations Proposed	HFPB Inventory Need or Excess *Based on 80% Use*	Part 1100 Occupancy/Utilization Standard
In-Center Hemodialysis	12 stations	Need for <u>124 Stations</u>	80% use rate

The Board's new rules would correct the previous methodology which calculated the need for dialysis stations assuming 100% utilization of all stations.

4. Total Renal Care Inc. d/b/a Grand Crossing Dialysis will meet and exceed the utilization standard of 80% by the 24th month of operation as required in Section 1100.630(c.) See Attachment 19(1) for Grand Crossing Dialysis's projected utilization.

Four (4) physicians support the project: Mohamed Salem, Mamoud Salem, Osvaldo Wagener and Izabella Gurau. Dr. Mohamed Salem identifies 78patients by initials and zip code of residence that he would refer to Grand Crossing Dialysis (see Attachment 20(1) for referral letter.) Dr. Salem certifies that these patient referrals have not been used to support other pending or approved CON applications. He also certifies that this information is true and correct. Due to physician support and referrals, DaVita projects that Grand Crossing Dialysis would serve 58 patients in the second year, achieving 80% utilization.

Based on these documented physician referrals, Grand Crossing Dialysis anticipates serving 58 patients by the end of the second full year of operation, exceeding 80% occupancy, as follows:

$$\frac{58 \text{ proposed patients}}{72 \text{ patient-capacity*}} = 80.6\%$$

* The proposed occupancy complies with Section 1100.630(c) and assumes that stations operate three patient shifts per day, six days per week. At full capacity each station can serves six patients. Therefore, twelve (12) stations can serve 72 patients.

The project will not impact any existing facilities.

Service to Planning Area Residents

The project will provide needed in-center hemodialysis services to residents of Planning Area 6. Please refer to the table and map in Attachments 19(2) and 19(3) which display the zip codes of residence of the initial 78 patients. The data indicate that 95% (74 patients) of the initial 78 patients live in Planning Area 6 where the facility will be located.

GRAND CROSSING DIALYSIS

PROJECTED ANNUAL UTILIZATION
2011 - 2013

Year	Stations	Treatments	Patients*	Occupancy On Treatments	Occupancy On Patients
2011	12	2,386	29	21%	40%
2012	12	6,417	58	57%	80%
2013	12	8,946	66	80%	92%

SOURCES: See notarized physician Letter of Referral in Attachment 20(1).
See Financial Feasibility Study in Attachment 76(4).

NOTES: * Number of patients is for the last day of the reporting period.

Number of patients assumes an average of five (5) patients per year will receive kidney transplants as indicated by the physician's current practice.

Number of patients assumes an average annual 14% mortality which is DaVita's experience at similar Chicago facilities.

IN - CENTER

	Year 1		Year 2		Year 3		Year 4		Year 5	
Month	Patients	Treatments	Patients	Treatments	Patients	Treatments	Patients	Treatments	Patients	Treatments
	0									
1	4	48	31	371	59	706	66	789	69	825
2	7	84	34	407	59	706	67	801	70	837
3	9	108	36	431	60	718	67	801	70	837
4	11	132	39	466	61	730	67	801	70	837
5	13	155	41	490	61	730	67	801	70	837
6	16	191	44	526	62	742	68	813	71	833
7	18	215	46	550	63	753	68	813	71	849
8	20	239	48	568	63	753	68	813	71	849
9	22	263	51	610	64	765	68	813	71	847
10	25	299	53	634	65	777	69	808	72	861
11	27	305	56	670	65	777	69	825	72	861
12	29	347	58	694	66	789	69	825	72	861
Total		2,386		6,417		8,946		9,706		10,136

HOME

	Year 1		Year 2		Year 3		Year 4		Year 5	
Month	Patients	Treatments	Patients	Treatments	Patients	Treatments	Patients	Treatments	Patients	Treatments
1	0	0	0	0	0	0	0	0	0	0
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
Total		-		-		-		-		-

New Patients on Service	Year 1	Year 2	Year 3	Year 4	Year 5
Beginning Patients	4	31	59	66	69
Less 14.0% Mortality	1	4	8	9	10
Ending Patients	29	58	66	69	72
Net New Patients	**26**	**31**	**15**	**12**	**13**

GRAND CROSSING DIALYSIS

PATIENT ORIGIN
Proposed Patients

	Zip Code	Number of Patients	Percentage of Patients*
PLANNING AREA 6			
Chicago	60601	1	1 %
	60608	1	1
	60609	4	5
	60611	1	1
	60612	1	1
	60615	2	3
	60616	2	3
	60617	8	10
	60619	10	13
	60620	4	5
	60621	5	6
	60624	4	5
	60628	8	10
	60632	2	3
	60637	1	1
	60643	1	1
	60644	6	8
	60649	8	10
	60652	2	3
	60653	3	4
(Subtotal)		74	95 %
OUTSIDE PLANNING AREA			
Harvey	60426	1	1
Oak Lawn	60453	1	1
South Holland	60473	2	3
(Subtotal)		4	5 %
TOTAL		78	100%

SOURCE: Physician letter of referral in Attachment 20(1).
NOTE: Percentages may not add due to rounding.

OPTIMUM KIDNEY CARE SC
SPECIALISTS IN HYPERTENSION AND KIDNEY DISEASE
3023 N. ASHLAND AVE. STE 1, CHICAGO, ILLINOIS 60657
PHONE (773) 525-4701 FAX (773) 442-0046

MOHAMED SALEM, MD, FACP
OSVALDO WAGENER, MD

MAHMOUD SALEM, MD
IZABELLA GURAU, MD

January 27, 2010

Kelly Ladd
Group Director
DaVita-Total Renal Care Inc.
2659 N. Milwaukee Avenue
Chicago, Illinois 60647

Dear Ms. Ladd:

I am pleased to support the establishment of Grand Crossing Dialysis, a new twelve (12) – station chronic renal dialysis facility to be located at 7319-7325 S. Cottage Grove Avenue in Chicago, Illinois (60619).

I am excited by the potential enhancement in patient care which the facility offers to Optimum Kidney Care patients who reside in the area. Between 2007 and 2009 my practice in the area grew 17%, from 46 to 54 in-center hemodialysis patients.

Please refer to the attached Historical Caseload of my recent practice in the area. Due to this growth in my practice I am in full support of your plans.

I have discussed the project with my patients. When your facility opens next year I would refer seventy eight (78) pre-renal patients. These patients would need dialysis by the time facility opens in mid-2011. I am assured that the facility would meet utilization standards within the two years of opening.

Please see the attached list which summarizes patients who desire dialysis care in your new facility.

I verify that these patient referrals have not been used to support another pending or approved renal dialysis CON application.

I attest that the information submitted in this letter is true and correct to the best of my knowledge.

Sincerely,

Moh. Salem

Mohamed Salem, M.D.

Nephrologist

Notarization:

Subscribed and sworn before me this

3rd day of February.

Signature of Notary (seal)

"OFFICIAL SEAL"
Glenn G. Giro
Notary Public, State of Illinois
Cook County
My Commission Expires April 3, 2013

GRAND CROSSING DIALYSIS

Physician Referrals

Dr. Mohamed Salem

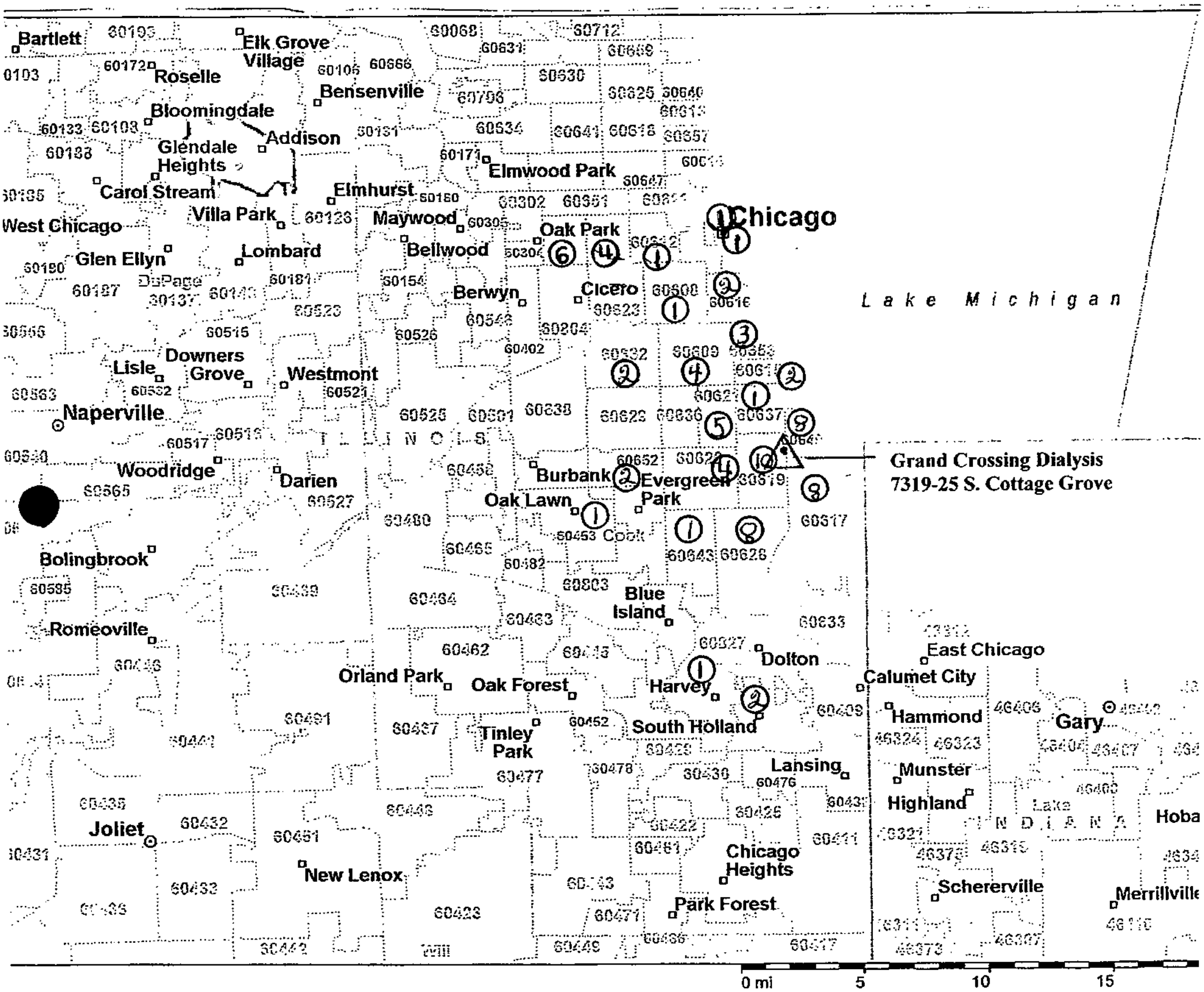
Pre-Renal Patients

	Patient Initials	Zip Code of Residence
1	CT	60426
2	KK	60453
3	MG	60473
4	EB	60473
5	LH	60601
6	LM	60608
7	OB	60609
8	DJ	60609
9	RO	60609
10	DR	60609
11	ED	60611
12	RH	60612
13	KK	60615
14	GW	60615
15	LB	60616
16	WT	60616
17	CK	60617
18	MB	60617
19	GM	60617
20	HW	60617
21	JA	60617
22	MH	60617
23	BS	60617
24	EJ	60617
25	SB	60619
26	LT	60619
27	FS	60619
28	HT	60619
29	CT	60619
30	HW	60619
31	FC	60619
32	JT	60619
33	OT	60619
34	OM	60619
35	MA	60620
36	HB	60620
37	SH	60620

38	EJ	60620
39	EK	60621
40	RS	60621
41	WS	60621
42	CM	60621
43	ES	60621
44	DT	60624
45	RB	60624
46	TW	60624
47	JM	60624
48	EB	60628
49	ML	60628
50	MD	60628
51	CL	60628
52	VM	60628
53	LR	60628
54	BW	60628
55	CB	60628
56	MM	60632
57	JM	60632
58	CB	60637
59	AH	60643
60	BM	60644
61	PH	60644
62	KL	60644
63	BS	60644
64	RD	60644
65	HG	60644
66	IH	60649
67	LS	60649
68	AY	60649
69	CB	60649
70	JJ	60649
71	MM	60649
72	BM	60649
73	AK	60649
74	CD	60652
75	JP	60652
76	HB	60653
77	WH	60653
78	AC	60653

GRAND CROSSING DIALYSIS

PATIENT ORIGIN



SOURCE: Physician letter of referral in Attachment 20(1).

SERVICE DEMAND – ESTABLISH A CATEGORY OF SERVICE

- Total Renal Care Inc. d/b/a Grand Crossing Dialysis proposes to establish a 12-station in-center hemodialysis dialysis facility at 7319-7325 S. Cottage Grove Avenue in Chicago (60619.)

Grand Crossing Dialysis will serve a large target population of over two million people. According to the 2000 U.S. Census of Population, the population living within 30 minutes of the facility contained 2,244,200 people (refer back to Attachment 11(1) for these zip codes and their 2000 population.) Attachment 11(1) also identifies the 40 facilities within this 30-minute drive-time, indicating that their 4th quarter 2009 utilization averaged over 75%. (For MapQuest documentation of mileage and drive-times see Attachment 12(3).) At 75% average utilization, these 40 facilities cannot provide timely, coherent service to Grand Crossing Dialysis' large proposed patient population.

The most important indication of the need to establish Grand Crossing Dialysis is the significant physician support. Four (4) physicians support the project: Mohamed Salem, Mamoud Salem, Osvaldo Wagener and Izabella Gurau. Dr. Mohamed Salem identifies 78 patients by initials and zip code of residence that he would refer to Grand Crossing Dialysis (see Attachment 20(1) for referral letter.) Dr. Salem certifies that these patient referrals have not been used to support other pending or approved CON applications. He also certifies that this information is true and correct. Due to physician support and referrals, DaVita projects that Grand Crossing Dialysis would serve 58 patients in the second year, achieving 80% utilization.

See Attachment 20(1) for physician letter of referral and support.

- Due to the large target population, high average utilization of existing facilities and significant physician support and referrals, DaVita projects Grand Crossing Dialysis would serve 58 patients in the second year of operation, achieving 80% utilization consistent with HFSRB standards, as follows:

$$\frac{\text{58 proposed patients}}{\text{72 patient-capacity*}} = 80.6\%$$

* The proposed occupancy complies with Section 1100.630(c) and assumes that stations operate three patient shifts per day, six days per week. At full capacity each station can serves six patients. Therefore, twelve (12) stations can serve 72 patients. Please refer back to Attachment 19(1) for projected utilization.

The project will not impact any existing facilities.

ATTACHMENT 20

OPTIMUM KIDNEY CARE SC
SPECIALISTS IN HYPERTENSION AND KIDNEY DISEASE
3023 N. ASHLAND AVE. STE 1, CHICAGO, ILLINOIS 60657
PHONE (773) 525-4701 FAX (773) 442-0046

MOHAMED SALEM, MD, FACP
OSVALDO WAGENER, MD

MAHMOUD SALEM, MD
IZABELLA GURAU, MD

January 27, 2010

Kelly Ladd
Group Director
DaVita-Total Renal Care Inc.
2659 N. Milwaukee Avenue
Chicago, Illinois 60647

Dear Ms. Ladd:

I am pleased to support the establishment of Grand Crossing Dialysis, a new twelve (12) – station chronic renal dialysis facility to be located at 7319-7325 S. Cottage Grove Avenue in Chicago, Illinois (60619).

I am excited by the potential enhancement in patient care which the facility offers to Optimum Kidney Care patients who reside in the area. Between 2007 and 2009 my practice in the area grew 17%, from 46 to 54 in-center hemodialysis patients.

Please refer to the attached Historical Caseload of my recent practice in the area. Due to this growth in my practice I am in full support of your plans.

I have discussed the project with my patients. When your facility opens next year I would refer seventy eight (78) pre-renal patients. These patients would need dialysis by the time facility opens in mid-2011. I am assured that the facility would meet utilization standards within the two years of opening.

Please see the attached list which summarizes patients who desire dialysis care in your new facility.

I verify that these patient referrals have not been used to support another pending or approved renal dialysis CON application.

I attest that the information submitted in this letter is true and correct to the best of my knowledge.

Sincerely,

Mohamed Salem, M.D.

Nephrologist

Notarization:

Subscribed and sworn before me this

3rd day of February.

Signature of Notary (seal)

"OFFICIAL SEAL"
Glenn G. Giro
Notary Public, State of Illinois
Cook County
My Commission Expires April 3, 2013

GRAND CROSSING DIALYSIS

Physician Referrals

Dr. Mohamed Salem

Pre-Renal Patients

	Patient Initials	Zip Code of Residence
1	CT	60426
2	KK	60453
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4	EB	60473
5	LH	60601
6	LM	60608
7	OB	60609
8	DJ	60609
9	RO	60609
10	DR	60609
11	ED	60611
12	RH	60612
13	KK	60615
14	GW	60615
15	LB	60616
16	WT	60616
17	CK	60617
18	MB	60617
19	GM	60617
20	HW	60617
21	JA	60617
22	MH	60617
23	BS	60617
24	EJ	60617
25	SB	60619
26	LT	60619
27	FS	60619
28	HT	60619
29	CT	60619
30	HW	60619
31	FC	60619
32	JT	60619
33	OT	60619
34	OM	60619
35	MA	60620
36	HB	60620
37	SH	60620

38	EJ	60620
39	EK	60621
40	RS	60621
41	WS	60621
42	CM	60621
43	ES	60621
44	DT	60624
45	RB	60624
46	TW	60624
47	JM	60624
48	EB	60628
49	ML	60628
50	MD	60628
51	CL	60628
52	VM	60628
53	LR	60628
54	BW	60628
55	CB	60628
56	MM	60632
57	JM	60632
58	CB	60637
59	AH	60643
60	BM	60644
61	PH	60644
62	KL	60644
63	BS	60644
64	RD	60644
65	HG	60644
66	IH	60649
67	LS	60649
68	AY	60649
69	CB	60649
70	JJ	60649
71	MM	60649
72	BM	60649
73	AK	60649
74	CD	60652
75	JP	60652
76	HB	60653
77	WH	60653
78	AC	60653

PATIENTS OF OPTIMUM KIDNEY CARE
WITHIN 30 MINUTES TRAVEL TIME OF GRAND CROSSING DIALYSIS

2007

	DaVita	FMC	FMC	TOTALS
Zip Code	Lincoln Park	Polk	Melrose Park	
60409		1		1
60605		1		1
60607		1		1
60608		1		1
60609		3		3
60610		1		1
60614	7	3		10
60617		2		2
60619		2		2
60620		2		2
60621		2		2
60622		2		2
60623		1		1
60628		2		2
60637		1		1
60643		1		1
60644		1	2	3
60649		3		3
60652		1		1
60653		6		6
Total	7	37	2	46

PATIENTS OF OPTIMUM KIDNEY CARE
WITHIN 30 MINUTES TRAVEL TIME OF GRAND CROSSING DIALYSIS

2008

Zip Code	DaVita Lincoln Park	FMC Polk	FMC North Center	FMC Melrose Park	TOTALS
60605		1			1
60607		1			1
60608		1			1
60609		3			3
60610		2			2
60612		1			1
60614	8	4	1		13
60617		4			4
60619		2			2
60620		1			1
60621		3			3
60622		2			2
60623		1			1
60628		3			3
60632		1			1
60638		1			1
60643		2			2
60644		1		1	2
60649		4			4
60652		1			1
60653		5			5
Total	8	44	1	1	54

274

PATIENTS OF OPTIMUM KIDNEY CARE
WITHIN 30 MINUTES TRAVEL TIME OF GRAND CROSSING DIALYSIS

2009

Zip Code	DaVita Lincoln Park	FMC Polk	FMC North Center	Maple Ave	FMC Oak Park	TOTALS
60605		1				1
60607		1				1
60608		1				1
60609		3				3
60610		1				1
60612		1				1
60614	6	3	3			12
60615		1				1
60617		4				4
60619		4				4
60620		1				1
60621		2				2
60622		2				2
60623		2				2
60624				1		1
60628		4				4
60632		1				1
60638		1				1
60643		2				2
60644		2			1	3
60649		2				2
60653		4				4
						0
Total	6	43	3	1	1	54

SOURCE: Optimum Kidney Care

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OPTIMUM KIDNEY CARE

New Patients

2009

Zip Code	FMC Polk	FMC North Center	FMC Oak Park	Totals
60605		1		1
60612				0
60614		1		1
60616				0
60619	3			3
60621	1			1
60622	1			1
60623	1			1
60624				0
60636				0
60644	1		2	3
60649				0
				0
Totals	7	2	2	11

SOURCE: Optimum Kidney Care

276

Access

DaVita Inc. and Total Renal Care Inc. (TRC) propose to establish a new 12-station in-center hemodialysis center, Grand Crossing Dialysis, to be located at 7319-7325 S. Cottage Grove Avenue in Chicago, IL (60619.) DaVita projects the facility to serve 58 patients by the end of the second full year of operation achieving 80% occupancy consistent with HFSRB standards (see Attachment 19(1) for projected utilization.)

Grand Crossing Dialysis will serve a large target population of over two million people. According to the 2000 U.S. Census of Population, the population living within 30 minutes of the facility contained 2,244,200 people (refer back to Attachment 11(1) for these zip codes and their 2000 population.) Please refer to Attachment 22(1) also identifies the 40 facilities within this 30-minute drive-time, indicating that their 4th quarter 2009 utilization averaged over 75%. (For MapQuest documentation of mileage and drive-times see Attachment 12(3).) At 75% average utilization, these 40 facilities cannot provide timely, coherent service to Grand Crossing Dialysis' large proposed patient population.

Four (4) physicians support the project: Mohamed Salem, Mamoud Salem, Osvaldo Wagener and Izabella Gurau. Dr. Mohamed Salem identifies 78 patients by initials and zip code of residence that he would refer to Grand Crossing Dialysis (see Attachment 20(1) for referral letter.) Dr. Salem certifies that these patient referrals have not been used to support other pending or approved CON applications. He also certifies that this information is true and correct. Due to physician support and referrals, DaVita projects that Grand Crossing Dialysis would serve 58 patients in the second year, achieving 80% utilization.

See Attachment 20(1) for physician letter of referral and support.

As facilities serving this market already operate at 75% average utilization additional capacity is necessary to provide access to care. All 78 patients live within 30 minutes adjusted travel time. Please see patient origin data in Attachment 22(2).

While improving access to in-center hemodialysis, the project will not impact other facilities as the 78 initial patients are pre-renal patients.

ATTACHMENT 22

IN-CENTER HEMODIALYSIS FACILITIES WITHIN 30 MINUTES TRAVEL TIME OF
GRAND CROSSING DIALYSIS

Utilization - 4th Quarter 2009

Grand Crossing Dialysis - 7319-25 S. Cottage Grove, Chicago, Illinois 60619

Facilities within 30 minutes ADJUSTED (1.25) MapQuest travel time

	Ref # MapQuest	Facility Name	Address	City	Zip Code	Mileage	Drive Time	MapQuest Time (1.25)	Capacity	IHFPB Inventory	12/31/2009 Pt. Census	12/31/2009 Utilization
1	20	FMC - Jackson Park Dialysis Center	7531 S. Stony Island	Chicago	60649	1.31	3	3.75	144	24	120	83.33%
2	25	FMC - Neomedica - South	9200 S. South Chicago Avenue	Chicago	60617	3.68	5	6.25	216	36	166	76.85%
3	16	FMC - Greenwood Avenue Dialysis Center	1111 E. 87th Street	Chicago	60619	2.15	6	7.50	168	28	153	91.07%
4	23	FMC - Neomedica - South Shore	2420 E. 79th St.	Chicago	60649	2.8	7	8.75	96	16	80	83.33%
5	17	University of Chicago - Stony Island Center	8725 South Stony Island Avenu	Chicago	60617	2.68	8	10.00	138	23	155	112.32%
6	86	FMC - Chatham	8315 - 8318 S. Holland Ave.	Chicago	60620	3.21	8	10.00	72	12	0	0.00%
7	18	RCG - Garfield	5401 S. Wentworth	Chicago	60609	3.94	8	10.00	132	22	97	73.48%
8	24	University of Chicago - Woodlawn	1164 E. 55th Street	Chicago	60615	2.72	8	10.00	120	20	133	110.83%
9	14	FMC - Ross Dialysis - Englewood	6333 S. Green Street	Chicago	60621	3.27	10	12.50	96	16	91	94.79%
10	22	DaVita - Emerald Dialysis	710 West 43rd St.	Chicago	60609	6.11	11	13.75	144	24	122	84.72%
11	26	University of Chicago - Lakepark	1531 E. Hyde Park Blvd.	Chicago	60615	3.75	11	13.75	120	20	121	100.83%
12	3A	DaVita - Beverly Dialysis	8111 S. Western Avenue	Chicago	60620	5.04	13	16.25	72	12	58	80.56%
13	27	FMC - Bridgeport	825 W. 35th St	Chicago	60609	7.26	14	17.50	162	27	113	69.75%
14	13	FMC - Roseland Dialysis	132 W. 111th St.	Chicago	60628	6.38	15	18.75	72	12	45	62.50%
15	35	RCG - Prairie	1717 S. Wabash Street	Chicago	60616	8.6	15	18.75	144	24	93	64.58%
16	6	FMC - Southside Dialysis Center	3134 West 76th Street	Chicago	60652	6.17	16	20.00	234	39	185	79.06%
17	10	FMC - Neomedica - Marquette Park	6515 S. Western Avenue	Chicago	60636	4.73	15	18.75	84	14	78	92.86%
18	39	DSI - Chicago South	1100 S. Canal	Chicago	60607	9.64	16	20.00	168	28	71	42.26%
19	41	FMC - Neomedica Loop	557 W Polk Street	Chicago	60607	9.8	16	20.00	144	24	98	68.06%
20	11	FMC - Blue Island Dialysis Center	12200 S. Western	Blue Island	60406	9.55	17	21.25	144	24	113	78.47%
21	44	FMC - Chicago Dialysis Center	820 W. Jackson Street	Chicago	60607	10.67	17	21.25	198	33	87	43.94%
22	1	FMC - Neomedica - Evergreen Park	9730 S. Western Avenue	Evergreen Par	60805	7.07	18	22.50	162	27	158	97.53%
23	38	John H. Stroger Jr Hospital of Cook County	1901 W. Harrison	Chicago	60612	11.86	18	22.50	54	9	102	188.89%
24	7	RCG - Merrionette Park	11630 S. Kedzie	Merrionette Pa	60803	10.5	19	23.75	96	16	74	77.08%
25	8	DSI - Scottsdale	4651 W. 79th Street	Chicago	60652	7.93	19	23.75	210	35	153	72.86%
26	42	DaVita - Little Village Dialysis	2335 W. Cermak Road	Chicago	60608	11.28	19	23.75	96	16	83	86.46%
27	46	Circle Medical Management	1426 W. Washington Blvd	Chicago	60607	11.65	19	23.75	162	27	110	67.90%
28	83	DaVita - West Lawn (DENOVO)	7000 S. Pulaski Road	Chicago	60629	7.91	19	23.75	72	12	0	0.00%
29	4	DaVita - Mt. Greenwood Dialysis	3401 W. 111th Street	Chicago	60655	9.65	20	25.00	96	16	74	77.08%
30	9	FMC - Dialysis Services of Burbank	4811 W. 77th Street	Burbank	60459	8.28	20	25.00	132	22	106	80.30%
31	37	University of Illinois Hospital - Dialysis	1859 W. Taylor	Chicago	60612	11.89	20	25.00	156	26	135	86.54%
32	40A	FMC - Dialysis Services of Congress Parkw	3410 West Van Buren St.	Chicago	60624	13.4	21	26.25	180	30	106	58.89%
33	33	FMC - Chicago Westside Dialysis	2011 Hastings Street	Chicago	60608	11.16	21	26.25	186	31	53	28.49%
34	5	DaVita - Stony Creek Dialysis	9115 S. Cicero Avenue	Oak Lawn	60453	9.32	22	27.50	72	12	67	93.06%
35	29A	RCG - South Holland	16136 South Park Avenue	South Holland	60473	15.51	23	28.75	120	20	94	78.33%
36	30	Mt. Sinai Hosp Med Ctr Renal	2700 W. 15th Street	Chicago	60608	13.13	22	27.50	96	16	67	69.79%
37	56	Renal Care Group - Univ Program	710 N.Fairbanks	Chicago	60611	12.16	22	27.50	264	44	203	76.89%
38	28	DSI - Markham	3053-3055 West 159th Street	Markham	60426	15.74	23	28.75	144	24	95	65.97%
39	47	Garfield Kidney Center	3250 W. Franklin Blvd	Chicago	60624	14.25	24	30.00	96	16	83	86.46%
40	52	FMC - West Suburban Dialysis Center	518 S. Austin	Oak Park	60304	16.85	24	30.00	276	46	227	82.25%
									5538	923	4169	75.28%

SOURCES: Patients: The Renal Network, Inc.
Stations: IHFSRB Inventory, Updated 1/18/100.
Mileage and Drive Time: MapQuest. See documentation in Attachment 12A.

NOTE: Occupanccy rates are calculated based on the IHFSRB standard of 3 shifts per day, six days per week.

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IN-CENTER HEMODIALYSIS FACILITIES WITHIN 30 MINUTES TRAVEL TIME OF GRAND CROSSING DIALYSIS

Grand Crossing Dialysis - 7319-25 S. Cottage Grove, Chicago, Illinois 60619

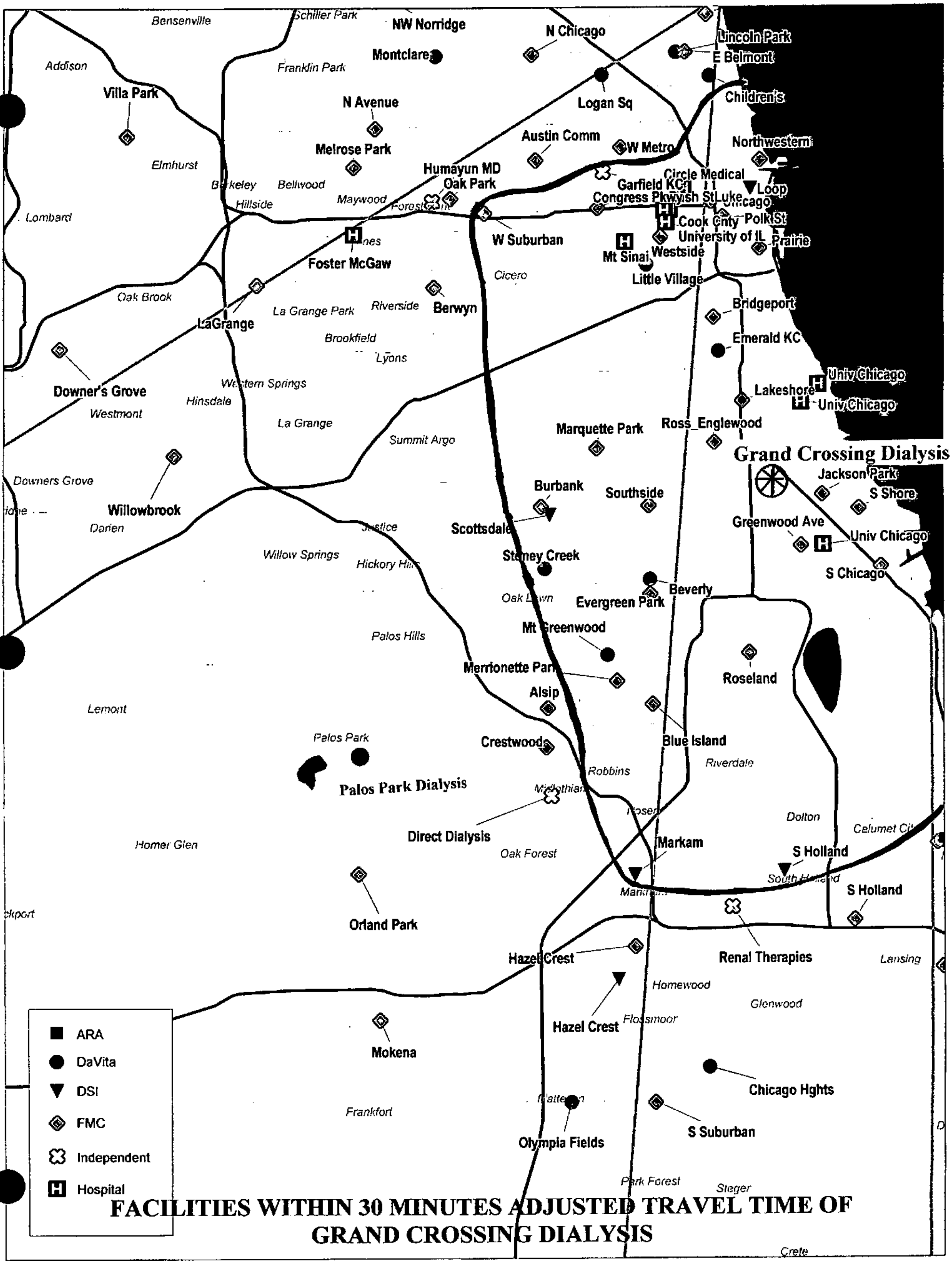
Facilities within 30 minutes UNADJUSTED (1.25) MapQuest travel time

	Ref # MapQuest	Facility Name	Address	City	Zip Code	Mileage	Drive Time	MapQuest Time (1.25)	Capacity	IHFPB Inventory	12/31/2009 Pt. Census	12/31/2009 Utilization
1	12	FMC - Alsip Dialysis Center	12250 S. Cicero	Alsip	60803	13.69	25	31.25	96	16	60	62.50%
2	61	DaVita - Logan Square Dialysis	2659 N. Milwaukee Avenue	Chicago	60647	15.79	25	31.25	120	20	110	91.67%
3	66	DaVita - Lincoln Park Dialysis	3157 N. Lincoln Avenue	Chicago	60657	14.86	25	31.25	132	22	119	90.15%
4	15	FMC - Crestwood	4861 West Cal Sag Road	Crestwood	60445	13.8	26	32.50	192	32	125	65.10%
5	32	Community Dialysis of Harvey	16657 S. Halsted	Harvey	60426	18.84	26	32.50	96	16	42	43.75%
6	50	Maple Avenue Kidney Center	610 S. Maple Avenue	Oak Park	60304	18.6	26	32.50	72	12	82	113.89%
7	55	FMC - West Metro Dialysis	1044 N. Mozart	Chicago	60622	14.19	26	32.50	180	30	168	93.33%
8	67	FMC - Northcenter	1331 W. Belmont Avenue	Chicago	60657	15.14	26	32.50	72	12	63	87.50%
9	19	Direct Dialysis	14255 S. Cicero Avenue	Crestwood	60445	15.82	27	33.75	36	6	49	136.11%
10	48	FMC - Neomedica - South Holland	17225 S. Paxton Avenue	South Holland	60473	17.77	27	33.75	102	17	75	73.53%
11	36	FMC - Neomedica - Hazelcrest	17524 E. Carriageway Drive	Hazel Crest	60429	18.39	28	35.00	96	16	75	78.13%
12	72	FMC-Neomedica - North Kilpatrick	4800 N Kilpatrick	Chicago	60630	18.81	28	35.00	132	22	112	84.85%
13	45	DSI - Hazelcrest	3470 W. 183rd St	Hazel Crest	60429	18.75	29	36.25	84	14	83	98.81%
14	49	FMC - Oak Park Dialysis Unit	733 W. Madison	Oak Park	60302	19.23	29	36.25	192	32	137	71.35%
15	51	FMC - Austin Communicty Kidney Center	4800 W. Chicago Avenue	Chicago	60651	17.75	29	36.25	96	16	41	42.71%
16	85	FMC Midway (DENOVO)	6201 W. 63rd St.	Chicago	60638	11.57	29	36.25	72	12	0	0.00%
17	53	Foster McGaw Hospital of Loyola	1201 W. Roosevelt Road	Maywood	60153	20.96	30	37.50	180	30	138	76.67%
18	68	FMC-Neomedica - West Belmont	4935 W. Belmont Avenue	Chicago	60641	17.76	30	37.50	60	10	48	80.00%
19	71	FMC-NA Lakeview Dialysis	4008 North Broadway Avenue	Chicago	60613	16.72	30	37.50	60	10	55	91.67%
20	73	FMCNA-Uptown	4720 N. Marine	Chicago	60640	17.4	30	37.50	72	12	43	59.72%
21	34	FMC - Berwyn	2601 S. Harlem Avenue	Berwyn	60402	20.35	31	38.75	156	26	139	89.10%
22	64	DaVita - Olympia Fields Dialysis Center	4557 B West Lincoln Highway	Matteson	60443	22.91	31	38.75	144	24	104	72.22%
									2442	407	1868	76.49%

SOURCES: Patients: The Renal Network, Inc.
Stations: IHFSRB Inventory, Updated 1/18/10.
Mileage and Drive Time: MapQuest. See documentation in Attachment 12A.

NOTE: Occupanccy rates are calculated based on the IHFSRB standard of 3 shifts per day, six days per week.

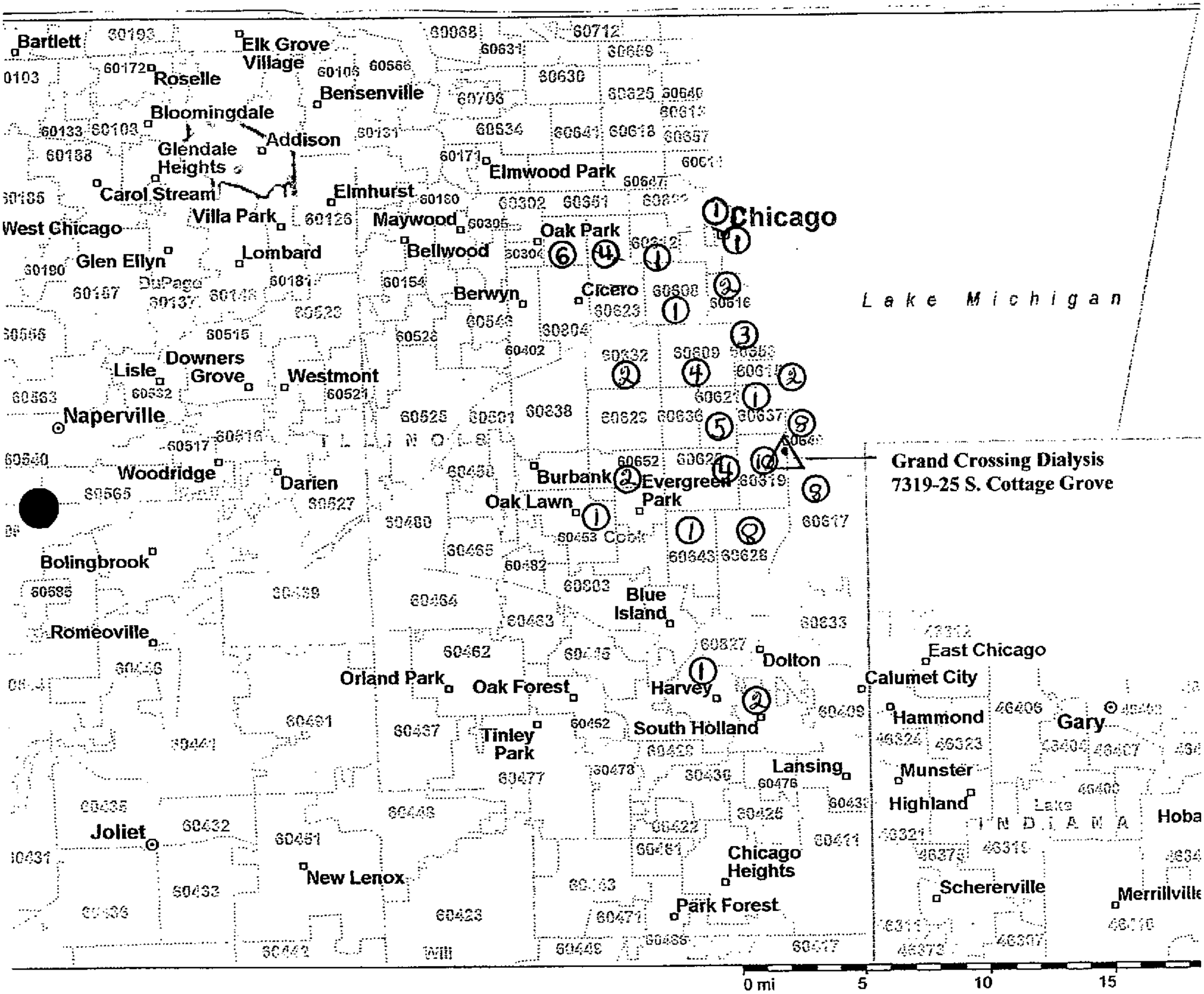
279



FACILITIES WITHIN 30 MINUTES ADJUSTED TRAVEL TIME OF GRAND CROSSING DIALYSIS

GRAND CROSSING DIALYSIS

PATIENT ORIGIN



SOURCE: Physician letter of referral in Attachment 20(1).

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GRAND CROSSING DIALYSIS

PATIENT ORIGIN
Proposed Patients

	Zip Code	Number of Patients	Percentage of Patients*
PLANNING AREA 6			
Chicago	60601	1	1 %
	60608	1	1
	60609	4	5
	60611	1	1
	60612	1	1
	60615	2	3
	60616	2	3
	60617	8	10
	60619	10	13
	60620	4	5
	60621	5	6
	60624	4	5
	60628	8	10
	60632	2	3
	60637	1	1
	60643	1	1
	60644	6	8
	60649	8	10
	60652	2	3
	60653	3	4
(Subtotal)		74	95 %
OUTSIDE PLANNING AREA			
Harvey	60426	1	1
Oak Lawn	60453	1	1
South Holland	60473	2	3
(Subtotal)		4	5 %
TOTAL		78	100%

SOURCE: Physician letter of referral in Attachment 20(1).
NOTE: Percentages may not add due to rounding.

ATTACHMENT 22(2)
Page 2 of 2

UNNECESSARY DUPLICATION/MALDISTRIBUTION

DaVita Inc. and Total Renal Care Inc. (TRC) wish to establish Grand Crossing Dialysis, a new 12-station chronic renal dialysis facility to be located at 7319-7325 S. Cottage Grove Avenue in Chicago (60619.) Grand Crossing Dialysis will serve 58 patients by the end of the second year reaching 80% occupancy (see Attachment 19(1) for projected utilization.) The facility will improve the availability and distribution of in-center hemodialysis services in the planning area for an identified population and is not an unnecessary duplication of services.

Grand Crossing Dialysis would serve a large market area of over two million people. Its target population (market area) is the population living within 30 minutes of the facility. Attachment 23(1) identifies the zip codes and population within 30 minutes travel time. According to the 2000 U.S. Census of Population, the market area contained 2,244,200 people. The target population is currently served by 40 in-center hemodialysis facilities. Attachment 23(2) indicates that these 40 facilities served 4,169 patients in 923 stations on December 31, 2009 which represents an average utilization of 75%.

The most important indication of the need to establish Grand Crossing Dialysis is the significant physician support. Four (4) physicians support the project: Mohamed Salem, Mamoud Salem, Osvaldo Wagener and Izabella Gurau. Dr. Mohamed Salem identifies 78 patients by initials and zip code of residence that he would refer to Grand Crossing Dialysis (see Attachment 20(1) for referral letter.) Dr. Salem certifies that these patient referrals have not been used to support other pending or approved CON applications. He also certifies that this information is true and correct. Due to physician support and referrals, DaVita projects that Grand Crossing Dialysis would serve 58 patients in the second year, achieving 80% utilization.

See Attachment 20(1) for physician letter of referral and support.

In 2009 DaVita operated seven (7) facilities within about 30 minutes drive of Grand Crossing (refer back to Attachment 12(2).) Patient data from The Renal Network for December 31, 2009 indicate that these seven (7) facilities operated at average *86.48%* utilization, serving 633 patients in 122 stations. DaVita also owns West Lawn Dialysis which is projected to open in spring 2010. While operating at high utilization, DaVita's seven (7) facilities also operate at optimum capacity. Three (3) facilities were recently expanded, Beverly Dialysis, Little Village Dialysis and Mount Greenwood Dialysis, and these facilities already at or above 80% occupancy. Therefore, DaVita determines that due to current and proposed utilization and physical plant limitations, it is not feasible to use or expand existing DaVita facilities.

DaVita has determined that the project is needed and is not an unnecessary duplication of services due to the following: significant physician support and referrals; a large target population; high average utilization of existing facilities; and the high current and proposed utilization and physical plant limitations of its own facilities in the area.

Similarly, Grand Crossing Dialysis does not represent a maldistribution of services. See Attachment 23(3) which shows that the target population has 2,431 people per station compared to 3,695 people per station in Illinois and 2,971 people per station in Planning Area 6.

The project will not impact other facilities. The 78 initial patients are pre-renal patients. Physicians certify that these referrals have not been used to support other pending or approved CON applications. They also certify that the information is true and correct.

In conclusion Grand Crossing Dialysis improves the availability and distribution of in-center hemodialysis services for a large target population. The project ensures timely, coherent access to services for 78 identified patients without impacting existing facilities which already operate near the target occupancy.

POPULATION WITHIN 30 MINUTES TRAVEL TIME OF GRAND CROSSING DIALYSIS

ZIP Code	City	State	County	Population	Distance
60619	CHICAGO	IL	COOK	74,963	0
60649	CHICAGO	IL	COOK	54,823	2.2
60620	CHICAGO	IL	COOK	85,771	2.4
60637	CHICAGO	IL	COOK	57,090	2.5
60621	CHICAGO	IL	COOK	47,514	2.6
60617	CHICAGO	IL	COOK	96,288	3
60636	CHICAGO	IL	COOK	51,451	3.8
60628	CHICAGO	IL	COOK	87,827	3.8
60615	CHICAGO	IL	COOK	45,096	3.9
60643	CHICAGO	IL	COOK	52,568	4.3
60653	CHICAGO	IL	COOK	34,502	5.1
60805	EVERGREEN PARK	IL	COOK	20,821	5.2
60609	CHICAGO	IL	COOK	79,469	5.4
60629	CHICAGO	IL	COOK	113,984	5.7
60652	CHICAGO	IL	COOK	39,126	5.7
60655	CHICAGO	IL	COOK	29,138	6
60456	HOMETOWN	IL	COOK	4,452	6.7
60827	RIVERDALE	IL	COOK	33,209	6.8
60632	CHICAGO	IL	COOK	87,577	7
60633	CHICAGO	IL	COOK	13,262	7.1
60616	CHICAGO	IL	COOK	47,073	7.1
46394	WHITING	IN	LAKE	12,728	7.2
60406	BLUE ISLAND	IL	COOK	25,370	7.3
60453	OAK LAWN	IL	COOK	54,499	7.7
60608	CHICAGO	IL	COOK	92,472	8
60803	ALSIP	IL	COOK	22,757	8.1
60419	DOLTON	IL	COOK	25,567	8.2
60459	BURBANK	IL	COOK	27,978	8.4
60605	CHICAGO	IL	COOK	12,423	8.6
60472	ROBBINS	IL	COOK	6,672	8.7
60638	CHICAGO	IL	COOK	55,788	9.1
60469	POSEN	IL	COOK	4,703	9.1
46327	HAMMOND	IN	LAKE	12,075	9.2
60604	CHICAGO	IL	COOK	78	9.3
60607	CHICAGO	IL	COOK	15,552	9.4
60623	CHICAGO	IL	COOK	108,144	9.4
60603	CHICAGO	IL	COOK	378	9.4
60426	HARVEY	IL	COOK	47,649	9.4
60409	CALUMET CITY	IL	COOK	39,065	9.5
60606	CHICAGO	IL	COOK	1,682	9.5
60602	CHICAGO	IL	COOK	70	9.6
60661	CHICAGO	IL	COOK	4,382	9.6
60601	CHICAGO	IL	COOK	5,591	9.8
60445	MIDLOTHIAN	IL	COOK	25,979	10.1
60612	CHICAGO	IL	COOK	37,990	10.2
60473	SOUTH HOLLAND	IL	COOK	22,218	10.2
60654	CHICAGO	IL	COOK	7	10.2
60455	BRIDGEVIEW	IL	COOK	16,138	10.2
46320	HAMMOND	IN	LAKE	16,539	10.3
60611	CHICAGO	IL	COOK	26,522	10.4
46312	EAST CHICAGO	IN	LAKE	32,385	10.7
60624	CHICAGO	IL	COOK	45,647	11
60610	CHICAGO	IL	COOK	47,513	11.1
60622	CHICAGO	IL	COOK	76,015	11.5
46324	HAMMOND	IN	LAKE	23,248	12.2
60644	CHICAGO	IL	COOK	59,059	12.3
60614	CHICAGO	IL	COOK	65,474	12.5
60304	OAK PARK	IL	COOK	17,839	12.8
				2,244,200	

Total population in radius = 2,244,200

SOURCE: 2000 U.S. Census of Population

NOTE: Travel time is adjusted (1.25) Map Quest drive-time.

ATTACHMENT 23(1)

IN-CENTER HEMODIALYSIS FACILITIES WITHIN 30 MINUTES TRAVEL TIME OF GRAND CROSSING DIALYSIS

Utilization - 4th Quarter 2009

Grand Crossing Dialysis - 7319-25 S. Cottage Grove, Chicago, Illinois 60619

Facilities within 30 minutes ADJUSTED (1.25) MapQuest travel time

	Ref # MapQuest	Facility Name	Address	City	Zip Code	Mileage	Drive Time	MapQuest Time (1.25)	Capacity	IHFPB Inventory	12/31/2009 Pt. Census	12/31/2009 Utilization
1	20	FMC - Jackson Park Dialysis Center	7531 S. Stony Island	Chicago	60649	1.31	3	3.75	144	24	120	83.33%
2	25	FMC - Neomedica - South	9200 S. South Chicago Avenue	Chicago	60617	3.68	5	6.25	216	36	166	76.85%
3	16	FMC - Greenwood Avenue Dialysis Center	1111 E. 87th Street	Chicago	60619	2.15	6	7.50	168	28	153	91.07%
4	23	FMC - Neomedica - South Shore	2420 E. 79th St.	Chicago	60649	2.8	7	8.75	96	16	80	83.33%
5	17	University of Chicago - Stony Island Center	8725 South Stony Island Avenue	Chicago	60617	2.68	8	10.00	138	23	155	112.32%
6	86	FMC - Chatham	8315 - 8318 S. Holland Ave.	Chicago	60620	3.21	8	10.00	72	12	0	0.00%
7	18	RCG - Garfield	5401 S. Wentworth	Chicago	60609	3.94	8	10.00	132	22	97	73.48%
8	24	University of Chicago - Woodlawn	1164 E. 55th Street	Chicago	60615	2.72	8	10.00	120	20	133	110.83%
9	14	FMC - Ross Dialysis - Englewood	6333 S. Green Street	Chicago	60621	3.27	10	12.50	96	16	91	94.79%
10	22	DaVita - Emerald Dialysis	710 West 43rd St.	Chicago	60609	6.11	11	13.75	144	24	122	84.72%
11	26	University of Chicago - Lakepark	1531 E. Hyde Park Blvd.	Chicago	60615	3.75	11	13.75	120	20	121	100.83%
12	3A	DaVita - Beverly Dialysis	8111 S. Western Avenue	Chicago	60620	5.04	13	16.25	72	12	58	80.56%
13	27	FMC - Bridgeport	825 W. 35th St	Chicago	60609	7.26	14	17.50	162	27	113	69.75%
14	13	FMC - Roseland Dialysis	132 W. 111th St.	Chicago	60628	6.38	15	18.75	72	12	45	62.50%
15	35	RCG - Prairie	1717 S. Wabash Street	Chicago	60616	8.6	15	18.75	144	24	93	64.58%
16	6	FMC - Southside Dialysis Center	3134 West 76th Street	Chicago	60652	6.17	16	20.00	234	39	185	79.06%
17	10	FMC - Neomedica - Marquette Park	6515 S. Western Avenue	Chicago	60636	4.73	15	18.75	84	14	78	92.86%
18	39	DSI - Chicago South	1100 S. Canal	Chicago	60607	9.64	16	20.00	168	28	71	42.26%
19	41	FMC - Neomedica Loop	557 W Polk Street	Chicago	60607	9.8	16	20.00	144	24	98	68.06%
20	11	FMC - Blue Island Dialysis Center	12200 S. Western	Blue Island	60406	9.55	17	21.25	144	24	113	78.47%
21	44	FMC - Chicago Dialysis Center	820 W. Jackson Street	Chicago	60607	10.67	17	21.25	198	33	87	43.94%
22	1	FMC - Neomedica - Evergreen Park	9730 S. Western Avenue	Evergreen Par	60805	7.07	18	22.50	162	27	158	97.53%
23	38	John H. Stroger Jr Hospital of Cook County	1901 W. Harrison	Chicago	60612	11.86	18	22.50	54	9	102	188.89%
24	7	RCG - Merrionette Park	11630 S. Kedzie	Merrionette Pa	60803	10.5	19	23.75	96	16	74	77.08%
25	8	DSI - Scottsdale	4651 W. 79th Street	Chicago	60652	7.93	19	23.75	210	35	153	72.86%
26	42	DaVita - Little Village Dialysis	2335 W. Cermak Road	Chicago	60608	11.28	19	23.75	96	16	83	86.46%
27	46	Circle Medical Management	1426 W. Washington Blvd	Chicago	60607	11.65	19	23.75	162	27	110	67.90%
28	83	DaVita - West Lawn (DENOVO)	7000 S. Pulaski Road	Chicago	60629	7.91	19	23.75	72	12	0	0.00%
29	4	DaVita - Mt. Greenwood Dialysis	3401 W. 111th Street	Chicago	60655	9.65	20	25.00	96	16	74	77.08%
30	9	FMC - Dialysis Services of Burbank	4811 W. 77th Street	Burbank	60459	8.28	20	25.00	132	22	106	80.30%
31	37	University of Illinois Hospital - Dialysis	1859 W. Taylor	Chicago	60612	11.89	20	25.00	156	26	135	86.54%
32	40A	FMC - Dialysis Services of Congress Parkw	3410 West Van Buren St.	Chicago	60624	13.4	21	26.25	180	30	106	58.89%
33	33	FMC - Chicago Westside Dialysis	2011 Hastings Street	Chicago	60608	11.16	21	26.25	186	31	53	28.49%
34	5	DaVita - Stony Creek Dialysis	9115 S. Cicero Avenue	Oak Lawn	60453	9.32	22	27.50	72	12	67	93.06%
35	29A	RCG - South Holland	16136 South Park Avenue	South Holland	60473	15.51	23	28.75	120	20	94	78.33%
36	30	Mt. Sinai Hosp Med Ctr Renal	2700 W. 15th Street	Chicago	60608	13.13	22	27.50	96	16	67	69.79%
37	56	Renal Care Group - Univ Program	710 N.Fairbanks	Chicago	60611	12.16	22	27.50	264	44	203	76.89%
38	28	DSI - Markham	3053-3055 West 159th Street	Markham	60426	15.74	23	28.75	144	24	95	65.97%
39	47	Garfield Kidney Center	3250 W. Franklin Blvd	Chicago	60624	14.25	24	30.00	96	16	83	86.46%
40	52	FMC - West Suburban Dialysis Center	518 S. Austin	Oak Park	60304	16.85	24	30.00	276	46	227	82.25%
									5538	923	4169	75.28%

SOURCES: Patients: The Renal Network, Inc.
Stations: IHFSRB Inventory, Updated 1/18/100.
Mileage and Drive Time: MapQuest. See documentation in Attachment 12A.

NOTE: Occupanccy rates are calculated based on the IHFSRB standard of 3 shifts per day, six days per week.

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IN-CENTER HEMODIALYSIS FACILITIES WITHIN 30 MINUTES TRAVEL TIME OF GRAND CROSSING DIALYSIS

Grand Crossing Dialysis - 7319-25 S. Cottage Grove, Chicago, Illinois 60619

Facilities within 30 minutes UNADJUSTED (1.25) MapQuest travel time

	Ref # MapQuest	Facility Name	Address	City	Zip Code	Mileage	Drive Time	MapQuest Time (1.25)	Capacity	IHFPB Inventory	12/31/2009 Pt. Census	12/31/2009 Utilization
1	12	FMC - Alsip Dialysis Center	12250 S. Cicero	Alsip	60803	13.69	25	31.25	96	16	60	62.50%
2	61	DaVita - Logan Square Dialysis	2659 N. Milwaukee Avenue	Chicago	60647	15.79	25	31.25	120	20	110	91.67%
3	66	DaVita - Lincoln Park Dialysis	3157 N. Lincoln Avenue	Chicago	60657	14.86	25	31.25	132	22	119	90.15%
4	15	FMC - Crestwood	4861 West Cal Sag Road	Crestwood	60445	13.8	26	32.50	192	32	125	65.10%
5	32	Community Dialysis of Harvey	16657 S. Halsted	Harvey	60426	18.84	26	32.50	96	16	42	43.75%
6	50	Maple Avenue Kidney Center	610 S. Maple Avenue	Oak Park	60304	18.6	26	32.50	72	12	82	113.89%
7	55	FMC - West Metro Dialysis	1044 N. Mozart	Chicago	60622	14.19	26	32.50	180	30	168	93.33%
8	67	FMC - Northcenter	1331 W. Belmont Avenue	Chicago	60657	15.14	26	32.50	72	12	63	87.50%
9	19	Direct Dialysis	14255 S. Cicero Avenue	Crestwood	60445	15.82	27	33.75	36	6	49	136.11%
10	48	FMC - Neomedica - South Holland	17225 S. Paxton Avenue	South Holland	60473	17.77	27	33.75	102	17	75	73.53%
11	36	FMC - Neomedica - Hazelcrest	17524 E. Carriageway Drive	Hazel Crest	60429	18.39	28	35.00	96	16	75	78.13%
12	72	FMC-Neomedica - North Kilpatrick	4800 N Kilpatrick	Chicago	60630	18.81	28	35.00	132	22	112	84.85%
13	45	DSI - Hazelcrest	3470 W. 183rd St	Hazel Crest	60429	18.75	29	36.25	84	14	83	98.81%
14	49	FMC - Oak Park Dialysis Unit	733 W. Madison	Oak Park	60302	19.23	29	36.25	192	32	137	71.35%
15	51	FMC - Austin Communicty Kidney Center	4800 W. Chicago Avenue	Chicago	60651	17.75	29	36.25	96	16	41	42.71%
16	85	FMC Midway (DENOVO)	6201 W. 63rd St.	Chicago	60638	11.57	29	36.25	72	12	0	0.00%
17	53	Foster McGaw Hospital of Loyola	1201 W. Roosevelt Road	Maywood	60153	20.96	30	37.50	180	30	138	76.67%
18	68	FMC-Neomedica - West Belmont	4935 W. Belmont Avenue	Chicago	60641	17.76	30	37.50	60	10	48	80.00%
19	71	FMC-NA Lakeview Dialysis	4008 North Broadway Avenue	Chicago	60613	16.72	30	37.50	60	10	55	91.67%
20	73	FMCNA-Uptown	4720 N. Marine	Chicago	60640	17.4	30	37.50	72	12	43	59.72%
21	34	FMC - Berwyn	2601 S. Harlem Avenue	Berwyn	60402	20.35	31	38.75	156	26	139	89.10%
22	64	DaVita - Olympia Fields Dialysis Center	4557 B West Lincoln Highway	Matteson	60443	22.91	31	38.75	144	24	104	72.22%
									2442	407	1868	76.49%

SOURCES: Patients: The Renal Network, Inc.
Stations: IHFSRB Inventory, Updated 1/18/10.
Mileage and Drive Time: MapQuest. See documentation in Attachment 12A.

NOTE: Occupanccy rates are calculated based on the IHFSRB standard of 3 shifts per day, six days per week.

