Original

14-029

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED
JUL 10 2014
HEALTH FACILITIES &
SERVICES REVIEW BOARD

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: *Fresenius Medical Care Grayslake*		
Street Address: *100 S. Atkinson Road*		
City and Zip Code: *Grayslake 60030*		
County: *Lake*	Health Service Area 8	Health Planning Area:

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

Exact Legal Name: *Fresenius Medical Care Grayslake, LLC d/b/a Fresenius Medical Care Grayslake*
Address: *920 Winter Street, Waltham, MA 02451*
Name of Registered Agent: *CT Systems*
Name of Chief Executive Officer: *Ron Kuerbitz*
CEO Address: *920 Winter Street, Waltham, MA 02451*
Telephone Number: *800-662-1237*

Type of Ownership of Applicant

- ☐ Non-profit Corporation
- ☐ For-profit Corporation
- ■ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

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

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

Co-Applicant Identification

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

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

Type of Ownership of Co-Applicant

☐	Non-profit Corporation	☐	Partnership		
■	For-profit Corporation	☐	Governmental		
☐	Limited Liability Company	☐	Sole Proprietorship	☐	Other

- Corporations and limited liability companies must provide an **Illinois Certificate of Good Standing.**
- 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

Name: *Lori Wright*
Title: *Senior CON Specialist*
Company Name: *Fresenius Medical Care*
Address: *3500 Lacey Road, Suite 900, Downers Grove, IL 60515*
Telephone Number: *630-960-6807*
E-mail Address: *lori.wright@fmc-na.com*
Fax Number: *630-960-6928*

Additional Contact

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

Name: *Teri Gurchiek*
Title: *Regional Vice President*
Company Name: *Fresenius Medical Care*
Address: *3500 Lacey Road, Suite 900, Downers Grove, IL 60515*
Telephone Number: *630-960-6806*
E-mail Address: *teri.gurchiek@fmc-na.com*
Fax Number: *630-960-6928*

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: *Lori Wright*
Title: *Senior CON Specialist*
Company Name: *Fresenius Medical Care*
Address: *3500 Lacey Road, Suite 900,Downers Grove, IL 60515*
Telephone Number: *630-960-6807*
E-mail Address: *lori.wright@fmc-na.com*
Fax Number: *630-960-6928*

Additional Contact

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

Name: *Clare Ranalli*
Title: *Attorney*
Company Name: *McDermott, Will & Emery*
Address: *227 W. Monroe Street, Suite 4700, Chicago, IL 60606*
Telephone Number: *312-984-3365*
E-mail Address: *cranalli@mwe.com*
Fax Number: *312-984-7500*

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: *Mosaic Real Estate Investments*
Address of Site Owner *555 Skokie Blvd., Suite 204, Northbrook, IL 60062*
Street Address or Legal Description of Site: *100 S. Atkinson Road, Grayslake, IL 60030* *(tax parcel 06-26-411-002).* **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: *Fresenius Medical Care Grayslake, LLC d/b/a Fresenius Medical Care Grayslake*
Address: *920 Winter Street, Waltham, MA 02451*

- ☐ Non-profit Corporation
- ☐ For-profit Corporation
- ☒ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ 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.
- 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

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:

- [x] Substantive
- [ ] Non-substantive

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.

Fresenius Medical Care Grayslake, LLC, proposes to establish a 12-station in-center hemodialysis facility located at 100 S. Atkinson Road, Grayslake (tax parcel 06-26-411-002). The facility will be in a newly constructed building, with the interior leased space to be built out by the applicant.

Fresenius Medical Care Grayslake will be in HSA 8.

