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December 27, 2012

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Michael Constantino
Illinois Health Facilities and Services Review
Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Annual Progress Report – Driftwood Dialysis (Proj. No. 11-066)

Dear Mr. Constantino:

Pursuant to Section 1130.760 of the Illinois Health Facilities and Services Review Board (“HFSRB”) rules, I am writing on behalf of DaVita HealthCare Partners Inc. f/k/a DaVita Inc. and Freeportbay Dialysis, LLC d/b/a Driftwood Dialysis (the “Permit Holders”) to submit the annual progress report for Driftwood Dialysis (Proj. No. 11-066). As you are aware, on December 6, 2011, HFSRB approved the Permit Holders’ application to establish a 10-station in-center hemodialysis facility to be located at 1808 South West Avenue, Freeport, Illinois (the “Project”). Pursuant to Section 1130.760, the Permit Holders submit the following information regarding the progress of Project Permit #11-066.

1. Status of the Project

The Project was obligated on April 30, 2012, through execution of the lease for the dialysis facility. The dialysis facility is located within an existing building. Build-out of the existing space is complete. The facility treated its first patient on October 15, 2012 and is waiting for its Medicare certification survey. Based on recent experience, the Permit Holders anticipate it may take four to six months for the initial Medicare certification survey and subsequent receipt of Medicare enrollment documentation.

2. Costs Incurred to Date

To date, the Permit Holders have incurred \$1,774,182 in project costs.

Chicago Dallas Denver Edwardsville Jefferson City Kansas City Los Angeles New York
Overland Park Phoenix St. Joseph St. Louis Springfield Topeka Washington, DC Wilmington

In California, Polsinelli Shughart LLP.

Michael Constantino
December 27, 2012
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PROJECT COSTS			
	Approved	Proposed	Expended
Modernization Contracts	\$536,662	\$536,662	\$536,000
Contingencies	\$53,000	\$53,000	\$10,035
A & E Fees	\$48,000	\$48,000	\$51,187
Consulting & Other Fees	\$84,500	\$84,500	\$92,395
Moveable Equipment	\$431,576	\$431,576	\$349,946
Fair Market Value of Leased Space & Equipment	\$734,619	\$734,619	\$734,619
Estimated Total Project Cost	\$1,888,357	\$1,888,357	\$1,774,182

3. Sources of Funds

The project is being financed through \$1,153,738 in cash. Additionally, the fair market value of the lease is \$734,619.

4. Application and Certification for Payment

The most recent Application and Certification for Payment for the construction contract for the Project, form G702 published by the American Institute of Architects, is attached hereto at Attachment 1.

5. Anticipated Completion Date

The anticipated completion date for the Project is June 30, 2013.

If you need any additional information or have any questions regarding the status of the Project, please feel free to contact me.

Sincerely,

Anne M. Cooper

Attachments

cc: Alexis Kendrick
Mary Anderson

APPLICATION AND CERTIFICATE FOR PAYMENT AIA DOCUMENT G702

APPLICATION NO.: 4 Distribution to:
 PERIOD TO: 9/20/12 OWNER
 PROJECT NO.S: ARCHITECT
 CONTRACTOR
 CONTRACT DATE: 4/24/2012

PROJECT:
 Driftwood Hemo #5254
 1808 S. West Avenue
 Freeport, IL 61032
 VIA ARCHITECT:
 StudioGC / Giffilan Callahan Nelson Architects
 223 West Jackson Blvd., Suite 1200
 Chicago, IL 60606

TO OWNER:
 Total Renal Care, Inc.
 601 Hawaii Street
 El Segundo, CA 90245
 FROM CONTRACTOR:
 Stenstrom General Contractor - Design/Build Group
 2420 20th Street., Rockford, IL 61104
 CONTRACT FOR: General Construction

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract.

Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM \$536,000.00
2. Net change by Change Orders \$10,035.27
3. CONTRACT SUM TO DATE (Line 1 +/- 2) \$546,035.27
4. TOTAL COMPLETED & STORED TO DATE (Column G on G703) 546,035.27

5. RETAINAGE: a. 0 % (Column of Completed Work)
 b. _____ % of Stored Material (Column F on G703)
 Total Retainage (Line 5a + 5b or 5c) \$0.00