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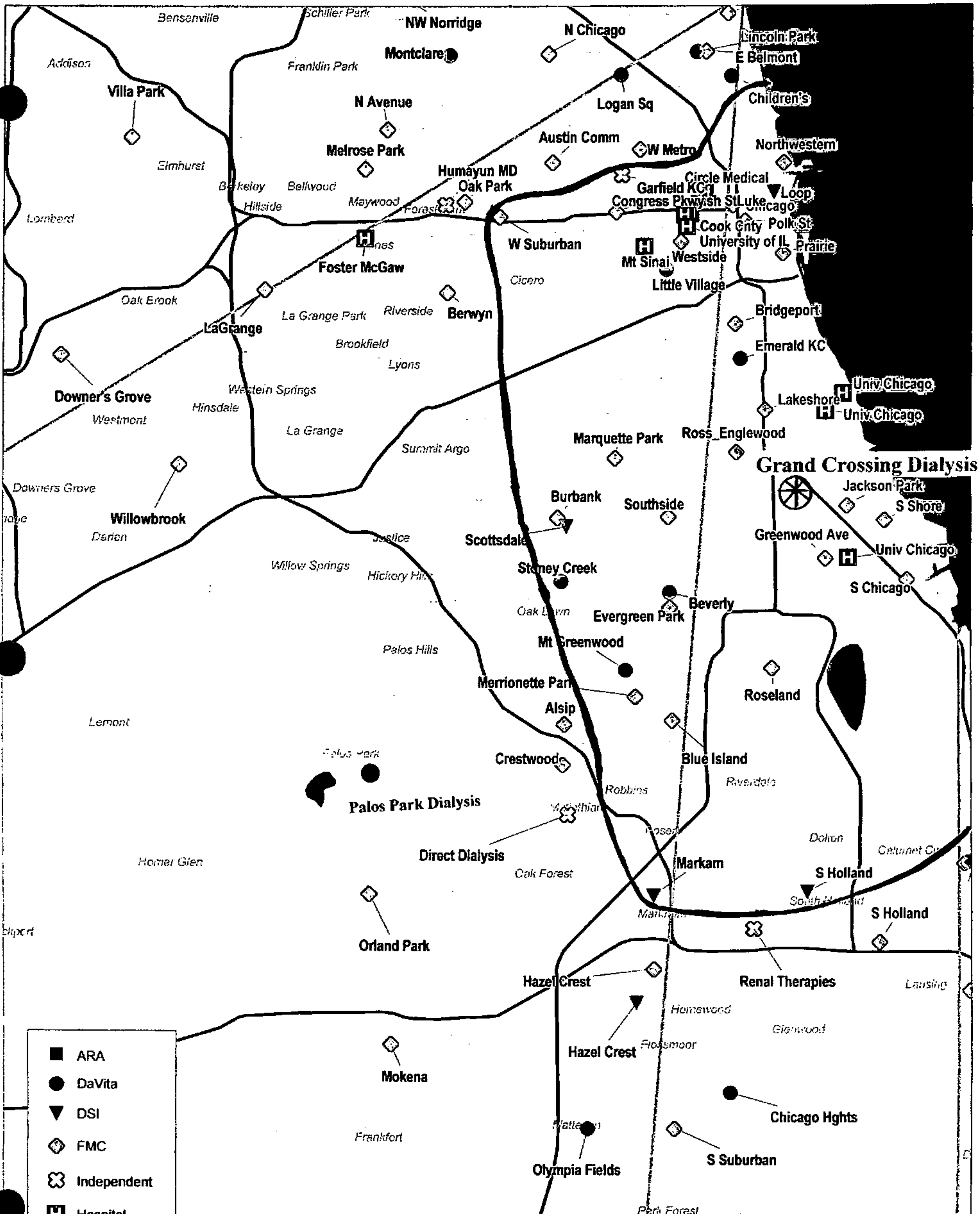

FACILITIES WITHIN 30 MINUTES ADJUSTED TRAVEL TIME OF GRAND CROSSING DIALYSIS

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RATIO OF POPULATION TO STATIONS
GRAND CROSSING DIALYSIS

Geographic Area	Year 2005 Population	Existing/ Approved Stations	Ratio of Population/Station
Illinois	12,763,900	3,454	3,695 people/station
Planning Area 6 City of Chicago	2,884,800	971	2,971 people/station
Zip Codes within 30 Minutes Adjusted Travel Time of Grand Crossing Dialysis	Year 2000 Population		
	2,244,200		
Current stations in 30 - minute area		923	2,431 people/station
Proposed stations in 30- minute area (+12)		935	2,400 people/station

SOURCES: (1) Population for Illinois and Planning Area 6 for 2005 is from IHFSRB Inventory, October 1, 2008 Edition, Page A-4.

Population for the target area within 30 minutes adjusted travel time of Grand Crossing Dialysis is from the U.S. Bureau of the Census, 2000. See Attachment 11(1).

(2) Number of stations is from IHFSRB Inventory, Updated 1/20/10.

GRAND CROSSING DIALYSIS

Staffing Plan

Staffing	Full-Time Equivalents by Year End 2011	2012	2013
Medical Director	1.0	1.0	1.0
Registered Nurse	1.0	1.0	1.0
Dialysis Technicians	2.5	4.0	5.0
Dietitian	0.3	0.5	0.7
Social Worker	0.3	0.5	0.7

Documentation of Qualifications

See Attachment 10(1) for the curriculum vitae of Dr. Mohamed Salem, the Medical Director. He is not currently a medical director at any other in-center hemodialysis facility

DaVita will staff the new facility with all needed, qualified staffing. Below is a narrative explanation of how DaVita will fill each position with qualified staffing:

1) Assessment of existing DaVita teammates takes place well before the DeNovo facility is opened in preparation for filling the new positions—any that qualify will be transferred to the DeNovo
2) 60 days before the opening of the facility we will post necessary positions on the internet.
3) Recruiters will pre screen any qualified candidates
4) Facility Administrator will interview potential candidates
5) Peer interview will take place
6) Selection will be made.

Documentation of On-Going Training Program in Dialysis Techniques

DaVita provides an on-going program of training in dialysis techniques for nurses and technicians. See attached description documenting this training program.

Documentation of Staffing Plan

As indicated in the above Staffing Plan, DaVita ensures that at least one RN will be on duty when the unit is in operation and will maintain the appropriate ratio of direct patient care providers.

Open Medical Staff

See the attached letter certifying that the facility will maintain an open medical staff.

NEW HIRE TRAINING: Also found in the Star Tracker

Required Training	When	Where's the training?	Training & Post Test
Bloodborne Pathogen Regulations	1st 10 days	Health & Safety Training Manual	LMS - MAN1002-POST Mandatory Exposure Control BBP Infection Control New Teammate
Medical Waste Management	1st 10 days	Health & Safety Training Manual	MAN1005-POST Mandatory Medical Waste New Teammate
Hazard Communication	1st 30 days	Health & Safety Training Manual	MAN1004-POST Mandatory Hazardous Communication New Teammate Sign Right to Know teammate acknowledgement post training
Safety Needle Program		Health & Safety Training Manual	Complete prior to using safety needles
Teammate Safety		Health & Safety Training Manual	In development
Fire Safety		Health & Safety Training Manual	MAN1001-POST Mandatory Fire Safety New Teammate There is a power point presentation on the Health and Safety website
Disaster and Emergency Preparedness		Health & Safety Training Manual	MAN1003-POST Mandatory Disaster and Emergency New Teammate There is a power point presentation on the Health and Safety website
Fire Drills		Facility specific	
Medical Emergency Procedures (Direct Care-givers only)		Skills checklist	Treatment section workbook skills checklist
Body Mechanics		Health & Safety Training Manual	There is also a power point presentation on the Health and Safety website
Electrical Safety-Related Work Practices			Continue to use what is currently in facility
Compliance Training	21 days (calendar)	EDU	
People Services		LMS	MAN1000 Mandatory's for New DaVita Teammates
	1st 14 days	LMS	PS1007 Teammate Guidelines
	1st 21 days	LMS	MAN2005 Mandatory - Violence in the Workplace
Water Courses Nurse/PCT		LMS	CEC2014 A Water Review
		LMS	CEC2014-POST A Water Review
		LMS	CEC2036 Water Monitoring and Testing Conventional System
		LMS	CEC2037 Water Monitoring and Testing of the Central Water Plant
PCT		LMS	SPY2000P Snappy – Snappy PCT Advanced Certification
PCT & Nurse		LMS	NET1001 Network I: Computer Fundamentals
		LMS	NET1002 Network II: Internet and Intranet Fundamentals
		LMS	LMS1001 LMS: Intro to LMS for Teammates
		LMS	SPY1011A Snappy: Snappy/ ChairSide Snappy Process
		LMS	SPY1011A-POST Snappy: Snappy/ ChairSide Snappy Process A Post Test
		LMS	SPY1011A-PRE Snappy-Snappy/ ChairSide Snappy Process A Opt-Out
		LMS	SPY1011B Snappy: Snappy/ ChairSide Snappy Process B
		LMS	SPY1011B-POST Snappy: Snappy/ ChairSide Snappy Process B Post
		LMS	SPY1011B-PRE Snappy: Snappy/ ChairSide Snappy Process B Opt-Out
		LMS	CLED4010 New Teammate Satisfaction Survey
Nurses Only		LMS	OUT 1001 Outlook web Basics
	1st 30 days	LMS	SPY1000N Snappy – Certification for Hemo Nurses
	1st 30 days	LMS	PYC1001A Payor Compliance for Laboratory Services Part 1
	1st 30 days	LMS	PYC1001B Payor Compliance for Laboratory Services Part 2
		LMS	SPY3007 Snappy - Lab Training – New Nurse
		LMS	DPC9015 DaVita Prep Nurse Day Examination
		EDU	**Protocols and You**

Inservice Progress

Annual Mandatory Inservices	Needlestick Injury Prevention MAN2001	Needlestick Injury Prevention MAN2001-POST	Infection Control MAN2002	Infection Control Post Test MAN2002-POST	Emergency Preparedness MAN2003	Emergency Preparedness Post Test MAN2003-POST	Hazardous Communications MAN2004	Hazardous Communication Post Test MAN2004-POST	Body Mechanics MAN2006	Body Mechanics Post Test MAN200	CEC2014 A Water Rev	CEC201
Teammates												
FA												
Nurse Manager												
Name: Nurse												
Name Nurse												
Name Nurse												
Name: Dietitian												
Name												
Name												
Name												
Name												
Name												
Name												
Name												

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Inservice Progress

Annual Mandatory Inservices ..06-POST ..view ..4-POST A Water Review	CEC2036 Water Monitoring & Testing Conventional System	CEC2037 Water Monitoring & Testing of the Central Water Plant	Protocol and You found on EDU	Compliance on EDU	MAN2005 Mandatory - Violence in the Workplace	PS1002 People Services: The Manager's Role in Creating and Maintaining a Drug-Free Workplace	PS1011 People Services - Building a Foundation - 5 Policies and Practices for Management	PS1018 People Services: Sexual Harassment Prevention Training for Non CA/CT Managers	PS1013 People Service: Sexual Harassment Prevention Training for California Supervisors	PS1017 People Services: Sexual Harassment Prevention Training (Connecticut Management Only)
Teammates										
FA										
Nurse Manager										
Name: Nurse										
Name Nurse										
Name Nurse										
Name: Dietitian										
Name										
Name										
Name										
Name										
Name										
Name										
Name										

Last updated 2/3/2010

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DaVita.

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June 17, 2009

Jeffrey S. Mark
Executive Secretary
Illinois Health Facilities Planning Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Dear Mr. Mark:

RE: Certificate of Need (CON) to Establish Grand Crossing Dialysis
Certification of Open Medical Staff and Necessary Support Services

DaVita Inc. certifies that the proposed facility will maintain an open medical staff.

DaVita Inc. also certifies the following regarding needed support services:

(1) We participate in a dialysis data system;

(2) The facility will have available all needed support services consisting of clinical laboratory service, blood bank, nutrition, rehabilitation, psychiatric and social services; and

(3) Patients will have access to training for self-care dialysis, self-care instruction, home and home-assisted dialysis, and home training which will be provided either at the proposed facility or through a signed, written agreement for these services with another facility.

Thank you for your consideration of this matter.

Sincerely,

Kelly B Ladd

Kelly Ladd
Group Director
DaVita Inc.

DaVita.

Home Office
601 Hawaii Avenue
El Segundo, CA 90245
Tel: (800) 310-4872 | Fax: (310) 536-2675
www.davita.com

December 23, 2009

Mark Gibbs
Acting Executive Secretary
Illinois Health Facilities Planning Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Dear Mr. Gibbs:

RE: Certificate of Need (CON) to Establish Grand Crossing Dialysis
Assurances

We attest to the following:

(1) The proposed facility will achieve and maintain the utilization standard specified in 77 Ill. Adm. Code 1100 for in-center hemodialysis by the second year of operation after project completion. We understand that this standard represents 80% utilization by the 24th month of operation, based on three shifts per day, six days per week.

(2) The proposed facility will achieve and maintain compliance with hemodialysis outcome measures as follows:

at least 85% of hemodialysis patients will achieve a urea reduction ratio (URR) of 65% or better and

at least 85% of hemodialysis patients will achieve Kt/V Daugirdas II.1.2.

Thank you for your consideration of this matter.

Sincerely,

Kent Thiry
Chairman and CEO
DaVita Inc.
Total Renal Care Inc.

Attachment 26
Page 1 of 5

GRAND CROSSING DIALYSIS

PROJECTED ANNUAL UTILIZATION
2011 - 2013

Year	Stations	Treatments	Patients*	Occupancy On Treatments	Occupancy On Patients
2011	12	2,386	29	21%	40%
2012	12	6,417	58	57%	80%
2013	12	8,946	66	80%	92%

SOURCES: See notarized physician Letter of Referral in Attachment 20(1).
See Financial Feasibility Study in Attachment 76(4).

NOTES: * Number of patients is for the last day of the reporting period.

Number of patients assumes an average of five (5) patients per year will receive kidney transplants as indicated by the physician's current practice.

Number of patients assumes an average annual 14% mortality which is DaVita's experience at similar Chicago facilities.

IN - CENTER

	Year 1		Year 2		Year 3		Year 4		Year 5	
Month	Patients	Treatments	Patients	Treatments	Patients	Treatments	Patients	Treatments	Patients	Treatments
	0									
1	4	48	31	371	59	706	66	789	69	825
2	7	84	34	407	59	706	67	801	70	837
3	9	108	36	431	60	718	67	801	70	837
4	11	132	39	466	61	730	67	801	70	837
5	13	155	41	490	61	730	67	801	70	837
6	16	191	44	526	62	742	68	813	71	833
7	18	215	46	550	63	753	68	813	71	849
8	20	239	48	568	63	753	68	813	71	849
9	22	263	51	610	64	765	68	813	71	847
10	25	299	53	634	65	777	69	808	72	861
11	27	305	56	670	65	777	69	825	72	861
12	29	347	58	694	66	789	69	825	72	861
Total		2,386		6,417		8,946		9,706		10,136

HOME

	Year 1		Year 2		Year 3		Year 4		Year 5	
Month	Patients	Treatments	Patients	Treatments	Patients	Treatments	Patients	Treatments	Patients	Treatments
1	0	0	0	0	0	0	0	0	0	0
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
Total		-		-		-		-		-

New Patients on Service

	Year 1	Year 2	Year 3	Year 4	Year 5
Beginning Patients	4	31	59	66	69
Less 14.0% Mortality	1	4	8	9	10
Ending Patients	29	58	66	69	72
Net New Patients	**26**	**31**	**15**	**12**	**13**

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QUALITY OF CARE

Grand Crossing Dialysis is a new facility. See the following page for a summary of recent patient outcomes for DaVita's fifteen (15) other Chicago-area facilities. The data indicate that patient outcomes at DaVita facilities significantly exceed HFSRB standards, as follows:

> 90.60% of patients had URRs of 65% or higher compared to the HFSRB standard of at least 85% of patients and
>
> 93.98% of DaVita's patients in the Chicago area had a Kt/V Dauridgas II.1.2 compared to the HFSRB standard of 85% of patients.

DaVita Chicago Area Facilities
Clinical Outcomes Review
January 2009 to December 2009

Adequacy of Dialysis

This facility will be able to demonstrate the ability to provide adequate dialysis with Urea Reduction Ration (URR) greater than 65% in at least 85% of patients. This data is a compilation of clinical outcomes data from 15 facilities in the Chicago area. They are Logan Square Dialysis, Lake County Dialysis, Lincoln Park Dialysis, Children's Dialysis, Emerald Kidney Center, Olympia Fields Dialysis Center, Chicago Heights Renal Care, Stony Creek Dialysis, Beverly Dialysis, Montclare Dialysis, Mt. Greenwood Dialysis, Lake Villa Dialysis, Little Village Dialysis, Kankakee County Dialysis and Big Oaks Dialysis (December only).

Month	Percent of patients with URR>65%	Percent of patients with KT/V Daugirdas II.1.2
January 2009	91.06%	94.08%
February 2009	90.76%	93.93%
March 2009	90.99%	93.46%
April 2009	90.93%	93.74%
May 2009	90.95%	94.58%
June 2009	91.05%	94.44%
July 2009	89.25%	93.45%
August 2009	90.20%	94.50%
September 2009	91.07%	94.40%
October 2009	91.00%	94.24%
November 2009	90.38%	93.73%
December 2009	89.56%	93.18%
Average	90.60%	93.98%

DaVita.

Heartland Region I
2659 N. Milwaukee
Chicago, IL 60647
Tel: (773) 276-2380 | Fax: (773) 276-4176
www.davita.com

June 17, 2009

Jeffrey S. Mark
Executive Secretary
Illinois Health Facilities Planning Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Dear Mr. Mark:

RE: Certificate of Need (CON) to Establish Grand Crossing Dialysis
Certification of Open Medical Staff and Necessary Support Services

DaVita Inc. certifies that the proposed facility will maintain an open medical staff.

DaVita Inc. also certifies the following regarding needed support services:

(1) We participate in a dialysis data system;

(2) The facility will have available all needed support services consisting of clinical laboratory service, blood bank, nutrition, rehabilitation, psychiatric and social services; and

(3) Patients will have access to training for self-care dialysis, self-care instruction, home and home-assisted dialysis, and home training which will be provided either at the proposed facility or through a signed, written agreement for these services with another facility.

Thank you for your consideration of this matter.

Sincerely,

Kelly B Ladd

Kelly Ladd
Group Director
DaVita Inc.

MINIMUM NUMBER OF STATIONS

DaVita Inc. and Total Renal Care Inc. d/b/a Grand Crossing Dialysis propose to establish a *12-station* facility which exceeds the required 8-station minimum number of stations for a metropolitan area (MSA.)

CONTINUITY OF CARE

Total Renal Care Inc. d/b/a Grand Crossing Dialysis has a written patient transfer agreement with St. Bernard Hospital to guarantee access to needed acute care inpatient services. Please refer to Attachment 31C(1) for written agreement.

Total Renal Care Inc. d/b/a Grand Crossing Dialysis has an agreement with Northwestern Memorial Hospital for Tissue Typing and Transplantation Services. Please refer to Attachment 31C(2) for letters of agreement.

St. BERNARD HOSPITAL
AND HEALTH CARE CENTER

326 WEST 64TH STREET, CHICAGO, ILLINOIS 60621
TELEPHONE 773.962.3900 FACSIMILE 773.602.3849

December 10, 2009

Ms. Kelly B. Ladd
Group Director, DaVita
Total Renal Care, Inc.
2659 N. Milwaukee Avenue
Chicago, Illinois 60647

RE: Grand Crossing Dialysis – 7319-7325 S. Cottage Grove Avenue, Chicago, Illinois

Dear Ms. Ladd:

This letter serves to agree that St. Bernard Hospital will accept patients from Total Renal Care, Inc., who proposes to establish an out patient dialysis center at 7319-7325 S. Cottage Grove Avenue, in Chicago, Illinois. We agree to provide inpatient and various ancillary services to your patients.

The St. Bernard Hospital is able to provide the following services to your center or directly for your patients:

> Emergency medical care, blood bank services, general acute care, radiological services, and rehabilitation services (physical therapy, speech therapy, occupations therapy, cardiac rehabilitation).

In addition, St. Bernard Hospital will provide psychiatric care for your patients.

Total Renal Care, Inc end stage renal disease (ESRD) patients may receive inpatient care, and other hospital services at St. Bernard Hospital, when needed. Transfer or referral of patients between St. Bernard Hospital and the dialysis facility will be affected whenever such transfer or referral is determined as medically appropriate.

It is the intent of St. Bernard Hospital to consider affecting a written agreement with the dialysis facility at the time such facility has been approved, built and has become operational.

If you have any questions regarding his letter, feel free to call St. Bernard Hospital at 773-962-4100.

Sincerely,

Sister E Van Straten, RHSJ

Sister Elizabeth Van Straten, RHSJ
President and CEO

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Attachment 31C(1)

Northwestern Memorial® Hospital

Kovler Organ Transplantation Center

June 11, 2009

RE: Letters of Agreement to Provide Transplant Services

To Whom It May Concern:

Acting as Medical Director of Kidney Transplantation for Northwestern Memorial Hospital, I authorize Douglas Penrod, RN, to sign letters of agreement with dialysis centers to provide transplant services to their patients. Letters of agreement signed by Mr. Penrod under this authorization will remain in effect for their normal period, not to exceed one year, unless revoked in writing by Mr. Penrod or me (or my successor as medical director).

Sincerely,

Michael Abecassis, MD, MBA
Chief, Division of Organ Transplantation
Kovler Organ Transplantation Center
Northwestern Memorial Hospital

675 North Saint Clair Street, Suite 15-250, Chicago, Illinois 60611-2908 312.695.0828 www.transplant.nmh.org

Northwestern Memorial® Hospital

Kovler Organ Transplantation Center

June 11, 2009

Mohamed Salem, MD
DaVita – Grand Crossing Dialysis
7319 – 7325 S. Cottage Grove
Chicago, IL 60619

RE: Letter of Agreement for Transplantation Services

Dear Dr. Salem:

It is a pleasure to provide you with the following information about the scope of services provided by the Kovler Organ Transplantation Center at Northwestern Memorial Hospital (the Center) and how the Center works with dialysis centers to enhance communication and coordination of care.

The Center provides all necessary transplant-related services including evaluation of potential kidney and kidney/pancreas recipients, living donors and the on going assessment of the candidacy of patients on the deceased donor waiting list. The Center is also fully qualified to perform kidney, kidney/pancreas transplantation and living donor procedures. The Center will also provide post-operative follow-up and immunosuppression management, until the recipient is stable and referred back to their referring physician.

Basic tissue typing and routine HLA antibody levels for all transplant candidates are performed at the Northwestern University Immunology lab. Cross matching for live donor transplants are also done at the Northwestern University lab. The Center has a contractual relationship with the Gift of Hope Organ and Tissue Donor Bank for deceased donor immunology services.

The Center will notify your facility by letter whenever a patient referred from your facility is listed/delisted for transplant or fails to complete the initial/interval evaluation. Yearly, we will update your facility with the status of your patients on the waiting list including their panel reactive antibody level (PRA). Notification of a patient being transplanted will be made on the day of transplantation or the next business day.

Your facility should notify the Center of any "change in status," as that term is defined in the Centers for Medicare and Medicaid Services (CMS) Interpretive Guidance for the 2008 Conditions of Participation for dialysis units, of any patient from your facility who is listed with the Center by the next business day.

We have designated our transplant nurses Denae DeCrescenzo, Maria Hendricks, Doug Penrod, Judith Stein, Keith Wszolek, and social worker, Martha Escamilla-Arias, as the primary contacts at the Center to work with your facility's designated dialysis unit transplant coordinator.

675 North Saint Clair Street, Suite 15-250, Chicago, Illinois 60611-2908 312.695.0828 www.transplant.nmh.org

Thank you for asking us to participate in the care and evaluation of your patients.

Sincerely,

Douglas R. Penrod, RN
Transplant Nurse Coordinator
Outreach Liaison

DaVita.

P.O. Box 2076
Tacoma, WA 98401-2076
1423 Pacific Ave.
Tacoma, WA 98402
Tel: (253) 272-1916
www.davita.com

July 20, 2009

To Whom It May Concern:

DaVita Inc. (the Company or DaVita) overall investment strategy is to maximize shareholder value by maintaining a minimum amount of cash on hand and to use its cash for acquisitions, the construction of new centers, repurchasing shares, as well as to pay down debt. As a result of the Company's investment strategy, the days cash on hand for 2009 through 2012 is projected to be below the criteria of greater than 45 days at approximately 39 days, the projected debt service coverage in 2011 and 2012 is projected to be below the criteria of greater than 1.75 to 1.0 due to the expected maturity of our senior secured credit facility and the maturity of our senior notes, and the cushion ratio has historically been below the expected requirement of 5.0, and is projected to remain below the expected criteria through the near term. See discussion below.

The Company's day's cash on hand from 2006 through 2008 has ranged from 30 days to 39 days which was not within the 45 day minimum requirement. The Company's cushion ratio has ranged from 1.1 to 1.7 from 2006 through 2008 as a result of the Gambro acquisition and constructing and developing new centers. However, the Company is projecting it's day's cash on hand to be approximately 39 days and its cushion ratio to remain below the required 5.0 to 1.0, as the Company plans to continue growing through acquisitions, developing new centers, repurchase shares of its common stock and paying down debt in order to maximize shareholder value. In 2008 the Company acquired 20 new centers for approximately $93 million and spent approximately $318 million for capital asset expenditures for new center developments, relocations and for maintenance and information technology. The Company has also spent approximately $233 million to repurchase 4.8 million shares of its common stock during 2008 and has approximately $154 million remaining authorization for share repurchases which will impact future results.

The Company has been in compliance with the debt service coverage ratio requirement of 1.75 to 1.0 or greater for 2006 through 2008 and is also projected to exceed this requirement in 2009 through 2010. However, in 2011 and in 2012, the Company is currently not projected to be in compliance with this ratio requirement as the Company is currently required to make a $1.7 billion payment on its term loan B that matures in 2012 and is also currently required to redeem $900 million of its senior notes that mature in 2013. The Company believes that it will have the ability to refinance or restructure these debt payments to a more acceptable level of debt service payments than is currently required for 2012 and 2013. The Company believes it will have access to the credit markets and should not have any difficulties in obtaining new financing or the ability to restructure these required payments given its overall strong financial position, and the significant amount of annual cash flows that the Company generates.

Except for the days on hand, the cushion ratio and the projected debt service coverage ratio for 2011 and 2012 as discussed above, the other ratios, in Section XXIX, Review of Criteria Relating to Financial Feasibility, for 2006 through 2008, as well as the projections for the end of 2009 through 2012 are within the acceptable ranges and indicate that the Company has the ability to support the acquisition and development of additional dialysis centers because of its strong continued operating results including reliable and strong operating cash flow. As an example, for the year ended December 31, 2008, the Company generated approximately $614 million of operating cash flow, as recast for the retrospective application of adopting SFAS No. 160 *Noncontrolling Interests in Consolidated Financial Statements.*

The Company is currently in compliance with all of its financial bank covenants, and has sufficient liquidity and operating cash flows and access to borrowings to fund it scheduled debt service and other obligations for the foreseeable future. The Company has an undrawn revolving line of credit for $250 million of which $51 million is allocated for letters of credit available for liquidity purposes at any time.

Yours truly,

Kenneth W. Lamb
Senior Director of Financial Reporting

ATTACHMENT 75(1)
Page 2 of 2

DaVita.

P.O. Box 2076
Tacoma, WA 98401-2076
1423 Pacific Ave.
Tacoma, WA 98402
Tel: (253) 272-1916
www.davita.com

December 22, 2009

Ms. Delia Wozniak
DMW and Associates, Inc.
3716 N. Bernard Street
Chicago, Illinois 60618

RE: DaVita Inc. and Total Renal Care Inc. d/b/a Grand Crossing Dialysis
Documentation of Financing

Dear Ms. Wozniak:

Total Renal Care Inc. (TRC) wishes to establish a 12-station chronic renal dialysis facility in Chicago, Illinois (60619) to be known as Grand Crossing Dialysis. The facility would be located at 7319-7325 S. Cottage Grove Avenue, and would contain approximately 6,200 gross square feet (gsf) of leased space to be used for the 12-station hemodialysis clinic.

DaVita Inc. will provide equity financing for this project. The project consists of the modernization of the 6,200 gross square feet (gsf) of leased space and the acquisition of needed equipment. The estimated total project cost is $1,533,009, excluding the fair market value (FMV) of the space to be leased.

In addition, DaVita Inc. will provide all necessary working capital to cover any initial operating deficit and start-up costs anticipated to be four month's operating expenses.

I have enclosed our 2008 audited financial statements to support our liquidity.
If you have any further questions, please contact me.

Sincerely,

Jim Hilger
Vice President and Controller
Enclosures

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

For the Fiscal Year Ended

December 31, 2008

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-14106

DAVITA INC.

601 Hawaii Street
El Segundo, California 90245
Telephone number (310) 536-2400

Delaware (State of incorporation)	**51-0354549** (I.R.S. Employer Identification No.)

Securities registered pursuant to Section 12(b) of the Act:

Class of Security:	Registered on:
Common Stock, $0.001 par value	New York Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2008, the number of shares of the Registrant's common stock outstanding was approximately 104.2 million shares and the aggregate market value of the common stock outstanding held by non-affiliates based upon the closing price of these shares on the New York Stock Exchange was approximately $5.5 billion.

As of January 30, 2009, the number of shares of the Registrant's common stock outstanding was approximately 103.9 million shares and the aggregate market value of the common stock outstanding held by non-affiliates based upon the closing price of these shares on the New York Stock Exchange was approximately $4.9 billion.

Documents incorporated by reference

Portions of the Registrant's proxy statement for its 2009 annual meeting of stockholders are incorporated by reference in Part III of this Form 10-K.

DAVITA INC.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and which includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

During the last fiscal year, the Company conducted an evaluation, under the oversight of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's internal control over financial reporting. This evaluation was completed based on the criteria established in the report titled "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based upon our evaluation under the COSO framework, we have concluded that the Company's internal control over financial reporting was effective as of December 31, 2008.

The Company's independent registered public accounting firm, KPMG LLP, has issued an attestation report on the Company's internal control over financial reporting, which report is included in this Annual Report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
DaVita Inc.:

We have audited the accompanying consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DaVita Inc. and subsidiaries as of December 31, 2008 and 2007 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 12 to the consolidated financial statements, DaVita Inc. and subsidiaries adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Income Tax Uncertainties, effective January 1, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of DaVita Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2009 expressed an unqualified opinion on the effectiveness of DaVita Inc.'s internal control over financial reporting.

/s/ KPMG LLP

Seattle, Washington
February 27, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
DaVita Inc.:

We have audited DaVita Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). DaVita Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, DaVita Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008, and our report dated February 27, 2009 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Seattle, Washington
February 27, 2009

DAVITA INC.

CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per share data)

	Year ended December 31, 2008	2007	2006
Net operating revenues	$ 5,660,173	$ 5,264,151	$ 4,880,662
Operating expenses and charges:			
Patient care costs	3,920,487	3,590,344	3,390,351
General and administrative	508,240	491,236	453,516
Depreciation and amortization	216,917	193,470	173,295
Provision for uncollectible accounts	146,229	136,682	126,203
Minority interests and equity income, net	46,535	45,485	35,833
Valuation gain on alliance and product supply agreement	—	(55,275)	(37,968)
Total operating expenses and charges	4,838,408	4,401,942	4,141,230
Operating income	821,765	862,209	739,432
Debt expense	(224,716)	(257,147)	(276,706)
Other income, net	12,411	22,460	13,033
Income from continuing operations before income taxes	609,460	627,522	475,759
Income tax expense	235,300	245,744	186,430
Income from continuing operations	374,160	381,778	289,329
Discontinued operations			
Gain on disposal of discontinued operations, net of tax	—	—	362
Net income	$ 374,160	$ 381,778	$ 289,691
Earnings per share:			
Basic earnings per share from continuing operations	$ 3.56	$ 3.61	$ 2.79
Basic earnings per share	$ 3.56	$ 3.61	$ 2.80
Diluted earnings per share from continuing operations	$ 3.53	$ 3.55	$ 2.73
Diluted earnings per share	$ 3.53	$ 3.55	$ 2.74
Weighted average shares for earnings per share:			
Basic	105,149,448	105,893,052	103,520,254
Diluted	105,939,725	107,418,240	105,793,246

See notes to consolidated financial statements.

DAVITA INC.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

	December 31, 2008	December 31, 2007
ASSETS		
Cash and cash equivalents	$ 410,881	$ 447,046
Short-term investments	35,532	40,278
Accounts receivable, less allowance of $211,222 and $195,953	1,075,457	927,949
Inventories	84,174	80,173
Other receivables	239,165	198,744
Other current assets	33,761	34,482
Income tax receivable	32,138	—
Deferred income taxes	217,196	247,578
Total current assets	2,128,304	1,976,250
Property and equipment, net	1,048,075	939,326
Amortizable intangibles, net	160,521	183,042
Investments in third-party dialysis businesses	19,274	19,446
Long-term investments	5,656	22,562
Other long-term assets	47,330	35,401
Goodwill	3,876,931	3,767,933
	$7,286,091	$6,943,960
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 282,883	$ 225,461
Other liabilities	495,239	486,151
Accrued compensation and benefits	312,216	334,961
Current portion of long-term debt	72,725	23,431
Income taxes payable	—	16,492
Total current liabilities	1,163,063	1,086,496
Long-term debt	3,622,421	3,683,887
Other long-term liabilities	101,442	83,448
Alliance and product supply agreement, net	35,977	41,307
Deferred income taxes	244,884	166,055
Minority interests (fair value subject to potential put obligations—$291,000 and $330,000)	165,846	150,517
Commitments and contingencies		
Shareholders' equity:		
Preferred stock ($0.001 par value, 5,000,000 shares authorized; none issued)		
Common stock ($0.001 par value, 450,000,000 shares authorized; 134,862,283 shares issued; 103,753,673 and 107,130,127 shares outstanding)	135	135
Additional paid-in capital	769,069	707,080
Retained earnings	1,889,450	1,515,290
Treasury stock, at cost (31,108,610 and 27,732,156 shares)	(691,857)	(487,744)
Accumulated other comprehensive loss	(14,339)	(2,511)
Total shareholders' equity	1,952,458	1,732,250
	$7,286,091	$6,943,960

See notes to consolidated financial statements.

DAVITA INC.

CONSOLIDATED STATEMENTS OF CASH FLOW
(dollars in thousands)

	Year ended December 31, 2008	2007	2006
Cash flows from operating activities:			
Net income	$ 374,160	$ 381,778	$ 289,691
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	216,917	193,470	173,295
Valuation gain on alliance and product supply agreement	—	(55,275)	(37,968)
Stock-based compensation expense	41,235	34,149	26,389
Tax benefits from stock award exercises	13,988	32,788	40,375
Excess tax benefits from stock award exercises	(8,013)	(25,541)	(37,251)
Deferred income taxes	94,912	18,601	2,342
Minority interests in income of consolidated subsidiaries	47,331	46,702	38,141
Distributions to minority interests	(57,770)	(48,029)	(32,271)
Equity investment income	(796)	(1,217)	(2,308)
Loss (gain) on disposal of discontinued operations and other dispositions	15,216	(2,825)	239
Non-cash debt expense and non-cash rent charges	11,794	12,713	27,736
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:			
Accounts receivable	(149,939)	15,911	(74,737)
Inventories	(2,715)	11,271	(18,587)
Other receivables and other current assets	(40,960)	(61,049)	(34,044)
Other long-term assets	(11,929)	(14,528)	(9,791)
Accounts payable	57,422	(9,216)	40,712
Accrued compensation and benefits	(31,602)	9,691	101,555
Other current liabilities	8,871	657	88,841
Income taxes	(30,258)	(12,779)	(67,329)
Other long-term liabilities	8,067	5,764	4,541
Net cash provided by operating activities	555,931	533,036	519,571
Cash flows from investing activities:			
Additions of property and equipment, net	(317,962)	(272,212)	(262,708)
Acquisitions and purchases of other ownership interests	(126,368)	(127,094)	(86,504)
Proceeds from discontinued operations and asset sales	530	12,289	22,179
Purchase of investments available-for-sale	(2,009)	(52,085)	(3,726)
Purchase of investments held-to-maturity	(21,048)	(23,061)	—
Proceeds from the sale of investments available-for-sale	21,291	32,274	3,030
Proceeds from maturities of investments held-to-maturity	21,355	4,795	—
Purchase of a noncontrolling ownership interest in an unconsolidated joint venture	—	(17,550)	—
Contributions from minority owners	30,316	18,463	21,263
Purchase of intangible assets	(65)	(2,291)	(5,597)
Net cash used in investing activities	(393,960)	(426,472)	(312,063)
Cash flows from financing activities:			
Borrowings	17,089,018	13,113,640	6,354,784
Payments on long-term debt	(17,102,569)	(13,160,942)	(6,761,743)
Deferred financing costs	(130)	(4,511)	(2)
Excess tax benefits from stock award exercises	8,013	25,541	37,251
Stock award exercises and other share issuances, net	40,247	62,902	40,593
Purchase of treasury stock	(232,715)	(6,350)	—
Net cash (used in) provided by financing activities	(198,136)	30,280	(329,117)
Net (decrease) increase in cash and cash equivalents	(36,165)	136,844	(121,609)
Cash and cash equivalents at beginning of year	447,046	310,202	431,811
Cash and cash equivalents at end of year	$ 410,881	$ 447,046	$ 310,202

See notes to consolidated financial statements.

DAVITA INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(dollars and shares in thousands)

	Common stock		Additional paid-in	Retained	Treasury stock		Accumulated other comprehensive	
	Shares	Amount	capital	earnings	Shares	Amount	(loss)income	Total
Balance at December 31, 2005	134,862	$135	$569,751	$ 839,930	(32,927)	$(574,013)	$ 14,806	$ 850,609
Comprehensive income:								
Net income				289,691				289,691
Unrealized gains on interest rate swaps, net of tax							7,862	7,862
Less reclassification of net swap realized gains into net income, net of tax							(9,671)	(9,671)
Total comprehensive income								287,882
Stock purchase shares issued			1,861		80	1,403		3,264
Stock unit shares issued			(1,860)		160	2,790		930
Stock option shares issued			(5,023)		2,461	42,900		37,877
Stock-based compensation expense			26,389					26,389
Excess tax benefits from stock awards exercised			38,973					38,973
Balance at December 31, 2006	134,862	$135	$630,091	$1,129,621	(30,226)	$(526,920)	$ 12,997	$1,245,924
Comprehensive income:								
Net income				381,778				381,778
Unrealized losses on interest rate swaps, net of tax							(7,169)	(7,169)
Less reclassification of net swap realized gains into net income, net of tax							(8,858)	(8,858)
Unrealized gains on investments, net of tax							4,211	4,211
Less reclassification of net investment realized gains into net income, net of tax							(3,692)	(3,692)
Total comprehensive income								366,270
Cumulative effect of change in accounting principle SFAS Interpretation No (FIN) 48				3,891				3,891
Stock purchase shares issued			3,831		124	2,160		5,991
Stock unit shares issued			(1,848)		120	2,098		250
Stock options and SSARs exercised			13,429		2,361	41,268		54,697
Stock-based compensation expense			34,149					34,149
Excess tax benefits from stock awards exercised			27,428					27,428
Purchase of treasury stock					(111)	(6,350)		(6,350)
Balance at December 31, 2007	134,862	$135	$707,080	$1,515,290	(27,732)	$(487,744)	$ (2,511)	$1,732,250
Comprehensive income:								
Net income				374,160				374,160
Unrealized losses on interest rate swaps, net of tax							(12,947)	(12,947)
Less reclassification of net swap realized losses into net income, net of tax							2,590	2,590
Unrealized losses on investments, net of tax							(1,174)	(1,174)
Less reclassification of net investment realized gains into net income, net of tax							(297)	(297)
Total comprehensive income								362,332
Stock purchase shares issued			2,981		98	1,730		4,711
Stock unit shares issued			(2,670)		181	3,544		874
Stock options and SSARs exercised			12,278		1,133	23,328		35,606
Stock-based compensation expense			41,235					41,235
Excess tax benefits from stock awards exercised			8,165					8,165
Purchase of treasury stock					(4,789)	(232,715)		(232,715)
Balance at December 31, 2008	134,862	$135	$769,069	$1,889,450	(31,109)	$(691,857)	$(14,339)	$1,952,458

See notes to consolidated financial statements.

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START-UP COSTS AND OPERATING DEFICITS

Grand Crossing Dialysis is a new 12-station dialysis facility. Its start -up costs are estimated to be $338,798, which includes four month's operating expenses of $324,496 and the first year's initial operating deficit of $14,302.

These costs are based on the facility's Pro Forma included in Attachment 76(4.)

Refer to Attachment 75(2) for documentation to fund these necessary working capital costs.

DaVita.

Heartland Region I
2659 N. Milwaukee Avenue
Chicago, IL 60647
Tel: 773-276-2380 | Fax: 773-276-4176
www.davita.com

January 22, 2010

Ms. Delia Wozniak
DMW and Associates, Inc.
3716 N. Bernard Street
Chicago, Illinois 60618

RE: DaVita Inc. and Total Renal Care Inc. d/b/a Grand Crossing Dialysis
Conditions of the Space Lease

Dear Ms. Wozniak:

Total Renal Care Inc. wishes to establish Grand Crossing Dialysis, a 12-station chronic renal dialysis facility to be located at 7319-7325 S. Cottage Grove Avenue in Chicago, Illinois (60619.) The facility would contain 6,200 gross square feet (gsf) of leased space to be used solely for the 12-station hemodialysis clinic.

The lease will be for ten (10) years, with three (3) five-year options to renew. The initial base lease rate would be $12.10 per square foot, triple net, for the first five years and $13.30 per square foot, triple net for Years 6 - 10. Option rent shall be the rent during the prior term escalated by the increase in the CPI over the prior term, capped at three percent (3%) annually.

The terms of the lease appear reasonable based on a comparison to similar rents in the area (see attached analysis.) Also, lease expenses are less costly than constructing a new facility.

Sincerely,

Kent J. Thiry
Chairman and Chief Executive Officer

NOTARY
See attached

Sincerely,

Dennis L. Kogod
Chief ~~Operating~~ Officer

NOTARY
See Attached

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES)

On 1/25/2010 before me, CHRISTINA JIMENEZ, NOTARY PUBLIC
DATE — NAME, TITLE OF OFFICER – E.G.., "JANE DOE, NOTARY PUBLIC

personally appeared, DENNIS L. KOGOD

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Christina Jimenez (SEAL)
NOTARY PUBLIC SIGNATURE

CHRISTINA JIMENEZ
COMM. #1754641
NOTARY PUBLIC-CALIFORNIA
Los Angeles County
Comm. Expires Jun 30, 2011

OPTIONAL INFORMATION

THIS OPTIONAL INFORMATION SECTION IS NOT REQUIRED BY LAW BUT MAY BE BENEFICIAL TO PERSONS RELYING ON THIS NOTARIZED DOCUMENT.

TITLE OR TYPE OF DOCUMENT CONDITIONS OF SPACE LEASE FOR GRAND CROSSING DIALYSIS

DATE OF DOCUMENT 1/22/2010 NUMBER OF PAGES 4

SIGNERS(S) OTHER THAN NAMED ABOVE ____

SIGNER'S NAME ____ SIGNER'S NAME ____

CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

State of California

County of LOS ANGELES

On 1/27/10 before me, CHRISTINA JIMENEZ, NOTARY PUBLIC,
(Here insert name and title of the officer)

personally appeared KENT J. THIRY,

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(~~s~~) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Christina Jimenez
Signature of Notary Public

(Notary Seal)

CHRISTINA JIMENEZ
COMM. #1754641
NOTARY PUBLIC · CALIFORNIA
Los Angeles County
Comm. Expires Jun 30, 2011

ADDITIONAL OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED DOCUMENT

CONDITIONS OF SPACE LEASE FOR
(Title or description of attached document)

GRAND CROSSING DIALYSIS
(Title or description of attached document continued)

Number of Pages 4 Document Date 1/22/10

(Additional information)

CAPACITY CLAIMED BY THE SIGNER

- ☐ Individual (s)
- ☒ Corporate Officer
  CEO
  (Title)
- ☐ Partner(s)
- ☐ Attorney-in-Fact
- ☐ Trustee(s)
- ☐ Other ______

INSTRUCTIONS FOR COMPLETING THIS FORM

Any acknowledgment completed in California must contain verbiage exactly as appears above in the notary section or a separate acknowledgment form must be properly completed and attached to that document. The only exception is if a document is to be recorded outside of California. In such instances, any alternative acknowledgment verbiage as may be printed on such a document so long as the verbiage does not require the notary to do something that is illegal for a notary in California (i.e. certifying the authorized capacity of the signer). Please check the document carefully for proper notarial wording and attach this form if required.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed.
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public).
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. ~~he~~/she/~~they~~, is /~~are~~) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different acknowledgment form.
- Signature of the notary public must match the signature on file with the office of the county clerk.
  - ❖ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document.
  - ❖ Indicate title or type of attached document, number of pages and date.
  - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document

DaVita.	Chicago, IL

DaVita/USI Real Estate Services Alliance
Chicago (Grand Crossing), IL
Opinion of Value
6/08/09

To: Jim Burke
From: Matthew Fetter

The following is the opinion of value of market rent for the facility referenced below.

GOAL:	Determine fair market rent for the current tenant as well as the range of fair market values for similar types of properties in this market.
LOCATION:	7319-7325 S Cottage Grove, Chicago, IL 5,200 SF
ASSUME:	10 year NNN, MEDICAL USE SPACE (DIALYSIS CTR)
RENT/SF:	**400 W 76th St, Chicago, IL** 4,000 SF - $21.00/SF, NNN $4.00/SF (est.) **110 E 79th St, Chicago, IL** 3,500 SF - $17.00/SF, NNN $4.50/SF (est.) **1111-1135 E 87th, Chicago, IL** 4,700 SF - $16.00/SF, NNN $4.75/SF (est.) **6349 S Cottage Grove Ave, Chicago, IL** 5,000 SF - $13.00/SF, NNN, $4.00/SF (est.)
CONCESSIONS:	Within the location area the average NNN rental rate is $16.75/SF. Properties used for the BOV are all being marketed towards medical users and newly constructed buildings. The market does not currently have market comparables for Build to Suits with DaVita's base scope set.
INSERT OVERVIEW:	The BOV is using existing medical buildings in the area for comparison purposes; the buildings do not contain all of DaVita's base building requirements as these will most likely increase the rental rates.
CONCLUSION:	Subject **location area has an average market rate of $16.75/SF NNN for newly constructed medical buildings plus the common area maintenance, insurance and tax charges.**

Thank you,

Matthew Fetter
Director, Real Estate Services
USI Real Estate Brokerage Services Inc.

OTHER PROJECT COSTS
Grand Crossing Dialysis

Area	Amount	Basis for Estimate
PREPLANNING		
CON Fee	$5,000	Regulation
NEW EQUIPMENT	$473,884	DaVita Estimate See following pages for Summary & Full Itemized List
CONSULTING & OTHER FEES		
Architect/Engineering	$62,000	DaVita Estimate
CON Consulting	$35,000	Agreement
Legal	$3,000	DaVita Estimate
Reimbursables	$3,000	DaVita Estimate
	$103,000	
OTHER COSTS TO BE CAPITALIZED		
Utility Hook-ups:		
Electric	$10,000	DaVita Estimate
Water – Tap	$10,000	DaVita Estimate
Sewer	$2,000	DaVita Estimate
Gas	$2,000	DaVita Estimate
Cable	$2,000	DaVita Estimate
	($26,000)	
Building Systems:		
Telephone System	$9,000	DaVita Estimate
Network Cabling	$12,000	DaVita Estimate
Emergency Call System	$2,500	DaVita Estimate
Security System	$3,500	DaVita Estimate
DSS Syste	$10,000	DaVita Estimate
Fire Alarm System	$4,000	DaVita Estimate
	($41,000)	
Signage	($12,500)	DaVita Estimate
Total	$79,500	

GRAND CROSSING DIALYSIS

Summary
Equipment And Furnishings Cost

(See Following Pages for Complete Itemized List)

Equipment Type	Cost
Communications	$27,400 *
Water Treatment	$115,500
Bio-Medical	$10,275
Re-use Equipment/Fixtures	$26,599
Clinical Equipment	$213,110
Clinical Furniture/Fixtures	$15,300
Lounge Furniture/Fixtures	$2,750 *
Storage Fixtures/Equipment	$8,650 *
Business Office Fixtures	$27,300 *
General Furniture/Fixtures	$27,000 *
Total Equipment/Furnishings For Twelve (12) Stations	$473,884
Total Equipment Cost Per Station	$39,490
Total Adjusted Equipment Cost Per Station	$31,490 *

*** Grand Crossing Dialysis is a new facility that includes the added costs of business equipment, fixtures, and furniture of $68,800. Together with the costs of providing two (2) back-up dialysis machines ($27,200) needed in the event of an emergency, these additional costs amount to $96,000.**

If these costs are excluded the equipment cost would be $377,884, or $31,490/station.

DEVELOPMENT COSTING WORKSHEET - AT STARTUP: Grand Crossing Facility #: 4361

	Incremental	Total	
Square Footage:	6173	6173	470 square feet per station
Number of Hemo Stations (at Startup):	12	12	350 = typical DVA minimum standard
Number of PD Training Rooms	0	0	
Number of Home Training Stations:	0	0	

		Task Number	#	Cost/Unit	Total Cost	Per Total Sq. Ft.	Per Total Station	Comments/BDP
Services/Fees	Architecture and Eng. Costs	01.04			$ 62,000	$ 11.92	$ 5,166.67	
	Mover	01.05			$ -	$ -	$ -	
	Legal Fees	01.06			$ 3,000	$ 0.58	$ 250.00	
	CON Expense	01.07			$ 43,000	$ 8.27	$ 2,916.67	planning board 5,000.
					$ 106,000	$ 20.77		
						$ -		
Construction	Gross Interiors (permit included)	02.01			$ 771,625	$ 148.39	$ 58,750.00	
	Gross MBBI (permit included)	02.02			$ 90,000	$ 17.31	$ 7,500.00	
	Fire & Life Safety	02.03			$ 10,000	$ 1.92	$ 833.33	
	Leasehold Improvemt. Credits	02.07			$ -	$ -	$ -	
					$ 871,625	$ 167.62		
						$ -		
Utilities (hook-up)	Electric	03.01	1	$ 10,000	$ 10,000	$ 1.92	$ 833.33	
	Back-up Generator	03.02	0	$ -	$ -	$ -	$ -	
	Gas	03.03	1	$ 2,000	$ 2,000	$ 0.38	$ 166.67	
	Water (tap fee)	03.04	1	$ 10,000	$ 10,000	$ 1.92	$ 2,916.67	
	Sewer (impact fee)	03.05	1	$ 2,000	$ 2,000	$ 0.38	$ 166.67	
	Cable	03.06	1	$ 2,000	$ 2,000	$ 0.38	$ 166.67	
					$ 26,000	$ 5.00		
						$ -		
Building Systems	Telephone System	04.01	1	$ 9,000	$ 9,000	$ 1.73	$ 750.00	
	Network Cabling	04.02	1	$ 12,000	$ 12,000	$ 2.31	$ 2,500.00	updated per IT 8/8/08
	Emergency Call System	04.03	1	$ 2,500	$ 2,500	$ 0.48	$ 208.33	
	Security System	04.04	1	$ 3,500	$ 3,500	$ 0.67	$ 291.67	
	DSS System	04.06	1	$ 10,000	$ 10,000	$ 1.92	$ 833.33	
	Fire Alarm System	04.07	1	$ 4,000	$ 4,000	$ 0.77	$ 333.33	
					$ 41,000	$ 7.88		
						$ -		
Communications	TV System (w/ VCR)	04.05	14	$ 1,100	$ 15,400	$ 2.96	$ 1,283.33	
	Chairside Snappy - Server	04.08	1	$ 7,000	$ 7,000	$ 1.35	$ 666.67	updated per IT 8/8/08
	Chairside Snappy - Machine	04.09	1	$ 5,000	$ 5,000	$ 0.96	$ 583.33	updated per IT 8/8/08
					$ 27,400	$ 5.27		
						$ -		
						$ -		
Water Treatment	R/O System	05.01	1	$ 90,000	$ 90,000	$ 17.31	$ 7,500.00	
	Station Boxes and Fittings	05.02	14	$ 650	$ 9,100	$ 1.75	$ 466.67	
	Dry Acid System	05.03	1	$ 3,800	$ 3,800	$ 0.73	$ 316.67	orig. 0; revised to 1
	Concentrate Tanks	05.04	2	$ 900	$ 1,800	$ 0.35	$ 150.00	
	Concentrate Pumps	05.05	2	$ 500	$ 1,000	$ 0.19	$ 83.33	
	Drum Dolly	05.06	1	$ 300	$ 300	$ 0.06	$ 25.00	
	Central Bi-carb System	05.07	1	$ 9,000	$ 9,000	$ 1.73	$ 750.00	
	Bi-carb Mixer	05.08	0	$ 3,348	$ -	$ -	$ -	
	Bi-carb Drying Racks	05.09	1	$ 500	$ 500	$ 0.10	$ 41.67	
	Electrical Analyzer/Tester	06.01	0	$ -	$ -	$ -	$ -	
					$ 115,500	$ 22.21		
						$ -		
Bio-Medical Equipment	Conductivity Meter	06.02	1	$ 1,800	$ 1,800	$ 0.35	$ 150.00	
	Dialysate Meter	06.03	1	$ 1,700	$ 1,700	$ 0.33	$ 141.67	
	R/O TDS Water Meter	06.04	1	$ 275	$ 275	$ 0.05	$ 22.92	
	Air Test Kit	06.05	1	$ 500	$ 500	$ 0.10	$ 41.67	
	Water Analysis Test Kit	06.06	0	$ 50	$ -	$ -	$ -	
	Heat Block	06.07	0	N/A	$ -	$ -	$ -	
	Spill Kit	06.08	0	$ 1,300	$ -	$ -	$ -	
	Respirator	06.09	0	N/A	$ -	$ -	$ -	
	Tool Chest - Portable	06.10	0	N/A	$ -	$ -	$ -	
	Parts Storage Cart	06.11	1	$ 500	$ 500	$ 0.10	$ 41.67	
	Miscellaneous Technical Tools	06.12	1	$ 1,500	$ 1,500	$ 0.29	$ 125.00	
	Miscellaneous Fittings, Tubing	06.13	1	$ 4,000	$ 4,000	$ 0.77	$ 333.33	
					$ 10,275	$ 1.98		
						$ -		
Reuse Equipment/ Fixtures	DRS4	07.01	0	No Need	$ -	$ -	$ -	
	Manual Reuse Station	07.02	0	No Need	$ -	$ -	$ -	
Reuse Equipment/ Fixtures	Renatron	07.03	1	$ 20,699	$ 20,699	$ 3.98	$ 1,724.93	orig. $19K
	Renaclear	07.04	0	$ 5,355	$ -	$ -	$ -	
	Dialyzer Racks	07.05	1	$ 900	$ 900	$ 0.17	$ 75.00	
	Reuse Refrigerator	07.06	1	$ 5,000	$ 5,000	$ 0.96	$ 416.67	
					$ 26,599	$ 5.12		
						$ -		
Clinical Equipment	Dialysis Machine	08.01	14	$ 13,600	$ 190,400	$ 36.62	$ 15,866.67	orig. $13.7K/ea
	Diapure Machine	08.34	0	$ 36	$ -	$ -	$ -	
	Patient Lift	08.02	1	$ 1,400	$ 1,400	$ 0.27	$ 116.67	updated unit price
	Scale (tx)	08.03	1	$ 4,500	$ 4,500	$ 0.87	$ 375.00	
	Scale (PD)	08.04	0	$ 2,000	$ -	$ -	$ -	
	Lab Refrigerator	08.05	1	$ 400	$ 400	$ 0.08	$ 33.33	
	Lab Freezer	08.06	1	$ 400	$ 400	$ 0.08	$ 33.33	
	Meds Refrigerator (tx)	08.07	1	$ 400	$ 400	$ 0.08	$ 33.33	
	EPO Refrigerator (tx)	08.08	0	$ -	$ -	$ -	$ -	
	Meds Refrigerator (PD)	08.09	0	$ 305	$ -	$ -	$ -	
	Microwave (PD)	08.10	0	$ 117	$ -	$ -	$ -	
	Ice Machine	08.11	1	$ 3,300	$ 3,300	$ 0.63	$ 275.00	
	Crash Cart	08.12	1	$ 800	$ 800	$ 0.15	$ 66.67	
	Medication Cart	08.13	1	$ 500	$ 500	$ 0.10	$ 41.67	
	Defibrillator	08.14	1	$ 2,300	$ 2,300	$ 0.44	$ 191.67	
	EKG	08.15	0	$ 4,150	$ -	$ -	$ -	
	Ambubag	08.16	2	$ 25	$ 50	$ 0.01	$ 4.17	
	Suction Machine	08.17	1	$ 260	$ 260	$ 0.05	$ 21.67	
	Oxygen Equipment	08.18	2	$ 800	$ 1,600	$ 0.31	$ 133.33	
	Infusion Pump	08.19	1	$ 1,200	$ 1,200	$ 0.23	$ 100.00	

	IV Pole	08.20	2	$ 50	$ 100	$ 0.02	$ 8.33	
	ACT Tester	08.21	0	N/A	$ -	$ -	$ -	
	Glucometer	08.22	0	$ 36	$ -	$ -	$ -	
	Thermometer	08.23	0	$ 171	$ -	$ -	$ -	
	Stethescope	08.24	0	$ 4	$ -	$ -	$ -	
	Laryngoscope	08.25	0	$ 55	$ -	$ -	$ -	
	Opthalmoscope	08.26	0	$ 379	$ -	$ -	$ -	
	Centrifuge	08.27	0	N/A	$ -	$ -	$ -	
	Incubator	08.28	0	N/A	$ -	$ -	$ -	
	Ultrsonic Mini Doppler	08.29	0	N/A	$ -	$ -	$ -	
	Mobile BP Module(s)	08.30	2	$ 200	$ 400	$ 0.08	$ 33.33	
	Infectious Waste Hampers	08.31	0	$ -	$ -	$ -	$ -	
	Emergency Evacuation Kit	08.32	1	$ 300	$ 300	$ 0.06	$ 25.00	
	Miscellaneous Clinical	08.33	12	$ 400	$ 4,800	$ 0.92	$ 400.00	
					$ 213,110	$ 40.98		
						$ -		
Clinical Furniture/ Fixtures	Dialysis Chair - regular	09.01	11	$ 1,000	$ 11,000	$ 2.12	$ 916.67	
	Dialysis Chair - oversized	09.02	1	$ 1,100	$ 1,100	$ 0.21	$ 91.67	
	Task Stool	09.03	4	$ 125	$ 500	$ 0.10	$ 41.67	
	Privacy Screen	09.04	2	$ 200	$ 400	$ 0.08	$ 33.33	
	Exam Table	09.05	0	$ 644	$ -	$ -	$ -	
	Training Table	09.06	0	N/A	$ -	$ -	$ -	
	Exam Light	09.07	0	N/A	$ -	$ -	$ -	
	Chart Rack	09.08	1	$ 2,000	$ 2,000	$ 0.38	$ 166.67	
	Wheelchair	09.09	1	$ 300	$ 300	$ 0.06	$ 25.00	
					$ 15,300	$ 2.94		
						$ -		
Lounge Furniture/ Fixtures	Refrigerator (lounge)	10.01	1	$ 1,000	$ 1,000	$ 0.19	$ 83.33	
	Microwave (lounge)	10.02	1	$ 150	$ 150	$ 0.03	$ 12.50	
	Dishwasher	10.03	0	$ -	$ -	$ -	$ -	
	Coffee Machine (lounge)	10.04	0	$ 85	$ -	$ -	$ -	
	Toaster Oven (lounge)	10.05	0	$ 125	$ -	$ -	$ -	
	Lockers	10.06	1	$ 1,600	$ 1,600	$ 0.31	$ 133.33	orig. $1K
					$ 2,750	$ 0.53		
						$ -		
Storage Fixtures/ Equipment	Supply Cart	11.01	1	$ 500	$ 500	$ 0.10	$ 41.67	
	Shelving	11.02	1	$ 6,500	$ 6,500	$ 1.25	$ 541.67	
	Hand Dolly	11.03	1	$ 300	$ 300	$ 0.06	$ 25.00	
	Flatbed Truck (hand)	11.04	1	$ 350	$ 350	$ 0.07	$ 29.17	
	Utility Cart	11.05	0	N/A	$ -	$ -	$ -	
	Floor Palates	11.06	1	$ 1,000	$ 1,000	$ 0.19	$ 83.33	orig. $200
	Linen Cart	11.07	0	N/A	$ -	$ -	$ -	
					$ 8,650	$ 1.66		
						$ -		
Business Office Fixtures	Copier	13.01	1	$ 4,500	$ 4,500	$ 0.87	$ 375.00	
	Facsimile	13.02	1	$ 1,100	$ 1,100	$ 0.21	$ 91.67	
	Timeclock	13.03	1	$ 1,700	$ 1,700	$ 0.33	$ 141.67	
	Computer System	13.04	1	$ 20,000	$ 20,000	$ 3.85	$ 2,166.67	updated per IT 8/8/08
	Imprinter	13.07	0	$ -	$ -	$ -	$ -	
					$ 27,300	$ 5.25		
						$ -		
General Furniture/ Fixtures	Office Furniture	14.01	1	$ 20,000	$ 20,000	$ 3.85	$ 1,666.67	
	Artwork/Plants	14.02	1	$ 4,000	$ 4,000	$ 0.77	$ 333.33	
	Window Blinds/Curtains	14.04	1	$ 3,000	$ 3,000	$ 0.58	$ 250.00	
					$ 27,000	$ 5.19		
						$ -		
						$ -		
Signage	Interior	15.01	1	$ 2,500	$ 2,500	$ 0.48	$ 208.33	orig. $1400
	Exterior	15.02	1	$ 10,000	$ 10,000	$ 1.92	$ 833.33	orig. $9K
					$ 12,500	$ 2.40		
						$ -		
	Gross Leasehold Improvements				$871,625	$ 167.62		
	Less: Landlord Contribution				$0	$ -	$0.00	
	Leasehold Improvements Total				$871,625	$ 167.62	$66,166.66	
						$ -		
	Fees/Services/Utilities				$134,000	$ 25.77	$13,416.67	
	Equipment/Building Systems/Signs				$527,384	$ 101.42	$45,907.01	
	TOTAL				$1,533,009	$ 294.81	$125,490.33	
	Shipping & Taxes				assumed w/in $			

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Total Renal Care Inc. d/b/a Grand Crossing Dialysis

Projected Operating Costs

Year 2013

Salaries and Benefits (39%)	**$800,923**
Medical Supplies (Excluding Epogen)	**$223,652**
TOTAL	**$1,024,575**
Number of Treatments	**8,946**
Cost per Treatment	**$114.53**

SOURCE: Feasibility Study in Attachment 76(4).

