

Original

12-056

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD  
APPLICATION FOR PERMIT

RECEIVED

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

JUN 15 2012

This Section must be completed for all projects.

HEALTH FACILITIES &  
SERVICES REVIEW BOARD

Facility/Project Identification

Facility Name: <i>RAI Lincoln Highway - Fairview Heights*</i>
Street Address: <i>124 Regency Park Drive</i>
City and Zip Code: <i>O' Fallon, 62269</i>
County: <i>St. Clair</i> Health Service Area <i>11</i> Health Planning Area:

**\*Facility will be renamed Fresenius Medical Care Regency Park after relocation.**

Applicant Identification

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

Exact Legal Name: <i>RAI Care Centers of Illinois I, LLC d/b/a RAI Lincoln Highway - Fairview Heights</i>
Address: <i>920 Winter Street, Waltham, MA 02451</i>
Name of Registered Agent: <i>CT Systems</i>
Name of Chief Executive Officer: <i>Rice Powell</i>
CEO Address: <i>920 Winter Street, Waltham, MA 02451</i>
Telephone Number: <i>800-662-1237</i>

Type of Ownership of Applicant

<input type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership	
<input 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.

**Co-Applicant Identification**

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

Exact Legal Name: *Fresenius Medical Care Holdings, Inc.*Address: *920 Winter Street, Waltham, MA 02451*Name of Registered Agent: *CT Systems*Name of Chief Executive Officer: *Rice Powell*CEO Address: *920 Winter Street, Waltham, MA 02451*Telephone Number: *800-662-1237***Type of Ownership of Co-Applicant**

- |  |  |                                |
|--|--|--------------------------------|
| <input type="checkbox"/> Non-profit Corporation    | <input type="checkbox"/> Partnership         |                                |
| <input 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: *Lori Wright*Title: *Senior CON Specialist*Company Name: *Fresenius Medical Care*Address: *One Westbrook Corporate Center, Tower One, Suite 1000, Westchester, IL 60154*Telephone Number: *708-498-9121*E-mail Address: *lori.wright@fmc-na.com*Fax Number: *708-498-9334***Additional Contact**

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

Name: *Richard Alderson*Title: *Regional Vice President*Company Name: *Fresenius Medical Care*Address: *One Cityplace Drive, Suite 160, St. Louis, MO 63141*Telephone Number: *314-872-1714 Ext. 11*E-mail Address: *richard.alderson@fmc-na.com*Fax Number: *314-872-7012*

**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: <i>Lori Wright</i>
Title: <i>Senior CON Specialist</i>
Company Name: <i>Fresenius Medical Care</i>
Address: <i>One Westbrook Corporate Center, Tower One, Suite 1000, Westchester, IL 60154</i>
Telephone Number: <i>708-498-9121</i>
E-mail Address: <i>lori.wright@fmc-na.com</i>
Fax Number: <i>708-498-9334</i>

**Additional Contact**

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

Name: <i>Clare Ranalli</i>
Title: <i>Attorney</i>
Company Name: <i>Holland &amp; Knight, LLP</i>
Address: <i>131 S. Dearborn, 30<sup>th</sup> Floor, Chicago, IL 60603</i>
Telephone Number: <i>312-578-6567</i>
E-mail Address: <i>clare.ranalli@hkllaw.com</i>
Fax Number: <i>312-578-6666</i>

**Site Ownership**

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: <i>Savvi Investment, Inc.</i>
Address of Site Owner: <i>2020 Formosa Drive, Troy, IL 62294</i>
Street Address or Legal Description of Site: <i>124 Regency Park Drive, O'Fallon, IL 62269</i>
<b>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.</b>
<b>APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>

**Operating Identity/Licensee**

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

Exact Legal Name: <i>RAI Care Centers of Illinois I, LLC d/b/a RAI Lincoln Highway - Fairview Heights*</i>
Address: <i>920 Winter Street, Waltham, MA 02451</i>
<b>* Facility will be renamed Fresenius Medical Care Regency Park after relocation</b>
<input type="checkbox"/> Non-profit Corporation <input type="checkbox"/> Partnership <input 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>
<b>APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>

**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**

[Refer to application instructions.] ***NOT APPLICABLE – PROJECT IS NOT NEW CONSTRUCTION***

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**

[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.

*RAI Care Centers of Illinois I, LLC proposes to discontinue its 20-station ESRD facility located at 821 Lincoln Highway, Fairview Heights, IL. In conjunction with this discontinuation we will establish a replacement 20-station ESRD facility at 124 Regency Park Drive, O'Fallon, which is 2 miles or 5 minutes away from the current site. The new facility will be in leased space with the interior to be built out by the applicant. This facility will be called Fresenius Medical Care Regency Park after relocation.*

*Both locations are in HSA 11. As of the May 2012 station inventory update, there is a determined need for 5 more stations in HSA 11. This project will have no impact on the inventory since it involves only a relocation.*

*This project is "substantive" under Planning Board rule 1110.10(b) as it entails the discontinuation and establishment (relocation) of a health care facility that will provide in-center chronic renal dialysis services.*

**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.

<b>Project Costs and Sources of Funds</b>				
<b>USE OF FUNDS</b>		<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Preplanning Costs		N/A	N/A	N/A
Site Survey and Soil Investigation		N/A	N/A	N/A
Site Preparation		N/A	N/A	N/A
Off Site Work		N/A	N/A	N/A
New Construction Contracts		N/A	N/A	N/A
Modernization Contracts		1,341,616	N/A	1,341,616
Contingencies		147,483	N/A	147,483
Architectural/Engineering Fees		145,000	N/A	145,000
Consulting and Other Fees		N/A	N/A	N/A
Movable or Other Equipment (not in construction contracts)		450,000	N/A	450,000
Bond Issuance Expense (project related)		N/A	N/A	N/A
Net Interest Expense During Construction (project related)		N/A	N/A	N/A
Fair Market Value of Leased Space or Equipment	1,088,032 302,550	1,390,528	N/A	1,390,528
Other Costs To Be Capitalized		N/A	N/A	N/A
Acquisition of Building or Other Property (excluding land)		N/A	N/A	N/A
<b>TOTAL USES OF FUNDS</b>		<b>3,474,627</b>	<b>N/A</b>	<b>3,474,627</b>
<b>SOURCE OF FUNDS</b>		<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Cash and Securities		2,084,099	N/A	2,084,099
Pledges		N/A	N/A	N/A
Gifts and Bequests		N/A	N/A	N/A
Bond Issues (project related)		N/A	N/A	N/A
Mortgages		N/A	N/A	N/A
Leases (fair market value)		1,390,528	N/A	1,390,528
Governmental Appropriations		N/A	N/A	N/A
Grants		N/A	N/A	N/A
Other Funds and Sources		N/A	N/A	N/A
<b>TOTAL SOURCES OF FUNDS</b>		<b>3,474,627</b>	<b>N/A</b>	<b>3,474,627</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.**

**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	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Purchase Price: \$	_____	
Fair Market Value: \$	_____	
The project involves the establishment of a new facility or a new category of service		
	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, provide the dollar amount of all <b>non-capitalized</b> 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 \$ <u>125,409</u> .		

**Project Status and Completion Schedules**

Indicate the stage of the project's architectural drawings:	
<input type="checkbox"/> None or not applicable	<input type="checkbox"/> Preliminary
<input checked="" type="checkbox"/> Schematics	<input type="checkbox"/> Final Working
Anticipated project completion date (refer to Part 1130.140): <u>09/30/2014</u>	
Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):	
<input type="checkbox"/> Purchase orders, leases or contracts pertaining to the project have been executed.	
<input type="checkbox"/> Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies	
<input checked="" type="checkbox"/> Project obligation will occur after permit issuance.	
<b>APPEND DOCUMENTATION AS ATTACHMENT-8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>	

**State Agency Submittals**

Are the following submittals up to date as applicable:
<input type="checkbox"/> Cancer Registry
<input type="checkbox"/> APORS
<input type="checkbox"/> All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
<input checked="" type="checkbox"/> All reports regarding outstanding permits
<b>Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.</b>

**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>							
Total Clinical							
<b>NON REVIEWABLE</b>							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
<b>TOTAL</b>							

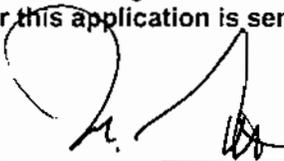
APPEND DOCUMENTATION AS **ATTACHMENT-9**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**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 RAI Care Centers of Illinois I, LLC \* 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

PRINTED NAME **Mark Fawcett**

PRINTED TITLE **Vice President & Treasurer**



PRINTED NAME **Bryan Mello**

PRINTED TITLE **Assistant Treasurer**

Notarization:  
Subscribed and sworn to before me

this    day of    2012

Notarization:  
Subscribed and sworn to before me

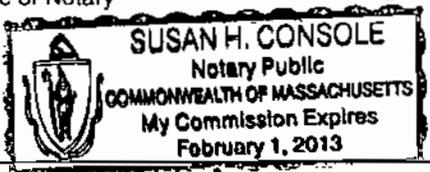
this 8 day of June 2012

Signature of Notary Susan H Console

Seal

Signature of Notary

Seal



\*Insert EXACT legal name of the applicant

**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 Fresenius Medical Care Holdings, 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

Mark Fawcett

PRINTED NAME President & Asst. Treasurer

PRINTED TITLE

SIGNATURE

Bryan Mello

PRINTED NAME Assistant Treasurer

PRINTED TITLE

Notarization:

Subscribed and sworn to before me  
this    day of    2012

Notarization:

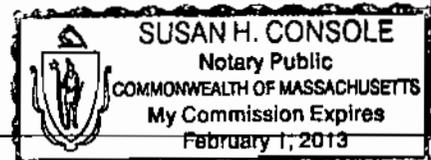
Subscribed and sworn to before me  
this 8 day of June 2012

Signature of Notary

Signature of Notary

Seal

Seal



\*Insert EXACT legal name of the applicant

**SECTION II. DISCONTINUATION**

This Section is applicable to any project that involves discontinuation of a health care facility or a category of service. **NOTE:** If the project is solely for discontinuation and if there is no project cost, the remaining Sections of the application are not applicable.

**Criterion 1110.130 - Discontinuation**

READ THE REVIEW CRITERION and provide the following information:

**GENERAL INFORMATION REQUIREMENTS**

1. Identify the categories of service and the number of beds, if any that is to be discontinued.
2. Identify all of the other clinical services that are to be discontinued.
3. Provide the anticipated date of discontinuation for each identified service or for the entire facility.
4. Provide the anticipated use of the physical plant and equipment after the discontinuation occurs.
5. Provide the anticipated disposition and location of all medical records pertaining to the services being discontinued, and the length of time the records will be maintained.
6. For applications involving the discontinuation of an entire facility, certification by an authorized representative that all questionnaires and data required by HFSRB or DPH (e.g., annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation, and that the required information will be submitted no later than 60 days following the date of discontinuation.

**REASONS FOR DISCONTINUATION**

The applicant shall state the reasons for discontinuation and provide data that verifies the need for the proposed action. See criterion 1110.130(b) for examples.

**IMPACT ON ACCESS**

1. Document that the discontinuation of each service or of the entire facility will not have an adverse effect upon access to care for residents of the facility's market area.
2. Document that a written request for an impact statement was received by all existing or approved health care facilities (that provide the same services as those being discontinued) located within 45 minutes travel time of the applicant facility.
3. Provide copies of impact statements received from other resources or health care facilities located within 45 minutes travel time, that indicate the extent to which the applicant's workload will be absorbed without conditions, limitations or discrimination.

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

### 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 IV - PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE**

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

READ THE REVIEW CRITERION and provide the following information:

**SIZE OF PROJECT:**

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

**Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.**

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?

**APPEND DOCUMENTATION AS ATTACHMENT-14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**PROJECT SERVICES UTILIZATION:**

**This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.**

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. **A narrative of the rationale that supports the projections must be provided.**

**A table must be provided in the following format with Attachment 15.**

UTILIZATION					
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MET STANDARD?
YEAR 1					
YEAR 2					

**APPEND DOCUMENTATION AS ATTACHMENT-15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**UNFINISHED OR SHELL SPACE: NOT APPLICABLE – THERE IS NO UNFINISHED SHELLSPACE**

Provide the following information:

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

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

**ASSURANCES: NOT APPLICABLE – THERE IS NO UNFINISHED SHELL SPACE**

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.
2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and
3. The anticipated date when the shell space will be completed and placed into operation.

**APPEND DOCUMENTATION AS ATTACHMENT-17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**G. Criterion 1110.1430 - In-Center Hemodialysis**

1. Applicants proposing to establish, expand and/or modernize In-Center Hemodialysis must submit the following information:
2. Indicate station capacity changes by Service: Indicate # of stations changed by action(s):

Category of Service	# Existing Stations	# Proposed Stations
<input checked="" type="checkbox"/> In-Center Hemodialysis	20	20

3. READ the applicable review criteria outlined below and submit the required documentation for the criteria:

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.1430(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X		
1110.1430(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.1430(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.1430(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service	N/A	X	
1110.1430(b)(5) - Planning Area Need - Service Accessibility	X		
1110.1430(c)(1) - Unnecessary Duplication of Services	X		
1110.1430(c)(2) - Maldistribution	X		
1110.1430(c)(3) - Impact of Project on Other Area Providers	X		
1110.1430(d)(1) - Deteriorated Facilities	N/A		X
1110.1430(d)(2) - Documentation	N/A		X
1110.1430(d)(3) - Documentation Related to Cited Problems	N/A		X
1110.1430(e) - Staffing Availability	X	X	
1110.1430(f) - Support Services	X	X	X
1110.1430(g) - Minimum Number of Stations	X		
1110.1430(h) - Continuity of Care	X		
1110.1430(j) - Assurances	X	X	X
<b>APPEND DOCUMENTATION AS ATTACHMENT-26, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>			

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

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:**

<u>2,084,099</u>	<p>a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> <li>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</li> <li>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;</li> </ol>
<u>N/A</u>	<p>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.</p>
<u>N/A</u>	<p>c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;</p>
<u>1,390,528</u>	<p>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:</p> <ol style="list-style-type: none"> <li>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;</li> <li>2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;</li> <li>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.;</li> <li>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;</li> <li>5) For any option to lease, a copy of the option, including all terms and conditions.</li> </ol>
<u>N/A</u>	<p>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;</p>
<u>N/A</u>	<p>f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;</p>
<u>N/A</u>	<p>g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.</p>
<u>3,474,627</u>	<b>TOTAL FUNDS AVAILABLE</b>

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

**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	<b>APPLICANT MEETS THE FINANCIAL VIABILITY WAIVER CRITERIA IN THAT ALL OF THE PROJECTS CAPITAL EXPENDITURES ARE COMPLETELY FUNDED THROUGH INTERNAL SOURCES, THEREFORE NO RATIOS ARE PROVIDED.</b>			
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 **NOT APPLICABLE**

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)	
ESRD									
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			

	Inpatient			
	Outpatient			
	<b>Total</b>			
	<b>Medicaid (revenue)</b>			
	Inpatient			
	Outpatient			
	<b>Total</b>			

**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.

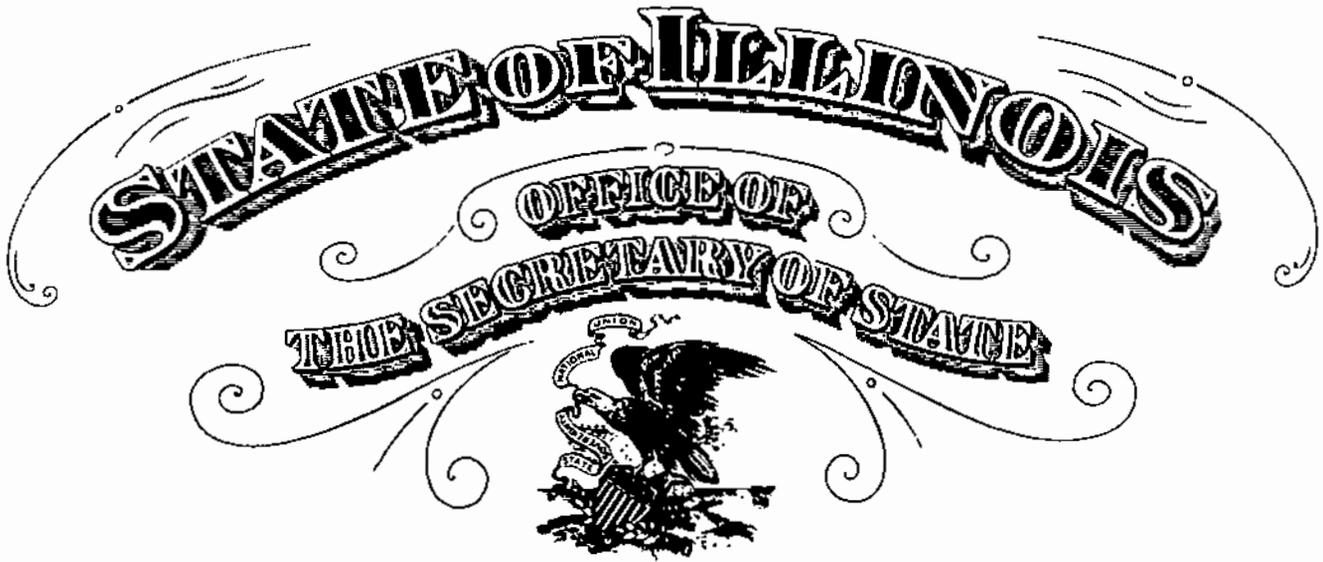
A table in the following format must be provided for all facilities as part of Attachment 44.

CHARITY CARE			
	2008	2009	2010
Net Patient Revenue	\$5,971,539	\$4,980,651	\$4,144,704
Amount of Charity Care (charges)	\$9,155	\$5,693	\$0
Cost of Charity Care	\$7,308	\$5,278	\$0

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

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:

<b>INDEX OF ATTACHMENTS</b>		
<b>ATTACHMENT NO.</b>		<b>PAGES</b>
1	Applicant/Co-applicant Identification including Certificate of Good Standing	23
2	Site Ownership	24-53
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	54
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	55
5	Flood Plain Requirements	56
6	Historic Preservation Act Requirements	57
7	Project and Sources of Funds Itemization	58-59
8	Obligation Document if required	60
9	Cost Space Requirements	61
10	Discontinuation	62-76
11	Background of the Applicant	77-82
12	Purpose of the Project	83
13	Alternatives to the Project	84-85
14	Size of the Project	86
15	Project Service Utilization	87
16	Unfinished or Shell Space	
17	Assurances for Unfinished/Shell Space	
18	Master Design Project	
19	Mergers, Consolidations and Acquisitions	
	<b>Service Specific:</b>	
20	Medical Surgical Pediatrics, Obstetrics, ICU	
21	Comprehensive Physical Rehabilitation	
22	Acute Mental Illness	
23	Neonatal Intensive Care	
24	Open Heart Surgery	
25	Cardiac Catheterization	
26	In-Center Hemodialysis	88-117
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	
34	Children's Community-Based Health Care Center	
35	Community-Based Residential Rehabilitation Center	
36	Long Term Acute Care Hospital	
37	Clinical Service Areas Other than Categories of Service	
38	Freestanding Emergency Center Medical Services	
	<b>Financial and Economic Feasibility:</b>	
39	Availability of Funds	118-154
40	Financial Waiver	155-212
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Appendix 1	MapQuest Travel Times	228-239
Appendix 2	Physician Referral Letters & Patient Referrals	240-244



To all to whom these Presents Shall Come, Greeting:

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

RAI CARE CENTERS OF ILLINOIS I, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON SEPTEMBER 22, 2005, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED 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 31ST day of MAY A.D. 2012 .



Jesse White

Authentication #: 1215201416

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

SECRETARY OF STATE

Certificate of Good Standing ATTACHMENT - 1

## Site Ownership

Provide this information for each applicable site]

Exact Legal Name of Site Owner: <i>Savvi Investment, Inc.</i>
Address of Site Owner: <i>2020 Formosa Drive, Troy, IL 62294</i>
Street Address or Legal Description of Site: <i>124 Regency Park Drive, O'Fallon, IL 62269</i> <b>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.</b>

LEASE AGREEMENT

THIS LEASE AGREEMENT, made and entered into as of the date on which this Lease is signed by the last of the parties hereto (the "Effective Date"), by and between SAVVI INVESTMENT, INC., an Illinois corporation (hereinafter called "Lessor"), and RAI CARE CENTERS OF ILLINOIS I, LLC, a Delaware limited liability company (hereinafter called "Lessee").

WITNESSETH

WHEREAS, the said Lessor desires to demise, lease and rent unto the Lessee, and the said Lessee desires to rent and lease from Lessor that approximately 9,448 rentable square foot space in the building (the "Building") located on that certain parcel of land located at 124 Regency Park Drive, O'Fallon, Illinois 62269, as more particularly described as Tract A on the Site Plan (the "Site Plan") attached hereto as Exhibit A (the "Land"), and all related improvements, including parking areas, drive lanes and curb cuts, with all appurtenant rights thereto (collectively, the "Premises"), pursuant to the terms of this Lease.

NOW, THEREFORE, for and in consideration of the mutual covenants, promises and agreements herein contained, the Lessor does hereby demise, lease and rent unto the said Lessee and the Lessee does hereby rent and lease from the Lessor the Premises, under and pursuant to the following terms and conditions:

1. Demise.

Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises for the term and upon the rental and the covenants and agreements of the respective parties herein set forth.

Lessee shall have the right in common with other tenants in the Building to use any parking areas, driveways, sidewalks and other site improvements on the Land. Lessee shall always have sufficient access to the Premises and Lessor represents and warrants that ingress and egress to the Premises shall be provided by Regency Park Drive, a public road, as outlined on the Site Plan. Lessor acknowledges and agrees that the Premises shall include (i) not less than thirty-seven (37) parking spaces for Lessee's exclusive use as shown on the Site Plan, with, at Lessee's election (a) signage installed by Lessee at its sole expense designating such exclusive parking and (b) "RAI" stenciled in white paint by Lessor at its sole expense designating such exclusive parking, (ii) all parking spaces not designated for Lessee's exclusive use (not less than ten (10) parking spaces) for Lessee's non-exclusive use, as shown on the Site Plan and (iii) a designated drop-off and pick-up area for patients in the location shown on the Site Plan, with signage installed by Lessee at its sole expense designating such area. Notwithstanding the foregoing, in the event Tract B on the Site Plan is developed to include additional parking spaces, Lessee's exclusive parking area shall be increased (but in no event decreased) to include not less than two (2) parking spaces for each dialysis station located within the Premises in a

location mutually agreeable to Lessor and Lessee, with signage and stenciling as provided above. Lessor represents and warrants that (i) there exists adequate ingress and egress to the Premises supporting deliveries to the Premises by trucks up to fifty-three feet (53') and (ii) the Building can support a covered entryway attached to the Building, to be constructed by Lessee, as outlined on the Site Plan.

Lessor hereby acknowledges and agrees that it has provided to Lessee prior to the date hereof (a) a title search, (b) true and correct copies of all declarations, restrictive covenants, master deeds and all other encumbrances and matters of record affecting the Land (each an "Encumbrance") In no event shall Lessor agree to any amendment or modification to any present or future existing Encumbrance, or consent to any matter under any present or future existing Encumbrance, that could adversely affect the rights, or increase the obligations, of Lessee hereunder, including, without limitation, any action that (i) grants any easement that could interfere with the operations of Lessee, or (ii) grants any access easements or other rights of ingress or egress to third parties onto or through the Land. Lessor shall not alter or modify any portion of the Land or Building, the parking area or the common areas associated with the Building, or construct any improvements thereon, if such alteration, modification or improvement could adversely affect Lessee's parking rights, use of or access to the Premises, or visibility of the Premises from the public rights-of-way.

Notwithstanding anything to the contrary set forth herein, Lessee shall have the right to cause the Premises to be re-measured using the exterior face of the exterior walls and the center line of demising walls, but otherwise in accordance with the definition of "rentable area" in the BOMA Standard Method for Measuring Floor Area in Office Buildings, ANSI/BOMA Z65.1-1996 (the "BOMA Standard"). Such right shall be exercised, if at all, upon written notice by Lessee to the Lessor given within sixty (60) days following the Lease Commencement Date, and such re-measurement shall occur within sixty (60) days of the Lease Commencement Date (as defined in Section 2(a) hereof. Following such re-measurement, the new number of rentable square feet in the Premises shall become the rentable area of the Premises for all purposes hereunder. Effective as of the date of such notice, Lessor and Lessee shall execute an agreement confirming the same, and the amounts of Base Rent and any Additional Rent or other amounts due hereunder that are based on the square footage or leasable area of the Premises shall be established or revised accordingly subject to the following sentence. Notwithstanding anything to the contrary in the foregoing, all rent, charges and allowances shall be reduced if the Premises is measured smaller but not increased if the Premises is measured larger.

## 2. Lease Commencement.

(a) The "Lease Commencement Date" shall mean the date on which all of the following occurs or has occurred: (i) Lessor delivers exclusive possession of the Premises to Lessee with Lessor's Work (defined below) complete and in broom clean condition, free of debris, with keys to the Premises and with all building systems in good working order (the "Delivery Date"); (ii) Lessor delivers final "as built" plans of the Premises with dimensions in PDF, and CAD files for the Premises; (iii) Lessor has delivered a signed, recorded SNDA as required by Section 22 hereof; and (iv) Lessee has received all necessary certificate of need approvals from the applicable governmental entity or entities to operate a dialysis clinic in the Premises. Notwithstanding anything contained herein to the contrary, in the event the Delivery

Date has not occurred on or before the date that is One Hundred Twenty (120) days after the Effective Date, Lessee shall have the right to terminate this Lease and Lessor shall immediately refund the Prepaid Rent (defined below). Contemporaneously with the execution of this Lease, Lessee shall deposit with Lessor the amount of \$10,000 as prepaid rent (the "Prepaid Rent"), which amount shall be credited against the initial payments of Base Rent (defined below) due hereunder until such time as the Prepaid Rent is exhausted, provided that upon any default by Lessor in its obligations under this Lease prior to the Rent Commencement Date, the Prepaid Rent shall be immediately refunded to Lessee. In the event Lessee exercises its right to terminate this Lease due to Lessee's failure to obtain any Consent (defined below) as provided herein, and so long as Lessor is not otherwise in default of its obligations under this Lease, Lessor shall be entitled to retain the Prepaid Rent.

(b) Lessor shall complete, at its sole cost and expense, certain exterior and interior alterations and improvements to the Building and the Premises in accordance with the specifications set forth on Exhibit B attached hereto (the "Lessor's Work").

(b) Lessee's acceptance of the Premises upon the Lease Commencement Date shall constitute Lessee's acknowledgment that the Premises are in the condition required by this Lease and that the Premises are accepted by Lessee in AS-IS, WHERE-IS condition, subject only to latent defects and punch-list items and subject to the representations and warranties of Lessor contained in this Lease.

### 3. Lessee's Work.

(a) Promptly after delivery of the Premises on the Lease Commencement Date, Lessee shall proceed with diligence to construct and install the "Tenant Improvements" in the Premises ("Lessee's Work") at its expense, in accordance with the plans and specifications prepared by Lessee's architect ("Lessee's Plans"). Lessee's Plans shall be submitted for Lessor's approval within a reasonable time following the Lease Commencement Date, which approval by Lessor shall be provided within ten (10) days and shall not be unreasonably withheld, conditioned or delayed. If Lessor fails to provide approval within such ten (10) day period, then Lessee's Plans shall be deemed approved by Lessor. No material deviation from such approved Lessee's Plans shall be made by Lessee without Lessor's prior written consent, which shall not be unreasonably withheld, conditioned or delayed; provided, however that such consent shall not be required for changes (i) required by any governmental authority or utility, (ii) that do not adversely affect Lessor, or adversely affect the structural integrity of the Building, the roof of the Building or any Building systems, or (iii) which merely substitute materials, equipment, cabinets, fixtures, appliances, and/or floor coverings with items of similar or greater quality, utility, value, and/or color. Lessor acknowledges and agrees that Lessee will have complete discretion in finishing details. If Lessor shall fail to respond to Lessee's request for approval to the changes in the plans for Lessee's Work within five (5) business days following Lessor's receipt thereof, said changes shall be deemed approved by Lessor.

(b) Lessee shall be responsible for obtaining all applicable permits required for the Lessee's Work. Throughout the process of obtaining the necessary governmental permits and approvals, Lessor shall act diligently and in good faith and shall cooperate with Lessee and with governmental agencies in whatever manner may be reasonably required. The Lessee's Work.

shall be constructed in compliance with all applicable Laws in effect as of the date of construction of the Lessee's Work, and with the terms and conditions of the permits by which construction is authorized. If Lessor reasonably determines that the Lessee's Work is not in full compliance with applicable Laws and that remediation should occur as a result thereof, Lessee shall use reasonable efforts to complete such remediation in a timely manner or as otherwise required by applicable Law related thereto, which remediation shall be at Lessee's sole cost and expense.

4. Term.

(a) The initial term of this Lease (the "Initial Term") shall commence on the Lease Commencement Date and shall expire ten (10) years after the Lease Commencement Date, unless extended pursuant to Section 4(b) below by Lessee (the "Expiration Date"). Should the Lease Commencement Date occur on a date other than the first day of the month, then the Term shall be extended by the partial month and the Lease shall terminate on the last day of the month following the Expiration Date. Each twelve (12) month period beginning on the Lease Commencement Date or any anniversary thereof shall hereinafter be called a "Lease Year."

(b) Lessee shall have the right and option to renew the Initial Term of this Lease for three (3) additional periods of five (5) years each (each a "Renewal Term"), next immediately ensuing after the expiration of the Initial Term and the subsequent Renewal Term by notifying Lessor in writing not less than one hundred eighty (180) days before the expiration of the immediately preceding Initial Term or Renewal Term, as applicable, of the Lessee's intention to exercise its option to renew. In the event that Lessee so elects to extend this Lease, then, for such Renewal Term, all of the terms, covenants and conditions of this Lease shall continue to be, and shall be, in full force and effect during such Renewal Term, except for the Base Rent, which shall be paid as set forth below. As used herein, "Term" shall mean the Initial Term and any Renewal Term(s).

5. Base Rent.

(a) Beginning on the date that is the earlier of (i) the date Lessee has completed Lessee's Work and received all occupancy and use permits necessary to operate a dialysis clinic in the Premises or (ii) the date Lessee opens for business to the public in the Premises (the "Rent Commencement Date") and continuing for each month during each Lease Year thereafter, Lessee shall pay monthly base rent ("Base Rent") as follows:

- (i) Subject to adjustment as provided in Section 5(a)(ii) below, monthly Base Rent shall be Eight Thousand Four Hundred Sixty-Three and 83/100 Dollars (\$8,463.83) (\$10.75 per square foot); and
- (ii) At the commencement of the fifth (5th) Lease Year of the Initial Term, and on the first day of each five (5) year period of the Term thereafter, annual Base Rent for the next succeeding five (5) year period shall be increased by ten percent (10%) of the prior five (5) year period's Base Rent.

(b) All payments of Base Rent shall be paid in advance by no later than the tenth (10th) day of each calendar month, such monthly installment to be prorated for any partial

calendar month in which the Rent Commencement Date or Termination Date shall occur. All amounts (unless otherwise provided herein), other than the Base Rent referred to above, owed by Lessee to Lessor hereunder shall be deemed "Additional Rent". As used herein, "Rent" shall mean Base Rent and all Additional Rent. Within five (5) days after Lessor's or Lessee's written request to do so, Lessor and Lessee shall execute a written Rent Commencement Date Agreement, in substantially the form attached hereto as Exhibit C to memorialize the Rent Commencement Date.

(c) Except as otherwise provided in this Lease, it is the intention of the parties that the Lessor shall receive the Base Rent and Additional Rent in accordance with the terms of this Lease without demand or setoff and free of all sales tax on rent, which sales taxes shall be paid by Lessee if and when due under applicable law.

6. Use of Premises; Restricted Area. Lessee may occupy and use the Premises during the Term for purposes of the operation of a dialysis facility and related healthcare uses and any other legal use, including, without limitation, administrative offices (the "Permitted Use"). Lessor represents and warrants to Lessee that there are no covenants or restrictions (public or private, including any zoning restrictions or any matter of record) which will prevent Lessee from the use and enjoyment of the Premises for the Permitted Use, and that the Premises are in compliance with all applicable laws. Lessor at any time during the Term of this Lease shall use commercially reasonable efforts to assist Lessee in obtaining any zoning variances, conditional use permits or other governmental approvals reasonably necessary for Lessee's use of the Premises for the Permitted Use. Lessee may operate during such days and hours as Lessee may determine, without the imposition of minimum or maximum hours of operation by Lessor and, subject to a Force Majeure Event, Lessee shall have access to the Premises, and may operate, up to twenty-four (24) hours per day, seven (7) days per week, three hundred sixty-five (365) days per year. Notwithstanding anything to the contrary herein, Lessee shall not be obligated to conduct and carry on Lessee's business in the Premises and shall not be obligated to keep the Premises open for business or cause Lessee's business to be conducted therein; provided that, at the request of Lessor, Lessee shall keep the front exterior lights on at nights, weekends, and holidays.

Lessor agrees that neither Lessor nor any entity owned, operated, managed or controlled by Lessor (a "Lessor Affiliate"), directly or indirectly, will own the realty or any improvements thereon, or lease or permit the leasing, subleasing or occupancy of any premises owned or controlled by Lessor or a Lessor Affiliate for the operation of a renal dialysis facility to any party or entity or to any party or entity whose primary business is the provision of renal dialysis services, within a radius of five (5) miles of the Premises. This covenant shall run with the Land and shall be binding upon Lessor and its Affiliates, and their respective successors, assigns and the successors in title to the Building. As used herein, "primary business is the provision of renal dialysis services" means that the gross revenue generated by dialysis services exceeds eighty percent (80%) of the gross revenue for such entity.

7. Assignment/Subletting. (a) Except as otherwise provided below, Lessee shall not assign this Lease, or sublet the Premises, or any part thereof (a "Transfer"), without Lessor's prior written consent which consent shall not be unreasonably withheld, conditioned or delayed. Prior to any proposed Transfer requiring consent, Lessee shall first request Lessor's consent in

writing of its proposed Transfer at least thirty (30) days prior to the date of the proposed Transfer. Lessor shall respond to Lessee's request for approval or disapproval of the Transfer within ten (10) days after Lessor receives the request. Lessor's failure to respond timely shall be deemed an approval of the proposed Transfer. Any assignment or subletting shall not release Lessee of its liability under this Lease nor permit any subsequent assignment, subletting or other prohibited act, unless specifically provided in such consent.

(b) Notwithstanding the foregoing, no consent of Lessor is required for Lessee to assign or otherwise transfer (by operation of law or otherwise) this Lease or any of its rights hereunder, or sublease the Premises or any part thereof: (A) to any person, corporation, partnership or other entity which acquires all or substantially all of the business or assets of Lessee or membership interests in Lessee; or (B) to any person, corporation, partnership or other entity which controls, is controlled by or is under common control with Lessee or any parent of Lessee; or (C) to any affiliate (within the meaning of such term as set forth in Rule 501 of Regulation D under the Federal Securities Act of 1933) of Lessee. Lessee and Lessee's transferee or assignee shall provide notice of any transfer or assignment described in (A), (B), or (C) of this subsection (b) (together with evidence that such transfer meets the above requirements) within ten (10) days after the effective date of such transfer or assignment. No such assignment or other transfer, in whole or in part, of any Lessee's rights or obligations under this Lease shall be or operate as a release of Lessee hereunder and Lessee shall remain responsible for performing Lessee's obligations hereunder. Notwithstanding the anything contained herein to the contrary, Lessee may sublease a portion of the Premises to a physician for use for a medical practice or any other healthcare use without Lessor's consent.

#### 8. Operating Expenses and Utilities.

(a) As used herein, "Operating Expenses" include reasonable costs incurred by Lessor in connection with the operation, maintenance and repair of the Building and Land, including Insurance Premiums (as defined below), costs of landscaping, utilities, painting, striping, taxes, and lighting and a management fee not to exceed 2% of gross revenues for the Building. Beginning on the Lease Commencement Date, Lessee shall pay its proportionate share (based on square footage of the Premises compared to the square footage of the Building) of Operating Expenses and Taxes (as defined below). Lessee shall pay such portion of Operating Expenses and Taxes in equal monthly installments at the time of the payment of Base Rent, based on Lessor's estimate of Taxes and excess Operating Expenses for the calendar year in question. Notwithstanding the foregoing, Operating Expenses shall not exceed \$18,896.00 (\$2.00 per square foot) during the 2013 calendar year (the "Operating Expenses Cap"), and thereafter Operating Expenses for each year shall not exceed the Operating Expenses Cap, as increased by 3% annually on a non-cumulative basis. As used herein, "Taxes" means all real property taxes and assessments which are levied against the Land and Building; provided that Taxes shall not include any municipal, county, state or federal income tax, or any inheritance, estate, succession, transfer, franchise, corporation, net income or profit tax or capital levy imposed upon Lessor. As used herein, "Insurance Premiums" means the cost of Lessor's commercial general liability and property insurance premiums for the Building that Lessor is required to maintain hereunder.

(b) Within ninety (90) days after the end of each calendar year, Lessor shall provide Lessee with a statement of such actual Taxes and Operating Expenses for such calendar year, which statement shall include all reasonable supporting documentation, and Lessee, within thirty (30) days, shall pay to Lessor any deficiency, which obligation shall survive the expiration or termination of this Lease for two (2) years. If such statement shows an overpayment by Lessee, then any surplus paid by Lessee shall be paid by Lessor to Lessee within thirty (30) days following the date of such statement.

Except as otherwise specifically provided in this Lease, the following items shall not be included in Operating Expenses and Taxes, as applicable: (i) any expenses which under generally accepted accounting principles would not be considered a maintenance, repair and/or operating expense for a commercial office facility, (ii) costs associated with the operation of the business of the entity which constitutes the "Landlord", including, but not limited to, the legal and accounting costs associated with the leasing, selling, syndicating, financing, mortgaging, or hypothecating of any of Lessor's interest in the Premises, (iii) costs of disputes between Lessor and its employees, tenants or contractors, (iv) depreciation and/or amortization of the Premises, (v) the cost of repairs or other work incurred by reason of fire, windstorm or other casualty paid under insurance contracts, (vi) Lessor's gross receipts taxes, personal and corporate taxes, inheritance and estate taxes, franchise, gift or transfer taxes (vii) fines, penalties and other government imposed charges inclusive of interest and attorney fees incurred solely as a result of Lessor's failure to comply with legal or regulatory requirements, (viii) costs relating to the assessed valuation of the Premises including attorneys' fees, except for any costs or expenses incurred by Lessor in challenging tax assessments at the request of Lessee; (ix) capital expenditures except to the extent such expenditures reduce other Operating Expenses (but only to the extent of the reduction of Operating Expenses) or are required as a result of changes in applicable governmental requirements enacted after the Lease Commencement Date, in either which case such capital expenditure costs shall be amortized by Lessor on a straight line basis over the useful life of the expenditures and treated as Operating Expenses hereunder, (x) construction defects or repairs due to the negligent or willful acts or omissions of Lessor or its agents or others under its control, (xi) advertising or other promotional costs concerning the Premises, (xii) ground lease payments, payments on mortgages or other debt obligations, (xiii) any expense which is reimbursed by insurance, warranties or third parties; (xiv) wages, salaries, or other compensation paid to any executive above the grade of building manager; (xv) expenditures for compliance with any federal, state or local law, rule, ordinance or requirement regarding the environment or hazardous waste and materials the violation of which existed at or prior to the Lease Commencement Date hereof for which Lessee is not legally responsible; (xvi) expenses of Lessor in curing defaults or performing work expressly provided in this Lease to be borne at Lessor's expense; (xvii) Lessor's general corporate overhead and administrative expenses; (xviii) penalties for late payment, including, without limitation, penalties for late payment of taxes, equipment leases, and other amounts owing by Lessor; (xix) wages, salaries, benefits and expenses attributable to off-site personnel; (xx) except for emergencies, rentals and other related expenses, if any, incurred in leasing air conditioning systems, elevators or other equipment ordinarily considered to be of a capital nature except equipment the costs of would have been included in Operating Expenses had Lessor purchased such equipment, but not any amounts in excess of the Operating Expenses that Lessor would have incurred had Lessor purchased such equipment; (xxi) initial costs of constructing the Building, the other improvements, the Tenant Improvements and the parking lots, driveways, sidewalks,

landscaping, courtyard and any other improvements on the Premises; (xxii) the costs of any initial "tap fees" or one time lump sum sewer or water connection fees for the Premises; (xxiii) costs or fees relating to the defense of Lessor's title to or interest in the Premises, or any part thereof, or any costs or expenses associated with any sale or finance transaction; (xxiv) expenses and costs of encapsulation, removal, or abatement of substances located on the Premises prior to the Lease Commencement Date; (xxv) costs or expenses, including judgments, incurred in connection with tort claims against Lessor (including the cost of investigating, defending, or settling the same), (xxvi) payments to subsidiaries or affiliates of Lessor for goods or services which as a result of a non-competitive selection process materially exceed the cost of such goods or services if obtained by parties unaffiliated with Lessor; and (xxvii) costs for the acquisition of sculpture, paintings or other objects of art unless Lessee expressly consents in writing, (xxiv) any costs for insurance that are not considered Insurance Premiums, and (xxv) any charges otherwise payable by Lessee under another provision of this Lease (i.e. no duplicative charges).

Notwithstanding any terms of this Lease to the contrary, nothing contained in this Section 8 or elsewhere in this Lease shall obligate Lessee to pay (i) any income, profit, franchise, excise, capital levy or similar taxes that may be imposed upon or assessed against Lessor with respect to the Premises, the Rent or income derived from this Lease, under any law now in force or hereafter enacted, or (ii) to pay any inheritance, estate, succession, gift or any form of property transfer tax or indebtedness tax which may be assessed or levied against Lessor or any mortgagee of Lessor (excluding any real estate assessments based on value after a transfer to a third party).

(c) *Utilities.* Prior to the Lease Commencement Date, Lessor shall make available all utilities necessary for operating the Premises for the Permitted Use, including gas, water and electricity, which shall be separately metered to the Premises. The Lessee shall pay for all separately metered utilities, including, but not limited to, electric, gas, sewer and water (to the extent such services are not Lessor's obligation hereunder) directly to the utility or other service provider, including, but not limited to, costs related to security for the Premises. In the event that at any time during the Term any utility or service becomes unavailable due to act or omission of Lessor and causes closing of the Premises to the public, all rent and additional rent shall abate during the continuance thereof.

(d) *Permitted Contests/Audit Right.* The Lessee may contest the amount or validity of any imposition described in this Section and paid by Lessee as an Operating Expense or Tax by appropriate proceedings. The Lessor, at the Lessee's sole expense, shall join in any such contestation proceedings if any Law (as defined in Section 21 below) shall so require or as reasonably requested by Lessee and execute or join in the execution of any instruments or documents necessary in connection with such contest or proceedings. Within two (2) years of the issuance of any statement under this Section, Lessee or its authorized representatives may, at any reasonable time, upon seven (7) days prior written notice to Lessor, have the right to audit Lessor's business records relating to such statement for the period covered by the statement. In the event the audit discloses an over-billing, Lessor shall pay such amount to Lessee. In addition, if the audit discloses an over-billing of more than five percent (5%), Lessor shall reimburse Lessee for the cost of the audit. Lessee's right to audit shall be restricted to one (1) time per calendar year and shall be completed within ninety (90) days after its notice to Lessor.

(e) Payment. In case any person to whom any sum is directly payable by the Lessee under any of the provisions of this Lease shall refuse to accept payment of such sum from the Lessee, the Lessee shall thereupon give written notice of such fact to the Lessor and shall pay such sum directly to the Lessor, who shall thereupon pay such sum to such person.

9. Alterations/Signage. (a) Except for the Lessee's Work, Lessee shall not make any material alterations, or additions or leasehold improvements to the Premises ("Alterations") without Lessor's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Lessee shall have the right to make Alterations to the Premises which do not exceed in cost Fifty Thousand Dollars (\$50,000.00) without Lessor's consent as long as such Alterations comply with applicable laws, and do not adversely affect the structural integrity of the Building or building systems installed by Lessor. Lessee shall be entitled to remove from the Premises during the Term all Alterations, tenant improvements constructed or installed by Lessee and any and all furniture, removable trade fixtures, specialized utilities installed by Lessee, equipment and personal property ("Fixtures") installed or located on or in the Premises provided that the Lessee substantially repair any and all damage caused by the removal of the Fixtures. Lessee must remove all of Lessee's furniture, removable trade fixtures, equipment and personal property upon surrender of the Premises. Subject to Section 27 herein, all Alterations and Fixtures that Lessee does not remove within ten (10) days of the expiration of the Term shall be surrendered with the Premises at the termination of this Lease. Nothing contained in the Lease or this Section 9 shall obligate Lessee in any way to remove its Tenant Improvements or Alterations from the Premises after the expiration of the Term.

(b) Lessee shall have the right to affix its standard signage, including a sign on the exterior of the Building and/or a monument sign on the Land and any other signage permitted by applicable law. In addition, Lessee shall have the right to install replacement signage on the Building or anywhere on the Land. Lessor shall maintain all signage on the Building and Land in good condition and repair. All such signs shall comply with all applicable zoning laws and shall be subject to City and/or County permits, if any.

10. Lessee's Property. To the maximum extent permitted by applicable laws, Lessor hereby waives any rights which Lessor may have as to any of Lessee's furniture, fixtures, equipment, signs and other personal property, and Lessee's Work and any Alterations in the nature of a Lessor's lien, security interest or otherwise and further waives the right to enforce any such lien or security interest. All such property shall remain the property of Lessee.

11. Environmental. (a) Lessee, its agents, employees, contractors, invitees or licensees (collectively, "Lessee Parties") shall not cause or permit any hazardous or toxic substances, materials or waste, including, without limitation, asbestos ("Hazardous Substances") to be used, generated, stored or disposed of in, on or under, or transported to or from the Premises except in quantities similar to those quantities usually kept on similar premises by others in the same business or profession as Lessee's and in accordance with the Permitted Use; provided, however, Lessee shall at all times and in all material respects comply with all local, state, and federal laws, ordinances, rules, regulations and orders, whether now in existence or hereafter adopted relating to Hazardous Substances or otherwise pertaining to the environment (the "Environmental Laws") and further provided that, in the event any

Enforcement Agency requires removal of any Hazardous Substance used, generated, stored or disposed of in, on or under, or transported to or from the Premises by Lessee or Lessee Parties, then Lessee shall cause to be removed from the Premises such Hazardous Substances in accordance with good business practices and Environmental Laws, such removal to be performed by persons or entities duly qualified to handle and dispose of Hazardous Substances. Without limiting the generality of the foregoing, Lessor acknowledges that the following Hazardous Substances, among others, are required for Lessee's business operations and agrees that Lessee shall be permitted to store, use and dispose of the same in accordance with applicable law: bleach, cidex, hibiclona, metrocide, hydrogen peroxide, and formaldehyde. Lessee shall indemnify, defend, protect, and hold Lessor harmless from and against any and all claims, liabilities, penalties, fines, judgment, forfeitures, losses, costs (including clean-up costs) or expenses (including reasonable attorneys' fees, consultant's fees and expert's fees) arising out of Lessee's or Lessee's Parties' breach of its obligations under this Section or with respect to any Hazardous Substances located on or about the Premises by Lessee. The foregoing indemnity shall survive the expiration or earlier termination of this Lease for a period of twenty-four (24) months.

(b) Lessee shall promptly deliver to Lessor copies of all notices made by Lessee to, or received by Lessee from, any state, county, municipal or other agency having authority to enforce any environmental law or from the United States Occupational Safety and Health Administration (each an "Enforcement Agency") concerning environmental matters or Hazardous Substances at the Premises. Lessor shall promptly deliver to Lessee copies of all notices received by Lessor from any Enforcement Agency concerning environmental matters or Hazardous Substances at the Premises.

(c) Lessor represents and warrants to Lessee that, to the best of Lessor's knowledge, after due inquiry, there are no Hazardous Substances on, in or about the Land or the Premises as of the Effective Date. Lessor shall indemnify, defend, protect, and hold Lessee harmless from and against any and all claims, liabilities, penalties, fines, judgment, forfeitures, losses, costs (including clean-up costs) or expenses (including reasonable attorneys' fees, consultant's fees and expert's fees) arising out of any violation of an Environmental Law or the presence of any Hazardous Substances on, in or about the Land or Premises, unless caused by Lessee or Lessee Parties. The foregoing indemnity shall survive the expiration or earlier termination of this Lease.

12. Damage to Building by Fire or Casualty. In the event the Building shall be damaged by fire or other casualty during the Term, whereby the same shall be rendered untenable, then

(a) if the damage to the Building is so substantial ("Substantial Damage") that either: (1) the repair, restoration or rehabilitation of the Building (excluding the Lessee's Work) cannot reasonably be expected to be substantially completed within one hundred eighty (180) days from the date of such Substantial Damage, or (2) so much of the Building is destroyed or rendered untenable by such fire or other casualty as to make use of the Premises as a dialysis facility operating at least seventy-five percent (75%) of the certified dialysis stations operating prior to the fire or casualty impracticable for a period of one hundred twenty (120) days, then Lessee may elect to terminate this Lease by giving written notice to the other party within thirty (30) days after the expiration of such one hundred twenty (120) day period, or

(b) if not so terminated, subject to and to the extent of receipt and availability of insurance proceeds, Lessor shall proceed with all due diligence to repair, restore or rehabilitate the Premises (except for the Lessee's Work), at Lessor's expense and Lessee shall proceed with all due diligence to restore the Lessee's Work, at Lessee's expense, in each case to substantially its former condition immediately prior to such damage or destruction, in which event this Lease shall not terminate; provided, however, if insurance proceeds are not sufficient to restore the Building (except the Lessee's Work) to their prior condition and Lessor does not contribute the deficiency, then Lessee may terminate this Lease by written notice to Lessor.

If the Building is rendered wholly or partially untenable by fire or other casualty, there shall be an equitable abatement of Rent due the Lessor by the Lessee during the period (the "Abatement Period") from the date of fire or other casualty until the date that is the earlier of (i) the date on which the Building is fully restored, or (ii) ninety (90) days after Lessor completes restoration of the Building (except the Lessee's Work) such that Lessee's restoration work can commence.

In the event that the Building is partially damaged by fire or casualty, but such damage is not Substantial Damage, then Lessor, subject to and to the extent of receipt and availability of insurance proceeds, shall immediately proceed with all due diligence to repair and restore the Building (except the Lessee's Work) and Rent shall abate in proportion to the untenability of the Premises during the Abatement Period; provided, however, if insurance proceeds are not sufficient to restore the Building (except the Lessee's Work) to its prior condition and Lessor does not contribute the deficiency, then Lessee may terminate this Lease by written notice to Lessor.

Lessee's insurance proceeds related to any tenant improvements (including the Lessee's Work or other items shall be used by Lessee solely to restore such tenant improvements or other items.

13. Eminent Domain. If the entire Premises shall be taken or condemned for any public or quasi-public use or purpose, the Term shall end upon, and not before, the date of the taking of possession by the condemning authority, and without apportionment of the award. Lessee hereby assigns to Lessor, Lessee's interest in such award, if any. Lessee shall be entitled

to pursue a separate award which compensates Lessee for the unamortized cost of the Lessee's improvements and relocation expenses. Rent shall be apportioned as of the date of such termination. Except as set forth in the preceding sentence, Lessee shall have no right to share in the condemnation award or in any judgment for damages caused by such taking or the change or restriction of access. If there is a taking or condemnation of a Substantial Part of the Building (as defined below) or permanent lack of access to the Premises, then Lessor or Lessee shall have the right to terminate this Lease by giving the other party not less than thirty (30) days written notice prior to the date of cancellation designated in the notice but in any event not later than sixty (60) days after the date such party is notified of such taking or condemnation or permanent lack of access, in which event Rent shall be apportioned as of the date of such termination. A taking or condemnation of a "Substantial Part" of the Building is defined as such a taking or condemnation as renders impracticable the use of the Building as a dialysis facility operating at least seventy-five percent (75%) of the certified dialysis stations operating prior to such taking or condemnation. No money or other consideration shall be payable by Lessor to Lessee or Lessee to Lessor for the right of cancellation. In the event of any taking or condemnation involving the Building or lack of access to or from the Premises which does not result in the termination of this Lease, Lessor shall, subject to and to the extent of receipt and availability of the condemnation award, restore the Premises to substantially the condition prior to such taking with all due diligence and Rent shall abate in proportion to the untenability of the Premises during the period of restoration and, to the extent appropriate, for the remainder of the Term; provided, however, if condemnation proceeds are not sufficient to restore the Premises to their prior condition and Lessor does not contribute to the deficiency, then Lessee may terminate this Lease by written notice to Lessor.

14. Right of Entry by Lessor. The Lessor, or any of its agents, shall have the right to enter said Premises upon reasonable and at least twenty-four (24) hours prior notice (except in cases of emergency, in which case any reasonable notice is sufficient) to examine same and perform any maintenance and repairs as required herein or deemed necessary by Lessor, and upon reasonable and at least twenty-four (24) hours prior notice to exhibit said Premises, and to put or keep upon the doors or windows thereof a notice "FOR RENT" at any time within one hundred eighty (180) days before the expiration of this Lease, and Lessor agrees to use commercially reasonable efforts to minimize interference with Lessee's use of the Premises.

Any work done by Lessor to the Premises shall be performed during hours that Lessee is not open for business (except in emergencies) unless Lessee, in the exercise of its reasonable discretion, otherwise agrees. Any restoration work or alteration work at the Premises which is necessitated by or results from Lessor's entry shall be performed by Lessor at its expense.

Notwithstanding any of Lessor's rights to enter the Premises pursuant to the terms of this Lease, Lessor shall not cause Lessee to in any way violate any laws, regulations or ordinances intended to protect the rights and privacy of Lessee's patients, including those relating to any and all patient records, which at any time, Lessee shall be able to secure in locked storage units or remove from the Premises.

15. Indemnity. Lessee hereby agrees to indemnify and hold Lessor harmless from and against any cost, damage, claim, liability or expense (including attorneys' fees) incurred by or claimed against Lessor as a result of any breach of this Lease or negligent act of the Lessee in or

on the Premises. Lessor hereby agrees to indemnify and hold Lessee harmless from and against any cost, damage, claim, liability or expense (including attorneys' fees) incurred by or claimed against Lessee as a result of any breach of this Lease or negligent act of the Lessor or its agents or representatives in or on the Premises. The indemnity set forth in this Section shall survive the expiration of the Term for a period of twelve (12) months.

