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McGladrey & Pullen
Certified Public Accountants

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

Liberty Dialysis, LLC and Subsidiaries

Consolidated Financial Report
12.31.07

Contents

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Liberty Dialysis, LLC and Subsidiaries
Mercer Island, Washington

We have audited the accompanying consolidated balance sheet of Liberty Dialysis, LLC and Subsidiaries as of December 31, 2007, and the related consolidated statements of operations, changes in members' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides 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 Liberty Dialysis, LLC and Subsidiaries as of December 31, 2007, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Stamford, Connecticut
May 7, 2008

Liberty Dialysis, LLC and Subsidiaries
Consolidated Balance Sheet
December 31, 2007

Assets		
Current Assets		
Cash and cash equivalents (Note 2)	$	26,093,599
Patient accounts receivable, net of allowance for uncollectible accounts of $5,498,052 (Note 2)		32,698,933
Medical and pharmacy supplies		2,129,972
Due from affiliates (Notes 5 and 12)		8,334,401
Other receivables and prepaid expenses		4,411,575
Total current assets		73,668,480
Property and equipment - net (Note 3)		41,649,945
Amortizable intangibles - net (Note 4)		10,203,985
Due from affiliates - net (Notes 5 and 12)		2,525,095
Other long-term assets (Note 7)		581,809
Goodwill (Notes 11 and 13)		97,276,370
Total assets	$	225,905,684
Liabilities and Members' Equity		
Current Liabilities		
Accounts payable and accrued expenses	$	28,990,395
Line of credit (Note 9)		4,044,762
Current portion of long-term debt (Note 8)		8,194,183
Total current liabilities		41,229,340
Long-term debt (Note 8)		97,151,811
Other long-term liabilities (Note 6)		6,264,232
Total liabilities		144,645,383
Commitments and Contingencies (Note 10)		
Minority interest		7,118,930
Members' equity		74,141,371
Total liabilities and members' equity	$	225,905,684

See Notes to Consolidated Financial Statements.

Liberty Dialysis, LLC and Subsidiaries
Consolidated Statement of Operations
For the Year Ended December 31, 2007

Revenue	
Net patient service revenue (Note 2)	$ 145,324,171
Other revenue	1,397,811
Total revenue	146,721,982
Operating Expenses	
Salaries, contracted services and employee benefits	50,724,039
Supplies and other operating expenses	64,728,667
Provision for uncollectible accounts	4,051,113
Depreciation and amortization (Notes 3 and Note 4)	7,230,029
Other taxes	2,101,140
Other operating losses	94,334
Total operating expenses	128,929,322
Income from operations	17,792,660
Other Expense	
Interest expense, net	10,335,818
Loss on equity investments	947,383
Income before minority interest in net income of subsidiaries	6,509,459
Minority interest in net income of subsidiaries	(3,102,808)
Net Income	$ 3,406,651

See Notes to Consolidated Financial Statements

Liberty Dialysis, LLC and Subsidiaries
Consolidated Statement of Changes in Members' Equity
For the Year Ended December 31, 2007

Balance, December 31, 2006	$ 70,714,917
Member contributions	4,507,803
Member distributions	(5,485,160)
Proceeds from sale of membership interest	397,160
Net Income	3,406,651
Balance, December 31, 2007	$ 74,141,371

See Notes to Consolidated Financial Statements.

Liberty Dialysis, LLC and Subsidiaries
Consolidated Statement of Cash Flows
Year Ended December 31, 2007

Cash Flows from Operating Activities	
Net Income	$ 3,406,651
Adjustments to reconcile net income to net cash provided by operating activities:	
Minority interest in net income of subsidiaries	3,102,808
Distributions to minority interests	658,323
Equity investment losses	947,383
Depreciation and amortization	7,230,029
Deferred financing costs amortization	265,374
Changes in assets and liabilities:	
(Increase) decrease in:	
Patient accounts receivable	(5,203,339)
Medical and pharmacy supplies	(407,254)
Other receivables and current assets	(7,194,903)
Other long-term assets	616,149
Increase in:	
Accounts payable and accrued expenses	7,957,814
Net cash provided by operating activities	11,379,035
Cash Flows from Investing Activities	
Purchase of property and equipment	(13,644,883)
Purchase of intangible assets	(648,750)
Purchase of various companies, net of cash and cash equivalents	(14,162,794)
Net cash used in investing activities	(28,456,427)
Cash Flows from Financing Activities	
Members' capital contributions	4,507,803
Members' capital distributions	(5,485,160)
Proceeds from sale of membership interest	997,160
Proceeds from line of credit	2,000,000
Proceeds from long-term debt	15,414,469
Principal payments on long-term debt	(5,850,122)
Net cash provided by financing activities	11,584,150
Net decrease in cash and cash equivalents	(5,493,242)
Cash and cash equivalents	
Beginning	31,586,841
Ending	$ 26,093,599
Supplemental Disclosures of Cash Flow Information	
Cash paid during the year for:	
Interest	$ 7,238,467

See Notes to Consolidated Financial Statements.

Note 1. Summary of Significant Accounting Policies

Nature of business: Liberty Dialysis, LLC (the "Company"), a Delaware Limited Liability Company, was organized in September 2002 to form and make contributions of capital to one or more entities for the purpose of acquiring, constructing, owning, leasing, operating, maintaining and selling kidney dialysis centers. The term of the Company commenced upon filing the Certificate of Formation with the state of Delaware on September 12, 2002 and shall continue perpetually unless terminated in accordance with the operating agreement At December 31, 2007, Liberty Dialysis, LLC owned and operated 59 kidney dialysis centers across the United States with its partners through investments in limited liability companies, which are subsidiaries of the Company.

Basis of presentation: These consolidated financial statements and accompanying notes are prepared in accordance with the accounting principles generally accepted in the United States of America. The accompanying financial statements include the accounts of Liberty Dialysis, LLC and all of its consolidated subsidiaries All significant intercompany balances and transactions have been eliminated. Non-consolidated equity investments are recorded under the equity or cost method of accounting as appropriate.

Net patient service revenue and patient 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 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 the Company has formal agreements, if any, commercial health plan coverage terms if known, estimated secondary collections, historical collection experience, historical trends of refunds and payor payment adjustments (retractions), and regulatory compliance issues

Patient services revenue is recognized in the period services are provided Revenue consists 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 dialysis treatment and other patient services, however, actual collectible revenue as recorded in the financial statements 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. In addition, for services provided by non-contracted centers, final collection may require specific negotiation of a payment amount, which may involve a 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 Revenue 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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.

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, and purchase accounting valuations estimates. Specific estimating risks and contingencies are further addressed within these notes to the consolidated financial statements.

Cash and cash equivalents: For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Income taxes: The members elected to be taxed as a Limited Liability Company under the provisions of the Internal Revenue Code. Accordingly, taxable income will be reported on the tax returns of the individual members.

Medical and pharmacy supplies: Medical and pharmacy supplies are stated at the lower of cost (first-in, first-out) or market and consist principally of pharmaceuticals and dialysis related supplies.

Property and equipment: Property and equipment is stated at cost less accumulated depreciation and amortization. The Company provides for depreciation using the straight-line method over the useful lives of the assets estimated as follows: equipment, 7 years; office equipment and furniture, 3 to 7 years; and leasehold improvements are depreciated over the lesser of the expected term of the related lease or the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred. Upon sale or retirement, the cost of the asset and the related accumulated depreciation are removed from the accounts, and the remaining gain or loss is included in the results of operations.

Amortizable intangibles: Amortizable intangible assets include non-competition and similar agreements, hospital acute service contracts and deferred financing costs, which have determinable useful lives. Non-competition and similar agreements are amortized over the terms of the agreements, typically ten years, using the straight-line method. Hospital acute service contracts are amortized straight-line over the term of the contract period. Deferred financing costs are amortized to interest expense over the term of the related debt using the effective interest method.

Equity investment: The Company is accounting for its investment in a 43.2% owned affiliate (see Note 6) by the equity method of accounting under which the Company's share of the net income or loss of the affiliate is recognized as income in the Company's income statement and added to the investment account, and distributions received from the affiliate are treated as a reduction of the investment account.

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 is performed 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Goodwill (continued): In accordance with SFAS 142, goodwill is required to be evaluated for impairment on an annual basis, or more frequently if impairment indicators arise, using fair-value-based test that compares the fair value of the asset to its carrying value. Fair values are determined by discounting future cash flows of the reporting unit, using a risk-adjusted discount rate, as developed by management.

Impairment of long-lived assets: Long-lived assets, including property and equipment and amortizable intangible assets are reviewed for possible impairment whenever significant events or changes in circumstances indicate that impairment may have occurred, including changes in business strategy and plans, changes in the quality or structure of relationships with 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.

Minority interest: The consolidated income is decreased by the proportionate amount of net income accruing to minority interests. Minority interests represent the equity interests of third-party owners in consolidated entities that are not wholly owned. As of December 31, 2007, third parties held minority ownership interests in 42 consolidated entities.

Recent accounting pronouncements: In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* ("SFAS No. 141R"). SFAS No. 141(R), among other things, establishes principles and requirements for how the acquirer in a business combination (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquired business, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The standard will change our accounting treatment for business combinations on a prospective basis.

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. If there are changes in net assets as a result of application of FIN 48, these will be accounted for as an adjustment to the opening balance of retained earnings. Additional disclosures about the amounts of such liabilities will be required also. In February 2008, the FASB delayed the effective date of FIN 48 for certain non-public enterprises to annual financial statements for fiscal years beginning after December 15, 2007. The Company will be required to adopt FIN 48 in its 2008 annual financial statements. Management has not assessed the impact of FIN 48 on its financial positions, results of operations and cash flows and has not determined if the adoption of FIN 48 will have a material effect on its financial statements.

Note 2. Concentration of Credit Risk

The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits. This potentially subjects the Company to concentration of credit risk. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on its cash.

Note 2. Concentration of Credit Risk (Continued)

The Company grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of net patient service revenue and net patient accounts receivable from patients and third-party payers at December 31, 2007 was as follows:

	Net Patient Service Revenue
Commercial	45%
Medicare	43%
Medicaid	6%
Acute contracts	5%
Patients	1%
	100%

	Net Patient Accounts Receivable
Commercial	52%
Medicare	28%
Medicaid	13%
Acute Contracts	5%
Patients	2%
	100%

Note 3. Property and Equipment

A summary of property and equipment are as follows:

Equipment	$ 13,865,605
Office equipment and furniture	5,951,973
Leasehold improvements	30,493,598
	50,311,176
Less accumulated depreciation	(8,661,231)
	$ 41,649,945

Depreciation expense on property and equipment was $5,128,031.

Note 4. Amortizable Intangibles

Amortizable intangible assets were comprised of the following:

Non-competition and other related agreement costs	$	11,838,439
Deferred financing costs		1,539,066
		13,377,505
Less accumulated amortization		(3,173,520)
Total amortizable intangibles	$	10,203,985

Scheduled amortization charges of intangible assets as of December 31, 2007 were as follows:

		Non-Compete Agreements		Deferred Financing Costs		Total
2008	$	1,379,419	$	285,241	$	1,664,660
2009		1,137,752		285,241		1,422,993
2010		1,137,752		285,241		1,422,993
2011		1,137,752		168,573		1,306,325
2012		1,114,852		36,635		1,181,487
Thereafter		3,151,205		54,322		3,205,527
	$	9,058,732	$	1,145,253	$	10,203,985

Amortization expense of non-competition and other related agreements amounted to $2,101,998. Deferred financing costs amortized into interest expense amounted to $265,374 (as discussed in Note 8).

Note 5. Due from Affiliates

As of December 31, 2007, the Company was owed $10,859,496 from entities that are owned by members or affiliates of the Company.

Note 6. Equity Investment

The Company has a 43.2% ownership interest in Liberty Venture Partners, LLC (LVP). This investment is valued using the equity method of accounting, under which the Company's share of net income of the affiliate is recognized as income in the Company's statement of operations and added to the investment account, and distributions received from the affiliate are treated as a reduction in the investment account.

Note 6. Equity Investment (Continued)

The following is the summarized financial information of LVP as of December 31, 2007:

Assets		
Current assets		
Cash	$	1,156,286
Accounts receivable		1,333,449
Medical and pharmacy supplies		166,281
Prepaid expenses		118,369
		2,774,385
Property and equipment, net		7,397,953
Security deposits		54,902
Other assets		7,768
	$	10,235,008
Liabilities and Members' Equity		
Liabilities		
A/P and accrued expenses	$	1,597,006
Current portion of long-term debt		3,144,992
Other current liabilities		6,183,359
		10,925,357
Long-term debt		2,250,060
Minority interest		(730,420)
Members' equity		(2,209,989)
Total Liabilities and Members' Equity	$	10,235,008
Operating revenue	$	3,847,664
Operating expenses		(6,356,130)
Net loss	$	(2,508,466)
Liberty Dialysis, LLC's portion (43.2%) of net loss	$	(1,083,657)
Other change		136,274
Total Liberty Dialysis, LLC's portion of net loss	$	(947,383)

The following are the changes in the investment in an affiliate during the year ended December 31, 2007, which is included in other long-term liabilities on the consolidated balance sheet.

Beginning balance	$	730,558
Net loss for the year		(947,383)
Other change		(136,274)
Ending balance	$	(353,099)

Note 6. Equity Investment (Continued)

The Company performed an analysis of the equity investment (Liberty Venture Partners, LLC (LVP)) as required by Financial Interpretation (FIN) No. 46R and Emerging Issues Task Force (EITF) 04-5 and determined that this investment is appropriately accounted for using the equity method of accounting. It was concluded that LVP is not considered a variable interest entity under paragraph 5 of FIN 46R and it was determined that the Company should not consolidate under EITF 04-5 because the investors have participatory rights as described in EITF 04-5 Therefore, LVP is appropriately accounted for using the equity method.

Note 7. Other Long-Term Assets

As of December 31, 2007, other long-term assets consisted of security deposits of $581,809 related to leased facilities (see Note 10).