Grand Crossing	Dec 21,2009

START-UP COSTS	Cost	Life	Annual Depreciation
Construction/Contingency	$871,625	39	$22,349
Gross site improvements	$0	39	$0
Pre-opening	$0	0	$0
Equipment/Furniture	$527,384	7	$75,341
Fees/services	$134,000	39	$3,436
Shipping/taxes	$0	0	$0
Total	$1,533,009		$101,126
Facility			
Square feet of space	6,173		
Cost per square foot	$141.20		
Hemo stations	12		

ESTIMATED CAPITAL EXPENDITURES	Year 1	Year 2	Year 3	Year 4	Year 5
	$24,000	$24,720	$25,462	$26,225	$27,012

INCOME STATEMENT		Pro Forma Projected				
		Year 1	Year 2	Year 3	Year 4	Year 5
Treatments						
Chronic		2,386	6,417	8,946	9,706	10,136
Home		0	0	0	0	0
Total Treatments		2,386	6,417	8,946	9,706	10,136
Growth			*168.9%*	*39.4%*	*8.5%*	*4.4%*
Net Revenue		$ 1,051,092	$ 2,439,103	$ 2,969,883	$ 3,296,478	$ 3,476,022
Net Revenue/Tx		*$440*	*$380*	*$332*	*$340*	*$343*
SW&B		$442,391	$593,726	$800,293	$873,286	$953,458
Other Expenses		$531,098	$987,631	$1,326,209	$1,451,109	$1,537,664
Total Expenses		$973,489	$1,581,357	$2,126,502	$2,324,395	$2,491,122
EBITDA		$77,603	$857,746	$843,381	$972,083	$984,900
EBITDA/Tx		*$32.52*	*$133.68*	*$94.27*	*$100.15*	*$97.17*
EBITDA as a % of Revenue		*7.4%*	*35.2%*	*28.4%*	*29.5%*	*28.3%*
Depr & Amort		$101,126	$107,881	$111,518	$115,265	$119,123
EBIT		($23,523)	$749,865	$731,863	$856,818	$865,777
Interest Expense	0.0%	$0	$0	$0	$0	$0
Pre-Tax Income		($23,523)	$749,865	$731,863	$856,818	$865,777
Income Taxes	39.2%	($9,221)	$293,947	$286,890	$335,873	$339,385
Net Income		($14,302)	$455,918	$444,973	$520,945	$526,392
Shares Outstanding		104,409,026	104,409,026	104,409,026	104,409,026	104,409,026
Incremental EPS		($0.000)	$0.004	$0.004	$0.005	$0.005

Grand Crossing

PRO FORMA

	Year 1	Year 2	Year 3	Year 4	Year 5
Treatments					
Chronic	2,386	6,417	8,946	9,706	10,136
PD	0	0	0	0	0
Total Treatments	2,386	6,417	8,946	9,706	10,136
Growth		*168.9%*	*39.4%*	*8.5%*	*4.4%*
REVENUES:					
In Center	$668,214	$1,668,295	$2,325,981	$2,523,685	$2,635,370
Home	$0	$0	$0	$0	$0
Epogen	$238,648	$513,322	$465,196	$543,563	$587,890
Other Ancillary	$145,575	$256,661	$178,922	$232,956	$253,401
Gross Revenue	$1,052,438	$2,438,278	$2,970,099	$3,300,203	$3,476,662
Less:					
Contractual Allowances	$0	$0	$0	$0	$0
Epogen Allowance	$0	$0	$0	$0	$0
Net Revenue	$1,052,438	$2,438,278	$2,970,099	$3,300,203	$3,476,662
Net Revenue/Tx	$441	$380	$332	$340	$343
EXPENSES:					
SW&B - Chronic	$442,391	$593,726	$800,293	$873,286	$953,458
SW&B - Home	$0	$0	$0	$0	$0
Medical Supplies - Chronic	$65,390	$169,396	$223,652	$259,648	$275,193
Medical Supplies - Home	$0	$0	$0	$0	$0
Medical Supplies - Other	$3,580	$9,625	$13,419	$14,560	$15,204
Pharmacy	$57,872	$160,413	$223,652	$242,662	$263,030
Lab	$7,159	$19,250	$26,838	$29,119	$30,408
Epogen	$90,686	$204,244	$333,951	$361,641	$382,306
Provision for Bad Debts	$27,363	$63,395	$77,223	$85,805	$90,393
Utilities and Telephone	$11,932	$32,083	$38,468	$48,532	$50,680
Maintenance and Repair	$9,546	$25,666	$37,126	$38,826	$41,051
Insurance	$7,159	$19,250	$26,749	$29,119	$30,408
Taxes and Licenses	$7,159	$19,250	$26,838	$29,119	$30,408
Other Supplies	$23,626	$51,332	$71,569	$77,652	$91,224
Other Expenses	$16,109	$38,499	$50,961	$58,239	$60,816
Physician Fees	$90,000	$90,000	$90,000	$90,000	$90,000
Rent	$113,583	$85,502	$85,826	$86,160	$86,505
G&A Expenses	$42,948	$117,038	$165,356	$181,793	$192,402
Total Expenses	$1,016,437	$1,698,395	$2,291,921	$2,506,188	$2,683,524
EBITDA	$36,001	$739,883	$678,178	$794,015	$793,138
EBITDA/Tx	*$15.09*	*$115.31*	*$75.81*	*$81.80*	*$78.25*
EBITDA as a % of Revenue	*3.4%*	*30.3%*	*22.8%*	*24.1%*	*22.8%*
Depr & Amort	$101,126	$107,881	$111,518	$115,265	$119,123
EBIT	($65,125)	$632,002	$566,660	$678,750	$674,015
CASH FLOW:					
Net Income	($14,302)	$455,918	$444,973	$520,945	$526,392
Depr & Amort	$101,126	$107,881	$111,518	$115,265	$119,123
Capital Expenditures	($24,000)	($24,720)	($25,462)	($26,225)	($27,012)
Incremental Working Capital	$39,364	($542,062)	($510,855)	($641,582)	($716,756)
Net Cash Flow	$102,188	($2,983)	$20,174	($31,597)	($98,253)

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IN - CENTER

Month	Year 1 Patients	Year 1 Treatments	Year 2 Patients	Year 2 Treatments	Year 3 Patients	Year 3 Treatments	Year 4 Patients	Year 4 Treatments	Year 5 Patients	Year 5 Treatments
	0									
1	4	48	31	371	59	706	66	789	69	825
2	7	84	34	407	59	706	67	801	70	837
3	9	108	36	431	60	718	67	801	70	837
4	11	132	39	466	61	730	67	801	70	837
5	13	155	41	490	61	730	67	801	70	837
6	16	191	44	526	62	742	68	813	71	833
7	18	215	46	550	63	753	68	813	71	849
8	20	239	48	568	63	753	68	813	71	849
9	22	263	51	610	64	765	68	813	71	847
10	25	299	53	634	65	777	69	808	72	861
11	27	305	56	670	65	777	69	825	72	861
12	29	347	58	694	66	789	69	825	72	861
Total		2,386		6,417		8,946		9,706		10,136

HOME

Month	Year 1 Patients	Year 1 Treatments	Year 2 Patients	Year 2 Treatments	Year 3 Patients	Year 3 Treatments	Year 4 Patients	Year 4 Treatments	Year 5 Patients	Year 5 Treatments
1	0	0	0	0	0	0	0	0	0	0
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
Total		-		-		-		-		-

New Patients on Service

	Year 1	Year 2	Year 3	Year 4	Year 5
Beginning Patients	4	31	59	66	69
Less 14.0% Mortality	1	4	8	9	10
Ending Patients	29	58	66	69	72
Net New Patients	**26**	**31**	**15**	**12**	**13**

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Grand Crossing

Assumptions for Denovo:

Expansion Costs:

Pre. Opening	$0
Construction/Contingency	$871,625
Gross site improvements	$0
Equipment & Furniture	$527,384
Fees/services	$134,000
Total	$1,533,009

Revenues & Expenses:	Based on financial data for existing facility at Emerald.
Bad Debt:	Based on 2.6% of net revenue.
Proposed Staffing:	Based on $139(including benefits) first year actual per treatment. Benefits portion of SWBs is approximately 39%
Patient Census:	Year one average cenus of 17 (2,386 treatments per year) for year 1 with an annual growth rate of 169%(2nd. Year), 39(3rd. Year),9%(4th. Year),4.4%(5th. Year).
Working Capital:	Provided by :DAVITA and Net Income Assumes A/R @ 120 days first year and 70 days year 2,3,4 and 5 Assumes A/P @ 24 days

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Total Renal Care Inc. d/b/a Grand Crossing Dialysis

Projected Capital Costs

Year 2013

Depreciation/Amortization	$111,518
Interest	0
TOTAL	$111,518
Number of Treatments	8,946
Capital Cost per Treatment	$12.46

SOURCE: Feasibility Study in Attachment 76(4).

Safety Net Impact Statement

The project has no impact on "Safety Net Service" providers as defined in Public Act 96-031. Hemodialysis is a unique health care service which is covered by Medicare regardless of patient age. The rare patient who may ultimately be denied Medicare coverage due to lack of citizenship receives coverage through the State of Illinois' Medicaid program. See the following page for DaVita's payer mix by revenues and treatments for Illinois and Chicago facilities.

Barrington Creek Dialysis will provide any member of the community with dialysis services prescribed by a licensed physician. DaVita accepts and dialyzes patients with renal failure needing a regular course of dialysis without regard to race, color, national origin, gender, sexual orientation, age, religion, or disability. In addition, DaVita provides service to persons with barriers to mainstream health care due to lack of insurance, inability to pay, or geographic isolation.

Below is the process whereby DaVita ensures that patients receive care. DaVita first verifies Medicare or Medicaid eligibility and/or private insurance coverage. Patients who lack insurance are authorized to receive treatment at the facility level with necessary written approval while they complete necessary applications for Medicare or Medicaid. Medicaid under Illinois law will provide treatment back to the first date of treatment. Medicare has a waiting period of 90 days after starting an ongoing course of dialysis. In any case, DaVita treats the patient with ongoing dialysis whether the service is ever covered or not.

Persons, who are not eligible for medical benefits because they do not meet citizenship/immigration requirements, may qualify for medical emergency care under Illinois law. Hemodialysis is considered an emergency medical condition and as long as the patient needs hemodialysis services they are covered. If there is a gap in coverage or eligibility for coverage at any time and in any case, DaVita provides care to those in any of those circumstances.

DaVita offers monthly pre-ESRD teaching to any patient who would like to attend at community based centers near its dialysis centers. Classes consist of the following three different curricula: Making Healthy Choices, Taking Control and Treatment Choices. The classes offer patients tips on how to maintain healthy living and the pro and cons of the options available for treating end stage renal disease (ESRD).

DaVita also has a website (DaVita.com) that offers an education section with topics such as kidney disease, dialysis, home dialysis and diet & nutrition. The DaVita website contains multiple sources for services available, recipes for patients with ESRD, other tools provided by DaVita and videos about multiple topics.

DaVita Clinical Research (DCR) is a renal Phase I-IV clinical trial site and site management organization. It offers the following services: Phase I-IV, Pharmacokinetics, and Pharmacodynamics. Our specialty patient population includes Renal, Renal Transplants and Peritoneal Dialysis. DCR is committed to the success of our customers' studies in providing the highest quality, professional services. It is unique, with Phase I-IV clinical trial capabilities, quick local or central institutional review board (IRB) approval, rapid enrollment of patients and board-certified physicians committed to managing all protocol-related activities. It has been conducting clinical trials for over 15 years and has worked with over 65 drug and device sponsors, to provide quality, timely and cost effective clinical trials.

DaVita Inc.

Revenues and Treatments, By Payer

	2006	2007	2008
ILLINOIS REVENUES	7/1/06-6/30/07	7/1/07-6/30/08	7/1/08-6/30/09
Medicare	46.4%	51.8%	52.9%
BCBS of IL	19.1%	12.6%	13.1%
Medicaid	5.3%	5.7%	5.7%
Patient	0.2%	0.2%	0.3%
Commercial/all other	29.0%	29.7%	28.0%
Total	**100.0%**	**100.0%**	**100.0%**
CHICAGO REVENUES	**7/1/06-6/30/07**	**7/1/07-6/30/08**	**7/1/08-6/30/09**
Medicare	40.3%	48.1%	49.6%
BCBS of IL	26.2%	16.7%	17.6%
Medicaid	7.7%	8.7%	8.7%
Patient	0.3%	0.3%	0.5%
Commercial/all other	25.5%	26.2%	23.6%
Total	**100.0%**	**100.0%**	**100.0%**
Illinois Treatments	**7/1/06-6/30/07**	**7/1/07-6/30/08**	**7/1/08-6/30/09**
Medicare	77.3%	77.0%	77.0%
BCBS of IL	4.9%	5.3%	5.2%
Medicaid	7.0%	6.7%	6.6%
Patient	0.3%	0.3%	0.5%
Commercial/all other	10.5%	10.7%	10.7%
Total	**100.0%**	**100.0%**	**100.0%**
Treatments share Chiago	**7/1/06-6/30/07**	**7/1/07-6/30/08**	**7/1/08-6/30/09**
Medicare	73.1%	73.1%	73.6%
BCBS of IL	7.2%	7.7%	7.6%
Medicaid	11.5%	11.1%	10.8%
Patient	0.5%	0.4%	0.8%
Commercial/all other	7.7%	7.7%	7.2%
Total	**100.0%**	**100.0%**	**100.0%**

DAVITA INC.*

Audited Historic Financial Statements
2006 – 2008

Financial Estimates
2009 – 2012

* DaVita Inc. is the holding company for various wholly-owned subsidiaries, including Total Renal Care Inc. (TRC), Renal Treatment Centers Inc. (RTC) and Renal Life Link Inc. (RLL).

ATTACHMENT FINANCIALS

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

For the Fiscal Year Ended

December 31, 2008

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-14106

DAVITA INC.

601 Hawaii Street
El Segundo, California 90245
Telephone number (310) 536-2400

Delaware	51-0354549
(State of incorporation)	(I.R.S. Employer Identification No.)

Securities registered pursuant to Section 12(b) of the Act:

Class of Security:	Registered on:
Common Stock, $0.001 par value	New York Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2008, the number of shares of the Registrant's common stock outstanding was approximately 104.2 million shares and the aggregate market value of the common stock outstanding held by non-affiliates based upon the closing price of these shares on the New York Stock Exchange was approximately $5.5 billion.

As of January 30, 2009, the number of shares of the Registrant's common stock outstanding was approximately 103.9 million shares and the aggregate market value of the common stock outstanding held by non-affiliates based upon the closing price of these shares on the New York Stock Exchange was approximately $4.9 billion.

Documents incorporated by reference

Portions of the Registrant's proxy statement for its 2009 annual meeting of stockholders are incorporated by reference in Part III of this Form 10-K.

DAVITA INC.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and which includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

During the last fiscal year, the Company conducted an evaluation, under the oversight of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's internal control over financial reporting. This evaluation was completed based on the criteria established in the report titled "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based upon our evaluation under the COSO framework, we have concluded that the Company's internal control over financial reporting was effective as of December 31, 2008.

The Company's independent registered public accounting firm, KPMG LLP, has issued an attestation report on the Company's internal control over financial reporting, which report is included in this Annual Report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
DaVita Inc.:

We have audited the accompanying consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DaVita Inc. and subsidiaries as of December 31, 2008 and 2007 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 12 to the consolidated financial statements, DaVita Inc. and subsidiaries adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Income Tax Uncertainties, effective January 1, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of DaVita Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2009 expressed an unqualified opinion on the effectiveness of DaVita Inc.'s internal control over financial reporting.

/s/ KPMG LLP

Seattle, Washington
February 27, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
DaVita Inc.:

We have audited DaVita Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). DaVita Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, DaVita Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008, and our report dated February 27, 2009 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Seattle, Washington
February 27, 2009

DAVITA INC.

CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per share data)

	Year ended December 31, 2008	2007	2006
Net operating revenues	$ 5,660,173	$ 5,264,151	$ 4,880,662
Operating expenses and charges:			
Patient care costs	3,920,487	3,590,344	3,390,351
General and administrative	508,240	491,236	453,516
Depreciation and amortization	216,917	193,470	173,295
Provision for uncollectible accounts	146,229	136,682	126,203
Minority interests and equity income, net	46,535	45,485	35,833
Valuation gain on alliance and product supply agreement	—	(55,275)	(37,968)
Total operating expenses and charges	4,838,408	4,401,942	4,141,230
Operating income	821,765	862,209	739,432
Debt expense	(224,716)	(257,147)	(276,706)
Other income, net	12,411	22,460	13,033
Income from continuing operations before income taxes	609,460	627,522	475,759
Income tax expense	235,300	245,744	186,430
Income from continuing operations	374,160	381,778	289,329
Discontinued operations			
Gain on disposal of discontinued operations, net of tax	—	—	362
Net income	$ 374,160	$ 381,778	$ 289,691
Earnings per share:			
Basic earnings per share from continuing operations	$ 3.56	$ 3.61	$ 2.79
Basic earnings per share	$ 3.56	$ 3.61	$ 2.80
Diluted earnings per share from continuing operations	$ 3.53	$ 3.55	$ 2.73
Diluted earnings per share	$ 3.53	$ 3.55	$ 2.74
Weighted average shares for earnings per share:			
Basic	105,149,448	105,893,052	103,520,254
Diluted	105,939,725	107,418,240	105,793,246

See notes to consolidated financial statements.

DAVITA INC.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

	December 31, 2008	December 31, 2007
ASSETS		
Cash and cash equivalents	$ 410,881	$ 447,046
Short-term investments	35,532	40,278
Accounts receivable, less allowance of $211,222 and $195,953	1,075,457	927,949
Inventories	84,174	80,173
Other receivables	239,165	198,744
Other current assets	33,761	34,482
Income tax receivable	32,138	—
Deferred income taxes	217,196	247,578
Total current assets	2,128,304	1,976,250
Property and equipment, net	1,048,075	939,326
Amortizable intangibles, net	160,521	183,042
Investments in third-party dialysis businesses	19,274	19,446
Long-term investments	5,656	22,562
Other long-term assets	47,330	35,401
Goodwill	3,876,931	3,767,933
	$7,286,091	$6,943,960
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 282,883	$ 225,461
Other liabilities	495,239	486,151
Accrued compensation and benefits	312,216	334,961
Current portion of long-term debt	72,725	23,431
Income taxes payable	—	16,492
Total current liabilities	1,163,063	1,086,496
Long-term debt	3,622,421	3,683,887
Other long-term liabilities	101,442	83,448
Alliance and product supply agreement, net	35,977	41,307
Deferred income taxes	244,884	166,055
Minority interests (fair value subject to potential put obligations—$291,000 and $330,000)	165,846	150,517
Commitments and contingencies		
Shareholders' equity:		
Preferred stock ($0.001 par value, 5,000,000 shares authorized; none issued)		
Common stock ($0.001 par value, 450,000,000 shares authorized; 134,862,283 shares issued; 103,753,673 and 107,130,127 shares outstanding)	135	135
Additional paid-in capital	769,069	707,080
Retained earnings	1,889,450	1,515,290
Treasury stock, at cost (31,108,610 and 27,732,156 shares)	(691,857)	(487,744)
Accumulated other comprehensive loss	(14,339)	(2,511)
Total shareholders' equity	1,952,458	1,732,250
	$7,286,091	$6,943,960

See notes to consolidated financial statements.

DAVITA INC.

CONSOLIDATED STATEMENTS OF CASH FLOW
(dollars in thousands)

	Year ended December 31, 2008	2007	2006
Cash flows from operating activities:			
Net income	$ 374,160	$ 381,778	$ 289,691
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	216,917	193,470	173,295
Valuation gain on alliance and product supply agreement	—	(55,275)	(37,968)
Stock-based compensation expense	41,235	34,149	26,389
Tax benefits from stock award exercises	13,988	32,788	40,375
Excess tax benefits from stock award exercises	(8,013)	(25,541)	(37,251)
Deferred income taxes	94,912	18,601	2,342
Minority interests in income of consolidated subsidiaries	47,331	46,702	38,141
Distributions to minority interests	(57,770)	(48,029)	(32,271)
Equity investment income	(796)	(1,217)	(2,308)
Loss (gain) on disposal of discontinued operations and other dispositions	15,216	(2,825)	239
Non-cash debt expense and non-cash rent charges	11,794	12,713	27,736
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:			
Accounts receivable	(149,939)	15,911	(74,737)
Inventories	(2,715)	11,271	(18,587)
Other receivables and other current assets	(40,960)	(61,049)	(34,044)
Other long-term assets	(11,929)	(14,528)	(9,791)
Accounts payable	57,422	(9,216)	40,712
Accrued compensation and benefits	(31,602)	9,691	101,555
Other current liabilities	8,871	657	88,841
Income taxes	(30,258)	(12,779)	(67,329)
Other long-term liabilities	8,067	5,764	4,541
Net cash provided by operating activities	555,931	533,036	519,571
Cash flows from investing activities:			
Additions of property and equipment, net	(317,962)	(272,212)	(262,708)
Acquisitions and purchases of other ownership interests	(126,368)	(127,094)	(86,504)
Proceeds from discontinued operations and asset sales	530	12,289	22,179
Purchase of investments available-for-sale	(2,009)	(52,085)	(3,726)
Purchase of investments held-to-maturity	(21,048)	(23,061)	—
Proceeds from the sale of investments available-for-sale	21,291	32,274	3,030
Proceeds from maturities of investments held-to-maturity	21,355	4,795	—
Purchase of a noncontrolling ownership interest in an unconsolidated joint venture	—	(17,550)	—
Contributions from minority owners	30,316	18,463	21,263
Purchase of intangible assets	(65)	(2,291)	(5,597)
Net cash used in investing activities	(393,960)	(426,472)	(312,063)
Cash flows from financing activities:			
Borrowings	17,089,018	13,113,640	6,354,784
Payments on long-term debt	(17,102,569)	(13,160,942)	(6,761,743)
Deferred financing costs	(130)	(4,511)	(2)
Excess tax benefits from stock award exercises	8,013	25,541	37,251
Stock award exercises and other share issuances, net	40,247	62,902	40,593
Purchase of treasury stock	(232,715)	(6,350)	—
Net cash (used in) provided by financing activities	(198,136)	30,280	(329,117)
Net (decrease) increase in cash and cash equivalents	(36,165)	136,844	(121,609)
Cash and cash equivalents at beginning of year	447,046	310,202	431,811
Cash and cash equivalents at end of year	$ 410,881	$ 447,046	$ 310,202

See notes to consolidated financial statements.

DAVITA INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(dollars and shares in thousands)

	Common stock		Additional paid-in capital	Retained earnings	Treasury stock		Accumulated other comprehensive (loss)income	Total
	Shares	Amount			Shares	Amount		
Balance at December 31, 2005	134,862	$135	$569,751	$ 839,930	(32,927)	$(574,013)	$ 14,806	$ 850,609
Comprehensive income:								
Net income				289,691				289,691
Unrealized gains on interest rate swaps, net of tax							7,862	7,862
Less reclassification of net swap realized gains into net income, net of tax							(9,671)	(9,671)
Total comprehensive income								287,882
Stock purchase shares issued			1,861		80	1,403		3,264
Stock unit shares issued			(1,860)		160	2,790		930
Stock option shares issued			(5,023)		2,461	42,900		37,877
Stock-based compensation expense			26,389					26,389
Excess tax benefits from stock awards exercised			38,973					38,973
Balance at December 31, 2006	134,862	$135	$630,091	$1,129,621	(30,226)	$(526,920)	$ 12,997	$1,245,924
Comprehensive income:								
Net income				381,778				381,778
Unrealized losses on interest rate swaps, net of tax							(7,169)	(7,169)
Less reclassification of net swap realized gains into net income, net of tax							(8,858)	(8,858)
Unrealized gains on investments, net of tax							4,211	4,211
Less reclassification of net investment realized gains into net income, net of tax							(3,692)	(3,692)
Total comprehensive income								366,270
Cumulative effect of change in accounting principle SFAS Interpretation No (FIN) 48				3,891				3,891
Stock purchase shares issued			3,831		124	2,160		5,991
Stock unit shares issued			(1,848)		120	2,098		250
Stock options and SSARs exercised			13,429		2,361	41,268		54,697
Stock-based compensation expense			34,149					34,149
Excess tax benefits from stock awards exercised			27,428					27,428
Purchase of treasury stock					(111)	(6,350)		(6,350)
Balance at December 31, 2007	134,862	$135	$707,080	$1,515,290	(27,732)	$(487,744)	$ (2,511)	$1,732,250
Comprehensive income:								
Net income				374,160				374,160
Unrealized losses on interest rate swaps, net of tax							(12,947)	(12,947)
Less reclassification of net swap realized losses into net income, net of tax							2,590	2,590
Unrealized losses on investments, net of tax							(1,174)	(1,174)
Less reclassification of net investment realized gains into net income, net of tax							(297)	(297)
Total comprehensive income								362,332
Stock purchase shares issued			2,981		98	1,730		4,711
Stock unit shares issued			(2,670)		181	3,544		874
Stock options and SSARs exercised			12,278		1,133	23,328		35,606
Stock-based compensation expense			41,235					41,235
Excess tax benefits from stock awards exercised			8,165					8,165
Purchase of treasury stock					(4,789)	(232,715)		(232,715)
Balance at December 31, 2008	134,862	$135	$769,069	$1,889,450	(31,109)	$(691,857)	$(14,339)	$1,952,458

See notes to consolidated financial statements.

1. Organization and summary of significant accounting policies

Organization

DaVita Inc. principally operates kidney dialysis centers and provides related lab services primarily in dialysis centers and in contracted hospitals across the United States. The Company also operates other ancillary services and strategic initiatives which relate primarily to our core business of providing renal care services. As of December 31, 2008, the Company operated or provided administrative services to 1,449 outpatient dialysis centers located in 43 states and the District of Columbia, serving approximately 112,000 patients. The Company's dialysis and related lab services business qualifies as a separately reportable segment under Statement of Financial Accounting Standards (SFAS) No. 131 and all other ancillary services and strategic initiatives have been combined and disclosed in the other segments category.

Basis of presentation

These consolidated financial statements and accompanying notes are prepared in accordance with United States generally accepted accounting principles. The financial statements include DaVita and its subsidiaries, partnerships and other entities in which it maintains a 100%, majority voting, or other controlling financial interest (collectively, the Company). All significant intercompany transactions and balances have been eliminated. Non-consolidated equity investments are recorded under the equity or cost method of accounting based upon whether the Company has significant influence over the investee. Prior year balances and amounts have been classified to conform to the current year presentation.

Use of estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and contingencies. Although actual results in subsequent periods will differ from these estimates, such estimates are developed based on the best information available to management and management's best judgments at the time made. All significant assumptions and estimates underlying the amounts reported in the financial statements and accompanying notes are regularly reviewed and updated. Changes in estimates are reflected in the financial statements based upon on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies. Interim changes in estimates related to annual operating costs are applied prospectively within annual periods.

The most significant assumptions and estimates underlying these financial statements and accompanying notes involve revenue recognition and provisions for uncollectible accounts, impairments and valuation adjustments, accounting for income taxes, quarterly variable compensation accruals, purchase accounting valuation estimates, fair value estimates and stock-based compensation. Specific estimating risks and contingencies are further addressed within these notes to the consolidated financial statements.

Net operating revenues and accounts receivable

Revenues associated with Medicare and Medicaid programs are recognized based on: (a) the payment rates that are established by statute or regulation for the portion of the payment rates paid by the government payor (e.g., 80% for Medicare patients) and (b) for the portion not paid by the primary government payor, estimates of the amounts ultimately collectible from other government programs paying secondary coverage (e.g., Medicaid secondary coverage), the patient's commercial health plan secondary coverage, or the patient. Revenues associated with commercial health plans are estimated based on contractual terms for the patients under healthcare plans with which we have formal agreements, non-contracted health plan coverage terms if known, estimated secondary collections, historical collection experience, historical trends of refunds and payor payment adjustments (retractions), inefficiencies in our billing and collection processes that can result in denied claims for payments, and regulatory compliance issues.

Operating revenues are recognized in the period services are provided. Revenues consist primarily of payments from Medicare, Medicaid and commercial health plans for dialysis and ancillary services provided to patients. A usual and customary fee schedule is maintained for our dialysis treatment and other patient services; however, actual collectible revenue is normally recognized at a discount from the fee schedule.

Commercial revenue recognition involves substantial estimating risks. With many larger, commercial insurers the Company has several different contracts and payment arrangements, and these contracts often include only a subset of the Company's centers. It is often not possible to determine which contract, if any, should be applied prior to billing. In addition, for services provided by non-contracted centers, final collection may require specific negotiation of a payment amount, typically at a significant discount from the Company's usual and customary rates.

Services covered by Medicare and Medicaid are less subject to estimating risk. Both Medicare and Medicaid rates use prospective payment methods established in advance with definitive terms. Medicare payments for bad debt claims are subject to individual center profitability, as established by cost reports, and require evidence of collection efforts. As a result, billing and collection of Medicare bad debt claims are often delayed significantly, and final payment is subject to audit.

Medicaid payments, when Medicaid coverage is secondary, can also be difficult to estimate. For many states, Medicaid payment terms and methods differ from Medicare, and may prevent accurate estimation of individual payment amounts prior to billing.

Revenue recognition uncertainties inherent in the Company's operations are addressed in AICPA Statement of Position (SOP) No. 00-1 *Auditing Health Care Third-Party Revenues and Related Receivables*. As addressed in SOP No. 00-1, net revenue recognition and allowances for uncollectible billings require the use of estimates of the amounts that will ultimately be realized considering, among other items, retroactive adjustments that may be associated with regulatory reviews, audits, billing reviews and other matters.

The Company's range of revenue estimating risk for the dialysis and related lab services segment is generally expected to be within 1% of its revenue. Changes in revenue estimates for prior periods are separately disclosed, if material.

Management and administrative support services are provided to dialysis centers and physician practices and clinics that the Company does not own or in which the Company does not maintain a controlling ownership interest. The management fees are principally determined as a percentage of the managed operations' revenues or cash collections and in some cases an additional component based upon a percentage of operating income. Management fees are included in net operating revenues as earned, and represent less than 1% of total consolidated operating revenues.

Other income, net

Other income includes interest income on cash investments and other non-operating gains and losses from investment transactions.

Cash and cash equivalents

Cash equivalents are highly liquid investments with maturities of three months or less at date of purchase.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and consist principally of pharmaceuticals and dialysis-related supplies. Rebates related to inventory purchases are recorded when earned and are based on certain achievement factors such as process improvements, data submission and some combination of these factors.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and amortization and is further reduced by any impairments. Maintenance and repairs are charged to expense as incurred. Depreciation and amortization expenses are computed using the straight-line method over the useful lives of the assets estimated as follows: buildings, 20 to 40 years; leasehold improvements, the shorter of their economic useful life or the expected lease term; and equipment and information systems, principally 3 to 8 years. Disposition gains and losses are included in current operating expenses.

Investments

In accordance with SFAS No. 115 *Accounting for Certain Investments in Debt and Equity Securities*, and based upon the Company's intentions and ability to hold certain assets until maturity, the Company classifies certain debt securities as held-to-maturity and measures them at amortized cost. Based upon the Company's other strategies involving investments, the Company classifies equity securities that have readily determinable fair values and certain other debt securities as available for sale and records them at fair value. Unrealized gains or losses from available for sale investments are recorded in other comprehensive income until realized.

Amortizable intangibles

Amortizable intangible assets and liabilities include non-competition and similar agreements, lease agreements, hospital acute services contracts, deferred debt issuance costs and the Alliance and Product Supply Agreement, each of which have determinate useful lives. Non-competition and similar agreements are amortized over the terms of the agreements, typically ten years, using the straight-line method. Lease agreements and hospital acute service contracts are amortized straight-line over the term of the lease and the contract period, respectively. Deferred debt issuance costs are amortized to debt expense over the term of the related debt using the effective interest method. The Alliance and Product Supply Agreement intangible liability is being amortized using the straight-line method over the term of the agreement, which is ten years.

Goodwill

Goodwill represents the difference between the purchase cost of acquired businesses and the fair value of the identifiable tangible and intangible net assets acquired. Goodwill is not amortized, but is assessed for valuation impairment as circumstances warrant and at least annually. An impairment charge would be recorded to the extent the book value of goodwill exceeds its fair value. The Company operates several reporting units for goodwill impairment assessments.

Impairment of long-lived assets

Long-lived assets, including property and equipment, investments in third party dialysis businesses, and amortizable intangible assets, are reviewed for possible impairment at least annually and whenever significant events or changes in circumstances indicate that an impairment may have occurred, including changes in our business strategy and plans, changes in the quality or structure of our relationships with our partners and deteriorating operating performance of individual dialysis centers or other operations. An impairment is indicated when the sum of the expected future undiscounted net cash flows identifiable to an asset or asset group is less than its carrying value. Impairment losses are determined from actual or estimated fair values, which are based on market values, net realizable values or projections of discounted net cash flows, as appropriate. Impairment charges are included in operating expenses.

Income taxes

Federal and state income taxes are computed at current enacted tax rates, less tax credits using the asset and liability method. Deferred taxes are adjusted both for items that do not have tax consequences and for the cumulative effect of any changes in tax rates from those previously used to determine deferred tax assets or liabilities. Tax provisions include amounts that are currently payable, changes in deferred tax assets and liabilities that arise because of temporary differences between the timing of when items of income and expense are recognized for financial reporting and income tax purposes; changes in the recognition of tax positions due to the application of Financial Accounting Standards Board, or FASB, Interpretation 48 (FIN 48), and any changes in the valuation allowance caused by a change in judgment about the realizability of the related deferred tax assets. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

Self insurance

The Company maintains insurance reserves for professional and general liability and workers' compensation in excess of certain individual and or aggregate amounts not covered by third-party carriers. The Company estimates the self-insured retention portion of professional and general liability and workers' compensation risks using third-party actuarial calculations that are based upon historical claims experience and expectations for future claims.

Minority interests

Consolidated net income is reduced by the proportionate amount of income attributable to minority interests in majority-owned joint ventures and other non-wholly-owned subsidiaries. Minority interests represent the equity interests of third-party owners in consolidated entities which are not wholly-owned. As of December 31, 2008, third parties held minority ownership interests in 117 consolidated entities. See discussion below on the adoption of SFAS No. 160 for changes to minority interests beginning in 2009.

Stock-based compensation

Effective January 1, 2006, the Company implemented SFAS No. 123(R) *Share-Based Payment*, which requires the measurement and recognition of cost for all stock-based awards made to employees and directors, including stock options, stock appreciation rights, stock units and discounted employee stock purchases. Under this standard, the Company's stock-based compensation awards are measured at their estimated fair value on the date of grant and recognized as compensation expense on the straight-line method over their individual requisite service periods. The Company implemented SFAS No. 123(R) using the modified prospective transition method.

Interest rate swap agreements

The Company has entered into several interest rate swap agreements as a means of hedging its exposure to and volatility from variable-based interest rate changes. These agreements are not held for trading or speculative purposes, and have the economic effect of converting portions of our variable rate debt to a fixed rate. At December 31, 2008, the Company had nine interest rate swap agreements with amortizing notional amounts totaling $790,333 that expire in 2009 through 2010 and require quarterly interest payments. These agreements are designated as cash flow hedges, and as a result hedge-effective gains or losses resulting from changes in the fair values of these swaps are reported in other comprehensive income until such time as each specific swap tranche is realized, at which time the amounts are reclassified into net income. Net amounts paid or received under the hedge-effective swaps have been reflected as adjustments to interest expense.

Fair value estimates

The Company measures the fair value of certain assets, liabilities and commitments in accordance with SFAS No. 157 *Fair Value Measurements* based upon certain valuation techniques that include observable or unobservable inputs and assumptions that market participants would use in pricing these assets, liabilities and commitments. The Company also has classified its assets, liabilities and commitments into the appropriate fair value hierarchy levels as defined in SFAS No. 157. See Note 22 to the consolidated financial statements.

New accounting standards

On January 1, 2009 the Company adopted SFAS No. 141(R) *Business Combinations,* which replaces SFAS No. 141 *Business Combinations.* This standard requires all business combinations to be accounted for under the acquisition method (previously referred to as the purchase method). Under the acquisition method, the acquirer recognizes the assets acquired, the liabilities assumed, contractual contingencies, as well as any noncontrolling interest in the acquiree at their fair values at the acquisition date. Noncontractual contingencies are recognized at the acquisition date at their fair values only if it is more likely than not that they meet the definition of an asset or a liability in FASB Concepts Statement No. 6 *Elements of Financial Statements.* Transaction costs are excluded from the acquisition cost and will be expensed as incurred. Any contingent consideration included by the acquirer as part of the purchase price must also be measured at fair value at the acquisition date and will be classified as either equity or a liability. This standard also requires a company that obtains control but acquires less than 100% of an acquiree to record 100% of the fair value of the acquiree assets, liabilities, and noncontrolling interests at the acquisition date. This standard is effective for periods beginning on or after December 15, 2008. The adoption of this standard will not have a material impact on the Company's consolidated financial statements.

On January 1, 2009 the Company adopted SFAS No. 160 *Noncontrolling Interests in Consolidated Financial Statements*, which amends Accounting Research Bulletin No. 51 *Consolidated Financial Statements.* This standard requires noncontrolling interests to be treated as a separate component of equity, but apart from the parent's equity, and not as a liability or other item outside of equity. This standard also specifies that consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income, and that changes in the parent's ownership interest while it retains a controlling financial interest should be accounted for as equity transactions. This standard also expands disclosures in the financial statements to include a reconciliation of the beginning and ending balances of the equity attributable to the parent and the noncontrolling owners and a schedule showing the effects of changes in a parent's ownership interest in a subsidiary on the equity attributable to the parent. This standard is effective for periods beginning on or after December 15, 2008. The adoption of this standard will not have a material impact on the Company's consolidated financial statements; however, it will change the presentation of minority interests in the Company's consolidated financial statements. Although, the Company is still in process of determining the appropriate classification and measurement of minority interests according to SEC Topic No. 98 *Classification and Measurement of Redeemable Securities.*

On January 1, 2009 we adopted SFAS No. 161 *Disclosures about Derivative Instruments and Hedging Activities*, which amends SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities.* This standard requires enhanced disclosures about an entity's derivative and hedging activities. Entities will be required to provide additional disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This standard encourages but does not require comparative disclosures for earlier periods at the initial adoption. The adoption of this standard will not have a material impact on the Company's consolidated financial statements.

2. Earnings per share

Basic net income per share is calculated by dividing net income by the weighted average number of common shares and vested stock units outstanding. Diluted net income per share includes the dilutive effect of stock options, stock-settled stock appreciation rights and unvested stock units under the treasury stock method.

The reconciliations of the numerators and denominators used to calculate basic and diluted net income per share are as follows:

	Year ended December 31,		
	2008	2007	2006
	(shares in thousands)		
Basic:			
Income from continuing operations	$374,160	$381,778	$289,329
Gain on disposal of discontinued operations, net of tax	—	—	362
Net income	$374,160	$381,778	$289,691
Weighted average shares outstanding during the year	105,140	105,848	103,471
Vested stock units	9	45	49
Weighted average shares for basic earnings per share calculation	105,149	105,893	103,520
Basic earnings per share from continuing operations, net of tax	$ 3.56	$ 3.61	$ 2.79
Gain on disposal of discontinued operations, net of tax	—	—	0.01
Basic net income per share	$ 3.56	$ 3.61	$ 2.80
Diluted:			
Income from continuing operations	$374,160	$381,778	$289,329
Gain on disposal of discontinued operations, net of tax	—	—	362
Net income	$374,160	$381,778	$289,691
Weighted average shares outstanding during the year	105,140	105,848	103,471
Vested stock units	9	45	49
Assumed incremental shares from stock plans	791	1,525	2,273
Weighted average shares for diluted earnings per share calculation	105,940	107,418	105,793
Diluted earnings per share from continuing operations, net of tax	$ 3.53	$ 3.55	$ 2.73
Gain on disposal of discontinued operations, net of tax	—	—	0.01
Diluted net income per share	$ 3.53	$ 3.55	$ 2.74
Shares subject to anti-dilutive awards excluded from calculation(1)	10,053	260	933

(1) Shares associated with stock options and stock-settled stock appreciation rights that are excluded from the diluted denominator calculation because they are anti-dilutive under the treasury stock method.

(dollars in thousands, except per share data)

3. Accounts receivable

Approximately 9% and 2% of the accounts receivable balances as of December 31, 2008 and 2007, respectively, were more than six months old, and there were no significant balances over one year old. Approximately 1% of our accounts receivable as of December 31, 2008 and 2007 relate to amounts due from patients. Accounts receivable are principally from Medicare and Medicaid programs and commercial insurance plans.

4. Other receivables

Other receivables were comprised of the following:

	December 31, 2008	December 31, 2007
Supplier rebates and other non-trade receivables	$172,604	$151,939
Medicare bad debt claims	38,700	31,400
Operating advances under management and administrative services agreements	27,861	15,405
	$239,165	$198,744

Operating advances under management and administrative services agreements are generally unsecured.

5. Other current assets

Other current assets consist principally of prepaid expenses and operating deposits.

6. Property and equipment

Property and equipment were comprised of the following:

	December 31, 2008	December 31, 2007
Land	$ 11,771	$ 11,827
Buildings	33,833	32,448
Leasehold improvements	873,306	731,426
Equipment and information systems	928,795	814,512
New center and capital asset projects in progress	36,875	33,027
	1,884,580	1,623,240
Less accumulated depreciation and amortization	(836,505)	(683,914)
	$1,048,075	$ 939,326

Depreciation and amortization expense on property and equipment was $201,006, $178,990 and $160,717 for 2008, 2007 and 2006, respectively.

Interest on debt incurred during the development of new centers and other capital asset projects is capitalized as a component of the asset cost based on the respective in-process capital asset balances. Interest capitalized was $4,189, $3,878 and $4,708 for 2008, 2007 and 2006, respectively.

(dollars in thousands, except per share data)

7. Amortizable intangibles

Amortizable intangible assets were comprised of the following:

	December 31, 2008	December 31, 2007
Noncompetition and other agreements	$ 285,270	$ 276,182
Lease agreements	8,637	8,738
Deferred debt issuance costs	72,748	72,618
	366,655	357,538
Less accumulated amortization	(206,134)	(174,496)
Total amortizable intangible assets	$ 160,521	$ 183,042

Amortizable intangible liabilities were comprised of the following:

	December 31, 2008	December 31, 2007
Alliance and product supply agreement commitment (See Note 21)	$ 68,200	$ 68,200
Less accumulated amortization	(32,223)	(26,893)
	$ 35,977	$ 41,307

Net amortization expense from noncompetition and other agreements and the amortizable intangible liabilities was $15,911, $14,480 and $12,578 for 2008, 2007 and 2006, respectively. Lease agreements are amortized to rent expense, which was $1,420 in 2008, $2,240 in 2007, and $3,309 in 2006, respectively. Deferred debt issuance costs are amortized to debt expense as described in Note 13 to the consolidated financial statements.

Scheduled amortization charges from intangible assets and liabilities as of December 31, 2008 were as follows:

	Noncompetition and other agreements	Deferred debt issuance costs	Alliance and Product Supply Agreement liability
2009	$20,238	$9,780	$(5,330)
2010	19,101	9,374	(5,330)
2011	18,796	8,914	(5,330)
2012	18,094	6,418	(5,330)
2013	15,993	2,739	(5,330)
Thereafter	28,307	2,767	(9,327)

8. Investments in third-party businesses

Investments in non-consolidated dialysis businesses and related advances were $19,274 and $19,446 at December 31, 2008 and 2007. During 2008, 2007 and 2006, the Company recognized income of $796, $1,217 and $2,308, respectively, relating to investments in non-consolidated businesses under the equity method. These amounts are included as a reduction to minority interest expense in the consolidated statements of income.

(dollars in thousands, except per share data)

On December 31, 2007, the Company acquired a 50% noncontrolling ownership interest in a joint venture that operates six dialysis centers for $17,550. During 2006, the Company acquired a majority voting interest in one business that was previously minority-controlled and sold its interest in one minority-controlled business. The Company did not recognize a gain or loss on the sale as the investment was carried at fair value as a result of the DVA Renal Healthcare acquisition.

9. Investments

In accordance with SFAS No. 115 and based on the Company's intentions and strategy involving investments, the Company classifies certain debt securities as held-to-maturity and records them at amortized cost. Equity securities that have readily determinable fair values and other debt securities classified as available for sale are recorded at fair value.

The Company's investments consist of the following:

	December 31, 2008			December 31, 2007		
	Held to maturity	Available for sale	Total	Held to maturity	Available for sale	Total
Certificates of deposit and U.S. treasury notes due within one year	$19,355	$ —	$19,355	$19,804	$ —	$19,804
Investments in mutual funds	—	21,833	21,833	—	43,036	43,036
	$19,355	$21,833	$41,188	$19,804	$43,036	$62,840
Short-term investments	$19,355	$16,177	$35,532	$19,804	$20,474	$40,278
Long-term investments	—	5,656	5,656	—	22,562	22,562
	$19,355	$21,833	$41,188	$19,804	$43,036	$62,840

The cost of the certificates of deposit and U.S. treasury notes at December 31, 2008 and 2007 approximates fair value. As of December 31, 2008 and 2007, the available for sale investments included $1,558 of gross pre-tax unrealized losses and $850 of gross pre-tax unrealized gains, respectively. During 2008, the Company recorded gross pre-tax unrealized losses of $1,922 in other comprehensive income associated with changes in the fair value of these investments. During 2008, the Company sold investments in mutual funds for net proceeds of $21,291, and recognized a pre-tax gain of $486, or $297 after tax, that was previously recorded in other comprehensive income. During 2007, the Company sold investments in mutual funds for net proceeds of $6,406 and recognized a pre-tax gain of $104, or $64 after-tax, that was also previously recorded in other comprehensive income. These pre-tax gains are included in other income.

The certificates of deposit and U.S. treasury notes classified as held to maturity are investments used to maintain certain capital requirements of the special needs plans of VillageHealth, which is a wholly-owned subsidiary of the Company. The investments in mutual funds classified as available for sale are held within a trust to fund existing obligations associated with several of the Company's non-qualified deferred compensation plans.

On February 7, 2007, the Company entered into a National Provider Agreement with NxStage, Inc. As a part of the agreement, the Company purchased outright all of its NxStage System One equipment then in use for $5,100, and has been purchasing a majority of its home-based hemodialysis equipment and supplies from NxStage. In connection with the provider agreement, the Company purchased two million shares of NxStage common stock in a private placement offering for $20,000, representing an ownership position of approximately

(dollars in thousands, except per share data)

7% in NxStage. The Company subsequently sold these shares in the second and third quarters of 2007 for net proceeds of $25,868 and recognized a pre-tax gain of $5,868, or $3,628 after tax that was previously recorded in other comprehensive income. The pre-tax gain is included in other income.

10. Goodwill

Changes in the book value of goodwill were as follows:

	Year ended December 31,	
	2008	2007
Balance at January 1	$3,767,933	$3,667,853
Acquisitions	109,375	105,609
DVA Renal Healthcare income tax adjustments	(642)	(4,951)
Other adjustments	265	(578)
Balance at December 31	$3,876,931	$3,767,933

As of December 31, 2008, there was $3,808,942 and $67,989 of goodwill associated with the dialysis and related lab services business and the ancillary services and strategic initiatives, respectively.

As of December 31, 2007, there was $3,712,648 and $55,285 of goodwill associated with the dialysis and related lab services business and the ancillary services and strategic initiatives, respectively.

11. Other liabilities

Other accrued liabilities were comprised of the following:

	December 31,	
	2008	2007
Payor refunds and retractions	$361,205	$333,089
Insurance and self-insurance accruals	55,844	66,222
Accrued interest	44,326	48,506
Accrued non-income tax liabilities	8,920	12,386
Other	24,944	25,948
	$495,239	$486,151

12. Income taxes

On January 1, 2007, the Company adopted the provisions of FASB Interpretation 48 (FIN 48) *Accounting for Income Tax Uncertainties*, which clarifies the accounting for uncertainty in income taxes recognized in the consolidated financial statements in accordance with SFAS Statement No. 109 *Accounting for Income Taxes*. The Interpretation prescribes a recognition threshold of more-likely-than-not and a measurement attribute on all tax positions taken or expected to be taken in a tax return in order to be recognized in the financial statements. In making this assessment, a company must determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based solely on the technical merits of the position and must assume that the tax position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. Once the recognition threshold is met, the tax position is then measured to determine the actual amount of benefit to recognize in the financial statements. In addition, the recognition threshold of more-likely-than-not must continue to be met in each reporting period to support continued recognition of the tax benefit. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the financial reporting period in which that threshold is no longer met.

(dollars in thousands, except per share data)

As a result of implementing FIN 48, the Company recognized an increase of $22,860 to the beginning balance of its current and long-term deferred tax assets, offset by increases in its current taxes payable and other long-term liabilities of $18,969. This recognized net tax benefit of $3,891 was recorded as an increase to the beginning balance of retained earnings on January 1, 2007. The Company also recorded a decrease of $4,951 to the beginning balance of current taxes payable and long-term deferred tax liabilities, and a corresponding decrease to goodwill as a result of recognizing tax benefits associated with our acquisition of DVA Renal Healthcare.

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

	Year ended December 31,	
	2008	2007
Balance beginning	$ 25,744	$27,925
Additions for tax positions related to current year	1,934	1,798
Additions for tax positions related to prior years	463	416
Reductions for tax positions related to prior years	(17,254)	(3,200)
Settlements	—	(1,195)
Balance ending	$ 10,887	$25,744

As of December 31, 2008, it is reasonably possible that $125 of unrecognized tax benefits may be recognized within the next 12 months, primarily related to the settlement of an audit assessment. This change will have no impact on the Company's effective tax rate. As of December 31, 2008, unrecognized tax benefits totaling $10,887 would affect the Company's effective tax rate, if recognized.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in its income tax expense. At December 31, 2008, the Company had approximately $1,402 accrued for interest and penalties related to unrecognized tax benefits.

The Company and its subsidiaries file U.S. federal income tax returns and various state returns. The Company is no longer subject to U.S. federal, state and local examinations by tax authorities for years before 2003. The Internal Revenue Service (IRS) completed an examination of the Company's U.S. federal income tax returns for 2003 and 2004 during the second quarter of 2007. The examination did not result in any material impact to the Company's consolidated financial statements.

(dollars in thousands, except per share data)

Income tax expense consisted of the following:

	Year ended December 31,		
	2008	2007	2006
Current:			
Federal	$118,619	$196,697	$159,054
State	20,569	30,446	24,009
Deferred:			
Federal	81,306	14,945	(12)
State	14,806	3,656	2,354
	$235,300	$245,744	$185,405

The allocations of income tax expense were as follows:

	Year ended December 31,		
	2008	2007	2006
Continuing operations	$235,300	$245,744	$186,430
Gain on discontinued operations	—	—	(1,025)
	$235,300	$245,744	$185,405

Deferred tax assets and liabilities arising from temporary differences were as follows:

	December 31,	
	2008	2007
Receivables, primarily allowance for doubtful accounts	$ 62,856	$ 61,184
Alliance and product supply agreement	13,995	16,069
Accrued liabilities	162,893	191,140
Other	65,635	43,218
Deferred tax assets	305,379	311,611
Valuation allowance	(12,588)	(9,353)
Net deferred tax assets	292,791	302,258
Intangible assets	(262,029)	(206,236)
Property and equipment	(55,747)	(12,825)
Other	(2,703)	(1,674)
Deferred tax liabilities	(320,479)	(220,735)
Net deferred tax (liabilities) assets	$ (27,688)	$ 81,523

At December 31, 2008, the Company had state net operating loss carryforwards of approximately $135,638 that expire through 2028, and federal net operating loss carryforwards of $24,285 that expire through 2028. The utilization of these losses may be limited in future years based on the profitability of certain separate-return entities. The valuation allowance increase of $3,235 relates to changes in the estimated tax benefit of federal and state operating losses of separate-return entities.

(dollars in thousands, except per share data)

The reconciliation between our effective tax rate from continuing operations and the U.S. federal income tax rate is as follows:

	Year ended December 31,		
	2008	2007	2006
Federal income tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	3.7	3.5	3.9
Changes in deferred tax valuation allowances	0.3	0.2	(0.1)
Other	(0.4)	0.5	0.4
Effective tax rate	38.6%	39.2%	39.2%

13. Long-term debt

Long-term debt was comprised of the following:

	December 31,	
	2008	2007
Senior Secured Credit Facilities:		
Term loan A	$ 214,375	$ 229,250
Term loan B	1,705,875	1,705,875
Senior and senior subordinated notes	1,750,000	1,750,000
Acquisition obligations and other notes payable	15,266	11,047
Capital lease obligations	5,873	6,667
Total principal debt outstanding	3,691,389	3,702,839
Premium on the 6⅝% senior notes	3,757	4,479
	3,695,146	3,707,318
Less current portion	(72,725)	(23,431)
	$3,622,421	$3,683,887

Scheduled maturities of long-term debt at December 31, 2008 were as follows:

2009	$ 72,725
2010	89,842
2011	67,346
2012	1,707,395
2013	901,500
Thereafter	852,581

Senior Secured Credit Facility

The Senior Secured Credit Facilities are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries and are secured by substantially all of the Company's and its subsidiary guarantors' assets. The Senior Secured Credit Facilities also contain customary affirmative and negative covenants and require compliance with financial covenants, including an interest rate coverage ratio, and a leverage ratio that determines the interest rate margins on term loan A and the revolving line of credit. The Senior Secured Credit

Facilities in general also contain limits on the general amount of capital expenditures for internal growth, acquisitions and capital improvements (see discussion below) as well as limits on the amount of tangible net assets in non-guarantor subsidiaries.

Term Loans

Term loan A and term loan B total outstanding borrowings each consist of various individual tranche amounts that can range in maturity from one month to twelve months. Each specific tranche bears interest at a LIBOR rate determined by the maturity of that specific tranche and the interest rates are reset as each specific tranche matures. The overall weighted average interest rate for each term loan is determined based upon the LIBOR interest rates in effect for each individual tranche plus the interest rate margin.

Term Loan A

During 2008 and 2007, the Company made principal payments totaling $14,875 and $50,000, respectively, on term loan A. The principal payment made in 2007 was a prepayment.

On February 27, 2007, the Company's interest rate margin on its term loan A was reduced by 0.25% as a result of achieving certain financial ratios as defined in the Senior Secured Credit Facilities.

Term loan A currently bears interest at LIBOR plus a margin of 1.50%, for an overall weighted average effective rate of 1.97% at December 31, 2008. The interest rate margin is subject to adjustment depending upon certain financial conditions and could range from 1.50% to 2.25%. Term loan A matures in October 2011 and requires annual principal payments of $61,250 in 2009, $87,500 in 2010 and $65,625 in 2011, respectively.

Term Loan B

During 2008, the Company did not make nor was the Company required to make any principal payments on term loan B. In 2007, the Company made a principal prepayment of $400,000 from the proceeds of the Senior Notes as discussed below.

On February 23, 2007, the Company amended and restated its existing Senior Secured Credit Facilities to, among other things, reduce the interest rate margin on term loan B by 0.50%, and to amend certain financial covenants. The amended term loan B bears interest at LIBOR plus a margin of 1.50%, for an overall weighted average effective rate of 3.63%, including the impact of the Company's swap agreements, as of December 31, 2008. Other terms that were changed included the amount by which the Company can elect to increase the revolving and term loan commitments from $500,000 to $750,000 and certain limitations on purchases, redemptions or acquisitions of capital stock, the payment of dividends and distributions in cash. Further, limitations on capital expenditures for internal growth will not apply during the periods in which the Company's leverage ratio is less than 3.5:1. The Company's leverage ratio as of December 31, 2008 was less than 3.5:1. In 2007 the Company incurred financing costs of $1,781 which were deferred and also expensed $248 of other costs in connection with this transaction, which are included in debt expense. Term loan B matures in October 2012 and requires principal payments of $1,705,875 in year 2012.

As a result of the principal prepayments made in 2007 on term loan A and term loan B, the Company wrote off a total of $4,371 of deferred financing costs, which is included in debt expense.

Revolving Lines of Credit

The Company has an undrawn revolving line under the Senior Secured Credit Facilities totaling $250,000, of which approximately $50,901 was committed for outstanding letters of credit. The Company also has other undrawn revolving lines of credit totaling $7,200 associated with several of its joint ventures.

Senior and Senior Subordinated Notes

The Company's senior and senior subordinated notes, as of December 31, 2008, consisted of $900,000 of 6⅝% senior notes due 2013 and $850,000 of 7¼% senior subordinated notes due 2015. The notes are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries and require semi-annual interest payments in March and September. The Company may redeem some or all of the senior notes at any time as described below and some or all of the senior subordinated notes at any time on or after March 15, 2010.

On February 23, 2007, the Company issued $400,000 of 6⅝% senior notes due 2013 in a private offering, realizing $405,080 in proceeds, which included a $5,080 premium, and incurred $2,719 in related deferred financing costs. These senior notes are part of the same series of debt securities as the $500,000 aggregate principal amount of 6⅝% senior notes that were issued in March 2005. The effective interest rate for the $400,000 of 6⅝% senior notes is 6.45%. The senior notes are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries and require semi-annual interest payments which began March 15, 2007. The senior notes may be redeemed by the Company in whole or part at any time on or after March 15, 2009, at certain specified prices. The Company used $400,000 of these proceeds to pay down its term loan B as discussed above.