16. Default and Remedies.

(a) Lessee Default. The following shall be events of default (a "Default") by the Lessee:

- (i) Lessee fails to pay Rent hereunder when due and such Rent remains due and unpaid for ten (10) days following Lessee's receipt of written notice of such default from Lessor to Lessee,
- (ii) Lessee defaults in the performance of any other provision of this Lease and such default is not cured within thirty (30) days following Lessee's receipt of written notice from Lessor specifying such default (unless such default is not reasonably capable of being cured within such thirty (30) day period and Lessee is diligently prosecuting such cure to completion),
- (iii) should Lessee be adjudged bankrupt, or should the Lessee make an assignment for the benefit of its creditors, or should a receiver be appointed for the said Lessee and such receiver is not dismissed within sixty (60) days of his appointment.

(b) Lessor's Remedies. In the event of Lessee's Default, Lessor may take any or all of the following actions:

- (i) perform on behalf of and at the expense of Lessee any obligation of Lessee under this Lease which Lessee has failed to perform, without prior notice to Lessee, the total cost of which, together with interest thereon at the rate of interest equal to the prime rate of interest as published by The Wall Street Journal from time to time, plus four percent (4%) per annum, with each change in such prime rate being effective on the date such change is published (the "Default Rate") from the date of such expenditure, shall be deemed Additional Rent and shall be payable by Lessee to Lessor upon demand;
- (ii) with or without terminating this Lease and the tenancy created hereby, re-enter the Premises upon court action or summary proceedings, remove Lessee and all other persons and property from the Premises, and store any such property in a public warehouse or elsewhere at the costs of and for the account of Lessee, all without resort to legal process and without Lessor being deemed guilty of trespass or becoming liable for any loss or damage occasioned thereby;
- (iii) with or without terminating this Lease, relet the Premises or any part thereof upon such term or terms (which may be for a term extending beyond the term of this

Lease) at such rental or rentals and upon such other terms and conditions as Lessor in its reasonable discretion may deem advisable;

- (iv) enforce any provision of this Lease or any other agreement between the parties by injunction, temporary restraining order or other similar equitable remedy, to which Lessee hereby expressly consents and agrees; and/or
- (v) exercise any other legal or equitable right or remedy which it may have by law.

No reentry or taking possession of the Premises by Lessor shall be construed as an election on its part to terminate this Lease unless a written notice of such intention be given to Lessee or unless the termination thereof be decreed by a court of competent jurisdiction. All of Lessee's obligations hereunder to pay Base Rent and/or Additional Rent shall survive any such termination. Notwithstanding that the Lessor may have re-leased the Premises without termination, Lessor may at anytime thereafter elect to terminate this Lease for any previous Default. If the Premises or any part thereof is re-leased, Lessor shall not be liable for, nor shall Lessee's obligations hereunder be diminished by reason of, any failure by Lessor to relet the Premises or any failure by Lessor to collect any Rent due upon such reletting. No action taken by Lessor under the provisions of this Section shall operate as a waiver of any right which Lessor would otherwise have against Lessee for the Rent hereby reserved or otherwise, and Lessee shall at all times remain responsible to Lessor for any loss and/or damage suffered by Lessor by reason of any Default. Lessor shall use reasonable efforts to mitigate its damages due to a Default.

(c) Damages. Upon any Default, Lessee shall remain liable to Lessor for the following amounts: (i) any Rent of any kind whatsoever which may have become due with respect to the period in the Term which has already expired; (ii) all Rent which becomes due during the remainder of the Term, less any rents obtained by Lessor as a result of Lessor's reletting the Premises; and (iii) all costs, fees and expenses incurred by Lessor in pursuit of its remedies hereunder, including but not limited to reasonable attorneys' fees and court costs. All such amounts shall be due and payable immediately upon demand by Lessor (and as to subsection (ii) above, as such Rent becomes due) and shall bear interest at the Default Rate until paid. Lessor shall affirmatively list the Premises with its broker as available for lease (to the extent Lessor's contract with such broker does not already apply to all vacant space at the Building), and Lessee shall receive a reduction and reimbursement of all such amounts which is equal to the amount of any rent actually received from others to whom the Premises may be rented during the remainder of the original Term, but in no event shall Lessee be entitled to amounts collected by Lessor in excess of the amounts due under this Lease.

(d) Lessor Default and Lessee Remedies. Subject to the terms and provisions herein below, and in addition to any other remedy expressly available to Lessee pursuant to this Lease or at law or in equity, should Lessor fail to perform any term or covenant under this Lease (each and any such failure being herein sometimes referred to as a "Lessor Default") and if any such Lessor Default shall not be cured and shall accordingly be continuing ten (10) days following written notice by Lessee to Lessor of such Lessor Default (in the event that such Lessor Default consists of a breach or failure by Lessor to pay any monetary amount due and payable by Lessor to Lessee) or thirty (30) days following written notice by Lessee to Lessor of such Lessor Default

(in the event such default consists of a breach or failure by Lessor to comply with any obligation of Lessor other than one involving the payment of a monetary amount payable by Lessor to Lessee hereunder), then, in either such event, Lessee shall have the option of reasonably remedying such Lessor Default and, in connection therewith, incurring reasonable expenses for the account of Lessor, and any and all such sums expended or obligations incurred by Lessee in connection therewith shall be paid by Lessor to Lessee within thirty (30) days following receipt of invoice from Lessee with copies of fully paid receipts; provided, that if the non-monetary Lessor Default in question is not reasonably capable of being cured within the thirty (30) day period set forth above, such thirty (30) day period shall be extended for an additional period not to exceed a total of sixty (60) days as long as Lessor continues to use diligent and commercially reasonable efforts to cure such Lessor Default.

17. Insurance. (a) *Lessee's Insurance.* Lessee shall keep its personal property, equipment, trade fixtures and the Tenant Improvements insured for full replacement value against loss by fire and casualty, under an all risk policy with extended coverage endorsements. In addition thereto, Lessee shall obtain and keep in force with respect to the Premises commercial general liability insurance in a minimum amount of One Million Dollars (\$1,000,000) per claim and Three Million Dollars (\$3,000,000) in the aggregate for both bodily injury and property damage. Lessee may carry any insurance required by this Lease under a blanket policy as long as such blanket policy provides for coverage of not less than \$50,000,000 in the aggregate.

Each liability insurance policy described above (except employer's liability policies) shall name Lessor as an additional insured. All such policies shall (i) be issued by insurers licensed to do business in the state in which the Premises is located; and (ii) be written on an occurrence (and not claims-made) basis. Upon Lessor's request, Lessee shall deliver to Lessor certificates of insurance reasonably satisfactory to Lessor for each such policy required above. Within fifteen (15) days prior to the date any such policy expires, Lessee shall deliver to Lessor a certificate of renewal evidencing replacement of the policy. The limits of insurance required by this Lease or as otherwise carried by Lessee shall not limit the liability of Lessee or relieve Lessee of any obligations under this Lease, except to the extent provided in any waiver of subrogation contained in this Lease. Lessee shall have sole responsibility for payment of all deductibles, except where the insured event is caused by the negligence or willful misconduct of Lessor or Lessor's agents or representatives.

(b) *Lessor's Insurance.* Lessor covenants and agrees to keep the Building, including the Premises, insured against loss by fire and casualty, under a special form property insurance policy for full replacement value. In addition thereto, Lessor shall obtain and keep in force with respect to the Building, including the Premises, commercial general liability insurance in a minimum amount of One Million Dollars (\$1,000,000) per claim and Three Million Dollars (\$3,000,000) in the aggregate for both bodily injury and property damage.

Each liability insurance policy described above (except employer's liability policies) shall name Lessee as additional insured. All such policies shall (i) be issued by insurers licensed to do business in the state in which the Premises is located; (ii) be written on an occurrence (and not claims-made) basis and (iii) be at competitive rates. Upon Lessee's request, Lessor shall deliver to Lessee certificates of insurance reasonably satisfactory to Lessee for each such policy.

required above. Within fifteen (15) days prior to the date any such policy expires, Lessor shall deliver to Lessee a certificate of renewal evidencing replacement of the policy. The limits of insurance required by this Lease or as otherwise carried by Lessor shall not limit the liability of Lessor or relieve Lessor of any obligations under this Lease, except to the extent otherwise provided herein.

18. Subrogation. Each of the parties hereto hereby releases the other and the other's partners, agents and employees, to the extent of each party's insurance coverage required hereunder, from any and all liability for any loss or damage which may be inflicted upon the property of such party even if such loss or damage shall be brought about by the fault or negligence of the other party, its partners, agents or employees; provided, however, that this release shall be effective only with respect to loss or damage occurring during such time as the appropriate policy of insurance shall contain a clause to the effect that this release shall not affect said policy or the right of the insured to recover thereunder. If any policy does not permit such a waiver, and if the party to benefit therefrom requests that such a waiver be obtained, the other party agrees to obtain an endorsement to its insurance policies permitting such waiver of subrogation if it is commercially available and if such policies do not provide therefor. If an additional premium is charged for such waiver, the party benefiting therefrom, if it desires to have the waiver, agrees to pay to the other the amount of such additional premium promptly upon being billed therefor.

19. Repairs and Maintenance. Lessor, at its sole cost and expense, shall maintain and keep in good order and repair and make any necessary replacements to the parking areas, landscaping and any irrigation system(s) related to the Premises, and also all structural elements, including, without limitation, the roof, roof membrane, roof covering, concrete slab, footings, imbedded utility lines (including electrical wiring and plumbing) of the Building, windows, exterior doors, exterior walls of the Building, foundation and structural components of the Building, the sprinkler system in the Building, and all electrical, gas, water, HVAC and all other plumbing and mechanical equipment servicing the Building and any appliances furnished by Lessor in the Building and all common areas on the Land.

In the event Lessor fails to promptly make or commence and diligently prosecute any repairs or replacements or maintenance required to be made by Lessor under this Lease, Lessee at its option, after Lessor's failure to cure such default on or before thirty (30) days after notice to Lessor or, if such default cannot be cured within such thirty (30) day period, Lessor shall fail to commence to cure such default with all due diligence before the expiration of such thirty (30) days and diligently pursue the same to completion, may make the repairs or replacements and perform the maintenance for and on behalf of Lessor, and may offset the cost thereof against Base Rent coming due. Notwithstanding the foregoing, if an emergency exists, Lessee may take reasonable steps to protect its property, and make the repairs and replacements and perform the maintenance for and on behalf of Lessor without notice to Lessor.

Except for Lessor's obligations set forth above, Lessee agrees to maintain and repair all interior portions of the Premises (including interior doors and interior plate glass and any specialized utilities installed by Lessee) in good and clean condition, order and repair, as reasonably determined by Lessee, excepting only reasonable wear and tear arising from the use thereof and damage by fire or other casualty; provided, that Lessor shall be responsible for

repairing and replacing any damage to the Premises caused by the willful acts or negligence of Lessor or its agents, subject to the provisions of Section 18 above.

Lessee shall (a) use commercially reasonable efforts to bond or have released any mechanics', materialman's or other lien filed or claimed against any or all of the Land or the Premises or any other property owned or leased by Lessor by reason of labor or materials provided for Lessee or any of its contractors or subcontractors, or otherwise arising out of Lessee's use or occupancy of the Premises; and (b) defend, indemnify and hold harmless Lessor against and from any and all liability or expense (including but not limited to attorneys' fees) incurred by Lessor on account of any such lien or claim.

In the event Lessee fails to use commercially reasonable efforts to make or commence and diligently prosecute any repairs or replacements, or perform any alteration or maintenance required to be made by Lessee under this Lease, Lessor at its option and at Lessee's expense, except as otherwise provided herein, after Lessee's failure to cure such default on or before thirty (30) days after notice to Lessee or, if such default cannot be cured within such thirty (30) day period, Lessee shall fail to commence to cure such default with all due diligence before the expiration of such thirty (30) days and diligently pursue the same to completion, may make the repairs or replacements and perform the maintenance for and on behalf of Lessee, and Lessee shall, on or before ten (10) days after receipt of notice, pay to Lessor all reasonable cost and expense incurred by Lessor in making such repairs and replacements and performing such maintenance. Notwithstanding the foregoing, if an emergency exists, Lessor may make the repairs and replacements and perform the maintenance for and on behalf of Lessee without notice to Lessee.

20. Brokers. Lessor and Lessee each represent to the other that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, other than OGA Realty, LLC, as Lessee's representative ("Lessee's Broker") and BARBER/Murphy Group Inc., as Lessor's representative ("Lessor's Broker"). Any and all payments due to Lessee's Broker and Lessor's Broker in connection with the negotiation and execution of this Lease shall be paid in full by Lessor in accordance with a separate agreement between the parties. Each party hereto shall indemnify the other against any inaccuracy in such party's representation contained in this Section.

21. Compliance with Laws. Lessee hereby agrees to comply with all applicable federal, state and local laws, ordinances, rules and regulations ("Laws") with respect to Lessee's manner of use of the Premises throughout the Term; provided, however, that Lessee shall only be responsible for the cost and expense of such compliance to the extent it relates to the interior of the Premises, and in all events, Lessee shall not be responsible for compliance that requires structural changes, which are the responsibility of Lessor.

Lessor shall cause the Premises to comply with all applicable Laws, including the Americans with Disabilities Act (the "ADA"). Lessor represents and warrants to Lessee that (i) the Base Rent was determined in arms' length negotiations and is within fair market value; (ii) the terms and conditions of this Lease are on commercially reasonable terms; and (iii) to Lessor's knowledge, the Land is in compliance with all applicable Laws, including the ADA, as of the Effective Date. Notwithstanding that the foregoing representation is limited to Lessor's

knowledge, if after the Effective Date, Lessee reasonably determines that the Land is not in compliance with applicable Laws and that remediation of the Land should occur as a result thereof, Lessor shall use reasonable efforts to complete such remediation in a timely manner or as otherwise required by applicable Law related thereto, which remediation shall be at Lessor's sole cost and expense.

22. Subordination; Leasehold Mortgage. This Lease shall be subject and subordinate to the lien, operation and effect of each mortgage, deed of trust, ground lease and/or other similar instrument covering any or all of the Premises or the Land, and each renewal, modification or extension thereof (each of which referred to as a "Mortgage"), all automatically and without the necessity of any further action by either party hereto, provided, however, that Lessor delivers to Lessee a customary Subordination, Non-Disturbance and Attornment Agreement in the form attached hereto as Exhibit D ("SNDA"), executed by Lessor and the beneficiary under any such Mortgage (referred to as a "Mortgage"). In the event the Mortgagee or a purchaser at foreclosure succeeds to the interest of Lessor hereunder through foreclosure or otherwise, such Mortgagee or a purchaser shall honor this Lease and not disturb Lessee in its possession of the Premises except upon Lessee's Default and such Mortgagee or purchaser and Lessee shall enter into an agreement consistent with the foregoing, in substance reasonably acceptable to Lessee. Without limitation, Lessor shall deliver to Lessee a SNDA in the form attached hereto from National Bank, as Lessor's lender. In addition, Lessee shall attorn to any such Mortgagee and agrees that such Mortgagee shall not be liable to Lessee for any defaults by Lessor under this Lease or for any other event occurring prior to such Mortgagee's succeeding to the interest of Lessor hereunder. Lessee shall, within ten (10) days after request by Lessor or any Mortgagee, execute, acknowledge and deliver such further instrument as is reasonably requested by Lessor or any Mortgagee and is acceptable to Lessee, to acknowledge the rights of the parties described in this Section and providing such other information and certifications as is reasonably requested. Any Mortgagee may at any time subordinate the lien of its Mortgage to the operation and effect of this Lease without obtaining Lessee's consent thereto, in which event this Lease shall be deemed to be senior to such Mortgage without regard to their respective dates of execution, delivery and/or recordation among the land records of the jurisdiction in which the Property is located. Lessor hereby represents that the only mortgage currently encumbering the Building or the Land is in favor of National Bank and that the Land is not currently subject to any ground lease.

Lessor consents to the grant by Lessee of a mortgage or deed of trust, or other proper instrument (a "Leasehold Mortgage"), as security for any debt, in favor of an unaffiliated third party lender, on Lessee's interest in this Lease, and Lessee's interest in any improvements or equipment located on the Premises. Any transfer of the Lease or the Lessee's interest in the Premises to the leasehold mortgagee or its nominee through exercise of the power of sale or similar remedy under the Leasehold Mortgage shall be deemed to be consented to by Lessor. Lessor shall accept performance by such leasehold mortgagee of this Lease with the same force and effect as though timely performed by Lessee. Upon Lessee's request, Lessor shall execute an agreement in favor of such leasehold mortgagee consenting to a leasehold mortgage, provided that such consent is in a form reasonably satisfactory to Lessor.

23. Quiet Enjoyment. Lessee, upon paying the Rent and performing all of the terms and covenants of this Lease on Lessee's part to be kept, observed, and performed, shall quietly

have and enjoy the Premises during the Term, and Lessee's use and enjoyment of the Premises shall not be disturbed by any Mortgagee as provided for in Section 22 above.

24. Memorandum of Lease. At Lessee's request, Lessor shall enter into a memorandum or notice of this Lease in customary form and substance and in recordable form and reasonably satisfactory to Lessor and Lessee, and Lessor shall be responsible for the preparation thereof and the cost and obligation of recording the same.

25. Notices. All notices, demands and requests which may be or are required to be given by either party to the other shall be in writing and shall be either (a) sent by registered or certified mail, return receipt requested, postage prepaid, or (b) delivered, by hand, or (c) sent by overnight courier such as Federal Express. All notices to Lessor should be addressed to Lessor at Savvi Investment, Inc., 2020 Formosa Drive, Troy, Illinois 62294, or at such other place as Lessor may from time to time designate in written notice to Lessee. All notices to Lessee shall be addressed to Lessee at c/o Renal Advantage, Inc., 1550 W. McEwen Drive, Suite 500, Franklin, Tennessee 37067, Attn: Jon Sundock, with a copy to Bass, Berry & Sims PLC, 150 Third Avenue South, Suite 2800, Nashville, Tennessee, 37201, Attn: John S. Seehorn, or to any such other place as Lessee may from time to time designate in written notice to Lessor. All notices, demands and requests which shall be served upon Lessor and Lessee in the manner aforesaid shall be deemed sufficiently served or given for all purposes hereunder.

26. Estoppel Certificate. Lessor and Lessee shall from time to time, but in no event more than twice in any twelve (12) month period, within ten (10) business days after request by the other party or any mortgagee or either party, execute, acknowledge and deliver to the requesting party (or, at request, to any existing or prospective purchaser, assignee or mortgagee) a written certification (a) that this Lease is unmodified and in full force and effect (or, if there has been any modification, stating the nature of such modification); (b) as to the dates to which the Base Rent and any Additional Rent have been paid; (c) as to the amount of any prepaid Rent or any credit due to Lessee hereunder; (d) that Lessee has accepted possession of the Premises and all improvements thereto are as required hereunder, and the date on which the Term commenced; and (e) as to whether, to the best knowledge, information and belief of such party, Lessor or Lessee is then in default in performing any of its obligations hereunder (and, if so, specifying the nature of each such default). Any such certificate may be relied upon by Lessor or Lessee, as applicable, and any such other party to whom the certificate is directed.

27. Holding Over. Notwithstanding anything contained herein to the contrary, Lessee shall have the right to remain in possession of the Premises for up to three (3) months after the Expiration Date upon the same terms and conditions of the Lease and without the occurrence of an Event of Default. In the event Lessee remains in possession of the Premises for more than three (3) months after the expiration of the Term without the written consent of Lessor, Lessee shall then be a tenant on a month to month basis and shall be obligated to pay Base Rent at one hundred twenty-five percent (125%) of the then current rate (including all adjustments) and all other sums then payable hereunder prorated on a daily basis for each day that Lessor is kept out of possession of the Premises.

28. Binding Effect. All covenants, agreements, stipulations, provisions, conditions and obligations herein expressed and set forth shall extend to, bind and inure to the benefit of, as the case may require, the successors and assigns of Lessor and Lessee respectively, as fully as if such words were written wherever reference to Lessor or Lessee occurs in this Lease.

29. Severability. If any term, covenant or condition of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

30. Applicable Law. The laws of the State of Illinois shall govern the validity, performance and enforcement of this Lease, without regard to such State's conflict-of-law principles.

31. Force Majeure. If either party hereto shall be delayed or hindered in or prevented from the performance of any obligation required hereunder by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, acts of terrorism, military or usurped power, sabotage, unusually severe weather, fire or other casualty or other reason (but excluding inadequacy of insurance proceeds, financial inability or the lack of suitable financing) of a like nature beyond the reasonable control of the party delayed in performing its obligations under this Lease ("Force Majeure Event"), the time for performance of such obligation shall be extended for the period of the delay.

32. Amendment. This Lease and the exhibits attached hereto and forming a part hereof set forth all the covenants, promises, agreements, conditions and understandings between Lessor and Lessee concerning the Premises, and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between them other than are herein set forth. No subsequent alteration, amendment, change or addition to this Lease shall be binding upon Lessor or Lessee unless reduced to writing and signed by both of them.

33. Lessor's Transfers. Lessor shall have the unrestricted right to assign or transfer its interest in this Lease to purchasers of the Land and/or the Premises, to a Mortgagee, or to any other party, other than to a person or entity which, directly or indirectly, will or does own, operate or manage dialysis centers, in which event such transferee shall assume all of Lessor's obligations hereunder and Lessor shall be released from all duties, obligations and liabilities arising hereunder after the assignment or transfer becomes effective, including but not limited to the transfer of any security deposit hereunder. Lessor must obtain the prior written consent of Lessee with respect to any proposed transfer to a person or entity which, directly or indirectly, that owns, operates or manages dialysis centers; provided that no consent shall be required as to any transfer to a real estate investor that merely owns land and improvements in which a dialysis center is located and does not directly or indirectly, through itself or an affiliate thereof, own, operate or manage such dialysis center; provided, however, the foregoing does not relieve the transferee of the restrictions contained in Section 6 above.

34. Liability Limitation. Neither Lessor nor any trustee, director, officer, employee, representative, asset manager, investment advisor or agent of Lessor, nor any of their respective successors and assigns, shall be personally liable in connection with this Lease, and Lessee shall resort solely to the Lessor's interest in the Land and the Premises, and rents and income therefrom or proceeds from the sale thereof, for the payment to Lessee of any claim or for any performance by Lessor hereunder.

35. Not an Offer. Submission of this Lease to Lessee is not an offer or agreement by Lessor to reserve the Premises. Lessor shall not be bound by the terms hereof until Lessee and Lessor have executed this Lease.

36. Authority. Each party represents and warrants to the other party hereto that the execution, delivery and performance of this Lease have been duly authorized by all required corporate, partnership or other action on the part of such party, and this Lease constitutes the valid and binding obligation of each party enforceable against such party in accordance with its terms.

37. Waiver of Jury Trial. All parties hereto hereby release and waive any and all rights provided by law to a trial by jury in any court or other legal proceeding initiated to enforce the terms of this Lease, involving any such parties, or connected in any other manner with this Lease. Lessee shall not interpose any counterclaim of any kind in any action or proceeding by Lessor to recover possession of the Premises based on non-payment of Rent. In the event of a dispute between Lessor and Lessee, Lessee shall pay Rent into the registry of the court having jurisdiction over such dispute.

38. Waiver. Neither party shall be deemed to have waived the exercise of any right which it holds hereunder unless such waiver is made expressly and in writing, and no delay or omission by a party in exercising any such right shall be deemed to be a waiver of its future exercise. No such waiver as to any instance involving the exercise of any such right shall be deemed a waiver as to any other such instance or any other such right. No payment by Lessee or receipt by Lessor of a lesser amount than the monthly Rent stipulated in this Lease shall be deemed to be other than on account of the earliest stipulated Rent, nor shall any endorsement of any check be an acknowledgment and satisfaction.

39. Time of Essence. Time shall be of the essence of this Lease.

40. Headings. The headings of the articles, subsections, paragraphs and subparagraphs hereof are provided herein only for convenience of reference and shall not be considered in construing their contents.

41. Execution in Counterparts. This Lease may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

42. Contingency. Lessor and Lessee acknowledge that due to the nature of Lessee's operations, certain consents, regulatory licenses, permits and/or approvals may be necessary in order for Lessee to commence and maintain its business operations at the Premises for the Permitted Use, including, without limitation, third party consents (including, without limitation,

necessary architect's certificates) and federal, state and local governmental and regulatory licenses, certificates of occupancy, permits and approvals needed by Lessee in its sole reasonable discretion for the operation of the Premises for the Permitted Use (collectively, "Consents"). Lessor agrees to cooperate with Lessee in obtaining such Consents. Notwithstanding anything to the contrary herein, Lessee shall have the right to terminate this Lease if Lessee has not received all such Consents at any time after the execution of this Lease by providing written notice to Lessor.

43. Roof Rights. Lessee shall have the right to install, at its sole cost and expense and using the contractor of its choice, communications equipment on the roof of the Building at no additional fee. Lessee shall obtain Lessor's prior written approval, which approval shall not be unreasonably withheld, conditioned, or delayed, prior to any penetrations to the roof. Lessee shall be solely responsible for the repair of any and all damages caused by installation, removal, or the presence of, or in any way connected with such equipment. Upon expiration or earlier termination of this Lease, Lessee shall remove such equipment and shall repair and restore the roof to the condition existing at the Lease Commencement Date of this Lease, normal wear and tear and casualty excepted.

44. Right of First Refusal. Lessee shall have a continuing first refusal ("Right of Refusal") to lease any space in the Building adjacent to the Premises as hereinafter set forth. If at any time during the Term, Lessor shall receive a bona fide offer from an unaffiliated third party to lease space adjacent to the Premises (the "Offer"), which Offer Lessor shall desire to accept, Lessor shall promptly deliver to Lessee a copy of the Offer, and Lessee may, within thirty (30) days thereafter, elect to lease such space on the same terms as those set forth in the Offer; provided that if Lessor does not execute a lease with such third party on the same terms as the Offer (or terms less favorable to such third party) within three (3) months after first delivering a copy of such Offer to Lessee, Lessor must again present such Offer to Lessee.

*[signature page follows]*

IN TESTIMONY WHEREOF, the Lessor and Lessee have caused this Lease to be executed as a sealed instrument, as of the Effective Date.

**LESSOR:**

**SAVVI INVESTMENT, INC.**

By: *[Signature]*

Its: DIDI PATER PRESIDENT

Date: 1/28/12

**LESSEE:**

**RAI CARE CENTERS OF ILLINOIS I, LLC**

By: *[Signature]*

Its: COO

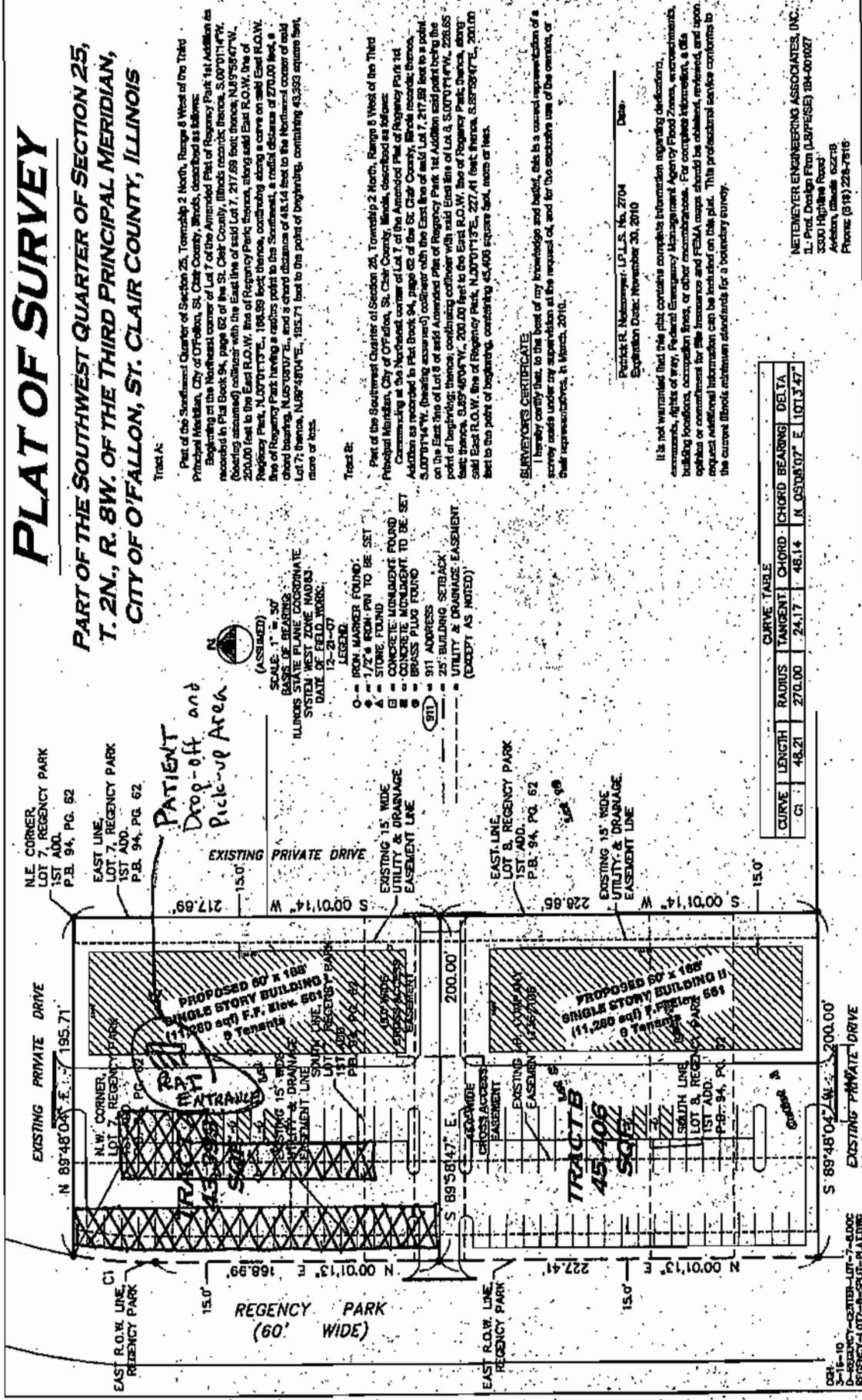
Date: 1/31/12

EXHIBIT A

Lessee's Exclusive Parking Area

# PLAT OF SURVEY

**PART OF THE SOUTHWEST QUARTER OF SECTION 25,  
T. 2N., R. 8W. OF THE THIRD PRINCIPAL MERIDIAN,  
CITY OF O'FALLON, ST. CLAIR COUNTY, ILLINOIS**



Part of the Southwest Quarter of Section 25, Township 2 North, Range 8 West of the Third Principal Meridian, City of O'Fallon, St. Clair County, Illinois, described as follows: Beginning at the Northwest corner of Lot 7 of the Amended Plat of Regency Park 1st Addition as recorded in Plat Book 94, page 67 of the St. Clair County, Illinois records; thence, S. 00°01'14" W., (bearing assumed) collinear with the East line of said Lot 7, 217.89 feet thence; N. 89°48'04" W., (bearing assumed) collinear with the East line of said Lot 7, 217.89 feet thence; N. 89°48'04" W., 200.00 feet to the East R.O.W. line of Regency Park; thence, along said East R.O.W. line of Regency Park, N. 07°01'17" E., 184.59 feet thence, continuing along a curve on said East R.O.W. line of Regency Park having a radius of 270.00 feet to the Southward, a chord distance of 270.00 feet, a chord bearing, N. 05°08'07" E., and a chord distance of 48.14 feet to the Northeast corner of said Lot 7; thence, N. 89°48'04" E., 185.71 feet to the point of beginning, containing 43,393 square feet, more or less.

Part of the Southwest Quarter of Section 25, Township 2 North, Range 8 West of the Third Principal Meridian, City of O'Fallon, St. Clair County, Illinois, described as follows: Commencing at the Northwest corner of Lot 7 of the Amended Plat of Regency Park 1st Addition as recorded in Plat Book 94, page 67 of the St. Clair County, Illinois records; thence, S. 00°01'14" W., (bearing assumed) collinear with the East line of said Lot 7, 217.89 feet to a point on the East line of Lot 7 of said Amended Plat of Regency Park 1st Addition said point being the point of beginning; thence, continuing collinear with said East line of Lot 7, S. 00°01'14" W., 228.65 feet thence; S. 89°48'04" W., 200.00 feet to the East R.O.W. line of Regency Park; thence, along said East R.O.W. line of Regency Park, N. 07°01'17" E., 227.41 feet thence; S. 89°48'04" E., 200.00 feet to the point of beginning, containing 43,400 square feet, more or less.

**SURVEYOR'S CERTIFICATE:**  
I hereby certify that, to the best of my knowledge and belief, this is a correct representation of a survey made under my supervision at the request of, and for the exclusive use of the owners, of their representatives, in March, 2010.

Patrick R. Nebelmeier, I.P.L.S. No. 2704  
Expiration Date: November 30, 2010

It is not warranted that this plat contains complete information regarding deficiencies, encumbrances, rights of way, Federal Emergency Management Agency Flood Zones, encroachments, building footprints, occupation lines, or other encumbrances. For complete information, a title opinion or commitment for the insurance and FEMA maps should be obtained, reviewed, and upon request additional information can be located on this plat. This professional service conforms to the current Illinois minimum standards for a boundary survey.

NETEMEYER ENGINEERING ASSOCIATES, INC.  
11 Prud Design Firm (D.B.P.F. 55) 184-001027  
3300 Highway Road  
Arlington, Illinois 62526  
Phone: (618) 228-7618

CSA 15-10  
D-REGENCY-CENTER-LOT-7-ADDIC  
REGENCY-LOT-8-SPLIT-PLAT-DWG

## EXHIBIT B

### [Lessor's Work]

On or before the Lease Commencement Date, Lessor shall deliver the Premises in broom-clean condition with interior walls in good condition and repair and all building and mechanical systems in good working order. Lessor's Work shall be done in a good and workmanlike manner and in compliance with all applicable laws. Lessor's Work shall include the following:

(i) Lessor understands that Lessee's water supply line requirement is a dedicated 2 inch water supply line with a minimum of 40 psi operating pressure. However, since Lessor has a 2 inch water supply line currently supplying water to the entire building, and as long as Lessor and Lessee are in compliance with local codes, and as long as Lessee's engineers indicate that a water supply line for the Lessee's space connected to the main 2 inch water supply line will be sufficient for the Lessee, Lessee will allow the current water supply line configuration to satisfy this requirement. However, Lessee will require written assurance from Lessor that if the water demands of the other Lessee in the building (chiropractor or any another tenant in the future) were to increase, that Lessee would get dedicated access to the 2 inch water line and the other tenant would then have to be put on another water line (5/8 or a 1 inch) at the Lessor's sole expense.

(ii) Lessor understands that Lessee's sewer line requirement is for Lessor to supply a dedicated 4 inch sewer line for Lessee's space. However, since Lessor has a 6 inch sewer line currently serving the entire building, and as long as Lessor and Lessee are in compliance with local codes, and as long as Lessee's engineers indicate that a 4 inch sewer line for the Lessee's space connected to the main 6 inch sewer line will be sufficient for the Lessee, Lessee will allow the current sewer configuration to satisfy this requirement. Accordingly, Lessee will connect into the existing 6 inch service that currently is located within 5'-0" of the perimeter of Lessee's space. However, if Lessee's engineers and local codes determine this configuration is insufficient due to codes, regulations, capacity/ flow constraints or other operational constraints, then the Lessor will bring a dedicated 4 inch sewer drain line to within 5'-0" of Lessee's space at Lessor's sole expense.

(iii) Gas service will be rated to have 6 inch water column pressure and shall supply at least 800,000 BTUs.

(iv) HVAC units shall be in place, operational in good working order and be able to provide a normal range of heating and cooling for a medical use. New RTUs are already in place.

(v) Three-phase 1,000A/208V electric service.

- (vi) Provide drywall sufficient in quantity to cover all existing perimeter walls.
- (vii) Ensure the existing exterior walls have at least R-19 insulation in place.
- (viii) Dedicated entrances on the building in the locations indicated on the Site Plan.
- (ix) City approved trash enclosure with vandal proof biohazard waste section and appropriate concrete approach area. The trash area to accommodate a minimum of two 4 yard containers (one trash, one recycle), exclusively for Lessee use. In addition, a metal roof shall be installed over the biohazard section.
- (x) Full compliance with ADA and all local jurisdiction's handicap requirements. Lessor shall comply with all ADA regulations affecting the Building including, but not limited to, exterior and interior doors, concrete curb cuts, ramps and walk approaches to / from the parking lot, parking lot striping for six (6) dedicated handicap stalls (4 directly in front of building (including one van stall), and 2 on opposite side of drive aisle) inclusive of pavement markings and stall signs with current local provisions for handicap parking stalls, delivery areas and walkways.
- (xi) Inspection of roof system and, if needed, repair of any deficiencies. Roof system is to include all gutters, fascias, downspouts and ice control measures.
- (xii) Inspection of parking lot and repair of any drainage issues and holes.
- (xiii) Lessor shall reimburse Lessee for the cost of concrete materials towards completion of concrete slab floor along back of interior space promptly upon delivery of invoices from Lessee to Lessor for such work.

**EXHIBIT C**

**RENT COMMENCEMENT DATE AGREEMENT**

\_\_\_\_\_, 201\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Re: Lease Agreement (the "Lease") dated \_\_\_\_\_,  
between Savvi Investment, Inc. ("Lessor"), and RAI Care Centers of  
Illinois I, LLC ("Lessee").

Lessor and Lessee agree as follows:

1. Defined Terms. Capitalized terms used herein but not defined shall be given the meanings assigned to them in the Lease.
2. Condition of Premises: Lessee has accepted possession of the Premises pursuant to the Lease. All of the condition of the Premises is satisfactory to Lessee in all respects, subject to the completion of any punch-list items.
3. Lease Commencement Date. The Lease Commencement Date of the Lease is \_\_\_\_\_, 201\_\_.
4. Expiration Date. The Initial Term of the Lease will expire on \_\_\_\_\_, 20\_\_.
5. Rent Commencement Date. The Rent Commencement Date of the Lease is \_\_\_\_\_, 201\_\_.
6. Rentable Area. The measured Rentable Area of the Premises is \_\_\_\_\_ rentable square feet.
7. Ratification. Lessor and Lessee further confirm that, as of the date hereof (a) the Lease in good standing and in full force and effect; and (b) neither of them has any known claims, counterclaims, set-offs or defenses against the other party arising out of the Lease.

8. Binding Effect; Governing Law. Except as modified hereby, the Lease shall remain in full effect and this letter shall be binding upon Lessor and Lessee and their respective successors and assigns. If any inconsistency exists or arises between the terms of this letter and the terms of the Lease, the terms of this letter shall prevail. This letter shall be governed by the laws of the state in which the Premises are located.

9. Counterparts. This letter may be executed in counterparts, each of which shall constitute an original and which together shall constitute one and the same instrument.

[SIGNATURES ON FOLLOWING PAGE]

Executed by Lessor and Lessee on the dates set forth below to be effective as of the Rent Commencement Date set forth above.

**LESSOR:**

**SAVVI INVESTMENT, INC.**

Witness: \_\_\_\_\_

By: \_\_\_\_\_

Witness: \_\_\_\_\_

Date: \_\_\_\_\_

**LESSEE:**

**RAI CARE CENTERS OF  
ILLINOIS I, LLC**

Witness: \_\_\_\_\_

By: \_\_\_\_\_

Witness: \_\_\_\_\_

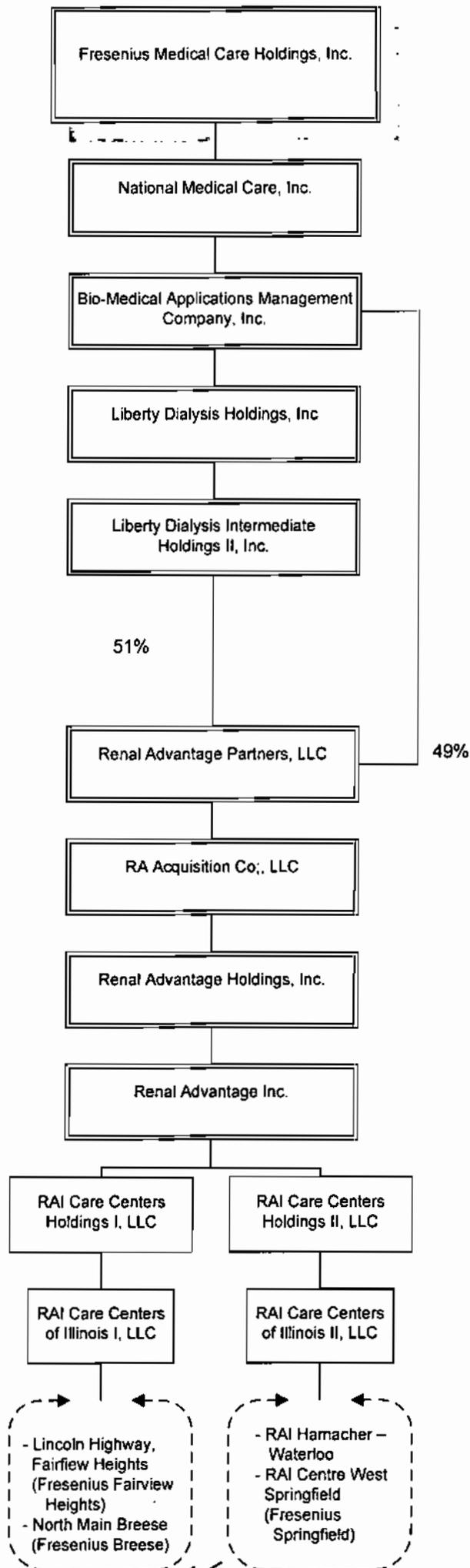
Date: \_\_\_\_\_

## Operating Identity/Licensee

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

Exact Legal Name: <i>RAI Care Centers of Illinois I, LLC d/b/a RAI Lincoln Highway - Fairview Heights</i>			
Address: <i>920 Winter Street, Waltham, MA 02451</i>			
<input type="checkbox"/>	Non-profit Corporation	<input type="checkbox"/>	Partnership
<input type="checkbox"/>	For-profit Corporation	<input type="checkbox"/>	Governmental
	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>			

## Certificate of Good Standing at Attachment – 1.



55

The project is not new construction and is a build out of the interior of existing leased space, therefore this criterion is not applicable.



Illinois Historic  
Preservation Agency

FAX (217) 782-8161

1 Old State Capitol Plaza • Springfield, Illinois 62701-1512 • [www.illinois-history.gov](http://www.illinois-history.gov)

St. Clair County  
O'Fallon

CON - Relocation of Fairview Heights Dialysis Clinic  
124 Regency Park Dr.  
IHPA Log #011053012

June 11, 2012

Lori Wright  
Fresenius Medical Services  
One Westbrook Corporate Center, Suite 1000  
Westchester, IL 60154

Dear Ms. Wright:

This letter is to inform you that we have reviewed the information provided concerning the referenced project.

Our review of the records indicates that no historic, architectural or archaeological sites exist within the project area.

Please retain this letter in your files as evidence of compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). This clearance remains in effect for two years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the Illinois Human Skeletal Remains Protection Act (20 ILCS 3440).

If you have any further questions, please contact me at 217/785-5027.

Sincerely,

Anne E. Haaker  
Deputy State Historic  
Preservation Officer

## SUMMARY OF PROJECT COSTS

### Modernization Contracts

General Conditions	67,000
Temp Facilities, Controls, Cleaning, Waste Management	3,316
Concrete	17,100
Masonry	20,200
Metal Fabrications	10,000
Carpentry	118,000
Thermal, Moisture & Fire Protection	24,000
Doors, Frames, Hardware, Glass & Glazing	92,000
Walls, Ceilings, Floors, Painting	217,000
Specialities	17,000
Casework, FI Mats & Window Treatments	8,000
Piping, Sanitary Waste, HVAC, Ductwork, Roof Penetrations	429,000
Wiring, Fire Alarm System, Lighting	259,000
Miscellaneous Construction Costs	60,000
<b>Total</b>	<b>1,341,616</b>

### Contingencies

Contingencies **\$147,483**

### Architectural/Engineering

Architecture/Engineering Fees **\$145,000**

**Movable or Other Equipment**

Dialysis Chairs	35,000
Misc. Clinical Equipment	27,000
Clinical Furniture & Equipment	32,000
Office Equipment & Other Furniture	45,000
Water Treatment	150,000
TVs & Accessories	76,000
Telephones	18,000
Generator	45,000
Facility Automation	18,000
Other miscellaneous	4,000
<b>Total</b>	<b>450,000</b>

**Fair Market Value Leased Space & Equipment**

FMV Leased Space (9,448 GSF)	\$1,088,032
FMV Leased Dialysis Machines	295,350
FMV Leased Computers	7,200
<b>Total</b>	<b>\$1,390,528</b>

The cost per station, based on construction, contingencies, movable and other equipment and A & E fees is \$104,204 per station. This excludes the lease costs. All individual line items fall within the Board guidelines. Actual final costs will likely be lower due to built in contingency costs.

Project obligation will occur after permit issuance.

**Cost Space Requirements**

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

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>							
In-Center Hemodialysis	3,474,627		9,448		9,448		
Total Clinical	3,474,627		9,448		9,448		
<b>NON REVIEWABLE</b>							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
<b>TOTAL</b>	<b>3,474,627</b>		<b>9,448</b>		<b>9,448</b>		
APPEND DOCUMENTATION AS ATTACHMENT-9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.							

## **1110.130 – DISCONTINUATION**

### **General Information Requirements**

RAI Care Centers of Illinois I, LLC proposes to discontinue its 20-station ESRD facility located at 821 Lincoln Highway, Fairview Heights, currently operating at 74% utilization data with 89 patients. This is simply a relocation of the existing facility. In conjunction with this discontinuation we will establish a 20-station replacement ESRD facility at 124 Regency Park Drive in O'Fallon. Both locations are in HSA 11. All patients are expected to transfer to the new facility and therefore all medical records will be transferred to the new site as well.

The discontinuation is expected to occur simultaneously with the opening of the new facility. This is expected to occur by September 30, 2014. There will be no break in service to the patients involved. The evacuated building at 821 Lincoln Highway is leased space so will be released back to the landlord.

### **Reasons for Discontinuation**

Accessing the current Fairview Heights location by car is difficult and often hazardous because of the traffic pattern of the streets immediately next to the clinic. This creates physical access issues for patients and/or families and for the transportation companies. The current leased space for the RAI Fairview Heights facility has inadequate space. The lobby does not allow enough room for patients/families during shift changeover especially considering many patients are in wheelchairs. The cramped space makes it extremely difficult to navigate. There is currently no space for a conference room for monthly quality improvement meetings as well as other staff meetings or training programs. There is no outside covered drop-off area for patients which makes accessing the building difficult in inclement weather. The building also has significant problems with the HVAC units and would need extensive repair. Since the condition of the building itself is not optimal and is too small, RAI feels it is more cost effective and in the patient's best interest to relocate. The lease is expiring 8/31/2012 and we are currently seeking a 9-month extension to allow time to move through the CON process and modernize the interior of the site in O'Fallon. There is also limited space at the current site to grow the home dialysis program effectively.

### **Impact On Access**

It is determined that since this is a simple "relocation" of the Fairview Heights facility to a site 5 minutes away in O'Fallon and not a true discontinuation, it will not have any impact on any area ESRD providers. All facilities within 45 minutes travel time were sent a written request for an impact statement with the exception of those that are Fresenius owned facilities. There was no response.

**IMPACT ON ACCESS STATEMENT PER PART 1110.130**

The proposed discontinuation of the RAI Lincoln Highway - Fairview Heights 20-station end stage renal disease (ESRD) facility will not have an adverse effect upon access to care for the residents of the healthcare market in the Fairview Heights and St. Clair County area. Along with this discontinuation, a replacement 20-station ESRD facility will be established at 124 Regency Park Drive, O'Fallon.

The Fairview Heights facility is essentially being relocated two miles (5 minutes) away to O'Fallon which is also in HSA 11. All current patients are expected to transfer to the replacement facility. There will be no break in service to these patients.

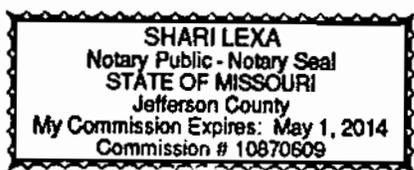
There will be no adverse impact to any facilities within a 45-minute travel time. A written request for an impact statement was sent to each and no response was received. Attached is documentation that the request was sent.

Tara Walker, AM  
Tara Walker, Area Manager

Date: 6-12-12

SUBSCRIBED AND SWORN TO  
BEFORE ME THIS 12<sup>th</sup> DAY  
OF June, 2012.

Shari Lexa  
NOTARY PUBLIC





## Fresenius Medical Care

May 30, 2012

Cindy Emley  
Regional Operations Director  
2930 S. Montvale Drive, Suite A  
Springfield, IL 62704

Re: DaVita Shiloh Dialysis  
1095 N. Green Mount Road  
Shiloh, IL 62269

Dear Ms. Emley:

The purpose of this letter is to inform you that Fresenius Medical Care – North America is in the process of compiling a Certificate of Need application to be submitted to the Illinois Health Facilities & Services Review Board to discontinue our 20-station Fairview Heights Dialysis Center located at 821 Lincoln Highway, Fairview Heights, IL. In conjunction with this discontinuation we will be establishing a replacement 20-station dialysis facility within the same service area.

The estimated date that this discontinuation/establishment will occur is September 30, 2013. Over the past two years the Fairview Heights dialysis facility has provided 24,569 dialysis treatments to 211 end stage renal disease (ESRD) patients. While this is a substantial amount we do not foresee any break in service to the ESRD patients in this market area during the closure of the current facility and subsequent opening of the replacement facility. All current patients are expected to transfer to the new location. We do not expect that there will be any adverse impact to care for patients in this market area, nor do we expect there to be any burden of care placed on other area dialysis providers.

In keeping with the rules of the Illinois Health Facilities & Services Review Board, I am asking for a response from your facility in the form of an impact statement in regards to our proposed project within 15 days of receipt of this letter. Per the rules you are not required to respond, however note that no response will constitute a non-rebuttable assumption that the discontinuation will not have an adverse impact for your facility.

Thank you for your time and attention to this matter. If you have any questions or concerns, please feel free to contact me at 708-498-9121.

Sincerely,

Lori Wright  
Senior CON Specialist

**Fresenius Medical Services ♦ North Division**

One Westbrook Corporate Center, Suite 1000

Westchester, IL 60154

Discontinuation – Request for Impact Letter

708-562-9971

ATTACHMENT - 10

64



## Fresenius Medical Care

May 30, 2012

Facility Manager  
DaVita Metro East Dialysis  
5105 W. Main Street  
Belleville, IL 62226

Dear Facility Manager:

The purpose of this letter is to inform you that Fresenius Medical Care – North America is in the process of compiling a Certificate of Need application to be submitted to the Illinois Health Facilities & Services Review Board to discontinue our 20-station Fairview Heights Dialysis Center located at 821 Lincoln Highway, Fairview Heights, IL. In conjunction with this discontinuation we will be establishing a replacement 20-station dialysis facility within the same service area.

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Sincerely,

Lori Wright  
Senior CON Specialist

**Fresenius Medical Services ♦ North Division**

One Westbrook Corporate Center, Suite 1000

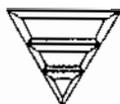
Westchester, IL 60154

Discontinuation – Request for Impact Letter

708-562-9371

ATTACHMENT - 10

65



## Fresenius Medical Care

May 30, 2012

Facility Manager  
DaVita Sauget Dialysis  
2061 Goose Lake Road  
Sauget, IL 62206

Dear Facility Manager:

The purpose of this letter is to inform you that Fresenius Medical Care – North America is in the process of compiling a Certificate of Need application to be submitted to the Illinois Health Facilities & Services Review Board to discontinue our 20-station Fairview Heights Dialysis Center located at 821 Lincoln Highway, Fairview Heights, IL. In conjunction with this discontinuation we will be establishing a replacement 20-station dialysis facility within the same service area.

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Sincerely,

Lori Wright  
Senior CON Specialist

**Fresenius Medical Services ♦ North Division**

One Westbrook Corporate Center, Suite 1000 Westchester, IL 60154 708-562-9371  
66

Discontinuation – Request for Impact Letter

ATTACHMENT - 10



## Fresenius Medical Care

May 30, 2012

Facility Manager  
DaVita Maryville Dialysis  
2130 Vadalabene Drive  
Maryville, IL 62062

Dear Facility Manager:

The purpose of this letter is to inform you that Fresenius Medical Care – North America is in the process of compiling a Certificate of Need application to be submitted to the Illinois Health Facilities & Services Review Board to discontinue our 20-station Fairview Heights Dialysis Center located at 821 Lincoln Highway, Fairview Heights, IL. In conjunction with this discontinuation we will be establishing a replacement 20-station dialysis facility within the same service area.

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Thank you for your time and attention to this matter. If you have any questions or concerns, please feel free to contact me at 708-498-9121.

Sincerely,

Lori Wright  
Senior CON Specialist

**Fresenius Medical Services ♦ North Division**

One Westbrook Corporate Center, Suite 1000

Westchester, IL 60154

Discontinuation – Request for Impact Letter

708-562-0071

ATTACHMENT - 10



## Fresenius Medical Care

May 30, 2012

Facility Manager  
DaVita Granite City Dialysis  
9 American Village  
Granite City, IL 62040

Dear Facility Manager:

The purpose of this letter is to inform you that Fresenius Medical Care – North America is in the process of compiling a Certificate of Need application to be submitted to the Illinois Health Facilities & Services Review Board to discontinue our 20-station Fairview Heights Dialysis Center located at 821 Lincoln Highway, Fairview Heights, IL. In conjunction with this discontinuation we will be establishing a replacement 20-station dialysis facility within the same service area.

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Sincerely,

Lori Wright  
Senior CON Specialist

**Fresenius Medical Services ♦ North Division**

One Westbrook Corporate Center, Suite 1000 Westchester, IL 60154 708-562-0371  
68

Discontinuation - Request for Impact Letter

ATTACHMENT - 10



## Fresenius Medical Care

May 30, 2012

Facility Manager  
DaVita Granite City Dialysis  
235 S Buchanan St  
Edwardsville, IL 62025

Dear Facility Manager:

The purpose of this letter is to inform you that Fresenius Medical Care – North America is in the process of compiling a Certificate of Need application to be submitted to the Illinois Health Facilities & Services Review Board to discontinue our 20-station Fairview Heights Dialysis Center located at 821 Lincoln Highway, Fairview Heights, IL. In conjunction with this discontinuation we will be establishing a replacement 20-station dialysis facility within the same service area.