Note 8. Long-Term Debt

Long-term debt was comprised of the following at December 31, 2007:

Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.21% requiring monthly payments of principal and interest until maturity on March 3, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.	$	1,146,178
Working capital loan payable to The CIT Group/Equipment Financing, Inc bearing interest at prime plus 1% (8.25% at December 31, 2007), interest is payable monthly and principal is due on February 15, 2008. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company		200,000
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.25% requiring monthly payments of principal and interest until maturity on May 25, 2013 The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		1,118,009
Subtotal (carried forward)	$	2,464,187

Note 8. Long-Term Debt (Continued)

(Subtotal brought forward)	$	2,464,187
Term loan payable to The CIT Group/Equipment Financing, Inc bearing interest at 8.37% requiring monthly payments of principal and interest until maturity on October 1, 2014 The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		3,863,966
Working capital loan payable to The CIT Group/Equipment Financing, Inc bearing interest at prime plus 1% (8.25% at December 31, 2007), interest is payable monthly and principal is due on May 25, 2013. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		300,000
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.30% requiring monthly payments of principal and interest until maturity on February 11, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		1,533,559
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at prime plus 1% (8.25% at December 31, 2007), interest is payable monthly and principal is due on March 9, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated Company, certain members of the affiliated company and the Company.		400,000
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.19% requiring monthly payments of principal and interest until maturity on October 22, 2011. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		958,706
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at prime plus 1% (8.25% at December 31, 2007), interest is payable monthly and principal was due on November 18, 2011. The loan is secured by certain assets of the subsidiary as as defined in the Loan and Security Agreement and is guaranteed by the affiliated Company, certain members of the affiliated company and the Company.		379,141
Subtotal (carried forward)	$	9,899,559

Note 8. Long-Term Debt (Continued

(Subtotal brought forward)	$	9,899,559
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.24% requiring monthly payments of principal and interest until maturity on February 24, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		710,491
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at prime plus 1% (8.25% at December 31, 2007), interest is payable monthly and principal is due on February 15, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		200,000
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.40% requiring monthly payments of principal and interest until maturity on September 23, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		959,792
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at prime plus 1% (8.25% at December 31, 2007), interest is payable monthly and principal is due on December 4, 2008. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		200,000
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.66% requiring monthly payments of principal and interest until maturity on May 13, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		824,399
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at prime plus 1% (8.25% at December 31, 2007), interest is payable monthly and principal is due on July 7, 2008. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		200,000
Subtotal (carried forward)	$	12,994,241

Note 8. Long-Term Debt (Continued

(Subtotal brought forward)	$	12,994,241
Term loan payable to The CIT Lending Services Corporation bearing interest LIBOR plus 3.25 % (8.45% at December 31, 2007) requiring quarterly principal payments of $60,125 plus interest until maturity on January 17, 2013. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by two subsidiaries. The agreement requires compliance with certain covenants including maximum debt to net worth.		23,569,000
Term loan payable to The CIT Lending Services Corporation bearing interest LIBOR plus 3.25% (8.45% at December 31, 2007) requiring quarterly principal payments of $9,250 plus interest until maturity on January 17, 2014. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by two subsidiaries. The agreement requires compliance with certain covenants including maximum debt to net worth.		3,626,000
Term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 7.86% requiring monthly payments of principal and interest until maturity on December 31, 2011. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		737,288
Term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 8.38% requiring monthly payments of principal and interest until maturity on December 31, 2011 The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		947,541
Term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 8.27% requiring monthly payments of principal and interest until maturity on May 31, 2013. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		1,099,723
Term loan payable to Citicorp Vendor Finance, Inc bearing interest at 8.20% requiring monthly payments of principal and interest until maturity on October 31, 2011. The loan is secured secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		2,538,920
Subtotal (carried forward)	$	45,512,713

Note 8. Long-Term Debt (Continued)

(Subtotal brought forward)	$	45,512,713
Working capital term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 8.25%, interest and principal is payable monthly until maturity on January 31, 2008 The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company		600,000
Term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 8.23% requiring monthly payments of principal and interest until maturity on January 31, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		481,208
Term loan payable to Dialysis Clinic, Inc bearing interest at 7.75% requiring annual payments of principal and interest until maturity on December 1, 2012. The loan is secured by all assets of the subsidiary and is guaranteed by the Company and members of the subsidiary.		3,214,286
Term loan payable to Merrill Lynch bearing interest at LIBOR plus 3.5% or Prime plus 2.25% (8.76% at December 31, 2007) requiring quarterly installments of principal and interest until maturing on October 17, 2011. The loan is secured by all assets of a subsidiary and requires compliance with certain covenants including maximum capital expenditures and maximum debt to net worth, fixed charge, and interest coverage ratios.		23,437,500
Term loan payable to Marcap Corporation bearing interest at 8.22% requiring monthly payments of principal and interest until maturity on August 31, 2012. The loan is secured by all assets of a subsidiary and is guaranteed by the affiliated company, certain members of the affiliated company and the Company		606,951
Term loan payable to Marcap Corporation bearing interest at 8.49% requiring monthly payments of interest only until July 21, 2008, then monthly payments of principal and interest until maturity on June 21, 2011. The loan is secured by all assets of a subsidiary and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.		300,000
The Company issued a subordinated note at 18.00% non-cash interest with principal and interest due at maturity on January 19, 2011 Collateral security includes certain assets of the Company, as defined in the Note Purchase Agreement. The loan is guaranteed by the affiliated companies and the Company. The note requires compliance with certain covenants including maximum capital expenditures and maximum debt to net worth, fixed charge, and interest coverage ratios.		20,639,336
Subtotal (carried forward)	$	94,791,994

Note 8. Long-Term Debt (Continued)

(Subtotal brought forward)	$ 94,791,994
Term loan payable to Sterling Bank bearing interest at 7.75% requiring monthly payments of principal and interest until maturity on February 1, 2014. The loan is secured by all assets of a subsidiary, and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.	2,200,067
Working capital loan payable to Sterling Bank bearing interest at 7.75%, requiring monthly payments of interest only until November 1, 2007, then monthly payments of principal and interest until maturity on November 1, 2009. The loan is secured by all assets of a subsidiary, and is guaranteed by the affiliated company, certain members of the affiliated company and the Company.	276,759
Term loan payable to St. Francis Healthcare System of Hawaii (a minority owner see Note 12) bearing interest at 8% requiring quarterly payments of interest in arrears and principal due at maturity on January 18, 2014. The loan is secured by all assets of a subsidiary.	910,000
Term loan payable to North Hawaii Community Hospital (a minority owner see Note 12) bearing interest at 7% requiring quarterly payments of interest and principal until maturity on July 1, 2012. The loan is secured by all assets of a subsidiary.	900,000
Term loan payable to Mercer Pasadena LLC (a related party see Note 12) bearing interest at 9% requiring quarterly payments of interest and principal until maturity on November 1, 2014.	500,000
Term loan payable to Ashok Sunder Raj, M.D. (a related party see Note 12) bearing interest at 9% requiring quarterly payments of interest and principal until maturity on November 1, 2014.	2,900,000
Term loan payable to St. Luke's Regional Medical Center bearing interest at 6% requiring monthly payments of interest and principal until maturity on October 31, 2015. The loan is secured by the leasehold improvements financed by the landlord.	265,009
Term loan payable to HRT, LTD bearing interest at 9% requiring monthly payments of interest and principal until maturity on December 31, 2027. The loan is secured by the leasehold improvements financed by the landlord.	1,000,000
Subtotal (carried forward)	$ 103,743,829

Note 8. Long-Term Debt (Continued)

(Subtotal brought forward)	$	103,743,829
Obligation under capital lease, payable in monthly installments of $1,717 through May 2009. Collateralized by related leased equipment.		39,217
Term loan payable to Greater Lafayette Health Services, Inc. bearing interest at 8.25% requiring monthly payments of interest only beginning on May 13, 2007 and principal and interest beginning on May 13, 2008 until maturity on November 17, 2011. The loan is secured by all assets of a subsidiary.		1,562,948
		105,345,994
Less current portion		(8,194,183)
	$	97,151,811

Scheduled maturities of long-term debt as of December 31, 2007 were as follows:

2008	$	8,194,183
2009		8,908,451
2010		9,457,262
2011		44,239,114
2012		3,625,324
Thereafter		30,921,660
	$	105,345,994

Total interest expense consists of interest expense, net of interest income, of $10,070,444 and amortization of deferred financing costs of $265,374.

Note 9. Line of Credit

The Company has a revolving loan bearing interest at either LIBOR plus 3.5% or prime plus 2.25% (8.76% at December 31, 2007) maturing on October 17, 2011 and calls for monthly interest payments, and principal is due at maturity. Collateral security includes certain assets of the subsidiary, as defined in the Loan and Security Agreement.

As of December 31, 2007, total drawn on the line was $4,044,762, and there was $955,238 available under this line.

Note 10. Commitments and Contingencies

Healthcare provider revenues 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, (4) retroactive applications or interpretations of governmental requirements; and (5) potential claims for refunds from private payers, including as a result of government actions.

Professional liability insurance coverage is provided on both a claims-made basis and an occurrence basis. The claims-made policy, which is subject to renewal on an annual basis, covers only claims made during the term of the policy but not those occurrences for which claims may be made after expiration of the policy. The Company intends to renew its coverage on a claims-made basis and has no reason to believe that it may be prevented from renewing such coverage. Additionally, the Company believes that there is no significant exposure for claims incurred but not reported.

The membership interest issued to the seller of the entity acquired (see Note 11) shall be non-assessable, exempt from all capital calls or capital contribution requirements, and shall not be required to give any guarantees, pledge collateral or otherwise become obligated on any indebtedness of the Company.

The Company has medical director agreements with individuals, who are also related parties. The agreements range in terms from one year to ten years and from $30,000 to $250,000 a year.

The majority of the Company's facilities are leased under non-cancelable operating leases, ranging in terms from three to twenty-five 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.

Future minimum obligations under non-cancelable operating leases and medical director agreements are as follows:

2008	$ 8,768,853
2009	8,850,991
2010	8,540,959
2011	8,498,094
2012	8,267,841
Thereafter	51,794,691
	$ 94,721,429

Note 11. Acquisitions

During 2007, the Company acquired businesses having 2 clinics for a total purchase cost of $15,546,313. The assets and liabilities for all acquisitions were recorded at their estimated fair market values at the dates of acquisitions and are included in the Company's financial statements and operating results from the designated effective dates of 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.

	North Hawaii	Pasadena	Total
Current assets	$ 42,209	$ 1,466,432	$ 1,508,641
Fixed Assets	516,939	597,477	1,114,416
Other long term assets	-	17,517	17,517
Goodwill	1,147,165	11,919,892	13,067,057
Other intangibles assets	100,000	687,000	787,000
Liabilities assumed	-	(948,318)	(948,318)
Aggregate purchase cost	$ 1,806,313	$ 13,740,000	$ 15,546,313

Note 12. Related Party Transactions

During 2007, the Company incurred medical director fees of $1,220,000 to related parties. In addition, the Company earned $845,000 of management fees and other income from related parties Additionally, the Company earned $275,000 of interest from related parties.

The Company leases facilities from related parties on a month to month basis. Rent expense under these arrangements, expenses for equipment repairs and maintenance and other operating expenses amounted to $845,000 of which $13,000 was payable at December 31, 2007 and is included in due from affiliates on the balance sheet.

During 2007, the Company entered into note payable agreements with related parties. The balance due on the notes as of December 31, 2007 was $4,310,000 and is included in long-term debt on the balance sheet. The Company incurred interest expense of $156,000 to related parties as a part of the notes payable.

Note 13. Goodwill

Goodwill acquired in a purchase combination is evaluated for impairment annually Based on the Company's annual impairment test, goodwill was not impaired as of December 31, 2007.

Note 14. Employee Benefit Plans

One of the Company's subsidiaries has a Retirement Savings Plan (401k) which covers substantially all employees of such subsidiary, wherein employees may contribute a percentage of their compensation. Eligible employees must have attained the age of 21 and completed 1,000 hours of service. At its discretion, the subsidiary may make 25% or 50% matching contributions, up to the first 8% or 6% of each participating employee's contribution. The subsidiary elected to make an additional discretionary profit sharing contribution totaling 4% of eligible participants' salaries, subject to IRS limits during 2007 The subsidiary's contributions for 2007 were approximately $758,000

Note 15. Restricted Unit Plan

The Company has a Restricted Unit Plan (the "Plan") for certain key employees under which phantom equity units may be granted from time to time. Under the terms of the Plan, the employees are entitled to receive a monetary award only if there is a change in control (as defined) of the Company. The administrator determines the terms of all awards, including the vesting, which requires only future service

The change in control of the Company is considered a performance condition under SFAS No. 123(R), and because the Company has determined this condition as only reasonably possible, no compensation expense has been recorded for these units. In addition, because the amount of the ultimate award cannot be determined until a change in control has occurred, a calculation of unearned compensation as of December 31, 2007 cannot be performed.

During 2007, four restricted units were granted to employees which are still outstanding and unvested at December 31, 2007.

Note 16. Subsequent Event

On January 1, 2008, the Company purchased an additional 31.6% interest in Liberty Venture Partners, LLC for $1,200,000. As of the date of purchase, total assets for the Company and its subsidiaries including Liberty Venture Partners, LLC was $235,787,593 and total liabilities and members' equity were $163,856,211 and $71,931,382, respectively.

