

ORIGINAL

12-058

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED

JUN 19 2012

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

HEALTH FACILITIES &
SERVICES REVIEW BOARD

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: U.S. Renal Care Lemont Dialysis
Street Address: 1096 South State Street
City and Zip Code: Lemont, 60439
County: Cook County Health Service Area 7 Health Planning Area: 7

Applicant /Co-Applicant Identification

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

Exact Legal Name: USRC Lemont, LLC
Address: 2400 Dallas Parkway, Suite 350, Plano, Texas 75093
Name of Registered Agent: CT Corporation System
Name of Chief Executive Officer: Stephen Pirri*
CEO Address: 2400 Dallas Parkway, Suite 350, Plano, Texas 75093
Telephone Number: 214.736.2700

*Stephen Pirri acts as President and Manager of this entity.

Type of Ownership of Applicant/Co-Applicant

<input type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership
<input type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental
<input checked="" 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: Edward Clancy
Title: Attorney
Company Name: Ungaretti & Harris LLP
Address: 70 W. Madison, Suite 3500, Chicago, Illinois 60602
Telephone Number: 312.977.4487
E-mail Address: eclancy@uhl.com
Fax Number: 312.977.4405

Additional Contact

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

Name: Shawn Moon
Title: Attorney
Company Name: Ungaretti & Harris LLP
Address: 70 W. Madison, Suite 3500, Chicago, Illinois 60602
Telephone Number: 312.977.4342
E-mail Address: skmoon@uhl.com
Fax Number: 312.977.4405

Applicant /Co-Applicant Identification

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

Exact Legal Name: USRC Alliance, LLC

Address: 2400 Dallas Parkway Suite 350, Plano, Texas 75093

Name of Registered Agent: CT Corporation System

Name of Chief Executive Officer: Stephen Pirri*

CEO Address: 2400 Dallas Parkway Suite 350, Plano, Texas 75093

Telephone Number: 214.736.2700

*Stephen Pirri acts as President and Manager of this entity.

Type of Ownership of Applicant/Co-Applicant

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

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- 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.

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Applicant /Co-Applicant Identification

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

Exact Legal Name: U.S. Renal Care, Inc.
Address: 2400 Dallas Parkway Suite 350, Plano, Texas 75093
Name of Registered Agent: CT Corporation System
Name of Chief Executive Officer: Stephen Pirri*
CEO Address: 2400 Dallas Parkway Suite 350, Plano, Texas 75093
Telephone Number: 214.736.2700

*Stephen Pirri acts as President of this entity

Type of Ownership of Applicant/Co-Applicant

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

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

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

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: Thomas L. Weinberg
Title: Senior Vice President and General Counsel
Company Name: U.S. Renal Care, Inc.
Address: 2400 Dallas Parkway, Suite 350, Plano, Texas 75093
Telephone Number: 214.736.2700
E-mail Address: Tweinberg@usrenalcare.com
Fax Number: 214.736.2701

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Lemont Plaza Partners, L.L.C.
Address of Site Owner: 257 E. Main Street, Barrington, Illinois 60010
Street Address or Legal Description of Site: Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease or a lease.
APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

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

Exact Legal Name: USRC Lemont, LLC
Address: 2400 Dallas Parkway, Suite 350, Plano, Texas 75093
<input type="checkbox"/> Non-profit Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> For-profit Corporation <input type="checkbox"/> Governmental <input checked="" type="checkbox"/> Limited Liability Company <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Other
<ul style="list-style-type: none"> 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. o Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.
APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Organizational Relationships

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

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

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at www.FEMA.gov or 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: <input checked="" type="checkbox"/> Substantive <input type="checkbox"/> Non-substantive	Part 1120 Applicability or Classification: [Check one only.] <input type="checkbox"/> Part 1120 Not Applicable <input type="checkbox"/> Category A Project <input checked="" type="checkbox"/> Category B Project <input type="checkbox"/> 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.

USRC Lemont, LLC ("Applicant") proposes to establish a thirteen (13) station in-center hemodialysis facility at 1096 South State Street, Lemont, Illinois 60439 (the "Facility") located in Health Service Area ("HSA") 7. The Facility will utilize leased space to be built out by Applicant. The facility will provide both in-center hemodialysis and peritoneal dialysis for patients with End Stage Renal Disease ("ESRD").

This project is categorized as "substantive" under the Illinois Health Planning Act as it contemplates the establishment of an in-center hemodialysis facility.

Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts	\$715,000		\$715,000
Contingencies			
Architectural/Engineering Fees	\$55,000		\$55,000
Consulting and Other Fees	\$30,000		\$30,000
Movable or Other Equipment (not in construction contracts)	\$82,555	\$109,437	\$191,992
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	\$1,285,816		\$1,285,816
Other Costs To Be Capitalized	\$90,542		\$90,542
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$2,258,913	\$109,437	\$2,368,350
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$973,097	\$109,437	\$1,082,534
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)	\$1,285,816		\$1,285,816
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$2,258,913	\$109,437	\$2,368,350
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
 Yes No

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

Estimated start-up costs and operating deficit cost is \$ (56,639).

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

None or not applicable Preliminary
 Schematics Final Working

Anticipated project completion date (refer to Part 1130.140): April 1, 2013

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

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

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

State Agency Submittals

Are the following submittals up to date as applicable:

N/A Cancer Registry
N/A APORS
N/A All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
N/A All reports regarding outstanding permits
Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

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

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							
<p>APPEND DOCUMENTATION AS ATTACHMENT-9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</p>							

Facility Bed Capacity and Utilization Not Applicable

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

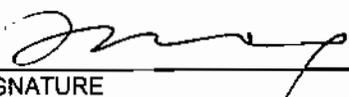
FACILITY NAME:		CITY:			
REPORTING PERIOD DATES:					
		From:		to:	
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical					
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness	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

CERTIFICATION

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

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

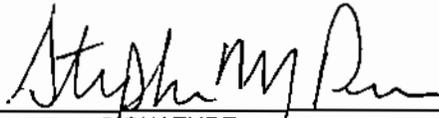
This Application for Permit is filed on the behalf of U.S. Renal Care, Inc. *
in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act.
The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the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



 SIGNATURE
 Thomas L. Weinberg

 PRINTED NAME
 Senior Vice President & General Counsel

 PRINTED TITLE



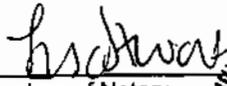
 SIGNATURE
 Stephen M. Pirri

 PRINTED NAME
 President

 PRINTED TITLE

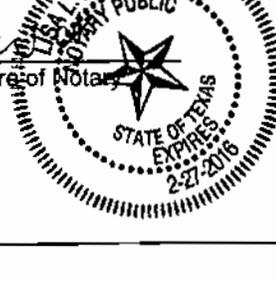
Notarization:
 Subscribed and sworn to before me
 this 12th day of June

Notarization:
 Subscribed and sworn to before me
 this 12th day of June



 Signature of Notary
 Seal




 Signature of Notary
 Seal


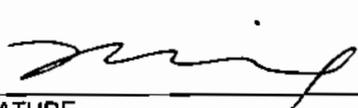
*Insert EXACT legal name of the applicant

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);
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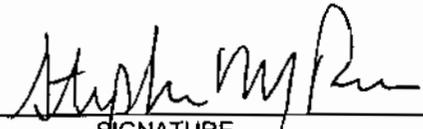
This Application for Permit is filed on the behalf of USRC Alliance, LLC in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant 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
 Thomas L. Weinberg

 PRINTED NAME
 Manager

 PRINTED TITLE



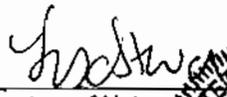
 SIGNATURE
 Stephen M. Pirri

 PRINTED NAME
 President & Manager

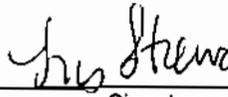
 PRINTED TITLE

Notarization:
 Subscribed and sworn to before me
 this 12th day of June

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 Subscribed and sworn to before me
 this 12th day of June



 Signature of Notary
 Seal

 Signature of Notary
 Seal

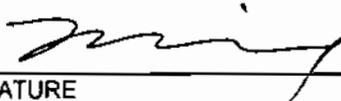

*Insert EXACT legal name of the applicant

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- o in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of USRC Lemont, 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
 Thomas L. Weinberg

 PRINTED NAME
 Manager

 PRINTED TITLE



 SIGNATURE
 Stephen M. Pirri

 PRINTED NAME
 President & Manager

 PRINTED TITLE

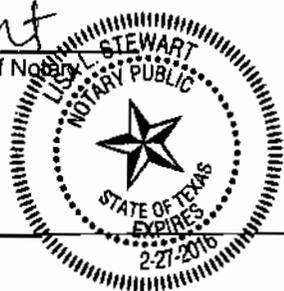
Notarization:
 Subscribed and sworn to before me
 this 12th day of June

Notarization:
 Subscribed and sworn to before me
 this 12th day of June



 Signature of Notary
 Seal




 Signature of Notary
 Seal


*Insert EXACT legal name of the applicant

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

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

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

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

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

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

PURPOSE OF PROJECT

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

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

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

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

ALTERNATIVES

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

Alternative options **must** include:

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

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

SECTION 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.

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	0	13

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		X	
1110.1430(b)(5) - Planning Area Need - Service Accessibility	X		
1110.1430(c)(1) - Unnecessary Duplication of Services	X		
1110.1430(c)(2) - Maldistribution	X		
1110.1430(c)(3) - Impact of Project on Other Area Providers	X		
1110.1430(d)(1) - Deteriorated Facilities			X
1110.1430(d)(2) - Documentation			X
1110.1430(d)(3) - Documentation Related to Cited Problems			X
1110.1430(e) - Staffing Availability	X	X	
1110.1430(f) - Support Services	X	X	X
1110.1430(g) - Minimum Number of Stations	X		
1110.1430(h) - Continuity of Care	X		
1110.1430(j) - Assurances	X	X	X

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

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:**

\$1,082,534	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:
		1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and
		2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
\$1,285,816	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:
		1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;
		2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;
		3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;
		4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;
		5) For any option to lease, a copy of the option, including all terms and conditions.
	e)	Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
	f)	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
\$2,368,350	TOTAL FUNDS AVAILABLE	

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:	Not Applicable - Applicant qualifies for the financial viability waiver as all of the project's capital expenditures are completely funded through internal sources.	
Current Ratio		
Net Margin Percentage		
Percent Debt to Total Capitalization		
Projected Debt Service Coverage		
Days Cash on Hand		
Cushion Ratio		

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

2. Variance

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

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

X. 1120.140 - Economic Feasibility

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

A. Reasonableness of Financing Arrangements

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

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

B. Conditions of Debt Financing

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

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

* 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			
Total			
Charity (cost in dollars)	Year	Year	Year
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			

Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

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

XII. Charity Care Information

Charity Care information **MUST** be furnished for **ALL** projects.

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

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

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

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

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

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

INDEX OF ATTACHMENTS		
ATTACHMENT NO.		PAGES
1	Applicant/Coapplicant Identification including Certificate of Good Standing	
2	Site Ownership	
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	
5	Flood Plain Requirements	
6	Historic Preservation Act Requirements	
7	Project and Sources of Funds Itemization	
8	Obligation Document if required	
9	Cost Space Requirements	
10	Discontinuation	
11	Background of the Applicant	
12	Purpose of the Project	
13	Alternatives to the Project	
14	Size of the Project	
15	Project Service Utilization	
16	Unfinished or Shell Space	
17	Assurances for Unfinished/Shell Space	
18	Master Design Project	
19	Mergers, Consolidations and Acquisitions	
	Service Specific:	
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	
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	
	Financial and Economic Feasibility:	
39	Availability of Funds	
40	Financial Waiver	
41	Financial Viability	
42	Economic Feasibility	
43	Safety Net Impact Statement	
44	Charity Care Information	

ATTACHMENT 1

TYPE OF OWNERSHIP – CERTIFICATE OF GOOD STANDING



To all to whom these Presents Shall Come, Greeting:

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

U.S. RENAL CARE, INC., INCORPORATED IN DELAWARE AND LICENSED TO TRANSACT BUSINESS IN THIS STATE ON MAY 17, 2011, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.



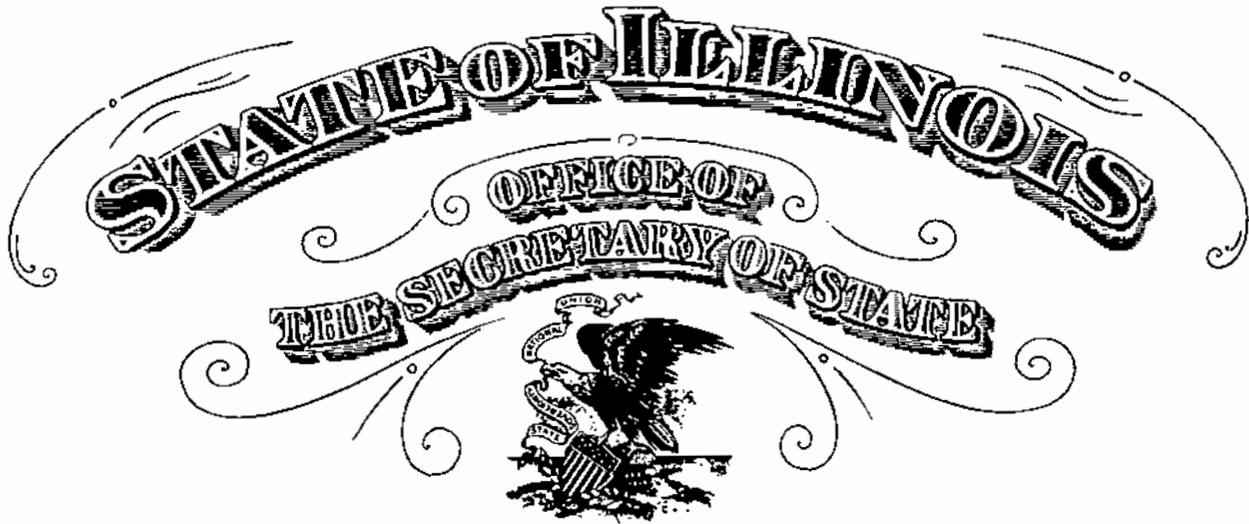
Authentication #: 1205402196

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

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 23TH day of FEBRUARY A.D. 2012 .

Jesse White

SECRETARY OF STATE



To all to whom these Presents Shall Come, Greeting:

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

USRC ALLIANCE, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON FEBRUARY 28, 2011, 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.



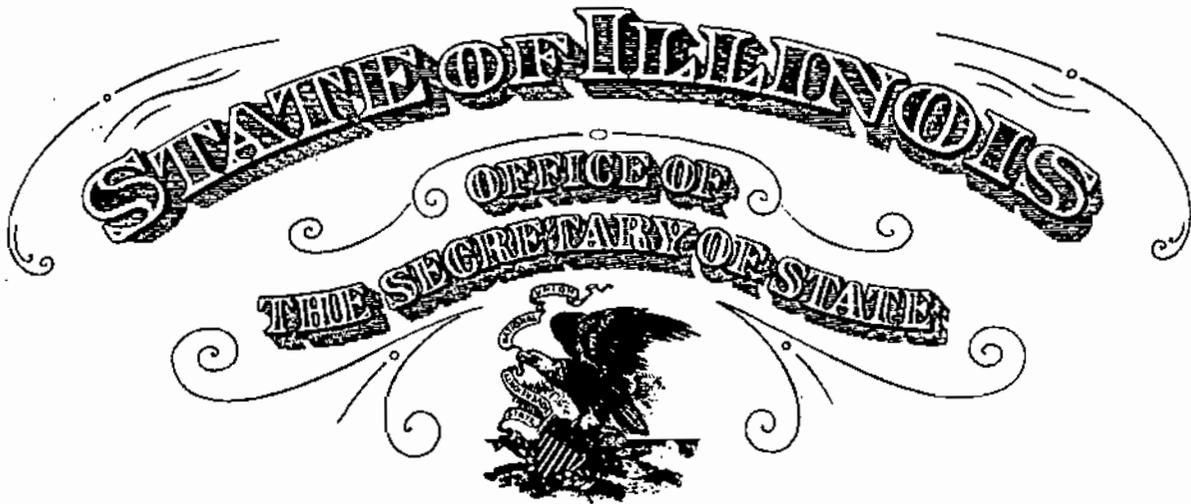
Authentication #: 1205402166

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

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 23TH day of FEBRUARY A.D. 2012 .

Jesse White

SECRETARY OF STATE



To all to whom these Presents Shall Come, Greeting:

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

USRC LEMONT, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON MAY 16, 2012, 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 DOMESTIC LIMITED LIABILITY COMPANY IN THE STATE OF ILLINOIS.



Authentication #: 1216302068

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

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 11TH day of JUNE A.D. 2012 .

Jesse White

SECRETARY OF STATE

ATTACHMENT 2

SITE OWNERSHIP – PROOF OF OWNERSHIP



5001 Spring Valley Road
 Suite 600W
 Dallas, Texas 75244
 Phone: 214-446-4526
 Fax: 214-446-4571

Letter of Intent to Lease Space

May 18, 2012

Ms. Amy Levin
 GK Development, Inc.
 257 East Main Street
 Suite 100
 Barrington, IL 60010

**RE: REQUEST FOR PROPOSAL FOR PROPERTY LOCATED AT:
 LEMONT PLAZA – 1096 STATE STREET, LEMONT, IL (“BUILDING”)
 END CAP OF BUILDING #R – SUITE #TBD (THE “PREMISES”)**

Dear Amy:

An Undisclosed Medical User (“Tenant”) has determined that the above referenced space meets its criteria for a possible clinic location. This proposed location will serve as a dialysis clinic for the Lemont, IL area.

Please reply by providing the requested information in the right column. If you are in agreement with the terms, please state “Agreed” in the column to the right

PREMISES / LEASE TERM:	Tenant will require approximately 6,500 square feet. Please propose an address, dedicated suite number and rentable square footage. Please propose a ten (10) year term with the right to terminate at any time after 60 months with 120-days written notice.	6,500 sq. ft. . North side of Space R. 1096 S. State Street Lemont, Illinois 10 year term .
BUILDING:	1. Please provide the street address of the Building. 2. Please indicate the total rentable square footage of the Building.	See above 116,869 total rentable square feet
OWNERSHIP:	Please provide the full legal name, mailing address and social security number/federal tax identification number of the legal owner of the Building. If the owner is not an individual, please describe the type of entity (e.g. “an Ohio corporation...”).	Lemont Plaza Partners, LLC c/o GK Development, Inc. 257 E. Main Street Barrington, Illinois 60010



TRANSWESTERN

RENTAL RATE/ CONCESSIONS:	Please provide an aggressive, market sensitive rate with corresponding concessions on a ten (10) year term. Please indicate the structure of the rental rate (net, gross or full service) and all costs and/or services not included in the rent.	<p>Base Minimum Rent Years 1-3 \$ 17.00psf Years 4-7 \$18.50 psf Years 8-10 \$19.50 psf</p> <p>Estimated NNN costs are \$5.46 psf</p> <p>** Tenant will pay full NNN charges on 6,500 sq. ft. starting at Rent Commencement. ** Base Rent abatement of 6 months from rent commencement.</p>
LEASE COMMENCEMENT:	<p>1. Landlord must deliver the Premises in warm shell condition per mutually acceptable specs within thirty (30) days of lease execution.</p> <p>2. Rent will commence one hundred twenty (120) days after issuance of a Certificate of Need by the Illinois State Department of Health.</p>	<p>LL will deliver the Premises per Tenants work letter within 90 days of Tenant receiving CON.</p> <p>Rent will commence one hundred twenty days after LL delivery of space or opening for business whichever comes first.</p> <p>Tenant will pay LL \$5,000 per month from lease signing while waiting for the issuance of CON.</p> <p>If Tenant does not receive CON, then 50% of the deposit will be reimbursed to Tenant immediately. If Tenant receives CON, all of the deposit will be applied towards the initial rent increments.</p>
RENEWAL OPTION:	Please propose two (2) consecutive, five (5) year lease renewal options at fixed rates.	<p>Agreed.</p> <p>Option 1-BMR Year 1-5 \$21.50 psf Option 2-BMR Year 1-5 \$23.65 psf Tenant will deliver a renewal notice to LL 180 days before the option period begins.</p>

TENANT IMPROVEMENT ALLOWANCE (TENANT PERFORMS):	<p>1. Landlord shall deliver the Premises in warm shell condition per Tenant's specs which have been listed in the section below.</p> <p>2. Please provide a market sensitive Tenant Improvement Allowance for a ten (10) year term.</p> <p>3. After delivery of the Premises, Tenant shall complete all necessary tenant improvements to the Premises pursuant to a space plan and specifications to be prepared by Tenant, approved by Landlord.</p> <p>4. Tenant shall not be required to pay Landlord any construction management or supervisory fee for any tenant improvements.</p>	<p>Landlord will provide a TI allowance not to exceed \$35.00per SF.</p> <p>Tenant shall provide final lien waivers for all work prior to money being released.</p> <p>Guarantor will be US Renal Care, Inc.</p>
RELOCATION	<p>Landlord will agree not to relocate Tenant with the property.</p>	<p>Agreed</p>



<p>TENANT SPECS:</p>	<p>Tenant will require certain specifications listed below. If the specifications are not part of the base building package, please elaborate on how the specifications can be met.</p> <ol style="list-style-type: none"> 1. 2" diameter incoming water line brought to the Premises that is dedicated, independent, and separately metered. 2. The presence of sewer service with no less than a 4" line into the premises of sufficient invert depth that will allow Tenant to install toilet fixtures at the farthest distance from the sewer line. 3. 208V 3Phase power panel with 600 amps with panel inside the Premises. 4. Gas line with separate meter running to the Premises. 5. HVAC to be installed per Tenant's engineered specifications. 6. Landlord will provide a smooth and clean concrete floor. 7. Current asbestos survey. 8. Fully engineered as built drawings of the Premises. 9. The subject property shall not be located within a 100 year flood plain. 10. The property shall not be located within 150 feet of easement boundaries or setbacks of hazardous underground locations including but not limited to liquid butane or propane, liquid petroleum or natural gas transmission lines, high pressure lines, and not within the easement of high voltage electrical lines. 11. Landlord grants Tenant the right to construct freight door and a freight drop off area. 	<p>Landlord will divide space and split utilities per Tenant's specs.</p> <ol style="list-style-type: none"> 1. LL to provide 2. LL to provide per Tenant's requirements. 3. LL to provide per Tenant's requirements. 4. LL is determining if gas can be brought to premises 5. Existing - 2 12.5 ton units in good working condition. 6. Okay 7. Phase I environmental available. 8. Not available 9. Okay 10. Informed Tenant of jet fuel line easement. 11. Okay
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BASE YEAR / OPERATING EXPENSES:	Please provide a break-down of costs for all operating expenses for which Tenant will be responsible.	2012 Estimated CAM = \$1.82 psf 2012 Estimated RET = \$3.64 psf Utilities-separately metered to be paid by Tenant. Trash removal to be paid by Tenant.
SIGNAGE:	Please describe building standard signage rights along with any opportunities for Building signage and or monument signage.	Façade signage to be approved by LL. Specific requirements contained in the Lease.
PARKING:	Tenant will require 5 marked reserved handicapped spaces located at or near the entrance of the Premises, 10 marked reserved visitor spaces located near the entrance of the Premises, and 20 marked spaces which will be located in the Building parking area.	To be determined after the parking area is reconfigured by Landlord's architect.
RIGHT OF FIRST REFUSAL:	<ol style="list-style-type: none"> 1. Tenant shall have a Right of First Refusal on any adjacent suite(s). 2. Tenant shall have 15 business days from receipt of written notice from Landlord to exercise its Right of First Refusal. 3. If Tenant exercises its Right of First Refusal, Tenant shall lease the additional space for a term that is coterminous with its Lease for the Premises and at the rental rate(s) and other Lease terms in effect, with a pro rated construction allowance. 	LL will grant T the Right of First Offer on any adjacent suite.
MISCELLANEOUS:	<ol style="list-style-type: none"> 1. Tenant will require the right to allow a tractor trailer (18 wheeler) to deliver supplies in the delivery area located behind or in front of the Building. 2. If an awning doesn't currently exist, Landlord will allow Tenant, at its own expense to install an awning at the front of the Premises for a patient drop off/ pick up area. 	No overnight parking allowed. For delivery purposes only. Per LL approval.

ASSIGNMENT OF LEASE:	Landlord shall provide automatic consent to an assignment if assignee has a net worth greater than or equal to assignor.	LL will not unreasonably withhold or delay consent . The assignee must have a net worth greater than or equal to assignor AND have a similar amount of debt. If Assignee has equal or greater creditworthiness, then LL will grant automatic consent.
TERMINATION OPTION:	Tenant shall have the right to terminate the Lease at any time after the fifth anniversary of the rent commencement date by providing written notice thereof at least 120 days prior to the date of termination.	Seventh anniversary of the rent commencement.
HOLDOVER:	Tenant shall have the right to holdover for three (3) months after term expiration at the same rate as the last month of the lease term. After the third month, the holdover rate shall increase to 125% of the rent for the last month of the lease term.	Holdover rate shall increase by 150% of the rent for the last month of the lease term.
HIPPA COMPLIANCE PROVISION:	Landlord acknowledges that Tenant is subject to the provisions of the Health Insurance Portability and Accountability Act of 1996 and related regulations ("HIPAA"), and that HIPAA requires Tenant to ensure the safety and confidentiality of patient medical records. Landlord further acknowledges that, in order for Tenant to comply with HIPAA, Tenant must restrict access to the portions of the Property where patient medical records are kept or stored. Landlord hereby agrees that, notwithstanding the rights granted to Landlord, except when accompanied by an authorized representative of Tenant, neither Landlord nor its employees, agents, representatives or contractors shall be permitted to enter those areas of the Property designated by Tenant as locations where patient medical records are kept and/or stored or where such entry is prohibited by applicable state or federal health care privacy laws.	Agreed

<p>BROKER / DISCLOSURE:</p>	<p>Both Landlord and Tenant recognize and acknowledge that the Tenant is represented by Howard Watkins with Transwestern as procuring Broker, in this transaction. Landlord agrees to pay a procuring brokerage a commission of 4% per a separate agreement.</p>	<p>Please provide a separate commission agreement.</p>
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Nothing contained herein shall be binding on either party unless and until actual lease documents are fully executed and exchanged by both parties.

LEMONT PLAZA PARTNERS, LLC

By: Shay Mast

Its: SVP

Print: Shay Mast

USRC LEMONT, LLC

By: Jack N. Harrington

Its: SENIOR V.P.

Print: JACK N. HARRINGTON

6/7/12

LEMONT PLAZA

Lemont, Illinois

AGREEMENT OF LEASE

LANDLORD

LEMONT PLAZA PARTNERS, LLC

TENANT

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LEASE

Reference Pages

Lemont Plaza
Lemont, Illinois

LANDLORD: Lemont Plaza Partners, LLC
an Illinois limited liability company

LANDLORD'S ADDRESS FOR NOTICES: Lemont Plaza Partners, LLC
c/o GK Development, Inc.
257 East Main Street
Suite 100
Barrington, IL 60010

LANDLORD'S ADDRESS FOR RENT: Lemont Plaza Partners, LLC
P. O. Box 9
Barrington, IL 60011-0009

TENANT: _____, a _____ corporation

TENANT'S ADDRESS: _____

TENANT'S TRADE NAME: _____

PREMISES: Approximately 6,500 square feet (See Exhibit "B" for "shaded" outline of Premises), a/k/a Space R (north side), commonly known as 1096 S. State Street, Lemont, IL.

USE: The Premises shall be used and occupied only for the purpose of a medical clinic treating renal diseases and providing dialysis services and for no other use or purpose whatsoever.

DELIVERY DATE: The date the Premises are delivered to Tenant, which will be within 90 days of Tenant receiving a "Certificate of Need" from the Illinois State Department of Health. Between the Effective Date, as hereafter defined, and the date of issuance of the above Certificate of Need, Tenant shall pay to Landlord \$5,000.00/month, or fraction thereof. If Tenant does not receive the Certificate of Need within one (1) year after the Effective Date, and provides evidence it has used best efforts to do so, or provides Landlord with evidence of denial of the Certificate of Need, Tenant may, within 15 days thereafter, terminate this Lease, and one-half of the above payments shall be refunded to Tenant and Landlord shall retain the other half. If Tenant receives the Certificate of Need, all of the above payments shall be applied to Annual Fixed Rent.

COMMENCEMENT DATE: The Delivery Date.

RENT COMMENCEMENT DATE: The earlier of 120 days after the Commencement Date or the date Tenant opens for business in the Premises.

TERMINATION DATE:	The last day of the 10th Lease Year.
LEASE TERM:	10 Lease Years, beginning on the Rent Commencement Date and ending on the Termination Date (unless sooner terminated pursuant to this Lease).
ANNUAL FIXED RENT:	Lease Year 1....\$110,500.00 per year (\$17.00/sf)* Lease Year 2....\$110,500.00 per year (\$17.00/sf) Lease Year 3....\$110,500.00 per year (\$17.00/sf) Lease Year 4....\$120,250.00 per year (\$18.50/sf) Lease Year 5....\$120,250.00 per year (\$18.50/sf) Lease Year 6....\$120,250.00 per year (\$18.50/sf) Lease Year 7....\$120,250.00 per year (\$18.50/sf) Lease Year 8....\$126,750.00 per year (\$19.50/sf) Lease Year 9....\$126,750.00 per year (\$19.50/sf) Lease Year 10..\$126,750.00 per year (\$19.50/sf)
MONTHLY INSTALLMENTS OF FIXED RENT:	Lease Year 1....\$9,208.33 per month** Lease Year 2....\$9,208.33 per month Lease Year 3....\$9,208.33 per month Lease Year 4....\$10,020.83 per month Lease Year 5....\$10,020.83 per month Lease Year 6....\$10,020.83 per month Lease Year 7....\$10,020.83 per month Lease Year 8....\$10,562.50 per month Lease Year 9....\$10,562.50 per month Lease Year 10..\$10,562.50 per month
PERCENTAGE RENT:	N/A
GROSS SALES MINIMUM	N/A
ANNUAL PROMOTIONAL FUND COST:	N/A
SECURITY DEPOSIT:	\$9,208.33
SIGN REMOVAL DEPOSIT FOR REMOVAL OF SIGNS PLACED ON FAÇADE OF THE BUILDING:	\$500.00
REAL ESTATE BROKER DUE COMMISSION:	Transwestern
RENEWAL OPTIONS:	2 option for 5 years each
ANNUAL FIXED RENT: (1st Option):	Lease Year 11...\$215,000.00 per year (\$21.50/sf) Lease Year 12...\$215,000.00 per year (\$21.50/sf) Lease Year 13...\$215,000.00 per year (\$21.50/sf) Lease Year 14...\$215,000.00 per year (\$21.50/sf) Lease Year 15...\$215,000.00 per year (\$21.50/sf)

*Subject to 9 month abatement of Annual Fixed Rent only beginning on the Rent Commencement Date.

**Subject to 9 month abatement of monthly installments of Fixed Rent only following the Rent Commencement Date

MONTHLY INSTALLMENTS

OF FIXED RENT:

(1st Option):

Lease Year 11...\$17,916.67 per month
Lease Year 12...\$17,916.67 per month
Lease Year 13...\$17,916.67 per month
Lease Year 14...\$17,916.67 per month
Lease Year 15...\$17,916.67 per month

ANNUAL FIXED RENT:

(2nd Option):

Lease Year 16...\$236,500.00 per year (\$23.65/sf)
Lease Year 17...\$236,500.00 per year (\$23.65/sf)
Lease Year 18...\$236,500.00 per year (\$23.65/sf)
Lease Year 19...\$236,500.00 per year (\$23.65/sf)
Lease Year 20...\$236,500.00 per year (\$23.65/sf)

MONTHLY INSTALLMENTS

OF FIXED RENT:

(2nd Option):

Lease Year 16...\$19,708.33 per month
Lease Year 17...\$19,708.33 per month
Lease Year 18...\$19,708.33 per month
Lease Year 19...\$19,708.33 per month
Lease Year 20...\$19,708.33 per month

RADIUS RESTRICTION:

N/A

GUARANTOR:

U.S. Renal Care, Inc.

The terms and information set forth on these Reference Pages is incorporated and made a part of the Lease between the parties indicated on Page 1 of the Lease. If there is a conflict between this information and the remainder of the Lease, this information shall control. The Lease includes Exhibits "A" through "G", all of which are made a part of this Lease by this reference. Unless otherwise provided, all capitalized terms contained in these Reference Pages shall have the meaning ascribed to them in the remainder of the Lease.

THIS LEASE is made and entered into on this ____ day of _____, 2012 (the "Effective Date"), between Lemont Plaza Partners, L.L.C. an Illinois limited liability company ("Landlord"), and _____, a _____ corporation ("Tenant"). The attached Reference Pages are incorporated as part of this Lease. The terms of this Lease shall be effective as of the date written above.

For good and valuable consideration and the sum of \$10.00, the adequacy and receipt of which are hereby acknowledged, the parties agree:

PREMISES

SECTION 1

(a) Landlord leases to Tenant and Tenant rents from Landlord the Premises shown on Exhibit "B". (All dimensions which may be shown on Exhibit "B" are measured from center of the wall to center of the wall for all party walls and from the outside face of all exterior walls and storefronts.) The Premises are located in the building (the "Building") which is located in the shopping center commonly known as Lemont Plaza, Lemont, Illinois (the "Shopping Center").

(b) "Tenant's Proportionate Share" as used in this Lease shall mean a fraction, the numerator of which is the gross leasable area of the Premises and the denominator of which is the gross leasable area of the Shopping Center from time to time, as either may be remeasured from time to time by landlord to more accurately reflect the true gross leasable area. Notwithstanding the foregoing, in connection with the calculation of Tenant's Proportionate Share of Tax Cost, Insurance Cost and Common Area Cost (as such terms are hereinafter defined in Section 6), the denominator of such fraction shall be reduced by the gross leasable area of those portions of the Shopping Center for which Landlord is not obligated to incur such Tax Cost, Insurance Cost or Common Area Cost. The denominator in the above fraction shall increase or decrease with the further increase or decrease in the size of the Shopping Center. Gross leasable area of the Shopping Center means all ground floor area contained in the Shopping Center designated for tenants' or other occupants' exclusive occupancy.

(c) Landlord expressly reserves (i) the use of the exterior rear and side walls and roof of the Premises and the exclusive use of any space between the ceiling of the Premises and the floor above or the roof of the Building, (ii) the right to install, maintain, use, repair, and replace the pipes, ducts, conduits, and wires leading into or running through the Premises (in locations which will not materially interfere with Tenant's use of the Premises), and (iii) the right in its sole and absolute discretion to expand, enlarge, delete, make alterations or additions to, and to build additional stories on, the Shopping Center and to build other buildings or improvements on the Common Areas (hereinafter defined in Section 7).

(d) With respect to the adjacent space designated as Space R (south side) on Exhibit "B":

(i) Provided Tenant is not then in default under the terms, covenants and conditions of the Lease, Tenant shall have the right of first offer, following the availability of said space, to lease space "R" (south side) as shown on Exhibit B, which space is approximately ten thousand nine hundred sixty three (10,963) square feet (such space is referred to as the "Expansion Option Premises" and the option is referred to as the "Expansion Option"). The Annual Rent for the Expansion Option Premises shall be at the then rental rate for the Premises on a per square foot basis. Tenant shall have a period of fifteen (15) days after the date of Landlord's notice, in which to exercise Tenant's right to lease the Expansion Option Premises pursuant to the terms and conditions contained in the Lease, failing which Landlord may lease the Expansion Premises to any third party on whatever basis Landlord desires, for at least ninety five percent (95%) of the annual rent offered to Tenant, and Tenant shall have no further rights with respect to that Expansion Option Premises. Without limiting the generality of the foregoing, if Landlord leases the Expansion Option Space to a third party pursuant to the preceding sentence and such Expansion Option Space is subsequently vacated again during the Term of this Lease or any renewal hereof, Tenant shall not have a new right of

first offer to lease the Expansion Option Premises. If Tenant exercises the expansion option hereunder, effective as of the date Landlord delivers the Expansion Premises (the "Delivery Date"), the Expansion Premises shall automatically be included within the Premises and subject to all the terms and conditions of the Lease, except as set forth in Landlord's notice. Tenant shall pay Annual Rent for the Expansion Option Space as agreed to between Landlord and Tenant.

- (ii) Should Tenant exercise its option to lease the Expansion Premises: Tenant's Proportionate Share shall be recalculated, using the total square footage of the Premises, as increased by the Expansion Option Premises. Tenant shall pay Additional Rent on the Expansion Space in the same manner as Tenant pays Additional Rent on the Premises.
- (iii) The Expansion Option Premises shall be leased on an "as is" basis and Landlord shall have no obligation to improve the Expansion Option Premises or grant Tenant any improvement allowance thereon.
- (iv) If requested by Landlord, Tenant shall, prior to the beginning of the term for the Expansion Option Premises, execute a written memorandum confirming the inclusion of the Expansion Option Premises and the Annual Rent for the Expansion Option Premises.
- (v) Should Tenant exercise its option to lease the Expansion Premises: the Expansion Option Premises shall be coterminous with the term of the Premises. Tenant's exercise of its renewal option shall constitute a renewal of the Expansion Option Premises as well.

TERM

SECTION 2

(a) The Lease Term and the Delivery Date are indicated on the Reference Pages. Notwithstanding anything contained herein to the contrary, should Landlord be prevented from delivering the Premises to Tenant due to the failure of Landlord to complete Landlord's work (hereinafter defined in Section 8) within the Premises, the Delivery Date shall be extended by one working day for each working day that delivery is so delayed. In no event shall Landlord be liable or responsible to Tenant for any loss or damage suffered by Tenant resulting from a delay in the Delivery Date.

(b) If requested by Landlord, the parties shall enter into a supplement to the Lease, prepared by Landlord, stipulating the actual dates of the Delivery Date, Commencement Date and Termination Date of the Term. The Form of Lease Supplement is attached hereto as Exhibit "A". Tenant's failure to execute and deliver such supplement to Landlord within ten (10) days of receipt thereof from Landlord shall constitute an acknowledgment by Tenant that the Delivery Date, Commencement Date and Termination Date contained therein are true and correct without exception.

(c) "Lease Year" means a period of twelve (12) consecutive calendar months; provided, however, that the first Lease Year shall commence on the Delivery Date and expire twelve (12) months after the Rent Commencement Date. If the Commencement Date is not the first day of a month, the first Lease Year shall be extended to the last day of the twelfth (12th) full calendar month following the Rent Commencement Date, and the first Lease Year shall include such partial month.

(d) Landlord grants Tenant the right and option to renew the Term for the option periods indicated in the Renewal Option Section of the Reference Pages (each a "Renewal Term"). Tenant shall notify Landlord in writing of its election to renew this Lease for each Renewal Term not less than six (6) months nor more than twelve (12) months prior to the expiration date of the then existing Term. Tenant's failure to timely exercise any option hereunder shall cause the

automatic extinguishment thereof, time being of the essence. Each Renewal Term shall be upon all of the terms, covenants, and conditions of this Lease except that the Annual Fixed Rent and Percentage Rent payable during the Renewal Term shall be as set forth on the Reference Pages. Notwithstanding the above, Tenant shall have no right to extend or renew this Lease if (i) it is in default at the time of giving its notice of renewal; (ii) Tenant is in default as of the first day of the extended Term which was the subject of such notice; or (iii) Tenant is not occupying the entire Premises.

FIXED RENT

SECTION 3

(a) Tenant agrees, without notice or demand and without any deduction or setoff, to pay Landlord, at Landlord's Address shown on the Reference Pages, or at such other place that Landlord may designate in writing, as a fixed minimum rent for the Premises per Lease Year, the Annual Fixed Rent indicated on the Reference Pages for such Lease Year in fixed equal monthly installments during each Lease Year equal to the Monthly Installments of Fixed Rent indicated on the Reference Pages for such Lease Year. Each Monthly Installment of Fixed Rent shall be payable in advance on the first day of each month during the Term commencing with the Commencement Date set forth on the Reference Pages. Tenant agrees to pay Landlord, if assessed by the jurisdiction in which the Shopping Center is located, any sales or excise tax imposed, assessed or levied in connection with Tenant's payment of the Annual Fixed Rent.

(b) Upon execution of this Lease, Tenant shall deposit with Landlord the Security Deposit indicated on the Reference Pages, which shall be held by Landlord during the Term pursuant to the provisions of Section 39.

(c) Tenant's obligation to pay Additional Rent shall begin on the Rent Commencement Date set forth on the Reference Pages. Rent (hereinafter defined in Section 6(c)) due for any period which is less than a calendar month, whether at the beginning of the Term or after the Termination Date, shall be prorated on a daily basis and computed on the basis of Tenant's monthly rental payments (utilizing a thirty (30) day month for purposes of the computation). Tenant shall pay to Landlord the rent for each such day (i) concurrently with the first monthly installment of any rent due, (ii) upon vacating the Premises, or (iii) upon demand from Landlord, as the case may be.

(d) If Tenant exercises its right to extend the Term for a Renewal Term, the Annual Fixed Rent payable during the Renewal Term shall be equal to the amount indicated in the Renewal Option Section of the Reference Pages for the Renewal Term in fixed equal monthly installments equal to the Monthly Installment of Fixed Rent indicated in the Renewal Option Section of the Reference Pages for the Renewal Term each to be payable in advance on the first day of each month during the Renewal Term.

(e) Tenant recognizes that late payment of any rent or other sum due will result in administrative expense to Landlord, the extent of which is extremely difficult and economically impractical to ascertain. Tenant therefore agrees that if rent or any other sum is due and unpaid in full ten (10) days after the amount is due, the amount shall be increased by an amount equal in full to five percent (5%) of the unpaid amount or, if less, the maximum amount allowed under applicable Law (hereinafter defined in Section 9(d)). The increased amount shall be reassessed and added to Tenant's obligation for each successive monthly period until paid. The increased amount shall be deemed to be liquidated damages for the additional expense incurred by Landlord. The parties agree that the increased amount represents a fair and reasonable estimate of the cost Landlord will incur by reason of such late payment. The provisions of this Section shall not be in lieu of Landlord's remedies pursuant to Section 20 of this Lease.

PERCENTAGE RENT

SECTION 4

INTENTIONALLY DELETED.

ASSOCIATION

SECTION 5

It is understood and agreed that Landlord shall not be construed or held to be a partner, co-venturer or associate of Tenant in the conduct of Tenant's business, nor shall Landlord be liable for any debts incurred by Tenant in the conduct of Tenant's business. It is understood and agreed that the relationship is and at all times shall remain that of Landlord and Tenant.

ADDITIONAL RENT

SECTION 6

(a) Tenant agrees to pay to Landlord, as additional rent ("Additional Rent") for the Premises, beginning on the Commencement Date and ending on the expiration of the Term, without deduction or setoff, the following amounts:

- (i) Tenant's Proportionate Share of the cost of operating and maintaining the Common Areas (the "Common Area Cost"), including, without limitation, the cost of the following: lighting, utilities, cleaning, snow and trash removal, line painting, security (if provided), management fees, maintenance, materials, labor costs, equipment (including, without limitation, the cost of service agreements on equipment), tools, general repairs, employee benefits and payroll taxes, accounting fees, legal fees, permits, license and inspection fees, sales, use and service taxes, and the repair or replacement of paving, curbs, stations, first-aid stations, comfort stations, stairways, truck ways, loading docks, package pick-up stations, sidewalks, ramps, roofs, the parking lot, driveways, any garage, landscaping, drainage facilities, and lighting facilities, including traffic lights, as may be necessary from time to time, and any other cost of operation of the improvements on the Common Areas. The Common Area Cost shall include the testing of any sprinkler alarm system or other fire prevention or suppression systems required by any governmental entity or insurance company in connection with the issuance of any permits or licenses or insurance policies, depreciation of equipment acquired for use in maintenance of the Common Areas, but shall not include the original cost of the equipment. Landlord has the right to include in Common Area Cost, and to establish as a reserve, such amounts (and for such periods of time) as Landlord deems reasonable for the maintenance, repair and restoration of the roof and paving of the Shopping Center. The amount of such reserve charged as a Common Area Cost for any Calendar Year shall not exceed five percent (5%) of the total Common Area Cost for said year, exclusive of Tax Cost and Insurance Cost for the same period.
- (ii) Tenant's Proportionate Share of any real estate and ad valorem taxes and any other assessments of any nature (1) which shall or may become a lien upon, or be assessed, imposed, or levied by lawful taxing authorities against the land upon which the Shopping Center is located, the Building, and other improvements on or for the benefit of the Shopping Center for the tax years (the years for which a lien is imposed) falling wholly or partially within the Term; (2) which arise in connection with the use, occupancy, or possession of the Shopping Center or any part of the Shopping Center or any land, the Building, easements or other improvements on the Shopping Center including, but not limited to, those taxes imposed, levied or assessed to increase tax increments to governmental agencies or for services such as, but not limited to, fire protection, police protection, street, sidewalk and road maintenance, refuse removal, sewer, storm drain, grey or recycled water facilities, or governmental services previously provided without charge (or for a lesser charge) to property owners and occupants; (3) which are allocable or measured by the area of the Premises or any rent payable hereunder including, without limitation, any gross income tax or excise tax on the receipt of such rent or upon the possession, leasing, operation, maintenance, repair or use or occupancy by Tenant or Landlord of the Premises; (4) which are attributable to

the transfer or transaction directly or indirectly represented by this Lease, by any subleases or assignments hereunder or by other leases in the Shopping Center or by any document to which Tenant is a party creating or transferring (or reflecting the creation or transfer) of any interest or an estate in the Premises: (5) which are in the form of any penalties, fees or fines stemming from water usage which become due and payable out of or for the Shopping Center, any part of the Shopping Center, or any land, the Building, or other improvements on the Shopping Center; or (6) which are imposed, assessed, or levied in lieu of, in substitution for, or in addition to any or all of the foregoing (collectively, the "Tax Cost"). The Tax Cost shall include any fees, expenses or costs (including attorney's fees, expert fees and appraisal fees) incurred by Landlord in protesting or contesting any assessments, levies or the tax rate, but shall not include any charge (such as a water meter charge) which is measured by actual user consumption. A real estate tax bill or copy submitted by Landlord to Tenant shall be conclusive evidence of the amount of any real estate taxes, assessments, or installment. If Landlord is required under a mortgage to escrow taxes, Landlord may, but shall not be obligated to, use the amount required to be escrowed as a basis for its estimate of Tenant's Proportionate Share. In addition, Tenant shall pay all taxes levied against personal property, fixtures and Tenant's improvements in the Premises. If taxes for which Tenant is liable are levied against Landlord or Landlord's property and if Landlord elects to pay the same or if the assessed value of Landlord's property is increased by inclusion of any such items and Landlord elects to pay the taxes based on such increase, Tenant shall pay Landlord upon demand that part of the taxes for which Tenant is liable.

- (iii) Tenant's Proportionate Share of all premiums for public liability, fire and extended coverage or all risk, business income insurance, and rent loss, and any other insurance policy which may be carried by Landlord insuring the Premises, the Building, the Common Areas, the Shopping Center, or any improvements (the "Insurance Cost").
- (iv) A proportionate share of all utility services not measured by a separate meter for the Premises and provided to Tenant and other tenants of the Shopping Center (the "Utility Cost"). Tenant's share of the Utility Cost shall be determined on the basis of the total square feet of floor area of the Premises as a percentage of the total square feet of floor area leased by all tenants provided such services. Tenant shall pay its share of such cost within ten (10) days after demand. Landlord shall not bill Tenant for such cost more often than monthly. If Landlord determines that it is not appropriate to base the utility bills on Tenant's Proportionate Share due to the nature of Tenant's business activities, Landlord may use its discretion in allocating such bills.

(b) Tenant's Proportionate Share of the Common Area Cost, Tax Cost, and Insurance Cost shall be estimated by Landlord prior to the first day of each Calendar Year. Landlord shall notify Tenant of the estimates which shall be paid by Tenant in advance, on the first day of each and every calendar month throughout the Calendar Year. At the end of the Calendar Year, when Landlord has calculated the exact amount of Tenant's Proportionate Share of the costs, Landlord shall notify Tenant of the exact amount. Any deficiencies in the payments (including administrative costs) made by Tenant shall be paid by Tenant to Landlord within ten (10) days of demand therefor. Any surplus paid by Tenant during the preceding Calendar Year shall be applied against the next due monthly installments of the costs due from Tenant. During any part of the Term less than a full Calendar Year, the costs shall be prorated on a daily basis so that Tenant shall only pay Tenant's Proportionate Share of the costs attributable to the portion of the Calendar Year occurring within the Term.

(c) The term "rent" shall include Annual Fixed Rent and Additional Rent.

(d) Any delay or failure of Landlord in delivering any estimate or statement described in this Section 6 or in computing or billing Tenant's Proportionate Share of the foregoing costs shall not constitute a waiver of Landlord's right to require an increase in rent as provided herein or in any

way impair the continuing obligations of Tenant under this Section. Tenant shall be deemed to have waived the right to dispute any matter relating to the calculation of Common Area Cost, Tax Cost, Insurance Cost and Utility Cost and other rent if any claim or dispute is not asserted in writing to Landlord within six (6) months of delivery to Tenant of (i) the billing statement setting forth the exact amount of such costs incurred by Landlord for the period in question or (ii) the claim for rent due. Tenant's obligations to pay rent as set forth in this Lease shall survive the expiration or earlier termination of this Lease.

(e) Tenant shall pay, when due and before any delinquency, all taxes and assessments (i) levied against any personal property or trade fixtures of Tenant in or about the Premises; (ii) based upon the gross or net rent payable hereunder; and (iii) based upon this Lease or any document to which Tenant is a party creating or transferring an interest in this Lease or an estate in all or any portion of the Premises. Tenant further agrees to pay Landlord, if assessed, by the jurisdiction in which the Shopping Center is located, any sales or excise tax imposed, assessed or levied in connection with Tenant's payment of rent hereunder.

COMMON AREAS

SECTION 7

(a) Subject to the Rules and Regulations specified in Section 11, Landlord's rights under Section 1(c) and the other applicable provisions of this Lease, Landlord grants to Tenant and Tenant's employees, agents, customers, and invitees the nonexclusive right, during the Term, to use, subject to the rights of governmental authorities, easements, public highways and other restrictions of record, in common with others granted the use thereof, the Common Areas located within or benefiting the Shopping Center. "Common Areas" shall mean, as they may from time to time exist, those portions of the Shopping Center which are exclusive of gross leasable area and other areas which are set aside as the exclusive use areas of Landlord or its designees and shall include, without limitation, the parking areas, roadways, pedestrian sidewalks, roofs, loading docks, delivery areas, landscaped areas, and all other areas or improvements which may be provided by Landlord for the general use of tenants of the Building and the Shopping Center and their agents, employees, and customers whether within or without the Shopping Center. Landlord shall be responsible for the operation, management, and maintenance of the Common Areas. The manner in which the Common Areas shall be maintained and expenditures in connection therewith shall be at the sole discretion of Landlord. Landlord shall at all times have the right to utilize the Common Areas for promotions, exhibits, carnival type shows, rides, outdoor shows, displays, automobile and other product shows, the leasing of kiosks and food facilities, landscaping, decorative items, and any other use which, in Landlord's sole judgment, tends to attract customers to, or benefit the customers or tenants of the Shopping Center. Landlord may temporarily close parts of the Common Areas for such periods of time as may be necessary for (i) temporary use as a work area in connection with the construction of buildings or other improvements within the Shopping Center or contiguous property; (ii) repairs or alterations in or to the Common Areas or to any utility-type facilities; (iii) preventing the public from obtaining prescriptive rights in or to the Common Areas; (iv) emergency or added safety reasons; or (v) doing and performing such other acts as in the use of good business judgment Landlord shall determine to be appropriate for the Shopping Center; provided, however, that Landlord shall use reasonable efforts not to unduly interfere with or disrupt Tenant's business.

(b) Tenant agrees to keep the Common Areas free and clear of any obstructions created or permitted by Tenant or resulting from Tenant's operation and to use the Common Areas only for normal activities: parking, ingress and egress by Tenant and its employees, agents, representatives, licensees and invitees to and from the Premises and Shopping Center. If, in the opinion of Landlord, unauthorized persons are using the Common Areas by reason of the presence of Tenant in the Premises, Tenant, upon demand of Landlord, shall correct such situation by appropriate action and proceedings against all such unauthorized persons. Nothing herein shall affect the rights of Landlord at any time to remove any such unauthorized persons from said areas or to prevent the use of said areas by such unauthorized persons. Landlord shall have and reserves the right at any time to redesignate, modify, expand, reduce and change the Common Areas and to use and permit such uses thereof as do not materially and adversely affect Tenant's use of the Premises.

(c) Landlord shall be the sole determinant of the type and amount of security services to be provided to the Shopping Center, if any. In all events, Landlord shall not be liable to Tenant, and Tenant hereby waives any claim against Landlord, for (i) any unauthorized or criminal entry of third parties into the Premises or the Shopping Center, (ii) any damage to persons or property, or (iii) any loss of property in and about the Premises or the Shopping Center, by and from any unauthorized or criminal acts of third parties, regardless of any action, inaction, failure, breakdown, malfunction or insufficiency of the security services provided by Landlord.

(d) If Landlord shall acquire or obtain the use of additional land not presently part of the Common Areas, and shall elect to make the same available for parking and other purposes for which the Common Areas are utilized, then all of the costs and expenses referred to in Section 6 which are incurred in connection with the additional land shall be included in Common Area Cost.

CONSTRUCTION OF PREMISES

SECTION 8

(a) Prior to the Delivery Date, Landlord shall complete the improvements to the Premises described in Exhibit "C". Tenant approves Exhibit "C" and all of the improvements, plans and specifications described in Exhibit "C". It is understood and agreed by Tenant that changes in the improvements, plans and specifications which do not materially interfere with Tenant's use of the Premises shall not affect, invalidate, or change this Lease or any of its terms and provisions.

(b) Landlord's work in accordance with Exhibit "C" shall be deemed approved by Tenant in all respects on the Delivery Date, unless prior to the Delivery Date Landlord receives written notice from Tenant of a defect in the work. Any disagreement arising between Landlord and Tenant about the work to be performed by Landlord shall be resolved by the decisions of Landlord's architect. Tenant releases Landlord and Landlord's contractor and architect from any claim for damages against Landlord or Landlord's contractor or architect for any delay in the date on which Landlord's work is completed.

(c) Tenant shall complete the improvements to the Premises described in Exhibit "D". Tenant's work shall be performed in accordance with the provisions of Section 12(a)(i); and provided further than any change in the improvements, plans and specifications described in Exhibit "D" shall be approved by Landlord in writing in accordance with the provisions of Section 12(a)(ii). Tenant shall, prior to construction (or any alterations, changes or improvements pursuant to Section 12 hereof), provide the additional insurance required under Article 15 in such case, and also all such assurances to Landlord including, but not limited to, waivers of lien, surety company performance bonds and personal guaranties of individuals of substance as Landlord shall require to assure payment of the costs, thereof and to protect Landlord and the Shopping Center and appurtenant land against any loss from any mechanic's, materialmen's or other liens. Upon completion of the improvements, Tenant shall submit to Landlord the contractor's original affidavit, the subcontractor's original affidavits and original notarized final waivers of lien, as well as such lien waivers as Landlord may require from all contractors, subcontractors, laborers, materialmen, and material suppliers. The documents must be in form and detail satisfactory to Landlord.

USE AND OPERATION

SECTION 9

(a) The Premises shall be occupied and used exclusively for the purposes described on the Reference Pages and for no other use or purpose whatsoever. Nothing contained in this Lease shall be deemed to give Tenant an express or implied exclusive use in the Shopping Center. Notwithstanding anything to the contrary contained in this Lease, Tenant shall open for business in the Premises on or before the Commencement Date set forth on the Reference Pages, shall operate one hundred percent (100%) of the Premises during the Term. Tenant shall conduct its business in the Premises on all business days during the hours which from time to time may

be reasonably determined by Landlord, but in no event less than eight (8) hours in a business day, six (6) days a week and sixty (60) hours a week. Tenant may close the Premises during reasonable periods for repairing, cleaning or decorating the Premises, with the prior written consent of Landlord. Tenant shall pay Landlord as liquidated damages, in addition to and not in lieu of Landlord's other remedies, two hundred percent (200%) of the daily Fixed Rent for each day, or fraction thereof, that Tenant fails to keep open and operate in the Premises as required under this Lease.

(b) Tenant agrees to conduct its business in the Premises under Tenant's Trade Name indicated on the Reference Pages.

(c) Tenant agrees to conduct its labor relations and its relations with its employees, agents and contractors in such manner as to avoid all strikes, picketing and boycotts, of, on, or about the Premises and the Shopping Center. Tenant further agrees that if, during the period of initial construction of the Premises, any of its employees, agents or contractors strike, or if picket lines or boycotts or other visible activities objectionable to Landlord are established or conducted or carried out against Tenant or its employees, agents or contractors, or any of them, on or about the Premises or the Shopping Center, Landlord shall have the right to require Tenant and, when so required, Tenant shall immediately close the Premises to the public and remove all employees therefrom until the dispute giving rise to such strike, picket line, boycott, or objectionable activity has been settled to Landlord's satisfaction.

(d) Tenant shall use and occupy the Premises in accordance with all applicable federal, state and local laws, statutes, orders, ordinances, codes, rules and regulations ("Law" or "Laws") and shall keep the Premises in a clean, careful, safe, and proper manner. Tenant shall not use, or allow the Premises to be used, for any purpose other than as specified in this Lease and shall not use or permit the Premises to be used for any unlawful, disreputable, or immoral purpose or in any way that will injure the reputation of the Shopping Center. Tenant shall not permit any activities in the Premises which may create or cause noise levels which are audible outside the Premises and disturbing to neighboring residences, other tenants or their customers or employees. Tenant shall not permit the Premises to be occupied in whole or in part by any other person or entity. Tenant shall not cause or permit the use or occupancy of the Premises to be or remain a nuisance or disturbance, as determined by Landlord in its sole discretion, to neighboring residences, other tenants, occupants, or users of the Shopping Center. Tenant agrees to comply with the regulations, requirements and recommendations of any insurance underwriter, inspection bureau or similar agency, pertaining to the portion of the Premises installed by Tenant. Tenant shall permit Landlord to comply with the regulations, requirements and recommendations pertaining to the portion of the Premises installed by Landlord. Tenant shall give Landlord, upon Landlord's request, any information within its knowledge or possession regarding the environmental condition of the Premises for Landlord to determine if Landlord must comply with any Laws pertaining to the environmental condition of the Premises or the Shopping Center, and for Landlord to accurately complete any form or otherwise provide any information required under any such Laws. Tenant shall, upon written notice from Landlord, discontinue any use or operation of the Premises which is declared by any governmental authority to be a violation of Law. None of the agreements of Tenant contained in this subsection (d) or elsewhere in this Lease shall excuse Tenant from the performance of its obligations under Subsection (g) immediately below. Landlord acknowledges that Tenant is subject to the provisions of the Health Insurance Portability and Accountability Act of 1996 and related regulations ("HIPAA"), and that HIPAA requires Tenant to ensure the safety and confidentiality of patient medical records. Landlord further acknowledges that, in order for Tenant to comply with HIPAA, Tenant must restrict access to the portions of the Property where patient medical records are kept or stored. Landlord hereby agrees that, notwithstanding the rights granted to Landlord, except when accompanied by an authorized representative of Tenant, neither Landlord nor its employees, agents, representatives or contractors shall be permitted to enter those areas of the Property designated by Tenant as locations where patient medical records are kept and/or stored or where such entry is prohibited by applicable state or federal health care privacy laws.

(e) Tenant shall not at any time use or occupy the Premises in violation of the certificates of occupancy issued for the Shopping Center or the Premises, and in the event that any department

of the state in which the Shopping Center is located or the city, town, village or county in which the Shopping Center is located shall at any time contend or declare that the Premises are used or occupied in violation of such certificate or certificates of occupancy, Tenant shall, upon five (5) days notice from Landlord or any such governmental agency, immediately discontinue such use of the Premises (and otherwise remedy such violation). The failure by Tenant to discontinue such use shall be considered a default under this Lease and Landlord shall have the right to exercise any and all rights and remedies provided herein or by Law. The statement in this Lease of the nature of the business to be conducted by Tenant in the Premises shall not be deemed or construed to constitute a representation or guaranty by Landlord that such business will continue to be lawful or permissible under any certificate of occupancy issued for the Shopping Center or the Premises, or otherwise permitted by Law.

(f) Tenant shall not use any Shopping Center system in excess of its capacity or in any other manner which may damage such system or the Shopping Center. Machinery and mechanical equipment shall be placed and maintained by Tenant, at Tenant's expense, in locations and in settings sufficient in Landlord's reasonable judgment to absorb and prevent vibration, noise and annoyance.

(g) As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the state in which the Shopping Center is located or the United States Government, including, without limitation, any material or substance which is (i) defined or listed as a "hazardous waste", "extremely hazardous waste", "restricted hazardous waste", "hazardous substance" or "hazardous material" under any applicable Law, (ii) petroleum, or (iii) asbestos.

- (i) Tenant hereby agrees that all operations or activities upon, or any use or occupancy of the Premises, or any portion thereof, by Tenant, its assignees, subtenants, and their respective agents, servants, employees, representatives and contractors (collectively, "Tenant Affiliates"), throughout the term of this Lease, shall be in all respects in compliance with all Laws then governing or in any way relating to the generation, handling, manufacturing, treatment, storage, use, transportation, release, spillage, leakage, dumping, discharge or disposal of any Hazardous Material.
- (ii) Tenant agrees to indemnify, defend and hold Landlord and Landlord Affiliates (hereinafter defined in Section 14) harmless from any and all claims, actions, administrative proceedings (including informal proceedings), judgments, damages, punitive damages, penalties, fines, costs, liabilities, interest or losses, including reasonable attorneys' fees and expenses, consultant fees, and expert fees, together with all other costs and expenses of any kind or nature that arise during or after the Term of this Lease, directly or indirectly, from or in connection with the presence, suspected presence, release or suspected release of any Hazardous Material in or into the air, soil, surface water or groundwater at, on, about, under or within the Premises or the Shopping Center, or any portion of either thereof by Tenant or Tenant Affiliates, or from or in connection with the failure of Tenant or Tenant Affiliates to comply with any Laws or other requirements regarding protection of the environment, public health, or safety.
- (iii) In the event any investigation or monitoring of site conditions or any clean-up, containment, restoration, removal or other remedial work (collectively, the "Remedial Work") is required under any applicable Law, by any judicial order, or by any governmental entity as the result of operations or activities upon, or any use or occupancy of any portion of the Premises by Tenant or Tenant Affiliates, then, at Landlord's option, either Tenant shall perform or cause to be performed the Remedial Work in compliance with such Law or Landlord may cause the Remedial Work to be performed and Tenant shall reimburse Landlord within ten (10) days of demand therefor. All Remedial Work performed by Tenant shall be performed by one or more contractors, selected by Tenant and approved in advance in writing by Landlord, and under the supervision of a consulting engineer selected by Tenant and approved in advance in writing by

Landlord. All costs and expenses of such Remedial Work shall be paid by Tenant, including, without limitation, the charges of such contractor(s), the consulting engineer, and Landlord's reasonable attorneys' fees and costs incurred in connection with monitoring or review of such Remedial Work. Nothing in this Subsection (g) (iii) shall affect any of Landlord's rights (or Tenant's obligations) pursuant to Subsection (g) (ii) above or elsewhere in the Lease.

(h) Each of the covenants and agreements of Tenant set forth in this Section 9 shall survive the expiration or earlier termination of this Lease.

UTILITIES

SECTION 10

(a) (i) Tenant shall duly and promptly pay to the supplier of any utilities, all bills for utilities consumed in the Premises measured by a separate meter for the Premises.

(ii) If Tenant shall use any utility service for any purpose in the Premises which is or can be measured by a separate meter for the Premises and Landlord shall elect to supply that service, Tenant shall accept and use the same and pay Landlord at the applicable rates filed by Landlord with the proper regulating authorities and in effect from time to time. Tenant shall not pay Landlord more for service than would be chargeable to Tenant by the utility company providing the service. Payment for water, gas (if any), sewer, and electricity service used by Tenant, if furnished by Landlord, shall be made monthly as Additional Rent within ten (10) days of the presentation by Landlord to Tenant of a bill.

(iii) Notwithstanding anything to the contrary provided in this Section 10 or in Subsection 6(a) (iv), Tenant acknowledges that water service to the Shopping Center shall be measured by a master meter and that Tenant's charges for service shall be allocated by Landlord, at Landlord's option, either (i) on the basis of the total square feet of floor area at the Premises as a percentage of the total square feet of floor area leased by all tenants in the Shopping Center provided water service; or (ii) based upon readings taken from a water sub-meter for the Premises, if Landlord elects to install a sub-meter. All charges shall be paid monthly to Landlord as Additional Rent within ten (10) days of the presentation by Landlord to Tenant of a bill.

(b) If Landlord supplies sanitary sewer facilities to the Premises, Tenant shall pay as Additional Rent Tenant's Proportionate Share of the cost of operating and maintaining the facilities, including, without limitation, the rental cost and/or amortization of the facilities.

(c) Landlord shall have the right to cut off and discontinue, without notice to Tenant, any utility or other service whenever and during any period for which bills for the same, rent, or other obligations are not promptly paid or performed by Tenant.

(d) The obligations of Tenant to pay for utility service shall begin on the earlier of the date that Landlord delivers possession of the Premises to Tenant for performance of Tenant's work or the Delivery Date. Landlord shall not be liable in damages or otherwise should the furnishing of services to the Premises be interrupted by fire, accident, riot, strike, act of God, the making of necessary repairs or improvements, or other causes beyond the control of Landlord.

(e) Landlord shall not be liable for, and Tenant shall not be entitled to any damages, abatement or reduction in rent by reason of, an interruption in the supply of utilities. Tenant agrees that it shall not install any equipment which exceeds or overloads the capacity of the utility facilities serving the Premises, and that if equipment installed by Tenant requires additional utility facilities, installation of the same shall be at Tenant's expense, but only after Landlord's written approval of same. Landlord shall be entitled to cooperate with the energy and water conservation efforts of governmental agencies or utility suppliers. No failure, stoppage or

interruption of any utility or service shall be construed as an eviction of Tenant nor shall it relieve Tenant from any obligation to perform any covenant or agreement under this Lease. No representation is made by Landlord with respect to the adequacy or fitness of the Shopping Center's ventilating, air conditioning or other systems to maintain temperatures as may be required for the operation of any computer, film processing or other special trade fixtures or equipment of Tenant. Landlord reserves the right from time to time to make reasonable and nondiscriminatory modifications to the utility standards including, without limitation, those described on Exhibit "C".

RULES AND REGULATIONS

SECTION 11

Tenant agrees that Landlord has the right, at any time and from time to time, to impose reasonable rules and regulations of general application governing the conduct of occupants of the Shopping Center and their use of the Common Areas. Tenant agrees to comply with the rules and regulations imposed by Landlord, including, without limitation, those rules and regulations in Exhibit "E".

CHANGE OF IMPROVEMENTS BY TENANT

SECTION 12

- (a) (i) Upon the prior written approval of Landlord, Tenant shall have the right during the Term to make interior alterations, changes and improvements in the Premises (except structural or mechanical alterations, changes and improvements) that are necessary for the conduct of Tenant's business and for full beneficial use of the Premises, provided Tenant shall: (aa) pay all costs and expenses; (bb) make the alterations, changes and improvements in a good and workmanlike manner, with new materials of first-class quality, and in accordance with applicable Laws; and (cc) provide Landlord reasonable assurances, prior to beginning the alterations, changes and improvements, that payment for the same shall be made by Tenant. Tenant shall not make any structural or mechanical alterations, changes or improvements to the Premises.
- (ii) Tenant shall submit to Landlord detailed plans and specifications describing the design, materials, style, and appearance of alterations, changes and improvements. Within fifteen (15) days after receipt of the plans and specifications, Landlord shall notify Tenant of Landlord's objections. Tenant shall cure the cause for the objection within fifteen (15) days after receipt of notice and shall resubmit the plans and specifications for Landlord's review and approval. Prior to construction, Tenant shall provide such financial assurances as Landlord shall require to assure payment of the costs and to protect Landlord against loss from any mechanic's, materialmen's, or other liens. Tenant shall not be permitted to enter upon the roof of the Building without the prior consent of Landlord.
- (b) Except as otherwise provided in Section 26, all signs, equipment, furnishings, and trade fixtures installed and paid for by Tenant, which are within but not permanently attached to the Premises, shall remain the property of Tenant and shall be removed by Tenant, provided that Tenant shall, at Tenant's sole expense, repair any damage caused by their removal. The removal shall be performed prior to the earlier of the end of the Term or the date Tenant is required to vacate the Premises.

REPAIRS AND MAINTENANCE

SECTION 13

- (a) Landlord shall maintain the foundation and the exterior structural walls of the Premises in good repair. Tenant shall reimburse Landlord for the cost of repair pursuant to Section 6(a)(i) or if occasioned by the act or negligence of Tenant, its agents, employees, invitees or licensees.

Landlord shall not be required to make any other improvements or repairs of any kind upon the Premises and appurtenances to the Premises, except as otherwise provided in this Lease. If the Premises should become in need of repairs required to be made by Landlord, Tenant shall give immediate written notice to Landlord, and Landlord shall not be responsible in any way for the failure to make repairs until a reasonable time shall have elapsed after the giving of the written notice. Landlord's sole liability shall be limited to the cost of the repair. Landlord shall not be liable to Tenant for any interruption of Tenant's business or inconvenience caused to Tenant or Tenant's assigns, sublessees, customers, invitees, employees, licensees or concessionaires in the Premises because of Landlord's performance of repair, maintenance or replacement in the Premises, any other work in the Premises or in the Shopping Center pursuant to Landlord's rights or obligations under this Lease, so long as the work is being conducted by Landlord in accordance with the terms of the Lease and without gross negligence or willful misconduct. Unless otherwise provided, there shall be no abatement of rent and no liability of Landlord because of injury to or interference with Tenant's business arising from the making of repairs, alterations or improvements in or to any portion of the Shopping Center or the Premises or in or to fixtures, appurtenances and equipment in the Premises.

(b) At the sole cost and expense of Tenant and throughout the Term, Tenant shall keep and maintain the Premises in good order, condition and repair, in a clean, sanitary and safe condition in accordance with the Laws of the state in which the Premises are located, and in accordance with all directions, rules, and regulations of the health officer, fire marshal, building inspector or any other proper officer of the governmental agencies having jurisdiction over the Premises and all other applicable Laws. Without limiting the above, Tenant shall be responsible for maintenance, repair, and, with Landlord's consent, replacement as needed of all electrical, plumbing, heating, ventilating, air conditioning, and utility systems located on the Premises, all plate glass and windows, window fittings and sashes, interior and exterior doors, all fixtures within the Premises, all interior walls, floors and ceilings, water heaters, termite and pest extermination and all of Tenant's improvements and trade fixtures. Tenant shall keep and maintain the Premises in accordance with the requirements of Law concerning the manner, usage and condition of the Premises and appurtenances to the Premises, as the same shall be in effect from time to time. Tenant shall permit no waste, damage, or injury to the Premises. If at any time and from time to time during the Term, and any renewal, Tenant shall fail to make any maintenance, repairs or replacements in and to the Premises required in this Lease, Landlord shall have the right, but not the obligation, to enter the Premises and to make the same for and on behalf of Tenant, and all sums expended by Landlord shall be deemed to be Additional Rent payable to Landlord upon demand. Tenant shall keep in force throughout the Term maintenance contracts for the heating, ventilating and air conditioning systems reasonably satisfactory to Landlord.

WAIVER OF LIABILITY BY TENANT

SECTION 14

Landlord and Landlord's agents and employees shall not be liable for, and Tenant unconditionally and absolutely waives any and all causes of action, rights, and claims against Landlord, its partners and their officers, directors, shareholders, agents and employees (collectively, "Landlord Affiliates") arising from any damage or injury to person or property, regardless of cause, sustained by Tenant or any person claiming through or under Tenant, resulting from any accident or occurrence in or upon the Premises or any other part of the Building or the Shopping Center, unless the same shall be due to the gross negligence of Landlord or Landlord's agents and employees. This provision shall survive the termination or expiration of this Lease.

INDEMNIFICATION AND INSURANCE

SECTION 15

(a) Excluding gross negligence or willful misconduct on the part of the indemnitee, Tenant shall and will indemnify, defend and save harmless Landlord and Landlord Affiliates from and against any and all liability, claims, demands, expenses, fees, fines, penalties, suits,

proceedings, actions and, causes of action of any and every kind and nature arising or growing out of or in any way connected with Tenant's use, occupancy, management or control of the Premises and Tenant's operations or activities in the Shopping Center whether or not occurring or resulting in damage or injury within the Premises or the Shopping Center including, without limitation, the Common Areas. This obligation to indemnify shall include reasonable legal and investigation costs and all other reasonable costs, expense and liabilities from the first notice that any claim or demand is to be made or may be made. Tenant acknowledges that the foregoing provisions shall apply and become effective from and after the date Tenant or its agents enter the Premises. Tenant's obligation to observe and perform any of the provisions of this Section 15 shall survive the expiration of the Term or the earlier termination of this Lease.

(b) Tenant agrees to carry during the entire Term, commencing as of the Delivery Date, Worker's Compensation Insurance, Employer's Liability Insurance, Commercial General Liability Insurance on the Premises, and, if Tenant uses vehicles, owned and non-owned, in any way to carry out business on or about the Shopping Center, Tenant shall maintain Motor Vehicle Liability Insurance. Tenant shall carry Employer's Liability Insurance which shall be for limits of not less than \$500,000 for Bodily Injury per each accident and each disease, per employee, and a total combined limit for Bodily Injury in amounts not less than \$500,000 per accident and \$500,000 per disease. The Commercial General Liability Insurance shall be for limits of not less than \$2,000,000 Combined Single Limit for Personal Injury including Bodily Injury and Death or Property Damage Liability and containing a Contractual Liability endorsement. Tenant agrees to name Landlord, other Landlord Affiliates and, if Landlord requests, Landlord's mortgagee as additional insured(s) on Tenant's Commercial General Liability Insurance. The insurance policy shall be on Service Office, Inc. (ISO) form CG 0001 0196 or an equivalent occurrence basis commercial general liability insurance policy form that is reasonably satisfactory to Landlord. The Motor Vehicle Liability Insurance shall be for limits of not less than \$1,000,000 combined single limit for Bodily Injury and Property Damage. In the event Tenant sells and/or serves beer, wine or alcoholic beverages from the Premises, then Tenant shall maintain, at its sole cost and expense, customary dram-shop insurance (liquor liability insurance) in an amount reasonably determined by Landlord. All insurance of whatever type shall be with companies having an A.M. Best's Key Rating Guide rating of A-VII or better for the year of the Commencement Date or such other comparable publication if Best's is no longer published. In addition, the insurance carrier shall be licensed to do business in the state where the Shopping Center is located. All policies shall contain a provision that Landlord and Tenant will be given a minimum of thirty (30) days written notice by registered mail by the insurance company prior to cancellation, termination or change in insurance. Tenant also agrees to carry "All Risk" Insurance (as understood in the insurance industry) including sprinkler leakage coverage for the full replacement value covering all Tenant's goods and merchandise, trade fixtures, furniture, signs, decorations, furnishings, wall covering, floor covering, draperies, equipment, and all other items and personal property of Tenant located on or within the Premises. Replacement value is understood to mean the cost to replace without deduction for depreciation. A deductible of not more than \$1,000 will be permitted for "All Risk" Insurance. Whenever, in Landlord's reasonable judgment, good business practice or change in conditions indicate a need for additional or different types of insurance, Tenant shall upon request obtain the insurance at its own expense. Tenant shall provide Landlord with copies of the insurance policies or certificates evidencing that the insurance is in full force and effect and indicating the terms of the insurance. Tenant further agrees to obtain certificates of insurance evidencing Commercial General Liability Insurance, including Completed Operations, Motor Vehicle Liability Insurance and Workers' Compensation Insurance and Employer's Liability Insurance from any contractor or subcontractor engaged for repairs or maintenance during the Term. Such insurance must be for the minimum limits stated in the Exhibit entitled Outline of Tenant's Work which is attached hereto and expressly made a part of this Lease. Tenant shall be responsible for the maintenance of the plate glass in or on the Premises and shall carry at its expense during the Term hereof Plate Glass Insurance with a deductible of not more than \$250. In no event shall Tenant be permitted to self insure any of its obligations under this Section 15.

