

Original

11-035

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD  
APPLICATION FOR PERMIT**RECEIVED**

## SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

MAY 27 2011

This Section must be completed for all projects.

HEALTH FACILITIES &  
SERVICES REVIEW BOARD**Facility/Project Identification**

Facility Name: DSI South Holland Renal Center		
Street Address: 16136 South Park Avenue		
City and Zip Code: South Holland, Illinois 60473		
County: Cook	Health Service Area: 7	Health Planning Area:

**Applicant /Co-Applicant Identification**

[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: DaVita, Inc.
Address: 601 Hawaii Street, El Segundo, California 90245
Name of Registered Agent: Illinois Corporation Service Company
Name of Chief Executive Officer: Kent Thiry
CEO Address: 601 Hawaii Street, El Segundo, California 90245
Telephone Number: (310) 536-2500

**Type of Ownership of Applicant/Co-Applicant**

- |  |  |                                |
|--|--|--------------------------------|
| <input type="checkbox"/> Non-profit Corporation            | <input type="checkbox"/> Partnership         |                                |
| <input checked="" type="checkbox"/> For-profit Corporation | <input type="checkbox"/> Governmental        |                                |
| <input type="checkbox"/> Limited Liability Company         | <input type="checkbox"/> Sole Proprietorship | <input type="checkbox"/> Other |

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

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

**Primary Contact**

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

Name: Kara Friedman
Title: Attorney
Company Name: Polsinelli Shughart PC
Address: 161 North Clark Street, Suite 4200, Chicago, Illinois 60601
Telephone Number: 312-873-3639
E-mail Address: kfriedman@polsinelli.com
Fax Number: 312-873-2939

**Additional Contact**

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

Name: Heather F.H. Haworth
Title: Assistant General Counsel
Company Name: DaVita, Inc.
Address: 15253 Bake Parkway, Irvine, California 92618
Telephone Number: 949-930-6843
E-mail Address: heather.haworth@davita.com
Fax Number: 855-895-2707

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD  
APPLICATION FOR PERMIT**

**SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION**

**This Section must be completed for all projects.**

**Facility/Project Identification**

Facility Name: DSI South Holland Renal Center		
Street Address: 16136 South Park Avenue		
City and Zip Code: South Holland, Illinois 60473		
County: Cook	Health Service Area 7	Health Planning Area:

**Applicant /Co-Applicant Identification**

**[Provide for each co-applicant [refer to Part 1130.220].**

Exact Legal Name: DSI Renal, Inc.
Address: 424 Church Street, Suite 1900, Nashville, Tennessee 37219
Name of Registered Agent: Illinois Corporation Service Company
Name of Chief Executive Officer: Leif Murphy
CEO Address: 424 Church Street, Suite 1900, Nashville, Tennessee 37219
Telephone Number: 615-777-8200

**Type of Ownership of Applicant/Co-Applicant**

<input type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership
<input checked="" type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental
<input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship
	<input type="checkbox"/> Other

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

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

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Name: Kara Friedman
Title: Attorney
Company Name: Polsinelli Shughart PC
Address: 161 North Clark Street, Suite 4200, Chicago, Illinois 60601
Telephone Number: 312-873-3639
E-mail Address: kfriedman@polsinelli.com
Fax Number: 312-873-2939

**Additional Contact**

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Address: 15253 Bake Parkway, Irvine, California 92618
Telephone Number: 949-930-6843
E-mail Address: heather.haworth@davita.com
Fax Number: 855-895-2707

**Post Permit Contact**

[Person to receive all correspondence subsequent to permit issuance-**THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960**

Name: Heather F.H. Haworth
Title: Assistant General Counsel
Company Name: DaVita, Inc.
Address: 15253 Bake Parkway, Irvine, California 92618
Telephone Number: 949-930-6843
E-mail Address: heather.haworth@davita.com
Fax Number: 855-895-2707

**Site Ownership**

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Cornelius Nymeyer
Address of Site Owner: 2445 Richton Road, Crete, IL 60417
Street Address or Legal Description of Site: 16136 South Park Avenue, South Holland, IL 60473 Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease or a lease.
APPEND DOCUMENTATION AS <u>ATTACHMENT-2</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Operating Identity/Licensee**

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

Exact Legal Name: DSI Renal, Inc.
Address: 424 Church Street, Suite 1900, Nashville, Tennessee 37219
<input type="checkbox"/> Non-profit Corporation <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> For-profit Corporation <input type="checkbox"/> Governmental <input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Other
<ul style="list-style-type: none"> <li>o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.</li> <li>o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.</li> <li>o <b>Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.</b></li> </ul>
APPEND DOCUMENTATION AS <u>ATTACHMENT-3</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Organizational Relationships**

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

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

**Flood Plain Requirements – NOT APPLICABLE**

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at [www.FEMA.gov](http://www.FEMA.gov) or [www.illinoisfloodmaps.org](http://www.illinoisfloodmaps.org). **This map must be in a readable format.** In addition please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2005-5 (<http://www.hfsrb.illinois.gov>).

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

**Historic Resources Preservation Act Requirements – NOT APPLICABLE**

[Refer to application instructions.]

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

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

**DESCRIPTION OF PROJECT****1. Project Classification**

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

Part 1110 Classification:

- Substantive  
 Non-substantive

Part 1120 Applicability or Classification:  
[Check one only.]

- Part 1120 Not Applicable  
 Category A Project  
 Category B Project  
 DHS or DVA Project

## 2. Narrative Description

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

The proposed project contemplates a change in control of the ultimate parent of DSI Renal, Inc., CDSI I Holding Company, Inc. By way of merger, DaVita, Inc. ("DaVita") will acquire 100% of the outstanding stock of CDSI I Holding Company, Inc. for approximately \$690 million. Pre-merger and post-merger organizational charts are attached at Attachment 4. The proposed transaction includes the transfer of up to 106 in-center hemodialysis facilities to DaVita, including 10 facilities within Illinois, subject to adjustment following Federal Trade Commission Review.

DSI Renal, Inc. d/b/a DSI South Holland Renal Center is a 20 station in-center hemodialysis facility located at 16136 South Park Avenue, South Holland, Illinois 60473. There will be no change in the operating entity, DSI Renal, Inc., in the scope of services offered, or the number of stations as a result of the merger.

The merger is projected to be complete by July 31, 2011.

This project has been classified as non-substantive because it proposes a change of ownership, which constitutes a facility conversion under 77 Ill. Admin. Code. 1110.40(b).

**Project Costs and Sources of Funds**

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

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts			
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized	\$14,444,642		\$14,444,642
Acquisition of Building or Other Property (excluding land)			
<b>TOTAL USES OF FUNDS</b>	<b>\$14,444,642</b>		<b>\$14,444,642</b>
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$14,444,642		\$14,444,642
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$14,444,642</b>		<b>\$14,444,642</b>
<b>NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>			

**Related Project Costs**

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

Land acquisition is related to project  Yes  No  
 Purchase Price: \$ \_\_\_\_\_  
 Fair Market Value: \$ \_\_\_\_\_

The project involves the establishment of a new facility or a new category of service  
 Yes  No

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

Estimated start-up costs and operating deficit cost is \$ \_\_\_\_\_.

**Project Status and Completion Schedules**

Indicate the stage of the project's architectural drawings:

None or not applicable  Preliminary  
 Schematics  Final Working

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

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

- Purchase orders, leases or contracts pertaining to the project have been executed.  
 Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies  
 Project obligation will occur after permit issuance.

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

**State Agency Submittals**

Are the following submittals up to date as applicable:

- Cancer Registry **NOT APPLICABLE**  
 APORS **NOT APPLICABLE**  
 All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted  
 All reports regarding outstanding permits  
**Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.**

### Cost Space Requirements

Provide in the following format, the department/area **DGSF** or the building/area **BGSF** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

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

APPEND DOCUMENTATION AS ATTACHMENT-9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.



**Facility Bed Capacity and Utilization NOT APPLICABLE**

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

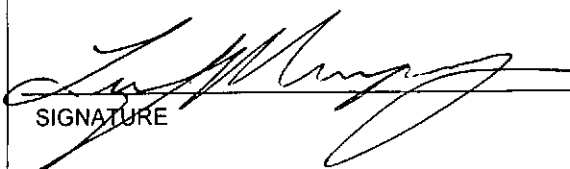
<b>FACILITY NAME:</b>		<b>CITY:</b>			
<b>REPORTING PERIOD DATES:</b>					
		<b>From:</b>		<b>to:</b>	
<b>Category of Service</b>	<b>Authorized Beds</b>	<b>Admissions</b>	<b>Patient Days</b>	<b>Bed Changes</b>	<b>Proposed Beds</b>
Medical/Surgical					
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify))					
<b>TOTALS:</b>					

**CERTIFICATION**

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

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

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

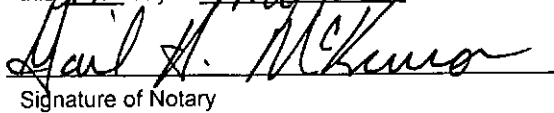
  
 \_\_\_\_\_  
 SIGNATURE

Leif Murphy  
 \_\_\_\_\_  
 PRINTED NAME

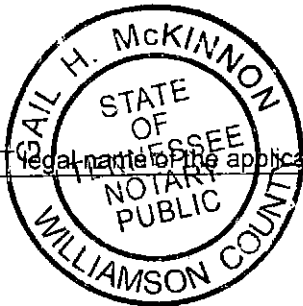
Chief Executive Officer  
 \_\_\_\_\_  
 PRINTED TITLE

Notarization:

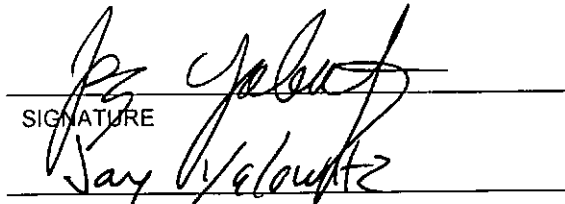
Subscribed and sworn to before me  
 this 24th day of May, 2011

  
 \_\_\_\_\_  
 Signature of Notary

Seal



\*Insert EXACT legal name of the applicant

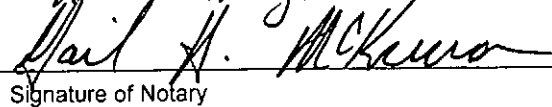
  
 \_\_\_\_\_  
 SIGNATURE

Jay Velouvtz  
 \_\_\_\_\_  
 PRINTED NAME

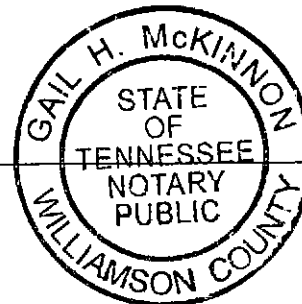
Eup-secretary  
 \_\_\_\_\_  
 PRINTED TITLE

Notarization:

Subscribed and sworn to before me  
 this 24th day of May, 2011

  
 \_\_\_\_\_  
 Signature of Notary

Seal

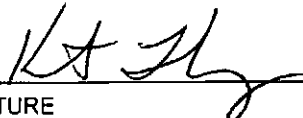


**CERTIFICATION**

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

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

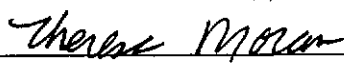
This Application for Permit is filed on the behalf of DaVita, Inc. \*  
 in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant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

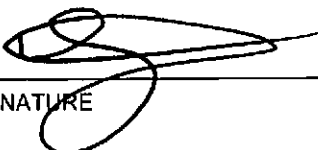
  
 \_\_\_\_\_  
 SIGNATURE

Kent Thiry  
 \_\_\_\_\_  
 PRINTED NAME

Chief Executive Officer  
 \_\_\_\_\_  
 PRINTED TITLE

Notarization:  
 Subscribed and sworn to before me  
 this 23 day of May, 2011

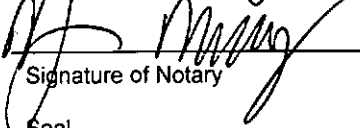
  
 \_\_\_\_\_  
 Signature of Notary  
 Seal My Commission Expires 9-4-13

  
 \_\_\_\_\_  
 SIGNATURE

Dennis Lee Kogod  
 \_\_\_\_\_  
 PRINTED NAME

Chief Operating Officer  
 \_\_\_\_\_  
 PRINTED TITLE

Notarization:  
 Subscribed and sworn to before me  
 this 30 day of May, 2011

  
 \_\_\_\_\_  
 Signature of Notary  
 Seal

My Commission Expires  
 July 28, 2014

\*Insert EXACT legal name of the applicant



### SECTION III – BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

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

#### Criterion 1110.230 – Background, Purpose of the Project, and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

##### BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT-11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

##### PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]
4. Cite the sources of the information provided as documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

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

**NOTE:** Information regarding the "Purpose of the Project" will be included in the State Agency Report.

APPEND DOCUMENTATION AS ATTACHMENT-12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

**ALTERNATIVES**

- 1) Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** include:

- A) Proposing a project of greater or lesser scope and cost;
  - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
  - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
  - D) Provide the reasons why the chosen alternative was selected.
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**
- 3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

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

**SECTION VI - MERGERS, CONSOLIDATIONS AND ACQUISITIONS/CHANGES OF OWNERSHIP**

This Section is applicable to projects involving merger, consolidation or acquisition/change of ownership.

**NOTE: For all projects involving a change of ownership THE TRANSACTION DOCUMENT must be submitted with the application for permit. The transaction document must be signed dated and contain the appropriate contingency language.**

**A. Criterion 1110.240(b), Impact Statement**

Read the criterion and provide an impact statement that contains the following information:

1. Any change in the number of beds or services currently offered.
2. Who the operating entity will be.
3. The reason for the transaction.
4. Any anticipated additions or reductions in employees now and for the two years following completion of the transaction.
5. A cost-benefit analysis for the proposed transaction.

**B. Criterion 1110.240(c), Access**

Read the criterion and provide the following:

1. The current admission policies for the facilities involved in the proposed transaction.
2. The proposed admission policies for the facilities.
3. A letter from the CEO certifying that the admission policies of the facilities involved will not become more restrictive.

**C. Criterion 1110.240(d), Health Care System**

Read the criterion and address the following:

1. Explain what the impact of the proposed transaction will be on the other area providers.
2. List all of the facilities within the applicant's health care system and provide the following for each facility.
  - a. the location (town and street address);
  - b. the number of beds;
  - c. a list of services; and
  - d. the utilization figures for each of those services for the last 12 month period.
3. Provide copies of all present and proposed referral agreements for the facilities involved in this transaction.
4. Provide time and distance information for the proposed referrals within the system.
5. Explain the organization policy regarding the use of the care system providers over area providers.
6. Explain how duplication of services within the care system will be resolved.
7. Indicate what services the proposed project will make available to the community that are not now available.

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

The following Sections **DO NOT** need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application):

- Section 1120.120 Availability of Funds – Review Criteria
- Section 1120.130 Financial Viability – Review Criteria
- Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)

**VIII. - 1120.120 - Availability of Funds**

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable: **Indicate the dollar amount to be provided from the following sources:**

\$14,444,642	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:
	1)	the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and
	2)	interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
_____	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:
	1)	For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;
	2)	For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;
	3)	For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;
	4)	For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;
	5)	For any option to lease, a copy of the option, including all terms and conditions.
_____	e)	Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f)	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_____	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
\$14,444,642	<b>TOTAL FUNDS AVAILABLE</b>	

**APPEND DOCUMENTATION AS ATTACHMENT-39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

15

**IX. 1120.130 - Financial Viability**

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

**Financial Viability Waiver**

The applicant is not required to submit financial viability ratios if:

1. All of the projects capital expenditures are completely funded through internal sources
2. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
3. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

**APPEND DOCUMENTATION AS ATTACHMENT-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion. When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (Projected)
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

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

**2. Variance**

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

**APPEND DOCUMENTATION AS ATTACHMENT 41, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**



**X. 1120.140 - Economic Feasibility**

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

**A. Reasonableness of Financing Arrangements**

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
  - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
  - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

**B. Conditions of Debt Financing**

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

**C. Reasonableness of Project and Related Costs**

Read the criterion and provide the following:

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	
Contingency									
<b>TOTALS</b>									

\* Include the percentage (%) of space for circulation

**D. Projected Operating Costs**

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

**E. Total Effect of the Project on Capital Costs**

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT -42, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**XI. Safety Net Impact Statement**

**SAFETY NET IMPACT STATEMENT** that describes all of the following must be submitted for ALL SUBSTANTIVE AND DISCONTINUATION PROJECTS:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.
3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.
2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.
3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 43.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
<b>Total</b>			
Charity (cost in dollars)	Year	Year	Year
Inpatient			
Outpatient			
<b>Total</b>			
MEDICAID			
Medicaid (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
<b>Total</b>			

Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT-43, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**XII. Charity Care Information**

Charity Care information MUST be furnished for ALL projects.

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three audited fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.
3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer. (20 ILCS 3960/3) Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 44.

CHARITY CARE			
	Year	Year	Year
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS ATTACHMENT-44, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Section I, Identification, General Information, and Certification**  
**Applicants**

Certificates of Good Standing for DaVita, Inc. and DSI Renal, Inc. are attached at Attachment – 1. DaVita will acquire all of the outstanding stock of CDSI I Holdings Company, Inc., the ultimate parent of the operator, DSI Renal, Inc. As the entity acquiring final control over the operator, DaVita, Inc. is named as an applicant for this CON application. DaVita, Inc. does not do business in the State of Illinois. A Certificate of Good Standing for DaVita, Inc. from the state of its incorporation, Delaware is attached.

# Delaware

PAGE 1

*The First State*

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "DAVITA INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE THIRTIETH DAY OF NOVEMBER, A.D. 2010.

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

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


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

2391269 8300

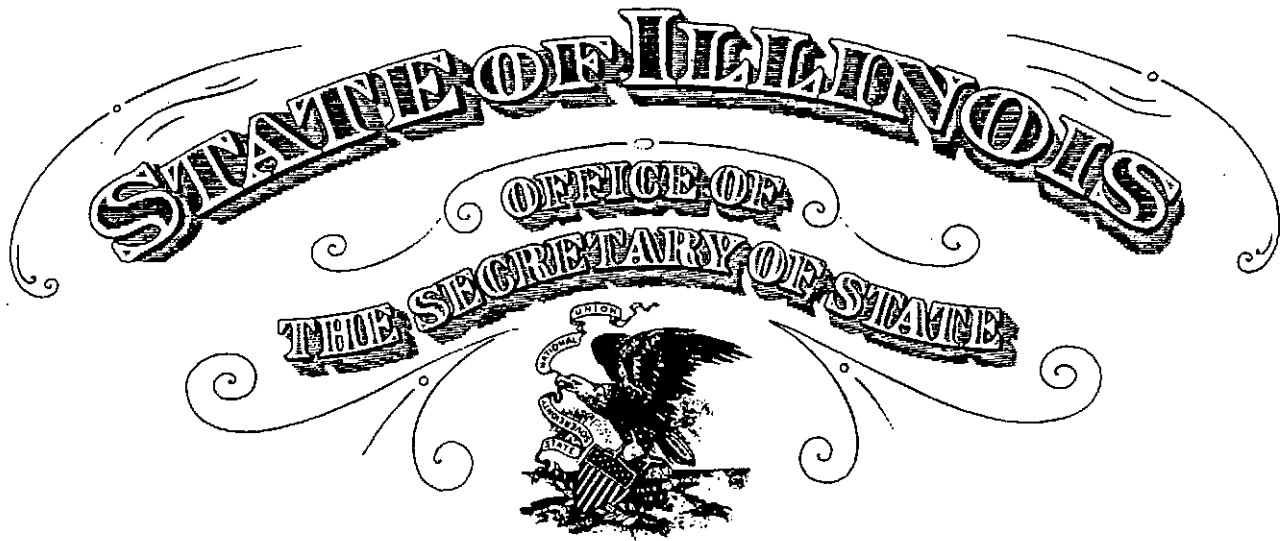
101133217



You may verify this certificate online  
at [corp.delaware.gov/authver.shtml](http://corp.delaware.gov/authver.shtml)

  
Jeffrey W. Bullock, Secretary of State  
AUTHENTICATION: 8386715

DATE: 11-30-10



*To all to whom these Presents Shall Come, Greeting:*

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

DSI RENAL, INC., INCORPORATED IN DELAWARE AND LICENSED TO TRANSACT BUSINESS IN THIS STATE ON MARCH 06, 2006, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

*In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 19TH day of MAY A.D. 2011*



*Jesse White*

Authentication #: 1113901624

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

SECRETARY OF STATE

**Section I, Identification, General Information, and Certification**  
**Site Ownership**

A copy of the lease between Cornelius Nymeyer and DSI Renal, Inc. is attached at Attachment – 2.

**FIRST AMENDMENT TO LEASE AGREEMENT**

This First Amendment to Lease Agreement (the "Amendment") is entered into this \_\_\_\_ of February, 2009 by and between Cornelius Nymeyer (the "Landlord") and DSI Renal, Inc. (the "Tenant").

**WHEREAS**, the parties entered into that certain Lease Agreement (the "Lease") dated as of August 6, 1999 with respect to the lease of certain premises located at 16136 South Park Avenue, South Holland, Illinois; and

**WHEREAS**, the parties desire to amend the Lease to reflect certain additional understandings between the parties; and

**WHEREAS**, capitalized terms not defined herein shall have the meaning ascribed to such terms in the Lease.

**NOW THEREFORE**, in consideration of the mutual covenants and agreements herein contained and the parties' continued performance of their mutual obligations under the Lease, the parties hereto agree that the Lease shall be amended as follows:

1. Notwithstanding the terms of Article III of the Lease, the Initial Lease Term shall be extended for a period of eighty four (84) months (the "Extension Term") from and after March 1, 2009 (the "Effective Date").
2. Notwithstanding the terms of Article IV of the Lease, the Rent payable for the initial twelve (12) month period of the Extension Term shall be One Hundred Two Thousand Nine Hundred Forty Five and 60/100 Dollars (\$102,945.60) per year, payable in monthly installments of Eight Thousand Five Hundred Seventy Eight and 80/100 Dollars (\$8,578.80). On March 1, 2010 and each March 1<sup>st</sup> thereafter during the Extension Term, the Rent shall be increased by three (3%) of the Rent payable during the prior twelve (12) month period.
3. This Amendment shall be governed by the laws of the State of Illinois.
4. This Amendment may be executed in two or more counterparts and shall be binding upon the parties hereto as if all parties executed the original hereof.
5. All other terms of the Lease shall remain the same and are not affected by this Amendment. In the event of any conflict between the terms of this Amendment and the Lease, the terms of the Lease shall control.

\* \* \* \* \*



IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed as of the day and year first written above.