McGladrey & Pullen
Certified Public Accountants

Liberty Dialysis, Inc. and Subsidiaries

Consolidated Financial Report (as restated)
December 31, 2008

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Shareholders
Liberty Dialysis, Inc. and Subsidiaries
Mercer Island, Washington

We have audited the accompanying consolidated balance sheet of Liberty Dialysis, Inc and Subsidiaries as of December 31, 2008, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides 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 Liberty Dialysis, Inc. and Subsidiaries as of December 31, 2008, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18, the 2008 financial statements have been restated to correct an error to the recording of deferred taxes related to investments in subsidiaries

McGladrey & Pullen, LLP

Stamford, Connecticut
December 7, 2009, except for Note 18
as to which the date is May 18, 2010

Liberty Dialysis, Inc. and Subsidiaries
Consolidated Balance Sheet (as restated)
December 31, 2008

Assets	
Current Assets	
Cash and cash equivalents (Note 2)	$ 28,162,346
Patient accounts receivable, net of allowance for uncollectible accounts of $5,796,862 (Note 2)	42,389,899
Medical and pharmacy supplies	3,448,518
Other receivables and prepaid expenses	4,696,142
Total current assets	78,696,905
Property and equipment - net (Note 3)	37,871,400
Intangibles - net (Note 4)	10,902,071
Due from affiliates - net (Notes 5 and 13)	4,309,161
Other long-term assets (Note 6)	1,556,360
Goodwill (Notes 12 and 14)	116,544,355
Deferred tax asset (Note 7)	250,708
Total assets	$ 300,129,960
Liabilities and Shareholders' Equity	
Current Liabilities	
Accounts payable and accrued expenses	$ 30,399,141
Lines of credit (Note 9)	10,044,762
Current portion of long-term debt (Note 8)	18,855,816
Total current liabilities	59,299,719
Long-term debt (Note 8)	129,070,017
Other long-term liabilities	13,657,100
Total liabilities	202,026,836
Commitments and Contingencies (Note 11)	
Minority interest	5,198,077
Shareholders' Equity (Note 10)	
Preferred stock ($0.001 par value, 154,962,178 authorized; 154,962,178 issued)	154,962
Additional paid-in capital - preferred	46,260,654
Common stock ($0.001 par value, 400,000,000 authorized; 145,037,822 issued and outstanding)	145,038
Additional paid-in capital - common	43,305,012
Retained earnings	3,039,381
Total shareholders' equity	92,905,047
Total liabilities and shareholders' equity	$ 300,129,960

See Notes to Consolidated Financial Statements.

Liberty Dialysis, Inc. and Subsidiaries
Consolidated Statement of Operations (as restated)
Year Ended December 31, 2008

Revenues	
Net patient service revenue (Note 2)	$ 193,114,229
Other revenue	2,344,270
Total revenue	195,458,499
Operating Expenses	
Salaries, contracted services and employee benefits	70,384,753
Supplies and other operating expenses	84,089,879
Provision for uncollectible accounts	5,364,575
Depreciation and amortization (Notes 3 and 4)	10,080,634
Other taxes	2,325,300
Total operating expenses	172,245,141
Income from operations	23,213,358
Other Income (Expense)	
Interest income	394,949
Interest expense	(12,819,010)
Income before minority interest in net income of subsidiaries	10,789,297
Minority interest in net income of subsidiaries	(799,335)
Net income before taxes	9,989,962
Income tax expense (Note 7)	3,423,718
Net income	$ 6,566,244

See Notes to Consolidated Financial Statements.

Liberty Dialysis, Inc. and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity (as restated)
Year Ended December 31, 2008

	Members' Capital	Preferred Stock Shares	Preferred Stock Amount	Preferred Stock Additional Paid in Capital	Common Stock Shares	Common Stock Amount	Common Stock Additional Paid in Capital	Retained Earnings/ (Deficit)	Total
Members' equity at January 1, 2008	$ 81,953,186	-	$ -	$ -	-	$ -	$ -	$ (7,812,016)	$ 74,141,170
Member contributions	9,976,430	-	-	-	-	-	-	-	9,976,430
Purchase of members' capital	(2,063,950)	-	-	-	-	-	-	-	(2,063,950)
Exchange of members' capital for preferred and common stock	(89,865,666)	154,962,178	154,962	46,260,654	145,037,822	145,038	43,305,012	-	-
Beginning deferred tax on capital transactions	-	-	-	-	-	-	-	4,285,153	4,285,153
Net income	-	-	-	-	-	-	-	6,566,244	6,566,244
Balance, December 31, 2008	$ -	154,962,178	$ 154,962	$ 46,260,654	145,037,822	$ 145,038	$ 43,305,012	$ 3,039,381	$ 92,905,047

See Notes to Consolidated Financial Statements

Liberty Dialysis, Inc. and Subsidiaries
Consolidated Statement of Cash Flows (as restated)
Year Ended December 31, 2008

Cash Flows from Operating Activities	
Net income	$ 6,566,244
Adjustments to reconcile net income to net cash provided by operating activities:	
Minority interest in net income of subsidiaries	799,335
Distributions to minority interests	(3,563,391)
Depreciation and amortization	10,080,634
Deferred financing amortization	290,135
Changes in assets and liabilities:	
(Increase) decrease in:	
Patient accounts receivable	(6,361,187)
Medical and pharmacy supplies	(1,152,265)
Other assets	5,823,323
Increase (decrease) in:	
Accounts payable and accrued expenses	(9,994,101)
Other long-term liabilities	12,031,121
Net cash provided by operating activities	14,519,848
Cash Flows from Investing Activities	
Purchase of property and equipment	(47,497,196)
Purchase of various Companies, net of cash and cash equivalents	(20,137,023)
Net cash used in investing activities	(67,634,219)
Cash Flows from Financing Activities	
Minority interest capital contributions	2,037,303
Members' capital contributions	9,976,430
Proceeds from line of credit	6,000,000
Proceeds from long-term debt	56,190,628
Principal payments on long-term debt	(19,021,244)
Net cash provided by financing activities	55,183,117
Net increase in cash and cash equivalents	2,068,746
Cash and Cash Equivalents	
Beginning	26,093,599
Ending	$ 28,162,345
Supplemental Schedule of Non-cash Financing Activities	
Exchange of stock for members' interest in Liberty Dialysis, LLC	$ 39,865,666
Supplemental Disclosures of Cash Flow Information	
Cash paid during the year for:	
Interest	$ 8,113,270

See Notes to Consolidated Financial Statements.

Note 1. Summary of Significant Accounting Policies

Nature of business: Liberty Dialysis, Inc. (the "Company"), a Delaware Corporation, was organized in August 2008 to form and make contributions of capital to one or more entities for the purpose of acquiring, constructing, owning, leasing, operating, maintaining and selling kidney dialysis centers The term of the Company commenced upon filing the Certificate of Formation with the state of Delaware on August 18, 2008 and shall continue perpetually unless terminated in accordance with the articles of incorporation. On August 18, 2008, the Company directly and indirectly acquired members' interest in Liberty Dialysis, LLC, a Delaware Limited Liability Company. At December 31, 2008, the Company owned 100% of Liberty Dialysis, LLC which owned and operated 71 kidney dialysis centers across the United States with its partners through investments in limited liability companies, which are subsidiaries of the Company.

Basis of presentation: These consolidated financial statements and accompanying notes are prepared in accordance with the accounting principles generally accepted in the United States of America. The accompanying financial statements include the accounts of the Company and its consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated. Non-consolidated equity investments are recorded under the equity or cost method of accounting as appropriate

Net-patient service revenue and patient 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 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 the Company has formal agreements, if any, commercial health plan coverage terms if known, estimated secondary collections, historical collection experience, historical trends of refunds and payor payment adjustments (retractions), and regulatory compliance issues.

Patient services revenue is recognized in the period services are provided. Revenue consists 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 as recorded in the financial statements 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. In addition, for services provided by non-contracted centers, final collection may require specific negotiation of a payment amount, which may involve a 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 Revenue 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

Note 1. Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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.

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, and purchase accounting valuations estimates. Specific estimating risks and contingencies are further addressed within these notes to the consolidated financial statements

Cash and cash equivalents: For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents

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 and any changes in the valuation allowance caused by a change in judgment about the realizability of the related deferred tax assets. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Medical and pharmacy supplies: Medical and pharmacy supplies are stated at the lower of cost (first-in, first-out) or market and consist principally of pharmaceuticals and dialysis related supplies.

Property and equipment: Property and equipment is stated at cost less accumulated depreciation and amortization. The Company provides for depreciation using the straight-line method over the useful lives of the assets estimated as follows: equipment, 7 years; office equipment and furniture, 3 to 7 years, and leasehold improvements are depreciated over the lesser of the expected term of the related lease or the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred. Upon sale or retirement, the cost of the asset and the related accumulated depreciation are removed from the accounts, and the remaining gain or loss is included in the results of operations.

Amortizable intangibles: Amortizable intangible assets include non-competition and similar agreements, hospital acute service contracts and deferred financing costs, which have determinable useful lives. Non-competition and similar agreements are amortized over the terms of the agreements, typically ten years, using the straight-line method. Hospital acute service contracts are amortized straight-line over the term of the contract period. Deferred financing costs are amortized to interest expense over the term of the related debt using the effective interest method.

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 is performed 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.

Note 1. Summary of Significant Accounting Policies (Continued)

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, goodwill is required to be evaluated for impairment on an annual basis, or more frequently if impairment indicators arise, using fair-value-based test that compares the fair value of the asset to its carrying value Fair values are determined by discounting future cash flows of the reporting unit, using a risk-adjusted discount rate, as developed by management

Impairment of long-lived assets: Long-lived assets, including property and equipment and amortizable intangible assets are reviewed for possible impairment whenever significant events or changes in circumstances indicate that impairment may have occurred, including changes in business strategy and plans, changes in the quality or structure of relationships with 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.

Minority interest: The consolidated income is decreased by the proportionate amount of net income accruing to minority interests Minority interests represent the equity interests of third-party owners in consolidated entities that are not wholly owned As of December 31, 2008, third parties held minority ownership interests in 66 consolidated entities.

Fair value of financial instruments: The carrying amounts of financial instruments, including cash, cash equivalents, patient accounts receivable, accounts payable and accrued expenses and the line of credit approximates fair value due to the short maturity of these instruments. The Company uses quoted market prices for its long-term debt with financial institutions when available. When quoted market prices are not available, fair value is estimated based on current market interest rates and credit spreads for debt with similar maturities. The fair value of long-term debt approximates fair value due to the short term maturity of these instruments and variable nature of the applicable interest rates.

Recent Accounting Pronouncements: In December 2007, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 141 (revised 2007), *Business Combinations* SFAS No. 141 (R), among other things, establishes principles and requirements for how the acquirer in a business combination *(a)* recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquired business, *(b)* recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and *(c)* determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008, with early adoption prohibited. This standard will change the accounting treatment for business combinations on a prospective basis.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51*. SFAS No. 160 establishes accounting and reporting standards for noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary Minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. It also establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary and requires expanded disclosures This statement is effective for fiscal years beginning on or after December 15, 2008, with early adoption prohibited. The Company does not expect the adoption of this Statement will have a material impact on its financial position or results of operations. Upon adoption, minority interest will be reported as a separate component of stockholders' equity.

Note 1. Summary of Significant Accounting Policies (Continued)

In July 2006, the FASB issued Interpretation No 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement No. 109, *Accounting for Income Taxes* FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Company has elected this deferral and accordingly will be required to adopt FIN 48 in its 2009 annual financial statements. Prior to adoption of FIN 48, the Company will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement No. 5, *Accounting for Contingencies* SFAS No. 5 requires the Company to accrue for losses it believes are probable and can be reasonably estimated. Management is currently assessing the impact of FIN 48 on its consolidated financial position and results of operations and has not yet determined if the adoption of FIN 48 will have a material effect on its financial statements.

In April 2008, the FASB issued Staff Position (FSP) No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. It is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years and should be applied prospectively to intangible assets acquired after the effective date. Early adoption is not permitted FSP FAS 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives for intangible assets and should be applied to all intangible assets recognized as of, and subsequent to the effective date. The impact of FSP FAS 142-3 will depend on the size and nature of acquisitions on or after January 1, 2009

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*. SFAS No 165 establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009, and is to be applied prospectively. Upon adoption, additional subsequent event disclosures information will be reported.

In June 2009, the FASB issued SFAS No.168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 168 will become the authoritative U.S GAAP recognized by the FASB to be applied by nongovernment entities. It also modifies the GAAP hierarchy to include only two levels of GAAP; authoritative and non-authoritative. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption will not have a significant impact on the Company's financial position, results of operations or cash flows.

Note 2. Concentration of Credit Risk

The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits. This potentially subjects the Company to concentration of credit risk. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on its cash.

The Company grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The mix of net patient service revenue and net patient accounts receivable from patients and third-party payers at December 31, 2008 was as follows:

	Net Patient Service Revenue
Commercial	48%
Medicare	43%
Medicaid	4%
Acute contracts	4%
Patients	1%
	100%

	Net Patient Accounts Receivable
Commercial	50%
Medicare	29%
Medicaid	13%
Acute Contracts	6%
Patients	2%
	100%

Note 3. Property and Equipment

A summary of property and equipment are as follows:

Equipment	$ 26,452,227
Office equipment and furniture	12,146,180
Leasehold improvements	67,031,199
	105,629,606
Less accumulated depreciation	(17,758,206)
	$ 87,871,400

Depreciation expense on property and equipment was $8,713,202.

Note 4. Intangibles

Amortizable intangible assets were comprised of the following:

Non-competition and other related agreement costs	$ 13,564,583
Deferred financing costs	2,089,884
	15,654,467
Less accumulated amortization	(4,818,396)
Net amortizable intangibles	10,836,071
Indefinite lived intangibles	66,000
Total intangibles	$ 10,902,071

Scheduled amortization charges from intangible assets as of December 31, 2008 were as follows:

	Deferred Financing Costs	Other Intangibles	Total
2009	419,436	1,450,733	1,870,169
2010	379,784	1,412,067	1,791,851
2011	263,117	1,218,733	1,481,850
2012	161,179	1,213,733	1,374,912
2013	140,693	1,204,976	1,345,669
Thereafter	13,558	2,958,062	2,971,620
	$ 1,377,767	$ 9,458,304	$ 10,836,071

Amortization expense on intangible assets amounted to $1,367,432. Deferred financing costs amortized into interest expense amounted to $290,135 (as discussed in Note 8).