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

Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs	N/A	N/A	N/A
Site Survey and Soil Investigation	N/A	N/A	N/A
Site Preparation	N/A	N/A	N/A
Off Site Work	N/A	N/A	N/A
New Construction Contracts	N/A	N/A	N/A
Modernization Contracts	1,255,800	N/A	1,255,800
Contingencies	124,800	N/A	124,800
Architectural/Engineering Fees	135,200	N/A	135,200
Consulting and Other Fees	N/A	N/A	N/A
Movable or Other Equipment (not in construction contracts)	368,000	N/A	368,000
Bond Issuance Expense (project related)	N/A	N/A	N/A
Net Interest Expense During Construction (project related)	N/A	N/A	N/A
Fair Market Value of Leased Space 2,063,100 or Equipment 212,550	2,275,650	N/A	2,275,650
Other Costs To Be Capitalized	N/A	N/A	N/A
Acquisition of Building or Other Property (excluding land)	N/A	N/A	N/A
TOTAL USES OF FUNDS	**$4,159,450**	N/A	**$4,159,450**
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	1,833,800	N/A	1,833,800
Pledges	N/A	N/A	N/A
Gifts and Bequests	N/A	N/A	N/A
Bond Issues (project related)	N/A	N/A	N/A
Mortgages	N/A	N/A	N/A
Leases (fair market value)	2,275,650	N/A	2,275,650
Governmental Appropriations	N/A	N/A	N/A
Grants	N/A	N/A	N/A
Other Funds and Sources	50,000*	N/A	50,000*
TOTAL SOURCES OF FUNDS	**$4,159,450**	N/A	**$4,159,450**

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

* Actual construction costs are $1,380,600 however, the landlord is to contribute $50,500 in tenant improvement allowances to be paid back over the term of the lease, but relates directly to the construction costs.

Related Project Costs

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

Land acquisition is related to project ☐ Yes ■ No
Purchase Price: $________________
Fair Market Value: $________________

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

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

Estimated start-up costs and operating deficit cost is $ 155,299 .

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.

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): June 30, 2016

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

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

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

State Agency Submittals

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

Cost Space Requirements

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

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**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							

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

CERTIFICATION

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

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- 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);
- 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);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of ***Fresenius Medical Care Grayslake, 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	SIGNATURE
Mark Fawcett	Bryan Mello
PRINTED NAME	PRINTED NAME
Vice President & Treasurer	Assistant Treasurer
PRINTED TITLE	PRINTED TITLE
Notarization: Subscribed and sworn to before me this _____ day of __________ 2014	Notarization: Subscribed and sworn to before me this 6 day of June 2014
Signature of Notary	C Wynelle Scenna Signature of Notary
Seal	Seal C. WYNELLE SCENNA Notary Public COMMONWEALTH OF MASSACHUSETTS My Commission Expires August 1, 2014

*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:

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- 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);
- 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);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

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

SIGNATURE	B Mello SIGNATURE
Mark Fawcett PRINTED NAME	Bryan Mello PRINTED NAME
Vice President & Treasurer PRINTED TITLE	Assistant Treasurer PRINTED TITLE
Notarization: Subscribed and sworn to before me this _____ day of __________ 2014	Notarization: Subscribed and sworn to before me this 6 day of June 2014
Signature of Notary	C Wynelle Scenna Signature of Notary
Seal	Seal C. WYNELLE SCENNA Notary Public COMMONWEALTH OF MASSACHUSETTS My Commission Expires August 1, 2014

*Insert EXACT legal name of the applicant

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

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

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

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

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

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

PURPOSE OF PROJECT

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

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

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board 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 <u>ATTACHMENT-14,</u> 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 <u>has established</u> 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 <u>ATTACHMENT-15,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE. APPLICATION FORM.

UNFINISHED OR SHELL SPACE: ***<u>NOT APPLICABLE – THERE IS NO UNFINISHED SHELLSPACE</u>***

Provide the following information:

1. Total gross square footage of the proposed shell space;

2. The anticipated use of the shell space, specifying the proposed GSF tot be allocated to each department, area or function;

3. Evidence that the shell space is being constructed due to
   a. Requirements of governmental or certification agencies; or
   b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.

4. Provide:
   a. Historical utilization for the area for the latest five-year period for which data are available; and
   b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS <u>ATTACHMENT-16,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES: ***<u>NOT APPLICABLE – THERE IS NO UNFINISHED SHELLSPACE</u>***

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.

2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and

3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS <u>ATTACHMENT-17,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VII - SERVICE SPECIFIC REVIEW CRITERIA

This Section is applicable to all projects proposing establishment, expansion or modernization of categories of service that are subject to CON review, as provided in the Illinois Health Facilities Planning Act [20 ILCS 3960]. It is comprised of information requirements for each category of service, as well as charts for each service, indicating the review criteria that must be addressed for each action (establishment, expansion and modernization). After identifying the applicable review criteria for each category of service involved, read the criteria and provide the required information, AS APPLICABLE TO THE CRITERIA THAT MUST BE ADDRESSED:

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
■ **In-Center Hemodialysis**	0	12