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Sincerely,

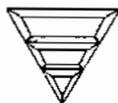
Lori Wright  
Senior CON Specialist

Fresenius Medical Services ♦ North Division

One Westbrook Corporate Center, Suite 1000 Westchester, IL 60154 708-562-0371

Discontinuation – Request for Impact Letter

ATTACHMENT - 10



## Fresenius Medical Care

May 30, 2012

Facility Manager  
DaVita Alton Dialysis  
3511 College Avenue  
Alton, IL 62002

Dear Facility Manager:

The purpose of this letter is to inform you that Fresenius Medical Care – North America is in the process of compiling a Certificate of Need application to be submitted to the Illinois Health Facilities & Services Review Board to discontinue our 20-station Fairview Heights Dialysis Center located at 821 Lincoln Highway, Fairview Heights, IL. In conjunction with this discontinuation we will be establishing a replacement 20-station dialysis facility within the same service area.

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Sincerely,

Lori Wright  
Senior CON Specialist

**Fresenius Medical Services ♦ North Division**

One Westbrook Corporate Center, Suite 1000 Westchester, IL 60154 708-562-1137  
70

Discontinuation – Request for Impact Letter

ATTACHMENT - 10



Fresenius Medical Care

Dialysis Services  
One Westbrook Corporate Center  
Suite 1000  
Westchester, IL 60154

**CERTIFIED MAIL**



7009 1680 0001 3531 2310



U.S. POSTAGE >> PITNEY BOWES



ZIP 60154 \$ 003.40<sup>0</sup>  
02 1W  
0001373229MAY 30 2012

Facility Manager  
DaVita Sauget Dialysis  
2061 Goose Lake Road  
Sauget, IL 62206

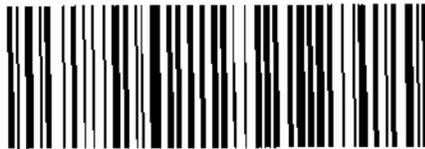
71



Fresenius Medical Care

Dialysis Services  
One Westbrook Corporate Center  
Suite 1000  
Westchester, IL 60154

**CERTIFIED MAIL**



7009 1680 0001 3531 2341



U.S. POSTAGE >> PITNEY BOWES



ZIP 60154 \$ 003.40<sup>0</sup>  
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0001373229MAY 30 2012

Cindy Emley  
Regional Operations Director  
2930 S. Montvale Dr., Suite A  
Springfield, IL 62704

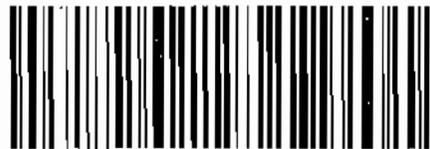
Discontinuation  
ATTACHMENT - 10



Fresenius Medical Care

Dialysis Services  
One Westbrook Corporate Center  
Suite 1000  
Westchester, IL 60154

**CERTIFIED MAIL**



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U.S. POSTAGE >> PITNEY BOWES



ZIP 60154 \$ 003.40<sup>0</sup>  
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0001373229 MAY 30 2012

Facility Manager  
DaVita Metro East Dialysis  
5105 W. Main Street  
Belleville, IL 62226

72

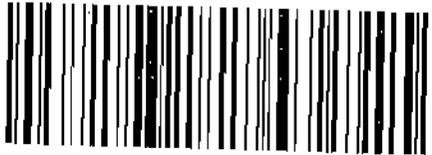
Discontinuation  
ATTACHMENT - 10



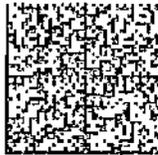
Fresenius Medical Care

Dialysis Services  
One Westbrook Corporate Center  
Suite 1000  
Westchester, IL 60154

**CERTIFIED MAIL**



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ZIP 60154 \$ 003.40<sup>0</sup>  
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0001373229MAY 30 2012

Facility Manager  
DaVita Alton  
3511 College Drive  
Alton, IL 62002

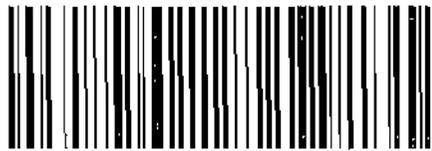
73



Fresenius Medical Care

Dialysis Services  
One Westbrook Corporate Center  
Suite 1000  
Westchester, IL 60154

**CERTIFIED MAIL**



7009 1680 0001 3531 2303



U.S. POSTAGE >> PITNEY BOWES



ZIP 60154 \$ 003.40<sup>0</sup>  
02 1W  
0001373229MAY 30 2012

Facility Manager  
DaVita Granite City Dialysis  
235 S Buchanan St  
Edwardsville, IL 62025

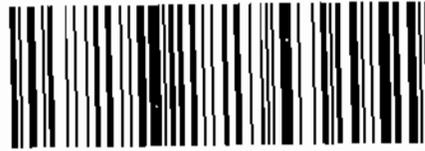
Discontinuation  
ATTACHMENT - 10



Fresenius Medical Care

Dialysis Services  
One Westbrook Corporate Center  
Suite 1000  
Westchester, IL 60154

**CERTIFIED MAIL™**



7005 1160 0004 4180 6843



U.S. POSTAGE >>> PITNEY BOWES



ZIP 60154 \$ 003.40<sup>0</sup>  
02 1W  
0001373229 MAY 30 2012

Facility Manager  
DaVita Maryville Dialysis  
2130 Vadalabene Drive  
Maryville, IL 62062

74



Fresenius Medical Care

Dialysis Services  
One Westbrook Corporate Center  
Suite 1000  
Westchester, IL 60154

**CERTIFIED MAIL™**



7009 1680 0001 3531 2273



U.S. POSTAGE >>> PITNEY BOWES



ZIP 60154 \$ 003.40<sup>0</sup>  
02 1W  
0001373229 MAY 30 2012

Facility Manager  
DaVita Granite City Dialysis  
9 American Village  
Granite City, IL 62040

Discontinuation  
ATTACHMENT - 10

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Facility Manager  
DaVita Granite City Dialysis  
9 American Village  
Granite City, IL 62040

2. Article Number  
(Transfer from service label)

7009 1680 0001 3531 2273

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X *Megan Malheur* Agent Addressee

B. Received by (Printed Name)

*Megan Malheur*

C. Date of Delivery

*6/1/12*D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type

 Certified Mail  Express Mail Registered  Return Receipt for Merchandise Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)

 Yes**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Facility Manager  
DaVita Sauget Dialysis  
2061 Goose Lake Road  
Sauget, IL 62206

2. Article Number  
(Transfer from service label)

7009 1680 0001 3531 2310

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X *Maugh Hood* Agent Addressee

B. Received by (Printed Name)

*Maugh Hood*

C. Date of Delivery

*6/1/12*D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No*R.G.*

3. Service Type

 Certified Mail  Express Mail Registered  Return Receipt for Merchandise Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)

 Yes**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Facility Manager  
DaVita Metro East Dialysis  
5105 W. Main Street  
Belleville, IL 62226

2. Article Number  
(Transfer from service label)

7009 1680 0001 3531 2334

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X *Dixie Mehner* Agent Addressee

B. Received by (Printed Name)

*Dixie Mehner*

C. Date of Delivery

*6-1-12*D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type

 Certified Mail  Express Mail Registered  Return Receipt for Merchandise Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)

 Yes

Discontinuation

ATTACHMENT - 10

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Facility Manager  
 DaVita Alton  
 3511 College Drive  
 Alton, IL 62002

2. Article Number

(Transfer from service label)

7005 1160 0004 4180 6836

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X *C. Chel*

Agent

Addressee

B. Received by (Printed Name)

C. Date of Delivery

6/1/12

D. Is delivery address different from item 1?  Yes

If YES, enter delivery address below:  No

3. Service Type

Certified Mail  Express Mail

Registered  Return Receipt for Merchandise

Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Cindy Emley  
 Regional Operations Director  
 2930 S. Montvale Dr., Suite A  
 Springfield, IL 62704

2. Article Number

(Transfer from service label)

7009 1680 0001 3531 2341

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X *Clare M. Link*

Agent

Addressee

B. Received by (Printed Name)

C. Date of Delivery

6/1/12

D. Is delivery address different from item 1?  Yes

If YES, enter delivery address below:  No

3. Service Type

Certified Mail  Express Mail

Registered  Return Receipt for Merchandise

Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

## Fresenius Medical Care

Fresenius Medical Care is the leading provider of dialysis products and services in the world and as such has a long-standing commitment to adhere to quality standards that are higher than required by regulatory bodies, to provide compassionate patient centered care, educate patients to become in charge of their health decisions, implement programs to improve clinical outcomes while reducing mortality & hospitalizations and to stay on the cutting edge of technology in development of dialysis related products.

The size of the company and range of services provides healthcare partners/employees and patients with an expansive range of resources from which to draw experience, knowledge and best practices.

Quality Measures – Fresenius Medical Care continually tracks five quality measures on all patients. These are:

- eKdrt/V – tells us if the patient is getting an adequate treatment
- Hemoglobin – monitors patients for anemia
- Albumin – monitors the patient's nutrition intake
- Phosphorus – monitors patient's bone health and mineral metabolism
- Catheters – tracks patients access for treatment, the goal is no catheters which leads to better outcomes

The above measures as well as other clinic operations are discussed each month with the Medical Directors, Clinic Managers, Social Workers, Dietitians, Area Managers and referring nephrologists at each clinic's Quality Assessment Performance Improvement (QAI) meeting to ensure the provision of high quality care, patient safety, and regulatory compliance.

Some of the initiatives that Fresenius has implemented to bring about better outcomes and increase the patient's quality of life are the TOPS program, Right Start Program and The Catheter Reduction Program.

TOPs Program (Treatment Options) – This is a company-wide program designed to reach the pre-ESRD patient (also known as CKD – Chronic Kidney Disease) to educate them about available treatment options when they enter end stage renal disease. TOPs programs are held routinely at local hospitals and physician offices. Treatment options include transplantation, in-center hemodialysis, home hemodialysis, peritoneal dialysis and nocturnal dialysis.

Right Start Program – This is an intensive 90-day intervention program for the new dialysis patient centering on education, anemia management, adequate dialysis dose, nutrition, reduction of catheter use, review of medications and logistical and psychosocial support. The Right Start Program results in improved morbidity and mortality in the long term but also notably in the first 90 days of the start of dialysis.

Catheter Reduction Program – This is a key strategic clinical initiative to support nephrologists and clinical staff with increasing the number of patients dialyzed with a permanent access, preferably a venous fistula (AVF) versus a central venous catheter (CVC) venous fistula). Starting dialysis with or converting patients to an AVF can significantly lower serious complications, hospitalizations and mortality rates. Overall adequacy of dialysis treatment also increases with the use of the AVF.

## FRESENIUS MEDICAL CARE CASE MANAGEMENT PROGRAM *Wins National Award*

Fresenius Medical Care's Renal Inpatient Care Management (RICM) program received the 2012 Case In Point Platinum award for the best provider-based case management program in Washington D.C. on May 9th. The Case in Point Platinum Awards program recognizes the most successful case management and care coordination programs and individuals working to make the healthcare delivery system safer, more productive and more cost-effective.

Entry criteria for this award required submission of how the program demonstrated stellar achievements over the past year in the areas of creativity, innovation, leadership, behavioral change, cost containment and patient education, empowerment and engagement. Also required was measurable data and supporting materials, such as outcomes and statistical evidence.

FMCNA's RICM program partners with acute care hospitals to improve patient outcomes and reduce length of stay while optimizing care coordination and providing a smooth transition from inpatient to outpatient care. Through the RICM program, the Company provides the services of a dedicated Renal Inpatient Care Manager, who is a registered nurse with significant dialysis experience, to acute care hospitals to help ensure a comprehensive plan of care for



Renal Inpatient Care Management is one of the Case Management programs overseen by VP of UltraCare Customer Connection **Fern Parlier** (left), and managed by Director of Hospital Case Management **Debra Marshall** (right)



(From left) Teresa Bottoms, Debra Marshall, Fern Parlier, Donna Garcia, Barbara Williams and Patrick Henry were on hand to accept the Case in Point Platinum Award.

renal patients. The scope of services includes patient assessment, care coordination, patient education services, discharge planning and continuous quality improvement. This program has achieved some tremendous outcomes due to the collaborative case management interventions. **Fern Parlier** and her Case Management Department would like to acknowledge all Fresenius Medical Care employees who have contributed to this program's development and success. ■

## Fresenius Medical Care Holdings, Inc. In-center Clinics in Illinois

Clinic	Provider #	Address	City	Zip	Fac >10% Medicaid Treatments*
Alsip	14-2630	12250 S. Cicero Ave Ste. #105	Alsip	60803	
Antioch	14-2673	311 Depot St., Ste. H	Antioch	60002	10.2%
Aurora	14-2515	455 Mercy Lane	Aurora	60506	
Austin Community	14-2653	4800 W. Chicago Ave., 2nd Fl.	Chicago	60651	26.5%
Berwyn	14-2533	2601 S. Harlem Avenue, 1st Fl.	Berwyn	60402	16.7%
Blue Island	14-2539	12200 S. Western Avenue	Blue Island	60406	11.6%
Bolingbrook	14-2605	538 E. Boughton Road	Bolingbrook	60440	
Breese		160 N. Main Street	Breese	62230	
Bridgeport	14-2524	825 W. 35th Street	Chicago	60609	30.4%
Burbank	14-2641	4811 W. 77th Street	Burbank	60459	13.3%
Carbondale	14-2514	725 South Lewis Lane	Carbondale	62901	
Champaign	14-2588	1405 W. Park Street	Champaign	61801	
Chatham		333 W. 87th Street	Chicago	60620	
Chicago Dialysis	14-2506	820 West Jackson Blvd.	Chicago	60607	45.2%
Chicago Westside	14-2681	1340 S. Damen	Chicago	60608	45.1%
Cicero		3030 S. Cicero	Chicago	60804	
Congress Parkway	14-2631	3410 W. Van Buren Street	Chicago	60624	29.9%
Crestwood	14-2538	4861W. Cal Sag Road	Crestwood	60445	
Decatur East	14-2503	1830 S. 44th St.	Decatur	62521	
Deerfield	14-2710	405 Lake Cook Road	Deerfield	60015	
Des Plaines		1625 Oakton Place	Des Plaines	60018	
Downers Grove	14-2503	3825 Highland Ave., Ste. 102	Downers Grove	60515	
DuPage West	14-2509	450 E. Roosevelt Rd., Ste. 101	West Chicago	60185	17.4%
DuQuoin	14-2595	#4 West Main Street	DuQuoin	62832	
East Peoria	14-2562	3300 North Main Street	East Peoria	61611	
Elgin	14-2726	2130 Point Boulevard	Elgin	60123	
Elk Grove	14-2507	901 Biesterfield Road, Ste. 400	Elk Grove	60007	10.4%
Elmhurst	14-2612	133 E. Brush Hill Road, Suite 4	Elmhurst	60126	
Evanston	14-2621	2953 Central Street, 1st Floor	Evanston	60201	16.4%
Evergreen Park	14-2545	9730 S. Western Avenue	Evergreen Park	60805	
Fairview Heights		821 Lincoln Highway	Fairview Heights	62208	
Garfield	14-2555	5401 S. Wentworth Ave.	Chicago	60609	20.8%
Glendale Heights	14-2617	520 E. North Avenue	Glendale Heights	60139	17.6%
Glenview	14-2551	4248 Commercial Way	Glenview	60025	
Greenwood	14-2601	1111 East 87th St., Ste. 700	Chicago	60619	16.7%
Gurnee	14-2549	101 Greenleaf	Gurnee	60031	20.9%
Hazel Crest	14-2607	17524 E. Carriageway Dr.	Hazel Crest	60429	
Hoffman Estates	14-2547	3150 W. Higgins, Ste. 190	Hoffman Estates	60195	18.8%
Jackson Park	14-2516	7531 South Stony Island Ave.	Chicago	60649	29.8%
Joliet		721 E. Jackson Street	Joliet	60432	
Kewanee	14-2578	230 W. South Street	Kewanee	61443	
Lake Bluff	14-2669	101 Waukegan Rd., Ste. 700	Lake Bluff	60044	11.6%
Lakeview	14-2679	4008 N. Broadway, St. 1200	Chicago	60613	22.0%
Lincolnland		1112 Centre West Drive	Springfield	62704	
Logan Square		2734 N. Milwaukee Avenue	Chicago	60647	
Lombard	14-2722	1940 Springer Drive	Lombard	60148	
Macomb	14-2591	523 E. Grant Street	Macomb	61455	
Marquette Park	14-2566	6515 S. Western	Chicago	60636	18.1%
McHenry	14-2672	4312 W. Elm St.	McHenry	60050	
McLean Co	14-2563	1505 Eastland Medical Plaza	Bloomington	61704	
Melrose Park	14-2554	1111 Superior St., Ste. 204	Melrose Park	60160	16.7%
Merrionette Park	14-2667	11630 S. Kedzie Ave.	Merrionette Park	60803	
Metropolis	14-2705	20 Hospital Drive	Metropolis	62960	
Midway	14-2713	6201 W. 63rd Street	Chicago	60638	
Mokena	14-2689	8910 W. 192nd Street	Mokena	60448	
Morris	14-2596	1401 Lakewood Dr., Ste. B	Morris	60450	
Mundelein	14-2731	1400 Townline Road	Mundelein	60060	
Naperbrook		2451 S Washington	Naperville	60565	
Naperville	14-2543	100 Spalding Drive Ste. 108	Naperville	60566	
Naperville North	14-2678	516 W. 5th Ave.	Naperville	60563	
Niles	14-2500	7332 N. Milwaukee Ave	Niles	60714	10.8%
Norridge	14-2521	4701 N. Cumberland	Norridge	60656	11.2%

Facility List

ATTACHMENT - 11

North Avenue	14-2602	911 W. North Avenue	Melrose Park	60160	
North Kilpatrick	14-2501	4800 N. Kilpatrick	Chicago	60630	20.8%
Northcenter	14-2531	2620 W. Addison	Chicago	60618	19.6%
Northfield		480 Central Avenue	Northfield	60093	
Northwestern University	14-2597	710 N. Fairbanks Court	Chicago	60611	11.6%
Oak Park	14-2504	773 W. Madison Street	Oak Park	60302	
Orland Park	14-2550	9160 W. 159th St.	Orland Park	60462	
Oswego	14-2677	1051 Station Drive	Oswego	60543	
Ottawa	14-2576	1601 Mercury Circle Drive, Ste. 3	Ottawa	61350	
Palatine	14-2723	691 E. Dundee Road	Palatine	60074	
Pekin	14-2571	600 S. 13th Street	Pekin	61554	
Peoria Downtown	14-2574	410 W Romeo B. Garrett Ave.	Peoria	61605	
Peoria North	14-2613	10405 N. Juliet Court	Peoria	61615	
Plainfield	14-2707	2320 Michas Drive	Plainfield	60544	
Polk	14-2502	557 W. Polk St.	Chicago	60607	19.9%
Pontiac	14-2611	804 W. Madison St.	Pontiac	61764	
Prairie	14-2569	1717 S. Wabash	Chicago	60616	13.1%
Randolph County	14-2589	102 Memorial Drive	Chester	62233	
River Forest		103 Forest Avenue	River Forest	60305	
Rogers Park	14-2522	2277 W. Howard St.	Chicago	60645	19.2%
Rolling Meadows	14-2525	4180 Winnetka Avenue	Rolling Meadows	60008	11.3%
Roseland	14-2690	135 W. 111th Street	Chicago	60628	19.1%
Ross-Englewood	14-2670	6333 S. Green Street	Chicago	60621	17.6%
Round Lake	14-2616	401 Nippersink	Round Lake	60073	16.8%
Saline County	14-2573	275 Small Street, Ste. 200	Harrisburg	62946	
Sandwich	14-2700	1310 Main Street	Sandwich	60548	
Skokie	14-2618	9801 Wood Dr.	Skokie	60077	
South Chicago	14-2519	9200 S. Chicago Ave.	Chicago	60617	20.4%
South Deering		10559 S. Torrence Ave.	Chicago	60617	
South Holland	14-2542	17225 S. Paxton	South Holland	60473	12.2%
South Shore	14-2572	2420 E. 79th Street	Chicago	60649	16.8%
South Side	14-2508	3134 W. 76th St.	Chicago	60652	21.8%
South Suburban	14-2517	2609 W. Lincoln Highway	Olympia Fields	60461	
Southwestern Illinois	14-2535	Illinois Rts 3&143, #7 Eastgate Plz.	East Alton	62024	
Spoon River	14-2565	210 W. Walnut Street	Canton	61520	
Spring Valley	14-2564	12 Wolfer Industrial Drive	Spring Valley	61362	
Steger	14-2725	219 E. 34th Street	Steger	60475	
Streator	14-2695	2356 N. Bloomington Street	Streator	61364	
Uptown	14-2692	4720 N. Marine Dr.	Chicago	60640	16.9%
Waukegan Harbor	14-2727	101 North West Street	Waukegan	60085	
West Batavia	14-2729	2580 W. Fabyan Parkway	Batavia	60510	
West Belmont	14-2523	4943 W. Belmont	Chicago	60641	42.3%
West Chicago	14-2702	1859 N. Neltnor	West Chicago	60185	13.1%
West Metro	14-2536	1044 North Mozart Street	Chicago	60622	24.6%
West Suburban	14-2530	518 N. Austin Blvd., 5th Floor	Oak Park	60302	15.6%
West Willow	14-2730	1444 W. Willow	Chicago	60620	
Westchester	14-2520	2400 Wolf Road, Ste. 101A	Westchester	60154	
Williamson County	14-2627	900 Skyline Drive, Ste. 200	Marion	62959	
Willowbrook	14-2632	6300 S. Kingery Hwy, Ste. 408	Willowbrook	60527	

\*Medicaid percentages are reflected in treatments, not patients. Any patient can have more than one type of coverage in any given year, therefore treatment numbers reflects more accurately the clinic's % of coverage. Only clinics above 10% Medicaid are reported here to show those facilities with significant Medicaid numbers.

All Illinois Clinics are Medicare certified, and do not discriminate against patients based on their ability to pay or payor source.

All clinics are open to all physicians who meet credentialing requirements.

Certification & Authorization

RAI Care Centers of Illinois I, LLC

In accordance with Section III, A (2) of the Illinois Health Facilities Planning Board Application for Certificate of Need; I do hereby certify that no adverse actions have been taken against RAI Care Centers of Illinois I, LLC by either Medicare or Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of the Application with the Illinois Health Facilities Planning Board; and

In regards to section III, A (3) of the Illinois Health Facilities Planning Board Application for Certificate of Need; I do hereby authorize the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of this subsection or to obtain any documentation or information that the State Board or Agency finds pertinent to this subsection.

By:  \_\_\_\_\_

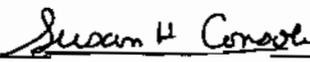
ITS: Mark Fawcett  
Vice President & Treasurer

By:  \_\_\_\_\_

ITS: Bryan Meilo  
Assistant Treasurer

Notarization:  
Subscribed and sworn to before me  
this 8 day of June, 2012

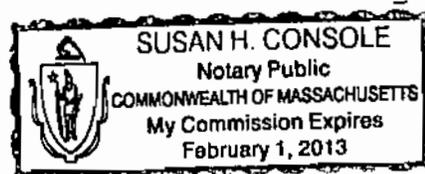
Notarization:  
Subscribed and sworn to before me  
this 8 day of June, 2012

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

Signature of Notary

Seal

Seal



Certification & Authorization

Fresenius Medical Care Holdings, Inc.

In accordance with Section III, A (2) of the Illinois Health Facilities Planning Board Application for Certificate of Need; I do hereby certify that no adverse actions have been taken against Fresenius Medical Care Holdings, Inc. by either Medicare or Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of the Application with the Illinois Health Facilities Planning Board; and

In regards to section III, A (3) of the Illinois Health Facilities Planning Board Application for Certificate of Need; I do hereby authorize the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of this subsection or to obtain any documentation or information that the State Board or Agency finds pertinent to this subsection.

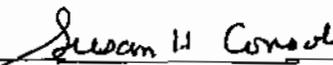
By: 

ITS: Mark Fawcett  
Vice President & Asst. Treasurer

By: 

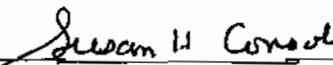
ITS: Bryan Melio  
Assistant Treasurer

Notarization:  
Subscribed and sworn to before me  
this 8 day of June, 2012

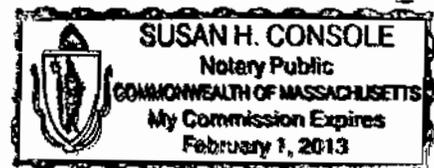
  
Signature of Notary

Seal

Notarization:  
Subscribed and sworn to before me  
this 8 day of June, 2012

  
Signature of Notary

Seal



## Criterion 1110.230 – Purpose of Project

1. The purpose of this project is to maintain access to life-sustaining dialysis services in the Fairview Heights/O'Fallon market area of St. Clair County in rural southern Illinois, by relocating the current RAI Lincoln Highway – Fairview Heights dialysis facility two miles away in a new and spacious building. The facility is operating at 74% utilization, only 6 patients away from 80%.
2. The current facility in Fairview Heights and the proposed relocation site two miles away in O'Fallon are both located in HSA 11, which is made up of Clinton, Madison, Monroe and St. Clair counties.
3. The current Fairview Heights facility's lease will expire in August 2012, however we are negotiating a 9-month extension. This site has some significant repairs that will be required to the HVAC system. The space is too small, with no staff conference room and a patient waiting area that is cramped and difficult to navigate, especially for wheelchairs. Physical access issues exist with difficulties turning in and out of the site because of the street traffic patterns and there being no covered drop-off area for patients in inclement weather. The home therapies department at the clinic is minimal in size making it difficult to grow the home dialysis treatment options.

While the State Board rules consider this project a discontinuation/establishment of an ESRD facility, it is simply a relocation of the existing Fairview Heights facility, without the addition of any stations. The relocated facility will be in a new more modern/spacious building which will offer patients a more comfortable and safe environment to dialyze in and will also allow for easier patient access to the building. The home therapies department, which shows improved patient outcomes, will be expanded too.

4. Not Applicable
5. Relocating the 20-station Fairview Heights facility will offer patients a new, more modern and spacious facility along with easier access to the building. Its location will also make it easier to access the site due to more favorable traffic patterns in the area. There will be no interruption in service to the current patients of Fairview Heights facility since the "relocation" of the facility will occur on a Sunday when there are no patient treatments scheduled.
6. The goal of Fresenius Medical Care is to keep dialysis access available to this patient population. There is no direct empirical evidence relating to this project other than that when chronic care patients have adequate access to services, it tends to reduce overall healthcare costs and results in less complications. It is expected that this facility would continue to have similar quality outcomes after the relocation. Currently the Fairview Heights patients have the quality values below:
  - o 91.55% of patients had a URR  $\geq$  65%
  - o 93% of patients had a Kt/V  $\geq$  1.2

## Alternatives

### 1) All Alternatives

A. Proposing a project of greater or lesser scope and cost.

The only alternative that would entail a lesser scope and cost than the project proposed in this application would be to do nothing. This alternative was rejected because the physical state of the current building requires significant repairs and the lease is expiring in August 2012, with a 9-month extension being sought. The building is too small and therefore the facility has no conference room and a cramped patient waiting area. Physical access is difficult due to roadway traffic patterns and an inadequate patient drop-off area with no awning. There is not cost to this alternative.

B. Pursuing a joint venture or similar arrangement with one or more providers of 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.

Fresenius Medical Care always maintains control of the governance, assets and operations of a facility it owns as a joint venture. This allows it to provide for financial stability, Medicare Conditions of Coverage compliance, general legal compliance, quality control and that all patients in Illinois are cared for regardless of ability to pay/payer source. Fresenius financial situation and abundant liquidity allow it to support the development of dialysis facilities when physicians or physician groups cannot, and allowing physician investment is a way to take advantage of Fresenius strength in the industry while also providing for physician investment. Fresenius has more than adequate capability to meet all of the expected financial obligations of the joint venture, and does not require any additional funds to meet expected project costs. This facility is currently not a joint venture and we see no need to turn it into one for relocation 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

Discontinuing the Fairview Heights facility and sending all 89 patients to other area providers is not an option. There are no facilities in the area with capacity to accept these patients. DaVita Shiloh is not yet operational. This facility cannot accommodate all of the Fairview Heights patients due to the fact that DaVita identified a completely separate group of patients than those dialyzing at Fairview Heights to bring that facility to 80% by the second year of operation. Dr. Koch, who is the Medical Director of the Fairview Heights facility, also admits patients to RAI North Main – Breese and to the DaVita Metro East and Sauget facilities. There is no monetary cost to this alternative.

- As discussed further in this application, the most desirable alternative to keep access to dialysis services available in the St. Clair County area is to relocate the facility to a more spacious and modern building. This alternative will address the problems of the current building's inadequate size and repair issues. The cost of this project is \$3,474,627. While this is the most costly alternative, it is the only feasible alternative and the expense is to Fresenius Medical Care only, while the patients will benefit from improved access, a more modern facility to dialyze in and additional access to home dialysis services.

**2) Comparison of Alternatives**

	<b>Total Cost</b>	<b>Patient Access</b>	<b>Quality</b>	<b>Financial</b>
Do Nothing	\$0	Maintaining the status quo, would also maintain the current size and repair issues at the Fairview Heights site.	Patient clinical quality would remain above standards	No additional costs.
Utilize Area Providers	\$0	Would create transportation problems  Would create ripple effect of raising utilization of area providers to or above capacity	Patient clinical quality would remain the same.	No financial cost to Fresenius Medical Care  Cost of patient's transportation would increase with higher travel times
Relocate RAI Lincoln Highway – Fairview Heights	\$3,474,627	Improved and safer physical access to building and ample space for patients and staff to move through-out building as well as added access to home therapies options.	Patient clinical quality would remain above standards  Patient satisfaction would improve with easier access and more modern facility.	The new site will not require ongoing structural maintenance.

**3. Empirical evidence, including quantified outcome data that verifies improved quality of care, as available.**

There is no direct empirical evidence relating to this project other than that when chronic care patients have adequate access to services, it tends to reduce overall healthcare costs and results in less complications. RAI Lincoln Highway – Fairview Heights has had above standard quality outcomes as listed below.

- 91.55% of patients had a URR  $\geq$  65%
- 93% of patients had a Kt/V  $\geq$  1.2

**Criterion 1110.234, Size of Project**

<b>SIZE OF PROJECT</b>				
<b>DEPARTMENT/SERVICE</b>	<b>PROPOSED BGSF/DGSF</b>	<b>STATE STANDARD</b>	<b>DIFFERENCE</b>	<b>MET STANDARD?</b>
ESRD IN-CENTER HEMODIALYSIS	9,448 (20 Stations)	360-520 DGSF	NONE	Yes

As seen in the chart above, the State Standard for ESRD is between 360-520 DGSF per station. This project is being accomplished in leased space with the interior to be built out by the applicant therefore the standard being applied is expressed in departmental gross square feet. The proposed 9,448 DGSF amounts to 472 DGSF per station and falls within the State Standard.

**Criterion 1110.234, Project Services Utilization**

<b>UTILIZATION</b>					
	<b>DEPT/SERVICE</b>	<b>HISTORICAL UTILIZATION</b>	<b>PROJECTED UTILIZATION</b>	<b>STATE STANDARD</b>	<b>MET STANDARD?</b>
<b>Dec 31, 2011</b>	IN-CENTER HEMODIALYSIS	74%		80%	No
<b>YEAR 1</b>	IN-CENTER HEMODIALYSIS	N/A	76%	80%	No
<b>YEAR 2</b>	IN-CENTER HEMODIALYSIS	N/A	84%	80%	No

Dr. Koch has identified 38 pre-ESRD patients (after accounting for patient attrition) living in the St. Clair County area who will require dialysis services in the first two years after the relocation of the RAI Lincoln Highway – Fairview Heights facility. This does not include any patients who present in the emergency room in kidney failure who might also be referred to the facility.

The facility is expected to reach target utilization in the second year of operation. Utilization projected above has taken into account a 12% rate of those patients who will no longer require dialysis services due to death or transplant.

**A. Planning Area Need - Formula Need Calculation:**

The current RAI Lincoln Highway - Fairview Heights 20-station in-center hemodialysis facility is located in HSA 11. The chosen relocation site, two miles away at 124 Regency Park Drive, O'Fallon is also in HSA 11. There is a need for 5 additional stations in this HSA. This project is essentially a relocation of the 20 stations, and no additional stations are being requested so there will be no change to the inventory.

**2. Planning Area Need – Service To Planning Area Residents:**

- A. The primary purpose of this project is to provide in-center hemodialysis services to the residents of St. Clair County in HSA 11, more specifically the Fairview Heights/O’Fallon/Belleville market area. 99% of the current ESRD patients and 100% of the pre-ESRD patients identified for this project reside in HSA 11.

<b>Pre-ESRD Patients Who Will Be Referred To Fresenius Regency Park</b>			
<b>County</b>	<b>HSA</b>	<b>#Patients</b>	<b>% of Patients</b>
St. Clair	11	35	92%
Clinton	11	2	5%
Madison	11	1	3%
<b>Total</b>		<b>38</b>	<b>100%</b>

<b>Current RAI Fairview Heights Patients Who Will Transfer to the Relocated Fresenius Regency Park Facility</b>			
<b>County</b>	<b>HSA</b>	<b>#Patients</b>	<b>% of Patients</b>
St. Clair	11	83	93%
Clinton	11	1	1%
Madison	11	4	5%
Monroe County, MO	N/A	1	1%
<b>Total</b>		<b>89</b>	<b>100%</b>

Memorial Medical Group, LLC  
Specializing in Kidney Disease & Hypertension  
Dr. Matthew Koch & Cynthia Wlitcher A.P.N.-B.C

15 Park Place Ste 1A  
Swansea, Illinois 62226  
Phone: 618.234.6003  
Fax: 618.234.6156

June 13, 2012

Ms. Courtney Avery  
Administrator  
Illinois Health Facilities & Services Review Board  
525 W. Jefferson St., 2<sup>nd</sup> Floor  
Springfield, IL 62761

Dear Ms. Avery,

I am a nephrologist practicing in rural southern Illinois, specifically the Bellville area of St. Clair County. I am the Medical Director of the RAI Lincoln Highway – Fairview Heights dialysis clinic. I also refer patients to RAI North Main – Breese, DaVita Metro East and Sauget. I am writing in support of the relocation of the 20-station Fairview Heights dialysis facility. The size of the current building is inadequate causing patients and staff to treat/work in cramped spaces. The building requires costly repairs that are not reasonable to accomplish in a space that is not best suited for the clinic. I am a strong proponent of home dialysis, especially in this rural area, and our program is now up to almost 30 patients. The home training department also requires additional space to be more effective. The new site in O'Fallon will meet this need.

At RAI Fairview Heights and Breese, I was treating 36 hemodialysis patients at the end of 2009, 42 patients at the end of 2010 and 40 patients at the end of 2011, as reported to The Renal Network. As of the most recent quarter, I had 70 hemodialysis patients in all four clinics I refer to. Over the past twelve months I have referred 21 patients for dialysis services to RAI North Main – Breese and Lincoln Highway – Fairview Heights. I also referred 11 patients to DaVita Metro East and Sauget. I expect that all 89 current patients of RAI Lincoln Highway – Fairview Heights will relocate to the new site upon its opening. I currently have 129 patients in different stages of chronic kidney disease in the St. Clair County area that will eventually require dialysis. Of these there are 38 that I expect to begin dialysis at the O'Fallon site in the first two years of operation. There are also four other physicians who currently admit patients to the Fairview Heights facility. (Patient census counts from previous years at the DaVita Metro East and Sauget clinics were unavailable and therefore are not included. Also, I began my own practice in the past year and no longer have access to the former practice historical records.)

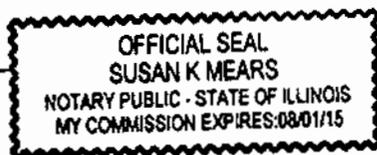
Given the repair issues at our current site and the need to keep access available to the 89 dialysis patients as well as pre-ESRD patients in this rural region, I respectfully ask the Board to approve the relocation if RAI Lincoln Highway – Fairview Heights. Thank you for your consideration.

I attest to the fact that to the best of my knowledge, all the information contained in this letter is true and correct and that the projected referrals in this document were not used to support any other CON application.

Sincerely,

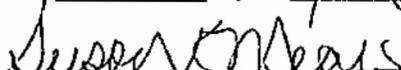


Matthew Koch, M.D.



Notarization:

Subscribed and sworn to before me  
this 14<sup>th</sup> day of June, 2012

  
Signature of Notary

Seal

**CURRENT FAIRVIEW HEIGHTS PATIENTS THAT WILL TRANSFER TO  
THE NEW O'FALLON LOCATION AT 124 REGENCY PARK DRIVE**

<b>Zip Code</b>	<b>Patients</b>
62060	2
62090	1
62203	3
62204	4
62205	3
62206	6
62207	7
62208	5
62220	2
62221	11
62222	1
62223	6
62226	11
62232	5
62234	2
62236	1
62243	1
62245	1
62254	1
62258	2
62260	1
62269	12
62286	1
<b>Total</b>	<b>89</b>

**PRE-ESRD PATIENTS THAT WILL BEGIN DIALYSIS AT  
THE O'FALLON LOCATION BY THE FIRST TWO YEARS OF OPERATION**

<b>Zip Code</b>	<b>Pre-ESRD</b>	
	<b>Year One</b>	<b>Year Two</b>
62208	4	2
62215		1
62220	3	2
62221	1	3
62226	4	4
62232	1	1
62234		1
62254		2
62258	1	2
62265		1
62269		5
<b>Total</b>	<b>14</b>	<b>24</b>

**DR. KOCH'S NEW REFERRALS FOR THE PAST TWELVE MONTHS**

**May 1, 2011 through April 30, 2012**

<b>Zip Code</b>	<b>Patients</b>
62205	1
62206	2
62208	2
62220	1
62221	2
62223	3
62226	2
62232	3
62263	1
62269	2
62293	1
63128	1
<b>Total</b>	<b>21</b>

**DR. KOCH'S HEMODIALYSIS PATIENTS AS OF  
DECEMBER 31, 2009, 2010, 2011 and MARCH 31, 2012  
AT RAI - FAIRVIEW HEIGHTS AND BREESE**

<b>2009</b>	
<b>Zip Code</b>	<b>Patients</b>
62201	1
62204	2
62206	1
62207	2
62208	3
62215	1
62220	2
62221	3
62223	2
62230	1
62231	2
62234	1
62243	1
62245	1
62246	1
62249	2
62253	2
62254	1
62269	4
62275	1
62293	1
63119	1
<b>Total</b>	<b>36</b>

<b>2010</b>	
<b>Zip Code</b>	<b>Patients</b>
62201	1
62204	2
62207	5
62208	1
62215	1
62216	1
62220	1
62221	3
62223	1
62225	1
62230	2
62231	2
62243	1
62245	1
62246	1
62249	2
62253	3
62254	1
62260	1
62269	6
62275	1
62293	2
62801	1
63137	1
<b>Total</b>	<b>42</b>

<b>2011</b>	
<b>Zip Code</b>	<b>Patients</b>
62022	1
62201	1
62204	2
62205	1
62206	1
62207	3
62208	2
62215	1
62216	1
62218	1
62220	1
62221	3
62226	1
62230	2
62231	3
62232	1
62243	1
62245	1
62246	1
62253	2
62263	1
62269	2
62271	3
62275	1
62293	2
62801	1
<b>Total</b>	<b>40</b>

<b>Mar 31st 2011</b>	
<b>Zip Code</b>	<b>Patients</b>
62204	1
62205	1
62206	6
62207	3
62208	2
62215	1
62218	1
62220	1
62221	3
62223	1
62226	2
62230	2
62231	3
62232	2
62243	1
62245	1
62246	1
62253	2
62269	1
62271	3
62275	1
62293	1
<b>Total</b>	<b>40</b>

**DR. KOCH'S CURRENT HEMODIALYSIS PATIENTS**  
**AT DAVITA METRO EAST AND DAVITA SAUGET**

<b>DaVita Metro East</b>	
<b>Zip Code</b>	<b>Patients</b>
62203	2
62204	1
62205	1
62207	1
62221	1
62223	2
62226	4
62232	1
62236	1
62243	1
62255	1
62258	1
62269	2
62282	1
<b>Total</b>	<b>21</b>

<b>DaVita Sauget</b>	
<b>Zip Code</b>	<b>Patients</b>
38017	1
62204	2
62206	1
62207	2
62240	1
62301	1
<b>Total</b>	<b>8</b>

## Service Accessibility – Service Restrictions

The relocation of this facility is not going to add any stations to the inventory since these are all existing stations. This is simply a relocation of the current facility. While the facility is currently not operating above target utilization (it is not far at 74%), the only other operating facility serving the area, DaVita Metro East in Belleville, is operating above 80% target utilization and could not accommodate the patients from Fairview Heights if it were to close. DaVita Shiloh, which is not yet operational, was established to serve a completely different patient population identified by a different physician to bring that facility above 80% utilization.

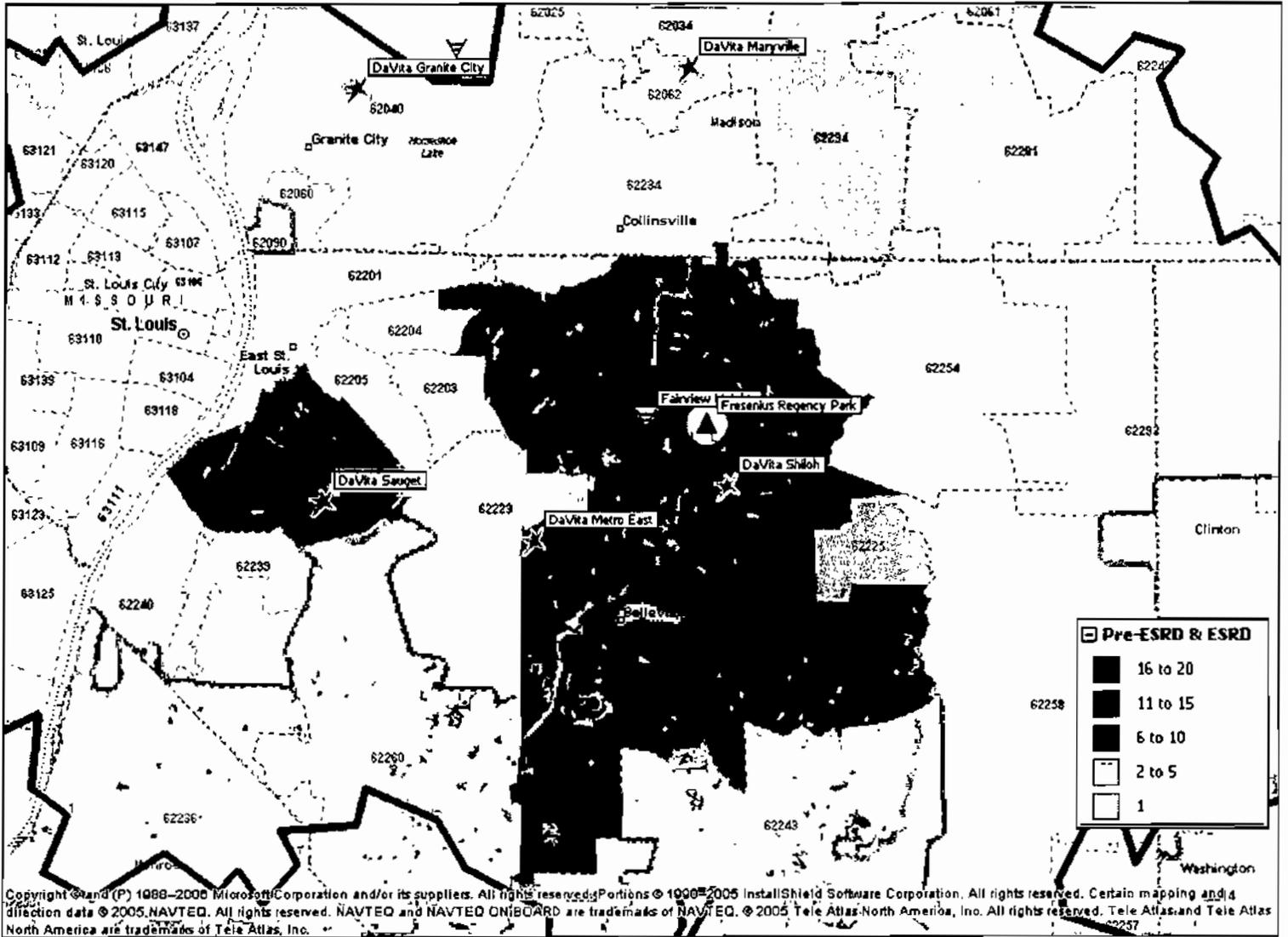
### Facilities Within 30 Minutes of Fresenius Medical Care Regency Park

Name	Address	City	Zip Code	MapQuest		Stations	1st QTR Utilization
				Miles	Time		
RAI Lincoln Highway - Fairview Heights*	821 Lincoln Highway	Fairview Hgts	62208	0	0	20	74.17%**
DaVita Shiloh	1095 N Green Mount Road	Shiloh	62269	1.96	3	12	0.00%
DaVita Metro East	5105 W Main St	Belleville	62226	8.44	14	36	81.02%
DaVita Sauget	2061 Goose Lake Rd	Sauget	62206	13.71	16	16	82.29%
DaVita Maryville	2130 Vadalabene Dr	Maryville	62062	18.9	22	12	69.44%
DaVita Granite City	9 American Village	Granite City	62040	21.29	28	20	60.00%

\*Current Site To Be Relocated \*\* Utilization as of May 31, 2012

Much of HSA 11 is rural with an elderly population. It is difficult for these patients to travel long distances on country roads at night for treatment, therefore the 2 daytime shifts are preferred. The Fairview Heights facility operates 3 shifts on M-W-F and 2 shifts on T-TH-S utilizing 20 stations. The facility is only 6 patients away from reaching 80% utilization. Many of the rural clinics do not operate all 6 shifts, which makes them appear "underutilized" according to Board methodology.

**Demographics of the Current ESRD Patients & Pre-ESRD Patients Identified Who Will Be Referred to Fresenius Medical Care Regency Park**



## Unnecessary Duplication/Maldistribution

1(A-B-C) The ratio of ESRD stations to population in the zip codes within a 30-minute radius of RAI Lincoln Highway - Fairview Heights (to be renamed Fresenius Medical Care Regency Park) is 1 station per 4,603 residents according to the 2010 census (based on 478,736 residents and 104 stations. The State ratio is 1 station per 3,347 residents (based on US Census 2010 of 12,830,632 Illinois residents and May Board station inventory of 3,834). If the 20 Fairview Heights stations are added to the equation, the ratio of stations to population would be 1/3,860, which is comparable to the State ratio.

Zip Code	Population	Stations	Clinic
62024	9,775		
62025	33,748	8	DaVita Edwardsville
62034	13,819		
62040	43,735	20	DaVita Granite City
62048	1,459		
62061	1,718		
62062	7,658	12	DaVita Maryville
62084	1,606		
62087	2,087		
62095	11,237		
62201	7,547		
62203	8,209		
62204	7,960		
62205	9,329		
62206	16,509	16	DaVita Sauget
62207	8,750		
62208	17,376		
62215	1,872		
62220	20,504		
62221	27,858		
62223	17,560		
62225	5,381		
62226	29,744	36	DaVita Metro East
62232	7,260		
62234	33,430		
62236	12,562		
62239	4,954		
62240	1,966		
62243	5,910		
62245	1,794		
62249	15,971		
62254	6,089		
62258	9,199		
62260	7,290		
62264	3,338		
62265	4,353		
62269	31,348	12	DaVita Shiloh
62271	2,077		
62281	2,155		
62285	4,484		
62293	4,748		
62294	14,367		
<b>Totals</b>	<b>478,736</b>	<b>104</b>	<b>1/4,603</b>

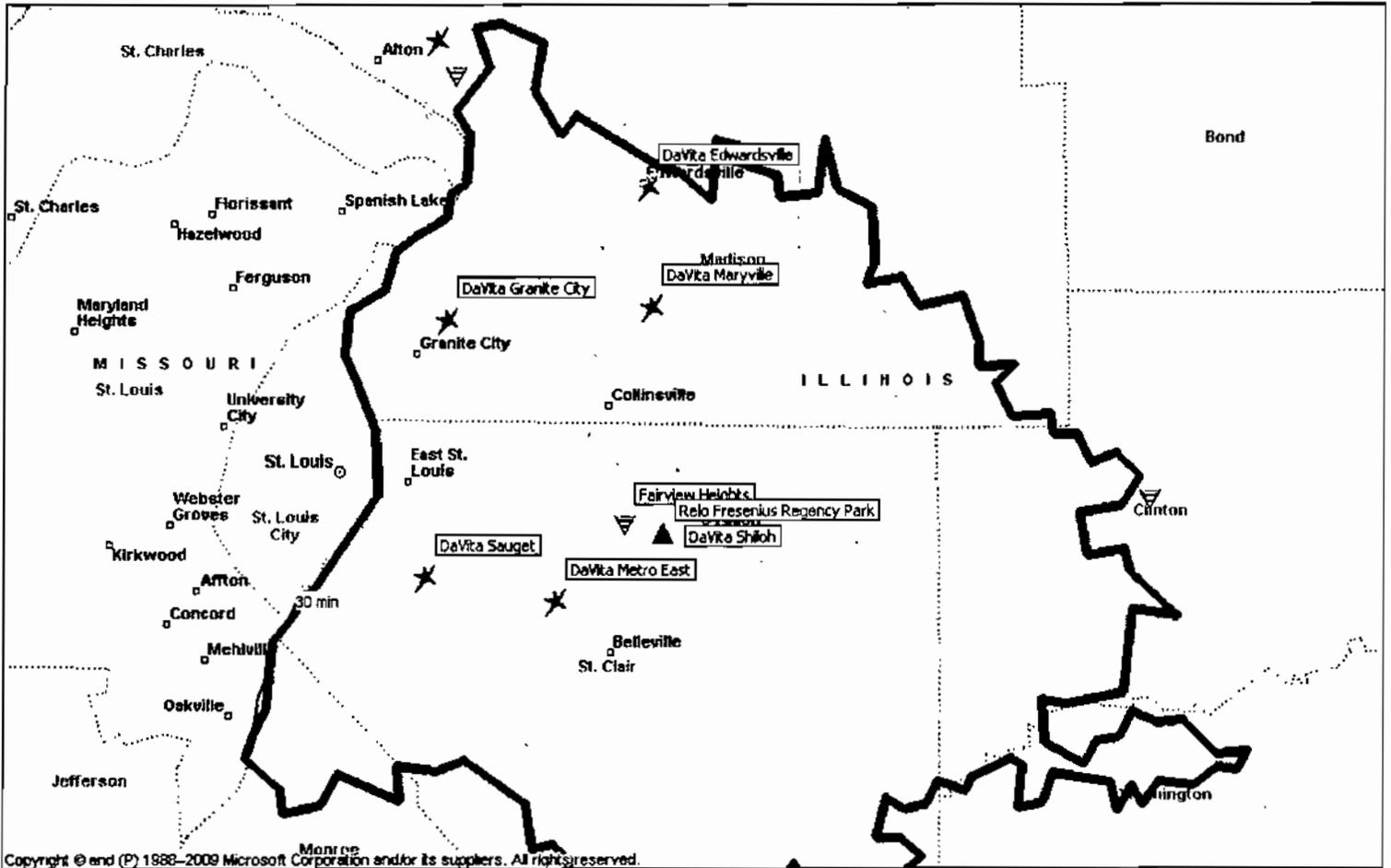
2. The relocation of RAI Lincoln Highway – Fairview Heights will not create a maldistribution of services in regard to there being excess availability. There is currently a need for an additional 5 stations in this HSA and the applicant is not asking for any additional stations beyond those that already exist. The ratio of stations to population in the area vs the State ratio support keeping the clinic in operation.

3A. The relocation of the Fairview Heights clinic will not have an adverse effect on any other area ESRD provider in that the patients identified for this facility are current Fairview Heights hemodialysis patients and are pre-ESRD patients of Dr. Kochs's. Other than the newly approved DaVita Shiloh facility,

which identified patients in that application to bring the facility to 80% utilization, the two closest facilities within a reasonable distance are operating above 80% utilization. The relocation of the Fairview Heights clinic will maintain the status quo in the market, but allow a more spacious modern facility for patients to dialyze in.

- B. Not applicable – applicant is not a hospital; however the utilization will not be lowered below target utilization at any other ESRD facility due to the establishment/relocation of the facility.

**30-Minute Travel Zone of RAI – Fairview Heights**



Name	Address	City	Zip Code	MapQuest		Stations	1st QTR Utilization
				Miles	Time		
RAI Lincoln Highway - Fairview Heights*	821 Lincoln Highway	Fairview Hgts	62208	0	0	20	74.17%**
DaVita Shiloh	1095 N Green Mount Road	Shiloh	62269	1.96	3	12	0.00%
DaVita Metro East	5105 W Main St	Belleville	62226	8.44	14	36	81.02%
DaVita Sauget	2061 Goose Lake Rd	Sauget	62206	13.71	16	16	82.29%
DaVita Maryville	2130 Vadalabene Dr	Maryville	62062	18.9	22	12	69.44%
DaVita Granite City	9 American Village	Granite City	62040	21.29	28	20	60.00%

\*Current Site To Be Relocated    \*\*Utilization as of May 31, 2012

**Criterion 1110.1430 (e)(5) Medical Staff**

I am the Area Manager of the Southern Illinois Area of the Missouri/Southern Illinois Region of the South Division of Fresenius Medical Care North America. In accordance with 77 Il. Admin Code 1110.1430, and with regards to Fresenius Medical Care Regency Park, I certify the following:

Fresenius Medical Care Regency Park (currently RAI Lincoln Highway – Fairview Heights) will be an "open" unit with regards to medical staff. Any Board Licensed nephrologist may apply for privileges at the relocated facility, just as they currently are able to at all Fresenius Medical Care clinics.

Tara Walker, AM

Signature

Tara Walker

Printed Name

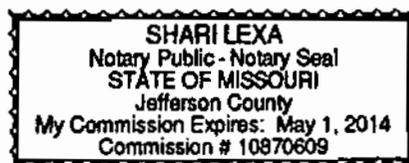
Area Manager

Title

Subscribed and sworn to before me  
this 12<sup>th</sup> day of June, 2012

Shari Lexa  
Signature of Notary

Seal



Medical Staff Certification

99

**ATTACHMENT** 26e

Criterion 1110.1430 (e)(1) – Staffing

2) A. Medical Director

Dr. Matthew Koch is currently the Medical Director for RAI Lincoln Highway - Fairview Heights and will continue to be the Medical Director after the relocation. Attached is his curriculum vitae.