Note 5. Due from Affiliates

As of December 31, 2008, the Company was owed $4,308,161 from entities that are owned by Liberty Dialysis LLC members or affiliates of the Company and which bears interest at 9% and has no stated repayment terms.

Note 6. Other Long-Term Assets

As of December 31, 2008, other long-term assets consisted of security deposits of $1,556,360 related to lease facilities (see Note 11).

Note 7. Income Taxes

Prior to the formation of Liberty Dialysis, Inc., a taxable corporation on August 18, 2008, the Company's taxable income or loss was allocated to members in accordance with their respective percentage ownership in the previously existing partnership.

On the formation of Liberty Dialysis, Inc., the Company recorded deferred taxes related to the temporary differences between the amounts of assets and liabilities for financial reporting purposes and the amounts reported for income tax purposes, and recorded the differences in these accounts during the reporting period These include temporary differences with respect to depreciation, bad debts, lease expense, and charitable contributions, and the availability of net operating loss carryovers for income tax purposes. The deferred tax asset related to net operating loss carryforwards is $4,476,325.

Net deferred tax liabilities consisted of the following components at December 31, 2008:

Deferred tax liabilities	$	(4,549,654)
Deferred tax assets		4,800,362
Net deferred tax asset	$	250,708

Loss carryforwards for federal and state tax purposes of approximately $12,708,586 expire between the years 2022 and 2028.

The components of the current and deferred income tax expense for the period ended December 31, 2008 are as follows:

	Current	Deferred	Total
Federal	$ -	$ 3,389,790	$ 3,389,790
State	33,928	-	33,928
	$ 33,928	$ 3,389,790	$ 3,423,718

The difference between the reported amount of income tax expense and the amount of income tax expense that results from applying the domestic federal statutory rate of 35% to pre-tax income is primarily due to current state taxes and the reporting of the income earned prior to August 18, 2008 as partnership income that is reflected in the income tax returns of the various partners.

Note 8. Long-Term Debt

Long-term debt was comprised of the following at December 31, 2008:

Term loan payable to The CIT Group/Equipment Financing, Inc bearing interest at 8.21%, requiring monthly payments of principal and interest until maturity on March 3, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	$	905,619
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at Prime plus 1% (4.25% at December 31, 2008), interest was payable monthly and principal was due on March 2, 2008. The balance due on March 2, 2008 was converted to a term loan bearing interest at 7.22%, requiring monthly payments of principal and interest until maturity on March 2, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.		163,354
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.25%, requiring monthly payments of principal and interest until maturity on July 31, 2014. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.		981,393
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.37%, requiring monthly payments of principal and interest until maturity on October 1, 2014. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.		3,663,463
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at Prime plus 1% (4.25% at December 31, 2008), interest is payable monthly and principal is due on July 31, 2010. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.		300,000
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.30%, requiring monthly payments of principal and interest until maturity on February 11, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.		1,204,429
Subtotal (carried forward)	$	7,218,258

Note 8. Long-Term Debt (Continued)

(Subtotal brought forward)	$ 7,218,258
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at Prime plus 1% (4.25% at December 31, 2008), interest was payable monthly and principal was due on March 9, 2008. The balance due on March 9, 2008 was converted to a term loan bearing interest at 7.22%, requiring monthly payments of principal and interest until maturity on March 9, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated Company, certain members, and the Company.	326,771
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.19%, requiring monthly payments of principal and interest until maturity on October 22, 2011. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	750,711
Term loan payable to The CIT Group/Equipment Financing, Inc bearing interest at 8.25%, requiring monthly payments of principal and interest until maturity on November 18, 2011. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated Company, certain members, and the Company.	297,695
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.24%, requiring monthly payments of principal and interest until maturity on February 11, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	567,641
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at Prime plus 1% (4.25% at December 31, 2008), interest was payable monthly and principal was due on February 24, 2008. The balance due on February 24, 2008 was converted to a term loan bearing interest at 7.22%, requiring monthly payments of principal and interest until maturity on February 24, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	163,355
Subtotal (carried forward)	$ 9,324,431

Note 8. Long-Term Debt (Continued)

(Subtotal brought forward)	$ 9,324,431
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.40%, requiring monthly payments of principal and interest until maturity on September 23, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	788,163
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at Prime plus 1% (4.25% at December 31, 2008), interest was payable monthly and principal was due on October 25, 2008. The balance due on October 25, 2008 was converted to a term loan bearing interest at 6.64%, requiring monthly payments of principal and interest until maturity on December 4, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	200,000
Term loan payable to The CIT Group/Equipment Financing, Inc bearing interest at 8.66%, requiring monthly payments of principal and interest until maturity on May 13, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	674,743
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at Prime plus 1% (4.25% at December 31, 2008), interest was payable monthly and principal was due on July 7, 2008 The balance due on July 7, 2008 was converted to a term loan bearing interest at 8.53%, requiring monthly payments of principal and interest until maturity on July 7, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	179,121
Term loan payable to The CIT Lending Services Corporation bearing interest LIBOR plus 3.25 % (5.06% at December 31, 2008), requiring quarterly principal payments of $60,125 plus interest until maturity on January 17, 2014. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by two subsidiaries.	23,328,500
Term loan payable to The CIT Lending Services Corporation bearing interest LIBOR plus 3.25% (5.06% at December 31, 2008), requiring quarterly principal payments of $9,250 plus interest until maturity on January 17, 2014. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by two subsidiaries.	3,589,000
Subtotal (carried forward)	$ 38,083,958

Note 8. Long-Term Debt (Continued)

(Subtotal brought forward)	$ 38,083,958
Term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 7.86%, requiring monthly payments of principal and interest until maturity on December 31, 2011. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	574,013
Term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 8.38%, requiring monthly payments of principal and interest until maturity on December 21, 2011. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	739,449
Term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 8.27%, requiring monthly payments of principal and interest until maturity on May 31, 2013. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	931,864
Term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 8.20%, requiring monthly payments of principal and interest until maturity on October 31, 2011. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	1,952,107
Working capital loan payable to Citicorp Vendor Finance, Inc. bearing interest at 8.25%, interest is payable monthly. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	600,000
Term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 8.23%, requiring monthly payments of principal and interest until maturity on January 31, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members and the Company.	377,814
Term loan payable to Dialysis Clinic, Inc. bearing interest at 7.75%, requiring annual payments of principal and interest until maturity on December 1, 2012. The loan is secured by all assets of the subsidiary and is guaranteed by the Company and members of the subsidiary.	2,571,428
Subtotal (carried forward)	$ 45,830,633

Note 8. Long-Term Debt (Continued)

Subtotal (brought forward)	$ 45,830,633
Term loan payable to Marcap Corporation bearing interest at 8.22%, requiring monthly payments of principal and interest until maturity on August 31, 2012. The loan is secured by all assets of a subsidiary.	495,177
Term loan payable to Marcap Corporation bearing interest at 8.33%, required monthly payments of interest only until July 21, 2008, then monthly payments of principal and interest until maturity on June 21, 2011. The loan is secured by all assets of a subsidiary.	255,135
Term loan payable to Merrill Lynch bearing interest at LIBOR plus 3.5% or Prime plus 2.25% (5.32% at December 31, 2008) requiring quarterly installments of principal and interest until maturity on October 17, 2011. The loan is secured by all assets of a subsidiary.	21,875,000
The Company issued a subordinated note at which currently bears non-cash interest at 16.25% and matures on October 27, 2013. Collateral security includes certain assets of the Company, as defined in the Note Purchase Agreement. The loan is guaranteed by the affiliated companies and the Company.	40,399,123
Term loan payable to Sterling Bank bearing interest at 7.75%, requiring monthly payments of principal and interest until maturity on February 1, 2014. The loan is secured by all assets of a subsidiary, and is guaranteed by the affiliated company, certain members, and the Company.	1,906,711
Working capital loan payable to Sterling Bank bearing interest at 7.75%, requiring monthly payments of interest and principal until maturity on November 1, 2009. The loan is secured by all assets of a subsidiary, and is guaranteed by the affiliated company, certain members, and the Company	130,429
Term loan payable to St. Francis Healthcare System of Hawaii, a minority owner (see Note 12), bearing interest at 8%, requiring quarterly payments of interest in arrears and principal due at maturity on January 10, 2014. The loan is secured by all assets of a subsidiary.	910,000
Term loan payable to North Hawaii Community Hospital, a minority owner (see Note 12), bearing interest at 7%, requiring quarterly payments of interest and principal until maturity on January 10, 2014. The loan is secured by all assets of a subsidiary.	720,000
Term loan payable to Mercer Pasadena LLC, a related party (see Note 12), bearing interest at 9%, requiring quarterly payments of interest and principal until maturity on November 1, 2014.	420,000
Subtotal (carried forward)	$ 112,942,208

Note 8. Long-Term Debt (Continued)

Subtotal (brought forward)	$ 112,942,208
Term loan payable to Ashok Sunder Raj, M.D. bearing interest at 9%, requiring quarterly payments of interest and principal until maturity on November 1, 2014.	2,500,000
Term loan payable to St. Luke's Regional Medical Center bearing interest at 6%, requiring monthly payments of interest and principal until maturity on October 15, 2015. The loan is secured by the leasehold improvements financed by the landlord.	237,681
Term loan payable to HRT, LTD bearing interest at 9%, requiring monthly payments of interest and principal until maturity on January 1, 2028. The loan is secured by the leasehold improvements financed by the landlord.	979,635
Obligation under capital lease, payable in monthly installments of $1,717 through March 2009. Collateralized by related leased equipment.	20,079
Term loan payable to Greater Lafayette Health Services, Inc. bearing interest at 8.25%, requiring monthly payments of principal and interest until maturity on October 13, 2011. The loan is secured by all assets of a subsidiary.	1,264,813
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 7.37%, requiring monthly payments of principal and interest until maturity on February 4, 2014. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	1,018,585
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at Prime plus 1% (4.25% at December 31, 2008), interest is payable monthly and principal is due on February 7, 2010. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	400,000
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 9.01%, requiring monthly payments of principal and interest until maturity on May 19, 2015. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	1,476,411
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at Prime plus 1% (4.25% at December 31, 2008), interest is payable monthly and principal is due on May 22, 2010. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	100,000
Subtotal (carried forward)	$ 120,939,412

Note 8. Long-Term Debt (Continued)

Subtotal (brought forward)	$ 120,939,412
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.00%, requiring monthly payments of principal and interest until maturity on September 15, 2015. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	1,125,605
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at Prime plus 2% (5.25% at December 31, 2008), interest is payable monthly and principal is due on September 16, 2010. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	200,000
Term loan payable to Marcap Corporation bearing interest at 7.60%, requiring monthly payments of principal and interest until maturity on April 30, 2014. The loan is secured by all assets of a subsidiary and is guaranteed by the affiliated company, certain members, and the Company.	1,072,678
Term loan payable to Marcap Corporation bearing interest at 7.71%, requiring monthly payments of interest only until July 31, 2010, then monthly payments of principal and interest until maturity on July 31, 2013. The loan is secured by all assets of a subsidiary and is guaranteed by the affiliated company, certain members, and the Company.	300,000
Term loan payable to Marcap Corporation bearing interest at 8.03%, requiring monthly payments of principal and interest until maturity on September 19, 2014. The loan is secured by all assets of a subsidiary and is guaranteed by the affiliated company, certain members, and the Company.	1,319,126
Term loan payable to Marcap Corporation bearing interest at 8.03%, requiring monthly payments of principal and interest until maturity on September 19, 2013. The loan is secured by all assets of a subsidiary and is guaranteed by the affiliated company, certain members, and the Company.	239,732
Term loan payable to Blackridge, LLC bearing interest at 8%, requiring monthly payments of interest and principal until maturity on March 15, 2017. The loan is secured by the leasehold improvements financed by the landlord.	36,714
Subtotal (carried forward)	$ 125,233,267

Note 8. Long-Term Debt (Continued)

Subtotal (brought forward)	$ 125,233,267
Non-interest bearing term loan payable to Northside Plaza, LLC, requiring monthly payments of principal until maturity on October 31, 2016. The loan is secured by the leasehold improvements financed by the landlord.	67,008
Non-interest bearing term loan payable to Microsoft, GP, requiring monthly payments of principal until maturity on December 19, 2011.	136,393
Term loan payable to SDF Investments, LLC bearing interest at 8.5%, requiring monthly payments of interest and principal upon maturity on February 15, 2015.	100,000
Term loan payable to SDF Investments, LLC bearing interest at 8.5%, requiring monthly payments of interest and principal upon maturity on February 15, 2015.	100,000
Term loan payable to Bank of America bearing interest at LIBOR plus 2% (3.81% at December 31, 2008), requiring monthly payments of principal and interest until maturity on September 30, 2015. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	1,135,794
Working capital loan payable to Bank of America bearing interest at Prime plus 2% (5.25% at December 31, 2008), interest is payable monthly and principal is due on September 30, 2009. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	450,000
Term loan payable to Bank of America bearing interest at LIBOR plus 2% (3.81% at December 31, 2008), requiring monthly payments of principal and interest until maturity on September 30, 2015. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	1,033,556
Working capital loan payable to Bank of America bearing interest at Prime plus 2% (5.25% at December 31, 2008), interest is payable monthly and principal is due on September 30, 2009. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	450,000
Subtotal (carried forward)	$ 128,706,018

Note 8. Long-Term Debt (Continued)