(c) Tenant shall not carry any stock of goods or do anything in or about the Premises which shall in any way increase the insurance rates on the Premises, the Building or the Shopping

Center. Any increase shall be paid by Tenant to Landlord within ten (10) days after written demand.

(d) Tenant shall carry all appropriate insurance required by law or customary in connection with the operation of similar facilities such as the operation in the Premises. Tenant shall comply with all laws in properly disposing of medical wastes.

(e) All casualty coverage insurance carried by Landlord or Tenant shall provide for waiver of subrogation against Landlord, and other Landlord Affiliates, Tenant and other tenants in the Shopping Center on the part of the insurance carrier. Evidence of the existence of the waiver shall be furnished by either party to the other party on request.

SIGNS

SECTION 16

Prior to opening for business, Tenant shall install an identification sign for the Premises at its cost and expense, which shall comply with Exhibit "F," and "F-1". Upon execution of this Lease, Tenant shall deposit with Landlord the Sign Removal Deposit indicated on the Reference Pages, which shall be held by Landlord to insure Tenant's removal of its façade sign in accordance with this Section. Tenant shall not erect or install any other signs except as expressly permitted by Landlord. The signs shall comply with the requirements of applicable Law. All permits or licenses shall be obtained by Tenant. Tenant shall maintain the signs in good condition and repair and shall save Landlord harmless from injury to person or property arising from the erection and maintenance of the signs. Upon vacating the Premises, Tenant shall remove the signs and repair any damage caused by the removal, and when Tenant completes such sign removal and repairs any such damage, then Landlord shall promptly return the Sign Removal Deposit to Tenant. In the event Tenant does not comply with the removal requirement set forth in the preceding sentence, then Landlord may retain the Sign Removal Deposit.

ASSIGNMENT AND SUBLETTING

SECTION 17

(a) Neither this Lease nor any interest in this Lease shall be sold, mortgaged, pledged, encumbered, assigned, transferred, or otherwise disposed of in any manner by Tenant, voluntarily or involuntarily, by operation of law, or otherwise, nor shall the Premises or any part of the Premises be sublet, used, or occupied for the conduct of any business by a third person, firm, or corporation or for any purpose other than authorized in this Lease, except with Landlord's prior written consent, not to be unreasonably withheld or delayed. Should any proposed assignee have a net worth greater than or equal to that of Tenant, Landlord shall not withhold consent unreasonably. A sale or sales or transfer of fifty percent (50%) or more of the capital stock of Tenant (if Tenant is a limited liability company or a corporation) or of the interest in capital, profits, or losses of Tenant (if Tenant is a partnership) shall be deemed to be a prohibited assignment of this Lease within the meaning of this Section 17. If Tenant desires to sublet the Premises, or any portion of the Premises, or assign this Lease, Tenant shall give written notice to Landlord at least ninety (90) days but not more than one hundred eighty (180) days prior to the proposed commencement date of the subletting or assignment. The notice shall set forth the following: (i) the name of the proposed subtenant or assignee, (ii) the current balance sheet and profit and loss statements for the proposed transferee or any other person to be liable for Tenant's obligations under this Lease covering the prior three years (or for such shorter period as the proposed transferee or other person may have been in existence), all certified as true and correct by the proposed transferee, other person or an authorized officer thereof, (iii) a full description of the terms and conditions of the proposed Transfer, including copies of any and all documents and instruments, any purchase and sale agreements, sublease agreements, assignment agreements and all other writings concerning the proposed transfer, (iv) a description of the proposed use of the Premises by the proposed transferee, including any required or desired alterations or improvements to the Premises that may be undertaken by such transferee in order to facilitate its proposed use, (v) a business plan for the proposed transferee's operations at the

Premises, including a statement of projected income, expense, and cash flow for such operation for the two years following the proposed effective date of the Transfer, (vi) a list of personal, business and credit references of the proposed transferee, (vii) similar information for any guarantor or other person who will be liable in any manner for the payment of any amounts under the Lease, and (viii) any other information, documentation or evidence that may be reasonably requested by Landlord. Notwithstanding any permitted assignment or subletting, Tenant shall at all times remain directly and primarily liable for the payment of the rent and for compliance with all of its other obligations under this Lease. Upon the occurrence of a default under Section 20 of this Lease, which is not cured within any applicable grace period, if the Premises or any part of the Premises are then assigned or sublet, Landlord, in addition to any other remedies provided in this Lease or by law, may collect directly from the assignee or subtenant all rents due and becoming due to Tenant under the sublease and apply the rent against sums due Landlord from Tenant. The collection directly from an assignee or subtenant shall not be construed to constitute a novation or release of Tenant from the further performance of Tenant's obligations. Any guaranty of Tenant's performance executed as consideration for this Lease shall remain in full force and effect before and after any assignment or subletting. Landlord may require Tenant, and Tenant agrees, to execute a guaranty of this Lease before Landlord consents to any assignment or sublease. Landlord may proceed directly against Tenant without first exhausting any remedies for default which Landlord may have against the assignee, subtenant or transferee of Tenant.

(b) Landlord shall have the option, in its sole discretion, in the event of any proposed subletting or assignment, to terminate this Lease, or in the case of a proposed subletting of less than the entire Premises, to recapture the portion of the Premises to be sublet, as of the date the subletting or assignment is to be effective. The option shall be exercised by Landlord giving Tenant written notice within sixty (60) days following Landlord's receipt of Tenant's written notice as required above. If this Lease shall be terminated with respect to the entire Premises, the Term shall end on the date stated in Tenant's notice as the effective date of the sublease or assignment as if that date had been originally fixed in this Lease for the expiration of the Term. If Landlord recaptures only a portion of the Premises, the Annual Fixed Rent and Additional Rent during the unexpired Term shall abate, proportionately, based on the Annual Fixed Rent and Additional Rent due as of the date immediately prior to such recapture and Percentage Rent shall be calculated using the adjusted Annual Fixed Rent. Tenant shall, at Tenant's own cost and expense, discharge in full any outstanding commission obligation with respect to this Lease and any commissions which may be owing as a result of any proposed assignment or subletting, whether or not the Premises are rented by Landlord to the proposed Tenant or any other tenant.

(c) Consent by Landlord to any assignment or subletting shall not include consent to a subsequent assignment or subletting of the Premises by Tenant or its assignee or sublessee or the consent to the assignment or transferring of any Lease renewal option rights (and such privileges shall be personal to the original Tenant under this Lease, shall not be assignable and shall terminate upon such assignment), unless Landlord specifically grants in writing such options, rights or privileges to the assignee or subtenant. Any sale, assignment, mortgage or other transfer of this Lease or subletting which does not comply with the provisions of this Section shall be void.

(d) Notwithstanding Landlord's consent, if Tenant sells, sublets, assigns, or transfers this Lease and at any time receives periodic rent or other consideration which exceeds that which Tenant would at that time be obligated to pay Landlord, Tenant shall pay to Landlord one hundred percent (100%) of the gross increase in rent as the rent is received by Tenant and one hundred percent (100%) of any other consideration received by Tenant from the subtenant or the assignee. In no event may Tenant sublet all or any portion of the Premises at a square foot rental rate less than the greater of: (a) Landlord's prevailing rental rate for comparable space in the Shopping Center, as determined by Landlord, in its sole and absolute discretion; or (b) the current Annual Fixed Rent under this Lease, as of the date of Tenant's sublet request.

(e) Should Landlord consent to an assignment or sublease of this Lease, Tenant, its proposed assignee or subtenant and Landlord shall execute an agreement prepared by or acceptable to Landlord under which the proposed assignee or subtenant agrees to be bound by the terms and conditions of this Lease. Tenant agrees to reimburse Landlord for attorney's fees and

administrative expense involved with the review, processing or preparation of any documentation in connection with an assignment, subletting or other transfer of this Lease or Tenant's interest in the Premises, whether or not Landlord's consent to such transfer is required or obtained.

(f) If Tenant receives Landlord's consent or if Landlord does not terminate this Lease, the Annual Fixed Rent payable thereafter shall be no less than an amount equal to the highest annual combined Annual Fixed Rent and Percentage Rent payable by Tenant during any previous Lease Year since the Commencement Date.

(g) Except as permitted in Section (a) above, notwithstanding any other provision hereof, Tenant shall have no right to make (and Landlord shall have the absolute right in its sole discretion, to refuse consent to) any assignment of this Lease or sublease of any portion of the Premises. Without limiting the generality of the foregoing, Landlord shall have the absolute right, in its sole discretion, to refuse consent to any such assignment or sublease if, at the time of either Tenant's notice of the proposed assignment or sublease or the proposed commencement date thereof (i) there shall exist any uncured default of Tenant or matter which will become a default of Tenant with passage of time unless cured; (ii) the proposed assignee or sublessee is an entity (aa) with which Landlord is already in negotiation as evidenced by the issuance of a written proposal; (bb) which is already an occupant of the Shopping Center; (cc) which is incompatible with the character or occupancy of the Shopping Center; (dd) which would subject the Premises to a use which would (1) involve increased insurance, personnel or wear upon the Shopping Center, (2) violate any exclusive right or restriction granted to another tenant or other occupant of the Shopping Center, or contained in another lease or occupancy agreement of the Shopping Center, (3) require any addition to or modification of the Premises, the Building or the Shopping Center in order to comply with building code or other governmental requirements; (iii) the proposed transferee's financial condition is or may become insufficient to support all of the financial and other obligations of the Lease; (iv) the nature of the proposed transferee's proposed or likely use of the Premises would involve any increase risk of the use, release or mishandling of Hazardous Material; (v) the business reputation or character of the proposed transferee or the business reputation or character of any of its affiliates is not reasonably acceptable to Landlord; (vi) Landlord has not received assurances acceptable to Landlord in its sole discretion that all past due amounts owing from Tenant to Landlord (if any) will be paid and all other defaults on the part of Tenant (if any) will be cured prior to the effectiveness of the proposed Transfer; or (vii) Landlord is not satisfied that the proposed transferee's assets, businesses or inventory would not be subject to seizure or forfeiture under any laws related to criminal or illegal activities. Tenant expressly agrees that Landlord shall have the absolute right to refuse consent to any such assignment or sublease and that for the purposes of any statutory or other requirement of reasonableness on the part of Landlord such refusal shall be reasonable.

(h) Anything contained in this Lease to the contrary notwithstanding, and without prejudice to Landlord's right to require a written assumption from each assignee, any person or entity to whom this Lease is assigned including, without limitation, assignees pursuant to the provisions of the Bankruptcy Code, 11 U.S.C. Paragraph 101 et seq. (the "Bankruptcy Code") shall automatically be deemed to have assumed all obligations of Tenant arising under this Lease. In the event this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, any and all monies or other consideration payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord and shall remain the exclusive property of Landlord and not constitute the property of Tenant or Tenant's estate within the meaning of the Bankruptcy Code. All such money or other consideration not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and shall be promptly paid or delivered to Landlord.

(i) Tenant's sole remedy in the event that Landlord shall wrongfully withhold consent to or disapprove any sublease or assignment request shall be to obtain an order by a court of competent jurisdiction that Landlord grant such consent; in no event shall Landlord be liable for damages with respect to its withheld consent to any proposed transfer.

All of the other terms, covenants and conditions of this Lease shall continue in full force and effect and unamended.

REPAIR AFTER CASUALTY

SECTION 18

If the Premises are damaged by fire or any other casualty which is insured under the coverage that Landlord carries, to the extent of less than fifty percent (50%) of the cost of the replacement of the Premises, the damage shall be repaired by Landlord at Landlord's expense. Landlord shall not, however, be obligated to expend an amount which is more than the insurance proceeds received by Landlord. If damage occurs and (a) Landlord is not required to repair the Premises as provided, or (b) the Premises shall be damaged to the extent of fifty percent (50%) or more of the cost of replacement or (c) the Building in which the Premises are a part is damaged to the extent of twenty-five percent (25%) or more of the cost of replacement, Landlord may elect either to repair or rebuild the Premises or the Building, or to terminate this Lease, upon giving notice of its election in writing to Tenant within one hundred twenty (120) days after the occurrence of the event causing the damage. If the casualty, repairing, or rebuilding shall render the Premises untenantable, and the damage shall not have been due to the fault or neglect of Tenant, a proportionate abatement of the Annual Fixed Rent shall be allowed from the date when the damage occurred until the date Landlord completes its work. The proration shall be computed on the basis of the relation which the gross square foot area of the space rendered untenantable bears to the floor space of the Premises. If Landlord is required or elects to repair the Premises, Tenant shall repair or replace its inventory, fixtures, furniture, furnishings, signs, equipment and other personal property; if Tenant has closed, it shall promptly reopen for business.

CONDEMNATION

SECTION 19

(a) If the entire Premises shall be taken by condemnation or right of eminent domain, this Lease shall terminate as of the day possession shall be taken by the taking authority, and Landlord and Tenant shall be released from any further liability. If only a portion of the Premises shall be taken by condemnation or right of eminent domain and the portion taken renders the balance unsuitable for the purpose of this Lease, either Landlord or Tenant shall be entitled to terminate this Lease, such termination to become effective as of the day possession of the Premises shall be taken, provided notice of termination is given within thirty (30) days after the date of notice of the taking. If, in that case, this Lease is not terminated, Landlord agrees to restore the Premises with reasonable speed to an architectural unit as nearly like its condition prior to the taking as shall be practicable (to the extent permitted by Law and the covenants, conditions and restrictions then applicable to the Shopping Center) and to the extent of the award granted. If all or any portion of the Premises is the subject of a temporary taking, this Lease shall remain in full force and effect, and Tenant shall continue to perform each of its obligations under this Lease. If during or after restoration, Tenant shall be deprived of the use of all or any portion of the Premises, a proportionate adjustment in the Annual Fixed Rent and Additional Rent (except Tenant's Proportionate Share due under Section 6(a)(ii) and (iii)) shall be made corresponding to the time during which and the portion of the Premises of which Tenant is deprived, and Percentage Rent shall be calculated using the adjusted Annual Fixed Rent in the formula specified in Section 4.

(b) All damages awarded in connection with the taking of the Premises, whether allowed as compensation for diminution in value to the leasehold, to the fee of the Premises, or otherwise, shall belong to Landlord. Notwithstanding the foregoing, Tenant shall be entitled to make a separate claim to the condemning authority for the unamortized value of merchandise and fixtures purchased and installed by Tenant. The rights contained in this Section 19 shall be the Tenant's sole and exclusive remedy in the event of a taking or condemnation.

(c) Notwithstanding anything to the contrary contained in Section 19(a) and 19(b), Landlord may terminate this Lease with no further liability to Tenant if (i) fifty percent (50%) or more of the gross leasable area of the Shopping Center is taken by condemnation or right of eminent domain, or (ii) following any taking of the Premises or the Building by condemnation or right of eminent domain, Landlord's mortgagee elects to require Landlord to make advance payments

upon or for any indebtedness secured by a mortgage on the Shopping Center or any portion of the Shopping Center.

LANDLORD'S REMEDIES UPON DEFAULT

SECTION 20

- (a) The following shall constitute a default and breach of this Lease by Tenant:
- (i) The failure to pay any installment of rent in whole or in part required to be made by Tenant, and the default continues for five (5) days after written notice by Landlord to Tenant;
 - (ii) The abandonment or vacation of the Premises or any part of the Premises by Tenant;
 - (iii) A failure by Tenant to observe and perform any other provision of this Lease to be observed or performed by Tenant, and the failure continues for ten (10) days after written notice by Landlord to Tenant; provided, however that if the nature of the default is such that it cannot reasonably be cured within the specified time, Tenant shall not be deemed to be in default if Tenant shall within the ten (10) days begin to cure and thereafter diligently cure the default;
 - (iv) The making by Tenant of any general assignment for the benefit of creditors; the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or the filing of a petition for reorganization or arrangement under any Law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises, or to take possession of Tenant's interest in this Lease if possession is not restored to Tenant within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, if the seizure is not discharged within thirty (30) days; or
 - (v) A default under Section 20(a)(i) which occurs more than twice within a twelve (12) month period. A default under this subsection (v) shall be a non-curable default.
- (b) If Tenant defaults, in addition to any other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant by notifying Tenant in writing. If Landlord elects to terminate this Lease, Landlord shall have the right to recover from Tenant:
- (i) The worth at the time of the award of any unpaid rent which had been earned at the time of the termination; plus
 - (ii) The worth at the time of the award of the amount by which the unpaid rent which would have been earned after termination until the time of the award exceeds the amount of the rent loss Tenant proves could have been reasonably avoided; plus
 - (iii) The worth at the time of the award of the amount by which the unpaid rent for the balance of the Term after the time of the award exceeds the amount of the rent loss that Tenant proves could be reasonably avoided; plus
 - (iv) Any other amount necessary to compensate Landlord for the detriment proximately caused by Tenant's failure to perform its obligations under the Lease (including the costs and disbursements of recovering the Premises and reasonable attorneys' fees), or which in the ordinary course of events would be likely to result; plus

(v) At Landlord's election, other amounts in addition to or in lieu of the above as may be permitted from time to time by applicable Law.

(c) All rent, other than the Annual Fixed Rent, shall be computed on the basis of the average monthly amount accruing during the twenty-four (24) month period immediately preceding the default; if it becomes necessary, however, to compute the rent before the twenty-four (24) month period has occurred, then the rent shall be computed on the basis of the average monthly amount accruing during the shorter period of time. The "worth at the time of the award" under Section 20(b)(i) and (ii), is computed by allowing interest at the maximum lawful rate which is allowed in the state in which the Shopping Center is located, however, if there is no maximum lawful rate, then at the rate of two percent (2%) above the prime rate of interest published by The Wall Street Journal, or if such publication ceases to publish the prime rate of interest, by another bank selected by Landlord and such interest shall be deemed Additional Rent. The "worth at the time of the award" under Section 20(b)(iii) is computed by discounting the amount at the discount rate of the Federal Reserve Bank of Chicago, at the time of the award plus one percent (1%).

(d) If Tenant defaults, Landlord shall also have the right to reenter the Premises and remove all persons and property and to terminate Tenant's right of possession of the Premises without terminating the Lease. The property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant. Landlord shall not be liable to Tenant for any loss or damage resulting from an entry by Landlord, and Tenant shall pay as Additional Rent upon demand the expenses and fees incurred or paid by Landlord. Tenant hereby waives notice of reentry (or institution of legal proceedings), including the right to receive notice pursuant to any section of the Laws of the state. Any notice other than the notice specifically set forth in Section 20(a), even if notice is required by any Law now or hereafter in effect, is hereby waived by Tenant to the fullest extent waivable under Law.

(e) If the Premises or any part of the Premises are vacated or abandoned, or if Landlord elects to reenter as provided in Section 20(d) or takes possession of the Premises pursuant to legal proceedings or pursuant to any notice provided by Law, and if Landlord does not elect to terminate this Lease as provided in Section 20(b), Landlord may from time to time, without terminating this Lease, either recover all rent as it becomes due or relet the Premises or any part of the Premises upon such terms, at such rent, upon such conditions and for such a period of time as Landlord in its sole discretion may deem advisable. Landlord shall also have the right to make alterations and repairs to the Premises.

(f) If Landlord elects to relet, the rent received by Landlord from reletting shall be applied: first, to the payment of indebtedness other than rent due Landlord; second, to the payment of the cost of reletting; third, to the payment of the cost of alterations and repairs to the Premises; fourth, to the payment of rent due; and the remainder shall be held by Landlord and applied to the payment of future rent that becomes due. If a portion of the rent received from reletting which is applied to the payment of rent during any month is less than the rent payable by Tenant during that month, Tenant shall pay the deficiency to Landlord. The deficiency shall be calculated and paid monthly. Tenant shall also pay Landlord upon demand the costs and expenses incurred by Landlord in reletting or in making alterations and repairs, which are not covered by the rent received from reletting the Premises.

(g) No action or inaction by Landlord including, without limitation, the reentry or taking possession of the Premises by Landlord shall be construed to be an election to terminate this Lease, nor any such action or inaction cause forfeiture of rent due during the balance of the Term, unless a written notice of that intention is given to Tenant (or unless the termination is decreed by a court of competent jurisdiction). Notwithstanding the reletting without termination by Landlord, Landlord may at any time after reletting, elect to terminate this Lease for any default.

(h) If, on account of any breach or default by Tenant in Tenant's obligations under the terms and conditions of this Lease, it shall become necessary or appropriate for Landlord to employ or consult with an attorney or collection agency concerning or to enforce or defend any of Landlord's rights or remedies arising under this Lease or to collect any sums due from Tenant,

Tenant agrees to pay all costs and fees so incurred by Landlord, including, without limitation, reasonable attorneys' fees and costs (including court costs), expert witness' and other consultants' fee and costs, incurred in any legal action or proceeding brought by Landlord against Tenant arising out of this Lease. Such amounts shall be included in any judgment rendered in any such action or proceeding.

(i) LANDLORD AND TENANT, WITH ADVICE OF LEGAL COUNSEL OF THEIR CHOICE, HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY IRREVOCABLY WAIVE THEIR RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CAUSE OF ACTION ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS LEASE, THE SHOPPING CENTER INCLUDING THE PREMISES, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS OR ACCOUNTS OF ANY PARTY HEREIN. THIS PROVISION IS A MATERIAL INDUCEMENT FOR EACH OF LANDLORD AND TENANT ENTERING INTO THIS LEASE.

(j) If Landlord decides to relet the Premises or a duty to relet is imposed upon Landlord by law, Landlord and Tenant agree that Landlord shall only be required to use the same efforts that Landlord then uses to lease other properties Landlord owns or manages (or if the Premises are then managed for Landlord, then Landlord will instruct such manager to use the same efforts such manager then uses to lease other space or properties which it owns or manages); provided, however, that Landlord (or its manager) shall not be required to give any preference or priority to the showing or leasing of the Premises over any other space that Landlord (or its manager) may be leasing or have available and may place a suitable prospective tenant in any such available space regardless of when such alternative space becomes available; provided, further, that Landlord shall not be required to observe any instruction given by Tenant about such reletting or accept any tenant offered by Tenant unless such offered tenant has a creditworthiness acceptable to Landlord. Landlord, leases the entire Premises, agrees to use the Premises in a manner consistent with this Lease and leases the Premises at the same rent, for no more than the Term and on the same other terms and conditions as in this Lease without the commissions. In any such case, Landlord may, but shall not be required to, make repairs, alterations and additions in or to the Premises and redecorate the same to the extent Landlord deems necessary or desirable, and Tenant shall, upon demand, pay the cost thereof, together with Landlord's expenses of reletting, including, without limitation, any broker's commission incurred by Landlord.

(k) The stated term of the Lease is deemed to have expired on the Landlord's termination of the Lease for a tenant default.

(l) To the extent permitted by law, actions seeking damages and/or possession of the Premises may be brought in the Circuit Court of Cook County, Illinois, Municipal Department, Fifth District.

DISCHARGE OF LIENS

SECTION 21

(a) Tenant shall not cause, suffer or permit the Premises, the Building, or the Shopping Center to be encumbered by any liens of mechanics, laborers or materialmen, any security interest or any other liens. Tenant shall, whenever and as often as liens are filed against the Premises, the Building or the Shopping Center and are purported to be for labor or material furnished or to be furnished to Tenant, discharge without demand by Landlord the same of record within ten (10) days after the date of filing by payment, bonding or otherwise, as provided by Law. Tenant shall, upon reasonable notice and request in writing from Landlord, also defend Landlord, at Tenant's sole cost and expense, against any action, suit, or proceeding which may be brought on or for the enforcement of any such lien and shall pay any damages and satisfy and discharge any judgments entered in such action, suit, or proceeding and shall save harmless Landlord from any liability, claim, or resulting damages. If Tenant defaults in procuring the discharge of any lien, Landlord may, without further notice, procure the discharge by bonding or payment or otherwise, and all costs and expenses (including, without limitation, reasonable

attorneys' fees) which Landlord may incur in obtaining the discharge shall be paid by Tenant as Additional Rent within ten (10) days of demand.

(b) Nothing in this Lease, nor any approval by Landlord of any of Tenant's alterations or contractors, shall be deemed or construed in any way as constituting consent by Landlord to the making of any alterations or additions by Tenant, or constituting a request by Landlord, expressed or implied, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any materials for the use or benefit of Landlord. No review or approval of Tenant's plans and specifications or any changes or additions thereto by Landlord shall constitute a representation or warranty that the same are in compliance with applicable Laws, including, without limitation, building codes, or that the same shall be adequate or fit for Tenant's purposes and use or constitute the assumption of any liability, responsibility or obligation on the part of Landlord. Tenant shall be solely responsible for procurement of all necessary building permits, inspections and other governmental approvals applicable to any work performed by or on behalf of Tenant pursuant to Section 12 and Exhibit "D".

(c) Landlord shall have the right to post and keep posted in the Premises notices of non-responsibility or other notices that Landlord may deem to be proper for the protection of Landlord's interest in the Premises and Tenant shall, before beginning any work which might result in any lien on the Shopping Center or any part of the Shopping Center, give Landlord prior written notice of its intention to commence work in sufficient time to enable Landlord to file and record the notices.

LIABILITY OF LANDLORD

SECTION 22

If Landlord shall fail to perform any covenant, term or condition of this Lease, and if Tenant shall recover a money judgment against Landlord, the judgment shall be satisfied only out of the proceeds of sale received upon execution of the judgment and levy against the right, title and interest of Landlord in the Shopping Center as the same may then be encumbered, and neither Landlord nor any of its partners shall be liable for any deficiency. It is understood that in no event shall Tenant have the right to levy execution against any property of Landlord other than its interest in the Shopping Center. The right of execution shall be subordinate and subject to any mortgage or other encumbrance upon the Shopping Center. No trustee, shareholder, officer, member, director, employee, parent or subsidiary company, Landlord Affiliate or partner of Landlord shall in any event or at any time be personally liable for the payment or performance of any obligation required or permitted of Landlord under this Lease or under any document executed in connection herewith. No attachment, execution, writ or other process shall be sought or obtained, and no judicial proceeding shall be initiated by or on behalf of Tenant, against Landlord personally or Landlord's assets (other than Landlord's interest in the Shopping Center) as a result of any such failure, breach or default and neither they nor Landlord nor any Landlord Affiliate shall be liable for any deficiency.

RIGHTS OF LANDLORD

SECTION 23

(a) Landlord shall have the right, but not the duty, at all reasonable times, by itself or through its duly authorized agents, to go upon and inspect all or any part of the Premises and, at Landlord's option, to make repairs, alterations and additions to the Premises, the Building or any part of the Premises, or to show the Premises or the Building to lenders or to prospective purchasers or tenants.

(b) In addition and without prejudice to any other right or remedy of Landlord, if Tenant shall be in default under this Lease, Landlord may cure the same at the expense of Tenant (i) immediately and without notice in the case (aa) of emergency, (bb) where such default unreasonably interferes with any other tenant in the Shopping Center, or (cc) where such default will result in the violation of any Laws, or the cancellation of any insurance policy maintained by Landlord and (ii) in any other case, if such default continues for ten (10) days from the receipt by

Tenant of notice of such default from Landlord. All costs incurred by Landlord in curing such default(s), including, without limitation, attorneys' fees, shall be reimbursable by Tenant as Additional Rent hereunder upon demand, together with interest thereon, from the date such costs were incurred by Landlord, at the rate specified in Section 3(c).

(c) All rights of Landlord shall be deemed to accrue to the benefit of Landlord's mortgagee, if any.

SUBORDINATION TO MORTGAGE

SECTION 24

(a) Tenant understands, acknowledges and agrees that this Lease is and shall be subordinate to any mortgage (which for all purposes of this Lease shall be deemed to mean and include any deed of trust), ground lease or other lien or restriction of record now existing or later placed on or affecting the Premises, the Building, the Shopping Center or any part of the Shopping Center, to any renewals, refinancing or extensions thereof and to all advances made or later made upon the security. This subordination provision shall be self-operative and no further instrument of subordination shall be required by any mortgagee or lender. However, Landlord is irrevocably vested with full power and authority to subordinate this Lease to any mortgage or other lien now existing or later placed upon the Premises, the Building or the Shopping Center. Tenant agrees, upon the demand or request of any party in interest, to execute promptly further instruments or certificates necessary to carry out the intent of this Section.

(b) Notwithstanding the provisions of Section 24(a), any mortgagee, holder or beneficiary thereof or ground lessor may at any time subordinate the lien of its mortgage, ground lease or other lien or restriction of record to the operation of Section 24(a) and effect of this Lease without obtaining Tenant's consent by giving Tenant written notice in which event this Lease shall be deemed to be senior to the mortgage, ground lease or other lien or restriction of record without regard to their respective dates of execution, delivery or recordation among the land records of the county in which the Shopping Center is located, and the mortgagee, holder or beneficiary thereof or ground lessor shall have the same rights as to this Lease as it would have had were this Lease executed and delivered before the execution of the mortgage, ground lease or other lien or restriction of record. In all cases, Tenant shall attorn to and, where applicable, be the tenant of such entity.

(c) Tenant shall, within ten (10) days from request by Landlord, execute and deliver for the benefit of Landlord and its lenders and proposed lenders the estoppel certificate described in Section 44.

(d) If proceedings are brought for foreclosure, or upon the execution of a deed in lieu of such foreclosure in respect of such mortgage, or in the event of the exercise of the power of sale under any mortgage, Tenant shall attorn to mortgagee, or its administrative agent, and to the purchaser in the foreclosure or sale and recognize the purchaser as the Landlord under this Lease. If requested, Tenant shall enter into a new lease with that successor on the same terms and conditions as are contained in this Lease (for the unexpired portion of the Term then remaining). If requested, Tenant shall execute and deliver an instrument or instruments confirming its attornment as provided herein; provided, however, that no successor-in-interest shall be bound by any payment of rent for more than one (1) month in advance, or any amendment or modification of this Lease made without the express written consent of the mortgagee under such mortgage. Tenant shall accept Landlord's lender's cure of any Landlord default at any time until thirty (30) days after both: (i) Landlord and such lender have received Tenant's default notice; and (ii) Landlord's cure period for Landlord default has expired. If such lender cannot reasonably cure Landlord default within the period allowed to such lender under the preceding sentence, such lender shall have such further time as it shall reasonably need so long as it proceeds with reasonable diligence.

NO WAIVER BY LANDLORD

SECTION 25

No waiver of any of the terms, covenants, provisions, conditions, rules and regulations imposed by this Lease, and no waiver of any legal or equitable relief or remedy, shall be implied by the failure of Landlord to assert any rights, declare any forfeiture, or for any other reason. No waiver of any of the terms, provisions, covenants, conditions, rules and regulations shall be valid unless it shall be in writing signed by Landlord. No waiver by Landlord or forgiveness of performance by Landlord for one or more tenants of the Building shall constitute a waiver or forgiveness of performance in respect to Tenant. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval under this Lease shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act of Tenant. No act or thing done by Landlord or Landlord's agents during the Term of this Lease shall be deemed an acceptance of a surrender of the Premises, unless in writing signed by Landlord. The delivery of the keys to any employee or agent of Landlord shall not operate as a termination of the Lease or a surrender of the Premises. The acceptance of any rent by Landlord following a breach of this Lease by Tenant shall not constitute a waiver by Landlord of such breach or any other breach unless such waiver is expressly stated in a writing signed by Landlord.

VACATION OF PREMISES

SECTION 26

Tenant shall deliver and surrender to Landlord possession of the Premises (including all of Tenant's permanent work upon and to the Premises), and all replacements, fixtures, furnishings and improvements permanently attached to the Premises immediately upon the expiration of the Term or the termination of this Lease in as good condition and repair as the same were on the Commencement Date or date of installation (loss by any insured casualty and ordinary wear and tear only excepted) and deliver the keys at the office of Landlord or Landlord's agent; provided, however, that upon Landlord's request made at least thirty (30) days prior to the end of the Term, or the date Tenant is otherwise required to vacate the Premises, Tenant shall remove all replacements, fixtures, furnishings and improvements, permanently attached to the Premises by Tenant, and repair and restore the Premises to their condition on the Commencement Date (loss by any insured casualty and ordinary wear and tear only excepted), at Tenant's sole expense. The removal shall be performed prior to the earlier of the end of the Term or the date Tenant is required to vacate the Premises. Anything contained in this Lease to the contrary notwithstanding, the HVAC Facilities, and related system shall at all times remain the property of Landlord and shall not be removed by Tenant.

MEMORANDUM OF LEASE

SECTION 27

Tenant shall not record this Lease. Without the prior written consent of Landlord, Tenant shall not record any memorandum of this Lease, short form or other reference to this Lease.

RENT DEMAND

SECTION 28

Every demand for rent wherever and whenever made shall have the same effect as if made at the time it falls due and at the place of payment. After the service of notice or the commencement of a suit, or final judgment, Landlord may receive and collect the rent due, and the receipt collections shall neither operate as a waiver of nor affect the notice, suit, or judgment.

NOTICES

SECTION 29

Notices, requests, or consents required to be given by or on behalf of Landlord or Tenant shall be in writing and shall be sent by registered or certified United States mail, or by a nationally recognized express mail courier, return receipt requested, postage prepaid, addressed to the parties at the respective addresses set forth on the Reference Pages, or at such other address as may be specified from time to time, in writing. Notice shall be deemed given when it is deposited in an official United States Post Office, postage prepaid, or with a nationally recognized express mail courier.

APPLICABLE LAW AND CONSTRUCTION

SECTION 30

The Laws of Illinois (exclusive of principles relating to conflicts of law) shall govern the validity, performance, interpretation, and enforcement of this Lease. The invalidity or unenforceability of any provision of this Lease shall not affect or impair any other provision. All negotiations, considerations, representations, and understandings between the parties are incorporated in this Lease. This Lease may be modified or altered only by agreement in writing between the parties. Tenant shall have no right to quit the Premises or cancel or rescind this Lease except as expressly granted in this Lease. This Lease has been negotiated by Landlord and Tenant and this Lease, together with all of the terms and provisions, shall not be deemed to have been prepared by either Landlord or Tenant, but by both equally. If any provision of this Lease is held to be invalid or unenforceable, the validity and enforceability of the remainder of this Lease shall not be affected.

FORCE MAJEURE

SECTION 31

If either party shall be delayed, hindered or prevented from performing any act required by reason of strike, lockout, inability to procure materials, failure of power, restrictive Laws, riot, insurrection, war, terrorism or any other reason of a like nature not the fault of the party delayed in performing the act, the performance of the act shall be excused for the period of the delay and the period allowed for the performance of the act shall be extended for a period equivalent to the period of the delay. Notwithstanding anything contained in this Lease to the contrary, Tenant shall not be excused from the payment of rent or other sums of money which may become due under the Lease. Delays or failures to perform resulting from lack of funds shall not be deemed to be delays not the fault of the party.

LANDLORD'S LIEN

SECTION 32

(a) Tenant grants Landlord a lien on and security interest in the property of Tenant now or later placed in or upon the Premises. The property shall be and remain subject to the lien and security interest of Landlord for payment of all rent and other sums agreed to be paid by Tenant. Landlord's lien, however, shall not be superior to a lien from a lending institution, supplier or leasing company, if the lending institution, supplier or leasing company has a perfected security interest in the equipment, furniture or other tangible personal property which originated in a transaction in which Tenant acquired the same.

(b) The provisions of this Section relating to the lien and security interest shall constitute a security agreement under and subject to the Uniform Commercial Code of the state where the Shopping Center is located, so that Landlord shall have and may enforce a security interest on all property of Tenant now or later placed in or on the Premises, in addition to and cumulative of Landlord's liens and rights provided by Law or by the other terms and provisions of this Lease.

(c) Tenant agrees to execute, as debtor, a financing statement or statements and any other documents that Landlord may now or later request in order to protect or further perfect Landlord's security interest. Notwithstanding the above, Landlord shall neither sell nor withhold from Tenant Tenant's business records.

QUIET ENJOYMENT

SECTION 33

Upon Tenant's paying the rent reserved hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the Term hereof without hindrance or ejection by any person lawfully claiming under Landlord, subject to the provisions of this Lease and to the provisions of any (a) covenants, conditions and restrictions of record, (b) master lease, and (c) any mortgage, ground lease or other lien or restriction of record to which this Lease is subordinate or may be subordinated. At Landlord's request, Tenant shall join in the execution of any of the aforementioned documents.

HOLDING OVER

SECTION 34

If, at the expiration of the Term or any renewal, Tenant continues to occupy the Premises, the holding over shall not constitute a renewal of this Lease, but Tenant shall be a tenant from month to month upon all of the terms, provisions, covenants, and agreements of this Lease, except that Landlord may in its sole discretion increase the amount of the Annual Fixed Rent then due to an amount equal to the greater of (a) 150% of the Annual Fixed Rent being paid immediately prior to such expiration or (b) the then market rental value of the Premises as determined by Landlord in its sole discretion. Notwithstanding any provision to the contrary contained herein, (a) Landlord expressly reserves the right to require Tenant to surrender possession of the Premises upon the expiration of the Term of this Lease or upon the earlier termination hereof, the right to reenter the Premises, and the right to assert any remedy at law or in equity to evict Tenant and collect damages in connection with any such holding over and (b) Tenant shall indemnify, defend and hold Landlord harmless from and against any and all claims, demands, actions, losses, damages, obligations, costs and expenses, including, without limitation, attorneys' fees incurred or suffered by Landlord by reason of Tenant's failure to surrender the Premises on the expiration or earlier termination of this Lease in accordance with the provisions of this Lease.

BROKERS

SECTION 35

Tenant represents and warrants that it has not dealt with a real estate broker, agent or finder in connection with this Lease with the exception of the broker named in the Reference Pages to this Lease whose commission Landlord agrees to pay. Landlord shall not pay a commission or fee due any other brokers, agents or finders as a result of this Lease. Tenant agrees to indemnify, defend and hold harmless Landlord against and from all liabilities, claims and damages arising from any claim by any broker (other than said named broker), finder or agent claiming to have dealt with Tenant in connection with this Lease.

CAPTIONS

SECTION 36

All paragraph titles or captions contained in this Lease are for convenience only and shall not be deemed part of the content of this Lease.

VARIATIONS IN PRONOUNS

SECTION 37

All of the terms and words used in this Lease, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number or gender, as the context or sense of this Lease or any paragraph or clause may require, as if the terms and words had been fully and properly written in the appropriate number and gender.

LENDER'S APPROVAL

SECTION 38

Notwithstanding anything contained in this Lease to the contrary, Landlord's obligations and Tenant's rights under this Lease are conditioned upon approval of this Lease by Landlord's construction lender and permanent lender, if any. If Landlord is unable to obtain the approvals, Landlord shall notify Tenant of the reason and Tenant shall have thirty (30) days in which to agree to changes requested by the lender in order to make the Lease acceptable to the lender. If Tenant fails to agree to the changes within the thirty (30) day period, Landlord may terminate this Lease within the following thirty (30) days. In that event, both parties shall be released from any further liability under this Lease.

SECURITY DEPOSIT

SECTION 39

The Security Deposit and Sign Deposit shall be held by Landlord without liability for interest as security for the performance by Tenant of Tenant's covenants and obligations under this Lease, it being expressly understood that the Security Deposit and Sign Deposit shall not be considered an advance payment of rent or a measure of Tenant's damages in case of default by Tenant. The Security Deposit shall be paid to Landlord upon execution of this Lease. Landlord may, in its sole discretion, from time to time without prejudice to any other remedy, use the Security Deposit to the extent necessary to remedy any default under this Lease or to satisfy any other covenant or obligation of Tenant, provided, however, that no portion of the Security Deposit shall be applied towards payment of the last month's rent without the prior written consent of Landlord and, if applicable, its mortgagee. Following any such application of the Security Deposit, Tenant shall pay to Landlord on demand the amount applied in order to restore the Security Deposit to its original amount. If Tenant is not in default at the termination of this Lease, the balance of the Security Deposit and Sign Deposit remaining after the application shall be returned by Landlord to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) after deducting any unpaid obligation of Tenant to Landlord that may arise under this Lease, including, without limitation, the obligation to restore the Premises pursuant to Section 26. If Landlord transfers its interest in the Premises or this Lease during the Term, Landlord may assign the Security Deposit and Sign Deposit to the transferee in which event Landlord shall have no further liability to Tenant for the return of the Security Deposit and Sign Deposit, and Tenant shall look solely to the transferee for return of the Security Deposit and Sign Deposit. Landlord shall be entitled to commingle the Security Deposit and Sign Deposit with Landlord's other funds. Tenant shall pay to Landlord, upon execution of this Lease, the Sign Deposit for sign removal specified in the Reference Pages.

NO INCOME PARTICIPATION

SECTION 40

Neither Tenant nor any other person having an interest in the possession, use, occupancy or utilization of the Premises shall enter into a Lease, sublease, license, concession or other agreement for use, occupancy or utilization of the Premises which provides for rent or other payment for the use, occupancy or utilization based in whole or in part on the net income or profits derived by any person from the Premises or portion of the Premises leased, used, occupied or utilized (other than an amount based on a fixed percentage or percentages of receipts

or sales), and that any such purported Lease, sublease, license, concession or other agreement shall be void and ineffective as a conveyance of any right or interest in the possession, use, occupancy or utilization of any part of the Premises.

SUCCESSORS AND ASSIGNS

SECTION 41

Except as otherwise provided in this Lease, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns. If a sale or exchange of the Premises by Landlord or an assignment by Landlord of this Lease occurs, Landlord shall be entirely relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease, arising out of any act or omission relating to the Shopping Center, the Premises, or this Lease, which occurs after the consummation of the sale, exchange or assignment. Tenant shall attorn to each purchaser, successor or assignee of Landlord.

NO OTHER REPRESENTATIONS

SECTION 42

Tenant agrees that neither Landlord nor any other party acting on behalf of Landlord has made any representations or covenants except those that are expressly set forth in this Lease. Landlord shall not be liable, and Tenant shall not be entitled to any remedy including the termination of this Lease, for the breach of any representations or covenants which are not expressly set forth in this Lease or for any implied warranty or representation as to the condition or suitability of the Premises for Tenant's proposed use.

NO OPTION

SECTION 43

The submission of this Lease for examination does not constitute a reservation of or option for the Premises or any other space in the Shopping Center, and shall not vest any right in Tenant. This Lease shall become effective as a Lease only upon its execution and delivery by the parties.

ESTOPPEL

SECTION 44

At any time and from time to time, upon request of Landlord, Tenant shall, without charge, execute, acknowledge and deliver to Landlord within ten (10) days after request, an instrument in recordable form prepared by Landlord stating: the Delivery Date, Commencement Date and Termination Date of this Lease; if the same be true, that this Lease is a true and exact copy of the Lease between the parties hereto, that there are no amendments thereof (or stating what amendments there may be); that the Lease (as so amended, if applicable) is then in full force and effect; the dates to which rent and other charges under this Lease have been paid; that, if the same be true, Tenant is not entitled to any concession, rebate, allowance or free rent for any period after the date of such certificate; (or stating any concession, rebate, allowances or free rent for any period after the date of such certificate) that, to the best of Tenant's knowledge, there are then no offsets or setoffs, defenses or counterclaims with respect to the payment of rent reserved hereunder or in the performance of the other terms, covenants and conditions hereof on the part of Tenant to be performed, and that as of such date no default has been declared hereunder by either party hereto and that Tenant at the time has no knowledge of any facts or circumstances which it might reasonably believe would give rise to a default by either party; and such other matters as Landlord or its lenders or proposed purchasers shall reasonably require. Tenant agrees that the foregoing certificate may be relied on by anyone holding or proposing to acquire any interest in the Shopping Center from or through Landlord or by any mortgagee or lessor or prospective mortgagee or lessor of the Shopping Center or of any interest therein.

FINANCIAL STATEMENTS

SECTION 45

(a) Tenant acknowledges that it has provided Landlord with its (and, if applicable, its guarantor) financial statement(s) as a material inducement to Landlord's agreement to lease the Premises to Tenant, and that Landlord has relied on the accuracy of said financial statement(s) in entering into this Lease. Tenant represents and warrants that the information contained in said financial statement(s) is true, complete and correct in all material aspects, and agrees that the foregoing representation and warranty shall be a precondition to this Lease.

(b) At the request of Landlord, Tenant shall, not later than ninety (90) days following the close of each fiscal year of Tenant during the Term, or in connection with a refinancing or disposition of the Shopping Center, furnish to Landlord a balance sheet of Tenant (and, if applicable, its guarantor) as of the end of such fiscal year and a statement of income and expense for the year then ended, together with an opinion of an independent certified public accountant satisfactory to Landlord or, at the election of Landlord, a certificate of the chief financial officer, owner or partner of Tenant to the effect that the financial statements have been prepared in conformity with generally accepted accounting principles consistently applied and fairly present the financial condition and results of operations of Tenant (and, if applicable, its guarantor's) as of and for the period covered.

(c) In addition to the above, Tenant hereby authorizes Landlord to obtain one or more credit reports on Tenant and/or Guarantor, if any, at any time, and shall execute such further authorizations as Landlord may reasonably require in order to obtain a credit report.

TIME OF ESSENCE

SECTION 46

Time is of the essence of this Lease and each and all of its provisions.

AUTHORITY AND LIABILITY OF TENANT

SECTION 47

(a) If Tenant is a corporation or limited liability company, each individual executing this Lease on behalf of Tenant hereby covenants and warrants that Tenant is a duly authorized and existing corporation or limited liability company, that Tenant has and is qualified to do business in the state in which the Shopping Center is located, that the Tenant entity has full right power and authority to enter into this Lease, and that each person signing on behalf of the Tenant entity is authorized to do so. If Tenant is a partnership or trust, each individual executing this Lease on behalf of Tenant hereby covenants and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of Tenant in accordance with the terms of such entity's partnership or trust agreement. Tenant shall provide Landlord on demand with such evidence of such authority as Landlord shall reasonably request, including, without limitation, resolutions, certificates and opinions of counsel.

(b) If two or more individuals, corporations, partnerships or other business associations (or any combination of two or more thereof) shall sign this Lease as Tenant, the liability of each such individual, corporation, partnership or other business association to pay rent and perform all of the other obligations under this Lease shall be deemed to be joint and several, and all notices, payments and agreements given or made by, with or to any one of such individuals, corporations, partnerships or other business association shall be deemed to have been given or made by, with or to all of them. In like manner, if Tenant shall be a partnership or other business association, the members of which are, by virtue of applicable Law, subject to personal liability, then the liability of each such member shall be joint and several.

LEASE GUARANTY

SECTION 48

Tenant acknowledges that the Guaranty of Lease, attached hereto as Exhibit "G" and incorporated herein by reference, is a material inducement to the execution of this Lease by Landlord and that if the guarantor fails to perform or otherwise breaches any provision of the guaranty, or if the guarantor is prevented from performing its obligations under the guaranty for any reason, including operation of Law, then the same shall constitute a failure of the consideration for the Lease, and the Lease shall be voidable at any time during the Term at Landlord's sole option.

ENTIRE AGREEMENT

SECTION 49

This Lease and the Exhibits attached to this Lease constitute the sole and exclusive agreement between the parties with respect to the Premises. No amendment or supplements of this Lease shall be effective unless in writing and executed by Landlord and Tenant.

BANKRUPTCY

SECTION 50

(a) If at any time on or before the Delivery Date there shall be filed by or against Tenant in any court, tribunal, administrative agency or any other forum having jurisdiction, pursuant to any applicable Law, a petition in bankruptcy or insolvency or for reorganization of or for the appointment of a receiver, trustee or conservator of all or a portion of Tenant's property, or if Tenant makes an assignment for the benefit of creditors, this Lease shall ipso facto be cancelled and terminated and in such event neither Tenant, nor any person claiming by, through or under Tenant by virtue of any applicable Law or by an order of any court, tribunal, administrative agency or any other forum having jurisdiction, shall be entitled to possession of the Premises and Landlord, in addition to the other rights and remedies given by Section 20 hereof or by virtue of any other provision contained in this Lease or by virtue of any applicable Law, may retain as damages any rent, Security Deposit or moneys received by it from Tenant or others on behalf of Tenant.

(b) If, after the Delivery Date, or if at any time during the Term, there shall be filed against Tenant in any court, tribunal, administrative agency or any other forum having jurisdiction, pursuant to any applicable Law, either of the United States or of any state, a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver, trustee or conservator of all or a portion of Tenant's property, and the same is not dismissed after sixty (60) calendar days, or if Tenant makes an assignment for the benefit of creditors, this Lease, at the option of Landlord exercised within a reasonable time after notice of the happening of any one or more of such events, may be cancelled and terminated and in such event neither Tenant nor any person claiming through or under Tenant or by virtue of any statute or of an order of any court shall be entitled to possession or to remain in possession of the Premises, but shall forthwith quit and surrender the Premises, and Landlord, in addition to the other rights and remedies granted by Section 20 hereof or by virtue of any other provision contained in this Lease or by virtue of any applicable Law, may retain as damages any rent, Security Deposit or moneys received by it from Tenant or others on behalf of Tenant.

(c) In the event of the occurrence of any of those events specified in this Section 50, if Landlord shall not choose to exercise, or by applicable Law shall not be able to exercise, its rights hereunder to terminate this Lease upon the occurrence of such events, then, in addition to any other rights of Landlord hereunder or by virtue of applicable Law, (i) Landlord shall not be obligated to provide Tenant with any of the utilities or services specified in Section 10, unless Landlord has received compensation in advance for such utilities or services, and the parties agree that Landlord's reasonable estimate of the compensation required with respect to such services shall control, and (ii) neither Tenant, as debtor-in-possession, nor any trustee or other

person (hereinafter collectively referred to as the "Assuming Tenant") shall be entitled to assume this Lease unless on or before the date of such assumption, the Assuming Tenant (x) cures, or provides adequate assurance that the latter will promptly cure, any existing default under this Lease, (y) compensates, or provides adequate assurance that the Assuming Tenant will promptly compensate Landlord for any pecuniary loss (including, without limitation, attorneys' fees and disbursements) resulting from such default, and (z) provides adequate assurance of future performance under this Lease, it being covenanted and agreed by the parties that, for such purposes, any cure or compensation shall be effected by the immediate payment of any monetary default or any required compensation, or the immediate correction or bonding of any non-monetary default. For purposes of this Lease (i) any "adequate assurance" of such cure or compensation shall be effected by the establishment of an escrow fund for the amount at issue or by bonding with a bonding company, and upon such terms and conditions, satisfactory to Landlord in its sole discretion, and (ii) "adequate assurance" of future performance shall be effected by the establishment of an escrow fund for the amount at issue or by bonding as provided in the immediately preceding clause (i).

(d) Tenant agrees that if Tenant files a petition for reorganization under the provisions of 11 U.S.C. § 101 et seq. (the "Bankruptcy Code"), and if Tenant does not within sixty (60) days from the entry of an order for relief by the Bankruptcy Court assume or reject the Lease pursuant to the terms of Section 365 of the Bankruptcy Code, then, effectively immediately, the Monthly Rent due under the Lease shall increase at a rate of ten percent (10%) per month. Tenant may subsequently reduce the amount of Monthly Rent due to the amount of Monthly Rent in effect prior to any such escalation under this clause by either: (i) assuming the Lease pursuant to Section 365 or (ii) by assuming and assigning Tenant's interest in the Lease to a third party pursuant to Section 365.

(e) Tenant expressly acknowledges and agrees that the project in which the Premises are located is a "shopping center" as such term is defined in the Federal Bankruptcy Code.

(f) Notwithstanding anything contained in this Lease to the contrary, if this Lease is rejected in any bankruptcy action or proceeding filed by or against Tenant, and the effective date of rejection is on or after the date upon which the Monthly Installment of Fixed Rent is due and owing, then the Rent owing under this Lease for the month during which the effective date of such rejection occurs shall be due and payable in full and shall not be prorated.

CONSENTS

SECTION 51

Whenever Landlord has agreed or is legally required not to unreasonably withhold the granting of its consent or approval to any specific request by Tenant pursuant to this Lease, Landlord and Tenant specifically understand and agree that the remedy for the unreasonably withholding thereof by Landlord shall be limited to specific performance of the matter in question and monetary damages shall in no event be available in any such instance.

CONSTRUCTION ALLOWANCE

SECTION 52

Within forty five (45) days after fulfillment of the requirements set forth below, Landlord agrees to pay to Tenant \$227,500.00 (\$35.00/sf) as and for Landlord's contribution to Tenant's Work ("Construction Allowance"). Tenant's FEIN: _____ . The requirements are:

- (A) Completion of Tenant's Work in accordance with Exhibit D, in a manner satisfactory to Landlord's Architect.
- (B) Presentation to Landlord of the following:
 - (i) General Contractor's executed and notarized originals of Sworn Statement and final Waiver of Lien/Affidavit form listing all subcontractors and

material suppliers and the amounts they were paid for work and materials supplied for the Premises;

- (ii) Executed and notarized final Waiver of Lien/Affidavit form from every subcontractor and material supplier, and other evidence satisfactory to Landlord that the general contractor and every subcontractor and material supplier has, in fact, been paid in full;
 - (iii) Waivers/Affidavits must be satisfactory to Landlord.
- (C) Presentation to Landlord of a Certificate of Occupancy.
 - (D) Tenant shall have opened its store to the general public for business and shall have paid to Landlord the first Monthly Installment of Fixed Rent.
 - (E) Tenant shall have not been in default under the terms and conditions of this Lease.

Unless Landlord receives verification that the general contractor and all subcontractors and material suppliers have been paid in full, Landlord may pay Tenant's general contractor, subcontractors and material suppliers directly and deduct said amounts from the Construction Allowance, or Landlord may issue joint checks for all or part of the Construction Allowance to the general contractor and the subcontractors and material suppliers.

If this Lease terminates for any reason prior to its stated expiration date, Tenant shall reimburse Landlord for the unamortized amount of the Construction Allowance (based on a straight-line amortization).

COUNTERPARTS

SECTION 53

This Lease, including the attached guaranty, if any, may be executed in one or more counterparts, any one of which if originally executed, shall be binding upon each of the parties signing thereon and all of which taken together shall constitute one and the same instrument.

CONFIDENTIALITY

SECTION 54

Tenant and any officer, director, principal shareholder, employee, agent, associate or affiliate of Tenant shall not disclose the terms of this Lease to any person, excepting only attorneys or accountants representing or assisting Tenant to the extent required in conjunction with proper performance of their duties, or as may be compelled by proper process in connection with any judicial or administrative proceedings.

The parties have executed this Lease on the day and year first specified above, and this Lease shall be deemed to have been executed and delivered in Lemont, Illinois.

If Tenant is a corporation, the authorized officers must sign on behalf of the corporation and indicate the capacity in which they are signing. This Lease must be executed by the president or vice-president.

LANDLORD:

LEMONT PLAZA PARTNERS, LLC,
an Illinois limited liability company

By: GK Development, Inc.
its manager

By: _____

TENANT:

By: _____
Its: _____

EXHIBIT "A"

COMMENCEMENT DATE MEMORANDUM

THIS MEMORANDUM, made as of _____, 2012, by and between _____ ("Landlord") and _____ ("Tenant").

RECITALS:

- A. Landlord and Tenant are parties to that certain Lease, dated for reference _____, 20__ (the "Lease") for certain premises (the "Premises") consisting of approximately _____ square feet at the shopping center commonly known as _____.
- B. Tenant is in possession of the Premises and the Term of the Lease has commenced.
- C. Landlord and Tenant desire to enter into this Memorandum confirming the Commencement Date, Rent Commencement Date, the Termination Date and other matters under the Lease.

NOW, THEREFORE, Landlord and Tenant agree as follows:

- 1. The actual Commencement Date is _____.
- 2. The actual Rent Commencement Date is _____.
- 3. The actual Termination Date is _____.
- 4. Capitalized terms not defined herein shall have the same meaning as set forth in the Lease.

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

LANDLORD:

TENANT:

LEMONT PLAZA PARTNERS, LLC,
an Illinois limited liability company

By: GK Development, Inc.,
its manager

By: _____

Name: _____

By: _____

Title: _____

Dated: _____, 20__

Dated: _____, 20__

EXHIBIT "B"

SITE PLAN/LEASING PLAN

Disclaimer: This drawing is for general information purposes only. Any and all features, matters and other information depicted hereon or contained herein are for illustrative marketing purposes only, are subject to modification without notice, are not intended to be relied upon by any party and are not intended to constitute representations and warranties as to the size and nature of improvements to be constructed (or that any improvements will be constructed) or as to the identity or nature of any occupants thereof.

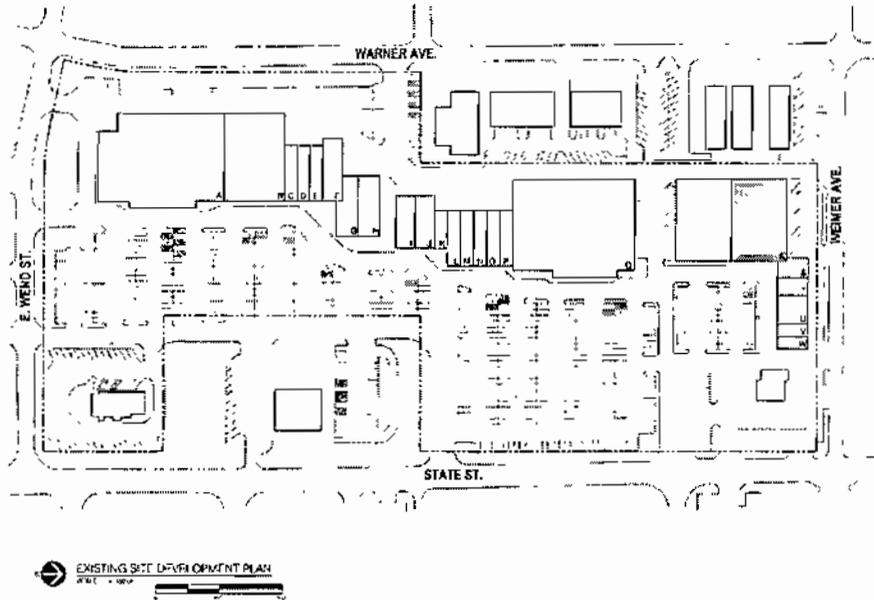


EXHIBIT "C"

OUTLINE OF LANDLORD'S WORK

Except as otherwise set forth in this Lease, Tenant acknowledges and agrees that the Premises are being delivered "AS IS WHERE IS" and that Landlord shall have no obligation to perform any work whatsoever.

Provided that Landlord, at its sole cost and expense, shall construct and install in the Premises the following work ("Base Work") in conformance with Tenant's plans approved by Landlord.

1. Division. Landlord will divide space "R" and split utilities per Tenant's specs.
2. Electrical Service. Furnish and install 600 amp 280v 3-phase electrical service to a panel box on the Premises.
3. Floor. Smooth and clean concrete floor.
4. HVAC. Two existing 12.5 ton HVAC units in good working condition. Distribution by Tenant.
5. Water. Furnish 2" diameter incoming water line to the Premises that is dedicated, independent and separately metered.
6. Sewer. The presence of sewer service with no less than a 4" line into the Premises of sufficient invert depth that will allow Tenant to install toilet fixtures at the farthest distance from the sewer line.

Tenant shall promptly furnish Landlord or Landlord's architect with any information required by Landlord or Landlord's architect to complete Landlord's Plans.

EXHIBIT "D"

OUTLINE OF TENANT'S WORK

Tenant at Tenant's expense shall perform all work, other than Landlord's work set forth in Exhibit "C" to put the Premises in condition to permit Tenant to conduct its business therein. The cost of any work performed by Landlord's contractor at Tenant's expense shall become due and payable prior to commencement of such work. Tenant's work shall be performed in strict accordance with the provisions of the Lease and the Exhibits thereto. **TO THE EXTENT THE WORK IS ALREADY IN PLACE, THE REQUIREMENT MAY BE IGNORED.**

A. CRITERIA, JURISDICTION AND CODES:

1. The criteria and outline specifications set forth herein represent minimum standards for design, construction, finish and operation of the Premises by Tenant. Landlord reserves the right from time to time to revise these criteria and outline specifications as Landlord in its sole discretion deems fit.
2. This Shopping Center is being developed in and under the jurisdiction of the City of Lemont and the State of Illinois. All design and construction work shall comply with all applicable statutes, ordinances, rules, regulations and codes of the aforementioned jurisdictions, and all other, applicable regulations and requirements of the Landlord's fire insurance carriers, the requirements of any company or governmental body supplying utilities or services, all applicable federal building and safety orders, statutes, ordinances, rules regulations and codes, the requirements and regulations of any environmental protection agency, fire protection district, or quasi-governmental authority having jurisdiction over this retail development.

B. PERMITS AND APPROVALS:

1. Prior to commencement of construction by Tenant, Tenant shall obtain, at Tenant's expense, all necessary permits and approvals (including Tenant's signage) and post same upon the Premises as required thereby with a copy of the permit forwarded to Landlord.
2. Tenant shall be required to obtain a certificate of occupancy (CO) prior to opening the store for business.
3. No construction within the Premises may commence without Landlord's written approval.

C. APPROVALS OF TENANT'S PLANS AND SPECIFICATIONS:

1. Tenant shall within 30 days from the date of this Lease, at Tenant's expense, prepare and deliver to Landlord, and Landlord's architect for approval, two sets of complete plans and specifications (including all HVAC, plumbing, fire protection and electrical engineering as well as structural engineering, if applicable) covering all of Tenant's work concerning the Premises, in such detail as Landlord may require, in full compliance with the Lease and the Exhibits attached thereto, certified by a licensed and registered architect and, if applicable, a licensed and registered professional engineer.
2. In the event Landlord shall notify Tenant that Tenant's plans and specifications are not approved, Tenant shall have 10 days from the date of Landlord's disapproval to revise the plans and specifications and resubmit them to Landlord for Landlord's approval. Landlord's written approval shall be obtained by Tenant prior to the undertaking of any construction work which deviates from or modifies in any way Tenant's approved plans and specifications or any other work not explicitly shown on said plans and specifications.

D. ARCHITECTURAL, MECHANICAL AND ELECTRICAL WORK:

1. Design loads: The Tenant's certified Architects and/or Engineers shall be responsible for all design live load calculations, point load calculations, balance reports, static testing, etc. to be within the limits of the allowable live loads or limits for the existing building systems.
 - a. On-grade slabs: To be determined by the Tenant's certified Architect/Engineer.
 - b. Roof: Tenant shall not make any installation whatsoever on the roof above the Premises or any other portion of the roof of the Shopping Center without Landlord's prior written authorization.
 - c. Ceiling: Point load calculation to be determined by the Tenant's certified Architect/Engineer.
2. Standard Project Details, as issued from time to time by Landlord's architect and as they pertain to Tenant's work, shall govern with respect to such work. Such details shall be incorporated into the working drawings and specifications for the Premises.
3. Only new, first class materials shall be used in the performance of Tenant's work.
4. Architectural Work and Finishes to be Provided by Tenant.
5. Tenant to provide all insulation or other requirements to meet village regulations.

E. HOLD HARMLESS AGREEMENT:

Tenant shall save and hold Landlord, Landlord Affiliates, Landlord's Lender, the architect, structural, mechanical, electrical, plumbing and fire protection engineers harmless from and against all claims, damages, losses, expenses (including, without limitation, court costs and attorney's fees) and liabilities whatsoever arising out of or connected with the performance of work by Tenant, the contractor and its subcontractors. Tenant will defend at its own expense, any actions based thereon and shall pay all charges of attorneys and all costs and other expenses arising therefrom. And further, Tenant shall cause each of Tenant's contractors, to the fullest extent permitted under the Law, to protect, defend, save harmless, and indemnify Landlord, Landlord's lender, Landlord Affiliates, Landlord's architect, structural, mechanical, electrical, plumbing and fire protection engineers against any and all liability, claims, demands, or expenses incurred on account of any injury or damage, alleged or real, arising out of or in any way connected with the performance of work by Tenant, the contractor and its subcontractors and any act or omission to act on their part as required pursuant to the terms of the Lease.

F. AMERICANS WITH DISABILITIES ACT OF 1990:

Notwithstanding anything to the contrary contained in the Lease, Tenant shall comply with the Americans with Disabilities Act of 1990 ("ADA"), and any amendments to the ADA, as well as all other applicable Laws regarding access to, employment of and service to individuals covered by the ADA. Tenant's compliance will include but not be limited to the design, construction and alteration of the Premises and such other areas (e.g., path of travel) as Tenant may have to alter in order to be in compliance with the ADA.

G. TENANT'S CONTRACTOR:

All Tenant's Work and all disbursements of money, shall be effectuated in accordance with the following procedures and conditions:

- (1) Tenant's contractor and Tenant shall prepare or cause to be prepared a contract wherein the contractor shall agree to complete Tenant's Work in accordance with the approved plans and specifications.
- (2) Said contract shall be in the form of the current edition of Document A101 or Document A107 of the American Institute of Architects, shall be subject to Landlord's prior written approval and shall provide, among other things, as follows:
 - (a) That notwithstanding anything contained in the contract documents to the contrary, the contractor will perform the work and furnish the materials required therefor on the sole credit of Tenant; that no lien for labor or materials will be filed or claimed by the contractor against the Premises or the Shopping Center of which the Premises are a part;
 - (b) That said contractor shall furnish a bond in compliance with the terms of Section H of this Exhibit "D", if required by Landlord.
 - (c) That said contractor shall furnish Tenant and Landlord with certificates of insurance evidencing (i) Statutory Workers' Compensation limits and Employer's Liability limits of \$1,000,000.00 each accident, \$1,000,000.00 disease-policy limit, \$1,000,000.00 disease each employee; (ii) Commercial General Liability including produces and completed operations coverage, premises, liability, blanket contractual liability including contractor's indemnity agreements, personal injury employees exclusion deleted. Limits of \$2,000,000.00 per occurrence Bodily Injury and Property Damage and \$3,000,000.00 aggregate; (iii) All Risk builders risk insurance in the full amount of the contract sum; and (iv) Commercial Auto Liability including owned, non-owned, or hired vehicles: \$2,000,000.00 Combined Single Limit. All of said certificates of insurance shall name as additional named insured parties landlord and other parties designated by Landlord, and shall carry an endorsement insuring the following contractual liability, which shall be imposed upon the contractor by the construction contract.

H. PERFORMANCE AND PAYMENT BOND:

Prior to the commencement of Tenant's Work if Landlord shall so elect by written notice to Tenant, Tenant shall furnish or cause its contractor to furnish to Landlord a Performance and Labor and Material Payment Bond in the form of AIA Document A311, Current Edition or other form acceptable to Landlord, in an amount equal to double the total cost of Tenant's Work. Said bond shall name Landlord as an additional beneficiary and shall be issued by a surety authorized to write bonds for the United States Government for no less than \$5,000.00. In the event Tenant shall fail to furnish or fail to cause its contractor to furnish to Landlord said bond, Tenant and/or its contractor will not be given permission to start construction of the Premises, in addition to the same being a default under the Lease.

TENANT REQUIREMENTS

1. Tenant is responsible for compliance with all federal, state and local building codes, ordinances and covenants.
2. Tenant is responsible for full compliance with all applicable federal, state, and local Accessibility Standards and the A.D.A., and for submittal to proper authorities for review and inspection.
3. Tenant is responsible for compliance with all applicable federal, state and local codes for construction finish-out of its space. This includes but may not be limited to, roof/ceiling insulation R values for roof assemblies and exterior wall assembly insulation R values.
4. Tenant's contractor is to take extreme care in construction, while working adjacent to existing buildings and lease spaces, to prevent damage to existing structures. Provide all required circulation, environmental and hazard protection for existing structures and pedestrians. Tenant's contractor is to protect all existing below grade/slab utilities. Tenant's contractor shall repair all damaged items to existing condition.
5. Tenant is to show and coordinate all existing risers for sanitary sewer, domestic water, fire water, roof drain, roof overflow drain, natural gas, etc.
6. Tenant is to coordinate and indicate new or existing roof access ladders (and O.S.H.A. cages when bottom of roof deck is over 20'-0" above floor) and roof access scuttles, within their space.
7. All roof penetrations and patching are to be done in accordance with the Landlord's requirements. Tenant shall obtain pre-approved roof penetration locations from the Landlord. Patch back of all roof penetrations shall be per Landlord's requirements, by the original shopping center roofer, and shall be installed as per the roofing manufacturer's specifications. There are no "pitch-pocket" roof penetrations allowed. All penetrations must be through preformed boots, metal flashed boots as per S.M.C.N.A., or through prefabricated curbs with watertight covers. In no case will the Tenant be allowed to compromise or void the Landlord's Roofing Warrantee.
8. "Trenching" of the existing reinforced concrete floor slab should be kept to a minimum quantity and width. Where codes permit group under floor utilities in single trenches. The minimum trench cut width is to be 12 inches.
9. Tenant is required to pour back the reinforced concrete floor slab utility leave-outs to meet the Shell Structural Engineer's requirements and the Geotech Report for subsurface/backfill requirements. The location shown for the existing utility slab leave-out is approximate. Tenant is to field verify exact configuration, size and location.
10. We recommend that interior wall furring, on existing concrete tilt walls, have full depth true drywall control joints aligning with the existing wall panel joints. Control joints should be formed using two separate metal studs (one each side of panel joint) and a standard gypsum board control joint. This applies to both corner and intermediate concrete panel joints.
11. No shading or pattern films or false muntins/mullions are to be applied to the storefront glazing without submittal to and approval by Landlord.
12. All exterior signage including building mounted, (if applicable-pylon sign and shopping center pylon sign modules) are to be submitted for review by the Landlord. Tenant shall include an elevation showing all signage (including mounting heights) with submittal. Tenant is to submit a complete signage drawing package as defined in the Tenant Sign Criteria Manual and the Tenant's Lease Agreement.

13. Tenant is to submit for review any proposed temporary signage that Tenant proposes to exhibit for their grand opening. Submittal is to be as defined in the Tenant Sign Criteria Manual and the Tenant's Lease Agreement.
14. "Coming Soon" signage may be in place a maximum of thirty (30) days. Signage may not attach to the building or impair the progress of the work to the Shell building. Tenant shall coordinate location with the Landlord.
15. Tenant is not to suspend any items from the bottom of the roof deck or from the bottom roof joist or joist girder chords, without written approval of the building Shell Structural Engineer of record. Tenant is to submit proposed details, for items suspended from the roof structure, for review by Shell Structural Engineer. In general, no duct work, conduits, pipes, banners, signage, or curtain/suspended furrdowns or walls are to be suspended from the bottom of the roof structure or roof deck, without specific approval. No Tenant finish-out work is to be suspended from any work by another trade, from joist bridging or from X-bracing. Suspended tee grid ceilings and light fixtures may be suspended from the bottom roof joist and bottom joist girder chords in maximum weights of 75 pounds at bottom chord joist panel points, without added steel angle reinforcing up to top joist chords. Suspended ceilings and light fixtures are not to be suspended from the bottom of the roof deck.
16. Tenant is responsible for any required modifications to the fire sprinkler grid (if existing), for all new sprinkler head drops and for modifying existing drops to fit their space and ceiling heights/types. Tenant is responsible for any required modifications of the existing fire risers including the adding of exterior Fire Department connections serving their space. Tenant is responsible for adding any interior fire hoses and racks and fire extinguishers as may be required by codes and the local Fire Marshall. All main and branch fire sprinkler grid lines are to be run within the roof structure space wherever possible. When lines are run below the roof structure, they are to be held as high as possible to the bottom of the structure. All lines are to be suspended from top chords of joist and joist girders.
17. The Tenant is to provide for a minimum of 3/4" vertical slab movement in their construction of full height, floor to roof, partition walls. Either by use of a Flex Head top stud track or a Friction Fit stud wall head in a deep leg top track. Tenant is to submit details for approval.
18. When Tenant constructs the One-Hour U.L. Rated System demise partitions, the wall is to be constructed of 18ga. galvanized metal studs at 16" o.c. with one (1) layer only of 5/8" Type X gypsum board on Tenant's side. 3 5/8" metal studs should be used up to 19'-0" A.F.F. with 6" metal studs used up to 28'-0" A.F.F. With continuous horizontal lateral bracing of 1 1/2" 16ga. galvanized steel CR channels at 8'-0" o.c. vertical, clip attached to studs, for full wall height, starting at 4'-0" A.F.F. Tenant is to provide for a minimum of 3/4" vertical slab movement in the construction of the demise partition by using either a Flex Head or Friction Fit studs in a deep leg head track condition that meets U.L. design requirements. Tenant is to tape, bed and finish gypsum board on lease side. Tenant to provide fire rated 3 1/2" batt insulation retained with clips. (Wall to meet requirements of U.L.)
19. All penetrations through One-Hour U.L. demise partitions above and below ceilings are to be fire stop sealed with an authorized U.L. Fire Rated System. All joints in One-Hour demise partitions are to be a minimum of Fire Taped above ceilings.
20. Tenant is to maintain the integrity of the One-Hour Fire-Rated demising wall. Any tenant applied finishes or modifications to the fire-rated partition (i.e., wall standards, plywood, wood blocking and cleats, slotwall, etc.) are not to impede the integrity of the fire rating. Shelf standards are not to be recessed in the One-Hour Rated demise partitions without submittal of U.L. approved details and system numbers and or a letter of approval from the Village approving the installation.