LANDLORD:

TENANT:

CORNELIUS NYMEYER

DSI RENAL, INC.

By: *Cornelius Nymeyer*

By: *Steve Harris*

Its: \_\_\_\_\_

Its: *EVP Bev Powell*

South Holland

Abstract

South Holland

Report Date: 12/20/2005 3:06:45 PM

Lease Information			
Lease ID:	2,887	City:	South Holland
Client Lease ID:		State:	IL
Branch Number:		Zip:	60473
Tenant Legal Name:	Renal Care Group	Country:	United States
Division/Region:	Renal Care -> MidAmerica -> 07 -> 00	Building Owner:	
Facility:	SOH	Building Rentable Area:	0.00
Relationship:	Unrelated	Abstract Prepared by:	K. Riley
Lease Type:	Lessee	Abstract Reviewed by:	
Lease Abstract Name:	South Holland	Date Lease Prepared:	12/14/2004
Suite#:		Last Modified Info:	10/31/2005 10:18:13 AM
Building Name:	South Holland	Closed?	no
Address:	16136 South Park Avenue		

Lease Agreement & Notes			
Lease Agreement Date:	8/6/1999	Lease Status:	Active
Execution:	8/6/1999	Lease Recovery Type:	NNN
Original Commencement Date:		Month to Month:	
Current Commencement Date:		Portion of space is subleased:	
Date of Occupancy:		Date Rent Due:	1st
Lease Expiration Date:			
Vacate Notice Date:			

Contacts

Type	Company Name	Attention To	Address	Phone	Fax	Email
Landlord	Cornelius Nymeyer	Jenny Cullon	2445 Richton Rd. Crete IL, 60417 United States	312-634-6855	312-634-6850	
	Notes: cc Stephen Chesler		Schwartz & Freeman 401 N. Michigan Ave. 19th floor Chicago, IL 60611	312/222-0800	Fed ID:	Vendor ID:
			312/222-0818 (fax)			

Tenant Space Information			
Usable SF:	0.00	Rentable SF:	6,190.00

Space Utilization

**Abstract**

**South Holland**

Report Date: 12/20/2005 3:06:45 PM

Space Type	Description	Usable Area	Number of Area
Other	Medical	0.00	6,190.00

Rent Schedule			
Current Monthly Base Rent:	\$0.00	Current Annual Base Rent PSF:	\$0.00
Current Monthly Expenses:	\$0.00	Current Annual Expenses PSF:	\$0.00
Current Monthly Total:	\$0.00	Current Annual Total PSF:	\$0.00

**Lease Rent**

Code	Rent Begin	End Date	Frequency	Amount	Yearly Amount	Amt / SF	Total SF	Cost
------	------------	----------	-----------	--------	---------------	----------	----------	------

**Allocations**

Cost Center	Cost Percent	Space Percent	Total Expense/CE	Head Count	Status	Use Type
Total	0.00	0.00	\$0.00	0		

**Financial Notes:** According to the Lease section 4.1 page 3, TT's initial base rent is \$13.75 psf. Base rent shall be increased by 3.0% each rental year. The amounts above were calculated using the terms in the Lease.

CPI
CPI Adjustment: CPI Adjustment Date:

Expenses & Taxes			
Tax Base Year:	1998	Tax Stop Amt:	\$0.00
Op Base Year:		Op Stop Amt:	\$0.00
		Prorate Share (%):	0.00

**Options**  
**Lease Options**

Type	Begin	End	Notification	Remarks	Status	Action Taken
Renewal					Active	
Description: One 5-year renewal option upon the same terms and conditions as the initial Lease Term. Calculated rental rates would be \$18.48 psf for renewal yr. 1 (11/01/09 - 10/31/10) increasing 3.0% annually.						
Action Date: Action Notes:						

**Clauses**

Clause Type	Clause
-------------	--------

27

**Abstract****South Holland**

Report Date: 12/20/2005 3:06:45 PM

ADA Requirements	LL makes no representation as to the current compliance or the future compliance of the premises regarding ADA compliance. LL shall credit TT the sum of \$6,300, for which TT agrees to use the credit for erecting a cement wheelchair ramp on the premises and w/the installation of a minimum of two exterior door ways which comply with the requirement of the ADA. Said credit shall be given as a rent abatement over a 6 month period commencing on the 4th month of occupancy.
	Doc: Lease                      Sec: 13.5                      Page: 11
After Hours HVAC	Not Specified
	Doc:                                      Sec:                                      Page:
Audit Rights	Not Specified
	Doc:                                      Sec:                                      Page:
Holdover	Month to month tenancy at 150% of monthly rent.
	Doc: Lease                      Sec: 28.6                      Page: 21
Indemnification	TT will defend, indemnify and hold each other harmless against any and all losses, claims, liability, expenses and damages, except for those caused by LL or by conditions created by LL pursuant to LL's obligations under the Lease.
	Doc: Lease                      Sec: XXV                      Page: 19
Landlord Maintenance & Repair	LL shall maintain the exterior walls and structure, the roof and exterior painting, sidewalks, curbs, parking lot and landscaping.
	Doc: Lease                      Sec: 11.1                      Page: 9
Landlord Services	Not Specified
	Doc:                                      Sec:                                      Page:
Legal Notices	In writing, to be given by either party, shall be effective upon receipt and shall be sent by US certified mail, return receipt requested, with postage thereon prepaid.
	Doc: Lease                      Sec: 28.7                      Page: 21
Operating Expenses	TT shall pay all costs, expenses and obligations of every kind whatsoever relating to the Property which may arise or become due during the term of this Lease, except for payment of real estate taxes as described below.
	Doc: Lease                      Sec: 4.2                      Page: 3
Real Estate Taxes	TT is required to pay any increas in RET over the 1998 Base Year.
	Doc: Lease                      Sec: 6.2                      Page: 4
Tenant Maintenance & Repair	TT shall maintain in good order and condition without waste and in a suitable state of repair the premises. TT is responsible for all nonstructural, interior repairs and replacements. TT shall keep the sidewalks, curbs and parking lot free from all debris, water, ice and snow, at TT's sole cost and expense.
	Doc: Lease                      Sec: 11.1                      Page: 9
Utilities	TT shall pay all costs, expenses and obligations of every kind whatsoever relating to the Property.
	Doc: Lease                      Sec: 4.2                      Page: 3

Notes (Other):

**Abstract**

**South Holland**

Report Date: 12/20/2005 3:06:45 PM

**General Notes / Comments:**

Unable to verify the commencement date. According to the Lease, the commencement date will be three days after TT receives approval for a Certificate of Need from the State. Note Exhibit A is missing from the Lease. Exhibit B is missing from the Lease. According to the Lease page 1, the Premises are described in Exhibit A (which is missing) and consists of 6,190 square feet. This number was utilized throughout this abstract. However, the square footage downloaded was 6,228. LL provided a \$15,000 credit to TT for replacement of HVAC system, TT to install roof top HVAC unit. Credit was to be given to TT as a \$1,000 monthly offset from TT's first 15 rent payments.

Headcount			
Current Headcount:	0.00	Future Headcount:	0.00

Security Deposit	
Security Deposit Amount:	\$14,272.50
Guarantor:	None
Deposit Notes:	2 month's rent
Security Deposit Return Date:	

Leasehold Improvements	
Landlord Improvements:	\$0.00
Tenant Improvements:	\$15,000.00

**Documents Index**  
**Lease Amendments**

Description	Type	Execution Date	Effective Date
Lease	Lease	08/06/1999	11/01/1999
Comments:			

**Additional Memos**  
**Lease Memos**

Memo Description	Memo
------------------	------

## CONSENT TO LEASE ASSIGNMENT

THIS CONSENT TO ASSIGNMENT (this "Consent") is entered into as of March 1, 2006, by and among CORNELIUS NYMEYER, as Beneficiary of the South Holland Trust and Savings Bank Trust Number 1163, Dated March 14, 1969 ("Landlord"), RENAL CARE GROUP MID-AMERICA, an Illinois Corporation ("Assignor"), and NATIONAL RENAL INSTITUTES, INC., a Delaware corporation ("Assignee");

### WITNESSETH:

WHEREAS, Landlord and Assignor are parties to that certain Lease dated August 6, 1999, as it may have been amended (collectively, the "Lease"), whereby Assignor leases certain premises located at 16136 South Park Avenue, South Holland, Illinois (the "Premises"); capitalized terms not specifically defined herein shall have the meaning ascribed to them in the Lease;

WHEREAS, pursuant to the terms and conditions of that certain Asset Purchase Agreement by and among Renal Care Group, Inc., Fresenius Medical Care Holdings, Inc., and National Renal Institutes, Inc. (the "Transaction"), Assignor desires to assign to Assignee and Assignee desires to assume from Assignor the Lease; and

WHEREAS, Assignee has agreed to assume the Lease;

NOW, THEREFORE, in consideration of the foregoing, the parties agree as follows:

1. Landlord consents to the assignment and assumption of the Lease.
2. Except as otherwise specifically provided herein, nothing contained in this Consent shall be construed to modify, waive, impair or affect any of the covenants, agreements, terms, provisions or conditions contained in the Lease, or to waive any breach in the due keeping, observance or performance thereof, or to enlarge or increase Landlord's obligations under the Lease.
3. Assignee agrees to assume all the rights and obligations under the Lease and shall be liable for the performance of all obligations of the Assignor under the Lease from and after the date of closing of the Transaction with respect to the Premises, and Assignee agrees that, from and after such closing date, it shall perform and observe all of the terms and conditions of the Lease on the part of the Assignor thereunder to be performed and observed for the remainder of the current term of the Lease.
4. Notwithstanding anything herein to the contrary, Assignor acknowledges and agrees that Assignor is not being released from any obligations under the Lease to be performed or observed by Tenant thereunder for the remainder of the Term of the Lease, it being the intent that both Assignor and Assignee remain jointly and severally liable for all obligations to be performed or observed by Tenant under the Lease for the remainder of the Term of the Lease.

5. The right to the return of any security deposit referred to in the Lease is hereby assigned by Assignor to Assignee.

6. This Consent shall not be construed as a consent by Landlord to, or as permitting, any other or further assignment of the Lease, and no such further assignment shall be made without the prior written consent of Landlord in each instance, except to the extent permitted under the Lease.

7. This Consent shall inure to the benefit of, and be binding upon, the parties hereto and to their respective successors and assigns.

8. Landlord has not made any representations or warranties whether with respect to the condition of the Premises, or otherwise, except that Landlord states that it is entitled to execute this Consent.

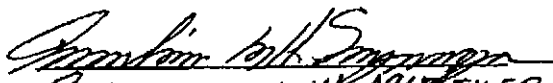
9. Assignor agrees to pay promptly all fees, charges and other expenses of Landlord on account of the assignment and assumption of the Lease, including Landlord's attorney's fees and expenses.

10. All prior statements, understandings, representations and agreements between the parties to this Consent with respect to Landlord's consent to the assignment of the Lease, whether oral or written, are superseded by and merged in this Consent. This Consent may be executed in one or more counterparts each of which, when so executed and delivered, shall be deemed to be an original, but all of which, when taken together, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Consent to Assignment to be duly executed as of the day and year first above written.

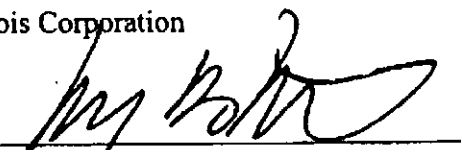
LANDLORD

CORNELIUS NYMEYER,  
as Beneficiary of the South Holland Trust and  
Savings Bank Trust Number 1163, Dated March 14,  
1969

By:   
Name: CORNELIUS NYMEYER  
Title: \_\_\_\_\_

ASSIGNOR

RENAL CARE GROUP MID-AMERICA,  
an Illinois Corporation

By:   
Name: Barry B. Nekritz  
Title: Authorized Representative

ASSIGNEE

NATIONAL RENAL INSTITUTES, INC.,  
a Delaware corporation


By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



IN WITNESS WHEREOF, the parties have caused this Consent to Assignment to be duly executed as of the day and year first above written.

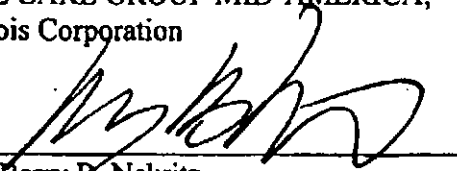
LANDLORD

CORNELIUS NYMEYER,  
as Beneficiary of the South Holland Trust and  
Savings Bank Trust Number 1163, Dated March 14,  
1969

By:   
Name: CORNELIUS N. NYMEYER  
Title: \_\_\_\_\_

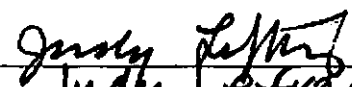
ASSIGNOR

RENAL CARE GROUP MID-AMERICA,  
an Illinois Corporation

By:   
Name: Barry B. Nekritz  
Title: Authorized Representative

ASSIGNEE

NATIONAL RENAL INSTITUTES, INC.,  
a Delaware corporation

By:   
Name: Judy Letkowitz  
Title: V.P. & Secretary

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LEASE AGREEMENT

This Lease Agreement (the "Lease") made and entered into this 6 day of August 1999, by and between Cornelius Nymeyer, as Beneficiary of the South Holland Trust and Savings Bank Trust number 1163, Dated March 14, 1969 (hereinafter LESSOR) and Renal Care Group, an Illinois Corporation, as Lessee (hereinafter "Lessee").

WITNESSETH

WHEREAS, Lessor is the sole beneficiary of a Trust owning fee simple title of that certain tract of land, situated in the County of Cook, State of Illinois, and commonly known as 16136 South Park Avenue, South Holland, Illinois, all as more particularly described in Exhibit "A" attached hereto and made a part hereof (hereinafter referred to as the "Demised Premises") and the improvements (hereinafter "Improvements") located thereat and thereon consisting of six thousand one hundred ninety square feet; and

WHEREAS, Lessor desires to lease the Demised Premises and Improvements (hereinafter the Demised Premises and Improvements are collectively referred to as "Property") to the Lessee and Lessee desires to lease the Property from Lessor; and

WHEREAS, the parties hereto have agreed to the terms and conditions of this Lease.

NOW, THEREFORE, in consideration of Ten (\$10.00) Dollars and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and the above Recitals being incorporated herein by this reference, it is agreed that the use and occupancy of the Demised Premises and the Improvements, shall be subject to and in accordance with the terms, conditions and provisions of this Lease.

ARTICLE I - DEFINITIONS

1.1 The terms defined in this Article shall, for all purposes of this Lease and all agreements supplemental hereto, have the meaning herein specified.

- (a) "Demised Premises" shall mean the real estate described in Exhibit "A" and all Improvements located thereon.
- (b) "Personal Property" shall mean all furniture, fixtures, equipment and supplies located on the Demised Premises and owned by Lessor
- (c) "Mortgage" shall mean any mortgage which currently encumbers or in the future may encumber the Demised Premises.
- (d) "Mortgagee" shall mean the holder of any Mortgage.
- (e) "Lease Year" shall mean any twelve month period beginning on the first day of the month in which this lease agreement commences and ending the last day of

the twelfth month thereafter.

- (f) "Improvements" shall mean any and all improvements and/or fixtures (except those constituting Tenant Personal Property) now or hereafter located on or at the Demised Premises.
- (g) "Property" shall mean the Demised Premises and the Personal Property located thereat.
- (i) "Tenant Personal Property" shall mean any and all furnishings (except those provided as replacement of Lessor's personal property as provided herein), appliances, medical devices, and use-specific fixtures provided by Lessee for use in the operation of an Outpatient Dialysis Clinic.

#### ARTICLE II - DEMISED PREMISES, IMPROVEMENTS AND PERSONAL PROPERTY

- 2.1 Lessor, for and in consideration of the rents, covenants and agreements hereinafter reserved, mentioned and contained on the part of the Lessee, its successors and assigns, to be paid, kept and performed, does hereby lease unto Lessee the Demised Premises for the term hereinafter specified, for use and operation therein and thereon of an Outpatient Dialysis Clinic and other related activities, in full compliance with all the rules and regulations and minimum standards applicable thereto, as prescribed by the State of Illinois and such other governmental authorities having jurisdiction thereof.

#### ARTICLE III - TERM OF LEASE

- 3.1 The Initial term of this Lease shall be for a period of ten (10) years commencing on the third day after Lessee receives approval for a Certificate of Need from the State of Illinois (said date is hereafter referred to as the "Commencement Date") provided that possession of the entire premises is delivered to the Tenant on that date. and shall expire on the last day of the October, 2009, unless sooner terminated as hereinafter provided. (hereafter "Initial Lease Term"). If Lessee is unable to obtain said Certificate by October 12, 1999, and so informs Lessor in writing, this lease shall be null and void with no further obligation on the part of Lessor or Lessee. Should Lessee fail to so notify Lessor by October 12, 1999 then this lease shall be in full force and effect and this contingency shall be conclusively deemed satisfied or waived by Lessee.
- 3.2 Lessee shall have the right to extend the Lease for an additional period of five (5) years upon written notice delivered to Lessor no later than twelve (12) months prior to the expiration of the Initial Lease Term. Such extension shall be upon the same terms and conditions as the Initial Lease Term.

#### ARTICLE IV - RENT

- 4.1 Lessee shall pay to Lessor, or as Lessor shall direct, as and for rental for the Property (the "Rent") over and above all other additional payments to be made by Lessee as provided in this Lease, the following amounts: Base rent for the initial rental year shall be \$13.75 per square foot. Base rent shall be increased by 3% each rental year over the preceding rental years rate.

In the event the Commencement Date shall be other than the first day of the month, Lessee shall pay to Lessor a pro rata portion of the Rent for the month. All rental payments, shall be paid in advance on the first day of each month. Unless otherwise notified in writing, all checks shall be made payable to Cornelius Nymeyer and shall be sent to 2445 Richton Road, Crete Illinois 60417.

- 4.2 This Lease is and shall be deemed and construed to be a modified gross lease and the Rent specified herein shall be net to the Lessor in each year during the term of this Lease. The Lessee shall pay all costs, expenses and obligations of every kind whatsoever relating to the Property which may arise or become due during the term of this Lease, except for payment of real estate taxes as described in Article VI herein and provided for in Article XI herein. Lessee does hereby indemnify and hold harmless the Lessor from and against any and all such costs, expenses and obligations for which Lessee is responsible.
- 4.3 During the first ninety (90) days of the lease term the rent provisions herein shall be abated and no base rent shall be paid by Lessee. Lessee shall pay during this period all maintenance and utility charges on the property which items constitute "additional rent".

#### ARTICLE V - LATE CHARGES

- 5.1 If payment of any sums required to be paid or deposited by Lessee to Lessor under this Lease, or payments are made by Lessor under any provision hereof for which Lessor is entitled to reimbursement by Lessee shall become overdue beyond ten (10) days after the date on which they are due and payable as in this Lease provided, a late charge equal to 5% of the amount of the payment due and shall be immediately due and payable to Lessor as liquidated damages for Lessee's failure to make prompt payment. Lessor shall notify Lessee in writing of the delinquency, and said late charges shall be due and payable on the day which is five (5) days after the date on which Lessor gives notice to Lessee that such late charges became payable. The date of any notice of late charges shall be deemed the date of receipt of such notice. If non-payment of any late charges shall occur, Lessor shall have, in addition to all other rights and remedies, all the rights and remedies provided for herein and by law in the case of non-payment of Rent. No failure by Lessor to timely insist upon the strict performance by Lessee of Lessee's obligations to pay late charges for which proper notice hereunder has been given shall constitute a waiver by Lessor of its rights to enforce the provisions of this Article in any instance thereafter occurring.

## ARTICLE VI - PAYMENT OF TAXES AND ASSESSMENTS

6.1 Lessor and Lessee will pay or cause to be paid, as provided herein, all taxes, assessments, Licenses and permit fees and other governmental charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever which during the term of this Lease may have been, or may be assessed, levied, confirmed, imposed upon or become due and payable out of or in respect of, or become a lien on the Personal Property or any part thereof (hereinafter collectively referred to as "Taxes and Assessments").

6.2 Lessor's share of the Taxes and Assessments shall be limited to the amount paid by Lessor for the same for the tax year 1998, which amount shall be determined in calendar year 1999. Any increases over said cap or additional taxes or assessment shall be the responsibility of Lessee. Lessee agrees to forward to Lessor, upon written notice with copy of bill attached, payment for Lessee's share not later than Twenty One days from the date of notice.

Any Taxes and Assessments relating to a fiscal period of any authority, a part of which is included in a period of time before or after the term of this Lease shall be adjusted pro rata between Lessor and Lessee and each party shall be responsible for its pro rata share of any such Taxes and Assessments.

6.3 Nothing herein contained shall require Lessee to pay income taxes assessed against Lessor, or capital levy, franchise, estate, succession or inheritance taxes of Lessor.

6.4 Lessee shall have the right to contest the amount or validity, in whole or in part, of any Taxes and Assessments by appropriate proceedings diligently conducted in good faith, but only after payment of such Taxes and Assessments if the taxes be then due and payable, unless such payment would operate as a bar to such contest or interfere materially with the prosecution thereof, in which event, Lessee may postpone or defer such payment only if:

- (1) Neither the Demised Premises nor any part thereof would by reason of such postponement or deferment be in danger of being forfeited or lost; and
- (2) Lessee shall have deposited with Lessor, or, at Lessor's designation, with Lessors Mortgagee, to be held in trust, cash or securities satisfactory to Lessor in an amount equal to One Hundred Fifty (150%) Percent of the amount of Lessee's portion of the unmodified Taxes and Assessments which at such time shall be actually due and payable, together with all interest and penalties in connection therewith and all charges that may or might be assessed against or become a charge on the Demised Premises or any part thereof in such proceedings.

The cash so deposited shall bear interest payable to Lessee. The cash or securities so deposited shall be held by Lessor until the Demised premises or any part thereof shall have been released and discharged and shall thereupon be returned to the Lessee, less the amount of any loss, cost, damage and reasonable expense incurred by Lessor in connection with the Taxes and Assessments so contested.

- 6.5 Upon the termination of any such proceedings, Lessee shall pay the amount of such Taxes and Assessments or part thereof as finally determined in such proceedings, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees, interest, penalties or other liabilities in connection therewith, and such payment, at Lessee's request, shall be made by Lessor out of the amount deposited with respect to such Taxes and Assessments as aforesaid. In the event such amount is insufficient, then the balance due shall be paid by Lessee.
- 6.6 Lessor shall not be required to join in any proceedings referred to in this Article, unless the provisions of any law, rule or regulation at the time in effect shall require that such proceedings be brought by and/or in the name of Lessor, in which event Lessor shall join in such proceedings or permit the same to be brought in its name. Lessor shall not ultimately be subject to any liability for the payment of any costs or expenses in connection with any such proceedings, and Lessee will indemnify and save harmless Lessor from and against any and all such costs and expenses, including, but not limited to reasonable attorneys fees. Lessee shall be entitled to any refund of any real estate taxes and penalties or interest thereon received by Lessor which constitute any amount paid over and above Lessors contribution at the 1998 rate.