Subtotal (brought forward)	$ 128,706,018
Term loan payable to Bank of America bearing interest at LIBOR plus 2% (3.81% at December 31, 2008), requiring monthly payments of principal and interest until maturity on September 30, 2015. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	1,091,169
Working capital loan payable to Bank of America bearing interest at Prime plus 2% (5.25% at December 31, 2008), interest is payable monthly and principal is due on September 30, 2009. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	450,000
Term loan payable to Manufacturers and Traders Trust Company bearing interest at LIBOR plus 3.5 % (5.31% at December 31, 2008) requiring monthly payments of principal and interest until maturity on December 12, 2015. The loan is secured by all assets of a subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	1,740,000
Term loan payable to M Group Consulting, LLC bearing interest at 9%, requiring annual payments of principal and quarterly payments of interest until maturity on October 31, 2010.	11,000,000
Term loan payable to Marcap Corporation bearing interest at 7.87%, requiring monthly payments of principal and interest until maturity on August 31, 2009. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	894,251
Term loan payable to Marcap Corporation bearing interest at 7.87%, requiring monthly payments of interest only until April 30, 2009, then monthly payments of principal and interest until maturity on April 30, 2012. The loan is secured by certain assets of a subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company	225,000
Term loan payable to Marcap Corporation bearing interest at 7.87%, requiring monthly payments of principal and interest until maturity on August 31, 2013. The loan is secured by certain assets of a subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	451,638
Subtotal (carried forward)	$ 144,558,076

Note 8. Long-Term Debt (Continued)

Subtotal (brought forward)	$ 144,558,076
Term loan payable to Marcap Corporation bearing interest at 7.87%, requiring monthly payments of interest only until April 30, 2009, then monthly payments of principal and interest until maturity on April 30, 2012 The loan is secured by certain assets of a subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	350,000
Term loan payable to Marcap Corporation bearing interest at 8.10%, requiring monthly payments of principal and interest until maturity on July 31, 2013. The loan is secured by certain assets of a subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	498,686
Term loan payable to Marcap Corporation bearing interest at 8 10%, requiring monthly payments of interest only until July 31, 2009, then monthly payments of principal and interest until maturity on July 30, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	300,000
Term loan payable to Farmers Bank bearing interest at 8 13%, requiring monthly payments of principal and interest until maturity on August 22, 2013 The loan is secured by all assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	630,118
Working capital loan payable to Farmers Bank bearing interest at Wall Street Journal Prime (3 25% at December 31, 2008), requiring monthly payments interest and principal due at maturity on August 22, 2009. The loan is secured by certain assets of a subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	234,914
Term loan payable to Farmers Bank bearing interest at 8 13%, requiring monthly payments of principal and interest until maturity on November 15, 2013 The loan is secured by all assets of a subsidiary	974,039
Subtotal (carried forward)	$ 147,545,833

Note 8. Long-Term Debt (Continued)

Subtotal (brought forward)	$ 147,545,833
Term loan payable to Farmers Bank bearing interest at Wall Street Journal Prime (3.25% at December 31, 2008), requiring monthly payments of interest only until November 15, 2009, then monthly payments of principal and interest until maturity on November 15, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company	380,000
	147,925,833
Less Current Portion	(18,855,816)
Total Long-Term Debt	$ 129,070,017

Scheduled maturities of long-term debt as of December 31, 2008 were as follows

2009	$ 18,855,816
2010	18,644,862
2011	27,220,982
2012	6,287,631
2013	45,053,325
Thereafter	31,863,217
	$ 147,925,833

Total interest expense consists of interest expense, net of interest income, of $12,528,875 and total amortization of deferred financing costs of $290,135.

Note 9. Lines of Credit

The Company has a revolving loan bearing interest at LIBOR plus 3.5% (5.06% at December 31, 2008) maturing on January 17, 2011 and calls for quarterly interest payments and principal is due at maturity. The loan is secured by certain assets of the subsidiary, as defined in the Loan and Security Agreement and is guaranteed by two subsidiaries.

At December 31, 2008, total drawn on the line was $6,000,000 and there was no availability under this line.

The Company also has a revolving loan bearing interest at LIBOR plus 3.5% or prime plus 2.25% (5.32% at December 31, 2008) maturing on October 17, 2011 and calls for monthly interest payments and principal is due at maturity. Collateral security includes certain assets of the subsidiary, as defined in the Loan and Security Agreement. The loan is guaranteed by a subsidiary and its affiliated companies

At December 31, 2008, total drawn on this line was $4,044,762 and there was $955,238 available under this line

Note 10. Equity

Common Stock: The Company is authorized to issue 400,000,000 shares of common stock with a par value of $0.001 per share. Shares issued and outstanding were 145,037,822 at December 31, 2008.

Preferred Stock: The Company is authorized to issue 154,962,178 shares of Preferred Stock with a par value of $0.001 per share which are designated as follows:

Stock Class	Par Value	Authorized	Issued
Series A-1 Convertible Participating Preferred Stock	$0.001	38,469,226	38,469,226
Series A-2 Convertible Participating Preferred Stock	$0.001	24,336,323	24,336,323
Series B-1 Convertible Preferred Stock	$0.001	23,168,002	23,168,002
Series B-2 Convertible Preferred Stock	$0.001	29,398,369	29,398,369
Series B-3 Convertible Preferred Stock	$0.001	1,736,731	1,736,731
Series B-4 Convertible Preferred Stock	$0.001	13,803,755	13,803,755
Series C Convertible Participating Preferred Stock	$0.001	24,049,772	24,049,772
Total		154,962,178	154,962,178

The Preferred Stock is convertible, at the option of the holder, or automatically converted upon completion of a qualified public offering or upon the vote of the required holders, into such number of fully paid and non-assessable shares of common stock as is determined by dividing (a) the applicable original capital amount for each share by (b) the applicable conversion price for the applicable series of Preferred Stock in effect at the time of conversion plus in the case of Series A and Series C Preferred Stock, that number of fully paid and non-assessable shares of Class A Common Stock determined by dividing the Applicable Original Capital Amount for such share by, as applicable: the price per share of the Class A Common Stock net of underwriting commissions in the case of a public offering, or in a conversion other than a public offering, the fair market value of a share of Class A Common Stock as mutually agreed by the Board of Directors of the Corporation and the Required Holders. These shares of Preferred Stock do not have beneficial conversion features and dividends are cumulative cash dividends at the annual rate of 8% of the applicable accrued value for such share, prior and in preference to any declaration of payment of any dividend to the holders of shares of Common Stock.

In the event of liquidation, dissolution or winding up of the Company, the holders of Series A and Series B Preferred Stock are entitled to payment at an amount per share equal to the applicable original capital amount, the applicable yield preference amount plus any accrued and unpaid dividends for such series before payment to holders of Series C Preferred Stock or common stock. After payment to holders of Series A and Series B Preferred Stock, the holders of Series C Preferred Stock are entitled to payment at an amount per share equal to the applicable original capital amount, the applicable yield preference amount plus any accrued and unpaid dividends before payment to holders of common stock. Thereafter, any remaining assets shall be distributed ratably to the holders of common stock

Note 11. Commitments and Contingencies

Healthcare provider revenues 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, (4) retroactive applications or interpretations of governmental requirements; and (5) potential claims for refunds from private payers, including as a result of government actions.

Note 11. Commitments and Contingencies (Continued)

Professional liability insurance coverage is provided on both a claims-made basis and an occurrence basis The claims-made policy, which is subject to renewal on an annual basis, covers only claims made during the term of the policy but not those occurrences for which claims may be made after expiration of the policy. The Company intends to renew its coverage on a claims-made basis and has no reason to believe that it may be prevented from renewing such coverage. Additionally, the Company believes that there is no significant exposure for claims incurred but not reported.

The Liberty Dialysis, LLC membership interest issued to the seller of the entity acquired (see Note 11) shall be non-assessable, exempt from all capital calls or capital contribution requirements, and shall not be required to give any guarantees, pledge collateral or otherwise become obligated on any indebtedness of the Company.

The Company has medical director agreements with individuals, who are also related parties The agreements range in terms from three years to ten years and from $30,000 to $250,000 a year, respectively.

The majority of the Company's facilities is leased under non-cancelable operating leases, ranging in terms from five to ten years and contains 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.

Future minimum obligations under non-cancelable operating leases and medical director agreements are as follows:

2009	$ 13,591,057
2010	14,740,319
2011	14,839,542
2012	14,526,494
2013	15,715,346
Thereafter	80,183,760
	$ 153,596,518

Note 12. Acquisitions

During 2008, the Company acquired businesses and additional interests in existing subsidiaries for a total purchase cost of $9,492,368. The assets and liabilities for all acquisitions were recorded at their estimated fair market values at the dates of acquisitions and are included in the Company's financial statements and operating results from the designated effective dates of acquisitions

Note 12. Acquisitions (Continued)

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

	Additional Interest in Subsidiaries	Liberty Venture Partners	Liberty New York	Total
Current assets	$ -	$ 2,774,384	$ 2,551,384	$ 5,325,768
Fixed sssets	-	7,397,953	7,003	7,404,956
Other long-term assets	-	62,671	60,626	123,297
Goodwill	3,492,368	-	14,520,288	18,012,656
Other intangibles assets	-	-	1,675,000	1,675,000
Liabilities assumed	-	(10,235,008)	(2,169,646)	(12,404,654)
Aggregate purchase cost	$ 3,492,368	$ -	$ 16,644,655	$ 20,137,023

Note 13. Related Party Transactions

During 2008, the Company incurred medical director fees of $1,902,785 to related parties. In addition, the Company earned $1,671,414 of management fees and other income from related parties. Additionally, the Company earned $98,756 of interest from related parties

The Company leases facilities from related parties on a month to month basis. Rent expense under these arrangements, expenses for equipment repairs and maintenance and other operating expenses amounted to $1,085,463

During 2008, the Company entered into note payable agreements with related parties. The balance due on the notes as of December 31, 2008 was $2,050,000 and is included in long-term debt on the balance sheet. The Company incurred interest expense of $176,025 to related parties as a part of the notes payable.

Note 14. Goodwill

Goodwill acquired in a purchase combination is evaluated for impairment annually. Based on the Company's annual impairment test, goodwill was not impaired for the year ended December 31, 2008.

Note 15. Employee Benefits Plans

One of the Company's subsidiaries has a Retirement Savings Plan (401k) which covers substantially all employees of such subsidiary, wherein employees may contribute a percentage of their compensation. Eligible employees must have attained the age of 21 and completed 1,000 hours of service. At its discretion, the Subsidiary may make 25% or 50% matching contributions, up to the first 8% or 6% of each participating employee's contribution. The Subsidiary elected to make an additional discretionary profit sharing contribution totaling 4% of eligible participant's salary, subject to IRS limits during 2008. The Subsidiary's contributions for 2008 were approximately $610,000.

Note 16. Restricted Unit Plan

The Company has a Restricted Unit Plan (the "Plan") for certain key employees under which phantom equity units may be granted from time to time. Under the terms of the Plan, the employees are entitled to receive a monetary award only if there is a change in control (as defined) of the Company. The administrator determines the terms of all awards, including the vesting, which requires only future service

The change in control of the Company is considered a performance condition under SFAS No. 123(R), and because the Company has determined this condition as only reasonably possible, no compensation expense has been recorded for these units. In addition, because the amount of the ultimate award cannot be determined until a change in control has occurred, a calculation of unearned compensation as of December 31, 2008 cannot be performed.

During 2008, fifteen restricted units were granted to employees which were still outstanding and unvested at December 31, 2008.

Note 17. Subsequent Event

The Company issued 25,510,204 shares of Series D Convertible Preferred Stock for $25,000,000 in March 2009.

The Company purchased an additional facility in March 2009. The purchase price was approximately $4,000,000, which was paid in cash and notes payable. The fair value of the assets acquired and liabilities assumed has not been completed as of the date of these financial statements

The Company purchased an interest in an additional 5 facilities in July 2009. The purchase price was approximately $1,137,000, which was paid in cash and debt forgiveness. The fair value of the assets acquired and liabilities assumed has not been completed as of the date of these financial statements.

Note 18. Restatement

The 2008 consolidated financial statements have been restated to correct the beginning balance of the Company's deferred taxes related to investments in subsidiaries. The following financial statement line items were affected by this statement:

	Debit (Credit)		
	As Previously Reported	As Restated	Effect of Restatement
Balance Sheet			
Goodwill	115,899,700	116,544,355	644,655
Deferred tax asset	-	250,708	250,708
Accounts payable and accrued expenses	(30,387,475)	(30,399,141)	(11,666)
Deferred tax liability	(2,081,432)	-	2,081,432
Retained earnings	(74,252)	(3,039,381)	(2,965,129)
Statement of Income			
Provision for (benefit from) income taxes	2,103,694	3,423,718	1,320,024
Net income	(7,886,268)	(6,566,244)	1,320,024

McGladrey & Pullen
Certified Public Accountants

Liberty Dialysis, Inc. and Subsidiaries

Consolidated Financial Report
December 31, 2009

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Shareholders
Liberty Dialysis, Inc and Subsidiaries
Mercer Island, Washington

We have audited the accompanying consolidated balance sheet of Liberty Dialysis, Inc. and Subsidiaries as of December 31, 2009, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides 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 Liberty Dialysis, Inc. and Subsidiaries as of December 31, 2009, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Stamford, Connecticut
May 20, 2010

Liberty Dialysis, Inc. and Subsidiaries

Consolidated Balance Sheet
December 31, 2009

Assets	
Current Assets	
Cash and cash equivalents (Note 2)	$ 46,122,098
Patient accounts receivable, net of allowance for uncollectible accounts of $7,481,381 (Note 2)	49,939,656
Medical and pharmacy supplies	6,297,021
Prepaid expenses and other current assets	6,806,256
Total current assets	109,165,031
Property and equipment - net (Note 3)	105,650,834
Due from affiliates - net (Notes 5 and 13)	8,506,418
Other long-term assets (Note 6)	1,176,658
Intangibles - net (Note 4)	9,962,885
Goodwill (Note 14)	121,680,593
Total assets	$ 356,142,419
Liabilities and Equity	
Current Liabilities	
Accounts payable and accrued expenses	$ 39,737,773
Lines of credit (Note 9)	10,044,762
Current portion of long-term debt (Note 8)	22,695,534
Total current liabilities	72,478,069
Deferred tax liability (Note 7)	2,772,289
Long-term debt (Note 8)	137,532,060
Other long-term liabilities	21,130,367
Total liabilities	233,912,785
Commitments and Contingencies (Note 11)	
Equity (Note 10)	
Preferred stock ($0 001 par value, 180,472,382 authorized; 180,472,382 issued)	180,472
Additional paid-in capital - preferred	70,787,007
Common stock ($0.001 par value, 400,000,000 authorized, 145,037,822 issued and outstanding)	145,038
Additional paid-in capital - common	43,305,012
Retained earnings	8,392,585
Non-controlling interest	(580,480)
Total equity	122,229,634
Total liabilities and equity	$ 356,142,419

See Notes to Consolidated Financial Statements.