21. Tenant is to verify that from all points on the site that all roof top equipment including H.V.A.C. units, exhaust fans, ventilation fans, vent stacks and roof top antennas (pole and dish) are all fully concealed behind roof parapets.
22. All horizontal conduit and piping support on top of roof must meet roofing manufacturer's details for installation on roofing system installed.
23. All of Tenant's roof top units are to be installed on level curbs; curb adaptors are not acceptable. Curb is to be tapered to follow roof slope, so that top of curbs are level. All openings made in roof are to have steel angle frames, as indicated in the shell structural details. Roof top equipment frames are to bear and attached to structure. Openings through existing roof are to be kept to a minimum with R.T.U. openings inside the roof top frames limited to the outside size of the duct penetrations. Seal around all penetrations through the existing roof. Tenant is to submit structural drawings detailing support for roof top frames, roof openings, stiffening of roof deck at frames and anchorage of roof frames to structure. All roof top equipment is to be installed within the designated limits of the roof structure "Mechanical Zone", as indicated on the Shell structural drawings. Tenant is to have the roofing contractor provide crickets in the roof insulation board, on the high sides of R.T.U. curbs to facilitate surface drainage around the curbs.
24. It is required that the Tenant provide a 30" wide walk board path around all roof top units at no cost to the Landlord. 30" x 30" walk way pads are required. The walk boards are to be of the type and installation recommended by the manufacturer for the existing roofing system installed. Walk board paths should be spaced 12" from the sides and duct drop ends of the units, and 24" from the condenser end of the units.
25. Tenant is not to drain roof top unit condensate drains onto the roof. All R.T.U. condensate drain lines are to be extended and connected to the nearest sanitary/storm sewer.
26. Tenant's contractor is not to install any equipment or vent or conduit penetrations through existing standing seam metal roofs or awnings, without prior Landlord approval. When existing sewer vent stacks are available, sewer vents are to be routed to an existing remote location. Tenant is to submit details and locations for proposed venting. If sewer vents must penetrate existing standing seam roofs then Tenant is to submit proposed locations and details for penetrations. Penetrations through standing seam roofs must meet all applicable codes and roofing manufacturer's standards for venting and flashing through their standing seam roofing system.
27. Any changes required in the existing hollow metal exit/service doors and hardware including thresholds are to be by Tenant, at no cost to the Landlord. Any changes required in the sidewalks, stoops or floor slabs at the existing doors are to be by Tenant, at no cost to the Landlord. All modifications are to meet applicable codes including A.D.A.
28. Tenant is to submit an electrical riser diagram, for their proposed connection to the existing electrical bus gutter, to the Landlord for review. The "drawn to scale" drawing is to include dimensions for the proposed length of bus gutter to be used, the Tenant shall not use more than 18" of gutter length to mount their meter can and disconnect. Electrical power capacity being provided for the Tenant will not exceed 20 Watts per square foot of lease area.
29. Tenant is not to place any permanent or temporary furniture or site fixtures outside their Lease space, on sidewalk or landscape areas. Unless Tenant has in their Lease Agreement a designated "outdoor seating area". There are to be no exterior temporary displays without Landlord approval.
30. Tenant is to submit for review complete structurally engineered drawings for all Tenant-supplied and installed awnings and canopies. Engineering is to include wind

design and connections to existing building walls or columns. Submittal is to include samples and colors of all materials proposed. Refer the Tenant Design Criteria Manual for other requirements. No awning or canopy is allowed to be attached to the existing or Tenant-supplied or modified aluminum storefront system.

31. Concerning interior extension of power from exterior electrical service to Lease Spaces: No exposed conduits serving a specific Lease Area are to be run exposed through an adjacent Lease Space. All conduits are to be run concealed within interior furring on exterior walls within structure through adjacent lease spaces. Conduits are to be neatly collected within specific wall furring areas as high as possible, in a location reviewed and approved by the Landlord. Tenant must coordinate with the Landlord on all work to be performed in adjacent lease spaces.
32. Tenant is to verify dimensioned lease areas from fixed building structural elements as defined in their Lease Agreement for both dimensions and square footages. Dimensions are to be indicated on Tenant's finish-out drawings.
33. Where Tenant's added conduits, buss gutters, junction boxes, panel boxes, meters, pipes etc. are mounted exposed on rear service area walls, all items are to be three (3) coat painted by the Tenant to match the color of the existing wall on which items are mounted. All exposed conduits, pipes, junction boxes etc. added by Tenant, above the roof both in mid field areas and on backs of parapets, are to be three (3) coat painted by the Tenant in a color to be selected by the Shell architects.
34. Exterior wall light sconces with decorative metal shrouds at each pilaster and at selected columns, are provided and installed by the Landlord. Any required reworking of interior conduits and wiring is to be done by the Tenant at no cost to the Landlord.
35. The structural integrity of the Building shall not be compromised in any way shape or form.
36. All Tenant improvements must be self-supporting. Storefront, interior materials, fixtures and/or equipment must not be hung from landlord's building structure, roof deck, mechanical or other systems. Lateral bracing allowed upon approval only.
37. Nothing shall be anchored to the bottom of the deck or to the bottom of bar joists.
38. All new and existing electrical equipment, lighting and device loads as per approved plans must be within the limits of the existing electrical panel capacity and/or within limits stated in the Lease.
39. Mechanical HVAC unit must be serviced quarterly or per the direction of the mall management. A report from Tenant's HVAC subcontractor must be supplied to the Landlord.
40. Any modifications to any of the building systems must be approved by local authority having jurisdiction and must be coordinated with the mall management.

EXHIBIT "E"

RULES AND REGULATIONS

1. Landlord reserves the right to change from time to time the format of the signs or lettering on the sign and to require replacement of any signs previously approved pursuant to Section 16 to conform to Landlord's new standard sign criteria established pursuant to any remodeling of the Shopping Center.
2. Tenant shall not, without the prior written consent of Landlord (i) paint, decorate or make any changes to the store front of the Premises; or (ii) install any exterior lighting, awning or protrusions, signs, advertising matter, decoration or painting visible from the exterior of the Premises or any coverings on exterior windows and doors, excepting only dignified displays of customary type in store windows. If Landlord objects in writing to any of the foregoing, Tenant shall immediately discontinue such use.
3. Tenant shall not (i) conduct or permit any fire, bankruptcy or auction sale (whether real or fictitious) unless directed by order of a court of competent jurisdiction, or conduct or permit any legitimate or fictitious "Going Out of Business" sale nor represent or advertise that it regularly or customarily sells merchandise as a "manufacturer's outlet", "distributor", "wholesaler" or "warehouse", but Tenant may represent and advertise that it conducts business at "off-price" or at "retail"; (ii) use, or permit to be used, the malls or sidewalks adjacent to the Premises, or any other area outside the Premises for solicitation or for the sale or display of any merchandise or for any other business, occupation or undertaking, or for outdoor public meetings, circus or other entertainment (except for promotional activities in cooperation with the management of the Shopping Center or an association of merchants within the Shopping Center); (iii) use or permit to be used any sound broadcasting or amplifying device which can be heard outside of the Premises or any flickering lights; (iv) operate or cause to be operated "elephant trains" or similar transportation devices; or (v) use or permit to be used any portion of the Premises for any unlawful purpose or otherwise contrary to Law, or use or permit the use of any portion of the Premises as regular living quarters, sleeping apartments or lodging rooms or for the conduct of any manufacturing business.
4. Tenant shall at all times keep the Premises at a temperature sufficiently high to prevent freezing of water pipes and fixtures. Tenant shall not, nor shall Tenant at any time, permit any occupant of the Premises to: (i) use, operate or maintain the Premises in such manner that any rates for any insurance carried by Landlord, or the occupant of any premises within the Shopping Center, shall thereby be increased; or (ii) commit waste, perform any acts or carry any practices which may injure the Shopping Center or be a nuisance or menace to other tenants in the Shopping Center.
5. Tenant shall not obstruct any sidewalks, passages, exits, entrances, truck ways, loading docks, package pick-up stations, pedestrian sidewalk and ramps, first aid and comfort stations, or stairways of the Shopping Center. No tenant and no employee or invitee of any tenant shall go upon the roof of the Shopping Center without notifying Landlord prior thereto.
6. Landlord will furnish Tenant free of charge with two keys to each door lock in the Premises. Landlord may make a reasonable charge for any additional keys. Tenant, upon the termination of its tenancy, shall deliver to Landlord the keys to all doors of the Premises.
7. If Tenant requires telegraphic, telephonic, burglar alarm or similar services, it shall first obtain and comply with Landlord's instruction in their installation.
8. Tenant shall not place a load upon any floor which exceeds the designed load per square foot or the load permitted by Law. Landlord shall have the right to prescribe the weight, size and position of all equipment, materials, furniture or other property brought into the Premises. Heavy objects shall stand on such platforms as determined by Landlord to be

necessary to properly distribute the weight. Business machines and mechanical equipment belonging to Tenant which cause noise or vibration that may be transmitted to the structure of Tenant's store or to any other space to such a degree as to be objectionable to Landlord or to any tenants shall be placed and maintained by Tenant, at Tenant's expense, on vibration eliminators or other similar devices. The persons employed to move equipment in or out of Tenant's store must be acceptable to Landlord. Landlord will not be responsible for loss of, or damage to, any equipment or other property from any cause, and all damage done to the Shopping Center by maintaining or moving such equipment or other property shall be repaired at the expense of Tenant.

9. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed. No foreign substance of any kind whatsoever shall be thrown therein, and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant who, or whose employees or invitees, shall be the cause of such breakage, stoppage or damage.
10. Tenant shall not install any radio or television antenna, loudspeaker, satellite dish, or other device on the roof or exterior walls of Tenant's store. Tenant shall not interfere with radio or television broadcasting or reception from or in the Shopping Center or elsewhere.
11. Except as approved by Landlord, Tenant shall not damage partitions, woodwork or plaster or in any way deface the Premises. Tenant shall not cut or bore holes for wires. Tenant shall not affix any floor covering to the floor of the Premises in any manner except as approved by Landlord. Tenant shall repair any damage resulting from noncompliance with this rule.
12. Tenant shall not install, maintain or operate upon the Premises or in any Common Areas under the exclusive control of Tenant any vending machine or video game without Landlord's prior written consent.
13. Tenant shall comply with all Laws relating to solid waste management including, but not limited to, recycling. Unless otherwise prohibited by applicable Law, Tenant shall store all its trash and garbage in containers within its Premises and/or in the portion of the Common Areas designated by Landlord. Tenant shall not place in any trash box or receptacle any material which cannot be disposed of in the ordinary and customary manner of trash and garbage disposal. All garbage and refuse disposal shall be made in accordance with directions issued from time to time by Landlord.
14. No cooking shall be done or permitted by Tenant on the Premises without Landlord's prior written consent, except for brewing coffee and similar beverages and use of a single microwave oven by employees only, provided that such use is in accordance with all applicable Laws. In any event Tenant will not permit odors to emanate from the Premises.
15. Tenant shall not use in any space any hand trucks except those equipped with rubber tires and side guards or such other material-handling equipment as Landlord may approve. Tenant shall not bring any other vehicles of any kind into Tenant's store.
16. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless under special instructions from Landlord.
17. All loading and unloading of goods shall be done only at such times, in the areas, and through the entrances, that may be designated for such purposes by Landlord. The delivery or shipping of merchandise, supplies and fixtures to and from the Premises shall be subject to such rules and regulations as in the judgment of Landlord are necessary for the proper operation of the Premises and the Shopping Center.
18. Tenant and Tenant's employees shall park their cars only in such portion of the parking area designated for those purposes by Landlord. Tenant shall furnish Landlord with

state automobile license numbers assigned to Tenant's employees within five (5) days after taking possession of the Premises and shall thereafter notify Landlord of any changes within five (5) days after changes occur. In the event that Tenant or its employees fail to park their cars in designated parking areas as aforesaid, then Landlord, at its option, shall charge the Tenant Ten Dollars (\$10.00) per day or partial day per car parked in any area other than that designated.

19. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenant or tenants, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other tenant or tenants, nor prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all of the tenants of the Shopping Center.
20. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of the Lease to which these Rules and Regulations are attached or any other lease of premises in the Shopping Center.
21. Tenant shall be responsible for the observance of all of the foregoing rules by Tenant's employees, agents, clients, customers, invitees and guests.
22. Tenant shall use, at Tenant's cost, such pest extermination contractor as Landlord may direct and at such intervals as Landlord may require.
23. Trailers, trucks or cars shall not be permitted to remain parked overnight in any area of the Shopping Center, whether loaded, unloaded or partially loaded. No parking shall be permitted of any trailer, truck or other vehicle in any area of the Shopping Center at any time for purposes of advertising or promotion without Landlord's prior written permission.

Tenant agrees to comply with all additional and supplemental rules and regulations upon notice of same from Landlord.

EXHIBIT "F"

GENERAL RETAIL SIGN CRITERIA

1. All Tenant Identification Signage shall be subject to the approval of the Project Architect or Landlord. Two copies of detailed sign drawings shall be submitted for approval. Drawings to demonstrate placement of signage on complete building façade and pertinent storefront elevation, including all decals, open signs, etc. on the glazed storefront. Submit plans to GK Development, Inc., 257 East Main Street, Suite 100, Barrington, Illinois 60010.

ANY SIGNAGE THAT DISPLAYS THE NAME OF THE BUSINESS, SERVICES, PRODUCTS, PROMOTIONS, TEMPORARY, ETC. OTHER THAN THE PREVIOUSLY APPROVED SIGNAGE BY LANDLORD NEEDS APPROVAL BY LANDLORD. SHALL NOT EXCEED 25% OR 1/4TH OF THE BUSINESS WINDOW, AND SUCH SIGNS SHALL NOT BE DISPLAYED FOR NO MORE THAN 30 DAYS.

2. Tenant shall be limited to Building Façade Signage only.
3. Tenant signage shall be limited to store name only.
4. Sign permits must be obtained by the Tenant.
5. Any damage caused by Tenant's work by signage installation shall be repaired by the Landlord and charged to the Tenant.
6. Building Façade Signage Design Criteria.
 - (a) Signage will be composed of individually constructed illuminated letters mounted on a continuous wireway painted to match fascia and manufactured to Landlord's specifications.
 - (b) Logos and logo panels will be subject to Landlord approval.
 - (c) Maximum length of signage shall be 70% of the width of Tenant's demised premises.
 - (d) Maximum height of sign area shall be 2'6". No individual letter height may exceed 2'6". Variations to the aforesaid height limits may be permitted with Landlord's approval. Where 2 lines of letters are utilized, the overall height will still remain within the limits of the sign band, but variations may be permitted with Landlord's approval. There must be a minimum of 6" between the two lines of letters. Sign is to be centered on sign façade both vertically and horizontally.
 - (e) On termination of lease, Tenant shall repair damage to building façade caused by his signage installation and fill in holes with same material to match existing finish. Contractor selection, material and methods for repair must be approved in writing by the Landlord in advance of the work.
 - (f) Seven (7) day, calendar-type, time control device shall be provided by Tenant for the control of the illumination of Tenant's sign, storefront and show window lighting during the required hours designated by Landlord.

7. Landlord's Signage Specification.

PLASTIC FACED LETTERS MOUNTED ON WIREWAY WITH REMOTE TRANSFORMER.

LETTERS

Each letter shall be fabricated in channel block or log style having the body of the letter 5" deep. Letter channels and faces shall be formed in exact shape of letters.

Material used for reverse of letter shall be .090 aluminum sheet and shall be cleaned free of oil and grease. This channel will be primed with Matthews 3125-A wash primer or similar type. Two coats of white acrylic polyurethane will be applied. Finished surfaces to be smooth and free of lint and dust.

Letter faces shall be cut from 3/16" flat Rohm and Haas Plexiglas #2283. Lenses to be held to metal channel with trip cap retainer of white held in place with sheet metal screws painted to match trimcap. Each letter to have a 1/2" to 1" white outline on the face. The outline is to be 3M translucent high performance white vinyl.

The sign shall be designed so as not to allow light leaks outside the illuminated letter housing.

All signs shall be approved by Landlord prior to fabrication. Landlord's approval of Tenant's Plans and Specifications shall not be deemed to constitute approval by Landlord of any of Tenant's sign work. Tenant must submit separate Sign Drawings and specifications, in quadruplicate, including samples of materials and colors, for all its proposed sign work. The drawings shall clearly show the location of all signs on the storefront elevation drawing, graphics, color and construction and attachment details. Full information regarding electrical load requirements and brightness in foot-candles or foot-lamberts shall also be included. Within a reasonable time after the receipt of such drawings and specifications, Landlord shall return one (1) set thereof to Tenant with its approval and/or any suggested modifications thereof, and if Tenant fails to take exception thereto by written notice to Landlord with ten (10) days from Tenant's receipt of the suggested modifications from Landlord, Tenant shall be deemed to have agreed to and approved all suggested modifications. No sign shall be erected by Tenant except in accordance with Sign Drawings bearing Landlord's approval.

ILLUMINATION

Each letter shall be illuminated within letter channel by double stroke red neon tubing.

Neon tubing shall be formed in the shape of the letter and shall be individually gas filled at 10 M.M. pressure or those pressures which will result in essentially uniform life for each section. Electrodes shall be type 8C as manufactured by Engineering Glass Laboratory of Newark, New Jersey.

Tube supports shall be adjustable type (not less than 3/8" diameter buttress threaded glass posts) in which tubing shall be firmly attached by means of pure annealed copper tie wires, without strain on tubing so supported. Supports shall be fastened to metal letter with stainless steel rivets.

WIREWAY

The wireway to be fabricated from .125 aluminum sheet and shall be cleaned free of oil and grease. The wireway to be coated with Matthews 3125-A wash primer or similar type. Two coats of acrylic, polyurethane comparable to Matthews acrylic polyurethane will be applied. Transformer lead wires only are to penetrate the brick wall area through 3/8" scalthight or 1/2" conduit with the appropriate connectors at each end. Transformers are to be enclosed in an appropriate metal enclosure and located inside the store area (not in canopy area).

NOTE: Balance of Tenant signage criteria to follow upon final approval of building façade and size as approved by the City of Lemont. In any event, Tenant's signage shall comply with the City of Lemont sign ordinances.

ACKNOWLEDGED AND RECEIVED:

TENANT: _____

_____ Date: _____

_____ Date: _____

EXHIBIT "F-1"

TENANT SIGNAGE

To Be Approved By Landlord Prior To Installation

EXHIBIT "G"

GUARANTY

(Corporation)

IN CONSIDERATION OF and as a material inducement to Lemont Plaza Partners, L.L.C. an Illinois limited liability company ("Landlord"), executing the within lease dated of even date herewith ("Lease"), with _____, a _____ corporation, ("Tenant"), for store premises in Lemont Plaza, Lemont, Illinois (the "Shopping Center"), and in further consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the undersigned, U.S. Renal Care, Inc. (the "Guarantor"), Guarantor does hereby on behalf of itself, its successors and assigns, unconditionally covenant and agree with Landlord, its successors and assigns, that Tenant is a wholly owned subsidiary of Guarantor, and that if default shall at any time under the Lease be made by Tenant, its successors and assigns, in the payment of any monthly installment of rent, or additional rent, or in the performance of any of the terms, covenants and conditions of the Lease, and if the default shall not have been cured within the time specified in the Lease for curing the same, then Guarantor will well and truly pay on demand in cash the monthly installment of rent and additional rent and cure such other default together with such costs and expenses (including, without limitation, attorney's fees) incurred by Landlord as a result of or arising out of the default for which Tenant, its successors and assigns, are obligated to Landlord pursuant to the terms of the Lease. This Guaranty shall include any liability of Tenant which shall accrue under the Lease for any period preceding as well as any period following the Term of the Lease.

THIS GUARANTY is an absolute and unconditional guaranty of payment and performance. It shall be enforceable against Guarantor, its successors and assigns, without the necessity for any suit or proceedings by Landlord against Tenant, its successors and assigns, and without the necessity of any notice of non-payment, non-performance or non-observance or any notice of acceptance of this Guaranty or any other notice or demand to which Guarantor might otherwise be entitled, all of which Guarantor hereby expressly waives. Guarantor agrees that the validity of this Guaranty and the obligations of Guarantor shall in no way be terminated, affected or impaired by reason of the assertion or the failure or delay to assert by Landlord against Tenant, or Tenant's successors and assigns, any of the rights or remedies reserved to Landlord pursuant to the provisions of the Lease. The single or partial exercise of any right, power or privilege under this Guaranty shall not preclude any other or the further exercise thereof or the exercise of any other right, power or privilege by Landlord.

THIS GUARANTY shall not be affected and the liability of the undersigned shall not be extinguished or diminished by Landlord's receipt, application or release of security given for the performance and observation of the covenants and conditions in the Lease to be performed or observed by Tenant, its successors and assigns; by the cessation from any cause whatsoever of the liability of Tenant, its successors and assigns; by reason of sums paid or payable to Landlord from the proceeds of any insurance policy or condemnation award; by any non-liability of Tenant under the Lease for any reason, including any defect or defense which may now or hereafter exist in favor of Tenant; or by any extensions, renewals, amendments, indulgences, modifications, transfers or assignments in whole or in part of the Lease by Landlord, whether or not notice thereof is given to Guarantor. This Guaranty is of payment and not of collection; it is one of active performance and not one of suretyship for damages or otherwise. This Guaranty extends to any and all liability which Tenant has or may have to Landlord by reason of matters occurring before the execution of the Lease or the commencement of the Term of the Lease, or by matters occurring after the expiration of the Term of the Lease. Guarantor agrees that it shall have no rights of indemnification or subrogation against Tenant and agrees that Guarantor shall subordinate its rights of recourse against Tenant by reason of any indebtedness or sums due to Guarantor, unless and until the Lease is performed to the satisfaction of Landlord. Guarantor agrees that it shall not assert any claim which it has or may have against Tenant, including any claims under this Guaranty, until the obligations of Tenant under the Lease are fully satisfied and discharged. The liability of Guarantor is co-extensive with that of Tenant and also joint and several.

LANDLORD'S ACCEPTANCE of a note or additional collateral of Tenant or of Guarantor shall not be the full cash payment or the active and primary performance required herein. This Guaranty is given in addition to all other guaranties which may pertain to Tenant's indebtedness and is not subordinate to any other guaranties. Landlord's rights under all guaranties, including this Guaranty, shall be cumulative and independently enforceable. It shall not be a condition to the enforcement of this Guaranty that any other guaranties be resorted to by Landlord. Should Landlord be obligated by any bankruptcy or other law to repay to Tenant or to Guarantor or to any trustee, receiver or other representative or either of them, any amounts previously paid to Landlord, its successors and assigns, this Guaranty shall be reinstated in the amount of such repayments.

GUARANTOR AGREES that it will, at any time and from time to time, within ten (10) business days following written request by Landlord, execute, acknowledge and deliver to Landlord a statement certifying that this Guaranty is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating such modifications) and making such additional statements with respect to this Guaranty and Guarantor's obligations hereunder as Landlord shall reasonably request. Guarantor agrees that such certificate may be relied on by anyone holding or proposing to acquire any interest in the Shopping Center from or through Landlord or by any mortgagee or lessor or prospective mortgagee or lessor of the Shopping Center or of any interest therein.

GUARANTOR REPRESENTS and warrants that:

- (a) It is not insolvent, and that there are no limitations or prohibitions to the enforcement of this Guaranty;
- (b) It is immediately benefited by the indebtedness;
- (c) It shall not transfer any of Tenant's stock without obtaining Landlord's prior written consent, and if such consent is given, Guarantor shall immediately obtain guaranties in this form running from all of the transferees to Landlord; and
- (d) The corporate term of Tenant is and shall remain perpetual.

GUARANTOR AGREES that all shares of stock and rights to shares of stock of Tenant which Guarantor may own, and all debts, rights and other claims which may be or become due to Guarantor from Tenant, shall be subordinate to this Guaranty and to all other guaranties which may be given by Guarantor to Landlord from time to time. Specifically, and not by way of limitation of the foregoing, Guarantor agrees that:

- (a) It shall not collect sums due under any such stock, debts, rights or claims or commence any proceedings to collect such sums unless and until all of Tenant's indebtedness is paid in full;
- (b) It shall not cause or allow any new shares of Tenant's stock to be issued or allow any delivery of such shares; and
- (c) It shall enter into further subordinations as Landlord may require.

GUARANTOR waives any claim, right or remedy which Guarantor may now have or hereafter acquire against Tenant or any person primarily or contingently liable for the guaranteed obligations or that arise from the existence or performance of Guarantor's obligations hereunder, including, without limitation, any claim, remedy or right of subrogation, reimbursement, exoneration, contribution, indemnification or participation in any claim, right or remedy of Landlord against Tenant or any collateral security Landlord now has or hereafter acquires regardless of how such claim, remedy or right arises.

AS A FURTHER inducement to Landlord to make and enter into the Lease and in consideration thereof, Landlord and Guarantor covenant and agree that in any action or proceeding brought on, under or by virtue of this Guaranty, Landlord and Guarantor shall and do hereby waive trial by jury. Without regard to principles of conflicts of laws, the validity,

interpretation, performance and enforcement of this Guaranty shall be governed by and construed in accordance with the internal laws of the state in which the Shopping Center is located.

IF ANY PORTION or application of this Guaranty is invalid, unenforceable or illegal for any reason, the parties agree that such invalid, unenforceable or illegal portion or application shall not be deemed to affect the remainder of this Guaranty.

GUARANTOR'S OBLIGATIONS and liabilities under this Guaranty are absolute, independent of and regardless of any defenses, counterclaims, set-offs, cross-claims or other claims which Guarantor may now have or at any time hereafter have against Tenant or Landlord or any other person, firm, corporation for any reason whatsoever. Guarantor further agrees that any such defenses, counterclaims, set-offs, cross-claims or other claims which Guarantor may have now, or at any time hereafter have, shall not be enforceable in any independent action which would interfere with or in any way reduce the obligations owed by Guarantor under this Guaranty.

IF TENANT HOLDS OVER beyond the term of the Lease, Guarantor's obligations hereunder shall extend and apply with respect to the full and faithful performance and observance of all of the covenants, terms, and conditions of the Lease and of any such modification thereof.

THE PROVISIONS of the Lease may be changed, amended or modified by agreement between Landlord, or its successors, assigns and transferees, and Tenant, or its successors, assigns and transferees, at any time in writing.

IN THE EVENT of the rejection or disaffirmance of the Lease by Tenant or Tenant's Trustee in Bankruptcy pursuant to applicable bankruptcy law or any other Law affecting creditors' rights, Guarantor will and does hereby (without the necessity of any further agreement or act) assume all obligations and liabilities of Tenant under the Lease as if (a) Guarantor were originally named Tenant under said Lease and (b) there has been no rejection or disaffirmance. Guarantor will confirm such assumption in writing at the request of Landlord upon or after such rejection or disaffirmance, and Guarantor shall upon such assumption (to the extent permitted by Law) have all the rights of Tenant under the Lease.

IN THE EVENT of any legal action or proceeding brought by Landlord against Guarantor or Tenant arising out of the Lease or this Guaranty, Landlord shall be entitled to recover its reasonable attorneys' fees and costs incurred in such action. Such amount shall be included in any judgment rendered in any action or proceeding.

IN WITNESS WHEREOF, Guarantor has affixed its corporate seal to this Guaranty, which has been properly executed by its officers this ____ day of _____, 2012.

GUARANTOR
U.S. RENAL CARE, INC., a
_____ corporation

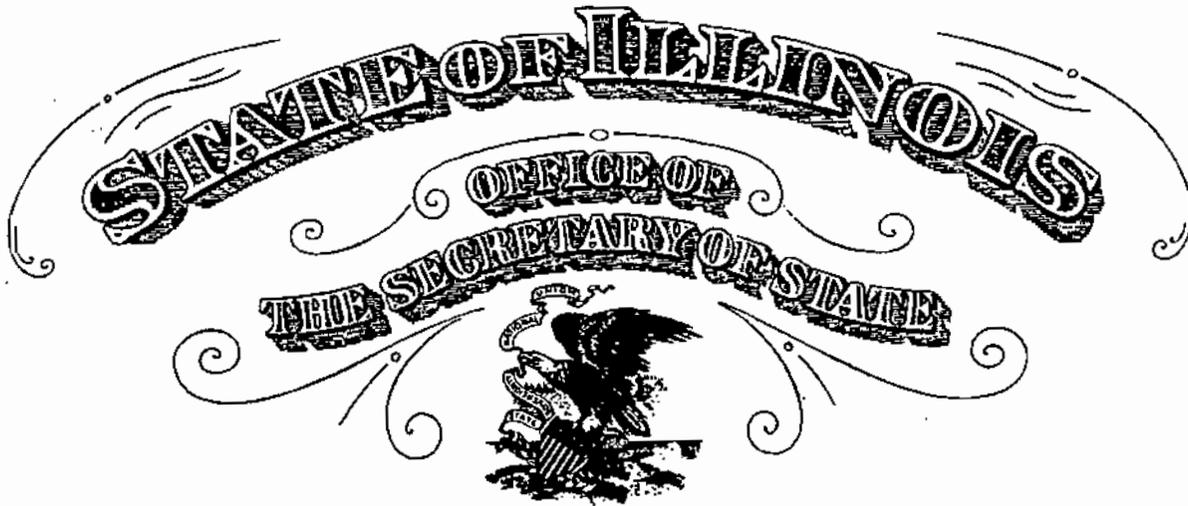
ATTEST: _____

By: _____
Its: _____

By: _____
Its: _____

ATTACHMENT 3

OPERATING IDENTITY/LICENSEE CERTIFICATE OF
GOOD STANDING



To all to whom these Presents Shall Come, Greeting:

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

USRC LEMONT, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON MAY 16, 2012, 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 DOMESTIC LIMITED LIABILITY COMPANY IN THE STATE OF ILLINOIS.



Authentication #: 1216302068

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

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 11TH day of JUNE A.D. 2012 .

Jesse White

SECRETARY OF STATE

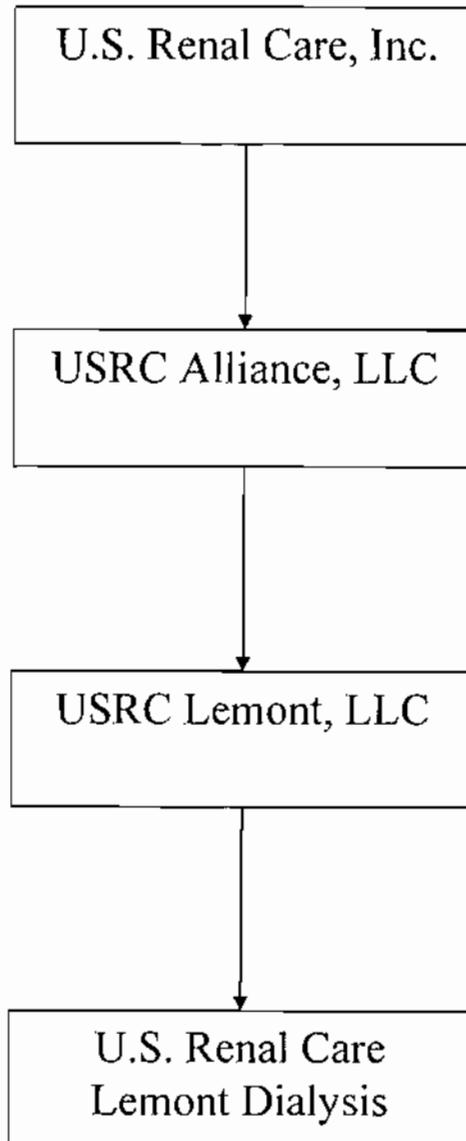
ATTACHMENT 3

PERSONS WITH 5% OR MORE OWNERSHIP INTEREST IN OPERATING ENTITY

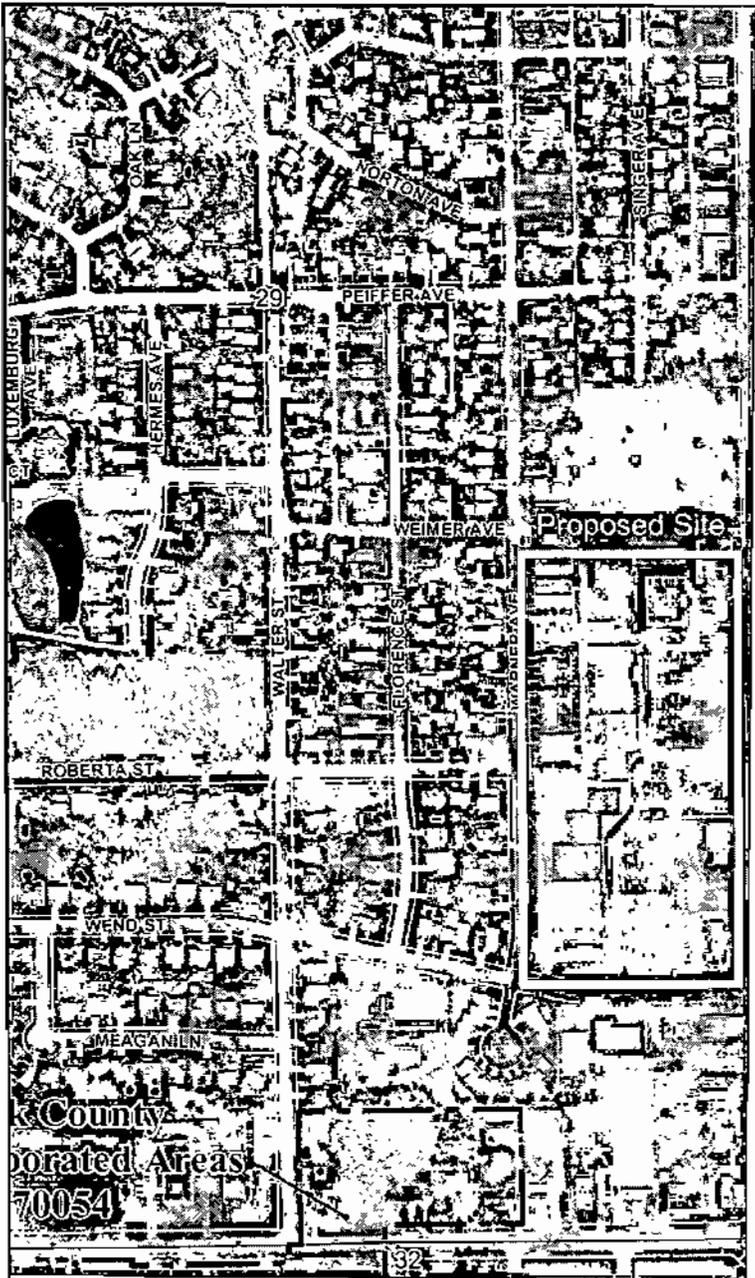
Member	Direct/Indirect Ownership	Ownership Percentage
Naila I. Ahmed, M.D.	Indirect	8%
Aaron Gurfinchel, M.D.	Indirect	8%
Teresa Kravets, M.D.	Indirect	8%
Sandeep Mehta, M.D.	Indirect	8%
Preeti R. Nagarkatte, M.D.	Indirect	8%

ATTACHMENT 4

ORGANIZATIONAL RELATIONSHIPS –
ORGANIZATIONAL CHART



ATTACHMENT 5
FLOOD PLAIN REQUIREMENTS



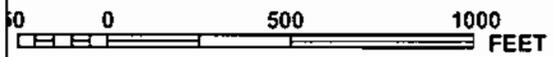
46°13'00.00" N

41° 39' 22.5"

88° 00' 00"



MAP SCALE 1" = 500'



PANEL 0567J

FIRM
FLOOD INSURANCE RATE MAP
COOK COUNTY,
ILLINOIS
AND INCORPORATED AREAS

PANEL 567 OF 832
 (SEE MAP INDEX FOR FIRM PANEL LAYOUT)

CONTAINS:

COMMUNITY	NUMBER	PANEL	SUFFIX
COOK COUNTY	170054	0567	J
LEMONT, VILLAGE OF	170117	0557	J

Notice to User: The Map Number shown below should be used when placing map orders; the Community Number shown above should be used on insurance applications for the subject community.

MAP NUMBER
 17031C0567J

MAP REVISED
 AUGUST 19, 2008



Federal Emergency Management Agency

NATIONAL FLOOD INSURANCE PROGRAM

This is an official copy of a portion of the above referenced flood map. It was extracted using F-INT On-Line. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest product information about National Flood Insurance Program flood maps check the FEMA Flood Map Store at www.msc.fema.gov

ATTACHMENT 6

ILLINOIS HISTORIC PRESERVATION AGENCY LETTER



**Illinois Historic
Preservation Agency**

FAX (217) 782-8161

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

Cook County
Lemont

CON - Lease to Establish a Dialysis Facility
1096 S. State St.
IHPA Log #015051612

May 31, 2012

Shawn Moon
Ungaretti and Harris
Three First National Plaza
70 W. Madison - Suite 3500
Chicago, IL 60602-4224

Dear Mr. Moon:

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

ATTACHMENT 7

PROJECT COST/SOURCE OF FUNDS ITEMIZATION OF COSTS NOT OTHERWISE IDENTIFIED IN THE PROJECT COST/SOURCE OF FUNDS TABLE

Cost Line Item	Amount
Architect Fees	\$55,000
Computers & Wiring	\$48,913
Dialysis Chairs / Scales	\$20,497
Dialysis Machines	\$188,166
Building Lease	\$1,547,650
Leasehold Improvement	\$715,000
Leasehold Improvement Allowance	\$(450,000)
Medical / Biomed Equipment	\$13,145
Misc	\$9,582
Office Furniture / Equipment	\$109,437
Water Treatment	\$80,960

ATTACHMENT 8

OBLIGATION

Obligation will occur after permit issuance

ATTACHMENT 9

COST SPACE REQUIREMENTS

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
In-Center Hemodialysis	\$2,368,350	0	6,500		6,500		
Total Clinical	\$2,368,350	0	6,500		6,500		
NON REVIEWABLE							
Total Non-clinical							
TOTAL	\$2,368,350	0	6,500		6,500		

ATTACHMENT 11

BACKGROUND OF THE APPLICANT

Please find the attached list of facilities considered "owned or operated" by the Applicant and certification from the Applicant.

DCA of Adel, LLC d/b/a U.S. Renal Care
Adel Dialysis
203 Robinson St
Adel GA 31620
(220) 896-4529
EIN: 56-2335380
License No. ESRD001228
Medicare No. 112733

DCA of Ashland, LLC d/b/a U.S. Renal
Care Ashland Dialysis
113 N Washington St
Ashland VA 23005
(804) 752-3444
EIN: 27-0094841
License No. N/A
Medicare No. 492622

DCA of Barnwell, LLC d/b/a U.S. Renal
Care Barnwell Dialysis
10708 Marlboro Ave
Barnwell SC 29812
(803) 541-7225
EIN: 20-2131118
License No. ERD-0179
Medicare No. 422615

DCA of Calhoun, LLC d/b/a U.S. Renal
Care Calhoun Dialysis
105 Professional Pl
Calhoun GA 30701
(706) 624-4497
EIN: 20-4119620
License No. ESRD001266
Medicare No. 112770

DCA of Camp Hill, LLC d/b/a U.S. Renal
Care Camp Hill Dialysis
158 S 32nd St Suite 19
Camp Hill PA 17011
(717) 731-0506
EIN: 26-1554083
License No. N/A
Medicare No. 392750

DCA of Carlisle, Inc. d/b/a U.S. Renal Care
Carlisle Dialysis
101 Noble Blvd Suite 103
Carlisle PA 17013
(717) 258-3099
EIN: 23-2869880
License No. N/A
Medicare No. 392627

DCA of Central Valdosta, LLC d/b/a U.S.
Renal Care Central Valdosta Dialysis
506 N. Patterson St
Valdosta GA 31601
(229) 219-0099
EIN: 58-2617394
License No. ESRD001193
Medicare No. 112699

DCA of Chambersburg, Inc. d/b/a U.S.
Renal Care Chambersburg Dialysis
765 54th Ave, Park 5th Ave Professional
Center Suite A
Chambersburg PA 17201
(717) 263-9300
EIN: 25-1810333
License No. N/A
Medicare No. 392648

DCA of Chesapeake, LLC d/b/a U.S. Renal
Care Chesapeake Dialysis
305 College Parkway
Arnold MD 21012
(410) 431-5106
EIN: 20-4373428
License No. E2619
Medicare No. 112619

DCA of Chevy Chase, LLC d/b/a U.S. Renal
Care Chevy Chase Dialysis
3 Bethesda Metro Center Suite B-005
Bethesda, MD 20814
(301) 652-3434
EIN: 75-2978031
License No. E2633
Medicare No. 21.2633

DCA of Cincinnati, LLC d/b/a U.S. Renal
Care Mt Healthy Dialysis
7600 Affinity Pl
Mt Healthy OH 45231
(513) 931-7900
EIN: 31-1810465
License No. 0684DC
Medicare No. 362655

DCA of Columbus, LLC d/b/a U.S. Renal
Care Columbus Dialysis
2360 Citygate Dr
Columbus OH 43219
(614) 428-4001
EIN: 20-8388926
License No. 0880DC
Medicare No. 362662

DCA of Delaware County, LLC d/b/a U.S.
Renal Care Delaware County Dialysis
1788 Columbus Pike
Delaware OH 43015
(740) 369-4870
EIN: 20-5799636
License No. 0871DC
Medicare No. 362713

DCA of Eastgate, LLC d/b/a U.S. Renal
Care Eastgate Dialysis
4600 Beechwood Rd Suite 900
Cincinnati OH 45244
(513) 528-3222
EIN: 26-4578574
License No. 0968DC
Medicare No. 362762

DCA of Edgefield, LLC d/b/a U.S. Renal
Care Edgefield Dialysis
306 Main St
Edgefield SC 29824
(803) 637-3225
EIN: 20-2131213
License No. ERD-0149
Medicare No. 422602

DCA of Fitzgerald, LLC d/b/a U.S. Renal
Care Fitzgerald Dialysis
402 S Grant St
Fitzgerald GA 31750
(229) 409-2221
EIN: 58-2596232
License No. ESRD001191
Medicare No. 112698

DCA of Hawkinsville, LLC d/b/a U.S.
Renal Care Hawkinsville Dialysis
292 Industrial Blvd Suite 100
Hawkinsville GA 31036
(478) 892-8008
EIN: 20-8548207
License No. ESRD001199
Medicare No. 112707

DCA of Hyattsville, LLC d/b/a U.S. Renal
Care Hyattsville Dialysis
4920 LaSalle Road
Hyattsville, MD 20782
(301) 277-0490
EIN: 26-3674421
License No. E2620
Medicare No. 212620

DCA of Kenwood, LLC d/b/a U.S. Renal
Care Kenwood Dialysis
5150 E Galbraith Rd
Cincinnati OH 45236
(513) 791-2698
EIN: 26-4578451
License No. 0956DC
Medicare No. 362759

DCA of Mechanicsburg, LLC d/b/a U.S.
Renal Care Mechanicsburg Dialysis
120 South Filbert St
Mechanicsburg PA 17055
(717) 790-6080
EIN: 23-3078802
License No. N/A
Medicare No. 392691

DCA of North Baltimore, LLC d/b/a U.S.
Renal Care North Baltimore Dialysis
2700 N Charles St Suite 102
Baltimore MD 21218
(410) 243-4193
EIN: 20-4373297
License No. E2577
Medicare No. 212577

DCA of Norwood, LLC d/b/a U.S. Renal
Care Norwood Dialysis
1721 Tennessee Ave
Cincinnati OH 45229
(513) 242-6733
EIN: 86-1117490
License No. 0773DC
Medicare No. 362681

DCA of Pottstown, LLC d/b/a U.S. Renal
Care Pottstown Dialysis
5 S Sunnybrook Rod Suite 500
Pottstown PA 19464
(610) 718-1127
EIN: 47-0924656
License No. N/A
Medicare No. 392707

DCA of Rockville, LLC d/b/a U.S. Renal
Care Rockville Dialysis
11800 Nebel St
Rockville MD 20852
(301) 468-3221
EIN: 06-1707727
License No. E2641
Medicare No. 212641

DCA of Royston, LLC d/b/a U.S. Renal
Care Royston Dialysis
611 Cook St
Royston GA 30662
(706) 2345-0817
EIN: 20-0546217
License No. ESRD001105
Medicare No. 112719

DCA of SO GA, LLC d/b/a U.S. Renal Care
South Georgia Dialysis
3564 N Crossing Cir
Valdosta GA 31602
(229) 249-3222
EIN: 22-3715287
License No. ESRD001180
Medicare No. 112688

DCA of South Aiken, LLC d/b/a U.S. Renal
Care South Aiken Dialysis
169 Crepe Myrtle Dr
Aiken SC 29803
EIN: 20-2130991
License No. ERD-0156
Medicare No. 422604

DCA of Toledo, LLC d/b/a U.S. Renal Care
Bowling Green Dialysis
1037 Conneaut Ave Suite 101
Bowling Green OH 43402
(419) 353-1080
EIN: 34-1933418
License No. 0631DC
Medicare No. 362630

DCA of Vineland, LLC d/b/a U.S. Renal
Care Vineland Dialysis
1450 East Chestnut Ave Bldg 2 Suite C
Vineland NJ 08361
(856) 692-9060
EIN: 52-2180919
License No. 22278
Medicare No. 312551

DCA of Warsaw, LLC d/b/a U.S. Renal
Care Warsaw Dialysis
4709 Richmond Rd
Warsaw VA 22572
(804) 333-4444
EIN: 13-4226110
License No. N/A
Medicare No. 492627

DCA of Wellsboro, Inc. d/b/a U.S. Renal
Care Wellsboro Dialysis
223 Tioga St
Wellsboro PA 16901
(570) 724-3188
EIN: 25-1762601
License No. N/A
Medicare No. 392602

DCA of West Baltimore, LLC d/b/a U.S.
Renal Care West Baltimore Dialysis
22 S Athol St
Baltimore MD 21229
(410) 947-3227
EIN: 75-3170570
License No. E2647
Medicare No. 112647

DCA of York, LLC d/b/a U.S. Renal Care
York Dialysis
1975 Kenneth Rd
York PA 174808
(717) 764-8322
EIN: 76-0792137
License No. N/A
Medicare No. 392731

Keystone Kidney Care, Inc d/b/a U.S. Renal
Care Bedford Dialysis
141 Memorial Dr
Everett PA 15537
(814) 623-2977
EIN: 25-1663054
License No. N/A
Medicare No. 392612

Keystone Kidney Care, Inc d/b/a U.S. Renal
Care Huntingdon Dialysis
820 Bryan St Suite 4
Huntingdon PA 16652
(814) 643-3600
EIN: 25-1663054
License No. N/A
Medicare No. 392656

Pine Bluff Dialysis, Inc. d/b/a Kidney
Center of McGehee
610 Holly St
Mc Gehee, AR 71654-2109
(870) 222-6700
EIN: 71-0855258
License No. N/A
Medicare No. 04-2565

Pine Bluff Dialysis, Inc. d/b/a Pine Bluff -
U.S. Renal Care
2800 W 28th Street
Pine Bluff, AR 71603
(870) 534-7400
EIN: 71-0855258
License No. N/A
Medicare No. 04-2564

U.S. Renal Care Boerne, LLC d/b/a U.S.
Renal Care Boerne Dialysis
1595 South Main Suite 107
Boerne, TX 78006
(830) 816-3030
EIN: 43-2099925
License No. 008371
Medicare No. 67-2563

U.S. Renal Care Home Therapies, LLC
1313 La Concha Ln
Houston, TX 77054-1809
(713) 668-2744
EIN: 32-0223510
License No. 008644
Medicare No. 45-2840

U.S. Renal Care of Northeast Arkansas LLC
d/b/a Paragould - U.S. Renal Care
901 W Kingshighway
Paragould, AR 72450
(870) 215-0187
EIN: 62-1826477
License No. N/A
Medicare No. 04-2562

USRC Advanced Home Therapies, LLC
396 Remington Blvd Suite 140
Bolingbrook IL 60440-4311
(630) 495-9356
EIN: 45-1627715
License No. N/A
Medicare No. Pending

USRC Altoona, LLC d/b/a U.S. Renal Care
Altoona Dialysis
118 E Chestnut Ave
Altoona PA 16601
(814) 942-2569
EIN: 27-3164836
License No. N/A
Medicare No. 39-2786

USRC Atascosa County Dialysis, LLC d/b/a
U.S. Renal Care Atascosa County Dialysis
1320 W Oaklawn Rd
SUITE G&H
Pleasanton, TX 78064-4304
(830) 569-3052
EIN: 26-1394783
License No. 008674
Medicare No. 672631

USRC Azle, LP d/b/a U.S. Renal Care
Tarrant Dialysis Azle
605 Northwest Parkway Suite 1
Azle TX 76020
(817) 406-4331
EIN: 26-4113763
License No. 110026
Medicare No. 672652

USRC Bellaire Dialysis, LLC d/b/a U.S.
Renal Care Bellaire Dialysis
7243 Bissonnet Dr Suite A
Houston TX 77074
(713) 988.7200
EIN: 26-1527679
License No. 110013
Medicare No. 67-2657

USRC Canton, LLC d/b/a U.S. Renal Care
Canton Dialysis
400 Highway 243 Suite 14
Canton TX 75103
(903) 567-2250
EIN: 26-2409182
License No. 008728
Medicare No. 672607

USRC Cheektowaga, Inc. d/b/a U.S. Renal
Care Cheektowaga Dialysis
2875 Union Rd Suite 13 C/D
Cheektowaga NY 14225
(716) 684-0276
EIN: 27-0789903
Medicare No. 33-2686

USRC Cleburne, LP d/b/a U.S. Renal Care
Tarrant Dialysis Cleburne
1206 W Henderson Suite A
Cleburne TX 76033
(817) 641-5530
EIN: 26-3465019
License No. 110025
Medicare No. 672650

USRC College Partnership, LP d/b/a Baylor
College of Medicine - Scott Street Dialysis
6120 Scott Street Ste F
Houston TX 77021
(713) 741-7059
EIN: 20-8317462
License No. 008624
Medicare No. 672605

USRC Dalton, LLC d/b/a U.S. Renal Care
Dalton Dialysis
1009 Professional Blvd
Dalton GA 30720-2506
(706) 278-1070
EIN: 27-3966564
License No. ESRD001109
Medicare No. 11-2524

USRC Delta, LP d/b/a U.S. Renal Care
Delta Dialysis
400 East Edinburg Blvd
Elsa, TX 78543
(956) 581-8489
EIN: 56-2584922
License No. 008419
Medicare No. 67-2557

USRC Downtown San Antonio, LLC d/b/a
U.S. Renal Care Downtown San Antonio
Dialysis
343 W Houston St Ste 209
San Antonio TX 78205
(210) 251-2824
EIN:26-3721871
License No. 110024
Medicare No. 67-2672

USRC Eagle Pass, LLC d/b/a U.S. Renal
Care Maverick County Dialysis
3420 Amy Street
Eagle Pass, TX 78852
(830) 773-8878
EIN: 56-2533704
License No. 008305
Medicare No. 67-2534

USRC East Ft Worth LP d/b/a U.S. Renal
Care Tarrant Dialysis East Fort Worth
6450 Brentwood Stair Rd
Fort Worth Texas 76112
(817) 888-3015
EIN: 27-3360902
License No. 110078
Medicare No. Pending

USRC Edinburg, LP d/b/a U.S. Renal Care
Edinburg Dialysis
206 Conquest
Edinburg, TX 78539
(956) 383-8488
EIN: 41-2166757
License No. 008539
Medicare No. 45-2890

USRC Friendswood Dialysis, LLC d/b/a
U.S. Renal Care Friendswood Dialysis
3324 E FM 528
Friendswood TX 77546
(281) 993-5067
EIN: 26-1527903
License No. 008692
Medicare No. 672624

USRC Gateway Dialysis, LLC d/b/a U.S.
Renal Care Gateway Dialysis
7171 New Hwy 90 West Suite 101
San Antonio, TX 78227
(210) 673-9200
EIN: 26-2064040
License No. 008664
Medicare No. 45-2851

USRC Grove, LLC d/b/a U.S. Renal Care
Grove Dialysis
1200 NEO Loop Suite B&C
Grove OK 74344
(918) 787-2900
EIN: 27-2194282
License No. N/A
Medicare No. 37-2583

USRC Harlingen, LP d/b/a U.S. Renal Care
Harlingen Dialysis
4302 E. Sesame Drive
Harlingen, TX 78550
(956) 365-4103
EIN: 41-2166755
License No. 008196
Medicare No. 45-2817

USRC Kingwood, LP d/b/a U.S. Renal Care
Kingwood Dialysis
24006 Hwy 59 North
Kingwood TX 77339
(713) 741-7059
EIN: 20-8996067
License No. 008603
Medicare No. 672604

USRC Laredo South LP d/b/a U.S. Renal
Care Laredo South Dialysis
4602 Ben Cha Road
Laredo, TX 78041
(956) 668-8484
EIN: 20-5786850
License No. 008497
Medicare No. 67-2566

USRC Laredo, LP d/b/a U.S. Renal Care
Laredo Dialysis
6801 McPherson Road Suite 107
Laredo, TX 78041
(956) 725-1202
EIN: 41-2166761
License No. 008197
Medicare No. 45-2823

USRC McAllen, LP d/b/a U.S. Renal Care
McAllen Dialysis
1301 East Ridge Road Suite C
McAllen, TX 78503
(956) 668-8484
EIN: 41-2166763
License No. 008198
Medicare No. 45-2820

USRC Medina County Dialysis, LLC d/b/a
U.S. Renal Care Medina County Dialysis
3202 Avenue G
Hondo, TX 78861
(830) 426-3843
EIN: 26-2175292
License No. 007311
Medicare No. 45-2765

USRC Mid Valley Weslaco LP d/b/a U.S.
Renal Care Mid Valley Weslaco Dialysis
1005 South Airport Drive
Weslaco, TX 78596
(956) 581-8489
EIN: 41-2166767
License No. 008429
Medicare No. 45-2870

USRC Mineral Wells, LP d/b/a U.S. Renal
Care Tarrant Dialysis Mineral Wells
2611 Highway 180 West
Mineral Wells TX 76067
(940) 468-2704
EIN: 26-4113811
License No. 110043
Medicare No. 67-2660

USRC Mission, LP d/b/a U.S. Renal Care
Mission Dialysis
1300 S Bryan Rd Suite 107
Mission, TX 78572-6626
(956) 581-8489
EIN: 41-2166764
License No. 110005
Medicare No. 67-2502

USRC Murray County, LLC d/b/a U.S.
Renal Care Murray County Dialysis
108 Hospital Dr
Chatsworth GA 30705-2058
(706) 517-4818
EIN: 27-3989608
License No. ESRD001178
Medicare No. 11-2685

USRC N Richland Hills LP d/b/a U.S. Renal
Care Tarrant Dialysis North Richland Hills
6455 Hilltop Drive Suite 112
North Richland Hills, TX 76180-6039
(817) 877-3934
EIN: 16-1774637
License No. 008430
Medicare No. 67-2554

USRC Rio Grande LP d/b/a U.S. Renal Care
Rio Grande Dialysis
2787 Pharmacy Road
Rio Grande City, TX 78582
EIN: 41-2166762
(956) 487-2929
EIN: 41-2166762
License No. 008668
Medicare No. 45-2664

USRC SA Bandera Road LLC d/b/a U.S.
Renal Care Bandera Road Dialysis
7180 Bandera Road
San Antonio, TX 78238
(210) 403-9493
EIN: 90-0185327
License No. 008087
Medicare No. 45-2895

USRC SA Houston Street, LLC d/b/a U.S.
Renal Care Houston Street Dialysis
2011 East Houston Street Suite 102d
San Antonio, TX 78202
(210) 225-0004
EIN: 34-2011633
License No. 008134
Medicare No. 67-2506

USRC SA Pleasanton Road, LLC d/b/a U.S.
Renal Care Pleasanton Road Dialysis
1515 Pleasanton Road
San Antonio, TX 78221
(210) 922-6255
EIN: 20-8968868
License No. 008588
Medicare No. 67-2510

USRC SA Tri County LLC d/b/a U.S. Renal
Care Tri County Dialysis
14832 Main Street
Lytle, TX 78052
(830) 772-5784
EIN: 42-1639878
License No. 008135
Medicare No. 67-2507

USRC San Benito Dialysis Ltd d/b/a U.S.
Renal Care San Benito Dialysis
295 North Sam Houston
San Benito, TX 78586
(956) 668-8484
EIN: 41-2166758
License No. 008215
Medicare No. 67-2514

USRC SW Ft Worth LP d/b/a U.S. Renal
Care Tarrant Dialysis Southwest Fort Worth
5127 Old Granbury Road
Fort Worth, TX 76133-2017
(817) 877-3934
EIN: 16-1774638
License No. 008443
Medicare No. 67-2559

USRC Tarrant LP d/b/a U.S. Renal Care
Tarrant Dialysis Central Fort Worth
4201 East Berry Street Suite 8
Fort Worth, TX 76105
(817) 531-0326
EIN: 87-0746621
License No. 008457
Medicare No. 45-2799

USRC Tarrant LP d/b/a U.S. Renal Care
Tarrant Dialysis Fort Worth
501 College, Suite 100
Fort Worth, TX 76104
(817) 877-5907
EIN: 87-0746621
License No. 008467
Medicare No. 45-2579

USRC Tarrant LP d/b/a U.S. Renal Care
Tarrant Dialysis Grand Prairie
1006 North Carrier Parkway
Grand Prairie, TX 75050
(972) 263-7202
EIN: 87-0746621
License No. 008468
Medicare No. 45-2855

USRC Tarrant LP d/b/a U.S. Renal Care
Tarrant Dialysis Mansfield
1800 Hwy 157 North Suite 101
Mansfield, TX 76063-3930
(682) 518-0126
EIN: 87-0746621
License No. 008464
Medicare No. 45-2896

USRC Tarrant LP d/b/a U.S. Renal Care
Tarrant Dialysis North Fort Worth
1978 Ephriham Avenue
Fort Worth, TX 76106-6670
(817) 624-7811
EIN: 87-0746621
License No. 008454
Medicare No. 45-2838

USRC Tarrant LP d/b/a U.S. Renal Care
Tarrant Dialysis South Fort Worth
12201 Bear Plaza
Burleson, TX 76028
(817) 293-1978
EIN: 87-0746621
License No. 110071
Medicare No. 45-2637

USRC Tarrant, LP d/b/a U.S. Renal Care
Tarrant Dialysis Arlington
203 West Randol Mill Road
Arlington, TX 76011
(817) 275-7787
EIN: 87-0746621
License No. 008463
Medicare No. 45-2580

USRC Tarrant, LP d/b/a U.S. Renal Care
Tarrant Dialysis Tarrant County
501 College, Suite 200
Fort Worth, TX 76104
(817) 877-1515
EIN: 87-0746621
License No. 008466
Medicare No. 45-2656

USRC Tonawanda, Inc. d/b/a U.S. Renal
Care Tonawanda Dialysis
3161 Eggert Rd
Tonawanda NY 14150
(716) 832-0159
EIN: 27-0789780
Medicare No. 33-2685

USRC Valley McAllen LP d/b/a U.S. Renal
Care Valley McAllen Dialysis
2000 S. Cynthia
McAllen, TX 78503
(956) 994-3374
EIN: 41-2166760
License No. 008199
Medicare No. 45-2872

USRC Weatherford LP d/b/a U.S. Renal
Care Tarrant Dialysis Weatherford
504 Santa Fe Drive
Weatherford, TX 76086-6503
(817) 594-2832
License No. 008567
Medicare No. 67-2543

USRC West Fort Worth Dialysis LP d/b/a
U.S. Renal Care Tarrant Dialysis West Fort
Worth
1704 S Cherry Lane Suite 200
White Settlement, TX 76108-3629
(817) 367-0822
EIN: 26-1527980
License No. 008649
Medicare No. 672637

USRC Westover Hills, LLC d/b/a U.S.
Renal Care Westover Hills Dialysis
11212 State Highway Building Two Suite
100
San Antonio TX 78216
(210) 521-5923
EIN: 27-3170218
License No. 110073
Medicare No. Pending

USRC Williamsville, Inc. d/b/a U.S. Renal
Care Williamsville Dialysis
7964 Transit Rd Suite 8-A
Williamsville NY 14221
(716) 634-1841
EIN: 27-0789979
Medicare No. Pending

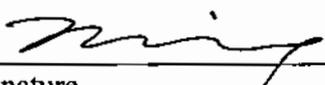
ATTACHMENT 11

BACKGROUND OF THE APPLICANT

USRC Lemont, LLC

As required by 77 Ill. Admin. Code § 1110.230; I certify that no adverse actions have been taken against USRC Lemont, LLC, or any facility owned or operated by the Applicant, by Medicare, Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of this Certificate of Need application; and

As required by 77 Ill. Admin. Code § 1110.230; I authorize the Illinois Health Facilities and Services Review Board and Illinois Department of Public Health to access 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 related to this Certificate of Need application.



Signature

Thomas L. Weinberg

Printed Name

Manager

Title

Subscribed and sworn to before me this 12th day of June, 2012



Signature of Notary

Seal



ATTACHMENT 12

PURPOSE OF THE PROJECT

The purpose of this project is to keep dialysis services accessible to a growing ESRD population in Suburban Cook County (HSA 7) and to alleviate the current need for the provision of dialysis services within HSA 7. As identified in the Revised Needs Determinations for ESRD Stations dated May 17, 2012, HSA 7 currently has an unmet need for 92 additional stations. U.S. Renal Care Lemont Dialysis will help alleviate this need by making 13 additional stations available to ESRD patients. The market area that U.S. Renal Care Lemont Dialysis will serve is primarily a five mile radius around the facility. This facility is needed to accommodate the 80 ESRD patients that Applicant has identified from this area who will require dialysis services in the 24 months following project completion (40 patients annually).

In addition, this increase in ESRD patients is based upon current patient populations and does not include future patients that present with diagnoses of CKD4 or CKD5. As such, additional dialysis stations are required to meet the needs of these patients. The goal of U.S. Renal Care Lemont Dialysis is to keep dialysis access available to this patient population as we continue to monitor the growth and provide responsible health care planning for this area.

ATTACHMENT 13

ALTERNATIVES

The alternatives to the Project are limited. The State's Revised Needs Determinations for ESRD Stations dated May 17, 2012, shows a need for 92 ESRD stations in HSA 7. This Project will establish 13 ESRD stations to meet the ESRD needs projected for HSA 7.

Alternative Options

1. A project of greater or lesser scope and cost

Projects of greater and lesser scope were considered in the planning stages of this project. The alternative of a project of lesser scope would not sufficiently meet the ESRD station needs of HSA 7. As indicated in the Purpose of the Project section, Applicant has identified 80 pre-ESRD patients that are anticipated to require dialysis services in the 24 months following project completion (40 patients annually). This increase in ESRD patients is based upon current patient populations and does not include future patients that may present with diagnoses of CKD4 or CKD5. As such, additional dialysis stations are required to meet the needs of these patients.

2. Pursuing an alternative 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

The operating model for this project is consistent with the standard that U.S. Renal Care has implemented in various states. This model allows U.S. Renal Care to provide the quality patient care services required by its patients while controlling costs. Pursuing an alternate arrangement for the provision of these services may negate this proven operating model or otherwise dilute the benefits realized by patients of U.S. Renal Care.

3. Utilizing other health care resources that are available to serve all or a portion of the population the Project proposes to serve

Patients who require dialysis treatment are limited in their options to utilize other health care resources. Due to the high frequency of required treatment (3 treatments per week) and length of treatment, patients must be able to access conveniently located and effective facilities. For example, an incremental increase in drive time of 10 minutes would result an annual drive time increase of 52 hours.

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

Comparison of Project to Alternative Options

Proposed Project	Alternative	Cost	Patient Access	Quality	Financial Benefits
Establish U.S. Renal Care Lemont Dialysis	Project of Lesser Scope / No Project	Cost: \$0 Alternative Option presents less cost to Applicant but may result in additional costs to patients in the form of travel time and lack of access to the desired provider of dialysis services.	Alternative Option results in reduction in patient access as ESRD patient population growth exceeds Station growth.	Alternative Option results in reduction in quality as ESRD patient population growth exceeds Station growth.	Alternative Option does not result in greater financial benefit to any stakeholders (patients, the state, Applicant).
Establish U.S. Renal Care Lemont Dialysis	Alternative Joint Venture or other Arrangement	Cost: ≈ \$2,368,350 Alternative Option would result in the same or similar total cost as the proposed project but distribute such costs among different parties.	Alternative Option would result in the same increased patient access as the proposed project.	Alternative Option would likely result in decreased quality as the provision of care through such an arrangement would represent a deviation from the proven model for the delivery of care established by Applicant.	Alternative Option does not result in greater financial benefit to any stakeholders (patients, the state, Applicant).
Establish U.S. Renal Care Lemont Dialysis	Use Existing Resources	Cost: \$0 Alternative Option presents less cost to Applicant but may result in additional costs to patients in the form of travel time and lack of access to the desired provider of dialysis services.	Alternative Option results in reduction in patient access as ESRD patient population growth exceeds Station growth.	Alternative Option results in reduction in quality as ESRD patient population growth exceeds Station growth.	Alternative Option does not result in greater financial benefit to any stakeholders (patients, the state, Applicant).

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

Applicant maintains high levels of clinical quality for dialysis patients, on a corporate level U.S. Renal Care has accomplished a three month average patient outcomes of 95% of patients with a URR \geq 65% and 97% of patients with Kt/V \geq 1.2 for the period ending March 31, 2012. Applicant anticipates similar patient outcomes for the proposed project.

ATTACHMENT 14

SIZE OF THE PROJECT

Size of Project				
Department/Service	Proposed BGSF/DGSF	State Standard	Difference	Met Standard?
In-Center Hemodialysis	500 dgsf/Station	360-520 dgsf/Station	-20 dgsf/Station	Yes

The amount of physical space for the proposed project is necessary, and not excessive, for the provision of hemodialysis services. The 500 dgsf/station of the proposed project falls well within the state standard.

ATTACHMENT 15

PROJECT SERVICES UTILIZATION

Utilization					
	Dept/Service	Historical Utilization/Patient Days etc.	Projected Utilization	State Standard	Met Standard?
Year 1	In Center Hemodialysis	N/A	30 patients / 38%	80%	NO
Year 2	In Center Hemodialysis	N/A	63 patients / 81%	80%	YES

Applicant has identified 631 current patients with diagnoses of CKD3, CKD4 or CKD5. Of these patients, Applicant estimates that approximately 80 patients will require dialysis services in the 24 months following project completion (40 patients annually). Based on Applicant's experience, 10% of CKD 3, 50% of CKD 4 and 80% of CKD 5 will require dialysis services within 3 years. When this project is completed, most all of the patients Applicant has identified will require dialysis services within 2 years following project completion.

ATTACHMENT 26

PLANNING AREA NEED

As identified in the most-recently available IDPH Revised Needs Determinations for ESRD Stations dated May 17, 2012, HSA 7 currently has an unmet need for 92 ESRD stations. U.S. Renal Care Lemont Dialysis will help alleviate this need by making 13 additional stations available to ESRD patients.

ATTACHMENT 26

PLANNING AREA NEED – SERVICE TO PLANNING AREA RESIDENTS

USRC Lemont, LLC proposes to establish a thirteen (13) station in-center hemodialysis and peritoneal dialysis facility at 1096 South State Street, Lemont, Illinois 60439. The facility will utilize leased space to be built out by Applicant. The facility will provide both in-center hemodialysis and peritoneal dialysis for patients with End Stage Renal Disease to provide necessary health care to the residents of Suburban Cook County and HSA 7, where the proposed project will be physically located. The market area that U.S. Renal Care Lemont Dialysis will serve is primarily a five mile radius around the facility.

ATTACHMENT 26

PLANNING AREA NEED – SERVICE DEMAND – ESTABLISHMENT OF CATEGORY OF SERVICE

Projected Referrals – Attached in Appendix 1 is a physician referral letter attesting to the physicians' total number of patients who have received care at existing facilities located in the area; the number of new patients located in the area that the physicians referred for in-center hemodialysis for the most recent year; and an estimated number of patients that the physicians will refer annually to the applicant's facility within a 24-month period after project completion, based upon the physicians' practice experience.

ATTACHMENT 26

PLANNING AREA NEED – SERVICE ACCESSIBILITY

The planning area for the proposed facility possesses several factors which contribute to service restrictions for patients in the area.

Planning Area Need

As identified in the most-recently available IDPH Revised Needs Determinations for ESRD Stations dated May 17, 2012, HSA 7 currently has an unmet need for 92 ESRD stations. U.S. Renal Care Lemont Dialysis will help alleviate this need by making 13 additional stations available to ESRD patients.

Observed ESRD Prevalence Rates in Certain Populations

ESRD differentially affects certain populations at rates higher than other populations. For example, ESRD prevalence rates are considerably higher among African-American and Hispanic demographic segments than among non-Hispanic white demographic segments. The African-American ESRD rate has been reported to be 3.6 times that among whites in the United States¹ at 5,205 per million population.² Similarly, peer reviewed academic articles demonstrate that ESRD prevalence among the Hispanic population, documented at a rate of 2,458 per million population, is materially higher than that of non-Hispanics.³ The clinical literature has noted:

a particularly rapid concomitant increase in the incidence and prevalence of end-stage renal disease (ESRD) in Hispanics observed in the United States during the last 2 decades. Compared with non-Hispanic whites, the incidence of ESRD in Hispanics is nearly 2-fold higher. Because of the high frequency of risk factors for ESRD in US Hispanics (eg, diabetes mellitus), it is anticipated that the Hispanic ESRD population will continue to undergo substantial growth.

Michael J. Fischer et al., CKD in Hispanics: Baseline Characteristics From the CRIC (Chronic Renal Insufficiency Cohort) and Hispanic-CRIC Studies, 58(2) *Am. J. Kidney Dis.* 214, at 214 (2011).

Obviously, if the 2-fold factor for incidence in this study is accurate, it contributes to the need determination issue, described below, in not taking into account any increased prevalence for Hispanics when the Hispanic population percentage grows. As a result, communities that demonstrate a growth in both the absolute number and percentage make-up of populations at higher risk for ESRD will experience a greater need for ESRD services.

¹ U.S. Renal Data Service, 2010 Annual Data Report: Volume 2 Atlas of End Stage Renal Disease, at 255.

² *Id.* at 259.

³ U.S. Renal Data Service, 2010 Annual Data Report: Volume 2 Atlas of End Stage Renal Disease, at 255-259; Claudia M. Lora et al., Chronic Kidney Disease in United States Hispanics: A Growing Public Health Problem, 19 *Ethnicity & Disease* 466, at 466 (2009); Michael J. Fischer et al., CKD in Hispanics: Baseline Characteristics From the CRIC (Chronic Renal Insufficiency Cohort) and Hispanic-CRIC Studies, 58(2) *Am. J. Kidney Dis.* 214, at 214 (2011).

In addition to ethnic prevalence rates, aging populations have also been associated with higher prevalence of ESRD. In 2008, populations aged 65 years and over experienced ESRD prevalence rates that were greater than 3.0 times the overall population.⁴ Specifically, the ESRD prevalence rate for populations aged 65 to 74 years was 5,940.9 per million population as compared to an overall ESRD prevalence rate of 1,698.6 per million population. Similarly, the ESRD prevalence rate for populations aged 75 years and greater was 5,266.4 per million population.⁵

These differential rates of ESRD prevalence related to both ethnicity and age result in greater need for ESRD services when populations are composed of greater numbers of individuals who experience higher rates of ESRD prevalence, as is demonstrated below for HSA 7.

Demographic Profile of HSA 7

The change in the demographic profile of HSA 7 requires additional stations to ensure that dialysis services are available to area residents. The Need Determination does not sufficiently take into account the demographic mix of the HSA population and may understate the need for ESRD stations in the relevant HSA.

Ethnic Profile

The changing ethnic profile of HSA 7 increases the need for ESRD services in this area. As described above, the prevalence of ESRD differs between various ethnic groups which will affect a population's overall ESRD rate as the ethnic mix of the population changes. The communities comprising HSA 7 have undergone significant changes in the ethnic mix between the years 2000 and 2010. As demonstrated in Table 1 below, HSA 7 has seen a dramatic increase in both the "Hispanic or Latino" and "Black or African American alone" populations as tabulated using Census 2000 and 2010 data. Between 2000 and 2010, the "Hispanic or Latino" and "Black or African American alone" populations grew by over 187,000 individuals and 70,000 individuals, or by 47.0% and 20.3%, respectively. As a result of this explosive diversification of HSA 7, the ethnic profile of this HSA has changed dramatically. In particular, the "Hispanic and Latino" segment of the total population has been significant, expanding from 11.8% to 17.2% in HSA 7. As the populations above suffer from a higher prevalence of ESRD, the increase in such populations and resulting changing ethnic profile of HSA 7 increases the need for ESRD services in this area.

Table 1

HSA 7 Population by Race (2000 Census Data)

	Cook County	City of Chicago	Suburban Cook County*	DuPage County	Total Population
Hispanic or Latino	1,071,740	753,644	318,096	81,366	399,462
Black or African American alone	1,405,361	1,065,009	340,352	27,600	367,952
Total Population	5,376,741	2,896,014	2,480,727	904,161	3,384,888

HSA 7 Population by Race (2010 Census Data)

⁴ See U.S. Renal Data Service, 2010 Annual Data Report: Volume 2 Atlas of End Stage Renal Disease, at 258.

⁵ U.S. Renal Data Service, 2010 Annual Data Report: Volume 2 Atlas of End Stage Renal Disease, Figure 2.12 available at www.usrds.org/2010/exe/v2_02.zip.
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	Cook County	City of Chicago	Suburban Cook County*	DuPage County	Total Population
Hispanic or Latino	1,244,762	778,862	465,900	121,506	587,406
Black or African American alone	1,287,767	887,608	400,159	42,346	442,505
Total Population	5,194,675	2,695,598	2,499,077	916,924	3,416,001

HSA 7 Population by Race (2000-2010 Change)

	2000 Total Population	% Total	2010 Total Population	% Total	% Change
Hispanic or Latino	399,462	11.8%	587,406	17.2%	5.4%
Black or African American alone	367,952	10.9%	442,505	13.0%	2.1%
Total Population	3,384,888		3,416,001		

*Cook County excluding City of Chicago

Age Profile

The changing age profile of HSA 7 also increases the need for ESRD services in this area. As discussed above, individuals 65 years of age and over experience prevalence of ESRD at a greater rate than those under 65 years of age. In HSA 7, this population has grown between 2000 and 2010 and now comprises a greater proportion of the overall population, as demonstrated in the Table 2 below. In HSA 7, the population 65 years of age and over has grown by 28,539 individuals, representing a growth of 6.8%. The growth in these populations represents a significant aging of these communities and will result in greater need for ESRD services.

Table 2

HSA 7 Population by Age Group (2000 Census Data)

Age Group	Cook County	City of Chicago	Suburban Cook County*	DuPage County	Total Population	% Total
64 and under	4,746,476	2,597,211	2,149,265	815,367	2,964,632	87.6%
Between 65 and 74	328,628	159,915	168,713	45,558	214,271	6.3%
75 and over	301,637	138,888	162,749	43,236	205,985	6.1%
Total Population	5,376,741	2,896,014	2,480,727	904,161	3,384,888	100.0%

HSA 7 Population by Age Group (2010 Census Data)

Age Group	Cook County	City of Chicago	Suburban Cook County*	DuPage County	Total Population	% Total
64 and under	4,574,346	2,417,666	2,156,680	810,526	2,967,206	86.9%
Between 65 and 74	324,521	151,095	173,426	57,640	231,066	6.8%
75 and over	295,808	126,837	168,971	48,758	217,729	6.4%
Total Population	5,194,675	2,695,598	2,499,077	916,924	3,416,001	100.0%

*Cook County excluding City of Chicago

Need Determination for the In-Center Hemodialysis Category of Service

The increased ESRD prevalence rate for certain populations and the demographic shift that has occurred within HSA 7 results in an increased demand for ESRD stations above and beyond the number of stations calculated by the Need Determination for the In-Center Hemodialysis Category of Service (the "Need Determination"). The Need Determination, as currently formulated in 77 Ill. Admin. Code §1100.630, is based on the assumption that at the baseline time the existing rate of patients experiencing dialysis should determine future need. As such, if

the population of the HSA increases, the need for stations increases proportionately (increased by a factor of 1.33 in the five year Need Determination). This approach may be reasonable if the demographic mix at the baseline time and predicted time are identical. But if the demographic mix changes and prevalence is not identical across population subgroups, it will not account for the change in mix. As such, variations in the demographic mix may result in increased station need.