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

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:**

1,833,800	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;
N/A	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.
N/A	c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
2,275,650	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.
N/A	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;
N/A	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
50,000*	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project. *** Actual construction costs are $1,380,600 however, the landlord is to contribute $50,500 in tenant improvement allowances to be paid back over the term of the lease, but relates directly to the construction costs.**
$4,159,450	**TOTAL FUNDS AVAILABLE**

APPEND DOCUMENTATION AS ATTACHMENT-36, 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. **"A" Bond rating or better**
2. **All of the projects capital expenditures are completely funded through internal sources**
3. **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**
4. **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-37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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

Provide Data for Projects Classified as:	**Category A or Category B (last three years)**			**Category B (Projected)**
Enter Historical and/or Projected Years:				
Current Ratio	***APPLICANT MEETS THE FINANCIAL VIABILITY WAIVER CRITERIA IN THAT ALL OF THE PROJECTS CAPITAL EXPENDITURES ARE COMPLETELY FUNDED THROUGH INTERNAL SOURCES, THEREFORE NO RATIOS ARE PROVIDED.***			
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 38, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

X. 1120.140 - Economic Feasibility

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

A. Reasonableness of Financing Arrangements

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

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

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

1) That the selected form of debt financing for the project will be at the lowest net cost available;

2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;

3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

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

Read the criterion and provide the following:

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
Contingency									
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 -39, 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 40.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Net Revenue	**$353,355,908**	**$387,393,758**	**$398,570,288**
	2011	**2012**	**2013**
Charity * (# of self-pay patients)	**93**	**203**	**642**
Charity (cost in dollars)	**$632,154**	**$1,536,372**	**$5,346,976**
Ratio Charity Care Cost to Net Patient Revenue	**0.18%**	**.40%**	**1.34%**
MEDICAID			
	2011	**2012**	**2013**
Medicaid (# of patients)	**1,865**	**1,705**	**1,660**
Medicaid (revenue)	**$42,367,328**	**$36,254,633**	**$31,373,534**
Ratio Medicaid to Net Patient Revenue	**12%**	**12.99%**	**7.87%**

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

Note:

A new billing procedure was put into place in late 2012 to reduce the amount of voids and rebilling. Previously patients with Medicaid pending were considered only under Medicaid and after the procedure change, Medicaid pending patients are considered under self-pay. This has resulted in the increase in "charity" (self-pay) patients and costs.

Medicaid number of patients appears to be going down, however this is due to the reassignment of the "charity" (self-pay) patients associated with the billing change.

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			
	2011	**2012**	**2013**
Net Patient Revenue	**$362,977,407**	**$387,393,758**	**$398,570,288**
Amount of Charity Care (charges)	$642,947	$1,566,380	$5,346,976
Cost of Charity Care	$642,947	$1,566,380	$5,346,976
	0.18%	.40%	1.34%

APPEND DOCUMENTATION AS ATTACHMENT-41, 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:

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3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	30
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Applicant Identification

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

Exact Legal Name: *Fresenius Medical Care Grayslake, LLC, d/b/a Fresenius Medical Care Grayslake**	
Address: *920 Winter Street, Waltham, MA 02451*	
Name of Registered Agent: *CT Systems*	
Name of Chief Executive Officer: *Ron Kuerbitz*	
CEO Address: *920 Winter Street, Waltham, MA 02451*	
Telephone Number: *800-662-1237*	

Type of Ownership of Applicant

- ☐ Non-profit Corporation
- ■ For-profit Corporation
- ✓ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ 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.

*Fresenius Medical Care Grayslake, LLC Certificate of Good Standing on following page.

Co-Applicant Identification

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

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

Type of Ownership of Applicant/Co-Applicant

- ☐ Non-profit Corporation
- ■ For-profit Corporation
- ☐ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ 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.

File Number 0477911-8

STATE OF ILLINOIS

OFFICE OF THE 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

FRESENIUS MEDICAL CARE GRAYSLAKE, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON MAY 19, 2014, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 21ST *day of* MAY *A.D.* 2014 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1414102722

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

Jesse White

SECRETARY OF STATE

Applicant – Certificate of Good Standing

ATTACHMENT 1

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: *Mosaic Real Estate Investments*
Address of Site Owner *555 Skokie Blvd., Suite 204, Northbrook, IL 60062*
Street Address or Legal Description of Site: *100 S. Atkinson Road, Grayslake, IL 60030 (tax parcel 06-26-411-002).* **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.