Liberty Dialysis, Inc. and Subsidiaries

Consolidated Statement of Operations
Year Ended December 31, 2009

Revenues	
Net patient service revenue (Note 2)	$ 240,445,455
Other revenue	6,852,605
Total revenues	247,298,060
Operating Expenses	
Salaries, contracted services and employee benefits	96,662,944
Supplies and other operating expenses	106,729,623
Provision for uncollectible accounts	6,275,342
Depreciation and amortization (Notes 3 and 4)	12,482,484
Other taxes	2,923,261
Total operating expenses	225,073,654
Income from operations	22,224,406
Other Income (Expense)	
Interest income	627,616
Interest expense	(15,972,877)
Other losses	(663,636)
Net other expenses	(16,008,897)
Income before taxes	6,215,508
Income tax expense (Note 7)	3,481,111
Net income	2,734,397
Add: Net loss attributable to the non-controlling interest	2,618,806
Net income attributable to Liberty Dialysis, Inc.	$ 5,353,203

See Notes to Consolidated Financial Statements.

Liberty Dialysis, Inc. and Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended December 31, 2009

	Preferred Stock			Common Stock			Retained		
	Shares	Amount	Additional Paid in Capital	Shares	Amount	Additional Paid in Capital	Earnings/ (Deficit)	Non-Controlling Interest	Total
Balance at December 31, 2008	154,962,178	$ 154,962	$ 46,260,654	145,037,822	$ 145,038	$ 43,305,012	$ 3,039,382	$ 5,198,077	$ 98,103,125
Purchase of preferred stock	25,510,204	25,510	24,526,353	-	-	-	-	-	24,551,863
Contributions	-	-	-	-	-	-	-	3,143,904	3,143,904
Distributions and other	-	-	-	-	-	-	-	(6,303,655)	(6,303,655)
Net income	-	-	-	-	-	-	5,353,203	(2,618,806)	2,734,397
Balance, December 31, 2009	180,472,382	$ 180,472	$ 70,787,007	145,037,822	$ 145,038	$ 43,305,012	$ 8,392,585	$ (580,480)	$ 122,229,634

See Notes to Consolidated Financial Statements

Liberty Dialysis, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended December 31, 2009

Cash Flows from Operating Activities	
Net income	$ 2,734,397
Adjustments to reconcile net income to net cash provided by operating activities:	
Other losses	663,636
Depreciation and amortization	12,482,484
Deferred financing amortization	500,283
Deferred rent amortization	1,996,000
Changes in assets and liabilities:	
(Increase) decrease in	
Patient accounts receivable	(7,018,435)
Medical and pharmacy supplies	(2,805,299)
Prepaid expenses and other current assets	(2,749,125)
Due from affiliates	(4,214,818)
Other long-term assets	641,780
Increase in:	
Accounts payable and accrued expenses	8,557,124
Other long-term liabilities	7,878,177
Net cash provided by operating activities	18,666,205
Cash Flows from Investing Activities	
Purchase of property and equipment, net	(27,776,554)
Purchase of intangible assets	(496,470)
Purchase of various Companies, net of cash and cash equivalents	(3,519,194)
Net cash used in investing activities	(31,792,218)
Cash Flows from Financing Activities	
Non-controlling interest capital contributions, net	2,646,315
Non-controlling interest distributions	(5,806,067)
Members' capital contributions	24,551,865
Deferred financing costs	(508,109)
Proceeds from long-term debt	27,657,373
Principal payments on long-term debt	(17,455,612)
Net cash provided by financing activities	31,085,765
Net increase in cash and cash equivalents	17,959,752
Cash and Cash Equivalents	
Beginning	28,162,346
Ending	$ 46,122,098
Supplemental Disclosures of Cash Flow Information	
Cash paid during the year for:	
Interest	$ 8,551,337

See Notes to Consolidated Financial Statements.

Note 1. Summary of Significant Accounting Policies

Nature of business: Liberty Dialysis, Inc. (the "Company"), a Delaware Corporation, was organized in August 2008 to form and make contributions of capital to one or more entities for the purpose of acquiring, constructing, owning, leasing, operating, maintaining and selling kidney dialysis centers. The term of the Company commenced upon filing the Certificate of Formation with the state of Delaware on August 18, 2008 and shall continue perpetually unless terminated in accordance with the articles of incorporation. On August 18, 2008, the Company directly and indirectly acquired members' interest in Liberty Dialysis, LLC, a Delaware Limited Liability Company. At December 31, 2009, the Company owned 100% of Liberty Dialysis, LLC which owned and operated 88 kidney dialysis centers across the United States with its partners through investments in limited liability companies, which are subsidiaries of the Company.

Basis of presentation: These consolidated financial statements and accompanying notes are prepared in accordance with the accounting principles generally accepted in the United States of America. The accompanying financial statements include the accounts of Liberty Dialysis, LLC and all of its consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated.

Net-patient service revenue and patient 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 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 the Company has formal agreements, if any, commercial health plan coverage terms if known, estimated secondary collections, historical collection experience, historical trends of refunds and payor payment adjustments (retractions), and regulatory compliance issues.

Patient services revenue is recognized in the period services are provided. Revenue consists 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 as recorded in the financial statements is normally at a discount to the fee schedule.

Commercial revenue recognition involves substantial estimating risk. With many larger, commercial insurers the Company has several different contracts and payment arrangement, and these contracts often include only a subset of the Company's centers. In addition, for services provided by non-contracted centers, final collection may require specific negotiation of a payment amount, which may involve a 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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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.

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, and purchase accounting valuations estimates. Specific estimating risks and contingencies are further addressed within these notes to the consolidated financial statements.

Cash and cash equivalents: For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

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 and any changes in the valuation allowance caused by a change in judgment about the realizability of the related deferred tax assets. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. The Company adopted this new guidance for the year ended December 31, 2009. Management evaluated the Company's tax positions and concluded that the Company had taken no material uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2006.

Medical and pharmacy supplies: Medical and pharmacy supplies are stated at the lower of cost (first-in, first-out) or market and consist principally of pharmaceuticals and dialysis related supplies

Property and equipment: Property and equipment is stated at cost less accumulated depreciation and amortization. The Company provides for depreciation using the straight-line method over the useful lives of the assets estimated as follows: equipment, 7 years; office equipment and furniture, 3 to 7 years; and leasehold improvements are depreciated over the lesser of the expected term of the related lease or the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred Upon sale or retirement, the cost of the asset and the related accumulated depreciation are removed from the accounts, and the remaining gain or loss is included in the results of operations.

Amortizable intangibles: Amortizable intangible assets include non-competition and similar agreements, hospital acute service contracts and deferred financing costs, which have determinable useful lives Non-competition and similar agreements are amortized over the terms of the agreements, typically ten years, using the straight-line method. Hospital acute service contracts are amortized straight-line over the term of the contract period. Deferred financing costs are amortized to interest expense over the term of the related debt using the effective interest method.

Note 1. Summary of Significant Accounting Policies (Continued)

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 is performed 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

Goodwill is required to be evaluated for impairment on an annual basis, or more frequently if impairment indicators arise, using fair-value-based test that compares the fair value of the asset to its carrying value. Fair values are determined by discounting future cash flows of the reporting unit, using a risk-adjusted discount rate, as developed by management.

Impairment of long-lived assets: Long-lived assets, including property and equipment and amortizable intangible assets are reviewed for possible impairment whenever significant events or changes in circumstances indicate that impairment may have occurred, including changes in business strategy and plans, changes in the quality or structure of relationships with 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.

Non-controlling interest: The consolidated income is decreased by the proportionate amount of net income accruing to non-controlling interests. Non-controlling interests represent the equity interests of third-party owners in consolidated entities that are not wholly-owned As of December 31, 2009, third-parties held non-controlling interests in 78 consolidated entities. See discussion below on the retrospective application of adopting the presentation and disclosure requirements relating to non-controlling interests.

Fair value: The estimated fair value of the Company's short-term financial instruments, including cash, cash equivalents, accounts receivable and accounts payable arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization. The fair value of the long-term debt and line of credit is estimated based on current rates offered to the Company for similar debt of the same remaining maturities and additionally, the Company considers its creditworthiness in determining the fair value of these debt instruments.

Recent accounting pronouncements. In June 2009, the Financial Accounting Standards Board ("FASB") issued the FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles (the "FASB Codification"), which was effective for the Company July 1, 2009. The FASB Codification does not alter current U.S GAAP, but rather integrates existing accounting standards with other authoritative guidance. Under the FASB Codification, there is a single source of authoritative U.S GAAP for non-governmental entities and this has superseded all other previously issued non-SEC accounting and reporting guidance. The adoption of the FASB Codification did not have any impact on the Company's consolidated financial statements.

In May 2009, the FASB issued authoritative guidance regarding subsequent events. This authoritative guidance establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued It requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued This disclosure should alert all users of the financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. This authoritative guidance is effective for financial periods ending after June 15, 2009 The Company adopted this authoritative guidance during the year ended December 31, 2009 See Note 16 for the Company's assessment.

Note 1. Summary of Significant Accounting Policies (Continued)

Effective January 1, 2009, the Company is required to treat non-controlling interests as a separate component of equity, but apart from the Company's equity, and not as a liability or other item outside of equity. The Company is also required to identify and present consolidated net income attributable to the Company and to non-controlling interests on the face of the consolidated statement of income. Previously, the Company has reported minority interest (non-controlling interests) as a reduction to operating income. In addition, changes in the Company's ownership interest while the Company retains a controlling financial interest should be accounted for as equity transactions. The Company was also required to expand disclosures in the financial statements to include a reconciliation of the beginning and ending balances of the equity attributable to the Company and the non-controlling owners and a schedule showing the effects of changes in the Company's ownership interest in a subsidiary on the equity attributable to the Company. This change did not have a material impact on the Company's consolidated financial statements; however, it did change the presentation of minority interests (non-controlling interests) in the Company's consolidated financial statements.

Note 2. Concentration of Credit Risk

The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits. This potentially subjects the Company to concentration of credit risk. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on its cash.

The Company grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of net patient service revenue and net patient accounts receivable from patients and third-party payers at December 31, 2009 was as follows:

	Net Patient Service Revenue
Commercial	53%
Medicare	39%
Medicaid	3%
Acute contracts	4%
Patients	1%
	100%

	Net Patient Accounts Receivable
Commercial	51%
Medicare	29%
Medicaid	11%
Acute Contracts	4%
Patients	5%
	100%

Note 3. Property and Equipment

A summary of property and equipment are as follows

Construction in progress	$ 12,514,464
Equipment	30,872,829
Office equipment and furniture	15,082,027
Leasehold improvements	75,647,206
	134,116,526
Less accumulated depreciation	(28,465,692)
	$ 105,650,834

Depreciation expense on property and equipment was $11,039,029.

Note 4. Intangibles

Intangible assets were comprised of the following:

Amortizable Intangibles	
Non-competition and related agreement costs	$ 14,291,863
Deferred debt issuance costs	2,671,777
Other amortizable intangibles	84,033
	17,047,673
Less accumulated amortization	(7,619,245)
Total amortizable intangibles	9,428,428
Unamortized intangibles	534,457
Total intangibles	$ 9,962,885

Scheduled amortization charges from intangible assets as of December 31, 2009 were as follows:

	Deferred Financing Costs	Non-Compete and Other Intangibles	Total
2010	$ 379,784	$ 1,725,800	$ 2,105,584
2011	263,117	1,339,133	1,602,250
2012	161,179	1,334,133	1,495,312
2013	140,693	1,325,376	1,466,069
2014	121,569	1,318,742	1,440,311
Thereafter	408,034	910,867	1,318,901
	$ 1,474,376	$ 7,954,052	$ 9,428,428

Amortization expense on non-compete and other intangible assets amounted to $1,443,455 Deferred financing costs amortized into interest expense amounted to $500,283 (as discussed in Note 8).

Note 5. Due from Affiliates

As of December 31, 2009, the Company was owed $8,506,418 from entities that are owned by members or affiliates of the Company and which bears interest at 9% and has no stated repayment terms.

Note 6. Other Long-Term Assets

As of December 31, 2009, other long-term assets consisted of security deposits of $1,176,658 related to leased facilities (see Note 11).

Note 7. Income Taxes

Net deferred tax liabilities consisted of the following components at December 31, 2009:

Deferred tax liabilities	$	(5,261,818)
Deferred tax assets		2,489,529
Net deferred tax liability	$	(2,772,289)

Loss carryforwards for federal and state tax purposes of approximately $6,381,585 and $1,773,982, respectively, expire between the years 2022 and 2028.