An illustrative example of the effect of demographic mix changes can be provided through an examination of ESRD station need for incremental populations. As indicated in the following graphics, if a population increases by 100,000 individuals and the ESRD prevalence rate is assumed to be 1,699 per million population (representing the Overall Prevalence of ESRD as reported by the U.S. Renal Data Service), then the resulting station need to accommodate this population is 28 stations. If, however, the ESRD prevalence rate is adjusted to 4,718 per million population to account for populations with higher prevalence of ESRD (representing a mixed average of ESRD prevalence in high risk populations as reported by the U.S. Renal Data Service) then the resulting station need required to accommodate this incremental 100,000 individuals is 79 stations.

As a result, the failure of the Need Determination to take into account future variations in the demographic mix and the increased ESRD prevalence rate for certain populations renders the Need Determination insufficient to determine future need of ESRD stations.

CHRONIC KIDNEY DISEASE IN UNITED STATES HISPANICS: A GROWING PUBLIC HEALTH PROBLEM

Hispanics are the fastest growing minority group in the United States. The incidence of end-stage renal disease (ESRD) in Hispanics is higher than non-Hispanic Whites and Hispanics with chronic kidney disease (CKD) are at increased risk for kidney failure. Likely contributing factors to this burden of disease include diabetes and metabolic syndrome, both are common among Hispanics. Access to health care, quality of care, and barriers due to language, health literacy and acculturation may also play a role. Despite the importance of this public health problem, only limited data exist about Hispanics with CKD. We review the epidemiology of CKD in US Hispanics, identify the factors that may be responsible for this growing health problem, and suggest gaps in our understanding which are suitable for future investigation. (*Uln Dis.* 2009;19:466-472)

Key Words: Chronic Kidney Disease, Hispanics, Health Care Disparities

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INTRODUCTION

Between 2004 and 2005, the number of Hispanic in the United States grew by 3.6 percent to reach a total of 42.7 million (representing nearly 15% of the total US population), making this the fastest growing segment of the population in the country.¹ A large increase has also occurred in the Hispanic end stage renal disease (ESRD) population. According to United States Renal Data System (USRDS), in 2005, there were 12,000 new cases of ESRD treated with dialysis or transplant in Hispanics, representing an increase of 63% since 1996. Hispanics have an incidence rate of ESRD which is 1.5 times greater than for non-Hispanics Whites.² This increase in ESRD cases not only translates into an increased burden to our health care system, but also emphasizes the importance of better understanding risk factors for chronic kidney disease (CKD) in Hispanics. In this review, we examine the epidemiology of CKD in US Hispanics, explore potential reasons for this growing public health problem, and highlight potential areas for future research.

METHODS

We performed a qualitative review of the literature utilizing a PubMed search for the following keywords: chronic kidney disease, Hispanics, Latinos, end stage renal disease, diabetes, dialysis, transplantation, and health care disparities. In addition, we reviewed data from the USRDS^{2,3} and the Organ Procurement and Transplantation Network.⁴ For the purpose of this review, the term Hispanic ethnicity refers to all

Hispanics have an incidence rate of ESRD which is 1.5 times greater than for non-Hispanics Whites.²

persons of Latin American origin living in the United States, unless indicated otherwise. Hispanics are culturally, socioeconomically, and genetically heterogeneous and represent a wide variety of national origins and social classes.⁵ In terms of ancestry, US Hispanics originate from three populations: European settlers, Native Americans, and West Africans. The breakdown for the US Hispanic population is as follows: 64% Mexican, 9% Puerto Rican, 3.5% Salvadoran and 2.7% Dominican.¹ The remainder is of Central American, South American or other Hispanic or Latino origin.

EPIDEMIOLOGY OF CKD IN HISPANICS

Glomerular filtration rate (GFR) estimating equations have been used to determine the prevalence of CKD in the United States. The abbreviated Modification of Diet in Renal Disease (MDRD) equation has been considered to be the most accurate available estimating equation for GFR and has been used widely in the literature and by a growing number of clinical laboratories.⁶ Though the equation has been demonstrated to have validity across a spectrum of different subgroups,⁷ there are no data regarding its validity in

Hispanics. This is a relevant concern because the serum creatinine concentration, which is used in the MDRD equation to calculate estimated GFR (eGFR), has been demonstrated to differ by racial/ethnic groups. In an analysis of serum creatinine levels in the National Health and Nutrition Examination Survey (NHANES) III, Mexican Americans had lower mean serum creatinine levels than non-Hispanic Whites or non-Hispanic Blacks.⁸ The reasons for these differences are unknown. Similarly, a recent NHANES analysis of serum cystatin C, a potentially more sensitive marker of early kidney dysfunction than serum creatinine, reported lower levels of cystatin C in Mexican Americans compared with other racial/ethnic groups studied.⁹ These differences in the distribution of serum creatinine and cystatin C levels in Hispanics reinforce the importance of rigorously evaluating the accuracy of GFR estimating equations in Hispanics.¹⁰

INCIDENCE AND PREVALENCE OF CKD IN HISPANICS

Mild to Moderate CKD

Information regarding earlier stages of CKD in Hispanics is limited. Several investigators have reported a higher prevalence of microalbuminuria in Hispanics compared with non-Hispanic Whites.¹¹⁻¹³ In contrast to these findings, a recent analysis of NHANES III data suggests that the prevalence of CKD may be lower in Mexican Americans than in non-Hispanic Whites or non-Hispanic Blacks. In an analysis of NHANES III, moderately decreased kidney function (eGFR 30-59 mL/minute/1.73 m²) was most prevalent among non-Hispanic Whites (4.8%) and non-Hispanic Blacks (3.1%) and least prevalent in Mexican Americans (1.0%).¹⁴ Between NHANES 1988 to 1994 and 1994 to 2004, the prevalence of CKD rose among Mexican Americans but

continued to be lower than that observed in non-Hispanic Whites and Blacks.¹⁵

These data are not consistent with the higher prevalence rates of ESRD in Hispanics. One potential explanation is that Hispanics have a higher risk of ESRD because of more rapid progression of CKD after its onset, rather than simply a larger pool of individuals with CKD. The findings could also be related to methodological issues related to the sample size or sampling bias. Furthermore, as discussed earlier, the validity of the MDRD equation has not been established in Hispanics and utilizing the equation in Hispanics could be an important potential source of error. Lastly, NHANES includes only Mexican Americans and these findings may not be generalizable to other Hispanic subgroups.

End Stage Renal Disease (ESRD)

It is well established that Hispanics have a higher prevalence of ESRD than non-Hispanic Whites. The increased prevalence of treated ESRD in Hispanics was first recognized in the 1980s. Using data from the state of Texas, Mexican Americans were found to have an excess of ESRD compared with non-Hispanic Whites with an incidence ratio of 3.¹⁶ For diabetic ESRD, Mexican Americans had an incidence ratio of 6 compared with non-Hispanic Whites. The first study at a national level analyzed male Hispanics identified in Medicare ESRD program data files. Using common Spanish surnames to identify cases, it was found that Hispanics developed ESRD at a younger age than non-Hispanic Whites; and between 1980 and 1990, ESRD incidence rates increased more for Hispanics.¹⁷ In 1995, the USRDS began to acquire data regarding Hispanic ethnicity. In 2006, the adjusted incidence rate for ESRD in Hispanics was 1.5 times higher than for non-Hispanic Whites.² Furthermore, between 1996 and 2005, the incidence rate for Hispanics in-

Table 1. Leading causes of ESRD requiring dialysis in Hispanics and non-Hispanic Whites in 2000³

Primary disease	Hispanics	Non-Hispanic Whites
Diabetes	58.8%	38.8%
Hypertension/large vessel disease	16.2%	23.7%
Glomerulonephritis	9.1%	9.9%
Etiology uncertain	3.5%	4.0%
Other	12.4%	23.6%

creased by 63%.² In contrast, Burrows et al examined trends in age-adjusted ESRD rates and reported that the age-adjusted ESRD rate in Hispanics decreased by approximately 15%, from 2000 to 2005 (530.2 vs 448.9).¹⁸ However, there was an overall increase in the age-adjusted incidence rates in Hispanics in 2005 as compared with 1995 (448.9 vs 395.0). It is apparent that a longer period of follow-up time is needed to better characterize trends. The leading causes of ESRD requiring dialysis in Hispanics and non-Hispanic Whites are described in Table 1. Diabetes accounts for 59% of prevalent cases of ESRD in Hispanic compared with 39% of cases in non-Hispanic Whites.³ Unfortunately, data regarding causes of ESRD by Hispanic subgroup are not available.

The incidence and severity of diabetes are important factors in the excessive incidence of diabetic ESRD observed in Hispanics. The prevalence of diabetes in Hispanics has been estimated to be approximately 1.5 to 3 times that seen in the non-Hispanic White population and its incidence is rising.¹⁹ Moreover, Hispanics have been found to have lower rates of glucose self-monitoring and poorer glycemic control compared with non-Hispanic Whites.²⁰ Hispanics with diabetes may be at increased risk to develop diabetic nephropathy. Mexican American diabetics in San Antonio, Texas had a higher prevalence of proteinuria than non-Hispanic White diabetics from Wisconsin.²¹ However,

no such difference was observed in the San Luis Valley.²² The importance of non-diabetic CKD in Hispanics is not completely understood. Though hypertension is less prevalent in Hispanics, Mexican Americans had the highest rate of uncontrolled hypertension in NHANES III.²³ Data from Texas and the USRDS demonstrate a higher incidence of ESRD due to hypertension in Hispanics than in non-Hispanic Whites.^{16,24}

Progression of CKD in Hispanics

Only limited information is available regarding progression rates and risk factors for CKD in Hispanics. In a multivariable retrospective analysis of a cohort of 263 type 2 diabetic ESRD patients, Mexican ethnicity and female sex were found to hasten the decline of renal function.²⁵ A post hoc analysis of the Reduction of Endpoints in NIDDM with the Angiotensin II Antagonist Losartan Study (RENAAL) found that Hispanics had the highest risk for ESRD compared with Blacks and Whites.²⁶ However, the majority of Hispanics in this study were from Latin American countries and therefore, the findings may not be applicable to US Hispanics. A recent analysis of patients enrolled in Kaiser Permanente of Northern California, a large integrated healthcare delivery system, has clarified the risk of ESRD in US Hispanics with CKD.²⁷ In 39,550 patients with stage 3 to 4 CKD, Hispanic ethnicity was associated with almost a two-fold increased risk for ESRD when compared with non-Hispanic Whites. This increased risk was attenuated to 33% after adjustment for diabetes, medication use, and other characteristics. Thus, the risk for progression to ESRD in Hispanics is only partially explained by diabetes.

Even less is known about progression rates and risk factors for non-diabetic CKD in Hispanics. Some reports suggest that certain glomerular diseases may be more severe and

progress more often in Hispanics than in non-Hispanic Whites.²⁸⁻³⁰ In a recent examination of rates of progression in 128 patients with proliferative lupus nephritis, Barr et al. found that Hispanic ethnicity was independently associated with progression of CKD.³⁰ Another study examining patients with lupus found that Texan-Hispanic ethnicity was more likely to be associated with nephritis than Puerto Rican ethnicity.³¹ This suggests that outcomes can vary by Hispanic subgroup.

US Hispanics have been poorly represented in large prospective CKD studies. The ongoing NIDDK-sponsored Hispanic Chronic Renal Insufficiency Cohort Study (HCRIC) is investigating risk factors for CKD and cardiovascular disease (CVD) progression in a cohort of 326 Hispanics with CKD. This study is based at the University of Illinois at Chicago and is an ancillary study to the NIDDK-sponsored CRIC Study.³²

Metabolic Syndrome and CKD

Recent analyses of NHANES III data found that metabolic syndrome affects over 47 million Americans and that the problem is more pronounced in Hispanics.^{33,34} Mexican Americans have the highest age-adjusted prevalence of metabolic syndrome (31.9%) compared with non-Hispanic Whites (23.8%) and Blacks (21.6%).³³ There is now emerging evidence supporting a relationship between metabolic syndrome and CKD.³⁵⁻³⁸ In a prospective cohort study of Native Americans without diabetes, metabolic syndrome was associated with an increased risk for developing CKD.³⁹ In non-diabetic subjects with normal kidney function enrolled in the Atherosclerosis Risk in Communities Study (ARIC), investigators found an adjusted odds ratio of developing CKD in participants with metabolic syndrome of 1.43 compared with participants who did not have the syndrome.³⁸ These data suggest that metabolic syndrome could be an important factor in the Hispanic CKD population.

DISPARITIES IN HEALTH CARE AND PREVALENCE AND PROGRESSION OF CKD

The importance of healthcare disparities in CKD has received increased recognition,⁴⁰ but little is known regarding the impact of healthcare disparities on health outcomes in Hispanics with CKD. It is well substantiated that there are considerable disparities in health care for Hispanics.²⁰ According to a report by the Commonwealth Fund, nearly two-thirds (65%) of working-age Hispanics with low incomes were uninsured for all or part of the year in 2000.⁴¹ Using NHANES III data, Harris evaluated healthcare access and utilization, and health status and outcomes for patients with type 2 diabetes.²⁰ Mexican Americans below age 65 years had lower rates of health insurance coverage than non-Hispanic Whites and Blacks (66% vs 91% and 89%, respectively). Furthermore, Mexican Americans with private insurance or a high school education or more were more likely to have normoalbuminuria.²⁰ The quality of care received by Hispanics may also play a role in the progression of kidney disease. Hispanics with diabetes are less likely to report having had a foot exam or glycosylated hemoglobin testing.⁴² As noted earlier, Mexican American in NHANES III had the highest rate of uncontrolled hypertension.²³ Lastly, Ifudu et al reported that non-Whites, including Hispanics, are more likely to receive a late referral to a nephrologist for CKD management.⁴³ This study was limited by the low number of Hispanics in the analysis. These findings suggest that quality of care may play a role in the high prevalence of ESRD in this population.

Patient-centered factors may play a particularly important role for Hispanics include language, health care literacy, acculturation, social support, and trust in healthcare providers. Hispanics who are recent immigrants face a number of potential barriers to health care, includ-

ing lack of familiarity with the health-care system and language barriers. Spanish-speaking Hispanics are less likely to be insured, have access to care and use preventive health services.^{41,44} Trust in the healthcare system is another important factor because it has been found to be significantly related to adherence.⁴⁵ Doescher et al found that Hispanics reported significantly less trust in their physician than non-Hispanic Whites.⁴⁶ Finally, social support, defined as resources provided by a network of individuals or social groups, has been found to have direct effects on health status and health service utilization.⁴⁷ There have been no published studies to date focusing on patient-centered factors in Hispanics with CKD. However, it seems reasonable to speculate that these factors amplify CKD and associated CVD risk.

CARDIOVASCULAR DISEASE IN HISPANICS WITH ESRD AND EARLIER STAGES OF CKD

Several studies have found that Hispanics may have lower all-cause and CV mortality rates than non-Hispanic Whites.⁴⁸⁻⁵⁰ The term, Hispanic paradox, has been used to describe the lower than expected mortality rates despite the increased incidence of diabetes and obesity, lower socioeconomic status, and barriers to health care.⁵¹ A number of explanations have been proposed, including socio-cultural factors, ethnic misclassification, incomplete ascertainment of deaths, and the healthy migrant effect.^{36,52} In the ESRD population, Hispanics, Blacks, and Asians have a lower risk of death than non-Hispanic Whites, regardless of diabetes status.^{24,53-55} In a recent analysis of a national, random sample of hemodialysis patients, Hispanics had an adjusted 12-month mortality risk that was 25% lower than non-Hispanic Whites.⁵³ The reasons for the lower

ESRD mortality rates are not completely understood, but differences in survival have been noted among Hispanic subgroups with Mexican-Americans, Cuban Americans and Hispanic-other having an increased survival advantage compared with Puerto Rican Americans.⁵⁶ These findings suggest that sociocultural or genetic differences may play a role in these lower ESRD mortality rates and demonstrating the importance of examining health outcomes in subgroups of Hispanics.

Less is known regarding CVD risk and disease in Hispanics with earlier stages of CKD. An analysis of mortality rates of adults with CKD in NHANES found no difference in CVD or all-cause mortality in Mexican Americans compared with non-Hispanic whites.⁵⁷ In contrast, Hispanic veterans with diabetic CKD experienced a lower 18-month mortality rate than non-Hispanic Whites.⁵⁸ Though Hispanics in Kaiser Permanente of Northern California had an increased rate of ESRD, Hispanic ethnicity was associated with 29% lower adjusted mortality rate and 19% lower adjusted rate of CVD events as compared with non-Hispanic Whites, even after accounting for major cardiovascular risk factors, comorbidities and use of preventative therapies.²⁷ Again, the reasons for these differences are not known.

END-STAGE RENAL DISEASE CARE IN US HISPANICS

Dialysis

Analysis of USRDS data reveals that Hispanics are 1.47 times more likely than non-Hispanic Whites to have late initiation of dialysis.⁵⁹ At the start of dialysis, Hispanics tend to have slightly lower hematocrit levels and are 13% less likely to be on erythropoiesis stimulating agents compared with non-Hispanic Whites.⁶⁰ An analysis of a random sample of Medicare eligible adults on hemodialysis in 1997 revealed that, compared with non-Hispanic Whites,

Hispanics on hemodialysis are more likely to be female, younger, and have diabetes.⁶¹ Hispanics tend to have higher albumin levels and similar hematocrit levels compared to non-Hispanic Whites.^{53,61,62}

Little is known about ESRD care in the United State for unauthorized immigrants. Of the 11.8 million unauthorized immigrants in the United States, more than 8.46 million are Hispanic.⁶³ The incidence rate for ESRD for this population is unknown. Many of these undocumented aliens do not receive systematic care before initiation of dialysis. The quality and availability of pre-ESRD care for unauthorized immigrants has not been systematically studied. A small study of undocumented ESRD patients initiating dialysis in New York City found that these patients had higher serum creatinine concentration and lower eGFR, higher systolic blood pressure, and greater costs for the hospitalization associated with the initiation of dialysis.⁶⁴ However, a limitation of this study was that it only included 33 Hispanics. An important issue regarding the dialysis of unauthorized immigrants is the compensation for dialysis, which varies by individual state and may limit the availability of long-term dialysis for undocumented aliens who are then forced to receive dialysis on an emergent basis only.⁶⁵ The cost of care for undocumented ESRD patients receiving dialysis on an emergent basis is 3.7 times higher than for those unauthorized immigrants receiving long-term maintenance dialysis.⁶⁶ End-stage renal disease in unauthorized immigrants is of great public health and economic concern and warrants future research and re-evaluation of current policies.

Transplantation

Limited data exist that suggest that Hispanics are equally likely to be referred for renal transplantation but are less likely to progress beyond the early stages of the transplant evaluation

with some of the reasons including financial concerns, fear of the surgery, and preference for dialysis.⁶⁷ Perhaps for this reason, Hispanics are underrepresented on kidney waiting lists relative to the prevalence of CKD in this population.⁶⁸ Once placed on the transplant wait list, Hispanics have a longer unadjusted median time to transplant than non-Hispanic Whites.⁴ Factors that potentially contribute to the longer time on the wait list include lower rates of organ donations in Hispanics relative to Whites,^{69,70} less knowledge and more fear-related barriers to living organ donation,⁷¹ and ethnic differences in the frequency of HLA alleles coupled with current allocation policies.⁷² Data regarding graft survival in Hispanics have not been uniform, with some studies suggesting that Hispanics and non-Hispanic Whites have similar rates of graft survival,^{73,74} while other studies have demonstrated poorer rates of graft survival in Hispanics.⁷⁵ More recently, Gordon et al found better patient and graft survival in Hispanics compared with non-Hispanics.⁷⁶ Further studies are needed to clarify whether Hispanic ethnicity influences post-transplant outcomes. In addition, policies are needed to address specific barriers within the transplant evaluation process for Hispanics to ensure appropriate access to this important therapy.

Compared with non-Hispanics Whites, Hispanics have an increased incidence of ESRD that appears independent of known clinical risk factors.

CONCLUSION

Chronic kidney disease is a growing and under-recognized health problem for US Hispanics. Compared with non-Hispanics Whites, Hispanics have an increased incidence of ESRD that appears independent of known clinical risk factors. Furthermore, among patients starting at the same level of CKD, Hispanics are at increased risk for progression to ESRD. Interestingly, data from NHANES suggest that the prevalence of CKD with decreased eGFR, at least in Mexican Americans, is lower than in non-Hispanic Whites. The reason for this discrepancy is unclear but could be related to more rapid progression of CKD. Many questions remain unanswered including: factors influencing CKD progression and CVD outcomes; the validity of current GFR estimating equations; insights into differences in outcomes among Hispanic subgroups; and the impact of health care disparities on CKD. For these reasons, future research is needed to better understand the epidemiology and complications of CKD in US Hispanics. Furthermore, it is essential that adequate numbers of US Hispanics are included in future interventional trials to provide the necessary evidence base to guide prevention and therapeutic strategies for CKD and ESRD.

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CKD in Hispanics: Baseline Characteristics From the CRIC (Chronic Renal Insufficiency Cohort) and Hispanic-CRIC Studies

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Background: Little is known regarding chronic kidney disease (CKD) in Hispanics. We compared baseline characteristics of Hispanic participants in the Chronic Renal Insufficiency Cohort (CRIC) and Hispanic-CRIC (H-CRIC) Studies with non-Hispanic CRIC participants.

Study Design: Cross-sectional analysis.

Setting & Participants: Participants were aged 21-74 years with CKD using age-based estimated glomerular filtration rate (eGFR) at enrollment into the CRIC/H-CRIC Studies. H-CRIC included Hispanics recruited at the University of Illinois in 2005-2008, whereas CRIC included Hispanics and non-Hispanics recruited at 7 clinical centers in 2003-2007.

Factor: Race/ethnicity.

Outcomes: Blood pressure, angiotensin-converting enzyme (ACE)-inhibitor/angiotensin receptor blocker (ARB) use, and CKD-associated complications.

Measurements: Demographic characteristics, laboratory data, blood pressure, and medications were assessed using standard techniques and protocols.

Results: Of H-CRIC/CRIC participants, 497 were Hispanic, 1,650 were non-Hispanic black, and 1,638 were non-Hispanic white. Low income and educational attainment were nearly twice as prevalent in Hispanics compared with non-Hispanics ($P < 0.01$). Hispanics had self-reported diabetes (67%) more frequently than non-Hispanic blacks (51%) and whites (40%; $P < 0.01$). Blood pressure $>130/80$ mm Hg was more common in Hispanics (62%) than blacks (57%) and whites (35%; $P < 0.05$), and abnormalities in hematologic, metabolic, and bone metabolism parameters were more prevalent in Hispanics ($P < 0.05$), even after stratifying by entry eGFR. Hispanics had the lowest use of ACE inhibitors/ARBs among the high-risk subgroups, including participants with diabetes, proteinuria, and blood pressure $>130/80$ mm Hg. Mean eGFR was lower in Hispanics (39.6 mL/min/1.73 m²) than in blacks (43.7 mL/min/1.73 m²) and whites (46.2 mL/min/1.73 m²), whereas median proteinuria was higher in Hispanics (protein excretion, 0.72 g/d) than in blacks (0.24 g/d) and whites (0.12 g/d; $P < 0.01$).

Limitations: Generalizability; observed associations limited by residual bias and confounding.

Conclusions: Hispanics with CKD in the CRIC/H-CRIC Studies are disproportionately burdened with lower socioeconomic status, more frequent diabetes mellitus, less ACE-inhibitor/ARB use, worse blood pressure control, and more severe CKD and associated complications than their non-Hispanic counterparts.

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INDEX WORDS: Chronic kidney disease; Hispanics; epidemiology.

Hispanics are now the largest minority group in the United States.¹ Of interest, there also has been a particularly rapid concomitant increase in the incidence and prevalence of end-stage renal disease (ESRD) in Hispanics observed in the United States during the last 2 decades.² Compared with non-

Hispanic whites, the incidence of ESRD in Hispanics is nearly 2-fold higher.² Because of the high frequency of risk factors for ESRD in US Hispanics (eg, diabetes mellitus), it is anticipated that the Hispanic ESRD population will continue to undergo substantial growth.^{3,4}

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Despite the magnitude of this public health problem, little is known regarding earlier stages of chronic kidney disease (CKD) in Hispanics.⁵ A few prior reports have noted that although the prevalence of estimated glomerular filtration rate (eGFR) <60 mL/min/1.73 m² is similar in Hispanics and non-Hispanics, Hispanic ethnicity is associated with higher levels of microalbuminuria and proteinuria and an almost 2-fold higher risk of ESRD in comparison with non-Hispanic whites and blacks.⁶⁻¹⁰ Hispanics have not been well represented in most large prospective studies and clinical trials of CKD; therefore, our understanding of the risk factors, complications, and outcomes associated with CKD in Hispanics is limited.¹¹⁻¹⁵ One exception was a post hoc analysis of the RENAAL (Reduction in End Points in Non-Insulin-Dependent Diabetes With the Angiotensin II Antagonist Losartan) trial, which focused on the role of ethnicity and found that although baseline proteinuria and risk of ESRD were higher in Hispanics compared with non-Hispanic whites and blacks, all ethnic groups achieved renoprotection from losartan therapy after baseline differences in albuminuria were taken into account.¹⁶

The Hispanic Chronic Renal Insufficiency Cohort (H-CRiC) Study, an ancillary study to the multicenter National Institute of Diabetes and Digestive and Kidney Diseases–sponsored Chronic Renal Insufficiency Cohort (CRiC) Study, is the first prospective longitudinal study examining risk factors for the progression of CKD and cardiovascular disease in a sizable cohort of US Hispanics with a broad range of kidney dysfunction.^{17,18} The H-CRiC Study was initiated because of less-than-anticipated recruitment of Hispanics in the CRiC Study and was conducted at the University of Illinois at Chicago because of disproportionately successful Hispanic recruitment into the CRiC Study at this clinical site.¹⁸ In this article, we compare baseline characteristics between Hispanic and non-Hispanic participants in the CRiC and H-CRiC Studies, especially as they pertain to risk factors, complications, and management of CKD.

METHODS

Study Sample and Design

We conducted a cross-sectional comparative analysis of Hispanic and non-Hispanic participants at enrollment into the CRiC and H-CRiC Studies. CRiC is a prospective multicenter cohort study of adults with CKD. Details of the design and methods of the CRiC Study have been published previously.^{17,18} Major eligibility criteria for the CRiC Study included adults aged 21-74 years with mild to moderate CKD using age-based eGFR. Exclusion criteria included inability to consent, New York Heart Association class III or IV heart failure, cirrhosis, human immunodeficiency virus (HIV)/AIDS, polycystic kidney disease, prior dialysis therapy or transplant, immunosuppressive therapy within 6 months, or chemotherapy for cancer within 2 years. The H-CRiC Study adopted eligibility and exclusion criteria identical to the parent CRiC

Study. However, whereas CRiC included 169 Hispanics and 3,289 non-Hispanics recruited at 7 clinical centers from May 2003 through March 2007, H-CRiC included 327 Hispanics recruited at the University of Illinois at Chicago and Chicago metropolitan area from October 2005 through June 2008. Recruitment sites included university-based, community-based, and private health clinics. Both studies were approved by the institutional review boards of the participating centers, and the research was conducted in accordance with the principles of the Declaration of Helsinki. All study participants provided written informed consent.

Variables and Data Sources

H-CRiC Study participants underwent the same evaluation and test strategy as CRiC Study participants, which have been fully described previously,^{17,18} as well as additional evaluations (for only H-CRiC participants) focusing on primary language.¹⁹ Sociodemographic characteristics (eg, age, sex, race/ethnicity, education, annual household income, smoking, and health insurance) were self-reported and recorded at the baseline visit. Medical conditions (eg, hypertension, high cholesterol level, chronic heart failure, peripheral arterial disease, diabetes, myocardial infarction, or coronary revascularization) also were self-reported at baseline. Anthropometric measures (height, weight, body mass index, and waist circumference) were measured by trained study personnel and recorded. Current medications were reviewed and documented. As noted, blood pressure measurements and ankle-brachial indexes were obtained using standard and validated protocols.^{17,18} For each participant at baseline, urine creatinine and protein excretion were determined from a 24-hour urine collection, and eGFR was calculated using the CKD-EPI (CKD Epidemiology Collaboration) estimating equation, using a locally measured serum creatinine level calibrated to the Roche enzymatic method (Roche Diagnostics, Inc, www.roche-diagnostics.us).²⁰ GFR was assessed using renal clearance of 125-iodine iothalamate (measured GFR) in a select subcohort.^{17,18}

Statistical Analysis

Baseline participant characteristics were summarized using mean \pm standard deviation or median and 25th-75th percentile for continuous variables and frequency distribution with percentage for categorical variables. Missing values occurred very infrequently and generally under the following circumstances: (1) a participant failed to answer a question on a reporting form, (2) a physical measure was not obtained, and (3) a laboratory test was not performed. The only variables with >3% missing values were primary language spoken (17% [percentage missing in Hispanics because language was assessed in only this group]), health insurance (12%), and urine studies (6%). Analyses for each variable included only observed values. Baseline participant characteristics were compared between groups using *t* tests, χ^2 tests, or analysis of variance, as appropriate. A 2-sided *P* < 0.05 was considered statistically significant. All statistical analyses were conducted using SAS, version 9.1 (SAS, www.sas.com).

RESULTS

Baseline Demographic and Clinical Characteristics

H-CRiC and Hispanic CRiC Participants

Of 497 H-CRiC and CRiC Hispanic participants, 69% were Mexican American, 16% were Puerto Rican, and 25% had other Latin American ancestry (Table 1). Proportions of participants with low annual household income (<\$20,000/y), low educational attainment (less than high school diploma),

Table 1. Baseline Demographic and Clinical Characteristics of the H-CRiC and Hispanic CRiC Participants

Variable	Overall (N = 497)	Mexican American (n = 341)	Puerto Rican American (n = 81)	Other (n = 75)	P		
					Mexican vs Puerto Rican	Mexican vs Other	Overall
Age (y)	56.3 ± 11.7	56.0 ± 11.5	55.8 ± 13.4	58.1 ± 10.9	0.9	0.2	0.4
Men	288 (58)	194 (57)	50 (63)	44 (59)	0.4	0.8	0.7
Annual income					<0.01	<0.001	<0.001
≤\$20,000	313 (63)	234 (69)	42 (52)	37 (49)			
\$20,001-\$50,000	92 (19)	55 (16)	20 (25)	17 (23)			
\$50,001-\$100,000	24 (5)	8 (2)	5 (6)	11 (15)			
>\$100,000	12 (2)	4 (1)	4 (5)	4 (5)			
No response	56 (11)	40 (12)	10 (12)	6 (8)			
Education					<0.001	<0.001	<0.001
<7th grade	183 (37)	160 (47)	10 (13)	13 (17)			
7th-12th grade	110 (22)	75 (22)	26 (32)	9 (12)			
High school diploma	71 (14)	45 (13)	13 (16)	13 (17)			
Vocational degree	11 (2)	9 (3)	1 (1)	1 (1)			
Some college	67 (13)	29 (9)	20 (25)	18 (24)			
College graduate	35 (7)	17 (5)	5 (6)	13 (17)			
Graduate degree	20 (4)	6 (2)	6 (7)	8 (11)			
Health insurance					<0.001	0.01	<0.001
None	113 (23)	92 (27)	7 (9)	14 (19)			
Medicaid/public aid	80 (16)	61 (18)	10 (12)	9 (12)			
Any Medicare	119 (24)	80 (23)	24 (30)	15 (20)			
VA/military/Champus	9 (2)	1 (0)	6 (7)	2 (3)			
Private/commercial	67 (13)	40 (12)	8 (10)	19 (25)			
Unknown/incomplete	47 (9)	28 (8)	12 (15)	7 (9)			
Missing	62 (13)	39 (11)	14 (17)	9 (12)			
Primary language spoken					<0.001	<0.001	<0.001
English	86 (17)	56 (16)	21 (26)	9 (12)			
Spanish	327 (66)	260 (76)	33 (41)	34 (45)			
Missing	84 (17)	25 (7)	27 (33)	32 (43)			
Tobacco use							
Current smoker	29 (6)	19 (6)	9 (11)	1 (1)	0.07	0.1	0.03
>100 cigarettes	218 (44)	147 (43)	38 (47)	33 (44)	0.5	0.9	0.8
Medical history							
Hypertension	443 (89)	309 (91)	72 (89)	62 (83)	0.6	0.04	0.1
Diabetes	333 (67)	240 (70)	52 (64)	42 (56)	0.3	0.02	0.04
MI/prior revascularization	90 (18)	55 (16)	17 (21)	18 (24)	0.3	0.1	0.2
Heart failure	37 (7)	21 (6)	10 (12)	6 (8)	0.06	0.6	0.1
PVD	35 (7)	30 (9)	2 (2)	3 (4)	0.05	0.2	0.07
SBP (mm Hg)	136.0 ± 23.7	138.6 ± 24.4	130.5 ± 18.7	130.4 ± 23.6	0.01	0.01	0.01
DBP (mm Hg)	72.6 ± 12.8	73.2 ± 12.8	72.3 ± 12.6	70.2 ± 12.6	0.6	0.07	0.2
MAP (mm Hg)	93.7 ± 14.3	95.0 ± 14.6	91.7 ± 12.9	90.3 ± 13.8	0.07	0.01	0.02
BP >130/80 mm Hg	307 (62)	223 (66)	47 (59)	37 (49)	0.3	0.01	0.02
Weight (kg)	84.7 ± 20.1	84.6 ± 19.9	86.6 ± 23.8	82.9 ± 16.6	0.4	0.5	0.5
BMI (kg/m ²)	31.6 ± 6.6	31.9 ± 6.5	31.4 ± 7.4	30.6 ± 5.8	0.5	0.1	0.3
BMI category					0.5	0.9	0.9
<25 kg/m ²	58 (12)	37 (11)	12 (15)	9 (12)			
25-29.9 kg/m ²	170 (34)	116 (34)	29 (36)	25 (33)			
≥30 kg/m ²	268 (54)	187 (55)	40 (49)	41 (55)			
Waist circumference (cm)	102.7 ± 14.6	103.3 ± 14.5	102.1 ± 16.5	100.8 ± 12.6	0.5	0.2	0.4
Low ankle-brachial index ^a	72 (15)	46 (14)	15 (19)	11 (15)	0.3	0.9	0.5
Kidney function measures							
SCr (mg/dL)	1.88 ± 0.63	1.95 ± 0.65	1.78 ± 0.58	1.66 ± 0.54	0.03	<0.001	<0.001
eGFR (mL/min/1.73 m ²)	39.6 ± 14.9	37.4 ± 13.2	43.3 ± 17.5	45.6 ± 16.9	<0.001	<0.001	<0.001
eGFR category					0.03	<0.001	<0.001
<30 mL/min/1.73 m ²	135 (27)	105 (31)	19 (23)	11 (15)			
30-45 mL/min/1.73 m ²	205 (41)	149 (44)	29 (36)	27 (36)			
45-60 mL/min/1.73 m ²	114 (23)	67 (20)	22 (27)	25 (33)			
≥60 mL/min/1.73 m ²	43 (9)	20 (6)	11 (14)	12 (16)			

(Continued)

Table 1 (Cont'd). Baseline Demographic and Clinical Characteristics of the H-CRIC and Hispanic CRIC Participants

Variable	Overall (N = 497)	Mexican American (n = 341)	Puerto Rican American (n = 81)	Other (n = 75)	P		
					Mexican vs Puerto Rican	Mexican vs Other	Overall
SCysC (mg/L)	1.6 (1.3, 2.1)	1.7 (1.4, 2.1)	1.5 (1.2, 1.9)	1.3 (1.2, 1.7)	<0.001	<0.001	<0.001
Participants with mGFR below normal GFR	214 (43)	145 (43)	35 (43)	34 (45)	0.9	0.7	0.9
Estimated GFR	41.0 ± 18.8	37.1 ± 15.0	46.3 ± 22.0	52.2 ± 24.1	0.004	<0.001	<0.001
Urine studies							
24-h urine creatinine (g/d)	1.1 (0.8, 1.4)	1.1 (0.8, 1.4)	1.1 (0.9, 1.4)	1.1 (0.8, 1.3)	0.8	0.5	0.8
24-h urine protein (g/d)	0.72 (0.12, 3.25)	0.98 (0.19, 3.76)	0.39 (0.11, 1.90)	0.19 (0.07, 2.13)	0.06	0.08	0.05
Diabetics	1.10 (0.22, 4.32)	1.67 (0.26, 4.62)	0.67 (0.18, 2.16)	0.70 (0.13, 3.86)	0.2	0.6	0.4
Nondiabetics	0.26 (0.07, 1.17)	0.67 (0.10, 1.73)	0.12 (0.06, 0.41)	0.11 (0.05, 0.17)	0.1	0.1	0.07
UACR (mg/g) ^b	413.5 (29.8, 2,503.4)	659.9 (47.9, 2,835.8)	220.6 (24.6, 1,519.1)	73.6 (12.5, 1,692.3)	0.1	0.1	0.1
Diabetics	830.0 (70.1, 3,377.5)	1137.5 (77.2, 3,613.7)	363.7 (62.1, 2,309.0)	498.6 (64.0, 2,825.3)	0.2	0.4	0.3
Nondiabetics	85.7 (10.6, 826.8)	262.2 (21.2, 977.7)	43.1 (5.5, 423.7)	16.7 (8.8, 79.1)	0.7	0.4	0.7
Lipoproteins							
Total cholesterol (mg/dL)	189.5 ± 53.7	190.6 ± 53.9	186.8 ± 59.0	187.2 ± 47.0	0.6	0.6	0.8
LDL cholesterol (mg/dL)	103.7 ± 40.0	103.6 ± 40.9	103.6 ± 40.1	104.1 ± 36.2	0.9	0.9	0.9
HDL cholesterol (mg/dL)	43.1 ± 12.9	42.3 ± 12.6	44.9 ± 15.1	44.5 ± 11.3	0.1	0.2	0.2
Triglycerides (mg/dL)	158.0 (120.0, 229.0)	167.0 (124.0, 231.0)	136.0 (108.0, 201.0)	154.0 (115.0, 217.0)	0.05	0.1	0.05
Hemoglobin A _{1c} (%)	7.0 ± 1.7	7.0 ± 1.6	7.2 ± 2.0	6.8 ± 1.7	0.3	0.3	0.3
Hemoglobin (g/dL)	12.1 ± 1.9	11.9 ± 1.9	12.4 ± 1.6	12.6 ± 1.8	0.02	0.002	0.002
Bone metabolism parameters							
Calcium (mg/dL)	9.0 ± 0.5	8.9 ± 0.5	9.1 ± 0.6	9.1 ± 0.5	0.02	0.001	0.001
Phosphate (mg/dL)	4.0 ± 0.7	4.1 ± 0.7	3.7 ± 0.7	3.8 ± 0.7	<0.001	<0.001	<0.001
PTH (pg/mL)	62.0 (41.0, 102.0)	67.2 (46.0, 105.1)	54.0 (35.0, 89.0)	54.4 (35.0, 91.0)	0.1	0.008	0.02

Note: Continuous variables are represented by mean ± standard deviation or median (25th, 75th percentile); categorical variables are given as frequency (percentage). Conversion factors for units: SCr in mg/dL to mmol/L, ×88.4; total/LDL/HDL cholesterol in mg/dL to mmol/L, ×0.02586; hemoglobin in g/dL to g/L, ×10; calcium in mg/dL to mmol/L, ×0.2495; phosphate in mg/dL to mmol/L, ×0.3229; no conversion necessary for PTH in pg/mL and ng/L.

Abbreviations: BMI, body mass index; BP, blood pressure; CRIC, Chronic Renal Insufficiency Cohort; DBP, diastolic blood pressure; eGFR, estimated glomerular filtration rate; GFR, glomerular filtration rate; H-CRIC, Hispanic Chronic Renal Insufficiency Cohort; HDL, high-density lipoprotein; LDL, low-density lipoprotein; MAP, mean arterial pressure; mGFR, measured glomerular filtration rate; MI, myocardial infarction; PTH, parathyroid hormone; PVD, peripheral vascular disease; SBP, systolic blood pressure; SCr, serum creatinine; SCysC, serum cystatin C; UACR, urine albumin-creatinine ratio; VA, Veterans Administration.

^aAnkle-brachial index <0.9.

^bEight percent of values are missing.

and lack of health insurance were significantly higher for Mexican Americans than Puerto Rican Americans and other Latin Americans ($P < 0.02$). Mexican Americans more often spoke primarily Spanish (76%) relative to other Hispanic groups (~43%; $P < 0.001$). Compared with other Hispanic subgroups, prevalences of diabetes and blood pressure >130/80 mm Hg were more frequent in Mexican Americans. Mean eGFR was significantly lower in Mexican Americans (37.4 mL/min/1.73 m²) compared with Puerto Rican Americans (43.3 mL/min/1.73 m²) and other Latin Americans (45.6 mL/min/1.73 m²; $P < 0.001$), and measured GFR results for select participants were consistent with these findings. Median 24-hour urine protein and spot urine albumin-creatinine ratios were substantially higher in Mexican Americans compared with Puerto Rican Americans and other Latin Americans, and these trends persisted in both the diabetic and nondia-

betic subgroups. Compared with other Hispanic subgroups, Mexican Americans had significantly lower serum hemoglobin and calcium and higher serum phosphorus and total parathyroid hormone values ($P < 0.05$).

Comparison With Non-Hispanic White and Black CRIC Participants

Mean age was ~2 years younger in the 497 Hispanic H-CRIC/CRIC participants than in the 1,638 non-Hispanic white and 1,650 non-Hispanic black CRIC participants (Table 2). Compared with non-Hispanic whites and blacks, Hispanics more often had low annual household income, low educational attainment, lack of health insurance, and less current and former tobacco use ($P < 0.05$). The prevalence of diabetes was highest for Hispanics (67%), whereas self-reported history of myocardial infarction/prior revascularization was least prevalent for Hispanics

Table 2. Baseline Demographic and Clinical Characteristics of the H-CRIC/Hispanic CRIC Participants Compared With Non-Hispanic White and Black CRIC Participants^b

Variable	Hispanic (n = 497)	Non-Hispanic White (n = 1,638)	Non-Hispanic Black (n = 1,650)	P	
				Hispanic vs White	Hispanic vs Black
Age (y)	56.3 ± 11.7	58.9 ± 11.0	58.1 ± 10.6	<0.001	0.001
Men	288 (58)	982 (60)	806 (49)	0.4	<0.001
Annual income				<0.001	<0.001
≤\$20,000	313 (63)	254 (16)	646 (39)		
\$20,001-\$50,000	92 (19)	416 (25)	417 (25)		
\$50,001-\$100,000	24 (5)	455 (28)	215 (13)		
>\$100,000	12 (2)	295 (18)	62 (4)		
No response	56 (11)	218 (13)	310 (19)		
Education				<0.001	<0.001
<7th grade	183 (37)	7 (0)	20 (1)		
7th-12th grade	110 (22)	83 (5)	417 (25)		
High school diploma	71 (14)	291 (18)	366 (22)		
Vocational degree	11 (2)	73 (4)	102 (6)		
Some college	67 (13)	394 (24)	465 (28)		
College graduate	35 (7)	429 (26)	180 (11)		
Graduate degree	20 (4)	361 (22)	100 (6)		
Health insurance				<0.001	<0.001
None	113 (23)	48 (3)	95 (6)		
Medicaid/public aid	80 (16)	95 (6)	317 (19)		
Any Medicare	119 (24)	561 (34)	488 (30)		
VA/military/Champus	9 (2)	73 (4)	110 (7)		
Private/commercial	67 (13)	290 (18)	190 (12)		
Unknown/incomplete	47 (9)	423 (26)	216 (13)		
Missing	62 (13)	148 (9)	234 (14)		
Primary language spoken				<0.001	<0.001
English	86 (17)				
Spanish	327 (66)				
Missing	84 (17)	1,638 (100)	1,650 (100)		
Tobacco use					
Current smoker	29 (6)	155 (9)	320 (19)	0.01	<0.001
>100 cigarettes	218 (44)	920 (56)	955 (58)	<0.001	<0.001
Medical history					
Hypertension	443 (89)	1,293 (79)	1,533 (93)	<0.001	0.006
Diabetes	334 (67)	649 (40)	848 (51)	<0.001	<0.001
MI/prior revascularization	90 (18)	376 (23)	361 (22)	0.02	0.07
Heart failure	37 (7)	117 (7)	217 (13)	0.8	<0.001
PVD	35 (7)	105 (6)	117 (7)	0.6	0.9
SBP (mm Hg)	136.0 ± 23.7	121.8 ± 18.6	132.9 ± 23.1	<0.001	0.009
DBP (mm Hg)	72.6 ± 12.8	69.0 ± 11.4	73.8 ± 13.8	<0.001	0.08
MAP (mm Hg)	93.7 ± 14.3	86.6 ± 11.8	93.5 ± 14.7	<0.001	0.8
BP > 130/80 mm Hg	307 (62)	573 (35)	942 (57)	<0.001	0.05
Weight (kg)	84.7 ± 20.1	90.5 ± 22.7	95.8 ± 24.3	<0.001	<0.001
BMI (kg/m ²)	31.6 ± 6.6	31.2 ± 7.6	33.4 ± 8.3	0.2	<0.001
BMI category				<0.001	<0.001
<25 kg/m ²	58 (12)	310 (19)	217 (13)		
25-29.9 kg/m ²	170 (34)	517 (32)	378 (23)		
≥30 kg/m ²	268 (54)	809 (49)	1048 (64)		
Waist circumference (cm)	102.7 ± 14.6	105.4 ± 17.6	108.0 ± 18.2	0.003	<0.001
Low ankle-brachial index ^a	72 (15)	206 (13)	333 (20)	0.2	0.007

(Continued)

Table 2 (Cont'd). Baseline Demographic and Clinical Characteristics of the H-CRIC/Hispanic CRIC Participants Compared With Non-Hispanic White and Black CRIC Participants^b

Variable	Hispanic (n = 497)	Non-Hispanic White (n = 1,636)	Non-Hispanic Black (n = 1,650)	P	
				Hispanic vs White	Hispanic vs Black
Kidney function measures					
SCr (mg/dL)	1.88 ± 0.63	1.59 ± 0.46	1.87 ± 0.63	<0.001	0.8
eGFR (mL/min/1.73 m ²)	39.6 ± 14.9	46.2 ± 14.7	43.7 ± 14.9	<0.001	<0.001
eGFR category				<0.001	<0.001
<30 mL/min/1.73 m ²	135 (27)	245 (15)	322 (20)		
30- <45 mL/min/1.73 m ²	205 (41)	570 (35)	607 (37)		
45- <60 mL/min/1.73 m ²	114 (23)	532 (32)	495 (30)		
≥60 mL/min/1.73 m ²	43 (9)	291 (18)	226 (14)		
SCysC (mg/L)	1.6 (1.3, 2.1)	1.3 (1.1, 1.7)	1.4 (1.1, 1.9)	<0.001	<0.001
Participants with mGFR	214 (43)	585 (36)	525 (32)	0.003	<0.001
Iothalamate GFR	41.0 ± 18.8	50.9 ± 20.3	47.1 ± 19.3	<0.001	<0.001
Urine studies					
24-h urine creatinine (g/d)	1.1 (0.8, 1.4)	1.3 (1.0, 1.7)	1.3 (0.9, 1.7)	<0.001	<0.001
24-h urine protein (g/d)	0.72 (0.12, 3.25)	0.12 (0.07, 0.51)	0.24 (0.08, 1.07)	<0.001	<0.001
Diabetics	1.10 (0.22, 4.32)	0.21 (0.08, 0.90)	0.42 (0.10, 1.63)	<0.001	<0.001
Nondiabetics	0.26 (0.07, 1.17)	0.09 (0.06, 0.28)	0.14 (0.07, 0.63)	<0.001	<0.001
UACR (mg/g) ^a	413.5 (29.8, 2,503.4)	24.5 (6.1, 208.1)	76.9 (11.4, 518.9)	<0.001	<0.001
Diabetics	830.0 (70.1, 3,377.5)	68.1 (14.4, 454.2)	174.9 (20.4, 975.2)	<0.001	<0.001
Nondiabetics	85.7 (10.4, 826.8)	13.2 (5.0, 98.2)	32.5 (7.7, 237.5)	<0.001	<0.001
Lipoproteins					
Total cholesterol (mg/dL)	189.5 ± 53.7	180.1 ± 41.9	185.6 ± 45.7	<0.001	0.1
LDL cholesterol (mg/dL)	103.7 ± 40.0	99.4 ± 32.1	106.1 ± 37.2	0.01	0.2
HDL cholesterol (mg/dL)	43.1 ± 12.9	47.1 ± 15.2	49.3 ± 16.1	<0.001	<0.001
Triglycerides (mg/dL)	158.0 (120.0, 229.0)	133.0 (91.5, 193.0)	112.0 (83.0, 160.0)	<0.001	<0.001
Hemoglobin A_{1c} (%)					
Hemoglobin A _{1c} (%)	7.0 ± 1.7	6.3 ± 1.3	6.9 ± 1.7	<0.001	0.3
Hemoglobin (g/dL)					
Hemoglobin (g/dL)	12.1 ± 1.9	13.2 ± 1.7	12.2 ± 1.7	<0.001	0.2
Bone metabolism parameters					
Calcium (mg/dL)	9.0 ± 0.5	9.2 ± 0.5	9.2 ± 0.5	<0.001	<0.001
Phosphate (mg/dL)	4.0 ± 0.7	3.6 ± 0.6	3.8 ± 0.7	<0.001	<0.001
PTH (pg/mL)	62.0 (41.0, 102.0)	43.0 (30.4, 68.6)	67.2 (41.2, 114.8)	<0.001	0.01

Note: Continuous variables are represented by mean ± standard deviation or median (25th, 75th percentile); categorical variables are given as frequency (percentage). Conversion factors for units: SCr in mg/dL to mmol/L, ×88.4; total/LDL/HDL cholesterol in mg/dL to mmol/L, ×0.02586; hemoglobin in g/dL to g/L, ×10; calcium in mg/dL to mmol/L, ×0.2495; phosphate in mg/dL to mmol/L, ×0.3229; no conversion necessary for PTH in pg/mL and ng/L.

Abbreviations: BMI, body mass index; BP, blood pressure; CRIC, Chronic Renal Insufficiency Cohort; DBP, diastolic blood pressure; eGFR, estimated glomerular filtration rate; GFR, glomerular filtration rate; H-CRIC, Hispanic Chronic Renal Insufficiency Cohort; HDL, high-density lipoprotein; LDL, low-density lipoprotein; MAP, mean arterial pressure; mGFR, measured glomerular filtration rate; MI, myocardial infarction; PTH, parathyroid hormone; PVD, peripheral vascular disease; SBP, systolic blood pressure; SCr, serum creatinine; SCysC, serum cystatin C; UACR, urine albumin-creatinine ratio; VA, Veterans Administration.

^aAnkle-brachial index <0.9.

^bFour percent missing values.

(18%). The prevalence of self-reported hypertension for Hispanics (89%) was between that for non-Hispanic whites (79%) and blacks (93%), whereas blood pressure >130/80 mm Hg at cohort entry was more common for Hispanics (62%) than non-Hispanic whites (35%) and non-Hispanic blacks (57%; $P < 0.05$). Mean glycosylated hemoglobin level in Hispanics (7.0%) was significantly higher than in non-Hispanic whites (6.3%; $P < 0.05$) and similar to that in non-Hispanic blacks (6.9%; $P > 0.05$). Mean

eGFR was significantly lower in Hispanics (39.6 mL/min/1.73 m²) compared with non-Hispanic whites (46.2 mL/min/1.73 m²) and blacks (43.7 mL/min/1.73 m²; $P < 0.001$), and measured GFR results for select participants were consistent with these findings. Median 24-hour urine protein and spot urine albumin-creatinine ratios were substantially higher in Hispanics compared with non-Hispanic whites and blacks, and these trends persisted in both the diabetic and nondiabetic subgroups ($P < 0.001$). Lipoprotein lev-

Table 3. Baseline Frequency of ACEI/ARB Use in H-CRICH/Hispanic CRIC Participants Compared With Non-Hispanic White and Black CRIC Participants

Variable	Hispanic (n = 497)	Non-Hispanic White (n = 1,638)	Non-Hispanic Black (n = 1,650)	P		
				Hispanic vs White	Hispanic vs Black	Overall
Overall	67% (332/493)	67% (1,088/1,627)	71% (1,164/1,638)	0.8	0.1	0.03
Control of BP						
>130/80 mm Hg	62% (189/305)	70% (397/567)	70% (650/934)	0.02	0.01	0.03
≤130/80 mm Hg	76% (140/184)	65% (689/1,057)	73% (507/696)	0.004	0.4	<0.001
Presence of diabetes						
Yes	72% (238/331)	81% (524/645)	80% (678/843)	<0.001	0.001	0.001
No	58% (94/162)	57% (564/982)	61% (486/795)	0.9	0.5	0.3
Degree of proteinuria						
>0.3 g/d	67% (172/258)	78% (384/493)	73% (510/701)	<0.001	0.07	0.003
≤0.3 g/d	71% (110/154)	62% (671/1,087)	70% (574/822)	0.02	0.7	<0.001
eGFR level						
<30 mL/min/1.73 m ²	60% (81/135)	75% (183/244)	67% (215/322)	0.002	0.2	0.009
30-45 mL/min/1.73 m ²	74% (149/202)	73% (412/567)	74% (447/605)	0.8	0.9	0.9
45-60 mL/min/1.73 m ²	72% (81/113)	68% (358/526)	75% (367/489)	0.5	0.5	0.05
≥60 mL/min/1.73 m ²	49% (21/43)	47% (135/290)	61% (135/222)	0.8	0.1	0.01

Note: Statistical comparisons made within clinical subgroup strata (eg, eGFR level) across race/ethnicity.

Abbreviations: ACEi, angiotensin-converting enzyme inhibitor; ARB, angiotensin receptor blocker; BP, blood pressure; CRIC, Chronic Renal Insufficiency Cohort; eGFR, estimated glomerular filtration rate; H-CRICH, Hispanic Chronic Renal Insufficiency Cohort.

cls, hemoglobin concentrations, and bone metabolism parameters were less favorable in Hispanics compared with non-Hispanic whites and similar to those in non-Hispanic blacks.

Baseline Frequency of ACE-I/ARB Use

Overall, use of angiotensin-converting enzyme (ACE)-inhibitor or angiotensin receptor blocker (ARB) medications was not significantly different among H-CRICH/CRIC participants (Table 3). However, for important subgroups, including those with blood pressure >130/80 mm Hg, diabetes, or urine protein excretion >0.3 g/d, Hispanics consistently had the lowest receipt of ACE-inhibitor/ARB therapy compared with non-Hispanic whites and blacks ($P < 0.05$).

Blood Pressure by eGFR and Albuminuria Strata

Across all eGFR categories and albuminuria strata, the proportion of participants with blood pressure >130/80 mm Hg was significantly higher for Hispanics compared with non-Hispanic white participants ($P < 0.05$; Table 4). However, only in eGFR <30 mL/min/1.73 m² strata was the percentage of Hispanics with blood pressure >130/80 mm Hg significantly higher than that of non-Hispanic blacks ($P < 0.05$), whereas this percentage was not significantly different between these 2 groups for all other eGFR strata. No significant differences were found between proportions of Hispanic and non-Hispanic blacks with blood pressure >130/80 mm Hg across albuminuria strata.

Laboratory Parameters by eGFR and Albuminuria Strata

Across all eGFR categories and albuminuria strata, Hispanic participants had significantly lower serum sodium and bicarbonate levels than non-Hispanic whites and blacks ($P < 0.05$), whereas less pronounced differences existed for serum potassium levels among these groups (Table 5). There were no significant differences in hemoglobin levels between Hispanics and non-Hispanic blacks, but levels were significantly lower in Hispanics compared with non-Hispanic whites across eGFR and albuminuria values ($P < 0.05$). Calcium levels were lower and serum phosphorus levels were higher in Hispanics versus non-Hispanics with eGFR <45 mL/min/1.73 m² or albumin-creatinine ratio ≥30 mg/g ($P < 0.05$). Total intact parathyroid hormone levels for Hispanics generally were significantly higher than for non-Hispanic whites, but lower than for non-Hispanic blacks across eGFR and albuminuria levels. Serum albumin level consistently was the lowest in Hispanics compared with non-Hispanics regardless of eGFR or albuminuria group.

DISCUSSION

We found that in participants with CKD in the CRIC and H-CRICH Studies, Hispanics were disproportionately burdened with lower socioeconomic status, more frequent diabetes mellitus, worse blood pressure control, lower receipt of ACE-inhibitor/ARB medications, and more severe CKD compared with non-Hispanic whites

Table 4. BP in H-CRICH/Hispanic CRIC Participants Compared With Non-Hispanic White and Black CRIC Participants

Variable	Hispanic (n = 497)	Non-Hispanic White (n = 1,638)	Non-Hispanic Black (n = 1,650)	P	
				Hispanic vs White	Hispanic vs Black
eGFR Strata					
eGFR <30 (n = 702)					
SBP (mm Hg)	142.3 ± 23.0	123.4 ± 20.4	135.0 ± 25.1	<0.001	0.004
DBP (mm Hg)	73.1 ± 12.7	66.4 ± 12.0	71.6 ± 14.0	<0.001	0.3
MAP (mm Hg)	96.2 ± 14.1	85.4 ± 12.7	92.7 ± 15.3	<0.001	0.03
BP >130/80 mm Hg	98 (73)	84 (35)	191 (60)	<0.001	0.006
eGFR 30-45 (n = 1,382)					
SBP (mm Hg)	137.1 ± 24.3	123.8 ± 19.1	134.7 ± 23.8	<0.001	0.2
DBP (mm Hg)	72.0 ± 12.9	68.1 ± 11.1	73.1 ± 13.7	<0.001	0.4
MAP (mm Hg)	93.7 ± 14.5	86.6 ± 11.6	93.7 ± 15.1	<0.001	0.9
BP >130/80 mm Hg	126 (62)	216 (38)	349 (58)	<0.001	0.3
eGFR 45-60 (n = 1,141)					
SBP (mm Hg)	130.8 ± 22.9	121.6 ± 18.4	131.7 ± 21.0	<0.001	0.7
DBP (mm Hg)	72.1 ± 13.3	70.2 ± 11.4	74.0 ± 13.2	0.1	0.2
MAP (mm Hg)	91.7 ± 14.4	87.4 ± 12.0	93.2 ± 13.6	<0.001	0.3
BP >130/80 mm Hg	62 (55)	192 (36)	291 (59)	<0.001	0.4
eGFR ≥60 (n = 560)					
SBP (mm Hg)	125.5 ± 18.8	116.9 ± 15.4	127.8 ± 22.0	0.001	0.5
DBP (mm Hg)	74.7 ± 11.4	70.6 ± 11.1	78.2 ± 14.2	0.02	0.1
MAP (mm Hg)	91.6 ± 12.9	86.0 ± 10.9	94.8 ± 15.5	0.002	0.2
BP >130/80 mm Hg	21 (49)	81 (28)	111 (50)	0.005	0.9
Albuminuria Strata					
UACR <30 mg/g (n = 1,564)					
SBP (mm Hg)	122.0 ± 20.6	118.0 ± 16.3	124.1 ± 19.4	0.02	0.3
DBP (mm Hg)	67.3 ± 12.1	67.8 ± 10.7	70.7 ± 12.5	0.7	0.009
MAP (mm Hg)	85.5 ± 13.2	84.5 ± 10.7	88.5 ± 13.0	0.3	0.03
BP >130/80 mm Hg	44 (38)	228 (27)	255 (42)	0.01	0.5
UACR 30-300 mg/g (n = 955)					
SBP (mm Hg)	133.2 ± 20.0	122.9 ± 18.5	132.6 ± 22.2	<0.001	0.8
DBP (mm Hg)	69.6 ± 11.9	68.3 ± 11.4	73.6 ± 14.0	0.3	0.01
MAP (mm Hg)	90.8 ± 12.6	86.5 ± 11.6	93.2 ± 14.6	0.001	0.1
BP >130/80 mm Hg	51 (54)	148 (36)	247 (56)	0.001	0.7
UACR ≥300 mg/g (n = 1,110)					
SBP (mm Hg)	143.2 ± 22.9	129.8 ± 21.2	143.2 ± 23.1	<0.001	0.9
DBP (mm Hg)	76.0 ± 12.3	72.5 ± 12.2	77.2 ± 13.9	<0.001	0.3
MAP (mm Hg)	98.4 ± 13.1	91.6 ± 12.9	99.2 ± 14.2	<0.001	0.5
BP >130/80 mm Hg	186 (76)	183 (53)	395 (76)	<0.001	0.8

Note: Continuous variables are represented by mean ± standard deviation; categorical variables are given as frequency (percentage). eGFR given in mL/min/1.73 m².

Abbreviations: BP, blood pressure; CRIC, Chronic Renal Insufficiency Cohort; DBP, diastolic blood pressure; eGFR, estimated glomerular filtration rate; H-CRICH, Hispanic Chronic Renal Insufficiency Cohort; MAP, mean arterial pressure; SBP, systolic blood pressure; UACR, urine albumin-creatinine ratio.

and blacks. In particular, in the setting of CKD, Mexican Americans had especially unfavorable sociodemographic and clinical parameters relative to Puerto Rican Americans and other Latin Americans. Even when level of eGFR was taken into account, Hispanics with CKD more often had uncontrolled blood pressure, lower serum hemoglobin levels, and worse metabolic and bone metabolism parameters than non-Hispanic whites and blacks.

In contrast to prior reports and studies that focused chiefly on populations with ESRD,²⁻⁴ this work is one of the few systematic evaluations of CKD in Hispanics, who constitute a growing high-risk population well known to be affected by health disparities.²¹⁻²⁷ The CRIC and H-CRICH Studies were designed to examine prospectively risk factors for CKD progression and cardiovascular disease incidence and progression in a large diverse representative cohort of indi-

Table 5. Laboratory Parameters in H-CRIC/Hispanic CRIC Participants Compared With Non-Hispanic White and Black CRIC Participants

Variable	Hispanic (n = 497)	Non-Hispanic White (n = 1,638)	Non-Hispanic Black (n = 1,650)	P	
				Hispanic vs White	Hispanic vs Black
eGFR Strata					
eGFR <30 (n = 702)					
Sodium (mmol/L)	138.1 ± 2.9	139.8 ± 2.9	139.8 ± 3.1	<0.001	<0.001
Potassium (mmol/L)	4.6 ± 0.6	4.6 ± 0.5	4.5 ± 0.6	0.5	0.004
CO ₂ (mmol/L)	21.7 ± 3.5	23.0 ± 3.3	22.7 ± 3.4	<0.001	0.003
Hemoglobin (g/dL)	11.5 ± 1.8	12.3 ± 1.6	11.5 ± 1.6	<0.001	0.7
Calcium (mg/dL)	8.8 ± 0.6	9.2 ± 0.5	9.1 ± 0.6	<0.001	<0.001
Phosphate (mg/dL)	4.4 ± 0.7	4.0 ± 0.8	4.2 ± 0.7	<0.001	0.09
Total PTH (pg/mL)	102.7 (73.1, 171.3)	79.9 (50.6, 126.4)	133.6 (81.3, 212.6)	0.006	<0.001
Serum albumin (g/dL)	3.6 ± 0.5	4.0 ± 0.4	3.8 ± 0.5	<0.001	<0.001
eGFR 30-<45 (n = 1,382)					
Sodium (mmol/L)	137.9 ± 3.0	139.1 ± 2.9	140.0 ± 3.2	<0.001	<0.001
Potassium (mmol/L)	4.4 ± 0.5	4.5 ± 0.5	4.3 ± 0.5	0.2	0.04
CO ₂ (mmol/L)	22.8 ± 2.8	24.3 ± 2.8	24.5 ± 3.2	<0.001	<0.001
Hemoglobin (g/dL)	11.8 ± 1.7	13.0 ± 1.7	11.9 ± 1.6	<0.001	0.2
Calcium (mg/dL)	8.9 ± 0.5	9.2 ± 0.5	9.2 ± 0.5	<0.001	<0.001
Phosphate (mg/dL)	4.0 ± 0.7	3.7 ± 0.6	3.8 ± 0.6	<0.001	<0.001
Total PTH (pg/mL)	59.5 (44.0, 95.0)	48.0 (32.0, 76.0)	75.3 (48.9, 118.5)	0.09	<0.001
Serum albumin (g/dL)	3.6 ± 0.5	4.0 ± 0.4	3.9 ± 0.5	<0.001	<0.001
eGFR 45-<60 (n = 1,141)					
Sodium (mmol/L)	138.3 ± 3.1	139.3 ± 3.0	139.5 ± 3.1	0.002	<0.001
Potassium (mmol/L)	4.3 ± 0.5	4.3 ± 0.5	4.1 ± 0.5	0.4	0.002
CO ₂ (mmol/L)	24.0 ± 2.9	25.1 ± 2.8	25.7 ± 3.0	<0.001	<0.001
Hemoglobin (g/dL)	12.8 ± 2.1	13.4 ± 1.6	12.5 ± 1.6	<0.001	0.08
Calcium (mg/dL)	9.1 ± 0.5	9.3 ± 0.4	9.2 ± 0.5	0.01	0.08
Phosphate (mg/dL)	3.6 ± 0.6	3.5 ± 0.5	3.6 ± 0.6	0.09	0.8
Total PTH (pg/mL)	51.0 (37.0, 66.0)	38.0 (28.6, 54.0)	52.2 (36.0, 77.9)	<0.001	0.05
Serum albumin (g/dL)	3.8 ± 0.6	4.1 ± 0.4	4.0 ± 0.4	<0.001	0.008
eGFR ≥60 (n = 560)					
Sodium (mmol/L)	137.7 ± 2.5	138.7 ± 3.0	139.3 ± 2.6	0.04	<0.001
Potassium (mmol/L)	4.2 ± 0.5	4.2 ± 0.4	4.1 ± 0.4	0.3	0.3
CO ₂ (mmol/L)	24.8 ± 3.4	25.5 ± 3.0	25.6 ± 2.8	0.1	0.1
Hemoglobin (g/dL)	13.0 ± 1.6	13.7 ± 1.6	13.1 ± 1.6	0.003	0.8
Calcium (mg/dL)	9.1 ± 0.5	9.1 ± 0.4	9.3 ± 0.4	0.4	0.004
Phosphate (mg/dL)	3.7 ± 0.5	3.4 ± 0.5	3.5 ± 0.6	<0.001	0.09
Total PTH (pg/mL)	40.9 (27.0, 49.7)	35.0 (26.0, 45.0)	38.0 (28.5, 55.6)	0.3	0.4
Serum albumin (g/dL)	3.9 ± 0.6	4.0 ± 0.4	4.0 ± 0.4	0.02	0.02
Albuminuria Strata					
UACR <30 mg/g (n = 1,564)					
Sodium (mmol/L)	138.3 ± 2.9	139.1 ± 3.0	139.8 ± 3.3	0.005	<0.001
Potassium (mmol/L)	4.3 ± 0.5	4.3 ± 0.5	4.2 ± 0.5	0.5	0.03
CO ₂ (mmol/L)	23.9 ± 3.3	25.1 ± 2.9	25.4 ± 3.1	<0.001	<0.001
Hemoglobin (g/dL)	12.4 ± 1.5	13.4 ± 1.5	12.4 ± 1.6	<0.001	0.7
Calcium (mg/dL)	9.3 ± 0.4	9.3 ± 0.5	9.3 ± 0.5	0.7	0.2
Phosphate (mg/dL)	3.7 ± 0.5	3.5 ± 0.6	3.7 ± 0.6	0.004	0.9
Total PTH (pg/mL)	49.0 (35.0, 63.0)	38.0 (27.1, 54.1)	52.0 (35.0, 77.8)	0.1	0.03
Serum albumin (g/dL)	4.0 ± 0.4	4.1 ± 0.4	4.1 ± 0.4	0.04	0.4
UACR 30-<300 mg/g (n = 955)					
Sodium (mmol/L)	138.3 ± 2.7	139.3 ± 3.1	139.8 ± 3.0	0.005	<0.001
Potassium (mmol/L)	4.4 ± 0.6	4.4 ± 0.5	4.3 ± 0.5	0.4	0.06
CO ₂ (mmol/L)	23.1 ± 3.2	24.1 ± 3.0	24.4 ± 3.4	0.003	<0.001

(Continued)

Table 5 (Cont'd). Laboratory Parameters in H-CRIC/Hispanic CRIC Participants Compared With Non-Hispanic White and Black CRIC Participants

Variable	Hispanic (n = 497)	Non-Hispanic White (n = 1,638)	Non-Hispanic Black (n = 1,650)	P	
				Hispanic vs White	Hispanic vs Black
Hemoglobin (g/dL)	12.2 ± 2.0	13.1 ± 1.7	12.3 ± 1.8	<0.001	0.7
Calcium (mg/dL)	9.1 ± 0.5	9.2 ± 0.5	9.2 ± 0.5	0.01	0.008
Phosphate (mg/dL)	3.9 ± 0.7	3.6 ± 0.7	3.7 ± 0.6	<0.001	0.02
Total PTH (pg/mL)	57.7 (34.0, 90.0)	49.3 (32.0, 74.3)	69.4 (43.1, 125.0)	0.04	0.005
Serum albumin (g/dL)	3.9 ± 0.4	4.1 ± 0.4	4.0 ± 0.4	<0.001	0.02
UACR ≥300 mg/g (n = 1,110)					
Sodium (mmol/L)	137.9 ± 3.1	139.2 ± 2.8	139.5 ± 3.0	<0.001	<0.001
Potassium (mmol/L)	4.5 ± 0.6	4.5 ± 0.5	4.3 ± 0.5	0.09	0.001
CO ₂ (mmol/L)	22.5 ± 3.2	24.0 ± 3.1	24.0 ± 3.4	<0.001	<0.001
Hemoglobin (g/dL)	11.8 ± 2.0	12.7 ± 1.8	11.9 ± 1.7	<0.001	0.8
Calcium (mg/dL)	8.8 ± 0.5	9.1 ± 0.5	9.0 ± 0.5	<0.001	<0.001
Phosphate (mg/dL)	4.2 ± 0.8	3.8 ± 0.6	4.0 ± 0.7	<0.001	<0.001
Total PTH (pg/mL)	81.2 (50.5, 117.0)	60.1 (36.9, 98.4)	92.0 (55.7, 157.0)	0.06	<0.001
Serum albumin (g/dL)	3.5 ± 0.5	3.8 ± 0.5	3.7 ± 0.5	<0.001	<0.001

Note: Continuous variables are represented by mean ± standard deviation or median (25th, 75th percentile). eGFR given in mL/min/1.73 m². Conversion factors for units: hemoglobin in g/dL to g/L, ×10; calcium in mg/dL to mmol/L, ×0.2495; phosphate in mg/dL to mmol/L, ×0.3229; albumin in g/dL to g/L, ×10; no conversion necessary for PTH in pg/mL and ng/L.

Abbreviations: CO₂, carbon dioxide; CRIC, Chronic Renal Insufficiency Cohort; eGFR, estimated glomerular filtration rate; H-CRIC, Hispanic Chronic Renal Insufficiency Cohort; PTH, parathyroid hormone; UACR, urine albumin-creatinine ratio.

viduals with CKD.^{17,18} By capturing a wide array of data for a broad range of demographic factors and clinical exposures, the H-CRIC and CRIC Studies will further elucidate reasons for health disparities in Hispanics with CKD and inform clinical trials of therapeutic interventions that potentially may lead to improvements in clinical outcomes.²⁸

A few prior studies examined differences in the burden of CKD between Hispanics and non-Hispanics. Although analyses from NHANES (National Health and Nutrition Examination Survey) have found the prevalence of eGFR <60 mL/min/1.73 m² to be similar in Mexican Americans and non-Hispanic whites, they generally have noted a higher prevalence of micro- and macroalbuminuria.^{6,9,10} In a large cohort of adults with stages 3-4 CKD from Kaiser Permanente of Northern California, higher levels of proteinuria also were observed in Hispanics compared with non-Hispanic whites, which is consistent with our observations in the H-CRIC/CRIC Studies.⁷ Less is known about complications of CKD. Similar to our findings, a recent analysis from NHANES found that several metabolic abnormalities, including those involving hemoglobin, phosphorus, potassium, and bicarbonate, were more common in Hispanic than white adults with eGFR <60 mL/min/1.73 m².²⁹ Differences in socioeconomic status may explain some of these observed differences. For example, 2 recent studies found that low socioeconomic status was associated strongly with higher serum phosphorus levels in adults with CKD regardless of race/ethnic-

ity.^{30,31} The impact of these complications on health outcomes will be assessed in future longitudinal analyses.

Optimal control of blood pressure and use of renoprotective medications also were found to be inferior in Hispanics compared with non-Hispanic whites in H-CRIC/CRIC despite evidence supporting these measures to attenuate CKD progression.¹⁶ Similar patterns of greater uncontrolled blood pressure in Hispanics with and without CKD also have been observed in samples from NHANES^{29,32} and MESA (Multi-Ethnic Study of Atherosclerosis),³³ which appear due in part to socioeconomic differences. Only one prior study has examined the relationship between race/ethnicity and ACE-inhibitor/ARB use in individuals at high risk of progressive CKD. Of almost 40,000 diabetic adults in the Kaiser Permanente of Northern California Diabetes Registry, 59% of Latinos received an ACE inhibitor/ARB, including 54% with albuminuria, and this proportion was not significantly different from that observed for whites.³⁴ Although we observed a similar proportion of Hispanics receiving ACE inhibitors/ARBs in H-CRIC/CRIC overall, we found that Hispanics had significantly lower receipt of these medications in high-risk groups (eg, diabetes, proteinuria, and blood pressure >130/80 mm Hg) compared with non-Hispanic whites and blacks. In addition to local clinical practice patterns, the lower prevalence of health insurance in Hispanics in H-CRIC/CRIC likely contributes to these observed differences. Although not specifically evaluated in regard to categories of race and ethnic-

ity, lack of health insurance has been associated with decreased access to regular care, worse control of hypertension, and less receipt of ACE inhibitors/ARBs in adults with diabetes and CKD.^{35,36} Because of its robust data collection, future H-CRIC/CRIC analyses will delineate the relationships between race/ethnicity, socioeconomic status (eg, income, health insurance, and access to health care), risk factors for CKD, and CKD progression.