B. All Other Personnel

Upon the discontinuation of the current facility and the establishment of the new Fresenius Medical Care Regency Park facility, all staff will transfer to the new location and resume their current position. There will be no break in employment or work schedules as the facility will relocate on a Sunday when there are no patient treatments scheduled. This will include the following staff:

- Clinic Manager who is a Registered Nurse
- 5 Full-time Registered Nurses
- 1 PRN Registered Nurse
- 2 Full-time Licensed Practical Nurses
- 6 Full-time Patient Care Technicians
- 2 PRN Patient Care Technicians
- 1 Full-time Registered Dietitian
- 1 Full-time Licensed Master level Social Worker
- 1 Full-time Equipment Technician
- 1 Full-time Secretary
- 1 Full-time Inventory Technician

- 3) All patient care staff and licensed/registered professionals will meet the State of Illinois requirements. Any additional staff hired must also meet these requirements along with completing a 9 week orientation training program through the Fresenius Medical Care staff education department.

Annually all clinical staff must complete OSHA training, Compliance training, CPR Certification, Skills Competency, CVC Competency, Water Quality training and pass the Competency Exam.

- 4) The above staffing model is required to maintain a 4 to 1 patient-staff ratio at all times on the treatment floor. A RN will be on duty at all times when the facility is in operation.

## CURRICULUM VITAE - MATTHEW JOHN KOCH

**DATE OF BIRTH:** February 20, 1967

**PLACE OF BIRTH:** Emporia, KS

**CITIZENSHIP:** USA

**OFFICE:** Washington University School of Medicine  
Division of Nephrology  
#1 Barnes-Jewish Hospital Plaza  
Suite 4104 Queeny Tower  
St. Louis, MO 63110

**HOME:**

**PRESENT POSITION:** Assistant Professor in Medicine  
Washington University School of Medicine

Associate Director of Transplant Nephrology  
Washington University School of Medicine

Director of High-Risk Renal Transplantation  
Barnes-Jewish Transplant Center

**EDUCATION:**

8/87-5/90 B.S. Pharmacy, University of Wyoming, Laramie, WY  
8/93-5/97 M.D., Creighton University, Omaha, NE

**INTERNSHIPS AND RESIDENCIES:**

7/97-6/98 Medicine Internship, Creighton University Med Center,  
Omaha, NE

7/98-6/00 Medicine Residency, Creighton University Med Center,  
Omaha, NE

7/00-6/02 Nephrology Fellowship, Washington University/Barnes  
Jewish Hospital, St. Louis, MO

7/02-6/03 Nephrology Transplantation Fellowship, Washington  
University/Barnes Jewish Hospital, St. Louis, MO

## **LICENSURE AND CERTIFICATION:**

2000 Board Certified Internal Medicine  
2002 Board Certified Nephrology

## **OTHER:**

2004 - present Consultant – Genzyme, Cambridge, MA  
2005 Ultrasonography for Nephrologists Course, Emory  
University School of Medicine, Atlanta, GA  
2006 ASN Abstract Reviewer  
2006 AST Kidney Pancreas Committee

## **AWARDS AND HONORS:**

1997 Member Alpha Omega Alpha Medical Honor Society  
2000 Internal Medicine Resident of the Year, Creighton  
University  
2003 - 2005 Recipient National Institutes of Health Loan Repayment  
Program for Academic Medicine  
2003 Recipient Buchanan Fund for Clinical Research  
2003, 2006, 2008 Recipient Renal Fellows' Teaching Award  
2005 - 2007 Recipient National Institutes of Health Loan Repayment  
Program for Academic Medicine

## **EDITORIAL REVIEWS:**

2002 - present Ad hoc Reviewer, American Journal of Transplantation  
2005 - present Reviewer, Doody Publishing  
2005 - present Ad hoc Reviewer, American Journal of Kidney Disease

## **MEMBERSHIPS IN PROFESSIONAL SOCIETIES:**

2003 - present American Society of Nephrology  
2003 - present American Society of Transplantation  
2004 - present Chair, Scientific Advisory Board National Kidney  
Foundation of Eastern Missouri and Metro East

## INVITED LECTURES TO PROFESSIONAL GROUPS:

June, 2004	Amgen Speaker Bureau, the Ritz, St. Louis, MO
November, 2004	Fujisawa Speaker Bureau, Argentina Steakhouse, Springfield, MO
March, 2005	Kidney Disease Management for the Primary Care Physician, Washington University, St. Louis, MO
March, 2005	Fujisawa Speaker Bureau, Missouri Baptist Hospital, St. Louis, MO
August, 2005	Astellas Speaker Bureau, Carbondale, IL
May, 2006	Transplant Evaluation, Management and Follow-up, ANNA Spring Seminar, DePaul Hospital, St. Louis, MO
August, 2006	NATCO, Chicago, IL
April, 2007	Nephrology Grand Rounds, University of Missouri, Columbia, MO
November, 2007	Medicine Grand Rounds, University of Illinois, Urbana- Champaign, IL
March, 2008	Update in Kidney Transplantation. National Kidney Foundation, Glen Echo, St. Louis, MO
April, 2008	Update in Kidney Transplantation. Quincy Medical Center, Quincy, IL

## BIBLIOGRAPHY:

### BOOK / BOOK CHAPTERS

1. Koch MJ, Gross ED: Approach to Hyperkalemia and Hypokalemia. In: The Washington Manual of Subspecialty Consult. Kwoh C, Buch E, Quartarolo J (eds), Lippincott Williams & Wilkins, Philadelphia, PA, Chapter 18, 97-102, 2004.
2. Koch MJ, Kwoh C: Hyponatremia and Hypernatremia. In: The Washington Manual of Subspecialty Consult. Kwoh C, Buch E, Quartarolo J (eds), Lippincott Williams & Wilkins, Philadelphia, PA, Chapter 19, 103-108, 2004.
3. Koch MJ: Disorders of Water Balance: Hyponatremia and Hypernatremia. In: The Washington Manual of Nephrology Subspecialty Consult. Agha I, Bhattacharyya-Green G. (eds), Lippincott Williams & Wilkins, Philadelphia, PA, Chapter 21, 167-178, 2004.
4. Koch MJ: Disorders of Potassium Balance. In: The Washington Manual of Nephrology Subspecialty Consult. Agha I, Bhattacharyya-Green G. (eds), Lippincott Williams & Wilkins, Philadelphia, PA, Chapter 22, 179-191, 2004.
5. Desai NM, Koch MJ: Complications of Immunosuppression. In: Complications of Surgery. Mulholland MW, Doherty GM. (eds), Lippincott Williams & Wilkins, Philadelphia, PA, Chapter 20, 212-224, 2005.

6. **Koch MJ, Brennan DC:** Renal Disease and the Surgical Patient. In *Current Surgical Diagnosis & Treatment, Twelfth Edition (a LANGE medical book)*. Way LW, Doherty GM (eds), McGraw Hill, New York, NY, Chapter 5, 45-50, 2006.
7. **Chawla N, Koch MJ:** Metabolic Acid-Base Disorders. In: *The Washington Manual of Critical Care*. Kollef MH, Bedient TJ, Isakow W, Witt CA. (eds), Lippincott Williams & Wilkins, Philadelphia, PA, Chapter 24, 179-189, 2007.
8. **Young D, Koch MJ:** Chronic Kidney Disease Management. In: *The Washington Manual of Outpatient Internal Medicine Therapeutics, 2<sup>nd</sup> Edition*. Brisco M, Lieu C, Muller R (eds), Lippincott Williams & Wilkins, Philadelphia, PA, In Press, 2008.
9. **Siedlecki A, Koch MJ:** Disorders of Water Balance: Hyponatremia and Hypernatremia. In: *The Washington Manual of Nephrology Subspecialty Consult*. Windus D. (ed), Lippincott Williams & Wilkins, Philadelphia, PA, In Press, 2008.
10. **Koch MJ:** Disorders of Potassium Balance. In: *The Washington Manual of Nephrology Subspecialty Consult*. Windus D. (ed), Lippincott Williams & Wilkins, Philadelphia, PA, In Press, 2008.
11. **Siedlecki A, Koch MJ:** Care of the Renal Transplant Patient. In: *The Washington Manual of Nephrology Subspecialty Consult*. Windus D. (ed), Lippincott Williams & Wilkins, Philadelphia, PA, In Press, 2008.

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### Original Reports

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2. **Oldemeyer JB, Lund RJ, Koch MJ, Mears AJ, Dunlay RW:** Rhabdomyolysis and acute renal failure after changing statin-fibrate combinations. *Cardiology* 94(2):127-128, 2000.
3. **Koch MJ, Lund RJ, Oldemeyer JB, Mears AJ, Dunlay RW:** Refeeding hypophosphatemia in a chronically hyperphosphatemic hemodialysis patient. *Nephron* 86(4):552, 2000.

4. **Koch MJ, Coyne DC, Hoppe-Bauer J, Vesely TM:** Bacterial colonization of chronic hemodialysis catheters: Evaluation of endoluminal brushing and heparin aspirate. *J Vasc Access* 3(1):154-158, 2002.
5. **Hardinger KL, Park JM, Schnitzler MA, Koch MJ, Miller B, Brennan DC:** Pharmacokinetics of tacrolimus in kidney transplant recipients: Twice daily versus once daily dosing. *Am J Transplantation* 4:621-625, 2004.
6. **Hardinger KL, Schnitzler MA, Miller B, Lowell JA, Shenoy S, Koch MJ, Enkvetchakul D, Ceriotti C, Brennan DC:** Five-year follow up of Thymoglobulin versus Atgam induction in adult renal transplantation. *Transplantation* 78(1):136-141, 2004.
7. **Brennan DC, Shannon MB, Koch MJ, Polonsky KS, Desai N, Shapiro J:** Portal vein thrombosis complication islet transplantation in a recipient with the factor V Leiden mutation. *Transplantation* 78(1): 172-3, 2004.
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28. **Agha IA, Hardinger KL, Bohl D, Ansari A, Dyk P, Koch MJ, Miller B, Jendrisak M, Shenoy S, Desai N, Beffa D, Lowell JA, Schnitzler M, Storch G, Brennan DC:** Preemptive withdrawal of AZA or MMF prevents progression of BK viremia to BK nephropathy: A prospective randomized controlled trial of BK virus infection after renal transplantation. American Transplant Congress 2004, Boston, MA. Am J Transplantation Suppl 8(4), Abstract #150 pp 200, 2004.
29. **Hardinger KL, Schnitzler MA, Miller B, Lowell, JA, Shenoy S, Desai N, Jendrisak M, Koch MJ, Brennan DC:** C2 monitoring allows a reduction in cyclosporine dose and costs in renal transplant recipients receiving quadruple immunosuppressive therapy with Thymoglobulin. American Transplant Congress 2004, Boston, MA. Am J Transplantation Suppl 8(4), Abstract #269 pp 232, 2004.
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33. Hollands JM, Hardinger KL, Koch MJ, Miller BW, Brennan DC: Perioperative pamidronate reduces fractures and delayed graft junction in renal transplant recipients. American Society of Nephrology 2004, St. Louis, MO. J Am Soc Nephrol 15, Abstract SU-PO1012 pp 751A, 2004.
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35. Hardinger KL, Khoury JA, Storch GA, Bohl DL, Schuessler RM, Torrence SM, O'Brien L, Gaudreault-Keener M, Koch MJ, Miller BW, Schnitzler MA, Brennan DC: A pharmacoeconomic analysis of prophylactic vs preemptive valganciclovir for the management of CMV in renal transplant recipients. The 2006 World Transplant Congress, Boston, MA. July Supplement to Am J Transplant and Transplantation, Abstract #2904 pp 1011, 2006.
36. Koch MJ, Bohl DL, Miller BW, Mwintshi K, Lambert M, Brennan DC: Long term (median 5-year) follow-up of preemptive immunosuppression reduction for BK viremia. American Transplant Congress 2007, San Francisco, CA, Am J Transplantation Suppl 2(7), Abstract #17 pp 151, 2007.
37. Kedainis R, Koch MJ, Liapis H: Detection of C4d deposits in renal allografts: Single center experience. American Society of Nephrology 2007, San Francisco, CA, J Am Soc Nephrol, 18, Abstract F-PO650 pp 242A, 2007.
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39. Goldboldo-Brooks AJ, Schnitzler MA, Buchanan PM, Koch MJ, Miller BW, Brennan DC: A novel methodology to determine and compare transplant costs for renal recipients. American Transplant Congress 2008, Toronto, Canada, Am J Transplantation Suppl 2(8), Abstract #802 pp 393, 2008.
40. Hardinger KL, Buchanan P, Rhee S, Schnitzler MA, Koch MJ, Miller BW, Enkvetchakul D, Schuessler R, Brennan DC: A randomized, double-blinded comparison of Thymoglobulin versus Atgam for induction immunosuppressive therapy in adult renal transplant recipients: 10 year results. American Transplant Congress 2008, Toronto, Canada, Am J Transplantation Suppl 2(8), Abstract #984 pp 441, 2008.

41. Jendrisak M, Phelan D, Desai N, Shenoy S, Lowell J, Chapman W, Koch M, Mohanakumar T: Low immunologic risk for graft loss in recipients of kidney after previous extrarenal allotransplantation. American Transplant Congress 2008, Toronto, Canada, Am J Transplantation Suppl 2(8), Abstract #1255 pp 512, 2008.
42. Ramachandran S, Fukami N, Simon G, Steward N, Shenoy S, Koch M, Jendrisak M, Chapman W, Mohanakumar T: Binding of endothelial cells by subsaturating concentrations of anti-HLA inhibits lymphocyte migration and decreases expression of TNF family of gene conferring protection against multiple immunologic insults. American Transplant Congress 2008, Toronto, Canada, Am J Transplantation Suppl 2(8), Abstract #1469 pp 568, 2008.

#### RESEARCH STUDIES:

1. Folic acid for vascular outcome reduction in transplantation (FAVORIT) study. Principal Investigator for Washington University Medical Center / Barnes-Jewish Hospital site in a multi-center NIH study. 3/02 – present
2. Randomized, open-label, comparative evaluation of conversion from calcineurin inhibitors to sirolimus versus the continued use of calcineurin inhibitors in renal allograft recipients. Sub-Investigator for Washington University Medical Center / Barnes-Jewish Hospital site in a multi-center study. 2002 – 2004
3. Islet transplantation in type I diabetic patients using the Edmonton Protocol of steroid free immunosuppression. Protocol NIS01. DAIT/NIAID/NIH. Clinical study at Washington University Center with (PI's) Kenneth Polonsky, M.D., and Daniel C. Brennan, M.D. 2001 – 2012
4. MyTime Study - A three-month, open-label, two cohort study to investigate the safety and tolerability of Myfortic® in combination with Neoral® or Tacrolimus in renal transplant recipients with GI intolerance. Principal investigator for Washington University Medical Center / Barnes-Jewish Hospital site in a multi-center study. 2004-2005
5. Single Dose Thymoglobulin for Induction in Adult Renal Allograft Recipients. Principal investigator for Washington University Medical Center / Barnes-Jewish Hospital in this single center, investigator initiated, Genzyme sponsored study. 2005-2006
6. Renal Transplantation with Immune Monitoring. Principal Investigator for Washington University Medical Center / Barnes-Jewish Hospital in this single center, investigator initiated study. 2006-2008

7. Belatacept evaluation of nephroprotection and efficacy as first-line immunosuppression trial. Sub-investigator, Bristol-Myers Squibb, 2006-present
8. Belatacept evaluation of nephroprotection and efficacy as first-line immunosuppression trial – extended criteria donors. Sub-investigator, Bristol-Myers Squibb, 2006-present

Criterion 1110.1430 (f) – Support Services

I am the Area Manager of the Southern Illinois Area of the Missouri/Southern Illinois Region of the South Division of Fresenius Medical Care North America. In accordance with 77 Il. Admin Code 1110.1430, I certify to the following:

- Fresenius Medical Care utilizes a patient data tracking system in all of its new facilities.
- These support services are will be available at Fresenius Medical Care Regency Park during all shifts:
  - Nutritional Counseling
  - Psychiatric/Social Services
  - Home/self training
  - Clinical Laboratory Services – provided by Spectra Laboratories
- The following services are now provided via referral to Memorial Care Center, Belleville, Illinois and will continue to be the same after the relocation:
  - Blood Bank Services
  - Rehabilitation Services
  - Psychiatric Services

Tara Walker, AM

Signature

Tara Walker/Area Manager

Name/Title

Subscribed and sworn to before me  
this 12<sup>th</sup> day of June, 2012

Shari Lexa  
Signature of Notary

Seal



|||

Support Services

ATTACHMENT 26f

**Criterion 1110.1430 (g) – Minimum Number of Stations**

Fresenius Medical Care – RAI Lincoln Highway - Fairview Heights (to be renamed Fresenius Medical Care Regency Park) is located in the St. Louis MO-IL Metropolitan Statistical Area (MSA). A minimum of eight dialysis stations is required to establish an in-center hemodialysis center in an MSA. Fresenius Medical Care Regency Park will have twenty dialysis stations thereby meeting this requirement.

## **PATIENT TRANSFER AGREEMENT**

**THIS PATIENT TRANSFER AGREEMENT** ("Agreement") is entered into as of the 20<sup>th</sup> day of December 2010, by and between **RAI CARE CENTERS OF ILLINOIS I, LLC**, a Delaware limited liability company ("RAI") for the benefit of its outpatient dialysis center located at 821 Lincoln Highway, Fairview Heights, IL 62208 (the "Center"), and **PMMCI d/b/a MH and MEMORIAL CARE CENTER** ("Hospital").

### **WITNESSETH:**

**WHEREAS**, RAI recognizes that medical services may not always be adequate to provide necessary care for some of its patients at the Center and, therefore, RAI desires to enter into an agreement to facilitate the transfer of those patients to a facility that offers specialized care;

**WHEREAS**, the Hospital is a medical center that has the capability to provide general and specialized medical care to patients, and desires to enter into agreements with healthcare providers within the region for accepting the transfer of patients to the Hospital;

**WHEREAS**, the Hospital and RAI desire that the transfer of patients from the Center to the Hospital be in a coordinated and cooperative manner for the benefit of RAI's patients at the Center; and

**WHEREAS**, the parties to this Agreement desire to provide a full statement of their respective covenants, agreements and responsibilities in connection with the foregoing during the term of this Agreement.

**NOW, THEREFORE**, in consideration of the foregoing premises and the mutual covenants and agreements set forth herein, and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. RAI hereby agrees that prior to the transfer of any patient from the Center to the Hospital, the Center will first determine that the Center does not have the appropriate medical resources or personnel to adequately care for the patient. If the care needed by the patient requires life saving measures, unless the patient has a "do not resuscitate" or similar order or written instruction, the Center will implement such life saving measures in an effort to stabilize the patient's emergency medical condition before the transfer, if possible, unless immediate transfer is required as determined by the patient, a person legally responsible for the patient, or the patient's attending physician. Except in the case of an emergency, the Center shall provide the Hospital with sufficient notice of its desire to transfer the Center's patient to the Hospital and obtain acceptance by a physician at the Hospital for the transfer. The Center shall use reasonable efforts to include information concerning the patient's medical condition together with a request that the Hospital physician arrange for the admission of the Center's patient.

2. The Center, where possible, shall obtain the request or consent to transfer from the patient or the person legally responsible for the patient. A transfer may be affected without consent if the patient is not able to provide the consent or the persons legally responsible for the

patient cannot be reached.

3. The Center shall send with the patient pertinent medical information and shall make reasonable efforts to communicate medical information to the Hospital's physician. If there is an emergency situation, the Center will make reasonable efforts to provide the patient's medical information promptly.

4. The Center shall utilize the most appropriate means of transport available to timely and safely transfer the patient to the Hospital.

5. If the Center is unable to provide adequate medical care on a temporary basis (as a result of, for example, natural disaster, power outage or loss of water), the Center will attempt to transfer its patients to another dialysis center. The attending physicians for the patients will decide if a transfer to another dialysis center is appropriate or whether their patients should receive dialysis services at the Hospital on an emergency basis.

6. Nothing contained in this Agreement shall limit either party from contracting with any other hospital or health care facility on a limited or general basis while this Agreement is in effect. Either party may terminate this Agreement at any time and for any reason by providing to the other party no less than thirty (30) days' written notice of such party's intention to terminate this Agreement.

7. When the patient is determined to be in a condition which would permit less intensive or less specialized care and treatment, and such care and treatment is available at the Center, the Center agrees to accept the transfer of the patient back from the Hospital. The Center will arrange for a physician who is a member of the Center's medical staff to accept the patient upon transfer back to the Center once the transfer is deemed appropriate by the patient's attending physician. Upon the transfer back to the Center, the Hospital agrees to provide to the Center all necessary medical information, including medical records, so that the Center may provide care upon the patient's transfer back to the Center.

8. The Hospital is responsible for the costs to transfer the patient to the Hospital only if the Hospital's transport services are used or the Hospital elects to assume such responsibility.

9. When the patient arrives at the Hospital (or when the Hospital's transport services has responsibility for the patient), the Hospital shall assume responsibility for the patient's medical care and treatment.

10. Nothing in this Agreement shall be construed as allowing the Center to transfer a patient to the Hospital for economic reasons, including the patient's ability to pay for services. This Agreement shall remain in effect beginning upon the execution of this Agreement by both parties and shall remain in effect until either party to this Agreement gives no less than thirty (30) days' prior written notice to the other party of its intention to terminate this Agreement. In addition, either party may terminate this Agreement for cause by providing to the other party written notice of the breach of this Agreement and upon failure of that party to cure the breach within ten (10) days thereafter. This Agreement shall automatically terminate if either party has its facility license revoked or suspended, or if either party is excluded from participation in a government payor program, including Medicare or Medicaid.

12. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof. This Agreement may only be amended in a writing signed by both parties to this Agreement.

13. The laws of the state in which the Hospital is located shall govern the terms and provisions of this Agreement without regard to its conflicts of laws provisions.

14. All notices, requests, and other communication to any party hereto shall be in writing and shall be addressed to the receiving party's address set forth below or to any other address as a party may designate by notice hereunder, and shall either be (i) delivered by hand, (ii) sent by recognized overnight courier, or (iii) by certified overnight mail, return receipt requested, postage prepaid.

If to RAI: RAI Care Centers of Illinois I, LLC  
1550 W. McEwen Drive, Suite 500  
Franklin, Tennessee 37067  
Attention: Chief Operating Officer

With copies to: Renal Advantage Inc.  
1550 W. McEwen Drive, Suite 500  
Franklin, Tennessee 37067  
Attention: VP & General Counsel

If to Hospital: Memorial Hospital & Memorial Care Center  
4500 Memorial Drive  
Belleville, IL 62226  
Attention: Vice President of Nursing

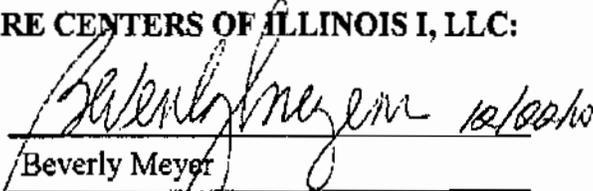
With copies to: Office of the General Counsel  
4500 Memorial Drive  
Belleville, IL 62226

All notices, requests, and other communication hereunder shall be deemed effective (i) if by hand, at the time of the delivery thereof to the receiving party at the address of such party set forth above, (ii) if sent by overnight courier, on the next business day following the day such notice is delivered to the courier service, or (iii) if sent by certified mail, five (5) business days following the day such mailing is made.

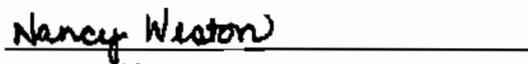
*[Signatures Appear on the Following Page]*

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

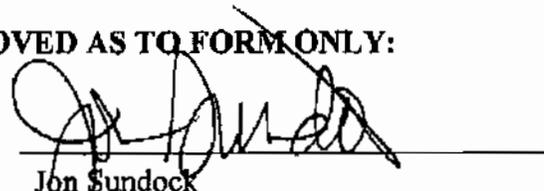
**RAI CARE CENTERS OF ILLINOIS I, LLC:**

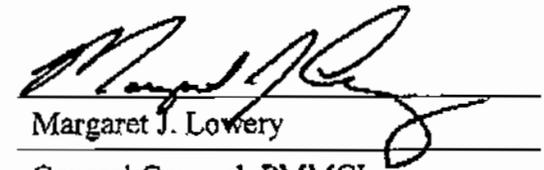
By:   
Name: Beverly Meyer  
Title: Center Director

**PMMCI d/b/a MH and MEMORIAL CARE CENTER:**

By:   
Name: Nancy Weston  
Title: Vice President of Nursing

**APPROVED AS TO FORM ONLY:**

By:   
Name: Jon Sundock  
Title: General Counsel

By:   
Name: Margaret J. Lowery  
Title: General Counsel, PMMCI

Criterion 1110.1430 (j) – Assurances

I am the Area Manager of the Southern Illinois Area of the Missouri/Southern Illinois of the South Division of Fresenius Medical Care North America. In accordance with 77 Il. Admin Code 1110.1430, and with regards to Fresenius Medical Care Regency Park (currently RAI Lincoln Highway - Fairview Heights), I certify the following:

1. As supported in this application through expected referrals to Fresenius Medical Care Regency Park, in the first two years of operation, the applicant will reach and expects to maintain the Board's 80% utilization target.
2. Fresenius Medical Care – RAI Lincoln Highway - Fairview Heights hemodialysis patients have achieved adequacy outcomes of:
  - o 91.55% of patients had a URR  $\geq$  65%
  - o 93% of patients had a Kt/V  $\geq$  1.2

and same is expected for the relocated Fresenius Medical Care Regency Park facility.

Tara Walker, AM

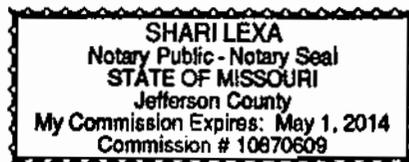
Signature

Tara Walker/Area Manager  
Name/Title

Subscribed and sworn to before me  
this 12<sup>th</sup> day of June, 2012

Shari Lexa  
Signature of Notary

Seal



LEASE AGREEMENT

THIS LEASE AGREEMENT, made and entered into as of the date on which this Lease is signed by the last of the parties hereto (the "Effective Date"), by and between SAVVI INVESTMENT, INC., an Illinois corporation (hereinafter called "Lessor"), and RAI CARE CENTERS OF ILLINOIS I, LLC, a Delaware limited liability company (hereinafter called "Lessee").

WITNESSETH

WHEREAS, the said Lessor desires to demise, lease and rent unto the Lessee, and the said Lessee desires to rent and lease from Lessor that approximately 9,448 rentable square foot space in the building (the "Building") located on that certain parcel of land located at 124 Regency Park Drive, O'Fallon, Illinois 62269, as more particularly described as Tract A on the Site Plan (the "Site Plan") attached hereto as Exhibit A (the "Land"), and all related improvements, including parking areas, drive lanes and curb cuts, with all appurtenant rights thereto (collectively, the "Premises"), pursuant to the terms of this Lease.

NOW, THEREFORE, for and in consideration of the mutual covenants, promises and agreements herein contained, the Lessor does hereby demise, lease and rent unto the said Lessee and the Lessee does hereby rent and lease from the Lessor the Premises, under and pursuant to the following terms and conditions:

1. Demise.

Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises for the term and upon the rental and the covenants and agreements of the respective parties herein set forth.

Lessee shall have the right in common with other tenants in the Building to use any parking areas, driveways, sidewalks and other site improvements on the Land. Lessee shall always have sufficient access to the Premises and Lessor represents and warrants that ingress and egress to the Premises shall be provided by Regency Park Drive, a public road, as outlined on the Site Plan. Lessor acknowledges and agrees that the Premises shall include (i) not less than thirty-seven (37) parking spaces for Lessee's exclusive use as shown on the Site Plan, with, at Lessee's election (a) signage installed by Lessee at its sole expense designating such exclusive parking and (b) "RAI" stenciled in white paint by Lessor at its sole expense designating such exclusive parking, (ii) all parking spaces not designated for Lessee's exclusive use (not less than ten (10) parking spaces) for Lessee's non-exclusive use, as shown on the Site Plan and (iii) a designated drop-off and pick-up area for patients in the location shown on the Site Plan, with signage installed by Lessee at its sole expense designating such area. Notwithstanding the foregoing, in the event Tract B on the Site Plan is developed to include additional parking spaces, Lessee's exclusive parking area shall be increased (but in no event decreased) to include not less than two (2) parking spaces for each dialysis station located within the Premises in a

location mutually agreeable to Lessor and Lessee, with signage and stenciling as provided above. Lessor represents and warrants that (i) there exists adequate ingress and egress to the Premises supporting deliveries to the Premises by trucks up to fifty-three feet (53') and (ii) the Building can support a covered entryway attached to the Building, to be constructed by Lessee, as outlined on the Site Plan.

Lessor hereby acknowledges and agrees that it has provided to Lessee prior to the date hereof (a) a title search, (b) true and correct copies of all declarations, restrictive covenants, master deeds and all other encumbrances and matters of record affecting the Land (each an "Encumbrance") In no event shall Lessor agree to any amendment or modification to any present or future existing Encumbrance, or consent to any matter under any present or future existing Encumbrance, that could adversely affect the rights, or increase the obligations, of Lessee hereunder, including, without limitation, any action that (i) grants any easement that could interfere with the operations of Lessee, or (ii) grants any access easements or other rights of ingress or egress to third parties onto or through the Land. Lessor shall not alter or modify any portion of the Land or Building, the parking area or the common areas associated with the Building, or construct any improvements thereon, if such alteration, modification or improvement could adversely affect Lessee's parking rights, use of or access to the Premises, or visibility of the Premises from the public rights-of-way.

Notwithstanding anything to the contrary set forth herein, Lessee shall have the right to cause the Premises to be re-measured using the exterior face of the exterior walls and the center line of demising walls, but otherwise in accordance with the definition of "rentable area" in the BOMA Standard Method for Measuring Floor Area in Office Buildings, ANSI/BOMA Z65.1-1996 (the "BOMA Standard"). Such right shall be exercised, if at all, upon written notice by Lessee to the Lessor given within sixty (60) days following the Lease Commencement Date, and such re-measurement shall occur within sixty (60) days of the Lease Commencement Date (as defined in Section 2(a) hereof. Following such re-measurement, the new number of rentable square feet in the Premises shall become the rentable area of the Premises for all purposes hereunder. Effective as of the date of such notice, Lessor and Lessee shall execute an agreement confirming the same, and the amounts of Base Rent and any Additional Rent or other amounts due hereunder that are based on the square footage or leasable area of the Premises shall be established or revised accordingly subject to the following sentence. Notwithstanding anything to the contrary in the foregoing, all rent, charges and allowances shall be reduced if the Premises is measured smaller but not increased if the Premises is measured larger.

## 2. Lease Commencement.

(a) The "Lease Commencement Date" shall mean the date on which all of the following occurs or has occurred: (i) Lessor delivers exclusive possession of the Premises to Lessee with Lessor's Work (defined below) complete and in broom clean condition, free of debris, with keys to the Premises and with all building systems in good working order (the "Delivery Date"); (ii) Lessor delivers final "as built" plans of the Premises with dimensions in PDF, and CAD files for the Premises; (iii) Lessor has delivered a signed, recorded SNDA as required by Section 22 hereof; and (iv) Lessee has received all necessary certificate of need approvals from the applicable governmental entity or entities to operate a dialysis clinic in the Premises. Notwithstanding anything contained herein to the contrary, in the event the Delivery

Date has not occurred on or before the date that is One Hundred Twenty (120) days after the Effective Date, Lessee shall have the right to terminate this Lease and Lessor shall immediately refund the Prepaid Rent (defined below). Contemporaneously with the execution of this Lease, Lessee shall deposit with Lessor the amount of \$10,000 as prepaid rent (the "Prepaid Rent"), which amount shall be credited against the initial payments of Base Rent (defined below) due hereunder until such time as the Prepaid Rent is exhausted, provided that upon any default by Lessor in its obligations under this Lease prior to the Rent Commencement Date, the Prepaid Rent shall be immediately refunded to Lessee. In the event Lessee exercises its right to terminate this Lease due to Lessee's failure to obtain any Consent (defined below) as provided herein, and so long as Lessor is not otherwise in default of its obligations under this Lease, Lessor shall be entitled to retain the Prepaid Rent.

(b) Lessor shall complete, at its sole cost and expense, certain exterior and interior alterations and improvements to the Building and the Premises in accordance with the specifications set forth on Exhibit B attached hereto (the "Lessor's Work").

(b) Lessee's acceptance of the Premises upon the Lease Commencement Date shall constitute Lessee's acknowledgment that the Premises are in the condition required by this Lease and that the Premises are accepted by Lessee in AS-IS, WHERE-IS condition, subject only to latent defects and punch-list items and subject to the representations and warranties of Lessor contained in this Lease.

### 3. Lessee's Work.

(a) Promptly after delivery of the Premises on the Lease Commencement Date, Lessee shall proceed with diligence to construct and install the "Tenant Improvements" in the Premises ("Lessee's Work") at its expense, in accordance with the plans and specifications prepared by Lessee's architect ("Lessee's Plans"). Lessee's Plans shall be submitted for Lessor's approval within a reasonable time following the Lease Commencement Date, which approval by Lessor shall be provided within ten (10) days and shall not be unreasonably withheld, conditioned or delayed. If Lessor fails to provide approval within such ten (10) day period, then Lessee's Plans shall be deemed approved by Lessor. No material deviation from such approved Lessee's Plans shall be made by Lessee without Lessor's prior written consent, which shall not be unreasonably withheld, conditioned or delayed; provided, however that such consent shall not be required for changes (i) required by any governmental authority or utility, (ii) that do not adversely affect Lessor, or adversely affect the structural integrity of the Building, the roof of the Building or any Building systems, or (iii) which merely substitute materials, equipment, cabinets, fixtures, appliances, and/or floor coverings with items of similar or greater quality, utility, value, and/or color. Lessor acknowledges and agrees that Lessee will have complete discretion in finishing details. If Lessor shall fail to respond to Lessee's request for approval to the changes in the plans for Lessee's Work within five (5) business days following Lessor's receipt thereof, said changes shall be deemed approved by Lessor.

(b) Lessee shall be responsible for obtaining all applicable permits required for the Lessee's Work. Throughout the process of obtaining the necessary governmental permits and approvals, Lessor shall act diligently and in good faith and shall cooperate with Lessee and with governmental agencies in whatever manner may be reasonably required. The Lessee's Work.

shall be constructed in compliance with all applicable Laws in effect as of the date of construction of the Lessee's Work, and with the terms and conditions of the permits by which construction is authorized. If Lessor reasonably determines that the Lessee's Work is not in full compliance with applicable Laws and that remediation should occur as a result thereof, Lessee shall use reasonable efforts to complete such remediation in a timely manner or as otherwise required by applicable Law related thereto, which remediation shall be at Lessee's sole cost and expense.

4. Term.

(a) The initial term of this Lease (the "Initial Term") shall commence on the Lease Commencement Date and shall expire ten (10) years after the Lease Commencement Date, unless extended pursuant to Section 4(b) below by Lessee (the "Expiration Date"). Should the Lease Commencement Date occur on a date other than the first day of the month, then the Term shall be extended by the partial month and the Lease shall terminate on the last day of the month following the Expiration Date. Each twelve (12) month period beginning on the Lease Commencement Date or any anniversary thereof shall hereinafter be called a "Lease Year."

(b) Lessee shall have the right and option to renew the Initial Term of this Lease for three (3) additional periods of five (5) years each (each a "Renewal Term"), next immediately ensuing after the expiration of the Initial Term and the subsequent Renewal Term by notifying Lessor in writing not less than one hundred eighty (180) days before the expiration of the immediately preceding Initial Term or Renewal Term, as applicable, of the Lessee's intention to exercise its option to renew. In the event that Lessee so elects to extend this Lease, then, for such Renewal Term, all of the terms, covenants and conditions of this Lease shall continue to be, and shall be, in full force and effect during such Renewal Term, except for the Base Rent, which shall be paid as set forth below. As used herein, "Term" shall mean the Initial Term and any Renewal Term(s).

5. Base Rent.

(a) Beginning on the date that is the earlier of (i) the date Lessee has completed Lessee's Work and received all occupancy and use permits necessary to operate a dialysis clinic in the Premises or (ii) the date Lessee opens for business to the public in the Premises (the "Rent Commencement Date") and continuing for each month during each Lease Year thereafter, Lessee shall pay monthly base rent ("Base Rent") as follows:

- (i) Subject to adjustment as provided in Section 5(a)(ii) below, monthly Base Rent shall be Eight Thousand Four Hundred Sixty-Three and 83/100 Dollars (\$8,463.83) (\$10.75 per square foot); and
- (ii) At the commencement of the fifth (5th) Lease Year of the Initial Term, and on the first day of each five (5) year period of the Term thereafter, annual Base Rent for the next succeeding five (5) year period shall be increased by ten percent (10%) of the prior five (5) year period's Base Rent.

(b) All payments of Base Rent shall be paid in advance by no later than the tenth (10th) day of each calendar month, such monthly installment to be prorated for any partial

calendar month in which the Rent Commencement Date or Termination Date shall occur. All amounts (unless otherwise provided herein), other than the Base Rent referred to above, owed by Lessee to Lessor hereunder shall be deemed "Additional Rent". As used herein, "Rent" shall mean Base Rent and all Additional Rent. Within five (5) days after Lessor's or Lessee's written request to do so, Lessor and Lessee shall execute a written Rent Commencement Date Agreement, in substantially the form attached hereto as Exhibit C to memorialize the Rent Commencement Date.

(c) Except as otherwise provided in this Lease, it is the intention of the parties that the Lessor shall receive the Base Rent and Additional Rent in accordance with the terms of this Lease without demand or setoff and free of all sales tax on rent, which sales taxes shall be paid by Lessee if and when due under applicable law.

6. Use of Premises; Restricted Area. Lessee may occupy and use the Premises during the Term for purposes of the operation of a dialysis facility and related healthcare uses and any other legal use, including, without limitation, administrative offices (the "Permitted Use"). Lessor represents and warrants to Lessee that there are no covenants or restrictions (public or private, including any zoning restrictions or any matter of record) which will prevent Lessee from the use and enjoyment of the Premises for the Permitted Use, and that the Premises are in compliance with all applicable laws. Lessor at any time during the Term of this Lease shall use commercially reasonable efforts to assist Lessee in obtaining any zoning variances, conditional use permits or other governmental approvals reasonably necessary for Lessee's use of the Premises for the Permitted Use. Lessee may operate during such days and hours as Lessee may determine, without the imposition of minimum or maximum hours of operation by Lessor and, subject to a Force Majeure Event, Lessee shall have access to the Premises, and may operate, up to twenty-four (24) hours per day, seven (7) days per week, three hundred sixty-five (365) days per year. Notwithstanding anything to the contrary herein, Lessee shall not be obligated to conduct and carry on Lessee's business in the Premises and shall not be obligated to keep the Premises open for business or cause Lessee's business to be conducted therein; provided that, at the request of Lessor, Lessee shall keep the front exterior lights on at nights, weekends, and holidays.

Lessor agrees that neither Lessor nor any entity owned, operated, managed or controlled by Lessor (a "Lessor Affiliate"), directly or indirectly, will own the realty or any improvements thereon, or lease or permit the leasing, subleasing or occupancy of any premises owned or controlled by Lessor or a Lessor Affiliate for the operation of a renal dialysis facility to any party or entity or to any party or entity whose primary business is the provision of renal dialysis services, within a radius of five (5) miles of the Premises. This covenant shall run with the Land and shall be binding upon Lessor and its Affiliates, and their respective successors, assigns and the successors in title to the Building. As used herein, "primary business is the provision of renal dialysis services" means that the gross revenue generated by dialysis services exceeds eighty percent (80%) of the gross revenue for such entity.

7. Assignment/Subletting. (a) Except as otherwise provided below, Lessee shall not assign this Lease, or sublet the Premises, or any part thereof (a "Transfer"), without Lessor's prior written consent which consent shall not be unreasonably withheld, conditioned or delayed. Prior to any proposed Transfer requiring consent, Lessee shall first request Lessor's consent in

writing of its proposed Transfer at least thirty (30) days prior to the date of the proposed Transfer. Lessor shall respond to Lessee's request for approval or disapproval of the Transfer within ten (10) days after Lessor receives the request. Lessor's failure to respond timely shall be deemed an approval of the proposed Transfer. Any assignment or subletting shall not release Lessee of its liability under this Lease nor permit any subsequent assignment, subletting or other prohibited act, unless specifically provided in such consent.

(b) Notwithstanding the foregoing, no consent of Lessor is required for Lessee to assign or otherwise transfer (by operation of law or otherwise) this Lease or any of its rights hereunder, or sublease the Premises or any part thereof: (A) to any person, corporation, partnership or other entity which acquires all or substantially all of the business or assets of Lessee or membership interests in Lessee; or (B) to any person, corporation, partnership or other entity which controls, is controlled by or is under common control with Lessee or any parent of Lessee; or (C) to any affiliate (within the meaning of such term as set forth in Rule 501 of Regulation D under the Federal Securities Act of 1933) of Lessee. Lessee and Lessee's transferee or assignee shall provide notice of any transfer or assignment described in (A), (B), or (C) of this subsection (b) (together with evidence that such transfer meets the above requirements) within ten (10) days after the effective date of such transfer or assignment. No such assignment or other transfer, in whole or in part, of any Lessee's rights or obligations under this Lease shall be or operate as a release of Lessee hereunder and Lessee shall remain responsible for performing Lessee's obligations hereunder. Notwithstanding the anything contained herein to the contrary, Lessee may sublease a portion of the Premises to a physician for use for a medical practice or any other healthcare use without Lessor's consent.

#### 8. Operating Expenses and Utilities.

(a) As used herein, "Operating Expenses" include reasonable costs incurred by Lessor in connection with the operation, maintenance and repair of the Building and Land, including Insurance Premiums (as defined below), costs of landscaping, utilities, painting, striping, taxes, and lighting and a management fee not to exceed 2% of gross revenues for the Building. Beginning on the Lease Commencement Date, Lessee shall pay its proportionate share (based on square footage of the Premises compared to the square footage of the Building) of Operating Expenses and Taxes (as defined below). Lessee shall pay such portion of Operating Expenses and Taxes in equal monthly installments at the time of the payment of Base Rent, based on Lessor's estimate of Taxes and excess Operating Expenses for the calendar year in question. Notwithstanding the foregoing, Operating Expenses shall not exceed \$18,896.00 (\$2.00 per square foot) during the 2013 calendar year (the "Operating Expenses Cap"), and thereafter Operating Expenses for each year shall not exceed the Operating Expenses Cap, as increased by 3% annually on a non-cumulative basis. As used herein, "Taxes" means all real property taxes and assessments which are levied against the Land and Building; provided that Taxes shall not include any municipal, county, state or federal income tax, or any inheritance, estate, succession, transfer, franchise, corporation, net income or profit tax or capital levy imposed upon Lessor. As used herein, "Insurance Premiums" means the cost of Lessor's commercial general liability and property insurance premiums for the Building that Lessor is required to maintain hereunder.

(b) Within ninety (90) days after the end of each calendar year, Lessor shall provide Lessee with a statement of such actual Taxes and Operating Expenses for such calendar year, which statement shall include all reasonable supporting documentation, and Lessee, within thirty (30) days, shall pay to Lessor any deficiency, which obligation shall survive the expiration or termination of this Lease for two (2) years. If such statement shows an overpayment by Lessee, then any surplus paid by Lessee shall be paid by Lessor to Lessee within thirty (30) days following the date of such statement.

Except as otherwise specifically provided in this Lease, the following items shall not be included in Operating Expenses and Taxes, as applicable: (i) any expenses which under generally accepted accounting principles would not be considered a maintenance, repair and/or operating expense for a commercial office facility, (ii) costs associated with the operation of the business of the entity which constitutes the "Landlord", including, but not limited to, the legal and accounting costs associated with the leasing, selling, syndicating, financing, mortgaging, or hypothecating of any of Lessor's interest in the Premises, (iii) costs of disputes between Lessor and its employees, tenants or contractors, (iv) depreciation and/or amortization of the Premises, (v) the cost of repairs or other work incurred by reason of fire, windstorm or other casualty paid under insurance contracts, (vi) Lessor's gross receipts taxes, personal and corporate taxes, inheritance and estate taxes, franchise, gift or transfer taxes (vii) fines, penalties and other government imposed charges inclusive of interest and attorney fees incurred solely as a result of Lessor's failure to comply with legal or regulatory requirements, (viii) costs relating to the assessed valuation of the Premises including attorneys' fees, except for any costs or expenses incurred by Lessor in challenging tax assessments at the request of Lessee; (ix) capital expenditures except to the extent such expenditures reduce other Operating Expenses (but only to the extent of the reduction of Operating Expenses) or are required as a result of changes in applicable governmental requirements enacted after the Lease Commencement Date, in either which case such capital expenditure costs shall be amortized by Lessor on a straight line basis over the useful life of the expenditures and treated as Operating Expenses hereunder, (x) construction defects or repairs due to the negligent or willful acts or omissions of Lessor or its agents or others under its control, (xi) advertising or other promotional costs concerning the Premises, (xii) ground lease payments, payments on mortgages or other debt obligations, (xiii) any expense which is reimbursed by insurance, warranties or third parties; (xiv) wages, salaries, or other compensation paid to any executive above the grade of building manager; (xv) expenditures for compliance with any federal, state or local law, rule, ordinance or requirement regarding the environment or hazardous waste and materials the violation of which existed at or prior to the Lease Commencement Date hereof for which Lessee is not legally responsible; (xvi) expenses of Lessor in curing defaults or performing work expressly provided in this Lease to be borne at Lessor's expense; (xvii) Lessor's general corporate overhead and administrative expenses; (xviii) penalties for late payment, including, without limitation, penalties for late payment of taxes, equipment leases, and other amounts owing by Lessor; (xix) wages, salaries, benefits and expenses attributable to off-site personnel; (xx) except for emergencies, rentals and other related expenses, if any, incurred in leasing air conditioning systems, elevators or other equipment ordinarily considered to be of a capital nature except equipment the costs of would have been included in Operating Expenses had Lessor purchased such equipment, but not any amounts in excess of the Operating Expenses that Lessor would have incurred had Lessor purchased such equipment; (xxi) initial costs of constructing the Building, the other improvements, the Tenant Improvements and the parking lots, driveways, sidewalks,

landscaping, courtyard and any other improvements on the Premises; (xxii) the costs of any initial "tap fees" or one time lump sum sewer or water connection fees for the Premises; (xxiii) costs or fees relating to the defense of Lessor's title to or interest in the Premises, or any part thereof, or any costs or expenses associated with any sale or finance transaction; (xxiv) expenses and costs of encapsulation, removal, or abatement of substances located on the Premises prior to the Lease Commencement Date; (xxv) costs or expenses, including judgments, incurred in connection with tort claims against Lessor (including the cost of investigating, defending, or settling the same), (xxvi) payments to subsidiaries or affiliates of Lessor for goods or services which as a result of a non-competitive selection process materially exceed the cost of such goods or services if obtained by parties unaffiliated with Lessor; and (xxvii) costs for the acquisition of sculpture, paintings or other objects of art unless Lessee expressly consents in writing, (xxviii) any costs for insurance that are not considered Insurance Premiums, and (xxv) any charges otherwise payable by Lessee under another provision of this Lease (i.e. no duplicative charges).

Notwithstanding any terms of this Lease to the contrary, nothing contained in this Section 8 or elsewhere in this Lease shall obligate Lessee to pay (i) any income, profit, franchise, excise, capital levy or similar taxes that may be imposed upon or assessed against Lessor with respect to the Premises, the Rent or income derived from this Lease, under any law now in force or hereafter enacted, or (ii) to pay any inheritance, estate, succession, gift or any form of property transfer tax or indebtedness tax which may be assessed or levied against Lessor or any mortgagee of Lessor (excluding any real estate assessments based on value after a transfer to a third party).

(c) *Utilities.* Prior to the Lease Commencement Date, Lessor shall make available all utilities necessary for operating the Premises for the Permitted Use, including gas, water and electricity, which shall be separately metered to the Premises. The Lessee shall pay for all separately metered utilities, including, but not limited to, electric, gas, sewer and water (to the extent such services are not Lessor's obligation hereunder) directly to the utility or other service provider, including, but not limited to, costs related to security for the Premises. In the event that at any time during the Term any utility or service becomes unavailable due to act or omission of Lessor and causes closing of the Premises to the public, all rent and additional rent shall abate during the continuance thereof.

(d) *Permitted Contests/Audit Right.* The Lessee may contest the amount or validity of any imposition described in this Section and paid by Lessee as an Operating Expense or Tax by appropriate proceedings. The Lessor, at the Lessee's sole expense, shall join in any such contestation proceedings if any Law (as defined in Section 21 below) shall so require or as reasonably requested by Lessee and execute or join in the execution of any instruments or documents necessary in connection with such contest or proceedings. Within two (2) years of the issuance of any statement under this Section, Lessee or its authorized representatives may, at any reasonable time, upon seven (7) days prior written notice to Lessor, have the right to audit Lessor's business records relating to such statement for the period covered by the statement. In the event the audit discloses an over-billing, Lessor shall pay such amount to Lessee. In addition, if the audit discloses an over-billing of more than five percent (5%), Lessor shall reimburse Lessee for the cost of the audit. Lessee's right to audit shall be restricted to one (1) time per calendar year and shall be completed within ninety (90) days after its notice to Lessor.

(e) Payment. In case any person to whom any sum is directly payable by the Lessee under any of the provisions of this Lease shall refuse to accept payment of such sum from the Lessee, the Lessee shall thereupon give written notice of such fact to the Lessor and shall pay such sum directly to the Lessor, who shall thereupon pay such sum to such person.

9. Alterations/Signage. (a) Except for the Lessee's Work, Lessee shall not make any material alterations, or additions or leasehold improvements to the Premises ("Alterations") without Lessor's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Lessee shall have the right to make Alterations to the Premises which do not exceed in cost Fifty Thousand Dollars (\$50,000.00) without Lessor's consent as long as such Alterations comply with applicable laws, and do not adversely affect the structural integrity of the Building or building systems installed by Lessor. Lessee shall be entitled to remove from the Premises during the Term all Alterations, tenant improvements constructed or installed by Lessee and any and all furniture, removable trade fixtures, specialized utilities installed by Lessee, equipment and personal property ("Fixtures") installed or located on or in the Premises provided that the Lessee substantially repair any and all damage caused by the removal of the Fixtures. Lessee must remove all of Lessee's furniture, removable trade fixtures, equipment and personal property upon surrender of the Premises. Subject to Section 27 herein, all Alterations and Fixtures that Lessee does not remove within ten (10) days of the expiration of the Term shall be surrendered with the Premises at the termination of this Lease. Nothing contained in the Lease or this Section 9 shall obligate Lessee in any way to remove its Tenant Improvements or Alterations from the Premises after the expiration of the Term.

(b) Lessee shall have the right to affix its standard signage, including a sign on the exterior of the Building and/or a monument sign on the Land and any other signage permitted by applicable law. In addition, Lessee shall have the right to install replacement signage on the Building or anywhere on the Land. Lessor shall maintain all signage on the Building and Land in good condition and repair. All such signs shall comply with all applicable zoning laws and shall be subject to City and/or County permits, if any.

10. Lessee's Property. To the maximum extent permitted by applicable laws, Lessor hereby waives any rights which Lessor may have as to any of Lessee's furniture, fixtures, equipment, signs and other personal property, and Lessee's Work and any Alterations in the nature of a Lessor's lien, security interest or otherwise and further waives the right to enforce any such lien or security interest. All such property shall remain the property of Lessee.

11. Environmental. (a) Lessee, its agents, employees, contractors, invitees or licensees (collectively, "Lessee Parties") shall not cause or permit any hazardous or toxic substances, materials or waste, including, without limitation, asbestos ("Hazardous Substances") to be used, generated, stored or disposed of in, on or under, or transported to or from the Premises except in quantities similar to those quantities usually kept on similar premises by others in the same business or profession as Lessee's and in accordance with the Permitted Use; provided, however, Lessee shall at all times and in all material respects comply with all local, state, and federal laws, ordinances, rules, regulations and orders, whether now in existence or hereafter adopted relating to Hazardous Substances or otherwise pertaining to the environment (the "Environmental Laws") and further provided that, in the event any

Enforcement Agency requires removal of any Hazardous Substance used, generated, stored or disposed of in, on or under, or transported to or from the Premises by Lessee or Lessee Parties; then Lessee shall cause to be removed from the Premises such Hazardous Substances in accordance with good business practices and Environmental Laws, such removal to be performed by persons or entities duly qualified to handle and dispose of Hazardous Substances. Without limiting the generality of the foregoing, Lessor acknowledges that the following Hazardous Substances, among others, are required for Lessee's business operations and agrees that Lessee shall be permitted to store, use and dispose of the same in accordance with applicable law: bleach, cidex, hibiclona, metrocide, hydrogen peroxide, and formaldehyde. Lessee shall indemnify, defend, protect, and hold Lessor harmless from and against any and all claims, liabilities, penalties, fines, judgment, forfeitures, losses, costs (including clean-up costs) or expenses (including reasonable attorneys' fees, consultant's fees and expert's fees) arising out of Lessee's or Lessee's Parties' breach of its obligations under this Section or with respect to any Hazardous Substances located on or about the Premises by Lessee. The foregoing indemnity shall survive the expiration or earlier termination of this Lease for a period of twenty-four (24) months.

(b) Lessee shall promptly deliver to Lessor copies of all notices made by Lessee to, or received by Lessee from, any state, county, municipal or other agency having authority to enforce any environmental law or from the United States Occupational Safety and Health Administration (each an "Enforcement Agency") concerning environmental matters or Hazardous Substances at the Premises. Lessor shall promptly deliver to Lessee copies of all notices received by Lessor from any Enforcement Agency concerning environmental matters or Hazardous Substances at the Premises.

(c) Lessor represents and warrants to Lessee that, to the best of Lessor's knowledge, after due inquiry, there are no Hazardous Substances on, in or about the Land or the Premises as of the Effective Date. Lessor shall indemnify, defend, protect, and hold Lessee harmless from and against any and all claims, liabilities, penalties, fines, judgment, forfeitures, losses, costs (including clean-up costs) or expenses (including reasonable attorneys' fees, consultant's fees and expert's fees) arising out of any violation of an Environmental Law or the presence of any Hazardous Substances on, in or about the Land or Premises, unless caused by Lessee or Lessee Parties. The foregoing indemnity shall survive the expiration or earlier termination of this Lease.