The components of the current and deferred income tax expense for the period ended December 31, 2009 are as follows:

		Current		Deferred		Total
Federal	$	336,020	$	3,101,912	$	3,437,932
State		43,179				43,179
	$	379,199	$	3,101,912	$	3,481,111

The difference between the reported amount of the income tax expense and the amount of income tax expense that results from applying the domestic federal statutory rate of 35% of the pre-tax income is due to state taxes as follows:

Federal income tax rate	35.00%
State taxes, net of federal benefit	4.40%
Effective tax rate	39.40%

Note 8. Long-Term Debt

Long-term debt was comprised of the following at December 31, 2009:

Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.20% requiring monthly payments of principal and interest until maturity on March 3, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	$	666,817
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 7.22% requiring monthly payments of principal and interest until maturity on February 15, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.		115,731
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.25% requiring monthly payments of principal and interest until maturity on June 30, 2014. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.		838,776
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.37% requiring monthly payments of principal and interest until maturity on November 1, 2014. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.		3,154,970
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 5.41% requiring monthly payments of principal and interest until maturity on July 31, 2013. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.		270,476
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.29% requiring monthly payments of principal and interest until maturity on February 11, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.		875,758
Subtotal (carried forward)	$	5,922,528

Note 8. Long-Term Debt (Continued)

(Subtotal brought forward)	$ 5,922,528
Term loan payable to The CIT Group/Equipment Financing, Inc bearing interest at 7.22% requiring monthly payments of principal and interest until maturity on February 15, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated Company, certain members, and the Company.	231,462
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.19% requiring monthly payments of principal and interest until maturity on October 22, 2011. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	502,818
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.85% requiring monthly payments of principal and interest until maturity on October 4, 2011. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated Company, certain members, and the Company.	201,004
Term loan payable to The CIT Group/Equipment Financing, Inc bearing interest at 8.24% requiring monthly payments of principal and interest until maturity on January 24, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	396,860
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 7.22% requiring monthly payments of principal and interest until maturity on February 15, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	115,732
Subtotal (carried forward)	$ 7,370,404

Note 8. Long-Term Debt (Continued)

(Subtotal brought forward)	$ 7,370,404
Term loan payable to The CIT Group/Equipment Financing, Inc bearing interest at 8.40% requiring monthly payments of principal and interest until maturity on September 23, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	601,549
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 6.64% requiring monthly payments of principal and interest until maturity on December 4, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	154,698
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.66% requiring monthly payments of principal and interest until maturity on May 13, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	495,919
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.53% requiring monthly payments of principal and interest until maturity on June 19, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	133,257
Term loan payable to The CIT Lending Services Corporation bearing interest at LIBOR plus 5.0 % (5.29% at December 31, 2009) requiring quarterly principal payments of $60,125 plus interest until maturity on January 17, 2014. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by two subsidiaries. This agreement is subject to certain financial covenants.	23,088,000
Term loan payable to The CIT Lending Services Corporation bearing interest at LIBOR plus 5.0% (5.29% at December 31, 2009) requiring quarterly principal payments of $9,250 plus interest until maturity on January 17, 2014. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by two subsidiaries. This agreement is subject to certain financial covenants.	3,552,000
Subtotal (carried forward)	$ 35,395,827

Note 8. Long-Term Debt (Continued)

(Subtotal brought forward)	$ 35,395,827
Term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 7.88% requiring monthly payments of principal and interest until maturity on December 30, 2011. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	397,410
Term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 8.38% requiring monthly payments of principal and interest until maturity on December 21, 2011. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	514,325
Term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 8.27% requiring monthly payments of principal and interest until maturity on May 31, 2013. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	749,571
Term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 8.20% requiring monthly payments of principal and interest until maturity on October 28, 2011. The loan is secured secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	1,312,706
Term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 5.64% requiring monthly payments of principal and interest until maturity on June 15, 2011. The loan is secured secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	457,353
Term loan payable to Citicorp Vendor Finance, Inc. bearing interest at 8.23% requiring monthly payments of principal and interest until maturity on January 31, 2012. The loan is secured by certain assets of the Subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	265,764
Subtotal (carried forward)	$ 39,092,956

Note 8. Long-Term Debt (Continued)

Subtotal (brought forward)	$ 39,092,956
Term loan payable to Dialysis Clinic, Inc. bearing interest at 7.75% requiring annual payments of principal and interest until maturity on December 1, 2012. The loan is secured by all assets of the subsidiary and is guaranteed by the Company and members of the subsidiary.	1,928,571
Term loan payable to Tygris bearing interest at 8.22% requiring monthly payments of principal and interest until maturity on August 30, 2012. The loan is secured by all assets of a subsidiary.	374,133
Term loan payable to Tygris bearing interest at 8.33% requiring monthly payments of principal and interest until maturity on June 22, 2011. The loan is secured by all assets of a subsidiary	159,505
Term loan payable to Merrill Lynch bearing interest at LIBOR plus 3.5% or Prime plus 2.25% (3.79% at December 31, 2009) requiring quarterly installments of principal and interest until maturing on October 17, 2011. This agreement is subject to certain financial covenants.	19,375,000
Term loan payable to Sterling Bank bearing interest at 7.75% requiring monthly payments of principal and interest until maturity on February 1, 2014. The loan is secured by all assets of a subsidiary, and is guaranteed by the affiliated company, certain members, and the Company.	1,589,620
Term loan payable to St. Francis Healthcare System of Hawaii (a minority owner see Note 11) bearing interest at 8% requiring quarterly payments of interest in arrears and principal due at maturity on January 10, 2014. The loan is secured by all assets of a subsidiary.	910,000
Term loan payable to North Hawaii Community Hospital (a minority owner see Note 11) bearing interest at 7% requiring quarterly payments of interest and principal until maturity on June 30, 2012. The loan is secured by all assets of a subsidiary	540,000
Subtotal (carried forward)	$ 63,969,785

Note 8. Long-Term Debt (Continued)

Subtotal (brought forward)	$ 63,969,785
Term loan payable to Mercer Pasadena LLC (a related party see Note 11) bearing interest at 9% requiring quarterly payments of interest and principal until maturity on November 30, 2014.	340,000
Term loan payable to Ashok Sunder Raj, M.D. bearing interest at 9% requiring quarterly payments of interest and principal until maturity on November 30, 2014	2,100,000
Term loan payable to St. Luke's Regional Medical Center bearing interest at 6% requiring monthly payments of interest and principal until maturity on October 31, 2015. The loan is secured by the leasehold improvements financed by the landlord.	208,666
Term loan payable to HRT, LTD bearing interest at 9% requiring monthly payments of interest and principal until maturity on January 1, 2028. The loan is secured by the leasehold improvements financed by the landlord.	958,998
Term loan payable to Greater Lafayette Health Services, Inc bearing interest at 8.25% requiring monthly payments of principal and interest until maturity on November 17, 2011. The loan is secured by all assets of a subsidiary.	874,554
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 7.30% requiring monthly payments of principal and interest until maturity on February 6, 2015 The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	880,788
Working capital loan payable to The CIT Group/Equipment Financing, Inc bearing interest at prime plus 1% (4.25% at December 31, 2009), interest is payable monthly and principal is due on February 7, 2010. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, members, and the Company.	400,000
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 9.01% requiring monthly payments of principal and interest until maturity on April 20, 2015. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	1,295,306
Subtotal (carried forward)	$ 71,028,097

Note 8. Long-Term Debt (Continued)

Subtotal (brought forward)	$ 71,028,097
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at prime plus 1% (4.25% at December 31, 2009), interest is payable monthly and principal is due on May22, 2010. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, members, and the Company.	100,000
Term loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at 8.00% requiring monthly payments of principal and interest until maturity on August 16, 2015. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	1,010,841
Working capital loan payable to The CIT Group/Equipment Financing, Inc. bearing interest at prime plus 2% (5.25% at December 31, 2009), interest is payable monthly and principal is due on September 16, 2010. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, members, and the Company.	200,000
Term loan payable to Tygris bearing interest at 7.60% requiring monthly payments of principal and interest until maturity on April 22, 2014. The loan is secured by all assets of a subsidiary.	903,112
Term loan payable to Tygris bearing interest at 7.71% requiring monthly payments of interest only until July31, 2010, then monthly payments of principal and interest until maturity on August 31, 2013. The loan is secured by all assets of a subsidiary.	300,000
Term loan payable to Tygris bearing interest at 8.03% requiring monthly payments of principal and interest until maturity on September 19, 2014. The loan is secured by all assets of a subsidiary.	1,168,409
Term loan payable to Tygris bearing interest at 8.03% requiring monthly payments of principal and interest until maturity on September 19, 2013. The loan is secured by all assets of a subsidiary.	196,544
Subtotal (carried forward)	$ 74,907,003

Note 8. Long-Term Debt (Continued)

Subtotal (brought forward)	$ 74,907,003
Term loan payable to Blackridge, LLC bearing interest at 8% requiring monthly payments of interest and principal until maturity on March 15, 2017. The loan is secured by the leasehold improvements financed by the landlord.	33,401
Term loan payable to Northside Plaza, LLC bearing interest at 0% requiring monthly payments of principal until maturity on October 31, 2016. The loan is secured by the leasehold improvements financed by the landlord.	58,408
Term loan payable to Microsoft, GP bearing interest at 0% requiring monthly payments of principal until maturity on December 19, 2011.	91,285
Term loan payable to SDF Investments, LLC bearing interest at 8.5% requiring monthly payments of interest, and principal upon maturity on February 15, 2015.	100,000
Term loan payable to SDF Investments, LLC bearing interest at 8.5% requiring monthly payments of interest, and principal upon maturity on February 15, 2015.	100,000
Term loan payable to The Bank of America bearing interest at LIBOR plus 2% (2.23% at December 31, 2009) requiring monthly payments of principal and interest until maturity on September 1, 2015. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	1,001,136
Term loan payable to The Bank of America bearing interest at LIBOR plus 2% (2.23% at December 31, 2009) requiring monthly payments of principal and interest until maturity on November 1, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	437,864
Term loan payable to The Bank of America bearing interest at LIBOR plus 2% (2.23% at December 2009) requiring monthly payments of principal and interest until maturity on September 1, 2015. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	911,019
Subtotal (carried forward)	$ 77,640,116

Note 8. Long-Term Debt (Continued)

Subtotal (brought forward)	$ 77,640,116
Term loan payable to The Bank of America bearing interest at LIBOR plus 2% (2.23% at December 2009) requiring monthly payments of principal and interest until maturity on September 1, 2015. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	961,597
Term loan payable to The Bank of America bearing interest at LIBOR plus 2% (2.23% at December 2009) requiring monthly payments of principal and interest until maturity on November 1, 2012. The loan is secured by certain assets of the subsidiary as defined in the Loan and Security Agreement and is guaranteed by the affiliated company, certain members, and the Company.	437,903
Term loan payable to Manufacturers and Traders Trust Company bearing interest at LIBOR+3.5% (3.73% at December 31, 2009) requiring monthly payments of interest only until July 12, 2009, then monthly payments of principal and interest until maturity on December 12, 2015. The loan is secured by all assets of a subsidiary.	1,646,660
Term loan payable to Tygris bearing interest at 7.87% requiring monthly payments of principal and interest until maturity on April 16, 2013. The loan is secured by all assets of a subsidiary.	712,780
Term loan payable to Tygris bearing interest at 7.87% requiring monthly payments of interest only until April 16, 2009, then monthly payments of principal and interest until maturity on April 16, 2012. The loan is secured by all assets of a subsidiary.	179,473
Term loan payable to Tygris bearing interest at 7.87% requiring monthly payments of principal and interest until maturity on April 16, 2013. The loan is secured by all assets of a subsidiary.	359,976
Term loan payable to Tygris bearing interest at 7.87% requiring monthly payments of interest only until April 16, 2009, then monthly payments of principal and interest until maturity on April 16, 2012. The loan is secured by all assets of a subsidiary.	279,180
Subtotal (carried forward)	$ 82,217,685

Note 8. Long-Term Debt (Continued)

Subtotal (brought forward)	$ 82,217,685
Term loan payable to Tygris bearing interest at 8.10% requiring monthly payments of principal and interest until maturity on July 31, 2013. The loan is secured by all assets of a subsidiary.	411,402
Term loan payable to Tygris bearing interest at 8.10% requiring monthly payments of interest only until July 31, 2009, then monthly payments of principal and interest until maturity on August 31, 2012. The loan is secured by all assets of a subsidiary.	262,551
Term loan payable to Farmers Bank bearing interest at 8.13% requiring monthly payments of principal and interest until maturity on August 22, 2013. The loan is secured by all assets of a subsidiary.	507,391
Term loan payable to Farmers Bank bearing interest at 5.0% requiring monthly payments of principal and interest until maturity on August 22, 2012. The loan is secured by all assets of a subsidiary.	210,549
Term loan payable to Farmers Bank bearing interest at 7.63% requiring monthly payments of principal and interest until maturity on December 15, 2013. The loan is secured by all assets of a subsidiary.	808,652
Term loan payable to Farmers Bank bearing interest at 4.89% requiring monthly payments of principal and interest until maturity on December 15, 2013. The loan is secured by all assets of a subsidiary.	370,130
Term loan payable to The Bank of America bearing interest at LIBOR plus 3.75% (3.98% at December 31, 2009) requiring monthly payments of principal and interest until maturity on January 31, 2016. The loan is secured by certain assets of the subsidiary as defined in the Loan Agreement and is guaranteed by the affiliated company, certain members, and the Company.	728,404
Term loan payable to The Bank of America bearing interest at LIBOR plus 3.75% (3.98% at December 31, 2009) requiring monthly payments of principal and interest until maturity on January 31, 2016. The loan is secured by certain assets of the subsidiary as defined in the Loan Agreement and is guaranteed by the affiliated company, certain members, and the Company.	894,402
Subtotal (carried forward)	$ 86,411,166

Note 8. Long-Term Debt (Continued)

Subtotal (brought forward)	$ 86,411,166
Term loan payable to The Bank of America bearing interest at LIBOR plus 3.75% (3.98% at December 31, 2009) requiring monthly payments of principal and interest until maturity on January 31, 2016. The loan is secured by certain assets of the subsidiary as defined in the Loan Agreement and is guaranteed by the affiliated company, certain members, and the Company.	896,956
Term loan payable to The Bank of America bearing interest at LIBOR plus 3.75% (3.98% at December 31, 2009) requiring monthly payments of principal and interest until maturity on January 31, 2016. The loan is secured by certain assets of the subsidiary as defined in the Loan Agreement and is guaranteed by the affiliated company, certain members, and the Company.	939,675
Term loan payable to Manufacturers and Traders Trust Company bearing interest at LIBOR plus (3.75% at December 31, 2009) requiring monthly payments of interest only until August 26, 2009, then monthly payments of principal and interest until maturity on February 26, 2014. The loan is secured by all assets of a subsidiary.	1,427,020
Term loan payable to Manufacturers and Traders Trust Company bearing interest at 6.25% requiring monthly payments of interest only until February 28, 2010, then monthly payments of principal and interest until maturity on August 31, 2014. The loan is secured by all assets of a subsidiary.	1,261,000
Term loan payable to Mainland Bank bearing interest at 8.76% requiring monthly payments of principal and interest until maturity on April 29, 2014. The loan is secured by all assets of a subsidiary.	1,422,352
Term loan payable to Commerce National Bank bearing interest at 8.76% requiring monthly payments of principal and interest until maturity on September 4, 2014. The loan is secured by all assets of a subsidiary.	1,023,552
Term loan payable to Bank of Nevada bearing interest at 7.5% requiring monthly payments of principal and interest until maturity on August 31, 2014. The loan is secured by all assets of a subsidiary.	1,267,766
Term loan payable to Hitachi Capital America bearing interest at 8.6% requiring monthly payments of principal and interest until maturity on August 17, 2015. The loan is secured by all assets of a subsidiary.	1,357,850
Subtotal (carried forward)	$ 96,007,337