#### ARTICLE VII - OCCUPANCY

- 7.1 During the term of this Lease, the Demised Premises shall be used and occupied by Lessee for and as an outpatient Kidney Dialysis Clinic and all other related uses. Lessee shall at all times maintain in good standing and full force all the licenses issued by the State of Illinois and any other governmental agencies permitting the operation on the Demised Premises of a Outpatient Dialysis Clinic.
- 7.2 Lessee will not suffer any act to be done or any condition to exist on the Demised Premises which may be dangerous or which may, in law, constitute a public or private nuisance or which may void or make voidable any insurance then in force on the Demised Premises.

#### ARTICLE VIII - CONDITION OF PREMISES

- 8.1 Lessor and Lessee agree that the premises have been leased in its "As-Is" "Where-Is" condition, except as provided in this Article. Lessor has not received any governmental notice that the premises are deemed unsuitable for habitation. Lessor has no knowledge of the presence of any hazardous substances (including asbestos), hazardous contamination, or underground tanks of any nature on the premises. If it is determined during the first 90 days of the lease term that hazardous substances, hazardous contamination, or underground tanks exist on the premises, Lessee shall notify Lessor in writing, together with a copy of any report or finding which identifies the condition as pertaining to Hazardous Substances, Hazardous Contamination, or Under Ground Tanks. Lessor shall within 10 days of notice inform Lessee as to whether Lessor shall pay to remediate said condition. If Lessor elects to not remediate this lease shall become null and void and all security deposits shall be returned to Lessee. If Lessor elects to remediate then, within 30 days, Lessor shall cause to have the condition remediated. Lessor's obligation to remediate shall not extend to conditions identified after the initial 90 days of the lease term. Notwithstanding the foregoing, Lessor makes no other claims or warranties, including warranties of habitability as to the condition of the property or its suitability for any particular use or purpose. In the event Lessor remediates, the 90 day rent abatement period shall toll for the number of days during which remediation occurs and shall end upon the completion of the work or the issuance of any necessary governmental approval to occupy the premises. To facilitate remediation, Lessee shall not possess the property during the tolled remediation period.
- 8.2 Lessor shall provide a credit to Lessee in the total amount of \$15,000.00 for replacement of the Heating/Central Air Conditioning system. Lessee agrees to install roof top heating/air conditioning units. Said credit shall be given to Lessee as a \$1000.00 monthly offset from Lessee's first 15 rent payments. The Heating/Air Conditioning unit, once installed shall become a fixture on the Demised Premises and shall remain with The Demised Premises when the same is returned at the completion of the rental term. Lessee shall install a unit with a capacity sufficient to service the Demised Premises. If at any time during the term of this lease Lessee determines that supplemental heating/air conditioning capacity is necessary, it shall be Lessee's sole responsibility to obtain a pay for the same. Lessee shall further cause the replacement of the water heater servicing the unit now occupied by Cameo House.
- 8.3 Upon termination of this Lease for any reason, Lessee will return to Lessor the Property in the same condition as existed on the Commencement Date, reasonable wear and tear excepted, and qualified by any and all leasehold improvements approved by Lessor as provided herein.

#### ARTICLE IX - INSURANCE

- 9.1 Lessee shall, at its sole cost and expense, during the full term of this Lease,

maintain fire and extended coverage liability insurance with an extended coverage endorsement, covering malicious mischief and vandalism, both on the Demised Premises and the Personal Property therein, on the forms approved by the Illinois Department of Insurance with a company or companies approved by Lessor, which approval will not be unreasonably withheld. Such insurance shall, at all times, be maintained (without any co-insurance clause) in an amount equal to the full replacement value of the premises, but in any event in an amount sufficient to prevent Lessor and Lessee from becoming co-insurers under applicable provisions of the insurance policies. Such insurance shall contain a loss payable clause to Lessor and Lessee as their interests may appear.

Lessee shall furnish, if and when received, and at its expense, any insurance appraisals made by Lessee's insurance company to which Lessee is privy or which Lessee has received.

9.2 Lessee shall also, at Lessee's sole cost and expense, cause to be issued and shall maintain during the entire term of this Lease:

- (1) A Comprehensive General Liability policy naming Lessor, its beneficiary and Lessee, as insured, and insuring them against claims for personal injury, or property damage occurring upon, in or about the Demised Premises, or in or upon the adjoining streets, sidewalks, passageways and areas, such insurance to afford protection to the limit of not less than \$1,000,000.00 per each occurrence; said policy shall also provide contractual coverage with respect to Lessee's indemnification in this Lease;

9.3 All policies of insurance shall provide:

- (1) They are carried in favor of the Lessor and Lessee, as their respective interests may appear, and any loss shall be payable as therein provided, notwithstanding any act or negligence of Lessor or Lessee, which might otherwise result in forfeiture of insurance;
- (2) They shall not be canceled, terminated, reduced or materially modified without at least thirty (30) days prior written notice to Lessor as named in said policies; and

9.4 Certificates of Insurance verifying policies and coverages required by this Article shall be delivered to Lessor within 30 days of Lease commencement.

9.5 In the event the amount of any insurance proceeds exceeds Fifty Thousand (\$50, 000.00) Dollars, such insurance proceeds as may be paid to Lessee and



Lessor, shall be deposited with Lessor and Lessee to be held and disbursed for the repairing, rebuilding, restoring or replacing of the Demised Premises or any portion thereof, or any improvements from time to time situated thereon or therein.

- 9.6 No sums shall be paid by Lessor toward such repairing, rebuilding, restoring or replacing unless it shall be first made to appear to the reasonable satisfaction of Lessor that (1) Lessee is not in default under this Lease; and (2) the amount of money necessary to provide for any such repairing, rebuilding, restoring or replacing (according to any plans or specifications which may be adopted therefor) in excess of the amount received from any such insurance policies has been expended or provided by Lessee for such repairing, rebuilding, restoring or replacing; and (3) that the amount received from such insurance policies is sufficient to complete such work.

In the event there is any amount required in excess of the amount received from such insurance policies, Lessee shall deposit such excess funds with Lessor (or at Lessor's direction with Lessors Mortgagee) so that the total amount available will be sufficient to complete such repairing, rebuilding, restoring or replacing in accordance with the provisions of the Mortgage and this Lease and any plans and specifications submitted in connection therewith, free from any liens or encumbrances of any kind whatsoever and the funds so held shall be disbursed only upon the presentment of architect's or general contractor's certificates, waivers of lien, contractors sworn statements, and other evidence of cost and payments as may be reasonably required. In lieu of posting a cash deposit, Lessee may a) establish a construction escrow with a title insurance company licensed to do business in Illinois funded by either Lessee or a lender to Lessee in an amount equal to the excess funds necessary to complete the work required; or b) deliver to Lessor a letter of credit in the requisite amount issued by a national bank licensed to do business in Illinois and precisely conforming with the requirements of paragraph 28.18 herein.

#### ARTICLE X - LESSOR'S RIGHT TO PERFORM

- 10.1 Should Lessee fail to perform any of its covenants herein agreed to be performed Lessor shall so notify Lessee of the default in writing. If the default is caused by Lessee's failure to make any monetary payment to Lessor or any third party to whom Lessee is obligated under this lease, Lessee shall have ten days (10) (except as provided for in Paragraph 14.2 herein ) from the date of notice to cure said default by paying all sums then due. If the default is caused by any act or omission of Lessee not related to the payment of money, Lessee shall have thirty (30) days from the date of notice to cure such default. The Lessor may, upon reasonable grounds, extend the thirty (30) day cure period if 1) Lessee is diligently pursuing a cure, 2) it is not reasonable to cure the default within thirty (30) days, and 3) the default does not cause a diminution in the value of the Premises. In the event that the extension is granted Lessee shall post, with Lessor,

a bond in the amount of 150% of the debt amount which shall be held by Lessor until such time as the debt is released. If Lessee does not cure the default within the relevant time provided, Lessor may, but shall not be required to, make such payment or perform such covenants. Payment may be made through the use of any posted bond. Sums expended by Lessor in excess of the bond amount thereon shall be payable within four (4) days after demand by Lessor to Lessee stating the amount due. Payment shall be made by Lessee to Lessor, with interest thereon, at such rate of interest as Lessor incurs when borrowing funds, or if Lessor actually borrows such funds, the interest rate charged the Lessor, from date thereof until paid, and in addition, Lessee shall reimburse Lessor for Lessor's reasonable expenses in enforcing or performing such covenants, including reasonable attorneys fees. Any such costs or expenses incurred or payments made by the Lessor shall be deemed to be Additional Rent payable by Lessee and collectible as such by Lessor.

- 10.2 Performance of and/or payment to discharge said Lessee's obligations shall be optional with Lessor and such performance and payment shall in no way constitute a waiver of, or a limitation upon, Lessor's other rights hereunder.

#### ARTICLE XI - REPAIRS AND MAINTENANCE

- 11.1 Throughout the term of this Lease, Lessee, at its sole cost and expense, will keep and maintain, or cause to be kept and maintained, the Demised Premises and the Personal Property (except as pertains to Lessor's obligations as provided for in this paragraph) in good order and condition without waste and in a suitable state of repair at least comparable to that which existed immediately prior to the Commencement Date (ordinary wear and tear excepted), and will make or cause to be made, as and when the same shall become necessary, nonstructural, interior, replacing, repairing and restoring necessary to that end. All replacing, repairing and restoring required of Lessee shall be (in the reasonable opinion of Lessor) of comparable quality at least equal to the condition of the work as of the date of lease commencement, normal wear and tear excepted (or, in the case of improvements made by Lessee, to the work as it existed upon completion of the improvement) and shall be in compliance with all standards and requirements of law, licenses and municipal ordinances necessary to operate the Demised Premises as an Outpatient Dialysis Clinic. Lessor shall only be responsible for the maintenance of the Exterior walls and structure, the roof, and exterior painting, sidewalks, curbs, parking lot and landscaping. Notwithstanding, however, Lessee shall keep the sidewalks, curbs, and parking lot free from all debris, water, ice, and snow, at Lessee's sole cost and expense. Lessee shall notify Lessor within 24 hours in writing of all defects and conditions of the sidewalk, curb, parking lot, or structure which represent a threat to human health or safety which are known or which should reasonably have been known. Lessee shall further indemnify Lessor for any loss arising out of a condition of the parking lot, sidewalk, or curb caused by the acts or omissions of Lessee.

11.2

In the event that any part of the improvements located on the Demised Premises or the Personal Property shall be damaged or destroyed by fire or other casualty (any such event being called a "Casualty"), Lessee shall promptly replace, repair and restore the same as nearly as possible to the condition it was in immediately prior to such Casualty, in accordance with all of the terms, covenants and conditions and other requirements of this Lease. The Demised Premises and the Personal Property shall be so replaced, repaired and restored as to be of at least equal value and substantially the same character as prior to such Casualty. If the estimated cost of any such restoring, replacing or repairing is Fifty Thousand (\$50,000.00) Dollars or more, the plans and specifications for same shall be first submitted to and approved in writing by Lessor, which approval shall not be unreasonably withheld, and Lessee shall immediately select an independent architect, approved by Lessor, which approval shall not be unreasonably withheld, who shall be in charge of such repairing, restoring or replacing. Lessee covenants that it will give to Lessor prompt written notice of any Casualty affecting the Demised Premises in excess of Fifty Thousand (\$50,000.00) Dollars.

11.3 Provided that Lessee is not then in default under this Lease, Lessee shall have the right, at any time and from time to time, to remove and dispose of any Personal Property which may have become obsolete or unfit for use, or which is no longer useful in the operation of the Demised Premises, provided Lessee promptly replaces such Personal Property so removed or disposed of with other personal property free of any security interest, liens or encumbrances; and the replacement personal property shall be of the same character, and of at least equal usefulness and quality as any such Personal Property so removed or disposed of and such replacement property shall automatically become the property of and shall belong to the Lessor, and Lessee shall execute such bills of sale or other documents reasonably requested by Lessor to vest ownership of such personal property in Lessor.

#### ARTICLE XII - ALTERATIONS AND DEMOLITION

12.1 Lessee may alter the interior of the Premises upon the prior written consent of the Lessor. All alterations, improvements and additions to the Demised Premises shall be in quality and class at least equal to that which existed immediately prior to the commencement date (ordinary wear and tear excepted) and shall become the property of the Lessor and shall meet all building and fire codes, and all other applicable codes, rules, regulations, laws and ordinances. In order to determine that the alterations shall be in compliance with this agreement, Lessor maintains the right to have the same approved at Lessor's expense and within 10 days receipt of written plans, reports, or specifications from Lessees contractors prior to commencement by experts of Lessors choosing. At the completion of all such alterations, Lessee shall deliver to Lessor a final lien waiver for the completed work, or lien waivers from all subcontractors not included in the final lien waiver. Lessee shall indemnify and hold Lessor harmless for any loss, including attorney's fees, for Lessees failure to obtain lien waivers or of the insufficiency or

invalidity of the same for whatever reason.

Any elective modifications to the structure, including replacement of doors and windows, shall be done at Lessee's sole cost and expense.

#### ARTICLE XIII - COMPLIANCE WITH LAWS AND ORDINANCES

- 13.1 Throughout the term of this Lease, Lessee, at its sole cost and expense, will obey, observe and promptly comply with all present and future laws, ordinances, orders, rules, regulations and requirements of any federal, state and municipal governmental agency or authority having jurisdiction over the Demised Premises and the operation thereof as an Outpatient Dialysis Clinic, including, but not being limited to, the sidewalks, alleyways, passageways, vacant land, parking spaces, curb cuts, and curbs adjoining the Demised Premises. If any law, ordinance, order, rule, regulation, or requirement would have necessitated structural changes or improvements for use of the property as general office or retail space, Lessor at Lessor's sole cost and expense shall make such modifications except as provided for in Paragraph 13.5 herein.. If changes or improvements are required to the structure, sidewalk, alleyways, passageways, parking spaces, curb cuts, and curbs adjoining the Demised Premises (except as required for use of the property as general office or retail space detailed hereinabove) by virtue of Lessee's use or intended use of the premises for an Outpatient Dialysis Clinic or any other related use, then any such change or improvement shall be the sole cost of the Lessee.
- 13.2 Lessee shall likewise observe and comply with the requirements of all policies of public liability and fire insurance and all other policies of insurance at any time in force with respect to the Demised Premises.
- 13.3 Lessee shall promptly apply for and procure and keep in good standing and in full force and effect all necessary licenses, permits and certifications required by any governmental authority for the purpose of maintaining and operating on the Demised Premises an Outpatient Dialysis Clinic.
- 13.4 Lessee shall notify Lessor within seventy-two (72) hours after the receipt thereof of any notice from any governmental agency terminating or suspending or threatening termination or suspension, of any license or certification relating to the Demised Premises or the clinic operated thereon.
- 13.5 Lessor makes no representation as to the current compliance or the future compliance of the premises with the requirements of the Americans with Disabilities Act. Lessor shall credit Lessee the sum of \$6300.00, for which Lessee agrees to use the credit for erecting a cement wheelchair ramp on the premises and with the installation of a minimum of two exterior door ways which comply with the requirements of the Americans with Disabilities Act. Said credit shall be given as a rent abatement over a 6 month period commencing

on the fourth month of occupancy.

#### ARTICLE XIV - DISCHARGE OF LIENS

- 14.1 Lessee will not create or permit to be created, or to remain, and Lessee will discharge, any lien, encumbrance or charge levied on account of any mechanics, laborers or materialman's lien or any conditional sale, security agreement or chattel mortgage, or otherwise, which might be or become a lien, encumbrance or charge upon the Demised Premises or any part thereof or the income therefrom or the Personal Property, for work or materials or personal property furnished or supplied to, or claimed to have been supplied to or at the request of Lessee, without the consent of Lessor, which consent shall not be unreasonably withheld.
- 14.2 If any mechanics, laborer's or materialman's lien caused or charged to Lessee shall at any time be filed against the Demised premises or Personal Property, Lessee shall have the right to contest such lien or charge, provided, Lessee within thirty (30) days after notice of the filing thereof, will cause the same to be discharged of record or in lieu thereof to secure Lessor against said lien by deposit with Lessor of such Security as may be reasonably demanded by Lessor to protect against such lien. If Lessee shall fail to cause such lien to be discharged within the period aforesaid, or to otherwise secure Lessor as aforesaid, then in addition to any other right or remedy, Lessor may, upon ten (10) days notice, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by processing the discharge of such lien by deposit or by bonding proceedings. Any amount so paid by Lessor and all costs and expenses incurred by Lessor in connection therewith, together with interest thereon at the highest of Lessor's actual cost of borrowing said sums, Lessor's Default Rate of Interest under its Mortgage or the prime rate of interest as declared from time to time by the First National Bank of Chicago plus six (6) percentage points, but in all events not in excess of the maximum amount permitted by law, shall constitute Additional Rent payable by Lessee under this Lease and shall be paid by Lessee to Lessor on demand. Except as herein provided, nothing contained herein shall in any way empower Lessee to or suffer any act which can, may or shall cloud or encumber Lessor's or Mortgagee's interest in the Demised Premises. The Lessor may, upon reasonable grounds, extend the thirty (30) day cure period if 1) Lessee is diligently pursuing a cure, 2) it is not reasonable to cure the default within thirty (30) days, and 3) the default does not cause a diminution in the value of the Premises. In the event that the extension is granted Lessee shall post, with Lessor, a bond or deliver a letter of credit as provided for under Paragraph 28.18 herein in the amount of 150% of the lien amount which shall be held by Lessor until such time as the lien is released. If Lessee fails to have the lien released within six (6) months of the date of receipt of notice, Seller shall have the option of applying the bond for release of the lien or paying the lien if no bond was posted in conformity with paragraph 10.1 herein.

#### ARTICLE XV - INSPECTION OF PREMISES BY LESSOR

- 15.1 At any time, upon twenty-four (24) hours' notice, during reasonable business hours, Lessor and/or its authorized representative shall have the right to enter and inspect the Demised Premises and Personal Property. Lessor shall indemnify Lessee for any damage to the premises or Tenant Personal Property caused by Lessor or Lessor's representative during such inspection. Further, if Lessor or Lessor's representative conduct said inspection during a normal business hours when patients of Lessee are present on the premises Lessor shall indemnify Lessee for injury caused to any patient by the actions of Lessor's representative for which Lessee shall be liable. Lessor will make every attempt to conduct such inspections outside of normal business hours as feasibility permits. Showings of the premises in preparation for reletting shall be done at all times outside of normal business hours. Normal business hours, for the purposes of this clause, is deemed to be 8:00 a.m. to 5:00 p.m., Monday through Friday.
- 15.2 Lessor agrees that the person or persons upon entering and inspecting the Demised Premises and Personal Property will cause as little inconvenience to the Lessee as may reasonably be possible under the circumstances.

#### ARTICLE XVI - CONDEMNATION

- 16.1 If all of the Demised Premises is taken by the exercise of the power of eminent domain, or sold under eminent domain proceedings, this Lease shall terminate as of the date possession is taken by the condemnor.
- 16.2 If less than all of the Demised Premises are taken by the exercise of the power of eminent domain or sold under eminent domain proceedings and if such exercise affected the improvements located on the Demised Premises, the Lessor, subject to the requirements contained in the Mortgage, shall with reasonable diligence, restore or rebuild to the extent reasonably practicable any improvements located upon the Demised Premises affected by the taking, but shall not be obligated to spend for such restoration any amount in excess of the amount awarded or paid to Lessor by the condemnor for such purpose. In the event the amount awarded shall be insufficient to repair and restore the Demised Premises, and neither party elects to furnish additional funds needed, then Lessor or Lessee shall have the right to terminate this Lease.
- 16.3 In the event that all or less than all of the Demised Premises are taken or sold, and this Lease shall terminate as provided herein, then as between Lessor and Lessee, Lessor shall be entitled to the entire award for the Demised Premises and Personal Property (but not any Tenant Personal Property as defined herein). Lessee shall be entitled the award for Tenant Personal Property and to any award that it can prove for damage to its leasehold interest, provided that such award is separately allocated to Lessee by the condemning authorities.

#### ARTICLE XVII - RENT ABSOLUTE

- 17.1 Damage to or destruction of any portion of the buildings, structures and fixtures upon the Demised Premises, by fire, the elements or any other cause whatsoever, whether with or without fault on the part of Lessee, shall not terminate this Lease or entitle Lessee to surrender the Demised Premises or entitle Lessee to any abatement of or reduction in Rent, Additional Rent and any other amounts payable hereunder, or otherwise affect the respective obligations of the parties hereto, any present or future law to the contrary notwithstanding.

#### ARTICLE XVIII - ASSIGNMENT AND SUBLETTING

- 18.1 During the term of the Lease, Lessee shall not assign this Lease or in any manner whatsoever or further sublet, assign, encumber or transfer all or any part of the Demised Premises (except for Tenant Personal Property) or in any manner whatsoever transfer or assign an interest in the Demised Premises or any interest in the Lessee or sell or assign a majority of the outstanding shares or partnership interests in Lessee without the prior written consent of the Lessor, which consent shall not be unreasonably withheld; provided, however, that nothing in the foregoing shall prohibit Lessee from making any assignment to any parent or subsidiary corporation of Lessee. Any violation or breach or attempted violation or breach of the provisions of this Article by Lessee, or any acts inconsistent herewith shall vest no right, title or interest herein or hereunder or in the Demised Premises, in any such transferee or assignee; and such act shall be deemed an Event of Default under this Lease.