12. Damage to Building by Fire or Casualty. In the event the Building shall be damaged by fire or other casualty during the Term, whereby the same shall be rendered untenable, then

(a) if the damage to the Building is so substantial ("Substantial Damage") that either: (1) the repair, restoration or rehabilitation of the Building (excluding the Lessee's Work) cannot reasonably be expected to be substantially completed within one hundred eighty (180) days from the date of such Substantial Damage, or (2) so much of the Building is destroyed or rendered untenable by such fire or other casualty as to make use of the Premises as a dialysis facility operating at least seventy-five percent (75%) of the certified dialysis stations operating prior to the fire or casualty impracticable for a period of one hundred twenty (120) days, then Lessee may elect to terminate this Lease by giving written notice to the other party within thirty (30) days after the expiration of such one hundred twenty (120) day period, or

(b) if not so terminated, subject to and to the extent of receipt and availability of insurance proceeds, Lessor shall proceed with all due diligence to repair, restore or rehabilitate the Premises (except for the Lessee's Work), at Lessor's expense and Lessee shall proceed with all due diligence to restore the Lessee's Work, at Lessee's expense, in each case to substantially its former condition immediately prior to such damage or destruction, in which event this Lease shall not terminate; provided, however, if insurance proceeds are not sufficient to restore the Building (except the Lessee's Work) to their prior condition and Lessor does not contribute the deficiency, then Lessee may terminate this Lease by written notice to Lessor.

If the Building is rendered wholly or partially untenable by fire or other casualty, there shall be an equitable abatement of Rent due the Lessor by the Lessee during the period (the "Abatement Period") from the date of fire or other casualty until the date that is the earlier of (i) the date on which the Building is fully restored, or (ii) ninety (90) days after Lessor completes restoration of the Building (except the Lessee's Work) such that Lessee's restoration work can commence.

In the event that the Building is partially damaged by fire or casualty, but such damage is not Substantial Damage, then Lessor, subject to and to the extent of receipt and availability of insurance proceeds, shall immediately proceed with all due diligence to repair and restore the Building (except the Lessee's Work) and Rent shall abate in proportion to the untenability of the Premises during the Abatement Period; provided, however, if insurance proceeds are not sufficient to restore the Building (except the Lessee's Work) to its prior condition and Lessor does not contribute the deficiency, then Lessee may terminate this Lease by written notice to Lessor.

Lessee's insurance proceeds related to any tenant improvements (including the Lessee's Work or other items) shall be used by Lessee solely to restore such tenant improvements or other items.

13. Eminent Domain. If the entire Premises shall be taken or condemned for any public or quasi-public use or purpose, the Term shall end upon, and not before, the date of the taking of possession by the condemning authority, and without apportionment of the award. Lessee hereby assigns to Lessor, Lessee's interest in such award, if any. Lessee shall be entitled

to pursue a separate award which compensates Lessee for the unamortized cost of the Lessee's improvements and relocation expenses. Rent shall be apportioned as of the date of such termination. Except as set forth in the preceding sentence, Lessee shall have no right to share in the condemnation award or in any judgment for damages caused by such taking or the change or restriction of access. If there is a taking or condemnation of a Substantial Part of the Building (as defined below) or permanent lack of access to the Premises, then Lessor or Lessee shall have the right to terminate this Lease by giving the other party not less than thirty (30) days written notice prior to the date of cancellation designated in the notice but in any event not later than sixty (60) days after the date such party is notified of such taking or condemnation or permanent lack of access, in which event Rent shall be apportioned as of the date of such termination. A taking or condemnation of a "Substantial Part" of the Building is defined as such a taking or condemnation as renders impracticable the use of the Building as a dialysis facility operating at least seventy-five percent (75%) of the certified dialysis stations operating prior to such taking or condemnation. No money or other consideration shall be payable by Lessor to Lessee or Lessee to Lessor for the right of cancellation. In the event of any taking or condemnation involving the Building or lack of access to or from the Premises which does not result in the termination of this Lease, Lessor shall, subject to and to the extent of receipt and availability of the condemnation award, restore the Premises to substantially the condition prior to such taking with all due diligence and Rent shall abate in proportion to the untenability of the Premises during the period of restoration and, to the extent appropriate, for the remainder of the Term; provided, however, if condemnation proceeds are not sufficient to restore the Premises to their prior condition and Lessor does not contribute to the deficiency, then Lessee may terminate this Lease by written notice to Lessor.

14. Right of Entry by Lessor. The Lessor, or any of its agents, shall have the right to enter said Premises upon reasonable and at least twenty-four (24) hours prior notice (except in cases of emergency, in which case any reasonable notice is sufficient) to examine same and perform any maintenance and repairs as required herein or deemed necessary by Lessor, and upon reasonable and at least twenty-four (24) hours prior notice to exhibit said Premises, and to put or keep upon the doors or windows thereof a notice "FOR RENT" at any time within one hundred eighty (180) days before the expiration of this Lease, and Lessor agrees to use commercially reasonable efforts to minimize interference with Lessee's use of the Premises.

Any work done by Lessor to the Premises shall be performed during hours that Lessee is not open for business (except in emergencies) unless Lessee, in the exercise of its reasonable discretion, otherwise agrees. Any restoration work or alteration work at the Premises which is necessitated by or results from Lessor's entry shall be performed by Lessor at its expense.

Notwithstanding any of Lessor's rights to enter the Premises pursuant to the terms of this Lease, Lessor shall not cause Lessee to in any way violate any laws, regulations or ordinances intended to protect the rights and privacy of Lessee's patients, including those relating to any and all patient records, which at any time, Lessee shall be able to secure in locked storage units or remove from the Premises.

15. Indemnity. Lessee hereby agrees to indemnify and hold Lessor harmless from and against any cost, damage, claim, liability or expense (including attorneys' fees) incurred by or claimed against Lessor as a result of any breach of this Lease or negligent act of the Lessee in or

on the Premises. Lessor hereby agrees to indemnify and hold Lessee harmless from and against any cost, damage, claim, liability or expense (including attorneys' fees) incurred by or claimed against Lessee as a result of any breach of this Lease or negligent act of the Lessor or its agents or representatives in or on the Premises. The indemnity set forth in this Section shall survive the expiration of the Term for a period of twelve (12) months.

16. Default and Remedies.

(a) Lessee Default. The following shall be events of default (a "Default") by the Lessee:

(i) Lessee fails to pay Rent hereunder when due and such Rent remains due and unpaid for ten (10) days following Lessee's receipt of written notice of such default from Lessor to Lessee,

(ii) Lessee defaults in the performance of any other provision of this Lease and such default is not cured within thirty (30) days following Lessee's receipt of written notice from Lessor specifying such default (unless such default is not reasonably capable of being cured within such thirty (30) day period and Lessee is diligently prosecuting such cure to completion),

(iii) should Lessee be adjudged bankrupt, or should the Lessee make an assignment for the benefit of its creditors, or should a receiver be appointed for the said Lessee and such receiver is not dismissed within sixty (60) days of his appointment.

(b) Lessor's Remedies. In the event of Lessee's Default, Lessor may take any or all of the following actions:

(i) perform on behalf of and at the expense of Lessee any obligation of Lessee under this Lease which Lessee has failed to perform, without prior notice to Lessee, the total cost of which, together with interest thereon at the rate of interest equal to the prime rate of interest as published by The Wall Street Journal from time to time, plus four percent (4%) per annum, with each change in such prime rate being effective on the date such change is published (the "Default Rate") from the date of such expenditure, shall be deemed Additional Rent and shall be payable by Lessee to Lessor upon demand;

(ii) with or without terminating this Lease and the tenancy created hereby, re-enter the Premises upon court action or summary proceedings, remove Lessee and all other persons and property from the Premises, and store any such property in a public warehouse or elsewhere at the costs of and for the account of Lessee, all without resort to legal process and without Lessor being deemed guilty of trespass or becoming liable for any loss or damage occasioned thereby;

(iii) with or without terminating this Lease, relet the Premises or any part thereof upon such term or terms (which may be for a term extending beyond the term of this

Lease) at such rental or rentals and upon such other terms and conditions as Lessor in its reasonable discretion may deem advisable;

- (iv) enforce any provision of this Lease or any other agreement between the parties by injunction, temporary restraining order or other similar equitable remedy, to which Lessee hereby expressly consents and agrees; and/or
- (v) exercise any other legal or equitable right or remedy which it may have by law.

No reentry or taking possession of the Premises by Lessor shall be construed as an election on its part to terminate this Lease unless a written notice of such intention be given to Lessee or unless the termination thereof be decreed by a court of competent jurisdiction. All of Lessee's obligations hereunder to pay Base Rent and/or Additional Rent shall survive any such termination. Notwithstanding that the Lessor may have re-leased the Premises without termination, Lessor may at anytime thereafter elect to terminate this Lease for any previous Default. If the Premises or any part thereof is re-leased, Lessor shall not be liable for, nor shall Lessee's obligations hereunder be diminished by reason of, any failure by Lessor to relet the Premises or any failure by Lessor to collect any Rent due upon such reletting. No action taken by Lessor under the provisions of this Section shall operate as a waiver of any right which Lessor would otherwise have against Lessee for the Rent hereby reserved or otherwise, and Lessee shall at all times remain responsible to Lessor for any loss and/or damage suffered by Lessor by reason of any Default. Lessor shall use reasonable efforts to mitigate its damages due to a Default.

(c) Damages. Upon any Default, Lessee shall remain liable to Lessor for the following amounts: (i) any Rent of any kind whatsoever which may have become due with respect to the period in the Term which has already expired; (ii) all Rent which becomes due during the remainder of the Term, less any rents obtained by Lessor as a result of Lessor's reletting the Premises; and (iii) all costs, fees and expenses incurred by Lessor in pursuit of its remedies hereunder, including but not limited to reasonable attorneys' fees and court costs. All such amounts shall be due and payable immediately upon demand by Lessor (and as to subsection (ii) above, as such Rent becomes due) and shall bear interest at the Default Rate until paid. Lessor shall affirmatively list the Premises with its broker as available for lease (to the extent Lessor's contract with such broker does not already apply to all vacant space at the Building), and Lessee shall receive a reduction and reimbursement of all such amounts which is equal to the amount of any rent actually received from others to whom the Premises may be rented during the remainder of the original Term, but in no event shall Lessee be entitled to amounts collected by Lessor in excess of the amounts due under this Lease.

(d) Lessor Default and Lessee Remedies. Subject to the terms and provisions herein below, and in addition to any other remedy expressly available to Lessee pursuant to this Lease or at law or in equity, should Lessor fail to perform any term or covenant under this Lease (each and any such failure being herein sometimes referred to as a "Lessor Default") and if any such Lessor Default shall not be cured and shall accordingly be continuing ten (10) days following written notice by Lessee to Lessor of such Lessor Default (in the event that such Lessor Default consists of a breach or failure by Lessor to pay any monetary amount due and payable by Lessor to Lessee) or thirty (30) days following written notice by Lessee to Lessor of such Lessor Default

(in the event such default consists of a breach or failure by Lessor to comply with any obligation of Lessor other than one involving the payment of a monetary amount payable by Lessor to Lessee hereunder), then, in either such event, Lessee shall have the option of reasonably remedying such Lessor Default and, in connection therewith, incurring reasonable expenses for the account of Lessor, and any and all such sums expended or obligations incurred by Lessee in connection therewith shall be paid by Lessor to Lessee within thirty (30) days following receipt of invoice from Lessee with copies of fully paid receipts; provided, that if the non-monetary Lessor Default in question is not reasonably capable of being cured within the thirty (30) day period set forth above, such thirty (30) day period shall be extended for an additional period not to exceed a total of sixty (60) days as long as Lessor continues to use diligent and commercially reasonable efforts to cure such Lessor Default.

17. Insurance. (a) *Lessee's Insurance.* Lessee shall keep its personal property, equipment, trade fixtures and the Tenant Improvements insured for full replacement value against loss by fire and casualty, under an all risk policy with extended coverage endorsements. In addition thereto, Lessee shall obtain and keep in force with respect to the Premises commercial general liability insurance in a minimum amount of One Million Dollars (\$1,000,000) per claim and Three Million Dollars (\$3,000,000) in the aggregate for both bodily injury and property damage. Lessee may carry any insurance required by this Lease under a blanket policy as long as such blanket policy provides for coverage of not less than \$50,000,000 in the aggregate.

Each liability insurance policy described above (except employer's liability policies) shall name Lessor as an additional insured. All such policies shall (i) be issued by insurers licensed to do business in the state in which the Premises is located; and (ii) be written on an occurrence (and not claims-made) basis. Upon Lessor's request, Lessee shall deliver to Lessor certificates of insurance reasonably satisfactory to Lessor for each such policy required above. Within fifteen (15) days prior to the date any such policy expires, Lessee shall deliver to Lessor a certificate of renewal evidencing replacement of the policy. The limits of insurance required by this Lease or as otherwise carried by Lessee shall not limit the liability of Lessee or relieve Lessee of any obligations under this Lease, except to the extent provided in any waiver of subrogation contained in this Lease. Lessee shall have sole responsibility for payment of all deductibles, except where the insured event is caused by the negligence or willful misconduct of Lessor or Lessor's agents or representatives.

(b) *Lessor's Insurance.* Lessor covenants and agrees to keep the Building, including the Premises, insured against loss by fire and casualty, under a special form property insurance policy for full replacement value. In addition thereto, Lessor shall obtain and keep in force with respect to the Building, including the Premises, commercial general liability insurance in a minimum amount of One Million Dollars (\$1,000,000) per claim and Three Million Dollars (\$3,000,000) in the aggregate for both bodily injury and property damage.

Each liability insurance policy described above (except employer's liability policies) shall name Lessee as additional insured. All such policies shall (i) be issued by insurers licensed to do business in the state in which the Premises is located; (ii) be written on an occurrence (and not claims-made) basis and (iii) be at competitive rates. Upon Lessee's request, Lessor shall deliver to Lessee certificates of insurance reasonably satisfactory to Lessee for each such policy

required above. Within fifteen (15) days prior to the date any such policy expires, Lessor shall deliver to Lessee a certificate of renewal evidencing replacement of the policy. The limits of insurance required by this Lease or as otherwise carried by Lessor shall not limit the liability of Lessor or relieve Lessor of any obligations under this Lease, except to the extent otherwise provided herein.

18. Subrogation. Each of the parties hereto hereby releases the other and the other's partners, agents and employees, to the extent of each party's insurance coverage required hereunder, from any and all liability for any loss or damage which may be inflicted upon the property of such party even if such loss or damage shall be brought about by the fault or negligence of the other party, its partners, agents or employees; provided, however, that this release shall be effective only with respect to loss or damage occurring during such time as the appropriate policy of insurance shall contain a clause to the effect that this release shall not affect said policy or the right of the insured to recover thereunder. If any policy does not permit such a waiver, and if the party to benefit therefrom requests that such a waiver be obtained, the other party agrees to obtain an endorsement to its insurance policies permitting such waiver of subrogation if it is commercially available and if such policies do not provide therefor. If an additional premium is charged for such waiver, the party benefiting therefrom, if it desires to have the waiver, agrees to pay to the other the amount of such additional premium promptly upon being billed therefor.

19. Repairs and Maintenance. Lessor, at its sole cost and expense, shall maintain and keep in good order and repair and make any necessary replacements to the parking areas, landscaping and any irrigation system(s) related to the Premises, and also all structural elements, including, without limitation, the roof, roof membrane, roof covering, concrete slab, footings, imbedded utility lines (including electrical wiring and plumbing) of the Building, windows, exterior doors, exterior walls of the Building, foundation and structural components of the Building, the sprinkler system in the Building, and all electrical, gas, water, HVAC and all other plumbing and mechanical equipment servicing the Building and any appliances furnished by Lessor in the Building and all common areas on the Land.

In the event Lessor fails to promptly make or commence and diligently prosecute any repairs or replacements or maintenance required to be made by Lessor under this Lease, Lessee at its option, after Lessor's failure to cure such default on or before thirty (30) days after notice to Lessor or, if such default cannot be cured within such thirty (30) day period, Lessor shall fail to commence to cure such default with all due diligence before the expiration of such thirty (30) days and diligently pursue the same to completion, may make the repairs or replacements and perform the maintenance for and on behalf of Lessor, and may offset the cost thereof against Base Rent coming due. Notwithstanding the foregoing, if an emergency exists, Lessee may take reasonable steps to protect its property, and make the repairs and replacements and perform the maintenance for and on behalf of Lessor without notice to Lessor.

Except for Lessor's obligations set forth above, Lessee agrees to maintain and repair all interior portions of the Premises (including interior doors and interior plate glass and any specialized utilities installed by Lessee) in good and clean condition, order and repair, as reasonably determined by Lessee, excepting only reasonable wear and tear arising from the use thereof and damage by fire or other casualty; provided, that Lessor shall be responsible for

repairing and replacing any damage to the Premises caused by the willful acts or negligence of Lessor or its agents, subject to the provisions of Section 18 above.

Lessee shall (a) use commercially reasonable efforts to bond or have released any mechanics', materialman's or other lien filed or claimed against any or all of the Land or the Premises or any other property owned or leased by Lessor by reason of labor or materials provided for Lessee or any of its contractors or subcontractors, or otherwise arising out of Lessee's use or occupancy of the Premises; and (b) defend, indemnify and hold harmless Lessor against and from any and all liability or expense (including but not limited to attorneys' fees) incurred by Lessor on account of any such lien or claim.

In the event Lessee fails to use commercially reasonable efforts to make or commence and diligently prosecute any repairs or replacements, or perform any alteration or maintenance required to be made by Lessee under this Lease, Lessor at its option and at Lessee's expense, except as otherwise provided herein, after Lessee's failure to cure such default on or before thirty (30) days after notice to Lessee or, if such default cannot be cured within such thirty (30) day period, Lessee shall fail to commence to cure such default with all due diligence before the expiration of such thirty (30) days and diligently pursue the same to completion, may make the repairs or replacements and perform the maintenance for and on behalf of Lessee, and Lessee shall, on or before ten (10) days after receipt of notice, pay to Lessor all reasonable cost and expense incurred by Lessor in making such repairs and replacements and performing such maintenance. Notwithstanding the foregoing, if an emergency exists, Lessor may make the repairs and replacements and perform the maintenance for and on behalf of Lessee without notice to Lessee.

20. Brokers. Lessor and Lessee each represent to the other that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, other than OGA Realty, LLC, as Lessee's representative ("Lessee's Broker") and BARBER/Murphy Group Inc., as Lessor's representative ("Lessor's Broker"). Any and all payments due to Lessee's Broker and Lessor's Broker in connection with the negotiation and execution of this Lease shall be paid in full by Lessor in accordance with a separate agreement between the parties. Each party hereto shall indemnify the other against any inaccuracy in such party's representation contained in this Section.

21. Compliance with Laws. Lessee hereby agrees to comply with all applicable federal, state and local laws, ordinances, rules and regulations ("Laws") with respect to Lessee's manner of use of the Premises throughout the Term; provided, however, that Lessee shall only be responsible for the cost and expense of such compliance to the extent it relates to the interior of the Premises, and in all events, Lessee shall not be responsible for compliance that requires structural changes, which are the responsibility of Lessor.

Lessor shall cause the Premises to comply with all applicable Laws, including the Americans with Disabilities Act (the "ADA"). Lessor represents and warrants to Lessee that (i) the Base Rent was determined in arms' length negotiations and is within fair market value; (ii) the terms and conditions of this Lease are on commercially reasonable terms; and (iii) to Lessor's knowledge, the Land is in compliance with all applicable Laws, including the ADA, as of the Effective Date. Notwithstanding that the foregoing representation is limited to Lessor's

knowledge, if after the Effective Date, Lessee reasonably determines that the Land is not in compliance with applicable Laws and that remediation of the Land should occur as a result thereof, Lessor shall use reasonable efforts to complete such remediation in a timely manner or as otherwise required by applicable Law related thereto, which remediation shall be at Lessor's sole cost and expense.

22. Subordination; Leasehold Mortgage. This Lease shall be subject and subordinate to the lien, operation and effect of each mortgage, deed of trust, ground lease and/or other similar instrument covering any or all of the Premises or the Land, and each renewal, modification or extension thereof (each of which referred to as a "Mortgage"), all automatically and without the necessity of any further action by either party hereto, provided, however, that Lessor delivers to Lessee a customary Subordination, Non-Disturbance and Attornment Agreement in the form attached hereto as Exhibit D ("SNDA"), executed by Lessor and the beneficiary under any such Mortgage (referred to as a "Mortgagee"). In the event the Mortgagee or a purchaser at foreclosure succeeds to the interest of Lessor hereunder through foreclosure or otherwise, such Mortgagee or a purchaser shall honor this Lease and not disturb Lessee in its possession of the Premises except upon Lessee's Default and such Mortgagee or purchaser and Lessee shall enter into an agreement consistent with the foregoing, in substance reasonably acceptable to Lessee. Without limitation, Lessor shall deliver to Lessee a SNDA in the form attached hereto from National Bank, as Lessor's lender. In addition, Lessee shall attorn to any such Mortgagee and agrees that such Mortgagee shall not be liable to Lessee for any defaults by Lessor under this Lease or for any other event occurring prior to such Mortgagee's succeeding to the interest of Lessor hereunder. Lessee shall, within ten (10) days after request by Lessor or any Mortgagee, execute, acknowledge and deliver such further instrument as is reasonably requested by Lessor or any Mortgagee and is acceptable to Lessee, to acknowledge the rights of the parties described in this Section and providing such other information and certifications as is reasonably requested. Any Mortgagee may at any time subordinate the lien of its Mortgage to the operation and effect of this Lease without obtaining Lessee's consent thereto, in which event this Lease shall be deemed to be senior to such Mortgage without regard to their respective dates of execution, delivery and/or recordation among the land records of the jurisdiction in which the Property is located. Lessor hereby represents that the only mortgage currently encumbering the Building or the Land is in favor of National Bank and that the Land is not currently subject to any ground lease.

Lessor consents to the grant by Lessee of a mortgage or deed of trust, or other proper instrument (a "Leasehold Mortgage"), as security for any debt, in favor of an unaffiliated third party lender, on Lessee's interest in this Lease, and Lessee's interest in any improvements or equipment located on the Premises. Any transfer of the Lease or the Lessee's interest in the Premises to the leasehold mortgagee or its nominee through exercise of the power of sale or similar remedy under the Leasehold Mortgage shall be deemed to be consented to by Lessor. Lessor shall accept performance by such leasehold mortgagee of this Lease with the same force and effect as though timely performed by Lessee. Upon Lessee's request, Lessor shall execute an agreement in favor of such leasehold mortgagee consenting to a leasehold mortgage, provided that such consent is in a form reasonably satisfactory to Lessor.

23. Quiet Enjoyment. Lessee, upon paying the Rent and performing all of the terms and covenants of this Lease on Lessee's part to be kept, observed, and performed, shall quietly

have and enjoy the Premises during the Term, and Lessee's use and enjoyment of the Premises shall not be disturbed by any Mortgagee as provided for in Section 22 above.

24. Memorandum of Lease. At Lessee's request, Lessor shall enter into a memorandum or notice of this Lease in customary form and substance and in recordable form and reasonably satisfactory to Lessor and Lessee, and Lessor shall be responsible for the preparation thereof and the cost and obligation of recording the same.

25. Notices. All notices, demands and requests which may be or are required to be given by either party to the other shall be in writing and shall be either (a) sent by registered or certified mail, return receipt requested, postage prepaid, or (b) delivered, by hand, or (c) sent by overnight courier such as Federal Express. All notices to Lessor should be addressed to Lessor at Savvi Investment, Inc., 2020 Formosa Drive, Troy, Illinois 62294, or at such other place as Lessor may from time to time designate in written notice to Lessee. All notices to Lessee shall be addressed to Lessee at c/o Renal Advantage, Inc., 1550 W. McEwen Drive, Suite 500, Franklin, Tennessee 37067, Attn: Jon Sundock, with a copy to Bass, Berry & Sims PLC, 150 Third Avenue South, Suite 2800, Nashville, Tennessee, 37201, Attn: John S. Seehorn, or to any such other place as Lessee may from time to time designate in written notice to Lessor. All notices, demands and requests which shall be served upon Lessor and Lessee in the manner aforesaid shall be deemed sufficiently served or given for all purposes hereunder.

26. Estoppel Certificate. Lessor and Lessee shall from time to time, but in no event more than twice in any twelve (12) month period, within ten (10) business days after request by the other party or any mortgagee or either party, execute, acknowledge and deliver to the requesting party (or, at request, to any existing or prospective purchaser, assignee or mortgagee) a written certification (a) that this Lease is unmodified and in full force and effect (or, if there has been any modification, stating the nature of such modification); (b) as to the dates to which the Base Rent and any Additional Rent have been paid; (c) as to the amount of any prepaid Rent or any credit due to Lessee hereunder; (d) that Lessee has accepted possession of the Premises and all improvements thereto are as required hereunder, and the date on which the Term commenced; and (e) as to whether, to the best knowledge, information and belief of such party, Lessor or Lessee is then in default in performing any of its obligations hereunder (and, if so, specifying the nature of each such default). Any such certificate may be relied upon by Lessor or Lessee, as applicable, and any such other party to whom the certificate is directed.

27. Holding Over. Notwithstanding anything contained herein to the contrary, Lessee shall have the right to remain in possession of the Premises for up to three (3) months after the Expiration Date upon the same terms and conditions of the Lease and without the occurrence of an Event of Default. In the event Lessee remains in possession of the Premises for more than three (3) months after the expiration of the Term without the written consent of Lessor, Lessee shall then be a tenant on a month to month basis and shall be obligated to pay Base Rent at one hundred twenty-five percent (125%) of the then current rate (including all adjustments) and all other sums then payable hereunder prorated on a daily basis for each day that Lessor is kept out of possession of the Premises.

28. Binding Effect. All covenants, agreements, stipulations, provisions, conditions and obligations herein expressed and set forth shall extend to, bind and inure to the benefit of, as the case may require, the successors and assigns of Lessor and Lessee respectively, as fully as if such words were written wherever reference to Lessor or Lessee occurs in this Lease.

29. Severability. If any term, covenant or condition of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

30. Applicable Law. The laws of the State of Illinois shall govern the validity, performance and enforcement of this Lease, without regard to such State's conflict-of-law principles.

31. Force Majeure. If either party hereto shall be delayed or hindered in or prevented from the performance of any obligation required hereunder by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, acts of terrorism, military or usurped power, sabotage, unusually severe weather, fire or other casualty or other reason (but excluding inadequacy of insurance proceeds, financial inability or the lack of suitable financing) of a like nature beyond the reasonable control of the party delayed in performing its obligations under this Lease ("Force Majeure Event"), the time for performance of such obligation shall be extended for the period of the delay.

32. Amendment. This Lease and the exhibits attached hereto and forming a part hereof set forth all the covenants, promises, agreements, conditions and understandings between Lessor and Lessee concerning the Premises, and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between them other than are herein set forth. No subsequent alteration, amendment, change or addition to this Lease shall be binding upon Lessor or Lessee unless reduced to writing and signed by both of them.

33. Lessor's Transfers. Lessor shall have the unrestricted right to assign or transfer its interest in this Lease to purchasers of the Land and/or the Premises, to a Mortgagee, or to any other party, other than to a person or entity which, directly or indirectly, will or does own, operate or manage dialysis centers, in which event such transferee shall assume all of Lessor's obligations hereunder and Lessor shall be released from all duties, obligations and liabilities arising hereunder after the assignment or transfer becomes effective, including but not limited to the transfer of any security deposit hereunder. Lessor must obtain the prior written consent of Lessee with respect to any proposed transfer to a person or entity which, directly or indirectly, that owns, operates or manages dialysis centers; provided that no consent shall be required as to any transfer to a real estate investor that merely owns land and improvements in which a dialysis center is located and does not directly or indirectly, through itself or an affiliate thereof, own, operate or manage such dialysis center; provided, however, the foregoing does not relieve the transferee of the restrictions contained in Section 6 above.

34. Liability Limitation. Neither Lessor nor any trustee, director, officer, employee, representative, asset manager, investment advisor or agent of Lessor, nor any of their respective successors and assigns, shall be personally liable in connection with this Lease, and Lessee shall resort solely to the Lessor's interest in the Land and the Premises, and rents and income therefrom or proceeds from the sale thereof, for the payment to Lessee of any claim or for any performance by Lessor hereunder.

35. Not an Offer. Submission of this Lease to Lessee is not an offer or agreement by Lessor to reserve the Premises. Lessor shall not be bound by the terms hereof until Lessee and Lessor have executed this Lease.

36. Authority. Each party represents and warrants to the other party hereto that the execution, delivery and performance of this Lease have been duly authorized by all required corporate, partnership or other action on the part of such party, and this Lease constitutes the valid and binding obligation of each party enforceable against such party in accordance with its terms.

37. Waiver of Jury Trial. All parties hereto hereby release and waive any and all rights provided by law to a trial by jury in any court or other legal proceeding initiated to enforce the terms of this Lease, involving any such parties, or connected in any other manner with this Lease. Lessee shall not interpose any counterclaim of any kind in any action or proceeding by Lessor to recover possession of the Premises based on non-payment of Rent. In the event of a dispute between Lessor and Lessee, Lessee shall pay Rent into the registry of the court having jurisdiction over such dispute.

38. Waiver. Neither party shall be deemed to have waived the exercise of any right which it holds hereunder unless such waiver is made expressly and in writing, and no delay or omission by a party in exercising any such right shall be deemed to be a waiver of its future exercise. No such waiver as to any instance involving the exercise of any such right shall be deemed a waiver as to any other such instance or any other such right. No payment by Lessee or receipt by Lessor of a lesser amount than the monthly Rent stipulated in this Lease shall be deemed to be other than on account of the earliest stipulated Rent, nor shall any endorsement of any check be an acknowledgment and satisfaction.

39. Time of Essence. Time shall be of the essence of this Lease.

40. Headings. The headings of the articles, subsections, paragraphs and subparagraphs hereof are provided herein only for convenience of reference and shall not be considered in construing their contents.

41. Execution in Counterparts. This Lease may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

42. Contingency. Lessor and Lessee acknowledge that due to the nature of Lessee's operations, certain consents, regulatory licenses, permits and/or approvals may be necessary in order for Lessee to commence and maintain its business operations at the Premises for the Permitted Use, including, without limitation, third party consents (including, without limitation,

necessary architect's certificates) and federal, state and local governmental and regulatory licenses, certificates of occupancy, permits and approvals needed by Lessee in its sole reasonable discretion for the operation of the Premises for the Permitted Use (collectively, "Consents"). Lessor agrees to cooperate with Lessee in obtaining such Consents. Notwithstanding anything to the contrary herein, Lessee shall have the right to terminate this Lease if Lessee has not received all such Consents at any time after the execution of this Lease by providing written notice to Lessor.

43. Roof Rights. Lessee shall have the right to install, at its sole cost and expense and using the contractor of its choice, communications equipment on the roof of the Building at no additional fee. Lessee shall obtain Lessor's prior written approval, which approval shall not be unreasonably withheld, conditioned, or delayed, prior to any penetrations to the roof. Lessee shall be solely responsible for the repair of any and all damages caused by installation, removal, or the presence of, or in any way connected with such equipment. Upon expiration or earlier termination of this Lease, Lessee shall remove such equipment and shall repair and restore the roof to the condition existing at the Lease Commencement Date of this Lease, normal wear and tear and casualty excepted.

44. Right of First Refusal. Lessee shall have a continuing first refusal ("Right of Refusal") to lease any space in the Building adjacent to the Premises as hereinafter set forth. If at any time during the Term, Lessor shall receive a bona fide offer from an unaffiliated third party to lease space adjacent to the Premises (the "Offer"), which Offer Lessor shall desire to accept, Lessor shall promptly deliver to Lessee a copy of the Offer, and Lessee may, within thirty (30) days thereafter, elect to lease such space on the same terms as those set forth in the Offer; provided that if Lessor does not execute a lease with such third party on the same terms as the Offer (or terms less favorable to such third party) within three (3) months after first delivering a copy of such Offer to Lessee, Lessor must again present such Offer to Lessee.

*[signature page follows]*

IN TESTIMONY WHEREOF, the Lessor and Lessee have caused this Lease to be executed as a sealed instrument, as of the Effective Date.

**LESSOR:**

**SAVVI INVESTMENT, INC.**

By: *[Signature]*

Its: DIDI PATR. PRESIDENT

Date: 1/28/12

**LESSEE:**

**RAI CARE CENTERS OF  
ILLINOIS I, LLC**

By: *[Signature]*

Its: COO

Date: 1/31/12

**EXHIBIT A**

**SITE PLAN**

B-1

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EXHIBIT A

= Lessee's Exclusive Parking Area

# PLAT OF SURVEY

**PART OF THE SOUTHWEST QUARTER OF SECTION 25,  
T. 2N., R. 8W. OF THE THIRD PRINCIPAL MERIDIAN,  
CITY OF O'FALLON, ST. CLAIR COUNTY, ILLINOIS**

Tract A

Part of the Southwest Quarter of Section 25, Township 2 North, Range 8 West of the Third Principal Meridian, City of O'Fallon, St. Clair County, Illinois, described as follows: Beginning at the Northeast corner of Lot 7 of the Amended Plat of Regency Park 1st Addition as recorded in Plat Book 94, page 82 of the St. Clair County, Illinois records, thence, S.00°01'47" (existing easement) westerly with the East line of said Lot 7, 217.69 feet thence, N.89°48'04" (existing easement) to the East R.O.W. line of Regency Park, thence, along said East R.O.W. line of Regency Park, N.00°01'13"E, 168.99 feet thence, continuing along a curve on said East R.O.W. line of Regency Park having a radius point to the Southeast, a radial distance of 270.00 feet, a chord bearing, N.05°08'07"E, and a chord distance of 48.14 feet to the Northwest corner of said Lot 7, thence, N.89°48'04"E, 195.71 feet to the point of beginning, containing 43,353 square feet, more or less.

Tract B

Part of the Southwest Quarter of Section 25, Township 2 North, Range 8 West of the Third Principal Meridian, City of O'Fallon, St. Clair County, Illinois, described as follows: Beginning at the Northeast corner of Lot 7 of the Amended Plat of Regency Park 1st Addition as recorded in Plat Book 94, page 82 of the St. Clair County, Illinois records, thence, S.00°01'47" (existing easement) westerly with the East line of said Lot 7, 217.69 feet to a point on the East line of said Amended Plat of Regency Park, 1st Addition said point being the point of beginning of the existing utility, water and East line of Lot 8, S.00°01'47" (existing easement) thence, S.89°48'04" (existing easement) to the East R.O.W. line of Regency Park, thence, along said East R.O.W. line of Regency Park, N.00°01'13"E, 227.41 feet thence, S.89°48'04"E, 200.00 feet to the point of beginning, containing 43,400 square feet, more or less.

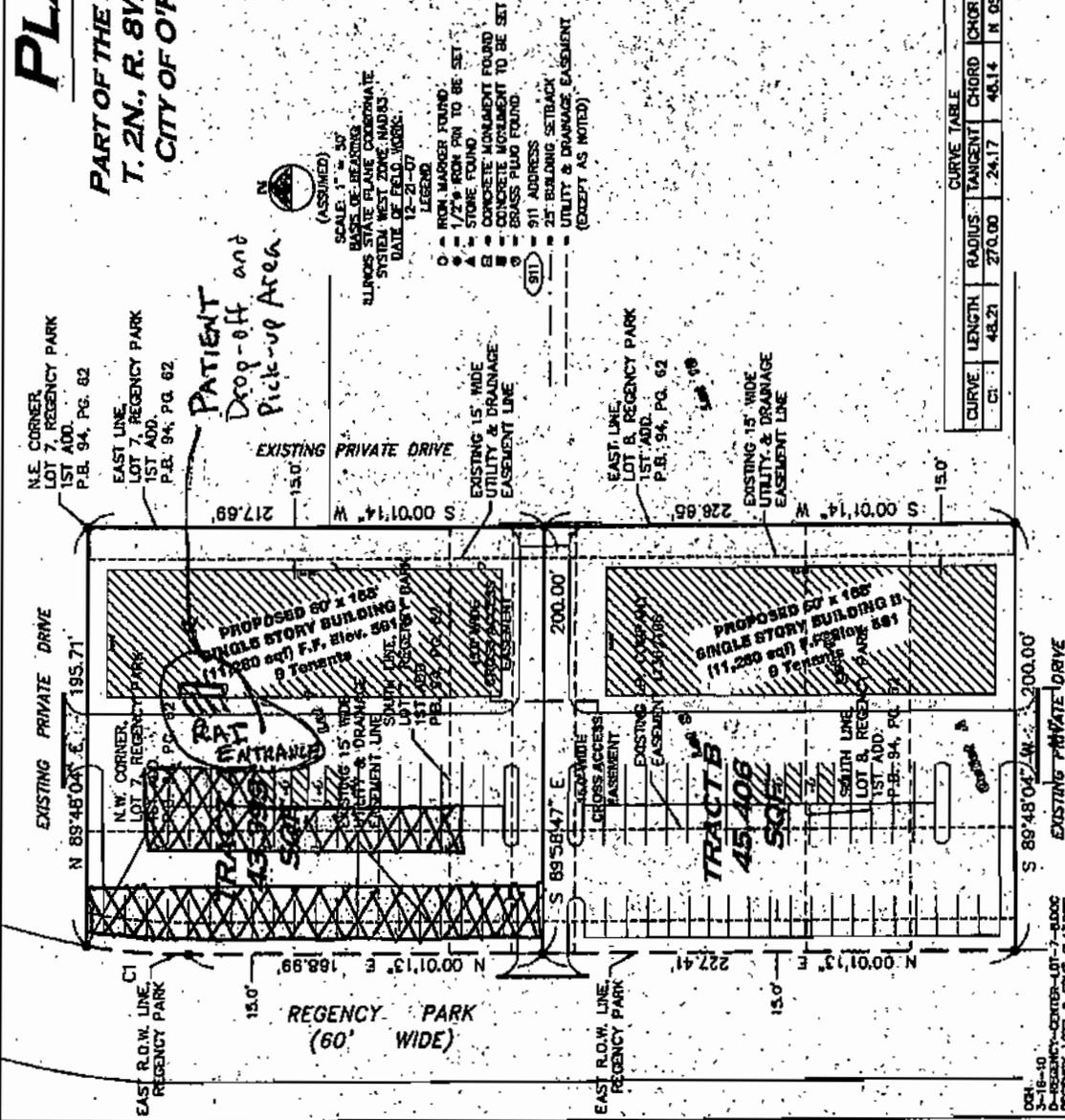
### SURVEYORS CERTIFICATE

I, the undersigned, certify that, to the best of my knowledge and belief, this is a correct representation of a survey made under my supervision at the request of, and for the exclusive use of the owners, or their representatives, in March, 2010.

Patricia R. Netemeyer, L.P.L.S. No. 2704  
Expiration Date: November 30, 2010  
Date:

It is not warranted that this plat contains complete information regarding dedications, easements, rights of way, Federal Emergency Management Agency Flood Zones, encroachments, building locations, occupation lines, or other encumbrances. For complete information, a title opinion or commitment for this insurance and FEMA maps should be obtained, reviewed, and upon request additional information can be included on this plat. This professional service conforms to the current Illinois minimum standards for a boundary survey.

NETEMEYER ENGINEERING ASSOCIATES, INC.  
L. Prd. Design Firm (LSP#055) 194-001027  
3300 Highway Road  
Aveson, Illinois 62218  
Phone: (618) 228-7910



004  
3-16-10  
D-REGANCY-CORNER-LOT-7-ADJAC  
REGANCY-LOT-9-SPLIT-PLATING

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**EXHIBIT B**

[Lessor's Work]

On or before the Lease Commencement Date, Lessor shall deliver the Premises in broom-clean condition with interior walls in good condition and repair and all building and mechanical systems in good working order. Lessor's Work shall be done in a good and workmanlike manner and in compliance with all applicable laws. Lessor's Work shall include the following:

(i) Lessor understands that Lessee's water supply line requirement is a dedicated 2 inch water supply line with a minimum of 40 psi operating pressure. However, since Lessor has a 2 inch water supply line currently supplying water to the entire building, and as long as Lessor and Lessee are in compliance with local codes, and as long as Lessee's engineers indicate that a water supply line for the Lessee's space connected to the main 2 inch water supply line will be sufficient for the Lessee, Lessee will allow the current water supply line configuration to satisfy this requirement. However, Lessee will require written assurance from Lessor that if the water demands of the other Lessee in the building (chiropractor or any another tenant in the future) were to increase, that Lessee would get dedicated access to the 2 inch water line and the other tenant would then have to be put on another water line (5/8 or a 1 inch) at the Lessor's sole expense.

(ii) Lessor understands that Lessee's sewer line requirement is for Lessor to supply a dedicated 4 inch sewer line for Lessee's space. However, since Lessor has a 6 inch sewer line currently serving the entire building, and as long as Lessor and Lessee are in compliance with local codes, and as long as Lessee's engineers indicate that a 4 inch sewer line for the Lessee's space connected to the main 6 inch sewer line will be sufficient for the Lessee, Lessee will allow the current sewer configuration to satisfy this requirement. Accordingly, Lessee will connect into the existing 6 inch service that currently is located within 5'-0" of the perimeter of Lessee's space. However, if Lessee's engineers and local codes determine this configuration is insufficient due to codes, regulations, capacity/ flow constraints or other operational constraints, then the Lessor will bring a dedicated 4 inch sewer drain line to within 5'-0" of Lessee's space at Lessor's sole expense.

(iii) Gas service will be rated to have 6 inch water column pressure and shall supply at least 800,000 BTUs.

(iv) HVAC units shall be in place, operational in good working order and be able to provide a normal range of heating and cooling for a medical use. New RTUs are already in place.

(v) Three-phase 1,000A/208V electric service.

- (vi) Provide drywall sufficient in quantity to cover all existing perimeter walls.
- (vii) Ensure the existing exterior walls have at least R-19 insulation in place.
- (viii) Dedicated entrances on the building in the locations indicated on the Site Plan.
- (ix) City approved trash enclosure with vandal proof biohazard waste section and appropriate concrete approach area. The trash area to accommodate a minimum of two 4 yard containers (one trash, one recycle), exclusively for Lessee use. In addition, a metal roof shall be installed over the biohazard section.
- (x) Full compliance with ADA and all local jurisdiction's handicap requirements. Lessor shall comply with all ADA regulations affecting the Building including, but not limited to, exterior and interior doors, concrete curb cuts, ramps and walk approaches to / from the parking lot, parking lot striping for six (6) dedicated handicap stalls (4 directly in front of building (including one van stall), and 2 on opposite side of drive aisle) inclusive of pavement markings and stall signs with current local provisions for handicap parking stalls, delivery areas and walkways.
- (xi) Inspection of roof system and, if needed, repair of any deficiencies. Roof system is to include all gutters, fascias, downspouts and ice control measures.
- (xii) Inspection of parking lot and repair of any drainage issues and holes.
- (xiii) Lessor shall reimburse Lessee for the cost of concrete materials towards completion of concrete slab floor along back of interior space promptly upon delivery of invoices from Lessee to Lessor for such work.

**EXHIBIT C**

**RENT COMMENCEMENT DATE AGREEMENT**

\_\_\_\_\_, 201\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Re: Lease Agreement (the "Lease") dated \_\_\_\_\_,  
between Savvi Investment, Inc. ("Lessor") and RAI Care Centers of  
Illinois I, LLC ("Lessee").

Lessor and Lessee agree as follows:

1. Defined Terms. Capitalized terms used herein but not defined shall be given the meanings assigned to them in the Lease.
2. Condition of Premises. Lessee has accepted possession of the Premises pursuant to the Lease. All of the condition of the Premises is satisfactory to Lessee in all respects, subject to the completion of any punch-list items.
3. Lease Commencement Date. The Lease Commencement Date of the Lease is \_\_\_\_\_, 201\_\_.
4. Expiration Date. The Initial Term of the Lease will expire on \_\_\_\_\_, 20\_\_.
5. Rent Commencement Date. The Rent Commencement Date of the Lease is \_\_\_\_\_, 201\_\_.
6. Rentable Area. The measured Rentable Area of the Premises is \_\_\_\_\_ rentable square feet.
7. Ratification. Lessor and Lessee further confirm that, as of the date hereof (a) the Lease in good standing and in full force and effect; and (b) neither of them has any known claims, counterclaims, set-offs or defenses against the other party arising out of the Lease.

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8. Binding Effect; Governing Law. Except as modified hereby, the Lease shall remain in full effect and this letter shall be binding upon Lessor and Lessee and their respective successors and assigns. If any inconsistency exists or arises between the terms of this letter and the terms of the Lease, the terms of this letter shall prevail. This letter shall be governed by the laws of the state in which the Premises are located.

9. Counterparts. This letter may be executed in counterparts, each of which shall constitute an original and which together shall constitute one and the same instrument.

[SIGNATURES ON FOLLOWING PAGE]

Executed by Lessor and Lessee on the dates set forth below to be effective as of the Rent Commencement Date set forth above.

**LESSOR:**

**SAVVI INVESTMENT, INC.**

Witness: \_\_\_\_\_

By: \_\_\_\_\_

Witness: \_\_\_\_\_

Date: \_\_\_\_\_

**LESSEE:**

**RAI CARE CENTERS OF  
ILLINOIS I, LLC**

Witness: \_\_\_\_\_

By: \_\_\_\_\_

Witness: \_\_\_\_\_

Date: \_\_\_\_\_

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EXHIBIT 1

LEASE SCHEDULE NO. 769-0002105-015  
(True Lease)

LESSOR: SIEMENS FINANCIAL SERVICES, INC.  
(Lessor)

Address: 170 Wood Ave South  
Iselin, NJ 08830

LESSEE: NATIONAL MEDICAL CARE, INC.  
a Delaware corporation  
(Lessee)  
Address: 020 Winter Street  
Waltham, MA 02451

1. Lessor and Lessee have entered into a Master Equipment Lease Agreement dated as of March 10, 2009 ("Master Lease"), including this Schedule (together, the "Lease"), pursuant to which Lessor and Lessee have agreed to lease the equipment described in Exhibit A hereto (the "Equipment"). Lessee and Lessor each reaffirm all of its respective representations, warranties and covenants set forth in the Master Lease, all of the terms and provisions of which are incorporated herein by reference, as of the date hereof. Lessee further certifies to Lessor that Lessee has selected the Equipment and prior to the execution of this Schedule has received and approved a purchase order, purchase agreement or supply contract under which the Equipment will be acquired for purposes of this Lease.

2. The Acquisition Cost of the Equipment is: \$ 3,673,373.84.

3. The Equipment will be located at the location specified in Exhibit A hereto, unless the Equipment is of the type normally used at more than one location (such as vehicular equipment, construction machinery or the like), in which case the Equipment will be used in the area specified on Exhibit A hereto.

4. TERM OF LEASE: The term for which the Equipment shall be leased shall be for 72 months (the "Initial Lease Term"), commencing on the Lease Term Commencement Date as set forth in the Acceptance Certificate to this Schedule, and expiring 03/30/2016, unless renewed, extended, or sooner terminated in accordance with the terms of the Lease.

5. RENT: (a) Payable in monthly installments on the 26th day of each month during the Initial Lease Term as follows:

Rental Payment	Number of Rental Payments	Amount of Each Rental Payment
<u>1-72</u>	<u>72</u>	<u>\$53,954.37</u>

Lessor will invoice Lessee for all sales, use and/or personal property taxes as and when due and payable in accordance with applicable law, unless Lessee delivers to Lessor a valid exemption certificate with respect to such taxes. Delivery of such certificate shall constitute Lessee's representation and warranty that no such tax shall become due and payable with respect to the Equipment and Lessee shall indemnify and hold harmless Lessor from and against any and all liability or damages, including late charges and interest which Lessor may incur by reason of the assessment of such tax.

6. OTHER PAYMENTS:

(a) Lessee agrees to pay Rental Payments in advance.

015 Exhibit 12.doc

7. **EARLY TERMINATION OPTION:** So long as no Event of Default under the Lease, nor any event which upon notice or lapse of time or both would constitute such an Event of Default has occurred and is continuing, Lessee shall have the option to terminate the Lease for all, but not less than all, of the Equipment on the rental payment date for the twenty-fourth (24th) monthly rental payment (the "Early Termination Date"). Lessee shall notify Lessor in writing of Lessee's intention to exercise such termination option at least ninety (90) days prior to the Early Termination Date of such Lease. Lessee shall pay to Lessor on the Early Termination Date an aggregate amount (the "Termination Amount") equal to: (i) all rental payments, late charges and other amounts due and owing under the Lease, including the rental payment due on the Early Termination Date; plus (ii) any and all taxes, assessments and other charges due in connection with the termination of the Lease; plus (iii) 64% of the original Acquisition Cost of the Equipment as set forth herein.

In addition to the payment of the Termination Amount, Lessee shall return all of the Equipment to Lessor on the Early Termination Date pursuant to and in the condition required by the terms of the Lease.

In the event Lessee shall not pay the Termination Amount on the Early Termination Date and return the Equipment to Lessor pursuant to, and in the condition required by the Lease, then the Lease Term for the Equipment shall continue in full force and effect and this Early Termination Option shall be null and void and of no further force or effect.

8. **EARLY PURCHASE OPTION:** So long as no Event of Default under the Lease, nor any event which upon notice or lapse of time or both would constitute such an Event of Default has occurred and is continuing, Lessee shall have the option to terminate the Lease and purchase all, but not less than all, of the Equipment on the rental payment date for the sixtieth (60th) monthly rental payment (the "Early Purchase Option Date"). Lessee shall notify Lessor in writing of Lessee's intention to exercise such early purchase option at least ninety (90) days prior to the Early Purchase Option Date of such Lease. Lessee shall pay to Lessor on the Early Purchase Option Date an aggregate amount (the "Purchase Price") equal to: (i) all rental payments, late charges and other amounts due and owing under the Lease, including the rental payment due on the Early Purchase Option Date; plus (ii) any and all taxes, assessments and other charges due in connection with the termination of the Lease and the purchase of the Equipment; plus (iii) 28.02% of the original Acquisition Cost of the Equipment as set forth herein.

Provided that Lessor shall have received the Purchase Price on the Early Purchase Option Date, Lessor shall convey all of its right, title and interest in and to the Equipment to Lessee on the Early Purchase Option Date, on an "AS-IS", "WHERE-IS" BASIS WITHOUT REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, and without recourse to Lessor; provided however, that notwithstanding anything else herein to the contrary, Lessor shall warrant that the Equipment is free and clear of all liens, charges and encumbrances created by, through or under Lessor, and that Lessor has good and lawful right, power and authority to sell said Equipment to Lessee.

In the event Lessee shall not pay the Purchase Price on the Early Purchase Option Date then the initial Lease Term or any renewal term for the Equipment shall continue in full force and effect and this Early Purchase Option shall be null and void and of no further force or effect.

9. **PURCHASE OPTION:** So long as no Event of Default, nor any event which upon notice or lapse of time or both would constitute an Event of Default, has occurred and is continuing under the Lease, and the Lease has not been earlier terminated, and upon not less than ninety (90) days prior written notice, Lessee shall have the option, upon expiration of the initial Lease Term, renewal term or Extended Term, to purchase all, but not less than all, of Lessor's right, title and interest in and to the Equipment at the end of the Lease Term for a Purchase Option Price (hereinafter defined), on the last day of the Lease Term, in immediately available funds.

The Purchase Option Price shall be equal to the Fair Market Value of the Equipment (hereinafter defined) plus any sales, use, property or excise taxes on or measured by such sale, any other amounts accrued and unpaid under the Lease and any other expenses of transfer including UCC termination fees.

The "Fair Market Value" of the Equipment, shall be determined on the basis of, and shall be equal in amount to the value which would be obtained in, an arm's-length transaction between an informed and willing buyer-user (other than a lessee currently in possession or a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value. For purposes of determining Fair Market Value it will be assumed that as of the date of determination that the Equipment is in at least the condition required by the Lease. If during or after the period of thirty (30) days from Lessor's receipt of the aforesaid written notice from Lessee of Lessee's intention to exercise said purchase option, Lessor and Lessee determine that they cannot agree upon such fair market value, then such value shall be determined in accordance with the foregoing definition by a qualified independent appraiser as selected by mutual agreement between Lessor and Lessee, or failing such agreement, by a panel of three independent appraisers, one of whom shall be selected by Lessor, the second by Lessee and the third designated by the first two selected. If any party refuses or fails to appoint an appraiser or a third appraiser cannot be agreed upon by the other two appraisers, such appraiser or appraisers shall be selected in accordance with the rules for commercial arbitration of the

015 Exhibit 12.60c

American Arbitration Association. The appraisers shall be instructed to make such determination within a period of twenty (20) days following appointment, and shall promptly communicate such determination in writing to Lessor and Lessee. The determination of Fair Market Value so made by the sole appraiser or by a majority of the appraisers, if there is more than one, shall be conclusively binding upon both Lessor and Lessee. All appraisal costs, fees and expenses shall be payable by Lessee. The sale of the Equipment by Lessor to Lessee shall be on an AS-IS, WHERE-IS basis, without recourse to, or warranty by, Lessor; provided however, that notwithstanding anything else herein to the contrary, Lessor shall warrant that the Equipment is free and clear of all liens, charges and encumbrances created by, through or under Lessor, and that Lessor has good and lawful right, power and authority to sell Equipment to Lessee.

Lessee shall be deemed to have waived this Purchase Option unless it provides Lessor written notice of its irrevocable election to exercise this option within fifteen (15) days after Lessee is advised of the Fair Market Value of the Equipment.

Lessee may elect to return all, but not less than all, of the Equipment at the end of the Initial Lease Term or any renewal term, provided that such return will only be permitted if (i) the Lessee provides the Lessor with written notice of its intention to return the Equipment not less than ninety (90) days prior to the end of the Initial Term, and (ii) the return of the Equipment is in accordance with the terms of the Lease and any Schedules, Acceptance Certificate, Riders, Exhibits and Addenda thereto.

If, for any reason whatsoever, the Lessee does not purchase the Equipment at the end of the Initial Lease Term or any renewal term in accordance with the foregoing, or exercise their option to return the Equipment as set forth above, the lease term of the Equipment shall end without further action on the part of Lessee be extended on a month-to-month basis with rentals payable monthly calculated at one hundred five percent (105%) of the highest monthly rental payable during the Initial Lease Term (the "Extended Term"). At the end of such Extended Term, the Lessee shall have the option to either: (i) return the Equipment to the Lessor in accordance with the terms of the Lease; or (ii) purchase the Equipment for its then Fair Market Value as determined in accordance with the provisions set forth above. The Extended Term shall continue until (a) Lessee provides Lessor with not less than ninety (90) days prior written notice of the anticipated date Lessee will return the Equipment and Lessee returns the Equipment in accordance with the return provisions of this Lease, or (b) Lessee provides Lessor with not less than ninety (90) days prior written notice of Lessee's exercise of its Fair Market Value purchase option with respect to the Equipment.