There is notable heterogeneity among Hispanics in the United States with regard to race, country of origin, language, health beliefs, and social customs.³⁷ The H-CRIC and CRIC Studies also afford an initial examination of differences among subgroups of Hispanics with CKD, finding that Mexican Americans had more severe CKD (ie, lower eGFRs and higher proteinuria), a disproportionate burden of unfavorable CKD risk factors, and a higher prevalence of CKD-related metabolic complications compared with Puerto Rican Americans and other Latin Americans. Only a few prior studies have investigated differences in CKD parameters and outcomes among Hispanic subgroups. In a prospective observational study of nearly 5,000 Hispanics receiving long-term dialysis therapy, Mexican Americans were found to have significantly lower mortality than their Puerto Rican American counterparts over 2 years.³⁸ Analysis of NHANES data showed that Cuban Americans were more likely to have an estimated creatinine clearance <60 mL/min/1.73 m² compared with Mexican Americans or Puerto Ricans.³⁹ Recently, findings from MESA showed that although Puerto Ricans had levels of albuminuria similar to non-Hispanic whites, Mexicans and Dominicans had much higher albuminuria than whites, which appeared to be related to the heterogeneity in genetic admixture between European, African, and Native American ancestry in these groups.⁴⁰ Further analyses are needed to better understand the diversity among Hispanic subgroups in the United States and delineate the clinical implications of these baseline findings.

The causes of racial and ethnic inequities among individuals with CKD are speculated to be of diverse origins, including patient- (eg, biological, socioeconomic, and environmental), provider- (eg, bias and communication), and health care system-related (eg, access to services) factors.^{22,23} Reasons for these reported disparities in Hispanics have been examined infrequently. Some have argued that differences in sociodemographic and recognized clinical factors account for much of observed disparities in health outcomes.²⁷ Others have contended that intrinsic biological and genetic predispositions toward CKD and its complications, along with differential responses to treatment, may contribute substantially to these disparities for Hispanics.⁷ Moreover, few studies have incor-

porated detailed data for socioeconomic status, health insurance, and access to care.^{3,8} Of those that did, the observed disparities in regard to higher rates of ESRD in Hispanics appear to be explained only partially by these factors.⁷ By virtue of their prospective longitudinal design and detailed collection of patient-level data, the H-CRIC and CRIC Studies are poised to identify additional genetic, biological, and sociocultural factors that contribute to racial/ethnic differences in CKD-related outcomes.

As in other observational analyses, inferences regarding causality are limited by residual bias and confounding. However, method strategies have been adopted to minimize these concerns.^{17,18} Another potential limitation pertains to the generalizability of findings from CRIC and H-CRIC participants. As previously described,^{17,18} the CRIC cohort oversampled certain subgroups (ie, African Americans) and recruited participants from select geographic sites and therefore is not a population-based sample like the NHANES CKD cohort. Similarly, most Hispanic participants in CRIC/H-CRIC were Mexican Americans (69%) and were recruited from the Chicago metropolitan area (85%). Although many characteristics of our Hispanic cohort, including country of origin, education, income, and primary language, are similar to representative samples, such as those in NHANES,^{21,41,42} it is important to recognize that our Hispanic cohort does not include robust representation from all Hispanic subgroups and geographic regions of the United States. Therefore, findings reported here may not fully generalize to all US Hispanics with CKD. Last, although a recent study has indicated that the CKD-EPI equation for eGFR is relatively accurate for Hispanics,⁴³ this equation has not been validated in large diverse samples of Hispanics. Hence, eGFR findings reported here across racial/ethnic groups may be subject to bias.

In conclusion, Hispanics with CKD in the CRIC/H-CRIC Studies are disproportionately burdened with lower socioeconomic status, more frequent diabetes mellitus, worse blood pressure control, lower receipt of ACE-inhibitor/ARB medications, and more severe CKD with disproportionate associated metabolic complications than their non-Hispanic white and black counterparts. The consequences of these observed differences across racial and ethnic groups are less clear. Although multiple studies have found an increased burden of adverse sociodemographic characteristics, clinical risk factors, and ESRD in Hispanics compared with whites,^{2-4,6-10,29} a decreased risk of cardiovascular events and death in Hispanics with CKD and ESRD has been observed,^{7,24-27} which is consistent with a phenomenon observed elsewhere

called the Hispanic paradox.⁴⁴ Therefore, longitudinal analyses are critically needed to fully examine the impact of these baseline health disparities as potential mediators of racial/ethnic variation in CKD-related clinical outcomes. Improving our understanding of the causes and consequences of health disparities in Hispanics with CKD has the potential to allow us to more effectively identify and address barriers to health care and improve outcomes for this population.^{22,23}

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DP-1

Profile of General Demographic Characteristics: 2000

Census 2000 Summary File 1 (SF 1) 100-Percent Data

NOTE: For information on confidentiality protection, nonsampling error, definitions, and count corrections see <http://factfinder.census.gov/home/en/data/notes/expsf1u.htm>.

Subject	Lemont village, Illinois	
	Number	Percent
Total population	13,098	100.0
SEX AND AGE		
Male	6,208	47.4
Female	6,890	52.6
Under 5 years	952	7.3
5 to 9 years	1,103	8.4
10 to 14 years	1,059	8.1
15 to 19 years	763	5.8
20 to 24 years	554	4.2
25 to 34 years	1,313	10.0
35 to 44 years	2,514	19.2
45 to 54 years	1,821	13.9
55 to 59 years	680	5.2
60 to 64 years	487	3.7
65 to 74 years	719	5.5
75 to 84 years	650	5.0
85 years and over	483	3.7
Median age (years)	38.3	(X)
18 years and over	9,472	72.3
Male	4,363	33.3
Female	5,109	39.0
21 years and over	9,094	69.4
62 years and over	2,110	16.1
65 years and over	1,852	14.1
Male	616	4.7
Female	1,236	9.4
RACE		
One race	13,014	99.4
White	12,757	97.4
Black or African American	40	0.3
American Indian and Alaska Native	19	0.1
Asian	107	0.8
Asian Indian	31	0.2
Chinese	22	0.2
Filipino	25	0.2
Japanese	1	0.0
Korean	19	0.1
Vietnamese	3	0.0
Other Asian [1]	6	0.0
Native Hawaiian and Other Pacific Islander	4	0.0
Native Hawaiian	1	0.0
Guamanian or Chamorro	1	0.0
Samoa	0	0.0
Other Pacific Islander [2]	2	0.0

Subject	Lemont village, Illinois	
	Number	Percent
Some other race	87	0.7
Two or more races	84	0.6
Race alone or in combination with one or more other races [3]		
White	12,834	98.0
Black or African American	58	0.4
American Indian and Alaska Native	39	0.3
Asian	129	1.0
Native Hawaiian and Other Pacific Islander	4	0.0
Some other race	126	1.0
HISPANIC OR LATINO AND RACE		
Total population	13,098	100.0
Hispanic or Latino (of any race)	393	3.0
Mexican	276	2.1
Puerto Rican	38	0.3
Cuban	13	0.1
Other Hispanic or Latino	66	0.5
Not Hispanic or Latino	12,705	97.0
White alone	12,469	95.2
RELATIONSHIP		
Total population	13,098	100.0
In households	12,597	96.2
Householder	4,420	33.7
Spouse	2,977	22.7
Child	4,509	34.4
Own child under 18 years	3,477	26.5
Other relatives	427	3.3
Under 18 years	116	0.9
Nonrelatives	264	2.0
Unmarried partner	134	1.0
In group quarters	501	3.8
Institutionalized population	285	2.2
Noninstitutionalized population	216	1.6
HOUSEHOLDS BY TYPE		
Total households	4,420	100.0
Family households (families)	3,409	77.1
With own children under 18 years	1,722	39.0
Married-couple family	2,977	67.4
With own children under 18 years	1,520	34.4
Female householder, no husband present	325	7.4
With own children under 18 years	150	3.4
Nonfamily households	1,011	22.9
Householder living alone	867	19.6
Householder 65 years and over	452	10.2
Households with individuals under 18 years	1,800	40.7
Households with individuals 65 years and over	1,095	24.8
Average household size	2.85	(X)
Average family size	3.32	(X)
HOUSING OCCUPANCY		
Total housing units	4,553	100.0
Occupied housing units	4,420	97.1
Vacant housing units	133	2.9
For seasonal, recreational, or occasional use	6	0.1
Homeowner vacancy rate (percent)	0.9	(X)
Rental vacancy rate (percent)	3.7	(X)
HOUSING TENURE		
Occupied housing units	4,420	100.0
Owner-occupied housing units	3,660	82.8
Renter-occupied housing units	760	17.2
Average household size of owner-occupied unit	3.06	(X)

Subject	Lemont village, Illinois	
	Number	Percent
Average household size of renter-occupied unit	1.84	(X)

(X) Not applicable.

[1] Other Asian alone, or two or more Asian categories.

[2] Other Pacific Islander alone, or two or more Native Hawaiian and Other Pacific Islander categories.

[3] In combination with one or more other races listed. The six numbers may add to more than the total population and the six percentages may add to more than 100 percent because individuals may report more than one race.

Source: U.S. Census Bureau, Census 2000 Summary File 1, Matrices P1, P3, P4, P8, P9, P12, P13, P,17, P18, P19, P20, P23, P27, P28, P33, PCT5, PCT8, PCT11, PCT15, H1, H3, H4, H5, H11, and H12.



DP-1

Profile of General Population and Housing Characteristics: 2010

2010 Demographic Profile Data

NOTE: For more information on confidentiality protection, nonsampling error, and definitions, see <http://www.census.gov/prod/cen2010/doc/dpsf.pdf>.

Geography: Lemont village, Illinois

Subject	Number	Percent
SEX AND AGE		
Total population	16,000	100.0
Under 5 years	804	5.0
5 to 9 years	1,111	6.9
10 to 14 years	1,331	8.3
15 to 19 years	1,189	7.4
20 to 24 years	750	4.7
25 to 29 years	644	4.0
30 to 34 years	655	4.1
35 to 39 years	911	5.7
40 to 44 years	1,264	7.9
45 to 49 years	1,486	9.3
50 to 54 years	1,439	9.0
55 to 59 years	1,111	6.9
60 to 64 years	897	5.6
65 to 69 years	692	4.3
70 to 74 years	528	3.3
75 to 79 years	347	2.2
80 to 84 years	330	2.1
85 years and over	511	3.2
Median age (years)	42.6	(X)
16 years and over	12,477	78.0
18 years and over	11,947	74.7
21 years and over	11,435	71.5
62 years and over	2,938	18.4
65 years and over	2,408	15.1
Male population		
Under 5 years	420	2.6
5 to 9 years	554	3.5
10 to 14 years	689	4.3
15 to 19 years	608	3.8
20 to 24 years	380	2.4
25 to 29 years	333	2.1
30 to 34 years	330	2.1
35 to 39 years	426	2.7
40 to 44 years	598	3.7
45 to 49 years	728	4.6
50 to 54 years	697	4.4
55 to 59 years	582	3.6
60 to 64 years	452	2.8
65 to 69 years	315	2.0
70 to 74 years	251	1.6
75 to 79 years	152	1.0
80 to 84 years	101	0.6
85 years and over	120	0.8

Subject	Number	Percent
Median age (years)	41.2	(X)
16 years and over	5,924	37.0
18 years and over	5,667	35.4
21 years and over	5,402	33.8
62 years and over	1,203	7.5
65 years and over	939	5.9
Female population	8,264	51.7
Under 5 years	384	2.4
5 to 9 years	557	3.5
10 to 14 years	642	4.0
15 to 19 years	581	3.6
20 to 24 years	370	2.3
25 to 29 years	311	1.9
30 to 34 years	325	2.0
35 to 39 years	485	3.0
40 to 44 years	666	4.2
45 to 49 years	758	4.7
50 to 54 years	742	4.6
55 to 59 years	529	3.3
60 to 64 years	445	2.8
65 to 69 years	377	2.4
70 to 74 years	277	1.7
75 to 79 years	195	1.2
80 to 84 years	229	1.4
85 years and over	391	2.4
Median age (years)	43.7	(X)
16 years and over	6,553	41.0
18 years and over	6,280	39.3
21 years and over	6,033	37.7
62 years and over	1,735	10.8
65 years and over	1,469	9.2
RACE		
Total population	16,000	100.0
One Race	15,823	98.9
White	15,340	95.9
Black or African American	58	0.4
American Indian and Alaska Native	14	0.1
Asian	260	1.6
Asian Indian	98	0.6
Chinese	48	0.3
Filipino	70	0.4
Japanese	0	0.0
Korean	21	0.1
Vietnamese	4	0.0
Other Asian {1}	19	0.1
Native Hawaiian and Other Pacific Islander	2	0.0
Native Hawaiian	0	0.0
Guamanian or Chamorro	0	0.0
Samoan	0	0.0
Other Pacific Islander [2]	2	0.0
Some Other Race	149	0.9
Two or More Races	177	1.1
White; American Indian and Alaska Native [3]	39	0.2
White; Asian [3]	44	0.3
White; Black or African American [3]	26	0.2
White; Some Other Race [3]	53	0.3
Race alone or in combination with one or more other races: [4]		
White	15,511	96.9
Black or African American	90	0.6
American Indian and Alaska Native	59	0.4

Subject	Number	Percent
Asian	314	2.0
Native Hawaiian and Other Pacific Islander	3	0.0
Some Other Race	210	1.3
HISPANIC OR LATINO		
Total population	16,000	100.0
Hispanic or Latino (of any race)	822	5.1
Mexican	661	4.1
Puerto Rican	52	0.3
Cuban	24	0.2
Other Hispanic or Latino [5]	85	0.5
Not Hispanic or Latino	15,178	94.9
HISPANIC OR LATINO AND RACE		
Total population	16,000	100.0
Hispanic or Latino	822	5.1
White alone	621	3.9
Black or African American alone	0	0.0
American Indian and Alaska Native alone	5	0.0
Asian alone	2	0.0
Native Hawaiian and Other Pacific Islander alone	0	0.0
Some Other Race alone	145	0.9
Two or More Races	49	0.3
Not Hispanic or Latino	15,178	94.9
White alone	14,719	92.0
Black or African American alone	58	0.4
American Indian and Alaska Native alone	9	0.1
Asian alone	258	1.6
Native Hawaiian and Other Pacific Islander alone	2	0.0
Some Other Race alone	4	0.0
Two or More Races	128	0.8
RELATIONSHIP		
Total population	16,000	100.0
In households	15,819	98.9
Householder	5,722	35.8
Spouse [6]	3,757	23.5
Child	5,450	34.1
Own child under 18 years	3,895	24.3
Other relatives	524	3.3
Under 18 years	140	0.9
65 years and over	182	1.1
Nonrelatives	366	2.3
Under 18 years	18	0.1
65 years and over	48	0.3
Unmarried partner	199	1.2
In group quarters	181	1.1
Institutionalized population	145	0.9
Male	34	0.2
Female	111	0.7
Noninstitutionalized population	36	0.2
Male	0	0.0
Female	36	0.2
HOUSEHOLDS BY TYPE		
Total households	5,722	100.0
Family households (families) [7]	4,329	75.7
With own children under 18 years	2,031	35.5
Husband-wife family	3,757	65.7
With own children under 18 years	1,752	30.6
Male householder, no wife present	164	2.9
With own children under 18 years	78	1.4
Female householder, no husband present	408	7.1
With own children under 18 years	201	3.5

Subject	Number	Percent
Nonfamily households [7]	1,393	24.3
Householder living alone	1,193	20.8
Male	457	8.0
65 years and over	132	2.3
Female	736	12.9
65 years and over	486	8.5
Households with individuals under 18 years	2,126	37.2
Households with individuals 65 years and over	1,628	28.5
Average household size	2.76	(X)
Average family size [7]	3.25	(X)
HOUSING OCCUPANCY		
Total housing units	6,102	100.0
Occupied housing units	5,722	93.8
Vacant housing units	380	6.2
For rent	107	1.8
Rented, not occupied	6	0.1
For sale only	145	2.4
Sold, not occupied	26	0.4
For seasonal, recreational, or occasional use	39	0.6
All other vacants	57	0.9
Homeowner vacancy rate (percent) [8]	2.9	(X)
Rental vacancy rate (percent) [9]	10.2	(X)
HOUSING TENURE		
Occupied housing units	5,722	100.0
Owner-occupied housing units	4,782	83.6
Population in owner-occupied housing units	14,019	(X)
Average household size of owner-occupied units	2.93	(X)
Renter-occupied housing units	940	16.4
Population in renter-occupied housing units	1,800	(X)
Average household size of renter-occupied units	1.91	(X)

X Not applicable.

[1] Other Asian alone, or two or more Asian categories.

[2] Other Pacific Islander alone, or two or more Native Hawaiian and Other Pacific Islander categories.

[3] One of the four most commonly reported multiple-race combinations nationwide in Census 2000.

[4] In combination with one or more of the other races listed. The six numbers may add to more than the total population, and the six percentages may add to more than 100 percent because individuals may report more than one race.

[5] This category is composed of people whose origins are from the Dominican Republic, Spain, and Spanish-speaking Central or South American countries. It also includes general origin responses such as "Latino" or "Hispanic."

[6] "Spouse" represents spouse of the householder. It does not reflect all spouses in a household. Responses of "same-sex spouse" were edited during processing to "unmarried partner."

[7] "Family households" consist of a householder and one or more other people related to the householder by birth, marriage, or adoption. They do not include same-sex married couples even if the marriage was performed in a state issuing marriage certificates for same-sex couples. Same-sex couple households are included in the family households category if there is at least one additional person related to the householder by birth or adoption. Same-sex couple households with no relatives of the householder present are tabulated in nonfamily households. "Nonfamily households" consist of people living alone and households which do not have any members related to the householder.

[8] The homeowner vacancy rate is the proportion of the homeowner inventory that is vacant "for sale." It is computed by dividing the total number of vacant units "for sale only" by the sum of owner-occupied units, vacant units that are "for sale only," and vacant units that have been sold but not yet occupied; and then multiplying by 100.

[9] The rental vacancy rate is the proportion of the rental inventory that is vacant "for rent." It is computed by dividing the total number of vacant units "for rent" by the sum of the renter-occupied units, vacant units that are "for rent," and vacant units that have been rented but not yet occupied; and then multiplying by 100.

Source: U.S. Census Bureau, 2010 Census.

NEED DETERMINATION—PREVALENCE RATES

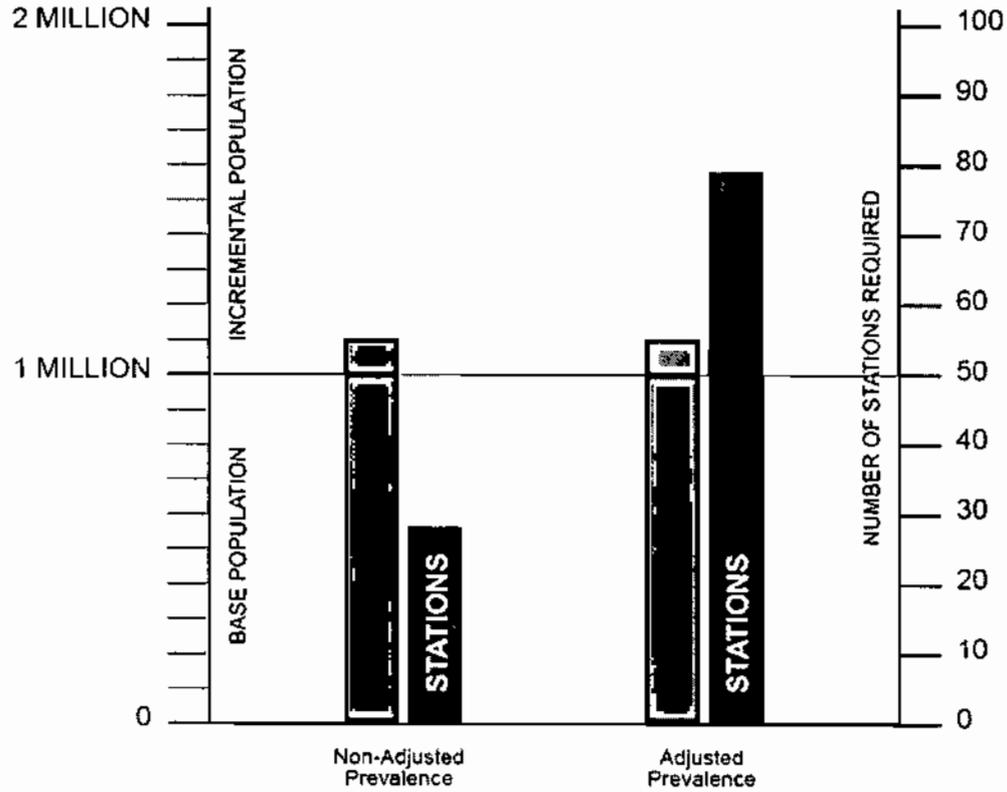
OVERALL PREVALENCE OF ESRD	1,699 per million population
Prevalence for Patients 65-74 years	5,941 per million population
Prevalence for Patients 75 years and over	5,266 per million population
Prevalence for African American Population	5,205 per million population
Prevalence for Hispanic Population	2,458 per million population
Average High Risk Prevalence (Mixed Average)	4,718 per million population

(Source: U.S. Renal Data Service, 2010 Annual Data Report: Volume 2 Atlas of End Stage Renal Disease, at 259)

APPLICATION OF ADJUSTED PREVALENCE

	Incremental Population	Prevalence Rate	Patients	Stations Required
Overall Prevalence	100,000	0.1699%	170	28
Average High Risk Prevalence	100,000	0.4718%	472	79

APPLICATION OF ADJUSTED PREVALENCE



ATTACHMENT 26

UNNECESSARY DUPLICATION OF SERVICES

The attached tables show the following information:

- A list of zip code areas that are located, in total or in part, within 30 minutes normal travel time of the project's site; and
- The total population of the identified zip code areas (based upon the 2010 population numbers available for the State of Illinois population).

Zip Code	Total Population
60421	3,968
60442	9,924
60503	16,717
60404	17,395
60586	46,251
60431	22,577
60544	25,959
60436	18,315
60435	48,899
60403	17,529
60446	39,807
60585	22,311
60564	41,312
60504	37,919
60555	13,538
60563	35,922
60540	42,910
60490	20,463
60565	40,524
60440	52,911
60532	27,066
60433	17,160
60432	21,403
60441	36,869
60451	34,063
60491	22,743
60517	32,038
60515	27,503
60516	29,084
60559	24,852
60439	22,919
60561	23,115
60527	27,486
60514	9,708

Zip Code	Total Population
60521	17,597
60558	12,960
60190	10,663
60189	30,472
60187	29,016
60139	34,381
60137	37,805
60148	51,468
60101	39,119
60523	9,890
60181	28,836
60126	46,371
60162	8,111
60163	5,209
60423	30,423
60448	24,423
60487	26,928
60467	26,046
60462	38,723
60477	38,161
60443	21,145
60452	27,969
60463	14,671
60445	26,057
60464	9,620
60480	5,246
60465	17,495
60457	14,049
60455	16,446
60525	31,168
60526	13,576
60458	14,428
60501	11,626
60513	19,047

Zip Code	Total Population
60534	10,649
60482	11,063
60415	14,139
60459	28,929
60803	22,285
60453	56,855
60456	4,349
60638	55,026
60402	63,448
60429	15,630
60428	12,203
60472	5,390
60406	25,460

Zip Code	Total Population
60655	28,550
60652	40,959
60632	91,326
60154	16,773
60155	7,927
60104	19,038
60153	24,106
60141	224
60546	15,668
60130	14,167
60804	84,573
60623	92,108

ATTACHMENT 26

UNNECESSARY DUPLICATION OF SERVICES

The names and locations of all existing or approved health care facilities located within 30 minutes normal travel from the site that provide the dialysis services that are proposed by the project. This table indicates both facilities within an unadjusted 30 minute drive time and the 1.15 factor adjusted 30 minute drive time. Utilization data for these facilities is taken from the fourth quarter 2011 ESRD utilization .

Mapquest maps of driving times and distances are included in Appendix 2 in the order they appear in the facility table.

**U.S. RENAL CARE LEMONT DIALYSIS UTILIZATION ANALYSIS
FACILITIES WITHIN A 30 MINUTE DRIVE TIME RADIUS (1.15 ADJUSTED)**

Name	Map Address	City	Zip Code	County	HSA	Stations	Patients	Drive Time	Adjusted Drive Time (1.15 X)	Included in Utilization Analysis	Utilization
Sun Health	2121 Oneida Street	Joliet	60435	Will	9	17	55	27	31.1	N	53.9%
Fresenius Medical Care Naperville	2451 South Washington Street	Naperville	60565	Will	9	16	0	21	24.2	Y	0.0%
USRC Bolingbrook Dialysis	396 Remington Boulevard	Bolingbrook	60440	Will	9	13	0	13	15.0	Y	0.0%
FMC Bolingbrook	329 Remington Road	Bolingbrook	60440	Will	9	24	121	13	15.0	Y	84.0%
FMC - Naperville	100 Spalding Drive	Naperville	60566	Suburban Cook	7	15	0	24	27.6	Y	0.0%
Fresenius Medical Care Joliet	721 East Jackson Street	Joliet	60432	Will	9	16	0	20	23.0	Y	0.0%
Silver Cross Renal Center	1860 Silver Cross Boulevard	New Lenox	60451	Will	9	19	80	13	15.0	Y	70.2%
USRC Oak Brook Dialysis	1213 Butterfield Road	Downers Grove	60515	DuPage	7	13	0	22	25.3	Y	0.0%
FMC - Downers Grove Dialysis Center	3825 Highland Avenue	Downers Grove	60515	DuPage	7	19	100	23	26.5	Y	87.7%
FMC Dialysis Services of Willowbrook	6300 Kingery Highway	Willowbrook	60527	DuPage	7	16	91	15	17.3	Y	94.8%
FMC - Westchester	2400 Wolf Road	Westchester	60154	Suburban Cook	7	20	83	26	29.9	Y	69.2%
Fresenius Medical Care Lombard	1940 Springer Drive	Lombard	60148	DuPage	7	12	21	23	26.5	Y	29.2%
RCG Villa Park	York Road & Roosevelt Road	Elmhurst	60126	DuPage	7	24	123	31	35.7	N	85.4%
Palos Park Dialysis	13155 S. LaGrange Road	Orland Park	60462	Cook	7	12	0	15	17.3	Y	0.0%
FMC - Orland Park	15890 Parkhill Dr	Orland Park	60462	Suburban Cook	7	18	84	21	24.2	Y	77.8%
FMC - Crestwood	4861 Cal Sag Road	Crestwood	60445	Suburban Cook	7	32	131	24	27.6	Y	68.2%
FMC - Alsip	12250 South Cicero	Alsip	60803	Suburban Cook	7	16	75	26	29.9	Y	78.1%
UTILIZATION CALCULATION FOR FACILITIES W/IN 30 MIN DRIVE TIME						302	964			17	53.2%
UTILIZATION CALCULATION FOR FACILITIES W/IN ADJUSTED 30 MIN DRIVE TIME						261	786			15	50.2%

ATTACHMENT 26

MALDISTRIBUTION

This Project will not result in maldistribution, because there is not an excess of stations in HSA 7. On the contrary, this area has a need for 92 additional stations, as published in the IDPH Revised Needs Determinations for ESRD Stations dated May 17, 2012.

A ratio of stations to population that exceeds one and one-half times the State average:

The ratio of stations to population within a 30 minute drive time of the proposed facility does not exceed one and a half times the State average. The State average, calculated from the most-recently available IDPH Revised Needs Determinations for ESRD Stations dated May 17, 2012 and 2010 census population statistics, results in a state station to population ratio of 1 station per 3,346 persons. The calculated station to population ratio within the 30 minute drive time of the proposed facility is 1 station per 8,215 persons. Thus the station to population ratio within the 30 minute drive time of the proposed facility does not exceed one and one-half times the State average; in fact it is less than 1/2 the State average demonstrating that there is not a maldistribution of stations in the 30 minute drive time of the proposed facility.

The associated calculation of station to population ratios is included in this attachment. The calculation for the state station to population ratio utilizes 2010 Census data for the State of Illinois and the total station count as found on the IDPH Revised Needs Determinations for ESRD Stations dated May 17, 2012. The calculation of the station to population ratio for facilities within a 30 minute drive time is calculated using all facilities and zip codes identified in the Unnecessary Duplication of Services attachment.

1096 South State Street, Lemont, Illinois 60439

Total Number of Stations for Facilities within a 30 Minute Drive Time	302
Total Population for Zip Codes within a 30 Minute Drive Time	2,481,150
Ratio of Stations to Population	8,215

State of Illinois

Total Number of Stations in the State of Illinois	3,834
Total Population in the State of Illinois	12,830,632
Ratio of Stations to Population	3,346

ATTACHMENT 26

IMPACT OF PROJECT ON OTHER AREA PROVIDERS

The addition of 13 ESRD stations at the U.S. Renal Care Lemont Dialysis Facility would only account for 4.3% of the total shift capacity in the unadjusted 30-minute drive time area and 1.2% of the total shift capacity in HSA 7. Assuming 80% utilization (9,734 shifts per year) was achieved immediately; the facility would only make a 3.4% difference in the 30 minute drive time occupancy levels and less than a 0.9% difference in the total shift capacity of HSA 7. This increase in stations is fractional compared to the number of licensed stations in the area, thus it is unlikely that the addition of these stations will lower the utilization of other area providers, both those who are operating above 80% and those operating below 80%.

Additionally, the HSA 7 has a station need of 92 stations, as published in the IDPH Revised Needs Determinations for ESRD Stations dated May 17, 2012.

*This calculation is based on the HSA 7 approved stations of 1,127 as calculated on the IDPH Revised Needs Determinations for ESRD Stations dated May 17, 2012 and the 30 minute drive time facilities as identified in Attachment 26 Unnecessary Duplication of Services. Shift capacity of each station is calculated as 3 shifts per day, 6 days a week, 52 weeks a year.

ATTACHMENT 26

STAFFING AVAILABILITY

Medical Director

The curriculum vitae of the facility's Medical Director is included in this attachment.

Staff Recruitment

U.S. Renal Care, Inc. recruits facility personnel through the use of various job posting websites as well as a recruitment tool maintained on the corporate website (available at http://www.usrenalcare.com/us_renal_care_careers.htm).

Training

Applicant maintains rigorous orientation and training requirements for all staff of dialysis facilities. Clinical staff are subject to a comprehensive orientation regimen providing training for such personnel in multiple areas (policies related to orientation and competencies are included in this attachment). Such staff is also required to comply with any federal or state training requirements necessary for certification in their respective fields. In addition, U.S. Renal maintains both corporate and facility level training requirements for facility staff. For example, all staff are subject to corporate requirements for annual competency assessments and quarterly assignments provided through U.S. Renal Care's training tool, Health Streams (a copy of the schedule of assignments, email reminder and completion report are included in this attachment). Furthermore, dialysis staff is also required to comply with any facility required training programs as implemented by the governing body of the dialysis facility (see attached policy# EO-8002).

Staffing Plan

Applicant maintains staffing ratios in compliance with state requirements for the state in which Applicant maintains a dialysis facility. Included in this attachment is the U.S. Renal Care policy regarding staffing ratios which demonstrates the requirement for on duty RNs when the patients are present and maintenance of direct patient care providers in compliance with state regulations. In the case of Illinois, Applicant will maintain a ratio of one direct patient care provider to every four patients.

PREETI RAO NAGARKATTE
Northeast Nephrology Consultants
815 North Larkin
Joliet, Illinois 60435

EDUCATION:

Board Certified in Nephrology

Certified 11/07/2001, Certificate valid through 12/31/2011

Certified 10/18/2011, Certificate valid through 12/31/2021

Board Certified in Internal Medicine

Certified 08/24/1999, Certificate valid through 12/31/2009

Certified 10/15/2009, Certificate valid through 12/31/2019

Fellow, Nephrology

Pritzker School of Medicine

University of Chicago Hospitals (2001)

Chicago, Illinois

Residency, Internal Medicine,

Rush Presbyterian St. Luke's Medical Center (1999)

Chicago, Illinois

M.D., University of Cincinnati College of Medicine (1996)

Cincinnati, Ohio

B.S., Biochemistry, University of Cincinnati (1992)

University Honors Scholars Program

Cincinnati, Ohio

HONORS:

- Phi Beta Kappa
- Magna cum laude
- Departmental Honors in Biochemistry
- The Student Affiliates of the American Chemical Society Award
- Albert B. Voorheis Scholarship (full) - University of Cincinnati
- The Ohio Board of Regents Scholarship (undergraduate and medical school)
- Dean's List
- Golden Key National Honor Society
- Alpha Lambda Delta Freshman Honor Society

RESEARCH AND PUBLICATIONS:

"Utility of [18F]2-Fluoro-2-Deoxyglucose-PET in Sporadic and Tuberous Sclerosis-Associated Lymphangiomyomatosis", Lisa R. Young; David N. Franz; Preeti Nagarkatte; Christopher D. M. Fletcher; Kathryn A. Wikenheiser-Brokamp; Matthew D. Galsky; Thomas C. Corbridge; Anna P. Lam; Michael J. Gelfand; Francis X. McCormack, **Chest**, (Volume 136, #3, September 2009)

"Analgesic Nephropathy", MD Vista, (September 2000)

University of Chicago, Department of Nephrology

Involved with following research projects:

- Conducted research associated with understanding Vitamin D receptor up-regulation and the effects of the diuretic chlorthalidone on the receptor in patients with idiopathic hypercalciuria.
- Studied the effect of h5a1-ab (an anti-human antibody) on proteinuria and the progression of renal insufficiency in patients with membranous nephropathy.
- Conducted a meta-analysis of the efficacy of steroid withdrawal in kidney transplant patients.

EXPERIENCE:

Northeast Nephrology Consultants, Joliet, Illinois, 2001 to Present

- On staff at:
Silver Cross Hospital, Joliet, IL;
Provena St. Joseph Hospital, Joliet IL;
Morris Hospital, Morris, IL; and,
Michael Reese Hospital (taught Internal Medicine Residents), Chicago, IL.
- Voted Best Female Physician of the Year, 2006, Silver Cross Hospital, Joliet, IL.

Silver Cross Hospital, Joliet, Illinois, 2001 to Present

Leadership Roles

- Chairwoman of Department of Medicine (2007 – 2009)
- Chairwoman, Department of Nephrology (2005 – 2007)
- Director, Silver Cross Hospital Dialysis Units, (2009 – Present)
- Member, Credentials Committee (2009 to Present)
- Member, Pharmacy and Therapeutics (2007 to Present)

University of Cincinnati, Research Assistant, Summer 1993

University of Cincinnati Stroke Team, Department of Neurology, Cincinnati, Ohio
Responsible for the study of patients with intracerebral hemorrhages.

University of Cincinnati, Biochemistry Tutor, Winter 1993

Department of Biochemistry, Cincinnati, Ohio
Responsible for teaching medical biochemistry for first-year students.

University of Cincinnati, Research Assistant, 1990

Department of Cardiology, Cincinnati, Ohio
Responsible for analyzing data for retrospective study on cardiac transplant patient rehabilitation.

University of Cincinnati, Research Assistant, 1989

Department of Cardiology, Cincinnati, Ohio
Responsible for biochemistry project analyzing urine metabolites in cardiac patients.

AFFILIATIONS:

Member – ASN, NKF
Member of Education Coordination Committee (1994-1996)
Co-chair of Medical Students Association, University of Cincinnati (1993-1994)
President of Medical Class, University of Cincinnati (1992-1993)
Honors Students Association, University of Cincinnati (1989-1992)
Member of University Task Force, University of Cincinnati (1989-1990)
Member of University of Cincinnati Student Government Programming Committee

U.S.] RENAL CARE

CONTINUING EDUCATION & IN-SERVICE PROGRAMS		EFFECTIVE DATE: 01/2011
POLICY # EO-8002	PAGE 1 OF 1	REVISION DATE: 01/2012

CONTINUING EDUCATION & IN-SERVICE PROGRAMS- SEE STATE SPECIFIC ALSO

PURPOSE: To provide guidelines on continuing education

POLICY:

All employees must have the opportunity for continuing education and related development activities. Continuing education and in-service programs are encouraged for all staff in the facility to continuously improve the quality of patient care by increasing staff knowledge.

PROCEDURE:

The governing body or designated persons are responsible for developing regularly scheduled monthly in-service programs that will meet the needs of the staff and the center.

Documentation of attendance at continuing education activities will be kept in the personnel file for each staff member. Continuing education activities may consist of, but are not limited to; seminars, lectures, and educational workshops for one-on-one training.

The Facility Administrator will maintain minutes of all such meetings, including attendance records. Out of center continuing education programs will be at the guidance of the Facility Administrator.

U.S. RENAL CARE		
Hemodialysis Charge Nurse Skills Checklist		EFFECTIVE DATE: 01/2011
POLICY # EO-1002		REVISION DATE: 04/2011

Employee: _____

Title: _____

Facility: _____

Date of Hire: _____

PA, VA, NY, GA a LPN maybe a charge nurse as long as dialysis RN is available in the building. The LPN may not supervise a RN Charge Nurse, Administrator, or qualified designee may perform skills verification as preceptor

Objectives: To ensure proper orientation to the charge nurse position.

To provide a smooth transition from the clinical floor setting to the charge position

Expectations: The Charge Nurse will demonstrate ability to complete all charge nurse duties as per all facility protocols and procedures according to job description

Orientation Requirements	Date Completed	Preceptor Signature
Received a copy of the Federal/State Regulations and become familiar with the rule and regulations of the practicing state.		
Understands and accepts expectations of job description		
Knows the facility's floor plan for emergency purposes and location of the equipment and supplies		
Demonstrate knowledge of policies and procedures:		
a. Patients' Rights and Responsibilities	a.	a.
b. Patient's Grievance Procedure	b.	b.
c. Patient/Staff disaster plan, emergency evacuation and use of emergency supplies	c.	c.
d. Process for transferring patient to hospitals and other health care facilities	d.	d.
e. Patient Admissions and Discharges	e.	e.
f. Processing of the transient patient	f.	f.
g. Administration of medications and (count of narcotics) if required per facility procedure.	g.	g.
h. Administration of blood products (if provided) as per facility protocol	h.	h.
Demonstrates knowledge of the Electronic Medical Record (EMR)		
Pass a written comprehensive exam on Renal A&P, ESRD, and Hemodialysis with a score of 80% or better.		
Pass a written medication test as related to dialysis and other conditions related to renal failure		
Attend formal charge nurse education class contact educator.		
Daily Responsibilities	Date Completed	Preceptor Signature
Water Checks		
Veriflex Water testing is performed per policy;		
a. AM opening - Check all water parameters, Pressure gauges, Softner and Carbon Tanks	a.	a.
b. Checks Carbon tanks prior to start of each shift	b.	b.
c. End of the day checks - Softner tank	c.	c.
d. Ensures all logs are properly completed	d.	c.
Clinical Checks		
Knows the location of the emergency cart, AED and suction equipment		
Ensures all equipment is functional and ready for use		
Verifies all daily checks are done, i.e.; glucometer, AED, crash cart, oxygen, suction supplies		
Assures drug counts are performed and accurate at start and end of day and documents on logs		
Verifies temperatures on medication and lab refridgerators are within established limits and documents on logs.		
Makes daily staff assignments based on patient needs		
Ensures staffing ratios do not exceed 4:1/PCT and 12:1/license nurse or as per state regs FA is notified if not met		
Ensures staff maintains integrity of patient schedule. FA notified if not met.		
Provides immediate supervision of patient care.		
Provides oversight and direction to PCTs and LVNs/LPNs		
Intervenes to changes in patient's condition		
Recommends changes in treatment based on patient's current needs		
Ensures patients are in view of staff during hemodialysis treatments.		

U.S. RENAL CARE

Hemodialysis Charge Nurse Skills Checklist		EFFECTIVE DATE: 01/2011
POLICY # EO-1002		REVISION DATE: 04/2011

Ensures visualization of the patients, their access site, and their bloodline connections during the dialysis treatment		
Enforces staff compliance to personnel policies regarding breaks, lunch periods, etc.		
Efficiently manages staff hours and overtime - including sending staff home as needed when census is low.		
Ensures compliance with state and federal regulations - FA notified if not met		
References the Policy and Procedure manual to increase personal knowledge of P&P		
Practices according to company policies and procedures		
Verifies and corrects others to follow company P&P		
Follows proper infection control practices		
Monitors/corrects infection control practices for staff, patients and visitors - FA notified if not met		
Ensures biohazard waste is disposed of and stored properly		
Oversees the clinical floor is kept clean of debris/spills		
Ensures an unobstructed path to patient stations is maintained		
Ensures emergency exits are not obstructed		
Oversees that emergency procedures are followed		
Transcribes orders correctly onto Kardex, computer system, and/or methods as per facility protocol		
Verifies staff is transcribing/carrying out orders correctly		
Hospitalization of a patient: notifies physician, sends correct paperwork, proper documentation in progress notes.		
Proper documentation on return of hospitalized patient		
Conducts assessment of a patient when indicated by a question relating to a change in the patient's status, extended or frequent hospitalizations, or at the patient's request.		
Facilitates communication between the patient, patient's family or significant other		
Initiates and provide patient education and follow up as needed		
Participates in the interdisciplinary team review of a patient's progress		
Prepares for and assists with CIPA and POC completion as assigned		
Proper medication administration, including use of protocols for:		
a. Epogen	a.	a.
b. Vitamin D Analogs: Calcijex, Hectorol, Zemplar	b.	b.
c. Iron: Venfor, Ferrlecit	c.	c.
d. Oxygen	d.	d.
e. Hepatitis vaccine	e.	e.
f. TB Tuberculin Testing	f.	f.
g. Heparin	g.	g.
h. Lidocaine	h.	h.
i. Urokinase (Activase)	i.	i.
j. Antibiotics	j.	j.
k. Normal Saline	k.	k.
Manages complications during hemodialysis		
a. Hypotension	a.	a.
b. Hypertension	b.	b.
c. Cramps	c.	c.
d. Headaches	d.	d.
e. Pruritis	e.	e.
f. Nausea, vomiting	f.	f.
g. Fever, chills	g.	g.
h. Pyrogenic reaction	h.	h.
i. Chest pain	i.	i.
j. Seizures	j.	j.
k. Hypoglycemia	k.	k.
l. Hyperglycemia	l.	l.

U.S. RENAL CARE		
Hemodialysis Charge Nurse Skills Checklist		EFFECTIVE DATE: 01/2011
POLICY # EO-1002		REVISION DATE: 04/2011

Oversees use and management of Reuse chemicals where applicable		
a. Approve sterilant	a.	a.
b. Signs and symptoms of reaction/exposure	b.	b.
Proper use of incident reports		
Verifies all ordered lab is drawn, processed, packaged and sent out		
Verifies staff perform pH/conductivity checks before treatment		
Recognizes machine problems, correctly handles machine problems, communicates with technical		
Communicates with physician, dietitian, and social worker regarding patient needs		
Ensures charts are closed out prior to leaving and all paperwork communicated to business office as required (billing logs, etc.)		
Secures the building at the end of the day:		
a. makes sure all patients have left the facility	a.	a.
b. checks that water and acid valves have been turned off	b.	b.
c. checks that answering service has been activated	c.	c.
d. makes sure all doors have been locked	d.	d.
Weekly /Monthly /Quarterly Responsibilities	Date Completed	Preceptor Signature
Checks crash cart for adequacy of supplies, kind of supplies, and expiration dates, i.e., meds, airway, lab tubes, misc.		
Checks to see what weekly labs need to be drawn		
Review of lab results and reports any critical abnormal results to the Physician		
Adjust patient treatment according to lab results following protocol		
Monthly Diabetic Foot Checks done		
Quarterly review of patient's home medication		
Treatment Initiation Responsibilities	Date Completed	Preceptor Signature
Conducts nursing rounds once all patients are undergoing treatment and		
a. reviews patient pre-treatment assessments and verifies accuracy and completeness	a.	a.
b. verifies all parameters are set to prescribed order.	b.	b.
c. verifies pre-treatment machine checks have been performed and documented	c.	c.
d. verifies treatment is initiated 3-5 minutes after heparin bolus is given according to documentation	d.	d.
Intradialytic Responsibilities	Date Completed	Preceptor Signature
Delegates administration of medications to licensed staff		
Verifies medications are prepared and labeled appropriately		
Adjusts medication doses based on lab per established protocol		
Reviews "routine" charting by nurses/PCTs		
Reviews "special situation" charting (acute problems, drug reactions, chest pain, fever, blood loss, etc.)		
Monitors machine alarms are answered in a timely manner		
Ensures 1/2 of all patient care staff are present on the clinical floor at all times.		
Turn-Around Responsibilities	Date Completed	Preceptor Signature
Orchestrates a smooth turnover by remaining on the dialysis floor during turnover, re-assigning staff as needed and troubleshooting problems		
Monitors sharps are disposed of properly		
Monitors trash is disposed of properly		
Ensures staff does not take breaks during turnover		
Ensures no personal phone calls are taken during turnover		
Physician Rounding Responsibilities	Date Completed	Preceptor Signature
Rounds with physicians and review labs, medications and other study results with MD. Updates MD to any new patient developments		
Receives new orders, transcribes them accurately, and carry them out in a time manner.		
Emergency Procedures	Date Completed	Preceptor Signature
Demonstrates Knowledge of Emergency Procedures		
a. Fire evacuation		
b. Loss of power		
c. Loss of water supply		
d. Natural disaster procedures		
Earthquake		
Tornado		
Hurricane		

U.S. RENAL CARE	
Hemodialysis Charge Nurse Skills Checklist	EFFECTIVE DATE: 01/2011
POLICY # EO-1002	REVISION DATE: 04/2011

_____ has successfully completed the USRC Charge Nurse Skills Checklist to include successful return demonstrations and is competent to perform the clinical duties included on this checklist.

Employee Signature: _____

Date: _____

Reviewer Signature: _____

Date: _____

Medical Director Signature: _____

Date: _____

U.S. **RENAL CARE**

POLICY: RN / LPN / LVN ORIENTATION		EFFECTIVE DATE: 01/2011
POLICY # EO-1001	PAGE 1 OF 1	REVISION DATE:

RN/ LPN / LVN ORIENTATION

SCHEDULE FOR RN/LPN/LVN ORIENTATION AFTER ALL STEPS OF HEMODIALYSIS ORIENTATION ARE MET

(Ex. RN/LPN/LVN may only need 4 weeks to achieve Hemodialysis Orientation and then RN/LPN orientation can start)

Week I

- Paperwork
- Medication Administration and Documentation
- Dressing Changes
- IV Pump
- Review of PD concepts- schedule with PD Nurse. Ultra Bag Competency and instillation of medications in PD bag.
- Rounds with the physician
- Transcribing orders
- Evaluation

Week II

- Charge Nurse Competency
- Day I: Shadow the Charge Nurse
- Day II-V: Charge Nurse role with Preceptor
- Medication Test
- Evaluation

Reference: Core Curriculum for Nephrology Nursing

U.S. RENAL CARE

POLICY : PATIENT CARE TECHNICIAN CERTIFICATION		EFFECTIVE DATE: 01/2011
POLICY #: EO - 0012	PAGE 1 OF 1	REVISION DATE:

POLICY:

All Patient Care Technicians (PCT's) shall be certified under a state or a nationally approved certification program as follows:

1. For newly employed patient care technicians, within 18 months of being hired as a dialysis patient care technician or
2. For patient Care technicians employed on October 14, 2008, within 18 months after this date (on or before April 14, 2010).
3. For current employees who transfer in to the patient care technician role from other jobs (reuse or water treatment technicians) certification will be obtained in 18 months from the date he/she started in the new PCT position

Ultimately US Renal Care (USRC) recognizes that certification of the PCT is an individual responsibility and a condition of continued employment in the dialysis industry. USRC will:

1. Offer review classes for voluntary attendance.
2. Offer copies of the "Amgen Care Curriculum for the Dialysis Technician" as a study guide.
3. Assist the employee with the application process to ensure completion and thoroughness of each application.
4. Pay initially for the first exam.
5. Reimburse for a second testing attempt once proof of a passing score is provided.
6. Encourage each PCT employed on October 14, 2008 to sit for the certification exam no later than the end of January 2010 to ensure adequate time to reschedule and retake the exam by the April deadline if necessary.

POLICY : NEW CLINICAL STAFF GUIDE		EFFECTIVE DATE: 01/2011
POLICY #: EO - 0002	PAGE 1 OF 5	REVISION DATE: 1/2012

HEMODIALYSIS ORIENTATION FOR NEW CLINICAL STAFF

Also see State Specific

USRC definition of 'with experience' –employee has provided 6 months hands on dialysis patient care within the last 18 months.

The orientation period is approximately 6 – 8 weeks in length for non dialysis experienced staff. In order to meet the objective of the Orientation Checklist, and to allow for sufficient clinical practice, the following schedule is presented as a **guide**. Mastery of both theory and clinical skills is the responsibility of the student and no student may practice independently without demonstration and documentation of required skills. Until the individual has satisfied the training and competency requirements, the individual during the process of completing training shall be identified as a trainee when present in any patient area of the facility.

Prior to providing dialysis care, all nursing staff shall demonstrate satisfactory completion of either the training program or educational equivalency and the competency skills assessment checklist as required for the dialysis technicians.

Any registered nurse or licensed practical nurse who is employed without previous experience in the dialysis process, and who has not yet successfully completed the skills competency checklist, shall be directly supervised when engaged in dialysis treatment activities with patients by a staff member who has demonstrated skills competency for dialysis treatment as required by the State/Federal Regulations.

In addition to the Amgen and Nephrology Core Curriculums, the Employee Orientation Program Workbook is a good resource tool. Delivery of training material will be accomplished through a combination of lecture, video presentations and independent study.

WEEK 1:

Day 1: Facility tour and orientation

- Overview of the services provided by the facility
- Meet preceptor
- Meet the staff and physicians
- Review of Employee Handbook and Job Description
- Staff Roles and Responsibilities
- Overview of US Renal Care Philosophy
- Overview of P & P Manual
- Introduction of dialysis machine and dialysis prescription
- Reference Amgen Core Curriculum
- Read/review Module I and II (Today's Dialysis Environment/The Person with Kidney

Failure)

- Universal Precautions/OSHA Education
- HIPAA training
- Fire and Electrical Safety
- Professional education
- View state specific training videos

U.S. **RENAL CARE**

POLICY : NEW CLINICAL STAFF GUIDE		EFFECTIVE DATE: 01/2011
POLICY #: EO - 0002	PAGE 2 OF 5	REVISION DATE: 1/2012

Testing: OSHA (TB, Blood borne pathogens, Universal Precautions, Hepatitis)

Day 2: Scavenger Hunt

- Practice set up of dialysis machine with preceptor and removal of lines
- Observation of Hemodialysis procedure and orientation to clinic routines
- Proper cleaning of chairs, machines, clamps, and blood pressure cuffs
- Basic chemistry of body fluids and electrolytes
- History of Dialysis
- Legal and Ethical Issues
- Hygiene and Grooming
- Mobility and Positioning
- Read/review Module III (Principles of Dialysis)

Day 3: Practice set up of dialysis machine with preceptor

- Introduction to screen of dialysis machine and machine components
- Reference Braun Operators Manual
- Vital signs
- Overview of the continuous quality improvement program
- Read/review Module IV (Hemodialysis Devices)
- Role of the dialysis technician in a dialysis setting: legal and ethical considerations and concepts of delegating.
- Communication and Team work Skills
- Pre and Post weights
- Machine testing PH/conductivity/temperatures

Day 4: Machine operation and introduction to problem solving with preceptor

- Trouble shooting equipment – machine alarms
- Practices set up of the dialysis machine
- Policies and Procedures on Patients rights including Patient Bill of Rights
- Delivery of an adequate dialysis treatment and factors which may result in inadequate treatment
- Complications of dialysis and interventions
- Aseptic technique
- Education on the proper use of Safety Needles
- Education on accidental needle sticks (Issues and Prevention Strategies for Healthcare Workers)

Day 5: Preparation and use of dialysate baths

- Practices set up of the dialysis machine
- Elder Abuse in the dialysis machine
- Testing: Module I (Today's Dialysis Environment)
- Identify allergies, patient chart (electronic medical record)
- Identify goal, treatment time, UFR, TMP
- Evaluation: Week 1

U.S.] RENAL CARE

POLICY : NEW CLINICAL STAFF GUIDE		EFFECTIVE DATE: 01/2011
POLICY #: EO - 0002	PAGE 3 OF 5	REVISION DATE: 1/2012

WEEK 2:

- Continue practice set up and use of dialysis machine
- Residual testing for presence of bleach
- Introduction and education on access placement and taping access
- Review location and use of emergency equipment:
(Oxygen, suction, crash cart, EKG, AED, Emergency box, fire drill & evacuation)
- Introduction to patient monitoring during treatment
- Introduction and education on documentation procedures and the HII system
- Theory and practice of conventional, high efficiency, and high flux dialysis
- Interpersonal Communication
- Read/review Module II and III (The Person with Kidney Failure/Principles of Dialysis)
- Evaluation: Week 2

WEEK 3:

- Emergency Plans and Procedures
- Introduction to dialysis termination procedures
- Review and practice pre and post treatment procedures, patient monitoring
- Review clinic specific responsibilities and documentation
- Education on Transplants
- Review complication recognition and treatment
- Continue practice with machine set up and operation
- Read/review: Module V (Vascular Access)
- Testing: Module IV (Hemodialysis Devices)
- Evaluation: Week 3

WEEK 4:

- Introduction to initiation of dialysis with catheters (as appropriate to job description)
- Review and educate on commonly used dialysis medications
- Medication Administration
- Continue supervised practice of dialysis termination
- Review P & P Manual
- Normal and abnormal lab values
- Pre and post dialysis blood draws
- Lab processing duties
- Orientation and competency for blood glucose monitoring equipment
- Supervised practice to incorporate pre and post dialysis procedures and patient Monitoring with machine operation, and documentation
- Introduction to initiation of dialysis by cannulation
- Introduction of materials used to create grafts, needle placement for access in a graft, and prevention of complications: and identification of signs and symptoms of complications when cannulating access
- Education on PD
- Renal Dietitian: Nutritional Considerations
- Read/review Module VI (Hemodialysis Procedures and Complications)
- Evaluation: Week 4

WEEK 5:

U.S. RENAL CARE

POLICY : NEW CLINICAL STAFF GUIDE		EFFECTIVE DATE: 01/2011
POLICY #: EO - 0002	PAGE 4 OF 5	REVISION DATE: 1/2012

Cannulation of a patient with fistula needles
The orientee will incorporate trouble shooting and patient complications with all previously learned and practiced experience
Continue supervised practice of dialysis initiation via catheter, dialysis termination, and treatment procedures and monitoring
Incorporate machine problem solving and recognition and treatment of complications into practice
Education on monitoring of arterial and venous pressures
Renal Social Worker: Psychosocial issues
Read/review Module VII and VIII (Dialyzer Reprocessing/Water Treatment)
Testing: Module V (Vascular Access)
Evaluation: Week 5

WEEK 6:

Continue supervised practice of hemodialysis procedures
Competently complete a 1 – 2 patient assignment
Education on the management of adequacy outcomes
Technical Specialist: Water system, risks to patients of unsafe water, water checks, machine maintenance, trouble shooting machines and cleaning of machines
Evaluation: Week 6 (Preceptor/Orientee/Administrator)

WEEK 7 & 8:

Competently complete assigned patient assignment
Testing: Module VII and VIII (Dialyzer reprocessing/Water Treatment)

This orientation program is based on the assumption that the orientee has no previous experience. Alterations/Adjustments in the orientation program will be made based on previous experience and proven clinical skills. During orientation the orientee will also receive theory training provided by the Clinical Services Department.

REFERENCES TO BE REVIEWED DURING ORIENTATION:

Core Curriculum for Dialysis Technicians
State Specific Educational Videos
Dialysis Training Manual
Dialysis Machine Manual
Dialysis Machine Trouble Shooting Guide

EVALUATION:

U.S. | RENAL CARE

POLICY : NEW CLINICAL STAFF GUIDE		EFFECTIVE DATE: 01/2011
POLICY #: EO - 0002	PAGE 5 OF 5	REVISION DATE: 1/2012

All tests in the **Employee Education Manual** are to be passed with a score of 80% including the ‘Knowledge Assessment Test’. Passing of the ‘Knowledge Assessment Test’ includes experience and non-experienced staff. If an experienced Care Giver does not pass the ‘Knowledge Assessment Test’ the first time – the employee needs to attend a theory class and retake the exam.

All employees (experience and non-experienced) may take the ‘Knowledge Assessment Test’ a maximum of three times. After third failure, the employee will be terminated.

Weekly evaluations with the orientation checklist will be filled out throughout the orientation process by the orientee, preceptor, and educator. The Administrator will evaluate all checklists weekly.

If at any time there are difficulties with the learning of the didactic material or inability to complete modules in the specified time period the Facility Administrator will be notified immediately. If at any time there are difficulties with the dialysis machine set-up, treatment monitoring, or termination of the treatment the Administrator will be notified. The Preceptor and Administrator will assess the training schedule orientee’s progress and if needed will make changes in the orientation program.

U.S. RENAL CARE

POLICY : STAFFING POLICY		EFFECTIVE DATE: 01/2011
POLICY #: C-AD-0140	PAGE 1 OF 1	REVISION DATE: 09/2011

Staffing requirement for the ESRD facility include the coordination of personnel by the facility administrator to adequately staff for safe and effective provision of patient care.

The following guidelines will direct the staffing of each facility.

1. A fulltime supervising nurse shall be employed to manage the provision of patient care.
2. A nurse or nurses functioning in the charge role shall be on site and available to the treatment area to provide patient care during all dialysis treatments.
3. A registered nurse shall be in the facility when patients are present in the facility – if applicable.
4. Licensed nurse to patient ratio shall meet the required state regulations which govern the facility. If there are no state specific regulations, then the minimum requirement is to have one licensed nurse to every 12 patients.
5. Sufficient direct care staff shall be on-site to meet the needs of the patients. The ratio of direct care staff shall be one to four patients per shift, unless specified by state specific regulations. The staffing level shall not exceed that which is required by state specific regulations which govern the facility. See below for state specific staffing requirements.

State Specific Staffing Requirements

State	Licensed Staff to Patient Ratio	Direct Care Staff to Patient Ratio
Georgia	1 to 10	1 to 4
Maryland	1 to 9	1 to 3
New Jersey	1 to 9	1 to 3
Ohio	None	None
South Carolina	1 to 10	1 to 4
Texas	1 to 12	1 to 4
Pennsylvania	None	None
Arkansas	None	None
Oklahoma	None	None
New York	None	None
Illinois	None	None

U.S. RENAL CARE		
Clinical Annual Competency		EFFECTIVE DATE: 01/2011
POLICY # EO-9003		REVISION DATE:

Employee: _____
 Title: _____
 Date of Hire: _____

NOTE: Not All Skills May Be Required

Universal Precautions/Exposure Control	Date Completed	Preceptor Signature
Sterile Technique		
Aseptic Technique		
Machine Setup/Initiation of Treatment	Date Completed	Preceptor Signature
Hemodialysis Machine Set-Up		
Correct Bath		
Gather all Supplies		
Turn on Water		
Alarm Testing		
Line Placement/Connect Concentrate		
Peracetic Acid or other Residual Sterilant Testing (when applicable)		
Secures the Correct Dialyzer for the Patient		
Verification of Dialyzer		
Conductivity/pH Procedure		
Treatment Settings		
Treatment Procedure	Date Completed	Preceptor Signature
Initiation of Treatment		
Calculating Fluid Removal		
Setting UFR/Programs/Na Modeling/Coef		
Calculating Fluid Replacement		
Adjusts Blood Flow Rate to Patient's Prescription		
Ultrafiltrate Only		
Heparin Administration		
Patient Monitoring		
Vital Signs		
Fluid Replacement		
Complication Assessment and Treatment		
Reports unusual Findings to CN		
Oxygen Administration (if applicable)		
Verifies the Ordered Flow Rate from the CN		
Sets up Equipment Correctly		
Connects Tubing Correctly to Equipment and to Patient		
Complication Intervention	Date Completed	Preceptor Signature
Hypotension		
Hypertension		
Nausea/Vomiting		
Cramping		
Chest Pain		
SOB		
Seizures		
Cardiac/Respiratory Arrest		
Informs CN of any Unusual Findings		

U.S. RENAL CARE

Clinical Annual Competency		EFFECTIVE DATE: 01/2011
POLICY # EO-9003		REVISION DATE:

Medication Administration	Date Completed	Preceptor Signature
Aseptic technique is used when preparing and administering intravenous medications from vials and ampules		
P.O.		
I.M.		
I.V. Push		
I. V. Drip		
Sub Q		
Labels Syringes Correctly		
Lidocaine Administration (if applicable)		
Checks Patient's Prescription		
Identifies the Correct Vial of Medication		
Prepares Dosage Correctly		
Administers the Dose Correctly		
Observes for and Understands Possible Complications		
Heparin Administration (if applicable)		
Describes Basics of Anticoagulation Therapy		
Assess Patient for and Reports Evidence of Active Bleeding		
Checks Patient's Prescription		
Identifies the Correct Vial of Medication		
Prepares Dosage Correctly		
Administers the Dose Correctly		
Observes for and Understands Possible Complications		
Monitors Appropriateness of Anticoagulation Throughout Treatment		
Normal Saline Administration (if applicable)		
Understand Facility Protocol		
Checks Patient's Prescription		
Recognizes Signs of Hypotension		
Notifies RN Appropriately		
Administers Normal Saline Correctly		
Treatment Termination	Date Completed	Preceptor Signature
Rinseback Procedure		
Removal of Fistula Needles		
Treatment of Post Treatment Bleeding		
Care of Catheters Post Treatment (if applicable)		
Discarding Supplies		
Reports Unusual Findings to CN		
Sanitizing equipment and treatment area		
Catheters (As Per State Regs)	Date Completed	Preceptor Signature
Assessment		
Pretreatment Preparation		
Initiation of Dialysis		
Accessing the Bloodstream		
Correcting Operational Problems:		
Poor Arterial Flow		
Poor Venous Flow		
Clotting in Catheter		
Elevated Arterial/Venous Pressures		
Site Infections/Cultures		
Take Off Preparation		
Rinseback Procedure		
Post Treatment Care of Catheter		
Dressing Change		

U.S. RENAL CARE

Clinical Annual Competency		EFFECTIVE DATE: 01/2011
POLICY # EO-9003		REVISION DATE:

Fistula's/Grafts	Date Completed	Preceptor Signature
Assessment of Bruit and Thrill		
Pretreatment Preparation		
Cannulation		
Inspects the Access for Patency		
Prepares the Skin Using Aseptic Technique at all Times		
Calls for Assistance Appropriately		
Places Needles Correctly		
Replaces Needles Appropriately		
Secures Needles		
Accessing the Bloodstream		
Operational Problems and Corrections:		
Responds Appropriately to Machine Alarms		
Infiltration with Cannulation		
Infiltration During Treatment		
Arterial/Venous Spasms		
Arterial/Venous Pressure Problems		
Localized Bleeding		
Dislodged Needle		
Clotted Needle/Dialyzer		
Blood Leak into Dialysate		
Blood Leak Outside of Bloodpath		
Documentation	Date Completed	Preceptor Signature
Clinical Information System use		
Flowsheet		
Dialyzer and Patient Verification		
Machine Checks		
Vital Signs		
Medication Administration		
Pre and Post Assessments		
Treatment Complications		
Monthly Nursing Charting		
Admissions Charting		
Discharge Charting		
Patient Occurrence Charting		
Patient Assessment/Plan of Care		
Diagnostic Laboratory Testing	Date Completed	Preceptor Signature
Monthly and Other Labwork		
Blood/Wound Cultures		
Blood Glucose Testing		
Able to Describe Appropriate Response to Patient Emergencies	Date Completed	Preceptor Signature
Air Embolism		
Cardiac/Respiratory Arrest		
Unstable Angina		
Seizures		
Shock		
"New Dialyzer Reaction"		
Hemolysis		
Pyrogenic Reaction		
Chlorine in Dialysate		
Other		

U.S. RENAL CARE

Clinical Annual Competency		EFFECTIVE DATE: 01/2011
POLICY # EO-9003		REVISION DATE:

Equipment and Building Emergencies	Date Completed	Preceptor Signature
Dialyzer Blood Leak		
Clotted Dialyzer and or Lines		
Loss of Electrical Power		
Hand Crank Take-Off Procedure		
Fire or Flood		
Emergency Evacuation of Building		
Tornado/Hurricane/Blizzard Plans		
Knows Correct Procedure for Machine Failure		
Use of Emergency Equipment	Date Completed	Preceptor Signature
Oxygen		
Ambu Bag/Oral Airway		
Crash Cart		
Portable Suction		
Pt. Evacuation During an Emergency		
Education	Date Completed	Preceptor Signature
Fire Safety		
Back Safety		
Hazard Communication		
Electrical Safety		
US Renal Care Standards of Conduct & Compliance Program		
Prevention of Slips, Trips and Falls		
Emergency Preparedness		
Prevention of Needlesticks		
Additional competencies as required by state specific regulation, job role or needs assessment		
Complete Annual Competency Checklist - Clinical Employee (Technical Training Manual Section 9)		

_____, has successfully completed the USRC Clinical Annual Training Program to include successful return demonstrations and is competent to perform the clinical duties included on this checklist.

Employee Signature: _____

Date: _____

Preceptor Signature: _____

Date: _____

Medical Director Signature: _____

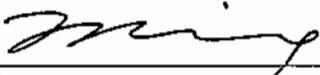
Date: _____

ATTACHMENT 26

STAFFING AVAILABILITY

USRC Lemont, LLC

As required by 77 Ill. Admin. Code § 1110.1430(e)(5), Applicant certifies that U.S. Renal Care Lemont Dialysis will maintain an open medical staff. Any board licensed nephrologist may apply for privileges at this facility.



Signature

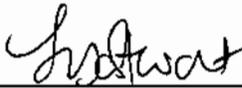
Thomas L. Weinberg

Printed Name

Manager

Title

Subscribed and sworn to before me this 12th day of June, 2012



Signature of Notary

Seal

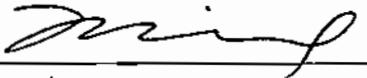


ATTACHMENT 26
SUPPORT SERVICES

USRC Lemont, LLC

In accordance with 77 Ill. Admin. Code § 1110.1430(f) and with respect to the U.S. Renal Care Lemont Dialysis facility, Applicant certifies that:

1. Applicant certifies that it will utilize the Health Informatics International system for the provision of care to its patients;
2. Applicant certifies that support services consisting of clinical laboratory service, blood bank, nutrition, rehabilitation, psychiatric and social services will be available to its patients; and
3. Applicant certifies that provision of training for self-care dialysis, self-care instruction, home and home-assisted dialysis, and home training will be provided at the U.S. Renal Care Oak Brook Dialysis facility.



Signature

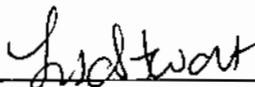
Thomas L. Weinberg

Printed Name

Manager

Title

Subscribed and sworn to before me this June day of 12th, 2012



Signature of Notary

Seal



ATTACHMENT 26

MINIMUM NUMBER OF STATIONS

The proposed U.S. Renal Care Lemont Dialysis facility contemplates the establishment of 13 ESRD stations which meets the minimum station requirements for a metropolitan statistical area.

ATTACHMENT 26
CONTINUITY OF CARE

HOSPITAL TRANSFER AGREEMENT

THIS HOSPITAL TRANSFER AGREEMENT ("Agreement") is entered into effective the 14th day of June, 2012 (the "**Effective Date**") by and between the **USRC Lemont, LLC**, an Illinois limited liability company (the "**Center**"), and **Provena Saint Joseph Medical Center**, an operating unit of Provena Hospitals, an Illinois not-for-profit corporation ("**Hospital**"). (Center and Hospital may each be referred to herein as a "**Party**" and collectively as the "**Parties**").

RECITALS

WHEREAS, the Center intends to submit to the Illinois Health Facilities Services and Review Board an application for a certificate of need permit to establish a free-standing renal dialysis center for treatment of patients with end-stage renal disease, which will be located in Lemont, Illinois; and

WHEREAS, patients of Center ("**Patients**") may require transfer to a hospital for acute-inpatient or other emergency health care services; and

WHEREAS, Hospital owns and operates a licensed and Medicare certified acute care hospital in reasonable proximity to Center, which has a twenty-four (24) hour emergency room and provides emergency health care services; and

WHEREAS, the Parties desire to establish a transfer arrangement to ensure continuity of care for Patients and to specify the procedure for ensuring the timely transfer of patients to Hospital.

NOW, THEREFORE, in consideration of the foregoing, and the terms, conditions, covenants, agreements and obligations set forth herein, the Parties hereto agree as follows:

ARTICLE I **TRANSFER OF PATIENTS**

Upon recommendation of an attending physician and pursuant to the provisions of this Agreement, in the event that any Patient needs acute inpatient or emergency care and has either requested to be taken to Hospital, or is unable to communicate a preference for hospital services at a different hospital, and a timely transfer to Hospital would best serve the immediate medical needs of Patient, a designated staff member of Center shall contact the admitting office or emergency department of Hospital (the "**Emergency Department**") to facilitate admission. Hospital shall accept, and as appropriate, admit a Patient as promptly as possible in accordance with applicable federal and state laws and regulations, the standards of The Joint Commission ("**TJC**") and any other applicable accrediting bodies, and reasonable policies and procedures of Hospital, and Hospital has the capacity to treat the Patient. After receiving a transfer request, Hospital shall give prompt confirmation of whether it can provide health care appropriate to the Patient's medical needs. Hospital's responsibility for patient care shall begin when Patient is admitted to Hospital.

ARTICLE II
RESPONSIBILITIES OF CENTER

Center shall be responsible for performing or ensuring the performance of the following:

- (a) Arranging, at no cost to Hospital, for ambulance service to Hospital;
- (b) Designating a person who has authority to represent Center and coordinate the transfer of Patient to Hospital ("Transfer Coordinator"). The Center will notify Hospital and keep it apprised of the name and contact information of the Transfer Coordinator;
- (c) Notifying Hospital's designated representative prior to transfer to alert him or her of the impending arrival of Patient and provide information on Patient to the extent allowed pursuant to Article IV. Such notice shall be as far in advance as possible and in any event prior to the Patient leaving the Center for transport, to allow the Hospital to determine whether it can provide the necessary Patient care;
- (d) Notifying Hospital of the estimated time of arrival of the Patient;
- (e) Recognizing and complying with the requirements of any federal and state law and regulations or local ordinances that apply to the care and transfer of individuals to Hospitals for emergency care;
- (f) The Patient's medical record shall contain a physician's order to transfer the Patient. The attending physician recommending the transfer shall communicate directly with Hospital's patient admissions, or, in the case of an emergency services patient who has been screened and stabilized for transfer, with the Hospital's Emergency Department.
- (g) In addition to a Patient's medical records and the physician's order to transfer, Center shall provide Hospital with all information regarding a Patient's medications, and clear direction as to who may make medical decisions on behalf of the Patient, with copies of any power of attorney for medical decision making or, in the absence of such document, a list of next of kin, if feasible, to assist the Hospital in determining appropriate medical decision makers in the event a Patient is or becomes unable to do so on his or her own behalf.
- (h) Personal effects of any transferred Patient shall be delivered to the transfer team or admissions department of the Hospital. Personal effects include, but are not limited to money, jewelry, personal papers and articles for personal hygiene.

ARTICLE III
RESPONSIBILITIES OF HOSPITAL

Hospital shall be responsible for performing or ensuring performance of the following:

- (a) Designating a person who has authority to represent and coordinate the transfer and receipt of Patients into the Emergency Department; and
- (b) Timely admission of Patient to Hospital when transfer of Patient is medically appropriate as determined by Hospital attending physician subject to hospital capacity and patient census issues provided, that all usual conditions of admission to Hospital are met; and
- (c) Recognizing and complying with the requirements of any federal and state law and regulations or local ordinances that apply to Patients who present at Emergency Departments.

ARTICLE IV
PATIENT INFORMATION

In order to meet the needs of Patients with respect to timely access to emergency care, Center shall provide information on Patients to Hospital, to the extent approved in advance or authorized by law and to the extent Center has such information available. Such information shall include: Patient Name, Social Security Number, Date of Birth, insurance coverage and/or Medicare beneficiary information (if applicable), current medical findings, diagnoses, known allergies or medical conditions, treating physician, contact person in case of emergency and any other relevant information Patient has provided Center in advance. The Center shall send a copy of all Patient medical records and information set forth in **Section II(g)** that are available at the time of transfer to the Hospital. Other records shall be sent as soon as practicable after the transfer. The Patient's medical record shall contain evidence that the Patient was transferred promptly, safely and in accordance with all applicable laws and regulations. Each Party shall and shall cause its employees and agents to protect the confidentiality of all Patient information (including, but not limited to, medical records, electronic data, radiology films, laboratory blocks, slides and billing information), and comply with all applicable state and federal laws and regulations protecting the confidentiality of Patients' records, including the Health Insurance Portability and Accountability Act of 1996 and the corresponding Standards for Privacy of Individually Identifiable Health Information regulations, each as amended from time to time (collectively, "HIPAA").

ARTICLE V
NON EXCLUSIVITY

This Agreement shall in no way give Hospital an exclusive right of transfer of Patients of Center. Center may enter into similar agreements with other acute-care hospitals, and Patients will continue to have complete autonomy with respect to choice of hospital service providers, as further described in **Article VI**.

ARTICLE VI
FREEDOM OF CHOICE

In entering into this Agreement, Center in no way is acting to endorse or promote the services of Hospital. Rather, Center intends to coordinate the timely transfer of Patients for medical care. Patients are in no way restricted in their choice of hospitals or medical care providers.

ARTICLE VII
BILLING AND COLLECTIONS

Each Party shall be responsible for billing the appropriate payer for the services it provides. Hospital shall be responsible for the billing and collection of all charges for professional services rendered at Hospital. Center shall in no way share in the revenue generated by professional services delivered to Patients at Hospital.

ARTICLE VIII
INDEPENDENT RELATIONSHIP

Section 8.1 In performing services pursuant to this Agreement, Hospital and all employees, agents or representatives of Hospital are, at all times, acting and performing as independent contractors and nothing in this Agreement is intended and nothing shall be construed to create an employer/employee, principal/agent, partnership or joint venture relationship. Center shall neither have nor exercise any direction or control over the methods, techniques or procedures by which Hospital or its employees, agents or representatives perform their professional responsibilities and functions. The sole interest of Center is to coordinate the timely transfer of Patients to Hospital for medical care.

Section 8.2 Each Party shall be solely responsible for the payment of compensation and benefits to its personnel and for compliance with any and all payments of all taxes, social security, unemployment compensation and worker's compensation.

Section 8.3 Notwithstanding the terms of this Agreement, in no event shall Hospital or any Hospital personnel be responsible for the acts or omissions of non-Hospital personnel.

ARTICLE IX **INSURANCE**

Both Parties shall maintain, at no cost to the other Party, professional liability insurance in an amount customary for its business practices. Each Party shall provide evidence of the coverage required herein to the other Party on an annual basis upon request. Each Party shall notify the other Party at least thirty (30) days prior to termination, lapse or loss of adequate insurance coverage as provided herein. In the event the form of insurance held by a Party is claims made, such Party represents and warrants that it will purchase appropriate tail coverage for claims, demands, or actions reported in future years for acts of omissions during the Term of this Agreement. In the event of insufficient coverage as defined in this **Article IX**, or lapse of coverage, the non-breaching Party reserves the right to immediately and unilaterally terminate this Agreement. Each Party shall notify the other in writing, by certified mail, of any action or suit filed and shall give prompt notice of any claim made against either by any person or entity that may result in litigation related in any way to this Agreement.