Interest rate swaps

As of December 31, 2008, the Company maintained a total of nine interest rate swap agreements with amortizing notional amounts totaling $790,333. These agreements had the economic effect of modifying the LIBOR-based variable interest rate on an equivalent amount of debt to fixed rates ranging from 3.08% to 4.70%, resulting in an overall weighted average effective interest rate of 5.54% on the hedged portion of our Senior Secured Credit Facilities, including the term loan B margin of 1.50%. The swap agreements expire in 2009 through 2010 and require quarterly interest payments. During 2008, 2007, and 2006 the Company accrued net cash (obligations) benefits of approximately ($4,239), $14,498, and $15,791, respectively, from these swaps, which are included in debt expense. The Company estimates that approximately $14,300 of existing unrealized pre-tax losses in other comprehensive income at December 31, 2008, will be reclassified into income in 2009. As of December 31, 2008 and 2007, the total fair value of these swaps was a liability of $21,904 and a net liability of $511, respectively. The 2008 and 2007 amounts were primarily included in other long-term liabilities. Also during 2008, the Company recorded $10,357, net of tax, as reductions to other comprehensive income for swap valuation losses, net of amounts reclassified into income.

As of December 31, 2008, the Company had approximately 41% of its variable rate debt and approximately 69% of its total debt economically fixed.

As a result of the swap agreements, the Company's overall Senior Secured Credit Facilities weighted average effective interest rate was 3.48%, based upon the current margins in effect of 1.50%, as of December 31, 2008.

At December 31, 2008, the Company's overall average effective interest rate was 5.10%.

(dollars in thousands, except per share data)

Debt expense

Debt expense consisted of interest expense of $214,944, $242,720 and $262,967, amortization of deferred financing costs of $9,772, $9,808 and $10,469 for 2008, 2007 and 2006, respectively, and in 2007 and 2006, included the write-off of $4,371 and $3,270, respectively, of deferred financing costs. Debt expense in 2007 also included $248 of other costs associated with the amendment and reinstatement of the Senior Secured Credit Facilities. The interest expense amounts are net of capitalized interest.

14. Leases

The majority of the Company's facilities are leased under non-cancelable operating leases, ranging in terms from five to ten years, which contain renewal options of five to ten years at the fair rental value at the time of renewal or at rates subject to periodic consumer price index increases. The Company also leases certain equipment under capital leases.

Future minimum lease payments under non-cancelable operating leases and capital leases are as follows:

	Operating leases	Capital leases
2009	$ 193,883	$ 982
2010	174,139	996
2011	158,749	999
2012	139,457	1,021
2013	117,897	987
Thereafter	393,806	4,454
	$1,177,931	9,439
Less portion representing interest		(3,566)
Total capital lease obligations, including current portion		$ 5,873

Rent expense under all operating leases for 2008, 2007, and 2006 was $225,531, $200,626 and $187,139, respectively. Rent expense is recorded on a straight line basis, over the term of the lease, for leases that contain fixed escalation clauses or include abatement provisions. Leasehold improvement incentives are deferred and amortized to rent expense over the term of the lease. The net book value of property and equipment under capital leases was $6,612, $7,191 and $5,765 at December 31, 2008, 2007 and 2006, respectively. Capital lease obligations are included in long-term debt. See Note 13 to the consolidated financial statements.

15. Employee benefit plans

The Company has a savings plan for substantially all employees which has been established pursuant to the provisions of Section 401(k) of the Internal Revenue Code, or IRC. The plan allows for employees to contribute a percentage of their base annual salaries on a tax-deferred basis not to exceed IRC limitations. The Company does not provide any matching contributions.

The Company also maintains a voluntary compensation deferral plan, the DaVita Voluntary Deferral Plan. This plan is non-qualified and permits certain employees whose annualized base salary equals or exceeds a minimum annual threshold amount as set by the Company to elect to defer all or a portion of their annual bonus payment and up to 50% of their base salary into a deferral account maintained by the Company. Total contributions to this plan in 2008 and 2007 were $1,993, and $1,601, respectively. Deferred amounts are generally paid out in cash at the participant's election either in the first or second year following retirement or in a specified future period at least three to four years after the deferral election was effective. Participants are credited with their proportional amount of annual earnings from the plan. The assets of this plan are held in a "rabbi trust" and as such are subject to the claims of the Company's general creditors in the event of its bankruptcy. As of December 31, 2008 and 2007 the total fair value of assets held in trust were $4,556 and $5,196, respectively.

As part of the acquisition of DVA Renal Healthcare on October 5, 2005, the Company acquired an Executive Retirement Plan for certain members of management. This plan is non-qualified and contributions to the plan were made at the discretion of DVA Renal Healthcare based upon a pre-determined percentage of a participant's base salary. Effective November 2005, all contributions to this plan were discontinued and the balance of the plan assets will be paid out upon termination of each individual participant. As of December 31, 2008 and 2007 the total fair value of assets held in trust were $1,490 and $2,303, respectively.

The Company maintains a non-qualified deferred compensation plan for key employees. Company contributions are discretionary and are deposited into a rabbi trust. Participants in the plan are subject to a vesting period and typically receive annual distributions from the plan commencing one year after grant date, although in certain situations distributions are paid upon termination or retirement. Participants also have the option to direct their balances into certain investment funds and are credited with their proportional amount of earnings from the investments. The assets of this plan as held in the rabbi trust and are subject to the claims of the Company's general creditors in the event of its bankruptcy. During 2007, the Company contributed $15,710 into the plan. There were no contributions to this plan in 2008. As of December 31, 2008 and 2007 the total fair value of assets held in trust were $15,787 and $20,763, respectively.

The Company also maintains another non-qualified deferred compensation plan for certain employees. Company contributions to the plan are discretionary and are deposited into a rabbi trust that is not subject to general creditors claims in the event of bankruptcy by the Company. Participants in the plan are subject to a vesting period and are credited with their proportional amount of earnings from the investments within the plan. During 2007, the Company contributed $14,774 into this plan, which was the total value of assets held by the trust as of December 31, 2007. In 2008, the Company distributed this amount, along with earnings which together totaled $15,122, to all eligible participants.

The fair value of all of the assets held in plan trusts as of December 31, 2008, and 2007 totaled $21,833 and $43,036, respectively. These assets are available for sale and as such are recorded at fair market value with changes in the fair market values being recorded in other comprehensive income. Any fair market value changes to the corresponding liability balance will be recorded as compensation expense. See Note 9 to the consolidated financial statements.

Most of the Company's outstanding employee stock plan awards include a provision accelerating the vesting of the award in the event of a change of control. The Company also maintains a change of control protection program for its employees who do not have a significant number of stock awards, which has been in place since 2001, and which provides for cash bonuses to employees in the event of a change of control. Based on the market price of the Company's common stock and shares outstanding on December 31, 2008, these cash bonuses would total approximately $198,000 if a control transaction occurred at that price and the Company's Board of Directors did not modify the program. This amount has not been accrued at December 31, 2008, and would only be accrued upon a change of control. These change of control provisions may affect the price an acquirer would be willing to pay for the Company.

16. Contingencies

The majority of the Company's revenues are from government programs and may be subject to adjustment as a result of: (1) examination by government agencies or contractors, for which the resolution of any matters raised may take extended periods of time to finalize; (2) differing interpretations of government regulations by different fiscal intermediaries or regulatory authorities; (3) differing opinions regarding a patient's medical diagnosis or the medical necessity of services provided; and (4) retroactive applications or interpretations of governmental requirements. In addition, the Company's revenues from commercial payors may be subject to adjustment as a result of potential claims for refunds, as a result of government actions or as a result of other claims by commercial payors.

Inquiries by the Federal Government

In December 2008, the Company received a subpoena for documents from the Office of Inspector General, U.S. Department of Health and Human Services, or OIG, relating to the pharmaceutical products Zemplar, Hectorol, Venofer, Ferrlicit and Epogen®, or EPO, as well as other related matters. The subpoena covers the period from January 2003 to the present. The Company has been in contact with the United States Attorney's Office, or U.S. Attorney's Office, for the Northern District of Georgia and the U.S. Department of Justice in Washington, DC, since November 2008 relating to this matter, and has been advised that this is a civil inquiry. The Company is cooperating with the inquiry and is producing the requested records. To the Company's knowledge, no proceedings have been initiated against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated, or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoena will continue to require management's attention and significant legal expense. Any negative findings could result in substantial financial penalties against us and exclusion from future participation in the Medicare and Medicaid programs.

In February 2007, the Company received a request for information from the OIG for records relating to EPO claims submitted to Medicare. In August 2007, the Company received a subpoena from the OIG seeking similar documents. The requested documents relate to services provided from 2001 to 2004 by a number of the Company's centers. The request and subpoena were sent from the OIG's offices in Houston and Dallas, Texas. The Company is cooperating with the inquiry and is producing the requested records. The Company has been in contact with the U.S. Attorney's Office for the Eastern District of Texas, which has stated that this is a civil inquiry related to EPO claims. There appears to be substantial overlap between this issue and the ongoing review of EPO utilization and claims by the U.S. Attorney's Office, for the Eastern District of Missouri in St. Louis described below. To the Company's knowledge, no proceedings have been initiated against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to these inquiries will continue to require management's attention and significant legal expense. Any negative findings could result in substantial financial penalties against the Company and exclusion from future participation in the Medicare and Medicaid programs.

In March 2005, the Company received a subpoena from the U.S. Attorney's Office for the Eastern District of Missouri in St. Louis. The subpoena requires production of a wide range of documents relating to our operations, including documents related to, among other things, pharmaceutical and other services provided to patients, relationships with pharmaceutical companies, and financial relationships with physicians and joint ventures. The subpoena covers the period from December 1, 1996 through the present. In October 2005, the Company received a follow-up request for additional documents related to specific medical director and joint venture arrangements. In February 2006, the Company received an additional subpoena for documents, including certain patient records relating to the administration and billing of EPO. In May 2007, the Company received a request for documents related to durable medical equipment and supply companies owned and operated by the Company. The Company is cooperating with the inquiry and is producing the requested records. The subpoenas have been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against the Company in connection with this inquiry. Any negative findings could result in substantial financial penalties against the Company, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. To the Company's knowledge, no proceedings have been initiated against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as this to continue for a considerable period of time. Responding to the subpoenas will continue to require management's attention and significant legal expense.

In October 2004, the Company received a subpoena from the U.S. Attorney's Office for the Eastern District of New York in Brooklyn. The subpoena covers the period from 1996 to present and requires the production of a wide range of documents relating to the Company's operations, including DaVita Laboratory Services. Gambro Healthcare received a similar subpoena in November 2004. The subpoena also includes specific requests for documents relating to testing for parathyroid hormone levels, or PTH, and to products relating to vitamin D therapies. The subpoena has been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against the Company in connection with this inquiry. Any negative findings could result in substantial financial penalties against the Company, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. Other participants in the dialysis industry received a similar subpoena, including Fresenius Medical Group. To the Company's knowledge, no proceedings have been initiated against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoena will continue to require management's attention and significant legal expense.

Other

The Company has received several notices of claims from commercial payors and other third parties related to historical billing practices and claims against DVA Renal Healthcare (formerly known as Gambro Healthcare) related to historical Gambro Healthcare billing practices and other matters covered by their 2004 settlement agreement with the Department of Justice and certain agencies of the U.S. government. At least one commercial payor has filed an arbitration demand against the Company, as described below, and additional commercial payors have threatened litigation. The Company intends to defend against these claims vigorously; however, the Company may not be successful and these claims may lead to litigation and any such litigation may be resolved unfavorably.

Several wage and hour claims have been filed against the Company in the Superior Court of California, each of which has been styled as a class action. In February 2007, June 2008, October 2008 and December 2008, the Company was served with separate complaints by various former employees, each of which alleges, among other things, that the Company failed to provide rest and meal periods, failed to pay compensation in lieu of providing such rest or meal periods, and failed to comply with certain other California labor code requirements. In October 2008, the Company was served with a complaint which alleges, among other things, that the Company failed to pay the rate on the "wage statement," and failed to comply with other California labor code requirements. The Company intends to vigorously defend against these claims. The Company also intends to vigorously oppose the certification of these matters as class actions.

In October 2007, the Company was contacted by the Attorney General's Office for the State of Nevada. The Attorney General's Office informed the Company that it was conducting a civil and criminal investigation of the Company's operations in Nevada and that the investigation related to the billing of pharmaceuticals, including EPO. In February 2008, the Attorney General's Office informed the Company that the civil and criminal investigation has been discontinued. The Attorney General's Office further advised the Company that Nevada Medicaid intends to conduct audits of ESRD providers in Nevada, including the Company, and that such audits will relate to the issues that were the subjects of the investigation. Any negative findings could result in substantial financial penalties against the Company and exclusion from future participation in the Medicare and Medicaid programs. To the Company's knowledge, no proceedings have been initiated against the Company at this time.

In August 2007, Sheet Metal Workers National Health Fund and Glenn Randle filed a complaint in the United States District Court for the Central District of California against the Company. The complaint also names as defendants Amgen Inc. and Fresenius Medical Care Holdings, Inc. The complaint is styled as a class action and alleges four claims against the Company, including violations of the federal RICO statute, California's unfair competition law, California's false advertising law and for unjust enrichment. The complaint's principal allegations against the Company are that the defendants engaged in a scheme to unlawfully promote the administration of EPO to hemodialysis patients intravenously, as opposed to subcutaneously, and to over-utilize EPO. On December 17, 2008, the Court dismissed the complaint and allegations in their entirety with permission of plaintiffs to amend the complaint. The Company was not named as a defendant in plaintiff's amended complaint. As a result, the Company is no longer a defendant in this action.

In August 2005, Blue Cross/Blue Shield of Louisiana filed a complaint in the United States District Court for the Western District of Louisiana against Gambro AB, DVA Renal Healthcare (formerly known as Gambro Healthcare) and related entities. The plaintiff sought to bring its claims as a class action on behalf of itself and all entities that paid any of the defendants for health care goods and services from on or about January 1991 through at least December 2004. The complaint alleged, among other things, damages resulting from facts and circumstances underlying Gambro Healthcare's December 2004 settlement agreement with the Department of Justice and certain agencies of the United States Government. In March 2006, the case was dismissed and the plaintiff was compelled to seek arbitration to resolve the matter. In November 2006, the plaintiff filed a demand for class arbitration against the Company and DVA Renal Healthcare. The Company intends to vigorously defend against these claims. The Company also intends to vigorously oppose the certification of this matter as a class action. At this time, the Company cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

In June 2004, Gambro Healthcare was served with a complaint filed in the Superior Court of California by one of its former employees who worked for its California acute services program. The complaint, which is styled as a class action, alleges, among other things, that DVA Renal Healthcare (formerly known as Gambro Healthcare) failed to provide overtime wages, defined rest periods and meal periods, or compensation in lieu of such provisions and failed to comply with certain other California labor code requirements. The Company intends to vigorously defend against these claims. The Company also intends to vigorously oppose the certification of this matter as a class action. At this time, the Company cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

In addition to the foregoing, the Company is subject to claims and suits, including from time to time, contractual disputes and professional and general liability claims, as well as audits and investigations by various government entities, in the ordinary course of business. The Company believes that the ultimate resolution of any such pending proceedings, whether the underlying claims are covered by insurance or not, will not have a material adverse effect on its financial condition, results of operations or cash flows.

17. Shareholders' equity and stock-based compensation

Authorized capital stock of the Company

On May 29, 2007, the stockholders of DaVita Inc. approved an amendment to its Amended and Restated Certificate of Incorporation to increase the number of shares of authorized common stock from 195,000,000 to 450,000,000 shares.

Stock-based compensation

Under SFAS No. 123(R), stock-based compensation recognized during a period is based on the estimated grant-date fair value of the portion of each stock-based award vesting during that period, adjusted for expected forfeitures. Stock-based compensation recognized in the Company's consolidated financial statements for the years ended December 31, 2008, 2007 and 2006 includes compensation cost for stock-based awards granted prior to, but not fully vested as of, December 31, 2005 and stock-based awards granted thereafter. Shares issued upon exercise of stock awards are generally issued from shares in treasury. The Company elected to use the method available under FASB Staff Position FSP No. 123(R)-3 *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*, which provides an alternative method for calculating historical excess tax benefits from the method described in SFAS No. 123(R) for stock-based compensation awards.

Stock-based compensation plans and agreements

On May 29, 2007, the Company's stockholders approved an amendment and restatement of the Company's Employee Stock Purchase Plan to increase the number of shares of common stock available for issuance under that plan by 800,001 shares, and approved an amendment and restatement of the Company's 2002 Equity Compensation Plan to increase the number of shares of common stock available for issuance under that plan by 6,000,000 shares and, among other things, to remove certain available share recycling features, to change the limit on the maximum number of shares of common stock that may be subject to awards granted to any single recipient in any consecutive twenty-four month period so that such limit applies only to awards of stock options and stock appreciation rights, and to provide additional exceptions from the three year minimum vesting period generally applicable to grants of restricted stock units and other full share awards.

The Company's stock-based compensation plans and agreements are described below.

2002 Plan. The DaVita Inc. 2002 Equity Compensation Plan (the 2002 Plan) provides for grants of stock-based awards to employees, directors and other individuals providing services to the Company, except that incentive stock options may only be awarded to employees. The 2002 Plan mandates a maximum award term of five years, and stipulates that stock options and stock appreciation rights be granted with prices not less than the fair market value on the date of grant. The 2002 Plan further requires that full share awards such as restricted stock units reduce shares available under the 2002 Plan at a rate of 3.0:1. The Company's nonqualified stock options, stock appreciation rights and stock units awarded under the 2002 Plan generally vest over 48 to 60 months from the date of grant. At December 31, 2008, there were 12,229,716 stock options and stock-settled stock appreciation rights and 104,085 stock units outstanding and 7,391,050 shares available for future grants under the 2002 Plan.

1999 Plan. The 1999 Non-Executive Officer and Non-Director Equity Compensation Plan (the 1999 Plan) provides for grants of stock options to employees and other individuals providing services, other than executive officers and members of the Board of Directors. The Company awards nonqualified stock options under the 1999 Plan which are generally issued with exercise prices equal to the market price of the stock on the date of grant, vest over 48 to 52 months from the date of grant and bear maximum award terms of five years. At December 31, 2008, there were 122,974 stock options outstanding and 311,816 shares available for future grants under the 1999 Plan.

(dollars in thousands, except per share data)

Predecessor plans. Various previous stock-based compensation plans were terminated upon shareholder approval of the 2002 Plan in 2002, except with respect to option awards then outstanding. Stock options granted under these terminated plans were generally issued with exercise prices equal to the market price of the stock on the date of grant, vested over four years from the date of grant, and bore maximum award terms of five to 10 years. At December 31, 2008, there were 386,444 stock options outstanding under these terminated plans.

Deferred stock unit agreements. During 2001 through 2003, the Company made nonqualified stock unit awards to members of the Board of Directors and certain key executive officers under stand-alone contractual deferred stock unit agreements. These awards vested over one to four years and were settled in stock when they vested or at a later date at the election of the recipient. The last 63,636 shares subject to these agreements were issued to their recipients in 2008.

A combined summary of the status of awards under these stock-based compensation plans and agreements, including base shares for stock appreciation rights and shares subject to stock option and stock unit awards, is as follows:

	Year ended December 31, 2008				
	Stock options and stock appreciation rights			Stock units	
	Awards	Weighted average exercise price	Weighted average remaining contractual life	Awards	Weighted average remaining contractual life
Outstanding at beginning of year	10,540,541	$36.52		267,981	
Granted	4,563,350	48.30		37,819	
Exercised	(1,295,273)	34.77		(180,575)	
Forfeited	(1,069,484)	49.83		(21,140)	
Outstanding at end of period	12,739,134	$47.75	3.0	104,085	2.9
Awards exercisable at end of period	4,093,414	$43.58	2.0	8,755	4.7
Weighted-average fair value of awards granted during 2008	$ 11.01			$ 51.13	
Weighted-average fair value of awards granted during 2007	$ 13.89			$ 54.69	
Weighted-average fair value of awards granted during 2006	$ 13.38			$ 51.72	

(dollars in thousands, except per share data)

Range of exercise prices	Awards outstanding	Weighted average exercise price	Awards exercisable	Weighted average exercise price
$ 0.00–$ 0.00	104,085	$ —	8,755	$ —
$ 0.01–$10.00	412,394	4.10	412,394	4. 10
$10.01–$20.00	6,000	19.80	6,000	19.80
$20.01–$30.00	280,180	28.20	276,016	28.18
$30.01–$40.00	290,584	31.63	81,415	34.83
$40.01–$50.00	5,325,155	46.93	1,959,858	47.55
$50.01–$60.00	6,378,321	52.78	1,341,106	53.51
$60.01–$70.00	46,500	61.28	16,625	60.96
Total	12,843,219	$47.37	4,102,169	$43.49

For the years ended December 31, 2008, 2007, and 2006, the aggregate intrinsic value of stock awards exercised was $35,957, $86,283 and $109,562, respectively. At December 31, 2008, the aggregate intrinsic value of stock awards outstanding was $49,577 and the aggregate intrinsic value exercisable was $30,535.

Estimated fair value of stock-based compensation awards

The Company has estimated the grant-date fair value of stock option and stock-settled stock appreciation rights awards using the Black-Scholes-Merton valuation model and stock unit awards at intrinsic value on the date of grant. The following assumptions were used in estimating these values and determining the total stock-based compensation attributable to the current period:

Expected term of the awards: The expected term of awards granted represents the period of time that they are expected to remain outstanding from the date of grant. The Company determines the expected term of its stock awards based on its historical experience with similar awards, considering the Company's historical exercise and post-vesting termination patterns, and the terms expected by peer companies in near industries.

Expected volatility: Expected volatility represents the volatility anticipated over the expected term of the award. The Company determines the expected volatility for its awards based on the volatility of the price of its common stock over the most recent retrospective period commensurate with the expected term of the award, considering the volatility expectations implied by the market price of its exchange-traded options and the volatilities expected by peer companies in near industries.

Expected dividend yield: The Company has not paid dividends on its common stock and does not currently expect to pay dividends during the term of stock awards granted.

Risk-free interest rate: The Company bases the expected risk-free interest rate on the implied yield currently available on stripped interest coupons of U.S. Treasury issues with a remaining term equivalent to the expected term of the award.

(dollars in thousands, except per share data)

A summary of the weighted average valuation inputs described above used for estimating the grant-date fair value of stock options and stock-settled stock appreciation rights granted in the periods indicated is as follows:

	Year ended December 31,		
	2008	2007	2006
Expected term	3.4 years	3.7 years	3.5 years
Expected volatility	27%	25%	25%
Expected dividend yield	0.0%	0.0%	0.0%
Risk-free interest rate	2.4%	4.4%	5.0%

The Company estimates expected forfeitures based upon historical experience with separate groups of employees that have exhibited similar forfeiture behavior in the past. Stock-based compensation expense is recorded only for awards that are expected to vest.

Employee stock purchase plan

The Employee Stock Purchase Plan entitles qualifying employees to purchase up to $25 of the Company's common stock during each calendar year. The amounts used to purchase stock are accumulated through payroll withholdings or through optional lump sum payments made in advance of the first day of the purchase right period. This compensatory plan allows employees to purchase stock for the lesser of 100% of the fair market value on the first day of the purchase right period or 85% of the fair market value on the last day of the purchase right period. Purchase right periods begin on January 1 and July 1, and end on December 31. Payroll withholdings and lump-sum payments related to the plan, included in accrued compensation and benefits, were $4,596, $4,711, and $5,991 at December 31, 2008, 2007 and 2006, respectively. Subsequent to December 31, 2008, 2007 and 2006, 107,340, 98,353 and 123,920 shares, respectively, were issued to satisfy obligations under the plan. At December 31, 2008, there were 1,048,965 shares available for future grants under this plan.

The fair value of employees' purchase rights was estimated as of the beginning dates of the purchase right periods using the Black-Scholes-Merton valuation model with the following weighted average assumptions for purchase right periods in 2008, 2007 and 2006, respectively: expected volatility of 24%, 23% and 23%; risk-free interest rate of 2.5%, 4.9% and 4.9%, and no dividends. Using these assumptions, the weighted average estimated fair value of these purchase rights was $13.65, $13.96 and $12.35 for 2008, 2007 and 2006, respectively.

Stock-based compensation expense and proceeds

For the years ended December 31, 2008, 2007 and 2006, the Company recognized $41,235, $34,149 and $26,389, respectively, in stock-based compensation expense for stock options, stock appreciation rights, stock units and employee stock plan purchases, which is primarily included in general and administrative expenses. The estimated tax benefits recorded for this stock-based compensation in 2008, 2007 and 2006 were $15,609, $12,820 and $9,678, respectively. As of December 31, 2008, there was $79,619 of total estimated unrecognized compensation cost related to nonvested stock-based compensation arrangements under the Company's equity compensation and stock purchase plans. The Company expects to recognize this cost over a weighted average remaining period of 1.4 years.

During the years ended December 31, 2008, 2007 and 2006, the Company received $35,606, $54,697 and $37,877 in cash proceeds from stock option exercises and $13,988, $32,788 and $40,375 in total actual tax benefits upon the exercise of stock awards, respectively.

Stock repurchases

During 2008, the Company repurchased a total of 4,788,881 shares of its common stock for $232,715, or an average price of $48.59 per share, pursuant to previously announced authorizations by the Board of Directors. On May 1, 2008 the Company's Board of Directors authorized an increase of an additional 143,500 of share repurchases of its common stock. As a result of these transactions the total outstanding authorization for share repurchases as of December 31, 2008 was 153,500. This stock repurchase program has no expiration date.

Shareholder rights plan

The Company's Board of Directors approved a shareholder rights plan on November 14, 2002. This plan is designed to assure that DaVita's shareholders receive fair treatment in the event of any proposed takeover of DaVita.

Pursuant to this plan, the Board approved the declaration of a dividend distribution of one common stock purchase right for each outstanding share of its common stock payable on December 10, 2002 to holders of record of DaVita common stock on November 29, 2002. This rights distribution was not taxable to DaVita shareholders. As a result of the stock split that occurred during the second quarter of 2004, two-thirds of a right are now attached to each share of the Company's common stock. Two-thirds of a right will also attach to each newly issued or reissued share of common stock. These rights will become exercisable if a person or group acquires, or announces a tender offer for, 15% or more of DaVita's outstanding common stock. The triggering person's stock purchase rights will become void at that time and will not become exercisable.

Each right initially entitles its holder to purchase one share of common stock from the Company at a price of $125.00. If the rights become exercisable, and subject to adjustment for authorized shares available, each purchase right will then entitle its holder to purchase $125.00 of common stock at a price per share equal to 50% of the average daily closing price of the Company's common stock for the immediately preceding 30 consecutive trading days. If DaVita is acquired in a merger or other business combination transaction after the rights become exercisable, provisions will be made to allow the holder of each right to purchase $125.00 of common stock from the acquiring company at a price equal to 50% of the average daily closing price of that company's common stock for the immediately preceding 30 consecutive trading days.

The Board of Directors may elect to redeem the rights at $0.01 per purchase right at any time prior to, or exchange common stock for the rights at an exchange ratio of one share per right at any time after, a person or group acquires or announces a tender offer for 15% or more of DaVita's outstanding common stock. The exercise price, number of shares, redemption price or exchange ratio associated with each right may be adjusted as appropriate upon the occurrence of certain events, including any stock split, stock dividend or similar transaction. These purchase rights will expire no later than November 14, 2012.

Charter documents & Delaware law

The Company's charter documents include provisions that may deter hostile takeovers, delay or prevent changes of control or changes in management, or limit the ability of stockholders to approve transactions that they may otherwise determine to be in their best interests. These include provisions prohibiting stockholders from acting by written consent, requiring 90 days advance notice of stockholder proposals or nominations to the Board of Directors and granting the Board of Directors the authority to issue up to five million shares of preferred stock and to determine the rights and preferences of the preferred stock without the need for further stockholder approval.

(dollars in thousands, except per share data)

The Company is also subject to Section 203 of the Delaware General Corporation Law that, subject to exceptions, would prohibit the Company from engaging in any business combinations with any interested stockholder, as defined in that section, for a period of three years following the date on which that stockholder became an interested stockholder. These restrictions may discourage, delay or prevent a change in the control of the Company.

18. Other comprehensive income

Charges and credits to other comprehensive income have been as follows:

	2006		
	Before tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized gains on interest rate swaps	$ 12,869	$(5,007)	$ 7,862
Less reclassification of net swap realized gains into net income	(15,828)	6,157	(9,671)
Net swap activity	$ (2,959)	$ 1,150	$(1,809)

	2007		
	Before tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized losses on interest rate swaps	$(11,733)	$ 4,564	$ (7,169)
Less reclassification of net swap realized gains into net income	(14,498)	5,640	(8,858)
Net swap activity	(26,231)	10,204	(16,027)
Unrealized gains on investments	6,892	(2,681)	4,211
Less reclassification of net investment realized gains into net income	(6,042)	2,350	(3,692)
Net investment activity	850	(331)	519
Total	$(25,381)	$ 9,873	$(15,508)

	2008		
	Before tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized losses on interest rate swaps	$(21,190)	$ 8,243	$(12,947)
Less reclassification of net swap realized losses into net income	4,239	(1,649)	2,590
Net swap activity	(16,951)	6,594	(10,357)
Unrealized losses on investments	(1,922)	748	(1,174)
Less reclassification of net investment realized gains into net income	(486)	189	(297)
Net investment activity	(2,408)	937	(1,471)
Total	$(19,359)	$ 7,531	$(11,828)

(dollars in thousands, except per share data)

Changes in accumulated other comprehensive income (loss) has been as follows:

	Interest rate swaps	Investment securities	Accumulated other comprehensive income
Balance December 31, 2006	$ 12,997	$ —	$ 12,997
Net activity	(16,027)	519	(15,508)
Balance December 31, 2007	(3,030)	519	(2,511)
Net activity	(10,357)	(1,471)	(11,828)
Balance December 31, 2008	$(13,387)	$ (952)	$(14,339)

19. Acquisitions and divestitures

Acquisitions

The total acquisition amounts were as follows:

	Year ended December 31, 2008	2007	2006
Cash paid, net of cash acquired	$126,368	$127,094	$85,658
Deferred purchase price and other acquisition obligations	2,285	1,195	585
Aggregate purchase cost	$128,653	$128,289	$86,243
Cash adjustments for previous acquisitions including DVA Renal Healthcare	$ —	$ —	$ 846
Number of chronic dialysis centers acquired	20	16	26

During 2008, 2007, and 2006, the Company acquired dialysis businesses consisting of 20 centers, 16 centers and 26 centers for a total of $93,024, $57,783 and $86,243, respectively, in cash and deferred purchase price obligations. In 2008, the Company also purchased additional ownership interests in several existing majority-owned joint ventures for $24,408 and in addition, acquired an 80% ownership interest in one vascular access clinic for $11,221. In 2007 the Company also purchased 85% of HomeChoice Partners (HCP) pursuant to a stock purchase agreement for $70,506 in cash and deferred purchase price obligations, subject to further contingent price adjustments. HCP provides infusion therapy services to patients with acute or chronic conditions that can be treated at home or at an ambulatory infusion site. The assets and liabilities for all acquisitions were recorded at their estimated fair market values at the dates of the acquisitions and are included in the Company's financial statements and operating results from the designated effective dates of the acquisitions.

The initial purchase cost allocations for acquired businesses are recorded at fair values based upon the best information available to management and are finalized when identified pre-acquisition contingencies have been resolved and other information arranged to be obtained has been received, but in no case in excess of one year from the acquisition date. Adjustments to purchase accounting for prior acquisitions and payments for acquisitions in process have been included in the periods recognized.

(dollars in thousands, except per share data)

The aggregate purchase cost allocations for dialysis and other related businesses were as follows:

	Year ended December 31,		
	2008	2007	2006
Tangible assets, principally leasehold improvements and equipment	$ 7,972	$ 20,085	$ 7,623
Amortizable intangible assets	9,988	12,271	8,584
Goodwill	109,375	105,609	79,948
Minority interest, net purchased (assumed)	1,535	(7,987)	(8,620)
Liabilities assumed	(217)	(1,689)	(1,292)
Aggregate purchase cost	$128,653	$128,289	$86,243

Amortizable intangible assets acquired during 2008, 2007 and 2006 had weighted-average estimated useful lives of nine, eight and ten years, respectively. The total amount of goodwill deductible for tax purposes associated with these acquisitions for 2008, 2007, and 2006 was approximately $109,000, $106,000 and $80,000, respectively.

Discontinued operations

In 2006, the Company recorded a loss of $311, net of tax, related to the divesture of its three centers that were required to be divested in conjunction with the DVA Renal healthcare acquisition. The loss on disposal of these centers includes an income tax expense totaling $1,274, of which $900 was related to the write off of book goodwill not deductible for tax purposes. In 2006, the company also recorded a net gain of $673 as an adjustment to the previously reported gain on disposal of discontinued operations.

Pro forma financial information

The following summary, prepared on a pro forma basis, combines the results of operations as if all acquisitions in 2008 and 2007 had been consummated as of the beginning of 2007, after including the impact of certain adjustments such as amortization of intangibles, interest expense on acquisition financing and income tax effects.

	Year ended December 31,	
	2008	2007
	(unaudited)	
Pro forma net revenues	$5,694,196	$5,396,942
Pro forma net income	376,749	396,314
Pro forma income from continuing operations	376,749	396,314
Pro forma basic net income per share	3.58	3.74
Pro forma diluted net income per share	3.56	3.69

20. Concentrations

Approximately 65% of the Company's total dialysis and related lab services revenues in 2008, 64% in 2007 and 65% in 2006 are from government-based programs, principally Medicare and Medicaid. Accounts receivable, and other receivables, from Medicare and Medicaid-assigned HMO plans were approximately $468,000 and $447,000, respectively as of December 31, 2008 and 2007. No other single payor accounted for more than 5% of total accounts receivable.

(dollars in thousands, except per share data)

A significant physician-prescribed pharmaceutical administered during dialysis, EPO, is provided by a sole supplier and accounted for approximately 20% of net operating revenues. Although the Company currently receives discounted prices for EPO, the supplier has unilateral pricing discretion and in the future the Company may not be able to achieve the same cost levels historically obtained.

In 2008, Baxter Healthcare Corporation proceeded with a recall of heparin, a pharmaceutical used in the treatment of dialysis patients and ceased further sales. As a result of the recall, there is only one remaining supplier of heparin and it is possible that our heparin costs may increase since there is no separate reimbursement for this drug under Medicare. An affiliate of Fresenius Medical Care acquired the sole provider of heparin for the U.S. dialysis market. This could potentially impact the Company's access to and pricing for this product.

21. Other commitments

The Company has potential obligations to purchase the interests held by third parties in several of its joint ventures and non-wholly-owned subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Company would be required to purchase the third-party owners' interests at either the appraised fair market value or a predetermined multiple of earnings or cash flow attributable to the equity interest put to the Company, which is intended to approximate fair value. The methodology the Company used to estimate the fair values of the interests subject to these put provisions assumes either a predetermined multiple of earnings, or the higher of a liquidation value or an average multiple of earnings, determined by historical earnings, patient mix and other performance indicators, as well as other factors. The estimated fair values of the interests subject to these put provisions can fluctuate and the implicit multiple of earnings at which these obligations may ultimately be settled could vary significantly from our current estimates depending upon market conditions including potential purchasers' access to the credit and capital markets, which can impact the level of competition for dialysis and non-dialysis related businesses, the economic performance of these businesses and the restricted marketability of the third-party owners' interests.

The following is a reconciliation of the activity of joint venture interests subject to put provision obligations during the year ended December 31, 2008:

	Fair value estimates using significant unobservable inputs (Level 3) Year ended December 31, 2008
Beginning balance	$330,000
Changes in fair value and changes due to methodology	(68,000)
New agreements	33,000
Purchases pursuant to and exercises of put obligations	(4,000)
Balance at December 31, 2008	$291,000

The Company has certain other potential commitments to provide operating capital to several dialysis centers in which the Company owns either a noncontrolling interest or which are wholly-owned by third parties as well as to physician-owned vascular access clinics that the Company operates under management and administrative service agreements of approximately $16,000.

The Company is obligated under mandatorily redeemable instruments in connection with certain consolidated joint ventures. Future distributions may be required for the minority partners' interests in limited-life entities which dissolve after terms of ten to fifty years. As of December 31, 2008, such distributions would be valued below the related minority interests balances in the consolidated balance sheet.

In conjunction with the acquisition of DVA Renal Healthcare, Inc., formerly known as Gambro Healthcare, Inc., which occurred in October 2005, the Company entered into an Alliance and Product Supply Agreement (the Product Supply Agreement) with Gambro AB and Gambro Renal Products, Inc (Gambro Renal Products). The Product Supply Agreement has an initial term of seven years and will automatically renew for three additional one-year periods if the Company has not negotiated the terms of an extension during the initial term. Because the Product Supply Agreement results in higher costs for most of the products covered by the Product Supply Agreement than would otherwise be available to the Company, the Product Supply Agreement represented an intangible liability initially valued at $162,100 as of the acquisition date.

The Product Supply Agreement committed the Company to purchase a significant majority of its hemodialysis products, supplies and equipment at fixed prices through 2015. The agreement was amended on August 25, 2006 (the Amended Product Supply Agreement) to reduce the Company's purchase obligations for certain hemodialysis product supplies and equipment. As a result of the reductions, the Company recorded a net valuation gain of $37,968 during 2006. This valuation gain represents the difference in the amortized original fair value between the Product Supply Agreement and that of the Amended Product Supply Agreement, as of the effective date of the amendment.

In 2007, the Company terminated its obligation to purchase certain dialysis machines under the Amended Product Supply Agreement. As a result of that termination the Company recorded a net valuation gain of $55,275 in 2007. This valuation gain represents the difference in the amortized original fair value of the Amended Product Supply Agreement and that of the Amended Product Supply Agreement as adjusted for the termination of the obligation to purchase certain dialysis machines as of June 30, 2007. We continue to be subject to the Product Supply Agreement's requirements to purchase a significant majority of our hemodialysis non-equipment product supplies, such as dialyzers, from Gambro at fixed prices.

During 2008, 2007 and 2006, the Company purchased $83,360, $90,696 and $146,408 of hemodialysis product supplies from Gambro Renal Products, representing 2%, 2% and 4%, respectively, of the Company's total operating costs.

The centers acquired from Gambro Healthcare are subject to a five-year Corporate Integrity Agreement in connection with its December 2004 settlement with the U.S. Government that imposes significant specific compliance operating and reporting requirements, and requires an annual audit by an independent reporting organization.

Other than operating leases, disclosed in Note 14 to the consolidated financial statements, and the letters of credit and the interest rate swap agreements, disclosed in Note 13 to the consolidated financial statements, or as described above the Company has no off balance sheet financing arrangements as of December 31, 2008.

22. Fair values of financial instruments

On January 1, 2008, the Company adopted SFAS No. 157 *Fair Value Measurements*, except for the nonfinancial assets and liabilities that are subject to a one-year deferral allowed by FASB Staff Position (FSP) FAS 157-2 *Effective Date of FASB Statement No. 157*. This standard establishes a framework for measuring assets and liabilities at fair value and also requires additional disclosures about fair value measurements. The standard applies to assets and liabilities that are carried at fair value on a recurring basis. On January 1, 2009 we adopted certain provisions of SFAS No. 157 relating to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis, at least annually. The adoption of SFAS No. 157 relating to nonfinancial assets and liabilities will not have a material impact on the Company's consolidated financial statements.

(dollars in thousands, except per share data)

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2008:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Available for sale securities	$ 21,833	$21,833	$ —	$ —
Liabilities				
Interest rate swap agreements	$ 21,904	$ —	$21,904	$ —
Commitments				
Business interests subject to put obligations	$291,000	$ —	$ —	$291,000

The available for sale securities represent investments in various open or closed-ended registered investment companies, or mutual funds, and are recorded at fair value based upon the quoted market prices as reported by each mutual fund. See Note 9 to the consolidated financial statements for further discussion.

The interest rate swap agreements are recorded at fair value based upon valuation models and a variety of techniques as reported by various broker dealers that are based upon relevant observable market inputs such as current interest rates, forward yield curves, and other credit and liquidity market conditions. The Company does not believe the ultimate amount that could be realized upon settlement of these interest rate swap agreements would be materially different than the fair values as currently reported. See Note 13 to the consolidated financial statements for further discussion.

See Note 21 to the consolidated financial statements for a discussion of the Company's methodology for estimating the fair value of the business interests subject to put obligations.

On January 1, 2008, the Company adopted SFAS No. 159 *Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of SFAS No. 115.* This standard allows companies the alternative to measure certain financial assets and liabilities at fair value on an instrument-by-instrument basis that are currently not required to be measured at fair value. The standard is also designed to reduce the volatility in earnings caused by measuring related assets and liabilities differently and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The implementation of this standard did not have a material impact on the Company's consolidated financial statements.

Other financial instruments consist primarily of cash, accounts receivable, notes receivable, accounts payable, accrued compensation and benefits, other accrued liabilities and debt. The balances of the non-debt financial instruments are presented in the consolidated financial statements at December 31, 2008 and 2007 at their approximate fair values due to the short-term nature of their settlements. Borrowings under the Company's Senior Secured Credit Facilities totaled $1,920,250 as of December 31, 2008, and the fair value was $1,689,820 based upon quoted market prices. The fair value of the Company's senior and senior subordinated notes was approximately $1,658,000 at December 31, 2008 based upon quoted market prices.

(dollars in thousands, except per share data)

23. Segment reporting

The Company operates principally as a dialysis and related lab services business but also operates other ancillary services and strategic initiatives. These ancillary services and strategic initiatives consist of infusion therapy services, pharmacy services, vascular access services, physician services, disease management services and full-service special needs plans, as well as clinical research programs. For internal management reporting the dialysis and related lab services business and each of the ancillary services and strategic initiatives have been defined as separate operating segments by management in accordance with SFAS No. 131 *Disclosures about Segments of an Enterprise and Related Information,* as separate financial information is regularly produced and reviewed by the Company's chief operating decision maker in making decisions about allocating resources and assessing financial results. The Company's chief operating decision maker is its Chief Executive Officer. The dialysis and related lab services business qualifies as a separately reportable segment under SFAS No. 131, and all of the other ancillary services and strategic initiatives operating segments have been combined and disclosed in the other segments category.

The Company's operating segment financial information is prepared on an internal management reporting basis that the Chief Executive Officer uses to allocate resources and analyze the performance of operating segments. For internal management reporting, segment operations include direct segment operating expenses with the exception of minority interests expense and stock-based compensation expense.

The following is a summary of segment revenues, segment operating margin (loss), and a reconciliation of segment margin to income before income taxes:

	Years ended December 31,		
	2008	2007	2006
Segment revenues:			
Dialysis and related lab services(1)	$5,415,363	$5,130,181	$4,798,756
Other—Ancillary services and strategic initiatives	244,810	133,970	81,906
Consolidated revenues	$5,660,173	$5,264,151	$4,880,662
Segment operating margin (loss):			
Dialysis and related lab services	$ 943,035	$ 992,812	$ 828,927
Other—Ancillary services and strategic initiatives	(33,500)	(50,969)	(27,273)
Total segment margin	909,535	941,843	801,654
Reconciliation of segment margin to income before income taxes:			
Stock-based compensation	(41,235)	(34,149)	(26,389)
Minority interests and equity income, net	(46,535)	(45,485)	(35,833)
Consolidated operating income	821,765	862,209	739,432
Debt expense	(224,716)	(257,147)	(276,706)
Other income	12,411	22,460	13,033
Consolidated income before income taxes	$ 609,460	$ 627,522	$ 475,759

(1) Includes management fees related to providing management and administrative services to dialysis centers in which the Company either owns a noncontrolling interest or are wholly-owned by third parties.

(dollars in thousands, except per share data)

Depreciation and amortization expense for the dialysis and related lab services for 2008, 2007 and 2006 were $210,141, $189,208 and $171,350, respectively, and were $6,776, $4,262 and $1,945, respectively, for the ancillary services and strategic initiatives.

Summary of assets by segment is as follows:

	December 31, 2008	December 31, 2007
Segment assets		
Dialysis and related lab services	$7,031,558	$6,731,647
Other—Ancillary services and strategic initiatives	254,533	212,313
Consolidated assets	$7,286,091	$6,943,960

In 2008 and 2007 the total amount of expenditures for property and equipment for the dialysis and related lab services were $314,915 and $263,604, respectively, and were $3,047 and $8,608, respectively, for the ancillary services and strategic initiatives.

24. Supplemental cash flow information

The table below provides supplemental cash flow information:

	Year ended December 31, 2008	2007	2006
Cash paid:			
Income taxes	$163,147	$205,955	$209,982
Interest	222,558	245,325	271,711
Non-cash investing and financing activities:			
Fixed assets acquired under capital lease obligations	—	2,769	—
Liabilities assumed in conjunction with common stock acquisitions	—	1,653	—

25. Selected quarterly financial data (unaudited)

	2008				2007			
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Net operating revenues	$1,461,010	$1,447,135	$1,407,304	$1,344,724	$1,354,869	$1,318,381	$1,312,735	$1,278,166
Operating income	211,600	207,884	205,554	196,727	195,263	212,412	261,217	193,317
Income before income taxes	157,855	155,860	153,221	142,524	137,941	155,975	205,964	127,642
Net income	98,365	93,910	94,951	86,934	85,717	94,455	125,024	76,582
Basic earnings per share	0.95	0.90	0.91	0.81	0.80	0.89	1.19	0.73
Diluted earnings per share	$ 0.94	$ 0.89	$ 0.90	$ 0.80	$ 0.79	$ 0.88	$ 1.17	$ 0.72

26. Condensed consolidating financial statements

The following information is presented in accordance with Rule 3-10 of Regulation S-X. The operating and investing activities of the separate legal entities included in the Company's consolidated financial statements are fully interdependent and integrated. Revenues and operating expenses of the separate legal entities include intercompany charges for management and other services. The senior notes and the senior subordinated notes were issued by the Company and are guaranteed by substantially all of its direct and indirect wholly-owned subsidiaries. Each of the guarantor subsidiaries has guaranteed the notes on a joint and several, full and unconditional basis. Non-wholly-owned subsidiaries, joint ventures, partnerships and third parties are not guarantors of these obligations.

(dollars in thousands, except per share data)

Condensed Consolidating Statements of Income

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
For the year ended December 31, 2008					
Net operating revenues	$ 363,112	$4,808,324	$881,810	$(393,073)	$5,660,173
Operating expenses	228,729	4,209,565	746,652	(393,073)	4,791,873
Minority interests and equity income, net	—	—	—	46,535	46,535
Operating income	134,383	598,759	135,158	(46,535)	821,765
Debt (expense)	(227,535)	(189,506)	(2,520)	194,845	(224,716)
Other income, net	206,527	—	729	(194,845)	12,411
Income tax expense	43,763	188,717	2,820	—	235,300
Equity earnings in subsidiaries	304,548	82,084	—	(386,632)	—
Net income	$ 374,160	$ 302,620	$130,547	$(433,167)	$ 374,160
For the year ended December 31, 2007					
Net operating revenues	$ 365,728	$4,534,153	$754,163	$(389,893)	$5,264,151
Operating expenses	208,042	3,921,149	617,159	(389,893)	4,356,457
Minority interests and equity income, net	—	—	—	45,485	45,485
Operating income	157,686	613,004	137,004	(45,485)	862,209
Debt (expense)	(259,745)	(256,050)	(4,002)	262,650	(257,147)
Other income, net	284,038	—	1,072	(262,650)	22,460
Income tax expense (benefit)	70,972	175,854	(1,082)	—	245,744
Equity earnings in subsidiaries	270,771	88,565	—	(359,336)	—
Net income	$ 381,778	$ 269,665	$135,156	$(404,821)	$ 381,778
For the year ended December 31, 2006					
Net operating revenues	$ 351,566	$4,263,363	$639,690	$(373,957)	$4,880,662
Operating expenses	200,846	3,751,164	527,344	(373,957)	4,105,397
Minority interests and equity income, net	—	—	—	35,833	35,833
Operating income	150,720	512,199	112,346	(35,833)	739,432
Debt (expense)	(280,288)	(291,095)	(2,052)	296,729	(276,706)
Other income, net	308,288	—	1,474	(296,729)	13,033
Income tax expense	70,201	116,183	46	—	186,430
Discontinued operations, net of tax	—	362	—	—	362
Equity earnings in subsidiaries	181,172	75,889	—	(257,061)	—
Net income	$ 289,691	$ 181,172	$111,722	$(292,894)	$ 289,691

(dollars in thousands, except per share data)

Condensed Consolidating Balance Sheets

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
As of December 31, 2008					
Cash and cash equivalents	$ 397,576	$ —	$ 13,305	$ —	$ 410,881
Accounts receivable, net	—	933,906	141,551	—	1,075,457
Other current assets	22,112	573,078	46,776	—	641,966
Total current assets	419,688	1,506,984	201,632	—	2,128,304
Property and equipment, net	15,175	864,725	168,175	—	1,048,075
Amortizable intangible assets, net	39,990	114,237	6,294	—	160,521
Investments in subsidiaries	4,866,391	464,369	—	(5,330,760)	—
Receivables from subsidiaries	320,346	—	90,754	(411,100)	—
Other long-term assets and investments	13,320	14,815	44,125	—	72,260
Goodwill	—	3,571,669	305,262	—	3,876,931
Total assets	$5,674,910	$6,536,799	$816,242	$(5,741,860)	$7,286,091
Current liabilities	$ 106,370	$ 990,024	$ 66,669	$	$1,163,063
Payables to parent	—	386,468	24,632	(411,100)	—
Long-term debt and other long-term liabilities	3,616,082	368,774	19,868	—	4,004,724
Minority interests	—	—	—	165,846	165,846
Shareholders' equity	1,952,458	4,791,533	705,073	(5,496,606)	1,952,458
Total liabilities and shareholders' equity	$5,674,910	$6,536,799	$816,242	$(5,741,860)	$7,286,091
As of December 31, 2007					
Cash and cash equivalents	$ 443,157	$ —	$ 3,889	$ —	$ 447,046
Accounts receivable, net	—	786,765	141,184	—	927,949
Other current assets	26,528	557,357	17,370	—	601,255
Total current assets	469,685	1,344,122	162,443	—	1,976,250
Property and equipment, net	19,317	766,596	153,413	—	939,326
Amortizable intangible assets, net	49,629	126,202	7,211	—	183,042
Investments in subsidiaries	4,340,411	421,273	—	(4,761,684)	—
Receivables from subsidiaries	701,101	—	61,201	(762,302)	—
Other long-term assets and investments	22,729	16,052	38,628	—	77,409
Goodwill	—	3,484,706	283,227	—	3,767,933
Total assets	$5,602,872	$6,158,951	$706,123	$(5,523,986)	$6,943,960
Current liabilities	$ 182,419	$ 856,638	$ 47,439	$ —	$1,086,496
Payables to parent	—	762,302	—	(762,302)	—
Long-term debt and other long-term liabilities	3,688,203	272,488	14,006	—	3,974,697
Minority interests	—	—	—	150,517	150,517
Shareholders' equity	1,732,250	4,267,523	644,678	(4,912,201)	1,732,250
Total liabilities and shareholders' equity	$5,602,872	$6,158,951	$706,123	$(5,523,986)	$6,943,960

(dollars in thousands, except per share data)

Condensed Consolidating Statements of Cash Flows

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
For the year ended December 31, 2008					
Cash flows from operating activities					
Net income	$ 374,160	$ 302,620	$ 130,547	$(433,167)	$ 374,160
Changes in operating assets and liabilities and non cash items included in net income	(614,532)	484,864	(121,728)	433,167	181,771
Net cash (used in) provided by operating activities	(240,372)	787,484	8,819	—	555,931
Cash flows from investing activities					
Additions of property and equipment	(2,546)	(271,561)	(43,855)	—	(317,962)
Acquisitions	(439)	(116,708)	(9,221)	—	(126,368)
Proceeds from discontinued operations and asset sales	—	530	—	—	530
Other items	19,281	(40,568)	71,127	—	49,840
Net cash provided by (used in) investing activities	16,296	(428,307)	18,051	—	(393,960)
Cash flows from financing activities					
Long-term debt	(17,675)	(424)	4,548	—	(13,551)
Intercompany borrowing	380,755	(358,753)	(22,002)	—	—
Other items	(184,585)	—	—	—	(184,585)
Net cash provided by (used in) financing activities	178,495	(359,177)	(17,454)	—	(198,136)
Net (decrease) increase in cash	(45,581)	—	9,416	—	(36,165)
Cash at the beginning of the year	443,157	—	3,889	—	447,046
Cash at the end of the year	$ 397,576	$ —	$ 13,305	$ —	$ 410,881
For the year ended December 31, 2007					
Cash flows from operating activities					
Net income	$ 381,778	$ 269,665	$ 135,156	$(404,821)	$ 381,778
Changes in operating assets and liabilities and non cash items included in net income	(283,759)	156,635	(126,439)	404,821	151,258
Net cash provided by operating activities	98,019	426,300	8,717	—	533,036
Cash flows from investing activities					
Additions of property and equipment	(3,501)	(220,264)	(48,447)	—	(272,212)
Acquisitions	(69,701)	(57,393)	—	—	(127,094)
Proceeds from discontinued operations and asset sales	—	12,289	—	—	12,289
Other items	(19,811)	(82,317)	62,673	—	(39,455)
Net cash (used in) provided by investing activities	(93,013)	(347,685)	14,226	—	(426,472)
Cash flows from financing activities					
Long-term debt	(49,961)	2,212	447	—	(47,302)
Intercompany borrowing	111,100	(80,827)	(30,273)	—	—
Other items	77,582	—	—	—	77,582
Net cash provided by (used in) financing activities	138,721	(78,615)	(29,826)	—	30,280
Net increase (decrease) in cash	143,727	—	(6,883)	—	136,844
Cash at the beginning of the year	299,430	—	10,772		310,202
Cash at the end of the year	$ 443,157	$ —	$ 3,889	$ —	$ 447,046
For the year ended December 31, 2006					
Cash flows from operating activities					
Net income	$ 289,691	$ 181,172	$ 111,722	$(292,894)	$ 289,691
Changes in operating assets and liabilities and non cash items included in net income	(327,844)	370,840	(106,010)	292,894	229,880
Net cash (used in) provided by operating activities	(38,153)	552,012	5,712	—	519,571
Cash flows from investing activities					
Additions of property and equipment	(2,582)	(211,953)	(48,173)	—	(262,708)
Acquisitions	—	(85,153)	(1,351)	—	(86,504)
Proceeds from discontinued operations and asset sales	12,742	9,437	—	—	22,179
Other items	—	(59,606)	74,576	—	14,970
Net cash provided by (used in) investing activities	10,160	(347,275)	25,052	—	(312,063)
Cash flows from financing activities					
Long-term debt	(408,211)	(1,198)	2,450	—	(406,959)
Intercompany borrowing	238,246	(203,539)	(34,707)	—	—
Other items	77,842	—	—	—	77,842
Net cash used in financing activities	(92,123)	(204,737)	(32,257)	—	(329,117)
Net decrease in cash	(120,116)	—	(1,493)	—	(121,609)
Cash at the beginning of the year	419,546	—	12,265	—	431,811
Cash at the end of the year	$ 299,430	$ —	$ 10,772	$ —	$ 310,202

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, we have duly caused this Annual Report on Form 10-K to be signed on our behalf by the undersigned, thereunto duly authorized, in the City of El Segundo, State of California, on February 27, 2009.

DAVITA INC.

By: /s/ KENT J. THIRY

Kent J. Thiry
Chairman and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENT, that each person whose signature appears below constitutes and appoints Kent J. Thiry, Richard K. Whitney, and Joseph Schohl, and each of them his or her true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ KENT J. THIRY Kent J. Thiry	Chairman and Chief Executive Officer (Principal Executive Officer)	February 27, 2009
/s/ RICHARD K. WHITNEY Richard K. Whitney	Chief Financial Officer (Principal Financial Officer)	February 27, 2009
/s/ JAMES K. HILGER James K. Hilger	Vice President and Controller (Principal Accounting Officer)	February 27, 2009
/s/ CHARLES G. BERG Charles G. Berg	Director	February 27, 2009
/s/ WILLARD W. BRITTAIN Willard W. Brittain	Director	February 27, 2009
/s/ PAUL J. DIAZ Paul J. Diaz	Director	February 27, 2009
/s/ PETER T. GRAUER Peter T. Grauer	Director	February 27, 2009
/s/ JOHN M. NEHRA John M. Nehra	Director	February 27, 2009
/s/ WILLIAM L. ROPER William L. Roper	Director	February 27, 2009
/s/ ROGER J. VALINE Roger J. Valine	Director	February 27, 2009
/s/ RICHARD C. VAUGHAN Richard C. Vaughan	Director	February 27, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
DaVita Inc.:

Under date of February 27, 2009, we reported on the consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2008, and 2007, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008, which are included in the Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule included in the Annual Report on Form 10-K. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 12 to the consolidated financial statements, DaVita Inc. and subsidiaries adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Income Tax Uncertainties, effective January 1, 2007.

/s/ KPMG LLP

Seattle, Washington
February 27, 2009

DAVITA INC.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of year	Amounts charged to income	Amounts written off	Balance at end of year
		(in thousands)		
Allowance for uncollectible accounts:				
Year ended December 31, 2006	$138,598	$126,203	$ 93,044	$171,757
Year ended December 31, 2007	$171,757	$136,682	$112,486	$195,953
Year ended December 31, 2008	$195,953	$146,229	$130,960	$211,222

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

For the Fiscal Year Ended

December 31, 2007

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-14106

DAVITA INC.

601 Hawaii Street
El Segundo, California 90245
Telephone number (310) 536-2400

Delaware (State of incorporation)	**51-0354549** (I.R.S. Employer Identification No.)

Securities registered pursuant to Section 12(b) of the Act:

Class of Security:	Registered on:
Common Stock, $0.001 par value	New York Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2007, the number of shares of the Registrant's common stock outstanding was approximately 105.6 million shares and the aggregate market value of the common stock outstanding held by non-affiliates based upon the closing price of these shares on the New York Stock Exchange was approximately $5.7 billion.

As of February 1, 2008, the number of shares of the Registrant's common stock outstanding was approximately 107.4 million shares and the aggregate market value of the common stock outstanding held by non-affiliates based upon the closing price of these shares on the New York Stock Exchange was approximately $5.8 billion.

Documents incorporated by reference

Portions of the Registrant's proxy statement for its 2008 annual meeting of stockholders are incorporated by reference in Part III of this Form 10-K.

DAVITA INC.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and which includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

During the last fiscal year, the Company conducted an evaluation, under the oversight of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's internal control over financial reporting. This evaluation was completed based on the criteria established in the report titled "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based upon our evaluation under the COSO framework, we have concluded that the Company's internal control over financial reporting was effective as of December 31, 2007.

The Company's independent registered public accounting firm, KPMG LLP, has issued an attestation report on the Company's internal control over financial reporting, which report is included in this Annual Report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
DaVita Inc.:

We have audited the accompanying consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2007, and 2006, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DaVita Inc. and subsidiaries as of December 31, 2007 and 2006 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 12 to the consolidated financial statements, DaVita Inc. and subsidiaries adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Income Tax Uncertainties, effective January 1, 2007. As discussed in Note 17 to the consolidated financial statements, DaVita Inc. and subsidiaries adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123(R), Share-Based Payment, effective January 1, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of DaVita Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2008 expressed an unqualified opinion on the effectiveness of DaVita Inc.'s internal control over financial reporting.

/s/ KPMG LLP

Seattle, Washington
February 27, 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
DaVita Inc.:

We have audited DaVita Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). DaVita Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, DaVita Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2007, and our report dated February 27, 2008 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Seattle, Washington
February 27, 2008

DAVITA INC.

CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per share data)

	Year ended December 31, 2007	2006	2005
Net operating revenues	$ 5,264,151	$ 4,880,662	$ 2,973,918
Operating expenses and charges:			
Patient care costs	3,590,344	3,390,351	2,035,243
General and administrative	491,236	453,516	272,463
Depreciation and amortization	193,470	173,295	116,836
Provision for uncollectible accounts	136,682	126,203	61,916
Minority interests and equity income, net	45,485	35,833	22,089
Valuation gain on alliance and product supply agreement	(55,275)	(37,968)	—
Total operating expenses and charges	4,401,942	4,141,230	2,508,547
Operating income	862,209	739,432	465,371
Debt expense	(257,147)	(276,706)	(139,586)
Swap valuation gain	—	—	4,548
Refinancing charges	—	—	(8,170)
Other income, net	22,460	13,033	8,934
Income from continuing operations before income taxes	627,522	475,759	331,097
Income tax expense	245,744	186,430	123,675
Income from continuing operations	381,778	289,329	207,422
Discontinued operations			
Income from discontinued operations, net of tax	—	—	13,157
Gain on disposal of discontinued operations, net of tax	—	362	8,064
Net income	$ 381,778	$ 289,691	$ 228,643
Earnings per share:			
Basic earnings per share from continuing operations	$ 3.61	$ 2.79	$ 2.06
Basic earnings per share	$ 3.61	$ 2.80	$ 2.27
Diluted earnings per share from continuing operations	$ 3.55	$ 2.73	$ 1.99
Diluted earnings per share	$ 3.55	$ 2.74	$ 2.20
Weighted average shares for earnings per share:			
Basic	105,893,000	103,520,000	100,762,000
Diluted	107,418,000	105,793,000	104,068,000

See notes to consolidated financial statements.

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DAVITA INC.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

	December 31, 2007	December 31, 2006
ASSETS		
Cash and cash equivalents	$ 447,046	$ 310,202
Short-term investments	40,278	4,734
Accounts receivable, less allowance of $195,953 and $171,757	927,949	932,385
Inventories	80,173	89,119
Other receivables	198,744	148,842
Other current assets	34,482	25,124
Deferred income taxes	247,578	199,090
Total current assets	1,976,250	1,709,496
Property and equipment, net	939,326	849,966
Amortizable intangibles, net	183,042	203,721
Investments in third-party dialysis businesses	19,446	1,813
Long-term investments	22,562	13,174
Other long-term assets	35,401	45,793
Goodwill	3,767,933	3,667,853
	$ 6,943,960	$ 6,491,816
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 225,461	$ 251,686
Other liabilities	486,151	473,219
Accrued compensation and benefits	334,961	341,766
Current portion of long-term debt	23,431	20,871
Income taxes payable	16,492	24,630
Total current liabilities	1,086,496	1,112,172
Long-term debt	3,683,887	3,730,380
Other long-term liabilities	83,448	50,076
Alliance and product supply agreement, net	41,307	105,263
Deferred income taxes	166,055	125,642
Minority interests (fair value of potential put obligations—$330,000 and $192,000)	150,517	122,359
Commitments and contingencies		
Shareholders' equity:		
Preferred stock ($0.001 par value, 5,000,000 shares authorized; none issued)		
Common stock ($0.001 par value, 450,000,000 and 195,000,000 shares authorized; 134,862,283 shares issued; 107,130,127 and 104,636,608 shares outstanding)	135	135
Additional paid-in capital	707,080	630,091
Retained earnings	1,515,290	1,129,621
Treasury stock, at cost (27,732,156 and 30,225,675 shares)	(487,744)	(526,920)
Accumulated other comprehensive (loss) income	(2,511)	12,997
Total shareholders' equity	1,732,250	1,245,924
	$ 6,943,960	$ 6,491,816

See notes to consolidated financial statements.

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DAVITA INC.

CONSOLIDATED STATEMENTS OF CASH FLOW
(dollars in thousands)

	Year ended December 31, 2007	2006	2005
Cash flows from operating activities:			
Net income	$ 381,778	$ 289,691	$ 228,643
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	193,470	173,295	119,719
Valuation gain on alliance and product supply agreement	(55,275)	(37,968)	—
Stock-based compensation expense	34,149	26,389	3,353
Tax benefits from stock award exercises	32,788	40,375	38,484
Excess tax benefits from stock award exercises	(25,541)	(37,251)	—
Deferred income taxes	18,601	2,342	(63,357)
Minority interests in income of consolidated subsidiaries	46,702	38,141	24,714
Distributions to minority interests	(48,029)	(32,271)	(16,246)
Equity investment income	(1,217)	(2,308)	(1,406)
(Gain)/loss on disposal of discontinued operations and other dispostions	(2,825)	239	(15,856)
Non-cash debt expense and non-cash rent charges	12,713	27,736	5,157
Refinancing charges	—	—	8,170
Swap valuation gain	—	—	(4,548)
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:			
Accounts receivables	15,911	(74,737)	(62,021)
Inventories	11,271	(18,587)	11,980
Other receivables and other currentassets	(61,049)	(34,044)	1,893
Other long-term assets	(14,528)	(9,791)	(2,039)
Accounts payable	(9,216)	40,712	28,869
Accrued compensation and benefits	9,691	101,555	21,664
Other current liabilities	657	88,841	72,615
Income taxes	(12,779)	(67,329)	90,958
Other long-term liabilities	5,764	4,541	(5,192)
Net cash provided by operating activities	533,036	519,571	485,554
Cash flows from investing activities:			
Additions of property and equipment, net	(272,212)	(262,708)	(161,365)
Acquisitions and purchases of other ownership interests	(127,094)	(86,504)	(3,202,404)
Proceeds from discontinued operations and asset sales	12,289	22,179	298,849
Purchase of investments held-for-sale	(52,085)	(3,726)	—
Purchase of investments held-to-maturity	(23,061)	—	—
Proceeds from the sale of investments held-for-sale	32,274	3,030	—
Maturities of investments	4,795	—	—
Purchase of a noncontrolling ownership interest in an unconsolidated joint venture	(17,550)	—	—
Contributions from minority owners	18,463	21,263	20,308
Purchase of intangible assets	(2,291)	(5,597)	(751)
Net cash used in investing activities	(426,472)	(312,063)	(3,045,363)
Cash flows from financing activities:			
Borrowings	13,113,640	6,354,784	6,832,557
Payments on long-term debt	(13,160,942)	(6,761,743)	(4,058,951)
Deferred financing costs	(4,511)	(2)	(77,884)
Excess tax benefits from stock award exercises	25,541	37,251	—
Stock award exercises and other share issuances, net	62,902	40,593	43,919
Purchase of treasury stock	(6,350)	—	—
Net cash provided by (used in) financing activities	30,280	(329,117)	2,739,641
Net increase (decrease) in cash and cash equivalents	136,844	(121,609)	179,832
Cash and cash equivalents at beginning of year	310,202	431,811	251,979
Cash and cash equivalents at end of year	$ 447,046	$ 310,202	$ 431,811

See notes to consolidated financial statements.

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DAVITA INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (dollars and shares in thousands)

	Common stock		Additional paid-in capital	Retained earnings	Treasury stock		Accumulated other comprehensive (loss)income	Total
	Shares	Amount			Shares	Amount		
Balance at December 31, 2004	134,862	$ 135	$ 542,714	$ 611,287	(36,295)	$ (632,732)	$ 1,730	$ 523,134
Comprehensive income:								
Net income				228,643				228,643
Unrealized gain on interest rate swaps, net of tax							16,821	16,821
Less reclassification of net swap realized gains into net income, net of tax							(3,745)	(3,745)
Total comprehensive income								241,719
Stock purchase shares issued			657		64	1,118		1,775
Stock unit shares issued			(492)		28	492		—
Stock option shares issued			(14,965)		3,276	57,109		42,144
Stock-based compensation expense			3,353					3,353
Excess tax benefits from stock awards exercised			38,484					38,484
Balance at December 31, 2005	134,862	$ 135	$ 569,751	$ 839,930	(32,927)	$ (574,013)	$ 14,806	$ 850,609
Comprehensive income:								
Net income				289,691				289,691
Unrealized gains on interest rate swaps, net of tax							7,862	7,862
Less reclassification of net swap realized gains into net income, net of tax							(9,671)	(9,671)
Total comprehensive income								287,882
Stock purchase shares issued			1,861		80	1,403		3,264
Stock unit shares issued			(1,860)		160	2,790		930
Stock option shares issued			(5,023)		2,461	42,900		37,877
Stock-based compensation expense			26,389					26,389
Excess tax benefits from stock awards exercised			38,973					38,973
Balance at December 31, 2006	134,862	$ 135	$ 630,091	$ 1,129,621	(30,226)	$ (526,920)	$ 12,997	$ 1,245,924
Comprehensive income:								
Net income				381,778				381,778
Unrealized losses on interest rate swaps, net of tax							(7,169)	(7,169)
Less reclassification of net swap realized gains into net income, net of tax							(8,858)	(8,858)
Unrealized gains on investments, net of tax							4,211	4,211
Less reclassification of net investment realized gains into net income, net of tax							(3,692)	(3,692)
Total comprehensive income								366,270
Cumulative effect of change in accounting principle SFAS Interpretation No (FIN) 48				3,891				3,891
Stock purchase shares issued			3,831		124	2,160		5,991
Stock unit shares issued			(1,848)		120	2,098		250
Stock options and SSARs exercised			13,429		2,361	41,268		54,697
Stock-based compensation expense			34,149					34,149
Excess tax benefits from stock awards exercised			27,428					27,428
Purchase of treasury stock					(111)	(6,350)		(6,350)
Balance at December 31, 2007	134,862	$ 135	$ 707,080	$ 1,515,290	(27,732)	$ (487,744)	$ (2,511)	$ 1,732,250

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

1. Organization and summary of significant accounting policies

Organization

DaVita Inc. operates kidney dialysis centers and provides related renal care services primarily in dialysis centers and in contracted hospitals across the United States. As of December 31, 2007, the Company operated or provided administrative services to 1,359 outpatient dialysis centers located in 43 states and the District of Columbia, serving approximately 107,000 patients. The business includes dialysis and related services and other ancillary services and strategic initiatives which relate primarily to our core business of providing renal care services.

Basis of presentation

These consolidated financial statements and accompanying notes are prepared in accordance with United States generally accepted accounting principles. The financial statements include DaVita and its subsidiaries, partnerships and other entities in which it maintains a 100% or majority voting interest, an other controlling financial interest, or of which it is the primary beneficiary (collectively, the Company). All significant intercompany transactions and balances have been eliminated. Non-consolidated equity investments are recorded under the equity or cost method of accounting based upon whether the Company has significant influence over the investee. Prior year balances and amounts have been classified to conform to the current year presentation.

The operating results of DVA Renal Healthcare, Inc. are included in the Company's consolidated financial statements from October 1, 2005. The operating results of the historical DaVita divested centers and its one related management services agreement are reflected as discontinued operations for 2005.

Use of estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and contingencies. Although actual results in subsequent periods will differ from these estimates, such estimates are developed based on the best information available to management and management's best judgments at the time made. All significant assumptions and estimates underlying the reported amounts in the financial statements and accompanying notes are regularly reviewed and updated. Changes in estimates are reflected in the financial statements based upon on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies. Interim changes in estimates related to annual operating costs are applied prospectively within annual periods.

The most significant assumptions and estimates underlying these financial statements and accompanying notes involve revenue recognition and provisions for uncollectible accounts, impairments and valuation adjustments, accounting for income taxes, quarterly variable compensation accruals, purchase accounting valuation estimates and stock-based compensation. Specific estimating risks and contingencies are further addressed within these notes to the consolidated financial statements.

Net operating revenues and accounts receivable

Revenues associated with Medicare and Medicaid programs are recognized based on: (a) the payment rates that are established by statute or regulation for the portion of the payment rates paid by the government payor (e.g., 80% for Medicare patients) and (b) for the portion not paid by the primary government payor, estimates of the amounts ultimately collectible from other government programs paying secondary coverage (e.g., Medicaid secondary coverage), the patient's commercial health plan secondary coverage, or the patient. Revenues

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associated with commercial health plans are estimated based on contractual terms for the patients under healthcare plans with which we have formal agreements, non-contracted health plan coverage terms if known, estimated secondary collections, historical collection experience, historical trends of refunds and payor payment adjustments (retractions), inefficiencies in our billing and collection processes that can result in denied claims for payments, and regulatory compliance issues.

Operating revenues are recognized in the period services are provided. Revenues consist primarily of payments from Medicare, Medicaid and commercial health plans for dialysis and ancillary services provided to patients. A usual and customary fee schedule is maintained for our dialysis treatment and other patient services; however, actual collectible revenue is normally recognized at a discount from the fee schedule.

Commercial revenue recognition involves substantial estimating risks. With many larger, commercial insurers the Company has several different contracts and payment arrangements, and these contracts often include only a subset of the Company's centers. It is often not possible to determine which contract, if any, should be applied prior to billing. In addition, for services provided by non-contracted centers, final collection may require specific negotiation of a payment amount, typically at a significant discount from the Company's usual and customary rates.

Services covered by Medicare and Medicaid are less subject to estimating risk. Both Medicare and Medicaid rates use prospective payment methods established in advance with definitive terms. Medicare payments for bad debt claims are subject to individual center profitability, as established by cost reports, and require evidence of collection efforts. As a result, billing and collection of Medicare bad debt claims are often delayed significantly, and final payment is subject to audit.

Medicaid payments, when Medicaid coverage is secondary, may also be difficult to estimate. For many states, Medicaid payment terms and methods differ from Medicare, and may prevent accurate estimation of individual payment amounts prior to billing.

Revenue recognition uncertainties inherent in the Company's operations are addressed in AICPA Statement of Position (SOP) No. 00-1 *Auditing Health Care Third-Party Revenues and Related Receivables*. As addressed in SOP No. 00-1, net revenue recognition and allowances for uncollectible billings require the use of estimates of the amounts that will actually be realized considering, among other items, retroactive adjustments that may be associated with regulatory reviews, audits, billing reviews and other matters.

The Company's range of revenue estimating risk is generally expected to be within 1% of total revenue. Changes in revenue estimates for prior periods are separately disclosed, if material.

Management and administrative support services are provided to dialysis centers and physician practices that the Company does not own or in which the Company does not maintain a controlling ownership interest. The management fees are principally determined as a percentage of the managed operations' revenues or cash collections and in some cases an additional component based upon a percentage of operating income. Management fees are included in net operating revenues as earned, and represent less than 1% of total operating revenues.

Other income, net

Other income includes interest income on cash investments and other non-operating gains and losses.

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Cash and cash equivalents

Cash equivalents are highly liquid investments with maturities of three months or less at date of purchase.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and consist principally of pharmaceuticals and dialysis-related supplies. Rebates are recorded when earned and are based on the achievement of certain factors such as process improvements, data submission and some combination of these factors.

Assets of discontinued operations

Assets to be disposed of that the Company has committed to sell, are available for immediate sale, or for which a sale is probable, will be classified as held for sale in accordance with SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets* and are included in other current assets. Assets held for sale are not depreciated while they are classified as held for sale.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and amortization and is further reduced by any impairments. Maintenance and repairs are charged to expense as incurred. Depreciation and amortization expenses are computed using the straight-line method over the useful lives of the assets estimated as follows: buildings, 20 to 40 years; leasehold improvements, the shorter of their economic useful life or the expected lease term; and equipment and information systems, principally 3 to 8 years. Disposition gains and losses are included in current operating expenses.

Investments

In accordance with SFAS No. 115 *Accounting for Certain Investments in Debt and Equity Securities*, and based upon the Company's intentions and ability to hold certain assets until maturity, the Company classifies certain debt securities as held-to-maturity and measures them at amortized cost. Based upon the Company's other strategies involving investments, the Company classifies equity securities that have readily determinable fair values and certain other debt securities as available for sale and records them at fair value. Unrealized gains or losses from available for sale investments are recorded in other comprehensive income until realized.

Amortizable intangibles

Amortizable intangible assets and liabilities include non-competition and similar agreements, lease agreements, hospital acute services contracts, deferred debt issuance costs and the Alliance and Product Supply Agreement, each of which have determinate useful lives. Non-competition and similar agreements are amortized over the terms of the agreements, typically ten years, using the straight-line method. Lease agreements and hospital acute service contracts are amortized straight-line over the term of the lease and the contract period, respectively. Deferred debt issuance costs are amortized to debt expense over the term of the related debt using the effective interest method. The Alliance and Product Supply Agreement intangible liability is being amortized straight-line over the term of the agreement, which is ten years.

Goodwill

Goodwill represents the difference between the purchase cost of acquired businesses and the fair value of the identifiable tangible and intangible net assets acquired. Goodwill is not amortized, but is assessed for valuation impairment as circumstances warrant and at least annually. An impairment charge would be recorded to the extent the book value of goodwill exceeds its fair value. The Company operates as one reporting unit for goodwill impairment assessments.

Impairment of long-lived assets

Long-lived assets, including property and equipment, investments in third party dialysis businesses, and amortizable intangible assets, are reviewed for possible impairment at least annually and whenever significant events or changes in circumstances indicate that an impairment may have occurred, including changes in our business strategy and plans, changes in the quality or structure of our relationships with our partners and deteriorating operating performance of individual dialysis centers. An impairment is indicated when the sum of the expected future undiscounted net cash flows identifiable to an asset or asset group is less than its carrying value. Impairment losses are determined from actual or estimated fair values, which are based on market values, net realizable values or projections of discounted net cash flows, as appropriate. Impairment charges are included in operating expenses. Interest is not accrued on impaired loans unless the estimated recovery amounts justify such accruals.

Income taxes

Federal and state income taxes are computed at current enacted tax rates, less tax credits using the asset and liability method. Deferred taxes are adjusted both for items that do not have tax consequences and for the cumulative effect of any changes in tax rates from those previously used to determine deferred tax assets or liabilities. Tax provisions include amounts that are currently payable, changes in deferred tax assets and liabilities that arise because of temporary differences between the timing of when items of income and expense are recognized for financial reporting and income tax purposes, changes in the recognition of tax positions due to the application of Financial Accounting Standards Board, or FASB, Interpretation 48 (FIN 48), and any changes in the valuation allowance caused by a change in judgment about the realizability of the related deferred tax assets. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

Self insurance

The Company maintains insurance reserves for professional and general liability and workers' compensation in excess of certain individual and or aggregate amounts not covered by third-party carriers. The Company estimates the self-insured retention portion of professional and general liability and workers' compensation risks using third-party actuarial calculations that are based upon historical claims experience and expectations for future claims.

Minority interests

Consolidated income is reduced by the proportionate amount of income attributable to minority interests in majority-owned joint ventures and other non-wholly-owned subsidiaries. Minority interests represent the equity interests of third-party owners in consolidated entities which are not wholly-owned. As of December 31, 2007, third parties held minority ownership interests in 106 consolidated entities.

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Stock-based compensation

Effective January 1, 2006, the Company implemented Statement of Financial Accounting Standards (SFAS) No. 123(R) *Share-Based Payment*, which requires the measurement and recognition of cost for all stock-based awards made to employees and directors, including stock options, stock appreciation rights, stock units and discounted employee stock purchases. Under this standard, the Company's stock-based compensation awards are measured at their estimated fair value on the date of grant and recognized as compensation expense on the straight-line method over their individual requisite service periods. The Company implemented SFAS No. 123(R) using the modified prospective transition method.

Prior to 2006, the Company accounted for stock-based compensation in accordance with Accounting Principles Board Opinion (APB) No. 25 *Accounting for Stock Issued to Employees*, as permitted under SFAS No. 123 *Accounting for Stock-Based Compensation*. Under APB No. 25, stock option grants to employees and directors did not result in an expense if the exercise price was at least equal to the market price at the date of grant. However, under APB No. 25 the Company did recognize compensation expense for stock units, which were valued at the closing stock price on the date of grant and amortized over their respective vesting periods, and for modifications to stock awards as required under FASB Interpretation No. 44 *Accounting for Certain Transactions Involving Stock Compensation*.

Interest rate swap agreements

The Company has entered into interest rate swap agreements as a means of hedging its exposure to variable-based interest rate changes (LIBOR). These agreements are not held for trading or speculative purposes, and have the economic effect of converting portions of our variable rate debt to a fixed rate. At December 31, 2007, the Company had nine interest rate swap agreements with amortizing notional amounts totaling $968,000 and two forward interest rate swap agreements with notional amounts totaling $200,000. These agreements are designated as cash flow hedges, and as a result hedge-effective gains or losses resulting from changes in the fair values of these swaps are reported in other comprehensive income until such time as each specific swap tranche is realized, at which time the amounts are reclassified into net income. Net amounts paid or received under the hedge-effective swaps have been reflected as adjustments to interest expense. In 2005, certain portions of the swap agreements were ineffective as hedges as a result of changes in the Company's debt structure, and as such the ineffective portions of $4,548 were included in net income, see Note 13 to the consolidated financial statements.

New accounting standards

On January 1, 2008, the Company adopted SFAS No. 157 *Fair Value Measurements* except for the nonfinancial assets and liabilities that are subject to a one-year deferral allowed by FASB Staff Position (FSP) FAS 157-2 *Effective Date of FASB Statement No. 157*. This standard establishes a framework for measuring fair value and also requires additional disclosures about fair value measurements. The standard applies to assets and liabilities that are carried at fair value on a recurring basis. On February 12, 2008, FSP FAS157-2 was issued delaying the effective date of SFAS No. 157 until fiscal years beginning after November 15, 2008 for nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The implementation of this standard relating to assets and liabilities carried at fair value on a recurring basis is not expected to have a material impact on the Company's consolidated financial statements.

On January 1, 2008, the Company adopted SFAS No. 159 *Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of SFAS No. 115*. This standard allows companies the alternative

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to measure certain financial assets and liabilities at fair value on an instrument-by-instrument basis that are currently not required to be measured at fair value. The standard is also designed to reduce the volatility in earnings caused by measuring related assets and liabilities differently and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The implementation of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued Statement No. 141(R) *Business Combinations,* which replaces SFAS No. 141 *Business Combinations.* This standard requires all business combinations to be accounted for under the acquisition method (previously referred to as the purchase method). Under the acquisition method, the acquirer recognizes the assets acquired, the liabilities assumed, contractual contingencies, as well as any noncontrolling interest in the acquiree at their fair values at the acquisition date. Noncontractual contingencies are recognized at the acquisition date at their fair values only if it is more likely than not that they meet the definition of an asset or a liability in FASB Concepts Statement No. 6 *Elements of Financial Statements.* Transaction costs are excluded from the acquisition accounting and will be expensed as incurred. Any contingent consideration included by the acquirer as part of the purchase price must also be measured at fair value at the acquisition date and will be classified as either equity or a liability. This standard also requires a company that obtains control but acquires less than 100% of an acquiree to record 100% of the fair value of the acquiree assets, liabilities, and noncontrolling interests at the acquisition date. This standard is effective for periods beginning on or after December 15, 2008. The Company is currently in the process of assessing the expected impact of this standard on its consolidated financial statements.

In December 2007, the FASB issued Statement No. 160 *Noncontrolling Interests in Consolidated Financial Statements,* which amends Accounting Research Bulletin No. 51 *Consolidated Financial Statements.* This standard requires noncontrolling interests to be treated as a separate component of equity, but apart from the parent's equity and not as a liability, or as an item outside of equity. This will eliminate diversity that currently exists in accounting for transactions between an entity and its noncontrolling interests. This standard also specifies that consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income, and that changes in the parent's ownership interest while it retains a controlling financial interest should be accounted for as equity transactions. This standard also expands disclosures in the financial statements to include a reconciliation of the beginning and ending balances of the equity attributable to the parent and the noncontrolling owners and a schedule showing the effects of changes in a parent's ownership interest in a subsidiary on the equity attributable to the parent. This standard is effective for periods beginning on or after December 15, 2008. The Company is currently in the process of assessing the expected impact of this standard on its consolidated financial statements.

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2. Earnings per share

Basic net income per share is calculated by dividing net income by the weighted average number of common shares and vested stock units outstanding. Diluted net income per share includes the dilutive effect of stock options, stock-settled stock appreciation rights and unvested stock units under the treasury stock method.

The reconciliations of the numerators and denominators used to calculate basic and diluted net income per share are as follows:

	Year ended December 31,		
	2007	2006	2005
	(in thousands, except per share)		
Basic:			
Income from continuing operations	$ 381,778	$ 289,329	$ 207,422
Income from discontinued operations, net of tax	—	—	13,157
Gain on disposal of discontinued operations, net of tax	—	362	8,064
Net income	$ 381,778	$ 289,691	$ 228,643
Weighted average shares outstanding during the year	105,848	103,471	100,713
Vested stock units	45	49	49
Weighted average shares for basic earnings per share calculation	105,893	103,520	100,762
Basic earnings per share from continuing operations, net of tax	$ 3.61	$ 2.79	$ 2.06
Income from discontinued operations, net of tax	—	—	0.13
Gain on disposal of discontinued operations, net of tax	—	0.01	0.08
Basic net income per share	$ 3.61	$ 2.80	$ 2.27
Diluted:			
Income from continuing operations	$ 381,778	$ 289,329	$ 207,422
Income from discontinued operations, net of tax	—	—	13,157
Gain on disposal of discontinued operations, net of tax	—	362	8,064
Net income	$ 381,778	$ 289,691	$ 228,643
Weighted average shares outstanding during the year	105,848	103,471	100,713
Vested stock units	45	49	49
Assumed incremental shares from stock plans	1,525	2,273	3,306
Weighted average shares for diluted earnings per share calculation	107,418	105,793	104,068
Diluted earnings per share from continuing operations, net of tax	$ 3.55	$ 2.73	$ 1.99
Income from discontinued operations, net of tax	—	—	0.13
Gain on disposal of discontinued operations, net of tax	—	0.01	0.08
Diluted net income per share	$ 3.55	$ 2.74	$ 2.20

Stock plan award shares for stock options and stock appreciation rights that have exercise or base prices greater than the average market price of shares outstanding during the year were not included in the computation of diluted earnings per share because they were anti-dilutive. These excluded stock plan shares were as follows: 260,000 shares at $56.63 to $64.21 per share in 2007, 932,600 shares at $54.86 to $60.21 per share in 2006, and 2,419,750 shares at $45.60 to $52.81 per share in 2005.

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(dollars in thousands, except per share data)

3. Accounts receivable

Less than 10% of the accounts receivable balances as of December 31, 2007 and 2006 were more than six months old, and there were no significant balances over one year old. Approximately 1% of our accounts receivable as of December 31, 2007 and 2006 relate to collections from patients. Accounts receivable are principally from Medicare and Medicaid programs and commercial insurance plans.

4. Other receivables

Other receivables were comprised of the following:

	December 31, 2007	December 31, 2006
Supplier rebates and other non-trade receivables	$ 151,939	$ 119,889
Medicare bad debt claims	31,400	15,990
Transition services receivable associated with divested centers	—	2,406
Operating advances under management services agreements	15,405	10,557
	$ 198,744	$ 148,842

Operating advances under management services agreements are generally unsecured.

5. Other current assets

Other current assets consist principally of prepaid expenses and operating deposits.

6. Property and equipment

Property and equipment were comprised of the following:

	December 31, 2007	December 31, 2006
Land	$ 11,827	$ 13,593
Buildings	32,448	39,438
Leasehold improvements	731,426	620,483
Equipment and information systems	814,512	686,426
New center and capital asset projects in progress	33,027	48,747
	1,623,240	1,408,687
Less accumulated depreciation and amortization	(683,914)	(558,721)
	$ 939,326	$ 849,966

Depreciation and amortization expense on property and equipment was $178,990, $160,717 and $105,254 for 2007, 2006 and 2005, respectively.

Interest on debt incurred during the development of new centers and other capital asset projects is capitalized as a component of the asset cost based on the respective in-process capital asset balances. Interest capitalized was $3,878, $4,708 and $1,912 for 2007, 2006 and 2005, respectively.

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(dollars in thousands, except per share data)

7. Amortizable intangibles

Amortizable intangible assets were comprised of the following:

	December 31, 2007	December 31, 2006
Noncompetition and other agreements	$ 276,182	$ 261,836
Lease agreements	8,738	8,738
Deferred debt issuance costs	72,618	73,826
	357,538	344,400
Less accumulated amortization	(174,496)	(140,679)
Total amortizable intangible assets	$ 183,042	$ 203,721

Amortizable intangible liabilities were comprised of the following:

	December 31, 2007	December 31, 2006
Alliance and product supply agreement commitment (See Note 19)	$ 68,200	$ 120,300
Less accumulated amortization	(26,893)	(15,037)
	$ 41,307	$ 105,263

Net amortization expense from noncompetition and other agreements and the amortizable intangible liabilities was $14,480, $12,578 and $11,582 for 2007, 2006 and 2005, respectively. Lease agreements are amortized to rent expense, which was $2,240 in 2007, $3,309 in 2006, and $690 in 2005, respectively. Deferred debt issuance costs are amortized to debt expense as described in Note 13 to the consolidated financial statements.

Scheduled amortization charges from intangible assets and liabilities as of December 31, 2007 were as follows:

	Noncompetition and other agreements	Deferred debt issuance costs	Alliance and Product Supply Agreement liability
2008	$ 22,808	$ 9,772	$ (5,330)
2009	19,428	9,646	(5,330)
2010	18,340	9,374	(5,330)
2011	17,488	8,914	(5,330)
2012	16,138	6,418	(5,330)
Thereafter	39,206	5,510	(14,657)

8. Investments in third-party businesses

Investments in non-consolidated dialysis businesses and related advances were $19,446 and $1,813 at December 31, 2007 and 2006. During 2007, 2006 and 2005, the Company recognized income of $1,217, $2,308 and $1,406, respectively, relating to investments in non-consolidated businesses under the equity method. These amounts are included as a reduction to minority interest expense in the consolidated statements of income.

(dollars in thousands, except per share data)

On December 31, 2007, the Company acquired a 50% noncontrolling ownership interest in a joint venture that operates six dialysis centers for $17,550. During 2006, the Company acquired a majority voting interest in one business that was previously minority-controlled and sold its interest in one minority-controlled business. The Company did not recognize a gain or loss on the sale as the investment was carried at fair value as a result of the DVA Renal Healthcare acquisition.

9. Investments

In accordance with SFAS No. 115 and based on the Company's intentions and strategy involving investments, the Company classifies certain debt securities as held-to-maturity and records them at amortized cost. Equity securities that have readily determinable fair values and other debt securities classified as available for sale are recorded at fair value.

The Company's investments consist of the following:

	December 31, 2007			December 31, 2006		
	Held to maturity	Available for sale	Total	Held to maturity	Available for sale	Total
Certificates of deposit and U.S. treasury notes due within one year	$ 19,804	$ —	$ 19,804	$ 1,500	$ —	$ 1,500
Investments in mutual funds	—	43,036	43,036	—	16,408	16,408
	$ 19,804	$ 43,036	$ 62,840	$ 1,500	$ 16,408	$ 17,908
Short-term investments	$ 19,804	$ 20,474	$ 40,278	$ 1,500	$ 3,234	$ 4,734
Long-term investments	—	22,562	22,562	—	13,174	13,174
	$ 19,804	$ 43,036	$ 62,840	$ 1,500	$ 16,408	$ 17,908

The cost of the certificates of deposit and U.S. treasury notes at December 31, 2007 and 2006, as well as the investments in mutual funds at December 31, 2006, approximates fair value. As of December 31, 2007, the available for sale investments included $850 of gross pre-tax unrealized gains. During 2007, the Company recorded gross pre-tax unrealized gains of $6,892 in other comprehensive income associated with changes in the fair value of these investments as well as the NxStage common stock, as discussed below. During 2007, the Company sold investments in mutual funds for net proceeds of $6,406, and recognized a pre-tax gain of $104, or $64 after tax, that was previously recorded in other comprehensive income. This pre-tax gain is included in other income. The Company also received $4,795 from maturities of certificates of deposits and treasury notes, during 2007.

On February 7, 2007, the Company entered into a National Provider Agreement with NxStage, Inc. The agreement provides the Company with the ability to purchase NxStage home-based hemodialysis products at a potential discount depending upon the achievement of certain volume targets. The agreement has an initial term of three years, terminating on December 31, 2009, and may be extended in six-month increments up to two additional years if certain volume targets are met. As a part of the agreement, the Company purchased outright all of its NxStage System One equipment then in use for $5,100, and will purchase a majority of its future home-based hemodialysis equipment and supplies from NxStage. In connection with the provider agreement, the Company purchased two million shares of NxStage common stock in a private placement offering for $20,000, representing an ownership position of approximately 7% in NxStage. The Company subsequently sold these shares in the second and third quarters of 2007 for net proceeds of $25,868 and recognized a pre-tax gain of $5,938, or $3,628 after tax, that was previously recorded in other comprehensive income. The pre-tax gain is included in other income.

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(dollars in thousands, except per share data)

10. Goodwill

Changes in the book value of goodwill were as follows:

	Year ended December 31, 2007	Year ended December 31, 2006
Balance at January 1	$ 3,667,853	$ 3,594,383
Acquisitions	105,609	79,948
DVA Renal Healthcare income tax adjustments and other adjustments	(4,951)	(5,811)
Divestitures and other adjustments	(578)	(667)
Balance at December 31	$ 3,767,933	$ 3,667,853

11. Other liabilities

Other accrued liabilities were comprised of the following:

	December 31, 2007	December 31, 2006
Payor refunds and retractions	$ 333,089	$ 322,155
Insurance and self-insurance accruals	66,222	74,607
Accrued interest	48,506	48,781
Accrued non-income tax liabilities	12,386	11,610
Other	25,948	16,066
	$ 486,151	$ 473,219

12. Income taxes

On January 1, 2007, the Company adopted the provisions of FASB Interpretation 48 (FIN 48) *Accounting for Income Tax Uncertainties*, which clarifies the accounting for uncertainty in income taxes recognized in the consolidated financial statements in accordance with SFAS Statement No. 109 *Accounting for Income Taxes*. The Interpretation prescribes a recognition threshold of more-likely-than-not and a measurement attribute on all tax positions taken or expected to be taken in a tax return in order to be recognized in the financial statements. In making this assessment, a company must determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based solely on the technical merits of the position and must assume that the tax position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. Once the recognition threshold is met, the tax position is then measured to determine the actual amount of benefit to recognize in the financial statements. In addition, the recognition threshold of more-likely-than-not must continue to be met in each reporting period to support continued recognition of the tax benefit. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the financial reporting period in which that threshold is no longer met.

As a result of implementing FIN 48, the Company recognized an increase of $22,860 to the beginning balance of its current and long-term deferred tax assets, offset by increases in its current taxes payable and other long-term liabilities of $18,969. This recognized net tax benefit of $3,891 was recorded as an increase to the

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(dollars in thousands, except per share data)

beginning balance of retained earnings on January 1, 2007. The Company also recorded a decrease of $4,951 to the beginning balance of current taxes payable and long-term deferred tax liabilities, and a corresponding decrease to goodwill as a result of recognizing tax benefits associated with our acquisition of DVA Renal Healthcare.

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

	Year ended December 31, 2007
Balance January 1, 2007	$ 27,925
Additions for tax positions related to 2007	1,798
Additions for tax positions related to prior years	416
Reductions for tax positions related to prior years	(3,200)
Settlements	(1,195)
Balance December 31, 2007	$ 25,744

As of December 31, 2007, it is reasonably possible that $17,493 of unrecognized tax benefits may be recognized within the next 12 months, primarily related to the filing of a tax accounting method change request for recently acquired entities. This change will have no impact on the Company's effective tax rate. As of December 31, 2007, unrecognized tax benefits totaling $7,522 would affect the Company's effective tax rate, if recognized.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in its income tax expense. At December 31, 2007, the Company had approximately $2,600 accrued for interest and penalties related to unrecognized tax benefits.

The Company and its subsidiaries file U.S. federal income tax returns and various state returns. The Company is no longer subject to U.S. federal, state and local examinations by tax authorities for years before 2003. The Internal Revenue Service (IRS) completed an examination of the Company's U.S. federal income tax returns for 2003 and 2004 during the second quarter of 2007. The examination did not result in any material impact to the Company's consolidated financial statements.

Income tax expense consisted of the following:

	Year ended December 31,		
	2007	2006	2005
Current:			
Federal	$ 196,697	$ 159,054	$ 178,569
State	30,446	24,009	33,564
Deferred:			
Federal	14,945	(12)	(60,866)
State	3,656	2,354	(10,502)
	$ 245,744	$ 185,405	$ 140,765

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(dollars in thousands, except per share data)

The allocations of income tax expense were as follows:

	Year ended December 31,		
	2007	2006	2005
Continuing operations	$ 245,744	$ 186,430	$ 123,675
Discontinued operations	—	—	8,377
Gain on discontinued operations	—	(1,025)	8,713
	$ 245,744	$ 185,405	$ 140,765

Deferred tax assets and liabilities arising from temporary differences were as follows:

	December 31,	
	2007	2006
Receivables, primarily allowance for doubtful accounts	$ 61,184	$ 47,054
Alliance and product supply agreement	16,069	40,947
Accrued liabilities	191,140	154,169
Other	43,218	27,638
Deferred tax assets	311,611	269,808
Valuation allowance	(9,353)	(10,656)
Net deferred tax assets	302,258	259,152
Intangible assets	(206,236)	(155,762)
Property and equipment	(12,825)	(18,953)
Other	(1,674)	(10,989)
Deferred tax liabilities	(220,735)	(185,704)
Net deferred tax assets	$ 81,523	$ 73,448

At December 31, 2007, the Company had state net operating loss carryforwards of approximately $147,890 that expire through 2027, and federal net operating loss carryforwards of $16,579 that expire through 2027. The utilization of these losses may be limited in future years based on the profitability of certain separate-return entities. The valuation allowance decrease of $1,303 related to changes in the estimated tax benefit of capital losses and federal and state operating losses of separate-return entities, of which an increase of $1,157 is included as a component of tax expense and a $2,460 decrease is an adjustment to income taxes payable in connection with the adoption of FIN 48. A total of approximately $2,700 of valuation allowance will reduce goodwill when the related tax benefits are first recognized.

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(dollars in thousands, except per share data)

The reconciliation between our effective tax rate from continuing operations and the U.S. federal income tax rate is as follows:

	Year ended December 31,		
	2007	2006	2005
Federal income tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	3.5	3.9	3.4
Changes in deferred tax valuation allowances	0.2	(0.1)	(0.7)
Other	0.5	0.4	(0.3)
Effective tax rate	39.2%	39.2%	37.4%

13. Long-term debt

Long-term debt was comprised of the following:

	December 31,	
	2007	2006
Senior Secured Credit Facilities:		
Term loan A	$ 229,250	$ 279,250
Term loan B	1,705,875	2,105,875
Senior and senior subordinated notes	1,750,000	1,350,000
Acquisition obligations and other notes payable	11,047	9,197
Capital lease obligations	6,667	6,929
Total principal debt outstanding	3,702,839	3,751,251
Premium on the 6-5/8% senior notes	4,479	—
	3,707,318	3,751,251
Less current portion	(23,431)	(20,871)
	$ 3,683,887	$ 3,730,380

Scheduled maturities of long-term debt at December 31, 2007 were as follows:

2008	$ 23,431
2009	63,916
2010	89,034
2011	66,570
2012	1,706,541
Thereafter	1,753,347

Senior Secured Credit Facility

The Senior Secured Credit Facilities are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries and are secured by substantially all of the Company's and its subsidiary guarantors' assets. The Senior Secured Credit Facilities also contain customary affirmative and negative covenants and require compliance with financial covenants, including an interest rate coverage ratio, and a leverage ratio that determines the interest rate margins on term loan A and the revolving line of credit. The Senior Secured Credit Facilities in general also contain limits on the general amount of capital expenditures for internal growth,

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acquisitions and capital improvements (see discussion below) as well as limits on the amount of tangible net assets for non-guarantor subsidiaries.

Term Loans

Term loan A and term loan B total outstanding borrowings each consist of various individual tranche amounts that can range in maturity from one month to twelve months. Each specific tranche bears interest at a LIBOR rate determined by the maturity of that specific tranche and the interest rates are reset as each specific tranche matures. The overall weighted average interest rate for each term loan is determined based upon the LIBOR interest rates in effect for each individual tranche plus the interest rate margin.

During 2007 and 2006, the Company made principal payments totaling $50,000 and $62,000 on term loan A, respectively, and $400,000 and $338,000 on term loan B, respectively. The principal payments made on term loan A and term loan B in 2007 were prepayments. The term loan B prepayment was made from the proceeds of issuing the senior notes as discussed below. In 2006, $35,000 were mandatory principal payments as required for term loan A and $24,500 were mandatory principal payments as required for term loan B. The balance of the principal payments in 2006 were prepayments. As a result of the principal prepayment made in 2007 and 2006, the Company wrote off a total of $4,371 and $3,270, respectively, of deferred financing costs, which is included in debt expense.

Term Loan A

On February 27, 2007, the Company's interest rate margin on its term loan A was reduced by 0.25% as a result of achieving certain financial ratios as defined in the Senior Secured Credit Facilities.

Term loan A currently bears interest at LIBOR plus a margin of 1.50%, for an overall weighted average effective rate of 6.35% at December 31, 2007. The interest rate margin is subject to adjustment depending upon certain financial conditions and could range from 1.50% to 2.25%. Term loan A matures in October 2011 and requires annual principal payments of $14,875 in 2008, $61,250 in 2009, $87,500 in 2010 and $65,625 in 2011, respectively.

Term Loan B

On February 23, 2007, the Company amended and restated its existing Senior Secured Credit Facilities to, among other things, reduce the interest rate margin on term loan B by 0.50%, and to amend certain financial covenants. The amended term loan B bears interest at LIBOR plus a margin of 1.50%, for an overall weighted average effective rate of 5.80%, including the impact of the Company's swap agreements, except for the forward interest rate swap agreements, as of December 31, 2007. Other terms that were changed included the amount by which the Company can elect to increase the revolving and term loan commitments from $500,000 to $750,000 and certain limitations on purchases, redemptions or acquisitions of capital stock, the payment of dividends and distributions in cash. Further, limitations on capital expenditures for internal growth will not apply during the periods in which the Company's leverage ratio is less than 3.5:1. The Company's leverage ratio as of December 31, 2007 was less than 3.5:1. The Company incurred financing costs of $1,781 which were deferred and also expensed $248 of other costs in connection with this transaction, which are included in debt expense. Term loan B matures in October 2012 and requires principal payments of $1,705,875 in year 2012.

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Revolving Lines of Credit

The Company has an undrawn revolving line under the Senior Secured Credit Facilities totaling $250,000, of which approximately $41,000 was committed for outstanding letters of credit. The Company also has other undrawn revolving lines of credit totaling $7,200 associated with several of its joint ventures.

Senior and Senior Subordinated Notes

On February 23, 2007, the Company issued $400,000 of 6 5/8% senior notes due 2013 in a private offering, realizing $405,080 in proceeds, which included a $5,080 premium, and incurred $2,719 in related deferred financing costs. These senior notes are part of the same series of debt securities as the $500,000 aggregate principal amount of 6 5/8% senior notes that were issued in March 2005. The effective interest rate for the $400,000 of 6 5/8% senior notes is 6.45%. The senior notes are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries and require semi-annual interest payments which began March 15, 2007. The senior notes may be redeemed by the Company in whole or part at any time on or after March 15, 2009, at certain specified prices. The Company used $400,000 of these proceeds to pay down its term loan B as discussed above.

The Company's senior and senior subordinated notes, as of December 31, 2007, consisted of $900,000 of 6 5/8% senior notes due 2013 and $850,000 of 7 1/4% senior subordinated notes due 2015. The notes are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries and require semi-annual interest payments in March and September. The Company may redeem some or all of the senior notes at any time as described above and some or all of the senior subordinated notes at any time on or after March 15, 2010.

Interest rate swaps

As of December 31, 2007, the Company maintained a total of nine interest rate swap agreements with amortizing notional amounts totaling $968,000. These agreements had the economic effect of modifying the LIBOR-based variable interest rate on an equivalent amount of debt to fixed rates ranging from 3.08% to 4.27%, resulting in an overall weighted average effective interest rate of 5.37% on the hedged portion of our Senior Secured Credit Facilities, including the term loan B margin of 1.50%. The swap agreements expire in 2008 through 2010 and require quarterly interest payments. In addition, the Company maintains two forward interest rate swap agreements with notional amounts totaling $200,000. These forward interest rate swaps will have the economic effect of modifying the LIBOR-based interest rates to fixed rates of 4.05% and 4.70% on the Company's term loan B outstanding debt. These forward interest rate swaps take effect on September 30, 2008, require quarterly interest payments beginning in December 2008, and expire in 2010. During 2007, 2006, and 2005 the Company accrued net cash benefits (obligations) of approximately $14,497, $15,791, and $(285), respectively, from these swaps, which are included in debt expense. During 2005, the Company also incurred additional net cash obligations of $1,461 from these swaps, which is included in swap valuation gains. The Company estimates that approximately $500 of existing unrealized pre-tax losses in other comprehensive income at December 31, 2007, will be reclassified into income in 2008. As of December 31, 2007 and 2006, the total fair value of these swaps was a net liability of $511 and an asset of $29,544, respectively. The 2007 amount was primarily included in other long-term liabilities and the 2006 amount was primarily included in other long-term assets. Also during 2007, the Company recorded $16,027, net of tax, as reductions to other comprehensive income for valuation losses, net of amounts reclassified into income.

As of December 31, 2007, the Company had approximately 50% of its variable rate debt and approximately 74% of its total debt economically fixed.

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As a result of the swap agreements, the Company's overall Senior Secured Credit Facilities effective weighted average interest rate was 5.90%, based upon the current margins in effect of 1.50%, as of December 31, 2007.

At December 31, 2007, the Company's overall average effective interest rate was 6.37%.

Debt expense

Debt expense consisted of interest expense of $242,720, $262,967 and $134,429, amortization of deferred financing costs of $9,808, $10,469 and $5,157 for 2007, 2006 and 2005, respectively, and in 2007 and 2006, included the write-off of $4,371 and $3,270, respectively, of deferred financing costs. Debt expense in 2007 also included $248 of other costs associated with the amendment and reinstatement of the Senior Secured Credit Facilities. These interest expense amounts are net of capitalized interest.

2005 Transactions

In conjunction with the repayment and extinguishment of the Company's prior Senior Secured Credit Facilities during 2005, the Company wrote off deferred financing costs of $8,170 and reclassified into net income $8,100 of swap valuation gains that were previously recorded in other comprehensive income. These gains represented the accumulated fair value of several interest rate swap instruments that became ineffective as cash flow hedges as a result of the repayment of the prior Senior Secured Credit Facilities. In addition, the Company recorded a net loss of $2,100 related to changes in fair values of these swaps that were not effective as interest rate hedges until they were redesignated in the second quarter of 2005.

Portions of the Company's various interest rate swap agreements that were previously designated and expected to be effective as forward cash flow hedges became ineffective as a result of the Company not having any variable rate LIBOR-based interest payments during a portion of 2005. This resulted in a net charge of $1,700 to swap valuation gains, which includes the $1,461 discussed above as well as a reclassification into income of $2,000 of swap valuation losses that were previously recorded in other comprehensive income. The swap payment periods that began after October 2005 were highly effective as cash flow hedges with gains or losses from changes in their fair values reported in other comprehensive income.

14. Leases

The majority of the Company's facilities are leased under non-cancelable operating leases, ranging in terms from five to ten years, which contain renewal options of five to ten years at the fair rental value at the time of renewal or at rates subject to periodic consumer price index increases. The Company also leases certain equipment under capital leases.

(dollars in thousands, except per share data)

Future minimum lease payments under non-cancelable operating leases and capital leases are as follows:

	Operating leases	Capital leases
2008	$ 170,192	$ 1,579
2009	151,344	1,162
2010	136,480	962
2011	121,913	966
2012	101,035	987
Thereafter	336,131	4,452
	$ 1,017,095	10,108
Less portion representing interest		(3,441)
Total capital lease obligations, including current portion		$ 6,667

Rent expense under all operating leases for 2007, 2006, and 2005 was $200,626, $187,139 and $109,511, respectively. Rent expense is recorded on a straight line basis, over the term of the lease, for leases that contain fixed escalation causes. Leasehold improvement incentives are deferred and amortized to rent expense over the term of the lease. The net book value of property and equipment under capital leases was $7,191, $5,765 and $6,094 at December 31, 2007, 2006 and 2005, respectively. Capital lease obligations are included in long-term debt. See Note 13 to the consolidated financial statements.

15. Employee benefit plans

The Company has a savings plan for substantially all employees which has been established pursuant to the provisions of Section 401(k) of the Internal Revenue Code, or IRC. The plan provides for employees to contribute a percentage of their base annual salaries on a tax-deferred basis not to exceed IRC limitations. The Company does not provide any matching contributions.

During 2000, the Company established the DaVita Inc. Profit Sharing Plan. Contributions to this defined contribution benefit plan are made at the discretion of the Company as determined and approved by the Board of Directors. All contributions are deposited into an irrevocable trust. The profit sharing award for each eligible participant is based upon the achievement of employee-specific and/or corporate financial and operating goals. During 2004 the Company elected to discontinue funding the profit sharing plan and to distribute similar awards directly to the recipients, or at their discretion to their 401(k) accounts. In December 2007, the DaVita Profit Sharing Plan was merged into the Company's 401(k) Plan.

On October 5, 2005, the Company's Board of Directors approved the adoption of the DaVita Voluntary Deferral Plan. This plan is non-qualified and permits certain employees whose annualized base salary equals or exceeds a minimum annual threshold amount as set by the Company to elect to defer all or a portion of their annual bonus payment and, as originally adopted, up to 15% of their base salary into a deferral account maintained by the Company. Total contributions to this plan in 2007 and 2006 were $1,601, and $1,296, respectively. Effective January 1, 2006, the elective deferral percentage for base salary was increased to up to 50% of a participant's base salary. Deferred amounts are generally paid out in cash at the participant's election either in the first or second year following retirement or in a specified future period at least three to four years after the deferral election was effective. Participants are credited with their proportional amount of annual earnings from the plan. The assets of this plan are held in a "rabbi trust" and as such are subject to the claims of the Company's general creditors in the event of its bankruptcy.

As part of the acquisition of DVA Renal Healthcare on October 5, 2005, the Company acquired an Executive Retirement Plan for certain members of management. The plan is non-qualified and contributions to the plan were made at the discretion of DVA Renal Healthcare based upon a pre-determined percentage of a participant's base salary. Effective November 2005, all contributions to this plan were discontinued and the balance of the plan assets will be paid out upon termination of each individual participant.

The Company maintains a non-qualified deferred compensation plan for key employees. Company contributions are discretionary and are deposited into a rabbi trust. Participants in the plan are subject to a vesting period and typically receive annual distributions from the plan commencing one year after grant date, although in certain situations distributions are paid upon termination or retirement. Participants also have the option to direct their balances into certain investment funds and are credited with their proportional amount of earnings from the investments. The assets of this plan as held in the rabbi trust and are subject to the claims of the Company's general creditors in the event of its bankruptcy. During 2007 and 2006, the Company contributed $15,710 and $2,430 into the plan.

The Company also maintains a non-qualified deferred compensation plan for certain employees. Company contributions to the plan are discretionary and are deposited into a rabbi trust that is not subject to general creditors claims in the event of bankruptcy by the Company. Participants in the plan are subject to a vesting period and will receive their proportionate amount of the Company's contribution plus earnings in December of 2008. Participants are credited with their proportional amount of earnings from the investments within the plan. During 2007, the Company contributed $14,774 into this plan.

The fair value of the assets held in trust as of December 31, 2007, and 2006 totaled $43,036 and $16,408, respectively. The assets are available for sale and as such are recorded at fair market value with changes in the fair market values being recorded in other comprehensive income. Any fair market value changes to the corresponding liability balance will be recorded as compensation expense. See Note 9 to the consolidated financial statements.

Most of the Company's outstanding employee stock plan awards include a provision accelerating the vesting of the award in the event of a change of control. The Company also maintains a change of control protection program for its employees who do not have a significant number of stock awards, which has been in place since 2001, and which provides for cash bonuses to employees in the event of a change of control. Based on the market price of the Company's stock and the outstanding shares of its common stock on December 31, 2007, these cash bonuses would total approximately $234,000 if a control transaction occurred at that price and the Company's Board of Directors did not modify the program. This amount has not been accrued at December 31, 2007, and would only be accrued upon a change of control. These compensation programs may affect the price an acquirer would be willing to pay.

16. Contingencies

The majority of the Company's revenues are from government programs and may be subject to adjustment as a result of: (1) examination by government agencies or contractors, for which the resolution of any matters raised may take extended periods of time to finalize; (2) differing interpretations of government regulations by different fiscal intermediaries or regulatory authorities; (3) differing opinions regarding a patient's medical diagnosis or the medical necessity of services provided; and (4) retroactive applications or interpretations of governmental requirements. In addition, the Company's revenues from commercial payors may be subject to adjustment as a result of potential claims for refunds, as a result of government actions or as a result of other claims by commercial payors.

United States Attorney inquiries

In February 2007, the Company received a request for information from the Office of Inspector General, U.S. Department of Health and Human Services, or OIG, for records relating to Epogen®, or EPO, claims submitted to Medicare. In August 2007, the Company received a subpoena from the OIG seeking similar documents. The requested documents relate to services provided from 2001 to 2004 by a number of the Company's centers. The request and subpoena were sent from the OIG's offices in Houston and Dallas, Texas. The Company is cooperating with the inquiry and is producing the requested records. The Company has been in contact with the United States Attorney's Office, or U.S. Attorney's Office, for the Eastern District of Texas, which has stated that this is a civil inquiry related to EPO claims. There appears to be substantial overlap between this issue and the ongoing review of EPO utilization and claims by the U.S. Attorney's Office, for the Eastern District of Missouri in St. Louis described below. To the Company's knowledge, no proceedings have been initiated against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoena will continue to require management's attention and significant legal expense. Any negative findings could result in substantial financial penalties against the Company and exclusion from future participation in the Medicare and Medicaid programs.

On March 4, 2005, the Company received a subpoena from the U.S. Attorney's Office for the Eastern District of Missouri in St. Louis. The subpoena requires production of a wide range of documents relating to our operations, including documents related to, among other things, pharmaceutical and other services provided to patients, relationships with pharmaceutical companies, and financial relationships with physicians and joint ventures. The subpoena covers the period from December 1, 1996 through the present. In October 2005, the Company received a follow-up request for additional documents related to specific medical director and joint venture arrangements. In February 2006, the Company received an additional subpoena for documents, including certain patient records relating to the administration and billing of EPO. In May 2007, the Company received a request for documents related to durable medical equipment (DME) and supply companies owned and operated by the Company. The Company is producing documents and providing information to the government. The Company is also cooperating, and intends to continue to cooperate, with the government's investigation, including by participating in discussions and meetings with the government. The subpoenas have been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against the Company in connection with this inquiry. Any negative findings could result in substantial financial penalties against the Company, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. To the Company's knowledge, no proceedings have been initiated against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as this to continue for a considerable period of time. Responding to the subpoenas will continue to require management's attention and significant legal expense.

On October 25, 2004, the Company received a subpoena from the U.S. Attorney's Office for the Eastern District of New York in Brooklyn. The subpoena covers the period from 1996 to present and requires the production of a wide range of documents relating to the Company's operations, including DaVita Laboratory Services. Gambro Healthcare received a similar subpoena in November 2004. The subpoena also includes specific requests for documents relating to testing for parathyroid hormone levels, or PTH, and to products relating to vitamin D therapies. The subpoena has been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against the Company in connection with this inquiry. Any negative findings could result in substantial financial penalties against the Company, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. Other participants in the dialysis industry received a similar subpoena, including Fresenius Medical Group. To the Company's knowledge, no proceedings have been initiated against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoena may continue to require management's attention and significant legal expense.

Other

The Company has received several notices of claims from commercial payors and other third parties related to historical billing practices and claims against DVA Renal Healthcare (formerly known as Gambro Healthcare) related to historical Gambro Healthcare billing practices and other matters covered by their settlement agreement with the Department of Justice. At least one commercial payor has filed an arbitration demand against the Company, as described below, and additional commercial payors have threatened litigation. The Company intends to defend against these claims vigorously; however, the Company may not be successful and these claims may lead to litigation and any such litigation may be resolved unfavorably. Although the ultimate outcome of these claims cannot be predicted at this time, an adverse result in excess of the Company's established reserves, with respect to one or more of these claims could have a material adverse effect on the Company's business, financial condition, results of operations and liquidity.

In December 2007, the Company entered into a Settlement Agreement with the State of New York to resolve certain billing issues that had been the subject of inquiry by the New York Attorney General's Medicaid Fraud Control Unit, or MFCU. The Company had received several informal inquiries from representatives of MFCU regarding billing practices for facilities managed by the Company in New York. The Settlement Agreement covers numerous dialysis facilities in New York for which the Company, through its subsidiaries, provides administrative services. The Company paid $1,457 in settlement, which included the amount of the overpayments by the New York Medicaid program plus interest; no fines or penalties were assessed.

In October 2007, the Company was contacted by the Attorney General's Office for the State of Nevada. The Attorney General's Office informed the Company that it was conducting a criminal investigation of the Company's operations in Nevada and that the investigation related to the billing of pharmaceuticals, including EPO. On February 8, 2008, the Attorney General's Office informed the Company that the criminal investigation has been discontinued. The Attorney General's Office further advised the Company that Nevada Medicaid intends to conduct audits of ESRD providers in Nevada, including the Company, and that such audits will relate to the issues that were the subjects of the criminal investigation. Any negative findings could result in substantial financial penalties against the Company and exclusion from future participation in the Medicare and Medicaid programs. To the Company's knowledge, no proceedings have been initiated against the Company at this time.

On August 28, 2007, Sheet Metal Workers National Health Fund and Glenn Randle filed a complaint in the United States District Court for the Central District of California against the Company. The complaint also names as defendants Amgen, Inc. and Fresenius Medical Care Holdings, Inc. The complaint is styled as a class action and alleges four claims against the Company, including violations of the federal RICO statute, California's unfair competition law, California's false advertising law and for unjust enrichment. The complaint's principal allegations against the Company are that the defendants engaged in a scheme to unlawfully promote the administration of EPO to hemodialysis patients intravenously, as opposed to subcutaneously, and to over-utilize EPO. The Company intends to vigorously defend against these claims. The Company also intends to vigorously oppose the certification of this matter as a class action. At this time, the Company cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

On August 8, 2005, Blue Cross/Blue Shield of Louisiana filed a complaint in the United States District Court for the Western District of Louisiana against Gambro AB, DVA Renal Healthcare (formerly Gambro Healthcare) and related entities. The plaintiff sought to bring its claims as a class action on behalf of itself and all

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entities that paid any of the defendants for health care goods and services from on or about January 1991 through at least December 2004. The complaint alleged, among other things, damages resulting from facts and circumstances underlying Gambro Healthcare's December 2004 settlement agreement with the Department of Justice and certain agencies of the United States Government. In March 2006, the case was dismissed and the plaintiff was compelled to seek arbitration to resolve the matter. In November 2006, the plaintiff filed a demand for class arbitration against the Company and DVA Renal Healthcare. The Company intends to vigorously defend against these claims. The Company also intends to vigorously oppose the certification of this matter as a class action. At this time, the Company cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

In June 2004, Gambro Healthcare was served with a complaint filed in the Superior Court of California by one of its former employees who worked for its California acute services program. The complaint, which is styled as a class action, alleges, among other things, that DVA Renal Healthcare (formerly Gambro Healthcare) failed to provide overtime wages, defined rest periods and meal periods, or compensation in lieu of such provisions and failed to comply with certain other California labor code requirements. The Company intends to vigorously defend against this claim. The Company also intends to vigorously oppose the certification of this matter as a class action. Although the ultimate outcome of these claims cannot be predicted, the Company does not expect that an unfavorable result, if any, would have a material adverse effect on the Company's business, financial condition, liquidity or results of operations.

In addition to the foregoing, the Company is subject to claims and suits, including from time to time, contractual disputes and professional and general liability claims, as well as audits and investigations by various government entities, in the ordinary course of business. The Company believes that the ultimate resolution of any such pending proceedings, whether the underlying claims are covered by insurance or not, will not have a material adverse effect on its financial condition, results of operations or cash flows.

17. Shareholders' equity and stock-based compensation

Authorized capital stock of the Company

On May 29, 2007, DaVita's stockholders approved an amendment to its Amended and Restated Certificate of Incorporation to increase the number of shares of authorized common stock from 195,000,000 to 450,000,000 shares.