#### ARTICLE XIX - EVENTS OF DEFAULT

The following acts or events shall be deemed to be a default ("Event of Default") on the part of the Lessee:

- (1) The failure of Lessee to pay when due any Rent payment, or any part thereof, or any other sum or sums of money due or payable to the Lessor or any third party to which Lessee is liable under the provisions of this Lease, when such failure shall continue for a period of ten (10) days after notice that such payment is due;
- (2) The failure of Lessee to perform, or the violation by Lessee of, any of the covenants, terms, conditions or provisions of this Lease not pertaining to the failure to pay money when due, if such failure or violation shall not be cured within thirty (30) days after the earlier of the date of notice thereof by Lessor to Lessee or the date Lessee was required hereunder to disclose such Default to Lessor;
- (4) The failure of Lessee to replace, within thirty (30) days after notice by Lessor to Lessee, a substantial portion of the Personal Property previously removed by Lessee;

- (5) The making by beneficiary of Lessee of an assignment for the benefit of creditors;
- (6) The levying of a writ of execution or attachment on or against the property of Lessee which is not discharged or stayed by action of Lessee contesting same, within thirty (30) days after such levy or attachment (provided if the stay is vacated or ended, this paragraph shall again apply);
- (7) If the proceedings are instituted in a court of competent jurisdiction for the reorganization, liquidation or involuntary dissolution of the beneficiary of Lessee or for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the property of the beneficiary of Lessee and said proceedings are not dismissed and any receiver, trustee or liquidator appointed therein is not discharged within thirty (30) days after the institution of said proceedings;
- (8) The sale of the interest of Lessee in the Demised premises under execution or other legal process;
- (9) The failure of Lessee to give immediate notice to Lessor after receipt by Lessee of any notice, claim or demand from any governmental authority, or any officer acting on behalf thereof, of any violation of any law, order, ordinance, rule or regulation with respect to the operation of the Dialysis Clinic located on the Demised Premises which may have an adverse effect on Lessee's licensure status;
- (10) The failure on the part of Lessee during the term of this Lease to cure or abate any violation claimed by any governmental authority, or any officer acting on behalf thereof, of any law, order, ordinance, rule or regulation pertaining to the operation of the Outpatient Dialysis Clinic located on the Demised Premises, and within the time permitted by such authority for such cure or abatement;
- (11) The abandonment of the Demised Premises by Lessee.

#### ARTICLE XX - RIGHT TO CONTEST

- 20.1 Anything to the contrary contained herein notwithstanding, Lessee shall have the right upon written notice thereof to the Lessor, diligently conducted in good faith, the validity or application of any law, regulation or rule mentioned herein, and to delay compliance therewith pending the prosecution of such proceedings, provided, however, that no civil or criminal liability would thereby be incurred by Lessor and no lien or charge would thereby be imposed upon or satisfied out of the Demised Premises and further provided that the effectiveness and good standing of any license, certificate or permit affecting the Demised Premises or



the Outpatient Dialysis Clinic operated thereon would continue in full force and effect during the period of such contest.

ARTICLE XXI - LESSOR'S REMEDIES UPON DEFAULT

- 21.1 Upon the occurrence of an Event of Default on the part of Lessee, Lessor may, if it so elects, pursuant to Article X herein, forthwith terminate this Lease and Lessee's right to possession of the Demised Premises, or, at the option of the Lessor, terminate Lessee's right to possession of the Demised Premises without terminating this Lease. Upon any such termination of this Lease, or upon any such termination of Lessee's right to possession without termination of this Lease, Lessee shall vacate the Demised Premises immediately, and shall quietly and peaceably deliver possession thereof to the Lessor, and Lessee hereby grants to the Lessor full and free license to enter into and upon the Demised Premises in such event and to repossess the Demised Premises and Personal Property as the Lessors former estate. In the event of any such termination of this Lease, the Lessor shall again have possession and enjoyment of the Demised Premises and Personal Property to the extent as if this Lease had not been made, and thereupon this Lease and everything herein contained on the part of Lessee to be done and performed shall cease and terminate, all, however, without prejudice to, and without relinquishing the rights of the Lessor to Rent with an offset against such Rent in the amount of Lessor's net profit from operating the Demised Premises, as determined by the accountants for the Lessor (the "Offset") (which, upon such termination of this Lease and entry of Lessor upon the Demised Premises, shall in all events, be the right to receive Rent due up to the time of such entry) or any other right given to the Lessor hereunder or by operation of law. In all instances Lessors reentry to the Premises shall be peaceably conducted.
- 21.2 Reserved
- 21.3 If Lessee abandons the Demised Premises or otherwise entitles Lessor to elect to terminate this Lease or Lessee's right to possession of the Demised Premises and the Lessor elects to terminate Lessee's right to possession only, without terminating this Lease, Lessor may, at its option, enter into the Demised Premises, remove Lessee's signs and other evidences of tenancy and take and hold possession thereof as in the foregoing Paragraph 21.1 of this Article provided, without such entry and possession terminating this Lease or releasing Lessee, in whole or in part, from Lessee's obligation to pay the Rent hereunder less the offset for the full remaining term of this Lease, and in such case, Lessee shall pay to Lessor a sum equal to the entire amount of the Rent reserved hereunder less the offset and in all events the Rent required to be paid by Lessee up to the time of such termination of the right of possession plus any other sums then due hereunder. Upon and after entry into possession without termination of this Lease, Lessor may attempt to relet the Demised premises or any part thereof for the account of Lessee for such Rent. In any such case, Lessor may make repairs, alterations and additions in or to the Demised premises, and redecorate the same

to the extent deemed by Lessor desirable, and Lessee shall, upon demand pay the cost thereof, together with Lessor's expenses of reletting. If the consideration collected by Lessor upon any such reletting is not sufficient to pay monthly the full amount of Rent reserved in this Lease, together with the costs of repairs, alterations, additions, redecorating and Lessor's expenses, Lessee shall pay to the Lessor the amount of each monthly deficiency upon demand.

21.4 Lessee's liability to Lessor for damages upon the occurrence of an Event of Default, whether in payment of Rent or otherwise, shall in all events survive the termination by Lessor of this Lease or the termination by Lessor of Lessee's right to session only, as hereinabove provided. Upon such termination of this Lease or at any time after such termination of Lessee's right to possession, Lessor may recover from Lessee and Lessee shall pay to Lessor as liquidated and final damages, whether or not Lessor shall have collected any current monthly deficiencies under the foregoing paragraph, and in lieu of such current deficiencies after the date of demand for such final damages, the amount thereof found to be due by a court of competent jurisdiction, which amount thus found may be equal to:

- (a) the remainder, if any, of Rent and charges due from Lessee for the period up to and including the date of the termination of this Lease or Lessee's right to possession;
- (b) the amount of any current monthly deficiencies accruing and unpaid by Lessee up to and including the date of Lessor's demand for final damages hereunder;
- (c) the excess, if any, of
  - (i) the Rent reserved for what would have been the remainder of the term of this Lease together with charges to be paid by Lessee under this Lease; over
  - (ii) the then fair rental value of the Demised Premises and the Personal Property.

If any statute or rule governing a proceeding in which such liquidated final damages are to be proved shall validly limit the amount thereof to an amount less than the amount above agreed upon, Lessor shall be entitled to the maximum allowable under such statute or rule of law.

21.5 Except for the occurrence of an Event of Default by Lessee in the payment of Rent or any additional payment required hereunder, in any case where Lessor shall have given to Lessee a written notice specifying a situation which, as hereinbefore provided, must be remedied by Lessee within a certain time period, and, if for causes beyond Lessee's control, it would not reasonably be possible for

Lessee to remedy such situation within such period, then, provided that Lessors Mortgage permits such an extension of time on the following conditions, and provided that Lessee immediately upon receipt of such notice, shall advise Lessor in writing of Lessee's intention to institute, and shall, as soon as reasonably possible thereafter, duly institute, and thereafter diligently prosecute to completion, all steps necessary to remedy such situation and shall remedy the same, and provided, subject to the provisions of Article XX, that any license or certification necessary for the operation of the Demised Premises, as an Outpatient Dialysis Clinic is not affected thereby, this Lease and the term and estate hereby granted shall not expire and terminate at the expiration of such time period as otherwise hereinbefore provided.

- 21.6 No receipt of funds by Lessor from Lessee after service of any notice of an Event of Default, termination of this Lease or of possession of the Demised Premises or after commencement of any suit or proceedings against Lessee, shall in any way reinstate, continue or extend this Lease or in any way affect the notice of the Event of Default, or demand, or in any way be deemed a waiver by Lessor of any of its rights unless consented to in writing by Lessor.

#### ARTICLE XII - LIABILITY OF LESSOR

- 22 It is expressly agreed by the parties that to the extent permitted by law, in no case shall Lessor be liable, under any express or implied covenant, agreement or provisions of this Lease, for any damages whatsoever to Lessee beyond the loss of Rent reserved in this Lease, accruing after or upon any act or breach hereunder on the part of Lessor and for which damages may be sought to be recovered against Lessor.

#### ARTICLE XXII CUMULATIVE REMEDIES OF LESSOR

- 23 The specific remedies to which Lessor may resort under the terms of this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which Lessor may be lawfully entitled in case of any breach or threatened breach by Lessee of any provision or Provisions of this Lease. The failure of Lessor to insist, in any one or more cases, upon the strict Performance of any of the terms, covenants, conditions, Provisions or agreements of this Lease, or to exercise any option herein contained, shall not be construed as a waiver or relinquishment for the future of any such term, covenant, condition, provisions, agreement or option. Nor shall the exercise by Lessor of any one or more remedies granted it hereunder be deemed an election of said remedy or to bar or preclude Lessor from the simultaneous and/or successive exercise of any other remedy hereunder.

#### ARTICLE XXIV - SECURITY FOR RENT

24.1 Lessee shall post with Lessor a sum equal to the first two (2) months' rent as security for each of and all of Lessee's obligations hereunder including payment of rent and redelivery of property in a suitable condition.

24.2 RESERVED

#### ARTICLE XXV - INDEMNIFICATION

Lessee agrees to protect, indemnify and save harmless the Lessor from and against any and all claims, demands and causes of action of any nature whatsoever, except for those caused by the Lessor or by conditions created by Lessor pursuant to Lessors obligations herein, for injury to or death of persons or loss of or damage to property, occurring on the Demised Premises or any adjoining sidewalks, streets or ways, or in any manner growing out of or connected with the use and occupation of the Demised Premises or the condition thereof, or the use of any existing or future sewer system, or the use of any adjoining sidewalks, streets or ways arising during the term of this Lease, and Lessee further agrees to pay any reasonable attorneys fees and expenses incident to the defense by Lessor of any such claims, demands or causes of action.

#### ARTICLE XXVI - REPRESENTATIONS

26.1 Lessor represents as follows:

- (a) Lessor represents that all contracts, including, but not limited to, those for services, equipment and supplies, are cancelable on not more than sixty (60) days notice and hereby assigns all said contracts, including, but not limited to, those identified on Exhibit "B" to Lessee. Lessee hereby accepts the assignment of all said contracts
- (b) Lessor has received no notice of building code or zoning code violations with respect to the Demised Premises which have not been cured.
- (c) Lessor has received no notice of any special assessments or intent to levy any special assessments with respect to the Demised Premises.
- (d) To the best of Lessor's knowledge, all real estate tax obligations or assessments which are due and owing have been paid.
- (e) Lessor is the beneficiary of a trust duly organized and validly existing and in good standing under the laws of the State of Illinois.
- (f) Lessor has full right and power to enter into, or perform its obligations under this Lease and has taken all requisite action to authorize the execution, delivery and performance of this Lease.

All representations of Lessor contained in this Lease shall be true on and as of the

Commencement Date as though made at that time.

26.2 Lessee represents and covenants to Lessor as follows:

- (a) Lessee is a Corporation duly organized and validly existing and in good standing under the laws of the State of Illinois.
- (b) Lessee has full right and power to enter into, or perform its obligations under this Lease and has taken all requisite corporate action to authorize the execution, delivery and performance of this Lease.
- (c) Lessee has examined the Demised Premises, Personal Property and improvements prior to the acceptance and execution of this Lease, and that no representations or warranties, express or implied, have been made by or on behalf of Lessor with respect to the condition of the Demised Premises and Personal Property. Lessee represents that it is satisfied with the condition thereof and is leasing the Demised Premises, Improvements and Personal Property in "AS IS" condition, subject to and acknowledging Lessors affirmative representations contained in paragraph 8.1 herein and Lessor shall in no event whatsoever be liable for any latent or patent defects therein.

26.3 In the event of a default by Lessor or a breach by Lessor of any representation, warranties, or covenants contained herein, Lessee, as its sole and exclusive remedy, shall be entitled to the amount of their actual damages.

#### ARTICLE XXVII - SIGNAGE

Lessee shall be responsible for all exterior signage on the property. Lessee shall not erect any signage on the property until the Lease Commencement date. Lessee shall be responsible for compliance with any and all municipal signage laws and requirements and shall indemnify Lessor for any and all losses, penalties, fines, or costs arising out of the placement of exterior signs not so in compliance. Lessee further agrees to remove any and all exterior signs at the completion of the Lease Term and shall return the façade of the building to it's original pre-Lease condition, except that Lessee shall not be obligated to remount any exterior signage which existed at lease commencement but removed by Lessee. Should Lessee remove any exterior signage such work shall be done with the care necessary to prevent damage to the sign being removed.

#### ARTICLE XXVII - MISCELLANEOUS

28.1 Lessee, upon paying the Rent, Additional Rent and all other charges herein provided, and for observing and keeping the covenants, agreements, terms and

conditions of this Lease on its part to be performed, shall lawfully and quietly hold, occupy and enjoy the Demised Premises during the term of this Lease, and subject to its terms, without hindrance by Lessor or by any other person or persons claiming under Lessor.

- 28.2 All payments to be made by the Lessee hereunder, whether or not designated as Additional Rent, shall be deemed Additional Rent, so that in default of payment when due, the Lessor shall be entitled to all of the remedies available at law or equity, or under this Lease, for the nonpayment of Rent.
- 28.3 It is understood and agreed that the granting of any consent by Lessor to Lessee to perform any act of Lessee requiring Lessor's consent under the terms of this Lease, or the failure on the part of Lessor to object to any such action taken by Lessee without Lessor's consent, shall not be deemed a waiver by Lessor of its rights to require such consent for any further similar act by Lessee, and Lessee hereby expressly covenants and warrants that as to all matters requiring Lessors consent under the terms of this Lease, Lessee shall secure such consent for each and every happening of the event requiring such consent, and shall not claim any waiver on the part of Lessor of the requirement to secure such consent.
- 28.4 Lessee and Lessor affirm that the following real estate agents and no others have participated in the leasing of the premises: Lessors Agent: Bob Webb of Legestee-Mulder Realty; Lessee's Agent: Jean Murray of Realty Executives South. Lessor shall pay a broker's commission in compliance with Lessor's written contract with Legestee-Mulder Realty. Lessee's agent may be paid by Lessor's agent according to agreements as may exist between themselves. Nothing in the foregoing, however, shall obligate Lessor to pay any sums directly to Lessee's agent nor to pay the any amount greater than that amount identified in Lessors agreement with Legestee-Mulder Realty
- 28.5 If an action shall be brought to recover Rent under this Lease, or for or on account of any breach of or to enforce or Interrupt any of the terms, covenants or conditions of this Lease, or for the recovery of possession of the Demised Premises, the prevailing party shall be entitled to recover from the other party, as part of prevailing party's costs, reasonable attorneys' fees, the amount of which shall be fixed by the court and shall be made a part of any judgment rendered.
- 28.6 Should Lessee hold possession hereunder after the expiration of the initial or extended term of this Lease with or without the consent of Lessor, Lessee shall become a tenant on a month-to-month basis upon all the terms, covenants and conditions herein specified, excepting, however, that Lessee shall pay Lessor monthly Rent, for the period of such month-to-month tenancy, in an amount equal to one and one half the last rental specified.
- 28.7 All notices, demands or requests which may or are required to be given by either party to the other shall be in writing, shall be effective upon receipt and shall be

sent by United States certified mail, return receipt requested, with postage thereon prepaid addressed to the other party hereto at the address set forth below:

If to Lessor:

Cornelius Nymeyer  
2445 Richton Road  
Crete, Illinois 60417

with copies to:  
Stephen Chesler  
Schwartz & Freeman  
401 North Michigan Avenue  
19<sup>th</sup> Floor...  
Chicago, IL 60611  
(312) 222-0800  
(312) 222-0818 fax

If to Lessee:

Renal Care Group MidAmerica  
161 N. Clark Street, Suite 1200  
Chicago, IL 60601  
(312) 634-6516  
(312) 634-6855 fax

with copies to:

Bruce Hoffman  
Pollak & Hoffman  
1200 Shermer Road, Suite 301  
Northbrook, IL 60062-4565

or if written notification of a change of address has been sent, to such other party and/or such other address as may be designated in that written notification. Transmission of notices by facsimile to the numbers provided above or as may be provided in writing from time to time shall be effective and shall be deemed to be given upon successful transmission during normal business hours. If notice is transmitted after normal business hours, it shall be deemed to have been given on the following day.

28.8 Upon demand by either party, Lessor and Lessee agree to execute and deliver a short form Lease in recordable form so that the same may be recorded by either

party.

- 28.9 Each party agrees that any time, and from time to time, upon not less than ten (10) days prior written request from the other party, to execute, acknowledge and deliver to the other party a statement in writing, certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same in full force and effect as modified, and stating the modifications), the dates to which the Rent, Taxes and Assessments and other charges have been paid, and whether this Lease is then in default or whether any events have occurred which, with the giving of notice or the passage of time, or both, could constitute a default hereunder, it being intended that any such statement delivered pursuant to this paragraph may be relied upon by any prospective assignee, mortgagee or purchaser of the fee interest in the Demised Premises or of this Lease.
- 28.10 All of the provisions of this Lease shall be deemed and construed to be "conditions" and "covenants" as though the words specifically expressing or importing covenants and conditions were used in each separate provision hereof.
- 28.11 Any reference herein to the termination of this Lease shall be deemed to include any termination thereof by expiration, or pursuant to Articles referring to earlier termination.
- 28.12 The headings and title in this Lease are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of this Lease, nor in any way affect this Lease.
- 28.13 The recitals set forth at the beginning of this Lease constitute an integral part of this Lease.
- 28.14 This Lease contains the entire agreement between the parties and any executory agreement hereafter made shall be ineffective to change, modify or discharge it in whole or in part unless such executory agreement is in writing and signed by the party against whom enforcement of the change, modification or discharge is sought. This Lease cannot be changed orally or terminated orally.
- 28.15 Except as otherwise herein expressly provided, the covenants, conditions and agreements in this Lease shall bind and inure to the benefit of the Lessor and Lessee and their respective successors and assigns.
- 28.16 All nouns and pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons, firm or firms, corporation or corporations, entity or entities or any other thing or things may require.
- 28.17 If any term or provisions of this Lease shall to any extent be held invalid or unenforceable,



the remaining terms and provisions of this Lease shall not be affected thereby, but each term and provision shall be valid and be enforced to the fullest extent permitted by law.

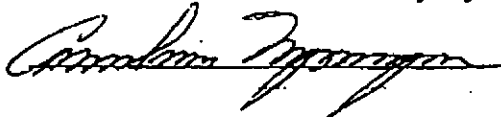
28.18 LETTERS OF CREDIT:

Any letter of credit authorized herein, whether as a substitute for cash, bonds, or escrows, shall conform strictly with the requirements of this provision.

- i) All Letters of Credit shall be irrevocable and shall be subject to the approval of the Lessor as to specific content, which content shall be consistent with customary banking practices, which approval shall not be unreasonably withheld.
- ii) Each letter of credit shall be issued by a National Bank which is licensed to transact business in Illinois by the Comptroller of Currency, which has at least one retail operation in south suburban Cook County, and which has assets in excess of 50 Million dollars as reported on its last disclosure to the Illinois Department of Financial Institutions.
- iii) Each letter of credit shall contain provisions for automatic renewal if on an annual basis
- iv) Each letter of credit shall provide that the issuing institution shall provide written notice to Lessor within 15 days prior to the expiration of any letter of credit and that, if Lessee has not renewed said letter of credit by such time, that Lessor may draw the full amount authorized under the letter unless the term of the lease has expired. This provision shall not be effective in the final 16 days of the lease term.
- v) Draw prerequisites under Letters of Credit shall consist only of issues as to party and letter identification, location and manner of delivery, and execution by Lessor or Lessor's heirs. Letters of Credit may also require that Lessor attest that the draw is made pursuant to a breach of this agreement by Lessee, and that proper notice under this agreement has been made and that Lessee has not fully cured said breach, as provided herein, within the relevant time provided.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be signed by persons authorized to do so on behalf of each of them respectively the day and year just above written.

LESSOR: Cornelius Nymeyer



LESSEE: Renal Care Group MidAmerica

By: *Leta S. Murray* 8/4/96

DCA-III   
 DCA   
 SSKG   
 DCARF

DIALYSIS CENTERS OF AMERICA  
 CHECK REQUEST VOUCHER

PAY TO THE ORDER OF: CORNELIUS NUNMEYER  
Name Of Company/Individual

ADDRESS(1): 2445 Richter Rd.

ADDRESS(2): \_\_\_\_\_

CITY: CRISTE STATE: IL ZIP CODE: 60417

Account Number	Account Description	Amount
	SECURITY RENT	\$14,272.50
Total Amount Of Check		\$14,272.50

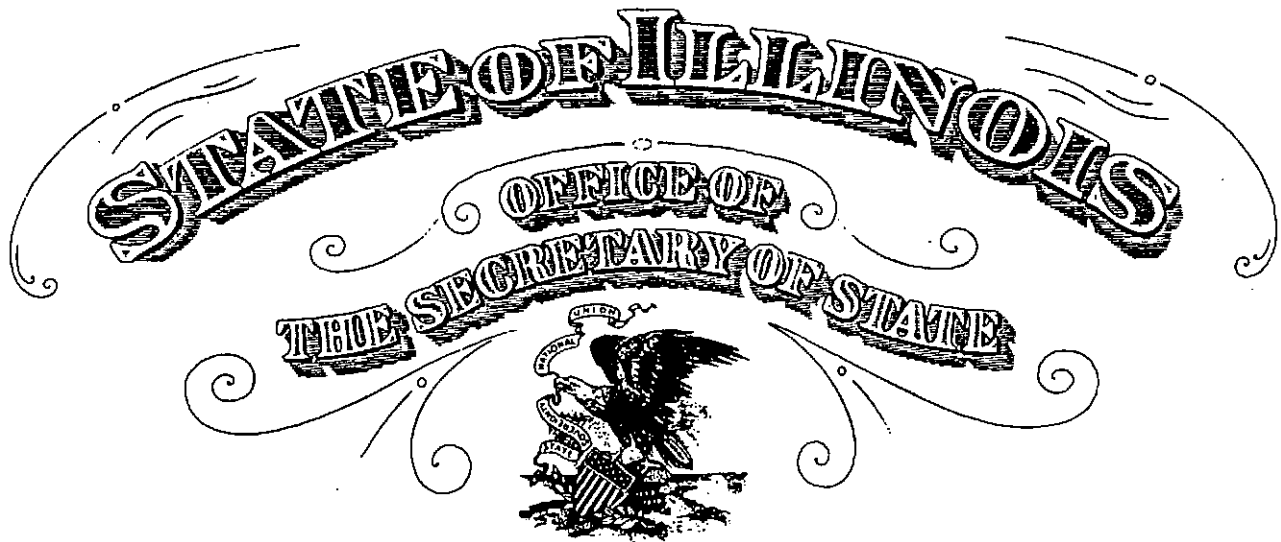
Explanation Of Charges: PER LEASE AGREEMENT THE  
SUM EQUAL TO THE FIRST TWO MONTHS RENT  
SHALL BE POSTED AS SECURITY. ARTICLE XXIV

Requested By: John S. Manning Date: 10-21-99

Authorized By: [Signature] Date: 10-22-99

**Section I, Identification, General Information, and Certification**  
**Operating Identity/Licensee**

The Illinois Certificate of Good Standing for DSI Renal, Inc. is attached at Attachment – 3.