ARTICLE X **INDEMNIFICATION**

Each Party shall indemnify, defend and hold harmless the other Party together with its officers, directors, agents, employees, affiliates, successors and assigns from and against any and all liability, loss, claim, lawsuit, injury, cost, damage or expense whatsoever (including reasonable attorneys' fees and court costs), imposed by a third party and arising out of, incident to or in any manner occasioned by the performance or nonperformance of any duty or responsibility under this Agreement by such indemnifying Party, or any of its employees, agents, contractors or subcontractors. Provided, however, neither Party shall indemnify, defend or hold harmless the other Party from claims arising from the other Party's, or its officers, directors, agents, employees, affiliates, successors and assigns, gross negligence or willful misconduct.

ARTICLE XI **TERM AND TERMINATION**

Section 11.1 Term. The initial term of this Agreement shall commence on the Effective Date and shall continue in effect for a period of one (1) year (the "**Initial Term**"). Thereafter, this Agreement shall automatically renew for successive one (1) year terms unless terminated pursuant to this Section. The Initial term and all renewal terms shall collectively be the "**Term**" of this Agreement.

Section 11.2 Events of Termination. Notwithstanding the foregoing, this Agreement may be terminated upon the occurrence of any one (1) of the following events:

- (a) Either Party may terminate this Agreement at any time upon sixty (60) days prior written notice to the other Party.
- (b) If either Party shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or of all or a substantial part of its assets, file a voluntary

petition in bankruptcy, or admit in writing its inability to pay its debts as they become due, make a general assignment for the benefit of creditors, file a petition or an answer seeking reorganization or arrangement with creditors or take advantage of any insolvency law, or if an order, judgment, or decree shall be entered by a court of competent jurisdiction or an application of a creditor, adjudicating such Party to be bankrupt or insolvent, or approving a petition seeking reorganization of such Party or appointing a receiver, trustee or liquidator of such Party or of all or a substantial part of its assets, and such order, judgment, or decree shall continue in effect and unstayed for a period of thirty (30) consecutive calendar days, then the other Party may terminate this Agreement upon ten (10) business days' prior written notice to such Party.

Section 11.3 Immediate Termination. Notwithstanding anything to the contrary herein, this Agreement will be terminated immediately upon the following events: (a) the suspension or revocation of a Party's license, certificate or other legal credential necessary to render patient care services and meet the terms and conditions of this Agreement; (b) termination of a Party's participation in or exclusion from any federal or state health care program for any reason; (c) the cancellation or termination of a Party's insurance required under Article IX of this Agreement without replacement coverage having been obtained; and (d) a Party determines that the continuation of this Agreement would endanger Patient care.

Section 11.4 Termination Due to Change in or Violation of Law. The Hospital shall have the unilateral right to terminate or amend this Agreement, without liability, to the extent necessary to comply with any legal order issued to the Hospital by a federal or state department, agency or commission, or TJC or any such accreditation organization by which the Hospital is then accredited, or if it is reasonably determined that continued participation in this Agreement would jeopardize the Hospital's status as a Medicare or Medicaid participant or would be inconsistent with its status as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Prior to termination of this Agreement pursuant to this Section, Hospital shall first reasonably attempt to amend this Agreement in a manner that will achieve the business purposes hereof. If Hospital proposes an amendment to this Agreement pursuant to in order to comply with applicable law or accreditation standards, and such amendment is unacceptable to Center, either Party may choose to terminate this Agreement immediately upon notice at any time thereafter.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 12.1 Entire Agreement. This Agreement constitutes the entire understanding between the Parties with respect to the subject matter hereof. This Agreement supersedes any and all other prior agreements either written or oral, between the Parties with respect to the subject matter hereof.

Section 12.2 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute one and the same instrument.

Section 12.3 Waiver. Any waiver of any terms and conditions hereof must be in writing, and signed by the Parties. A waiver of any of the terms and conditions hereof shall not be construed as a waiver of any other terms and conditions hereof.

Section 12.4 Severability. The provisions of this Agreement shall be deemed severable, and, if any portion shall be held invalid, illegal or unenforceable for any reason, the remainder of this Agreement shall be effective and binding upon the Parties.

Section 12.5 Headings. All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

Section 12.6 Assignment. This Agreement, being intended to secure the services of Hospital, shall not be assigned, delegated or subcontracted by Hospital without prior written consent of Center.

Section 12.7 Governing Law. This Agreement shall be construed under the laws of the state of Illinois, without giving affect to choice of law provisions.

Section 12.8 Notices. Any notice herein required or permitted to be given shall be in writing and shall be deemed to be duly given on the date of service if served personally on the other Party, or on the fourth (4th) day after mailing, if mailed to the other Party by certified mail, return receipt requested, postage pre-paid, and addressed to the Parties as follows:

To Center

USRC Lemont, LLC

To Hospital

Provena Saint Joseph Medical Center
333 North Madison Street
Joliet, IL 60435
Attn: CEO

Copy to:

Presence Health
7435 West Talcott Ave., Suite 461
Chicago, IL 60631
Attention: Chief Legal Officer and
General Counsel

or such other place or places as either Party may designate by written notice to the other.

Section 12.9 Amendment. This Agreement may be amended upon mutual, written agreement of the Parties.

Section 12.10 Regulatory Compliance. The Parties agree that nothing contained in this Agreement shall require Center to refer patients to Hospital for emergency care services or to

purchase goods and services. Notwithstanding any unanticipated effect of any provision of this Agreement, neither Party will knowingly and intentionally conduct its behavior in such a manner as to violate the prohibition against fraud and abuse in connection with the Medicare and Medicaid programs.

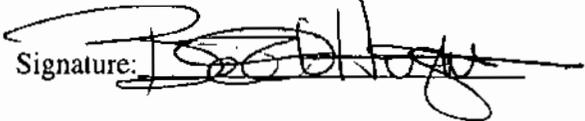
Section 12.11 Access to Books and Records. If applicable, upon written request of the Secretary of Health and Human Services or the Comptroller General of the United States, or any of their duly authorized representatives, Hospital shall make available to the Secretary or to the Comptroller General those contracts, books, documents and records necessary to verify the nature and extent of the costs of providing its services under this Agreement. Such inspection shall be available for up to four (4) years after the rendering of such service. This Section is included pursuant to and is governed by the requirements of Public Law 96-499 and Regulations promulgated thereunder. The Parties agree that any attorney-client, accountant-client or other legal privileges shall not be deemed waived by virtue of this Agreement.

IN WITNESS THEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers hereto setting their hands to be effective as of the Effective Date.

CENTER
USRC Lemont, LLC

HOSPITAL
Provena Saint Joseph Medical Center,
an operating unit of Provena Hospitals

Signature: 

Signature: 

Printed Name: NAGARATHNAM

Printed Name: Beth Hughes

Title: Partner

Title: President/CEO

Date: 6/14/12

Date: 6/14/12

ATTACHMENT 28

ASSURANCES

USRC Lemont, LLC

In accordance with 77 Ill. Admin. Code § 1110.1430(j), and with respect to the U.S. Renal Care Lemont Dialysis facility, Applicant certifies the following:

1. By the second year of operation after the project completion, the Applicant will achieve and maintain the 80% utilization standards as specified in 77 Ill. Adm. Code § 1100; and
2. That Applicant will achieve and maintain compliance with the following adequacy of hemodialysis outcome measures for the latest 12-month period for which data are available:

≥ 85% of hemodialysis patient population achieves area reduction ratio (URR) ≥ 65% and ≥ 85% of hemodialysis patient population achieves Kt/V Daugirdas II .1.2.



Signature

Thomas L. Weinberg

Printed Name

Manager

Title

Subscribed and sworn to before me this 12th day of June, 2012



Signature of Notary

Seal



ATTACHMENT 39

AVAILABILITY OF FUNDS

Applicant documents that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs. Applicant will fund the project through capital contributions from its members. In the event that such contributions are insufficient to cover the costs associated with this project, U.S. Renal Care, Inc. will provide funding to Applicant through USRC Alliance, LLC by way of a revolving promissory note. As evidence of U.S. Renal Care, Inc.'s financial viability, we have included audited financials for 2009-2011. In addition, included in Attachment 42 is a certification from U.S. Renal Care, Inc. attesting to the reasonableness of the financing arrangement. Lastly, the master lease for dialysis equipment is also included in this attachment. The lessee contemplated by the master lease is a wholly owned subsidiary of U.S. Renal Care, Inc. and the equipment will be subsequently leased to USRC Lemont, LLC.



U.S. RENAL CARE, INC. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Independent Auditors' Report

The Board of Directors
U.S. Renal Care, Inc.:

We have audited the accompanying consolidated balance sheets of U.S. Renal Care, Inc. and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, 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 U.S. Renal Care, Inc. and subsidiaries 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

Dallas, Texas
April 6, 2012

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2011 and 2010

Assets	2011	2010
Cash and cash equivalents	\$ 28,171,825	9,537,107
Accounts receivable, net of allowances of \$11,410,941 and \$13,458,494	48,222,030	48,449,631
Inventories	10,507,508	3,100,193
Other receivables	11,034,880	9,994,938
Deferred tax asset	3,613,197	6,215,457
Other current assets	3,166,263	2,636,244
Total current assets	104,715,703	79,933,570
Property and equipment, net	45,902,288	46,781,941
Amortizable intangibles, net	21,617,610	27,349,714
Trade names	859,000	859,000
Goodwill	195,591,363	195,575,023
Other long-term assets	706,982	470,902
Total assets	\$ 369,392,946	350,970,150
Liabilities and Equity		
Accounts payable	\$ 13,818,397	9,045,119
Accrued expenses	23,353,925	23,443,871
Current portion of long-term debt and capital lease obligations	3,805,921	2,924,662
Current portion of related-party notes payable	—	125,000
Total current liabilities	40,978,243	35,538,652
Long-term debt and capital lease obligations, net of current portion	317,654,880	181,723,922
Other long-term liabilities	1,394,929	1,245,591
Deferred tax liability	2,449,302	11,198,031
Preferred stock accrued dividends	—	19,831,208
Total liabilities	362,477,354	249,537,404
Commitments and contingencies		
U.S. Renal Care, Inc. equity:		
Preferred stock A (\$0.01 par value. Authorized shares 12,825,000; issued and outstanding 12,725,000 and 12,350,000 shares)	127,250	123,500
Preferred stock B and B-1 (\$0.01 par value. Authorized shares 1,600,000; issued and outstanding 1,431,666 shares)	14,317	14,317
Preferred stock C (\$0.01 par value. Authorized shares 25,000,000; issued and outstanding 24,500,962 shares)	245,010	245,010
Preferred stock D (\$0.01 par value. Authorized shares 8,333,333; issued and outstanding 8,333,333 shares)	83,333	83,333
Common stock (\$0.01 par value. Authorized shares 57,237,646 and 56,910,159; issued and outstanding 7,736,754 and 7,074,324 shares)	77,368	70,744
Additional paid-in capital	(50,804,776)	38,667,471
Retained earnings	—	8,624,492
Total U.S. Renal Care, Inc. stockholders' equity	(50,257,498)	47,828,867
Noncontrolling interests (including redeemable interests with redemption values of \$46,149,160 and \$40,999,428)	57,173,090	53,603,879
Total equity	6,915,592	101,432,746
Total liabilities and equity	\$ 369,392,946	350,970,150

See accompanying notes to consolidated financial statements.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Net operating revenues	\$ 309,643,779	237,606,328
Operating expenses:		
Patient care costs	186,090,458	154,284,195
General and administrative	25,301,516	20,165,850
Provision for doubtful accounts	9,117,119	6,898,682
Legal cost/settlement	77,943	(352,334)
Transaction costs	3,131,507	9,076,731
Depreciation and amortization	18,451,254	14,655,411
Loss on disposal of fixed assets	406,832	41,711
Gain on acquisition of controlling interest	—	(5,050,261)
Total operating expenses	<u>242,576,629</u>	<u>199,719,985</u>
Operating income	67,067,150	37,886,343
Interest expense, net	22,251,290	10,192,698
Loss on early retirement of debt	<u>4,801,472</u>	—
Income before income taxes	40,014,388	27,693,645
Income tax provision	<u>8,389,946</u>	<u>7,543,219</u>
Net income	31,624,442	20,150,426
Less net income attributable to noncontrolling interests	<u>17,113,167</u>	<u>13,023,628</u>
Net income attributable to U.S. Renal Care, Inc.	\$ <u><u>14,511,275</u></u>	<u><u>7,126,798</u></u>

See accompanying notes to consolidated financial statements.

U.S. RENAL CARE, INC. AND SUBSIDIARIES
 Condensed Statements of Changes in Equity in Equity
 Years ended December 31, 2011 and 2010

	U.S. Renal Care, Inc. and Subsidiaries, Equity									
	Preferred stock A, \$4.00	Preferred stock B and B-1, \$4.00	Preferred stock C, \$4.00	Preferred stock D, \$4.00	Common stock, \$0.25	Additional paid-in capital	Retained earnings (accumulated deficit)	Total	Noncontrolling interest	Total
Balance at December 31, 2009	12,220,000	1,415,664	245,018	43,333	6,227,823	26,154,222	1,497,494	33,198,411	11,024,932	44,223,344
Issuance of preferred stock	—	162,000	—	—	—	2,432,296	—	2,594,296	—	2,594,296
Accumulated preferred dividend	—	—	—	—	—	(5,029,323)	—	(5,029,323)	—	(5,029,323)
Stock option expense	—	—	—	—	—	28,311	—	28,311	—	28,311
Equity-based compensation	—	—	—	—	291,472	40,335	—	331,807	—	331,807
Retirement stock expense	—	—	—	—	548,000	(5,600)	—	542,400	—	542,400
Issuance of non-convertible preferred	—	—	—	—	—	—	—	—	—	—
Issuance of convertible preferred	—	—	—	—	—	—	—	—	—	—
Capital contribution by noncontrolling interest	—	—	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	—	—	—	—
Dividends to noncontrolling interest	—	—	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 2010	12,220,000	1,431,664	245,018	43,333	7,079,294	28,667,471	2,128,793	41,334,463	5,403,479	46,737,942
Issuance of preferred stock	—	—	—	—	—	271,259	—	271,259	—	271,259
Accumulated preferred dividend	—	—	—	—	—	(2,661,799)	—	(2,661,799)	—	(2,661,799)
Stock option expense	—	—	—	—	—	28,311	—	28,311	—	28,311
Equity-based compensation	—	—	—	—	—	311,448	—	311,448	—	311,448
Retirement stock expense	—	—	—	—	642,410	(6,624)	—	635,786	—	635,786
Purchase of noncontrolling interest	—	—	—	—	—	—	—	—	—	—
Capital contribution by noncontrolling interest	—	—	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	—	—	—	—
Dividends to noncontrolling interest	—	—	—	—	—	—	—	—	—	—
Noncontrolling interest acquired in purchase	—	—	—	—	—	—	—	—	—	—
Dividends paid to shareholders	—	—	—	—	—	—	—	—	—	—
Additional public capital raised	—	—	—	—	—	—	—	—	—	—
Additional noncontrolling interest	—	—	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 2011	12,220,000	1,431,664	245,018	43,333	7,721,704	30,806,750	1,135,409	43,568,119	12,113,867	55,681,986

See accompanying notes to consolidated financial statements.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net income	\$ 31,624,442	20,150,426
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	18,822,885	14,655,411
Noncash dispute settlement	—	450,000
Lease agreement intangible amortization included in rent	(9,936)	31,337
Provision for doubtful accounts	9,117,119	6,898,682
Deferred income taxes	855,742	4,646,303
Equity investment income	—	(805,801)
Stock compensation expense	136,340	102,652
Loss on disposal of fixed assets	406,832	41,711
Gain on acquisition of controlling interest	—	(5,050,261)
Loss on early retirement of debt	4,801,472	—
Loss on derivatives	434,083	—
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
Accounts receivable	(8,889,518)	(11,223,175)
Inventories	(7,407,314)	1,065,325
Other receivables	(1,039,942)	(2,773,018)
Other current assets	(530,021)	(326,422)
Other long-term assets	(236,080)	(1,049,343)
Accounts payable and accrued expenses	5,663,597	585,137
Other noncurrent liabilities	320,512	331,317
Net cash provided by operating activities	<u>54,070,213</u>	<u>27,730,281</u>
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(1,275,000)	(116,523,175)
Sale of property and equipment	2,579,801	3,172,324
Additions of property and equipment, net	(15,377,075)	(18,394,835)
Purchase of noncontrolling interests	(465,001)	(18,991,500)
Investment in affiliate	—	101,335
Net cash used in investing activities	<u>(14,537,275)</u>	<u>(150,635,851)</u>
Cash flows from financing activities:		
Proceeds from long-term debt borrowings	278,827,099	181,952,491
Payments on long-term debt and related-party notes payable	(144,767,068)	(73,000,188)
Deferred financing costs	(5,149,293)	(7,938,537)
Proceeds from capital leases	3,696,968	3,260,343
Capital lease payments	(2,070,576)	(1,243,894)
Net proceeds from issuance of preferred stock	375,000	25,015,999
Proceeds from issuance of common stock	318,073	43,648
Repurchase of preferred stock	—	—
Contributions from noncontrolling interests	1,439,500	695,750
Distributions to noncontrolling interests	(16,067,923)	(11,668,292)
Dividends paid to shareholders	(137,500,000)	—
Net cash provided by (used in) financing activities	<u>(20,898,220)</u>	<u>117,117,320</u>
Net increase/decrease in cash and cash equivalents	18,634,718	(5,788,250)
Cash and cash equivalents at beginning of year	9,537,107	15,325,357
Cash and cash equivalents at end of year	\$ <u>28,171,825</u>	<u>9,537,107</u>

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 20,292,064	8,474,494
Cash paid for taxes	9,296,414	4,814,265
Supplemental disclosures of noncash investing and financing activities:		
Cumulative preferred dividends	\$ 2,601,976	5,094,782
Capital lease financing	398,676	99,126

See accompanying notes to consolidated financial statements.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(1) Organization and Significant Accounting Policies

(a) *Organization and Business*

U.S. Renal Care, Inc. (the Company) was formed in June 2000 and provides dialysis services to patients who suffer from chronic kidney failure, also known as end stage renal disease (ESRD). ESRD is the stage of advanced kidney impairment that requires continual dialysis treatments, or a kidney transplant, to sustain life. Patients suffering from ESRD generally require dialysis three times per week for the rest of their lives. The Company primarily provides these services through the operation of outpatient kidney dialysis clinics. As of December 31, 2011, the Company operated 86 outpatient dialysis clinics in Texas, Arkansas, Georgia, Maryland, New Jersey, Ohio, Pennsylvania, Virginia, South Carolina, New York, Oklahoma and Illinois. In addition to its outpatient dialysis center operations, as of December 31, 2011, the Company provides acute dialysis services through contractual relationships with hospitals and dialysis to patients in their homes.

(b) *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) *Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period.

Although actual results in subsequent periods will differ from these estimates, such estimates are developed based upon the best information available to management and management's best judgments at the time made. The most significant estimates and assumptions involve revenue recognition, provisions for uncollectible accounts, determination of the fair value of assets and liabilities acquired, impairments and valuation adjustments, and accounting for income taxes.

(d) *Cash and Cash Equivalents*

Cash includes cash and highly liquid investments with a maturity of ninety days or less at date of purchase. Cash and cash equivalents at times may exceed the FDIC limits. The Company believes no significant concentration of credit risk exists with respect to these cash investments.

(e) *Accounts Receivable and Allowance for Doubtful Accounts*

Substantially all of the Company's accounts receivable are related to providing healthcare services to its patients and are due from the Medicare program, state Medicaid programs, managed care health plans, commercial insurance companies and individual patients. The estimated provision for doubtful accounts is recorded to the extent it is probable that a portion or all of a patient balance will not be collected. The Company considers a number of factors in evaluating the collectibility of accounts

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

receivable including the age of the accounts, collection patterns and any ongoing disputes with payors.

(f) Amounts Due from Third-Party Payors

The amount due from third-party payors, which is included in other receivables, represents balances owed to the Company by the Medicare program for reimbursable bad debts related to Medicare beneficiaries. These reimbursements are part of the Company's annual cost report filings and as such, the actual payments may be delayed or subsequently adjusted pending review and audit by the Medicare program fiscal intermediaries.

(g) Amounts Due from Drug Rebates

The amount due from drug rebates, which is included in other receivables, represents balances owed to the Company by various pharmaceutical vendors for Epogen (EPO), vitamin D and iron. During 2011 and 2010, the Company had incentive contracts that reduced the invoice price based upon volume purchased. This incentive was payable to the Company on a quarterly basis. In addition, there was an additional annual incentive based on volume that was payable to the Company annually.

(h) Inventories

Inventories consist primarily of pharmaceuticals and dialysis-related supplies and are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Market is determined on the basis of estimated realizable values.

(i) Property and Equipment

Property and equipment is carried at cost less accumulated depreciation. Property under capital lease agreements is stated at the present value of minimum lease payments less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or the term of the lease as appropriate. The general range of useful lives is as follows:

Buildings	39 years
Leaschold improvements	Life of lease
Furniture and equipment	5 years
Computers	3 years

Capital lease assets are amortized over the shorter of the lease term or the estimated useful life of the improvement. Property and equipment acquired in acquisitions is recorded at fair value. The cost of improvements that extend asset lives is capitalized. Other repairs and maintenance charges are expensed as incurred.

Fully depreciated assets are retained in property and depreciation accounts until they are removed from service. When sold or otherwise disposed of, assets and related depreciation are removed from the accounts and the net amounts, less proceeds from disposal, are included in income.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(j) Concentration of Credit Risk

The Company's primary concentration of credit risk exists within accounts receivable, which consist of amounts owed by various governmental agencies, insurance companies, and private patients. Receivables from the Medicare program and various state Medicaid programs were approximately 56% and 57% of gross accounts receivable at December 31, 2011 and 2010, respectively. Concentration of credit risk relating to remaining accounts receivable is limited to some extent by the diversity of the number of patients and payors.

(k) Amortizable Intangible Assets

Amortizable intangible assets and liabilities include noncompetition and similar agreements, lease agreements, and deferred debt issuance costs. Noncompetition and similar agreements are amortized over the terms (five to ten years) of the agreements using the straight-line method. Lease agreement intangibles for favorable and unfavorable leases are amortized on a straight-line basis over the term of the lease.

Deferred debt issuance costs are amortized using the effective interest method as an adjustment to interest expense over the term of the related debt. In the case of debt repayments prior to the end of the term, the Company adjusts the amount of deferred financing costs at the date of repayment, which is included in interest expense.

(l) Goodwill

Goodwill is recorded when the consideration paid for an acquisition exceeds the fair value of net tangible assets and identifiable intangible assets acquired. Goodwill and other indefinite-lived intangible assets are not amortized, but are instead tested for impairment at least annually. The annual evaluation for 2011 and 2010 resulted in no impairment charges.

(m) Impairment of Long-Lived and Indefinite-Lived Assets

The Company evaluates long lived-assets and identifiable intangibles for impairment whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable or the useful life has changed. When undiscounted future cash flows are not expected to be sufficient to recover an asset's carrying amount, a loss is recognized and the asset is written down to its fair value.

(n) Fair Value of Financial Instruments

U.S. GAAP describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

- Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

The Company's interest rate swap is remeasured to fair value on a recurring basis. At December 31, 2011 and 2010, the fair value of the interest rate swap was an unfavorable \$434,083 and \$0, respectively. The fair value of the interest rate swap is determined using quoted market prices for similar swap agreements and is considered to be Level 2 measurement. The fair value of the interest rate swap is included as a component of other long-term liabilities at fair value.

At December 31, 2011 and 2010, the carrying amount of the senior secured credit facility was \$314.5 million and \$178.9 million as compared to fair values of \$323.3 million and \$189.6 million, respectively. The estimates of the fair value of the Company's senior secured credit facility are based upon a discounted present value analysis of future cash flows and are considered to be Level 3 financial measures. Due to the existing uncertainty in the capital and credit markets, the actual rates that would be obtained to borrow under similar conditions could materially differ from the estimates the Company has used.

For the Company's other financial instruments, including the Company's cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses the Company estimates the carrying amounts approximate fair value due to their short-term maturity.

(o) Net Operating Revenues and Accounts Receivable

Net operating revenue is recognized in the period services are provided. Revenue consists primarily of reimbursements from Medicare, Medicaid and commercial health plans for dialysis services provided to patients. A usual and customary fee schedule is maintained for the Company's dialysis treatment and other patient services. However, actual collected revenue is normally at a discount to this fee schedule. Contractual adjustments represent the differences between amounts billed for services and amounts paid by third-party payors.

The Company's dialysis facilities are certified to participate in the Medicare program. Revenues reimbursed by the Medicare program are recognized primarily on a prospective payment system for dialysis services (ESRD Program). Prior to January 2011, dialysis providers operating under the Medicare ESRD program received a composite payment rate to cover routine dialysis treatments and certain supplies. There was a separate payment for laboratory testing and pharmaceuticals such as EPO, vitamin D and iron supplements that were not included in the composite rate. However, beginning January 2011, Medicare implemented a new payment system in which all ESRD payments are now made under a single bundled payment rate that provides for an annual inflation adjustment based upon a market basket index, less a productivity improvement factor. The bundled payment rate provides a fixed rate to encompass goods and services provided during the dialysis treatment, including pharmaceuticals that were historically separately reimbursed to the dialysis providers. Most lab services that were previously paid directly to laboratories are also included in the new payment bundle. Now, as a result of the bundled payment system, the dialysis providers are at risk of variations in pharmaceutical utilization since reimbursement is set at a fixed average reimbursement rate.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

As of November 1, 2010, dialysis providers were required to make an election as to which clinics would be fully reimbursed as of January 1, 2011 under the new bundled payment system or phased into the new system over a four year period. The Company elected to have approximately 72% of its clinics be reimbursed fully under the new bundled reimbursement system beginning January 1, 2011. Once this election was made, it could not be revoked. All clinics that receive Medicare certification subsequent to November 1, 2010 will be reimbursed under the new bundled reimbursement system.

The initial 2011 bundled payment rate includes reductions to conform to the provisions of the Medicare Improvements for Patients and Providers Act (MIPPA) and to establish budget neutrality. Further, there is a 5.94% reduction tied to an expanded list of case mix adjusters which can be earned back upon the presence of these certain patient characteristics and co-morbidities at the time of treatment. Historically, dialysis providers have not had to track certain of the case-mix adjusters and these adjusters may be difficult to capture initially. There are also other provisions which may impact reimbursement including an outlier adjustment and a low volume facility adjustment.

On April 1, 2011, CMS released an interim final rule correcting the 3.1% transition adjustment factor to properly update the number of ESRD facilities that elected to opt fully into the new Prospective Payment System (PPS). This new rule was prospective and as a result, effective April 1, 2011 the Company began recognizing revenues in accordance with the new rule, which resulted in an increase in Medicare revenue per treatment of approximately 3.1% in comparison to levels recorded in the first quarter of 2011.

On November 1, 2011, CMS issued the final ESRD PPS rule for 2012. The base rate for 2012 increased by 2.1%, representing a market basket increase of 3.0% less a productivity adjustment of 0.9%.

Also, beginning in 2012, the rule provides for up to a 2% annual payment withhold that can be earned back by the facilities that meet certain defined clinical performance standards under a quality incentive program built into the bundled system. Thus, the quality incentive program could result in decreased payments if a dialysis facility fails to meet the standards.

Medicare presently pays 80% of the established payment rates for dialysis treatment furnished to patients. The remaining 20% may be paid by Medicaid if the patient is eligible, from private insurance funds, or from the patient's personal funds. If there is no secondary payor to cover the remaining 20%, and if the Company demonstrates prescribed collection efforts, Medicare may reimburse the Company for part of that balance as part of the Company's annual cost report filings subject to individual center Medicare economics. As a result, billing and collection of Medicare bad debt claims are often delayed significantly, and final payments are subject to audit.

Medicaid programs are administered by state governments and are partially funded by the federal government. In addition to providing primary coverage for patients whose income and assets fall below state defined levels and are otherwise insured, Medicaid serves as a supplemental insurance program for the co-insurance portion not paid by Medicare. Medicaid reimbursement varies by state but is typically reimbursed pursuant to a prospective payment system for dialysis services rendered.

Revenues associated with commercial health plans are estimated based upon patient-specific contractual terms between the Company and health plans for the patients with which the Company

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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has formal agreements, upon commercial health plan coverage terms if known, or otherwise upon historical collection experience adjusted for refund and payment adjustment trends. Commercial revenue recognition involves substantial judgment. With several commercial insurers, the Company has multiple contracts with varying payment arrangements, and these contracts may include only a subset of the Company's dialysis centers. In addition, for services provided by noncontracted centers, final collection may require specific negotiation of a payment amount. Generally, payments for a dialysis treatment from commercial payors are greater than the corresponding amounts received from Medicare and Medicaid.

(p) Share-Based Compensation

The Company recognizes compensation expense, for all share-based awards, including stock option grants to employees, using a fair-value measurement method. Under the fair-value method, the estimated fair value of awards that are expected to vest is recognized over the requisite service period, which is generally the vesting period.

Prior to 2006, the Company accounted for its equity compensation using the intrinsic value-based method of accounting. The Company did not recognize compensation expense before 2006 because the exercise price of stock options granted was not less than the estimated value of the underlying stock on the date of grant. The Company continues to account for equity compensation based shares granted prior to 2006 using the intrinsic value method until such time as shares are modified, canceled, or repurchased.

The Company estimates the fair value of awards on the date of grant, using the Black-Scholes option pricing model. The weighted average fair value of options granted during the years ended December 31, 2011 and 2010 are calculated based on the following assumptions: expected volatility of 30% and 22%, respectively, expected dividend yield of 0%, expected life of 3.75 years, and risk-free interest rates of 0.69% to 1.97%. Expected volatility was derived using data drawn from public dialysis company comparables. The expected life was computed utilizing the simplified method as permitted by the Securities and Exchange Commission's Staff Accounting Bulletin, *Share Based Payment*. The expected forfeiture rate is 20% based upon a review of the Company's recent history and expectations as segregated between the Company's board of directors, senior officers, and other grantees. The risk-free interest rate is based on the approximate average yield on three and five year United States Treasury Bonds as of the date of grant. There were 146,987 and 352,000 options granted during the years ended December 31, 2011 and 2010, respectively (see note 10).

(q) Noncontrolling Interest

In December 2007, the FASB issued an accounting standard, *Noncontrolling Interests in Consolidated Financial Statements* (ASC 810), which gives guidance on the presentation and disclosure of noncontrolling interests (previously known as minority interests) of consolidated subsidiaries. This statement requires the noncontrolling interest to be included in the equity section of the balance sheet, requires disclosure on the face of the consolidated statement of operations of the amounts of consolidated net income attributable to the consolidated parent and the noncontrolling interest, and expands disclosures.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

Consolidated income (loss) is reduced (increased) by the proportionate amount of income or loss accruing to noncontrolling interests. Noncontrolling interest represents the equity interest of third-party owners in consolidated entities that are not wholly owned.

(r) *Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when it is more likely than not that the deferred tax assets will not be realized.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The amount of unrecognized tax benefits as of December 31, 2011 and 2010 was \$0.

The Company is subject to income taxes in the U.S. federal jurisdiction and various states. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Company is no longer subject to U.S. federal or state or local income tax examinations by tax authorities for the years before 2006. In 2011, the Internal Revenue Service finalized its examination of the Company's 2007 U.S. income tax returns. The resolution of this examination resulted in no additional tax payment.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses for all periods presented.

The Company's consolidated LLC and L.P. subsidiaries do not incur federal income taxes. Instead, their earnings and losses are included in the returns of, and taxed directly to, the members and partners of these subsidiaries.

(s) *Derivative Instruments and Hedging Activities*

The Company has entered into interest rate swap and cap agreements as a means of hedging its exposure to and volatility from variable-based interest rate change. These agreements are designed as cash flow hedges and are not held for trading or speculative purposes. The swap agreement has the economic effect of converting portions of the Company's variable rate debt to fixed rates.

In 2011, the Company adopted the provisions of FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (included in FASB ASC Topic 815, *Derivatives and Hedging*), which amends the disclosure requirements for derivative instruments and hedging

U.S. RENAL CARE, INC. AND SUBSIDIARIES

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activities. The amended disclosure require entities to provide information to enable users of the financial statements to understand how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments are related hedged items affect an entity's financial position, financial performance, and cash flows (see note 6).

(t) Recently Issued Accounting Pronouncements

In July 2011, the FASB issued ASU No. 2011-07, *Health Care Entities-Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts*. This standard amends the current presentation and disclosure requirements for health care 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. This standard requires health care entities to reclassify the provision for bad debts from an operating expense to a deduction from patient service revenues in certain circumstances. Additionally, this standard requires enhanced disclosures on the policies for recognizing revenue, assessing bad debts, as well as quantitative and qualitative information regarding changes in the allowance for bad debts. This standard is applied retrospectively to all prior periods presented and is effective for the first annual period ending after December 15, 2012 with early adoption permitted. The adoption of this standard will not have a material impact on the Company's consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles-Goodwill and Other*. This standard simplifies the goodwill impairment assessment by allowing a company to first review qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount to determine if the two-step impairment test is necessary. If it is determined that certain events and circumstances prove that it is more likely than not that the fair value of a reporting unit is less than its carrying amount then an entity is required to proceed to step one of the two-step goodwill impairment test. This standard is effective for the first annual period ending after December 15, 2011 with early adoption permitted. The adoption of this standard will not have a material impact on the Company's consolidated financial statements.

(u) Reclassifications

Certain reclassifications have been made to the 2010 consolidated financial statement balances to conform with the 2011 presentation. Such reclassifications have no effect on earnings or stockholders' equity.

(v) Correction of Immaterial Error

In 2011, the Company identified an error in recording the purchase of an additional interest in a facility in 2010, that resulted in the Company gaining control of the facility that was previously accounted for as an equity method investment. The effect of this change increased goodwill and income before income taxes by \$5.1 million, increased income tax expense and deferred tax liabilities by \$1.8 million and increased net income by \$3.3 million. The allocation of the purchase price including this gain follows. The Company has included this adjustment in the 2010 financial statements as a correction of an immaterial error (see note 3(b)).

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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(2) Fixed Assets

At December 31, 2011 and 2010, property and equipment consists of the following:

	<u>2011</u>	<u>2010</u>
Facility equipment, furniture, and information systems	\$ 46,577,947	42,891,347
Land and buildings	3,745,050	6,747,940
Leasehold improvements	30,638,531	21,493,319
New center construction in progress	863,043	778,865
	<u>81,824,571</u>	<u>71,911,471</u>
Less accumulated depreciation and amortization	<u>(35,922,283)</u>	<u>(25,129,530)</u>
	<u>\$ 45,902,288</u>	<u>46,781,941</u>

	<u>Year ended December 31</u>	
	<u>2011</u>	<u>2010</u>
Depreciation and amortization expense on property and equipment	\$ 12,880,752	9,304,459

Net book value of equipment under capital leases at December 31 was as follows:

	<u>2011</u>	<u>2010</u>
Equipment	\$ 14,073,859	10,671,572
Less accumulated depreciation	<u>(8,361,068)</u>	<u>(6,099,837)</u>
	<u>\$ 5,712,791</u>	<u>4,571,735</u>

(3) Acquisitions/Disposition

The Company has acquired various dialysis businesses, as described further below. The assets and liabilities for all acquisitions were recorded at their estimated fair values as of the effective acquisition date based upon the best available information.

Amortizable intangible assets consist primarily of noncompete agreements. Goodwill is recorded when the consideration paid for an acquisition exceeds the fair value of identifiable net tangible assets and identifiable intangible assets acquired.

The results of operations for the acquired companies are included in the Company's financial statements beginning on the effective acquisition date.

(a) *Dialysis Corporation of America, Inc. Acquisition*

On June 3, 2010, the Company acquired all the outstanding common shares of Dialysis Corporation of America, Inc. (DCA) for \$11.25 per share. DCA provides outpatient dialysis, in-home dialysis and

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acute services in Georgia, Maryland, New Jersey, Ohio, Pennsylvania, Virginia and South Carolina. The results of operations for DCA are included in the Company's financial statements beginning June 1, 2010.

The DCA acquisition cost of approximately \$110 million and costs related thereto were funded from the proceeds of the Company's senior secured and subordinated loan agreements (see note 6) and the issuance of Series D Preferred Stock (see note 8).

The estimated fair values of the assets acquired and liabilities assumed at the acquisition date are as follows:

Assets:	
Cash	\$ 1,294,958
Net accounts receivable	17,072,334
Inventory	2,684,480
Other receivables	1,280,382
Other current assets	<u>2,257,895</u>
Total current assets	24,590,049
Property and equipment, net	20,526,500
Amortizable intangibles, net	12,957,381
Goodwill	113,828,342
Other long-term assets	<u>863,600</u>
Total assets	<u>\$ 172,765,872</u>
Liabilities:	
Accounts payable	\$ 4,958,871
Accrued expenses	<u>6,177,187</u>
Total current liabilities	11,136,058
Long-term debt	9,586,971
Other long-term liabilities	(326,883)
Deferred tax liability	<u>3,808,826</u>
Total liabilities	<u>\$ 24,204,972</u>
Equity:	
Minority interest	<u>\$ 38,310,900</u>
Total equity	<u>\$ 38,310,900</u>

(b) San Antonio

On July 1, 2010, the Company purchased an additional 40% interest in one of its joint venture entities which it previously had a 40% noncontrolling ownership interest for \$7.2 million. The acquisition was funded by borrowing under the Company's revolving credit facility (see note 6) and cash on hand. The consolidated results of operation for this facility are included in the Company's financial statements beginning July 1, 2010. Previously, the Company's investment was recorded

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using the equity method of accounting. The investment balance at June 30, 2010 was approximately \$922,000.

Subsequent to the issuance of the December 31, 2010 financial statements, the Company concluded that the purchase of an additional 40% interest in the San Antonio joint venture on July 1, 2010, should have resulted in a gain to be included in the December 31, 2010 financial statements. At the date of the transaction, the Company did not remeasure the previously held noncontrolling interest of 40% at fair value and recognize the resulting gain or loss. As a result of this adjustment, a gain on acquisition of controlling interest of \$5.1 million is included in the December 31, 2010 financial statements. The effect of this change increased goodwill and income before income taxes by \$5.1 million, increased income tax expense and deferred tax liabilities by \$1.8 million and increased net income by \$3.3 million. The allocation of the purchase price including this gain follows. The Company has included this adjustment in the 2010 financial statements as a correction of an immaterial error.

Assets:	
Cash	\$ 671,969
Net accounts receivable	1,151,930
Inventory	22,726
Other receivables	7,724
Other current assets	<u>24,742</u>
Total current assets	1,879,091
Property and equipment, net	974,832
Goodwill	<u>13,476,227</u>
Total assets	\$ <u>16,330,150</u>
Liabilities:	
Accounts payable	\$ 25,983
Accrued expenses	<u>145,888</u>
Total liabilities	\$ <u>171,871</u>
Equity:	
Minority interest	\$ <u>2,986,200</u>
Total equity	\$ <u>2,986,200</u>

(c) December Acquisition

On December 1, 2010, the Company acquired two outpatient dialysis clinics, an acute program and a home program (December Acquisition). This transaction included purchasing a 51% majority interest in the assets of one of the clinics and a 100% interest in the assets of the other clinic. The results of operations for these services are included in the Company's financial statements beginning December 1, 2010. The December Acquisition cost of approximately \$1 million was funded from operating cash flow.

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The estimated fair values of the assets acquired at the acquisition date are as follows:

Assets:	
Inventory	\$ 89,114
Other current assets	26,017
Fixed assets	416,000
Goodwill	869,546
	<u>1,400,677</u>
Total assets	\$ <u>1,400,677</u>
Liabilities:	
Accrued expenses	\$ 357,713
	<u>357,713</u>
Total liabilities	\$ <u>357,713</u>

(d) Medicare Disposition

On November 30, 2010, the Company sold 100% of the net assets of its medical products business that was acquired in the DCA acquisition. The Company sold, assigned and transferred certain assets for approximately \$535,000 resulting in no gain or loss.

(e) Advanced Home Therapies Acquisition

On May 16, 2011, the Company acquired home dialysis programs providing services at two locations in Illinois. The transaction included purchasing a 51% majority interest in the assets. The results of operations for these services are included in the Company's financial statements beginning May 16, 2011. The Advanced Home Therapies Acquisition cost of approximately \$1.2 million was funded from operating cash flow.

The estimated fair value of the assets acquired at the acquisition date are as follows:

Assets:	
Fixed assets	\$ 9,320
Goodwill	2,452,430
Amortizable intangibles, net	38,250
	<u>2,500,000</u>
Total assets	\$ <u>2,500,000</u>
Equity:	
Minority interest	\$ 1,225,000
	<u>1,225,000</u>
Total equity	\$ <u>1,225,000</u>

(4) Noncontrolling Interests

The Company engages in the purchase and sale of equity interests with respect to its consolidated subsidiaries that do not result in a change of control. These transactions are accounted for as equity transactions, as they are undertaken among the Company, its consolidated subsidiaries, and noncontrolling interests, and their cash flow effect is classified within financing activities.

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As of December 31, 2011, the Company was the majority owner in 66 joint ventures. Of the noncontrolling interests in those 66 joint ventures, 23 have put rights generally at fair value as defined in the agreement that are either currently exercisable or become exercisable at various future dates. The carrying amount of these redeemable noncontrolling interests totaled \$9.1 million and \$7.3 million as compared to redemption values of \$46.1 million and \$41.0 million at December 31, 2011 and 2010, respectively. The redemption value is calculated at the current value of the put payment that would be required to redeem the interest if the put is exercised regardless of whether such interest is currently exercisable. As of December 31, 2011, \$7.4 million of put rights are currently exercisable and the remaining \$38.7 million generally become exercisable over the next three to five years.

(5) Intangible Assets

At December 31, 2011 and 2010, amortizable intangible assets consisted of the following:

	2011	2010
Noncompetition agreements	\$ 31,858,689	31,836,273
Lease agreements	580,106	580,106
Deferred debt issuance costs	7,768,556	7,939,537
Licenses	359,000	359,000
	40,566,351	40,714,916
Less accumulated amortization	(18,948,741)	(13,365,202)
Net amortizable intangible assets	\$ 21,617,610	27,349,714

Amortizable intangible liabilities, which are included in other long-term liabilities, consisted of lease agreements as follows:

	2011	2010
Lease agreements	\$ 1,894,040	1,894,040
Less accumulated amortization	(933,193)	(648,449)
Net amortizable intangible liabilities	\$ 960,847	1,245,591

Amortization of intangible assets and liabilities over the next five years is as follows:

	Noncompetition agreements	Deferred debt issuance costs	Lease agreements, net	Licenses
2012	\$ 4,508,985	1,267,449	(114,102)	71,800
2013	4,421,133	1,263,680	(66,168)	71,800
2014	4,324,487	1,263,680	(95,728)	71,800
2015	1,288,439	1,263,680	(106,751)	29,917
2016	164,805	1,150,451	(98,458)	—

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Changes in the value of goodwill were as follows:

	<u>2011</u>	<u>2010</u>
Balance at January 1	\$ 195,575,023	67,922,354
Goodwill adjustments	(2,436,090)	(521,626)
Goodwill acquired	<u>2,452,430</u>	<u>128,174,295</u>
Balance at December 31	<u>\$ 195,591,363</u>	<u>195,575,023</u>

The fair value of the identifiable intangibles acquired and the amount of goodwill recorded as a result of acquisitions are determined based upon independent third-party valuations and the Company's estimates. Amortization expense for the Company's intangible assets relates to the value associated with the noncompete and lease agreements. The noncompete intangible assets are amortized over the term of the noncompete agreements executed in connection with the acquisition transactions or the medical agreements entered into with certain physicians and the lease agreement intangibles are amortized over the term of the lease.

The Company recorded \$2.4 million to goodwill related to deferred tax adjustments in relation to the acquisition of DCA (see note 3(a)).

(6) Long-Term Debt

On June 9, 2011, the Company entered into an Amendment Agreement to amend and restate the Company's senior credit agreement entered into on May 24, 2010 (as amended, the Amended Agreement). The Amended Agreement consists of: (a) a \$215 million senior secured term loan (Term Loan) and (b) a \$40 million senior secured revolving credit facility (Revolver). Also on June 9, 2011, the Company entered into an Amendment Agreement to amend and restate the senior subordinated loan agreement entered into on May 24, 2010 to allow the Company to borrow an additional \$60 million (Additional Subordinated Loan), for an aggregate principle amount of \$100 million (Subordinated Loan). The additional proceeds obtained under the Term Loan and the Additional Subordinated Loan along with available cash on hand were utilized to (a) to fund a one time dividend payment to the Company's shareholders in the amount of \$137.5 million (see note 9), and (b) pay expenses and fees associated with the amended senior secured and subordinated loan agreements.

Borrowings under the Term Loan and Revolver (collectively Senior Secured Loans) bear interest based upon a spread in excess of LIBOR (floor of 1.50%) or the U.S. prime rate, as the benchmark, as adjusted, in the case of the interest rate applicable to the Revolver, based upon the Company's leverage ratio. The Amended Agreement also provides for an annual unused commitment fee of 0.75% based upon the average revolving credit commitment less outstanding borrowings on the Revolver and letters of credit, as adjusted based upon the Company's leverage ratio. As of December 31, 2011, borrowings under the Senior Secured Loans bore interest at 5.50%. The Subordinated Loan accrues interest at 13.25% with 11.25% paid in cash per annum. The remaining 2% of interest on the Subordinated Loan (PIK Interest) will be capitalized and accrued for until it becomes due upon the maturity of the loan.

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The Term Loan requires quarterly principal payments of \$537,500 in each year from 2011 through 2016 with the balance of \$204,787,500 due in 2016. The Subordinated Loan requires a one-time payment of \$100 million principal balance due in 2017, in addition to outstanding PIK Interest.

The Revolver, Term Loan, and Subordinated Loan mature on June 9, 2016, December 9, 2016, and June 2, 2017, respectively. The subordinated loan agreement provides for prepayment penalties if it is repaid within the first three years subsequent to June 2, 2011.

Commencing with the fiscal year ended December 31, 2011, the Company is required to prepay its outstanding Senior Secured Loan balances with 50% of excess cash flow as defined in the credit agreement. The Company is also required to prepay senior secured loan balances with: (a) 100% of the proceeds of asset sales or the proceeds received from casualty event settlements that are not reinvested or permitted pursuant to the terms of the credit agreement, and (b) 100% of the proceeds of indebtedness that is incurred and not permitted pursuant to the credit agreement. Following satisfaction of any prepayment under the Senior Secured Loans, the Company is required to prepay the Subordinated Loan balances with 100% of the proceeds of asset sales or the proceeds received from a casualty event settlement that are not reinvested or permitted pursuant to the terms of the credit agreement.

The Senior Secured Loans and the Subordinated Loan are guaranteed, on a joint and several basis, by each of the Company's subsidiaries, subject to certain exceptions. Borrowings under the credit agreements are collateralized by substantially all of the Company's and its subsidiaries' assets, including accounts receivable, inventory, and fixed assets not subject to permitted capital leases. The Subordinated Loan is subordinated to the repayment of the Senior Secured Loans. The Senior Secured and Subordinated Loan agreements include various events of default and contain certain restrictions on the operations of the business, including restrictions on certain cash payments, including capital expenditures, investments and the payment of dividends. These loan agreements also include covenants pertaining to interest coverage and total debt leverage, as well as other customary covenants and events of defaults.

The Company believes it is in compliance with all covenants under the Senior Secured Loan and Subordinated Loan agreements and has met all debt payment obligations. At December 31, 2011, approximately \$40 million of commitments were unused and available under the Revolver.

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

	<u>2011</u>	<u>2010</u>
Senior secured credit facility:		
Term loan	\$ 213,387,500	131,506,250
Revolver	—	7,000,000
Subordinated loan	101,137,105	40,410,549
Other notes payable	—	23,305
Capital lease obligations	<u>6,936,196</u>	<u>5,708,480</u>
	321,460,801	184,648,584
Less current portion	<u>(3,805,921)</u>	<u>(2,924,662)</u>
	<u>\$ 317,654,880</u>	<u>181,723,922</u>

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Scheduled maturities of long-term debt and capital lease obligations at December 31, 2011 were as follows:

	<u>Long-term debt</u>	<u>Capital lease obligations</u>
2012	\$ 2,150,000	2,130,273
2013	2,150,000	1,890,004
2014	2,150,000	1,669,552
2015	2,150,000	1,296,580
2016	204,787,500	426,856
Thereafter	<u>101,137,105</u>	<u>799,864</u>
	\$ <u>314,524,605</u>	8,213,129
Less interest portion at 5.040% – 8.561%		<u>(1,276,933)</u>
Total		\$ <u>6,936,196</u>

Due to the Amended Agreement, the Company recognized a loss on early retirement of debt of \$4.8 million primarily related to a write-off of previously existing deferred finance costs.

According to the senior secured loan agreement dated as of May 24, 2010, the Company was required to enter into an interest rate hedging agreement, no later than 90 days following the closing date. The Company entered into a three year Hedge Agreement on September 1, 2010 which consists of an interest rate cap on the LIBOR floating rate of the senior secured loans at 1.75% until August 31, 2011. Additionally the Company entered into a swap from September 1, 2011 to September 1, 2013 effectively fixing the base rate at 2.32%. The notional amount of the swap is \$46.375 million, which is equivalent to 22% of the Term Loan amount borrowed. The fair value of the interest rate swap is \$434,083 at December 31, 2011 and is included as a component of other long-term liabilities. The swap is not being accounted for as an effective hedge and all adjustments to fair value are recorded to the statement of operations as interest expense. Interest expense for the year ended December 31, 2011 includes \$434,083 of net losses, representing the adjustment of the interest rate swap to fair value.

(7) Income Taxes

Income tax expense (benefit) consisted of the following:

	<u>2011</u>	<u>2010</u>
Current:		
Federal	\$ 4,726,167	1,652,164
State	2,812,966	1,244,752
Deferred:		
Federal	1,437,172	4,803,175
State	<u>(586,359)</u>	<u>(156,872)</u>
	\$ <u>8,389,946</u>	<u>7,543,219</u>

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The difference between the expected tax expense based on the federal statutory rate of 34% is primarily Texas gross margin tax, which is not based on pre-tax income and income tax attributable to noncontrolling interest.

Deferred tax assets and liabilities arising from temporary differences were as follows:

	<u>2011</u>	<u>2010</u>
Deferred tax assets:		
Accrued expenses and other liabilities for financial accounting purposes not currently deductible	\$ 6,486,955	5,776,527
Net operating loss carryforwards and contribution limitation	1,190,622	858,471
Flow through entities	9,852,665	4,328,310
Property plant and equipment	—	197,679
Other	<u>1,737,710</u>	<u>151,589</u>
Total deferred tax assets	<u>19,267,952</u>	<u>11,312,576</u>
Deferred tax liabilities:		
Property and equipment and intangibles, principally due to differences in depreciation and amortization	(2,234,567)	(3,546,732)
Goodwill	(11,328,149)	(11,031,330)
Other	<u>(4,541,341)</u>	<u>(1,717,088)</u>
Total deferred tax liabilities	<u>(18,104,057)</u>	<u>(16,295,150)</u>
Net deferred tax assets (liabilities)	\$ <u>1,163,895</u>	<u>(4,982,574)</u>

The Company fully utilized all net operating loss carryforwards at December 31, 2010 of approximately \$1,285,316. The Company has not recorded a valuation allowance for any of its deferred tax assets at December 31, 2011 as it expects to generate future taxable income sufficient to realize such deferred tax assets.

(8) Preferred Stock

Under the Company's Fifth Amended and Restated Certificate of Incorporation, as amended, 105,995,979 total shares are authorized to issue, comprised of 57,237,646 shares of common stock and 48,758,333 shares of preferred stock. Preferred stock is issuable in series under terms and conditions determined by the Company's Board of Directors.

(a) Series A Preferred Stock

During 2011, upon the exercise of warrants by certain warrant holders, 375,000 shares of Series A Preferred stock were issued at a price of \$1 per share for total net proceeds of approximately \$375,000. As of December 31, 2011 and 2010, there were 12,725,000 and 12,350,000 shares, respectively, of Series A Preferred stock outstanding.

(b) Series B Preferred Stock

As of December 31, 2011 and 2010, there were 545,000 shares of Series B Preferred stock outstanding.

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(c) Series B-1 Preferred Stock

As of December 31, 2011 and 2010, there were 886,666 shares of Series B-1 Preferred stock outstanding.

(d) Series C Preferred Stock

As of December 31, 2011 and 2010, there were 24,500,962 shares of Series C Preferred stock outstanding.

(e) Series D Preferred Stock

As of December 31, 2011 and 2010, there were 8,333,333 shares of Series D Preferred stock outstanding.

(f) Dividends

Following the payment by the Company of a cash dividend on June 9, 2011 (the 2011 Dividend) (see note 9), Series D Preferred stockholders are entitled to receive cash dividends at the rate of 8% per annum calculated on the base price per share of \$0.95, which are cumulative from June 9, 2011, but shall be paid only (a) upon a liquidation event; (b) upon a redemption of the Series D Preferred stock; or (c) if declared by the Board of Directors of the Company. Accumulations of dividends on shares of Series D Preferred stock do not bear interest. Series A, Series B, Series B-1 and Series C Preferred stockholders and common stockholders are entitled to receive dividends, when and if declared by the Board of Directors out of the Company's assets legally available. If Series A, Series C and Series D Preferred shares are outstanding, no dividend may be declared with respect to Series B or Series B-1 Preferred stock or common stock unless all declared Series A and Series C Preferred dividends and cumulative Series D Preferred dividends have been paid and a similar dividend is declared on Series A, Series C and Series D Preferred stock. Cumulative dividends with respect to all outstanding shares of Preferred Stock were \$359,305 and \$19,831,208 at December 31, 2011 and 2010, respectively.

(g) Redemption

Each share of Series A, Series C, and Series D Preferred stock is redeemable beginning on September 1, 2020, if approved by at least 60% of the then-outstanding shareholders of Series A, Series C, and Series D Preferred, voting as a single class. Series B and Series B-1 Preferred stock is redeemable, beginning on September 1, 2012 only subject to and after redemption of the Series A, Series C, and Series D Preferred Stock, or if approved by at least 60% of the then-outstanding shares of Series A, Series C, and Series D Preferred, voting as a single class, and if also approved by at least 60% of the then-outstanding shares of Series B and Series B-1 Preferred, voting as a single class.

Any such redemption would be payable in three equal annual installments and the redemption price per share would be calculated using the sum of the original issue price (\$1 per share for Series A and Series B Preferred, \$1.50 for Series C and Series B-1 Preferred, and \$3 per share for Series D Preferred) plus all related accrued and unpaid dividends, minus, in the case of Series A, Series C and Series D Preferred shares only, the amount of the 2011 Dividend paid in respect of such share (but not less than \$0).

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(h) Conversion Rights

Each share of Series A, Series B, Series B-1, Series C and Series D Preferred stock is currently convertible at any time, at the option of the holder, into the same number of shares of common stock. Each share of Series A, Series B, Series B-1, Series C, and Series D converts automatically upon (i) the approval of at least 60% of the shares of Series A, Series B and Series D Preferred stock, voting as a single class, or (ii) a qualified public offering. Upon such automatic conversion, any related declared and unpaid dividend becomes due.

(i) Liquidation Preference

Upon liquidation or dissolution, and after payment or provision for payment of all debts and liabilities, stockholders of the Company will receive proceeds, to the extent available, as follows: (a) first, to the holders of Series A, Series C and Series D Preferred stock, amounts per share equal to (i) the original issue price, plus (ii) accrued and unpaid dividends, minus (iii) the amount of the 2011 Dividend paid in respect of such share (but not less than \$0); (b) second, to the holders of Series B and Series B-1 Preferred stock, amounts per share equal to (i) the original issue price, plus (ii) accrued and unpaid dividends, (c) third, ratably to the holders of common stock, and Series A, Series B, Series B-1, Series C, and Series D Preferred stock on an as-if-converted to common stock basis until (i) the holders of Series A and Series C Preferred stock shall have received, in total including the payment under (a) above, an amount per share equal to three (3) times the difference between (A) the original issue price less (B) any amount by which the amount of the 2011 Dividend received in respect of such share exceeded the sum of the original issue price plus accrued and unpaid dividends, and (ii) the holders of Series D Preferred Stock shall have received, in total including the payment under (a) above, an amount per share equal to two (2) times the difference between (A) the original issue price less (B) any amount by which the amount of the 2011 Dividend received in respect of such share exceeded the sum of the original issue price plus accrued and unpaid dividends; and (d) fourth, to the holders of common stock, any remaining available amounts.

(j) Voting Rights

Each share of Series A, Series C and Series D Preferred stock issued and outstanding is entitled to the number of votes equal to the number of shares of common stock into which it is convertible. For various defined events, Series A, Series C and Series D Preferred stockholders vote together as a separate class. In those circumstances, 60% or more of the outstanding Series A, Series C and Series D Preferred stockholders must approve the event.

Each share of common stock is entitled to one vote. As long as Series A, Series C and Series D Preferred stock is outstanding, and except for various defined events, Series A, Series C and Series D Preferred stockholders vote together with common stockholders as a single class on an as-if-converted to common stock basis.

The Series B and Series B-1 Preferred stockholders have no voting rights and their consent is not required to take any corporate action.

The number of authorized shares outstanding can only be changed upon the affirmative vote of (i) a majority of the Company's stockholders, voting together on an as-if-converted to common stock

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basis, and (ii) at least 60% of the Series A, Series C and Series D Preferred stock, voting both as separate classes and together as a single class.

(k) Other Terms

All stockholders are obligated to participate in a sale of the Company approved by at least 60% of the Series A, Series C and Series D Preferred stockholders, voting together as a single class, and the board of directors.

Series A, Series C and Series D Preferred stockholders have the right to purchase any new securities on a proportionate basis, and also have the right of over-allotment if any other Series A, Series C or Series D Preferred shareholder fails to purchase a full proportionate share of the any new securities. Series B Preferred, Series B-1 Preferred, and common stockholders do not have preemptive rights.

The Company and the Series A, Series B, Series C and Series D Preferred stockholders have the right to purchase shares from Series B Preferred, Series B-1 Preferred and common stockholders who wish to transfer their shares to a nonpermitted transferee.

(9) Shareholder Dividend

On June 9, 2011, the Company's Board of Directors authorized the payment of the 2011 Dividend in the amount of \$137.5 million to all common and preferred stockholders. The 2011 Dividend was paid using proceeds from the Company's Term Loan and Additional Subordinated Loan (see note 6). The Company's preferred shares are convertible and the 2011 Dividend was paid ratably to all outstanding shares on an as-if-converted basis. Of the total 2011 Dividend, \$117.4 million and \$20.1 million were paid to preferred and common stockholders, respectively. As of the date of the 2011 Dividend, there were \$22.4 million of cumulative dividends related to the Company's Series A, Series C and Series D Preferred stockholders. The 2011 Dividend constituted the payment of all such cumulative dividends to these stockholders. The remainder of the 2011 Dividend reduced retained earnings by \$11.9 million and additional paid-in capital by \$103.2 million. It is the Company's policy to reduce retained earnings subsequent to the dividend payment up to the amount of the current deficit in additional paid-in capital.

(10) Stock Compensation Plans

The Company's 2005 Stock Incentive Plan (the 2005 SIP) provides stock options and restricted stock grants, and other share-based incentives, primarily to employees and directors. In March 2009, the Company authorized an additional 500,000 shares available for grant. In May 2010, the Company authorized an additional 600,000 shares available for grant. In 2011, the Company authorized an additional 327,487 shares for grant. There were 6,327,487 and 6,000,000 shares available for grant as of December 31, 2011 and 2010, respectively, under the amended 2005 SIP.

(a) Stock Option Plan

Awards granted under the 2005 SIP are for incentive stock options with a five year term, an exercise price at least equal to the market value on the date of grant, and which vest 25% after one year of service and then monthly in equal amounts over the next three years of service. Income for the years ended December 31, 2011 and 2010 included \$(2,131) and \$70,744 respectively, of pretax compensation costs related to stock options granted. As of December 31, 2011, there was \$14,806 of

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total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a period of approximately four years. At December 31, 2011, the weighted average remaining contractual life of outstanding options was 2.82 years.

The table below summarizes activity in the Company's stock option plan:

	Year ended December 31			
	2011		2010	
	Awards	Weighted average exercise price	Awards	Weighted average exercise price
Outstanding at beginning of year	1,076,594	\$ 0.18	1,016,066	\$ 0.14
Granted	146,987	1.70	352,000	0.26
Exercised	(662,430)	0.48	(291,472)	0.15
Canceled	(128,250)	0.17	—	—
Outstanding at end of year	<u>432,901</u>	0.25	<u>1,076,594</u>	0.18
Awards exercisable at year-end	78,068	0.21	380,742	0.14

(b) Restricted Stock

The Company issued restricted stock to certain employees in 2010 and in prior years. Restricted stock awards vest 25% after one year of service and then monthly in equal amounts over the next three years of service, subject to continued employment and other plan terms and conditions. Holders of restricted stock are not allowed to sell, transfer, pledge, or otherwise encumber their restricted shares, but such holders are allowed to vote and their shares accrue dividends when and if declared. The Company may, but is not obligated to, repurchase vested restricted stock from employees at fair market value upon termination of the recipient's employment.

Expense for restricted stock is recognized over the vesting period. The noncash compensation expense associated with restricted stock awards was \$138,471 in 2011 and \$31,908 in 2010. The following table summarizes restricted stock award activity:

	2011	2010
Outstanding balance at beginning of year	\$ 3,961,558	3,401,558
Granted	—	560,000
Exercised	—	—
Forfeited	—	—
Repurchased	—	—
Balance at December 31, 2011	<u>\$ 3,961,558</u>	<u>3,961,558</u>

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The following table summarizes the nonvested restricted stock activity:

	2011	2010
Outstanding balance at beginning of year	\$ 712,753	641,122
Granted	—	560,000
Vested	(339,420)	(488,369)
Forfeited	—	—
Repurchased	—	—
Balance at December 31, 2011	\$ 373,333	712,753

At December 31, 2011, 3,588,225 of the outstanding restricted shares were vested. As of December 31, 2011, there was approximately \$217,000 of total unrecognized compensation costs related to restricted stock awards. These costs are expected to be recognized over a remaining vesting period of approximately four years.

(11) Related-Party Transactions

Participation in the Medicare ESRD program requires that treatment at a dialysis center be under the general supervision of a director who is a physician. The Company has engaged physicians or groups of physicians to serve as medical directors for each of its centers. The Company has contracts with approximately 59 individual physicians and physician groups to provide medical director services. The compensation of medical directors is negotiated individually and depends in general on local factors such as competition, the professional qualifications of the physician, their experience and their tasks as well as the workload at the clinic.

An ESRD patient generally seeks treatment at a dialysis center near his or her home and at which his or her treating nephrologist has practice privileges. Additionally, many physicians prefer to have their patients treated at dialysis centers where they or other members of their practice supervise the overall care provided as medical directors to the centers. As a result, and as is typical in the dialysis industry, the primary referral source for most of the Company's centers is often the physician or physician group providing medical director services to the center.

The Company's medical director agreements generally include covenants not to compete. Also, when the Company acquires a center from one or more physicians, or where one or more physicians owns interests in centers as co-owners with the Company, these physicians have agreed to refrain from owning interests in competing centers within a defined geographic area for various time periods. These agreements not to compete restrict the physicians from owning or providing medical director services to other dialysis centers. Most of these agreements not to compete continue for a period of time beyond expiration of the corresponding medical director agreements.

The Company leases space for 35 of its centers in which physicians and/or employees hold ownership interests, and subleases space to referring physicians and/or employees at 16 centers. Future minimum lease payments payable under these leases is approximately \$23 million at December 31, 2011, exclusive of maintenance and other costs, and is subject to escalation. For 2011 and 2010, total lease payments under these leases were approximately \$3.9 million and \$2.9 million, respectively. On June 21, 2010, the

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

Company entered into a ten year corporate office lease agreement with an entity owned by two of its employees. The lease commenced on August 1, 2011. The future lease payments payable under this lease are approximately \$1.1 million. For 2011, total lease payments under this lease were approximately \$49,678.

The Company's York, Pennsylvania dialysis center is leased from a limited liability partnership in which the Company has a 60% ownership interest with the remaining 40% owned by two doctors one of whom serves as the medical director for that facility. These doctors are also affiliated with the entity that owns a 40% minority ownership in the subsidiary that operates the facility.

Some medical directors and other referring physicians own Series B, Series B-1, Series C and Series D Preferred stock, which they purchased from the Company. Some of the Company's medical directors also own equity interests in entities that operate the Company's dialysis centers.

The Company believes that the leases and equity purchases are no less favorable to the Company and no more favorable to such physicians than would have been obtained in arm's-length bargaining between independent parties.

The Company has one promissory note obligation owed a noncontrolling interest holder in one of its subsidiaries. The note obligation was in an original amount of \$750,000, of which \$0 and \$125,000 was outstanding at December 31, 2011 and 2010, respectively. At December 31, 2011 and 2010, \$0 and \$125,000 of the amount outstanding was classified in the accompanying consolidated balance sheet as a current liability. The note bore interest at 7% and principal was due in six annual installments from May 1, 2006 through May 1, 2011.

During the years ended December 31, 2011 and 2010, the Company paid a related party affiliated through common ownership \$461,342 and \$461,011, respectively, for the usage of an airplane.

A member of the Company's board of directors provides consulting services primarily related to regulatory and reimbursement matters. The total expenses incurred by the Company related to these services were approximately \$100,000 in 2011 and 2010, respectively.

(12) Legislation, Regulations, and Market Conditions

The Company's dialysis operations are subject to extensive federal, state, and local government regulations. These regulations require the Company to meet various standards relating to, among other things, the operation of dialysis clinics, the provision of quality healthcare for patients, maintenance of proper ownership and records, quality assurance programs, and occupational, health, safety and environmental standards, and the provision of accurate reporting and billing to government and private payment programs. These laws are extremely complex, and in many instances, providers do not have the benefit of significant regulatory or judicial interpretation as to how to interpret and apply these laws and regulations in the normal course of conducting their business. Healthcare providers that do not comply with these laws and regulations may be subject to civil or criminal penalties, the loss of their licenses, or restriction in their ability to participate in various federal and state healthcare programs. The Company endeavors to conduct its business in compliance with applicable laws and regulations.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The Company's dialysis centers are certified (or are pending certification) by the Centers for Medicare and Medicaid Services, as is required for the receipt of Medicare payments, and are licensed and permitted by state authorities.

The Medicare and Medicaid Fraud and Abuse Amendments of 1977, as amended, generally referred to as the "anti-kickback statute," imposes sanctions on those who, among other things, offer, solicit, make or receive payments in return for referral of a Medicare or Medicaid patient for treatment. The federal False Claims Act imposes penalties on those who, among other things, knowingly present a false or fraudulent claim for payment to the federal government. Another federal law, commonly referred to as the "Stark Law," prohibits physicians, with certain exceptions, from referring Medicare patients to entities with which the physician has a financial relationship, states have analogous statutes. The Health Insurance Portability and Accountability Act of 1996 (HIPAA), among other things, includes provisions relating to the privacy of medical information and prohibits inducements to patients to select a particular healthcare provider. Congress, states and regulatory agencies continue to consider modifications to federal and state healthcare laws. The Company's dialysis centers are also subject to various state hazardous waste and nonhazardous medical waste disposal laws.

Sanctions for violations of these statutes could result in the imposition of significant fines and penalties, repayments for patient services previously billed, expulsion from government healthcare programs, and other civil or criminal penalties. Management believes that the Company is in material compliance with applicable government laws and regulations.

(13) Profit-Sharing Plan

The Company has a savings plan for employees who meet certain criteria that have been established pursuant to the provisions of Section 401(k) of the Internal Revenue Code. The plan allows employees to contribute a defined portion of their compensation on a tax-deferred basis. Since January 1, 2005, the plan allows for defined matching Company contributions for eligible employees. The plan was amended effective January 1, 2006 to allow vesting credit for prior years of service for employees of certain acquired businesses. For the years ending December 31, 2011 and 2010, respectively, the Company made matching contributions to the plan of \$674,250 and \$386,328.

The Company may also make discretionary profit-sharing contributions to the plan if approved by the board of directors. No such contributions were made in 2011 or 2010.

(14) Commitments and Contingencies

The Company may be subject to claims and suits in the ordinary course of business, including contractual disputes and professional and general liability claims.

On February 15, 2007, the previous owners of the acquired San Antonio facilities brought suit against the Company. In the lawsuit, the plaintiffs alleged that the Company had failed to pay amounts due to the sellers of Rencare Ltd. (Rencare) concerning accounts receivable that arose prior to the close of the Rencare acquisition. A trial was held in November 2008 and judgment was entered in favor of the plaintiff seller. Both sides appealed, and the Company prevailed in the appeal. The Texas Court of Appeals held that the plaintiff should receive nothing and directed entry of judgment in the Company's favor. In

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

January of 2012, the Texas Supreme Court declined review, and the judgment in favor of the Company is now final. The Company incurred legal and other professional fees related to this litigation. These expenses aggregated \$62,791 and \$27,208 in 2011 and 2010, respectively. In 2010, the Company reversed a \$1.1 million reserve related to this litigation that it recorded in 2008.

In February, 2010, and prior to the Company's acquisition, DCA received a subpoena from the Office of Inspector General of the U.S. Department of Health and Human Services (OIG) with respect to an investigation relating to EPO utilization at certain DCA clinics. The Company has been fully cooperating with the inquiry and has produced the requested documents to date. While there is no indication of such at this time, any negative findings could result in: (a) substantial monetary penalties; (b) excluding certain facilities from participation in the Medicare and Medicaid programs; and (c) the Company incurring legal expenses and management time, any or all of which could have a material adverse effect on the Company's revenues, earnings and cash flows. The Company incurred legal fees related to this investigation of \$271,377 and \$389,741 in 2011 and 2010, respectively, subsequent to its acquisition of DCA. In December 2010, the Company received a Civil Investigative Demand (CID) from the U.S. Attorney for the District of New Jersey requesting documents relating to laboratory tests performed on patients of the Company at two of its North Texas clinics. The Company gathered and produced the required documents and performed its own review of such documents. While the Company believes that it is not the subject of the government's investigation, the outcome of this matter is uncertain and the Company has risk of an adverse outcome that could result in substantial monetary penalties.

The Company has obligations to purchase the third-party interests in several of its joint ventures. These obligations are in the form of put provisions in joint venture agreements, and are exercisable at the third-party owners' discretion with some timing limitations. If these put provisions are exercised, the Company would be required to purchase the third-party owners' interests at fair market value (see note 4).

The Company rents office space, medical facilities, and medical equipment under lease agreements that are classified as operating leases for financial reporting purposes. At December 31, 2011, the future minimum rental payments under noncancelable operating leases with terms of one year or more consist of the following:

2012	\$	10,318,246
2013		9,531,848
2014		8,200,747
2015		7,153,231
2016		6,812,937
Thereafter		10,753,819

Rent expense was \$10,976,315 and \$8,129,164 for the years ended December 31, 2011 and 2010, respectively.

(15) Subsequent Events

The Company evaluated events subsequent to December 31, 2011 and through April 6, 2012, the date on which the financial statements were issued.



U.S. RENAL CARE, INC. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Independent Auditors' Report

The Board of Directors
U.S. Renal Care, Inc.:

We have audited the accompanying consolidated balance sheets of U.S. Renal Care, Inc. and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, 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 U.S. Renal Care, Inc. and subsidiaries as of December 31, 2010 and 2009, 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

Dallas, Texas
April 27, 2011

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2010 and 2009

Assets	2010	2009
Cash and cash equivalents	\$ 9,537,107	15,325,357
Accounts receivable, net of allowances of \$13,458,494 and \$8,460,232	48,449,631	25,900,874
Inventories	3,100,193	1,369,198
Other receivables	9,994,938	4,863,513
Deferred tax asset	6,215,457	904,600
Other current assets	<u>2,636,244</u>	<u>1,429,165</u>
Total current assets	79,933,570	49,792,707
Property and equipment, net	46,781,941	19,251,600
Amortizable intangibles, net	27,349,714	12,241,011
Trade names	859,000	—
Investment in affiliate	—	217,670
Goodwill	190,524,762	67,922,354
Other long-term assets	470,902	238,961
Deferred taxes	<u>—</u>	<u>906,459</u>
Total assets	\$ <u>345,919,889</u>	\$ <u>150,570,762</u>
Liabilities and Equity		
Accounts payable	\$ 9,045,119	5,675,616
Accrued expenses	24,248,618	16,485,807
Current portion of long-term debt and capital lease obligations	2,924,662	1,447,595
Current portion of related-party notes payable	<u>125,000</u>	<u>125,000</u>
Total current liabilities	36,343,399	23,734,018
Long-term debt and capital lease obligations, net of current portion	181,723,922	62,010,592
Related-party notes payable	—	125,000
Other long-term liabilities	440,844	532,982
Deferred tax liability	9,480,942	—
Preferred stock accrued dividends	<u>19,831,208</u>	<u>14,736,426</u>
Total liabilities	247,820,315	101,139,018
Commitments and contingencies		
U.S. Renal Care, Inc. equity:		
Preferred stock A (\$0.01 par value. Authorized shares 20,325,000; issued and outstanding 12,350,000 and 12,350,000 shares)	123,500	123,500
Preferred stock B and B-1(\$0.01 par value. Authorized shares 1,600,000; issued and outstanding 1,431,666 and 1,415,666 shares)	14,317	14,157
Preferred stock C (\$0.01 par value. Authorized shares 25,000,000; issued and outstanding 24,500,962 and 24,500,962 shares)	245,010	245,010
Preferred stock D (\$0.01 par value. Authorized shares 8,333,333; issued and outstanding 8,333,333 and 0 shares)	83,333	—
Common stock (\$0.01 par value. Authorized shares 53,525,000 and 52,525,000; issued and outstanding 7,074,324 and 7,074,324 shares)	70,744	62,229
Additional paid-in capital	38,667,471	36,454,222
Retained earnings	<u>5,291,320</u>	<u>1,497,694</u>
Total U.S. Renal Care, Inc. stockholders' equity	44,495,695	38,396,812
Noncontrolling interests (including redeemable interests with redemption values of \$40,999,428 and \$23,600,000)	<u>53,603,879</u>	<u>11,034,932</u>
Total equity	98,099,574	49,431,744
Total liabilities and equity	\$ <u>345,919,889</u>	\$ <u>150,570,762</u>

See accompanying notes to consolidated financial statements.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Net operating revenues	\$ 237,606,328	153,164,637
Operating expenses:		
Patient care costs	154,284,195	98,842,829
General and administrative	20,207,561	15,601,927
Provision for doubtful accounts	6,898,682	4,585,251
Legal cost/settlement	(352,334)	286,647
Transaction costs	9,076,731	460,465
Depreciation and amortization	14,655,411	7,957,301
Total operating expenses	<u>204,770,246</u>	<u>127,734,420</u>
Operating income	32,836,082	25,430,217
Interest expense, net	<u>10,192,698</u>	<u>2,923,456</u>
Income before income taxes	22,643,384	22,506,761
Income tax provision (benefit)	<u>5,826,130</u>	<u>(3,191,190)</u>
Net income	16,817,254	25,697,951
Less net income attributable to noncontrolling interests	<u>13,023,628</u>	<u>10,103,151</u>
Net income attributable to U.S. Renal Care, Inc.	<u>\$ 3,793,626</u>	<u>15,594,800</u>

See accompanying notes to consolidated financial statements.