CUSHMAN & WAKEFIELD®

Cushman & Wakefield of
Illinois, Inc.
455 N. Cityfront Plaza Drive
Suite 2800
Chicago, IL 60611-5555
(312) 470-1800 Tel
(312) 470-3800 Fax
www.cushwake.com

July 2, 2014

Sherwood Blitstein
Mosaic Properties and Development
555 Skokie Blvd. Ste. 204
Northbrook IL, 60062

RE: **Fresenius Medical Care, LLC.**
Letter of Intent – 100 S. Atkinson Grayslake, IL 60030

Dear Sherwood,

Fresenius Medical Care is pleased to provide the following Letter of Intent to lease space.

LANDLORD: Mosaic Real Estate Investments, or is assignee
555 Skokie Blvd. Ste. 204
Northbrook IL, 60062

TENANT: FRESENIUS MEDICAL CARE of Illinois.

LOCATION: 100 S. Atkinson, Grayslake, IL 60030

INITIAL SPACE REQUIREMENTS: Approximately 7,800 contiguous rentable square feet.

PRIMARY TERM: An initial lease term of fifteen (15) years commencing on the Rent Commencement Date. For purposes of establishing an actual occupancy date, both parties will execute a Commencement Date Certificate after occupancy has occurred, setting forth dates for purposes of calculations, notices, or other events in the Lease that may be tied to a commencement date.

DELIVERY OF PREMISES: Landlord shall deliver the Premises to FRESENIUS MEDICAL CARE for completion of the Tenant Improvements after the Landlord Work, as described herein, is complete. The date all Landlord's Work is substantially complete and delivered to, and accepted by, Tenant shall be the Possession Date.

OPTIONS TO RENEW: Three (3), five (5) year options to renew the Lease. Option rental rates shall increase at 3.0% per year. FRESENIUS MEDICAL CARE shall provide three hundred sixty (360) days' prior written notification of its desire to exercise the option.

RENTAL RATE: $25.00 Net per rentable square foot.

RENT COMMENCEMENT: 180 days after the Possession Date

ESCALATIONS: 10% escalation in years 6 & 11.

LANDLORD WORK: Landlord to construct Premises as a "cool dark shell". Such building shall include structure, roof, all utilities stubbed to location specified by Tenant and all site work, including demolition of the current structure, paving, site lighting, and water detention as required by the City of Chicago. In order to provide a parking surface in like-new condition near the time of store opening, the final course of paving will be done by Landlord post Possession, at such time as Tenant directs with reasonable notice - prior to store opening. Collectively, all such work shall be "Landlord's Work". Additionally, Landlord shall give Tenant a cash payment of $50,000 for HVAC purchase and installation, at the time of acceptance of Possession. All finishes and further improvements to the Premises will be performed by Tenant, collectively, "Tenant's Work".

USE: FRESENIUS MEDICAL CARE shall use and occupy the Premises for the purpose of an outpatient dialysis facility and related office uses and for no other purposes except those authorized in writing by Landlord, which shall not be unreasonably withheld, conditioned or delayed. FRESENIUS MEDICAL CARE may operate on the Premises, at FRESENIUS MEDICAL CARE's option, on seven (7) days a week, twenty-four (24) hours a day basis, subject to zoning and other regulatory requirements and covenants of record.

CONTRACTOR FOR TENANT IMPROVEMENTS: Landlord will hire a contractor and/or subcontractors of its choosing for construction of Landlord's Work. FRESENIUS MEDICAL CARE shall be responsible for the implementation and management of all Tenant Work.

DELIVERIES: FRESENIUS MEDICAL CARE requires delivery access to the Premises 24 hours per day, 7 days per week.

EMERGENCY GENERATOR: FRESENIUS MEDICAL CARE shall have the right, at its cost, to install an emergency generator to service the Premises in a location to be mutually agreed upon between the parties.

PARKING: Landlord will provide designated handicapped spaces plus one ambulance space (cost to designate parking spaces to be at Landlord's sole cost and expense).

BUILDING CODES: FRESENIUS MEDICAL CARE requires that Landlord Work meet all local, and State building code requirements, including all provisions of ADA.

CORPORATE IDENTIFICATION: Tenant shall have signage rights in accordance with local code.