6. TOTAL EARNED LESS RETAINAGE (Line 4 less Line 5 Total) \$546,035.27

7. LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate) \$472,573.94

8. CURRENT PAYMENT DUE \$73,461.33

9. BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 6) \$0.00

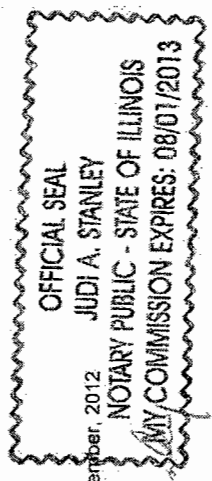
CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner	\$10,035.27	\$0.00
Total approved this Month	\$0.00	\$0.00
TOTALS	\$10,035.27	\$0.00
NET CHANGES by Change Order	\$10,035.27	

The undersigned Contractor certifies that to the best of the Contractor's with the Contract Documents, knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificate for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: Stenstrom General Contractor - Design/Build Group
 By: [Signature] Date: September 20, 2012

State of Illinois
 County Winnebago

Subscribed and sworn to before me this 20th day of September, 2012



Notary Public: Judi A. Stanley
 My Commission Expires: 1-Aug-13

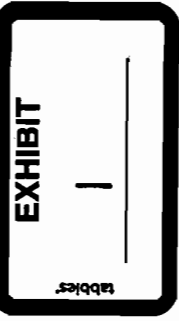
ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising this application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED \$73,461.33
 (Attach explanation if amount certified differs from the amount applied for. Initial all figures on this Application and on the Continuation Sheet that are changed to conform to the amount Certified.)

ARCHITECT: StudioGC / Giffilan Callahan Nelson Architects
 By: _____ Date: _____

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.



CONTINUATION SHEET

AIA DOCUMENT G703

AIA Document G702, APPLICATION AND CERTIFICATE FOR PAYMENT, containing Contractor's signed Certification, is attached. In tabulations below, amounts are stated to the nearest dollar. Use Column I on Contracts where variable retainage for line items may apply.

APPLICATION NO.: 4
 APPLICATION DATE: 9/20/2012
 PERIOD TO: 9/20/2012
 ARCHITECT'S PROJECT NO.:

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D Work Completed FROM PREVIOUS APPLICATION (D + E)	E THIS PERIOD	F MATERIALS PRESENTLY STORED (NOT IN D O R E)	G TOTAL COMPLETED AND STORED TO DATE (D + E + F)	H BALANCE TO FINISH (C - G)	I RETAINATE (IF VARIABLE RATE)
1	General Conditions	\$16,724.58	\$16,390.08	\$334.50	\$0.00	\$16,724.58	\$0.00	1,672.46
2	Overhead and Profit	\$26,636.09	\$26,103.36	\$532.73	\$0.00	\$26,636.09	\$0.00	2,663.61
3	Permit Allowance	\$3,288.81	\$3,288.81	\$0.00	\$0.00	\$3,288.81	\$0.00	328.88
4	Final Clean	\$1,792.40	\$1,792.40	\$0.00	\$0.00	\$1,792.40	\$0.00	179.24
5	Selective Demolition	\$6,990.04	\$6,990.04	\$0.00	\$0.00	\$6,990.04	\$0.00	699.00
6	Cast-In Place Concrete	\$5,262.10	\$5,262.10	\$0.00	\$0.00	\$5,262.10	\$0.00	526.21
7	Unit Masonry - Patching	\$752.48	\$752.48	\$0.00	\$0.00	\$752.48	\$0.00	75.25
8	Steel Pipe Railings & Misc. Steel	\$2,783.65	\$2,783.65	\$0.00	\$0.00	\$2,783.65	\$0.00	278.37
9	Metal Fabrications - Labor	\$9,093.56	\$9,093.56	\$0.00	\$0.00	\$9,093.56	\$0.00	909.36
10	Unistrut Supports	\$1,576.33	\$1,576.33	\$0.00	\$0.00	\$1,576.33	\$0.00	157.63
11	Rough Carpentry	\$36,936.64	\$36,936.64	\$0.00	\$0.00	\$36,936.64	\$0.00	3,693.66
12	Custom Casework	\$34,101.03	\$34,101.03	\$0.00	\$0.00	\$34,101.03	\$0.00	3,410.10
14	Wood / Plastics - Material	\$6,197.44	\$6,197.44	\$1.00	\$0.00	\$6,197.44	\$0.00	619.74
15	Roof Penetration/Repair Allowance	\$4,604.34	\$3,900.00	\$704.34	\$0.00	\$4,604.34	\$0.00	460.43
16	Insulation	\$1,510.88	\$1,510.88	\$0.00	\$0.00	\$1,510.88	\$0.00	151.09
17	Wood Frames	\$2,959.93	\$2,959.93	\$0.00	\$0.00	\$2,959.93	\$0.00	295.99
18	Hollow Metal Frames/Doors/Hardware	\$15,786.30	\$15,783.60	\$2.70	\$0.00	\$15,786.30	\$0.00	1,578.63
19	Aluminum Entrances	\$26,692.00	\$24,372.00	\$2,320.00	\$0.00	\$26,692.00	\$0.00	2,669.20
20	Automatic Operators	\$3,815.02	\$3,815.02	\$0.00	\$0.00	\$3,815.02	\$0.00	381.50
21	Internal Blinds	\$1,640.46	\$1,640.46	\$0.00	\$0.00	\$1,640.46	\$0.00	164.05
22	Studs / Drywall / Ceilings	\$58,146.19	\$58,146.19	\$0.00	\$0.00	\$58,146.19	\$0.00	5,814.62
23	Sheet Vinyl Flooring	\$13,023.69	\$12,828.69	\$195.00	\$0.00	\$13,023.69	\$0.00	1,302.37
24	Resinous Flooring	\$5,166.07	\$5,166.07	\$0.00	\$0.00	\$5,166.07	\$0.00	516.61
25	Floor Prep Allowance	\$3,946.57	\$0.00	\$3,946.57	\$0.00	\$3,946.57	\$0.00	394.66
26	Painting & Walkcovering	\$8,279.91	\$8,279.91	\$0.00	\$0.00	\$8,279.91	\$0.00	827.99
27	Corner Guards	\$1,710.18	\$1,710.18	\$0.00	\$0.00	\$1,710.18	\$0.00	171.02
28	Accessories and FEC's	\$1,920.67	\$1,920.67	\$0.00	\$0.00	\$1,920.67	\$0.00	192.07
29	Metal Lockers	\$1,156.35	\$1,156.35	\$0.00	\$0.00	\$1,156.35	\$0.00	115.64
30	Blinds	\$2,552.12	\$0.00	\$2,552.12	\$0.00	\$2,552.12	\$0.00	255.21
31	Plumbing	\$91,297.41	\$91,297.41	\$0.00	\$0.00	\$91,297.41	\$0.00	9,129.74
32	HVAC	\$61,612.60	\$61,612.60	\$0.00	\$0.00	\$61,612.60	\$0.00	6,161.26
33	Electrical Service, Distribution	\$74,485.01	\$74,485.01	\$0.00	\$0.00	\$74,485.01	\$0.00	7,448.50
34	Site Restoration	\$328.88	\$0.00	\$328.88	\$0.00	\$328.88	\$0.00	32.89
35	Site Concrete Paving	\$1,644.41	\$1,644.41	\$0.00	\$0.00	\$1,644.41	\$0.00	164.44
36	Builder's Risk Insurance	\$1,585.86	\$1,585.86	\$0.00	\$0.00	\$1,585.86	\$0.00	158.59
37	Change Order #1	\$10,035.27	\$0.00	\$10,035.27	\$0.00	\$10,035.27	\$0.00	1,003.53
TOTALS		\$546,035.27	\$525,082.16	\$20,953.11	\$0.00	\$546,035.27	\$0.00	\$54,603.53

FINAL WAIVER OF LIEN

STATE OF ILLINOIS } ss.

Winnebago County

September 20, 20 12

TO ALL WHOM IT MAY CONCERN:

WHEREAS, we the undersigned Stenstrom General Contractor – Design/Build Group has been employed by Total Renal Care, Inc.

to furnish General Construction

for the project known as Driftwood Hemo #5254

Situated on – 1808 S. West Avenue

in the City of Freeport County of Stephenson and State of Illinois.

Seventy Three Thousand Four Hundred Sixty One Dollars 33/100 (\$73,461.33) Dollars, the receipt whereof is hereby acknowledged, de does hereby waive and release any and all lien, or claim, or right of lien on said above described project under "An Act To Revise the Law in Relation to Mechanic's Liens," approved May 18, 1903, in force July 1, 1903, together with all amendments thereto and all the lien laws of the State of Illinois, on account of labor or materials or both, furnished or which may be furnished by the undersigned to or on account of the said project.

Given under my hand and seal this 20th day of September 20 12

Stenstrom General Contractor – Design/Build Group (SEAL)

Handwritten signature of Jeffrey A. Bockhop, Vice President