Stock-based compensation

Effective January 1, 2006, the Company implemented Statement of Financial Accounting Standards (SFAS) No. 123(R) *Share-Based Payment*, which requires the measurement and recognition of cost for all stock-based awards made to employees and directors, including stock options, stock appreciation rights, stock units and discounted employee stock purchases. Under this standard, the Company's stock-based compensation awards are measured at estimated grant-date fair value and recognized as compensation expense over their requisite service periods. SFAS No. 123(R) supersedes the Company's previous accounting under Accounting Principles Board Opinion (APB) No. 25 *Accounting for Stock Issued to Employees*, under which the Company did not recognize compensation expense for most of its stock options. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 relating to the application of SFAS No. 123(R), and the Company has applied the provisions of SAB 107 in its adoption of SFAS No. 123(R).

The Company implemented SFAS No. 123(R) using the modified prospective transition method. In accordance with this method, our consolidated financial statements for periods prior to fiscal year 2006 have not

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been restated to reflect this change. The standard also requires that tax benefits realized from stock award exercise gains in excess of stock-based compensation expense recognized for financial statement purposes be reported on a prospective basis as cash flows from financing activities rather than as operating cash flows. The Company also elected to use the method available under FASB Staff Position FSP No. 123(R)-3 *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*, which provides an alternative method for calculating historical excess tax benefits from the method described in SFAS No. 123(R) for stock-based compensation awards.

Under SFAS No. 123(R), stock-based compensation recognized during a period is based on the estimated grant-date fair value of the portion of each stock-based award vesting during that period, adjusted for expected forfeitures. Stock-based compensation recognized in the Company's consolidated financial statements for the years ended December 31, 2007 and 2006 includes compensation cost for stock-based awards granted prior to, but not fully vested as of, December 31, 2005 and stock-based awards granted in 2006 and 2007. The Company previously recognized the effect of stock unit forfeitures as they occurred, and the effect of transitioning to recognition of expense based on expected forfeitures was insignificant. Shares issued upon exercise of stock awards are generally issued from shares in treasury.

Prior to 2006, the Company accounted for stock-based compensation in accordance with APB No. 25 *Accounting for Stock Issued to Employees*, as allowed under SFAS No. 123 *Accounting for Stock-based Compensation*. Under APB No. 25, stock option grants to employees did not result in an expense if the exercise price was at least equal to the market price at the date of grant. However, under APB No. 25 the Company did recognize compensation expense for stock units, which were valued at the closing stock price on the date of grant and amortized over their respective vesting periods, and for modifications to stock awards as required under FASB Interpretation No. 44 *Accounting for Certain Transactions Involving Stock Compensation*.

Stock-based compensation plans and agreements

On May 29, 2007, the Company's stockholders approved an amendment and restatement of the Company's Employee Stock Purchase Plan to increase the number of shares of common stock available for issuance under that plan by 800,001 shares, and approved an amendment and restatement of the Company's 2002 Equity Compensation Plan to increase the number of shares of common stock available for issuance under that plan by 6,000,000 shares and, among other things, to remove certain available share recycling features, to change the limit on the maximum number of shares of common stock that may be subject to awards granted to any single recipient in any consecutive twenty-four month period so that such limit applies only to awards of stock options and stock appreciation rights, and to provide additional exceptions from the three year minimum vesting period generally applicable to grants of restricted stock units and other full share awards.

The Company's stock-based compensation plans and agreements are described below.

2002 Plan. The DaVita Inc. 2002 Equity Compensation Plan as amended on May 29, 2007 (the 2002 Plan) provides for grants of stock-based awards to employees, directors and other individuals providing services to the Company, except that incentive stock options may only be awarded to employees. The 2002 Plan mandates a maximum award term of five years, and stipulates that stock options and stock appreciation rights be granted with prices not less than the fair market value on the date of grant. The 2002 Plan further requires that full share awards such as restricted stock units reduce shares available under the 2002 Plan at a rate of 3.0:1. The Company's nonqualified stock options, stock appreciation rights and stock units awarded under the 2002 Plan generally vest over 48 to 60 months from the date of grant. At December 31, 2007, there were 9,703,821 stock options and stock-settled stock appreciation rights and 204,345 stock units outstanding and 10,945,124 shares available for future grants under the 2002 Plan.

(dollars in thousands, except per share data)

1999 Plan. The 1999 Non-Executive Officer and Non-Director Equity Compensation Plan (the 1999 Plan) provides for grants of stock options to employees and other individuals providing services, other than executive officers and members of the Board of Directors. The Company awards nonqualified stock options under the 1999 Plan which are generally issued with exercise prices equal to the market price of the stock on the date of grant, vest over 48 to 52 months from the date of grant and bear maximum award terms of five years. At December 31, 2007, there were 269,651 stock options outstanding and 305,274 shares available for future grants under the 1999 Plan.

Predecessor plans. Upon shareholder approval of the 2002 Plan on April 11, 2002, the following predecessor plans were terminated, except with respect to options then outstanding: the 1994 Equity Compensation Plan, the 1995 Equity Compensation Plan, the 1997 Equity Compensation Plan, and the 1999 Equity Compensation Plan. Shares available for future grants under these predecessor plans were transferred to the 2002 Plan upon its approval, and cancelled predecessor plan awards become available for new awards under the 2002 Plan. Stock options granted under these terminated plans were generally issued with exercise prices equal to the market price of the stock on the date of grant, vested over four years from the date of grant, and bore maximum award terms of five to 10 years. The RTC Plan, a special purpose option plan related to the merger between the Company and Renal Treatment Centers, Inc. in 1998, was terminated in 1999. At December 31, 2007, there were 567,069 stock options outstanding under these terminated plans.

Deferred stock unit agreements. During 2001 through 2003, the Company made nonqualified stock unit awards to members of the Board of Directors and certain key executive officers under stand-alone contractual deferred stock unit agreements. These awards vest over one to four years and are settled in stock when they vest or at a later date at the election of the recipient. At December 31, 2007, 63,636 stock units remained outstanding under these agreements.

A combined summary of the status of awards under these stock-based compensation plans and agreements, including base shares for stock appreciation rights and shares subject to stock option and stock unit awards, is as follows:

	Year ended December 31, 2007				
	Stock options and stock appreciation rights			Stock units	
	Awards	Weighted average exercise price	Weighted average remaining contractual life	Awards	Weighted average remaining contractual life
Outstanding at beginning of year	9,779,805	$ 38.06		437,735	
Granted	3,918,328	$ 53.22		38,643	
Exercised	(2,448,579)	$ 24.49		(120,175)	
Forfeited	(709,013)	$ 48.72		(88,222)	
Outstanding at end of period	10,540,541	$ 46.13	3.3	267,981	2.4
Awards exercisable at end of period	3,075,862	$ 36.52	2.5	44,881	1.3
Weighted-average fair value of awards granted during 2007	$ 13.89			$ 54.69	
Weighted-average fair value of awards granted during 2006	$ 13.38			$ 51.72	

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(dollars in thousands, except per share data)

Range of exercise prices	Awards outstanding	Weighted average exercise price	Awards exercisable	Weighted average exercise price
$ 0.00–$ 0.00	267,981	$ —	44,881	$ —
$ 0.01–$10.00	556,519	4.31	556,519	4.31
$10.01–$20.00	142,114	14.55	142,114	14.55
$20.01–$30.00	422,470	27.97	260,785	27.81
$30.01–$40.00	576,367	31.24	140,218	32.27
$40.01–$50.00	3,746,418	47.93	1,484,495	47.06
$50.01–$60.00	5,048,153	53.37	486,065	53.28
$60.01–$70.00	48,500	61.24	5,666	60.21
Total	10,808,522	$ 44.99	3,120,743	$ 36.00

For the years ended December 31, 2007, 2006, and 2005, the aggregate intrinsic value of stock awards exercised was $86,283, $109,562 and $104,000, respectively. At December 31, 2007, the aggregate intrinsic value of stock awards outstanding was $123,390 and the aggregate intrinsic value exercisable was $63,603.

Estimated fair value of stock-based compensation awards

The Company has estimated the grant-date fair value of stock option and stock-settled stock appreciation rights awards using the Black-Scholes-Merton valuation model and stock unit awards at intrinsic value on the date of grant. The following assumptions were used in estimating these values and determining the total stock-based compensation attributable to the current period:

Expected term of the awards: The expected term of awards granted represents the period of time that they are expected to remain outstanding from the date of grant. The Company determines the expected term of its stock awards based on its historical experience with similar awards, considering the Company's historical exercise and post-vesting termination patterns, and the terms expected by peer companies in near industries.

Expected volatility: Expected volatility represents the volatility anticipated over the expected term of the award. The Company determines the expected volatility for its awards based on the volatility of the price of its common stock over the most recent retrospective period commensurate with the expected term of the award, considering the volatility expectations implied by the market price of its exchange-traded options and the volatilities expected by peer companies in near industries.

Expected dividend yield: The Company has not paid dividends on its common stock and does not currently expect to pay dividends during the term of stock awards granted.

Risk-free interest rate: The Company bases the expected risk-free interest rate on the implied yield currently available on stripped interest coupons of U.S. Treasury issues with a remaining term equivalent to the expected term of the award.

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(dollars in thousands, except per share data)

A summary of the weighted average valuation inputs described above used for estimating the grant-date fair value of stock options and stock-settled stock appreciation rights granted in the periods indicated is as follows:

	Year ended December 31,		
	2007	2006	2005 pro-forma
Expected term	3.7 years	3.5 years	3.2 years
Expected volatility	25%	25%	27%
Expected dividend yield	0.0%	0.0%	0.0%
Risk-free interest rate	4.4%	5.0%	4.1%

The Company estimates expected forfeitures based upon historical experience with separate groups of employees that have exhibited similar forfeiture behavior in the past. Stock-based compensation expense is recorded only for awards that are expected to vest.

Employee stock purchase plan

The Employee Stock Purchase Plan as amended on May 29, 2007 entitles qualifying employees to purchase up to $25 of the Company's common stock during each calendar year. The amounts used to purchase stock are accumulated through payroll withholdings or through optional lump sum payments made in advance of the first day of the purchase right period. This compensatory plan allows employees to purchase stock for the lesser of 100% of the fair market value on the first day of the purchase right period or 85% of the fair market value on the last day of the purchase right period. Purchase right periods begin on January 1 and July 1, and end on December 31. Payroll withholdings and lump-sum payments related to the plan, included in accrued compensation and benefits, were $4,711, $5,991, and $3,264 at December 31, 2007, 2006 and 2005, respectively. Subsequent to December 31, 2007, 2006 and 2005, 98,353, 123,920 and 80,442 shares, respectively, were issued to satisfy obligations under the plan. At December 31, 2007, there were 1,156,305 shares available for future grants under this plan.

The fair value of employees' purchase rights was estimated as of the beginning dates of the purchase right periods using the Black-Scholes-Merton valuation model with the following weighted average assumptions for purchase right periods in 2007, 2006 and 2005, respectively: expected volatility of 23%, 23% and 27%; risk-free interest rate of 4.9%, 4.9% and 3.2%, and no dividends. Using these assumptions, the weighted average estimated fair value of these purchase rights was $13.96, $12.35 and $10.64 for 2007, 2006 and 2005, respectively.

Stock-based compensation expense and proceeds

For the years ended December 31, 2007 and 2006, the Company recognized $34,149 and $26,389, respectively, in stock-based compensation expense for stock options, stock appreciation rights, stock units and employee stock plan purchases, which is primarily included in general and administrative expenses in continuing operations. The estimated tax benefits recorded for this stock-based compensation in 2007 and 2006 were $12,820 and $9,678, respectively. As of December 31, 2007, there was $78,605 of total estimated unrecognized compensation cost related to nonvested stock-based compensation arrangements under the Company's equity compensation and stock purchase plans. The Company expects to recognize this cost over a weighted average remaining period of 1.6 years.

During the years ended December 31, 2007, 2006 and 2005, the Company received $54,697, $37,877 and $42,144 in cash proceeds from stock option exercises and $32,788, $40,375 and $38,484 in total actual tax benefits upon the exercise of stock awards, respectively.

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(dollars in thousands, except per share data)

Pro forma 2006 comparison under SFAS No. 123(R) and APB No. 25

The following table presents the impact of the adoption of SFAS No. 123(R) on selected items from the Company's consolidated financial statements for the year ended December 31, 2006:

	Year ended December 31, 2006	
	As reported under SFAS No. 123(R)	If reported under APB No. 25 proforma
Consolidated statement of income:		
Operating income	$ 739,432	$ 761,752
Income from continuing operations before income taxes	$ 475,759	$ 498,079
Income from continuing operations	$ 289,329	$ 303,554
Net income	$ 289,691	$ 303,916
Basic earnings per share from continuing operations	$ 2.79	$ 2.93
Basic earnings per share	$ 2.80	$ 2.94
Diluted earnings per share from continuing operations	$ 2.73	$ 2.86
Diluted earnings per share	$ 2.74	$ 2.86
Consolidated statement of cash flows:		
Net cash provided by operating activities	$ 519,571	$ 556,822
Net cash used in financing activities	$ (329,117)	$(366,368)

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(dollars in thousands, except per share data)

Pro forma 2005 results under SFAS No. 123

The weighted average grant-date fair value of stock awards granted in 2005 was $12.94. If the Company had adopted the fair value-based compensation expense provisions of SFAS No. 123 upon the issuance of that standard, net earnings and net earnings per share would have been adjusted to the pro forma amounts indicated below (shares in 000's):

	Year ended December 31, 2005
Net income:	
As reported	$ 228,643
Add: Stock-based employee compensation expense included in reported net income, net of tax	2,112
Deduct: Total stock-based employee compensation expense under the fair value-based method, net of tax	(12,180)
Pro forma net income	$ 218,575
Pro forma basic earnings per share:	
Pro forma net income for basic earnings per share calculation	$ 218,575
Weighted average shares outstanding	100,713
Vested stock units	49
Weighted average shares for basic earnings per share calculation	100,762
Basic net income per share—Pro forma	$ 2.17
Basic net income per share—As reported	$ 2.27
Pro forma diluted earnings per share:	
Pro forma net income for diluted earnings per share calculation	$ 218,575
Weighted average shares outstanding	100,713
Vested stock units	49
Assumed incremental shares from stock plans	3,167
Weighted average shares for diluted earnings per share calculation	103,929
Diluted net income per share—Pro forma	$ 2.10
Diluted net income per share—As reported	$ 2.20

Other equity transactions

During 2007, the Company repurchased 111,300 shares of its common stock for $6,350. As of December 31, 2007, the total outstanding Board authorizations for share repurchases were approximately $243,000.

Shareholder rights plan

The Company's Board of Directors approved a shareholder rights plan on November 14, 2002. This plan is designed to assure that DaVita's shareholders receive fair treatment in the event of any proposed takeover of DaVita.

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Pursuant to this plan, the Board approved the declaration of a dividend distribution of one common stock purchase right for each outstanding share of its common stock payable on December 10, 2002 to holders of record of DaVita common stock on November 29, 2002. This rights distribution was not taxable to DaVita shareholders. As a result of the stock split that occurred during the second quarter of 2004, two-thirds of a right are now attached to each share of the Company's common stock. Two-thirds of a right will also attach to each newly issued or reissued share of common stock. These rights will become exercisable if a person or group acquires, or announces a tender offer for, 15% or more of DaVita's outstanding common stock. The triggering person's stock purchase rights will become void at that time and will not become exercisable.

Each right initially entitles its holder to purchase one share of common stock from the Company at a price of $125.00. If the rights become exercisable, and subject to adjustment for authorized shares available, each purchase right will then entitle its holder to purchase $125.00 of common stock at a price per share equal to 50% of the average daily closing price of the Company's common stock for the immediately preceding 30 consecutive trading days. If DaVita is acquired in a merger or other business combination transaction after the rights become exercisable, provisions will be made to allow the holder of each right to purchase $125.00 of common stock from the acquiring company at a price equal to 50% of the average daily closing price of that company's common stock for the immediately preceding 30 consecutive trading days.

The Board of Directors may elect to redeem the rights at $0.01 per purchase right at any time prior to, or exchange common stock for the rights at an exchange ratio of one share per right at any time after, a person or group acquires or announces a tender offer for 15% or more of DaVita's outstanding common stock. The exercise price, number of shares, redemption price or exchange ratio associated with each right may be adjusted as appropriate upon the occurrence of certain events, including any stock split, stock dividend or similar transaction. These purchase rights will expire no later than November 14, 2012.

Charter documents & Delaware law

The Company's charter documents include provisions that may deter hostile takeovers, delay or prevent changes of control or changes in management, or limit the ability of stockholders to approve transactions that they may otherwise determine to be in their best interests. These include provisions prohibiting stockholders from acting by written consent, requiring 90 days advance notice of stockholder proposals or nominations to the Board of Directors and granting the Board of Directors the authority to issue up to five million shares of preferred stock and to determine the rights and preferences of the preferred stock without the need for further stockholder approval.

The Company is also subject to Section 203 of the Delaware General Corporation Law that, subject to exceptions, would prohibit the Company from engaging in any business combinations with any interested stockholder, as defined in that section, for a period of three years following the date on which that stockholder became an interested stockholder. These restrictions may discourage, delay or prevent a change in the control of the Company.

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(dollars in thousands, except per share data)

18. Other comprehensive income

Charges and credits to other comprehensive income have been as follows:

	2005		
	Before tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized gains on interest rate swaps	$ 27,530	$ (10,709)	$ 16,821
Less reclassification of net swap realized gains into net income	(6,129)	2,384	(3,745)
Net swap activity	$ 21,401	$ (8,325)	$ 13,076

	2006		
	Before tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized gains on interest rate swaps	$ 12,869	$ (5,007)	$ 7,862
Less reclassification of net swap realized gains into net income	(15,828)	6,157	(9,671)
Net swap activity	$ (2,959)	$ 1,150	$ (1,809)

	2007		
	Before tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized losses on interest rate swaps	$ (11,733)	$ 4,564	$ (7,169)
Less reclassification of net swap realized gains into net income	(14,498)	5,640	(8,858)
Net swap activity	(26,231)	10,204	(16,027)
Unrealized gains on investments	6,892	(2,681)	4,211
Less reclassification of net investment realized gains into net income	(6,042)	2,350	(3,692)
Net investment activity	850	(331)	519
Total	$ (25,381)	$ 9,873	$ (15,508)

Changes in accumulated other comprehensive income have been as follows:

	Interest rate swaps	Investment securities	Accumulated other comprehensive income
Balance December 31, 2005	$ 14,806	—	$ 14,806
Net activity	(1,809)	—	(1,809)
Balance December 31, 2006	12,997	—	12,997
Net activity	(16,027)	519	(15,508)
Balance December 31, 2007	$ (3,030)	$ 519	$ (2,511)

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(dollars in thousands, except per share data)

19. Acquisitions and divestitures

Acquisitions

The total acquisition amounts were as follows:

	Year ended December 31		
	2007	2006	2005
Cash paid, net of cash acquired	$ 127,094	$ 85,658	$ 3,202,404
Deferred purchase price and other acquisition obligations	1,195	585	9,331
Aggregate purchase cost	$ 128,289	$ 86,243	$ 3,211,735
Cash adjustments for previous acquisitions including DVA Renal Healthcare	$ —	$ 846	$ —
Number of chronic dialysis centers acquired (before divestitures)	16	26	609

Routine Acquisitions

During 2007, 2006, and 2005, the Company acquired dialysis businesses, other than DVA Renal Healthcare, consisting of 16 centers, 26 centers and 54 centers for a total of $57,783, $86,243 and $168,240, respectively, in cash and deferred purchase price obligations. In 2007 the Company also purchased 85% of HomeChoice Partners (HCP) pursuant to a stock purchase agreement for $70,506 in cash and deferred purchase price obligations, subject to further contingent price adjustments. HCP provides infusion therapy services to patients with acute or chronic conditions that can be treated at home or at an ambulatory infusion site. The assets and liabilities for all acquisitions were recorded at their estimated fair market values at the dates of the acquisitions and are included in the Company's financial statements and operating results from the designated effective dates of the acquisitions.

The initial purchase cost allocations for acquired businesses are recorded at fair values based upon the best information available to management and are finalized when identified pre-acquisition contingencies have been resolved and other information arranged to be obtained has been received, but in no case in excess of one year from the acquisition date. Certain specific assets and liabilities including certain identified intangibles, relating to the acquisition of HCP remain outstanding that require the Company to obtain additional information in order to properly assess and finalize the potential impact, if any, to the consolidated financial statements. The Company does not expect the impact of such additional adjustments to be material. Any additional valuation adjustments that would need to be recorded will be offset with a corresponding adjustment to goodwill. Adjustments to purchase accounting for prior acquisitions and payments for acquisitions in process have been included in the periods recognized.

The aggregate purchase cost allocations for routine dialysis and other related businesses were as follows:

	Year ended December 31,		
	2007	2006	2005
Tangible assets, principally leasehold improvements and equipment	$ 20,085	$ 7,623	$ 17,381
Amortizable intangible assets	12,271	8,584	15,631
Goodwill	105,609	79,948	139,485
Liabilities assumed	(9,676)	(9,912)	(4,257)
Aggregate purchase cost	$ 128,289	$ 86,243	$ 168,240

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(dollars in thousands, except per share data)

Amortizable intangible assets acquired during 2007, 2006 and 2005 had weighted-average estimated useful lives of eight, ten and ten years, respectively. The total amount of goodwill deductible for tax purposes associated with these acquisitions for 2007, 2006, and 2005 was approximately $106,000, $80,000 and $140,000, respectively.

Acquisition of DVA Renal Healthcare, Inc.

On October 5, 2005, the Company acquired all of the outstanding common stock of DVA Renal Healthcare, Inc. under a stock purchase agreement dated December 6, 2004, for $3,060,000. DVA Renal Healthcare was one of the largest dialysis service providers in the United States. The Company acquired DVA Renal Healthcare in an effort to more effectively offer chronic kidney disease services and technologies in a cost efficient manner. The purchase price reflects (i) the cash purchase price of approximately $1,800,000 for all of the outstanding common stock of DVA Renal Healthcare and (ii) the assumption and payment of approximately $1,260,000 of DVA Renal Healthcare indebtedness. The Company also incurred approximately $30,000 in acquisition-related costs. The operating results of DVA Renal Healthcare, Inc. are included in the Company's consolidated financial statements from October 1, 2005.

The original allocations of purchase cost were recorded at fair value based upon the best information available to management at that time. The fair values of property and equipment and amortizable intangible assets and liabilities were valued by an independent third party. During 2006, the Company completed the final valuations of certain assets, properties and leasehold improvements, settlements liabilities and contingencies that were previously unresolved. During 2007, the Company allocated certain income tax adjustments to goodwill after the purchase cost allocations had been finalized. These valuation adjustments were not material to the consolidated financial statements and were recorded with a corresponding adjustment to goodwill. See Note 10 to the consolidated financial statements.

The final aggregate purchase cost allocation for DVA Renal Healthcare was as follows:

Current assets	$ 490,090
Property and equipment, net	313,315
Other long-term assets and intangible assets	148,875
Goodwill	2,546,565
Current liabilities assumed	(272,420)
Alliance and Product Supply agreement and other intangible liabilities	(168,287)
Other long-term liabilities	(14,643)
Aggregate purchase costs	$ 3,043,495

Total consideration paid to purchase DVA Renal Healthcare also included imputed interest of $2,818, which is included in debt expense.

The centers acquired from Gambro Healthcare are subject to a five-year Corporate Integrity Agreement in connection with its December 2004 settlement with the U.S. Government that imposes significant specific compliance operating and reporting requirements, and requires an annual audit by an independent reporting organization.

In conjunction with the acquisition, the Company entered into an Alliance and Product Supply Agreement (the Product Supply Agreement) with Gambro AB and Gambro Renal Products, Inc (Gambro Renal Products).

The Product Supply Agreement has an initial term of seven years and will automatically renew for three additional one-year periods if the Company has not negotiated the terms of an extension during the initial term. Because the Product Supply Agreement results in higher costs for most of the products covered by the Product Supply Agreement than would be otherwise available to the Company, the Product Supply Agreement represented an intangible liability initially valued at $162,100 as of the acquisition date.

The Product Supply Agreement committed the Company to purchase a significant majority of its hemodialysis products, supplies and equipment at fixed prices through 2015. The agreement was amended on August 25, 2006 (the Amended Product Supply Agreement) to reduce the Company's purchase obligations for certain hemodialysis product supplies and equipment and to allow for the termination of purchase obligations for certain equipment then affected by an import ban issued by the U.S. Food and Drug Administration (FDA) if the import ban was not lifted by June 30, 2007.

As a result of the reductions in the amount of purchase obligations required under the Amended Product Supply Agreement, the Company recorded a net valuation gain of $37,968 during 2006. This valuation gain represents the difference in the amortized original fair value between the Product Supply Agreement and that of the Amended Product Supply Agreement, as of the effective date of the amendment.

On July 2, 2007, the Company notified Gambro Renal Products that it was electing to be permanently relieved of its obligation under the Amended Product Supply Agreement to purchase dialysis machines (the Affected Products) because the Affected Products remained subject to the FDA import ban after June 30, 2007. All other purchase obligations under the Amended Product Supply Agreement, which continues to require the Company to purchase a significant majority of its hemodialysis non-equipment product supplies, such as dialyzers, at fixed prices, remain in place.

As a result of the termination of the Company's purchase obligations for the Affected Products, the Company recorded a net valuation gain of $55,275 in the second quarter of 2007. This valuation gain represents the difference in the amortized original fair value of the Amended Product Supply Agreement and that of the Amended Product Supply Agreement as adjusted for the termination of the Affected Products as of June 30, 2007.

During 2007 and 2006, the Company purchased $90,696 and $146,408 of hemodialysis product supplies from Gambro Renal Products, representing 2% and 4%, respectively, of the Company's total operating costs.

Discontinued operations

In accordance with a consent order issued by the Federal Trade Commission on October 4, 2005, the Company was required to divest a total of 69 outpatient dialysis centers and to terminate two management services agreements in order to complete the acquisition of DVA Renal Healthcare. In conjunction with the consent order, on October 6, 2005, the Company and DVA Renal Healthcare completed the sale of 70 outpatient dialysis centers to Renal Advantage Inc., formerly known as RenalAmerica, Inc. and also completed the sale of one other center to a separate physician group, and terminated the two management services agreements. In addition, effective January 1, 2006, the Company completed the sale of three additional centers to Renal Advantage, Inc. that were pending state regulatory approval in Illinois. The Company received total cash consideration of approximately $330,000 for all of the centers divested and used approximately $13,000 to purchase the minority interest ownership of a joint venture, to distribute a minority owner's share of the sale proceeds, and to pay related transaction costs. The Company also paid income taxes of approximately $85,000 on these divestitures in the first quarter of 2006. As part of this transaction, Renal Advantage assumed specific liabilities related to the centers, and all other liabilities were retained by the Company. In 2005, the Company recorded a gain of approximately $8,064, net of tax, related to the divestiture of its historical DaVita centers. Included in the gain on divestitures is the recognition of a $26,500 tax valuation allowance benefit resulting from the utilization of prior years' capital losses offsetting the taxable gain on sale, and income tax expense of $27,133 relating to the write-off of book goodwill not deductible for tax purposes. In 2006, the Company recorded a loss of $311, net of tax, related to the divesture of its three centers. The loss on disposal of these centers includes an income tax expense totaling $1,274, of which $900 was related to the write off of book goodwill not deductible for tax purposes. In 2006, the company also recorded a net gain of $673 as an adjustment to the previously reported gain on disposal of discontinued operations.

(dollars in thousands, except per share data)

The results of operations of the historical DaVita outpatient dialysis centers and the held for sale centers, are reflected as discontinued operations for 2005.

The results from discontinued operations were as follows:

	Year Ended December 31, 2005
Net operating revenues	$ 98,454
Income before income taxes	21,534
Income tax	8,377
Income from discontinued operations	$ 13,157

Net assets of discontinued operations sold were as follows:

	2006
Current assets	$ —
Other current assets held for sale	15,129
Property and equipment, net	—
Amortizable intangibles, net	—
Goodwill and other purchase price adjustments	667
Other current liabilities and minority interest	(351)
Net assets from discontinued operations	$ 15,445

Pro forma financial information

The following summary, prepared on a pro forma basis, combines the results of operations as if all acquisitions in 2007 and 2006 had been consummated as of the beginning of 2006, after including the impact of certain adjustments such as amortization of intangibles, interest expense on acquisition financing and income tax effects.

	Year ended December 31, 2007	Year ended December 31, 2006
	(unaudited)	
Pro forma net revenues	$ 5,333,587	$ 5,009,650
Pro forma net income	392,465	306,783
Pro forma income from continuing operations	392,465	306,421
Pro forma basic net income per share	3.71	2.96
Pro forma diluted net income per share	3.65	2.90
Pro forma basic income from continuing operations	3.71	2.96
Pro forma diluted income from continuing operations	3.65	2.90

20. Concentrations

Approximately 64% of the Company's total dialysis revenue in 2007, 65% in 2006 and 60% in 2005 are from government-based programs, principally Medicare and Medicaid. Accounts receivable from Medicare and Medicaid were approximately $236,000 and $250,000, respectively as of December 31, 2007 and 2006. No other single payor accounted for more than 5% of total accounts receivable.

A significant physician-prescribed pharmaceutical administered during dialysis, EPO, is provided by a sole supplier and accounted for slightly more than one-fifth of net operating revenues. Although the Company currently receives discounted prices for EPO, the supplier has unilateral pricing discretion and in the future the Company may not be able to achieve the same cost levels historically obtained.

21. Other commitments

The Company has obligations to purchase the interests held by third parties in several of its joint ventures and non-wholly-owned subsidiaries. These obligations are in the form of put provisions, and are exercisable at the third-party owners' discretion. If these put provisions are exercised, the Company would be required to purchase the third-party owners' interests at either the appraised fair market value or a predetermined multiple of cash flow or earnings, which is intended to approximate fair value. As of December 31, 2007, the Company's potential obligations under these put provisions totaled approximately $330,000 of which approximately $131,000 were exercisable within one year. Additionally, the Company has certain other potential commitments to provide operating capital to several noncontrolling-owned centers and to third-party centers that the Company operates under administrative service agreements of approximately $18,000.

The Company is obligated under mandatorily redeemable instruments in connection with certain consolidated joint ventures. Future distributions may be required for the minority partner's interests in limited-life entities which dissolve after terms of ten to fifty years. As of December 31, 2007, such distributions would be valued below the related minority interests balances in the consolidated balance sheet.

Other than operating leases, disclosed in Note 14 to the consolidated financial statements, and the letters of credit and the interest rate swap agreements, disclosed in Note 13 to the consolidated financial statements, or as described above the Company has no off balance sheet financing arrangements as of December 31, 2007.

22. Fair values of financial instruments

Financial instruments consist primarily of cash, accounts receivable, notes receivable, assets available for sale, accounts payable, accrued compensation and benefits, other accrued liabilities, interest rate swap agreements and debt. The balances of the non-debt financial instruments excluding assets available for sale (see Note 9) are presented in the consolidated financial statements at December 31, 2007 and 2006 at their approximate fair values due to the short-term nature of their settlements. Borrowings under the Company's Senior Secured Credit Facilities, of which $1,935,125 was outstanding as of December 31, 2007, reflect fair value as they are subject to fees and adjustable rates competitively determined in the marketplace. The fair value of the Company's senior and senior subordinated notes were approximately $1,745,250 at December 31, 2007 based upon quoted market prices. The fair values of the interest rate swaps were a net liability of approximately $511 as of December 31, 2007, which is recorded primarily in other long-term liabilities.

(dollars in thousands, except per share data)

23. Supplemental cash flow information

The table below provides supplemental cash flow information:

	Year ended December 31, 2007	2006	2005
Cash paid:			
Income taxes	$ 205,955	$ 209,982	$ 82,275
Interest	245,325	271,711	86,035
Non-cash investing and financing activities:			
Fixed assets acquired under capital lease obligations	2,769	—	—
Contributions to consolidated partnerships	14,735	13,568	11,326
Refinancing charges	—	—	8,170
Liabilities assumed in conjunction with common stock acquisitions	1,653	—	300,462

24. Selected quarterly financial data (unaudited)

	2007 December 31	2007 September 30	2007 June 30	2007 March 31	2006 December 31	2006 September 30	2006 June 30	2006 March 31
Net operating revenues	$ 1,354,869	$ 1,318,381	$ 1,312,735	$ 1,278,166	$ 1,272,617	$ 1,237,041	$ 1,207,816	$ 1,163,188
Operating income	195,263	212,412	261,217	193,317	188,511	217,094	171,752	162,075
Income from continuing operations	85,717	94,455	125,024	76,582	74,129	93,091	64,329	57,780
Discontinued operations, net of tax	—	—	—	—	—	1,765	(1,092)	(311)
Net income	85,717	94,455	125,024	76,582	74,129	94,856	63,237	57,469
Basic earnings per share from continuing operations	0.80	0.89	1.19	0.73	0.71	0.90	0.62	0.56
Basic earnings per share	0.80	0.89	1.19	0.73	0.71	0.91	0.61	0.56
Diluted earnings per share from continuing operations	0.79	0.88	1.17	0.72	0.70	0.88	0.61	0.55
Diluted earnings per share	$ 0.79	$ 0.88	$ 1.17	$ 0.72	$ 0.70	$ 0.90	$ 0.60	$ 0.55

25. Condensed consolidating financial statements

The following information is presented in accordance with Rule 3-10 of Regulation S-X. The operating and investing activities of the separate legal entities included in the Company's consolidated financial statements are fully interdependent and integrated. Revenues and operating expenses of the separate legal entities include intercompany charges for management and other services. The senior notes and the senior subordinated notes were issued by the Company and are guaranteed by substantially all of its direct and indirect wholly-owned subsidiaries. Each of the guarantor subsidiaries has guaranteed the notes on a joint and several, full and unconditional basis. Non-wholly-owned subsidiaries, joint ventures, partnerships and third parties are not guarantors of these obligations.

(dollars in thousands, except per share data)

Condensed Consolidating Statements of Income

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
For the year ended December 31, 2007					
Net operating revenues	$ 365,728	$ 4,534,153	$ 754,163	$ (389,893)	$ 5,264,151
Operating expenses	208,042	3,921,146	617,159	(389,893)	4,356,457
Minority interests and equity income, net	—	—	—	45,485	45,485
Operating income	157,686	613,004	137,004	(45,485)	862,209
Debt (expense)	(259,745)	(256,050)	(4,002)	262,650	(257,147)
Other income, net	284,038	—	1,072	(262,650)	22,460
Income tax expense (benefit)	70,972	175,854	(1,082)	—	245,744
Equity earnings in subsidiaries	270,771	88,565	—	(359,336)	—
Net income	$ 381,778	$ 269,665	$ 135,156	$ (404,821)	$ 381,778
For the year ended December 31, 2006					
Net operating revenues	$ 351,566	$ 4,263,363	$ 639,690	$ (373,957)	$ 4,880,662
Operating expenses	200,846	3,751,164	527,344	(373,957)	4,105,397
Minority interests and equity income, net	—	—	—	35,833	35,833
Operating income	150,720	512,199	112,346	(35,833)	739,432
Debt (expense)	(280,288)	(291,095)	(2,052)	296,729	(276,706)
Other income, net	308,288	—	1,474	(296,729)	13,033
Income tax expense	70,201	116,183	46	—	186,430
Discontinued operations, net of tax	—	362	—		362
Equity earnings in subsidiaries	181,172	75,889	—	(257,061)	—
Net income	$ 289,691	$ 181,172	$ 111,722	$ (292,894)	$ 289,691
For the year ended December 31, 2005					
Net operating revenues	$ 224,501	$ 2,541,928	$ 451,141	$ (243,652)	$ 2,973,918
Operating expenses	122,021	2,263,234	344,855	(243,652)	2,486,458
Minority interests and equity income, net				22,089	22,089
Operating income	102,480	278,694	106,286	(22,089)	465,371
Debt (expense), refinancing charges, and swap gains, net	(141,487)	(108,144)	(2,495)	108,918	(143,208)
Other income, net	117,570		282	(108,918)	8,934
Income tax expense	29,461	93,537	677		123,675
Discontinued operations, net of tax	—	15,179	6,042		21,221
Equity earnings in subsidiaries	179,541	87,349		(266,890)	—
Net income	$ 228,643	$ 179,541	$ 109,438	$ (288,979)	$ 228,643

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(dollars in thousands, except per share data)

Condensed Consolidating Balance Sheets

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
As of December 31, 2007					
Cash and cash equivalents	$ 443,157	$	$ 3,889	$	$ 447,046
Accounts receivable, net		786,765	141,184		927,949
Other current assets	26,528	557,357	17,370		601,255
Total current assets	469,685	1,344,122	162,443		1,976,250
Property and equipment, net	19,317	766,596	153,413		939,326
Amortizable intangible, net	55,629	126,202	1,211		183,042
Investments in subsidiaries	4,286,853	427,436		(4,714,289)	
Receivables from subsidiaries	698,868		61,015	(759,883)	
Other long-term assets and investments	22,729	16,052	38,628		77,409
Goodwill	49,791	3,476,124	242,018		3,767,933
Total assets	$ 5,602,872	$ 6,156,532	$ 658,728	$ (5,474,172)	$ 6,943,960
Current liabilities	$ 182,419	$ 856,638	$ 47,439	$	$ 1,086,496
Payables to parent		759,883		(759,883)	
Long-term debt and other long-term liabilities	3,688,203	272,448	14,006		3,974,697
Minority interests				150,517	150,517
Shareholders' equity	1,732,250	4,267,523	597,283	(4,864,806)	1,732,250
Total liabilities and shareholders' equity	$ 5,602,872	$ 6,156,532	$ 658,728	$ (5,474,172)	$ 6,943,960
As of December 31, 2006					
Cash and cash equivalents	$ 299,430		$ 10,772		$ 310,202
Accounts receivable, net		$ 809,028	123,357		932,385
Other current assets	6,660	448,421	11,828		466,909
Total current assets	306,090	1,257,449	145,957		1,709,496
Property and equipment, net	30,130	689,039	130,797		849,966
Amortizable intangible assets, net	59,371	142,394	1,956		203,721
Investments in subsidiaries	3,904,797	388,919	—	$ (4,293,716)	—
Receivables from subsidiaries	812,201		30,928	(843,129)	—
Other long-term assets and investments	25,190	14,650	20,940		60,780
Goodwill		3,444,224	223,629		3,667,853
Total assets	$ 5,137,779	$ 5,936,675	$ 554,207	$ (5,136,845)	$ 6,491,816
Current liabilities	$ 166,440	$ 915,554	$ 30,178		$ 1,112,172
Payables to parent		843,129	—	$ (843,129)	—
Long-term debt and other long-term liabilities	3,725,415	273,195	12,751		4,011,361
Minority interests			—	122,359	122,359
Shareholders' equity	1,245,924	3,904,797	511,278	(4,416,075)	1,245,924
Total liabilities and shareholders' equity	$ 5,137,779	$ 5,936,675	$ 554,207	$ (5,136,845)	$ 6,491,816

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DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share data)

Condensed Consolidating Statements of Cash Flows

	DaVita Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
For the year ended December 31, 2007					
Cash flows from operating activities					
Net income	$ 381,778	$ 269,665	$ 135,156	$ (404,821)	$ 381,778
Changes in operating assets and liabilities and non cash items included in net income	(285,992)	105,895	(73,466)	404,821	151,258
Net cash provided by operating activities	95,786	375,560	61,690	—	533,036
Cash flows from investing activities				—	
Additions of property and equipment	(3,501)	(220,264)	(48,447)	—	(272,212)
Acquisitions	(69,701)	(57,393)	—	—	(127,094)
Proceeds from discontinued operations	—	12,289	—	—	12,289
Other items	(19,811)	(82,317)	62,673	—	(39,455)
Net cash (used in) provided by investing activities	(93,013)	(347,685)	14,226	—	(426,472)
Cash flows from financing activities				—	
Long-term debt	(49,961)	2,212	447	—	(47,302)
Intercompany borrowing	113,333	(30,087)	(83,246)	—	—
Other items	77,582	—	—	—	77,582
Net cash provided by (used in) financing activities	140,954	(27,875)	(82,799)	—	30,280
Net increase (decrease) in cash	143,727	—	(6,883)	—	136,844
Cash at the beginning of the year	299,430	—	10,772		310,202
Cash at the end of the year	$ 443,157	$ —	$ 3,889	$ —	$ 447,046
For the year ended December 31, 2006					
Cash flows from operating activities					
Net income	$ 289,691	$ 181,172	$ 111,722	$ (292,894)	$ 289,691
Changes in operating assets and liabilities and non cash items included in net income	(327,844)	370,840	(106,010)	292,894	229,880
Net cash (used in) provided by operating activities	(38,153)	552,012	5,712	—	519,571
Cash flows from investing activities					
Additions of property and equipment	(2,582)	(211,953)	(48,173)	—	(262,708)
Acquisitions	—	(85,153)	(1,351)	—	(86,504)
Proceeds from discontinued operations	12,742	9,437	—	—	22,179
Other items	—	(59,606)	74,576	—	14,970
Net cash provided by (used in) investing activities	10,160	(347,275)	25,052	—	(312,063)
Cash flows from financing activities					
Long-term debt	(408,211)	(1,198)	2,450	—	(406,959)
Intercompany borrowing	238,246	(203,539)	(34,707)	—	—
Other items	77,842	—	—	—	77,842
Net cash used in financing activities	(92,123)	(204,737)	(32,257)	—	(329,117)
Net decrease in cash	(120,116)	—	(1,493)	—	(121,609)
Cash at the beginning of the year	419,546	—	12,265	—	431,811
Cash at the end of the year	$ 299,430	$ —	$ 10,772	$ —	$ 310,202
For the year ended December 31, 2005					
Cash flows from operating activities					
Net income	$ 228,643	$ 179,541	$ 109,438	$ (288,979)	$ 228,643
Changes in operating assets and liabilities and non cash items included in net income	79,506	14,071	(125,645)	288,979	256,911
Net cash provided by (used in) operating activities	308,149	193,612	(16,207)	—	485,554
Cash flows from investing activities					
Additions of property and equipment	(11,780)	(101,978)	(47,607)	—	(161,365)
Acquisitions	(3,035,434)	(166,970)	—	—	(3,202,404)
Proceeds from discontinued operations	151,587	147,262	—	—	298,849
Other items	—	(68,146)	87,703	—	19,557
Net cash (used in) provided by investing activities	(2,895,627)	(189,832)	40,096	—	(3,045,363)
Cash flows from financing activities					
Long-term debt	2,776,738	(4,180)	1,048	—	2,773,606
Intercompany borrowing	12,272	400	(12,672)	—	—
Other items	(33,965)	—	—	—	(33,965)
Net cash provided by (used in) financing activities	2,755,045	(3,780)	(11,624)	—	2,739,641
Net increase in cash	167,567	—	12,265	—	179,832
Cash at the beginning of the year	251,979	—	—	—	251,979
Cash at the end of the year	$ 419,546	$ —	$ 12,265	$ —	$ 431,811

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, we have duly caused this Annual Report on Form 10-K to be signed on our behalf by the undersigned, thereunto duly authorized, in the City of El Segundo, State of California, on February 27, 2008.

DAVITA INC.

By: /s/ KENT J. THIRY

Kent J. Thiry
Chairman and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENT, that each person whose signature appears below constitutes and appoints Kent J. Thiry, James K. Hilger, and Joseph Schohl, and each of them his or her true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ KENT J. THIRY Kent J. Thiry	Chairman and Chief Executive Officer (Principal Executive Officer)	February 27, 2008
/s/ JAMES K. HILGER James K. Hilger	Acting Chief Financial Office (Principal Financial Officer) and Vice President and Controller (Principal Accounting Officer)	February 27, 2008
/s/ CHARLES G. BERG Charles G. Berg	Director	February 27, 2008
/s/ WILLARD W. BRITTAIN Willard W. Brittain	Director	February 27, 2008
/s/ NANCY-ANN DEPARLE Nancy-Ann DeParle	Director	February 27, 2008
/s/ PAUL J. DIAZ Paul J. Diaz	Director	February 27, 2008
/s/ PETER T. GRAUER Peter T. Grauer	Director	February 27, 2008
/s/ JOHN M. NEHRA John M. Nehra	Director	February 27, 2008
/s/ WILLIAM L. ROPER William L. Roper	Director	February 27, 2008
/s/ ROGER J. VALINE Roger J. Valine	Director	February 27, 2008
/s/ RICHARD C. VAUGHAN Richard C. Vaughan	Director	February 27, 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
DaVita Inc.:

Under date of February 27, 2008, we reported on the consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2007, and 2006, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2007, which are included in the Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule in the Annual Report on Form 10-K. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 12 to the consolidated financial statements, DaVita Inc. and subsidiaries adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Income Tax Uncertainties, effective January 1, 2007. As discussed in Note 17 to the consolidated financial statements, DaVita Inc. and subsidiaries adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123(R), Share-Based Payment, effective January 1, 2006.

/s/ KPMG LLP

Seattle, Washington
February 27, 2008

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DAVITA INC.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of year	DVA Renal Healthcare acquisition	Amounts charged to income (in thousands)	Amounts written off	Balance at end of year
Allowance for uncollectible accounts:					
Year ended December 31, 2005	$ 58,166	$ 68,925	$ 63,666	$ 52,159	$ 138,598
Year ended December 31, 2006	138,598	—	126,203	93,044	171,757
Year ended December 31, 2007	$ 171,757	$ —	$ 136,682	$ 112,486	$ 195,953

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EXHIBIT INDEX

2.1 Stock Purchase Agreement dated as of December 6, 2004, among Gambro AB, Gambro, Inc. and DaVita Inc.(14)

2.2 Amended and Restated Asset Purchase Agreement effective as of July 28, 2005, by and among DaVita Inc., Gambro Healthcare, Inc. and Renal Advantage Inc., a Delaware corporation, formerly known as RenalAmerica, Inc.(17)

3.1 Amended and Restated Certificate of Incorporation of Total Renal Care Holdings, Inc., or TRCH, dated December 4, 1995.(1)

3.2 Certificate of Amendment of Certificate of Incorporation of TRCH, dated February 26, 1998.(2)

3.3 Certificate of Amendment of Certificate of Incorporation of DaVita Inc. (formerly Total Renal Care Holdings, Inc.), dated October 5, 2000.(6)

3.4 Certificate of Amendment of Amended and Restated Certificate of Incorporation of DaVita, Inc., as amended dated May 30, 2007.(29)

3.5 Amended and Restated Bylaws for DaVita, Inc. dated as of March 2, 2007.(32)

4.1 Registration Rights Agreement for the 6 5/8% Senior Notes due 2013 dated as of March 22, 2005.(3)

4.2 Registration Rights Agreement for the 7 1/4% Senior Subordinated Notes due 2015 dated as of March 22, 2005.(3)

4.3 Indenture for the 6 5/8% Senior Notes due 2013 dated as of March 22, 2005.(3)

4.4 Indenture for the 7 1/4% Senior Subordinated Notes due 2015 dated as of March 22, 2005.(3)

4.5 Supplemental Indenture, dated October 5, 2005, by and among DaVita Inc., the Guarantors, the persons named as Additional Guarantors and Senior Trustee.(16)

4.6 Supplemental Indenture, dated October 5, 2005, by and among DaVita Inc., the Guarantors, the persons named as Additional Guarantors and Senior Subordinated Trustee.(16)

4.7 Rights Agreement, dated as of November 14, 2002, between DaVita Inc. and the Bank of New York, as Rights Agent.(27)

4.8 Second Supplemental Indenture (Senior), dated February 9, 2007, by and among DaVita Inc., the Guarantors, the persons named as Additional Guarantors and The Bank of New York Trust Company, N.A., as Trustee.(28)

4.9 Second Supplemental Indenture (Senior Subordinated), dated February 9, 2007, by and among DaVita Inc., the Guarantors, the persons named as Additional Guarantors and the Bank of New York Trust Company, N.A., as Trustee.(28)

4.10 Registration Rights Agreement for the 6 5/8% Senior Notes due 2013 dated as of February 23, 2007.(33)

10.1 Employment Agreement, dated as of October 18, 1999, by and between TRCH and Kent J. Thiry.(4)*

10.2 Amendment to Mr. Thiry's Employment Agreement, dated May 20, 2000.(5)*

10.3 Second Amendment to Mr. Thiry's Employment Agreement, dated November 28, 2000.(6)*

10.4 Third Amendment to Mr. Thiry's Employment Agreement, dated March 31, 2005.(15)*

10.5 Employment Agreement, dated as of November 29, 1999, by and between TRCH and Gary W. Beil.(6)*

10.6 Employment Agreement, dated as of July 19, 2000, by and between TRCH and Charles J. McAllister.(6)*

10.7 Employment Agreement, dated as of June 15, 2000, by and between DaVita Inc. and Joseph Mello.(8)*

10.8 Employment Agreement effective as of June 7, 2004, by and between DaVita Inc. and Tom Kelly.(11)*

10.9 Employment Agreement, effective as of August 16, 2004, by and between DaVita Inc. and Tom Usilton.(12)*

10.10 Amendment to Mr. Usilton's Employment Agreement, dated February 12, 2007.(31)*

10.11 Employment Agreement, effective as of November 18, 2004, by and between DaVita Inc. and Joseph Schohl.(19)*

10.12 Employment Agreement, dated as of October 31, 2005, effective October 24, 2005, by and between DaVita Inc. and Dennis Kogod.(18)*

10.13 Employment Agreement, effective November 2, 2005, by and between DaVita Inc. and Christopher J. Riopelle.(18)*

10.14 Severance and General Release Agreement between DaVita Inc. and Lori Pelliccioni, entered into as of November 3, 2005.(18)*

10.15 Amended and restated Employment Agreement effective as of February 28, 2005, by and between DaVita Inc. and Denise Fletcher.(19)*

10.16 Employment Agreement, effective September 22, 2005, by and between DaVita Inc. and James Hilger.(21)*

10.17 Employment Agreement, effective September 1, 2006, by and between DaVita Inc. and Mark G. Harrison.(22)*

10.18 Offer of Employment Letter to Mary Kowenhoven dated February 15, 2007.(28)*

10.19 Employment Agreement, entered into effective July 16, 2007, by and between DaVita Inc. and Patricia Jones.(30)*

10.20 Memorandum relating to Bonus Structure for Charles J. McAllister.(19)*

10.21 Memorandum relating to Bonus Structure for Thomas O. Usilton.(16)*

10.22 Memorandum relating to Bonus Structure for Joseph Schohl.(16)*

10.23 Amended Director Compensation Philosophy and Plan.(25)*

10.24 Form of Indemnity Agreement.(26)*

10.25 Form of Indemnity Agreement.(19)*

10.26 First Amended and Restated DaVita Inc. Executive Incentive Plan.(15)*

10.27 Post-Retirement Deferred Compensation Arrangement.(19)*

10.28 DaVita Voluntary Deferral Plan.(16)*

10.29 Deferred Bonus Plan.✓*

10.30 Deferred Bonus Plan (Prosperity Plan).✓*

10.31 Amended and Restated Employee Stock Purchase Plan.(34)*

10.32 DaVita Inc. Severance Plan.(35)*

10.33 September 18, 2001 DaVita Inc. Change in Control Bonus Program.(23)*

10.34 Second Amended and Restated 1994 Equity Compensation Plan.(9)*

10.35 First Amended and Restated 1995 Equity Compensation Plan.(9)*

10.36 First Amended and Restated 1997 Equity Compensation Plan.(9)*

10.37 First Amended and Restated Special Purpose Option Plan.(9)*

10.38 Amended and Restated 1999 Equity Compensation Plan.(10)*

10.39 First Amended and Restated Total Renal Care Holdings, Inc. 1999 Non-Executive Officer and Non-Director Equity Compensation Plan.(7)

10.40 Amended and Restated DaVita Inc. 2002 Equity Compensation Plan.(15)*

10.41 Form of Non-Qualified Stock Option Agreement for stock options grants to employees under the Company's 2002 Equity Compensation Plan.(12)*

10.42 Form of Restricted Stock Unit Agreement for restricted stock unit grants to employees under the Company's 2002 Equity Compensation Plan.(12)*

10.43 Form of Stock Appreciation Rights Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(22)*

10.44 Form of Non-Qualified Stock Option Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan. (22)*

10.45 Form of Restricted Stock Units Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(22)*

10.46 Form of Non-Qualified Stock Option Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(24)*

10.47 Form of Non-Qualified Stock Option Agreement—Employee (DaVita Inc. 1999 Non-Executive Officer and Non-Director Equity Compensation Plan.(24)*

10.48 Form of Restricted Stock Units Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(24)*

10.49 Form of Stock Appreciation Rights Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(24)*

10.50 Amended and Restated 2002 Equity Compensation Plan.(25)*

10.51 Amended and Restated 2002 Equity Compensation Plan.(34)*

10.52 Credit Agreement, dated as of October 5, 2005, among DaVita Inc., the Guarantors party thereto, the Lenders party thereto, Bank of America, N.A., Wachovia Bank, National Association, Bear Stearns Corporate Lending Inc., The Bank of New York, The Bank of Nova Scotia, The Royal Bank of Scotland plc, WestLB AG, New York Branch as Co-Documentation Agents, Credit Suisse, Cayman Islands Branch, as Syndication Agent, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, JPMorgan Securities Inc., as Sole Lead Arranger and Bookrunner and Credit Suisse, Cayman Islands Branch, as Co-Arranger.(16)

10.53 Credit Agreement, dated as of October 5, 2005, as Amended and Restated as of February 23, 2007, by and among DaVita Inc., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A.(33)

10.54 Amendment Agreement, dated February 23, 2007, by and among DaVita Inc., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A.(33)

10.55 Security Agreement, dated as of October 5, 2005, by DaVita Inc., the Guarantors party thereto and JPMorgan Chase Bank, N.A., as Collateral Agent.(16)

10.56 Corporate Integrity Agreement between the Office of Inspector General of the Department of Health and Human Services and Gambro Healthcare, Inc. effective as of December 1, 2004.(16)

10.57 Alliance and Product Supply Agreement, dated as of October 5, 2005, among Gambro Renal Products, Inc., DaVita Inc. and Gambro AB.(16)**

10.58 Amended and Restated Alliance and Product Supply Agreement, dated as of August 25, 2006, among Gambro Renal Products, Inc., DaVita Inc, and Gambro AB.(23)**

10.59 Letter dated March 19, 2007 from Willard W. Brittain, Jr. to Peter T. Grauer, Lead Independent Director of the Company. (28)

10.60 Amended and Restated Agreement dated December 2, 2004, between Amgen USA Inc. and DaVita Inc.(19)**

10.61 Dialysis Organization Agreement effective February 3, 2006 between Amgen USA Inc. and DaVita Inc.(20)**

10.62 Dialysis Organization Agreement between DaVita Inc. and Amgen USA Inc. dated December 20, 2007.✓**

12.1 Computation of Ratio of Earnings to Fixed Charges.✓

14.1 DaVita Inc. Corporate Governance Code of Ethics.(13)

21.1 List of our subsidiaries.✓

23.1 Consent of KPMG LLP, independent registered public accounting firm.✓

24.1 Powers of Attorney with respect to DaVita. (Included on Page II-1)

31.1 Certification of the Chief Executive Officer, dated February 27, 2008, pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.✓

31.2 Certification of the Chief Financial Officer, dated February 27, 2008, pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.✓

32.1 Certification of the Chief Executive Officer, dated February 27, 2008, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.✓

32.2 Certification of the Chief Financial Officer, dated February 27, 2008, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.✓

✓ Included in this filing.
* Management contract or executive compensation plan or arrangement.
** Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the SEC.
(1) Filed on March 18, 1996 as an exhibit to the Company's Transitional Report on Form 10-K for the transition period from June 1, 1995 to December 31, 1995.
(2) Filed on March 31, 1998 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
(3) Filed on March 25, 2005 as an exhibit to the Company's Current Report on Form 8-K.
(4) Filed on November 15, 1999 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
(5) Filed on August 14, 2000 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.
(6) Filed on March 20, 2001 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2000.
(7) Filed on February 2, 2003 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2002.
(8) Filed on August 15, 2001 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
(9) Filed on March 29, 2000 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.
(10) Filed on April 27, 2001 as an exhibit to the Definitive Proxy Statement for our 2001 Annual Meeting of Stockholders.
(11) Filed on August 5, 2004 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
(12) Filed on November 8, 2004 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
(13) Filed on February 27, 2004 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2003.
(14) Filed on December 8, 2004 as an exhibit to the Company's Current Report on Form 8-K.
(15) Filed on May 4, 2005 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ending March 31, 2005.
(16) Filed on November 8, 2005 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ending September 30, 2005.

(17) Filed on October 11, 2005 as an exhibit to the Company's Current Report on Form 8-K.
(18) Filed on November 4, 2005 as an exhibit to the Company's Current Report on Form 8-K.
(19) Filed on March 3, 2005 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2004.
(20) Filed on May 8, 2006 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.
(21) Filed on August 7, 2006 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ending June 30, 2006.
(22) Filed on July 6, 2006 as an exhibit to the Company's Current Report on Form 8-K.
(23) Filed on November 3, 2006 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.
(24) Filed on October 18, 2006 as an exhibit to the Company's Current Report on Form 8-K.
(25) Filed on July 31, 2006 as an exhibit to the Company's Current Report on Form 8-K.
(26) Filed on December 20, 2006 as an exhibit to the Company's Current Report on Form 8-K.
(27) Filed on November 19, 2002 as an exhibit to the Company's Current Report on Form 8-K.
(28) Filed on May 3, 2007 as an exhibit to the Company's Quarterly Report as Form 10-Q for the quarter ended March 31, 2007.
(29) Filed on August 6, 2007 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.
(30) Filed on November 7, 2007 as an exhibit to the Company's Quarterly Report on Form 10-Q for the third quarter ended September 30, 2007.
(31) Filed on February 16, 2007 as an exhibit to the Company's Current Report on Form 8-K.
(32) Filed on March 8, 2007 as an exhibit to the Company's Current Report on Form 8-K.
(33) Filed on February 28, 2007 as an exhibit to the Company's Current Report on Form 8-K.
(34) Filed on June 4, 2007 as an exhibit to the Company's Current Report on Form 8-K.
(35) Filed on November 7, 2007 as an exhibit to the Company's Current Report on Form 8-K.

DAVITA INC.

RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges is computed by dividing earnings by fixed charges. Earnings for this purpose is defined as pretax income from continuing operations adjusted by adding back fixed charges expensed during the period. Fixed charges include debt expense (interest expense and the write-off and the amortization of deferred financing costs), the estimated interest component of rent expense on operating leases, and capitalized interest.