To all to whom these Presents Shall Come, Greeting:

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

DSI RENAL, INC., INCORPORATED IN DELAWARE AND LICENSED TO TRANSACT BUSINESS IN THIS STATE ON MARCH 06, 2006, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 19TH day of MAY A.D. 2011

Jesse White

Authentication #: 1113901624

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

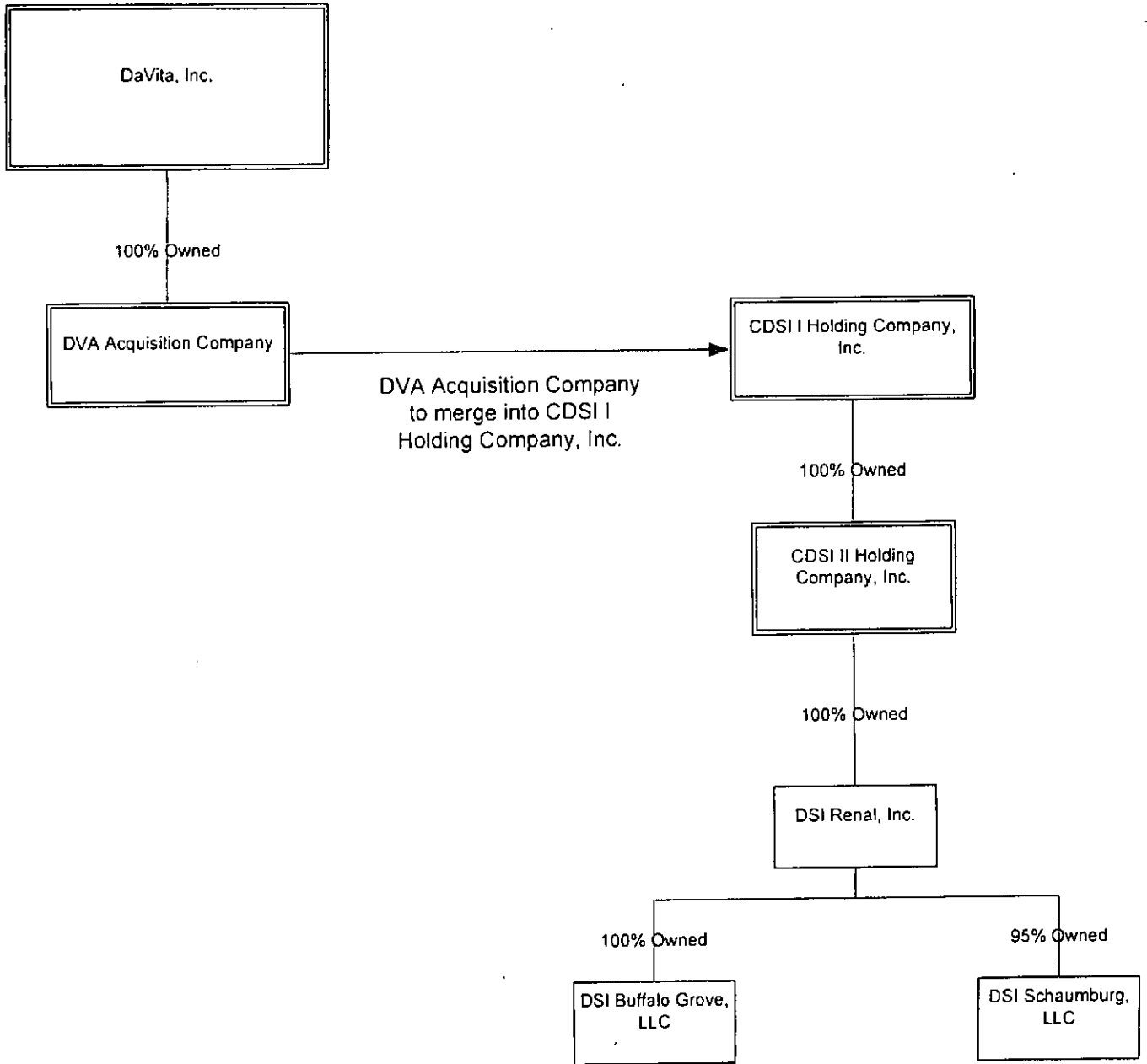
SECRETARY OF STATE

**Section I, Identification, General Information, and Certification**  
**Organizational Relationships**

The pre and post merger organizational charts for DaVita, Inc. and DSI Renal, Inc. are attached at Attachment – 4.

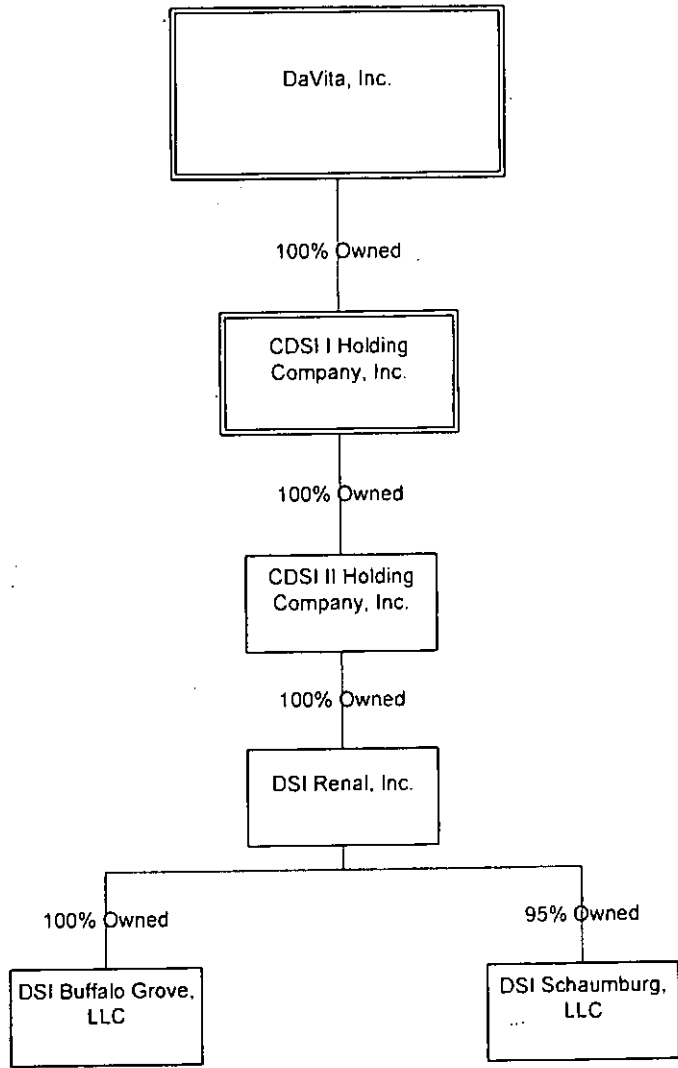
# DaVita – DSI Renal, Inc.

## Pre-Merger Organizational Chart



# DaVita, Inc. – DSI Renal, Inc.

Post-Merger Organizational Chart





**Section I, Identification, General Information, and Certification**  
**Flood Plain Requirements**

The Applicants propose a change of control of the operating entity, DSI Renal, Inc. The proposed project involves no construction or modernization. Accordingly, this criterion is not applicable.

**Section I, Identification, General Information, and Certification**  
**Historic Resources Preservation Act Requirements**

The Applicants propose a change of control of the operating entity, DSI Renal, Inc. The proposed project involves no construction or modernization. Accordingly, this criterion is not applicable.

Section I, Identification, General Information, and Certification  
Cost Space Requirements

Cost Space Table							
Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
<b>CLINICAL</b>							
ESRD	\$14,444,642	6,228					
<b>Total Clinical</b>	<b>\$14,444,642</b>	<b>6,228</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NON CLINICAL</b>	<b>\$0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Non-clinical</b>	<b>\$0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>\$14,444,642</b>	<b>6,228</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Section III, Project Purpose, Background and Alternatives – Information Requirements**  
**Criterion 1110.230, Project Purpose, Background and Alternatives**

**Background of the Applicants**

The Applicants are fit, willing and able, and have the qualifications, background and character to adequately provide a proper standard of health care services for the community. DaVita is a leading provider of dialysis services in the United States. The Applicants propose a change in control of the ultimate parent of DSI Renal, Inc., CDSI I Holding Company, Inc. The proposed transaction includes the transfer of up to 106 in-center dialysis facilities to DaVita, including 10 facilities within Illinois, subject to adjustment following Federal Trade Commission Review. The DSI facilities will maintain their current locations but will be fully integrated with DaVita and will implement DaVita's operational processes and quality initiatives.

DaVita has taken on many initiatives to improve the lives of patients suffering from chronic kidney disease ("CKD") and end stage renal disease ("ESRD"). These programs include the EMPOWER, IMPACT, CathAway, and transplant assistance programs. Information on the EMPOWER, IMPACT and CathAway programs are attached at Attachment – 11A.

There are over 26 million patients with CKD and that number is expected to rise. Current data reveals a troubling trend:

- The prevalence of CKD stages 1 to 4 has increased from 10% to 13.1% between 1988 and 2004<sup>1</sup>
- Increasing prevalence of diabetes and hypertension, the two major causes of CKD

Additionally, approximately 65% of CKD Medicare patients (patients 67 and older) have never been evaluated by a nephrologist.<sup>2</sup> Timely CKD care, however, is imperative because adverse outcomes of CKD can often be prevented or delayed through early detection and treatment. Several studies have shown that early detection, intervention and care of CKD may result in improved patient outcomes:

- Reduced GFR is an independent risk factor for morbidity and mortality,
- A reduction in the rate of decline in kidney function upon nephrologists referrals has been associated with prolonged survival of CKD patients,
- Late referral to a nephrologists has been correlated with lower survival during the first 90 days of dialysis, and
- Timely referral of CKD patients to a multidisciplinary nephrology team may improve outcomes and reduce cost.

A care plan for patients with CKD includes strategies to slow the loss of kidney function, manage comorbidities, and prevent or treat cardiovascular disease and other complications of CKD, as well as ease the transition to kidney replacement therapy. Through the EMPOWER program, DaVita offers educational services to CKD patients that can help patients reduce, delay, and prevent adverse outcomes of untreated CKD. The EMPOWER program encourages CKD patients to take control of their health and make informed decisions about their dialysis care.

The IMPACT program seeks to reduce patient mortality rates during the first 90-days of dialysis through patient intake, education and management, and reporting. In fact, since piloting in October 2007, the program has not only shown to reduce mortality rates by 8 percent but has also resulted in improved patient outcomes.

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<sup>1</sup> US Renal Data System, USRDS 2007 Annual Data Report: Atlas of Chronic Kidney Disease and End-Stage Renal Disease in the United States, Bethesda, MD: National Institutes of Health, National Institute of Diabetes and Digestive and Kidney Diseases; 2007.

<sup>2</sup> Id.

The CathAway program seeks to reduce the number of patients with central venous catheters ("CVC") through arteriovenous fistula ("AV fistula") placement. AV fistulas have superior patency, lower complication rates, improved adequacy, lower cost to the healthcare system, and decreased risk of patient mortality compared to CVCs. In July 2003, the Centers for Medicare and Medicaid Services, the End Stage Renal Disease Networks and key providers jointly recommended adoption of a National Vascular Access Improvement Initiative ("NVAII") to increase the appropriate use of AV fistulas for hemodialysis. The CathAway program is designed to comply with NVAII through patient education outlining the benefits for AV fistula placement and support through vessel mapping, fistula surgery and maturation, first cannulation and catheter removal.

DaVita's transplant referral and tracking program ensures every dialysis patient is informed of transplant as a modality option and promotes access to transplantation for every patient who is interested and eligible for transplant. The social worker or designee obtains transplant center guidelines and criteria for selection of appropriate candidates and assists transplant candidates with factors that may affect their eligibility, such as severe obesity, adherence to prescribed medicine or therapy, and social/emotional/financial factors related to post-transplant functioning.

In an effort to better serve all kidney patients, DaVita believes in requiring that all providers measure outcomes in the same way and report them in a timely and accurate basis or be subject to penalty. There are four key measures that are the most common indicators of quality care for dialysis providers - dialysis adequacy, fistula use rate, nutrition and bone and mineral metabolism. Adherence to these standard measures has been directly linked to 15-20% fewer hospitalizations. On each of these measures, DaVita has demonstrated superior clinical outcomes, which directly translated into 7% reduction in hospitalizations among DaVita patients, the monetary result of which is \$210M to \$230M in hospitalization savings to the health care system and the American taxpayer.

Neither the Centers for Medicare and Medicaid Services or the Illinois Department of Public Health has taken any adverse action involving civil monetary penalties or restriction or termination of participation in the Medicare or Medicaid programs against any of the applicants, or against any Illinois health care facilities owned or operated by the Applicants, directly or indirectly, within three years preceding the filing of this application.

1. Health care facilities owned or operated by the Applicants:

A list of health care facilities owned or operated by DaVita in Illinois is attached at Attachment – 11B.

A list of health care facilities owned or operated by DSI Renal in Illinois is attached at Attachment – 11C.

Dialysis facilities are not subject to State Licensure.

2. Certification that no adverse action has been taken against any of the Applicants, or against any health care facilities owned or operated by the Applicants, directly or indirectly, within three years preceding the filing of this application is attached at Attachment – 11D.

3. An authorization permitting the Illinois Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted, including, but not limited to: official records of IDPH or other State agencies; and the records of nationally recognized accreditation organizations is attached at Attachment – 11D.



Office of the Chief  
Medical Officer (OCMO)  
Allen R. Nissenson, MD  
Chief Medical Officer  
Meredith Mathews, MD  
Robert Provenzano, MD  
John Robertson, MD  
David B. Van Wyck, MD

601 Hawaii Street, El Segundo, CA 90245 | 1-800-313-4872 | www.davita.com/physicians

April 30, 2009

Dear Physicians:

As your partner, DaVita® and OCMO are committed to helping you achieve unprecedented clinical outcomes with your patients. As part of OCMO's Relentless Pursuit of Quality™, DaVita will be launching our top two clinical initiatives; IMPACT and CathAway™, at our annual 2009 Nationwide Meeting. Your facility administrators will be orienting you on both programs upon their return from the meeting in early May.



**IMPACT:** The goal of IMPACT is to reduce incident patient mortality. IMPACT stands for Incident Management of Patients Actions Centered on Treatment. The program focuses on three components: patient intake, education and management and reporting. IMPACT has been piloting since October 2007 and has demonstrated a reduction in mortality. The study recently presented at the National Kidney Foundation's Spring Clinical Meeting in Nashville, TN. In addition to lower mortality rates, patient outcomes improved - confirming this vulnerable patient population is healthier under DaVita's relentless pursuit of quality care.



**CathAway:** Higher catheter use is associated with increased infection, morbidity, mortality and hospitalizations <sup>(1) (2)</sup>. The 7-step Cathaway Program supports reducing the number of patients with central venous catheters (CVCs). The program begins with patient education outlining the benefits of fistula placement. The remaining steps support the patient through vessel mapping, fistula surgery and maturation, first cannulation and catheter removal. For general information about the CathAway program, see the November 2008 issue of QUEST, DaVita's Nephrology Journal.

**Here is how you can support both initiatives in your facilities:**

- **Assess incident patients regularly in their first 90 days:** Discuss patients individually and regularly. Use the IMPACT scorecard to prompt these discussions.
- **Adopt "Facility Specific Orders":** Create new facility specific orders using the form that will be provided to you.
- **Minimize the "catheter-removal" cycle time:** Review each of your catheter patients with your facility teammates and identify obstacles causing delays in catheter removal. Work with the team and patients to develop action plans for catheter removal.
- **Plan fistula and graft placements:** Start AV placement plans early by scheduling vessel mapping and surgery evaluation appointments for Stage 4 CKD patients. Schedule fistula placement surgery for those patients where ESRD is imminent in the next 3-6 months.

**Launch Kits:**

In May, Launch Kits containing materials and tools to support both initiatives will be arriving at your facilities. IMPACT kits will include a physician introduction to the program, step by step implementation plan and a full set of educational resources. FAs and Vascular Access Leaders will begin training on a new tool to help identify root-causes for catheter removal delays.

Your support of these efforts is crucial. As always, I welcome your feedback, questions and ideas. Together with you, our physician partners, we will drive catheter use to all-time lows and help give our incident patients the quality and length of life they deserve.

Sincerely,



Allen R. Nissenson, MD, FACP  
Chief Medical Officer, DaVita

- (1) Dialysis Outcomes and Practice Patterns Study (DOPPS): 2 yrs/7 Countries / 10,000 pts.
- (2) Pastan et al: Vascular access and increased risk of death among hemodialysis patients.



*DaVita.*



# Knowledge is power.

EMPOWER® is an educational program by DaVita®. The program includes a series of free community based classes for patients with chronic kidney disease (CKD). These classes encourage you to take control of your kidney disease and prepare for dialysis by making healthy choices about your kidney care

## Taking Control Of Kidney Disease

Learn how to slow the progression of kidney disease.

- Kidney disease and related conditions
- Behavior modification
- Dietary guidelines
- Common medications
- Insurance choices
- Ways to cope with CKD
- Questions to ask your health care team

## Making Healthy Choices

Learn how to prepare for dialysis.

- Kidney disease and related conditions
- Behavior modification
- Dietary guidelines
- Common medications
- Treatments that allow you to stay active and continue to work
- Insurance choices
- Ways to cope with CKD
- Questions to ask your health care team

## Treatment Choices

An in-depth look at all of your treatment choices.

- Kidney disease and related conditions
- Treatments that allow you to stay active and continue to work
- Insurance choices
- Ways to cope with CKD
- Questions to ask your health care team

To register for a class, call 1-888-MyKidney (695-4363).

EMPOWER®  
1-888-MyKidney (695-4363) | [DaVita.com/EMPOWER](http://DaVita.com/EMPOWER)

*DaVita*®



IMPACT stands for Incident Management of Patients, Actions Centered on Treatment. It's a comprehensive patient management program designed to focus on incident patients throughout their first three months of dialysis. The first days of dialysis are particularly challenging for patients, families and health care teams.

These patients require more education and closer management than patients who have been receiving dialysis for a longer period because of their compromised conditions and high mortality risk. IMPACT is focused on easing the process for patients transitioning to dialysis.

The desired goal of this program are to provide comprehensive patient education, target key monitoring points in the first 90 days for better adherence to treatment, improved outcomes and reduced mortality.

## Achieve "Top Two" status in 2010.

### What's the significance of achieving Top Two status?

Reducing both incident patient mortality and the number of catheter patients are DaVita's top two clinical goals for 2010. Medical Directors, FAs and RODs who achieve both program goals in 2010 will achieve Top Two status for the year.

These initiatives are tied to strong clinical outcomes and improved quality of life. Reaching the Top Two goals means a high level of care for your patients, and special recognition and honors.

To reach your 2010 IMPACT Goal:  
Achieve a graduate grade of 75% or better  
by December 31 for September new admits

To reach your 2010 CathAway Goal:  
Achieve Day-90 catheter percentage  
of 18% or lower by December 31





Dear Physician Partners:

IMPACT™ is an initiative focused on reducing incident patient mortality. The program provides a comprehensive onboarding process for incident patients, with program materials centered on four key clinical indicators—access, albumin, anemia, and adequacy.

**Medical Directors: How can you support IMPACT in your facilities?**

- Customize the new Standard Admission Order template into facility-specific orders.  
Drive use of the standard order with your attending physicians
- Review your facility IMPACT scorecard at your monthly QIFMM meeting
- Talk about IMPACT regularly with your attending physicians

**Attending Physicians: How can you support IMPACT in your facilities?**

- Use the IMPACT scorecard to assess incident patients
- Educate teammates about the risk incident patients face and how IMPACT can help

**How was IMPACT developed? What are the initial results?**

From October 2007 to April 2009, IMPACT was piloted in DaVita® centers. Early results, presented at the National Kidney Foundation's Spring Clinical Meeting in Nashville, TN this April, showed an 8% reduction in annualized mortality. In addition to lower mortality, IMPACT patients showed improvements in fistula placement rates and serum albumin levels. The results are so impressive that we are implementing this program throughout the Village.

**Your support of this effort is crucial.**

If you have not seen the IMPACT order template and scorecard by the end of June, or if you have additional questions about the program, email [impact@davita.com](mailto:impact@davita.com). Together we can give our incident patients the quality and length of life they deserve.

Sincerely,

Dennis Kogod  
Chief Operating Officer

Allen R. Nissenson, MD, FACP  
Chief Medical Officer

Corporate Office 661 Hawaii Street, El Segundo, CA 90245 1-800-773-4872 [www.davita.com](http://www.davita.com)

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FOR IMMEDIATE RELEASE

## DaVita's IMPACT Program Reduces Mortality for New Dialysis Patients

*Study Shows New Patient Care Model Significantly Improves Patient Outcomes*

**El Segundo, Calif., (March, 29, 2009)** – DaVita Inc., a leading provider of kidney care services for those diagnosed with chronic kidney disease (CKD), today released the findings of a study revealing DaVita's IMPACT™ (Incident Management of Patients, Actions Centered on Treatment) pilot program can significantly reduce mortality rates for new dialysis patients. The study presented at the National Kidney Foundation's Spring Clinical Meeting in Nashville, TN details how the IMPACT patient care model educates and manages dialysis patients within the first 90 days of treatment, when they are most unstable and are at highest risk. In addition to lower mortality rates, patient outcomes improved - confirming the health of this vulnerable patient population is better supported under DaVita's *Relentless Pursuit of Quality*™ care.

The pilot program was implemented with 606 patients completing the IMPACT program over a 12 month period in 44 DaVita centers around the nation. IMPACT focuses on patient education and important clinical outcomes - such as the measurement of adequate dialysis, access placement, anemia, and albumin levels - monitoring the patient's overall health in the first 90 days on dialysis. Data reflects a reduction in annualized mortality rates by eight percent for IMPACT patients compared with non-IMPACT patients in the DaVita network. Given that DaVita has roughly 28,000 new patients starting dialysis every year, this reduction affects a significant number of lives.

In addition, a higher number of IMPACT patients versus non-IMPACT patients had an arteriovenous fistula (AVF) in place. Research shows that fistulas - the surgical connection of an artery to a vein - last longer and are associated with lower rates of infection, hospitalization and death compared to all other access choices.

Allen R. Nissenson, MD, Chief Medical Officer at DaVita says, "The IMPACT program is about quality patient care starting in the first 90 days and extending beyond. Improved outcomes in new dialysis patients translates to better long term results and healthier patients overall."