Note 8. Long-Term Debt (Continued)

Subtotal (brought forward)	$ 96,007,337
Term loan payable to Siemens Financial Services bearing interest at 9.92% requiring monthly payments of principal and interest until maturity on May 31, 2015. The loan is secured by all assets of a subsidiary.	1,424,393
Term loan payable to Siemens Financial Services bearing interest at 7.05% requiring monthly payments of principal and interest until maturity on August 28, 2014. The loan is secured by all assets of a subsidiary.	1,403,780
Term loan payable to Siemens Financial Services bearing interest at 8.72% requiring monthly payments of principal and interest until maturity on November 24, 2014. The loan is secured by all assets of a subsidiary.	1,309,647
Term loan payable to Siemens Financial Services bearing interest at 8.75% requiring monthly payments of principal and interest until maturity on December 14, 2015. The loan is secured by all assets of a subsidiary.	767,445
Promissory note payable to Optimal Construction (a related party, see Note 11) bearing an interest rate at 10% requring interest only payments until maturity on March 1, 2013.	2,100,000
Term loan payable to Key Equipment Finance bearing interest at 8.6% requiring monthly payments of principal and interest until maturity on November 25, 2015. The loan is secured by all assets of a subsidiary.	1,554,413
Term loan payable to Key Equipment Finance bearing interest at 8.6% requiring monthly payments of principal and interest until maturity on November 25, 2015. The loan is secured by all assets of a subsidiary.	1,171,704
Term loan payable to M Group Consulting, LLC bearing interest at 9% requiring annual payments of principal and quarterly payments of interest until maturity on October 31, 2010.	7,000,000
The Company issued a subordinated note bearing non-cash interest at 16.5% and maturing on January 14, 2013. Collateral security includes certain assets of the Company, as defined in the Note Purchase Agreement. The loan is guaranteed by the affiliated companies and the Company.	47,488,875
	160,227,594
Less current portion:	(22,695,534)
	$ 137,532,060

Note 8. Long-Term Debt (Continued)

Scheduled maturities of long-term debt as of December 31, 2009 were as follows.

2010	$ 22,695,534
2011	30,899,085
2012	10,797,223
2013	58,228,260
2014	34,059,551
Thereafter	3,547,941
	$ 160,227,594

Total interest expense consists of interest expense of $15,472,594 and total amortization of deferred financing costs of $500,283.

Note 9. Lines of Credit

A revolving loan bearing interest at LIBOR plus 5.0% (5.29% at December 31, 2009) maturing on January 17, 2014 and calls for quarterly interest payments and principal is due at maturity. The loan is secured by certain assets of a subsidiary as defined in the Loan and Security Agreement and is guaranteed by two subsidiaries.

At December 31, 2009, total drawn on the line was $6,000,000 and there was no availability under this line.

A revolving loan bearing interest at either LIBOR plus 3.5% or Prime plus 2.25% (3.76% at December 31, 2009) maturing on October 17, 2011 and calls for monthly interest payments and principal is due at maturity. The loan is secured by all assets of a subsidiary, as defined in the Loan and Security Agreement and requires compliance with certain financial covenants.

At December 31, 2009, total drawn on the line was $4,044,762 and there was $955,238 available under this line.

Note 10. Equity

Common Stock: The Company is authorized to issue 400,000,000 shares of common stock with a par value of $0.001 per share. Shares issued and outstanding were 145,037,822 at December 31, 2009.

Preferred Stock: The Company is authorized to issue 180,472,382 shares of Preferred Stock with a par value of $0.001 per share which are designated as follows:

Stock Class	Par Value	Authorized	Issued
Series A-1 Convertible Participating Preferred Stock	$0.001	38,469,226	38,469,226
Series A-2 Convertible Participating Preferred Stock	$0.001	24,336,323	24,336,323
Series B-1 Convertible Preferred Stock	$0.001	23,168,002	23,168,002
Series B-2 Convertible Preferred Stock	$0.001	29,398,369	29,398,369
Series B-3 Convertible Preferred Stock	$0.001	1,736,731	1,736,731
Series B-4 Convertible Preferred Stock	$0.001	13,803,755	13,803,755
Series C Convertible Participating Preferred Stock	$0.001	24,049,772	24,049,772
Series D Convertible Participating Preferred Stock	$0.001	25,510,204	25,510,204
Total		180,472,382	180,472,382

Note 10. Equity (Continued)

The Preferred Stock is convertible, at the option of the holder, or automatically converted upon completion of a qualified public offering or upon the vote of the required holders, into such number of fully paid and non-assessable shares of common stock as is determined by dividing (a) the applicable original capital amount for each share by (b) the applicable conversion price for the applicable series of Preferred Stock in effect at the time of conversion plus in the case of Series A and Series C Preferred Stock, that number of fully paid and non-assessable shares of Class A Common Stock determined by dividing the Applicable Original Capital Amount for such share by, as applicable the price per share of the Class A Common Stock net of underwriting commissions in the case of a public offering, or in a conversion other than a public offering, the fair market value of a share of Class A Common Stock as mutually agreed by the Board of Directors of the Corporation and the Required Holders These shares of Preferred Stock do not have beneficial conversion features and dividends are cumulative cash dividends at the annual rate of 8% of the applicable accrued value for such share, prior and in preference to any declaration of payment of any dividend to the holders of shares of Common Stock.

In the event of liquidation, dissolution or winding up of the Company, the holders of Series A and Series B Preferred Stock are entitled to payment at an amount per share equal to the applicable original capital amount, the applicable yield preference amount plus any accrued and unpaid dividends for such series before payment to holders of Series C and D Preferred Stock or common stock. After payment to holders of Series A and Series B Preferred Stock, the holders of Series C and D Preferred Stock are entitled to payment at an amount per share equal to the applicable original capital amount, the applicable yield preference amount plus any accrued and unpaid dividends before payment to holders of common stock. Thereafter, any remaining assets shall be distributed ratably to the holders of common stock

Note 11. Commitments and Contingencies

Healthcare provider revenues 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, (4) retroactive applications or interpretations of governmental requirements; and (5) potential claims for refunds from private payers, including as a result of government actions.

Professional and general liability insurance coverage is provided on both a claims-made basis and an occurrence basis. The claims-made policy, which is subject to renewal on an annual basis, covers only claims made during the term of the policy but not those occurrences for which claims may be made after expiration of the policy. The Company intends to renew its coverage on a claims-made basis and has no reason to believe that it may be prevented from renewing such coverage. Additionally, the Company believes that there is no significant exposure for claims incurred but not reported.

The membership interest issued to the seller of an entity acquired (see Note 12) shall be non-assessable, exempt from all capital calls or capital contribution requirements, and shall not be required to give any guarantees, pledge collateral or otherwise become obligated on any indebtedness of the Company

The Company has medial director agreements with individuals, who are also related parties. The agreements range in terms from three years to ten years and from $30,000 to $250,000 a year, respectively.

The majority of the Company's facilities are leased under non-cancellable 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.

Note 11. Commitments and Contingencies (Continued)

Future minimum obligations under non-cancellable operating leases and medical director agreements are as follows:

2010	$ 17,997,558
2011	17,169,966
2012	16,715,278
2013	16,606,929
2014	16,219,543
Thereafter	69,499,564
	$ 154,208,838

Note 12. Acquisitions

During 2009, the Company acquired businesses for a total purchase cost of $4,965,845. The assets and liabilities for all acquisitions were recorded at their estimated fair market values at the dates of acquisitions and are included in the Company's financial statements and operating results from the designated effective dates of 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.

	Mid-America Dialysis LLC	Liberty INS	Total
Current assets	$ 320,035	$ 488,579	$ 808,614
Property and equipment	781,041	260,843	1,041,884
Other long-term assets	2,579,152	11,370	2,590,522
Goodwill	3,301,634	878,639	4,180,273
Non-controlling interest	(402,711)	(150)	(402,861)
Liabilities assumed	(2,579,151)	(673,736)	(3,252,887)
Aggregate purchase cost	$ 4,000,000	$ 965,545	$ 4,965,545

Note 13. Related Party Transactions

During 2009, the Company incurred medical director fees of $3,108,970 to related parties. In addition, the Company earned interest income of $394,278 and $1,004,028 of management fees and other income from related parties.

The Company leases facilities from related parties on a month-to-month basis. Rent expense under these arrangements, expenses for equipment repairs and maintenance and other operating expenses amounted to $2,526,999.

During 2009, the Company entered into note payable agreements with related parties. The balance due on the notes as of December 31, 2009 was $3,890,000, and is included in long-term debt on the balance sheet. The Company incurred interest expense of $305,854 to related parties as a part of the notes payable.

Note 14. Goodwill

Goodwill acquired in a purchase combination is evaluated for impairment annually. Based on the Company's annual impairment test, goodwill was not impaired as of December 31, 2009.

Note 15. Employee Benefit Plans

One of the Company's subsidiaries has a Retirement Savings Plan (401k) which covers substantially all employees of such subsidiary, wherein employees may contribute a percentage of their compensation. Eligible employees must have attained the age of 21 and completed 1,000 hours of service. At its discretion, the Subsidiary may make up to 25% or 50% matching contributions, up to the first 8% or 6% of each participating employee's contribution. The Subsidiary elected to make an additional discretionary profit sharing contribution totaling 4% of eligible participant's salary, subject to IRS limits during 2009. The Subsidiary's contributions for 2009 were approximately $665,000.

Note 16. Fair Value Estimates

Effective January 1, 2008, the FASB established a framework for measuring assets and liabilities at fair value and also required additional disclosures about fair value measurements. These requirements applied to assets and liabilities that are carried at fair value on a recurring basis. Effective January 1, 2009, the FASB issued additional requirements 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 these requirements relating to nonfinancial assets and liabilities did not have a material impact on the Company's financial statements.

Other financial instruments consist primarily of cash and cash equivalents, 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, 2009 at their approximate fair values due to the short-term nature of their settlements. Borrowings under long-term debt agreements totaled $160,227,216 as of December 31, 2009, and the fair value was $169,893,794 based upon the net present value using current discount rates.

As of December 31, 2009, the Company does not have any other financial assets that would require additional disclosure.

Note 17. Restricted Stock Units

The Company has a Restricted Unit Plan (the "Plan") for certain key employees under which phantom equity units may be granted from time to time. Under the terms of the Plan, the employees are entitled to receive a monetary award only if there is a change in control (as defined) of the Company. The administrator determines the terms of all awards, including the vesting, which requires only future service. The change in control of the Company is considered a performance condition. No compensation expense has been recorded for these units.

Twenty-one restricted units have been granted to employees, which were still outstanding and unvested at December 31, 2009.

Note 18. Subsequent Events

The Company purchased additional interests in existing facilities for approximately $4,900,000 in February and March 2010. These purchases did not result in a change of control at these facilities.

In April 2010, the Company decided to terminate the Restricted Unit Plan. Following the termination of the Plan, the Company paid former plan participants additional compensation. The Company raised additional equity capital to fund this compensation expense.

In April 2010, the Company sold certain assets of a subsidiary for approximately $1,900,000 which was paid as a reduction in long-term debt.

In April 2010, there was a shareholder level transaction whereby new equity investors purchased shares from the existing investors. In addition, the Company incurred additional net debt of approximately $124,000,000.

In May 2010, the Company purchased an interest in 2 additional facilities for approximately $1,800,000.

The Company has evaluated events through May 20, 2010, the date the financial statements were available to be issued.

Liberty Dialysis Holdings, Inc.
Projected 2011 Balance Sheet

ASSETS

Current assets	
Cash and cash equivalents	95,794,367
Patient receivables, net	164,212,044
Inventories	19,241,565
Prepaids and other current assets	33,555,444
Total current assets	312,803,419
Net property and equipment	211,982,354
Goodwill	1,171,175,788
Other intangible assets, net	30,347,844
Total other assets	1,413,505,986
Total assets	1,726,309,405

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES:	
Accounts payable	55,648,277
Other accrued expenses	60,969,123
Current maturities of long-term debt	16,000,000
Total current liabilities	132,617,400
Long-term debt, less current maturities	760,203,967
Other non-current liabilities	81,921,185
Total long-term liabilities	842,125,152
Total liabilities	974,742,552
EQUITY:	
Shareholders' equity	731,209,922
Noncontrolling interests	20,356,931
Total liabilities and equity	1,726,309,405

Liberty Dialysis Holdings, Inc.
Projected 2011 Income Statement

Revenues	957,857,928
Operating expenses	
Salaries, wages, and benefits	353,524,189
Supplies and other operating expenses	390,340,930
Provision for uncollectible accounts	24,904,306
Depreciation	40,716,857
Amotization	4,944,167
Other taxes	3,831,432
Total operating expenses	818,261,881
Income from operations	139,596,047
Other Income (Expense)	
Interest income	1,077,687
Interest expense	(55,920,629)
Other losses	(510,000)
Net other expenses	(55,352,942)
Income before taxes	84,243,105
Income tax expense	28,642,656
Net income	55,600,449
Net loss attributable to the non-controlling interest	9,653,235
Net income attributable to Liberty Dialysis, Inc.	45,947,214