	Year ended December 31,				
	2007	2006	2005	2004	2003
	(dollars in thousands)				
Earnings adjusted for fixed charges:					
Income from continuing operations before income taxes	$ 627,522	$ 475,759	$ 331,097	$ 332,840	$ 269,651
Add:					
Debt expense	257,147	276,706	139,586	52,411	66,821
Interest portion of rent expense	64,613	60,395	35,189	24,305	21,685
	321,760	337,101	174,775	76,716	88,506
	$ 949,282	$ 812,860	$ 505,872	$ 409,556	$ 358,157
Fixed charges:					
Debt expense	257,147	276,706	139,586	52,411	66,821
Interest portion of rent expense	64,613	60,395	35,189	24,305	21,685
Capitalized interest	3,878	4,708	1,912	1,078	1,523
	$ 325,638	$ 341,809	$ 176,687	$ 77,794	$ 90,029
Ratio of earnings to fixed charges	2.92	2.38	2.86	5.26	3.98

Exhibit 21.1

SUBSIDIARIES OF THE COMPANY

Name	Structure	Jurisdiction of Incorporation
Aberdeen Dialysis, LLC	Limited Liability Company	DE
Amarillo Dialysis, LLC	Limited Liability Company	DE
American Fork Dialysis, LLC	Limited Liability Company	DE
Arcadia Gardens Dialysis, LLC	Limited Liability Company	DE
Astro, Hobby, West Mt. Renal Care Limited Partnership	Limited Partnership	DE
Austin Dialysis Centers, L.P.	Limited Partnership	DE
Bay Area Dialysis Partnership	Partnership	FL
Baytown Dialysis, LLC	Limited Liability Company	DE
Bear Creek Dialysis, L.P	Limited Partnership	DE
Beverly Hills Dialysis Partnership	Partnership	CA
Brighton Dialysis Center, LLC	Limited Liability Company	DE
Bronx RC Development, LLC	Limited Liability Company	NY
Buford Dialysis, LLC	Limited Liability Company	DE
Canyon Springs Dialysis, LLC	Limited Liability Company	DE
Capital Dialysis Partnership	Partnership	CA
Carroll County Dialysis Facility, Inc.	Corporation	MD
Carroll County Dialysis Facility Limited Partnership	Limited Partnership	MD
Centennial LV, LLC	Limited Liability Company	DE
Central Carolina Dialysis Centers, LLC	Limited Liability Company	DE
Central Georgia Dialysis, LLC	Limited Liability Company	DE
Central Iowa Dialysis Partners, LLC	Limited Liability Company	DE
Central Kentucky Dialysis Centers, LLC	Limited Liability Company	DE
Cherry Valley Dialysis, LLC	Limited Liability Company	DE
Chicago Heights Dialysis, LLC	Limited Liability Company	DE
Clinton Township Dialysis, LLC	Limited Liability Company	DE
Colville Dialysis, LLC	Limited Liability Company	DE
Commerce Township Dialysis Center, LLC	Limited Liability Company	DE
Continental Dialysis Center, Inc.	Corporation	VA
Continental Dialysis Center of Springfield-Fairfax, Inc.	Corporation	VA
Cordele Dialysis Center, LLC	Limited Liability Company	DE
Dallas-Fort Worth Nephrology, L.P	Limited Partnership	DE
Dallas-Fort Worth Nephrology II, LLC	Limited Liability Company	DE
DaVita Dakota Dialysis Center, LLC	Limited Liability Company	DE
DaVita El Paso East, L.P	Limited Partnership	DE
DaVita Nephrology Medical Associates of California, Inc.	Corporation	CA
DaVita Nephrology Medical Associates of Illinois, P.C.	Professional Corporation	IL
DaVita Nephrology Medical Associates of Pennsylvania, P.C.	Professional Corporation	PA
DaVita Nephrology Medical Associates of Washington, P.C.	Professional Corporation	WA
DaVita Nephrology Medical Partners-Midwest, Co	Professional Association	OH
DaVita—Riverside, LLC	Limited Liability Company	DE
DaVita-Riverside II, LLC	Limited Liability Company	DE
DaVita Rx, LLC	Limited Liability Company	DE
DaVita—West, LLC	Limited Liability Company	DE
DaVita Tidewater, LLC	Limited Liability Company	DE
DaVita Tidewater-Virginia Beach, LLC	Limited Liability Company	DE
DaVita VillageHealth, Inc	Corporation	DE

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Name	Structure	Jurisdiction of Incorporation
DaVita VillageHealth Insurance of Alabama, Inc	Corporation	AL
DaVita VillageHealth of Colorado, Inc	Corporation	CO
DaVita VillageHealth of Georgia, Inc	Corporation	GA
DaVita VillageHealth of Michigan, Inc	Corporation	MI
DaVita VillageHealth of Ohio, Inc	Corporation	OH
DaVita VillageHealth of Virginia, Inc	Corporation	VA
Decker Dialysis, LLC	Limited Liability Company	DE
Dialysis Center of Abilene, L.P	Limited Partnership	DE
Dialysis Holdings, Inc	Corporation	DE
Dialysis of Des Moines, LLC	Limited Liability Company	DE
Dialysis of North Atlanta, LLC	Limited Liability Company	DE
Dialysis of Northern Illinois, LLC	Limited Liability Company	DE
Dialysis Specialists of Dallas, Inc.	Corporation	TX
DNP Management Company, LLC	Limited Liability Company	DE
Downriver Centers, Inc.	Corporation	MI
Downtown Houston Dialysis Center, L.P.	Limited Partnership	DE
Durango Dialysis Center, LLC	Limited Liability Company	DE
DVA Healthcare of Maryland, Inc.	Corporation	MD
DVA Healthcare of Massachusetts, Inc.	Corporation	MA
DVA Healthcare Of New London, LLC	Limited Liability Company	TN
DVA Healthcare of Norwich, LLC	Limited Liability Company	TN
DVA Healthcare of Pennsylvania, Inc.	Corporation	PA
DVA Healthcare Of Tuscaloosa, LLC	Limited Liability Company	TN
DVA Healthcare Procurement Services, Inc.	Corporation	CA
DVA Healthcare Renal Care, Inc.	Corporation	NV
DVA Healthcare-Southwest Ohio, LLC	Limited Liability Company	TN
DVA Laboratory Services, Inc.	Corporation	FL
DVA of New York, Inc.	Corporation	NY
DVA Renal Healthcare, Inc.	Corporation	TN
DVA/Washington University Healthcare of Greater St. Louis, LLC	Limited Liability Company	DE
East Dearborn Dialysis, LLC	Limited Liability Company	DE
East End Dialysis Center, Inc.	Corporation	VA
East Ft. Lauderdale, LLC	Limited Liability Company	DE
East Houston Kidney Center, L.P.	Limited Partnership	DE
Eastmont Dialysis Partnership	Partnership	CA
Eastover Dialysis, LLC	Limited Liability Company	DE
Elberton Dialysis Facility, Inc.	Corporation	GA
Elk Grove Dialysis Center, LLC	Limited Liability Company	DE
Empire State DC, Inc.	Corporation	NY
Five Star Dialysis, LLC	Limited Liability Company	DE
Flamingo Park Kidney Center, Inc.	Corporation	FL
Freehold Artificial Kidney Center, LLC	Limited Liability Company	NJ
Fullerton Dialysis Center, LLC	Limited Liability Company	DE
Grand Home Dialysis, LLC	Limited Liability Company	DE
Greater Las Vegas Dialysis LLC	Limited Liability Company	DE
Greater Los Angeles Dialysis Centers, LLC	Limited Liability Company	DE
Green Desert Dialysis, LLC	Limited Liability Company	DE
Greenspoint Dialysis, LLC	Limited Liability Company	DE

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Name	Structure	Jurisdiction of Incorporation
Greenwood Dialysis, LLC	Li mited Liability Company	DE
Grosse Pointe Dialysis, LLC	Li mited Liability Company	DE
Guam Renal Care Partnership	Partnership	GU
Hagerstown Dialysis, LLC	Li mited Liability Company	DE
Hanford Dialysis, LLC	Li mited Liability Company	DE
Hawaiian Gardens Dialysis Center, LLC	Li mited Liability Company	DE
Hialeah Kidney Dialysis, LLC	Li mited Liability Company	DE
HomeChoice Partners, Inc	Corporation	DE
Houston Acute Dialysis, L.P.	Li mited Partnership	DE
Houston Kidney Center/Total Renal Care Integrated Service Network Limited Partnership	Limited Partnership	DE
Huntington Artificial Kidney Center, Ltd.	Li mited Liability Company	NY
Huntington Park Dialysis, LLC	Li mited Liability Company	DE
Hyattsville Dialysis, LLC	Li mited Liability Company	DE
Indian River Dialysis Center, LLC	Li mited Liability Company	DE
Ionia Dialysis, LLC	Li mited Liability Company	DE
J.E.T. New Orleans East Dialysis, LLC	Li mited Liability Company	DE
Joliet Dialysis, LLC	Li mited Liability Company	DE
Kidney Care Services, LLC	Li mited Liability Company	DE
Kidney Centers of Michigan, L.L.C.	Li mited Liability Company	DE
Knickerbocker Dialysis, Inc.	Corporation	NY
La Grange Dialysis, LLC	Li mited Liability Company	DE
Las Vegas Pediatric Dialysis, LLC	Li mited Liability Company	DE
Lawrenceburg Dialysis, LLC	Li mited Liability Company	DE
Liberty RC, Inc.	Corporation	NY
Lincoln Park Dialysis Services, Inc.	Corporation	IL
Little Rock Dialysis Centers, LLC	Li mited Liability Company	DE
Lockport Dialysis, LLC	Li mited Liability Company	DE
Long Beach Dialysis Center, LLC	Li mited Liability Company	DE
Lord Baltimore Dialysis, LLC	Li mited Liability Company	DE
Los Angeles Dialysis Center	Partnership	CA
Louisville Dialysis Centers, LLC	Li mited Liability Company	DE
Marysville Dialysis Center, LLC	Li mited Liability Company	DE
Mason-Dixon Dialysis Facilities, Inc.	Corporation	MD
Medlock Bridge Dialysis, LLC	Li mited Liability Company	DE
Memorial Dialysis Center, L.P.	Li mited Partnership	DE
Mena Dialysis Center, LLC	Li mited Liability Company	DE
Mid-City New Orleans Dialysis Partnership, LLC	Li mited Liability Company	DE
Middlesex Dialysis Center, LLC	Li mited Liability Company	DE
Miramar Dialysis Center, LLC	Li mited Liability Company	DE
Modesto Dialysis, LLC	Li mited Liability Company	DE
Moncrief Dialysis Center/Total Renal Care Limited Partnership	Li mited Partnership	DE
Muskogee Dialysis, LLC	Li mited Liability Company	DE
Natomas Dialysis, LLC	Li mited Liability Company	DE
Nephrology Medical Associates of California, Inc.	Professional Corporation	CA
Nephrology Medical Associates of Georgia, LLC	Li mited Liability Company	GA
Neptune Artificial Kidney Center, LLC	Li mited Liability Company	NJ
New Hope Dialysis, LLC	Li mited Liability Company	DE
New Orleans East Dialysis Center, LLC	Li mited Liability Company	DE

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Name	Structure	Jurisdiction of Incorporation
North Atlanta Dialysis Center, LLC	Limited Liability Company	DE
North Austin Dialysis, LLC	Limited Liability Company	DE
Northwest Tucson Dialysis, LLC	Limited Liability Company	DE
Ohio River Dialysis, LLC	Limited Liability Company	DE
Ontario Dialysis Center, LLC	Limited Liability Company	DE
Open Access Lifeline, LLC	Limited Liability Company	DE
Orange Dialysis, LLC	Limited Liability Company	CA
Owasso Dialysis, LLC	Limited Liability Company	DE
Pacific Coast Dialysis Center	Partnership	CA
Pacific Dialysis, LLC	Limited Liability Company	DE
Pacific Dialysis Partnership	Partnership	GU
PDI Holdings, Inc.	Corporation	DE
Physicians Choice Dialysis of Alabama, LLC	Limited Liability Company	DE
Physicians Choice Dialysis, LLC	Limited Liability Company	DE
Physicians Dialysis Acquisitions, Inc.	Corporation	DE
Physicians Dialysis, Inc.	Corporation	DE
Physicians Dialysis of Houston, LLP	Limited Liability Partnership	TX
Physicians Dialysis of Lancaster, LLC	Limited Liability Company	PA
Physicians Dialysis of Newark, LLC	Limited Liability Company	NJ
Physicians Dialysis Ventures, Inc.	Corporation	DE
Pooler Dialysis, LLC	Limited Liability Company	DE
Quincy Dialysis, LLC	Limited Liability Company	DE
Renal Clinic Of Houston, LLC	Limited Liability Company	DE
Renal Life Link, Inc.	Corporation	DE
Renal Treatment Centers—California, Inc.	Corporation	DE
Renal Treatment Centers—Hawaii, Inc.	Corporation	DE
Renal Treatment Centers—Illinois, Inc.	Corporation	DE
Renal Treatment Centers, Inc.	Corporation	DE
Renal Treatment Centers—Mid-Atlantic, Inc.	Corporation	DE
Renal Treatment Centers—Northeast, Inc.	Corporation	DE
Renal Treatment Centers—Southeast, L.P.	Limited Partnership	DE
Renal Treatment Centers—West, Inc.	Corporation	DE
Riddle Dialysis, LLC	Limited Liability Company	DE
River Valley Dialysis, LLC	Limited Liability Company	DE
RMS Lifeline, Inc.	Corporation	DE
RNA DaVita Dialysis, LLC	Limited Liability Company	DE
Rochester Dialysis Center, LLC	Limited Liability Company	DE
Rocky Mountain Dialysis Services, LLC	Limited Liability Company	DE
RTC Holdings, Inc.	Corporation	DE
RTC TN, Inc.	Corporation	DE
SAKDC-DaVita Dialysis Partners, L.P.	Limited Partnership	DE
Salisbury Dialysis, LLC	Limited Liability Company	DE
Sandusky Dialysis, LLC	Limited Liability Company	DE
San Gabriel Valley Partnership	Partnership	CA
San Marcos Dialysis, LLC	Limited Liability Company	DE
Santa Fe Springs Dialysis, LLC	Limited Liability Company	DE
Seneca Dialysis, LLC	Limited Liability Company	DE
Shining Star Dialysis, Inc.	Corporation	NJ
Siena Dialysis Center, LLC	Limited liability Company	DE

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Name	Structure	Jurisdiction of Incorporation
Sierra Rose Dialysis Center, LLC	Limited Liability Company	DE
Soledad Dialysis Center, LLC	Limited Liability Company	DE
Somerville Dialysis Center, LLC	Limited Liability Company	DE
South Central Florida Dialysis Partners, LLC	Limited Liability Company	DE
Southcrest Dialysis, LLC	Limited Liability Company	DE
Southeast Florida Dialysis, LLC	Limited Liability Company	DE
Southern Colorado Joint Ventures, LLC	Limited Liability Company	DE
Southern Hills Dialysis Center, LLC	Limited Liability Company	DE
South Shore Dialysis Center. L.P	Limited Partnership	DE
Southwest Atlanta Dialysis Centers, LLC	Limited Liability Company	DE
Southwestern Tennessee Dialysis, LLC	Limited Liability Company	DE
St. Luke's Dialysis, LLC	Limited Liability Company	DE
Strongsville Dialysis, LLC	Limited Liability Company	DE
Sugarloaf Dialysis, LLC	Limited Liability Company	DE
Summit Dialysis Center, L.P.	Limited Partnership	DE
Sun City Dialysis Center, L.L.C.	Limited Liability Company	DE
Sun City West Dialysis Center LLC	Limited Liability Company	DE
Sunset Dialysis, LLC	Limited Liability Company	DE
Sylvania Dialysis Center, LLC	Limited Liability Company	DE
Taylor Dialysis, LLC	Limited Liability Company	DE
Tel-Huron Dialysis, LLC	Limited Liability Company	DE
Tennessee Valley Dialysis Center, LLC	Limited Liability Company	DE
The DaVita Collection, Inc	Corporation	CA
The Woodlands Dialysis Center, L.P	Limited Partnership	DE
Total Acute Kidney Care, Inc.	Corporation	FL
Total Renal Care/Eaton Canyon Dialysis Center Partnership	Partnership	CA
Total Renal Care, Inc.	Corporation	CA
Total Renal Care North Carolina, LLC	Limited Liability Company	DE
Total Renal Care of Colorado, Inc.	Corporation	CO
Total Renal Care of Utah, L.L.C.	Limited Liability Company	DE
Total Renal Care/Peralta Renal Center Partnership	Partnership	CA
Total Renal Care/Piedmont Dialysis Center Partnership	Partnership	CA
Total Renal Care Texas Limited Partnership	Limited Partnership	DE
Total Renal Laboratories, Inc.	Corporation	FL
Total Renal Research, Inc.	Corporation	DE
Total Renal Support Services of North Carolina, LLC	Limited Liability Company	DE
Transmountain Dialysis, L.P.	Limited Partnership	DE
TRC-Dyker Heights, L.P.	Limited Partnership	NY
TRC El Paso Limited Partnership	Limited Partnership	DE
TRC—Four Corners Dialysis Clinics, L.L.C.	Limited Liability Company	NM
TRC—Georgetown Regional Dialysis LLC	Limited Liability Company	DC
TRC—Indiana LLC	Limited Liability Company	IN
TRC—Petersburg, LLC	Limited Liability Company	DE
TRC of New York, Inc.	Corporation	NY
TRC West, Inc.	Corporation	DE
Tree City Dialysis, LLC	Limited Liability Company	DE
Tulsa Dialysis, LLC	Limited Liability Company	DE
Turlock Dialysis Center, LLC	Limited Liability Company	DE
Tustin Dialysis Center, LLC	Limited Liability Company	DE

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Name	Structure	Jurisdiction of Incorporation
University Dialysis Center, LLC	Limited Liability Company	DE
Upper Valley Dialysis, L.P	Limited Partnership	DE
USC-DaVita Dialysis Center, LLC	Limited Liability Company	CA
UT Southwestern DVA Healthcare, LLP	Limited Liability Partnership	TX
Valley Springs Dialysis, LLC	Limited Liability Company	DE
VillageHealth DM, LLC	Limited Liability Company	DE
Waldorf Dialysis, LLC	Limited Liability Company	DE
Waycross Dialysis, LLC	Limited Liability Company	DE
West Broomfield Dialysis, LLC	Limited Liability Company	DE
West Elk Grove Dialysis, LLC	Limited Liability Company	DE
Western Nevada Dialysis, LLC	Limited Liability Company	DE
West Monroe Dialysis, LLC	Limited Liability Company	DE
Weston Dialysis Center, LLC	Limited Liability Company	DE
West Pensacola Dialysis, LLC	Limited Liability Company	DE
West Sacramento Dialysis, LLC	Limited Liability Company	DE
Westview Dialysis, LLC	Limited Liability Company	DE
Willowbrook Dialysis Center, L.P.	Limited Partnership	DE
Wyandotte Central Dialysis, LLC	Limited Liability Company	DE
Ybor City Dialysis, LLC	Limited Liability Company	DE
Yucaipa Dialysis, LLC	Limited Liability Company	DE

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Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
DaVita Inc.:

We consent to the incorporation by reference in the registration statements on Forms S-8 (No. 33-84610, No. 33-83018, No. 33-99862, No. 33-99864, No. 333-01620, No. 333 -34693, No. 333-34695, No. 333-46887, No. 333-75361, No. 333-56149, No. 333-30734, No. 333-30736, No. 333-63158, No. 333-42653, No. 333-86550, No. 333-86556 and No. 333-144097) and Form S-3 (No. 333-69227) of DaVita Inc. of our reports dated February 27, 2008, with respect to the consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2007, and the related financial statement schedule and the effectiveness of internal control over financial reporting as of December 31, 2007, which reports appear in the December 31, 2007 annual report on Form 10-K of DaVita Inc.

Our report dated February 27, 2008, on the consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2007 and 2006 and the related statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2007, and the related financial statement schedule refers to DaVita Inc. and subsidiaries adoption of Financial Accounting Standards Board Intrepretation No. 48, Accounting for Income Tax Uncertainties, effective January 1, 2007 and DaVita Inc. and subsidiaries adoption of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123(R), Share-Based Payment, effective January 1, 2006.

/s/ KPMG LLP

Seattle, Washington
February 27, 2008

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Kent J. Thiry, certify that:

1. I have reviewed this annual report on Form 10-K of DaVita Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ KENT J. THIRY

Kent J. Thiry
Chief Executive Officer

Date: February 27, 2008

Exhibit 31.2

SECTION 302 CERTIFICATION

I, James K. Hilger, certify that:

1. I have reviewed this annual report on Form 10-K of DaVita Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JAMES K. HILGER

James K. Hilger
Acting Chief Financial Officer

Date: February 27, 2008

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of DaVita Inc. (the "Company") on Form 10-K for the year ending December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Kent J. Thiry, Chief Executive Officer of the Company, certify, pursuant to 18.U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ KENT J. THIRY

Kent J. Thiry
Chief Executive Officer

February 27, 2008

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Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of DaVita Inc. (the "Company") on Form 10-K for the year ending December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, James K. Hilger, Acting Chief Financial Officer of the Company, certify, pursuant to 18.U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JAMES K. HILGER

James K. Hilger
Acting Chief Financial Officer

February 27, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

For the Fiscal Year Ended

December 31, 2006

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-14106

DAVITA INC.

601 Hawaii Street
El Segundo, California 90245
Telephone number (310) 536-2400

Delaware (State of incorporation)	**51-0354549** (I.R.S. Employer Identification No.)

Securities registered pursuant to Section 12(b) of the Act:

Class of Security:	Registered on:
Common Stock, $0.001 par value	New York Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2006, the number of shares of the Registrant's common stock outstanding was approximately 103.6 million shares and the aggregate market value of the common stock outstanding held by non-affiliates based upon the closing price of these shares on the New York Stock Exchange was approximately $5.1 billion.

As of February 1, 2007, the number of shares of the Registrant's common stock outstanding was approximately 104.9 million shares and the aggregate market value of the common stock outstanding held by non-affiliates based upon the closing price of these shares on the New York Stock Exchange was approximately $5.8 billion.

Documents incorporated by reference

Portions of the Registrant's proxy statement for its 2007 annual meeting of stockholders are incorporated by reference in Part III of this Form 10-K.

DAVITA INC.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We are responsible for establishing and maintaining an adequate system of internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and which includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

During the last fiscal year, the Company conducted an evaluation, under the oversight of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's internal control over financial reporting. This evaluation was completed based on the criteria established in the report titled "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based upon our evaluation under the COSO framework, we have concluded that the Company's internal control over financial reporting was effective as of December 31, 2006.

The Company's consolidated financial statements have also been audited and reported on by our independent registered public accounting firm, KPMG LLP, who issued an attestation report on management's assessment of the effectiveness of the Company's internal control over financial reporting, which is included in this Annual Report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
DaVita Inc.:

We have audited the accompanying consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2006, and 2005, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DaVita Inc. and subsidiaries as of December 31, 2006 and 2005 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 3 to the consolidated financial statements, DaVita Inc. adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (R) Share-Based Payment, effective January 1, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of DaVita Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP

Seattle, Washington
February 26, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
DaVita Inc:

We have audited management's assessment, included in the accompanying management's report on internal control over financial reporting, that DaVita Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). DaVita Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that DaVita Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in *Internal Control—Integrated Framework* issued by COSO. Also, in our opinion, DaVita Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2006, and our report dated February 26, 2007 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Seattle, Washington
February 26, 2007

DAVITA INC.

CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per share data)

	Year ended December 31, 2006	2005	2004
Net operating revenues	$ 4,880,662	$ 2,973,918	$ 2,177,330
Operating expenses and charges:			
Patient care costs	3,390,351	2,035,243	1,470,175
General and administrative	453,516	272,463	192,082
Depreciation and amortization	173,295	116,836	82,912
Provision for uncollectible accounts	126,203	61,916	38,786
Minority interests and equity income, net	35,833	22,089	12,249
Valuation gain on Product Supply Agreement	(37,968)	—	—
Total operating expenses and charges	4,141,230	2,508,547	1,796,204
Operating income	739,432	465,371	381,126
Debt expense	(276,706)	(139,586)	(52,411)
Swap valuation gain	—	4,548	—
Refinancing charges	—	(8,170)	—
Other income, net	13,033	8,934	4,125
Income from continuing operations before income taxes	475,759	331,097	332,840
Income tax expense	186,430	123,675	128,332
Income from continuing operations	289,329	207,422	204,508
Discontinued operations			
Income from operations of discontinued operations, net of tax	—	13,157	17,746
Gain on disposal of discontinued operations, net of tax	362	8,064	—
Net income	$ 289,691	$ 228,643	$ 222,254
Earnings per share:			
Basic earnings per share from continuing operations	$ 2.79	$ 2.06	$ 2.07
Basic earnings per share	$ 2.80	$ 2.27	$ 2.25
Diluted earnings per share from continuing operations	$ 2.73	$ 1.99	$ 1.99
Diluted earnings per share	$ 2.74	$ 2.20	$ 2.16
Weighted average shares for earnings per share:			
Basic	103,520,000	100,762,000	98,727,000
Diluted	105,793,000	104,068,000	102,861,000

See notes to consolidated financial statements.

DAVITA INC.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

	December 31, 2006	December 31, 2005
ASSETS		
Cash and cash equivalents	$ 310,202	$ 431,811
Accounts receivable, less allowance of $171,757 and $138,598	932,385	853,560
Inventories	89,119	69,130
Other receivables	148,842	116,620
Other current assets	29,858	38,463
Deferred income taxes	199,090	144,824
Total current assets	1,709,496	1,654,408
Property and equipment, net	849,966	750,078
Amortizable intangibles, net	203,721	235,944
Investments in third-party dialysis businesses	1,813	3,181
Other long-term assets	58,967	41,768
Goodwill	3,667,853	3,594,383
	$6,491,816	$6,279,762
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 251,686	$ 212,049
Other liabilities	473,219	381,964
Accrued compensation and benefits	341,766	231,994
Current portion of long-term debt	20,871	71,767
Income taxes payable	24,630	91,959
Total current liabilities	1,112,172	989,733
Long-term debt	3,730,380	4,085,435
Other long-term liabilities	50,076	26,416
Alliance and product supply agreement and other intangibles, net	105,263	163,431
Deferred income taxes	125,642	75,499
Minority interests	122,359	88,639
Commitments and contingencies		
Shareholders' equity:		
Preferred stock ($0.001 par value, 5,000,000 shares authorized; none issued)		
Common stock ($0.001 par value, 195,000,000 shares authorized; 134,862,283 shares issued; 104,636,608 and 101,935,257 shares outstanding)	135	135
Additional paid-in capital	630,091	569,751
Retained earnings	1,129,621	839,930
Treasury stock, at cost (30,225,675 and 32,927,026 shares)	(526,920)	(574,013)
Accumulated other comprehensive income	12,997	14,806
Total shareholders' equity	1,245,924	850,609
	$6,491,816	$6,279,762

See notes to consolidated financial statements.

DAVITA INC.

CONSOLIDATED STATEMENTS OF CASH FLOW
(dollars in thousands)

	Year ended December 31, 2006	2005	2004
Cash flows from operating activities:			
Net income	$ 289,691	$ 228,643	$ 222,254
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	173,295	119,719	86,666
Valuation gain on Product Supply Agreement	(37,968)	—	—
Stock-based compensation expense	26,389	3,353	1,690
Tax benefits from stock award exercises	40,375	38,484	41,080
Excess tax benefits from stock-based compensation	(37,251)	—	—
Deferred income taxes	2,342	(63,357)	29,115
Minority interests in income of consolidated subsidiaries	38,141	24,714	15,135
Distributions to minority interests	(32,271)	(16,246)	(10,461)
Equity investment income	(2,308)	(1,406)	(1,441)
Loss (gain) on disposal of discontinued operations and other dispositions	239	(15,856)	764
Non-cash debt expense and non-cash rent charges	27,736	5,157	2,088
Refinancing charges	—	8,170	—
Swap valuation gain	—	(4,548)	—
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:			
Accounts receivables	(74,737)	(62,021)	(40,263)
Inventories	(18,587)	11,980	4,257
Other receivables and other current assets	(34,044)	1,893	(381)
Other long-term assets	(9,791)	(2,039)	3,345
Accounts payable	40,712	28,869	17,764
Accrued compensation and benefits	101,555	21,664	32,899
Other current liabilities	88,841	72,615	42,784
Income taxes	(67,329)	90,958	(25,995)
Other long-term liabilities	4,541	(5,192)	(1,355)
Net cash provided by operating activities	519,571	485,554	419,945
Cash flows from investing activities:			
Additions of property and equipment, net	(262,708)	(161,365)	(128,328)
Acquisitions and purchases of other ownership interests	(86,504)	(3,202,404)	(266,265)
Proceeds from discontinued operations and asset sales	22,179	298,849	1,223
Investments in and advances to affiliates, net	20,567	20,308	14,344
Purchase of intangible assets	(5,597)	(751)	(635)
Net cash used in investing activities	(312,063)	(3,045,363)	(379,661)
Cash flows from financing activities:			
Borrowings	6,354,784	6,832,557	4,444,160
Payments on long-term debt	(6,761,743)	(4,058,951)	(4,236,861)
Deferred financing costs	(2)	(77,884)	(4,153)
Purchase of treasury stock	—	—	(96,540)
Excess tax benefits from stock-based compensation	37,251	—	—
Stock option exercises and other share issuances, net	40,593	43,919	43,432
Net cash (used in) provided by financing activities	(329,117)	2,739,641	150,038
Net (decrease) increase in cash and cash equivalents	(121,609)	179,832	190,322
Cash and cash equivalents at beginning of year	431,811	251,979	61,657
Cash and cash equivalents at end of year	$ 310,202	$ 431,811	$ 251,979

See notes to consolidated financial statements.

DAVITA INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(dollars and shares in thousands)

	Common stock		Additional paid-in capital	Retained earnings	Treasury stock		Accumulated other comprehensive income	Total
	Shares	Amount			Shares	Amount		
Balance at December 31, 2003	134,806	$135	$539,575	$ 389,083	(38,052)	$(620,998)	$ (924)	$ 306,871
Comprehensive income:								
Net income				222,254				222,254
Unrealized gain on interest rate swaps, net of tax							2,654	2,654
Total comprehensive income								224,908
Stock purchase shares issued	56		959					959
Stock unit shares issued			(936)		161	2,629		1,693
Stock option shares issued			(39,497)		4,946	82,177		42,680
Stock-based compensation expense			1,690					1,690
Tax benefits from stock awards exercised			41,080					41,080
Payment of stock split fractional shares and related costs			(157)	(50)				(207)
Treasury stock purchases					(3,350)	(96,540)		(96,540)
Balance at December 31, 2004	134,862	$135	$542,714	$ 611,287	(36,295)	$(632,732)	$ 1,730	$ 523,134
Comprehensive income:								
Net income				228,643				228,643
Unrealized gain on interest rate swaps, net of tax							16,821	16,821
Less reclassification of net swap valuation gains into net income, net of tax							(3,745)	(3,745)
Total comprehensive income								241,719
Stock purchase shares issued			657		64	1,118		1,775
Stock unit shares issued			(492)		28	492		—
Stock option shares issued			(14,965)		3,276	57,109		42,144
Stock-based compensation expense			3,353					3,353
Tax benefits from stock awards exercised			38,484					38,484
Balance at December 31, 2005	134,862	$135	$569,751	$ 839,930	(32,927)	$(574,013)	$14,806	$ 850,609
Comprehensive income:								
Net income				289,691				289,691
Unrealized gains on interest rate swaps, net of tax							7,862	7,862
Less reclassification of net swap realized gains into net income, net of tax							(9,671)	(9,671)
Total comprehensive income								287,882
Stock purchase shares issued			1,861		80	1,403		3,264
Stock unit shares issued			(1,860)		160	2,790		930
Stock option shares issued			(5,023)		2,461	42,900		37,877
Stock-based compensation expense			26,389					26,389
Excess tax benefits from stock awards exercised			38,973					38,973
Balance at December 31, 2006	134,862	$135	$630,091	$1,129,621	(30,226)	$(526,920)	$12,997	$1,245,924

See notes to consolidated financial statements.

DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

1. Organization and summary of significant accounting policies

Organization

DaVita Inc. operates kidney dialysis centers and provides related medical services primarily in dialysis centers and in contracted hospitals across the United States. These operations represent a single reportable segment. On October 5, 2005, the Company completed its acquisition of DVA Renal Healthcare, Inc. from Gambro Inc. under the Stock Purchase Agreement dated December 6, 2004, for approximately $3,060,000. DVA Renal Healthcare was one of the largest dialysis service providers in the United States, operating 566 outpatient dialysis centers, serving approximately 43,000 patients and generating annual revenues of approximately $2,000,000. In order for the Company to complete the acquisition of DVA Renal Healthcare, it was required to divest a number of outpatient dialysis centers and to terminate two management services agreements. See Note 4 to the Consolidated Financial Statements for a discussion of these transactions.

The operating results of DVA Renal Healthcare, Inc. are included in the Company's consolidated financial statements from October 1, 2005. The operating results of the historical DaVita divested centers and its one management services agreement are reflected as discontinued operations for 2005 and prior.

All share and per share data prior to 2005 have been adjusted to retroactively reflect the effects of a three-for-two stock split in the form of a stock dividend in the second quarter of 2004.

Basis of presentation

These consolidated financial statements and accompanying notes are prepared in accordance with United States generally accepted accounting principles. The financial statements include the Company's subsidiaries and partnerships that are wholly-owned, majority-owned, or in which the Company maintains a controlling financial interest. All significant intercompany transactions and balances have been eliminated. Non-consolidated equity investments are recorded under the equity or cost method of accounting based upon whether the Company has significant influence over the investee. Prior year balances and amounts have been classified to conform to the current year presentation.

Use of estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and contingencies. Although actual results in subsequent periods will differ from these estimates, such estimates are developed based on the best information available to management and management's best judgments at the time made. All significant assumptions and estimates underlying the reported amounts in the financial statements and accompanying notes are regularly reviewed and updated. Changes in estimates are reflected in the financial statements based upon on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies. Interim changes in estimates related to annual operating costs are applied prospectively within annual periods.

The most significant assumptions and estimates underlying these financial statements and accompanying notes involve revenue recognition and provisions for uncollectible accounts, impairments and valuation adjustments, accounting for income taxes, variable compensation accruals, and purchase accounting valuation estimates. Specific estimating risks and contingencies are further addressed within these notes to the consolidated financial statements.

Net operating revenues and accounts receivable

Revenues associated with Medicare and Medicaid programs are recognized based on a) the payment rates that are established by statute or regulation for the portion of the payment rates paid by the government payor (e.g., 80% for Medicare patients) and b) for the portion not paid by the primary government payor, the estimated amounts that will ultimately be collectible from other government programs paying secondary coverage (e.g., Medicaid secondary coverage), the patient's commercial health plan secondary coverage, or the patient. Revenues associated with commercial health plans are estimated based on contractual terms for the patients under healthcare plans with which we have formal agreements, commercial health plan coverage terms if known, estimated secondary collections, historical collection experience, historical trends of refunds and payor payment adjustments (retractions), inefficiencies in our billing and collection processes that can result in denied claims for payments, and regulatory compliance issues.

Operating revenues are recognized in the period services are provided. Revenues consist primarily of payments from Medicare, Medicaid and commercial health plans for dialysis and ancillary services provided to patients. A usual and customary fee schedule is maintained for our dialysis treatment and other patient services; however, actual collectible revenue is normally at a discount to the fee schedule.

Commercial revenue recognition involves substantial estimating risks. With many larger, commercial insurers the Company has several different contracts and payment arrangements, and these contracts often include only a subset of the Company's centers. It is often not possible to determine which contract, if any, should be applied prior to billing. In addition, for services provided by non-contracted centers, final collection may require specific negotiation of a payment amount, typically at a significant discount from the Company's usual and customary rates.

Services covered by Medicare and Medicaid are less subject to estimating risk. Both Medicare and Medicaid rates use prospective payment methods established in advance with definitive terms. Medicare payments for bad debt claims are subject to individual center profitability, as established by cost reports, and require evidence of collection efforts. As a result, billing and collection of Medicare bad debt claims are often delayed significantly; and final payment is subject to audit. Medicaid payments, when Medicaid coverage is secondary, may also be difficult to estimate. For many states, Medicaid payment terms and methods differ from Medicare, and may prevent accurate estimation of individual payment amounts prior to billing.

Revenue recognition uncertainties inherent in the Company's operations are addressed in AICPA Statement of Position (SOP) NO. 00-1 *Auditing Health Care Third-Party Revenues and Related Receivables*. As addressed in SOP No. 00-1, net revenue recognition and allowances for uncollectible billings require the use of estimates of the amounts that will actually be realized considering, among other items, retroactive adjustments that may be associated with regulatory reviews, audits, billing reviews and other matters.

Our range of revenue estimating risk is generally expected to be within 1% of total revenue. Changes in revenue estimates for prior periods are separately disclosed if material.

Management and administrative support services are provided to dialysis centers and physician practices not owned by the Company or where the Company has a minority ownership interest. The management fees are principally determined as a percentage of the managed operations' revenues or cash collections and in some cases an additional component based upon a percentage of operating income. Management fees are included in net operating revenues as earned.

Other income, net

Other income includes interest income on cash investments and other non-operating gains and losses.

Cash and cash equivalents

Cash equivalents are highly liquid investments with maturities of three months or less at date of purchase.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and consist principally of pharmaceuticals and dialysis related supplies.

Assets of discontinued operations

Assets to be disposed of that the Company has committed to sell, are available for immediate sale or a sale of assets is probable, will be classified as held for sale in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* and are included in other current assets. Assets held for sale are not depreciated while they are classified as held for sale.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and amortization and is further reduced by any impairment. Maintenance and repairs are charged to expense as incurred. Depreciation and amortization expenses are computed using the straight-line method over the useful lives of the assets estimated as follows: buildings, 20 to 40 years; leasehold improvements, the shorter of their economic useful life or the expected lease term; and equipment and information systems, principally 3 to 8 years. Disposition gains and losses are included in current operating expenses.

Amortizable intangibles

Amortizable intangible assets and liabilities include non-competition and similar agreements, lease agreements, hospital acute services contracts, deferred debt issuance costs and the Gambro Alliance and Product Supply Agreement, each of which have determinate useful lives. Non-competition and similar agreements are amortized over the terms of the agreements, typically ten years, using the straight-line method. Lease agreements and hospital acute service contracts are amortized straight-line over the term of the lease and the contract period, respectively. Deferred debt issuance costs are amortized to debt expense over the term of the related debt using the effective interest method. The Alliance and Product Supply Agreement intangible liability is being amortized straight-line over the term of the agreement, which is ten years.

Goodwill

Goodwill represents the difference between the purchase cost of acquired businesses and the fair value of the identifiable tangible and intangible net assets acquired. Goodwill is not amortized, but is assessed for valuation impairment as circumstances warrant and at least annually. An impairment charge would be recorded to the extent the book value of goodwill exceeds its fair value. The Company operates as one reporting unit for goodwill impairment assessments.

Prior to 2006, the Company accounted for stock-based compensation in accordance with Accounting Principles Board Opinion (APB) No. 25 *Accounting for Stock Issued to Employees*, as permitted under SFAS No. 123 *Accounting for Stock-Based Compensation*. Under APB No. 25, stock option grants to employees and directors did not result in an expense if the exercise price was at least equal to the market price at the date of grant. However, under APB No. 25 the Company did recognize compensation expense for stock units, which were valued at the closing stock price on the date of grant and amortized over the respective vesting periods, and for modifications to stock awards as required under FASB Interpretation No. 44 *Accounting for Certain Transactions Involving Stock Compensation*.

New accounting standards

Effective January 1, 2006 the Company adopted SFAS No. 123(R) *Share-Based Payment*, which amended SFAS No. 123 and 95 and supersedes APB No. 25 *Accounting for Stock Issued to Employees*. This standard requires the Company to measure the cost of employee services received in exchange for an award of equity instruments, such as stock options, stock appreciation rights, stock units and discounted employee stock purchases, based on the grant-date fair value of the award and to recognize such cost over the requisite period during which an employee provides service. The grant-date fair value is to be estimated using option-pricing models adjusted for unique characteristics of the equity instruments. The standard also addresses the accounting for transactions that involve the creation of a liability in exchange for goods or services that are based on the fair value of a company's equity instruments or that may be settled through the issuance of such equity instruments. The standard does not change the accounting for transactions involving equity instruments issued for services to non-employees or the accounting for employee stock ownership plans. The standard also requires that the tax benefits realized from stock award exercises in excess of the stock-based compensation expense recognizable for financial statement purposes be reported as a cash flow from financing activities rather than as an operating cash flow as reported in years prior to the adoption of this standard. This reduces net operating cash flows and increases net financing cash flows for periods after adoption of SFAS No. 123(R). During 2006, the Company recorded $26,389 of stock-based compensation expenses including stock-based compensation expenses associated with implementing SFAS No. 123(R). See further discussion in Note 3 to the consolidated financial statements.

In June 2006, the Financial Accounting Standards Board issued Interpretation (FIN) No. 48 *Accounting for Income Tax Uncertainties*, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109 *Accounting for Income Taxes*. The Interpretation prescribes a recognition threshold of more-likely-than-not and a measurement attribute on all tax positions taken or expected to be taken in a tax return in order to be recognized in the financial statements. In making this assessment, a company must determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based solely on the technical merits of the position and that the tax position will be examined by appropriate taxing authority that would have full knowledge of all relevant information. Once the recognition threshold is met, the tax position is then measured to determine the actual amount of benefit to recognize in the financial statements. In addition, the recognition threshold of more-likely-than-not must continue to be met in each reporting period to support continued recognition of the tax benefit. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be de-recognized in the financial reporting period in which that threshold is no longer met. The Company is currently assessing the expected impact of this Interpretation on the consolidated financial statements.

Impairment of long-lived assets

Long-lived assets, including property and equipment, investments, and amortizable intangible assets, are reviewed for possible impairment at least annually and whenever significant events or changes in circumstances indicate that an impairment may have occurred, including changes in our business strategy and plans, changes in the quality or structure of our relationships with our partners and deteriorating operating performance of individual dialysis centers. An impairment is indicated when the sum of the expected future undiscounted net cash flows identifiable to an asset or asset group is less than its carrying value. Impairment losses are determined from actual or estimated fair values, which are based on market values, net realizable values or projections of discounted net cash flows, as appropriate. Impairment charges are included in operating expenses. Interest is not accrued on impaired loans unless the estimated recovery amounts justify such accruals.

Income taxes

Federal and state income taxes are computed at current enacted tax rates, less tax credits using the asset and liability method. Taxes are adjusted both for items that do not have tax consequences and for the cumulative effect of any changes in tax rates from those previously used to determine deferred tax assets or liabilities. Tax provisions include amounts that are currently payable, changes in deferred tax assets and liabilities that arise because of temporary differences between the timing of when items of income and expense are recognized for financial reporting and income tax purposes, which are measured using enacted tax rates and laws expected to apply in the periods when the deferred tax liability or asset is expected to be realized, and any changes in the valuation allowance caused by a change in judgment about the realizability of the related deferred tax assets.

Self insurance

The Company maintains insurance reserves for professional and general liability and workers' compensation in excess of certain individual and or aggregate amounts not covered by third-party carriers. The Company estimates the self-insured retention portion of professional and general liability and workers' compensation risks using third-party actuarial calculations that are based upon historical claims experience and expectations for future claims.

Minority interests

Consolidated income is reduced by the proportionate amount of income accruing to minority interests. Minority interests represent the equity interests of third-party owners in consolidated entities which are not wholly-owned. As of December 31, 2006, third parties held minority ownership interests in 86 consolidated entities.

Stock-based compensation

Effective January 1, 2006, the Company implemented Statement of Financial Accounting Standards (SFAS) No. 123(R) *Share-Based Payment*, which requires the measurement and recognition of cost for all stock-based awards made to employees and directors, including stock options, stock appreciation rights, stock units and discounted employee stock purchases. Under this standard, the Company's stock-based compensation awards are measured at their estimated fair value on the date of grant and recognized as compensation expense on the straight-line method over their requisite service periods. The Company implemented SFAS No. 123(R) using the modified prospective transition method.

In the fourth quarter of 2006, the Company adopted the U.S. Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) No. 108, which provides interpretive guidance on how the effects of prior year misstatements should be considered in quantifying current year financial statement misstatements. The interpretations in SAB No. 108, which expresses the SEC's staff views, were issued to address the diversity in the practice of quantifying financial statement misstatements and the potential under current practice for a build up of improper amounts on the balance sheet. The SEC staff indicated that companies should quantify errors using both a balance sheet and an income statement approach and evaluate whether either approach results in material misstatement. The adoption of this interpretation did not have an impact on the Company's consolidated financial statements.

Interest rate swap agreements

The Company has entered into interest rate swap agreements as a means of hedging its exposure to variable-based interest rate changes (LIBOR). These agreements are not held for trading or speculative purposes, and have the economic effect of converting portions of our variable rate debt to a fixed rate. At December 31, 2006, the Company had a total of $1,341,000 notional swap amounts outstanding. The agreements are designated as cash flow hedges, and as a result hedge-effective gains or losses resulting from changes in the fair values of these swaps are reported in other comprehensive income until such time as the agreements are either de-designated, sold or terminated, at which time the amounts are reclassified into net income. Net amounts paid or received under the effective swaps have been reflected as adjustments to interest expense. In 2005, certain portions of the swap agreements were ineffective as a result of changes in the Company's debt structure, and as such the ineffective portions of $4,548 were included in net income, see Note 14.

2. Earnings per share

Basic net income per share is calculated by dividing net income by the weighted average number of common shares and vested stock units outstanding. Diluted net income per share includes the dilutive effect of stock options, stock-settled stock appreciation rights and unvested stock units (under the treasury stock method).

The reconciliations of the numerators and denominators used to calculate basic and diluted net income per share are as follows:

	Year ended December 31,		
	2006	2005	2004
	(in thousands, except per share)		
Basic:			
Income from continuing operations	$289,329	$207,422	$204,508
Income from discontinued operations, net of tax		13,157	17,746
Gain on disposal of discontinued operations, net of tax	362	8,064	
Net income	$289,691	$228,643	$222,254
Weighted average shares outstanding during the year	103,471	100,713	98,694
Vested stock units	49	49	33
Weighted average shares for basic earnings per share calculation	103,520	100,762	98,727
Basic earnings per share from continuing operations, net of tax	$ 2.79	$ 2.06	$ 2.07
Income from discontinued operations, net of tax		0.13	0.18
Gain on disposal of discontinued operations, net of tax	0.01	0.08	
Basic net income per share	$ 2.80	$ 2.27	$ 2.25
Diluted:			
Income from continuing operations	$289,329	$207,422	$204,508
Income from discontinued operations, net of tax		13,157	17,746
Gain on disposal of discontinued operations, net of tax	362	8,064	
Net income for diluted earnings per share calculation	$289,691	$228,643	$222,254
Weighted average shares outstanding during the year	103,471	100,713	98,694
Vested stock units	49	49	33
Assumed incremental shares from stock plans	2,273	3,306	4,134
Weighted average shares for diluted earnings per share calculation	105,793	104,068	102,861
Diluted earnings per share from continuing operations, net of tax	$ 2.73	$ 1.99	$ 1.99
Income from discontinued operations, net of tax		0.13	0.17
Gain on disposal of discontinued operations, net of tax	0.01	0.08	
Diluted net income per share	$ 2.74	$ 2.20	$ 2.16

Stock plan award shares for stock options and stock appreciation rights that have exercise or base prices greater than the average market price of shares outstanding during the year were not included in the computation of diluted earnings per share because they were anti-dilutive. These excluded stock plan shares were as follows: 932,600 shares at $54.86 to $60.21 per share in 2006, 2,419,750 shares at $45.60 to $52.81 per share in 2005, and 178,369 shares at $30.87 to $39.62 per share in 2004.

3. Stock-based compensation and shareholders' equity

Stock-based compensation

Effective January 1, 2006, the Company implemented Statement of Financial Accounting Standards (SFAS) No. 123(R) *Share-Based Payment*, which requires the measurement and recognition of cost for all stock-based awards made to employees and directors, including stock options, stock appreciation rights, stock units and discounted employee stock purchases. Under this standard, the Company's stock-based compensation awards are measured at estimated grant-date fair value and recognized as compensation expense over their requisite service periods. SFAS No. 123(R) supersedes the Company's previous accounting under Accounting Principles Board Opinion (APB) No. 25 *Accounting for Stock Issued to Employees*, under which the Company did not recognize compensation expense for most of its stock options. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 relating to the application of SFAS No. 123(R), and the Company has applied the provisions of SAB 107 in its adoption of SFAS No. 123(R).

The Company implemented SFAS No. 123(R) using the modified prospective transition method. In accordance with this method, our consolidated financial statements for periods prior to fiscal year 2006 have not been restated to reflect this change. The standard also requires that tax benefits realized from stock award exercise gains in excess of stock-based compensation expense recognized for financial statement purposes be reported on a prospective basis as cash flows from financing activities rather than as operating cash flows. The Company also elected to use the method available under FASB Staff Position FSP No. 123(R)-3 *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*, which provides an alternative method for calculating historical excess tax benefits from the method described in SFAS No. 123(R) for stock-based compensation awards.

Under SFAS No. 123(R), stock-based compensation recognized during a period is based on the estimated grant-date fair value of the portion of the stock-based award vesting during that period, adjusted for expected forfeitures. Stock-based compensation recognized in the Company's consolidated financial statements for the year ended December 31, 2006 includes compensation cost for stock-based awards granted prior to, but not fully vested as of, December 31, 2005 and stock-based awards granted in 2006. The Company previously recognized the effect of stock unit forfeitures as they occurred, and the effect of transitioning to recognition of expense based on expected forfeitures was insignificant. Shares issued upon exercise of stock awards are generally issued from shares in treasury.

Prior to 2006, the Company accounted for stock-based compensation in accordance with APB No. 25 *Accounting for Stock Issued to Employees*, as allowed under SFAS No. 123 *Accounting for Stock-based Compensation*. Under APB No. 25, stock option grants to employees did not result in an expense if the exercise price was at least equal to the market price at the date of grant. However, under APB No. 25 the Company did recognize compensation expense for stock units, which were valued at the closing stock price on the date of grant and amortized over the respective vesting periods, and for modifications to stock awards as required under FASB Interpretation No. 44 *Accounting for Certain Transactions Involving Stock Compensation*.

Stock-based compensation plans and agreements

The Company's stock-based compensation plans and agreements are described below.

2002 Plan. The DaVita Inc. 2002 Equity Compensation Plan (the 2002 Plan) provides for grants of stock-based awards to employees, directors and other individuals providing services to the Company, except that incentive stock options may only be awarded to employees. The plan mandates a maximum award term of five years, and stipulates that stock options and stock appreciation rights be granted with prices not less than the fair market value on the date of grant. The plan further requires that full share awards such as restricted stock units reduce shares available under the plan at a rate of 2.75:1. The Company's nonqualified stock options, stock appreciation rights and stock units awarded under this plan generally vest over 48 to 60 months from the date of grant. At December 31, 2006, there were 7,820,075 stock options and stock-settled stock appreciation rights and 341,457 stock units outstanding and 8,083,283 shares available for future grants under this plan.

(dollars in thousands, except per share data)

1999 Plan. The 1999 Non-Executive Officer and Non-Director Equity Compensation Plan provides for grants of stock options to employees and other individuals providing services, other than executive officers and members of the Board of Directors. The Company awards nonqualified stock options under this plan which are generally issued with exercise prices equal to the market price of the stock on the date of grant, vest over 48 to 52 months from the date of grant and bear maximum award terms of five years. At December 31, 2006, there were 1,172,054 stock options outstanding and 246,580 shares available for future grants under this plan.

Predecessor plans. Upon shareholder approval of the 2002 Plan on April 11, 2002, the following predecessor plans were terminated, except with respect to options then outstanding: the 1994 Equity Compensation Plan, the 1995 Equity Compensation Plan, the 1997 Equity Compensation Plan, and the 1999 Equity Compensation Plan. Shares available for future grants under these predecessor plans were transferred to the 2002 Plan upon its approval, and cancelled predecessor plan awards become available for new awards under the 2002 Plan. Stock options granted under these terminated plans were generally issued with exercise prices equal to the market price of the stock on the date of grant, vested over four years from the date of grant, and bore maximum award terms of five to 10 years. The RTC Plan, a special purpose option plan related to the merger between the Company and Renal Treatment Centers, Inc. in 1998, was terminated in 1999. At December 31, 2006, there were 787,676 stock options outstanding under these terminated plans.

Deferred stock unit agreements. During 2001 through 2003, the Company made nonqualified stock unit awards to members of the Board of Directors and certain key executive officers under stand-alone contractual deferred stock unit agreements. These awards vest over one to four years and are settled in stock when they vest or at a later date at the election of the recipient. At December 31, 2006, there were 96,278 stock units outstanding under these agreements.

A combined summary of the status of awards under these stock-based compensation plans and agreements is as follows:

	Year ended December 31, 2006				
	Stock options and stock appreciation rights			Stock units	
	Awards	Weighted average exercise price	Weighted average remaining contractual life	Awards	Weighted average remaining contractual life
Outstanding at beginning of year	9,269,781	$26.73		474,956	
Granted	3,546,600	$51.68		173,385	
Exercised	(2,460,857)	$15.39		(159,268)	
Forfeited	(575,719)	$36.32		(51,338)	
Outstanding at end of period	9,779,805	$38.06	3.3	437,735	3.1
Awards exercisable at end of period	2,714,039	$20.62	2.2	50,116	1.7
Weighted-average fair value of awards granted during the period	$ 13.38			$ 51.72	

(dollars in thousands, except per share data)

Range of exercise prices	Awards outstanding	Weighted average exercise price	Awards exercisable	Weighted average exercise price
$ 0.00–$ 0.00	437,735	$ —	50,116	$ —
$ 0.01–$10.00	690,569	4.34	690,569	4.34
$10.01–$20.00	1,272,593	14.23	823,149	14.40
$20.01–$30.00	684,161	27.90	309,188	27.68
$30.01–$40.00	1,182,849	30.89	544,553	30.62
$40.01–$50.00	4,228,558	47.81	267,184	44.28
$50.01–$60.00	1,704,075	54.19	79,396	51.05
$60.01–$70.00	17,000	60.21	—	—
Total	10,217,540	$36.43	2,764,155	$20.25

For the year ended December 31, 2006, the aggregate intrinsic value of stock awards exercised was $109,562. At December 31, 2006, the aggregate intrinsic value of stock awards outstanding was $209,227 and the aggregate intrinsic value exercisable was $101,258. For the years ended December 31, 2005 and 2004, the aggregate intrinsic value of stock awards exercised was $104,000 and $115,500, respectively.

Estimated fair value of stock-based compensation awards

The Company has estimated the grant-date fair value of stock option and stock-settled stock appreciation rights awards using the Black-Scholes-Merton valuation model and stock unit awards at intrinsic value on the date of grant. The following assumptions were used in estimating these values and determining the total stock-based compensation attributable to the current period:

Expected term of the awards: The expected term of awards granted represents the period of time that they are expected to remain outstanding from the date of grant. The Company determines the expected term of its stock awards based on its historical experience with similar awards, considering the Company's historical exercise and post-vesting termination patterns, and the terms expected by peer companies in near industries.

Expected volatility: Expected volatility represents the volatility anticipated over the expected term of the award. The Company determines the expected volatility for its awards based on the volatility of the price of its common stock over the most recent retrospective period commensurate with the expected term of the award, considering the volatility expectations implied by the market price of its exchange-traded options and the volatilities expected by peer companies in near industries.

Expected dividend yield: The Company has not paid dividends on its common stock and does not currently expect to pay dividends during the term of stock awards granted.

Risk-free interest rate: The Company bases the expected risk-free interest rate on the implied yield currently available on stripped interest coupons of U.S. Treasury issues with a remaining term equivalent to the expected term of the award.

(dollars in thousands, except per share data)

A summary of the weighted average valuation inputs described above used for estimating the grant-date fair value of stock options and stock-settled stock appreciation rights granted in the periods indicated is as follows:

	Year ended December 31,		
	2006	2005 pro-forma	2004 pro-forma
Expected term	3.5 years	3.2 years	3.5 years
Expected volatility	25%	27%	37%
Expected dividend yield	0.0%	0.0%	0.0%
Risk-free interest rate	5.0%	4.1%	2.9%

The Company estimates expected forfeitures based upon historical experience with separate groups of employees that have exhibited similar forfeiture behavior in the past. Stock-based compensation expense is recorded only for awards that are expected to vest.

Employee stock purchase plan

The Employee Stock Purchase Plan entitles qualifying employees to purchase up to $25 of the Company's common stock during each calendar year. The amounts used to purchase stock are accumulated through payroll withholdings or through optional lump sum payments made in advance of the first day of the purchase right period. This compensatory plan allows employees to purchase stock for the lesser of 100% of the fair market value on the first day of the purchase right period or 85% of the fair market value on the last day of the purchase right period. Purchase right periods begin on January 1 and July 1, and end on December 31. Payroll withholdings and lump-sum payments related to the plan, included in accrued compensation and benefits, were $5,991, $3,264, and $1,775 at December 31, 2006, 2005 and 2004, respectively. Subsequent to December 31, 2006, 2005 and 2004, 123,920, 80,442 and 64,169 shares, respectively, were issued to satisfy obligations under the plan. At December 31, 2006, there were 454,657 shares available for future grants under this plan.

The fair value of employees' purchase rights was estimated as of the beginning dates of the purchase right periods using the Black-Scholes-Merton valuation model with the following weighted average assumptions for purchase right periods in 2006, 2005 and 2004, respectively: expected volatility of 23%, 27% and 38%; risk-free interest rate of 4.9%, 3.2% and 2.7%, and no dividends. Using these assumptions, the weighted average estimated fair value of these purchase rights was $12.35, $10.64 and $8.00 for 2006, 2005 and 2004, respectively.

Stock-based compensation expense and proceeds

For the year ended December 31, 2006, the Company recognized $26,389 in stock-based compensation expense for stock options, stock appreciation rights, stock units and employee stock plan purchases, which is primarily included in general and administrative expenses in continuing operations. The estimated tax benefit recorded for this stock-based compensation was $9,678. As of December 31, 2006, there was $67,700 of total estimated unrecognized compensation cost related to nonvested stock-based compensation arrangements under the Company's equity compensation and stock purchase plans. The Company expects to recognize this cost over a weighted average remaining period of 1.7 years.

During the years ended December 31, 2006, 2005 and 2004, the Company received $37,877, $42,144 and $42,680 in cash proceeds from stock option exercises and $40,375, $38,484 and $41,080 in total actual tax benefits upon the exercise of stock awards, respectively.

(dollars in thousands, except per share data)

Pro forma 2006 comparison under SFAS No. 123(R) and APB No. 25

The following table presents the impact of the adoption of SFAS No. 123(R) on selected items from the Company's consolidated financial statements for the year ended December 31, 2006:

	Year ended December 31, 2006	
	As reported under SFAS No. 123(R)	If reported under APB No. 25 proforma
Consolidated statement of income:		
Operating income	$ 739,432	$ 761,752
Income from continuing operations before income taxes	$ 475,759	$ 498,079
Income from continuing operations	$ 289,329	$ 303,554
Net income	$ 289,691	$ 303,916
Basic earnings per share from continuing operations	$ 2.79	$ 2.93
Basic earnings per share	$ 2.80	$ 2.94
Diluted earnings per share from continuing operations	$ 2.73	$ 2.86
Diluted earnings per share	$ 2.74	$ 2.86
Consolidated statement of cash flows:		
Net cash provided by operating activities	$ 519,571	$ 556,822
Net cash used in financing activities	$(329,117)	$(366,368)

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(dollars in thousands, except per share data)

Pro forma 2005 and 2004 results under SFAS No. 123

The weighted average grant-date fair value of stock awards granted in 2005 and 2004 were $12.94 and $10.53, respectively. If the Company had adopted the fair value-based compensation expense provisions of SFAS No. 123 upon the issuance of that standard, net earnings and net earnings per share would have been adjusted to the pro forma amounts indicated below (shares in 000's):

	Year ended December 31,	
	2005	2004
Net income:		
As reported	$228,643	$222,254
Add: Stock-based employee compensation expense included in reported net income, net of tax	2,112	1,168
Deduct: Total stock-based employee compensation expense under the fair value-based method, net of tax	(12,180)	(10,109)
Pro forma net income	$218,575	$213,313
Pro forma basic earnings per share:		
Pro forma net income for basic earnings per share calculation	$218,575	$213,313
Weighted average shares outstanding	100,713	98,694
Vested stock units	49	33
Weighted average shares for basic earnings per share calculation	100,762	98,727
Basic net income per share—Pro forma	$ 2.17	$ 2.16
Basic net income per share—As reported	$ 2.27	$ 2.25
Pro forma diluted earnings per share:		
Pro forma net income for diluted earnings per share calculation	$218,575	$213,313
Weighted average shares outstanding	100,713	98,694
Vested stock units	49	33
Assumed incremental shares from stock plans	3,167	4,271
Weighted average shares for diluted earnings per share calculation	103,929	102,998
Diluted net income per share—Pro forma	$ 2.10	$ 2.07
Diluted net income per share—As reported	$ 2.20	$ 2.16

Other equity transactions

In the second quarter of 2004, the Board of Directors approved a three-for-two stock split of the Company's common stock in the form of a stock dividend payable on June 15, 2004 to stockholders of record on June 1, 2004. All stockholders entitled to fractional shares received a proportional cash payment. The Company's stock began trading on a post-split basis on June 16, 2004. All share and per-share data for all periods presented have been adjusted to retroactively reflect the effects of the stock split.