Researchers applaud the IMPACT program's inclusion of all patients starting dialysis, regardless of their cognitive ability or health status. Enrolling all patients at this early stage in their treatment allows them to better understand their disease and care needs while healthcare providers work to improve their outcomes. Through this program, DaVita mandates reporting on this particular population to better track and manage patients through their incident period.

Dennis Kogod, Chief Operating Officer of DaVita says, "We are thrilled by the promising results IMPACT has had on our new dialysis patients. DaVita continues to be the leader in the kidney care community, and we look forward to rolling out this program to all facilities later this year, to improve the health of all new dialysis patients."

DaVita, IMPACT and *Relentless Pursuit of Quality* are trademarks or registered trademarks of DaVita Inc. All other trademarks are the properties of their respective owners.

Poster Presentation  
NKF Spring Clinical Meeting  
Nashville, TN  
March 26-28, 2009

## Incident Management of Hemodialysis Patients: Managing the First 90 Days

John Robertson<sup>1</sup>, Pooja Goel<sup>1</sup>, Grace Chen<sup>1</sup>, Ronald Levine<sup>1</sup>, Debbie Benner<sup>1</sup>, and Amy Burdan<sup>1</sup>  
<sup>1</sup>DaVita Inc., El Segundo, CA, USA

IMPACT (Incident Management of Patients, Actions Centered on Treatment) is a program to reduce mortality and morbidity in new patients during the first 3 months of dialysis, when these patients are most vulnerable. IMPACT was designed to standardize the onboarding process of incident patients from their 0 to 90-day period. We report on an observational (non-randomized), un-blinded study of 606 incident patients evaluated over 12 months (Oct77-Oct08) at 44 US DaVita facilities.

The study focused on 4 key predictive indicators associated with lower mortality and morbidity—**anemia, albumin, adequacy and access (4As)**. IMPACT consisted of:

- (1) Structured New Patient Intake Process with a standardized admission order, referral fax, and an intake checklist;
- (2) 90-day Patient Education Program with an education manual and tracking checklist;
- (3) Tools for 90-day Patient Management Pathway including QOL; and
- (4) Data Monitoring Reports.

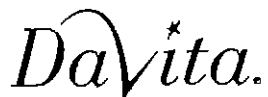
Data as of July, 2008 is reported. Patients in the IMPACT group were 60.6 ± 15.1 years old (mean±SD), 42.8% Caucasian, 61% male with 25% having a fistula. Results showed a reduction in 90-day mortality almost 2 percentage points lower (6.14% vs. 7.98%;  $p < 0.10$ ) among IMPACT versus nonIMPACT patients. Changes among the 4As showed higher albumin levels from 3.5 to 3.6 g/dL (note that some IMPACT patients were on protein supplementation during this period) and patients achieving fistula access during their first 90-days was 25% vs. 21.4%, IMPACT and nonIMPACT, respectively ( $p \leq 0.05$ ). However, only 20.6% of IMPACT patients achieved Hct targets ( $33 \leq \text{Hb} \leq 36$ ) vs. 23.4% for controls ( $p < 0.10$ ); some IMPACT patients may still have  $>36$ -level Hcts. Mean calculated Kt/V was 1.54 for IMPACT patients vs. 1.58 for nonIMPACT patients ( $p \leq 0.05$ ).

IMPACT is a first step toward a comprehensive approach to reduce mortality of incident patients. We believe this focus may help us to better manage CKD as a continuum of care. Long-term mortality measures will help determine if this process really impacts patients in the intended way, resulting in longer lives and better outcomes.

# IMPACT Tools

Here's how the IMPACT program will help the team record data, educate patients and monitor their progress in your facilities.

- 1 Standard Order Template, a two-page form with drop-down menus that can be customized into a center-specific template
- 2 Intake Checklist to gather registration and clinical data prior to admission
- 3 Patient Announcement to alert teammates about new incident patients
- 4 Patient Education Book and Flip Chart to teach patients about dialysis
- 5 Tracking Checklist for the team to monitor progress over the first 90 days
- 6 IMPACT Scorecard to track monthly center summary and patient level detail for four clinical indicators: access, albumin, adequacy, anemia



**Headquarters**  
1627 Cole Blvd, Bldg 18  
Lakewood CO 80401  
1-888-200-1041

## **IMPACT**

For more information, contact  
1-800-400-8331

**DaVita.com**

**Our Mission**  
To be the Provider,  
Partner and Employer  
of Choice

**Core Values**  
Service Excellence  
Integrity  
Team  
Continuous Improvement  
Accountability  
Fulfillment  
Fun

Regulatory Name	Address 1	Address 2	City	County	State	Zip	Medicare Certification Number
Logan Square Dialysis	2659 N MILWAUKEE AVE	1ST FL	CHICAGO	COOK	IL	60647-1643	14-2534
Lake County Dialysis Services	918 S MILWAUKEE AVE		LIBERTYVILLE	LAKE	IL	60048-3229	14-2552
Lincoln Park Dialysis	3157 N LINCOLN AVE		CHICAGO	COOK	IL	60657-3111	14-2528
Skyline Home Dialysis	7009 W BELMONT AVE		CHICAGO	COOK	IL	60634-4533	14-2560
TRC Children's Dialysis Center	2611 N HALSTED ST		CHICAGO	COOK	IL	60614-2301	14-2604
Emerald Dialysis	710 W 43RD ST		CHICAGO	COOK	IL	60609-3435	14-2529
Olympia Fields Dialysis Center	4557B LINCOLN HWY	STE B	MATTESON	COOK	IL	60443-2318	14-2548
Granite City Dialysis Center	9 AMERICAN VLG		GRANITE CITY	MADISON	IL	62040-3706	14-2537
Sauget Dialysis	2061 GOOSE LAKE RD		SAUGET	SAINT CLAIR	IL	62206-2822	14-2561
Churchview Dialysis	5970 CHURCHVIEW DR		ROCKFORD	WINNEBAGO	IL	61107-2574	14-2640
Freeport Dialysis	1028 S KUNKLE BLVD		FREERPORT	STEPHENSON	IL	61032-6914	14-2642
Rockford Dialysis	3339 N ROCKTON AVE		ROCKFORD	WINNEBAGO	IL	61103-2839	14-2647
Whiteside Dialysis	2600 N LOCUST	STE D	STERLING	WHITESIDE	IL	61081-4602	14-2648
Chicago Heights Dialysis	177 W JOE ORR RD	STE B	CHICAGO HEIGHTS	COOK	IL	60411-1733	14-2635
Benton Dialysis	1151 ROUTE 14 W		BENTON	FRANKLIN	IL	62812-1500	14-2608
Centralia Dialysis	1231 STATE ROUTE 161		CENTRALIA	MARION	IL	62801-6739	14-2609
Marion Dialysis	324 S 4TH ST		MARION	WILLIAMSON	IL	62959-1241	14-2570
Mount Vernon Dialysis	1800 JEFFERSON AVE		MOUNT VERNON	JEFFERSON	IL	62864-4300	14-2541
Metro East Dialysis	5105 W MAIN ST		BELLEVILLE	SAINT CLAIR	IL	62226-4728	14-2527
Olney Dialysis Center	117 N BOONE ST		OLNEY	RICHLAND	IL	62450-2109	14-2674
Stony Creek Dialysis	9115 S CICERO AVE		OAK LAWN	COOK	IL	60453-1895	14-2661
Beverly Dialysis	8109 SOUTH WESTERN AVE		CHICAGO	COOK	IL	60620-5939	14-2638
Maryville Dialysis	2130 VADALABENE DR		MARYVILLE	MADISON	IL	62062-5632	14-2634
Montclare Dialysis Center	7009 W BELMONT AVE		CHICAGO	COOK	IL	60634-4533	14-2649
Roxbury Dialysis Center	622 ROXBURY RD		ROCKFORD	WINNEBAGO	IL	61107-5089	14-2665
Dixon Kidney Center	1131 N GALENA AVE		DIXON	LEE	IL	61021-1015	14-2651
Sycamore Dialysis	2200 GATEWAY DR		SYCAMORE	DEKALB	IL	60178-3113	14-2639

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Regulatory Name	Address 1	Address 2	City	County	State	Zip	Medicare Certification Number
Mt. Greenwood Dialysis	3401 W 111TH ST		CHICAGO	COOK	IL	60655-3329	14-2660
Lake Villa Dialysis	37809 N IL ROUTE 59		LAKE VILLA	LAKE	IL	60046-7332	14-2666
Little Village Dialysis	2335 W CERMAK RD		CHICAGO	COOK	IL	60608-3811	14-2668
Kankakee County Dialysis	581 WILLIAM R LATHAM SR DR	STE 104	BOURBONNAIS	KANKAKEE	IL	60914-2439	14-2685
Wayne County Dialysis	303 NW 11TH ST	STE 1	FAIRFIELD	WAYNE	IL	62837-1203	14-2688
Edwardsville Dialysis	235 S BUCHANAN ST		EDWARDSVILLE	MADISON	IL	62025-2108	14-2701
Vandalia Dialysis	301 MATTES AVE		VANDALIA	FAYETTE	IL	62471-2061	14-2693
Macon County Dialysis	1090 W MCKINLEY AVE		DECATUR	MACON	IL	62526-3208	14-2584
Effingham Dialysis	904 MEDICAL PARK DR	STE 1	EFFINGHAM	EFFINGHAM	IL	62401-2193	14-2580
Jacksonville Dialysis	1515 W WALNUT ST		JACKSONVILLE	MORGAN	IL	62650-1150	14-2581
Litchfield Dialysis	915 ST FRANCES WAY		LITCHFIELD		IL	62056-1775	14-2583
Mattoon Dialysis	200 RICHMOND AVE E		MATTOON	COLES	IL	61938-4652	14-2585
Springfield Central Dialysis	932 N RUTLEDGE ST		SPRINGFIELD	SANGAMON	IL	62702-3721	14-2586
Taylorville Dialysis	901 W SPRESSER ST		TAYLORVILLE	CHRISTIAN	IL	62568-1831	14-2587
Lincoln Dialysis	2100 WEST FIFTH		LINCOLN	LOGAN	IL	62656-9115	14-2582
Springfield Montvale Dialysis	2930 MONTVALE DR	STE A	SPRINGFIELD	SANGAMON	IL	62704-5376	14-2590
Decatur East Wood Dialysis	794 E WOOD ST		DECATUR	MACON	IL	62523-1155	142599
Alton Dialysis	3511 COLLEGE AVE		ALTON	MADISON	IL	62002-5009	14-2619
Rushville Dialysis	112 SULLIVAN DRIVE		RUSHVILLE	SCHUYLER	IL	62681-1293	14-2620
Illini Renal Dialysis	507 E UNIVERSITY AVE		CHAMPAIGN	CHAMPAIGN	IL	61820-3828	14-2633
Woodridge Home Dialysis	7425 JANES AVE	STE 103	WOODRIDGE	DUPAGE	IL	60517-2356	14-2696
Big Oaks Dialysis	5623 W TOUHY AVE		NILES	COOK	IL	60714-4019	14-2712
West Lawn Dialysis	7000 S PULASKI RD		CHICAGO	COOK	IL	60629-5842	14-2719
Robinson Dialysis	1215 N ALLEN ST	STE B	ROBINSON	CRAWFORD	IL	62454-1100	14-2714
Adams County Dialysis	436 N 10TH ST		QUINCY	ADAMS	IL	62301-4152	14-2711
Pittsfield Dialysis	640 W WASHINGTON ST		PITTSFIELD	PIKE	IL	62363-1350	14-2708

Regulatory Name	Address 1	Address 2	City	County	State	Zip	Medicare Certification Number
Jerseyville Dialysis	917 S STATE ST		JERSEYVILLE	JERSEY	IL	62052-2344	14-2636
Stonecrest Dialysis	1302 E STATE ST		ROCKFORD	WINNEBAGO	IL	61104-2228	14-2615
Crystal Springs Dialysis	720 COG CIRCLE		CRYSTAL LAKE	MCHENRY	IL	60014-7301	14-2716
Cobblestone Dialysis	934 CENTER ST	STE A	ELGIN	KANE	IL	60120-2125	14-2715
Lake Park Dialysis	1531 E HYDE PARK BLVD		CHICAGO	COOK	IL	60615-3039	14-2717
Stony Island Dialysis	8725 S STONY ISLAND AVE		CHICAGO	COOK	IL	60617-2709	14-2718
Woodlawn Dialysis	1164 E 55TH ST		CHICAGO	COOK	IL	60615-5115	14-2310
Woodlawn Home Program	5841 S MARYLAND AVE	RM L-026	CHICAGO	COOK	IL	60637-1447	14-3524
Lockport Home Dialysis	16626 W 159TH ST	STE 703	LOCKPORT	WILL	IL	60441-8019	14-2697
Maryville Home Dialysis	21368 VADALABENE DR		MARYVILLE	MADISON	IL	62062-5632	14-2686
Kennedy Home Dialysis	5509 N CUMBERLAND AVE	STE 515	CHICAGO	COOK	IL	60656-4702	14-2691

Regulatory Name	Address 1	Address 2	City	County	State	Zip	Medicare Certification Number
Jerseyville Dialysis	917 S STATE ST		JERSEYVILLE	JERSEY	IL	62052-2344	14-2636
Stoncrest Dialysis	1302 E STATE ST		ROCKFORD	WINNEBAGO	IL	61104-2228	14-2615
Crystal Springs Dialysis	720 COG CIRCLE		CRYSTAL LAKE	MCHENRY	IL	60014-7301	14-2716
Cobblestone Dialysis	934 CENTER ST	STE A	ELGIN	KANE	IL	60120-2125	14-2715
Lake Park Dialysis	1531 E HYDE PARK BLVD		CHICAGO	COOK	IL	60615-3039	14-2717
Stony Island Dialysis	8725 S STONY ISLAND AVE		CHICAGO	COOK	IL	60617-2709	14-2718
Woodlawn Dialysis	1164 E 55TH ST		CHICAGO	COOK	IL	60615-5115	14-2310
Woodlawn Home Program	5841 S MARYLAND AVE	RM L-026	CHICAGO	COOK	IL	60637-1447	14-3524
Lockport Home Dialysis	16626 W 159TH ST	STE 703	LOCKPORT	WILL	IL	60441-8019	14-2697
Maryville Home Dialysis	2136B VADALABENE DR		MARYVILLE	MADISON	IL	62062-5632	14-2686
Kennedy Home Dialysis	5509 N CUMBERLAND AVE	STE 515	CHICAGO	COOK	IL	60656-4702	14-2691

DSI Renal Inc. Illinois Facilities

Facility	Address	City	Services	Number of Stations 3/20/2011	Average Utilization 04/01/2010 to 03/31/2011
DSI Loop Renal Center	1101 South Canal Street,	Chicago	In-Center Hemo, HHD	28	45.66%
DSI Scottsdale Renal Center	4651 West 79th Street, Suite 100	Chicago	In-Center Hemo, HHD	35	42.26%
DSI Evanston Renal Center	1715 Central Street	Evanston	In-Center Hemo	18	55.09%
DSI South Holland Renal Center	16136 South Park Avenue	South Holland	In-Center Hemo	20	92.29%
DSI Markham Renal Center	3053-3055 West 159th Street	Markham	In-Center Hemo	24	72.57%
DSI Hazel Crest Renal Center	3470 West 183rd Street	Hazel Crest	In-Center Hemo	17	87.50%
DSI Arlington Heights Renal Center	17 West Golf Road	Arlington Heights	In-Center Hemo	18	58.10%
DSI Buffalo Grove Renal Center	1291 W. Dundee Road	Buffalo Grove	In-Center Hemo	16	70.31%
DSI Schaumburg Renal Center	Town Center, NW Corner	Schaumburg	In-Center Hemo, HHD	14	86.61%
DSI Waukegan Renal Center	1616 North Grand Avenue	Waukegan	In-Center Hemo, HHD	22	75.95%

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May 18, 2011

Dale Galassie  
Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

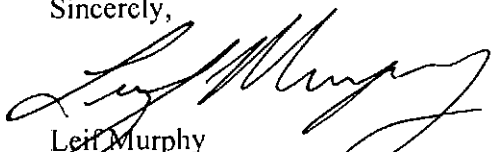
**Re: Adverse Action and Access to Information**

Dear Chairman Galassie:

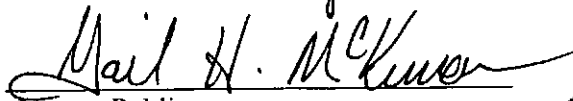
I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 that no adverse action has been taken against any facility owned or operated in Illinois by DSI Renal, Inc. during the three years prior to filing this application.

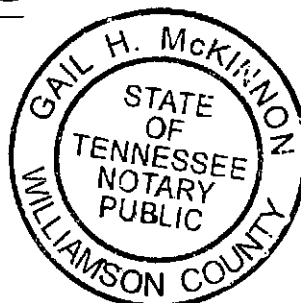
Additionally, pursuant to 77 Ill. Admin. Code § 1110.230(a)(3)(C), I hereby authorize the Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for permit. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this application for permit.

Sincerely,

  
Leif Murphy  
President & Chief Executive Officer  
DSI Renal, Inc.

Subscribed and sworn to me  
This 24<sup>th</sup> day of May, 2011

  
Notary Public



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May 18, 2011

Dale Galassie  
Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

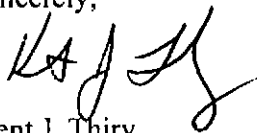
**Re: Adverse Action and Access to Information**

Dear Chairman Galassie:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 that no adverse action has been taken against any facility owned or operated in Illinois by DaVita, Inc. during the three years prior to filing this application.

Additionally, pursuant to 77 Ill. Admin. Code § 1110.230(a)(3)(C), I hereby authorize the Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for permit. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this application for permit.

Sincerely,



Kent J. Thiry  
Chief Executive Officer  
DaVita, Inc.

Subscribed and sworn to me  
This 23 day of MAY, 2011



Notary Public



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**Section III, Project Purpose, Background and Alternatives – Information Requirements**  
**Criterion 1110.230(b), Project Purpose, Background and Alternatives**

Purpose of the Project

1. The purpose of the proposed merger of DaVita and DSI Renal, Inc. is to ensure ESRD patients throughout the country have continued access to life sustaining dialysis services. Acquisition of the DSI facilities will create economies of scale, integrate clinical, administrative and support functions, eliminate functional redundancies and redesign patient care delivery and allow systems to share the resources and benefits of DaVita's infrastructure and processes and quality initiatives. Notably, on January 1, 2011, the Centers for Medicare and Medicaid Services ("CMS") implemented a new bundled prospective payment system for dialysis providers. This change in reimbursement is arguably the most dramatic change to the dialysis industry since the inclusion of chronic end-stage renal disease to the Medicare program. Under the new bundled payment system, CMS will make a single bundled payment to a dialysis facility for each dialysis treatment that will cover all services. This is a significant departure from the previous payment system where facilities were paid a composite rate for a defined set of items and services and paid separately for drugs, laboratory tests, and other services not included in the composite rate. The new bundled payment provides a fixed rate that encompasses all goods and services provided during dialysis treatment, including pharmaceuticals and most laboratory services that were historically reimbursed separately. Dialysis facilities whose costs are below the bundled payment will remain solvent while dialysis facilities whose costs exceed the bundled payment are liable for the difference and if their fixed cost structure is too high for this reimbursement model, their continued success would be in jeopardy.

To thrive in this new reimbursement environment, providers will need to provide dialysis in the most cost effective manner and DaVita is one of the best positioned providers to meet this challenge.

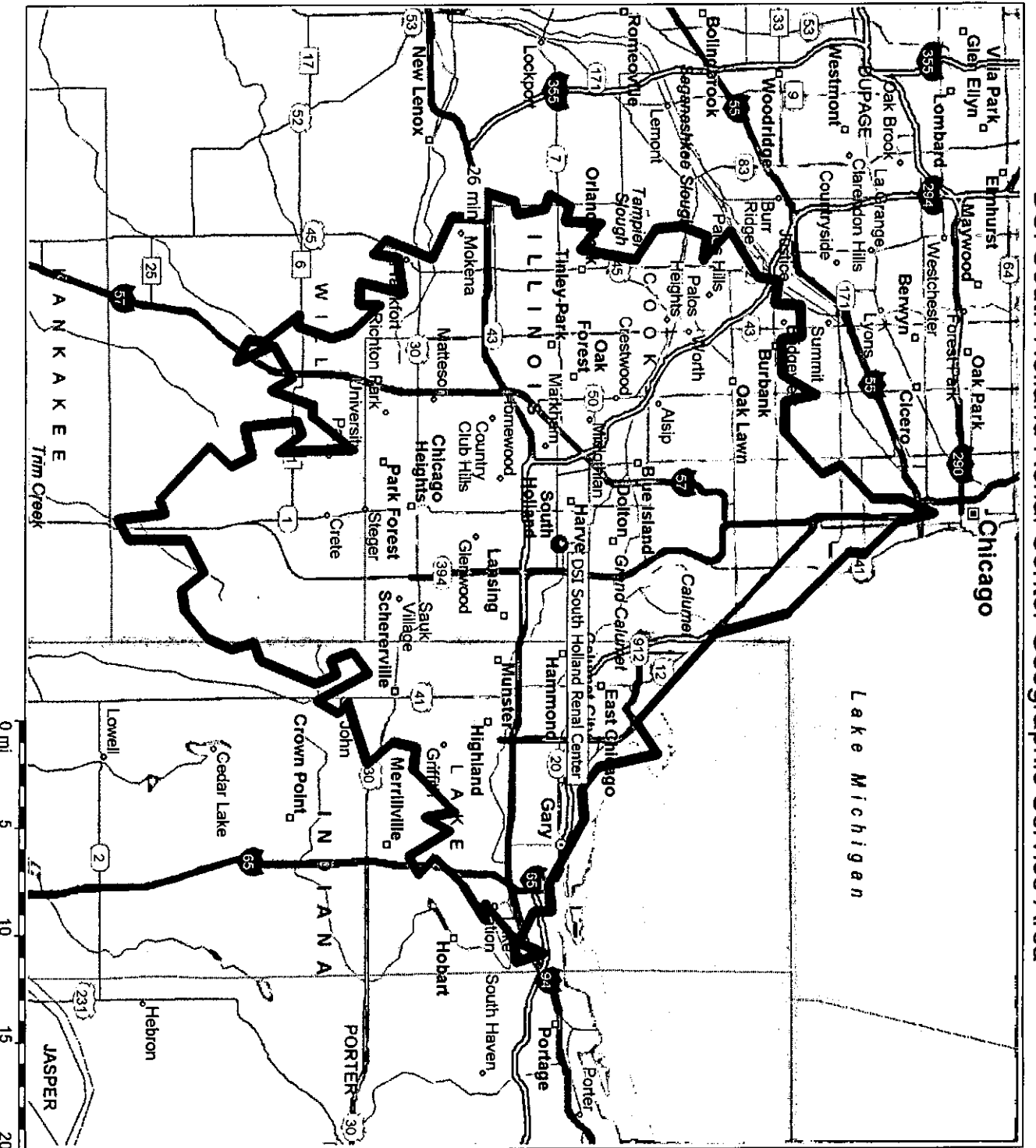
2. A map of the market area for DSI South Holland Renal Center is attached at Attachment – 12. The market area encompasses a 30 minute normal travel time radius around the facility:
3. DSI South Holland Renal Center is located in HSA 7. Based upon the May 20, 2011 Update to Inventory of Other Health Services, there is currently a need for 8 stations in HSA 7. The proposed merger of DaVita and DSI Renal, Inc. will ensure ESRD patients residing in HSA 7 retain access to life sustaining dialysis.
4. Reference  
  
Illinois Health Facilities and Services Review Board, Update to Inventory of Other Health Services 8 (May 20, 2011) available at <http://www.hfsrb.illinois.gov/pdf/Other%20Services%20Update%205-20-2011.pdf> (last visited May 23, 2011).
5. DaVita and DSI Renal, Inc. are leading providers of dialysis in the United States. The merger of DSI Renal, Inc. into DaVita will allow DaVita to increase its operational efficiency in this new payment environment, improve quality and ensure dialysis patients have continued access to life sustaining dialysis services.
6. The acquired facilities will be integrated into DaVita's normal operational processes, including DaVita's quality outcomes programs, and thus, are anticipated to have outcomes comparable to other DaVita facilities.