U.S. BENTAL CABLE, INC. AND SUBSIDIARIES
 Consolidated Statements of Changes in Equity
 Years ended December 31, 2010 and 2009

	U.S. Bental Corp., Inc. shareholders' equity											
	Preferred stock A	Preferred stock B		Preferred stock C	Preferred stock D		Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Total	Noncontrolling interests	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2008	12,330,000	\$ 173,500	1,449,266	\$ 14,497	24,300,962	\$ 241,010	6,914,102	\$ 60,141	40,556,100	(14,987,106)	10,177,963	16,328,303
Issuance of preferred stock									313,840			313,840
Accumulated preferred dividend									(3,724,249)			(3,724,249)
Repurchase of preferred stock									(74,200)			(74,200)
Stock options expense									13,271			13,271
Expense of stock options									2,018			2,018
Capital contribution by noncontrolling interests									41,833			41,833
Distributions to noncontrolling interests												
Net income												
Balance at December 31, 2009	12,330,000	\$ 173,500	1,415,656	\$ 14,157	24,300,962	\$ 245,910	6,222,852	\$ 62,229	36,434,232	1,497,694	11,034,931	49,431,784
Issuance of preferred stock									24,932,506			24,932,506
Accumulated preferred dividend									(3,594,782)			(3,594,782)
Stock options expense									70,214			70,214
Expense of stock options									2,815			2,815
Repurchase of preferred stock									(1,644)			(1,644)
Expense of preferred shares									31,908			31,908
Expense of noncontrolling interest put options									(5,000)			(5,000)
Capital contribution by noncontrolling interests									(17,762,260)			(17,762,260)
Distributions to noncontrolling interests												
Noncontrolling interest acquired in purchase												
Net income												
Balance at December 31, 2010	12,330,000	\$ 173,500	1,431,656	\$ 14,317	24,300,962	\$ 245,910	7,074,218	\$ 79,748	33,667,471	3,793,635	31,601,878	92,099,274

See accompanying notes to consolidated financial statements.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net income	\$ 16,817,254	25,697,951
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	14,655,411	7,957,301
Noncash dispute settlement	450,000	—
Lease agreement intangible amortization included in rent	31,337	(83,399)
Provision for doubtful accounts	6,898,682	4,585,251
Deferred income taxes	2,929,214	(4,794,034)
Equity investment income	(805,801)	(17,646)
Stock compensation expense	102,652	55,096
Loss on disposal of fixed assets	41,711	—
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
Accounts receivable	(11,223,175)	(9,500,021)
Inventories	1,065,325	1,046,906
Other receivables	(2,773,018)	(529,248)
Other current assets	(326,422)	(93,041)
Other long-term assets	(1,049,343)	7,176
Accounts payable and accrued expenses	585,137	(5,143,239)
Other noncurrent liabilities	331,317	(12,936)
Net cash provided by operating activities	<u>27,730,281</u>	<u>19,176,117</u>
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(116,523,175)	(386,762)
Sale of property and equipment	3,172,324	—
Additions of property and equipment, net	(18,394,835)	(7,431,804)
Purchase of noncontrolling interests	(18,991,500)	—
Investment in affiliate	101,335	(200,024)
Net cash used in investing activities	<u>(150,635,851)</u>	<u>(8,018,590)</u>
Cash flows from financing activities:		
Proceeds from long-term debt borrowings	181,952,491	8,750,000
Payments on long-term debt and related-party notes payable	(73,000,188)	(600,224)
Deferred financing costs	(7,938,537)	(7,424)
Proceeds from capital leases	3,260,343	336,118
Capital lease payments	(1,243,894)	(799,901)
Net proceeds from issuance of preferred stock	25,015,999	316,000
Proceeds from issuance of common stock	43,648	29,823
Repurchase of preferred stock	—	(75,000)
Contributions from noncontrolling interests	695,750	267,750
Distributions to noncontrolling interests	(11,668,292)	(9,463,932)
Net cash provided by (used in) financing activities	<u>117,117,320</u>	<u>(1,246,790)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(5,788,250)</u>	<u>9,910,737</u>
Cash and cash equivalents at beginning of year	<u>15,325,357</u>	<u>5,414,620</u>
Cash and cash equivalents at end of year	\$ <u>9,537,107</u>	<u>15,325,357</u>

*

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 8,474,494	2,780,464
Cash paid for taxes	4,814,265	1,260,000
Supplemental disclosures of noncash investing and financing activities:		
Accrual of cumulative preferred dividends	\$ 5,094,782	3,924,249
Capital lease financing	99,126	463,783

See accompanying notes to consolidated financial statements.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

(1) Organization and Significant Accounting Policies

(a) *Organization and Business*

U.S. Renal Care, Inc. (the Company) was formed in June 2000 and provides dialysis services to patients who suffer from chronic kidney failure, also known as end stage renal disease (ESRD). ESRD is the stage of advanced kidney impairment that requires continual dialysis treatments, or a kidney transplant, to sustain life. Patients suffering from ESRD generally require dialysis three times per week for the rest of their lives. The Company primarily provides these services through the operation of outpatient kidney dialysis clinics. As of December 31, 2010, the Company operated 84 outpatient dialysis clinics in Texas, Arkansas, Georgia, Maryland, New Jersey, Ohio, Pennsylvania, Virginia and South Carolina. In addition to its outpatient dialysis center operations, as of December 31, 2010, the Company provides acute dialysis services through contractual relationships with 21 hospitals and dialysis to patients in their homes.

(b) *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) *Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period.

Although actual results in subsequent periods will differ from these estimates, such estimates are developed based upon the best information available to management and management's best judgments at the time made. The most significant estimates and assumptions involve revenue recognition, provisions for uncollectible accounts, determination of the fair value of assets and liabilities acquired, impairments and valuation adjustments, and accounting for income taxes.

(d) *Cash and Cash Equivalents*

Cash includes cash and highly liquid investments with a maturity of ninety days or less at date of purchase. Cash and cash equivalents at times may exceed the FDIC limits. The Company believes no significant concentration of credit risk exists with respect to these cash investments.

(e) *Accounts Receivable and Allowance for Doubtful Accounts*

Substantially all of the Company's accounts receivable are related to providing healthcare services to its patients and are due from the Medicare program, state Medicaid programs, managed care health plans, commercial insurance companies and individual patients. The estimated provision for doubtful

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

accounts is recorded to the extent it is probable that a portion or all of a patient balance will not be collected. The Company considers a number of factors in evaluating the collectibility of accounts receivable including the age of the accounts, collection patterns and any ongoing disputes with payors.

(f) Amounts Due from Third-Party Payors

The amount due from third-party payors, which is included in other receivables, represents balances owed to the Company by the Medicare program for reimbursable bad debts related to Medicare beneficiaries. These reimbursements are part of the Company's annual cost report filings and as such, the actual payments may be delayed or subsequently adjusted pending review and audit by the Medicare program fiscal intermediaries.

(g) Amounts Due from Drug Rebates

The amount due from drug rebates, which is included in other receivables, represents balances owed to the Company by various pharmaceutical vendors for Epogen (EPO), vitamin D and iron. During 2010 and 2009, the Company had incentive contracts that reduced the invoice price based upon volume purchased. This incentive was payable to the Company on a quarterly basis. In addition, there was an additional annual incentive based on volume that was payable to the Company annually.

(h) Inventories

Inventories consist primarily of pharmaceuticals and dialysis-related supplies and are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Market is determined on the basis of estimated realizable values.

(i) Property and Equipment

Property and equipment is carried at cost less accumulated depreciation. Property under capital lease agreements is stated at the present value of minimum lease payments less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or the term of the lease as appropriate. The general range of useful lives is as follows:

Buildings	39 years
Leasehold improvements	Life of lease
Furniture and equipment	5 years
Computers	3 years

Capital lease assets are amortized over the shorter of the lease term or the estimated useful life of the improvement. Property and equipment acquired in acquisitions is recorded at fair value. The cost of improvements that extend asset lives is capitalized. Other repairs and maintenance charges are expensed as incurred.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

Fully depreciated assets are retained in property and depreciation accounts until they are removed from service. When sold or otherwise disposed of, assets and related depreciation are removed from the accounts and the net amounts, less proceeds from disposal, are included in income.

(j) Concentration of Credit Risk

The Company's primary concentration of credit risk exists within accounts receivable, which consist of amounts owed by various governmental agencies, insurance companies, and private patients. Receivables from the Medicare program and various state Medicaid programs were approximately 57% and 55% of gross accounts receivable at December 31, 2010 and 2009, respectively. Concentration of credit risk relating to remaining accounts receivable is limited to some extent by the diversity of the number of patients and payors.

(k) Amortizable Intangible Assets

Amortizable intangible assets and liabilities include noncompetition and similar agreements, lease agreements, and deferred debt issuance costs. Noncompetition and similar agreements are amortized over the terms (five to ten years) of the agreements using the straight-line method. Lease agreement intangibles for favorable and unfavorable leases are amortized on a straight-line basis over the term of the lease.

Deferred debt issuance costs are amortized using the effective interest method as an adjustment to interest expense over the term of the related debt. In the case of debt repayments prior to the end of the term, the Company adjusts the amount of deferred financing costs at the date of repayment, which is included in interest expense.

(l) Goodwill

Goodwill is recorded when the consideration paid for an acquisition exceeds the fair value of net tangible assets and identifiable intangible assets acquired. Goodwill and other indefinite-lived intangible assets are not amortized, but are instead tested for impairment at least annually. The annual evaluation for 2010 and 2009 resulted in no impairment charges.

(m) Impairment of Long-Lived and Indefinite-Lived Assets

The Company evaluates long lived-assets and identifiable intangibles for impairment whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable or the useful life has changed. When undiscounted future cash flows are not expected to be sufficient to recover an asset's carrying amount, a loss is recognized and the asset is written down to its fair value.

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(n) Fair Value of Financial Instruments

The following table details the Company's financial instruments where the carrying value and fair value differ (amounts in millions):

<u>Financial instrument</u>	<u>Carrying value as of December 31, 2010</u>	<u>Fair value at reporting date using</u>		
		<u>Quoted prices in active markets for identical items (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant other unobservable inputs (Level 3)</u>
Senior secured credit facility	\$ 178,917	—	—	189,632

The estimates of the fair value of the Company's senior secured credit facility are based upon a discounted present value analysis of future cash flows. Due to the existing uncertainty in the capital and credit markets, the actual rates that would be obtained to borrow under similar conditions could materially differ from the estimates the Company has used.

The fair value of the interest rate swaps are determined using quoted market prices for similar swap agreements and were nominal at December 31, 2010.

U.S. GAAP describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

For the Company's other financial instruments, including the Company's cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses the Company estimates the carrying amounts approximate fair value due to their short-term maturity.

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(o) *Net Operating Revenues and Accounts Receivable*

Net operating revenue is recognized in the period services are provided. Revenue consists primarily of reimbursements from Medicare, Medicaid and commercial health plans for dialysis services provided to patients. A usual and customary fee schedule is maintained for the Company's dialysis treatment and other patient services. However, actual collected revenue is normally at a discount to this fee schedule. Contractual adjustments represent the differences between amounts billed for services and amounts paid by third-party payors.

The Company's dialysis facilities are certified to participate in the Medicare program. Revenues reimbursed by the Medicare program are recognized primarily on a prospective payment system for dialysis services (ESRD Program). Prior to January 2011, dialysis providers operating under the Medicare ESRD program received a composite payment rate to cover routine dialysis treatments and certain supplies. There was a separate payment for laboratory testing and pharmaceuticals such as EPO, vitamin D and iron supplements that were not included in the composite rate. However, beginning January 2011, Medicare implemented a new payment system in which all ESRD payments are now made under a single bundled payment rate that provides for an annual inflation adjustment based upon a market basket index, less a productivity improvement factor. The bundled payment rate provides a fixed rate to encompass all goods and services provided during the dialysis treatment, including pharmaceuticals that were historically separately reimbursed to the dialysis providers. Most lab services that were previously paid directly to laboratories are also included in the new payment bundle. Now, as a result of the bundled payment system, the dialysis providers are at risk of variations in pharmaceutical utilization since reimbursement is set at a fixed average reimbursement rate.

The initial 2011 bundled payment rate includes reductions of 2% and 0.8%, respectively, to conform to the provisions of MIPPA and to establish budget neutrality. Further, there is a 5.94% reduction tied to an expanded list of case mix adjusters which can be earned back upon the presence of these certain patient characteristics and co-morbidities at the time of treatment. Historically, dialysis providers have not had to track certain of the case-mix adjusters and this may be difficult to capture initially. There are also other provisions which may impact reimbursement including an outlier adjustment and a low volume facility adjustment.

As of November 1, 2010, dialysis providers were required to make an election as to which clinics would be fully reimbursed as of January 1, 2011 under the new bundled payment system or phased into the new system over a four year period. The Company elected to have approximately 72% of its clinics be reimbursed fully under the new bundled reimbursement system beginning January 1, 2011. Once this election was made, it may not be revoked. All clinics that receive Medicare certification subsequent to November 1, 2010 will be reimbursed under the new bundled reimbursement system. Beginning in 2012, dialysis providers will also be subject to a 2% annual Medicare payment withholding that can be earned back by facilities that meet certain defined clinical performance standards.

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Medicare presently pays 80% of the established payment rates for dialysis treatment furnished to patients. The remaining 20% may be paid by Medicaid if the patient is eligible, from private insurance funds, or from the patient's personal funds. If there is no secondary payor to cover the remaining 20%, and if the Company demonstrates prescribed collection efforts, Medicare may reimburse the Company for part of that balance as part of the Company's annual cost report filings subject to individual center profitability. As a result, billing and collection of Medicare bad debt claims are often delayed significantly, and final payment is subject to audit.

Medicaid programs are administered by state governments and are partially funded by the federal government. In addition to providing primary coverage for patients whose income and assets fall below state defined levels and are otherwise insured, Medicaid serves as a supplemental insurance program for the co-insurance portion not paid by Medicare. Medicaid reimbursement varies by state but is typically reimbursed pursuant to a prospective payment system for dialysis services rendered.

Revenues associated with commercial health plans are estimated based upon patient-specific contractual terms between the Company and health plans for the patients with which the Company has formal agreements, upon commercial health plan coverage terms if known or otherwise upon historical collection experience adjusted for refund and payment adjustment trends. Commercial revenue recognition involves substantial judgment. With several commercial insurers, the Company has multiple contracts with varying payment arrangements, and these contracts may include only a subset of the Company's dialysis centers. In addition, for services provided by noncontracted centers, final collection may require specific negotiation of a payment amount. Generally, payments for a dialysis treatment from commercial payors are greater than the corresponding amounts received from Medicare and Medicaid.

(p) *Share-Based Compensation*

The Company recognizes compensation expense, for all share-based awards, including stock option grants to employees, using a fair-value measurement method. Under the fair-value method, the estimated fair value of awards that are expected to vest is recognized over the requisite service period, which is generally the vesting period.

Prior to 2006, the Company accounted for its equity compensation using the intrinsic value-based method of accounting. The Company did not recognize compensation expense before 2006 because the exercise price of stock options granted was not less than the estimated value of the underlying stock on the date of grant. The Company continues to account for equity compensation based shares granted prior to 2006 using the intrinsic value method until such time as shares are modified, canceled, or repurchased.

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The Company estimates the fair value of awards on the date of grant, using the Black-Scholes option pricing model. The weighted average fair value of options granted during the years ended December 31, 2010 and 2009 are calculated based on the following assumptions: expected volatility of 22%, expected dividend yield of 0%, expected life of 3.75 years, and risk-free interest rates of 1.08% to 1.97%. Expected volatility was derived using data drawn from two public dialysis companies. The expected life was computed utilizing the simplified method as permitted by the Securities and Exchange Commission's Staff Accounting Bulletin, *Share Based Payment*. The expected forfeiture rate is 20% based upon a review of the Company's recent history and expectations as segregated between the Company's board of directors, senior officers, and other grantees. The risk-free interest rate is based on the approximate average yield on five year United States Treasury Bonds as of the date of grant. There were 352,000 and 195,000 options granted during the years ended December 31, 2010 and 2009, respectively (see note 9).

(q) *Noncontrolling Interest*

In December 2007, the FASB issued an accounting standard, *Noncontrolling Interests in Consolidated Financial Statements* (ASC 810), which gives guidance on the presentation and disclosure of noncontrolling interests (previously known as minority interests) of consolidated subsidiaries. This statement requires the noncontrolling interest to be included in the equity section of the balance sheet, requires disclosure on the face of the consolidated statement of operations of the amounts of consolidated net income attributable to the consolidated parent and the noncontrolling interest, and expands disclosures.

Consolidated income (loss) is reduced (increased) by the proportionate amount of income or loss accruing to noncontrolling interests. Noncontrolling interest represents the equity interest of third-party owners in consolidated entities that are not wholly owned.

(r) *Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when it is more likely than not that the deferred tax assets will not be realized.

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The Company adopted the accounting standard update ASC 740, *Accounting for Uncertainty in Income Taxes*, on January 1, 2009. Previously, the Company had accounted for tax contingencies under ASC 450, *Accounting for Contingencies*. As required by ASC 740, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, the Company applied ASC 740 to all tax positions for which the statute of limitations remained open. As a result of the implementation of ASC 740, the Company did not recognize an increase in the liability for unrecognized tax benefits. The amount of unrecognized tax benefits as of December 31, 2010 and 2009 was \$0.

The Company is subject to income taxes in the U.S. federal jurisdiction and various states. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Company is no longer subject to U.S. federal or state or local income tax examinations by tax authorities for the years before 2006. In 2010, the Internal Revenue Service finalized its examination of the Company's 2007 U.S. income tax returns. The resolution of this examination resulted in no additional tax payment.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses for all periods presented.

The Company's consolidated LLC and L.P. subsidiaries do not incur federal income taxes. Instead, their earnings and losses are included in the returns of, and taxed directly to, the members and partners of these subsidiaries.

(s) *Derivative Instruments and Hedging Activities*

The Company has entered into an interest rate swap agreement as a means of hedging its exposure to and volatility from variable-based interest rate change. These agreements are designed as cash flow hedges and are not held for trading or speculative purposes. The swap agreement has the economic effect of converting portions of the Company's variable rate debt to fixed rates.

In 2010, the Company adopted the provisions of FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (included in FASB ASC Topic 815, *Derivatives and Hedging*), which amends the disclosure requirements for derivative instruments and hedging activities. The amended disclosure require entities to provide information to enable users of the financial statements to understand how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments are related hedged items affect an entity's financial position, financial performance, and cash flows (see note 6).

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(t) Recently Issued Accounting Pronouncements

Effective January 1, 2009, the Company adopted the provisions of FASB ASC 820 relating to fair value measurements and disclosures with respect to nonfinancial assets and nonfinancial liabilities that are not permitted or required to be measured at fair value on a recurring basis. The adoption had no impact on the Company's consolidated financial statements.

Although the adoption of FASB ASC 820 had no direct impact on the Company's consolidated financial statements, additional disclosures are required under FASB ASC 820 indicating the fair value hierarchy of the valuation techniques utilized to determine fair value measures. The Company has included appropriate disclosures herein.

Effective December 31, 2009, the Company adopted FASB ASC 855, *Subsequent Events*, which establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The Company evaluated events subsequent to December 31, 2010 and through April 27, 2011, the date on which the financial statements were issued.

(u) Reclassifications

Certain reclassifications have been made to the 2009 consolidated financial statement balances to conform with the 2010 presentation. Such reclassifications have no effect on earnings or stockholders' equity.

(2) Fixed Assets

At December 31, 2010 and 2009, property and equipment consists of the following:

	<u>2010</u>	<u>2009</u>
Facility equipment, furniture, and information systems	\$ 42,891,347	22,202,152
Land and buildings	6,747,940	—
Leasehold improvements	21,493,319	9,731,329
New center construction in progress	<u>778,865</u>	<u>2,829,967</u>
	71,911,471	34,763,448
Less accumulated depreciation and amortization	<u>(25,129,530)</u>	<u>(15,511,848)</u>
	<u>\$ 46,781,941</u>	<u>19,251,600</u>
	<u>Year ended December 31</u>	<u>2010</u>
	<u>2010</u>	<u>2009</u>
Depreciation and amortization expense on property and equipment	\$ 9,304,459	5,355,638

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Net book value of equipment under capital leases at December 31 was as follows:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 10,671,572	7,312,321
Less accumulated depreciation	<u>(6,099,837)</u>	<u>(4,092,015)</u>
	<u>\$ 4,571,735</u>	<u>3,220,306</u>

(3) Acquisitions/Disposition

The Company has acquired various dialysis businesses, as described further below. The assets and liabilities for all acquisitions were recorded at their estimated fair values as of the effective acquisition date based upon the best available information.

Amortizable intangible assets consist primarily of noncompete agreements. Goodwill is recorded when the consideration paid for an acquisition exceeds the fair value of identifiable net tangible assets and identifiable intangible assets acquired.

The results of operations for the acquired companies are included in the Company's financial statements beginning on the effective acquisition date.

(a) *Dialysis Corporation of America, Inc. Acquisition*

On June 3, 2010, the Company acquired all the outstanding common shares of Dialysis Corporation of America, Inc. (DCA) for \$11.25 per share. DCA provides outpatient dialysis, in-home dialysis and acute services in Georgia, Maryland, New Jersey, Ohio, Pennsylvania, Virginia and South Carolina. The results of operations for DCA are included in the Company's financial statements beginning June 1, 2010.

The DCA acquisition cost of approximately \$110 million and costs related thereto were funded from the proceeds of the Company's senior secured and subordinated loan agreements (see note 6) and the issuance of Series D Preferred Stock (see note 8). All purchase accounting adjustments are final except for certain deferred tax calculations primarily related to flow-through entities.

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The estimated fair values of the assets acquired and liabilities assumed at the acquisition date are as follows:

Assets:	
Cash	\$ 1,294,958
Net accounts receivable	17,072,334
Inventory	2,684,480
Other receivables	1,280,382
Other current assets	<u>2,257,895</u>
Total current assets	24,590,049
Property and equipment, net	20,526,500
Amortizable intangibles, net	12,957,381
Goodwill	113,828,342
Other long-term assets	<u>863,600</u>
Total assets	<u>\$ 172,765,872</u>
Liabilities:	
Accounts payable	\$ 4,958,871
Accrued expenses	<u>6,177,187</u>
Total current liabilities	11,136,058
Long-term debt	9,586,971
Other long-term liabilities	(326,883)
Deferred tax liability	<u>3,808,826</u>
Total liabilities	<u>\$ 24,204,972</u>
Equity:	
Minority interest	<u>\$ 38,310,900</u>
Total equity	<u>\$ 38,310,900</u>

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(b) San Antonio

On July 1, 2010, the Company purchased an additional 40% interest in one of its joint venture entities which it previously had a 40% noncontrolling ownership interest for \$7.2 million. The acquisition was funded by borrowing under the Company's revolving credit facility (see note 6) and cash on hand. The consolidated results of operation for this facility are included in the Company's financial statements beginning July 1, 2010. Previously, the Company's investment was recorded using the equity method of accounting. The investment balance at June 30, 2010 was approximately \$922,000.

Assets:	
Cash	\$ 671,969
Net accounts receivable	1,151,930
Inventory	22,726
Other receivables	7,724
Other current assets	<u>24,742</u>
Total current assets	1,879,091
Property and equipment, net	974,832
Goodwill	<u>8,426,146</u>
Total assets	\$ <u>11,280,069</u>
Liabilities:	
Accounts payable	\$ 25,983
Accrued expenses	<u>145,888</u>
Total liabilities	\$ <u>171,871</u>
Equity:	
Minority interest	\$ <u>2,986,200</u>
Total equity	\$ <u>2,986,200</u>

(c) December Acquisition

On December 1, 2010, the Company acquired two outpatient dialysis clinics, an acute program and a home program (December Acquisition). This transaction included purchasing a 51% majority interest in the assets of one of the clinics and a 100% interest in the assets of the other clinic. The results of operations for these services are included in the Company's financial statements beginning December 1, 2010. The December Acquisition cost of approximately \$1 million was funded from operating cash flow.

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The estimated fair values of the assets acquired at the acquisition date are as follows:

Assets:	
Inventory	\$ 89,114
Other current assets	26,017
Fixed assets	416,000
Goodwill	869,546
Total assets	<u>\$ 1,400,677</u>
Liabilities:	
Accrued expenses	<u>\$ 357,713</u>
Total liabilities	<u>\$ 357,713</u>

(d) *Medicare Disposition*

On November 30, 2010, the Company sold 100% of the net assets of its medical products business that was acquired in the DCA acquisition. The Company sold, assigned and transferred certain assets for approximately \$535,000 resulting in no gain or loss.

(4) **Noncontrolling Interests**

The Company engages in the purchase and sale of equity interests with respect to its consolidated subsidiaries that do not result in a change of control. These transactions are accounted for as equity transactions, as they are undertaken among the Company, its consolidated subsidiaries, and noncontrolling interests, and their cash flow effect is classified within financing activities.

As of December 31, 2010, the Company was the majority owner in 48 joint ventures. Of the noncontrolling interests in those 48 joint ventures, 17 have put rights generally at fair value as defined in the agreement that are either currently exercisable or become exercisable at various future dates. The carrying amount of these redeemable noncontrolling interests totaled \$7.3 million and \$3.8 million as compared to redemption values of \$41.0 million and \$23.6 million at December 31, 2010 and 2009, respectively. The redemption value is calculated at the current value of the put payment that would be required to redeem the interest if the put is exercised regardless of whether such interest is currently exercisable. As of December 31, 2010, \$7.0 million of put rights are currently exercisable and the remaining \$34.0 million become exercisable at future dates.

During the year, there were nine time-based puts exercised in the Company's South Texas region and one in the San Antonio region. The Company paid \$18.4 million relating to these puts. As a result of the DCA acquisition, there was one change of control put that was partially exercised at one clinic for \$600,000.

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(5) Intangible Assets

At December 31, 2010 and 2009, amortizable intangible assets consisted of the following:

	<u>2010</u>	<u>2009</u>
Noncompetition agreements	\$ 31,836,273	20,132,544
Lease agreements	580,106	76,221
Deferred debt issuance costs	7,939,537	1,910,489
Licenses	359,000	—
	<u>40,714,916</u>	<u>22,119,254</u>
Less accumulated amortization	<u>(13,365,202)</u>	<u>(9,878,243)</u>
Net amortizable intangible assets	\$ <u>27,349,714</u>	<u>12,241,011</u>

Amortizable intangible liabilities, which are included in other long-term liabilities, consisted of lease agreements as follows:

	<u>2010</u>	<u>2009</u>
Lease agreements	\$ 1,089,293	1,089,293
Less accumulated amortization	<u>(648,449)</u>	<u>(556,311)</u>
Net amortizable intangible assets	\$ <u>440,844</u>	<u>532,982</u>

Amortization of intangible assets and liabilities over the next five years is as follows:

	<u>Noncompetition agreements</u>	<u>Deferred debt issuance costs</u>	<u>Lease agreements</u>	<u>Licenses</u>
2011	\$ 4,564,626	1,323,090	396,359	71,800
2012	4,492,939	1,323,090	307,657	71,800
2013	4,418,857	1,323,090	227,206	71,800
2014	4,322,211	1,323,090	183,663	71,800
2015	1,281,681	1,323,090	149,418	29,917

Changes in the value of goodwill were as follows:

	<u>2010</u>	<u>2009</u>
Balance at January 1	\$ 67,922,354	67,559,887
Goodwill adjustments	(521,626)	362,467
Goodwill acquired	123,124,034	—
Balance at December 31	\$ <u>190,524,762</u>	<u>67,922,354</u>

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The fair value of the identifiable intangibles acquired and the amount of goodwill recorded as a result of acquisitions are determined based upon independent third-party valuations and the Company's estimates. Amortization expense for the Company's intangible assets relates to the value associated with the noncompete and lease agreements. The noncompete intangible assets are amortized over the term of the noncompete agreements executed in connection with the acquisition transactions or the medical agreements entered into with certain physicians and the lease agreement intangibles are amortized over the term of the lease.

(6) Long-Term Debt

On June 3, 2010, the Company entered into a new senior credit agreement that consists of: (a) a \$132.5 million senior secured term loan (Term Loan) and (b) a \$40 million senior secured revolving credit facility (Revolver). Also on June 3, 2010, the Company entered into a \$40 million senior subordinated loan agreement (the Subordinated Loan). The proceeds of the Term Loan and the Subordinated Loan along with available cash on hand were utilized to: (a) pay off the Company's existing CIT Term Loan B and Revolver (which bore interest at 4.25% at December 31, 2009), (b) pay expenses and fees associated with the new senior secured and subordinated loan agreements, and (c) to fund the DCA acquisition (see note 3) including cost and fees related thereto.

Borrowings under the Term Loan and Revolver (collectively Senior Secured Loans) bear interest based upon a spread in excess of LIBOR (floor of 1.75%) or the U.S. prime rate, as the benchmark, as adjusted based upon the Company's leverage ratio. The new Senior Secured Loan also provides for an annual unused commitment fee of 0.75% based upon the average revolving credit commitment less outstanding borrowings on the Revolver and letters of credit issued. As of December 31, 2010, borrowings under the Senior Secured Loans bore interest at 6.25%. The Subordinated Loan accrues interest at 13.25% with 11.25% paid in cash per annum. The remaining 2% of interest on the Subordinated Loan (PIK Interest) will be capitalized and accrued for until it becomes due upon the maturity of the loan.

The Term Loan requires quarterly principal payments of \$331,250 in each year from 2011 through 2015 with the balance of \$124,881,250 due in 2016. The Subordinated Loan requires a one-time payment of \$40 million principal balance due in 2017, in addition to outstanding PIK Interest.

The Revolver, Term Loan, and Subordinated Loan mature on June 2, 2015, June 2, 2016 and June 2, 2017, respectively. The subordinated loan agreement provides for prepayment penalties if it is repaid within the first four years subsequent to June 3, 2010.

Commencing with the fiscal year ended December 31, 2011, the Company is required to prepay its outstanding Senior Secured Loan balances with 50% of excess cash flow as defined in the credit agreement. The Company is also required to prepay senior secured loan balances with: (a) 50% of the net proceeds of certain capital contributions as defined in the credit agreement, (b) 100% of the proceeds of asset sales or the proceeds received from casualty event settlements that are not reinvested or permitted pursuant to the terms of the credit agreement, and (c) 100% of the proceeds of indebtedness that is incurred and not permitted pursuant to the credit agreement. Following satisfaction of any prepayment under the Senior Secured Loans, the Company is required to prepay the Subordinated Loan balances with 100% of the proceeds of asset sales or the proceeds received from a casualty event settlement that are not reinvested or permitted pursuant to the terms of the credit agreement.

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The Senior Secured Loans and the Subordinated Loan are guaranteed, on a joint and several basis, by each of the Company's subsidiaries. Borrowings under the credit agreements are collateralized by most of the Company's assets, including accounts receivable, inventory, and fixed assets not subject to permitted capital leases. The Subordinated Loan is subordinated to the repayment of the Senior Secured Loans. The Senior Secured and Subordinated Loan agreements include various events of default and contain certain restrictions on the operations of the business, including restrictions on certain cash payments, including capital expenditures, investments and the payment of dividends. These loan agreements also include covenants pertaining to fixed charge coverage, interest coverage, and total debt leverage, as well as other customary covenants and events of defaults.

The Company believes it is in compliance with all covenants under the Senior Secured Loan and Subordinated Loan agreements and has met all debt payment obligations. At December 31, 2010, approximately \$33.0 million was unused and available under the Revolver.

At December 31, 2010 and 2009, long-term debt and capital lease obligations consisted of the following:

	<u>2010</u>	<u>2009</u>
Senior secured credit facility:		
CIT term loan B	\$ —	34,873,000
CIT revolver	—	24,968,762
Term loan	131,506,250	—
Revolver	7,000,000	—
Subordinated loan	40,410,549	—
Other notes payable	23,305	23,532
Capital lease obligations	<u>5,708,480</u>	<u>3,592,893</u>
Less current portion	184,648,584	63,458,187
	<u>(2,924,662)</u>	<u>(1,447,595)</u>
	<u>\$ 181,723,922</u>	<u>62,010,592</u>

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Scheduled maturities of long-term debt and capital lease obligations at December 31, 2010 were as follows:

	<u>Long-term debt</u>	<u>Capital lease obligations</u>
2011	\$ 1,346,461	1,964,299
2012	1,326,844	1,402,897
2013	1,325,000	1,208,797
2014	1,325,000	988,427
2015	8,325,000	486,895
Thereafter	<u>165,291,799</u>	<u>809,975</u>
	\$ <u>178,940,104</u>	6,861,290
Less interest portion at 5.719% – 8.561%		<u>(1,152,810)</u>
Total		\$ <u>5,708,480</u>

According to the senior secured loan agreement, the Company was required to enter into an interest rate hedging agreement, no later than 90 days following the closing date. The Company entered into a three year Hedge Agreement on September 1, 2010 which consists of an interest rate cap on the LIBOR floating rate of the senior secured loans at 1.75% until August 31, 2011. Additionally the Company entered into a swap from September 1, 2011 to September 1, 2013 effectively fixing the base rate at 2.32%. The notional amount of the swap is \$46.375 million, which is equivalent to 35% of the Term Loan amount borrowed. The fair values of the interest rate cap and swap are insignificant at December 31, 2010 and are not being accounted for as an effective hedge resulting in no adjustment to fair value being recorded to the statement of operations as interest expense.

(7) Income Taxes

Income tax expense (benefit) consisted of the following:

	<u>2010</u>	<u>2009</u>
Current:		
Federal	\$ 1,652,164	678,126
State	1,244,752	924,717
Deferred:		
Federal	3,086,086	(4,783,401)
State	<u>(156,872)</u>	<u>(10,632)</u>
	\$ <u>5,826,130</u>	<u>(3,191,190)</u>

The difference between the expected tax expense based on the federal statutory rate of 34% is primarily Texas gross margin tax, which is not based on pre-tax income and income tax attributable to noncontrolling interest.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

Deferred tax assets and liabilities arising from temporary differences were as follows:

	<u>2010</u>	<u>2009</u>
Deferred tax assets:		
Accrued expenses and other liabilities for financial accounting purposes not currently deductible	\$ 5,776,527	765,594
Net operating loss carryforwards and contribution limitation	858,471	1,345,244
Flow through entities	4,328,310	3,671,996
Property plant and equipment	197,679	236,104
Other	151,589	332,312
Total deferred tax assets	<u>11,312,576</u>	<u>6,351,250</u>
Deferred tax liabilities:		
Property and equipment and intangibles, principally due to differences in depreciation and amortization	(3,546,732)	(25,657)
Goodwill	(11,031,330)	(4,514,534)
Total deferred tax liabilities	<u>(14,578,062)</u>	<u>(4,540,191)</u>
Net deferred tax assets (liabilities)	<u>\$ (3,265,486)</u>	<u>1,811,059</u>

The valuation allowance consisted of the following:

	<u>2010</u>	<u>2009</u>
Balance at January 1	\$ —	6,149,048
Increase (decrease) during the year	—	(6,149,048)
Balance at December 31	<u>\$ —</u>	<u>—</u>

The Company had net operating loss carryforwards of approximately \$205,000 as of December 31, 2009, which were utilized in 2010. The Company has not recorded a valuation allowance for any of its deferred tax assets at December 31, 2010 as it expects to generate future taxable income sufficient to realize such deferred tax assets.

(8) Preferred Stock

Under the Company's Third Amended and Restated Certificate of Incorporation, 108,783,333 total shares are authorized to issue, comprising 53,525,000 shares of common stock and 55,258,333 shares of preferred stock. Preferred stock is issuable in series under terms and conditions determined by the Company's board of directors.

(a) Series A Preferred Stock

As of December 31, 2009 and 2010, there were 12,350,000 shares of Series A Preferred outstanding.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

(b) Series B Preferred Stock

The Series B redeemable convertible preferred stock (Series B Preferred) shares were sold, primarily to related-party physicians, at an original issue price of \$1 per share. During 2010 and 2009, the Company issued 16,000 shares to a related-party physician at a price of \$1.00 per share. As of December 31, 2010 and 2009, there were 545,000 and 529,000 shares, respectively, of Series B Preferred outstanding.

(c) Series B-1 Preferred Stock

As of December 31, 2010 and 2009, there were 886,666 shares of Series B-1 Preferred outstanding.

(d) Series C Preferred Stock

As of December 31, 2010 and 2009, there were 24,500,962 shares of Series C Preferred outstanding.

(e) Series D Preferred Stock

During 2010, 8,333,333 shares of Preferred D Stock were issued at a price of \$3 per share for total net proceeds of approximately \$25.0 million in connection with the acquisition of DCA. As of December 31, 2010, there were 8,333,333 shares of Series D Preferred outstanding.

(f) Dividends

Series A Preferred, Series C Preferred, and Series D Preferred stockholders are entitled to receive cash dividends at the rate of 8% per annum calculated on the original issue prices. Dividends are cumulative from the date of original issuance and accrue quarterly. Accumulations of dividends on shares of Series A, Series C and Series D Preferred stock do not bear interest and are payable generally at the time of a liquidating event as defined in the agreement. Series B Preferred, Series B-1 Preferred, and common stockholders are entitled to receive dividends, when and if declared by the board of directors out of the Company's assets legally available therefore, so long as all accrued dividends on then outstanding Series A, Series C, and Series D Preferred stock have been paid or declared and set apart.

(g) Redemption

Each share of Series A, Series C, and Series D Preferred stock is redeemable beginning on September 1, 2020, if approved by 60% of the then-outstanding shareholders of Series A, Series C, and Series D Preferred. Series B and Series B-1 Preferred stock is redeemable, beginning on September 1, 2012 only subject to and after redemption of the Series A, Series C, and Series D Preferred Stock and if approved by 60% of the then-outstanding shares of Series A, Series C, and Series D Preferred, voting as a single class, and if also approved by 60% of the then-outstanding shares of Series B and Series B-1 Preferred, voting as a single class.

Any such redemption would be payable in three equal annual installments calculated using the sum of the original issue prices (\$1 per share for Series A, Series C, and Series D Preferred, and \$1.50 for Series B and Series B-1 Preferred) plus all related accrued and unpaid dividends.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

(h) Conversion Rights

Each share of Series A, Series B, Series B-1, Series C and Series D Preferred stock is convertible at any time, at the option of the holder, into the same number of shares of common stock. Each share of Series A, Series B, Series B-1, Series C, and Series D converts automatically upon a qualified public offering. Upon such automatic conversion, any related declared and unpaid dividend becomes due.

(i) Liquidation Preference

Upon liquidation or dissolution, and after payment or provision for payment of all debts and liabilities, stockholders of the Company will receive proceeds, to the extent available, as follows: (a) first, to the holders of Series A, Series C and Series D Preferred Stock, amounts per share equal to their original share purchase prices, plus accrued and unpaid dividends (as adjusted for past dividends, combinations, splits, recapitalizations, and the like); (b) second, to the holders of Series B and Series B-1 Preferred Stock, amounts per share equal to their original share purchase prices, plus any accrued and unpaid dividends, (as adjusted for past dividends, combinations, splits, recapitalizations, and the like); (c) third, ratably to the holders of Common Stock, and Series A Preferred Stock, Series C Preferred Stock and Series D Preferred Stock on an as-if converted to Common Stock basis until the holders of Series A, Series C and Series D Preferred Stock shall have received, in total including the payment under (a) above, an amount equal to three (3) times the Series A and Series C and two (2) times the Series D original issue price, respectively; and (d) fourth, to the holders of Common Stock, any remaining available amounts.

(j) Voting Rights

Each share of Series A, Series C and Series D Preferred stock issued and outstanding is entitled to the number of votes equal to the number of shares of common stock into which it is convertible. For various defined events, Series A, Series C and Series D Preferred stockholders vote together as a separate class. In those circumstances, 60% or more of the outstanding Series A, Series C and Series D Preferred stockholders must approve the event.

Each share of common stock is entitled one vote. As long as Series A, Series C and Series D Preferred stock is outstanding, and except for various defined events, Series A, Series C and Series D Preferred stockholders vote together with common stockholders as a single class on an as-if-converted to common stock basis.

The Series B and Series B-1 Preferred stockholders have no voting rights and their consent is not required to take any corporate action.

A majority of the Company's stockholders, voting together on an as-if-converted to common stock basis, can change the number of authorized shares outstanding.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

(k) Other Terms

If Series A, Series C and Series D Preferred shares are outstanding, no dividend may be declared, and no shares shall be redeemed, on Series B or Series B-1 Preferred stock unless all accrued Series A, Series C and Series D Preferred dividends have been paid and a similar dividend is declared on Series A, Series C and Series D Preferred stock.

All stockholders are obligated to participate in a sale of the Company approved by 60% of the Series A, Series C and Series D Preferred stockholders, voting together as a single class, and the board of directors.

Series A, Series C and Series D Preferred stockholders have the right to purchase any new securities on a proportionate basis, and also have the right of over-allotment if any other Series A, Series C or Series D Preferred shareholder fails to purchase a full proportionate share of the any new securities. Series B Preferred, Series B-1 Preferred, and common stockholders do not have preemptive rights.

The Company and the Series A and Series B Preferred stockholders have the right to purchase shares from Series B Preferred, Series B-1 Preferred and common stockholders who wish to transfer their shares to a nonpermitted transferee.

(9) Stock Compensation Plans

The Company's 2005 Stock Incentive Plan (the 2005 SIP) provides stock options and restricted stock grants, and other share-based incentives, primarily to employees and directors. In March 2009, the Company authorized an additional 500,000 shares available for grant. In May 2010, the Company authorized an additional 600,000 shares available for grant. There were 6,000,000 and 5,400,000 shares available for grant as of December 31, 2010 and 2009, respectively, under the amended 2005 SIP.

(a) Stock Option Plan

Awards granted under the 2005 SIP are for incentive stock options with a five year term, an exercise price at least equal to the market value on the date of grant, and which vest 25% after one year of service and then monthly in equal amounts over the next three years of service. Income for the years ended December 31, 2010 and 2009 included \$70,744 and \$13,271 respectively, of pretax compensation costs related to stock options granted. As of December 31, 2010, there was \$22,072 of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a period of approximately four years. At December 31, 2010, the weighted average remaining contractual life of outstanding options was 2.37 years.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

The table below summarizes activity in the Company's stock option plan:

	Year ended December 31			
	2010		2009	
	Awards	Weighted average exercise price	Awards	Weighted average exercise price
Outstanding at beginning of year	1,016,066	\$ 0.14	1,061,692	\$ 0.14
Granted	352,000	0.26	195,000	0.15
Exercised	(291,472)	0.15	(208,751)	0.14
Canceled	—	—	(31,875)	0.11
Outstanding at end of year	<u>1,076,594</u>	<u>\$ 0.18</u>	<u>1,016,066</u>	<u>\$ 0.14</u>
Awards exercisable at year-end	<u>380,742</u>	<u>\$ 0.14</u>	<u>412,941</u>	<u>\$ 0.14</u>

(b) Restricted Stock

The Company issued restricted stock to certain employees in 2010 and in prior years. Restricted stock awards vest 25% after one year of service and then monthly in equal amounts over the next three years of service, subject to continued employment and other plan terms and conditions. Holders of restricted stock are not allowed to sell, transfer, pledge, or otherwise encumber their restricted shares, but such holders are allowed to vote and their shares accrue dividends when and if declared. The Company may, but is not obligated to, repurchase vested restricted stock from employees at fair market value upon termination of the recipient's employment.

Expense for restricted stock is recognized over the vesting period. The noncash compensation expense associated with restricted stock awards was \$31,908 in 2010 and \$41,825 in 2009. The following table summarizes restricted stock award activity:

	2010	2009
Outstanding balance at beginning of year	\$ 3,401,558	3,401,558
Granted	560,000	—
Exercised	—	—
Forfeited	—	—
Repurchased	—	—
Balance at December 31, 2010	<u>\$ 3,961,558</u>	<u>3,401,558</u>

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

The following table summarizes the nonvested restricted stock activity:

	2010	2009
Outstanding balance at beginning of year	\$ 641,122	1,384,334
Granted	560,000	—
Vested	(488,369)	(743,212)
Forfeited	—	—
Repurchased	—	—
Balance at December 31, 2010	\$ 712,753	641,122

At December 31, 2010, 3,248,805 of the outstanding restricted shares were vested. As of December 31, 2010, there was approximately \$320,471 of total unrecognized compensation costs related to restricted stock awards. These costs are expected to be recognized over a remaining vesting period of approximately four years.

(10) Related-Party Transactions

Participation in the Medicare ESRD program requires that treatment at a dialysis center be under the general supervision of a director who is a physician. The Company has engaged physicians or groups of physicians to serve as medical directors for each of its centers. The Company has contracts with approximately 59 individual physicians and physician groups to provide medical director services. The compensation of medical directors is negotiated individually and depends in general on local factors such as competition, the professional qualifications of the physician, their experience and their tasks as well as the workload at the clinic.

An ESRD patient generally seeks treatment at a dialysis center near his or her home and at which his or her treating nephrologist has practice privileges. Additionally, many physicians prefer to have their patients treated at dialysis centers where they or other members of their practice supervise the overall care provided as medical directors to the centers. As a result, and as is typical in the dialysis industry, the primary referral source for most of the Company's centers is often the physician or physician group providing medical director services to the center.

The Company's medical director agreements generally include covenants not to compete. Also, when the Company acquires a center from one or more physicians, or where one or more physicians owns interests in centers as co-owners with the Company, these physicians have agreed to refrain from owning interests in competing centers within a defined geographic area for various time periods. These agreements not to compete restrict the physicians from owning or providing medical director services to other dialysis centers. Most of these agreements not to compete continue for a period of time beyond expiration of the corresponding medical director agreements.

The Company leases space for 44 of its centers in which physicians and/or employees hold ownership interests, and subleases space to referring physicians and/or employees at one center. Future minimum lease payments payable under these leases is approximately \$22 million at December 31, 2010, exclusive of maintenance and other costs, and is subject to escalation. For 2010 and 2009, total lease payments under these leases were approximately \$2.9 million and \$2.4 million, respectively. On June 21, 2010, the

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

Company entered into a ten year corporate office lease agreement with an entity owned by two of its employees. The lease is expected to commence in 2011. The future lease payments payable under this lease are approximately \$1.5 million.

The Company's York, Pennsylvania dialysis center is leased from a limited liability partnership in which the Company has a 60% ownership interest with the remaining 40% owned by two doctors one of whom serves as the medical director for that facility. These doctors are also affiliated with the entity that owns a 40% minority ownership in the subsidiary that operates the facility.

Some medical directors and other referring physicians own Series B and Series B-1 Preferred stock, which they purchased from the Company. Some of the Company's medical directors also own equity interests in entities that operate the Company's dialysis centers.

The Company believes that the leases and equity purchases are no less favorable to the Company and no more favorable to such physicians than would have been obtained in arm's-length bargaining between independent parties.

The Company has one promissory note obligation owed a noncontrolling interest holder in one of its subsidiaries. The note obligation was in an original amount of \$750,000, of which \$125,000 and \$250,000 was outstanding at December 31, 2010 and 2009, respectively. At December 31, 2010 and 2009, \$125,000 of the amount outstanding was classified in the accompanying consolidated balance sheet as a current liability. The note bears interest at 7% and principal is due in six annual installments from May 1, 2006 through May 1, 2011.

During the years ended December 31, 2010 and 2009, the Company paid a related party affiliated through common ownership \$461,011 and \$293,101, respectively, for the usage of an airplane.

A member of the Company's board of directors provides consulting services primarily related to regulatory and reimbursement matters. The total expenses incurred by the Company related to these services were approximately \$100,000 and \$108,333 in 2010 and 2009, respectively.

(11) Legislation, Regulations, and Market Conditions

The Company's dialysis operations are subject to extensive federal, state, and local government regulations. These regulations require the Company to meet various standards relating to, among other things, the operation of dialysis clinics, the provision of quality healthcare for patients, maintenance of proper ownership and records, quality assurance programs, and occupational, health, safety and environmental standards, and the provision of accurate reporting and billing to government and private payment programs. These laws are extremely complex, and in many instances, providers do not have the benefit of significant regulatory or judicial interpretation as to how to interpret and apply these laws and regulations in the normal course of conducting their business. Healthcare providers that do not comply with these laws and regulations may be subject to civil or criminal penalties, the loss of their licenses, or restriction in their ability to participate in various federal and state healthcare programs. The Company endeavors to conduct its business in compliance with applicable laws and regulations.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

The Company's dialysis centers are certified (or are pending certification) by the Centers for Medicare and Medicaid Services, as is required for the receipt of Medicare payments, and are licensed and permitted by state authorities.

The Medicare and Medicaid Fraud and Abuse Amendments of 1977, as amended, generally referred to as the "anti-kickback statute," imposes sanctions on those who, among other things, offer, solicit, make or receive payments in return for referral of a Medicare or Medicaid patient for treatment. The federal False Claims Act imposes penalties on those who, among other things, knowingly present a false or fraudulent claim for payment to the federal government. Another federal law, commonly referred to as the "Stark Law," prohibits physicians, with certain exceptions, from referring Medicare patients to entities with which the physician has a financial relationship, states have analogous statutes. The Health Insurance Portability and Accountability Act of 1996 (HIPAA), among other things, includes provisions relating to the privacy of medical information and prohibits inducements to patients to select a particular healthcare provider. Congress, states and regulatory agencies continue to consider modifications to federal and state healthcare laws. The Company's dialysis centers are also subject to various state hazardous waste and nonhazardous medical waste disposal laws.

Sanctions for violations of these statutes could result in the imposition of significant fines and penalties, repayments for patient services previously billed, expulsion from government healthcare programs, and other civil or criminal penalties. Management believes that the Company is in material compliance with applicable government laws and regulations.

(12) Profit-Sharing Plan

The Company has a savings plan for employees who meet certain criteria that have been established pursuant to the provisions of Section 401(k) of the Internal Revenue Code. The plan allows employees to contribute a defined portion of their compensation on a tax-deferred basis. Since January 1, 2005, the plan allows for defined matching Company contributions for eligible employees. The plan was amended effective January 1, 2006 to allow vesting credit for prior years of service for employees of certain acquired businesses. For the years ending December 31, 2010 and 2009, respectively, the Company made matching contributions to the plan of \$386,328 and \$391,053.

The Company may also make discretionary profit-sharing contributions to the plan if approved by the board of directors. No such contributions were made in 2010 or 2009.

(13) Commitments and Contingencies

The Company may be subject to claims and suits in the ordinary course of business, including contractual disputes and professional and general liability claims.

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

On February 15, 2007, the previous owners of the acquired San Antonio facilities brought suit against the Company. In the lawsuit, the plaintiffs alleged that the Company had failed to pay amounts due to the sellers of Rencare Ltd. (Rencare) concerning accounts receivable that arose prior to the close of the Rencare acquisition. The Company denied plaintiff's claims and, made counterclaims against plaintiffs and filed a third-party cross-claim against one of the other sellers of Rencare. In the Company's counterclaim and cross-complaint, the Company alleged, among other things, that Sellers breached the representations and warranties in the applicable Rencare acquisition documents by failing to disclose certain liabilities. A trial was held in November 2008 and judgment was entered in favor of plaintiff for \$750,000 plus \$300,000 in attorney fees. Both sides appealed and the Company fully prevailed in the appeal. The appellant court moved that the plaintiff should receive nothing. Plaintiff moved for reconsideration and the appellant court dismissed their motion. Plaintiffs are seeking further appellant review. At this time, the Company cannot determine what will be the ultimate resolution. The Company incurred legal and other professional fees related to this litigation. These expenses aggregated \$27,208 and \$286,647 in 2010 and 2009, respectively. In 2010, the Company reversed a \$1.1 million reserve related to this litigation that it recorded in 2008.

In February, 2010, and prior to the Company's acquisition, DCA received a subpoena from the Office of Inspector General of the U.S. Department of Health and Human Services (OIG) with respect to an investigation relating to EPO utilization at certain DCA clinics. The Company has been fully cooperating with the inquiry and has produced the requested documents to date. While there is no indication of such at this time, any negative findings could result in: (a) substantial monetary penalties, (b) excluding certain facilities from participation in the Medicare and Medicaid programs, and (c) the Company incurring legal expenses and management time, any or all of which could have a material adverse effect on the Company's revenues, earnings and cash flows. The Company incurred legal fees related to this investigation of \$389,741 in 2010, subsequent to its acquisition of DCA.

In December 2010, the Company received a Civil Investigative Demand (CID) from the U.S. Attorney for the District of New Jersey requesting documents relating to laboratory tests performed on patients of the Company at two of its North Texas clinics. The Company is in the process of gathering the required documents and performing its own review of such documents. While the Company believes that it is not the subject of the government's investigation, the outcome of this matter is uncertain and the Company has risk of an adverse outcome that could result in substantial monetary penalties.

The Company has obligations to purchase the third-party interests in several of its joint ventures. These obligations are in the form of put provisions in joint venture agreements, and are exercisable at the third-party owners' discretion with some timing limitations. If these put provisions are exercised, the Company would be required to purchase the third-party owners' interests at fair market value (see note 4).

U.S. RENAL CARE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

The Company rents office space, medical facilities, and medical equipment under lease agreements that are classified as operating leases for financial reporting purposes. At December 31, 2010, the future minimum rental payments under noncancelable operating leases with terms of one year or more consist of the following:

2011	\$	9,210,791
2012		8,665,034
2013		7,709,826
2014		6,288,782
2015		5,566,500
Thereafter		12,080,991

Rent expense was \$8,129,164 and \$6,290,202 for the years ended December 31, 2010 and 2009, respectively.



Wells Fargo Equipment Finance, Inc.
733 Marquette Avenue, Suite 700
MAG 89306-070
Minneapolis, MN 55402

Master Lease

Master Lease Number 288280 dated as of November 2, 2010

Name and Address of Lessee:
US Renal Care Home Therapies LLC
1313 La Concha Lane
Houston, TX 77054

Master Lease Provisions

1. **LEASE.** Lessor hereby agrees to lease to Lessee, and Lessee hereby agrees to lease from Lessor, the personal property described in a Supplement or Supplements to this Master Lease from time to time signed by Lessor and Lessee upon the terms and conditions set forth in this Master Lease and in the related Supplement (such property together with all replacements, substitutions, parts, improvements, repairs, and accessories, and all additions incorporated therein or affixed thereto being referred to herein as the "Equipment"). Each Supplement shall constitute a separate lease incorporating the terms of this Master Lease. References in this Master Lease to "this Lease", "hereunder" and "herein" shall be construed to mean a Supplement which incorporates this Master Lease. Lessee's execution of a Supplement shall obligate Lessee to lease the Equipment described therein from Lessor. No Supplement shall be binding on Lessor unless and until executed by Lessor. Anything to the contrary notwithstanding, Lessor shall have no obligation to accept, execute or enter into any Supplement or to acquire or lease to Lessee any equipment. Title to all Equipment shall at all times remain in Lessor.

2. **TERM.** The term of this Lease shall begin on the rent commencement date shown in the applicable Supplement and shall continue for the number of consecutive months from the rent commencement date shown in such Supplement (the "initial term") unless earlier terminated by Lessor as provided herein. The rent commencement date is the 15th day of the month in which all of the items of Equipment described in the related Supplement have been delivered and accepted by Lessee if such delivery and acceptance is completed on or before the 15th of such month, and the rent commencement date is the last day of such month if such delivery and acceptance is completed during the balance of such month. In the event Lessee executes the related Supplement prior to delivery and acceptance of all items of Equipment described therein, Lessee agrees that the rent commencement date may be left blank when Lessee executes the related Supplement and hereby authorizes Lessor to insert the rent commencement date based upon the date appearing on the delivery and acceptance certificate signed by Lessee.

At the expiration of the initial term, unless Lessee shall have renewed the Lease or purchased the Equipment from Lessor, as provided for in each Supplement, if Lessee does not return to Lessor all of the Equipment that is the subject of a Supplement in accordance with paragraph 14 below, Lessee shall pay to Lessor an amount equal to the monthly basic rental payment that was in effect during the last month of the initial term for each month (or part of any month) as "Holdover Rent", and shall comply with all other provisions of this Lease, from the first day after the expiration of the initial term until all such Equipment has been returned to Lessor in accordance with paragraph 14, provided however, that nothing contained herein and no payment of Holdover Rent shall relieve Lessee of its obligation to return the Equipment upon the expiration or earlier termination of the Lease. In addition, Lessee shall pay any applicable sales, use, and/or property taxes arising from this Lease.

3. **RENT.** Lessee shall pay as basic rent for the initial term of this Lease the amount shown in the related Supplement as Total Basic Rent. The Total Basic Rent shall be payable in installments each in the amount of the basic rental payment set forth in the related Supplement plus sales and use tax thereon. Lessee shall pay advance installments and any security deposit, each as shown in the related Supplement, on the date it is executed by Lessee. Subsequent installments shall be payable on the first day of each rental payment period shown in the related Supplement beginning after the first rental payment period; provided, however, that Lessor and Lessee may agree to any other payment schedule, including irregular payments or balloon payments, in which event they shall be set forth in the Supplement. If the actual cost of the Equipment is more or less than the Total Cost as shown in the Supplement, the amount of each installment of rent will be adjusted up or down to provide the same yield to Lessor as would have been obtained if the actual cost had been the same as the Total Cost. Adjustments of 10% or less may be made by written notice from Lessor to Lessee. Adjustments of more than 10% shall be made by execution of an amendment to the Supplement reflecting the change in Total Cost and basic rental payment.

In addition to basic rent, which is payable beginning on the rent commencement date, Lessee agrees to pay interim rent for the period beginning on the date the Equipment is delivered and accepted by Lessee to the rent commencement date at a daily rate equal to the percentage of Lessor's cost of the Equipment set forth in such Supplement. Interim rent shall be payable on the rent commencement date. Lessee agrees that if all of the items of Equipment covered by such Supplement have not been delivered and accepted thereunder before the date specified as the Cutoff Date in such Supplement, Lessor shall have no obligation to lease the Equipment to Lessee and Lessee shall purchase from Lessor the items of Equipment then subject to this Lease within five days after Lessor's request to do so for a price equal to Lessor's cost of such items plus all accrued but unpaid interim rent thereon. Lessee shall also pay any applicable sales and use tax on such sale.

4. **SECURITY DEPOSIT.** Lessor may apply any security deposit toward any obligation of Lessee under any Supplement and shall return any unapplied balance to Lessee without interest upon full satisfaction of all of Lessee's obligations.

5. **NO WARRANTIES.** Lessee agrees that it has selected each item of Equipment based upon its own judgment and disclaims any reliance upon any statements or representations made by Lessor. LESSEE ACKNOWLEDGES THAT: LESSOR IS NOT THE MANUFACTURER OF THE EQUIPMENT NOR THE MANUFACTURER'S AGENT NOR A DEALER THEREIN; THE EQUIPMENT IS OF A SIZE, DESIGN, CAPACITY, DESCRIPTION AND MANUFACTURE SELECTED BY THE LESSEE; LESSEE IS SATISFIED THAT THE EQUIPMENT IS SUITABLE AND FIT FOR ITS PURPOSES; AND LESSOR HAS NOT MADE AND DOES NOT MAKE ANY WARRANTY WITH RESPECT TO THE EQUIPMENT, EXPRESS OR IMPLIED, AND LESSOR SPECIFICALLY DISCLAIMS ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR A PARTICULAR PURPOSE, OR AS TO THE QUALITY, CONDITION OR CAPACITY OF THE EQUIPMENT OR THE MATERIALS IN THE EQUIPMENT OR WORKMANSHIP OF THE EQUIPMENT, LESSOR'S TITLE TO THE EQUIPMENT, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER. LESSOR SHALL NOT BE LIABLE TO LESSEE FOR ANY LOSS, DAMAGE, OR EXPENSE OF ANY KIND OR NATURE CAUSED, DIRECTLY OR INDIRECTLY, BY ANY EQUIPMENT OR THE USE OR MAINTENANCE THEREOF OR THE FAILURE OR OPERATION THEREOF, OR THE REPAIR, SERVICE OR ADJUSTMENT THEREOF, OR BY ANY DELAY OR FAILURE TO PROVIDE ANY SUCH MAINTENANCE, REPAIRS, SERVICE OR ADJUSTMENT, OR BY ANY INTERRUPTION OF SERVICE OR LOSS OF USE THEREOF OR FOR ANY LOSS OF BUSINESS HOWSOEVER CAUSED. LESSOR SHALL NOT BE LIABLE FOR DAMAGES OF ANY KIND, INCLUDING ANY LIABILITY FOR CONSEQUENTIAL DAMAGES, ARISING OUT OF THE USE OF OR THE INABILITY TO USE THE EQUIPMENT. No defect or weakness of the Equipment and no failure on the part of the manufacturer or the shipper of the Equipment to deliver the Equipment or any part thereof to Lessee shall relieve Lessee of its obligation to pay rent or any other obligation hereunder. Lessor shall have no obligation in respect of the Equipment and shall have no

THIS AGREEMENT INCLUDES THE TERMS ON THE ATTACHED PAGE(S).

Lessor, Wells Fargo Equipment Finance, Inc.

U.S. Renal Care Home Therapies, LLC,
Lessee

By:
Title: **Connie Longino**
Sr Contract Administrator

By:
James D. Shelton, Manager

obligation to install, erect, test, adjust or service the Equipment. Lessee shall look only to persons other than Lessor such as the manufacturer, vendor or carrier thereof should any item of Equipment for any reason and in any way be defective. To the extent permitted by the manufacturer and/or vendor and provided Lessee is not in default under the Lease, Lessor shall make available to Lessee all manufacturer and/or vendor warranties with respect to the Equipment.

8. **LESSEE COVENANTS, REPRESENTATIONS AND WARRANTIES.** (a) **Affirmative Covenants.** Lessee shall: (i) pay all shipping and delivery charges and other expenses incurred in connection with the Equipment and pay all lawful claims, whether for labor, materials, supplies, rent or services, which might or could if unpaid become a lien on the Equipment; (ii) comply with all laws and regulations and rules, all manufacturer's instructions and warranty requirements, and with the conditions and requirements of all policies of insurance relating to the Equipment and its use; (iii) mark and identify the Equipment with all information and in such manner as Lessor or its assigns may request from time to time and replace promptly any such markings or identification which are removed, defaced or destroyed; (iv) at any and all times during business hours, grant Lessor free access to enter upon the premises wherein the Equipment shall be located or used and permit Lessor to inspect the Equipment and all applicable maintenance records; provided, however, that Lessor shall have no obligation to inspect any Equipment or records; (v) maintain a system of accounts established and administered in accordance with generally accepted accounting principles and practices consistently applied; and (vi) within thirty (30) days after the end of each fiscal quarter, deliver to Lessor a balance sheet as at the end of such quarter and statement of operations for such quarter, setting forth in comparative form the corresponding figures for the comparable period in the preceding fiscal year, within one hundred and twenty (120) days after the end of each fiscal year, deliver to Lessor a balance sheet as at the end of such year and statements of operations, income and retained earnings for such year, with accompanying footnotes, each setting forth in comparative form the corresponding figures for the preceding year, in each case prepared in accordance with generally accepted accounting principles and practices consistently applied and certified by Lessee's chief financial officer as fairly presenting the financial position and results of operations of Lessee, and, in the case of year end financial statements, certified by an independent accounting firm acceptable to Lessor, and with reasonable promptness, furnish Lessor with such other information, financial or otherwise, relating to Lessee or the Equipment as Lessor shall reasonably request.

(b) **Negative Covenants.** Lessee shall not (i) voluntarily or involuntarily create, incur, assume or suffer to exist any mortgage, lien, security interest, pledge or other encumbrance or attachment of any kind whatsoever upon, affecting or with respect to the Equipment or this Lease or any of Lessee's interests thereunder; (ii) permit the name of any person, association or corporation other than the Lessor or Lessee to be placed on the Equipment; (iii) part with possession or control of or suffer or allow to pass out of its possession or control any item of the Equipment or change the location of the Equipment or any part thereof from the address shown in the applicable Supplement; (iv) ASSIGN OR IN ANY WAY TRANSFER OR DISPOSE OF ALL OR ANY PART OF ITS RIGHTS OR OBLIGATIONS UNDER THIS LEASE OR ENTER INTO ANY SUBLEASE OF ALL OR ANY PART OF THE EQUIPMENT; (v) change (a) its name or address from that set forth above, (b) the state under whose laws it is organized as of the date hereof, or (c) the type of organization under which it exists as of the date hereof unless it shall have given Lessor or its assigns no less than thirty (30) days' prior written notice of any such proposed change; (vi) permit the sale or transfer of any shares of its capital stock or of any ownership interest in the Lessee to any person, persons, entity or entities (whether in one transaction or in multiple transactions) which results in a transfer of a majority interest in the ownership and/or the control of the Lessee from the person, persons, entity or entities who hold ownership and/or control of the Lessee as of the date of this Master Lease; or (vii) consolidate with or merge into or with any other entity, or purchase or otherwise acquire all or substantially all of the assets or stock or other ownership interest of any person or entity or sell, transfer, lease or otherwise dispose of all or substantially all of Lessee's assets to any person or entity.

(c) **Representations and Warranties.** Lessee represents and warrants to Lessor, that effective on the date on which Lessee executes this Master Lease and each Supplement: (i) if Lessee is a partnership, corporation, limited liability company or other legal entity, the execution and delivery of this Master Lease and each Supplement and the performance of Lessee's obligations hereunder and thereunder have been duly authorized by all necessary action on the part of the Lessee and are not in contravention of, and will not result in a breach of, any of the terms of Lessee's charter, by-laws, articles of incorporation or other organic documents or any loan agreements or indentures of Lessee, or any other contract, agreement or instrument to which Lessee is a party or by which it is bound; (ii) the person signing the Master Lease and each Supplement on behalf of Lessee is duly authorized; (iii) Lessee's exact legal name as it appears on its charter or other organic documents, including as to punctuation and capitalization, and its principal place of business or chief executive office are as set forth in the heading of this Master Lease; (iv) Lessee is duly organized, validly existing and in good standing under the laws of the state of its incorporation or formation and is duly qualified and authorized to transact business in, and is in good standing under the laws of, each other state in which the Equipment is or will be located; (v) there has been no change in the name of the Lessee, or the name under which Lessee conducts business within the one year preceding the date hereof except as previously reported in writing to Lessor; (vi) Lessee has not moved its principal place of business or chief executive office, or has not changed the jurisdiction of its organization with the one year preceding the date hereof except as previously reported to Lessor in writing; (vii) this Master Lease and each Supplement constitute a legal, valid and binding obligation of Lessee, enforceable against Lessee in accordance with its terms; (viii) all information provided by Lessee to Lessor in connection with this Lease is true and correct; (ix) the Equipment will be used primarily for business purposes as opposed to personal, family or household purposes; and (x) there are no suits pending or threatened against Lessee or any guarantor which, if decided adversely, might materially adversely affect Lessee's or such guarantor's financial condition, the value, utility or remaining useful life of the Equipment, the rights intended to be afforded to Lessor hereunder or under any guarantee or the ability of Lessee or any guarantor to perform its obligations under the Lease or any document delivered in connection with the Lease.

7. **TAXES.** Lessee shall promptly pay when due, and indemnify and hold Lessor harmless, on an after-tax basis, from, all sales, use, property, excise and other taxes and all license and registration fees now or hereafter imposed by any governmental body or agency upon the Equipment or its use, purchase, ownership, delivery, leasing, possession, storage, operation, maintenance, repair, return or other disposition of the Equipment, or for titling or registering the Equipment, or upon the income or other proceeds received with respect to the Equipment or this Lease or the rentals hereunder; provided, however, that Lessee shall not be required to pay taxes on or measured by the net income of Lessor. Lessee shall prepare and file all tax returns relating to taxes for which Lessee is responsible hereunder which Lessee is permitted to file under the laws of the applicable taxing jurisdiction. Upon the expiration or earlier termination of the Lease, Lessee shall pay to Lessor any such taxes accrued or assessed but not yet due and payable.

8. **INDEMNITY.** Lessee hereby agrees to indemnify and hold Lessor harmless (on an after-tax basis) from and against any and all claims, losses, liabilities (including negligence, joint and strict liability), damages, judgments, obligations, actions, suits, and all legal proceedings, and any and all costs and expenses in connection therewith (including attorneys' fees) arising out of, or in any manner connected with, or resulting directly or indirectly from, the Equipment, including, without limitation, the manufacture, purchase, lease, financing, selection, ownership, delivery, rejection, non-delivery, transportation, possession, use, storage, operation, condition, maintenance, repair, return or other disposition of the Equipment or with this Lease, including without limitation, claims for injury to or death of persons and for damage to property, whether arising under the doctrine of strict liability, by operation of law or otherwise, and to give Lessor prompt notice of any such claim or liability.

9. **ASSIGNMENT.** Lessor may sell or assign any or all of its interest in this Lease or sell or grant a security interest in all or any part of the Equipment, without notice to or the consent of Lessee. Lessee agrees not to assert against any assignee of Lessor any offset, recoupment, claim, counterclaim or defense Lessee may have against Lessor or any person other than such assignee. Lessee agrees that if it receives written notice of an assignment from Lessor, it will pay all Rent and other payments payable under each Supplement to such assignee or as instructed by Lessor or the assignee identified in the notice received from Lessor. An assignee of Lessor shall have all rights of Lessor under the applicable Lease, to the extent assigned, separately exercisable by such assignee independently of Lessor or any assignee with respect to other leases. Upon any such assignment and except as may otherwise be provided therein all references in this Master Lease to Lessor shall include such assignee.

10. **EQUIPMENT PERSONALTY.** The Equipment shall remain personal property regardless of its attachment to realty, and Lessee agrees to take such action at its expense as may be necessary to prevent any third party from acquiring any interest in the Equipment as a result of its attachment to realty. If requested by Lessor with respect to any item of the Equipment, Lessee will obtain and deliver to Lessor waivers of interest or liens in recordable form, satisfactory to Lessor, from all persons claiming any interest in the real property on or in which such item of the Equipment is installed or located.

11. **USE AND MAINTENANCE.** Lessee will use the Equipment with due care and only for the purpose for which it is intended. Lessee will, by qualified personnel, use, maintain, repair, modify (to the extent permitted or required herein) in accordance with prudent practices (but in no event less than the same extent to which Lessee maintains other similar equipment owned or leased by it) and for the purpose for which such Equipment was designed, in compliance with insurance policies, manufacturer's specified maintenance programs, warranties and applicable laws, and shall keep the Equipment in as good repair, condition

shall occur under any other obligation Lessee or any guarantor of Lessee's obligations hereunder owes to Lessor; (f) an event of default shall occur under any indebtedness Lessee may now or hereafter owe to any affiliate of Lessor; or (g) Lessee, or any guarantor of this Lease shall suffer an adverse material change in its financial condition from the date hereof, and as a result thereof Lessor deems itself or any of the Equipment to be in default.

18. **REMEDIES.** Lessor and Lessee agree that Lessor's damages suffered by reason of an Event of Default are uncertain and not capable of exact measurement at the time this Lease is executed because the value of the Equipment at the expiration of this Lease is uncertain, and therefore they agree that for purposes of this paragraph 18 "Lessor's Loss" as of any date shall be the sum of the following: (1) the amount of arrear and other amounts payable by Lessee hereunder due but unpaid as of such date plus (2) the amount of all unpaid rent for the balance of the term of this Lease not yet due as of such date (including any renewal or purchase options which Lessee has contracted to pay) discounted from the respective dates installment payments would be due at the Discount Rate as defined below plus (3) 10% of the cost of the Equipment that is subject to this Lease as of such date (provided however, that with regard to any Supplement that expressly sets forth a "Final Purchase Payment" other than 10% of the cost of the Equipment, then the amount of such Final Purchase Payment shall be substituted in place of the 10% in this clause "(3)" for the purpose of calculating Lessor's Loss with regard to such Supplement.) "Discount Rate" means (i) the rate set forth for the Treasury Constant Maturities having the closest term to (but not longer than) the original term of the applicable Supplement, as set forth in the Federal Reserve Board H.15 Release (Selected Interest Rates) as of the Rent Commencement Date applicable to such Supplement, (ii) the rate set forth for the Treasury Constant Maturities having the closest term to (but not longer than) the remaining term of the applicable Supplement, as set forth in the Federal Reserve Board H.15 Release (Selected Interest Rates) as of the date of calculation of Lessor's Loss applicable to such Supplement, or (iii) 3%, whichever is lowest. If a rate referred to in the preceding clauses "(i)" or "(ii)" is not published in such publication referenced hereinabove, such rate shall be taken from a reputable source selected by Lessor.

Upon the occurrence of an Event of Default and at any time thereafter, Lessor may exercise any one or more of the remedies listed below as Lessor in its sole discretion may lawfully elect, provided, however, that upon the occurrence of an Event of Default specified in paragraph 17(c), an amount equal to Lessor's Loss as of the date of such occurrence shall automatically become and be immediately due and payable without notice or demand of any kind. The exercise of any one remedy shall not be deemed an election of such remedy or preclude the exercise of any other remedy, and such remedies may be exercised concurrently or separately but only to the extent necessary to permit Lessor to recover amounts for which Lessee is liable hereunder.

a) Lessor may, by written notice to Lessee, terminate this Lease as to any or all of the Equipment subject hereto and declare an amount equal to Lessor's Loss as of the date of such notice to be immediately due and payable, as liquidated damages and not as a penalty, and the same shall thereupon be and become immediately due and payable without further notice or demand, and all rights of Lessee to use the Equipment shall terminate but Lessee shall be and remain liable as provided in this paragraph 18. Lessee shall at its expense promptly deliver the Equipment to Lessor at a location or locations within the continental United States designated by Lessor. Lessor may also enter upon the premises where the Equipment is located and take immediate possession of and remove the same with or without instituting legal proceedings.

b) Lessor may proceed by appropriate court action to enforce performance by Lessee of the applicable covenants of this Lease or to recover, for breach of this Lease, Lessor's Loss as of the date Lessor's Loss is declared due and payable hereunder, provided, however, that upon recovery of Lessor's Loss from Lessee in any such action without having to repossess and dispose of the Equipment, Lessor shall transfer the Equipment to Lessee at its then location upon payment of any additional amount due under clauses (c), (f) and (g) below.

c) In the event Lessor repossesses the Equipment, Lessor shall either retain the Equipment in full satisfaction of Lessee's obligation hereunder or sell or lease each item of Equipment in such manner and upon such terms as Lessor may in its sole discretion determine. The proceeds of any such sale or lease shall be applied to reimburse Lessor for Lessor's Loss and any additional amount due under clauses (f) and (g) below. Lessor shall be entitled to any surplus and Lessee shall remain liable for any deficiency. For purposes of this subparagraph, the proceeds of any lease of all or any part of the Equipment by Lessor shall be the amount reasonably assigned by Lessor as the cost of such Equipment in determining the rent under such lease.

d) Lessor may sue and apply against any Rent or other sums due hereunder any sums of money held by Lessor or any affiliate of Lessor for Lessee;

e) Lessor may recover interest on the unpaid balance of Lessor's Loss plus any amounts recoverable under clauses (f) and (g) of this paragraph 18 from the date it becomes payable until fully paid at the rate of 12% per annum or the highest rate permitted by law.

f) In addition to any other recovery permitted hereunder or under applicable law, Lessor may recover from Lessee an amount that will fully compensate Lessor for any loss of or damage to Lessor's residual interest in the Equipment.

g) Lessor may exercise any other right or remedy available to it by law or by agreement, and may in any event recover legal fees and other costs and expenses incurred by reason of an Event of Default or the exercise of any remedy hereunder, including expenses of repossession, repair, storage, transportation, and disposition of the Equipment. Any payment received by Lessor may be applied to unpaid obligations as Lessor in its sole discretion determines.