10. STIPULATED LOSS VALUES:

Rental Payment #	Percentage of Acquisition Cost	Rental Payment #	Percentage of Acquisition Cost
1	101.47	37	60.22
2	100.61	38	58.94
3	99.55	39	57.66
4	98.58	40	56.37
5	97.55	41	55.08
6	96.53	42	53.78
7	95.48	43	52.47
8	94.41	44	51.16
9	93.33	45	49.84
10	92.25	46	48.51
11	91.15	47	47.18
12	90.05	48	45.84
13	88.95	49	44.50
14	87.83	50	43.15
15	86.71	51	41.78
16	85.58	52	40.43
17	84.44	53	39.06
18	83.29	54	37.69
19	82.14	55	36.31

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Rental Payment #	Percentage of Acquisition Cost	Rental Payment #	Percentage of Acquisition Cost
20	80.97	56	34.92
21	79.81	57	33.53
22	78.63	58	32.13
23	77.45	59	30.72
24	76.26	60	29.31
25	75.06	61	27.89
26	73.86	62	26.47
27	72.65	63	25.04
28	71.44	64	23.61
29	70.22	65	22.17
30	68.99	66	20.72
31	67.76	67	19.27
32	66.52	68	17.82
33	65.27	69	16.35
34	64.01	70	14.88
35	62.75	71	13.40
36	61.49	72	11.92

Stipulated Loss Values are due in addition to the Rental Payment due on the same date.

IN WITNESS WHEREOF, the parties hereto certify that they have read, accepted and caused this Individual Leasing Record to be duly executed by their respective officers thereunto duly authorized.

Dated: 3/30/09

LESSOR:

Siemens Financial Services, Inc.

By: Carol Walters

Name: CAROL WALTERS  
VICE PRESIDENT-DOCUMENTATION

Title: \_\_\_\_\_



Ernest Enrigo  
 Sr. Transaction Coordinator

LESSEE:

National Medical Care, Inc.

By: Mark Fawcett

Name: MARK FAWCETT

Title: TREASURER

015 Exhibit 12.doc





# QUOTATION

**QUOTE #:** 485293558  
**Customer #:** 84405601  
**Contract #:** 70137

**Customer Agreement #:** Dell Std Terms

**Quote Date:** 4/22/09

**Date:** 4/22/09 12:33:14 PM

**Customer Name:** FRESENIUS MEDICAL CARE N A

<b>TOTAL QUOTE AMOUNT:</b>	\$975.02		
<b>Product Subtotal:</b>	\$864.59		
<b>Tax:</b>	\$46.43		
<b>Shipping &amp; Handling:</b>	\$64.00		
<b>Shipping Method:</b>	Ground	<b>Total Number of System Groups:</b>	1

GROUP: 1	QUANTITY: 1	SYSTEM PRICE: \$584.51	GROUP TOTAL: \$584.51
<b>Base Unit:</b>	OptiPlex 760 Small Form Factor Base Standard PSU (224-2219)		
<b>Processor:</b>	OptiPlex 760, Core 2 Duo E7300/2.66GHz, 3M, 1066FSB (311-9514)		
<b>Memory:</b>	2GB, Non-ECC, 800MHz DDR2, 2X1GB OptiPlex (311-7374)		
<b>Keyboard:</b>	Dell USB Keyboard, No Hot Keys English, Black, OptiPlex (330-1987)		
<b>Monitor:</b>	Dell UltraSharp 1708FP BLK w/AdjStn, 17 inch, 1x08FP BLK OptiPlex, Precision and Latitude (320-7682)		
<b>Video Card:</b>	Integrated Video, GMA 4500, Dell OptiPlex 760 and 960 (320-7407)		
<b>Hard Drive:</b>	80GB SATA 3.0Gb/s and 8MB DataBurst Cache, Dell OptiPlex (341-8006)		
<b>Floppy Disk Drive:</b>	No Floppy Drive with Optical Filler Panel, Dell OptiPlex Small Form Factor (341-4609)		
<b>Operating System:</b>	Windows XP PRO SP3 with Windows Vista Business License English, Dell OptiPlex (420-9570)		
<b>Mouse:</b>	Dell USB 2 Button Optical Mouse with Scroll, Black OptiPlex (330-2733)		
<b>NIC:</b>	ASF Basic Hardware Enabled Systems Management (330-2901)		
<b>CD-ROM or DVD-ROM Drive:</b>	24X24 CDRW/DVD Combo, with Cyberlink Power DVD, No Media Media, Dell OptiPlex 960 Small Form Factor (313-7071)		
<b>CD-ROM or DVD-ROM Drive:</b>	Cyberlink Power DVD 8.1, with Media, Dell OptiPlex/Precision (420-9179)		
<b>Sound Card:</b>	Heat Sink, Mainstream, Dell OptiPlex Small Form Factor (311-9520)		
<b>Speakers:</b>	Dell AX510 black Sound Bar for UltraSharp Flat Panel Displays Dell OptiPlex/Precision/ Latitude (313-6414)		
<b>Cable:</b>	OptiPlex 760 Small Form Factor Standard Power Supply (330-1984)		
<b>Documentation Diskette:</b>	Documentation, English, Dell OptiPlex (330-1710)		
<b>Documentation Diskette:</b>	Power Cord, 125V, 2M, C13, Dell OptiPlex (330-1711)		
<b>Factory Installed Software:</b>	No Dell Energy Smart Power Management Settings, OptiPlex (467-3564)		
<b>Feature:</b>	Resource DVD contains Diagnostics and Drivers for Dell OptiPlex 760 Vista (330-2019)		
<b>Service:</b>	ProSupport for IT: Next Business Day Parts and Labor Onsite Response Initial Year (991-6370)		
<b>Service:</b>	ProSupport for IT: Next Business Day Parts and Labor Onsite Response 2 Year Extended (991-3642)		
<b>Service:</b>	Dell Hardware Limited Warranty Plus Onsite Service Initial Year (992-6507)		
<b>Service:</b>	Dell Hardware Limited Warranty Plus Onsite Service Extended Year(s) (992-6508)		
<b>Service:</b>	ProSupport for IT: 7x24 Technical Support for certified IT Staff, Initial (984-6640)		
<b>Service:</b>	ProSupport for IT: 7x24 Technical Support for certified IT Staff, 2 Year Extended (984-0002)		
Thank you choosing Dell ProSupport. For tech support, visit <a href="http://support.dell.com/ProSupport">http://support.dell.com/ProSupport</a>			

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Service:	or call 1-866-516-31 (989-3449)
Installation:	Standard On-Site Installation Declined (900-9987)
Installation:	Standard On-Site Installation Declined (900-9987)
Misc:	Shipping Material for System Cypher Small Form Factor,Dell OptiPlex (330-2193)
	Vista Premium Downgrade Relationship Desktop (310-9161)
	CFI Routing SKU (365-0267)
	CFI,Rollup,Integration Service,Image Load (366-1416)
	CFI,Rollup,Custom Project,Fee for ESLH (366-1651)
	CFI,Rollup,Integration Services,BIOS Setting (366-1656)
	CFI,Information,Vista To WXP ONLY,Factory Install (372-6272)
	CFI,Software,Image,Quick Image,Titan,Factory Install (372-9740)
	CFI,BIOS,Across Line Of Business,Wakeup-on-lan, Enable,Factory Install (374-4558)
	CFI,Information,OptiPlex 760 Only,Factory Install (374-8402)

SOFTWARE & ACCESSORIES			
Product	Quantity	Unit Price	Total
Office 2007 Sngl C 021-07777 (A074857D)	1	\$259.68	\$259.68
Windows Server CAL 2008 Sngl MVL Device CAL C R18-02830 (A1511502)	1	\$20.40	\$20.40
Number of S & A Items: 2		S&A Total Amount: \$280.08	

SALES REP:	PHIL CLINTON	PHONE:	1800-274-3355
Email Address:	Phil_Clinton@Dell.com	Phone Ext:	723-3128

For your convenience, your sales representative, quote number and customer number have been included to provide you with faster service when you are ready to place your order. Orders may be faxed to the attention of your sales representative to 1-866-230-4217. You may also place your order online at [www.dell.com/qto](http://www.dell.com/qto)

This quote is subject to the terms of the agreement signed by you and Dell, or absent such agreement, to Dell's Terms of Sale.

Prices and tax rates are valid in the U.S. only and are subject to change.

**\*\*Sales/use tax is a destination charge, i.e. based on the "ship to" address on your purchase order. Please indicate your taxability status on your PO. If exempt, please fax exemption certificate to Dell Tax Department at 888-863-8778, referencing your customer number. If you have any questions regarding tax please call 800-433-9019 or email Tax\_Department@dell.com. \*\***

All product and pricing information is based on latest information available. Subject to change without notice or obligation.

LCD panels in Dell products contain mercury, please dispose properly. Please contact Dell Financial Services' Asset Recovery Services group for EPA compliant disposal options at [US\\_Dell\\_ARS\\_Requests@dell.com](mailto:US_Dell_ARS_Requests@dell.com). Minimum quantities may apply.

Shipments to California: For certain products, a State Environmental Fee Of Up to \$10 per item may be applied to your invoice as early as Jan 1, 2005. Prices in your cart do not reflect this fee. More Info: or refer to URL [www.dell.com/environmentalfee](http://www.dell.com/environmentalfee)

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## Criterion 1120.310 Financial Viability

### Financial Viability Waiver

This project is being funded entirely through cash and securities thereby meeting the criteria for the financial waiver.



# Fresenius Medical Care

To: Illinois CON

August 31, 2011

Fresenius Medical Care Holdings, Inc (the Company or FMCH) summary of discussion points with Illinois CON for the meeting in early August, 2011. We discussed several points related to the rating and credit quality of the Company as follows:

1. Most ratings of the Company are higher than the ratings for our Senior Notes. Our Senior Secured ratings are investment grade and our Accounts Receivable Commercial Paper Facility is structured to a AA rating. See ratings summary below:

	Standard & Poor's	Moody's	Fitch
Corporate Credit Rating	BB	Ba1	BB+
Outlook	Positive	stable	stable
Secured Debt	BBB-	Baa3	BBB
Unsecured Debt	BB	Ba2	BB+

2. The market's evaluation of the Company's bonds is far more positive than the rating agencies assessment would indicate. The Company's yields trade in line with BBB investment grade rated companies and much lower than the index for BB rated companies. That chart was on Page 7 of our presentation.
3. Moody's has published its standards for investment grade ratings. Of the six criteria, the Company meets or exceeds four of the criteria.
4. The company has substantial liquidity (over a billion \$'s) to meet all of its obligations in Illinois and elsewhere.

Additionally, in the discussion following our presentation, the topic of the company's size was brought up as a negative. We did not have the opportunity to address that issue during the meeting, so we will address it here. During the credit crisis, many of the physician practices and related health care businesses in our industry (and others) had difficulty growing and raising capital. The financial markets were closed to many health care businesses, both for profit and not for profit. However, due to our size and strength of our credit, the banking and capital markets were still open to us, allowing us to continue to grow to meet the needs of end stage renal disease patients in our clinic setting and to invest in the pharmaceutical and medical equipment industries necessary to serve this patient population. We have been a strong and committed business in Illinois, willing to continue to invest capital, provide access to care, add jobs and grow in the State.

Mark Fawcett  
 Vice President, Treasurer  
 Fresenius Medical Care NA

## Fresenius Medical Care North America

Corporate Headquarters: 920 Winter St Waltham, MA 02451 (781) 699-2668

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**FRESENIUS MEDICAL CARE HOLDINGS, INC.  
AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

**FRESENIUS MEDICAL CARE HOLDINGS, INC.  
AND SUBSIDIARIES**

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KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

## Independent Auditors' Report

The Shareholders  
Fresenius Medical Care Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of Fresenius Medical Care Holdings, Inc. and subsidiaries (the Company) as of December 31, 2011 and 2010 and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Boston, Massachusetts  
May 11, 2012

**FRESENIUS MEDICAL CARE HOLDINGS, INC.  
AND SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 2011 and 2010

(Dollars in thousands)

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 204,142	163,292
Trade accounts receivable, less allowances of \$222,524 in 2011 and \$209,791 in 2010	1,188,700	1,176,849
Receivables from affiliates	1,448,895	322,676
Inventories	409,831	335,103
Deferred income taxes	233,272	291,074
Other current assets	580,058	464,688
Total current assets	<u>4,064,898</u>	<u>2,753,682</u>
Property, plant and equipment, net	1,397,813	1,384,114
Other assets:		
Goodwill	7,677,810	7,162,623
Other intangible assets, net	497,678	497,792
Investment in equity method investees	85,542	27,946
Other assets and deferred charges	140,798	191,461
Total other assets	<u>8,401,828</u>	<u>7,879,822</u>
Total assets	<u>\$ 13,864,539</u>	<u>12,017,618</u>
<b>Liabilities and Equity</b>		
Current liabilities:		
Short-term borrowings	\$ 17,445	546,612
Current portion of long-term debt and capital lease obligations	1,148,034	107,967
Current portion of borrowings from affiliates	13,040	231,974
Accounts payable	309,345	223,901
Accrued liabilities	862,567	774,154
Accrued special charge for legal matters	115,694	115,828
Accounts payable to affiliates	1,218	43,669
Accrued income taxes	132,675	140,456
Total current liabilities	<u>2,600,018</u>	<u>2,184,561</u>
Long-term debt	973,580	1,363,138
Noncurrent borrowings from affiliates	416,133	494,231
Capital lease obligations	1,794	2,001
Long-term mandatorily redeemable preferred securities	665,500	665,500
Deferred income taxes	533,487	467,135
Other liabilities	286,000	279,423
Total liabilities	<u>5,476,512</u>	<u>5,455,989</u>
Noncontrolling interests subject to put provisions	404,015	273,022
Equity:		
Preferred stock, \$1 par value	2,524,622	1,379,916
Common stock, \$1 par value	90,000	90,000
Additional paid-in capital	1,840,621	1,906,036
Retained earnings	3,530,707	2,909,317
Accumulated other comprehensive loss	(104,624)	(82,678)
Total Fresenius Medical Care Holdings Inc. equity	<u>7,881,326</u>	<u>6,202,591</u>
Noncontrolling interests not subject to put provisions	102,686	86,016
Total equity	<u>7,984,012</u>	<u>6,288,607</u>
Total liabilities and equity	<u>\$ 13,864,539</u>	<u>12,017,618</u>

See accompanying notes to consolidated financial statements.

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**FRESENIUS MEDICAL CARE HOLDINGS, INC.  
AND SUBSIDIARIES**

Consolidated Statements of Operations  
Years ended December 31, 2011 and 2010

(Dollars in thousands)

	2011	2010
Net revenues:		
Health care services	\$ 7,271,998	7,248,628
Medical supplies	753,386	774,958
	8,025,384	8,023,586
Expenses:		
Cost of health care services	4,394,822	4,568,136
Cost of medical supplies	605,487	529,610
General and administrative expenses	1,220,477	1,106,513
Provision for doubtful accounts	223,822	209,001
Depreciation and amortization	304,778	285,481
Research and development	37,782	30,879
Equity investment income	(5,055)	(6,737)
Interest expense, net, and related financing costs (including \$83,570 and \$170,956 of interest with affiliates, respectively)	102,421	210,871
	6,884,534	6,933,754
Income before income taxes	1,140,850	1,089,832
Provision for income taxes	422,427	407,535
Net income	718,423	682,297
Less net income attributable to noncontrolling interests	97,204	76,767
Net income attributable to Fresenius Medical Care Holdings, Inc.	\$ 621,219	605,530

See accompanying notes to consolidated financial statements.

**FRESENIUS MEDICAL CARE HOLDINGS, INC.  
AND SUBSIDIARIES**

Consolidated Statements of Comprehensive Income

Years ended December 31, 2011 and 2010

(Dollars in thousands)

	<u>2011</u>	<u>2010</u>
Net income	\$ 718,423	682,297
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(1,245)	2,492
Pension liability adjustments, (net of deferred tax of \$29,600 and \$8,377, respectively)	(45,320)	(12,883)
Derivative instruments, (net of deferred tax of (\$15,990) and (\$26,779), respectively)	24,619	41,187
Total other comprehensive (loss) income	<u>(21,946)</u>	<u>30,796</u>
Total comprehensive income	696,477	713,093
Comprehensive income attributable to noncontrolling interests	<u>97,204</u>	<u>76,767</u>
Comprehensive income attributable to Fresenius Medical Care Holdings, Inc.	<u>\$ 599,273</u>	<u>636,326</u>

See accompanying notes to consolidated financial statements.

FRESENIUS MEDICAL CARE HOLDINGS, INC.  
AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

Years ended December 31, 2011 and 2010

(Dollars in thousands, except share data)

	Preferred stock		Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total FMCH, Inc. shareholders' equity	Noncontrolling interests not subject to put provisions	Total equity
	Shares	Amount	Shares	Amount						
Balance, December 31, 2009	5,000,000	\$ 1,487,731	90,000,000	\$ 90,000	1,909,976	2,304,412	(113,474)	5,678,645	86,791	5,765,436
Net income	—	—	—	—	—	605,530	—	605,530	47,929	653,459
Other comprehensive income	—	—	—	—	—	—	30,796	30,796	—	30,796
Exercise of stock options and related tax effects	—	—	—	—	5,618	—	—	5,618	—	5,618
Compensation expense related to stock options	—	—	—	—	20,330	—	—	20,330	—	20,330
Series C Preferred Stock – marked to market	—	(107,815)	—	—	—	—	—	(107,815)	—	(107,815)
Cash contributions noncontrolling interests	—	—	—	—	—	—	—	—	3,700	3,700
Dividends paid noncontrolling interests	—	—	—	—	—	—	—	—	(53,721)	(53,721)
Purchase (sale) of noncontrolling interests	—	—	—	—	(5,669)	—	—	(5,669)	1,305	(4,364)
Changes in fair value of noncontrolling interests subject to put provisions	—	—	—	—	(24,223)	—	—	(24,223)	—	(24,223)
Other reclassifications	—	—	—	—	4	(625)	—	(621)	12	(609)
Balance, December 31, 2010	5,000,000	1,379,916	90,000,000	90,000	1,906,036	2,909,317	(82,678)	6,202,591	86,016	6,288,607
Net income	—	—	—	—	—	621,219	—	621,219	54,348	675,567
Other comprehensive income	—	—	—	—	—	—	(21,946)	(21,946)	—	(21,946)
Exercise of stock options and related tax effects	—	—	—	—	6,025	—	—	6,025	—	6,025
Compensation expense related to stock options	—	—	—	—	20,767	—	—	20,767	—	20,767
Series C Preferred Stock – marked to market	—	(43,684)	—	—	—	—	—	(43,684)	—	(43,684)
Issuance of Series E Preferred Stock	2,653,560	663,390	—	—	—	—	—	663,390	—	663,390
Issuance of Series F Preferred Stock	2,100,000	525,000	—	—	—	—	—	525,000	—	525,000
Cash contributions noncontrolling interests	—	—	—	—	—	—	—	—	1,354	1,354
Dividends paid noncontrolling interests	—	—	—	—	—	—	—	—	(52,033)	(52,033)
Purchase (sale) of noncontrolling interests	—	—	—	—	(5,928)	—	—	(5,928)	12,994	7,066
Changes in fair value of noncontrolling interests subject to put provisions	—	—	—	—	(86,233)	—	—	(86,233)	—	(86,233)
Other reclassifications	—	—	—	—	(46)	171	—	125	7	132
Balance, December 31, 2011	9,753,560	\$ 2,524,622	90,000,000	\$ 90,000	1,840,621	3,530,707	(104,624)	7,881,326	102,686	7,984,012

See accompanying notes to consolidated financial statements.

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**FRESENIUS MEDICAL CARE HOLDINGS, INC.  
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows  
Years ended December 31, 2011 and 2010  
(Dollars in thousands)

	2011	2010
Cash flows from operating activities:		
Net income	\$ 718,423	682,297
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	304,778	285,481
Provision for doubtful accounts	223,822	209,001
Deferred income taxes	132,396	44,481
Gain on sale of interest in investments and divestitures	(4,550)	(1,694)
Amortization of discount on Senior Note	1,607	887
Equity investment income	(5,055)	(6,737)
Loss on disposal of properties and equipment	4,055	3,129
Compensation expense related to stock options	20,767	20,330
Amortization of discount on investments	322	587
Loss on forward sale and currency exchange agreements	67,586	20,267
Changes in operating assets and liabilities, net of effects of purchase acquisitions:		
Increase in trade accounts receivable	(220,541)	(316,706)
(Increase) decrease in inventories	(70,721)	17,588
Increase in other current assets	(32,914)	(19,037)
Decrease in other assets and deferred charges	203,506	6,993
Increase in accounts payable	74,340	36,807
Increase (decrease) in accrued income taxes	2,294	(17,627)
(Decrease) increase in accrued liabilities	(25,093)	15,571
Decrease in accrued special charge for legal matters	(142)	(142)
Decrease in other long-term liabilities	(13,998)	(12,345)
Net changes due to/from affiliates	(58,350)	(81,908)
Distributions received on equity investments	4,590	6,000
Other, net	6,220	7,974
Net cash provided by operating activities	1,333,342	901,197
Cash flows from investing activities:		
Capital expenditures, net of proceeds	(283,929)	(278,399)
Acquisitions and investments, net of cash acquired	(755,874)	(125,921)
Proceeds from sale of interests and divestitures	8,159	10,288
Equity contributions	(60,922)	(1,800)
Net cash used in investing activities	(1,092,566)	(395,832)
Cash flows from financing activities:		
Net (decrease) increase in borrowings from affiliates	(1,391,042)	5,448
Net increase from receivable financing facility	24,500	296,000
Net increase (decrease) on debt and capital leases	80,897	(714,429)
Distributions to noncontrolling interests	(95,138)	(92,685)
Debt issuance costs	(13,856)	(21,815)
Proceeds from issuance of preferred stock	1,188,390	—
Contributions from noncontrolling interests	8,575	8,989
Proceeds from sale of noncontrolling interests	19,334	17,384
Purchases of noncontrolling interests	(21,281)	(10,366)
Tax benefit on stock options	(47)	13,313
Net cash used in financing activities	(199,668)	(498,161)
Effects of changes in foreign exchange rates	(258)	2,785
Change in cash and cash equivalents	40,850	9,989
Cash and cash equivalents at beginning of year	163,292	153,303
Cash and cash equivalents at end of year	\$ 204,142	163,292

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**FRESENIUS MEDICAL CARE HOLDINGS, INC.  
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows  
Years ended December 31, 2011 and 2010  
(Dollars in thousands)

	<b>2011</b>	<b>2010</b>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 141,585	233,073
Interest on mandatorily redeemable preferred securities	23,938	50,884
Income taxes, net	314,209	389,912
Details for acquisitions:		
Assets acquired	\$ (615,711)	(166,328)
Liabilities assumed	29,112	5,050
Noncontrolling Interests	47,666	17,782
Notes assumed in connection with acquisition	(15,494)	15,606
Cash paid	(554,427)	(127,890)
Less cash acquired	32,555	1,969
Net cash paid for acquisitions	\$ (521,872)	(125,921)

See accompanying notes to consolidated financial statements.

**FRESENIUS MEDICAL CARE HOLDINGS, INC.  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

**(1) The Company**

Fresenius Medical Care Holdings, Inc., a New York corporation (the Company or FMCH) is a subsidiary of Fresenius Medical Care AG & Co. KGaA, a German partnership limited by shares (FMCAAG & KGaA or the Parent Company). The Company conducts its operations through five principal subsidiaries, National Medical Care, Inc. (NMC), Fresenius USA Marketing, Inc., Fresenius USA Manufacturing, Inc. and SRC Holding Company, Inc., all Delaware corporations and Fresenius USA, Inc., a Massachusetts corporation.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and those financial statements where the Company controls professional corporations in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, *Consolidation*. The consolidated financial statements include all companies in which the Company has legal or effective control. Noncontrolling interest represents the proportionate equity interest of owners in the Company's consolidated entities that are not wholly owned.

The Company is primarily engaged in (i) providing kidney dialysis services and clinical laboratory testing (ii) manufacturing and distributing products and equipment for kidney dialysis treatment and (iii) providing other medical ancillary services.

**(a) Basis of Presentation**

Certain items in the prior years' consolidated financial statements may have been reclassified to conform with the current year's presentation. Net operating results have not been affected by the reclassifications.

The Company has evaluated subsequent events through May 11, 2012, which is the date these consolidated financial statements were issued. See note 2(u).

**(b) Basis of Consolidation**

The consolidated financial statements in this report at December 31, 2011 and 2010 and for the years then ended have been prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP). These consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary for the fair presentation of the consolidated results for all periods presented.

In accordance with current accounting principles, the Company consolidates certain clinics that it manages and financially controls. The equity method of accounting is used for investments in associated companies over which the Company has significant exercisable influence, even when the Company holds less than 50% ownership. Noncontrolling interests represent the proportionate equity interests of owners in the Company's consolidated entities that are not wholly owned. Noncontrolling interests of recently acquired entities are valued at fair value. All significant intercompany transactions and balances have been eliminated.

**FRESENIUS MEDICAL CARE HOLDINGS, INC.  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

**(2) Summary of Significant Accounting Policies**

**(a) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash funds and all short-term, highly liquid investments with original maturities of up to three months.

**(b) Allowance for Doubtful Accounts**

Estimates for allowances for accounts receivable are based on an analysis of collection experience, recognizing the difference between payors and aging of accounts receivable. From time to time, accounts receivable are reviewed for changes from the historic collection experience to ensure the appropriateness of the allowances.

**(c) Inventories**

Inventories are stated at the lower of cost (determined by using the average or first-in, first-out method) or market value (see note 4).

**(d) Property, Plant and Equipment**

Property, plant, and equipment are stated at cost less accumulated depreciation (see note 10). Significant improvements are capitalized; repairs and maintenance costs that do not extend the useful lives of the assets are charged to expense as incurred. Property, plant and equipment under capital leases are stated at the present value of future minimum lease payments at the inception of the lease, less accumulated depreciation. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts, and any gain or loss is included in income when the assets are disposed.

The cost of property, plant and equipment is depreciated over estimated useful lives on a straight-line basis as follows: buildings – 20 to 40 years, equipment and furniture – 3 to 10 years, equipment under capital leases and leasehold improvements – the shorter of the lease term or useful life of the asset. For income tax purposes, depreciation is calculated using accelerated methods to the extent permitted.

The Company capitalizes interest on borrowed funds during construction periods. Interest capitalized during 2011 and 2010 was \$3,245 and \$4,854, respectively.

**(e) Intangible Assets and Goodwill**

Intangible assets such as noncompete agreements, lease agreements, tradenames, certain qualified management contracts, technology, patents, distribution rights, software, acute care agreements and licenses acquired in a purchase method business combination are recognized and reported apart from goodwill.

Goodwill and identifiable intangibles with indefinite useful lives are not amortized but tested for impairment annually or when an event becomes known that could trigger an impairment. The

**FRESENIUS MEDICAL CARE HOLDINGS, INC.  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

Company identified tradenames and certain qualified management contracts as intangible assets with indefinite useful lives because, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which those assets are expected to generate net cash inflows for the Company. Intangible assets with finite useful lives are amortized over their respective useful lives to their residual values. The Company amortizes noncompete agreements over their average useful life of 8 years. Technology is amortized over its useful life of 15 years. The iron products distribution and manufacturing agreement is amortized over its ten-year contractual license period based upon the annual estimated units of sale of the licensed product. All other intangible assets are amortized over their individual estimated useful lives between 3 and 25 years. Intangible assets with finite useful lives are evaluated for impairment when events have occurred that may give rise to an impairment.

To perform the annual impairment test of goodwill, the Company identifies its reporting units and determines their carrying value by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. A reporting unit is defined one level below the segment level based on regions or legal entities. In prior years, two reporting units were identified. In 2011, as a result of the magnitude of the impact that the Medicare bundled reimbursement environment has on the Company's business components, the business is fully integrated and the Company deemed it appropriate to aggregate the components into one reporting unit. As a result, for 2011, only one reporting unit was identified.

In a first step, the Company compares its fair value to its carrying amount. Fair value is determined using estimated future cash flows discounted by an after-tax weighted average cost of capital (WACC). Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the Company utilizes its three-year budget, projections for years 4 to 10 and a representative growth rate for all remaining years. Projections for up to ten years are possible due to the stability of the Company's business which, results from the nondiscretionary nature of the healthcare services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services. The expected growth rate for the period beyond ten years was 1%. The discount factor is determined by the Company's WACC. The Company's WACC consists of a basic rate of 6.29% for 2011.

In the case that the fair value is less than its book value, a second step is performed which compares the fair value of goodwill to the carrying value of its goodwill. If the fair value of the goodwill is less than the book value, the difference is recorded as an impairment.

To evaluate the recoverability of intangible assets with indefinite useful lives, the Company compares the fair values of intangible assets with their carrying values. An intangible asset's fair value is determined using a discounted cash flow approach or other methods, if appropriate.

**FRESENIUS MEDICAL CARE HOLDINGS, INC.  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

In connection with its annual impairment tests, the Company determined that there was no impairment of goodwill or other intangible assets. Accordingly the Company did not record any impairment charges during 2011 and 2010.

*(f) Derivative Instruments and Hedging Activities*

The Company accounts for derivatives and hedging activities by recognizing all derivative instruments as either assets or liabilities in the consolidated balance sheets at their respective fair values. For derivatives designated as hedges, changes in the fair value are either offset against the change in fair value of the assets and liabilities through earnings, or recognized in accumulated other comprehensive income until the hedged item is recognized in earnings.

For all hedging relationships the Company formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in accumulated other comprehensive income to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item. The ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash-flow hedge is reported in earnings.

The Company discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised, the derivative is designated as a hedging instrument, because it is unlikely that a forecasted transaction will occur, or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

In all situations in which hedge accounting is discontinued and the derivative is retained, the Company continues to carry the derivative at its fair value on the consolidated balance sheets and recognizes any subsequent changes in its fair value in earnings. When it is probable that a hedged forecasted transaction will not occur, the Company discontinues hedge accounting and recognizes immediately in earnings gains and losses that were accumulated in other comprehensive income.

*(g) Foreign Currency Translation*

For purposes of these consolidated financial statements, the U.S. dollar is the reporting currency. Substantially all assets and liabilities of the Company's non-U.S. subsidiaries are translated at year-end exchange rates, while revenue and expenses are translated at exchange rates prevailing during the year. Adjustments for foreign currency translation fluctuations are excluded from net income and are reported in accumulated other comprehensive income (loss). In addition, the translation of certain intercompany borrowings denominated in foreign currencies, which are

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considered foreign equity investments, are reported in accumulated other comprehensive income (loss).

Gains and losses resulting from the translation of revenues and expenses and intercompany borrowings, which are not considered equity investments, are included in the consolidated statements of operations within general and administrative expenses. Foreign exchange (losses) and gains amounted to (\$3,495) and \$4,773 for the years ended December 31, 2011 and 2010, respectively.

**(h) Revenue Recognition**

Dialysis care revenues are recognized on the date services and related products are provided and are recorded at amounts estimated to be received under reimbursement arrangements with third-party payors, including Medicare and Medicaid. The Company establishes appropriate allowances based upon factors surrounding credit risks of specific third-party payors, historical trends and other information. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Dialysis product revenues are recognized when title to the product passes to the customers either at the time of shipment, upon receipt by the customer or upon terms that clearly define passage of title. As product returns are not typical, no return allowances are established. In the event a return is required, the appropriate reductions to sales, accounts receivables and cost of sales are made. Sales are stated net of discounts and rebates.

Net revenues from machines sales for 2011 and 2010 include \$87.2 million and \$80.0 million, respectively, of net revenues for machines sold to a third-party leasing company which are utilized by the Fresenius Medical Services division to provide services to customers. The profits on these sales are deferred and amortized to earnings over the lease terms.

Any tax assessed by a governmental authority that is incurred as a result of a revenue transaction (e.g., sales tax) is excluded from revenues and reported on a net basis.

**(i) Research and Development**

Research and development costs are expensed as incurred.

**(j) Income Taxes**

The Company recognizes deferred tax assets and liabilities for future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis as well as on consolidation procedures affecting net income and tax loss carryforwards which are more likely than not to be utilized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded to reduce the carrying amount of the deferred tax assets unless it is more likely than not that such assets will be realized (see note 9).

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It is the Company's policy to recognize interest and penalties related to its tax positions as income tax expense.

**(k) Impairment**

The Company reviews the carrying value of its long-lived assets or asset groups with definite useful lives to be held and used for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying value of an asset to the future net cash flow directly associated with the asset. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value exceeds the fair value of the asset. The Company uses a discounted cash flow approach or other methods, if appropriate, to assess fair value.

Long-lived assets to be disposed of by sale are reported at the lower of carrying value or fair value less cost to sell and depreciation is ceased. Long-lived assets to be disposed of other than by sale are considered to be held and used until disposal. No impairment charges were taken during the year.

**(l) Debt Issuance Costs**

Costs related to the issuance of debt are amortized over the term of the related obligation (see note 6).

**(m) Self-Insurance Programs**

The Company is partially self-insured for professional, product and general liability, auto liability and worker's compensation claims under which the Company assumes responsibility for incurred claims up to predetermined amounts above which third-party insurance applies. Reported balances for the year include estimates of the anticipated expense for claims incurred (both reported and incurred but not reported) based on historical experience and existing claim activity. This experience includes both the rate of claims incidence (number) and claim severity (cost) and is combined with individual claim expectations to estimate the reported amounts.

**(n) Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(o) Concentration of Credit Risk**

The Company is engaged in providing kidney dialysis services, clinical laboratory testing, and other medical ancillary services, and in the manufacture and sale of products for all forms of kidney dialysis, principally to healthcare providers. The Company performs ongoing evaluations of its customers' financial condition and, generally, requires no collateral.

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Approximately 47% in 2011 and 48% in 2010 of the Company's revenues were earned and subject to regulations under governmental healthcare programs, Medicare and Medicaid, administered by various states and the United States government.

**(p) Comprehensive Income**

Comprehensive income consists of net income, foreign currency translation adjustments, pension liability adjustments and changes in derivative instruments and is presented in the consolidated statements of comprehensive income.

**(q) Employee Benefit Plans**

The Company recognizes the underfunded status of its defined benefit plans, measured as the difference between plan assets at fair value and the benefit obligation, as a liability. Changes in the funded status of a plan, net of tax, resulting from actuarial gains or losses and prior service costs or credits that are not recognized as components of the net periodic benefit cost will be recognized through accumulated other comprehensive income in the year in which they occur. Actuarial gains or losses and prior service costs are subsequently recognized as components of net periodic benefit cost pursuant to the recognition and amortization provisions of those standards. The Company uses December 31 as the measurement date when measuring the funded status of all plans.

**(r) Stock Option Plans**

Effective January 1, 2006, the Company adopted the provisions of the accounting standards for share-based payments using the modified prospective transition method. Under this transition method, compensation cost recognized in 2006 includes applicable amounts of: (a) compensation cost of all stock-based payments granted prior to, but not yet vested as of January 1, 2006 and (b) compensation cost for all stock-based payments subsequent to January 1, 2006 based on the grant-date fair value estimated in accordance with the provisions of these standards.

**(s) Legal Contingencies**

From time to time, during the ordinary course of the Company's operations, the Company is party to litigation and arbitration and is subject to investigations relating to various aspects of its business (see note 17). The Company regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including the estimated legal expenses and consulting services in connection with these matters, as appropriate. The Company utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for loss accrual, the Company considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim or assessment, or the disclosure of any such suit or assertion, does not necessarily indicate that accrual of a loss is appropriate.

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**(t) Recent Pronouncements**

**Recently Implemented Accounting Statements**

In July 2011, the FASB issued Accounting Standards Update 2011-07 (ASU 2011-07), *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue*, Provision for Bad Debts and the Allowance for Doubtful Accounts for Certain Health Care Entities in order to provide financial statement users with greater transparency about a healthcare entity's net patient service revenue and the related allowance for doubtful accounts. The amendments require healthcare entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statement of operations. The provision for bad debts must be reclassified from an operating expense to a deduction from patient service revenue. Additionally, these healthcare entities are required to provide enhanced disclosures about their policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts.

For public entities, the disclosures required under ASU 2011-07 are effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011, with early adoption permitted. The amendments to the presentation of the provision for bad debts related to patient service revenue in the statement of operations should be applied retrospectively to all prior periods presented. The Company adopted the provisions of ASU 2011-07 as of January 1, 2012. Had the Company adopted ASU 2011-07 as of January 1, 2011, this would have resulted in a reduction of its 2011 revenue by approximately \$224,000 with a corresponding reduction to the provision for doubtful accounts expense. At December 31, 2012, the Company will restate its 2011 Revenue to \$7,800,839 and its provision for doubtful accounts expense to (\$723) to reflect the retrospective adoption of this Standard in 2012.

In December 2011, the FASB issued Accounting Standards Update 2011-11 (ASU 2011-11), *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. This amendment requires disclosing and reconciling gross and net amounts for financial instruments that are offset in the balance sheet, and amounts for financial instruments that are subject to master netting arrangements and other similar clearing and repurchase arrangements. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company is currently evaluating the impact of AUS 2011-11 on its consolidated financial statements.

Also in August 2010, the FASB issued ASU No. 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries* (ASU 2010-24), which eliminates the practice of netting claim liabilities with expected related insurance recoveries for balance sheet presentation. Claim liabilities are to be determined with no regard for recoveries and presented gross. Expected recoveries are presented separately. ASU 2010-24 is effective for the

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Company's fiscal year beginning January 1, 2011 and resulted in an increase of \$82,090 in other current assets and accrued liabilities in the consolidated balance sheet as of December 31, 2011.

**(u) Subsequent Events**

**Currency Exchange Agreements**

On January 26, 2012, the Company entered into three currency exchange agreements with Fresenius Medical Care US Finance II, Inc. (US Finance II). The notional principal amounts of the currency exchange agreements are \$800,000, \$700,000 and \$105,000 respectively, and a Euro amount with an equal market value applying the market foreign exchange rate at the time of the exchange agreements were entered into. The currency exchange agreements require that at each periodic settlement date, the Company is obligated to pay US Finance II, Euro interest on the Euro equivalent of \$800,000, \$700,000 and \$105,000, respectively. Conversely, at the periodic settlement date, US Finance II is obligated to pay the Company, the interest on the \$800,000, \$700,000 and \$105,000.

Upon maturity (July 2019 and January 2022) the Company is obligated to pay to US Finance II, the Euro equivalent of each exchange agreement converted at a spot rate and US Finance II will pay to the Company the final settlement amount of \$800,000, \$700,000 and \$105,000 (plus any outstanding interest payments). These instruments will be reflected in the consolidated balance sheets at fair value as derivative assets at the reporting date with changes in fair value recognized in earnings.

**Acquisition of Liberty Dialysis Holdings**

On February 28, 2012, the Company acquired 100% of the equity of Liberty Dialysis Holdings, Inc. (LD Holdings), the owner of Liberty Dialysis and owner of a 51% stake in Renal Advantage Partners, LLC (the Liberty Acquisition) and accounted for this transaction as a business combination, subject to finalization of the acquisition accounting which will be finalized when certain information arranged to be obtained has been received. LD Holdings mainly provides dialysis services in the United States through the 263 clinics it owns (the Acquired Clinics).

Total consideration for the Liberty Acquisition was approximately \$2,161,000. Prior to the Liberty Acquisition, the Company had a 49% equity investment in Renal Advantage Partners, LLC (RAI). In addition to the Company's investment, it also had a loan receivable of approximately \$279,000 comprised of principle and interest, which was retired as part of the transaction. The note was originally issued in 2011 when the Company made its initial 49% investment in RAI.

**Divestitures**

In accordance with a consent order issued by the United States Federal Trade Commission in connection with its clearance of the Liberty Acquisition, the Company was required to divest 62 clinics. In March 2012, 49 clinics were sold of which 15 were legacy clinics. The remaining 13 clinics are expected to be sold during 2012 and 2013 once the necessary approvals for change of ownership by state regulatory authorities have been obtained.

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The Company received cash consideration of approximately \$176,000 for all centers divested. The sale of the legacy clinics resulted in a pre-tax gain of approximately \$9,200. The Company incurred an income tax expense related to the sale of the legacy clinics of approximately \$6,600 resulting in a net gain of \$2,600. The sale of 34 Acquired Clinics will not have any profit or loss impact for the Company.

**(3) Acquisitions**

During 2011, the Company made acquisitions of dialysis centers, vascular access centers and a medical device company totaling \$521,872.

Within the 2011 acquisitions, the Company purchased American Access Care Holdings, Inc. LLC, which operates vascular access centers and Hemo Metrics, Inc. which is a medical device company with a base of patents in optical technology.

During 2010, the Company made acquisitions mainly of dialysis centers totaling \$125,921.

The assets and liabilities of all acquisitions were recorded at their estimated fair values at the dates of the acquisitions and are included in the Company's consolidated financial statements and operating results from the effective date of acquisition.

**(4) Other Balance Sheet Items**

**(a) Inventories**

As of December 31, 2011 and 2010, inventories consisted of the following:

	2011	2010
Inventories:		
Raw materials	\$ 93,557	100,878
Manufactured goods in process	16,069	14,018
Manufactured and purchased inventory available for sale	197,760	130,450
	307,386	245,346
Health care supplies	102,445	89,757
Total	\$ 409,831	335,103

Under the terms of certain unconditional purchase commitments, the Company is obligated to purchase raw materials and healthcare supplies of \$2,330,056 of which \$384,800 is committed at December 31, 2011 for fiscal year 2012. The terms of these agreements run 1 to 14 years.

Inventories as of December 31, 2011 and 2010 include \$47,654 and \$32,987, respectively, of Erythropoietin (EPO), which is supplied by a single source supplier.

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**(b) Related Party Services**

Related-party transactions pertaining to services performed and products purchased/sold between affiliates are recorded as net accounts payable to affiliates on the consolidated balance sheets.

**(5) Sale of Accounts Receivable**

The Company has an asset securitization facility (the A/R Facility) which was most recently renewed on August 18, 2011 for a term expiring on July 31, 2014 and with the available borrowings increasing from \$700,000 to \$800,000. As the A/R Facility was renewed annually in the past, it has historically been classified as a short-term borrowing. Since the recent renewal extended the due date to 2014, the A/R Facility has been reclassified into long-term debt. At December 31, 2011 there are outstanding borrowings under the A/R Facility of \$534,500.

Under the A/R Facility, certain receivables are sold to NMC Funding Corporation (NMC Funding), a wholly owned subsidiary. NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors. Under the terms of the A/R Facility, NMC Funding retains the right, at any time, to recall all the then outstanding transferred interests in the accounts receivable. Consequently, the receivables remain on the Company's Consolidated Balance Sheet and the proceeds from the transfer of percentage ownership interests are recorded as long-term debt.

NMC Funding pays interest to the bank investors calculated based on the commercial paper rates for the particular tranches selected. The average interest rate during 2011 and 2010 was 1.29% and 1.86% respectively. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

**(6) Short Term Borrowings and Long-Term Debt**

***Short-Term Borrowings***

At December 31, 2011 and 2010, short-term borrowings consisted of the following:

	December 31	
	2011	2010
AR Facility	\$ —	510,000
Commercial paper	9,627	10,985
Other	7,818	25,627
Total short-term borrowings	\$ 17,445	546,612

***Long-Term Debt***

**(a) Amended 2006 Senior Credit Agreement**

FMCG & KGaA, FMCH, and certain other subsidiaries of the Company that are borrowers and/or guarantors thereunder, including Fresenius Medical Care Deutschland GmbH (D-GmbH), entered

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into a \$4,600,000 syndicated credit facility (the 2006 Senior Credit Agreement) with Bank of America, N.A.; Deutsche Bank AG New York Branch; The Bank of Nova Scotia, Credit Suisse, Cayman Islands Branch; JPMorgan Chase Bank, National Association; and certain other lenders (collectively, the Lenders) on March 31, 2006 which replaced its prior credit agreement.

Since entering into the 2006 Senior Credit Agreement, the Company arranged several amendments with the Lenders and effected voluntary prepayments of the term loans, which led to a change in the total amount available under this facility. Pursuant to an amendment together with an extension arranged on September 29, 2010 the revolving facility was increased from \$1,000,000 to \$1,200,000 and the Term Loan A facility by \$50,000 to \$1,365,000. The maturity for both tranches was extended from March 31, 2011 to March 31, 2013.

In addition, this amendment and subsequent amendments have included increases in certain types of permitted borrowings outside of the Amended 2006 Senior Credit Agreement, provide further flexibility for certain types of investments and acquisitions and included changes in the definition of the Parent Company's Consolidated Leverage Ratio, which is used to determine the applicable margin.

As of December 31, 2011, after consideration of all amendments and repayments to date, the Amended 2006 Senior Credit Agreement consists of:

- a \$1,200,000 revolving credit facility (with specified sub-facilities for letters of credit, borrowings in certain non-U.S. currencies, and swing line loans in U.S. dollars and certain non-U.S. currencies, with the total outstanding under those sub-facilities not exceeding \$1,200,000) which will be due and payable on March 31, 2013.
- a term loan facility (Term Loan A) of \$1,215,000 also scheduled to mature on March 31, 2013. Quarterly repayments of \$30,000 are required at the end of each quarter with the remaining balance outstanding due on March 31, 2013.
- a term loan facility (Term Loan B) of \$1,521,619 scheduled to mature on March 31, 2013 with 1 quarterly repayment of \$4,036 followed by 4 quarterly repayments of \$379,396 each due at the end of its respective quarter.

Interest on these facilities will be, at the Parent Company's option, depending on the interest periods chosen, at a rate equal to either (i) LIBOR plus an applicable margin or (ii) the higher of (a) Bank of America's prime rate or (b) the U.S. Federal Funds rate plus 0.5%, plus an applicable margin.

The applicable margin is variable and depends on the Parent Company's Consolidated Leverage Ratio which is a ratio of its Consolidated Funded Debt less all cash and cash equivalents to Consolidated EBITDA (as these terms are defined in the Amended 2006 Senior Credit Agreement).

In addition to scheduled principal payments, indebtedness outstanding under the Amended 2006 Senior Credit Agreement will be reduced by mandatory prepayments utilizing portions of the net cash proceeds from certain sales of assets, securitization transactions other than the Company's

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existing A/R Facility, the issuance of subordinated debt other than certain intercompany transactions, certain issuances of equity and excess cash flow.

Obligations under the Amended 2006 Senior Credit Agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the Lenders. The Amended 2006 Senior Credit Agreement contains affirmative and negative covenants with respect to the Parent Company and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of the Parent Company and investments by the Parent Company, and require the Parent Company to maintain certain financial ratios defined in the agreement. As of December 31, 2011, the Parent Company is in compliance with all covenants under the Amended 2006 Senior Credit Agreement.

The Parent Company incurred fees of approximately \$85,828 in conjunction with the 2006 Senior Credit Agreement and fees of approximately \$21,115 in conjunction with the Amended 2006 Senior Credit Agreement which are being amortized over the life of this agreement.

The following table shows the outstanding amounts of the Company under the Amended 2006 Senior Credit Agreement at December 31, 2011 and 2010:

	<b>Balance outstanding</b>	
	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Revolving credit facility	\$ 58,970	81,126
Loan A	—	85,000
Loan B	1,521,619	1,292,764
	<u>\$ 1,580,589</u>	<u>1,458,890</u>

In addition, at December 31, 2011 and 2010, \$180,766 and \$121,518, respectively, were utilized as letters of credit which are not included as part of the balances outstanding at those dates.

In conjunction with the Amended 2006 Senior Credit Agreement and the related variable rate based interest payments, the Company entered into additional interest rate swaps in the notional amount of \$1,215,000 with FMCAG & KGaA. As of December 31, 2011 and 2010 the Company had total interest rates swaps in the notional amount of \$1,150,000 and \$900,000, respectively. These instruments, designated as cash flow hedges, effectively convert forecasted LIBOR-based interest payments into fixed rate based interest payments which fix the interest rate on \$1,150,000 of the financing under the Amended 2006 Senior Credit Agreement at a weighted average rate of 4.66% plus an applicable margin. These swaps are denominated in U.S. dollars and expire at various dates between 2011 and 2013.

The weighted average interest rate for all Company debt outstanding as of December 31, 2011 and 2010 was approximately 4.71% and 4.91%, respectively, including the effects of interest rate swaps in effect during the period.

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**(b) Long-Term Debt**

At December 31, 2011 and 2010, long-term debt consisted of the following:

	December 31	
	2011	2010
Amended 2006 Senior Credit Agreement	\$ 1,580,589	1,458,890
AR Facility	534,500	—
Iron License Agreement (see note 7(a))	5,485	11,830
Other	715	124
	2,121,289	1,470,844
Less amounts classified as current	1,147,709	107,706
	\$ 973,580	1,363,138

**(c) (Receivables) Borrowings from Affiliates**

The Company has various outstanding borrowings with KGaA and affiliates. The funds were used for general corporate purposes. The loans are due at various maturities.

At December 31, 2011 and 2010, (receivables) borrowings from affiliates consisted of the following:

	December 31	
	2011	2010
(Receivables) borrowings from affiliates consists of:		
Fresenius Medical Care AG & Co. KGaA borrowings (receivables) primarily at interest rates approximating 0.76% and 0.0%, respectively	\$ (800,000)	298
RTC Holdings International, Inc. borrowings at a fixed interest rate of 0.77% and 0.97%, respectively	13,040	12,961
Fresenius Medical Care Trust Finance S.a.r.l. borrowings at fixed interest rate of 8.25%	—	218,715
FMC Finance III S.A. borrowings, net of discounts at a fixed rate of 7.019%	—	494,231
FMC US Finance borrowings, net of discounts at a fixed rate of 1.39%	6,752	—
FMC Finance II borrowings, net of discounts at a fixed rate of 7.00%	408,942	—
FMC Finance II borrowings, net of discounts at a rate of LIBOR plus 1.125%	438	—

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	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Fresenius Medical Care North America Holdings Limited Partnership receivables at a rate of LIBOR plus 1%	\$ (616,686)	(322,676)
	(987,514)	403,529
Less amounts classified as current	<u>(1,403,647)</u>	<u>(90,702)</u>
Total	<u>\$ 416,133</u>	<u>494,231</u>

Scheduled maturities of long-term debt and borrowings (receivables) from affiliates are as follows:

2012	\$ (255,938)
2013	439,080
2014	534,500
2015	—
2016	—
2017 and thereafter	<u>416,133</u>
Total	<u>\$ 1,133,775</u>

**(7) Goodwill and Other Intangible Assets**

At December 31, 2011 and 2010, the carrying value and accumulated amortization of other intangible assets consisted of the following:

	<u>December 31, 2011</u>			<u>December 31, 2010</u>		
	<u>Gross carrying value</u>	<u>Accumulated amortization</u>	<u>Carrying value</u>	<u>Gross carrying value</u>	<u>Accumulated amortization</u>	<u>Carrying value</u>
Amortizable intangible assets:						
Noncompete agreements	\$ 241,046	(181,289)	59,757	228,663	(163,951)	64,712
Acute care agreements	139,849	(132,406)	7,443	140,190	(130,334)	9,856
License and distribution agreements	54,984	(15,819)	39,165	52,984	(11,033)	41,951
Technology	65,536	(21,960)	43,576	65,536	(17,640)	47,896
Other intangibles	109,923	(34,327)	75,596	92,501	(22,635)	69,866
Construction in progress	60,212	—	60,212	50,894	—	50,894
	<u>671,550</u>	<u>(385,801)</u>	<u>285,749</u>	<u>630,768</u>	<u>(345,593)</u>	<u>285,175</u>

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	December 31, 2011			December 31, 2010		
	Gross carrying value	Accumulated amortization	Carrying value	Gross carrying value	Accumulated amortization	Carrying value
Nonamortizable intangible assets:						
Tradename	\$ 208,766	—	208,766	209,454	—	209,454
Management contracts	3,163	—	3,163	3,163	—	3,163
	211,929	—	211,929	212,617	—	212,617
Net intangibles	\$ 883,479	(385,801)	497,678	843,385	(345,593)	497,792

Amortization expense for amortizable intangible assets for the years ended December 31, 2011 and 2010 was \$41,328 and \$37,200, respectively. Amortization expense is estimated to be \$41,000 for 2012, \$42,000 for 2013, \$43,000 for 2014, \$44,000 for 2015 and \$45,000 for 2016.

**(a) License and Distribution Agreement**

In July 2008, the Parent Company, entered into two separate and independent license and distribution agreements, one for the United States and one for certain countries in Europe and the Middle East, to market and distribute Galenica's intravenous iron products, such as Venofer® and Ferinject® for dialysis treatment. In North America, the license agreement among FMCH, Luitpold Pharmaceuticals, Inc., American Regent, and Vifor (International), Inc. provides FMCH with exclusive rights to manufacture and distribute Venofer® to freestanding (nonhospital based) U.S. dialysis facilities. In addition, it grants FMCH similar rights for Injectafer® (ferric carboxymaltose), a proposed new IV iron medication currently under clinical study in the U.S. The U.S. license agreement has a term of ten years, includes FMCH extension options, and requires payment by FMCH over the ten-year term of aggregate royalties of approximately \$2,000,000 which the Company will expense as incurred (based upon the annual estimated units of sale of the licensed product), subject to certain early termination provisions. In addition to these payments, the Company will pay a total of approximately \$47,000 over a four-year period of which \$41,444 has been paid as of December 31, 2011. The Company has a liability for the balance. The cost of the agreement and related transaction costs of \$5,947 are being amortized over the 10-year expected useful life (based upon annual estimated units of sale of the licensed product).

**(b) Goodwill**

A change in New York state regulations allowed for the direct ownership of facilities in that state, which had previously been prohibited by state law. Due to this prohibition, the Company had historically used a combination of administrative service contracts, stock option agreements, and asset acquisitions to qualify for consolidation of such facilities under guidance originally issued as Emerging Issues Task Force 97-2, *Application of FASB Statement No. 94 and APB Opinion No. 16 to Physicians Practice Management Entities and Certain Other Entities with Contractual Management Arrangements*, which is now included within FASB Accounting Standards Codification Topic 810-10, *Consolidation: Overall*. In such qualifying transactions, a portion of the purchase

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price was allocated to identifiable intangible assets with the remainder classified as an "Administrative Services Agreement" intangible asset that was accounted for in the same manner as goodwill and was shown on the Consolidated Balance Sheets at December 31, 2009, under the category Management Contracts within Intangible Assets. With the regulatory approval gained on April 1, 2010, the Company obtained the full ownership of these facilities and reclassified the \$214,706 of Administrative Services Agreement intangible asset to goodwill effective April 1, 2010, to be consistent with other clinic acquisitions where the Company obtained control via legal ownership.