Additionally, in an effort to better serve all kidney patients, DaVita believes in requiring that all providers measure outcomes in the same way and report them in a timely and accurate basis or be subject to penalty. There are four key measures that are the most common indicators of quality care for dialysis providers - dialysis adequacy, fistula use rate, nutrition and bone and

mineral metabolism. Adherence to these standard measures has been directly linked to 15-20% fewer hospitalizations. On each of these measures, DaVita has demonstrated superior clinical outcomes, which directly translated into 7% reduction in hospitalizations among DaVita patients, the monetary result of which is \$210M to \$230M in hospitalization savings to the health care system and the American taxpayer.



# DSI South Holland Renal Center Geographic Service Area



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**Section III, Project Purpose, Background and Alternatives – Information Requirements**  
**Criterion 1110.230(c), Project Purpose, Background and Alternatives**

Alternatives

1. Do Nothing

DSI Renal, Inc. operates ten dialysis facilities in Illinois. These facilities are located in HSAs 6, 7, 8. Acquisition of the DSI facilities will create economies of scale, integrate clinical, administrative and support functions, eliminate functional redundancies and redesign patient care delivery and allow the systems to share the resources and benefits of DaVita's infrastructure and processes and quality initiatives. Without a merger, these objectives cannot be achieved and, therefore, this option was rejected.

There is no cost associated with this alternative.

2. Exclude Illinois facilities from proposed acquisition

DaVita briefly considered excluding the Illinois facilities from the proposed merger. As set forth in Criterion 1120.230(b), operational efficiency will be a key to success in the new bundled payment environment. For smaller dialysis organizations, it will be difficult to obtain more favorable purchasing contracts or implement new systems to more effectively manage dialysis treatment and capture all qualifying adjustments for claims processing. Without the resources of a larger dialysis provider, the DSI Illinois facilities may find it difficult to survive in this payment reality and have to discontinue operations. As the purpose of the proposed transaction is to maintain access to dialysis services, this alternative was not feasible. Further, if the merger were to move forward without the Illinois facilities included the transaction would have to be restructured and this was not practical or desired.

There is no cost associated with this alternative.

3. Acquire DSI Renal, Inc., including Illinois facilities

DaVita carefully considered whether the DSI facilities fit with its mission, vision, values and business plan before entering into a definitive agreement to acquire DSI Renal, Inc. DSI Renal Inc. operates 106 dialysis facilities across the country, including 10 dialysis facilities in Illinois. Acquisition of the DSI facilities will allow DaVita to reach a new patient base and will improve DSI's operational efficiency. Through the acquisition, DaVita will be able to bring the broader line of chronic kidney disease services to DSI patients. These services will be beneficial for patients, physicians, payors, and taxpayers in providing more effective care and helping to reduce costs to the health care system. Accordingly, DaVita decided the acquisition of DSI Renal was the most feasible option.

The cost of this alternative is \$14,444,642.

Table 1110.230(c) Alternative to the Proposed Project Cost-Benefit Analysis				
Alternative	Community Need	Access	Cost	Status
Do Nothing	Not met	Decreased	\$0	Reject
Exclude Illinois Facilities	Not met	Decreased	\$0	Reject
Acquire DSI Facilities	Met	Maintained	\$14,444,642	Accept

**Section VI, Mergers, Consolidations and Acquisitions/Changes of Ownership**  
**Criterion 1110.240(b), Impact Statement**

Attached as a supplement to this application is a copy of the merger agreement between DaVita, Inc., DVA Acquisition Company, CDSI I Holding Company, Inc. and CDSI Representative, LLC.

1. Change in Services Currently Offered

No change in the number of ESRD stations is anticipated as a result of the proposed merger. The Applicants may decide to add stations under the Health Facilities Planning Act at a later date, should the need arise based upon capacity and utilization trends.

2. Operating Entity

No change in the operating entity is anticipated as a result of the proposed merger. DaVita will acquire 100% of the stock of CDSI I Holding Company, Inc., the ultimate parent of DSI Renal, Inc., the current operating entity.

3. Reason for the Transaction

As set forth in Criterion 1110.230(b), the purpose for the transaction is to ensure ESRD patients have continued access to dialysis services. The merger of DaVita and DSI Renal, Inc. will allow DaVita to increase operational efficiency and improve quality and improve quality, which are vital for success in the new bundled payment environment.

4. Anticipated Additions or Reductions of Employees

No material clinical staffing changes are anticipated now or for the next two years except to the extent DSI staffing models are inconsistent with those of DaVita. DaVita determines its staffing needs according to treatment needs. Staffing hours and/or positions will be added or reduced according to patient census and care needs.

5. Cost-Benefit Analysis

As set forth throughout this application, the proposed transaction contemplates a change in control of the ultimate parent of DSI Renal, Inc., CDSI I Holding Company, Inc. By way of merger, DaVita will acquire 100% of the outstanding stock of CDSI I Holding Company, Inc. for approximately \$690 million. The proposed transaction includes the transfer of 106 in-center hemodialysis facilities to DaVita, including 10 facilities within Illinois. While DaVita will incur costs inherent in operating the DSI facilities, the DSI facilities will likely achieve cost savings due to economies of scale and shared resources.

**Section VI, Mergers, Consolidations and Acquisitions/Changes of Ownership**  
**Criterion 1110.240(c), Access**

1. Current Admissions Policy

A copy of the current admissions policy for DSI Renal, Inc. is attached as Attachment 19-A.

2. Proposed Admissions Policy

A copy of the admissions policy for DaVita, Inc. is attached as Attachment 19-B.

3. Admission Policy Certification

A letter from DaVita's CEO certifying the admissions policies of DSI Renal, Inc. will not become more restrictive is attached as Attachment 19-C.



DSI Renal, Inc.

**100-16: POLICY/PROCEDURE: CRITERIA FOR ADMISSION TO THE DIALYSIS CLINIC**

**SCOPE:** This policy applies to DSI Renal, Inc. clinics

**PURPOSE:** To define admission criteria in compliance with the Rehabilitation Act of 1973 and to delineate which patients will or will not be treated by the facility. This policy will apply to all patients equally, in accordance with The Nondiscrimination Act without regard to health status or method of payment, e.g. private pay, Medicare or Medicaid.

**POLICY:**

1. It is the policy of DSI Renal, Inc that certain criteria be met prior to admitting a patient to any DSI dialysis clinic.
2. It is the practice of DSI Renal, Inc to admit patients without regard to HIV status. Patients with communicable diseases will be admitted if adequate isolation facilities are available to accommodate the individual without jeopardizing the health and safety of other patients.
3. DSI is committed to a policy of equitable access to care.

**PROCEDURE:**

Ensure that the following are met:

1. Patient should be relatively stable on dialysis and must be willing to cooperate with those caring for them in the areas of diet, fluid restriction, medication regimen, etc.
2. All patients with a Tracheostomy must have approval from Senior Vice President prior to admission.
3. A staff Nephrologist has evaluated patient and a prescription for treatment is written. There is documentation of the following:
  - a. Primary cause of renal failure/diagnosis using ICD-9 code terminology (Uremia, ESRD or CRF alone are not acceptable).
  - b. Permanence or irreversibility of renal failure requiring a regular course of dialysis to maintain life.
  - c. Age, sex, weight and height.

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- d. Need or necessity for chronic dialysis as determined by admitting nephrologist. A completed and signed 2728 must be submitted to the Network within 45 days.
- c. A member of the medical staff (physician, NP, or PA) must assess the patient before the initiation of the patient's first dialysis treatment in the facility. This evaluation could be accomplished by review of medical records and consultation with the referring physician, and is not intended to require the medical staff member to "see" the patient in the facility prior to this first treatment.

Note: These limits should be revised when factors such as age, body size or significant extrarenal disease(s) are present.

- 4. Other uremic symptoms, when attributable to chronic renal failure, may be a reason to initiate dialysis prior to the development of the conditions in #3.
  - a. Nausea and vomiting, anorexia, weight loss.
  - b. Weakness and fatigue that interferes with activity of daily living.
  - c. Lethargy, tremor, muscle cramps.
  - d. Bleeding tendency.
  - e. Pruritus.
  - f. Clouded sensorium asterixis.
  - g. Growth and development delay.
- 5. If the degree of renal impairment existing in conjunction with other medical conditions does not satisfy criteria #3 or #4, but dialysis is necessary to maintain life, these patients qualify for admission to the clinic with Senior Vice President Approval prior to admission. A 2728 will *not* be submitted to the Network on these patients. A 2728 may be submitted once the patient meets the Medicare requirements for qualifying for ESRD (see #3 and #4). Such conditions may include:
  - a. Volume overload proven unmanageable by conservative (non-dialytic) medical therapy.
  - b. Hyperkalemia proven unmanageable by conservative (non-dialytic) medical therapy.
  - c. Uremic pericarditis
  - d. Metabolic acidosis proven unmanageable by conservative (non-dialytic) medical therapy.
  - e. Uremic neuropathy

**Note: Chronic dialysis therapy is not a benign therapy substitute for other disease states such as terminal congestive heart failure.**

- 6. Patient should have supplemental insurance in addition to Medicare A and B or pay the 20% not covered by Medicare for each treatment.

7. Transportation arrangements are the responsibility of the patient and must be arranged prior to starting treatments.
8. Appropriate admission paperwork is completed on the first day of admission.
9. Patient is over 18 years of age. Patients less than 18 must have approval of Senior Management and the Chief Medical Officer.
10. The HBV serological status (i.e. HBsAg, total anti-HBc, and anti-HBs) of all patients should be known before admission to the hemodialysis unit. If the results of this testing are not known at admission, Hepatitis labs will be drawn on the 1<sup>st</sup> treatment. Until Hepatitis status is known, dialyze patient in designated area for unknown status- see policies regarding infection control/Hepatitis B.
  - a. Until laboratory results are available, treat the patient as if he/she were HBs Antigen-positive, using separate equipment (machine, BP cuff, etc.) and separate personal protective equipment, without placing the patient in an isolation area with HBs Antigen-positive patients.
  - b. Buffer the unknown status patient by patients who are HBs Antibody-positive.
11. On the first day of admission, draw a Pre BUN, Post BUN, and Hgb. If the start day is on Saturday or a day unable to send labs to the contracted national lab provider, store labs in the lab refrigerator and send on the first available day not to exceed 3 days. Place patient on clinic schedule for routine lab draw.
12. A patient evaluation by a Registered Nurse must be in place prior to the initiation of the first treatment. This assessment must include at minimum:
  - a. Neurologic: level of alertness/mental status, orientation, identification of sensory deficits
  - b. Subjective Complaints
  - c. Rest and comfort: pain status
  - d. Activity: ambulation status, support needs, fall risk
  - e. Access: assessment
  - f. Respiratory: respirations description, lung sounds
  - g. Cardiovascular: heart rate and rhythm, presence and location of edema
  - h. Fluid gains, blood pressure and temperature pretreatment
  - i. Integumentary: skin color, temperature and as needed type/location of wounds



**TITLE: ACCEPTING PATIENTS FOR TREATMENT**

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**PURPOSE:** To establish requirements for patient admission to a DaVita dialysis facility and to allow DaVita to obtain necessary information from the patient and to enter the correct information into the appropriate information system prior to providing dialysis treatment to a patient at a DaVita dialysis facility.

**DEFINITION(S):**

**Beneficiary Selection Form (CMS 382):** Required by Medicare for home dialysis patients (home hemo or peritoneal). The patient selects whether they will obtain home treatment supplies from a Durable Medical Equipment (DME) provider (Method II) or from the facility that will provide home dialysis support services (Method I). DaVita currently only supports patients selecting Method I.

**Guest patient:** A patient who is visiting a facility and plans to return to his/her home facility within 30 days. A guest patient refers to patients visiting from a non-DaVita facility to a DaVita facility as well as visiting from a DaVita facility to another DaVita facility.

**Medical Evidence Report Form (CMS 2728):** Required by Medicare to determine if an individual is medically entitled to Medicare under the ESRD provisions of the law and to register patients with the United States Renal Data System. The 2728 form is used as the primary source in determining the COB for patients insurance. Physicians have a 45 day grace period to sign the 2728 form when the patients are new to dialysis. Patients are only required to complete the 2728 form once, not for every facility visit or transfer.

**Medicare Secondary Payor Form (MSP):** Determines if a commercial Employer Group Health Plan (EGHP) (or other insurance carrier) will be primary payor. This form is completed online in the Registration System and must be completed for all patients who have Medicare coverage when they start treatment at DaVita.

**Patient Authorization and Financial Responsibility Form (PAFR):** Form that informs patients of their financial obligations regarding services provided to them by DaVita. The form must be signed and witnessed prior to the start of the first dialysis treatment and annually thereafter. By signing the PAFR, the patient is assigning the payment for services provided by DaVita, directly to DaVita from insurance companies. The PAFR form must be signed annually at each DaVita facility where the patient treats.

**Permanent patient:** A patient who has selected a DaVita dialysis facility as his/her home facility.

**Personal Representative:** An individual who is legally appointed, designated and/or authorized pursuant to state law to: (a) make health care decisions on behalf of a patient, or (b) act on behalf of a deceased individual or a deceased individual's estate. Reference *Personal Representatives of Patients* (available on the HIPAA website on the VillageWeb).

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Origination Date: September 2006

Revision Date: March 2008, September 2008, December 2008, April 2009, September 2009, October 2010

**Transfer patient:** An existing dialysis patient who is permanently relocating from any dialysis facility to a DaVita dialysis facility. Once the transfer is complete, the patient will become a "permanent patient."

**POLICY:**

1. DaVita will accept and dialyze patients with renal failure needing a regular course of dialysis without regard to race, color, national origin, gender, sexual orientation, age, religion, or disability if:
  - a. The patient's care can be managed in an outpatient dialysis facility according to individual modality;
  - b. The patient is under the care of a nephrologist who is credentialed in the DaVita facility;
  - c. There is adequate treatment space and staffing available to provide appropriate care to the patient;
  - d. The patient (a) has been verified as Medicare or Medicaid eligible and/or has private insurance coverage issued by an Insurance Provider licensed and operating in the United States or United States Territories which has been verified, and from which an authorization for treatment has been received by DaVita as required, (b) accepts financial responsibility for care by signing the *Patient Authorization & Financial Responsibility (PAFR) Form*.
    - i. Patients who are uninsured must be authorized at the facility level with written approval by the facility's Divisional Vice President (DVP), or their designee, prior to treatment. (*Cash Payment Fee Schedule for Patients with no Insurance Coverage Policy (available on the ROPS website on the VillageWeb)*).
    - ii. Patients who have an out-of-state Medicaid plan that will not pay for treatment must be authorized at the facility level with written approval by the facility's DVP, or their designee, prior to treatment.
    - iii. Patients who are out-of-network and have no out of network benefits must be authorized at the facility level with written approval by the facility's DVP, or their designee, prior to treatment.
2. Patients without adequate medical insurance coverage will be responsible to pay their portion of the cost of providing treatment prior to actual treatment.
3. All visiting patients, including patients visiting a non-contracted facility, will be responsible to sign a new PAFR Form specific to the visiting facility.

4. A Purchase Order for services and treatments outside of their area is required prior to treatment for patients who have Indian Health Services coverage.
5. Any new patient who is uninsured must be approved for treatment by the facility's Operational Vice President, or their designee, prior to treatment.
6. DaVita dialysis facility will transmit the required information to the corresponding Corporate Business Office (CBO) ROPS registration teammate upon notification of a new or visiting patient.
7. ROPS registration teammate will verify all insurances and obtain authorization if needed to complete the registration process.
8. Guest patients must make payment for non-covered, and out of network (including out of state Medicaid plans that do not pay for treatment) services in the form of cashiers check, money order, travelers check, American Express, Visa, Discover or MasterCard prior to treatment. Please see *Money Received at Centers Policy* and *Credit Card Process Policy* (available on the ROPS website on the VillageWeb).
9. DaVita will bill using the name and number as it appears on the beneficiary Medicare card or other document confirming the patient's health care coverage through a third party, and as the patient's name is confirmed by two (2) additional forms of identification which has the patient's current legal name listed on it as outlined in section 9 of this policy. Please see *Entering Patient's Name Policy* (available on the ROPS website on the VillageWeb).
10. If any information on the beneficiary Medicare card is incorrect, DaVita will advise the beneficiary to contact their local servicing Social Security Office to obtain a new Medicare card.
11. If information contained on the insurance card is incorrect, DaVita will advise the policyholder to contact their insurance company to obtain a new insurance card. All insurance cards should match the patient's identification. The patient must produce evidence that a change was initiated with the appropriate insurance carrier within 90 days of the noted discrepancy.
12. There are three (3) mandatory data elements for any patient to be registered in Registration System. These fields must be completed accurately prior to treatment. Required Registration System fields are:
  - a. First and last name;
  - b. DOB (date of birth), and
  - c. Anticipated start date at DaVita.

13. Unless otherwise provided for under this policy, prior to the admission to the facility, all patients, including Transfer, Guest, and Permanent Patients will be given the following documents to read and sign:
- a. Patient's Rights;
  - b. Patient's Responsibilities;
  - c. Patient Authorization and Financial Responsibility Form (PAFR);
  - d. Patient's Standards of Conduct;
  - e. Patient Grievance Procedure;
  - f. Authorization for and Verification of Consent to Hemodialysis/Peritoneal Dialysis;
  - g. Reuse Information Consent form;
  - h. Caretaker Authorization form;
  - i. HIPAA Notice Acknowledgement form; and
  - j. Affidavit of Patient Identification form (Note: This form is only given if the patient or Personal Representative on behalf of the patient is not able to produce the requested two (2) forms of personal identification verifying the patient's legal name and current legal residence upon admission or within seven (7) days of admission).
14. The patient will agree to follow the *Patient's Rights and Responsibilities, Patient's Standards of Conduct and the Patient Grievance Procedure*. (Refer to *Patient's Standards of Conduct; Patient Grievance Procedure; Patient Rights and Responsibilities* available on the Clinical P&P website in Volume I on the VillageWeb.)
15. Guest Patients are only required to sign the *Patient's Rights and Responsibilities, Patient's Standards of Conduct and the Patient Grievance Procedure* one time for each DaVita facility they visit, as long as these forms are visibly posted at the facility, unless there are changes made to any of those forms/policies, or state specifications require otherwise.
16. Listed below are the following documents that are required for hemodialysis patients and home dialysis patients prior to admission to a DaVita Dialysis facility:
- a. Two (2) forms of personal identification, in addition to the patient's insurance card, verifying the patient's legal name and current legal residence, one of which is a picture ID. Acceptable forms of personal identification may include:

- i. Federal or state government issued identification such as:
  - A. Driver's license;
  - B. Voter's registration card;
  - C. Passport;
  - D. ID card;
  - E. Marriage certificate;
  - F. Social Security card; or
  - G. US military photo ID card.
- ii. Divorce decree;
- iii. Credit card;
- iv. Utility bill;
- v. Pension statements;
- vi. Bank account and other financial asset records;
- vii. Property Deed;
- viii. Mortgage;
- ix. Lease Agreement;
- x. Auto registration;
- xi. Job paystub;
- xii. Letters from Social Security Office;
- xiii. US adoption papers;
- xiv. Court order for legal name change signed by a judge or county clerk;
- xv. Library card;
- xvi. Grocery store rewards card; or

- xvii. For minors, school records such as school identification card, nursery, or daycare records
- b. All copies of patient's current insurance cards-front and back;
- c. Copy of History and Physical (within the last year – must be legible);
- d. For Hepatitis and TB testing requirements, refer to policies: *Hepatitis Surveillance, Vaccination and Infection Control Measures* and *Tuberculosis Infection Control Policy* (available on the Clinical P&P website in Volume 1 on the VillageWeb);  
Note: Hepatitis C testing is recommended, but not required.
- e. If patient is a new ESRD patient, pre dialysis labs including hematocrit or hemoglobin, albumin, BUN, creatinine, and, if available, creatinine clearance and/or urea clearance drawn within 45 days prior to first day of dialysis;
- f. Monthly labs within 30 days prior to first treatment date including hematocrit, hemoglobin, URR and electrolytes;
- g. Copies of three (3) flowsheets within two (2) weeks of requested treatment(s) for patients who have previously dialyzed;
- h. Copy of current hemodialysis orders for treatment;
- i. EKG, if available, OR if patient has known heart condition;
- j. Patient demographics;
- k. Copies of most recent Long Term Program, Patient Care Plan, Nursing, Dietary and Social Work Assessments and most recent progress notes for patients who have previously dialyzed;
- l. Current list of medications being administered to patient in-center and at home;
- m. Advance Directives, if applicable;
- n. Initiation of CMS 2728. Once completed, within the 45-day guideline, it should include the patients and nephrologist's signature and date. This is the official document of the patient's first date of dialysis ever, first dialysis modality, and provides transplant information, if applicable;
- o. *Patient Authorization & Financial Responsibility Form (PAFR)*. Must be signed and witnessed prior to the start of the first dialysis treatment. This form allows DaVita to receive payment from insurance companies and informs the patient of the financial responsibilities regarding treatment provided to them. Without a signed PAFR Form, we may not be reimbursed for services provided to the patient;

- p. CMS 382 Form. Required only for home dialysis patients (home hemo or peritoneal);
  - q. Medicare Secondary Payor Form (MSP). Determines if a commercial Employer Group Health Plan (EGHP) will be primary payor. Must be completed for all patients who have Medicare coverage when they start treatment at DaVita;
  - r. DaVita's *Notice of Privacy Practices*. Each patient will be provided with the notice.
17. If the patient, or Personal Representative on behalf of the patient, is not able to produce the requested two (2) forms of personal identification verifying the patient's legal name and current legal residence, the teammate admitting the patient should follow the procedures set forth in the *Patient Identification and Verification Policy* (available on the Clinical P&P website in Volume 3 on the VillageWeb), and any other relevant policies based on the situation at hand.
18. Any conflict with the criteria established or refusal to sign appropriate consents and authorization to bill would constitute a need for prior written authorization by the facility's DVP or designee.
19. A permanent DaVita patient may be treated at a DaVita facility other than his /her home facility without completing the required documentation, excluding the PAFR, when:
- a. The attending nephrologist has privileges at both the facilities in question (the patient's home facility and the anticipated visiting facility);
  - b. A visiting record is generated by the home facility at least one hour before the scheduled treatment;
  - c. The Facility Administrator (FA) at the visiting facility agrees to treat the patient; and
  - d. The visiting facility has the space and resources to treat the patient.
  - e. PAFR is always required.
20. All other exceptions to this policy are subject to approval by the DVP for the region/division.