The total outstanding Board authorizations for share repurchases as of December 31, 2006 were approximately $249,000. There were no share repurchases during 2006 and 2005. Under the previously announced Board authorization for share repurchases, we repurchased a total of 3,350,100 shares of common stock for $96,540, or an average price of $28.82 per share during 2004. On November 2, 2004, our Board of Directors authorized us to repurchase up to an additional $200,000 of our common stock, from time to time, in the open market or in privately negotiated transactions.

Shareholder rights plan

The Company's Board of Directors approved a shareholder rights plan on November 14, 2002. This plan is designed to assure that DaVita's shareholders receive fair treatment in the event of any proposed takeover of DaVita.

Pursuant to this plan, the Board approved the declaration of a dividend distribution of one common stock purchase right for each outstanding share of its common stock payable on December 10, 2002 to holders of record of DaVita common stock on November 29, 2002. This rights distribution was not taxable to DaVita shareholders. As a result of the stock split that occurred during the second quarter of 2004, two-thirds of a right are now attached to each share of the Company's common stock. Two-thirds of a right will also attach to each newly issued or reissued share of common stock. These rights will become exercisable if a person or group acquires, or announces a tender offer for, 15% or more of DaVita's outstanding common stock. The triggering person's stock purchase rights will become void at that time and will not become exercisable.

Each right initially entitles its holder to purchase one share of common stock from the Company at a price of $125.00. If the rights become exercisable, and subject to adjustment for authorized shares available, each purchase right will then entitle its holder to purchase $125.00 of common stock at a price per share equal to 50% of the average daily closing price of the Company's common stock for the immediately preceding 30 consecutive trading days. If DaVita is acquired in a merger or other business combination transaction after the rights become exercisable, provisions will be made to allow the holder of each right to purchase $125.00 of common stock from the acquiring company at a price equal to 50% of the average daily closing price of that company's common stock for the immediately preceding 30 consecutive trading days.

The Board of Directors may elect to redeem the rights at $0.01 per purchase right at any time prior to, or exchange common stock for the rights at an exchange ratio of one share per right at any time after, a person or group acquires or announces a tender offer for 15% or more of DaVita's outstanding common stock. The exercise price, number of shares, redemption price or exchange ratio associated with each right may be adjusted as appropriate upon the occurrence of certain events, including any stock split, stock dividend or similar transaction. These purchase rights will expire no later than November 14, 2012.

Charter documents & Delaware law

The Company's charter documents include provisions that may deter hostile takeovers, delay or prevent changes of control or changes in management, or limit the ability of stockholders to approve transactions that they may otherwise determine to be in their best interests. These include provisions prohibiting stockholders from acting by written consent, requiring 90 days advance notice of stockholder proposals or nominations to the Board of Directors and granting the Board of Directors the authority to issue up to five million shares of preferred stock and to determine the rights and preferences of the preferred stock without the need for further stockholder approval.

The Company is also subject to Section 203 of the Delaware General Corporation Law that, subject to exceptions, would prohibit the Company from engaging in any business combinations with any interested stockholder, as defined in that section, for a period of three years following the date on which that stockholder became an interested stockholder. These restrictions may discourage, delay or prevent a change in the control of the Company.

(dollars in thousands, except per share data)

4. Acquisitions and divestitures

Acquisitions

The total acquisition amounts were as follows:

	Year ended December 31, 2006	2005	2004
Cash paid, net of cash acquired	$85,658	$3,202,404	$266,265
Deferred purchase price and other acquisition obligations	585	9,331	429
Aggregate purchase cost	$86,243	$3,211,735	$266,694
Cash adjustments for previous acquisitions including DVA Renal Healthcare	$ 846	$ —	$ —
Number of chronic dialysis centers acquired (before divestitures)	26	609	51

Routine Acquisitions

During 2006, 2005, and 2004, the Company acquired businesses other than DVA Renal Healthcare consisting of 26 centers, 54 centers and 51 centers for a total of $86,243, $168,240, and $266,694 respectively in cash and deferred purchase price obligations. The assets and liabilities for all acquisitions were recorded at their estimated fair market values at the dates of the acquisitions and are included in the Company's financial statements and operating results from the designated effective dates of the acquisitions.

The initial purchase cost allocations for acquired businesses are recorded at fair values based upon the best information available to management and are finalized when identified pre-acquisition contingencies have been resolved and other information arranged to be obtained has been received. Adjustments to purchase accounting for prior acquisitions and payments for acquisitions in process have been included in the periods recognized. Final allocations have not differed materially from the initial allocations.

The aggregate purchase cost allocations were as follows:

	Year ended December 31, 2006	2005	2004
Tangible assets, principally leasehold improvements and equipment	$ 7,623	$ 17,381	$ 42,155
Amortizable intangible assets	8,584	15,631	19,471
Goodwill	79,948	139,485	222,424
Liabilities assumed	(9,912)	(4,257)	(17,356)
Aggregate purchase cost	$86,243	$168,240	$266,694

Amortizable intangible assets acquired during 2006, 2005 and 2004 had weighted-average estimated useful lives of ten, ten and nine years, respectively. The total amount of goodwill deductible for tax purposes associated with these acquisitions for 2006, 2005, and 2004 was approximately $80,000, $140,000 and $120,000, respectively.

(dollars in thousands, except per share data)

Acquisition of DVA Renal Healthcare, Inc.

On October 5, 2005, the Company acquired all of the outstanding common stock of DVA Renal Healthcare, Inc. under the Stock Purchase Agreement dated December 6, 2004, for $3,060,000. DVA Renal Healthcare was one of the largest dialysis service providers in the United States. The Company acquired DVA Renal Healthcare in an effort to more effectively offer Chronic Kidney disease services and technologies in a cost efficient manner. The purchase price reflects (i) the cash purchase price of approximately $1,800,000 for all of the outstanding common stock of DVA Renal Healthcare and (ii) the assumption and payment of approximately $1,260,000 of DVA Renal Healthcare indebtedness. The Company also incurred approximately $30,000 in acquisition-related costs. The operating results of DVA Renal Healthcare, Inc. are included in the Company's Consolidated Financial Statements from October 1, 2005.

The original allocations of purchase cost were recorded at fair value based upon the best information available to management at that time. The fair values of property and equipment and amortizable intangible assets and liabilities were valued by an independent third party. During 2006, the Company completed the final valuations of certain assets, properties and leasehold improvements, settlements liabilities and contingencies that were previously unresolved. These valuation adjustments were not material to the consolidated financial statements and were recorded with a corresponding adjustment to goodwill. See Note 11 to the Consolidated Financial Statements.

The original aggregate purchase cost allocations were as follows:

Current assets	$ 490,090
Property and equipment, net	313,315
Other long-term assets and intangible assets	148,875
Goodwill	2,546,565
Current liabilities assumed	(272,420)
Alliance and Product Supply agreement and other intangible liabilities	(168,287)
Other long-term liabilities	(14,643)
Aggregate purchase costs	$3,043,495

Total consideration paid to purchase DVA Renal Healthcare also included imputed interest of $2,818, which is included in debt expense.

DVA Renal Healthcare is subject to a five-year Corporate Integrity Agreement in connection with its December 2004 settlement with the U.S. Government that imposes significant specific compliance operating and reporting requirements, and requires an annual audit by an independent reporting organization.

In conjunction with the acquisition, the Company entered into an Alliance and Product Supply Agreement (the Supply Agreement) with Gambro AB and Gambro Renal Products, Inc (Gambro Renal Products). The Supply Agreement has an initial term of seven years and will automatically renew for three additional one-year periods if the Company has not negotiated the terms of an extension during the initial term period. Because the Supply Agreement results in higher costs for most of the products covered by the Supply Agreement than would be otherwise available to the Company, the Supply Agreement represents an intangible liability initially valued at $162,100, as of the acquisition date.

On May 29, 2006, the Company notified Gambro Renal Products that the Company was terminating the Supply Agreement. Under the original Supply Agreement the Company was committed to purchase a significant majority of its hemodialysis products supplies and equipment at fixed prices. The Company's termination notice claimed a material breach by Gambro Renal Products for failure to perform its obligations under the Supply Agreement primarily as a result of an import ban issued by the U.S. Food and Drug Administration affecting certain hemodialysis products.

On August 25, 2006, the Company entered into an amended and restated Supply Agreement (the Amended Supply Agreement), with Gambro Renal Products and Gambro AB. The Amended Supply Agreement effectively revoked the Company's notice of termination of the Product Supply Agreement. The Amended Supply Agreement, among other things, relieves the Company of certain obligations, including releasing it from the purchase requirements for certain affected products during the import ban, permits the Company to secure alternate sources of supplies for the products affected by the import ban, reduces the Company's purchase obligations for certain hemodialysis product supplies and equipment and allows for the termination of the purchase obligations for equipment affected by the import ban if the import ban is not lifted by June 30, 2007.

As a result of the reductions in the amount of purchase obligations that are now required under the Amended Supply Agreement, the Company recorded a net valuation gain of $37,968. This valuation gain represents the difference in the fair value between the Supply Agreement and the Amended Supply Agreement, as of the effective date of the amendment.

During 2006 and 2005, the Company purchased $146,408 and $26,290 of hemodialysis product supplies from Gambro Renal Products, representing 4% and 1%, respectively, of the Company's total operating costs.

Discontinued operations

In accordance with a consent order issued by the Federal Trade Commission on October 4, 2005, the Company was required to divest a total of 69 outpatient dialysis centers and to terminate two management services agreements in order to complete the acquisition of DVA Renal Healthcare. In conjunction with the consent order, on October 6, 2005, the Company and DVA Renal Healthcare completed the sale of 70 outpatient dialysis centers to Renal Advantage Inc., formerly known as RenalAmerica, Inc. and also completed the sale of one other center to a separate physician group, and terminated the two management services agreements. In addition, effective January 1, 2006, the Company completed the sale of three additional centers to Renal Advantage, Inc. that were pending state regulatory approval in Illinois. The Company received total cash consideration of approximately $330,000 for all of the centers divested and used approximately $13,000 to purchase the minority interest ownership of a joint venture, to distribute a minority owner's share of the sale proceeds, and to pay related transaction costs. The Company also paid income taxes of approximately $85,000 on these divestitures in the first quarter of 2006. As part of this transaction, Renal Advantage assumed specific liabilities related to the centers, and all other liabilities were retained by the Company. In 2005, the Company recorded a gain of approximately $8,064, net of tax, related to the divestiture of its historical DaVita centers. Included in the gain on divestitures is the recognition of a $26,500 tax valuation allowance benefit resulting from the utilization of prior years' capital losses offsetting the taxable gain on sale, and income tax expense of $27,133 relating to the write-off of book goodwill not deductible for tax purposes. In 2006, the Company recorded a loss of $311, net of tax, related to the divesture of its three centers. The loss on disposal of these centers includes an income tax expense totaling $1,274, of which $900 was related to the write off of book goodwill not deductible for tax purposes. In 2006, the company also recorded a net gain of $673 as an adjustment to previously reported gain on disposal of discontinued operations.

(dollars in thousands, except per share data)

The results of operations of the historical DaVita outpatient dialysis centers and the held for sale centers, are reflected as discontinued operations for 2005 and prior.

The results from discontinued operations were as follows:

	Year ended December 31, 2005	Year ended December 31, 2004
Net operating revenues	$98,454	$121,266
Income before income taxes	21,534	29,044
Income tax	8,377	11,298
Income from discontinued operations	$13,157	$ 17,746

Net assets of discontinued operations sold were as follows:

	2006	2005
Current assets	$ —	$ 3,075
Other current assets held for sale	15,129	—
Property and equipment, net	—	17,735
Amortizable intangibles, net	—	676
Goodwill and other purchase price adjustments	667	114,100
Other current liabilities and minority interest	(351)	(2,819)
Net assets from discontinued operations	$15,445	$132,767

Pro forma financial information

The following summary, prepared on a pro forma basis, combines the results of operations as if the acquisitions in 2006 and 2005 had been consummated as of the beginning of 2005 and 2004, after including the impact of certain adjustments such as amortization of intangibles, interest expense on acquisition financing and income tax effects. The divestitures resulting from the DVA Renal Healthcare acquisition have been reflected in the 2005 and 2004 pro formas.

	Year ended December 31, 2006	2005 (unaudited)	2004
Pro forma net revenues	$4,908,929	$4,512,847	$4,117,461
Pro forma net income (loss), including discontinued operations	291,596	285,771	(41,245)
Pro forma income (loss) from continuing operations	291,234	250,770	(74,977)
Pro forma basic net income (loss) per share	2.82	2.84	(0.42)
Pro forma diluted net income (loss) per share	2.76	2.75	(0.40)
Pro forma basic income (loss) from continuing operations	2.81	2.49	(0.76)
Pro forma diluted income (loss) from continuing operations	2.75	2.41	(0.73)

5. Accounts receivable

Less than 10% of the accounts receivable balances as of December 31, 2006 and 2005 were more than six months old, and there were no significant balances over one year old. Approximately 1% of our accounts receivable relate to collections from patients. Collections are principally from Medicare and Medicaid programs and commercial insurance plans.

(dollars in thousands, except per share data)

6. Other receivables

Other receivables were comprised of the following:

	December 31, 2006	December 31, 2005
Supplier rebates and other non-trade receivables	$119,889	$ 73,597
Medicare bad debt claims	15,990	23,100
Transition services receivable associated with divested centers	2,406	12,870
Operating advances under management services agreements	10,557	7,053
	$148,842	$116,620

Operating advances under management services agreements are generally unsecured.

7. Other current assets

Other current assets consist principally of prepaid expenses, assets held for sale and deposits.

8. Property and equipment

Property and equipment were comprised of the following:

	December 31, 2006	December 31, 2005
Land	$ 13,593	$ 14,859
Buildings	39,438	35,148
Leasehold improvements	620,483	521,464
Equipment and information systems	686,426	552,199
New center and capital asset projects in progress	48,747	31,683
	1,408,687	1,155,353
Less accumulated depreciation and amortization	(558,721)	(405,275)
	$ 849,966	$ 750,078

Depreciation and amortization expense on property and equipment was $160,717, $105,254 and $71,495 for 2006, 2005 and 2004, respectively.

Interest on debt incurred during the development of new centers and other capital asset projects is capitalized as a component of the asset cost based on the respective in-process capital asset balances. Interest capitalized was $4,708, $1,912 and $1,078 for 2006, 2005 and 2004, respectively.

(dollars in thousands, except per share data)

9. Amortizable intangibles

Amortizable intangible assets were comprised of the following:

	December 31, 2006	December 31, 2005
Noncompetition and other agreements	$ 261,836	$ 246,336
Lease agreements	8,738	11,974
Deferred debt issuance costs	73,826	77,884
	344,400	336,194
Less accumulated amortization	(140,679)	(100,250)
Total amortizable intangible assets	$ 203,721	$ 235,944

Amortizable intangible liabilities were comprised of the following:

	December 31, 2006	December 31, 2005
Alliance and Product Supply Agreement commitment (See Note 4)	$120,300	$162,100
Hospital acute services contracts	—	6,187
	120,300	168,287
Less accumulated amortization	(15,037)	(4,856)
	$105,263	$163,431

Net amortization expense from noncompetition and other agreements and the amortizable intangible liabilities was $12,578, $11,582 and $11,417 for 2006, 2005 and 2004, respectively. Lease agreements are amortized to rent expense, which was $3,309 in 2006 and $690 in 2005. Deferred debt issuance costs are amortized to debt expense as described in Note 14 to the Consolidated Financial Statements.

Scheduled amortization charges from intangible assets and liabilities as of December 31, 2006 were as follows:

	Noncompetition and other agreements	Deferred debt issuance costs	Alliance and Product Supply Agreement liability
2007	$23,377	$ 9,998	$(12,030)
2008	20,936	9,890	(12,030)
2009	16,866	9,714	(12,030)
2010	15,774	9,464	(12,030)
2011	15,645	9,039	(12,030)
Thereafter	51,752	11,266	(45,113)

10. Investments in third-party businesses

Investments in third-party dialysis businesses and related advances were $1,813 and $3,181 at December 31, 2006 and 2005. During 2006, 2005 and 2004, the Company recognized income of $2,308, $1,406 and $1,441, respectively, relating to investments in non-consolidated minority-owned businesses under the equity method.

(dollars in thousands, except per share data)

These amounts are included as a reduction to minority interest expense in the consolidated statements of income. During 2006, the Company acquired a majority-owned interest in one business that was previously minority-owned and sold one minority-owned business. The Company did not recognize a gain or loss on the sale as the investment was carried at fair value as a result of the DVA Renal Healthcare acquisition.

On February 7, 2007, the Company entered into a National Provider Agreement with NxStage, Inc. The agreement provides the Company the ability to purchase NxStage home-based hemodialysis products at a potential discount depending upon the achievement of certain volume targets. The agreement has an initial term of three years, terminating on December 31, 2009, and may be extended in six month increments up to two additional years if certain volume targets are met. As a part of the agreement, the Company purchased outright all of its NxStage System One equipment currently in use for $5,100, and will purchase a majority of the Company's future home-based hemodialysis equipment and supplies from NxStage. In connection with the provider agreement, the Company purchased 2,000,000 shares of NxStage common stock in a private placement offering for $20,000, representing an ownership position of approximately 7%. In connection with the purchase of the shares, the Company entered into a Registration Rights Agreement under which NxStage has agreed to register the shares.

11. Goodwill

Changes in the book value of goodwill were as follows:

	Year ended December 31,	
	2006	2005
Balance at January 1,	$3,594,383	$1,156,226
Acquisitions	79,948	2,686,050
DVA Renal Healthcare adjustments	(5,811)	—
Divestitures	(667)	(247,893)
Balance at December 31,	$3,667,853	$3,594,383

12. Other liabilities

Other accrued liabilities were comprised of the following:

	December 31,	
	2006	2005
Payor refunds and retractions	$322,155	$222,361
Insurance and self-insurance accruals	74,607	61,255
Accrued interest	48,781	55,109
Accrued tax liabilities	11,610	8,488
Other	16,066	34,751
	$473,219	$381,964

(dollars in thousands, except per share data)

13. Income taxes

Income tax expense consisted of the following:

	Year ended December 31,		
	2006	2005	2004
Current:			
Federal	$159,054	$178,569	$ 94,626
State	24,009	33,564	17,623
Deferred:			
Federal	(12)	(60,866)	23,508
State	2,354	(10,502)	3,873
	$185,405	$140,765	$139,630

The allocations of income tax expense were as follows:

	Year ended December 31,		
	2006	2005	2004
Continuing operations	$186,430	$123,675	$128,332
Discontinued operations	—	8,377	11,298
Gain on discontinued operations	(1,025)	8,713	—
	$185,405	$140,765	$139,630

Deferred tax assets and liabilities arising from temporary differences, were as follows:

	December 31,	
	2006	2005
Receivables, primarily allowance for doubtful accounts	$ 47,054	$ 28,805
Alliance and Product Supply Agreement	40,947	61,480
Accrued liabilities	154,169	121,404
Other	27,638	20,287
Deferred tax assets	269,808	231,976
Valuation allowance	(10,656)	(9,898)
Net deferred tax assets	259,152	222,078
Intangible assets	(155,762)	(118,240)
Property and equipment	(18,953)	(16,930)
Other	(10,989)	(17,583)
Deferred tax liabilities	(185,704)	(152,753)
Net deferred tax assets	$ 73,448	$ 69,325

At December 31, 2006, the Company had state net operating loss carryforwards of approximately $128,000 that expire through 2026, and federal net operating loss carryforwards of $9,200 that expire through 2026. The utilization of these losses may be limited in future years based on the profitability of certain separate-return entities. The valuation allowance change of $758 related to changes in the estimated tax benefit of federal and state operating losses of separate-return entities, of which a reduction of $238 is included as a component of tax expense. Purchase accounting adjustments increased the valuation allowance by $996. A total of approximately $2,700 of valuation allowance will reduce goodwill when the related tax benefits are first recognized.

(dollars in thousands, except per share data)

The reconciliation between our effective tax rate from continuing operations and the U.S. federal income tax rate is as follows:

	Year ended December 31,		
	2006	2005	2004
Federal income tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	3.9	3.4	3.8
Changes in deferred tax valuation allowances	(0.1)	(0.7)	(0.3)
Other	0.4	(0.3)	0.1
Effective tax rate	39.2%	37.4%	38.6%

14. Long-term debt

Long-term debt was comprised of the following:

	December 31,	
	2006	2005
Senior secured credit facility:		
Term Loan A	$ 279,250	$ 341,250
Term Loan B	2,105,875	2,443,875
Senior and senior subordinated notes	1,350,000	1,350,000
Acquisition obligations and other notes payable	9,197	14,757
Capital lease obligations	6,929	7,320
	3,751,251	4,157,202
Less current portion	(20,871)	(71,767)
	$3,730,380	$4,085,435

Scheduled maturities of long-term debt at December 31, 2006 were as follows:

2007	20,871
2008	55,462
2009	63,319
2010	88,068
2011	444,731
Thereafter	3,078,800

On October 5, 2005, the Company entered into a credit agreement allowing for borrowings of up to $3,050,000. The facilities under the credit agreement consist of a $250,000 six-year revolving credit facility, a $350,000 six-year term loan A facility and a $2,450,000 seven-year term loan B facility (the Facilities). Existing borrowings under the Facilities bear interest at LIBOR plus margins initially ranging from 2.00% to 2.25%. The margins are subject to adjustment depending upon the Company's achievement of certain financial ratios and can range from 1.50% to 2.25% for the revolving credit facility and term loan A, and 2.00% to 2.25% for the term loan B. The Facilities are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries and are secured by substantially all of the Company's and its subsidiary guarantors' assets. The credit agreement also contains customary affirmative and negative covenants and requires compliance with financial covenants, including a leverage ratio and an interest coverage ratio that determine the interest rate margins described above. The credit agreement also contains limits on the annual amount of expenditures for acquisitions and capital improvements. The aggregate amount of the Facilities may be increased by up to $500,000 as long as no default exists or would result from such increase and the Company remains in compliance with the financial covenants after such increase. Such additional loans would be on substantially the same terms as the original borrowings under the Facilities.

On October 5, 2005, the Company borrowed $2,850,000 under the Facilities ($50,000 on the revolving credit facility, $350,000 on the term loan A and $2,450,000 on the term loan B), and used these borrowings, along with available cash of $252,000 to purchase DVA Renal Healthcare and pay related bank fees and expenses of approximately $47,000, and to pay fees and expenses in connection with terminating the Company's then-existing credit facility. On October 7, 2005, the Company repaid the $50,000 of the revolving credit facility with proceeds from the sale of the divested centers, as discussed in Note 4 to the Consolidated Financial Statements.

Term Loans

The term loan A and term loan B total outstanding borrowings each consist of various individual tranche amounts that can range in maturity from one month to twelve months. Each specific tranche bears interest at a LIBOR rate depending upon the maturity of that specific tranche and the interest rates are reset as each specific tranche matures. The overall weighted average interest rate for each term loan is determined based upon the LIBOR interest rates in effect for each individual tranche.

During 2006 and 2005, the Company made principal payments totaling $62,000 and $8,750 on the term loan A, respectively, and $338,000 and $6,125 on the term loan B, respectively. In 2006 and 2005, $35,000 and $8,750 were mandatory principal payments as required for the term loan A and $24,500 and $6,125 were mandatory principal payments as required for the term loan B. The balance of the principal payments were prepayments. As a result of these principal prepayments made in 2006, the company wrote off $3,270 of deferred financing costs, which is included in debt expense.

On March 1, 2006, the Company's interest rate margins on our term loan A and term loan B, the Facilities, were reduced by 0.25% as a result of achieving certain financial ratios as defined in the Senior Secured Credit Facilities.

Term Loan A

The term loan A bears interest at LIBOR plus a margin of 1.75%, for an overall effective rate of 7.39% at December 31, 2006. The interest rate margin is subject to adjustment depending upon certain financial conditions and could range from 1.50% to 2.25%. The Term Loan A matures in October 2011 and requires annual principal payments of $12,375 in 2007, $52,500 in 2008, $61,250 in 2009, $87,500 in 2010 and $65,625 in 2011.

Term Loan B

The term loan B bears interest at LIBOR plus a margin of 2.00%, for an overall effective rate of 7.42% at December 31, 2006. The interest rate margin is subject to adjustment depending upon certain financial conditions and can range from 2.00% to 2.25%. The term loan B matures in October 2012 and requires annual principal payments of $378,625 in year 2011 and $1,727,250 in year 2012.

On February 23, 2007, the Company amended and restated its existing Senior Secured Credit Facilities to, among other things, reduce the interest rate margin on its term loan B by 0.50%, and to amend certain covenants. The new term loan B will bear interest at LIBOR plus 1.50%. If the Company refinances the term loan B prior to February 23, 2008, the Company will be subject to a prepayment penalty of 1.0%, otherwise the payment terms remain the same. In addition, the amount by which the Company can elect to increase the revolving and term loan commitments was changed from $500,000 to $750,000.

Revolving Line of Credit

The Company has an undrawn revolving credit facility totaling $250,000 of which approximately $50,000 was committed for outstanding letters of credit. The Company also has undrawn revolving credit facilities totaling $3,600 associated with several of its joint ventures.

Senior and Senior Subordinated Notes

On February 23, 2007, the Company issued $400,000 of 6⅝% senior notes due 2013 in a private offering. These senior notes are part of the same series of debt securities as the $500,000 aggregate principal amount of 6⅝% senior notes that were issued in March 2005. The notes are guaranteed by our direct and indirect wholly-owned subsidiaries and require semi-annual interest payments beginning March 15, 2007. The senior notes may be redeemed in whole or part at any time on or after March 15, 2009, at certain specified prices. The Company used the proceeds to pay down the term loan B and also wrote-off $4,000 of term loan B deferred financing costs.

On March 22, 2005, the Company issued $500,000 of 6⅝% senior notes due 2013 and $850,000 of 7¼% senior subordinated notes due 2015 and incurred related deferred financing costs of $28,600. The notes are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries and require semi-annual interest payments. The Company may redeem some or all of the senior notes at any time on or after March 15, 2009 and some or all of the senior subordinated notes at any time on or after March 15, 2010. The Company used the net proceeds of $1,323,000 along with available cash of $46,000 to repay all outstanding amounts under the term loan portions of the Company's then-existing credit facilities, including accrued interest.

Interest rate swaps

As of December 31, 2006, the Company maintained a total of nine interest rate swap agreements with amortizing notional amounts totaling $1,341,000. These agreements had the economic effect of modifying the LIBOR-based variable interest rate to fixed rates ranging from 3.08% to 4.27%, resulting in an overall weighted average effective interest rate of 5.88%, which included the term loan B margin of 2.00%. The swap agreements expire in 2008 through 2010 and require quarterly interest payments. During 2006, 2005, and 2004 the Company accrued net cash benefits of approximately $15,791, $285, and $5,256, respectively from these swaps, which are included in debt expense. During 2005, the Company also incurred additional net cash obligations of $1,461 from these swaps, which is included in swap valuation gains. The Company estimates that approximately $13,000 of existing pre-tax gains in other comprehensive income at December 31, 2006, will be reclassified into income in 2007. As of December 31, 2006, and 2005, the total fair value of these swaps was an asset of $29,544 and $30,756, which were primarily included in other long term assets. Also during 2006, the Company recorded $7,862, net of tax, as an increase to comprehensive income for the changes in fair value of the effective portions of these swaps, or $12,869 before tax.

In conjunction with the repayment and extinguishment of the Company's prior credit facilities during 2005, the Company wrote off deferred financing costs of $8,170 and reclassified into net income $8,100 of swap valuation gains that were previously recorded in other comprehensive income. These gains represented the accumulated fair value of several interest rate swap instruments that became ineffective as cash flow hedges as a result of the repayment of the prior credit facilities. In addition, the Company recorded a net loss of $2,100 related to changes in fair values of these swaps that were not effective as interest rate hedges until they were redesignated in the second quarter of 2005.

Portions of the Company's various interest rate swap agreements that were previously designated and expected to be effective as forward cash flow hedges became ineffective as a result of the Company not having any variable rate LIBOR-based interest payments during a portion of 2005. This resulted in a net charge of $1,700 to swap valuation gains, which includes the $1,461 discussed above as well as a reclassification into income of $2,000 of swap valuation losses that were previously recorded in other comprehensive income. The swap payment periods that began after October 2005 were highly effective as cash flow hedges with gains or losses from changes in their fair values reported in other comprehensive income.

As of December 31, 2006, the Company had approximately 56% of its variable rate debt and approximately 72% of its total debt economically fixed.

As a result of the swap agreements, the Company's overall credit facility effective weighted average interest rate was 6.61%, based upon the current margins in effect ranging from 1.75% to 2.00%, as of December 31, 2006.

At December 31, 2006, the Company's overall average effective interest rate was 6.76%.

Debt expense

Debt expense consisted of interest expense of $262,967, $134,429 and $50,323, amortization of deferred financing costs of $10,469, $5,157 and $2,088 for 2006, 2005 and 2004, respectively, and in 2006, included the write off of $3,270 of deferred financing costs. These interest expense amounts are net of capitalized interest.

15. Leases

The majority of the Company's facilities are leased under non-cancelable operating leases, ranging in terms from five to ten years and contain renewal options of five to ten years at the fair rental value at the time of renewal or at rates subject to periodic consumer price index increases. The Company has certain equipment leased under capital leases.

(dollars in thousands, except per share data)

Future minimum lease payments under non-cancelable operating leases and capital leases are as follows:

	Operating leases	Capital leases
2007	$148,442	3,543
2008	136,387	1,321
2009	121,268	843
2010	105,773	688
2011	92,037	684
Thereafter	294,069	1,770
	$897,976	8,849
Less portion representing interest		(1,920)
Total capital lease obligations, including current portion		$ 6,929

Rent expense under all operating leases for 2006, 2005, and 2004 was $187,139, $109,511 and $75,846, respectively. Leasehold improvement incentives are deferred and amortized to rent expense over the term of the lease. The net book value of property and equipment under capital leases was $5,765, $6,094 and $7,711 at December 31, 2006, 2005 and 2004, respectively. Capital lease obligations are included in long-term debt. See Note 14 to the Consolidated Financial Statements.

16. Employee benefit plans

The Company has a savings plan for substantially all employees, which has been established pursuant to the provisions of Section 401(k) of the Internal Revenue Code, or IRC. The plan provides for employees to contribute a percentage of their base annual salaries on a tax-deferred basis not to exceed IRC limitations. The Company does not provide any matching contributions.

During 2000, the Company established the DaVita Inc. Profit Sharing Plan. Contributions to this defined contribution benefit plan are made at the discretion of the Company as determined and approved by the Board of Directors. All contributions are deposited into an irrevocable trust. The profit sharing award for each eligible participant is based upon the achievement of employee-specific and/or corporate financial and operating goals. During 2004 the Company elected to discontinue funding the profit sharing trust and to distribute similar awards directly to the recipients, or at their discretion to their 401(k) accounts.

On October 5, 2005, the Company's Board of Directors approved the adoption of the DaVita Voluntary Deferral Plan. This plan is non-qualified and permits certain employees designated by the plan administrator whose annualized base salary equals or exceeds a minimum annual threshold amount as set by the Company to elect to defer all or a portion of their annual bonus payment and, as originally adopted, up to 15% of their base salary into a deferral account maintained by the Company. Effective January 1, 2006, the deferral percentage for base salary was increased to up to 50% of a participant's base salary. Deferred amounts are generally paid out in cash at the participant's election either in the first or second year following retirement or in a specified future period at least three to four years after the deferral election was effective. Participants are credited with their proportional amount of annual earnings from the plan.

As part of the acquisition of DVA Renal Healthcare on October 5, 2005, the Company acquired an Executive Retirement Plan for certain members of management. The plan is non-qualified and contributions to the plan were made at the discretion of DVA Renal Healthcare based upon a pre-determined percentage of a participant's base salary. Effective November 2005, all contributions to this plan were discontinued and the balance of the plan assets will be paid out upon termination of each individual participant.

The Company has several deferred non-qualified compensation plans for certain key employees. Company contributions are discretionary and are deposited into a Rabbi Trust. Participants in the plans are subject to a vesting period and typically receive annual distributions from the plan commencing one year after grant date, although in certain situations distributions are paid upon termination or retirement. Participants also have the option to direct their balances into certain investment funds and are credited with their proportional amount of earnings from the investments. The fair value of the assets held in trust as of December 31, 2006, totaled $16,408. The assets are available for sale and as such are recorded at fair market value with changes in the fair market values being recorded in other comprehensive income. Any fair market value changes to the corresponding liability balance will be recorded as compensation expense.

Most of the Company's outstanding employee stock plan awards include a provision accelerating the vesting of the award in the event of a change of control. The Company also maintains a change of control protection program for its employees who do not have a significant number of stock awards, which provides for cash bonuses to the employees in the event of a change of control which has been in place since 2001. Based on the shares of our common stock outstanding and the market price of our stock on December 31, 2006, these cash bonuses would total approximately $231,000 if a control transaction occurred at that price and our Board of Directors did not modify the program. This amount has not been accrued at December 31, 2006, and will only be accrued upon a change of control. These compensation programs may affect the price an acquirer would be willing to pay.

17. Contingencies

The majority of the Company's revenues are from government programs and may be subject to adjustment as a result of: (1) examination by government agencies or contractors, for which the resolution of any matters raised may take extended periods of time to finalize; (2) differing interpretations of government regulations by different fiscal intermediaries or regulatory authorities; (3) differing opinions regarding a patient's medical diagnosis or the medical necessity of services provided; and (4) retroactive applications or interpretations of governmental requirements. In addition, the Company's revenues from commercial payors may be subject to adjustment as a result of potential claims for refunds from commercial payors, as a result of government actions or as a result of other claims by commercial payors.

United States Attorney inquiries

On March 4, 2005, the Company received a subpoena from the United States Attorney's Office, or U.S. Attorney's Office, for the Eastern District of Missouri in St. Louis. The subpoena requires production of a wide range of documents relating to our operations, including documents related to, among other things, pharmaceutical and other services provided to patients, relationships with pharmaceutical companies, and financial relationships with physicians and joint ventures. The subpoena covers the period from December 1, 1996 through the present. In October 2005, the Company received a follow-up request for additional documents related to specific medical director and joint venture arrangements. In February 2006, we received an additional subpoena for documents, including certain patient records relating to the administration and billing of Epogen (EPO). The Company is producing documents and providing information to the government. The Company is also cooperating, and intends to continue to cooperate, with the government's investigation, including by participating in discussions and meetings with the government. The subpoenas have been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against the Company in connection with this inquiry. Any negative findings could result in substantial financial penalties against the Company, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. To the Company's knowledge, no proceedings have been initiated against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as this to continue for a considerable period of time. Responding to the subpoenas will continue to require management's attention and significant legal expense.

On October 25, 2004, the Company received a subpoena from the U.S. Attorney's Office for the Eastern District of New York in Brooklyn. The subpoena covers the period from 1996 to present and requires the production of a wide range of documents relating to our operations, including DaVita Laboratory Services. The subpoena also includes specific requests for documents relating to testing for parathyroid hormone levels (PTH), and to products relating to vitamin D therapies. The subpoena has been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against the Company in connection with this inquiry. Any negative findings could result in substantial financial penalties against the Company and DVA Renal Healthcare, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. Other participants in the dialysis industry received a similar subpoena, including Fresenius Medical Group, Renal Care Group and DVA Renal Healthcare, which was acquired by the Company in October of 2005. To the Company's knowledge, no proceedings have been initiated against the Company or DVA Renal Healthcare at this time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoena may continue to require management's attention and significant legal expense.

In February 2001, the Civil Division of the U.S. Attorney's Office for the Eastern District of Pennsylvania in Philadelphia contacted the Company and requested its cooperation in a review of some of its historical practices, including billing and other operating procedures and the Company's financial relationships with physicians. The Company cooperated in this review and provided the requested records to the U.S. Attorney's Office. In May 2002, the Company received a subpoena from the U.S. Attorney's Office and the Philadelphia Office of the Office of Inspector General of the Department of Health and Human Services (OIG). The subpoena required an update to the information the Company provided in our response to the February 2001 request, and also sought a wide range of documents relating to pharmaceutical and other ancillary services provided to patients, including laboratory and other diagnostic testing services, as well as documents relating to the Company's financial relationships with physicians and pharmaceutical companies. The subpoena covered the period from May 1996 to May 2002. The Company provided the documents requested and cooperated with the United States Attorney's Office and the OIG in its investigation. In January 2007, the U.S. Attorney's Office for the Eastern District of Pennsylvania in Philadelphia informed the Company that it has decided to close its investigation of DaVita. No charges were made against the Company, no fines were assessed and no mandatory policy changes were required in connection with this investigation.

In February 2007, the Company received a request for information from the Office of Inspector General, U.S. Department of Health and Human Services for records relating to EPO claims submitted to Medicare. The claims relate to services provided from 2002 to 2004 by a number of our centers. The request was sent from the OIG's office in Houston, Texas. The Company have been in contact with the U.S. Attorney's Office for the Eastern District of Texas, which has stated that this is a civil inquiry related to EPO claims. We are cooperating with the inquiry and will be producing the requested records. There appears to be substantial overlap between this issue, and the ongoing review of EPO utilization and claims by the U.S. Attorney's Office for the Eastern District of Missouri in St. Louis. EPO utilization was also one of the subjects of the multi-year investigation by the U.S. Attorney's Office for the Eastern District of Pennsylvania, which was recently closed as described herein. To the best of the Company knowledge, the government has not initiated any proceeding against it in connection with this request although the Company cannot predict whether it will receive further inquiries or whether or when a proceeding might be initiated.

Other

The Company has received several notices of claims from commercial payors and other third parties related to historical billing practices and claims against DVA Renal Healthcare related to historical DVA Renal Healthcare billing practices and other matters covered by their settlement agreement with the Department of Justice. At least one commercial payor has filed an arbitration demand against the Company, as described below, and additional commercial payors have threatened litigation. The Company intends to defend against these claims vigorously; however, the Company may not be successful and these claims may lead to litigation and any such litigation may be resolved unfavorably. Although the ultimate outcome of these claims cannot be predicted at this time, an adverse result in excess of the Company's established reserves, with respect to one or more of these claims could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company has received several informal inquiries from representatives of the New York Attorney General's Medicaid Fraud Control Unit (MFCU) regarding certain aspects of the EPO and other billing practices taking place at facilities managed by the Company in New York. The Company is cooperating with the MFCU's informal inquiries and has provided documents and information to the MFCU. To the best of the Company's knowledge, no proceedings have been initiated against the Company and the MFCU has not indicated an intention to do so, although the Company cannot predict whether it will receive further inquiries or whether or when proceedings might be initiated.

In June 2004, DVA Renal Healthcare was served with a complaint filed in the Superior Court of California by one of its former employees who worked for its California acute services program. The complaint, which is styled as a class action, alleges, among other things, that DVA Renal Healthcare failed to provide overtime wages, defined rest periods and meal periods, or compensation in lieu of such provisions and failed to comply with certain other California labor code requirements. The Company is evaluating the claims and intends to vigorously defend itself in the matter. The Company also intends to vigorously oppose the certification of this matter as a class action. Although the ultimate outcome of these claims cannot be predicted, the Company does not expect that an unfavorable result, if any, would have a material adverse effect on the Company's business, financial condition, liquidity or results of operations.

On August 8, 2005, Blue Cross/Blue Shield of Louisiana filed a complaint in the United States District Court for the Western District of Louisiana against Gambro AB, DVA Renal Healthcare and related entities. The plaintiff sought to bring its claims as a class action on behalf of itself and all entities that paid any of the defendants for health care goods and services from on or about January 1991 through at least December 2004. The complaint alleged, among other things, damages resulting from facts and circumstances underlying DVA Renal Healthcare's December 2004 settlement agreement with the Department of Justice and certain agencies of the United States Government. In March 2006, the case was dismissed and the plaintiff was compelled to seek arbitration to resolve the matter. In November 2006, the plaintiff filed a demand for class arbitration against the Company and DVA Renal Healthcare. At this time, the Company cannot estimate the potential range of damages, if any. The Company is investigating these claims and continues to vigorously defend itself in the matter.

In addition to the foregoing, the Company is subject to claims and suits in the ordinary course of business, including from time to time, contractual disputes and professional and general liability claims. The Company believes that the ultimate resolution of any such pending proceedings, whether the underlying claims are covered by insurance or not, will not have a material adverse effect on its financial condition, results of operations or cash flows.

18. Concentrations

Approximately 65% of the Company's total dialysis revenue in 2006, 60% in 2005 and 60% 2004 are from government-based programs, principally Medicare and Medicaid. Accounts receivable from Medicare and Medicaid were approximately $250,000 as of December 31, 2006 and 2005. No other single payor accounted for more than 5% of total accounts receivable.

A significant physician-prescribed pharmaceutical administered during dialysis, EPO, is provided by a sole supplier and accounted for approximately one-fourth of net operating revenues. Although the Company currently receives discounted prices for EPO, the supplier has unilateral pricing discretion and in the future the Company may not be able to achieve the same cost levels historically obtained.

19. Other commitments

The Company has obligations to purchase the third-party interests in several of its joint ventures. These obligations are in the form of put provisions in joint venture agreements, and are exercisable at the third-party owners' discretion. If these put provisions are exercised, the Company would be required to purchase the third-party owners' interests at either the appraised fair market value or a predetermined multiple of cash flow or earnings, which is intended to approximate fair value. As of December 31, 2006, the Company's potential obligations under these put provisions totaled approximately $192,000 of which approximately $100,000 were exercisable within one year. Additionally, the Company has certain other potential commitments to provide operating capital to several minority-owned centers and to third-party centers that the Company operates under administrative service agreements of approximately $11,000.

The Company is obligated under mandatorily redeemable instruments in connection with certain consolidated joint ventures. Future distributions may be required for the minority partner's interests in limited-life entities which dissolve after terms of ten to fifty years. As of December 31, 2006, such distributions would be valued below the related minority interests balances in the consolidated balance sheet.

Other than operating leases, disclosed in Note 15 to the Consolidated Financial Statements, and the letters of credit and the interest rate swap agreements, disclosed in Note 14 to the Consolidated Financial Statements, or as described above the Company has no off balance sheet financing arrangements as of December 31, 2006.

(dollars in thousands, except per share data)

20. Florida laboratory

During 2006, 2005, and 2004, the Company recognized a total of $0, $3,771, and $8,293 respectively, in prior years' Medicare lab recoveries that were previously in dispute related to lab services that were performed in 2001 and 2002. As of December 31, 2006, there are no significant unresolved Medicare lab billing issues. In total the Company has recognized $94,842 in Medicare lab recoveries related to prior years' billings previously in dispute.

21. Fair values of financial instruments

Financial instruments consist primarily of cash, accounts receivable, notes receivable, assets available for sale, accounts payable, accrued compensation and benefits, other accrued liabilities, interest rate swap agreements and debt. The balances of the non-debt financial instruments excluding assets available for sale, see Note 16, are presented in the financial statements at December 31, 2006 and 2005 at their approximate fair values due to the short-term nature of their settlements. Borrowings under the Company's credit facility, of which $2,385,125 was outstanding as of December 31, 2006, reflect fair value as they are subject to fees and adjustable rates competitively determined in the marketplace. The fair value of the Company's senior subordinated notes were approximately $1,362,400 at December 31, 2006 based upon quoted market prices. The fair value of the interest rate swaps were an asset of approximately $29,544 as of December 31, 2006 and $30,756 as of December 31, 2005, which is recorded primarily in other long-term assets.

22. Supplemental cash flow information

The table below provides supplemental cash flow information:

	Year ended December 31,		
	2006	2005	2004
Cash paid:			
Income taxes	$209,982	$ 82,275	$95,943
Interest	271,711	86,035	48,822
Non-cash investing and financing activities:			
Fixed assets acquired under capital lease obligations	—	—	1,295
Contributions to consolidated partnerships	13,568	11,326	9,167
Refinancing charges	—	8,170	—
Liabilities assumed in conjunction with common stock acquisitions	—	300,462	13,991

23. Selected quarterly financial data (unaudited)

	2006				2005			
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Net operating revenues	$1,272,617	$1,237,041	$1,207,816	$1,163,188	$1,133,315	$644,892	$617,085	$578,626
Operating income	188,511	217,094	171,752	162,075	158,782	105,298	102,431	98,860
Income from continuing operations	74,129	93,091	64,329	57,780	56,411	50,914	48,127	51,970
Discontinued operations, net of tax	—	1,765	(1,092)	(311)	7,738	4,303	4,816	4,364
Net income	74,129	94,856	63,237	57,469	64,149	55,217	52,943	56,334
Basic earnings per share from continuing operations	0.71	0.90	0.62	0.56	0.55	0.50	0.48	0.52
Basic earnings per share	0.71	0.91	0.61	0.56	0.63	0.55	0.53	0.57
Diluted earnings per share from continuing operations	0.70	0.88	0.61	0.55	0.54	0.49	0.46	0.50
Diluted earnings per share	$ 0.70	$ 0.90	$ 0.60	$ 0.55	$ 0.61	$ 0.53	$ 0.51	$ 0.55

(dollars in thousands, except per share data)

24. Condensed consolidating financial statements

The following information is presented in accordance with Rule 3-10 of Regulation S-X. The operating and investing activities of the separate legal entities included in the consolidated financial statements are fully interdependent and integrated. Revenues and operating expenses of the separate legal entities include intercompany charges for management and other services. The senior notes and the senior subordinated notes were issued by the Company and are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries. Each of the guarantor subsidiaries has guaranteed the notes on a joint and several, full and unconditional basis. Non-wholly-owned subsidiaries, joint ventures, partnerships and third parties are not guarantors of these obligations.

Condensed Consolidating Statements of Income

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
For the year ended December 31, 2006					
Net operating revenues	$347,087	$4,263,363	$639,690	$(369,478)	$4,880,662
Operating expenses	196,367	3,751,164	527,344	(369,478)	4,105,397
Minority interests and equity income, net	—	—	—	35,833	35,833
Operating income	150,720	512,199	112,346	(35,833)	739,432
Debt (expense), refinancing charges and swap gains, net	16,441	(291,095)	(2,052)	—	(276,706)
Other income, net	11,559	—	1,474	—	13,033
Income tax expense	70,201	116,183	46	—	186,430
Discontinued operations, net of tax	—	362	—		362
Equity earnings in subsidiaries	181,172	75,889	—	(257,061)	—
Net income	$289,691	$ 181,172	$111,722	$(292,894)	$ 289,691
For the year ended December 31, 2005					
Net operating revenues	$224,501	$2,541,928	$451,141	$(243,652)	$2,973,918
Operating expenses	122,021	2,263,234	344,855	(243,652)	2,486,458
Minority interests and equity income, net				22,089	22,089
Operating income	102,480	278,694	106,286	(22,089)	465,371
Debt (expense)	(32,851)	(108,144)	(2,213)		(143,208)
Other income, net	8,934				8,934
Income tax expense	29,461	93,537	677		123,675
Discontinued operations, net of tax		15,179	6,042		21,221
Equity earnings in subsidiaries	179,541	87,349		(266,890)	—
Net income	$228,643	$ 179,541	$109,438	$(288,979)	$ 228,643
For the year ended December 31, 2004					
Net operating revenues	$177,370	$1,913,372	$279,578	$(192,990)	$2,177,330
Operating expenses	109,256	1,645,549	222,140	(192,990)	1,783,955
Minority interests and equity income, net				12,249	12,249
Operating income	68,114	267,823	57,438	(12,249)	381,126
Debt (expense) and refinancing charges, net	12,082	(62,633)	(1,860)		(52,411)
Other income, net	4,125				4,125
Income tax expense	32,776	94,935	621		128,332
Discontinued operations, net of tax	—	11,106	6,640		17,746
Equity earnings in subsidiaries	170,709	49,348		(220,057)	—
Net income	$222,254	$ 170,709	$ 61,597	$(232,306)	$ 222,254

(dollars in thousands, except per share data)

Condensed Consolidating Balance Sheets

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
As of December 31, 2006					
Cash and cash equivalents	$ 299,430		$ 10,772		$ 310,202
Accounts receivable, net		$ 809,028	123,357		932,385
Other current assets	6,660	448,421	11,828		466,909
Total current assets	306,090	1,257,449	145,957		1,709,496
Property and equipment, net	30,130	689,039	130,797		849,966
Amortizable intangible, net	59,371	142,394	1,956		203,721
Investments in subsidiaries	3,904,797	388,919	—	$(4,293,716)	—
Receivables from subsidiaries	812,201		30,928	(843,129)	—
Other long-term assets and investments	25,190	14,650	20,940		60,780
Goodwill		3,444,224	223,629		3,667,853
Total assets	$5,137,779	$5,936,675	$554,207	$(5,136,845)	$6,491,816
Current liabilities	$ 166,440	$ 915,554	$ 30,178		$1,112,172
Payables to parent		843,129	—	$ (843,129)	—
Long-term debt and other long-term liabilities	3,725,415	273,195	12,751		4,011,361
Minority interests			—	122,359	122,359
Shareholders' equity	1,245,924	3,904,797	511,278	(4,416,075)	1,245,924
Total liabilities and shareholders' equity	$5,137,779	$5,936,675	$554,207	$(5,136,845)	$6,491,816
As of December 31, 2005					
Cash and cash equivalents	$ 431,811				$ 431,811
Accounts receivable, net		$ 749,288	$104,272		853,560
Other current assets	5,877	350,035	13,125		369,037
Total current assets	437,688	1,099,323	117,397		1,654,408
Property and equipment, net	34,319	611,828	103,931		750,078
Amortizable intangible assets, net	73,407	158,980	3,557		235,944
Investments in subsidiaries	3,616,683	333,106		$(3,949,789)	—
Receivables from subsidiaries	1,038,182		8,486	(1,046,668)	—
Other long-term assets and investments	30,273	4,933	9,743		44,949
Goodwill		3,399,112	195,271		3,594,383
Total assets	$5,230,552	$5,607,282	$438,385	$(4,996,457)	$6,279,762
Current liabilities	$ 285,956	$ 691,172	$ 12,605		$ 989,733
Payables to parent		1,046,668	—	$(1,046,668)	—
Long-term debt and other long-term liabilities	4,093,987	252,759	4,035		4,350,781
Minority interests			—	88,639	88,639
Shareholders' equity	850,609	3,616,683	421,745	(4,038,428)	850,609
Total liabilities and shareholders' equity	$5,230,552	$5,607,282	$438,385	$(4,996,457)	$6,279,762

(dollars in thousands, except per share data)

Condensed Consolidating Statements of Cash Flows

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
For the year ended December 31, 2006					
Cash flows from operating activities					
Net income	$ 289,691	$ 181,172	$ 111,722	$(292,894)	$ 289,691
Changes in operating and intercompany assets and liabilities and non cash items included in net income	(101,863)	167,301	(128,452)	292,894	229,880
Net cash provided by (used in) operating activities	187,828	348,473	(16,730)	—	519,571
Cash flows from investing activities					
Additions of property and equipment	(2,582)	(211,953)	(48,173)		(262,708)
Acquisition and divestitures, net	—	(85,153)	(1,351)		(86,504)
Proceeds from discontinued operations	12,742	9,437			22,179
Other items		(59,606)	74,576		14,970
Net cash provided by (used in) investing activities	10,160	(347,275)	25,052		(312,063)
Cash flows from financing activities					
Long-term debt	(408,211)	(1,198)	2,450		(406,959)
Other items	77,842				77,842
Net cash (used in) provided by financing activities	(330,369)	(1,198)	2,450		(329,117)
Net (decrease) increase in cash	(132,381)	—	10,772	—	(121,609)
Cash at the beginning of the year	431,811				431,811
Cash at the end of the year	$ 299,430	$ —	$ 10,772	$ —	$ 310,202
For the year ended December 31, 2005					
Cash flows from operating activities					
Net income	$ 228,643	$ 179,541	$ 109,438	$(288,979)	$ 228,643
Changes in operating and intercompany assets and liabilities and non cash items included in net income	104,043	14,471	(150,582)	288,979	256,911
Net cash provided by (used in) operating activities	332,686	194,012	(41,144)	—	485,554
Cash flows from investing activities					
Additions of property and equipment	(11,780)	(101,978)	(47,607)		(161,365)
Acquisitions	(3,035,434)	(166,970)			(3,202,404)
Proceeds from discontinued operations	151,587	147,262			298,849
Other items		(68,146)	87,703		19,557
Net cash (used in) provided by investing activities	(2,895,627)	(189,832)	40,096		(3,045,363)
Cash flows from financing activities					
Long-term debt	2,776,738	(4,180)	1,048		2,773,606
Other items	(33,965)				(33,965)
Net cash provided by (used in) financing activities	2,742,773	(4,180)	1,048		2,739,641
Net increase in cash	179,832	—	—	—	179,832
Cash at the beginning of the year	251,979				251,979
Cash at the end of the year	$ 431,811	$ —	$ —	$ —	$ 431,811
For the year ended December 31, 2004					
Cash flows from operating activities					
Net income	$ 222,254	$ 170,709	$ 61,597	$(232,306)	$ 222,254
Changes in operating and intercompany assets and liabilities and non cash items included in net income	(173,238)	203,653	(65,030)	232,306	197,691
Net cash provided by (used in) operating activities	49,016	374,362	(3,433)	—	419,945
Cash flows from investing activities					
Additions of property and equipment	(4,416)	(92,478)	(31,434)		(128,328)
Acquisitions		(264,177)	(2,088)		(266,265)
Proceeds from discontinued operations		1,223			1,223
Other items		(21,587)	35,296		13,709
Net cash (used in) provided by investing activities	(4,416)	(377,019)	1,774		(379,661)
Cash flows from financing activities					
Long-term debt	202,983	2,657	1,659		207,299
Other items	(57,261)				(57,261)
Net cash provided by financing activities	145,722	2,657	1,659		150,038
Net increase in cash	190,322	—	—	—	190,322
Cash at the beginning of the year	61,657				61,657
Cash at the end of the year	$ 251,979	$ —	$ —	$ —	$ 251,979

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, we have duly caused this Annual Report on Form 10-K to be signed on our behalf by the undersigned, thereunto duly authorized, in the City of El Segundo, State of California, on February 26, 2007.

DAVITA INC.

By: /s/ KENT J. THIRY

Kent J. Thiry
Chairman and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENT, that each person whose signature appears below constitutes and appoints Kent J. Thiry, Mark G. Harrison, James K. Hilger, and Joseph Schohl, and each of them his or her true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ KENT J. THIRY Kent J. Thiry	Chairman and Chief Executive Officer (Principal Executive Officer)	February 26, 2007
/s/ MARK G. HARRISON Mark G. Harrison	Chief Financial Officer (Principal Financial Officer)	February 26, 2007
/s/ JAMES K. HILGER James K. Hilger	Vice President and Controller (Principal Accounting Officer)	February 26, 2007
/s/ NANCY-ANN DEPARLE Nancy-Ann DeParle	Director	February 26, 2007
/s/ RICHARD B. FONTAINE Richard B. Fontaine	Director	February 26, 2007
/s/ PETER T. GRAUER Peter T. Grauer	Director	February 26, 2007
/s/ C. RAYMOND LARKIN, JR. C. Raymond Larkin, Jr.	Director	February 26, 2007
/s/ JOHN M. NEHRA John M. Nehra	Director	February 26, 2007
/s/ WILLIAM L. ROPER William L. Roper	Director	February 26, 2007
/s/ ROGER J. VALINE Roger J. Valine	Director	February 26, 2007
/s/ RICHARD C. VAUGHAN Richard C. Vaughan	Director	February 26, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
DaVita Inc.:

Under date of February 26, 2007, we reported on the consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2006, and 2005, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2006, which are included in the Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule in the Annual Report on Form 10-K. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 3 to the consolidated financial statements, DaVita Inc. adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123(R), Share-Based Payment, effective January 1, 2006.

/s/ KPMG LLP

Seattle, Washington
February 26, 2007

For Illinois CON Reporting

12/31/2008

DaVita Inc.	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	Illinois Standard
Current Ratio	1.97	1.67	1.54	1.82	1.83	2.03	2.03	2.03	2.03	>1.5
Net Margin Percentage	10.21%	7.69%	5.94%	7.25%	6.61%	6.05%	6.05%	6.05%	6.05%	>3.5%
Percent Debt to Total Capitalization	26.08%	44.62%	38.67%	38.05%	41.81%	38.08%	38.08%	38.08%	38.08%	<80%
Projected Debt Service Coverage	3.43	2.33	2.56	3.07	2.80	2.44	2.62	0.41	0.70	>1.75
Days Cash on Hand	51.44	66.51	28.53	39.20	29.59	38.66	38.66	38.66	38.66	>45
Cushion Ratio	2.43	2.09	1.09	1.68	1.43	1.67	1.80	0.28	0.48	>5.00

SUPPORTING CALCULATIONS:

	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E
Current Ratio:									
Current Assets	868,720	1,654,408	1,709,496	1,976,250	2,128,304	2,128,304	2,128,304	2,128,304	2,128,304
Current Liabilities	441,735	989,733	1,112,172	1,086,496	1,163,063	1,049,929	1,049,929	1,049,929	1,049,929
Current Ratio	1.97	1.67	1.54	1.82	1.83	2.03	2.03	2.03	2.03
Net Margin Percentage:									
Net Income	222,254	228,643	289,691	381,778	374,160	343,837	343,837	343,837	343,837
Net Revenues	2,177,330	2,973,918	4,880,662	5,264,151	5,660,173	5,680,437	5,680,437	5,680,437	5,680,437
Net Margin Percentage	10.21%	7.69%	5.94%	7.25%	6.61%	6.05%	6.05%	6.05%	6.05%
Percent Debt to Total Capitalization:									
Total Long Term Debt	1,375,832	4,157,202	3,751,251	3,707,318	3,695,146	3,690,422	3,690,422	3,690,422	3,690,422
Equity*	3,900,000	5,160,000	5,950,000	6,036,776	5,142,888	6,000,000	6,000,000	6,000,000	6,000,000
Percent Debt to Total Capitalization	26.08%	44.62%	38.67%	38.05%	41.81%	38.08%	38.08%	38.08%	38.08%
Projected Debt Service Coverage:									
Net Income	222,254	228,643	289,691	381,778	374,160	343,837	343,837	343,837	343,837
Depreciation/Amortization	82,912	116,836	173,295	193,470	216,917	213,530	213,530	213,530	213,530
Interest Expense	50,324	134,429	262,967	242,720	214,944	235,426	235,426	235,426	235,426
Available Funds	355,490	479,908	725,953	817,968	806,021	792,792	792,792	792,792	792,792
Interest Expense and principal payments	103,688	206,196	283,838	266,151	287,669	324,859	302,322	1,942,368	1,136,593
Projected Debt Service Coverage	3.43	2.33	2.56	3.07	2.80	2.44	2.62	0.41	0.70
Days Cash on Hand:									
Cash and Investments	251,979	431,811	310,202	447,046	410,881	542,690	542,690	542,690	542,690
Net Revenue	2,177,330	2,973,918	4,880,662	5,264,151	5,660,173	5,680,437	5,680,437	5,680,437	5,680,437
Net Income	222,254	228,643	289,691	381,778	374,160	343,837	343,837	343,837	343,837
Operating Expense	1,955,076	2,745,275	4,590,971	4,882,373	5,286,013	5,336,601	5,336,601	5,336,601	5,336,601
Less Dep/Amort	82,912	116,836	173,295	193,470	216,917	213,530	213,530	213,530	213,530
Operating Expense Net of Dep/Amort	1,788,112	2,369,622	3,967,935	4,162,987	5,069,096	5,123,071	5,123,071	5,123,071	5,123,071
Days Cash on Hand	51.44	66.51	28.53	39.20	29.59	38.66	38.66	38.66	38.66
Cushion Ratio:									
Total Cash	251,979	431,811	310,202	447,046	410,881	542,690	542,690	542,690	542,690
Interest Expense and Principal payments	103,688	206,196	283,838	266,151	287,669	324,859	302,322	1,942,368	1,136,593
Cushion Ratio	2.43	2.09	1.09	1.68	1.43	1.67	1.80	0.28	0.48

**Equity as defined by market equity. Market equity = shares outstanding * closing price at last trading day of calendar year.*

For forecasting: DVA market capitalization was approximiately ~$6Bn at close on Dec 31st, 2007. Assume constant market capitalization at $6Bn going forward

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