Changes in the reporting unit's carrying amount of goodwill for the years ended December 31, 2011 and 2010 are as follows:

	December 31	
	2011	2010
Carrying value as of beginning of year	\$ 7,162,623	6,832,695
Goodwill acquired	513,552	118,650
Other reclassifications	1,635	211,278
Carrying value as of end of year	\$ 7,677,810	7,162,623

**(8) Special Charge for Legal Matters**

In 2001, the Company recorded a \$258,159 special charge to address legal matters relating to transactions pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996 by and between W. R. Grace & Co. and Fresenius AG (the Merger), estimated liabilities and legal expenses arising in connection with the W. R. Grace & Co. Chapter 11 proceedings (the Grace Chapter 11 Proceedings) and the cost of resolving pending litigation and other disputes with certain commercial insurers. During the second quarter of 2003, the court supervising the Grace Chapter 11 Proceedings approved a definitive settlement agreement entered into among the Company, the committee representing the asbestos creditors and W. R. Grace & Co. Under the settlement agreement, the Company will pay \$115,000, without interest, upon plan confirmation (see note 17c). With the exception of the proposed \$115,000 payment under the Settlement Agreement, all other matters included in the special charge have been resolved.

At December 31, 2011, there is a remaining balance of \$115,694 for the accrual for the special charge for legal matters. During the years ended December 31, 2011 and 2010, \$134 and \$142, respectively, in charges were applied against the accrued special charge for legal matters.

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**(9) Income Taxes**

Income before income taxes is as follows:

	<b>Year ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Domestic	\$ 1,134,194	1,090,111
Foreign	6,656	(279)
Total income before income taxes	\$ 1,140,850	1,089,832

The provisions for income taxes are as follows:

	<b>Year ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Current tax expense:		
Federal	\$ 230,650	304,737
State	57,872	57,330
Foreign	1,509	987
Total current	290,031	363,054
Deferred tax expense (benefit):		
Federal	128,834	28,243
State	2,735	15,043
Foreign	827	1,195
Total deferred tax expense	132,396	44,481
Total provision	\$ 422,427	407,535

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The provision for income taxes for the years ended December 31, 2011 and 2010 differed from the amount of income taxes determined by applying the applicable statutory federal income tax rate to pre-tax earnings as a result of the following differences:

	<b>Year ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Statutory federal tax rate	35.0%	35.0%
State income taxes, net of federal tax benefit	4.2	4.1
Provision for tax audit liability	0.9	0.7
Noncontrolling partnership interests	(3.0)	(2.5)
Foreign losses and taxes	—	0.1
Manufacturing deduction	(0.2)	(0.2)
Other	0.1	0.2
Effective tax rate	37.0%	37.4%

Deferred tax liabilities (assets) are comprised of the following:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Reserves and other accrued liabilities	\$ (128,172)	(188,555)
Depreciation and amortization	565,637	486,898
Special charge not currently deductible	(44,030)	(44,030)
Derivatives	(7,523)	(23,513)
Pension valuation	(64,281)	(34,681)
Stock based compensation expense	(21,267)	(20,058)
Other	(149)	—
Net deferred tax liabilities	\$ 300,215	176,061

The Company has established valuation allowances for deferred tax assets of \$22,847 and \$15,209 at December 31, 2011 and 2010, respectively.

The net increase (decrease) in the valuation allowance for deferred tax assets was \$7,638 and \$3,470 for the years ended December 31, 2011 and 2010 respectively. The changes aforementioned relate to activities incurred in foreign jurisdictions.

It is the Company's expectation that it is more likely than not to generate future taxable income to utilize its remaining deferred tax assets.

At December 31, 2011, there is a federal net operating loss carryover of \$11,964 the majority of which will begin to expire in 2021. In addition, there is a Federal Tax Credit of \$1,270 which will begin to expire in

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2020. State net operating loss carryovers are \$250,927 with varying expiration dates and foreign net operating losses are \$22,792, the majority of which expire within seven years.

Provision has not been made for additional federal, state, or foreign taxes on \$38,216 of undistributed earnings of foreign subsidiaries. Prior to a decision on the evaluation discussed below, those earnings have been and will continue to be reinvested. The earnings could be subject to additional tax if they were remitted as dividends, if foreign earnings were loaned to the Company or a U.S. affiliate or if the Company should sell its stock in these subsidiaries. The Company estimates that the distribution of these earnings would result in \$14,320 of additional foreign withholding tax and U.S. federal income taxes.

The Company adopted ASC 740, *Income Taxes* (ASC 740), formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*, as of January 1, 2007. ASC 740 prescribes a two-step approach to the recognition and measurement of all tax positions taken or expected to be taken in a tax return. The enterprise must determine whether it is more-likely than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If the threshold is met, the tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement and is recognized in the financial statements.

The Company filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's civil settlement payment deductions taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, the Company received a partial refund in September 2008 of \$37,000, inclusive of interest and preserved the right to continue to pursue claims in the United States Courts for refunds of all other disallowed deductions. On December 22, 2008, we filed a complaint for a complete refund in the United States District Court for the District of Massachusetts, styled as FMCH v. United States. The court has denied motions for summary judgment by both parties and the litigation is proceeding towards trial. The unrecognized tax benefit relating to these deductions is included in the total unrecognized tax benefit noted below.

The IRS tax audits of FMCH for the years 2002 through 2008 have been completed. On January 23, 2012, the Company executed a closing agreement with the IRS with respect to the 2007-2008 tax audit. The agreement reflected a full allowance of interest deductions on intercompany mandatorily redeemable preferred shares for the 2007-2008 tax years. In addition, on February 16, 2012, the Company executed a closing agreement with IRS Appeals that reflects the full allowance of interest deductions associated with, mandatorily redeemable shares for the years 2002-2006. All other IRS proposed other adjustments for the 2007-2008 tax audit have been recognized in the consolidated financial statements.

In the U.S., fiscal years 2009, 2010 and 2011 are open to audit. FMCH is also subject to audit in various state jurisdictions. A number of these audits are in progress and various years are open to audit in various state jurisdictions.

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The following table shows the reconciliation of the beginning and ending amounts of unrecognized tax benefits:

	2011	2010
Unrecognized tax benefits (net of interest):		
Balance at January 1	\$ 70,725	100,928
Increases in unrecognized tax benefits prior periods	11,016	11,346
Decreases in unrecognized tax benefits prior periods	(5,932)	(9,880)
Increases in unrecognized tax benefits current periods	3,198	1,510
Changes related to settlements with tax authorities	(9,883)	(33,051)
Reductions due to statute of limitations	(3,100)	(128)
Balance at December 31	\$ 66,024	70,725

Included in the balance at December 31, 2011 is \$43,205 of unrecognized tax benefits which would affect the effective tax rate if recognized. The Company is currently not in a position to forecast the timing and magnitude of changes in the unrecognized tax benefits.

During the year ended December 31, 2011, the Company recognized \$7,922 in interest and penalties. The Company paid \$17,464 in interest and penalties during 2011.

**(10) Property, Plant and Equipment**

As of December 31, 2011 and 2010, property, plant and equipment consisted of the following:

	December 31	
	2011	2010
Land and improvements	\$ 12,145	12,034
Buildings	185,366	181,233
Capital lease property	3,587	363
Leasehold improvements	1,115,402	1,039,337
Equipment and furniture	1,227,023	1,149,540
Construction in progress	146,246	156,470
	2,689,769	2,538,977
Accumulated depreciation and amortization	(1,291,956)	(1,154,863)
Property, plant and equipment, net	\$ 1,397,813	1,384,114

Depreciation expense relating to property, plant and equipment amounted to \$263,450 and \$248,281 for the years ended December 31, 2011 and 2010, respectively.

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Included in property, plant and equipment as of December 31, 2011 and 2010 were \$100,474 and \$81,477, respectively, of peritoneal dialysis cyclor machines which the Company leases to customers with end-stage renal disease on a month-to-month basis. Rental income for the peritoneal dialysis cyclor machines was \$7,357 and \$8,202, for the years ended December 31, 2011 and 2010, respectively.

**Leases**

The Company leases buildings and machinery and equipment under various lease agreements expiring on dates through 2019. Rental expense for operating leases was \$419,117 and \$400,626 for the years ended December 31, 2011 and 2010, respectively. Amortization of properties under capital leases amounted to \$2,090 and \$2 for the years ended December 31, 2011 and 2010, respectively.

Future minimum payments under noncancelable leases (principally for clinics, offices and equipment) for the five years succeeding December 31, 2011 and thereafter are as follows:

	<b>Operating leases</b>	<b>Capital leases</b>	<b>Total</b>
2012	\$ 383,658	568	384,226
2013	348,853	579	349,432
2014	296,828	591	297,419
2015	253,640	441	254,081
2016	205,074	184	205,258
2017 and beyond	496,482	310	496,792
Total minimum payments	\$ 1,984,535	2,673	\$ 1,987,208
Less interest and operating costs		554	
Present value of minimum lease payments (\$325 payable in 2012)		\$ 2,119	

Lease agreements frequently include renewal options and require that the Company pay for utilities, taxes, insurance and maintenance expenses. Options to purchase are also included in some lease agreements, particularly capital leases.

**(11) Mandatorily Redeemable Preferred Securities**

FMCAG & KGaA issued Trust Preferred Securities through Fresenius Medical Care Capital Trusts, statutory trusts organized under the laws of the state of Delaware. FMCAG & KGaA owns all of the common securities of these trusts. The sole asset of each trust is a senior subordinated note of FMCAG & KGaA or a wholly owned subsidiary of FMCAG & KGaA. FMCAG & KGaA, Fresenius Medical Care Deutschland GmbH (D-GmbH) and FMCH have guaranteed payment and performance of the senior subordinated notes to the Fresenius Medical Care Capital Trusts. The Trust Preferred Securities are

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guaranteed by FMCAG & KGaA through Series of undertakings by FMCAG & KGaA and FMCH and D-GmbH.

The table below provides information for the remaining Redeemable Preferred Securities for the periods indicated:

	December 31	
	2011	2010
Mandatorily redeemable preferred securities:		
Series A preferred stock, 100 shares	\$ 665,500	665,500
Total mandatorily redeemable	665,500	665,500
Less amounts classified as current	—	—
Long-term mandatorily redeemable	\$ 665,500	665,500

These securities are similar in substance except for the order of preference both as to dividends and liquidation, dissolution or winding-up of the subsidiary. In addition, the holders of the Redeemable Preferred Securities are entitled to receive dividends in an amount of dollars per share that varies from approximately 3% to 5% of the purchase price depending on the Series. The dividends will be declared and paid in cash at least annually. All the Redeemable Preferred Securities have a par value of \$0.01 per share.

Upon liquidation or dissolution or winding up of the issuer of the Redeemable Preferred Securities, the holders of the Redeemable Preferred Securities are entitled to an amount equal to the liquidation preference for each share of stock plus an amount equal to all accrued and unpaid dividends thereon through the date of distribution. The liquidation preference is the sum of the issuance price plus, for each year or portion thereof, an amount equal to one-half of one percent of the issue price, not to exceed 5% of the issue price in the aggregate.

The Series A Redeemable Preferred Securities plus any accrued and unpaid dividends will be sold back to the Company. Series A was offered in March 2007 and has a redemption date in March 2013.

Dividends accrued were recorded and classified as part of interest expense in the consolidated statements of operations in the amounts of \$23,390 and \$31,253, for the years ended December 31, 2011 and 2010, respectively. During the years ended December 31, 2011 and 2010, cash dividend payments were made totaling \$23,938 and \$40,543, respectively.

The holders of the Redeemable Preferred Securities have the same participation rights as the holders of all other classes of capital stock of the issuing subsidiary.

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**(12) Pension and Other Post Retirement Benefits**

**(a) National Medical Care, Inc. Defined Benefit Pension Plan**

The Company has a noncontributory, defined benefit pension plan (NMC plan). Each year the Company contributes at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended. Plan assets consist primarily of publicly traded common stock, fixed income securities and cash equivalents.

Prior to 2010, the Company curtailed its defined benefit and supplemental executive retirement plans. Under the curtailment amendment for substantially all employees eligible to participate in the plan, benefits have been frozen as of the curtailment date and no additional defined benefits for future services will be earned. The Company has retained all employee benefit obligations as of the curtailment date. There was no minimum funding requirement for FMCH for the defined benefit plan in 2011 and 2010. The Company did not contribute any amounts for the years ended December 31, 2011 and 2010. Expected funding for 2012 is \$11,000.

The following table shows the changes in benefit obligations, the changes in plan assets, and the funded status of the NMC plan:

	<b>Year ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 271,873	251,147
Service cost	1,782	1,625
Interest cost	16,006	15,086
Actuarial loss	58,765	11,586
Benefits paid	<u>(9,161)</u>	<u>(7,571)</u>
Benefit obligation at end of year	<u>339,265</u>	<u>271,873</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	232,325	236,633
Actual return on plan assets	(4,174)	3,191
Employer contribution	—	72
Benefits paid	<u>(9,161)</u>	<u>(7,571)</u>
Fair value of plan assets at end of year	<u>218,990</u>	<u>232,325</u>
Funded status at year-end	<u>\$ (120,275)</u>	<u>(39,548)</u>

The pension liability recognized as of December 31, 2011, is equal to the amount shown as 2011 funded status at end of year in the table above. The funded status of \$120,275 is recorded as other liabilities in the consolidated balance sheets.

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The accumulated benefit obligation for the NMC plan was \$336,137 and \$269,212 at December 31, 2011 and 2010, respectively. The accumulated benefit obligation for the NMC plan with an obligation in excess of plan assets was \$117,147 and \$36,887 at December 31, 2011 and 2010, respectively. The related plan assets had a fair value of \$218,990 and \$232,325 at December 31, 2011 and 2010, respectively.

The pre-tax changes in the table below for 2011 and 2010 reflect actuarial losses in other comprehensive income relating to pension liabilities. As of December 31, 2011 there are no cumulative effects of prior service costs included in other comprehensive income.

		<u>Actuarial losses</u>
Adjustments related to pensions at January 1, 2010	\$	63,184
Additions		25,848
Releases		<u>(5,032)</u>
Adjustments related to pensions at December 31, 2010		84,000
Additions		80,688
Releases		<u>(7,261)</u>
Adjustments related to pensions at December 31, 2011	\$	<u><u>157,427</u></u>

The actuarial loss expected to be amortized from other comprehensive income into net periodic pension cost over the next year is \$16,092.

The following weighted average assumptions were utilized in determining benefit obligations as of December 31:

	<u>2011</u>	<u>2010</u>
Discount rate	5.03%	5.80%
Rate of compensation increase	4.00	4.50

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The NMC plan net periodic benefit costs are comprised of the following components:

	<u>2011</u>	<u>2010</u>
Components of net periodic benefit cost:		
Service cost	\$ 1,782	1,625
Interest cost	16,006	15,086
Expected return on plan assets	(17,750)	(17,453)
Settlement	—	—
Amortization of unrealized losses	7,263	5,032
Net periodic benefit cost	<u>\$ 7,301</u>	<u>4,290</u>

The discount rates for the plan are derived from an analysis and comparison of yields of portfolios of equity and highly rated debt instruments with maturities that mirror the plan's benefit obligation. The Company's discount rate is the weighted average of these plans based upon their benefit obligations at December 31, 2011. The following weighted average assumptions were used in determining net periodic benefit cost for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Discount rate	5.80%	6.00%
Expected return on plan assets	7.50	7.50
Rate of compensation increase	4.50	4.50

Expected benefit payments for the NMC plan for the next five years and in the aggregate for the five years thereafter are as follows:

2012	\$ 11,742
2013	12,541
2014	13,600
2015	14,684
2016	15,669
2017 through 2021	94,649

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**Plan Assets**

The following table presents the fair values of the Company's pension plan assets at December 31, 2011 and 2010:

	Fair value measurements at December 21, 2011			Fair value measurements at December 21, 2010		
	Total	Quoted prices in active markets for identical assets		Total	Quoted prices in active markets for identical assets	
		Level 1	Significant observable inputs Level 2		Level 1	Significant observable inputs Level 2
Asset category:						
Equity investments:						
Common stocks	\$ —	—	—	2,565	2,565	—
Index funds <sup>1</sup>	55,538	—	55,538	65,621	—	65,621
Fixed income investments:						
Government securities <sup>2</sup>	6,612	5,025	1,587	4,479	1,967	2,512
Corporate bonds <sup>3</sup>	143,782	—	143,782	152,564	—	152,564
Other bonds <sup>4</sup>	483	—	483	2,442	—	2,442
U.S. Treasury money market funds <sup>5</sup>	6,600	6,600	—	4,232	4,232	—
Other types of investments:						
Cash, money market and mutual funds <sup>6</sup>	5,975	5,975	—	422	422	—
Total	\$ 218,990	17,600	201,390	232,325	9,186	223,139

- 1 This category comprises low-cost equity index funds not actively managed that track the S&P 500, S&P 400, Russell 2000, MSCI Emerging Markets Index and the Morgan Stanley International EAFE Index.
- 2 This category comprises fixed income investments by the U.S. Government and government sponsored entities.
- 3 This category represents investment grade bonds of U.S. issuers from diverse industries.
- 4 This category comprises private placement bonds as well as collateralized mortgage obligations.
- 5 This category represents funds that invest in treasury obligations directly or in treasury-backed obligations.
- 6 This category represents cash, money market funds as well as mutual funds comprised of high grade corporate bonds.

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The methods and inputs used to measure the fair value of plan assets are as follows:

Common stocks and index funds are valued at their market prices as of the balance sheet date.

Index funds are valued based on market quotes.

Government bonds are valued based on market quotes.

Corporate bonds and other bonds are valued based on market quotes as of the balance sheet date.

Cash is stated at nominal value which equals the fair value.

U.S. Treasury money market funds as well as other money market and mutual funds are valued at their market price.

**Plan Investment Policy and Strategy**

The Company periodically reviews the assumption for long-term expected return on pension plan assets. As part of the assumptions review, independent consulting actuaries determine a range of reasonable expected investment returns for the pension plan as a whole based on their analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class. As a result, the Company's expected rate of return on pension plan assets was 7.50% for 2011 and 2010.

The Company's overall investment strategy is to achieve a mix of approximately 96% of investments for long-term growth and 4% for near-term benefit payments with a wide diversification of asset types, fund strategies and fund managers.

The investment policy, utilizing a revised target investment allocation of 35% equity and 65% long-term U.S. bonds, considers that there will be a time horizon for invested funds of more than 5 years. The total portfolio will be measured against a policy index that reflects the asset class benchmarks and the target asset allocation. The NMC Plan policy does not allow investments in securities of the Company or other related-party securities. The performance benchmarks for the separate asset classes include: S&P 500 Index, S&P 400 Index, Russell 2000 Growth Index, MSCI EAFE Index, MSCI Emerging Markets Index, Barclays Capital Long Term Government Index and Barclays Capital 20 Year U.S. Treasury Strip Index.

**(b) Supplemental Executive Retirement Plan**

The Company's supplemental executive retirement plan provides certain key executives with benefits in excess of normal pension benefits. This plan was also curtailed prior to 2010. The projected benefit obligation was \$13,031 and \$10,919 at December 31, 2011 and 2010, respectively. Pension expense for this plan, for the years ended December 31, 2011 and 2010 was \$1,173 and \$876, respectively. The Company has recorded \$5,097 and \$3,604 to accumulated other

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comprehensive income to recognize the additional liability for this plan at December 31, 2011 and 2010, respectively. The Company contributed \$556 and \$528 to this plan during 2011 and 2010, respectively. Expected funding for 2012 is \$790.

The pension liability recognized as of December 31, 2011 of \$13,031, includes a current portion of \$771 which is recognized as a current liability in the line item "accrued liabilities" within the consolidated balance sheets. The noncurrent portion of \$12,260 is recorded as noncurrent pension liability in "other liabilities" within the consolidated balance sheet.

The Company does not provide any post retirement benefits to its employees other than those provided under its pension plan and supplemental executive retirement plan.

**(c) Defined Contribution Plans**

Most of the Company's employees are eligible to join a 401(k) savings plan. Employees can deposit up to 75% of their pay up to a maximum of \$16.5 if under 50 years old (\$22.0 if 50 or over) under this savings plan. The Company will match 50% of the employee deposit up to a maximum Company contribution of 3% of the employee's pay. The Company's total expense under this defined contribution plan for the years ended December 31, 2011 and 2010 was \$33,741 and \$31,583, respectively.

**(13) Noncontrolling Interests Subject to Put Provisions**

The Company has potential obligations to purchase the noncontrolling interests held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Company would be required to purchase all or part of third-party owners' noncontrolling interests at the appraised fair value at the time of exercise. The methodology the Company uses to estimate the fair values of the noncontrolling interest subject to put provisions assumes the greater of net book value or a multiple of earnings, based on historical earnings, development stage of the underlying business and other factors. The estimated fair values of the noncontrolling interests subject to these put provisions can also fluctuate and the implicit multiple of earnings at which these noncontrolling interest obligations may ultimately be settled could vary significantly from our current estimates depending upon market conditions.

As of December 31, 2011 and 2010 the Company's potential obligations under these put options are \$404,015 and \$273,022, respectively, of which, at December 31, 2011, \$107,318 were exercisable. In the last two fiscal years ending December 31, 2011 one put has been exercised for a total consideration of \$99.

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Following is a rollforward of noncontrolling interests subject to put provisions for the years ended December 31, 2011 and 2010:

	<b>2011</b>	<b>2010</b>
Beginning balance	\$ 273,022	231,303
Dividends paid	(43,104)	(38,964)
Purchase/sale of noncontrolling interests	37,786	22,333
Contributions from noncontrolling interests	7,222	5,289
Changes in fair value of noncontrolling interests	86,233	24,223
Net income	42,856	28,838
Ending balance	\$ 404,015	273,022

**(14) Equity**

**(a) Preferred Stock \$1.00 Par Value**

During 2006, the Company issued to Fresenius Medical Care North America Holdings Limited Partnership (DLP), 5,000,000 shares at \$1.00 par value of Series C Preferred Stock. The Company received proceeds of \$1,250,000. Simultaneous to the issuance of the securities, the Company entered into a conditional forward sale contract on the shares with DLP (see note 16 (d)). At each reporting period, the securities are marked to market at the Euro spot rate. Changes in the fair value are recognized in earnings.

During the first quarter of 2011, the Company issued to Fresenius Medical Care North America Holdings Limited Partnership (DLP), 2,653,560 shares at \$1.00 par value of Series E Preferred stock. The Company received proceeds of \$663,390.

During the second quarter of 2011, the Company issued to Fresenius Medical Care North America Holdings Limited Partnership (DLP), 2,100,000 shares at \$1.00 par value of Series F Preferred stock. The Company received proceeds of \$525,000.

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At December 31, 2011 and 2010, the components of the Company's preferred stocks as presented in the consolidated balance sheets consisted of the following:

	December 31	
	2011	2010
Preferred stock \$1.00 par value:		
Class C; 5,000,000 shares authorized, issued and outstanding.	\$ 1,336,232	1,379,916
Class E; 2,653,560 shares authorized, issued and outstanding.	663,390	—
Class F; 2,100,000 shares authorized, issued and outstanding.	525,000	—
Total Preferred Stock	\$ 2,524,622	1,379,916

**(b) Stock Options**

In connection with its stock option program, the Company incurred compensation expense of \$20,767 and \$20,330 for the years ended December 31, 2011 and 2010, respectively. There were no capitalized compensation costs in any of the two years presented. The Company also recorded a related deferred income tax of \$8,193 and \$8,020 for the years ended December 31, 2011 and 2010, respectively.

On May 12, 2011, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 (2011 SOP) was established by resolution of the Parent Company's annual general meeting (AGM). The 2011 SOP, together with the Phantom Stock Plan 2011, which was established by resolution of the General Partner's Management and Supervisory Boards, forms the Parent Company's Long Term Incentive Program 2011 (2011 Incentive Program). Under the 2011 Incentive Program, participants may be granted awards, which will consist of a combination of stock options and phantom stock. Awards under the 2011 Incentive Program will be granted over a five year period and can be granted on the last Monday in July and/or the first Monday in December each year. Prior to the respective grant, the participants will be able to choose how much of the granted value is granted in the form of stock options and phantom stock in a predefined range of 75:25 to 50:50, stock options vs. phantom stock. The number of phantom shares that plan participants may choose to receive instead of stock options within the aforementioned predefined range is determined on the basis of a fair value assessment pursuant to a binomial model. With respect to grants made in July, this fair value assessment will be conducted on the day following the Parent Company's AGM and with respect to the grants made in December, on the first Monday in October.

The awards under the 2011 Incentive Program are subject to a four-year vesting period. The vesting of the awards granted is subject to achievement of performance targets measured over a four-year period beginning with the first day of the year of the grant. For each such year, the performance target is achieved if the Parent Company's adjusted basic income per ordinary share (Adjusted EPS),

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as calculated in accordance with the 2011 Incentive Program, increases by at least 8% year over year during the vesting period or, if this is not the case, the compounded annual growth rate of the Adjusted EPS reflects an increase of at least 8% per year of the Adjusted EPS during the four-year vesting period. At the end of the vesting period, one-fourth of the awards granted is forfeited for each year in which the performance target is not achieved. All awards are considered vested if the compounded annual growth rate of the Adjusted EPS reflects an increase of at least 8% per year during the four-year vesting period. Vesting of the portion or portions of a grant for a year or years in which the performance target is met does not occur until completion of the four-year vesting period.

The exercise price of stock options granted under the 2011 Incentive Program shall be the average stock exchange price on the Frankfurt Stock Exchange of the Parent Company's ordinary shares during the 30 calendar days immediately prior to each grant date. Stock options granted under the 2011 Incentive Program have an eight-year term and can be exercised only after a four-year vesting period. Stock options granted under the 2011 Incentive Program to US participants are nonqualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the 2011 Incentive Program are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or disposed of otherwise.

In 1996, FMCAG adopted a stock incentive plan (the FMCAG Plan) under which the Parent Company and the Company's key management and executive employees are eligible. Under the FMCAG Plan, eligible employees will have the right to acquire preference shares of FMCAG. Options granted under the FMCAG Plan will be evidenced by a nontransferable convertible bond and corresponding nonrecourse loan to the employee, secured solely by the bond with which it was made. The bonds mature in ten years and are generally fully convertible after three to five years. Each convertible bond, which is deutsche mark (DM) denominated, entitles the holder thereof to convert the bond in preference shares equal to the face amount of the bond divided by the preference share's nominal value.

During 1998, FMCAG adopted a new stock incentive plan (FMCAG 98 Plan) under which the Parent Company and the Company's key management and executive employees are eligible. Under the FMCAG 98 Plan, eligible employees will have the right to acquire Preference Shares of FMCAG. Options granted under the FMCAG 98 Plan will be evidenced by a nontransferable convertible bond and a corresponding nonrecourse loan to the employee, secured solely by the bond with which it was made. Each convertible bond, which is DM denominated, will entitle the holder thereof to convert the bond in Preference Shares equal to the face amount of the bond divided by the preference share's nominal value. Effective September 2001, no additional grants or options will be awarded under the FMCAG 98 Plan.

On May 23, 2001, by resolution of the FMCAG shareholders, the FMCAG 98 Plan was replaced by a new plan (FMCAG International Plan). Under the FMCAG International Plan, options in the form of convertible bonds with a principal of up to 10,240 Euros were issued to the members of the FMCAG Management Board and other employees of the Company representing grants for up to 4 million nonvoting preference shares. The convertible bonds originally had a par value of 2.56

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Euros and bear interest at a rate of 5.5%. In connection with the share split effected in 2007, the principal amount was adjusted in the same proportion as the share capital out of the capital increase and the par value of the convertible bonds was adjusted to 0.85 Euros without affecting the interest rate. Except for the members of the FMCAG Management Board, eligible employees may purchase the bonds by issuing a nonrecourse note with terms corresponding to the terms of and secured by the bond. The Parent Company has the right to offset its obligation on a bond against the employee's obligation on the related note; therefore, the convertible bond obligations and employee note receivables represent stock options issued by the Parent Company and are not reflected in the Parent Company's consolidated financial statements. The options expire ten years from issuance and can be exercised beginning two, three or four years after issuance.

Upon issuance of the option, the employees had the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the preference shares upon the first time the stock exchange quoted price exceeds the initial value by at least 25%. The initial value (Initial Value) is the average price of the preference shares during the last 30 trading days prior to the date of grant. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee would be 15% less than if the employee elected options subject to the stock price target. The conversion price of the options without a stock price target is the Initial Value. Each option entitles the holder thereof, upon payment of the respective conversion price, to acquire one preference share. Effective May 2006, no further grants can be issued under the FMCAG International Plan and no options were granted under the FMCAG International Plan after 2005.

On May 9, 2006 as amended on May 15, 2007 the FMCAG & KGaA Stock Option Plan 2006 (the 2006 Amended Plan) was established by resolution of the FMCAG & KGaA annual general meeting with a conditional capital increase up to 15,000 Euros subject to the issue of up to fifteen million no par value bearer ordinary shares with a nominal value of 1.00 euros each. Under the 2006 Amended Plan, up to 15 million options can be issued to members of the management board and to other employees of FMCAG and the Company.

Options under the 2006 Amended Plan can be granted the last Monday in July and/or the first Monday in December. The exercise price of the options granted under the 2006 Amended Plan shall be the average closing price on the Frankfurt Stock Exchange of FMCAG & KGaA ordinary shares during the 30 calendar days immediately prior to each grant date. Options granted under the 2006 Amended Plan have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is subject to satisfaction of performance targets measured over a three-year period from the grant date. The performance targets for 2011 and 2010 were met. Vesting of a portion or portions of a grant for a year in which the performance target is met does not occur until completion of the entire three-year vesting period. Upon the exercise of vested options, FMCAG & KGaA has the right to issue ordinary shares it owns or that it purchases on the market in place of increasing capital by the issuance of new shares.

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Options granted under the 2006 Amended Plan to U.S. participants are nonqualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the 2006 Amended Plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of.

The table below provides reconciliations for options outstanding at December 31, 2011, as compared to December 31, 2010.

	<u>Options (In thousands)</u>		<u>Weighted average exercise price</u>
Ordinary shares:			
Balance at December 31, 2010	7,766	\$	45.21
Granted	1,338		67.87
Exercised	(1,336)		42.24
Forfeited	(149)		44.74
Balance at December 31, 2011	<u>7,619</u>		49.73
Preference shares:			
Balance at December 31, 2010	59	\$	24.83
Exercised	(9)		29.14
Forfeited	(1)		23.56
Balance at December 31, 2011	<u>49</u>		24.12

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2011:

<u>Fully vested outstanding and exercisable options</u>				
	<u>Number of options</u>	<u>Weighted average remaining contractual life in years</u>	<u>Weighted average exercise price</u>	<u>Aggregate intrinsic value</u>
	(In thousands)			
Options for ordinary shares	2,498	2.91	\$ 41.56	65,861
Options for preference shares	49	2.80	24.11	1,538

At December 31, 2011, there is \$37,472 of total unrecognized compensation costs related to nonvested options granted under all plans. These costs are expected to be recognized over a weighted average period of 1.9 years.

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During the years ended December 31, 2011 and 2010, the Company received cash of \$60,972 and \$70,638, respectively, from the exercise of stock options. The intrinsic value of options exercised for the years ended December 31, 2011 and 2010 were \$32,978 and \$33,746, respectively. The Company recorded a related tax benefit of \$6,025 and \$5,618 for the years ended December 31, 2011 and 2010, respectively.

**(c) Fair Value Information**

The Company used a binomial option-pricing model in determining the fair value of the awards under the 2011 SOP and the 2006 Plan. Option valuation models require the input of subjective assumptions including expected stock price volatility. The Company's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. Expected volatility is based on historical volatility of the Company's shares. To incorporate the effects of expected early exercise in the model, an early exercise of vested options was assumed as soon as the share price exceeds 155% of the exercise price. The Company's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option.

The assumptions used to determine the fair value of the 2011 and 2010 grants are as follows:

	<u>2011</u>	<u>2010</u>
Expected dividend yield	1.62%	1.98%
Risk-free interest rate	2.55	2.28
Expected volatility	22.22	22.92
Expected life of options	8 years	7 years
Weighted average exercise price	\$ 67.87	57.07

**(15) Financial Instruments**

As a supplier of dialysis services and products, the Company is faced with a concentration of credit risks due to the nature of the reimbursement system which are often provided by the governments of the jurisdictions in which the Company operates. Changes in reimbursement rates or scope of coverage could have a material adverse effect on the Company's business, financial condition and results of operations and thus on its capacity to generate cash flow. In the past the Company experienced and also expects in the future generally stable reimbursements for its dialysis services. This includes the balancing of favorable and unfavorable reimbursement changes. Due to the fact that a large portion of the Company's reimbursement is provided by public healthcare organizations and private insurers, the Company expects that most of its accounts receivables will be collectable.

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***Nonderivative Financial Instruments***

The following table presents the carrying amounts and fair values of the Company's nonderivative financial instruments at December 31, 2011 and 2010:

	December 31, 2011		December 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Nonderivatives:				
Assets:				
Cash and cash equivalents	\$ 204,142	204,142	163,292	163,292
Accounts receivables	1,188,700	1,188,700	1,176,849	1,176,849
Receivables from affiliates	1,448,895	1,448,895	322,676	322,676
Long term notes receivable	234,490	233,514		
Liabilities:				
Accounts payable	\$ 309,345	309,345	267,570	267,570
Short-term borrowings	17,445	17,445	546,612	546,612
Long-term debt and capital lease obligations, excluding Amended 2006 Senior Credit Agreement	542,819	542,819	14,216	14,216
Amended 2006 Senior Credit Agreement	1,580,589	1,572,957	1,458,890	1,448,390
Mandatorily redeemable preferred securities	665,500	665,500	665,500	665,500
Borrowings from affiliates	429,173	429,173	726,205	726,205
Noncontrolling interests subject to put provisions	\$ 404,015	404,015	273,022	273,022

The carrying amounts in the table are included in the consolidated balance sheets under the indicated captions.

The significant methods and assumptions used in estimating the fair values of financial instruments are as follows:

Cash and cash equivalents are stated at nominal value which equals the fair value.

Short-term financial instruments such as accounts receivable, accounts payable and short-term borrowings are valued at their carrying amounts, which are reasonable estimates of the fair value due to the relatively short period to maturity of these instruments.

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The valuation of the long-term notes receivable is determined using significant unobservable inputs (Level 3). It is valued using a constructed index based upon similar instruments with comparable credit ratings, terms, tenor, interest rates and that are within the Company's industry. The Company tracked the prices of the constructed index from the note issuance date to the reporting date to determine fair value.

The fair values of the long-term debt and capital lease obligations are calculated on the basis of market information. Instruments for which market quotes are available are measured using these quotes. The fair values of the other long-term financial liabilities are calculated at the present value of the respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Company as of the balance sheet date are used.

The valuation of the noncontrolling interests subject to put provisions is determined using significant unobservable inputs (Level 3). See note 13 for a discussion of the Company's methodology for estimating the fair value of these noncontrolling interests subject to put obligations.

Currently, there is no indication that a decrease in the value of the Company's financing receivables is probable. Therefore, the allowances on credit losses of financing receivables are immaterial.

**(16) Derivative Financial Instruments**

The Company is exposed to market risk from changes in interest rates and foreign exchange rates. In order to manage the risk of interest rate and currency exchange rate fluctuations, the Company enters into various hedging transactions with highly rated financial institutions as authorized by the Parent Company. On a quarterly basis an assessment of the Company counterparty credit risk is performed, which the Company considers to be low. The Company does not use financial instruments for trading purposes.

The Company established guidelines for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

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The table below summarizes the derivative financial instruments pre-tax and after-tax effect on accumulated other comprehensive income (loss) in equity for the years ended December 31, 2011 and 2010:

	Year ended December 31	
	2011	2010
	(Dollars in millions)	
Interest rate swaps:		
Pre-tax (gain)	\$ (49.9)	(57.0)
After-tax (gain)	(30.2)	(34.6)
Forecasted raw material product purchases and other obligations:		
Pre-tax loss/(gain)	\$ 9.2	(0.2)
After-tax loss/(gain)	5.6	(0.1)
Euro denominated mandatorily redeemable preferred stock:		
Pre-tax (gain)	\$ —	(10.7)
After-tax (gain)	—	(6.5)

The interest rate swaps are designated as cash flow hedges effectively converting certain variable interest rate payments into fixed interest rate payments. After-tax gains and losses were deferred in other comprehensive income and subsequently reclassified to earnings when the hedged item also affects earnings. Interest payable and receivable under the swap terms are accrued and recorded as adjustments to interest expense at each reporting date.

The Company enters into forward rate agreements that are designated and effective as hedges of forecasted raw material purchases and other obligations. After-tax gains and losses were deferred in other comprehensive income and will be reclassified into cost of sales in the period during which the hedged transactions affect earnings. All deferred amounts will be reclassified into earnings within the next twelve months.

The Company entered into a forward sale agreement related to preference shares (Preferred Stock) of FMCH issued to Fresenius Medical Care North America Holdings Limited Partnership (DLP). This instrument is reflected in the consolidated balance sheets at fair value as part of Preferred Stock with changes in fair value recognized in earnings. Pre-tax gains and (losses) recorded in the consolidated statements of operations for the years ended December 31, 2011 and 2010 were \$43.7 million and \$107.8 million, respectively. After-tax gains and (losses) recorded in the consolidated statements of operations for the years ended December 31, 2011 and 2010 were \$27.4 million and \$68.1 million, respectively.

Upon maturity (March 31, 2013) or termination of the exchange agreement, DLP is obligated to pay to FMCH, the Euro equivalent of \$1.25 billion converted at spot rate and FMCH will pay to DLP the final settlement amount of \$1.25 billion (plus any outstanding period interest payments). This instrument is

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reflected in the consolidated balance sheets at fair value as a derivative asset at the reporting date with changes in fair value recognized in earnings. Pre-tax (losses) and gains recorded in the consolidated statements of operations for the years ended December 31, 2011 and 2010 were (\$96.4) million and (\$104.8) million, respectively. After-tax (losses) and gains recorded in the consolidated statements of operations for the years ended December 31, 2011 and 2010 were (\$60.8) million and (\$66.2) million, respectively.

Periodically, the Company enters into derivative instruments with related parties to form a natural hedge for currency exchange rate exposures on intercompany obligations. These instruments are reflected in the consolidated balance sheets at fair value with changes in fair value recognized in earnings. Pre-tax gains and (losses) recorded in the consolidated statements of operations for the years ended December 31, 2011 and 2010 were \$1.1 million and (\$1.1) million, respectively.

**(a) Foreign Currency Contracts**

The Company uses foreign exchange contracts as a hedge against foreign exchange risks associated with the settlement of foreign currency denominated payables and firm commitments. At December 31, 2011 and 2010, the Company had outstanding foreign currency contracts for the purchase of Euros (EUR) totaling 78,171 and 53,783, respectively, contracts for the purchase of 279,000 and 225,860 Mexican pesos, respectively, and contracts for the sale of 6,323 and 12,856 Canadian dollars, respectively. The contracts outstanding at December 31, 2011 include forward contracts for purchase of EUR at rates ranging from \$1.282 to \$1.408 per EUR, forward contracts for the purchase of Mexican Pesos at rates ranging from \$11.834 to \$12.266 per U.S. dollar, and outright sale contracts for Canadian dollars at rates ranging from \$1.050 to \$0.948 per Canadian dollar. All contracts are for periods between January 2012 and May 2013.

The fair value of currency contracts are the estimated amounts that the Company would receive or pay to terminate the agreements at the reporting date, taking into account the current exchange rates and the current creditworthiness of the counterparties in addition to the Company's own nonperformance risk. At December 31, 2011, the Company would have paid approximately \$7,267 to terminate these contracts and at December 31, 2010, the Company would have received approximately \$715 to terminate these contracts.

**(b) Interest Rate Agreements**

The Company enters into derivatives, particularly interest rate swaps to hedge interest exposures arising from long-term debt at floating rates by effectively swapping them into fixed rates.

At December 31, 2011, the Company had interest rate swaps outstanding with various commercial banks for notional amounts totaling \$1,150,000. All of these agreements were solely entered into for interest rate hedging purposes.

For a notional amount of \$1,150,000, the interest rate swaps effectively change the Company's interest rate exposure on its variable-rate loans under the FMCH Credit Agreement (drawn as of June 30, 2011: \$1,150,000 Loan B) to fixed rates of interest approximating 4.66%.

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The fair value of the interest rate swaps and options is the estimated amount that the Company would receive or pay to terminate the agreements at the reporting date, taking into account the current exchange rates and the current creditworthiness of the counterparties in addition to the Company's own nonperformance risk. The fair value of these agreements at December 31, 2011 and 2010 would generate a negative cash flow of \$11,725 and \$61,582, respectively. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions significantly affect the estimates.

**(c) Credit Risk**

The Company is exposed to credit risk to the extent of potential nonperformance by counterparties on financial instruments. As of December 31, 2011, the Company's credit exposure was insignificant and limited to the fair value stated above; the Company believes the risk of incurring losses due to credit risk is remote. Also, the Company does not require collateral or other security to support financial instruments subject to credit risk. The Company's standard contracts do not contain credit-risk-related contingent features whereby the Company would be required to post cash collateral as a result of a credit event.

**(d) Forward Sale and Currency Exchange Agreements**

The Company entered into a conditional forward sale agreement related to preference shares (Preferred Stock) issued to DLP. The conditional aspects of the contract are not certain to occur and are related to dissolution or reorganization of DLP. However, if the conditions were to occur, the forward sale agreement requires that the Company redeem the securities at the same Euro value that was used to acquire the shares when initially issued plus any accumulated and declared but unpaid dividends at the spot rate in effect on the settlement date.

The Company also entered into a currency exchange agreement with DLP. The notional principal amount of the currency exchange agreement is \$1.25 billion and a Euro amount with equal market value applying the market foreign exchange rate at the time the exchange agreement was entered into. The currency exchange agreement requires that at each periodic settlement date, DLP is obligated to pay to FMCH, Euro interest on the Euro equivalent of \$1.25 billion. Conversely, at the periodic settlement date, FMCH is obligated to pay DLP, the interest on \$1.25 billion in U.S. dollars.

Upon maturity (March 31, 2013) or execution of the currency exchange agreement, DLP is obligated to pay to FMCH, the Euro equivalent of \$1.25 billion converted at the spot rate and FMCH will pay to DLP the final settlement amount of \$1.25 billion (plus any outstanding period interest payments).

This instrument is reflected in other assets and deferred charges within the consolidated balance sheets at fair value as a derivative asset at the reporting date with changes in fair value recognized in earnings. At December 31, 2011 and 2010, the fair value of the derivative asset was \$184 million and \$130 million, respectively.

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The following table shows the Company's derivatives at December 31, 2011 and 2010:

	<u>2011</u>		<u>2010</u>	
	<u>Assets (2)</u>	<u>Liabilities (2)</u>	<u>Assets (2)</u>	<u>Liabilities (2)</u>
Derivatives in cash flow hedging relationships (1):				
Current:				
Foreign currency contracts	\$ 494	(6,186)	2,256	(2,167)
Dollar interest rate hedges	—	(11,725)	—	(1,372)
Noncurrent:				
Foreign currency contracts	57	(185,471)	130,533	(49)
Dollar interest rate hedges	—	—	—	(60,211)
Total	<u>\$ 551</u>	<u>(203,382)</u>	<u>132,789</u>	<u>(63,799)</u>

- (1) As of December 31, 2011 and 2010, the valuation of the Company's derivatives was determined using Significant Other Observable inputs (Level 2) in accordance with the fair value hierarchy levels established in U.S. GAAP.
- (2) Derivative instruments are marked to market each reporting period resulting in carrying amounts being equal to fair values at each reporting date.

The carrying amounts for the current portion of derivatives indicated as assets in the table above are included in other current assets in the consolidated balance sheets while the current portion of those indicated as liabilities are included in other current liabilities. The noncurrent portions indicated as assets or liabilities are included in the consolidated balance sheets in other assets or other liabilities, respectively.

The significant methods and assumptions used in estimating the fair values of derivative financial instruments are as follows:

The fair value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the balance sheet date. To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the balance sheet date. The result is then discounted on the basis of the market interest rates prevailing at the balance sheet date for the applicable currency.

The Company includes its own credit risk when measuring the fair value of derivative financial instruments.

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**The Effect of Derivatives on the Consolidated Financial Statements**

	Amount of gain or (loss) recognized in OCI on derivatives (effective portion) December 31		Location of gain (loss) reclassified from OCI in income (effective portion)	Amount of gain (loss) reclassified from OCI in income (effective portion) for the twelve months ended December 31	
	2011	2010		2011	2010
	Dollar interest rate hedges	\$ (12,326)		(41,077)	Interest income/expense
Foreign currency contracts	(6,975)	(11,849)	General and administrative expenses	—	18,232
			Cost of medical supplies	(2,274)	4,536
	<u>\$ (19,301)</u>	<u>(52,926)</u>		<u>\$ 59,910</u>	<u>120,892</u>

The Company expects to recognize \$11,878 of losses deferred in accumulated other comprehensive income at December 31, 2011, in earnings during the next twelve months.

As of December 31, 2011, the Company had foreign currency contracts with maturities of up to 17 months and dollar interest rate hedges with maturities of up to 3 months.

**(17) Legal Proceedings**

**(a) Commercial Litigation**

The Company was originally formed as a result of a series of transactions it completed pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996, by and between W.R. Grace & Co. and Fresenius SE (the Merger). At the time of the Merger, a W.R. Grace & Co. subsidiary known as W.R. Grace & Co.-Conn. had, and continues to have, significant liabilities arising out of product-liability related litigation (including asbestos-related actions), pre-Merger tax claims and other claims unrelated to National Medical Care, Inc. (NMC), which was W.R. Grace & Co.'s dialysis business prior to the Merger. In connection with the Merger, W.R. Grace & Co.-Conn. agreed to indemnify the Company, FMCH, and NMC against all liabilities of W.R. Grace & Co., whether relating to events occurring before or after the Merger, other than liabilities arising from or relating to NMC's operations. W.R. Grace & Co. and certain of its subsidiaries filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code (the Grace Chapter 11 Proceedings) on April 2, 2001.

Prior to and after the commencement of the Grace Chapter 11 Proceedings, class action complaints were filed against W.R. Grace & Co. and FMCH by plaintiffs claiming to be creditors of W.R. Grace & Co.-Conn., and by the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate in the Grace Chapter 11 Proceedings, alleging among other things that the Merger was a fraudulent conveyance, violated the uniform fraudulent transfer act and constituted a conspiracy. All such cases have been stayed and transferred to or are pending before the U.S. District Court as part of the Grace Chapter 11 Proceedings.

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In 2003, the Company reached agreement with the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate and W.R. Grace & Co. in the matters pending in the Grace Chapter 11 Proceedings for the settlement of all fraudulent conveyance and tax claims against it and other claims related to the Company that arise out of the bankruptcy of W.R. Grace & Co. Under the terms of the settlement agreement as amended (the Settlement Agreement), fraudulent conveyance and other claims raised on behalf of asbestos claimants will be dismissed with prejudice and the Company will receive protection against existing and potential future W.R. Grace & Co. related claims, including fraudulent conveyance and asbestos claims, and indemnification against income tax claims related to the non-NMC members of the W.R. Grace & Co. consolidated tax group upon confirmation of a W.R. Grace & Co. bankruptcy reorganization plan that contains such provisions. Under the Settlement Agreement, the Company will pay a total of \$115,000 without interest to the W.R. Grace & Co. bankruptcy estate, or as otherwise directed by the Court, upon plan confirmation. No admission of liability has been or will be made. The Settlement Agreement has been approved by the U.S. District Court. In January and February 2011, the U.S. Bankruptcy Court entered orders confirming the joint plan of reorganization and the confirmation orders were affirmed by the U.S. District Court on January 31, 2012.

Subsequent to the Merger, W.R. Grace & Co. was involved in a multi-step transaction involving Scaled Air Corporation (Scaled Air, formerly known as Grace Holding, Inc.). The Company is engaged in litigation with Scaled Air to confirm its entitlement to indemnification from Scaled Air for all losses and expenses incurred by the Company relating to pre-Merger tax liabilities and Merger-related claims. Under the Settlement Agreement, upon final confirmation of a plan of reorganization that satisfies the conditions of the Company's payment obligation, this litigation will be dismissed with prejudice.

On April 4, 2003, FMCH filed a suit in the U. S. District Court for the Northern District of California, styled Fresenius USA, Inc., et al., v. Baxter International Inc., et al., Case No. C 03-1431, seeking a declaratory judgment that FMCH does not infringe patents held by Baxter International Inc. and its subsidiaries and affiliates (Baxter), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against FMCH for alleged infringement of Baxter's patents. In general, the asserted patents concern the use of touch screen interfaces for hemodialysis machines. Baxter filed counterclaims against FMCH seeking more than \$140,000 in monetary damages and injunctive relief, and alleging that FMCH willfully infringed on Baxter's patents. On July 17, 2006, the court entered judgment on a jury verdict in favor of FMCH finding that all the asserted claims of the Baxter patents are invalid as obvious and/or anticipated in light of prior art.

On February 13, 2007, the court granted Baxter's motion to set aside the jury's verdict in favor of FMCH and reinstated the patents and entered judgment of infringement. Following a trial on damages, the court entered judgment on November 6, 2007 in favor of Baxter on a jury award of \$14,300. On April 4, 2008, the court denied Baxter's motion for a new trial, established a royalty payable to Baxter of 10% of the sales price for continuing sales of FMCH's 2008K hemodialysis machines and 7% of the sales price of related disposables, parts and service beginning November 7, 2007, and enjoined sales of the touchscreen-equipped 2008K machine effective January 1, 2009. The

**FRESENIUS MEDICAL CARE HOLDINGS, INC.  
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Company appealed the court's rulings to the United States Court of Appeals for the Federal Circuit (Federal Circuit). In October 2008, the Company completed design modifications to the 2008K machine that eliminate any incremental hemodialysis machine royalty payment exposure under the original District Court order. On September 10, 2009, the Federal Circuit reversed the district court's decision and determined that the asserted claims in two of the three patents at issue are invalid. As to the third patent, the Federal Circuit affirmed the district court's decision; however, the Court also vacated the injunction and award of damages. These issues were remanded to the District Court for reconsideration in light of the invalidity ruling on most of the claims. As a result, FMCH is no longer required to fund the court-approved escrow account set up to hold the royalty payments ordered by the district court. Funds of \$70,000 were contributed to the escrow fund. In the parallel reexamination of the last surviving patent, the U.S. Patent and Trademark Office (USPTO) and the Board of Patent Appeals and Interferences ruled that the remaining Baxter patent is invalid. Baxter appealed the Board's ruling to the Federal Circuit.

On October 17, 2006, Baxter and DEKA Products Limited Partnership (DEKA) filed suit in the U.S. District Court for the Eastern District of Texas which was subsequently transferred to the Northern District of California, styled Baxter Healthcare Corporation and DEKA Products Limited Partnership v. Fresenius Medical Care Holdings, Inc. d/b/a Fresenius Medical Care North America and Fresenius USA, Inc., Case No. CV 438 TJW. The complaint alleged that FMCH's Liberty™ cyclor infringes nine patents owned by or licensed to Baxter. During and after discovery, seven of the asserted patents were dropped from the suit. On July 28, 2010, at the conclusion of the trial, the jury returned a verdict in favor of FMCH finding that the Liberty™ cyclor does not infringe any of the asserted claims of the Baxter patents. The District Court denied Baxter's request to overturn the jury verdict and Baxter appealed the verdict and resulting judgment to the United States Court of Appeals for the Federal Circuit. On February 13, 2012, the Federal Circuit affirmed the District Court's noninfringement verdict.

**(b) Other Litigation and Potential Exposures**

Renal Care Group, Inc. (RCG), which the Company acquired in 2006, is named as a nominal defendant in a complaint originally filed September 13, 2006 in the Chancery Court for the State of Tennessee Twentieth Judicial District at Nashville styled Indiana State District Council of Laborers and Hod Carriers Pension Fund v. Gary Brukardt et al. Following the trial court's dismissal of the complaint, plaintiff's appeal in part, and reversal in part by the appellate court, the cause of action purports to be a class action on behalf of former shareholders of RCG and seeks monetary damages only against the individual former directors of RCG. The individual defendants, however, may have claims for indemnification and reimbursement of expenses against the Company. The Company expects to continue as a defendant in the litigation, which is proceeding toward trial in the Chancery Court, and believes that defendants will prevail.

On July 17, 2007, resulting from an investigation begun in 2005, the United States Attorney filed a civil complaint in the United States District Court for the Eastern District of Missouri (St. Louis) against RCG, its subsidiary RCG Supply Company, and FMCH in its capacity as RCG's current corporate parent. The complaint seeks monetary damages and penalties with respect to issues arising

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out of the operation of RCG's Method II supply company through 2005, prior to FMCH's acquisition of RCG in 2006. The complaint is styled United States of America ex rel. Julie Williams et al. vs. Renal Care Group, Renal Care Group Supply Company and FMCH. On August 11, 2009, the Missouri District Court granted RCG's motion to transfer venue to the United States District Court for the Middle District of Tennessee (Nashville). On March 22, 2010, the Tennessee District Court entered judgment against defendants for approximately \$23,000 in damages and interest under the unjust enrichment count of the complaint but denied all relief under the six False Claims Act counts of the complaint. On June 17, 2011, the District Court entered summary judgment against RCG for \$82,643 on one of the False Claims Act counts of the complaint. On June 23, 2011, the Company appealed to the United States Court of Appeals for the Sixth Circuit. Although the Company cannot provide any assurance of the outcome, the Company believes that RCG's operation of its Method II supply company was in compliance with applicable law, that no relief is due to the United States, that the decisions made by the District Court on March 22, 2010 and June 17, 2011 will be reversed, and that its position in the litigation will ultimately be sustained.

On November 27, 2007, the United States District Court for the Western District of Texas (El Paso) unsealed and permitted service of two complaints previously filed under seal by a qui tam relator, a former FMCH local clinic employee. The first complaint alleged that a nephrologist unlawfully employed in his practice an assistant to perform patient care tasks that the assistant was not licensed to perform and that Medicare billings by the nephrologist and FMCH therefore violated the False Claims Act. The second complaint alleged that FMCH unlawfully retaliated against the relator by constructively discharging her from employment. The United States Attorney for the Western District of Texas declined to intervene and to prosecute on behalf of the United States. On March 30, 2010, the District Court issued final judgment in favor of the defendants on all counts based on a jury verdict rendered on February 25, 2010 and on rulings of law made by the Court during the trial. The plaintiff has appealed the District Court judgment.