If any Supplement is deemed at any time to be a lease intended as security, Lessee grants Lessor a security interest in the Equipment to secure its obligations under such Supplement, all other Supplements and all other indebtedness at any time owing by Lessee to Lessor. Lessee agrees that upon the occurrence of an Event of Default, in addition to all of the other rights and remedies available to Lessor hereunder, Lessor shall have all of the rights and remedies of a secured party under the Uniform Commercial Code.

No express or implied waiver by Lessor of any breach of Lessee's obligations hereunder shall constitute a waiver of any other breach of Lessee's obligations hereunder.

19. **NOTICES.** Any notice hereunder to Lessee or Lessor shall be in writing and shall be deemed to have been given when delivered personally or deposited with a nationally-recognized overnight courier service or in the United States mails, postage prepaid, addressed to recipient at its address set forth above or at such other address as may be last known to the sender.

20. **NET LEASE AND UNCONDITIONAL OBLIGATION.** This Lease is a completely net lease and Lessee's obligation to pay rent and all other amounts payable by Lessee hereunder is absolute, unconditional and irrevocable, and shall be paid without any abatement, reduction, setoff or defense of any kind.

21. **NON-CANCELABLE LEASE.** This Lease cannot be canceled or terminated except as expressly provided herein.

22. **SURVIVAL OF INDEMNITIES.** Lessee's obligations under paragraphs 7, 8, and 18 shall survive termination or expiration of this Lease.

23. **TAX INDEMNITY.** Lessor's loss of, or loss of the rights to claim, or recapture of, all or any part of the federal or state income tax benefits Lessor anticipated as a result of entering into this Lease and owning the Equipment is referred to herein as a "Loss". If for any reason this Lease is not a true lease for federal or state income tax purposes, or if for any reason (even though this Lease may be a true lease) Lessor is not entitled to depreciate the Equipment for federal or state income tax purposes in the manner that Lessor anticipated when entering into this Lease, and as a result Lessor suffers a Loss, then Lessee agrees to pay Lessor, as additional basic rent, a lump-sum amount which, after the payment of all federal, state and local income taxes on the receipt of such amount, and using the same assumptions as to tax benefits and other matters Lessor used in originally evaluating and pricing this Lease, will in the reasonable opinion of Lessor maintain Lessor's net after-tax rate of return with respect to this Lease at the same level it would have been if such Loss had not occurred. The Lessor makes no representation with respect to the income tax consequences of this Lease or the Equipment. Lessor will notify Lessee of any claim that may give rise to indemnity hereunder. Lessor shall make a reasonable effort to contest any such claim but shall have no obligation to contest such claim beyond the administrative level of the Internal Revenue Service or other taxing authority. In any event, Lessor shall control all aspects of any settlement and contest. Lessee agrees to pay the legal fees and other out-of-pocket expenses incurred by Lessor in defending any such claim even if Lessor's defense is successful. Notwithstanding the foregoing, Lessee shall have no obligations to indemnify Lessor for any Loss caused solely by (a) a casualty to the Equipment if Lessee pays the amount Lessee is required to pay as a result of such casualty, (b) Lessor's sale of the Equipment other than on account of an Event of Default hereunder, (c) failure of Lessor to have sufficient income to utilize its anticipated tax benefits or to timely claim such tax benefits, and (d) a change in tax law (including tax rates) effective after the Lease begins. For purposes of this paragraph 23, the term "Lessor" shall include any member of an affiliated group of which Lessor is (or may become) a member if consolidated tax returns are filed for such affiliated group for federal income tax purposes. Lessee's indemnity obligations under this paragraph 23 shall survive termination of this Lease.

24. **COUNTERPARTS.** There shall be one original of the Master Lease and of each Supplement and it shall be marked "Original". To the extent that any Supplement constitutes chattel paper (as that term is defined by the Uniform Commercial Code), a security interest may only be created in the Supplement marked "Original."

25. **NON-WAIVER.** No course of dealing between Lessor and Lessee or any delay or omission on the part of Lessor in exercising any rights hereunder shall operate as a waiver of any rights of Lessor. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. No waiver or consent shall be binding upon Lessor unless it is in writing and signed by Lessor. To the extent permitted by applicable law, Lessee hereby waives the benefit and advantage of, and covenants not to assert against Lessor, any valuation, inquisition, stay, appraisement, extension or redemption laws now existing or which may hereafter exist which, but for this provision, might be applicable to any sale or re-leasing made under the judgment, order or decree of any court or under the powers of sale and re-leasing conferred by this Lease or otherwise. To the extent permitted by applicable law, Lessee hereby waives any and all rights and remedies conferred upon a Lessee by Article 2A-508 through 2A-522 of the Uniform Commercial Code, including but not limited to Lessee's rights to: (i) cancel this Lease; (ii) repudiate this Lease; (iii) reject the Equipment; (iv) revoke acceptance of the Equipment; (v) recover damages from Lessor for any breaches of warranty or for any other reason; (vi) claim a security interest in the Equipment in Lessee's possession or control for any reason; (vii) deduct all or any part of any claimed damages resulting from Lessor's default, if any; under this Lease; (viii) accept partial delivery of the Equipment; (ix) "cover" by making any purchase or lease of or contract to purchase or lease Equipment in substitution of Equipment identified to this Lease; (x) recover any general, special, incidental, or consequential damages, for any reason whatsoever; and (xi) specific performance, replevin, delivery, claim, delivery or the like for any Equipment identified to this Lease. To the extent permitted by applicable law, Lessee also hereby waives any rights now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use any Equipment in mitigation of Lessor's damages as set forth in paragraph 18 or which may otherwise limit or modify any of Lessor's rights or remedies under paragraph 18.

26. **MISCELLANEOUS.** This Master Lease and related Supplement(s) constitute the entire agreement between Lessor and Lessee and may be modified only by a written instrument signed by Lessor and Lessee. Any provision of this Lease which is unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such unenforceability without invalidating the remaining provisions of this Lease, and any such unenforceability in any jurisdiction shall not render unenforceable such provision in any other jurisdiction. Paragraph headings are for convenience only, are not part of this Lease and shall not be deemed to effect the meaning or construction of any of the provisions hereof. In the event there is more than one Lessee named in this Master Lease or in any Supplement, the obligations of each shall be joint and several. Lessor may in its sole discretion, except a photocopy, electronically transmitted facsimile or other reproduction of this Master Lease and/or a Supplement (a "Counterpart") as the binding and effective record of this Master Lease and/or a Supplement whether or not an ink signed copy hereof or thereof is also received by Lessor from Lessee, provided, however, that if Lessor accepts a Counterpart as the binding and effective record of this Master Lease or a Supplement, the Counterpart acknowledged in writing by Lessor shall constitute the record hereof or thereof. Lessee agrees that a Counterpart of this Master Lease or a Supplement received by Lessor, shall, when acknowledged in writing by Lessor, constitute an original document for the purposes of establishing the provisions hereof and thereof and shall be legally admissible under the best evidence rule and binding on and enforceable against Lessee. If Lessor accepts a Counterpart of a Supplement as the binding and effective record thereof only such Counterpart acknowledged in writing by Lessor shall be marked "Original" and to the extent that a Supplement constitutes chattel paper, a security interest may only be created in the Supplement that bears Lessor's ink signed acknowledgement and is marked "Original." This Lease shall in all respects be governed by, and construed in accordance with, the substantive laws of the state of Minnesota. LESSEE HEREBY WAIVES ANY RIGHT TO A JURY TRIAL WITH RESPECT TO ANY MATTER ARISING UNDER OR IN CONNECTION WITH THIS LEASE. TIME IS OF THE ESSENCE WITH RESPECT TO THE OBLIGATIONS OF LESSEE UNDER THIS LEASE.

Ver. 0309



Wells Fargo Equipment Finance, Inc.
 733 Marquette Avenue, Suite 700
 MAC N9306-070
 Minneapolis, MN 55402

**Amendment to
 Master Lease**

Wells Fargo Equipment Finance, Inc. ("Lessor") and U.S. Renal Care Home Therapies LLC ("Lessee") hereby amend the Master Lease Number 288260 dated as of November 2, 2010 (the "Lease") as follows:

1. Section 6(a)(vi) is amended by deleting it and replacing it in its entirety with the following: "keep accurate and complete records pertaining to Borrower's business and financial condition and submit to Lender such quarterly and annual reports concerning Borrower's business and financial condition Lender may from time to time reasonably request;"
2. Section 15 is amended by replacing words "Lessee will promptly execute and deliver to Lessor" with "Lessee will execute and deliver to Lessor within ten (10) days of Lessor's request"
3. Section 17(a) is amended by inserting "within (5) five business days of" before the words "when due".
4. Section 17(c) is amended by deleting "ten (10) calendar days" and replacing it with "20 calendar days".
5. Section 17(e) is amended by inserting "and, if such petition is involuntary, the same shall not be dismissed within 30 calendar days of its filing"
6. New clauses (k), (l) and (m) are hereby added as additional Events of Default in Section 17 of the Agreement to read as follows:

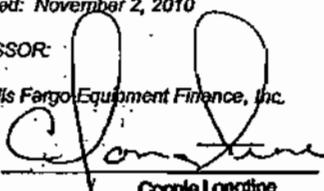
"(k) an event of default shall occur after giving effect to any provided cure period, of Lessee under that certain Credit Agreement dated as of May 24, 2010 among Lessee as Borrower, the Guarantors and Lenders identified therein Bank of America, N.A., as Syndication Agent, and Royal Bank of Canada, as Administrative Agent and as Collateral Agent, as such Credit Agreement may be amended from time to time (the "Credit Agreement"); (l) failure of Lessee to maintain at all times a minimum Fixed Charge Coverage Ratio as defined and set forth in the Credit Agreement; (m) failure to certify in writing to Lessor within sixty (60) days of the end of each fiscal quarter as to those matters pertaining to financial statements and Events of Default stated in the form for such certification attached hereto as Exhibit A."

Except as modified herein, the terms and conditions of the Lease remain the same and continue in full force and effect. In the event of a conflict between the terms of the Lease and this Amendment, the terms of this Amendment shall prevail.

Dated: November 2, 2010

LESSOR:

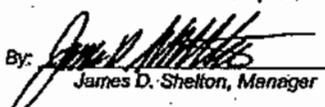
Wells Fargo Equipment Finance, Inc.

By: 

Title: Connie Longtine
Sr. Contract Administrator

LESSEE:

U.S. Renal Care Home Therapies, LLC

By: 

James D. Shelton, Manager

Exhibit A
To Amendment to Master Lease dated as of November 2, 2010

To: Wells Fargo Equipment Finance, Inc.
733 Marquette Avenue
Suite 700
Minneapolis, MN 55402
Attn: Senior Lending Manager, Healthcare

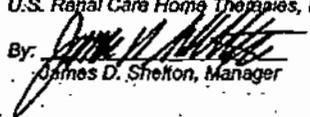
Re: Quarterly Compliance Certification of U.S. Renal Care Home Therapies, LLC ("Lessee")

The undersigned Lessee hereby certifies to Wells Fargo Equipment Finance, Inc. ("Lessor") that (a) the financial statement of Lessee dated as of June 30, 2010, heretofore or concurrently herewith delivered by Lessee to Lessor, is true and correct, and has been prepared in accordance with generally accepted accounting principals, and (b) as of the date hereof, there exists no default or defined Event of Default under any loan agreement, promissory note or other document in effect with respect to any credit accommodation granted by Lessor to Lessee.

Dated: November 2, 2010

LESSEE:

U.S. Renal Care Home Therapies, LLC

By: 
James D. Shelton, Manager



Wells Fargo Equipment Finance, Inc.
 733 Marquette Avenue, Suite 700
 MAC 19206-070
 Minneapolis, MN 55402

**Amendment to
 Master Lease**

Wells Fargo Equipment Finance, Inc. ("Lessor") and U.S. Renal Care Home Therapies, LLC ("Lessee") hereby amend the Master Lease Number 286280 dated as of November 2, 2010 (the "Lease") as follows:

1. Section 6(a)(vi) is amended by deleting it and replacing it in its entirety with the following: "keep accurate and complete records pertaining to Borrower's business and financial condition and submit to Lender such quarterly and annual reports concerning Borrower's business and financial condition Lender may from time to time reasonably request;"
2. Section 15 is amended by replacing words "Lessee will promptly execute and deliver to Lessor" with "Lessee will execute and deliver to Lessor within ten (10) days of Lessor's request"
3. Section 17(a) is amended by inserting "within (5) five business days of" before the words "when due".
4. Section 17(c) is amended by deleting "ten (10) calendar days" and replacing it with "20 calendar days".
5. Section 17(e) is amended by inserting "and, if such petition is involuntary, the same shall not be dismissed within 30 calendar days of its filing"
6. New clauses (k), (l) and (m) are hereby added as additional Events of Default in Section 17 of the Agreement to read as follows:

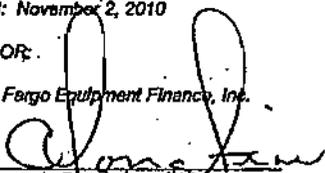
"(k) an event of default shall occur after giving effect to any provided cure period, of Lessee under that certain Credit Agreement dated as of July 5, 2006 among Lessee as Borrower, the Guarantors and Lenders identified therein, CapitalSource Finance LLC, as Syndication Agent, and CIT Healthcare LLC, as Administrative Agent and as Issuing Bank, as such Credit Agreement may be amended from time to time; (l) failure of Lessee to maintain at all times a minimum Fixed Charge Coverage Ratio (as defined below) of 1.20; (m) failure to certify in writing to Lessor within sixty (60) days of the end of each fiscal quarter as to those matters pertaining to financial statements and Events of Default stated in the form for such certification attached hereto as Exhibit A. "Fixed Charge Coverage Ratio" is defined as set forth in the attached Exhibit B, without regard to whether either of the two agreements from which the text of Exhibit B was taken is subsequently modified or terminated."

Except as modified herein, the terms and conditions of the Lease remain the same and continue in full force and effect. In the event of a conflict between the terms of the Lease and this Amendment, the terms of this Amendment shall prevail.

Dated: November 2, 2010

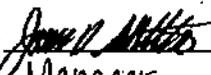
LESSOR:

Wells Fargo Equipment Finance, Inc.

By: 
 Carmie Longina
 Contract Administrator

LESSEE:

U.S. Renal Care Home Therapies, LLC

By: 
 Manager



Wells Fargo Equipment Finance, Inc.
733 Marquette Avenue, Suite 700
MAC N9006-070
Minneapolis, MN 55402

**Supplement to Master Lease
Agreement of Sale**

Supplement Number 0258280-400 dated as of November 2, 2010
to
Master Lease Number 288290 dated as of November 2, 2010

Name and Address of Lessee:
US Renal Care Home Therapies LLC
1313 La Concha Lane
Houston, TX 77054

Notice: Lessor reserves the right to withdraw the terms of this Supplement and issue a modified Supplement without notice to Lessee if Lessor is not in receipt of a fully executed original or facsimile of this document within five (5) business days of the date of this Supplement. However, in that event, no such modifications will be binding on Lessee unless and until Lessee executes the modified document containing all such modifications.

This is a Supplement to the Master Lease identified above between Lessor and Lessee (the "Master Lease"). Upon the execution and delivery by Lessor and Lessee of this Supplement, Lessor hereby agrees to lease to Lessee, and Lessee hereby agrees to lease from Lessor, the equipment described below upon the terms and conditions of this Supplement and the Master Lease. All terms and conditions of the Master Lease shall remain in full force and effect except to the extent modified by this Supplement. This Supplement and the Master Lease as it relates to this Supplement are hereinafter referred to as the "Lease".

Equipment Description:

The Equipment described on Schedule A attached hereto and made a part hereof. After Lessee signs this Lease, Lessee authorizes Lessor to insert any missing information or change any inaccurate information (such as the model year of the Equipment or its serial number or VIN) into this Equipment Description.

Equipment Location: 1313 La Concha Lane, Houston, TX 77054

SUMMARY OF PAYMENT TERMS	
Initial Term (Months): 60	Total Cost: \$108,892.77
Payment Frequency: Monthly	Total Basic Rent: \$123,592.90
Basic Rental Payment: \$2,059.88 plus applicable sales and use tax	Interim Rent Daily Rate: .014%
Number of Installments: 60	Cutoff Date: December 16, 2010
Advance Payments: First due on signing this Lease	Security Deposit: N/A

Additional Provisions: Total Finance Charges: \$14,700.03

End of Term Agreement:

- In addition to paying the Total Basic Rent when and as due under the Lease, Lessee agrees to pay Lessor \$1.00 on the expiration date of the initial term of the Lease (the "Final Purchase Payment").
- Upon receipt of the Total Basic Rent and the Final Purchase Payment by Lessor, the Equipment shall be deemed transferred to Lessee at its then location. Upon request by Lessee, Lessor will deliver a bill of sale transferring the Equipment to Lessee. Lessor hereby warrants that at the time of transfer the Equipment will be free of all security interests and other liens created by Lessor or in favor of persons claiming through Lessor. LESSOR MAKES NO OTHER WARRANTY WITH RESPECT TO THE EQUIPMENT, EXPRESS OR IMPLIED, AND SPECIFICALLY DISCLAIMS ANY WARRANTY OF MERCHANTABILITY AND OF FITNESS FOR A PARTICULAR PURPOSE AND ANY LIABILITY FOR CONSEQUENTIAL DAMAGES ARISING OUT OF THE USE OF OR THE INABILITY TO USE THE EQUIPMENT.

THIS AGREEMENT INCLUDES THE TERMS ON THE ATTACHED PAGE(S).

Lessor: Wells Fargo Equipment Finance, Inc.

By: Kathleen Hebel
VP

Title: December 31, 2010

Rent Commencement Date

U.S. Renal Care Home Therapies, LLC,

Lessee
By: James D. Shelton
James D. Shelton, Manager

3. Failure to pay the Final Purchase Payment when due shall constitute an "Event of Default" under the Lease.

4. Lessee agrees to pay all sales and use taxes arising on account of the sale of the Equipment to Lessee.

Lessor makes no representation with respect to the income tax consequences of the transaction evidenced by this Lease. Lessor will treat the lease as a sale regardless of how the Lease is treated by Lessee.

Modification to Master Lease: To be consistent with this Supplement the Master Lease is amended as follows:

1. The second paragraph of paragraph 2 (relating to automatic extension) is hereby deleted.

2. The third sentence of paragraph 12 covering casualty to the Equipment is amended to read as follows:

In the event any item of Equipment shall become lost, stolen, destroyed, damaged beyond repair, or rendered permanently unfit for use for any reason, or in the event of condemnation or seizure of any item of Equipment, Lessee shall promptly pay Lessor an amount equal to Lessor's Loss as defined in paragraph 18 with respect to such item at the time of payment based on the proportion that the original cost of such item bears to the Total Cost of all items of Equipment.

3. The sixth sentence of paragraph 12 is amended to read "Any insurance or condemnation proceeds received shall be credited to Lessee's obligation under this paragraph and Lessee shall be entitled to any surplus."

4. Paragraph 14 and 23 are deleted in their entirety.

5. The third sentence of paragraph 18(c) is amended to read "Lessee shall be entitled to any surplus and shall remain liable for any deficiency."

6. Clause (a) of the first sentence of paragraph 13 is amended to read as follows: "(a) comprehensive general liability insurance insuring against liability for bodily injury and property damage with a minimum limit of \$2,000,000.00 combined single limit per occurrence and".

Ver. 1109



Wells Fargo Equipment Finance, Inc.
 733 Marquette Avenue
 Suite 700
 Minneapolis, MN 55402

Schedule A

Contract No. 285290-400 dated as of November 2, 2010

Lessee: US Renal Care Home Therapies, LLC

Equipment Description: Dialysis, Computer and Computer Software systems equipment together with all options, attachments and accessories as more fully described on the following Vendor Invoices

Asset ID	Description	Date	Asset Class ID	Vendor ID	Check #	Invoice #
10260	Red Pull Tight Lock	12/15/09	EQUIPMENT	METRO MEDICAL	7816 (22.00) 7848 (881.20) 8189 (261.68)	708146-00 708683-01 773474-01
10259	EPROM for upgrade to CRRT	12/15/09	EQUIPMENT	FRESENIUS USA	7779	94485260
10262	18 X 72 Adj. Staff	01/08/10	EQUIPMENT	INTERMETRO	7600	10279213
10264	2008 K Dialysis Machine	02/10/10	EQUIPMENT	FRESENIUS USA	7958	94563144
10266	Maxcor F801 RO System	03/18/10	EQUIPMENT	MAR COR	7942	0000159300
10297	90XL Meter KR-CT	06/25/10	EQUIPMENT	MESA LABS	8247	0363636-IN

Equipment Originally located at: 1313 La Concha Lane
Houston, TX 77054

Dated: November 2, 2010

Lessee: US Renal Care Home Therapies, LLC

By: 
James E. Shelton, Manager

ATTACHMENT 40

FINANCIAL VIABILITY WAIVER

The applicant is not required to submit financial viability ratios because all project capital expenditures are completely funded through internal resources.

ATTACHMENT 41

VIABILITY

The applicant is not required to submit financial viability ratios because all project capital expenditures are completely funded through internal resources as indicated in Attachment 40.

ATTACHMENT 42

REASONABLENESS OF PROJECT AND RELATED COSTS

A. Reasonableness of Financing Arrangements

See Attached Certifications

B. Conditions of Debt Financing

See Attached Certifications

C. Reasonableness of Project Costs

Department	A	B	C	D	E	F	G	H	Total Cost
	Cost/Square Foot		Gross Square Foot		Gross Square Foot		Const. \$	Mod. \$	
	New	Mod	New	Circ	Mod	Circ			
In-Center Hemodialysis Contingencies	\$110				6,500			\$715,000	\$715,000
Totals	\$110				6,500			\$715,000	\$715,000

D. Projected Operating Costs

Projected Operating Costs	Total Cost	Treatments	Cost/ Treatment
Labor	\$751,412	9,246	\$81.27
Medical supplies	\$194,787	9,246	\$21.07
Medications	\$553,127	9,246	\$59.82
Medical Director fees	\$60,000	9,246	\$6.49
Rent	\$110,500	9,246	\$11.95
Management Fee	\$250,166	9,246	\$27.06
Other	\$281,436	9,246	\$30.44
Total Projected Operating Costs*	\$2,201,427	9,246	\$238.10

E. Total Effect of the Project on Capital Costs

Total Effect of the Project on Capital Costs	Total Cost	Treatments	Cost/ Treatment
Total Effect of the Project on Capital Cost	\$193,966	9,246	\$20.98

ATTACHMENT 42

REASONABLENESS OF PROJECT AND RELATED COSTS

77 Ill. Admin. Code § 1120.140 Reasonableness of Financing Arrangements

U.S. Renal Care, Inc.

In accordance with 77 Ill. Admin. Code § 1120.140, I attest 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.

By: [Signature]
Thomas L. Weinberg

By: [Signature]
Stephen M. Pirri

Its: Senior Vice President & General Counsel

Its: President

Notarization:

Notarization:

Subscribed and sworn to me this 12th day of June, 2012

Subscribed and sworn to me this 12th day of June, 2012

[Signature]
Signature of Notary

[Signature]
Signature of Notary



ATTACHMENT 42

REASONABLENESS OF PROJECT AND RELATED COSTS

77 III. Admin. Code § 1120.140 Conditions of Debt Financing

U.S. Renal Care, Inc.

In accordance with 77 III. Admin. Code § 1120.140, I attest that the conditions of debt financing are reasonable in that entering into a lease (borrowing) is less costly than the liquidation of existing investments which would be required for the applicant to construct a dialysis facility. 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: [Signature]
Thomas L. Weinberg

By: [Signature]
Stephen M. Pirri

Its: Senior Vice President & General Counsel

Its: President

Notarization:

Notarization:

Subscribed and sworn to me this 12th day of June, 2012

Subscribed and sworn to me this 12th day of June, 2012

[Signature]
Signature of Notary

[Signature]
Signature of Notary



ATTACHMENT 42

REASONABLENESS OF PROJECT AND RELATED COSTS

77 III. Admin. Code § 1120.140 Reasonableness of Financing Arrangements

USRC Alliance, LLC

In accordance with 77 III. Admin. Code § 1120.140, I attest 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.

By: [Signature]
Thomas L. Weinberg

By: [Signature]
Stephen M. Pirri

Its: Manager

Its: President & Manager

Notarization:

Notarization:

Subscribed and sworn to me this 12th day
of June, 2012

Subscribed and sworn to me this 12th day
of June, 2012

[Signature]
Signature of Notary

[Signature]
Signature of Notary



ATTACHMENT 42

REASONABLENESS OF PROJECT AND RELATED COSTS

77 Ill. Admin. Code § 1120.140 Conditions of Debt Financing

USRC Alliance, LLC

In accordance with 77 Ill. Admin. Code § 1120.140, I attest that the conditions of debt financing are reasonable in that entering into a lease (borrowing) is less costly than the liquidation of existing investments which would be required for the applicant to construct a dialysis facility. 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: [Signature]
Thomas L. Weinberg

By: [Signature]
Stephen M. Pirri

Its: Manager

Its: President & Manager

Notarization:

Notarization:

Subscribed and sworn to me this 12th day
of June, 2012

Subscribed and sworn to me this 12th day
of June, 2012

[Signature]
Signature of Notary

[Signature]
Signature of Notary



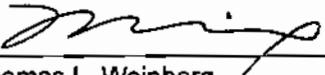
ATTACHMENT 42

REASONABLENESS OF PROJECT AND RELATED COSTS

77 Ill. Admin. Code § 1120.140 Reasonableness of Financing Arrangements

USRC Lemont, LLC

In accordance with 77 Ill. Admin. Code § 1120.140, I attest 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.

By: 
Thomas L. Weinberg

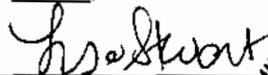
By: 
Stephen M. Pirri

Its: Manager

Its: President & Manager

Notarization:

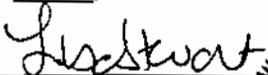
Subscribed and sworn to me this 12th day
of June, 2012


Signature of Notary



Notarization:

Subscribed and sworn to me this 12th day
of June, 2012


Signature of Notary



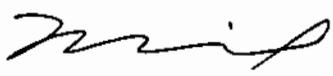
ATTACHMENT 42

REASONABLENESS OF PROJECT AND RELATED COSTS

77 III. Admin. Code § 1120.140 Conditions of Debt Financing

USRC Lemont, LLC

In accordance with 77 III. Admin. Code § 1120.140, I attest that the conditions of debt financing are reasonable in that entering into a lease (borrowing) is less costly than the liquidation of existing investments which would be required for the applicant to construct a dialysis facility. 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: 
Thomas L. Weinberg

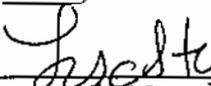
By: 
Stephen M. Pirri

Its: Manager

Its: President & Manager

Notarization:

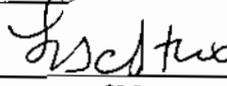
Subscribed and sworn to me this 12th day
of June, 2012


Signature of Notary



Notarization:

Subscribed and sworn to me this 12th day
of June, 2012


Signature of Notary



ATTACHMENT 43

SAFETY NET IMPACT

This project will result in a positive impact on the ability of other providers and health care systems to cross-subsidize safety net services. The capacity of hospitals and health systems to provide safety net and charity care services is impacted by their efficiency in discharging inpatients and transitioning their care from an inpatient setting to an outpatient setting. As the availability of outpatient dialysis services becomes more scarce, hospitals are sometimes forced to delay patient discharges while attempting to procure necessary dialysis services in the community. This delayed discharge and resulting increase in length of stay may unnecessarily consume hospital resources that could otherwise be directed to a patient in need of such resources. As the proposed project seeks to make additional outpatient dialysis services available it will help facilitate more timely hospital discharges and will result in greater opportunities for hospitals to provide additional safety net and charity care services.

With respect to the provision of dialysis services for Charity Care and Medicaid purposes, the Applicants do not operate facilities within Illinois and, as such, have provided Charity Care and Medicaid information at the corporate level for U.S. Renal Care, Inc. As such information is most accurately reported at the treatment level, due to the fact that patients receive multiple dialysis treatments which may qualify them as one or more patient types depending on their status at the time of treatment, this information is reported at the treatment level.

CHARITY CARE			
Charity (# of treatments)	2009	2010	2011
Inpatient	N/A	N/A	N/A
Outpatient	1,056	1,922	2,305
Total	1,056	1,922	2,305
Charity (cost in dollars)			
Inpatient	N/A	N/A	N/A
Outpatient	\$281,536	\$521,535	\$595,473
Total	\$281,536	\$521,535	\$595,473

MEDICAID			
Medicaid (# of treatments)	2009	2010	2011
Inpatient	N/A	N/A	N/A
Outpatient	17,967	29,744	40,586
Total	17,967	29,744	40,586
Medicaid (revenue)			
Inpatient	N/A	N/A	N/A
Outpatient	\$3,956,318	\$6,740,875	\$9,382,740
Total	\$3,956,318	\$6,740,875	\$9,382,740

ATTACHMENT 44

CHARITY CARE

Payor Mix	Year 1	Year 2	Year 3
Billed Govt Patients	27	59	62
Billed Commercial Patients	3	4	4
Billed Non Govt Low Patients	0	0	0
Total Patients	30	63	66

Charity Care Information	Year 1	Year 2	Year 3
Net Revenue	\$488,520	\$2,259,980	\$3,127,080
Bad Debt / Charity Care	\$15,144	\$70,059	\$96,939
Ratio of Bad Debt to Net Revenue	0.031	0.031	0.031

APPENDIX 1
PATIENT REFERRAL LETTERS

June 8, 2012

VIA FEDERAL EXPRESS

Mr. Dale Galassie
Illinois Health Facilities & Services Review Board
525 W. Jefferson St., 2nd Floor
Springfield, IL 62761

Dear Mr. Galassie:

On behalf of Northeast Nephrology Consultants, Ltd., comprised of Drs. Ahmed, Gurfinkel, Kravets, Mehta, and Nagarkatte, I am writing this letter in support of the certificate of need application for the proposed U.S. Renal Care Lemont Dialysis facility.

Currently, we treat patients who receive dialysis at the following facilities: Deerbrook Care Center, Fairview Care Center of Joliet, Fresenius Medical Care Lemont, Silver Cross Renal Center – East, Silver Cross Renal Center – Morris, Silver Cross Renal Center – West or who receive their dialysis through home modalities. Based on our records, we treated 283 ESRD patients in 2011, 298 ESRD patients in 2010, 266 ESRD patients in 2009, and 231 patients through first quarter of 2012, as reported to the Renal Network. Included as Appendix A is the patient count organized by year, patient zip code, and dialysis facility for the years 2009, 2010, 2011, and first quarter 2012. We anticipate that 15% of our existing hemodialysis patients will not require in-center hemodialysis services within 1 year due to a change in health status.

With respect to new patients referred for dialysis, in the year 2011 we referred 86 patients for hemodialysis. Included as Appendix B is a patient count by facility and zip code of newly referred patients.

Based upon a review of our 631 Pre-ESRD patients that currently are in Chronic Kidney Disease (CKD) Stages 3, 4 and 5, we anticipate referring 80 patients to the proposed U.S. Renal Care Lemont Dialysis facility for dialysis in the two years following project completion, as demonstrated in Appendix C. While these estimates are based on the zip code of the patient's residence, we will continue to respect a patient's choice in their dialysis provider.

We respectfully ask the Board to approve the U.S. Renal Care Lemont Dialysis CON application to provide in center hemodialysis services for this growing ESRD population in DuPage County. Thank you for your consideration.

I attest to the fact that to the best of our 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.

Respectfully,

Signature: P. Nagarkatte
Name: P. NAGARKATTE
Title: M.D., Partner

SUBSCRIBED and SWORN TO before me
this 13 day of JUNE, 2012


Notary Public



APPENDIX A
ESRD PATIENTS BY PATIENT ZIP CODE 2009 – FIRST QUARTER 2012

Year	Physician	Patient Zip Code	Deerbrook Care Center (Long-Term Care Facility)	Fairview Care Center of Joliet	Fresenius Medical Care Plainfield	Home Peritoneal Dialysis	Silver Cross Renal Center - East	Silver Cross Renal Center - Morris	Silver Cross Renal Center - West	Grand Total	
2009	Dr. Ahmed	60104					1			1	
		60403							3	3	
		60404					1		2	3	
		60421					1			1	
		60423					1		1	2	
		60431							1	1	
		60432					8		4	12	
		60433					8	1	4	13	
		60435				1	3		8	12	
		60436					1		5	6	
		60441					4		1	5	
		60442							1	1	
		60446					1			1	
		60448					1			1	
		60450							1	1	2
		60481								1	1
		60586								4	4
		60803								1	1
		61301								1	1
		Dr. Ahmed Total						1	30	2	38
	Dr. Gurfinchel	60436							1	1	
		60451					1			1	
Dr. Gurfinchel Total							1		1	2	
	Dr. Kravets	60403				2		2	3	7	
		60404							1	1	
		60408							2		2
		60410							1	2	3

Year	Physician	Patient Zip Code	Deerbrook Care Center (Long-Term Care Facility)	Fairview Care Center of Joliet	Fresenius Medical Care Plainfield	Home Peritoneal Dialysis	Silver Cross Renal Center - East	Silver Cross Renal Center - Morris	Silver Cross Renal Center - West	Grand Total
		60416						3		3
		60420						2		2
		60421					1	1	1	3
		60431				1	2		5	8
		60432					8		3	11
		60433					6		3	9
		60434					1			1
		60435					2		16	18
		60436					3		2	5
		60441				1	4	1	2	8
		60442				1			1	2
		60446							5	5
		60447						1		1
		60448					1		1	2
		60450				1		4		5
		60451					3		3	6
		60464							1	1
		60477					1			1
		60481						1	1	2
		60544				1			5	6
		60586							1	1
		60840							1	1
		60920							1	1
		61341						3		3
		61354						1		1
	Dr. Kravets Total					7	32	22	58	119
	Dr. Nagarkatte	60403					2		4	6
		60404							3	3
		60406							1	1
		60407							1	1

Year	Physician	Patient Zip Code	Deerbrook Care Center (Long-Term Care Facility)	Fairview Care Center of Joliet	Fresenius Medical Care Plainfield	Home Peritoneal Dialysis	Silver Cross Renal Center - East	Silver Cross Renal Center - Morris	Silver Cross Renal Center - West	Grand Total
		60408							1	1
		60421							3	3
		60431				1			1	2
		60432					1		1	2
		60433					3		5	8
		60434							1	1
		60435					2		10	12
		60436					2		4	6
		60440							1	1
		60441				1	1		3	5
		60442					1			1
		60446							3	3
		60447							1	1
		60448					1		1	2
		60451				3	2			5
		60481							1	1
		60544				1			2	3
		60586							4	4
		60628							1	1
		60638					1			1
		Dr. Nagarkatte Total				6	16		52	74
	2009 Total					14	79	24	149	266
2010	Dr. Ahmed	6043							1	1
		6044					1			1
		60403							2	2
		60404					1		2	3
		60416							1	1
		60432			1	1	6		5	13
		60433					9	2	2	13
		60435					4		11	15

Year	Physician	Patient Zip Code	Deerbrook Care Center (Long-Term Care Facility)	Fairview Care Center of Joliet	Fresenius Medical Care Plainfield	Home Peritoneal Dialysis	Silver Cross Renal Center - East	Silver Cross Renal Center - Morris	Silver Cross Renal Center - West	Grand Total
		60436					3		3	6
		60439					1			1
		60441					1		3	4
		60442							1	1
		60446					2			2
		60448					1			1
		60450						1		1
		60451							1	1
		60490							1	1
		60586				1			3	4
		60803							1	1
	Dr. Ahmed Total				1	2	29	3	37	72
	Dr. Gurfinchel	60404					1		1	2
		60432					2			2
		60433					1			1
		60435							2	2
		60436							1	1
		60440							1	1
		60441					1			1
		60451					1			1
		60479						1		1
	Dr. Gurfinchel Total						6	1	5	12
	Dr. Kravets	6043							1	1
		60403				2		1	1	4
		60404					1		3	4
		60408						2		2
		60410						2		2
		60416						2		2
		60420						2		2
		60421					1	1	3	5

Year	Physician	Patient Zip Code	Deerbrook Care Center (Long-Term Care Facility)	Fairview Care Center of Joliet	Fresenius Medical Care Plainfield	Home Peritoneal Dialysis	Silver Cross Renal Center - East	Silver Cross Renal Center - Morris	Silver Cross Renal Center - West	Grand Total
		60423					1			1
		60431				2			5	7
		60432					5		1	6
		60433					9	1	5	15
		60434					1			1
		60435							17	17
		60436					2		1	3
		60439							1	1
		60441				1	3	1	1	6
		60442					1		1	2
		60446				1			5	6
		60447						1		1
		60448					1			1
		60450						8	1	9
		60451					2		2	4
		60464						1		1
		60467					1			1
		60474						1		1
		60481						2		2
		60491						1		1
		60544				1			5	6
		60586			1				1	2
		60840							1	1
		60920							1	1
		61341						3		3
		61350						1		1
		61354						1		1
	Dr. Kravets Total				1	7	28	31	56	123
	Dr. Mehta	60403							3	3
		60431							1	1

Year	Physician	Patient Zip Code	Deerbrook Care Center (Long-Term Care Facility)	Fairview Care Center of Joliet	Fresenius Medical Care Plainfield	Home Peritoneal Dialysis	Silver Cross Renal Center - East	Silver Cross Renal Center - Morris	Silver Cross Renal Center - West	Grand Total
		60433							1	1
		60442					1			1
		60450				1				1
		60481							1	1
	Dr. Mehta Total					1	1		6	8
	Dr. Nagarkatte	6040							1	1
		6043							1	1
		6049					1			1
		60403					2		2	4
		60404							3	3
		60407							1	1
		60416				1				1
		60421					2		2	4
		60423					1			1
		60426							1	1
		60431						1	1	2
		60432				1	1		1	3
		60433					4		3	7
		60435					1	1	9	11
		60436					3		3	6
		60440							1	1
		60441				1	5		1	7
		60442					2			2
		60446							3	3
		60447							1	1
		60448					1		1	2
		60451				3	4		2	9
		60481							1	1
		60544				1			2	3
		60586							5	5

Year	Physician	Patient Zip Code	Deerbrook Care Center (Long-Term Care Facility)	Fairview Care Center of Joliet	Fresenius Medical Care Plainfield	Home Peritoneal Dialysis	Silver Cross Renal Center - East	Silver Cross Renal Center - Morris	Silver Cross Renal Center - West	Grand Total	
		60628							1	1	
		61301							1	1	
	Dr. Nagarkatte Total					7	27	2	47	83	
2010 Total					2	17	91	37	151	298	
2011	Dr. Ahmed	60403							2	2	
		60404							2	2	
		60410							1	1	
		60416							1	1	
		60431							1	1	
		60432			1			5		6	12
		60433						8	1	1	10
		60435						2		9	11
		60436						1		5	6
		60439						1			1
		60441						3			3
		60446						1		1	2
		60447								1	1
		60544				1					1
	60586				1	1			2	4	
	60803								1	1	
	Dr. Ahmed Total					3	1	21	1	33	59
	Dr. Gurfinchel		60404							1	1
			60408							1	1
			60432					4			4
		60433					3		1	4	
		60435							1	1	
		60436					1		3	4	
		60439					1			1	
		60440							1	1	
		60441		1			3			4	

Year	Physician	Patient Zip Code	Deerbrook Care Center (Long-Term Care Facility)	Fairview Care Center of Joliet	Fresenius Medical Care Plainfield	Home Peritoneal Dialysis	Silver Cross Renal Center - East	Silver Cross Renal Center - Morris	Silver Cross Renal Center - West	Grand Total
		60451					1			1
		60477					1			1
	Dr. Gurfinchel Total			1			14		8	23
	Dr. Kravets	25917					1			1
		60403				2			2	4
		60404							2	2
		60407						1		1
		60408					1	1		2
		60410						1		1
		60420						2		2
		60421					1	2	2	5
		60431				1			5	6
		60432					1		2	3
		60433					7		3	10
		60434					1			1
		60435	4	2		1	1		11	19
		60436					3		1	4
		60439							1	1
		60441				1	2		1	4
		60442				1	1		1	3
		60446					1		5	6
		60450						6		6
		60451					3			3
		60467					1			1
		60474						1		1
		60481						1	1	2
		60490							1	1
		60544				1			4	5
		60586			1				1	2
		60840							1	1

Year	Physician	Patient Zip Code	Deerbrook Care Center (Long-Term Care Facility)	Fairview Care Center of Joliet	Fresenius Medical Care Plainfield	Home Peritoneal Dialysis	Silver Cross Renal Center - East	Silver Cross Renal Center - Morris	Silver Cross Renal Center - West	Grand Total
		60920							1	1
		61341						2		2
		61350						1		1
		61354						1		1
		61360						1		1
	Dr. Kravets Total		4	2	1	7	24	20	45	103
	Dr. Mehta	60403							3	3
		60404							1	1
		60416						1		1
		60431							1	1
		60432					1			1
		60433			1				1	2
		60435		1					3	4
		60436			1					1
		60442					1			1
		60446							1	1
		60450				1		1	1	3
		60481							1	1
	Dr. Mehta Total			1	2	1	2	2	12	20
	Dr. Nagarkatte	60403					2		3	5
		60404							2	2
		60410							1	1
		60416				1				1
		60421					1		2	3
		60423					1			1
		60426							1	1
		60431						1	3	4
		60432					3		1	4
		60433					3		4	7
		60435							10	10

Year	Physician	Patient Zip Code	Deerbrook Care Center (Long-Term Care Facility)	Fairview Care Center of Joliet	Fresenius Medical Care Plainfield	Home Peritoneal Dialysis	Silver Cross Renal Center - East	Silver Cross Renal Center - Morris	Silver Cross Renal Center - West	Grand Total
		60436					3		4	7
		60441				1	4		2	7
		60442					2			2
		60446							2	2
		60447							1	1
		60448							1	1
		60450							1	1
		60451				4	4		1	9
		60481				1			1	2
		60491					1			1
		60544							1	1
		60586							4	4
		61301							1	1
	Dr. Nagarkatte Total					7	24	1	46	78
2011 Total			4	4	6	16	85	24	144	283
2012 1Q	Dr. Ahmed	60403							1	1
		60404							1	1
		60410						1	1	2
		60416							1	1
		60431							1	1
		60432			1		4		4	9
		60433					7		1	8
		60435					1		4	5
		60436					1		3	4
		60441					3			3
		60446							1	1
		60447				1				1
		60481				1				1
		60544			1				1	2
		60586				1			2	3

Year	Physician	Patient Zip Code	Deerbrook Care Center (Long-Term Care Facility)	Fairview Care Center of Joliet	Fresenius Medical Care Plainfield	Home Peritoneal Dialysis	Silver Cross Renal Center - East	Silver Cross Renal Center - Morris	Silver Cross Renal Center - West	Grand Total
	Dr. Ahmed Total				2	3	16	1	21	43
	Dr. Gurfinchel	60404							1	1
		60423					1			1
		60432					4		1	5
		60433					1			1
		60435					1		3	4
		60436					1		3	4
		60441					2			2
		60451					1			1
		60481					2			2
	Dr. Gurfinchel Total						13		8	21
	Dr. Kravets	60401						1		1
		60403				1			2	3
		60404							2	2
		60407						1		1
		60408						1		1
		60420						2		2
		60421					1		2	3
		60431				2			5	7
		60432					4		1	5
		60433					8		2	10
		60435	2	1		1			9	13
		60436		1			2		1	4
		60439							1	1
		60441					2			2
		60442					1		1	2
		60446							2	2
		60448					1			1
		60450						3		3
		60451					3			3

Year	Physician	Patient Zip Code	Deerbrook Care Center (Long-Term Care Facility)	Fairview Care Center of Joliet	Fresenius Medical Care Plainfield	Home Peritoneal Dialysis	Silver Cross Renal Center - East	Silver Cross Renal Center - Morris	Silver Cross Renal Center - West	Grand Total
		60467					1			1
		60477							1	1
		60481						1	1	2
		60544							3	3
		60560						1		1
		60586			1				1	2
		60920					1			1
		61341						1		1
		61350						1		1
		61354						1		1
	Dr. Kravets Total		2	2	1	4	24	13	34	80
	Dr. Mehta	60403							2	2
		60408					1			1
		60416						1		1
		60424						1		1
		60432					1		2	3
		60433			1				2	3
		60435		1					3	4
		60436			1					1
		60442					1			1
		60446							1	1
		60450				1		1		2
		60461							1	1
		60467					1			1
		60478							1	1
		60481							1	1
		60544							1	1
	Dr. Mehta Total			1	2	1	4	3	14	25
	Dr. Nagarkatte	60403				1	3		3	7
		60404							2	2

Year	Physician	Patient Zip Code	Deerbrook Care Center (Long-Term Care Facility)	Fairview Care Center of Joliet	Fresenius Medical Care Plainfield	Home Peritoneal Dialysis	Silver Cross Renal Center - East	Silver Cross Renal Center - Morris	Silver Cross Renal Center - West	Grand Total
		60410							1	1
		60417					1			1
		60421					2			2
		60426							1	1
		60431							2	2
		60432				1	2		1	4
		60433					4		1	5
		60435		1			1		7	9
		60436					1		3	4
		60440							1	1
		60441	3				4		2	9
		60442					1			1
		60446							2	2
		60447							1	1
		60448					2			2
		60450							1	1
		60451				1	1			2
		60481							1	1
		60491					1			1
		60544							1	1
		60586							1	1
		61301							1	1
	Dr. Nagarkatte Total		3	1		3	23		32	62
2012 IQ Total			5	4	5	11	80	17	109	231

APPENDIX B
2011 IN CENTER HEMODIALYSIS REFERRALS BY DIALYSIS FACILITY, PHYSICIAN AND PATIENT ZIP CODE

	Patient Zip Code	Fairview Care Center of Joliet	Silver Cross Renal Center - East	Silver Cross Renal Center - Morris	Silver Cross Renal Center - West	Grand Total
Dr. Ahmed	60433	1	1			2
	60435	4				4
	60436	1	1			2
	60441	1	1			2
Dr. Ahmed Total		7	3			10
Dr. Gurfinchel	60403				2	2
	60432		4			4
	60433		1			1
	60435				2	2
	60441	1	2			3
	60451		1			1
Dr. Gurfinchel Total		1	8		4	13
Dr. Kravets	60020				1	1
	60403				1	1
	60407			1		1
	60431				2	2
	60433		2			2
	60435				4	4
	60441		2			2
	60442		1			1
	60446				2	2
	60450			3	1	4
	60451		1			1
	60544				1	1
	61360				1	1
Dr. Kravets			6	5	12	23

Total						
Dr. Mehta	60403				1	1
	60404				1	1
	60410	1			1	2
	60416			1		1
	60423		1			1
	60431				1	1
	60433				1	1
	60435	1			3	4
	60446	1			1	2
	60447				1	1
	60450			1		1
Dr. Mehta Total		3	1	2	10	16
Dr. Nagarkatte	60403				1	1
	60408				1	1
	60421				3	3
	60431				2	2
	60432		1			1
	60435		1		4	5
	60436		1		3	4
	60439				1	1
	60441				1	1
	60446				1	1
	60451		1		1	2
	60481				1	1
	60544				1	1
Dr. Nagarkatte Total			4		20	24
Grand Total		11	22	7	46	86

APPENDIX C
 ANTICIPATED REFERRALS IN THE TWO YEARS FOLLOWING PROJECT COMPLETION

We anticipate a total of 80 patient referrals to ESRD to the U.S. Renal Care Lemont Dialysis Facility in the two years following project completion. We attribute these referrals to the following zip codes and physicians.

	Dr. Ahmed	Dr. Gurfinchei	Dr. Kravets	Dr. Mehta	Dr. Nagarkatte
60403	2	1	2	1	2
60432	1	1	1	1	1
60435	5	4	5	4	5
60439	2	1	2	2	2
60440	0	0	0	0	0
60441	5	3	5	4	5
60446	2	1	2	2	2
60491	1	1	1	1	1

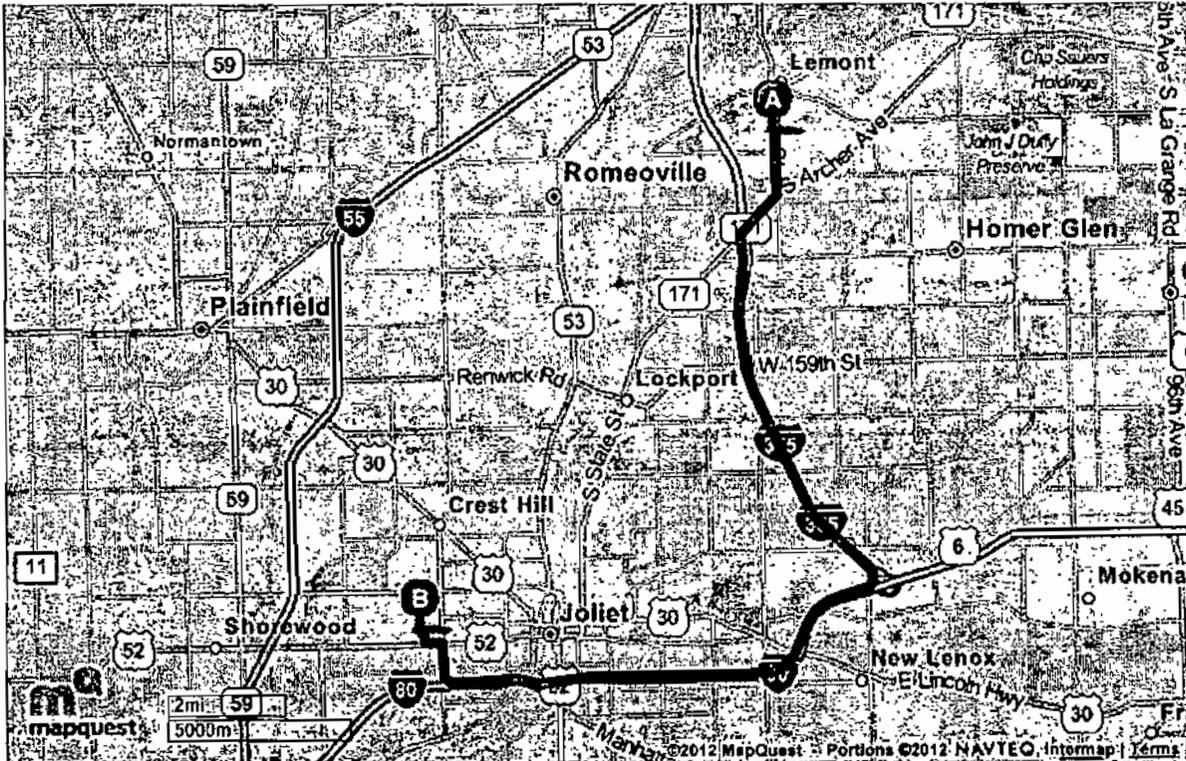
APPENDIX 2
MAPQUEST MAPS OF FACILITIES

mapquest m^q

Trip to:
2121 Oneida St
Joliet, IL 60435-6544
19.96 miles / 27 minutes

Notes

Sun Health



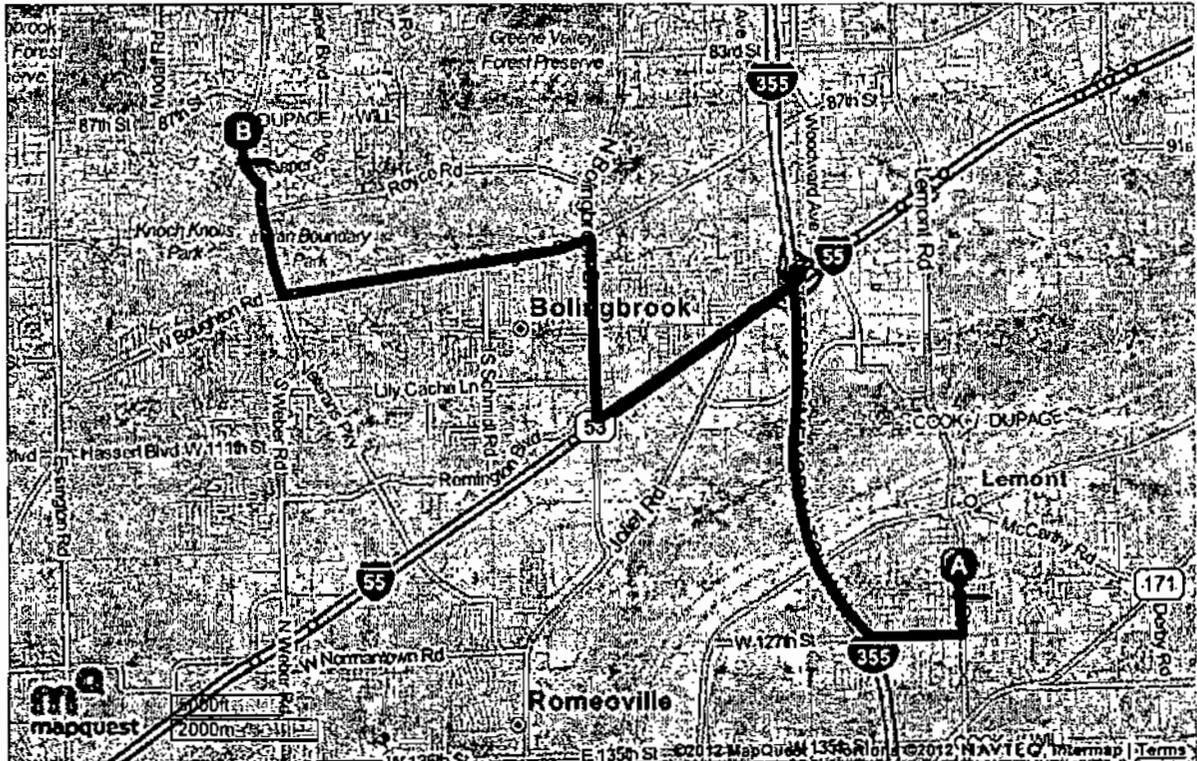
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Trip to:
2451 S Washington St
Naperville, IL 60565-5419
13.46 miles / 21 minutes

Notes

Fresenius Medical Care Naperville



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Trip to:
396 Remington Blvd
Bolingbrook, IL 60440-4302
8.46 miles / 13 minutes

Notes

USRC Bolingbrook Dialysis



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Trip to:
329 Remington Blvd
Bolingbrook, IL 60440-5827
8.24 miles / 13 minutes

Notes

FMC Bolingbrook



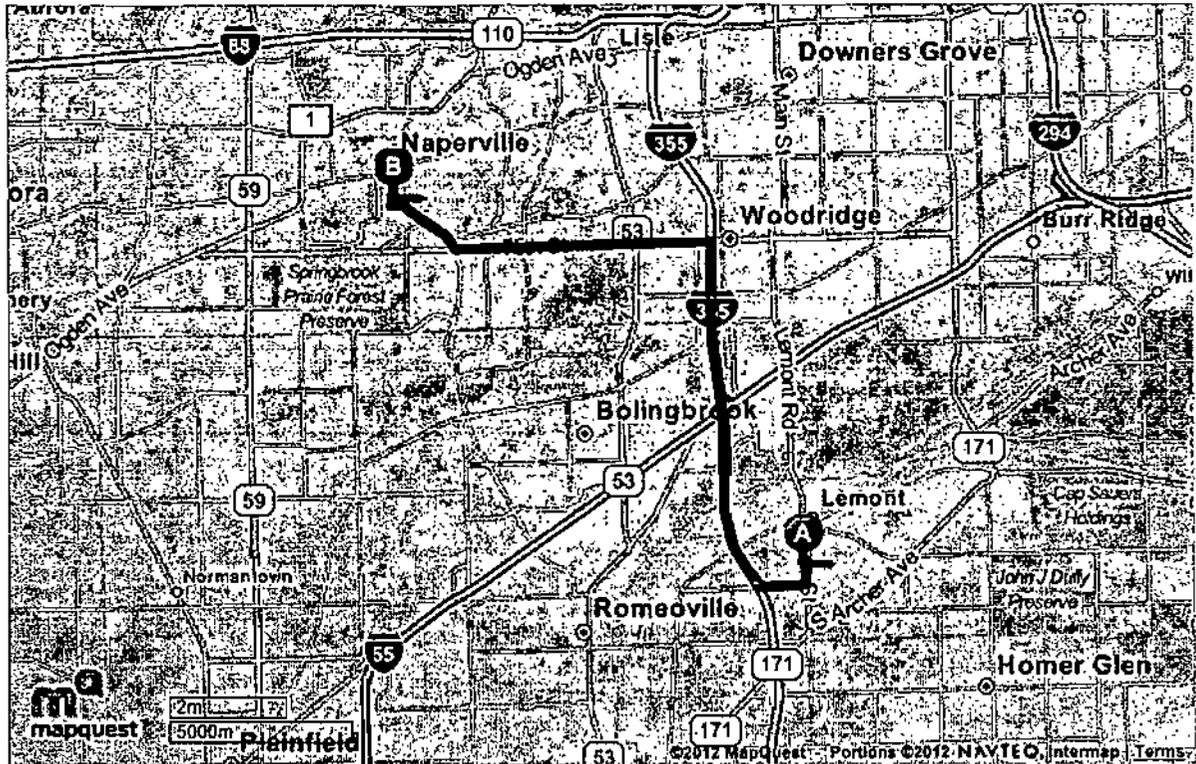
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Trip to:
100 Spalding Dr
Naperville, IL 60540-6550
14.63 miles / 24 minutes

Notes

FMC - Naperville



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Trip to:
721 E Jackson St
Joliet, IL 60432-2560
13.13 miles / 20 minutes

Notes

Fresenius Medical Care Joliet



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Trip to:
1860 Silver Cross Blvd
New Lenox, IL 60451-9508
9.06 miles / 13 minutes

Notes

Silver Cross Renal Center



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Trip to:

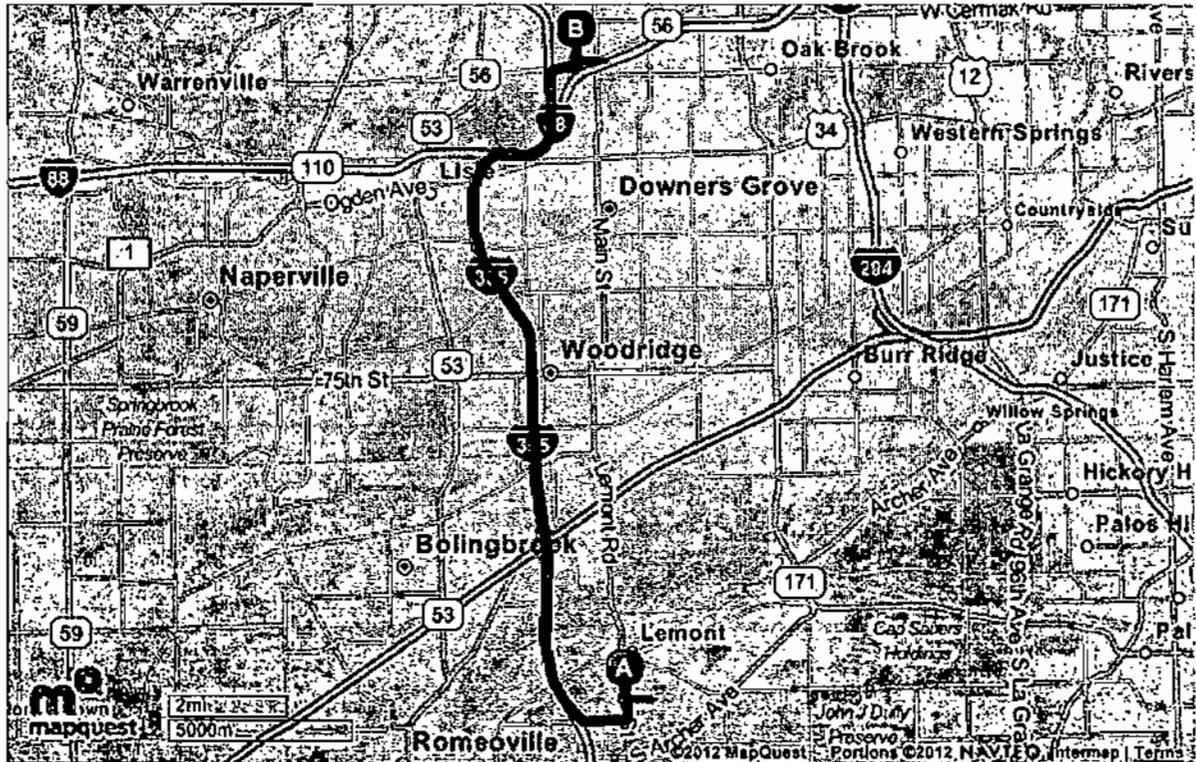
1213 Butterfield Rd

Downers Grove, IL 60515-1032

15.59 miles / 22 minutes

Notes

USRC Oak Brook Dialysis



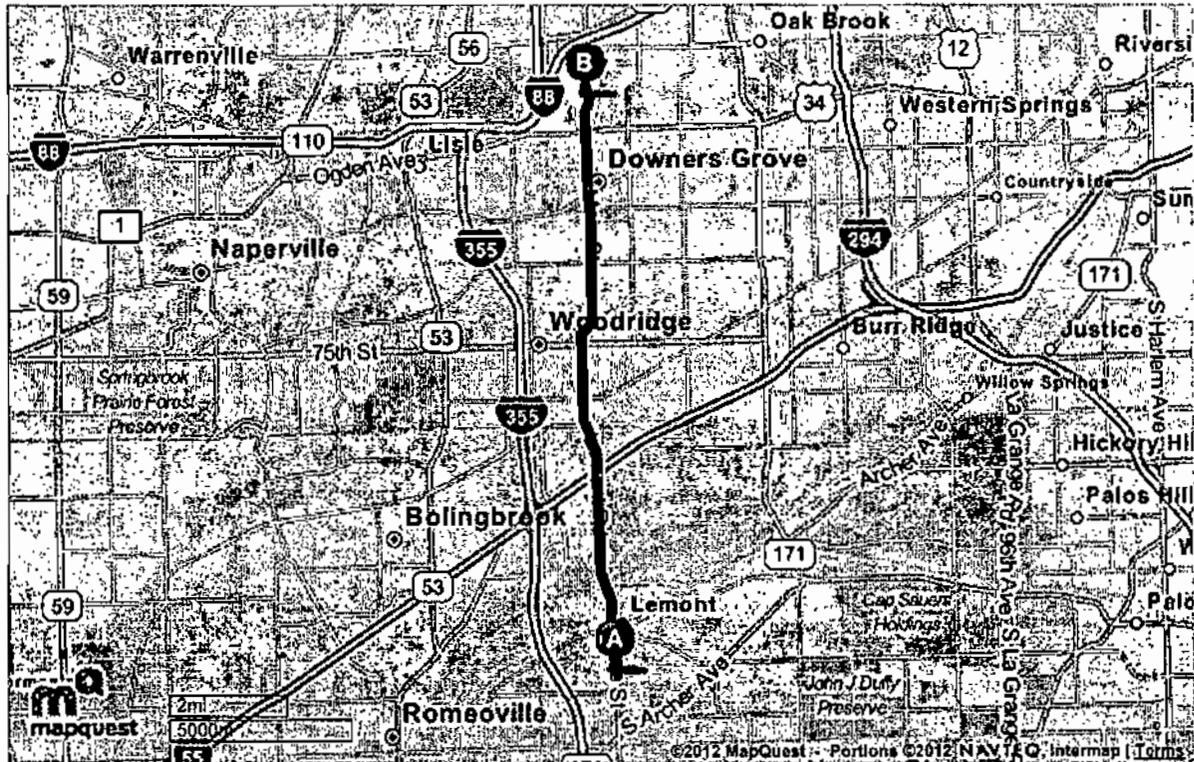
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Trip to:
3825 Highland Ave
Downers Grove, IL 60515-1552
11.11 miles / 23 minutes

Notes

FMC - Downers Grove Dialysis Center



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Trip to:
6300 Kingery Hwy
Willowbrook, IL 60527-2248
10.13 miles / 15 minutes

Notes

FMC Dialysis Services of Willowbrook



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Trip to:
2400 Wolf Rd
Westchester, IL 60154-5625
16.74 miles / 26 minutes

Notes

FMC - Westchester



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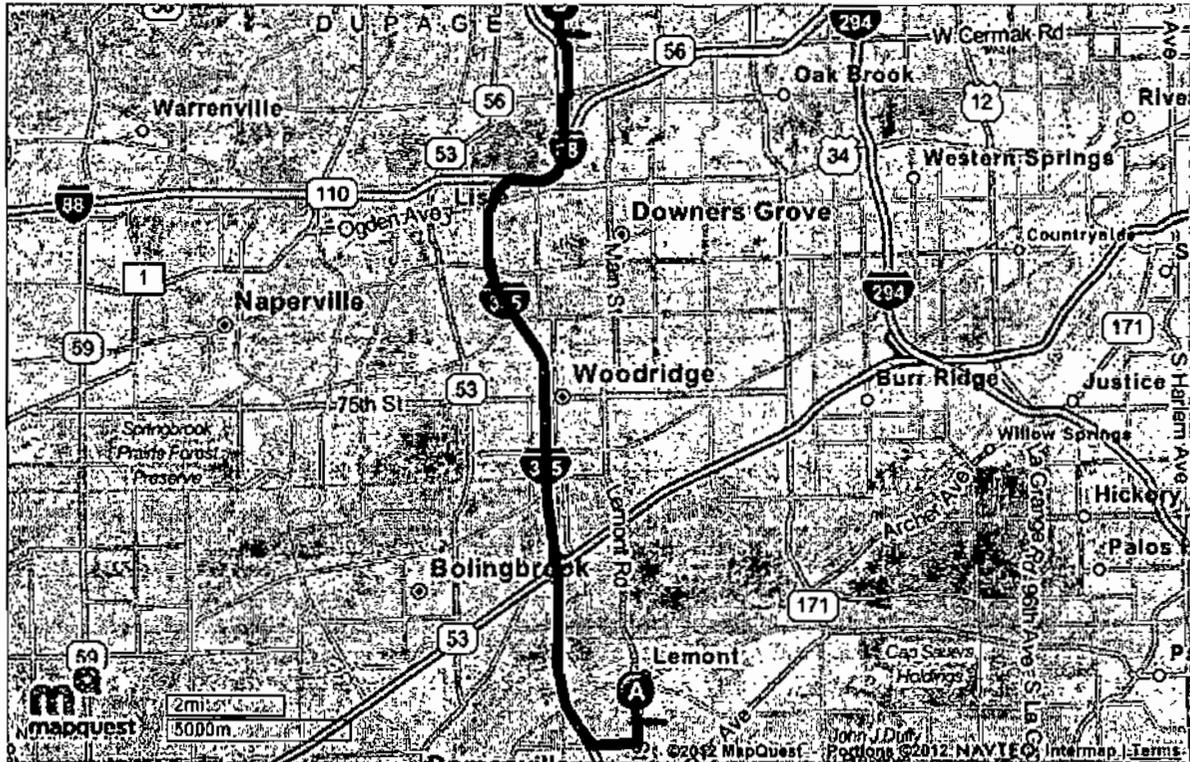


Trip to:

1940 Springer Dr
Lombard, IL 60148-6419
16.26 miles / 23 minutes

Notes

Fresenius Medical Care Lombard



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Trip to:

[309-317] York Rd
Elmhurst, IL 60126
20.74 miles / 31 minutes

Notes

RCG Villa Park



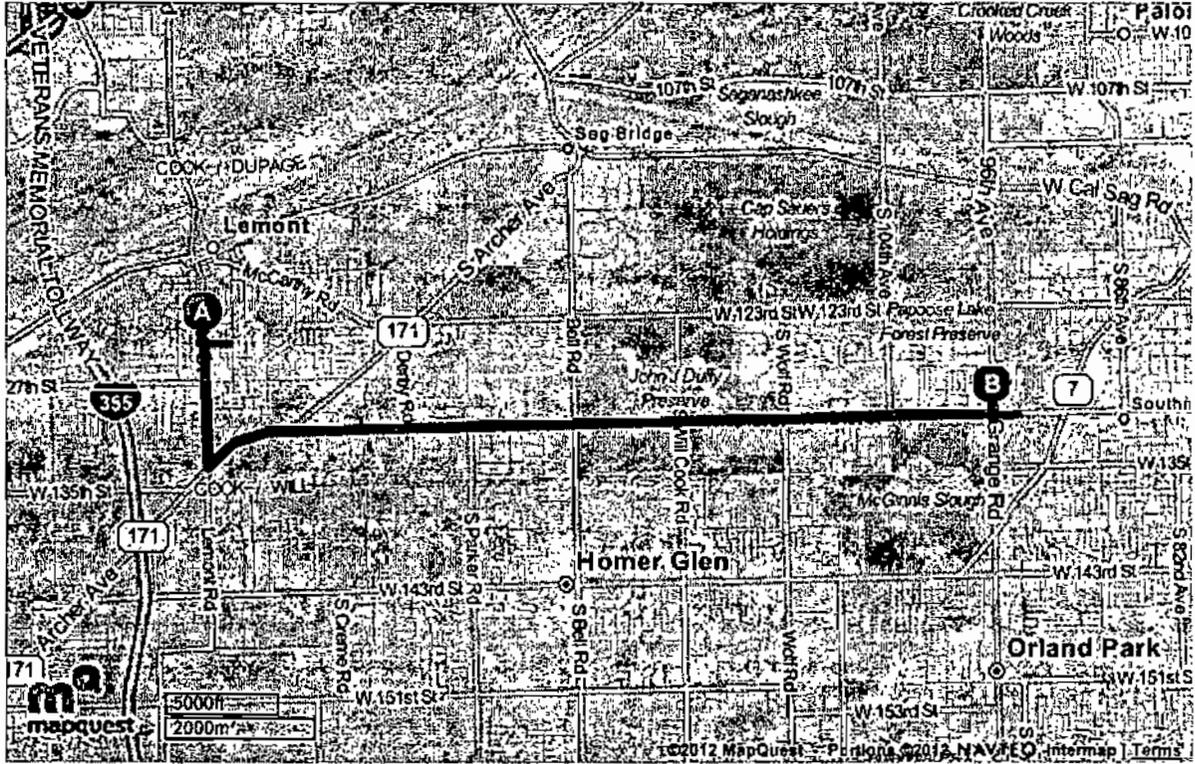
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mapquest m^q

Trip to:
13155 S la Grange Rd
Orland Park, IL 60462-1162
8.84 miles / 15 minutes

Notes

Palos Park Dialysis



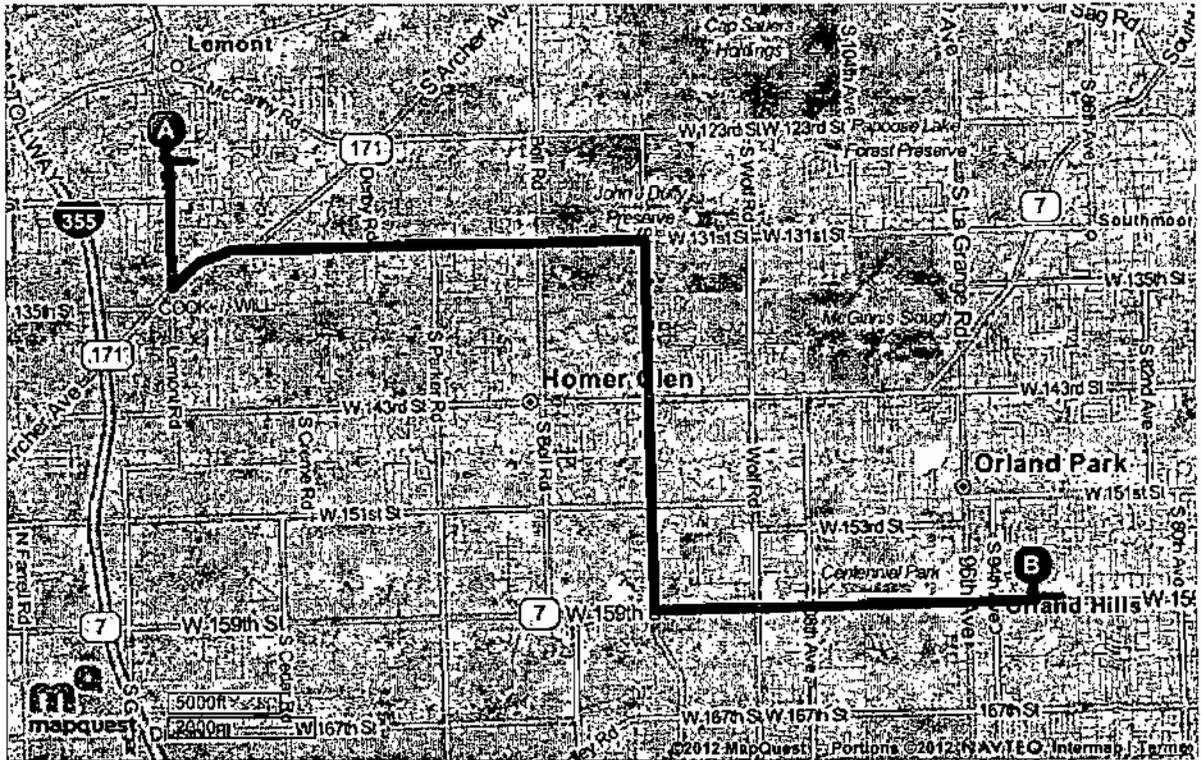
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Trip to:
15890 Parkhill Dr
Orland Park, IL 60462
12.94 miles / 21 minutes

Notes

FMC - Orland Park



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Trip to:
4861 Cal Sag Rd
Crestwood, IL 60445-4415
15.36 miles / 24 minutes

Notes

FMC - Crestwood



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Trip to:
12250 S Cicero Ave
Alsip, IL 60803-2946
15.85 miles / 26 minutes

Notes

FMC - Alsip



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