**ATTACHMENTS:**

Attachment A: Procedures for Accepting Patients for Treatment

*Teammates are expected to report possible violations of this policy and procedure. You may make your report to an appropriate DaVita manager, to the Corporate Compliance Hotline (1-888-458-5848 or [DaVitaComplianceHotline.com](mailto:DaVitaComplianceHotline.com)) or to DaVita's Corporate Compliance Department (1-888-200-1041 x156037). DaVita has a Non-Retaliation policy and will not tolerate any form of retaliation against anyone who files a Compliance report in good faith. Reports can be made anonymously or you may request confidentiality. Questions regarding this policy should be directed to the [QUESTionline@davita.com](mailto:QUESTionline@davita.com).*



**TITLE: PROCEDURES FOR ACCEPTING PATIENTS FOR  
TREATMENT**

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**PURPOSE:** To establish procedures for accepting patients for treatment in accordance with the *Accepting Patients for Treatment* policy.

**DEFINITIONS:**

**Personal Representative:** An individual who is legally appointed, designated and/or authorized pursuant to state law to: (a) make health care decisions on behalf of a patient, or (b) act on behalf of a deceased individual or a deceased individual's estate. Reference the *Personal Representatives of Patients* (available on the HIPAA website on the VillageWeb).

**POLICY:**

1. DaVita dialysis facility will gather all the required documents and patient information (for new patients) to properly register the patient into the Registration System and Snappy information systems.

**PROCEDURE(S):**

**A. Patient Registration Procedures for all New or Visiting patients:**

1. The facility's Social Worker (SW) or designee will interview all new patients to determine whether a patient has adequate medical insurance coverage.
2. If patient is an established DaVita patient, the patient's current Patient Financial Evaluation (PFE) will follow the patient to the DaVita facility they are visiting.
3. Prior to scheduling the patient for treatment, the following fields must be completed:
  - a. First and last name;
  - b. Date of birth; and
  - c. Anticipated start date at DaVita.
4. Insurance information is required on all patients regardless of insurance type or coverage. The insurance information must include:
  - a. Insurance Company/Companies and phone number(s) (patient may have more than one type of insurance); and
  - b. Insurance Policy ID number (for each insurance).

5. The facility will then transmit the initial key information to the appropriate CBO/Registration Teammate as soon as notified of intent to treat a patient at a DaVita dialysis facility. The transmission of the additional information listed below will help complete the registration process.
  - a. Demographics;
  - b. Address, permanent and billing;
  - c. Social Security number;
    - i. Ethnicity;
    - ii. Emergency numbers;
    - iii. Provider information;
    - iv. Credentialed nephrologist;
    - v. Clinical Information;
    - vi. First Date of Dialysis (FDOD);
    - vii. Modality type;
    - viii. Primary diagnosis for dialysis;
    - ix. Primary cause for ESRD from CMS 2728 form;
    - x. Method (home patient supplies);
    - xi. Employed Status (required on patient, spouse, guardian or child) if there is an Employer Group Health Plan (EGHP). A Registration Teammate can unlock the Insurance Change Request (ICR) so the facility may complete this information. If the insurance subscriber is someone other than the patient, Registration Teammate will require the DOB of the subscriber;
    - xii. Date(s) of previous transplant(s), if applicable; and
    - xiii. MSP Form completed online in Registration System (if patient is Medicare eligible).
6. If the patient does not have a Social Security Number (SSN); please call Palms Customer Support at DaVita Laboratories @ 1-800-944-5227 to obtain a Reflab number. The Reflab number will be used by DaVita Laboratories and populated into Registration System.

7. Prior to the start of the first dialysis treatment, the patient or the patient's Personal Representative must sign, and have witnessed by a Registered Nurse, the Authorization for and Verification of Consent to Hemodialysis Procedure Form or the Authorization for and Verification of Consent to Peritoneal Dialysis Procedure Form.
8. The *Patient Authorization & Financial Responsibility (PAFR) Form* must be signed and dated by the patient or the patient's Personal Representative annually at each DaVita facility the patient is treated, and witnessed, prior to the start of the first dialysis treatment.
9. The facility will give the patient or the patient's Personal Representative DaVita's *Notice of Privacy Practices* (available on the HIPAA website on the VillageWeb). The HIPAA Notice Acknowledgement Form must be signed by the patient or the patient's Personal Representative or by a teammate prior to the start of the first dialysis treatment.
10. The patient/Personal Representative or a DaVita teammate must sign the Notice of Acknowledgement Form attesting that the patient received DaVita's *Notice of Privacy Practices*.
11. All additional forms, specific to the patient's modality, are to be signed prior to, or within 30 days of the first treatment.
12. The following documents must be scanned into Registration System prior to or within seven (7) days of the first treatment:
  - a. An insurance card for each insurance;
  - b. Insurance letter for Authorization/Referral if the insurance carrier requires an authorization; and
  - c. Two (2) forms of personal identification, in addition to the patient's insurance card, verifying the patient's legal name and current legal residence, one of which is a picture ID. Acceptable forms of personal identification may include:
    - i. Federal or state government issued identification such as:
      - A. Driver's license;
      - B. Voter's registration card;
      - C. Passport;
      - D. ID card;
      - E. Marriage certificate;

- F. Social Security card; or
- G. US military photo ID Card;
- ii. Divorce decree;
- iii. Credit card;
- iv. Utility bill;
- v. Pension statements;
- vi. Bank account and other financial asset records;
- vii. Property Deed;
- viii. Mortgage;
- ix. Lease Agreement;
- x. Auto registration;
- xi. Job paystub;
- xii. Letters from Social Security Office;
- xiii. US adoption papers;
- xiv. Court order for a legal name change signed by a judge or court clerk;
- xv. Library card;
- xvi. Grocery store rewards card; or
- xvii. For minors, school records such as school identification card, nursery or daycare records

13. If the patient, or Personal Representative on behalf of the patient, is not able to produce the requested two (2) forms of personal identification verifying the patient's legal name and current legal residence, the teammate admitting the patient will follow the procedures set forth in the *Patient Identification and Verification Policy* (available on the Clinical P&P website in Volume 3 on the VillageWeb).

14. A signed CMS 2728 form must be completed, signed and scanned into Registration System within 45 days of the first treatment date. This is scanned into Registration System one (1) time only.

15. The dialysis facility will fax the following required documents to 1-888-720-4008 for electronic imaging:

- a. CMS 382 Beneficiary Selection (PD patients)-this is faxed one (1) time only or if modality changes and then is faxed in January;
- b. Patient Authorization & Financial Responsibility Form (PAFR);
- c. Authorization for and Verification of Consent to Hemodialysis Procedure Form;
- d. Authorization for and Verification of Consent to Peritoneal Dialysis Procedure Form (if applicable);
- e. Reuse Information Consent Form (if applicable);
- f. Patient's Rights;
- g. Patient's Responsibilities;
- h. Patient's Standards of Conduct;
- i. Patient Grievance Procedure;
- j. Dialysis Emergency Form/Emergency Evacuation Acknowledgement (Hemodialysis patients);
- k. Patient's Choice of Transportation; and/or
- l. Caretaker Authorization.

16. The facility will file all original documents in the patient's medical record.

**B. Visiting DaVita Patient Procedures:**

1. The facility will verify that the documents and patient information for existing patients are current within the Registration System.
2. PAFR must be signed specific to the clinic being visited.
3. The home facility must setup a transfer record for a returning DaVita patient. This may be entered up to 30 days in advance.
4. The facility will transmit the required information to the corresponding CBO/Registration Teammate as soon as possible upon notification of a returning visiting patient.
5. ROPS registration teammate will verify all insurances and obtain authorization if needed to complete the registration process .

**C. Registration Teammate Procedures:**

1. Registration teammate will complete the system driven tasks generated from Registration System for the new patient to continue the patient intake process within 48 hours of receipt of patient information.
  - a. Registration teammate will complete one Benefits Verification Form (BVF) for each insurance.
  - b. Registration teammate will obtain authorization if required by the insurance carrier. If no authorization can be obtained, the Registration teammate Representative will update Registration System Notes and notify the Facility Administrator with the information.
  - c. Contact the facility for any additional information required to register the patient into Registration System.
  - d. Registration Teammate will respond to inquires made by the dialysis facility within a 24-hour period.

**D. Exceptions to these Procedures:**

1. The documentation requirement for visiting DaVita to DaVita patients may be waived by the facility administrator under specific conditions described here:
  - a. The referring physician has privileges at both the home and the visiting facility;
  - b. A transfer record has been created at least one hour before the patient arrives for treatment; and
  - c. The visiting facility has the resources and space to accept the patient for dialysis.
2. Under this exception, the visiting facility must have the patient sign:
  - a. *Patient Authorization & Financial Responsibility Form (PAFR)*; and
  - b. *Authorization and Consent for Treatment (Hemodialysis / Peritoneal Dialysis)*

*Teammates are expected to report possible violations of this policy and procedure. You may make your report to an appropriate DaVita manager, to the Corporate Compliance Hotline (1-888-458-5848 or [DaVitaComplianceHotline.com](http://DaVitaComplianceHotline.com)) or to DaVita's Corporate Compliance Department (1-888-200-1041 x156037). DaVita has a Non-Retaliation policy and will not tolerate any form of retaliation against anyone who files a Compliance report in good faith. Reports can be made anonymously or you may request confidentiality. Questions regarding this policy should be directed to the [QUESTionline@davita.com](mailto:QUESTionline@davita.com).*

May 18, 2011

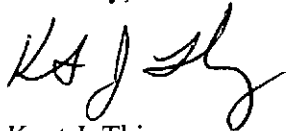
Dale Galassie  
Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

**Re: Admission Policies**

Dear Chairman Galassie:


I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 that the admissions policy for DSI Renal Inc. d/b/a DSI South Holland Renal Center will not become more restrictive as a result of the proposed merger of DaVita, Inc. and DSI Renal, Inc.

Sincerely,



Kent J. Thiry  
Chief Executive Officer  
DaVita, Inc.

Subscribed and sworn to me  
This 23 day of May, 2011

  
\_\_\_\_\_  
Notary Public

DaVita, Inc. Illinois Facilities					
Facility	Address	City	Services	Number of Stations 3/31/2011	Average Utilization 04/01/2010 to 03/31/2011
Stonecrest Dialysis	1302 East State Street	Rockford	In-Center Hemo, CAPD	10	58.33%
Sycamore Dialysis	2200 Gateway Drive	Sycamore	In-Center Hemo, CAPD	12	72.22%
Churchview Dialysis	5970 Churchview Drive	East Rockford	In-Center Hemo, CAPD	24	55.73%
Freeport Dialysis Unit	1028 Kunkle Avenue	Freeport	In-Center Hemo	10	92.08%
Rockford Memorial Hospital	2400 North Rockton Avenue	Rockford	In-Center Hemo	20	86.04%
Whiteside Dialysis	2600 North Locust	Sterling	In-Center Hemo	15	66.67%
Dixon Kidney Center	1131 North Galena Avenue	Dixon	In-Center Hemo	8	52.60%
Roxbury Dialysis	612 Roxbury Road	Rockford	In-Center Hemo	16	91.15%
Jacksonville Dialysis	1515 West Walnut	Jacksonville	In-Center Hemo	14	65.77%
Lincoln Dialysis	2100 West 5th Street	Lincoln	In-Center Hemo	14	21.43%
Litchfield Dialysis	915 St. Francis Way	Litchfield	In-Center Hemo	11	65.15%
Springfield Central Dialysis	932 North Rutledge Street	Springfield	In-Center Hemo, CAPD, HDD	21	76.19%
Taylorville Dialysis	901 West Spesser	Taylorville	In-Center Hemo	10	50.42%
Springfield Montvale Dialysis	2930 Montvale Drive, Suite A	Springfield	In-Center Hemo	17	76.23%
Springfield South Dialysis	2930 South 6th Street	Springfield	In-Center Hemo, CAPD, HDD	12	N/A
Rushville Dialysis	Route 67 & Route 24, RR #1	Rushville	In-Center Hemo	7	52.98%
Pittsfield Dialysis	640 West Washington Street	Pittsfield	In-Center Hemo	5	22.50%
Adams County Dialysis	1005 Broadway	Quincy	In-Center Hemo, CAPD	17	49.51%
Macon County Dialysis	1016 West McKinley Avenue	Decatur	In-Center Hemo	21	61.90%
Mattoon Dialysis	200 Richmond Avenue, East	Mattoon	In-Center Hemo	16	45.05%
Decatur East Wood Dialysis	794 East Wood Street	Decatur	In-Center Hemo, CAPD, HDD	16	62.50%
Illini Renal Dialysis	507 E. University Avenue	Champaign	In-Center Hemo, CAPD, HDD	10	58.33%
Mount Vernon Dialysis	1800 Jefferson Avenue	Mount Vernon	In-Center Hemo, CAPD, HDD	16	57.81%
Marion II	324 South 4th Street	Marion	In-Center Hemo, CAPD, HDD	13	71.47%
Effingham Dialysis	904 Medical Park Drive, Suite #1	Effingham	In-Center Hemo, CAPD, HDD	16	52.34%
Benton Dialysis	1151 West Route #14	Benton	In-Center Hemo, CAPD	13	68.27%
Centralla Dialysis	1231 State Illinois Route 161 E.	Centralla	In-Center Hemo, CAPD	12	71.53%
Olney Dialysis Center	117 North Boone	Olney	In-Center Hemo	7	48.81%
Wayne County Dialysis	303 NW 11th Street	Fairfield	In-Center Hemo, CAPD	8	45.31%
Vandalia Dialysis	301 Mattes Road	Vandalia	In-Center Hemo, CAPD	8	36.46%
Robinson Dialysis	1215 North Allen Street	Robinson	In-Center Hemo	8	21.88%
Woodlawn Dialysis	1164 East 55th Street	Chicago	In-Center Hemo, CAPD, HDD	20	112.50%
Lincoln Park Dialysis	3155-57 N. Lincoln Avenue	Chicago	In-Center Hemo	22	80.11%
Emerald Dialysis	710 W 43rd Street	Chicago	In-Center Hemo, CAPD	24	87.67%
Logan Square Dialysis	2659 North Milwaukee Ave.	Chicago	In-Center Hemo	20	91.67%

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**Section VI, Mergers, Consolidations and Acquisitions/Changes of Ownership**  
**Criterion 1110.240(d), Health Care System**

1. Impact on Other Area Providers

There will be no change in the scope of services as a result of the merger of DaVita, Inc. with DSI Renal, Inc. DaVita intends to continue to provide dialysis services to patients in the City of Chicago and surrounding areas through the existing facilities. All anticipated changes will be operational to align the DSI facilities with the operations and resources available within DaVita and which are customary for all DaVita facilities. The merger will not impact other area dialysis facilities as the transaction consists of a change of control of the operating entity.

2. Facilities within Applicant's Health Care System

A list of all DaVita and DSI facilities in Illinois is attached at Attachment 19-D. The list includes the name, address, number of stations, list of services, and utilization for the most recent 12 month period.

3. Present and Proposed Referral Agreements

There are no current or proposed referral agreements for the facilities involved in this transaction. Therefore, this criterion is not applicable.

4. Time and Distance for Proposed Referrals

There are no current or proposed referral agreements for the facilities involved in this transaction. Therefore, this criterion is not applicable.

5. Use of Care System Providers

The change of control of the operating entity will have no impact on area in-center hemodialysis facilities. The change of control will not restrict the use of other area health care providers and the DaVita facilities, including the integrated DSI facilities, will have open medical staffs and admit patients pursuant to a non-discriminatory admission policy.

6. Duplication of Services

The proposed transaction contemplates a change in control of the ultimate parent of the operating entity, DSI Renal, Inc. The proposed transaction will involve the transfer of 106 existing in-center hemodialysis facilities to DaVita, including 10 facilities in Illinois. Because the proposed transaction involves the transfer of existing in-center hemodialysis facilities, there will be no duplication of services.

7. Services Not Available to the Community

DaVita will continue to provide dialysis services currently provided in the DSI facilities, including in-center hemodialysis, peritoneal dialysis (CAPD and CCPD), and home hemodialysis. No new services are planned for the acquired DSI facilities; however, as new treatment options and technology evolve, DaVita will implement new treatment modalities as warranted.

DSI Renal Inc. Illinois Facilities					
Facility	Address	City	Services	Number of Stations 3/20/2011	Average Utilization 04/01/2010 to 03/31/2011
DSI Loop Renal Center	1101 South Canal Street	Chicago	In-Center Hemo, HHD	28	45.68%
DSI Scottsdale Renal Center	4651 West 79th Street, Suite 100	Chicago	In-Center Hemo, HHD	35	42.26%
DSI Evanston Renal Center	1715 Central Street	Evanston	In-Center Hemo	18	55.09%
DSI South Holland Renal Center	16136 South Park Avenue	South Holland	In-Center Hemo	20	92.29%
DSI Markham Renal Center	3053-3055 West 159th Street	Markham	In-Center Hemo	24	72.57%
DSI Hazel Crest Renal Center	3470 West 183rd Street	Hazel Crest	In-Center Hemo	17	87.50%
DSI Arlington Heights Renal Center	17 West Golf Road	Arlington Heights	In-Center Hemo	18	58.10%
DSI Buffalo Grove Renal Center	1291 W. Dundee Road	Buffalo Grove	In-Center Hemo	16	70.31%
DSI Schaumburg Renal Center	Town Center, NW Corner	Schaumburg	In-Center Hemo, HHD	14	86.61%
DSI Waukegan Renal Center	1616 North Grand Avenue	Waukegan	In-Center Hemo, HHD	22	75.95%

**Section VIII, Financial Feasibility**  
**Criterion 1120.120 Availability of Funds**

Included as a supplement to this application is a copy of DaVita's December 31, 2010 10-K Statement, which includes audited financial statements, evidencing sufficient funds to finance the project.

**Section IX, Financial Feasibility**  
**Criterion 1120.130 – Financial Viability Waiver**

The project will be funded with \$14,444,642 in cash. A copy of DaVita's most recent 10-K Statement, which include audited financial statements, evidencing sufficient funds to finance the project is included as a supplement to this application.

**Section X, Economic Feasibility Review Criteria**  
**Criterion 1120.140(a), Reasonableness of Financing Arrangements**

Attached at Attachment 42-A is a letter from Kent J. Thiry, Chief Executive Officer of DaVita, Inc. attesting the total estimated project costs will be funded in total with cash.

May 18, 2011


Dale Galassie  
Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

**Re: Reasonableness of Financing Arrangements**

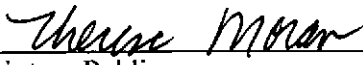
Dear Chairman Galassie:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 and pursuant to 77 Ill. Admin. Code § 1120.140(a) that the total estimated project costs and related costs will be funded in total with cash and cash equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation.

Sincerely,

  
Kent J. Thiry  
Chief Executive Officer  
DaVita, Inc.

Subscribed and sworn to me  
This 23 day of May, 2011

  
\_\_\_\_\_  
Notary Public



**Section X, Economic Feasibility Review Criteria**  
**Criterion 1120.140(b), Conditions of Debt Financing**

The project will be funded entirely with cash. Accordingly, this criterion is not applicable.

**Section X, Economic Feasibility Review Criteria**  
**Criterion 1120.310(c), Reasonableness of Project and Related Costs**

The Applicants propose a change of control of the operating entity, DSI Renal, Inc. The proposed project involves no construction or modernization. Accordingly, this criterion is not applicable.



**Section X, Economic Feasibility Review Criteria**  
**Criterion 1120.310(d), Projected Operating Costs**

Operating Expenses: \$2,837,080

Treatments: 15,223

Operating Expense per Treatment: \$186.37

**Section X, Economic Feasibility Review Criteria**  
**Criterion 1120.310(e), Total Effect of Project on Capital Costs**

Capital Costs: \$153,143

Treatments: 15,223

Capital Costs per Treatment: \$10.06

**Section XI, Safety Net Impact Statement**

The Applicants propose a change of control of the operating entity of DSI South Holland Renal Center, DSI Renal, Inc. A change of control constitutes a non-substantive project. Accordingly, this criterion is not applicable.

**Section XII, Charity Care Information**

The table below provides charity care information for all dialysis facilities located in the State of Illinois that are owned or operated by the Applicants.

CHARITY CARE			
	2008	2009	2010
<b>Net Patient Revenue</b>	<b>\$157,223,604</b>	<b>\$166,573,387</b>	<b>\$174,373,288</b>
Amount of Charity Care (charges)	\$297,508	\$575,803	\$957,867
Cost of Charity Care	\$297,508	\$575,803	\$957,867

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

INDEX OF ATTACHMENTS		
ATTACHMENT NO.		PAGES
1	Applicant/Coapplicant Identification including Certificate of Good Standing	20 - 22
2	Site Ownership	23 - 59
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	60 - 61
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8	Obligation Document if required	
9	Cost Space Requirements	67
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	<b>Service Specific:</b>	
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21	Comprehensive Physical Rehabilitation	
22	Acute Mental Illness	
23	Neonatal Intensive Care	
24	Open Heart Surgery	
25	Cardiac Catheterization	
26	In-Center Hemodialysis	
27	Non-Hospital Based Ambulatory Surgery	
28	General Long Term Care	
29	Specialized Long Term Care	
30	Selected Organ Transplantation	
31	Kidney Transplantation	
32	Subacute Care Hospital Model	
33	Post Surgical Recovery Care Center	
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