On February 15, 2011, a qui tam relator's complaint under the False Claims Act against FMCH was unsealed by order of the United States District Court for the District of Massachusetts and served by the relator. The United States has not intervened in the case United States ex rel. Chris Drennen v. Fresenius Medical Care Holdings, Inc., 2009 Civ. 10179 (D. Mass.). The relator's complaint, which was first filed under seal in February 2009, alleges that the Company seeks and receives reimbursement from government payors for serum ferritin and hepatitis B laboratory tests that are medically unnecessary or not properly ordered by a physician. FMCH has filed a motion to dismiss the complaint. On March 6, 2011, the United States Attorney for the District of Massachusetts issued a Civil Investigative Demand seeking the production of documents related to the same laboratory tests that are the subject of the relator's complaint. FMCH is cooperating fully in responding to the additional Civil Investigative Demand, and will vigorously contest the relator's complaint.

On June 29, 2011, FMCH received a subpoena from the United States Attorney for the Eastern District of New York (E.D.N.Y.). On December 6, 2011, a single Company facility in New York received a subpoena from the OIG that was substantially similar to the one issued by the U.S. Attorney for the E.D.N.Y. These subpoenas are part of a criminal and civil investigation into

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relationships between retail pharmacies and outpatient dialysis facilities in the State of New York and into the reimbursement under government payor programs in New York for medications provided to patients with ESRD. Among the issues encompassed by the investigation is whether retail pharmacies may have provided or received compensation from the New York Medicaid program for pharmaceutical products that should be provided by the dialysis facilities in exchange for the New York Medicaid payment to the dialysis facilities. The Company is cooperating in the investigation.

The Company filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's civil settlement payment deductions taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, the Company received a partial refund in September 2008 of \$37,000, inclusive of interest and preserved our right to pursue claims in the United States Courts for refunds of all other disallowed deductions. On December 22, 2008, the Company filed a complaint for complete refund in the United States District Court for the District of Massachusetts, styled as Fresenius Medical Care Holdings, Inc. v. United States. The court has denied motions for summary judgment by both parties and the litigation is proceeding towards trial.

From time to time, the Company is a party to or may be threatened with other litigation or arbitration, claims or assessments arising in the ordinary course of its business. Management regularly analyzes current information including, as applicable, the Company's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The Company, like other healthcare providers, conducts its operations under intense government regulation and scrutiny. It must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the operation of manufacturing facilities, laboratories and dialysis clinics, and environmental and occupational health and safety. The Company must also comply with the Anti-Kickback Statute, the False Claims Act, the Stark Law, and other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from the Company's interpretations or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some states.

In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence "qui tam" or "whistle blower" actions. In May 2009, the scope of the False Claims Act was expanded and additional protections for whistle blowers and procedural provisions to aid whistle blowers' ability to proceed in a False Claims Act case were added. By virtue of this regulatory environment, the Company's business activities and practices are subject to extensive review by regulatory authorities and private parties, and continuing audits, investigative demands, subpoenas, other inquiries, claims and litigation relating to the Company's compliance with applicable laws and regulations. The Company may not always be aware that an inquiry or action has begun, particularly in the case of "whistle blower" actions, which are initially filed under court seal.

**FRESENIUS MEDICAL CARE HOLDINGS, INC.  
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The Company operates many facilities throughout the United States and other parts of the world. In such a decentralized system, it is often difficult to maintain the desired level of oversight and control over the thousands of individuals employed by many affiliated companies. The Company relies upon its management structure, regulatory and legal resources, and the effective operation of its compliance program to direct, manage and monitor the activities of these employees. On occasion, the Company may identify instances where employees or other agents deliberately, recklessly or inadvertently contravene the Company's policies or violate applicable law. The actions of such persons may subject the Company and its subsidiaries to liability under the Anti-Kickback Statute, the Stark Law and the False Claims Act, among other laws, and comparable laws of other countries.

Physicians, hospitals and other participants in the healthcare industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, worker's compensation or related claims, many of which involve large claims and significant defense costs. The Company has been and is currently subject to these suits due to the nature of its business and expects that those types of lawsuits may continue. Although the Company maintains insurance at a level which it believes to be prudent, it cannot assure that the coverage limits will be adequate or that insurance will cover all asserted claims. A successful claim against the Company or any of its subsidiaries in excess of insurance coverage could have a material adverse effect upon it and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

The Company has also had claims asserted against it and has had lawsuits filed against it relating to alleged patent infringements or businesses that it has acquired or divested. These claims and suits relate both to operation of the businesses and to the acquisition and divestiture transactions. The Company has, when appropriate, asserted its own claims, and claims for indemnification. A successful claim against the Company or any of its subsidiaries could have a material adverse effect upon its business, financial condition, and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

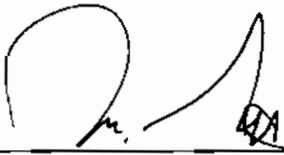
**(c) *Accrued Special Charge for Legal Matters***

At December 31, 2001, the Company recorded a pre-tax special charge of \$258,159 to reflect anticipated expenses associated with the defense and resolution of pre-Merger tax claims, Merger-related claims, and commercial insurer claims. The costs associated with the Settlement Agreement and settlements with insurers have been charged against this accrual. With the exception of the proposed \$115,000 payment under the Settlement Agreement, all other matters included in the special charge have been resolved. While the Company believes that its remaining accrual reasonably estimates its currently anticipated costs related to the continued defense and resolution of this matter, no assurances can be given that its actual costs incurred will not exceed the amount of this accrual (see note 8).

**Criterion 1120.310(a) Reasonableness of Financing Arrangements**

RAI Care Centers of Illinois I, LLC

The applicant is paying for the project with cash on hand, and not borrowing any funds for the project. However, per the Board's rules the entering of a lease is treated as borrowing. As such, we are attesting that the entering into of a lease (borrowing) is less costly than the liquidation of existing investments which would be required for the applicant to buy the property and build a structure itself to house a dialysis clinic. Further, should the applicant be required to pay off the lease in full, its existing investments and capital retained could be converted to cash or used to retire the outstanding lease obligations within a sixty (60) day period.

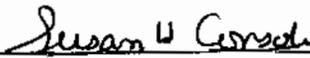
By: 

Title: Mark Fawcett  
Vice President & Treasurer

By: 

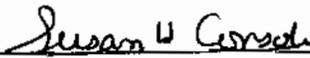
Title: Bryan Mello  
Assistant Treasurer

Notarization:  
Subscribed and sworn to before me  
this        day of       , 2012

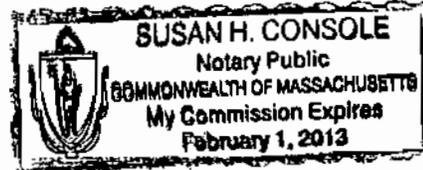
  
Signature of Notary

Seal

Notarization:  
Subscribed and sworn to before me  
this 8 day of June, 2012

  
Signature of Notary

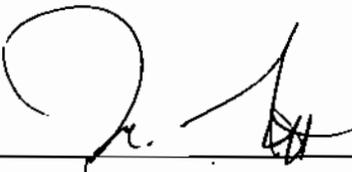
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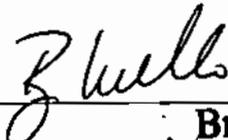


**Criterion 1120.310(a) Reasonableness of Financing Arrangements**

Fresenius Medical Care Holdings, Inc.

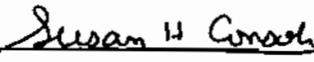
The applicant is paying for the project with cash on hand, and not borrowing any funds for the project. However, per the Board's rules the entering of a lease is treated as borrowing. As such, we are attesting that the entering into of a lease (borrowing) is less costly than the liquidation of existing investments which would be required for the applicant to buy the property and build a structure itself to house a dialysis clinic. Further, should the applicant be required to pay off the lease in full, its existing investments and capital retained could be converted to cash or used to retire the outstanding lease obligations within a sixty (60) day period.

By:   
Title: Mark Fawcett  
Vice President & Asst. Treasurer

By:   
Title: Bryan Mello  
Assistant Treasurer  
Assistant Treasurer

Notarization:  
Subscribed and sworn to before me  
this 8 day of June, 2012

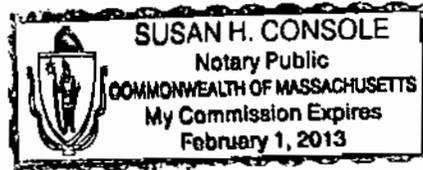
Notarization:  
Subscribed and sworn to before me  
this 8 day of June, 2012

  
Signature of Notary

Signature of Notary

Seal

Seal



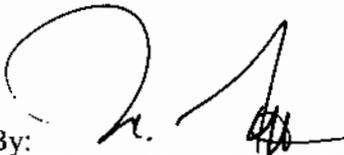
**Criterion 1120.310(b) Conditions of Debt Financing**

RAI Care Centers of Illinois I, LLC

In accordance with 77 ILL. ADM Code 1120, Subpart D, Section 1120.310, of the Illinois Health Facilities & Services Review Board Application for Certificate of Need; I do hereby attest to the fact that:

There is no debt financing. The project will be funded with cash and leasing arrangements; and

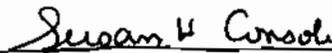
The expenses incurred with leasing the proposed facility and cost of leasing the equipment is less costly than constructing a new facility or purchasing new equipment.

By:   
ITS: Mark Fawcett  
Vice President & Treasurer

By:   
ITS: Bryan Meno  
Assistant Treasurer

Notarization:  
Subscribed and sworn to before me  
this 8 day of June, 2012

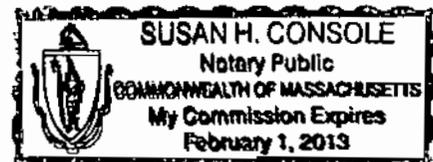
Notarization:  
Subscribed and sworn to before me  
this 8 day of June, 2012

  
Signature of Notary

Signature of Notary

Seal

Seal



**Criterion 1120.310(b) Conditions of Debt Financing**

Fresenius Medical Care Holdings, Inc.

In accordance with 77 ILL. ADM Code 1120, Subpart D, Section 1120.310, of the Illinois Health Facilities & Services Review Board Application for Certificate of Need; I do hereby attest to the fact that:

There is no debt financing. The project will be funded with cash and leasing arrangements; and

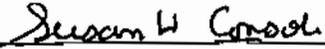
The expenses incurred with leasing the proposed facility and cost of leasing the equipment is less costly than constructing a new facility or purchasing new equipment.

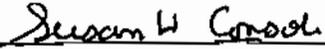
By:   
ITS: Mark Fawcett  
Vice President & Asst. Treasurer

By:   
ITS: Bryan Mello  
Assistant Treasurer

Notarization:  
Subscribed and sworn to before me  
this 8 day of June, 2012

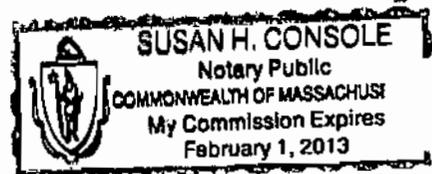
Notarization:  
Subscribed and sworn to before me  
this 8 day of June, 2012

  
Signature of Notary

  
Signature of Notary

Seal

Seal



### Criterion 1120.310 (c) Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (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)	
ESRD		\$142.00			9,448			\$1,341,616	\$1,341,616
Contingency		15.61			9,448			147,483	147,483
TOTALS		157.61			9,448			1,489,099	1,489,099

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

### Criterion 1120.310 (d) – Projected Operating Costs

#### Year 2016

Salaries	\$720,860
Benefits	180,215
Supplies	<u>173,074</u>
Total	\$1,074,149

Annual Treatments 15,725

Cost Per Treatment \$68.00

### Criterion 1120.310 (e) – Total Effect of the Project on Capital Costs

#### Year 2016

Depreciation/Amortization	\$163,252
Interest	<u>0</u>
CAPITAL COSTS	\$163,252

Treatments: 15,725

Capital Cost per treatment \$10.38

## Safety Net Impact Statement

The establishment (relocation) of the Fresenius Medical Care Fairview Heights dialysis facility will not have any impact on safety net services in the Fairview Heights area of St. Clair County. Outpatient dialysis services are not typically considered "safety net" services, to the best of our knowledge. However, we do provide care for patients in the community who are economically challenged and/or who are undocumented aliens, who do not qualify for Medicare/Medicaid. We assist patients who do not have insurance in enrolling when possible in Medicaid and/or Medicaid as applicable, and also our social services department assists patients who have issues regarding transportation and/or who are wheel chair bound or have other disabilities which require assistance with respect to dialysis services and transport to and from the unit.

This particular application will not have an impact on any other safety net provider in the area, as no hospital within the area provides dialysis services on an outpatient basis.

Fresenius Medical Care is a for-profit publicly traded company and is not required to provide charity care, nor does it do so according to the Board's definition. However, Fresenius Medical Care provides care to all patients regardless of their ability to pay. There are patients treated by Fresenius who either do not qualify for or will not seek any type of coverage for dialysis services. These patients are considered "self-pay" patients. These patients are invoiced as all patients are invoiced, however payment is not expected and Fresenius does not initiate any collections activity on these accounts. These unpaid invoices are written off as bad debt. Fresenius notes that as a for profit entity, it does pay sales, real estate and income taxes. It also does provide community benefit by supporting various medical education activities and associations, such as the Renal Network and National Kidney Foundation.

The table below shows the amount of "self-pay" care provided for the 3 fiscal years prior to submission of the application for all Fresenius Medical Care facilities in Illinois and the amount of care provided to Medicaid patients for the three fiscal years prior to submission of the application for all Fresenius Medical Care facilities in Illinois.

<b>SAFETY NET INFORMATION</b>			
<b>CHARITY CARE (Uncompensated Care)</b>			
	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Charity (# Uncomp patients)</b>	282	243	143
<b>Charity (# Uncomp treatments)</b>	14,557	15,457	7,047
<b>Charity (Uncomp) Cost</b>	3,402,665	3,489,213	1,307,433
<b>MEDICAID</b>			
	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Medicaid (Patients)</b>	1,561	1,723	1,809
<b>Medicaid (Treatments)</b>	122,615	132,658	154,591
<b>Medicaid (Revenue)</b>	36,159,588	39,748,886	43,795,183

There is no other information directly relevant to safety net services.

(See attachment 44 for Uncompensated and Medicaid Care by facility)

Uncompensated care #'s listed in the previous chart have gone down substantially over the past three years. This is due to an aggressive effort on our clinics part to obtain coverage for every patient. All ESRD patients can qualify for some type of coverage as is explained in Attachment 44.

While it may appear that the uncompensated numbers went down at a much higher rate than the rate the Medicaid numbers rose, one has to look at the percentage of the total number of patients/treatments for accurate comparison because the volume of Medicaid patients is significantly higher than that of uncompensated patients. For example in 2010 vs 2009 the percentage of the total for Medicaid was 13.4% and 12.0% respectively. In the same comparison for uncompensated care there was 1.2% vs .4% of the total. The Medicaid numbers increased 1.4% and the uncompensated care numbers decreased .8% as they relate to the total.

## Charity Care Information

The applicant(s) do not provide charity care at any of their facilities per the Board's definition. They do provide uncompensated care. The applicant(s) are for profit corporations and do not receive the benefits of not for profit entities, such as sales tax and/or real estate exemptions, or charitable donations. The applicants are not required, by any State or Federal law, including the Illinois Healthcare Facilities Planning Act, to provide charity care. The applicant(s) are prohibited by Federal law from advising patients that they will not be invoiced for care, as this type of representation could be an inducement for patients to seek care prior to qualifying for Medicaid, Medicare or other available benefits.

The applicants do provide access to care at all of its clinics regardless of payer source or whether a patient is likely to receive treatments for which the applicants are not compensated. Uncompensated care occurs when a patient is not eligible for any type of insurance coverage (whether private or governmental) and receives treatment at our facilities. It is rare in Illinois for patients to have no coverage as patients who are not Medicare eligible are Medicaid eligible. This represents a small number of patients, as Medicare covers all dialysis services as long as an individual is entitled to receive Medicare benefits (i.e. has worked and paid into the social security system as a result) regardless of age. In addition, in Illinois Medicaid covers patients who are undocumented and/or who do not qualify for Medicare, and who otherwise qualify for public assistance. Also, the American Kidney Fund provides low cost insurance coverage for patients who meet the AKF's financial parameters and who suffer from end stage renal disease (see uncompensated care attachment). The applicants work with patients to procure coverage for them as possible whether it be Medicaid, Medicare and/or coverage through the AKF. The applicants donate to the AKF to support its initiatives.

If a patient has no available insurance coverage, they are billed for services rendered, and after three statement reminders the charges are written off as bad debt. Collection actions are not initiated unless the applicants are aware that the patient has substantial financial resources available and/or the patient has received reimbursement from an insurer for services we have rendered, and has not submitted the payment for same to the applicants

## Uncompensated Care By Facility

Facility	Uncompensated Treatments			Uncompensated Costs		
	2008	2009	2010	2008	2009	2010
Fresenius Alsip	33	0	0	9,960	0	0
Fresenius Antioch	73	102	0	21,689	28,682	0
Fresenius Aurora	314	83	87	67,864	18,818	21,087
Fresenius Austin Community	26	140	0	8,284	40,504	0
Fresenius Berwyn	713	715	228	199,885	163,817	52,363
Fresenius Blue Island	77	174	80	21,901	49,341	22,611
Fresenius Bolingbrook	143	48	21	31,451	12,317	5,081
Fresenius Bridgeport	395	528	45	99,428	118,493	10,991
Fresenius Burbank	248	721	49	63,286	185,201	12,597
Fresenius Carbondale	10	79	42	2,500	20,723	11,262
Fresenius Chicago	243	328	45	66,732	89,972	14,202
Fresenius Chicago Westside	162	146	0	77,512	46,548	0
Fresenius Congress Parkway	237	176	14	63,900	46,511	3,760
Fresenius Crestwood	219	67	320	59,373	17,034	84,179
Fresenius Decatur	0	0	0	0	0	0
Fresenius Deerfield	N/A	N/A	0	N/A	N/A	0
Fresenius Downers Grove	137	20	233	31,380	4,878	56,124
Fresenius Du Page West	196	76	34	43,409	18,336	9,290
Fresenius Du Quoin	0	37	10	0	10,433	2,756
Fresenius East Peoria	217	52	0	55,285	12,238	0
Fresenius Elk Grove	343	127	53	75,105	29,711	12,642
Fresenius Evanston	214	194	215	58,821	49,319	63,059
Fresenius Evergreen Park	93	510	197	23,541	140,975	52,782
Fresenius Garfield	311	177	54	97,761	45,903	14,915
Fresenius Glendale Heights	365	159	15	81,125	35,089	3,681
Fresenius Glenview	83	87	46	18,692	19,974	10,095
Fresenius Greenwood	190	251	179	46,374	62,205	42,481
Fresenius Gurnee	285	122	35	67,702	29,403	8,329
Fresenius Hazel Crest	199	34	22	53,440	9,226	6,303
Fresenius Hoffman Estates	87	33	17	19,789	7,418	4,037
Fresenius Jackson Park	454	528	3	115,160	125,578	681
Fresenius Kewanee	0	0	72	0	0	20,619
Fresenius Lake Bluff	212	65	5	54,948	17,317	1,112
Fresenius Lakeview	207	27	13	61,074	7,377	3,217
Fresenius Macomb	0	0	0	0	0	0
Fresenius Marquette Park	148	362	0	39,118	100,681	0
Fresenius McHenry	89	186	5	26,941	57,292	1,332
Fresenius McLean County	115	67	19	31,715	17,291	4,152
Fresenius Melrose Park	0	19	0	0	5,156	0
Fresenius Merrionette Park	0	105	41	0	28,882	9,936
Fresenius Midway	N/A	N/A	0	N/A	N/A	0
Fresenius Mokena	1	44	3	544	16,250	1,012
Fresenius Morris	0	42	104	0	11,267	29,076
Fresenius Naperville	199	301	100	41,182	67,077	22,565
Fresenius Naperville North	57	183	0	18,437	48,627	0
Fresenius Niles	213	152	26	55,817	37,442	6,096

Continued...

### Continued Uncompensated Care by Facility

Facility	Uncompensated Treatments			Uncompensated Costs		
	2008	2009	2010	2008	2009	2010
Fresenius Norridge	13	6	3	3,002	1,506	747
Fresenius North Avenue	0	94	74	0	23,669	18,189
Fresenius North Kilpatrick	48	0	64	11,290	0	14,200
Fresenius Northcenter	118	121	78	30,407	34,727	22,117
Fresenius Northwestern	334	226	77	89,528	58,416	21,695
Fresenius Oak Park	165	126	6	40,346	32,752	1,487
Fresenius Orland Park	188	121	0	43,222	30,148	0
Fresenius Oswego	89	12	1	25,307	3,389	305
Fresenius Ottawa	117	8	2	32,866	2,357	454
Fresenius Pekin	0	0	20	0	0	4,721
Fresenius Peoria Downtown	57	46	45	13,799	10,980	11,301
Fresenius Peoria North	115	54	13	27,782	13,179	3,245
Fresenius Plainfield	N/A	N/A	8	N/A	N/A	6,165
Fresenius Polk	212	231	104	51,467	60,738	26,376
Fresenius Pontiac	40	19	0	9,732	4,801	0
Fresenius Prairie	83	114	54	25,383	32,357	15,634
Fresenius Randolph County	0	4	32	0	1,219	8,913
Fresenius Rockford	70	74	24	18,003	24,267	6,946
Fresenius Rodgers Park	143	328	224	44,464	85,647	60,351
Fresenius Rolling Meadows	228	0	204	55,625	0	53,516
Fresenius Roseland	132	164	99	108,043	61,632	31,345
Fresenius Ross Dialysis Englewood	150	184	8	55,077	56,239	2,132
Fresenius Round Lake	225	182	1	57,640	44,165	255
Fresenius Saline County	13	21	11	3,645	5,583	2,952
Fresenius Sandwich	N/A	18	3	N/A	8,161	985
Fresenius Skokie	0	18	10	0	4,508	2,698
Fresenius South Chicago	424	747	278	115,038	205,498	70,577
Fresenius South Holland	90	127	104	22,191	31,917	26,731
Fresenius South Shore	75	110	8	20,591	30,066	2,086
Fresenius South Suburban	329	566	241	92,140	148,380	64,049
Fresenius Southside	734	483	137	209,871	129,554	34,459
Fresenius Southwestern Illinois	1	0	0	242	0	0
Fresenius Spoon River	66	38	35	14,971	9,033	8,835
Fresenius Spring Valley	1	1	31	236	233	6,422
Fresenius Streator	0	0	0	0	0	0
Fresenius Uptown	50	134	110	35,291	44,148	33,311
Fresenius Villa Park	128	369	27	35,003	95,048	7,258
Fresenius West Belmont	105	191	70	26,984	51,980	18,896
Fresenius West Chicago	0	44	0	0	24,152	0
Fresenius West Metro	241	880	237	54,133	187,505	49,677
Fresenius West Suburban	144	273	146	34,283	65,129	34,504
Fresenius Westchester	207	0	0	56,641	0	0
Fresenius Williamson County	8	0	28	1,812	0	7,468
Fresenius Willowbrook	98	45	0	23,477	10,815	0
<b>Totals</b>	<b>14,557</b>	<b>15,457</b>	<b>7,047</b>	<b>3,402,665</b>	<b>3,489,213</b>	<b>1,307,433</b>

**Medicaid Treatments/Costs By Facility**

Facility Name	IL Medicaid Txts			IL Medicaid Costs		
	2008	2009	2010	2008	2009	2010
Fresenius Alsip	726	624	749	219,121	188,700	218,389
Fresenius Antioch	38	148	937	11,398	41,617	257,229
Fresenius Aurora	954	1,230	1,521	206,456	277,862	367,439
Fresenius Austin Community	1,050	1,574	2,111	334,543	455,377	548,468
Fresenius Berwyn	3,466	3,618	4,102	971,639	828,527	941,816
Fresenius Blue Island	1,816	1,901	1,937	516,518	538,138	550,355
Fresenius Bolingbrook	1,481	1,246	1,628	325,729	319,725	393,058
Fresenius Bridgeport	3,928	4,570	5,610	988,745	1,025,015	1,377,275
Fresenius Burbank	2,314	2,142	2,046	590,498	550,210	531,285
Fresenius Carbondale	1,119	1,214	1,650	279,802	318,454	442,445
Fresenius Chicago Dialysis Center	5,862	5,466	5,279	1,609,814	1,499,358	1,666,001
Fresenius Chicago Westside	2,396	3,509	3,807	1,146,416	1,118,745	1,169,530
Fresenius Congress Parkway	3,663	3,685	4,197	987,611	973,822	1,127,227
Fresenius Crestwood	1,045	1,166	1,072	283,308	296,443	282,439
Fresenius Decatur	33	1	136	8,220	226	36,359
Fresenius Deerfield	0	0	100	0	0	67,104
Fresenius Downers Grove	771	1,010	995	176,600	246,416	239,552
Fresenius DuQuoin	302	318	203	78,555	89,666	55,954
Fresenius DuPage West	1,529	2,086	2,725	338,547	502,413	739,997
Fresenius East Peoria	672	607	1,083	171,254	142,462	258,654
Fresenius Elk Grove	950	1,414	1,996	208,018	330,794	480,506
Fresenius Evanston	1,025	1,513	1,535	281,738	384,635	450,064
Fresenius Evergreen Park	3,484	2,284	3,231	881,879	631,675	863,821
Fresenius Macomb	12	212	116	4,123	57,485	36,414
Fresenius Garfield	2,365	2,684	3,299	743,422	696,063	910,918
Fresenius Glendale Heights	1,896	2,085	2,332	421,403	460,132	572,130
Fresenius Glenview	1,091	984	992	245,700	225,914	219,975
Fresenius Morris	30	119	200	8,814	31,923	55,776
Fresenius Greenwood	3,055	3,349	3,712	746,786	830,023	880,965
Fresenius Gurnee	1,614	1,859	2,143	383,406	448,037	517,361
Fresenius Hazel Crest	878	979	657	235,780	265,643	192,621
Fresenius Hoffman Estates	1,406	1,726	2,513	319,804	387,981	596,772
Fresenius Jackson Park	5,402	5,444	5,972	1,370,257	1,294,789	1,626,081
Fresenius Kewanee	81	182	146	27,752	51,043	41,812
Fresenius Lake Bluff	1,002	1,541	1,354	259,707	410,556	334,530
Fresenius Lakeview	1,144	1,398	1,516	337,530	381,943	375,228
Fresenius Marquette Park	2,447	2,339	2,473	646,774	650,535	722,642
Fresenius McLean County	1,147	1,225	1,044	316,325	316,139	228,138
Fresenius McHenry	57	457	546	17,254	140,859	161,482
Fresenius Melrose Park	884	1,015	1,390	243,039	275,447	360,787
Fresenius Merrionette Park	407	1,001	749	114,511	275,340	183,623
Fresenius Midway	0	0	28	0	0	35,987
Fresenius Mokena	0	0	125	0	0	42,159
Fresenius Naperville	318	512	544	65,867	114,163	123,223
Fresenius Naperville North	236	494	654	76,334	131,265	159,418
Fresenius Niles	1,637	1,675	1,914	427,287	412,508	457,523

Continued...

**Continued Medicaid Treatments/Costs By Facility**

Facility Name	IL Medicaid Txts			IL Medicaid Costs		
	2008	2009	2010	2008	2009	2010
Fresenius Norridge	391	858	1,037	90,276	215,349	257,928
Fresenius North Avenue	1,663	1,818	1,854	399,039	457,777	455,682
Fresenius North Kilpatrick	1,969	2,323	2,504	463,144	537,567	555,449
Fresenius Northcenter	1,236	1,603	1,981	318,505	460,061	565,347
Fresenius Northwestern	3,102	3,103	2,954	830,405	802,076	835,999
Fresenius Oak Park	2,395	1,972	2,142	586,131	512,596	530,585
Fresenius Orland Park	553	734	774	127,136	182,882	213,816
Fresenius Oswego	390	454	482	110,896	128,215	147,203
Fresenius Ottawa	187	141	70	52,529	41,542	21,192
Fresenius Pekin	83	24	136	19,043	5,483	32,924
Fresenius Peoria Downtown	1,297	1,238	1,283	313,988	295,509	325,686
Fresenius Peoria North	511	374	265	123,449	90,842	66,112
Fresenius Plainfield	0	0	390	0	0	128,173
Fresenius Polk	3,502	3,151	3,509	850,172	829,908	891,647
Fresenius Pontiac	157	185	284	38,199	46,749	69,911
Fresenius Prairie	1,513	1,067	1,108	462,703	302,851	323,637
Fresenius Randolph County	188	190	251	59,360	57,884	69,909
Fresenius Rockford	255	540	747	65,584	178,073	216,191
Fresenius Rogers Park	1,705	1,433	1,756	530,142	374,183	473,109
Fresenius Rolling Meadows	1,032	1,543	2,100	251,777	368,801	550,765
Fresenius Roseland	114	641	1,506	93,309	240,891	476,665
Fresenius Ross Dialysis-Englewood	715	814	1,936	262,534	248,798	515,780
Fresenius Roundlake	1,690	1,909	2,661	432,943	463,250	679,000
Fresenius Saline County	485	676	441	136,002	179,725	123,927
Fresenius Sandwich	0	60	145	0	33,384	47,603
Fresenius Skokie	648	850	1,096	178,781	212,937	295,651
Fresenius South Chicago	3,511	3,995	5,002	952,588	1,099,016	1,269,883
Fresenius South Holland	1,318	1,304	1,603	324,973	327,718	412,017
Fresenius South Shore	2,548	2,143	1,900	699,533	585,749	528,209
Fresenius South Suburban	1,317	1,392	1,804	368,844	364,920	479,436
Fresenius Southside	5,108	5,249	6,248	1,460,523	1,407,923	1,577,162
Fresenius Southwestern Illinois	160	296	428	38,702	75,763	115,684
Fresenius Spoon River	0	11	30	0	2,615	7,573
Fresenius Spring Valley	0	39	267	0	9,087	56,218
Fresenius Streator	0	7	34	0	2,757	11,288
Fresenius Uptown	0	701	1,037	0	230,951	315,316
Fresenius Villa Park	970	922	1,037	265,255	237,306	278,881
Fresenius West Belmont	2,240	2,495	3,388	575,654	679,000	921,006
Fresenius West Chicago	0	8	429	0	4,391	151,682
Fresenius West Metro	6,169	6,331	7,147	1,383,891	1,348,204	1,497,052
Fresenius West Suburban	6,355	5,951	5,841	1,512,980	1,419,713	1,385,026
Fresenius Westchester	504	669	429	137,909	171,821	118,436
Fresenius Williamson County	442	363	435	100,123	89,706	118,125
Fresenius Willowbrook	459	474	1,065	109,960	113,915	256,960
<b>Totals</b>	<b>122,615</b>	<b>132,658</b>	<b>154,591</b>	<b>32,355,267</b>	<b>34,055,958</b>	<b>40,270,371</b>

It is noted in the above charts, that the number of patients receiving uncompensated care has declined. This is not because of any policy or admissions changes at Fresenius Medical Care. We still accept any patient regardless of ability to pay. The reduction is due to an aggressive approach within our facilities to obtain insurance coverage for all patients, thus the rise in Medicaid treatments/costs. Nearly all dialysis patients in Illinois will qualify for some type of coverage. Our Financial Coordinators work with patients to assist in finding the right coverage for each patient's particular situation. This coverage applies not only to dialysis services, but all health care services this chronically ill patient population may receive. Therefore, while assisting the patient to obtain coverage benefits the patient and Fresenius, it also assists other health care providers. Mainly though, it relieves patients of the stress of not having coverage or affordable coverage for health care. (see following page for patient coverage options)

## **Fresenius Medical Care North America Community Care**

Fresenius Medical Care North America (FMCNA) assists all of our patients in securing and maintaining insurance coverage when possible. However, even if for whatever reason insurance (governmental or otherwise) is not available FMCNA does not deny admission for treatment due to lack of insurance coverage.

### **American Kidney Fund**

FMCNA works with the American Kidney Fund (AKF) to help patients with insurance premiums at no cost to the patient.

Applicants must be dialyzed in the US or its territories and referred to AKF by a renal professional and/or nephrologist. The Health Insurance Premium Program is a "last resort" program. It is restricted to patients who have no means of paying health insurance premiums and who would forego coverage without the benefit of HIPP. Alternative programs that pay for primary or secondary health coverage, and for which the patient is eligible, such as Medicaid, state renal programs, etc. must be utilized. Applicants must demonstrate to the AKF that they cannot afford health coverage and related expenses (deductible etc.).

Our team of Financial Coordinators and Social Workers connect patients who cannot afford to pay their insurance premiums, with AKF, which provides financial assistance to the patients for this purpose. FMCNA's North Division currently has 2986 patients with primary insurance coverage and 7469 patients with secondary insurance coverage for a total of 10,455 patients receiving AKF assistance. For the state of Illinois we have 632 primary and 1503 secondary patients receiving AKF assistance. The benefit of working with the AKF is the insurance coverage which AKF facilities applies to all of the patient's insurance needs, not just coverage for dialysis services.

### **Indigent Waiver Program**

FMCNA has established an indigent waiver program to assist patients who are unable to obtain insurance coverage or who lack the financial resources to pay for medical services. In order to qualify for an indigent waiver, a patient must satisfy eligibility criteria for both annual income and net worth.

**Annual Income:** A patient (including immediate family members who reside with, or are legally responsible for, the patient) may not have an annual income in excess of two (2) times the Federal Poverty Standard in effect at the time. Patients whose annual income is greater than two (2) times the Federal Poverty Standard may qualify for a partial indigent waiver based upon a sliding scale schedule approved by the Office of Business Practices and Corporate Compliance.

**Net Worth:** A patient (including immediate family members who reside with, or are legally responsible for, the patient) may not have a net worth in excess of \$75,000 (or such other amount as may be established by the Office of Business Practices and Corporate Compliance based on changes in the Consumer Price Index

The Company recognizes the financial burdens associated with ESRD and wishes to ensure that patients are not denied access to medically necessary care for financial reasons. At the same time, the Company also recognizes the limitations imposed by federal law on offering “free” or “discounted” medical items or services to Medicare and other government supported patients for the purpose of inducing such patients to receive ESRD-related items and services from FMCNA. An indigent waiver excuses a patient’s obligation to pay for items and services furnished by FMCNA. Patients may have dual coverage of AKF assistance and an Indigent Waiver if their financial status qualifies them for both programs.

FMCNA North Division currently has 718 active Indigent Waivers. 21 cover primary balances which means the patient has no insurance coverage, and 697 cover patient balances where there is no supplemental insurance.

Illinois currently has 5 active Indigent Waivers that cover the supplemental balances after the primary insurance pays. There isn’t a high volume of Indigent Waivers issued in Illinois because patients are entitled to Medicaid coverage in Illinois.

#### **IL Medicaid and Undocumented patients**

FMCNA has a bi-lingual Regional Insurance Coordinator who works directly with Illinois Medicaid to assist patients with Medicaid applications. An immigrant who is unable to produce proper documentation will not be eligible for Medicaid unless there is a medical emergency. ESRD is considered a medical emergency.

The Regional Insurance Coordinator will petition Medicaid if patients are denied and assist undocumented patients through the application process to get them Illinois Medicaid coverage. This role is actively involved with the Medicaid offices and attends appeals to help patients secure and maintain their Medicaid coverage for all of their healthcare needs, including transportation to their appointments.

#### **FMCNA Collection policy**

FMCNA’s collection policy is designed to comply with federal law while not penalizing patients who are unable to pay for services.

FMCNA does not use a collection agency for patient collections unless the patient receives direct insurance payment and does not forward the payment to FMCNA.

## **Medicare and Medicaid Eligibility**

**Medicare:** Patients are eligible for Medicare when they meet the following criteria: age 65 or older, under age 65 with certain disabilities, and people of all ages with End-Stage Renal Disease (permanent kidney failure requiring dialysis or a kidney transplant).

There are three insurance programs offered by Medicare, Part A for hospital coverage, Part B for medical coverage and Part D for pharmacy coverage. Most people don't have to pay a monthly premium, for Part A. This is because they or a spouse paid Medicare taxes while working. If a beneficiary doesn't get premium-free Part A, they may be able to buy it if they (or their spouse) aren't entitled to Social Security, because they didn't work or didn't pay enough Medicare taxes while working, are age 65 or older, or are disabled but no longer get free Part A because they returned to work. Part B and Part D both have monthly premiums. Patients must have Part B coverage for dialysis services.

Medicare does allow members to enroll in Health Plans for supplemental coverage. Supplemental coverage (secondary) is any policy that pays balances after the primary pays reducing any out of pocket expenses incurred by the member.

Medicare will pay 80% of what is allowed by a set fee schedule. The patient would be responsible for the remaining 20% not paid by Medicare. The supplemental (secondary) policy covers the cost of co-pays, deductibles and the remaining 20% of charges.

**Medicaid:** Low-income Illinois residents who can't afford health insurance may be eligible for Medicaid. In addition to meeting federal guidelines, individuals must also meet the state criteria to qualify for Medicaid coverage in Illinois.

## **Self-Pay**

A self-pay patient would not have any type of insurance coverage (un-insured). They may be un-insured because they do not meet the eligibility requirements for Medicare or Medicaid and can not afford a commercial insurance policy.

In addition, a patient balance becomes self-pay after their primary insurance pays, but the patient does not have a supplemental insurance policy to cover the remaining balance. The AKF assistance referenced earlier may or may not be available to these patients, dependent on whether or not they meet AKF eligibility requirements.

# MAPQUEST.

## Trip to 1095 N Green Mount Rd

Belleville, IL 62221-3303

1.96 miles - about 3 minutes

Notes

TO DAVITA SHILOH



### 124 Regency Park, O Fallon, IL 62269-1994



1. Start out going southeast on Regency Park toward CR-R18 / N Green Mount Rd.

go 1.1 mi



2. Turn right onto N Green Mount Rd / CR-R18 S.

go 0.9 mi



3. 1095 N GREEN MOUNT RD is on the right.

go 0.0 mi



### 1095 N Green Mount Rd, Belleville, IL 62221-3303

Total Travel Estimate : 1.96 miles - about 3 minutes

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# MAPQUEST.

## Trip to 5105 W Main St

Belleville, IL 62226-4728

8.44 miles - about 14 minutes

Notes

TO DAVITA METRO EAST



### 124 Regency Park, O Fallon, IL 62269-1994



1. Start out going southeast on Regency Park toward CR-R18 / N Green Mount Rd.

go 1.1 mi



2. Turn right onto N Green Mount Rd / CR-R18 S.

go 0.6 mi



3. Turn right onto Frank Scott Pky E.

go 6.4 mi



4. Turn left onto W Main St.

go 0.3 mi



5. 5105 W MAIN ST is on the left.

go 0.0 mi



### 5105 W Main St, Belleville, IL 62226-4728

Total Travel Estimate : 8.44 miles - about 14 minutes

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# MAPQUEST.

**Trip to 2061 Goose Lake Rd**  
Sauget, IL 62206-2822  
13.71 miles - about 16 minutes

Notes

TO DAVITA SAUGET



## 124 Regency Park, O Fallon, IL 62269-1994



1. Start out going northeast on Regency Park toward Schantz Dr.

go 0.2 mi



2. Turn left onto W US-50.

go 0.2 mi



3. Merge onto I-64 W / US-50 W toward East St Louis.

go 6.6 mi



4. Merge onto I-255 S / US-50 W via EXIT 7 toward Memphis.

go 5.7 mi



5. Take the Mousette Lane exit, EXIT 15.

go 0.3 mi



6. Turn right onto Mousette Ln.

go 0.1 mi



7. Turn left onto Goose Lake Rd.

go 0.6 mi



8. 2061 GOOSE LAKE RD is on the right.

go 0.0 mi



## 2061 Goose Lake Rd, Sauget, IL 62206-2822

Total Travel Estimate : 13.71 miles - about 16 minutes

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# MAPQUEST.

**Trip to 2130 Vadalabene Dr**  
Maryville, IL 62062-5632  
**18.90 miles - about 22 minutes**

Notes

TO DAVITA MARYVILLE



## 124 Regency Park, O Fallon, IL 62269-1994



1. Start out going **northeast** on **Regency Park** toward **Schantz Dr.** go 0.2 mi



2. Turn **left** onto **W US-50.** go 0.2 mi



3. Merge onto **I-64 W / US-50 W** toward **East St Louis.** go 6.6 mi



4. Merge onto **I-255 N** via **EXIT 7** toward **Chicago.** go 4.7 mi



5. Merge onto **I-55 N / I-70 E / US-40 E** via **EXIT 25A** toward **Chicago / Indianapolis.** go 5.0 mi



6. Merge onto **IL-159 N** via **EXIT 15B** toward **Maryville.** go 1.9 mi



7. Turn **right** onto **Vadalabene Dr.** go 0.3 mi



8. **2130 VADALABENE DR** is on the **right.** go 0.0 mi



## 2130 Vadalabene Dr, Maryville, IL 62062-5632

**Total Travel Estimate : 18.90 miles - about 22 minutes**

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**Trip to 9 American Vlg**

Granite City, IL 62040-3706

21.29 miles - about 28 minutes

Notes

TO DAVITA GRANITE CITY



**124 Regency Park, O Fallon, IL 62269-1994**

- 
1. Start out going northeast on Regency Park toward Schantz Dr.
go 0.2 mi

---

- 
2. Turn left onto W US-50.
go 0.2 mi

---

- 

3. Merge onto I-64 W / US-50 W toward East St Louis.
go 6.6 mi

---

- 

4. Merge onto I-255 N via EXIT 7 toward Chicago.
go 6.3 mi

---

- 
5. Take the Horseshoe Lake Road exit, EXIT 26.
go 0.5 mi

---

- 
6. Turn right onto Horseshoe Lake Rd.
go 3.9 mi

---

- 

7. Turn left onto IL-162 W / Edwardsville Rd.
go 1.8 mi

---

- 

8. Turn right onto Nameoki Rd / IL-203.
go 1.9 mi

---

- 
9. Turn left onto American Vlg.
go 0.0 mi

---

- 
10. 9 AMERICAN VLG is on the right.
go 0.0 mi



**9 American Vlg, Granite City, IL 62040-3706**

Total Travel Estimate : 21.29 miles - about 28 minutes

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# MAPQUEST.

**Trip to 235 S Buchanan St**  
Edwardsville, IL 62025-2108  
26.66 miles - about 32 minutes

Notes

TO DAVITA EDWARDSVILLE



## 124 Regency Park, O Fallon, IL 62269-1994



1. Start out going **northeast** on **Regency Park** toward **Schantz Dr.** go 0.2 mi



2. Turn **left** onto **W US-50.** go 0.2 mi



3. Merge onto **I-64 W / US-50 W** toward **East St Louis.** go 6.6 mi



4. Merge onto **I-255 N** via **EXIT 7** toward **Chicago.** go 11.7 mi



5. **I-255 N** becomes **IL-255 N.** go 2.1 mi



6. Take the **New Poag Rd.** exit, **EXIT 3.** go 0.5 mi



7. Keep **right** to take the ramp toward **Edwardsville.** go 0.0 mi



8. Turn **right** onto **New Poag Rd.** go 3.9 mi



9. **New Poag Rd** becomes **St Louis St.** go 1.0 mi



10. Stay **straight** to go onto **W Vandalia St / IL-157.** go 0.3 mi



11. Turn **right** onto **S Buchanan St.** go 0.1 mi

12. **235 S BUCHANAN ST** is on the right. go 0.0 mi

# MAPQUEST.

## Trip to 75 Eastgate Plz

East Alton, IL 62024-1057

30.11 miles - about 34 minutes

Notes

TO FRESENIUS MEDICAL CARE  
SOUTHWESTERN ILLINOIS



### 124 Regency Park, O Fallon, IL 62269-1994



1. Start out going **northeast** on **Regency Park** toward **Schantz Dr.**

go 0.2 mi



2. Turn **left** onto **W US-50.**

go 0.2 mi



3. Merge onto **I-64 W / US-50 W** toward **East St Louis.**

go 6.6 mi



4. Merge onto **I-255 N** via **EXIT 7** toward **Chicago.**

go 11.7 mi



5. **I-255 N** becomes **IL-255 N.**

go 2.1 mi



6. Take the **New Poag Rd.** exit, **EXIT 3.**

go 0.5 mi



7. Keep **left** to take the ramp toward **Illinois.**

go 0.0 mi



8. Turn **left** onto **New Poag Rd.**

go 3.3 mi



9. Turn **right** onto **IL-3 N.**

go 5.5 mi



10. Turn **left** onto **E Gateway Dr.**

go 0.0 mi



11. **75 EASTGATE PLZ.**

go 0.0 mi



### 75 Eastgate Plz, East Alton, IL 62024-1057

Wednesday, May 30, 2012,

**Total Travel Estimate : 30.11 miles - about 34 minutes**

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# MAPQUEST.

## Trip to 160 N Main St

Breese, IL 62230-1630

24.73 miles - about 35 minutes

Notes

TO FRESENIUS MEDICAL CARE BREESE



### 124 Regency Park, O Fallon, IL 62269-1994



1. Start out going **northeast** on **Regency Park** toward **Schantz Dr.**

go 0.2 mi



2. Turn **right** onto **US-50 E.**

go 8.1 mi



3. Turn **right** onto **E St Louis St / US-50.** Continue to follow **US-50 E.**

go 15.2 mi



4. Take the ramp toward **Breese / St Rose.**

go 0.3 mi



5. Turn **right** onto **N Walnut St / CR-11 S.**

go 0.7 mi



6. Turn **right** onto **N 4th St / Old US-50.**

go 0.0 mi



7. Turn **left** onto **N Main St.**

go 0.2 mi



8. **160 N MAIN ST** is on the left.

go 0.0 mi



### 160 N Main St, Breese, IL 62230-1630

Total Travel Estimate : 24.73 miles - about 35 minutes

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END



**235 S Buchanan St, Edwardsville, IL 62025-2108**

**Total Travel Estimate : 26.66 miles - about 32 minutes**

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# MAPQUEST.

**Trip to 3511 College Ave**  
Alton, IL 62002-5009  
32.52 miles - about 36 minutes

Notes

TO DAVITA ALTON



## 124 Regency Park, O Fallon, IL 62269-1994

- |   |  |            |
|---|--|------------|
|    | 1. Start out going <b>northeast</b> on <b>Regency Park</b> toward <b>Schantz Dr.</b>                     | go 0.2 mi  |
|    | 2. Turn <b>left</b> onto <b>W US-50.</b>   | go 0.2 mi  |
|       | 3. Merge onto <b>I-64 W / US-50 W</b> toward <b>East St Louis.</b>                                       | go 6.6 mi  |
|     | 4. Merge onto <b>I-255 N</b> via <b>EXIT 7</b> toward <b>Chicago.</b>                                    | go 11.7 mi |
|   | 5. <b>I-255 N</b> becomes <b>IL-255 N.</b>   | go 9.7 mi  |
|    | 6. Take the <b>IL-111 / IL-140</b> exit, <b>EXIT 10</b> , toward <b>Alton / Bethalto.</b>                | go 0.3 mi  |
|    | 7. Keep <b>left</b> to take the ramp toward <b>Alton.</b>  | go 0.0 mi  |
|   | 8. Turn <b>left</b> onto <b>E MacArthur Dr / IL-111 / IL-140.</b><br>Continue to follow <b>IL-140 W.</b> | go 3.8 mi  |
|    | 9. Turn <b>left</b> onto <b>Crossroads Ct.</b>   | go 0.0 mi  |
|    | 10. Turn <b>right</b> onto <b>College Ave.</b>   | go 0.0 mi  |
|    | 11. <b>3511 COLLEGE AVE</b> is on the left.  | go 0.0 mi  |



## 3511 College Ave, Alton, IL 62002-5009

Wednesday, May 30, 2012,

**Total Travel Estimate : 32.52 miles - about 36 minutes**

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Memorial Medical Group, LLC  
Specializing in Kidney Disease & Hypertension  
Dr. Matthew Koch & Cynthia Whitchee A.P.N.-B.C

15 Park Place Ste 1A  
Swansea, Illinois 62226  
Phone: 618.234.6003  
Fax: 618.234.6156

June 13, 2012

Ms. Courtney Avery  
Administrator  
Illinois Health Facilities & Services Review Board  
525 W. Jefferson St., 2<sup>nd</sup> Floor  
Springfield, IL 62761

Dear Ms. Avery,

I am a nephrologist practicing in rural southern Illinois, specifically the Bellville area of St. Clair County. I am the Medical Director of the RAI Lincoln Highway – Fairview Heights dialysis clinic. I also refer patients to RAI North Main – Breese, DaVita Metro East and Sauget. I am writing in support of the relocation of the 20-station Fairview Heights dialysis facility. The size of the current building is inadequate causing patients and staff to treat/work in cramped spaces. The building requires costly repairs that are not reasonable to accomplish in a space that is not best suited for the clinic. I am a strong proponent of home dialysis, especially in this rural area, and our program is now up to almost 30 patients. The home training department also requires additional space to be more effective. The new site in O'Fallon will meet this need.

At RAI Fairview Heights and Breese, I was treating 36 hemodialysis patients at the end of 2009, 42 patients at the end of 2010 and 40 patients at the end of 2011, as reported to The Renal Network. As of the most recent quarter, I had 70 hemodialysis patients in all four clinics I refer to. Over the past twelve months I have referred 21 patients for dialysis services to RAI North Main – Breese and Lincoln Highway – Fairview Heights. I also referred 11 patients to DaVita Metro East and Sauget. I expect that all 89 current patients of RAI Lincoln Highway – Fairview Heights will relocate to the new site upon its opening. I currently have 129 patients in different stages of chronic kidney disease in the St. Clair County area that will eventually require dialysis. Of these there are 38 that I expect to begin dialysis at the O'Fallon site in the first two years of operation. There are also four other physicians who currently admit patients to the Fairview Heights facility. (Patient census counts from previous years at the DaVita Metro East and Sauget clinics were unavailable and therefore are not included. Also, I began my own practice in the past year and no longer have access to the former practice historical records.)

Given the repair issues at our current site and the need to keep access available to the 89 dialysis patients as well as pre-ESRD patients in this rural region, I respectfully ask the Board to approve the relocation of RAI Lincoln Highway – Fairview Heights. Thank you for your consideration.

I attest to the fact that to the best of my knowledge, all the information contained in this letter is true and correct and that the projected referrals in this document were not used to support any other CON application.

Sincerely,

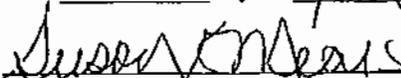


Matthew Koch, M.D.



Notarization:

Subscribed and sworn to before me  
this 14<sup>th</sup> day of June, 2012

  
Signature of Notary

Seal

Physician Referral Letter  
APPENDIX - 2

240

**CURRENT FAIRVIEW HEIGHTS PATIENTS THAT WILL TRANSFER TO  
THE NEW O'FALLON LOCATION AT 124 REGENCY PARK DRIVE**

<b>Zip Code</b>	<b>Patients</b>
62060	2
62090	1
62203	3
62204	4
62205	3
62206	6
62207	7
62208	5
62220	2
62221	11
62222	1
62223	6
62226	11
62232	5
62234	2
62236	1
62243	1
62245	1
62254	1
62258	2
62260	1
62269	12
62286	1
<b>Total</b>	<b>89</b>

**PRE-ESRD PATIENTS THAT WILL BEGIN DIALYSIS AT  
THE O'FALLON LOCATION BY THE FIRST TWO YEARS OF OPERATION**

<b>Zip Code</b>	<b>Pre-ESRD</b>	
	<b>Year One</b>	<b>Year Two</b>
62208	4	2
62215		1
62220	3	2
62221	1	3
62226	4	4
62232	1	1
62234		1
62254		2
62258	1	2
62265		1
62269		5
<b>Total</b>	<b>14</b>	<b>24</b>

**DR. KOCH'S NEW REFERRALS FOR THE PAST TWELVE MONTHS**

**May 1, 2011 through April 30, 2012**

<b>Zip Code</b>	<b>Patients</b>
62205	1
62206	2
62208	2
62220	1
62221	2
62223	3
62226	2
62232	3
62263	1
62269	2
62293	1
63128	1
<b>Total</b>	<b>21</b>

**DR. KOCH'S HEMODIALYSIS PATIENTS AS OF  
DECEMBER 31, 2009, 2010, 2011 and MARCH 31, 2012  
AT RAI - FAIRVIEW HEIGHTS AND BREESE**

<b>2009</b>	
<b>Zip Code</b>	<b>Patients</b>
62201	1
62204	2
62206	1
62207	2
62208	3
62215	1
62220	2
62221	3
62223	2
62230	1
62231	2
62234	1
62243	1
62245	1
62246	1
62249	2
62253	2
62254	1
62269	4
62275	1
62293	1
63119	1
<b>Total</b>	<b>36</b>

<b>2010</b>	
<b>Zip Code</b>	<b>Patients</b>
62201	1
62204	2
62207	5
62208	1
62215	1
62216	1
62220	1
62221	3
62223	1
62225	1
62230	2
62231	2
62243	1
62245	1
62246	1
62249	2
62253	3
62254	1
62260	1
62269	6
62275	1
62293	2
62801	1
63137	1
<b>Total</b>	<b>42</b>

<b>2011</b>	
<b>Zip Code</b>	<b>Patients</b>
62022	1
62201	1
62204	2
62205	1
62206	1
62207	3
62208	2
62215	1
62216	1
62218	1
62220	1
62221	3
62226	1
62230	2
62231	3
62232	1
62243	1
62245	1
62246	1
62253	2
62263	1
62269	2
62271	3
62275	1
62293	2
62801	1
<b>Total</b>	<b>40</b>

<b>Mar 31st 2011</b>	
<b>Zip Code</b>	<b>Patients</b>
62204	1
62205	1
62206	6
62207	3
62208	2
62215	1
62218	1
62220	1
62221	3
62223	1
62226	2
62230	2
62231	3
62232	2
62243	1
62245	1
62246	1
62253	2
62269	1
62271	3
62275	1
62293	1
<b>Total</b>	<b>40</b>

**DR. KOCH'S CURRENT HEMODIALYSIS PATIENTS**  
**AT DAVITA METRO EAST AND DAVITA SAUGET**

<b>DaVita Metro East</b>	
<b>Zip Code</b>	<b>Patients</b>
62203	2
62204	1
62205	1
62207	1
62221	1
62223	2
62226	4
62232	1
62236	1
62243	1
62255	1
62258	1
62269	2
62282	1
<b>Total</b>	<b>21</b>

<b>DaVita Sauget</b>	
<b>Zip Code</b>	<b>Patients</b>
38017	1
62204	2
62206	1
62207	2
62240	1
62301	1
<b>Total</b>	<b>8</b>