COMMON AREA EXPENSES AND REAL ESTATE TAXES: Tenant shall be responsible for all Real Estate Taxes and Operating Expenses associated with its premises. The lease shall be a double net lease, with Landlord responsible for roof and structure, as described in the below Maintenance section. Landlord will manage the building as part of common area expenses, and include a customary management fee. Tenant will pay Real Estate Taxes directly to the municipal authority.

ASSIGNMENT/ SUBLETTING: FRESENIUS MEDICAL CARE requires the right to assign or sublet all or a portion of the demised premises to any subsidiary or affiliate without Landlord's consent, provided Guarantor remains liable. Any other assignment or subletting will be subject to Landlord's prior consent, which shall not be unreasonably withheld or delayed.

MAINTENANCE: Landlord shall, without expense to Tenant, maintain and make all necessary repairs and replacements to all portions of the structure of the Premises, and replace the roof when needed.

With respect to all other maintenance, repairs and replacements, Landlord shall perform such at Tenant's expense, as part of Tenant's common area maintenance charges. All such work to be performed to good and accepted business practices throughout the term, including: repainting the exterior surfaces of the building when necessary, repairing, resurfacing, repaving, re-striping, and resealing, of the parking areas; repair of all curbing, sidewalks and directional markers; removal of snow and ice; landscaping; and provision of adequate lighting during all hours of darkness that Tenant shall be open for business.

Tenant shall maintain and keep the interior of the Premises in good repair, free of refuse and rubbish and shall return the same at the expiration or termination of the Lease in as good condition as received by Tenant, ordinary wear and tear, and damage or destruction by fire, flood, storm, civil commotion or other unavoidable causes excepted. Tenant shall be responsible for maintenance and repair of Tenant's equipment in the Premises.

ZONING AND RESTRICTIVE COVENANTS: Landlord confirms that the current property zoning is acceptable for the proposed use as an outpatient kidney dialysis clinic. There are no restrictive covenants imposed by the development, owner, and/or municipality that would in any way limit or restrict the operation of FRESENIUS MEDICAL CARE's dialysis clinic

FLOOD PLAIN: Landlord confirms that the property and Premises is not in a Flood Plain.

FINANCING: Landlord, or its Lender, will provide a subordination, non-disturbance and attornment agreement. Tenant will supply Landlord with an estoppel certificate, reasonably satisfactory to Landlord's Lender within 14 days from written request.

ENVIRONMENTAL: An acceptable Phase One Environmental Study will be required.

DRAFT LEASE: FRESENIUS MEDICAL CARE requires the use of its Standard Form Lease.

Tenant agrees to reimburse Landlord in the event any or all such payments are made to seller, and Tenant is not successful in obtaining its CON within 240 days from Lease execution, at which time the Lease shall be null and void.

LEASE EXECUTION: Both parties agree that they will make best efforts to reach a fully executed lease document within thirty days of the execution of this letter of intent.

LEASE SECURITY: Fresenius Medical Holdings Corp shall fully guarantee the lease.

CONFIDENTIAL: The material contained herein is confidential. It is intended for use of Landlord and Tenant solely in determining whether they desire to enter into a Lease, and it is not to be copied or discussed with any other person.

NON-BINDING NATURE: This proposal is intended solely as a preliminary expression of general intentions and is to be used for discussion purposes only. The parties intend that neither shall have any contractual obligations to the other with respect to the matters referred herein unless and until a definitive Lease agreement has been fully executed and delivered by the parties. The parties agree that this proposal is not intended to create any agreement or obligation by either party to negotiate a definitive Lease agreement and imposes no duty whatsoever on either party to continue negotiations, including without limitation any obligation to negotiate in good faith or in any way other than at arm's length. Prior to delivery of a definitive, fully executed agreement, and without any liability to the other party, either party may (i) propose different terms from those summarized herein, (ii) enter into negotiations with other parties and/or (iii) unilaterally terminate all negotiations with the other party hereto.

Sincerely,

Cushman & Wakefield of Illinois
Phone: 312-470-1800
Fax: 312-470-3800

AGREED AND ACCEPTED this ____ day of ____________________, 2014

By___________________________

Title:_________________________

AGREED AND ACCEPTED this ____ day of ____________________, 2014

By: ________________________________

Title:______________________________

No warranty or representation, express or implied, is made as to the accuracy of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions, imposed by our principals.

Operating Identity/Licensee

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

Exact Legal Name: *Fresenius Medical Care Grayslake, LLC d/b/a Fresenius Medical Care Grayslake*

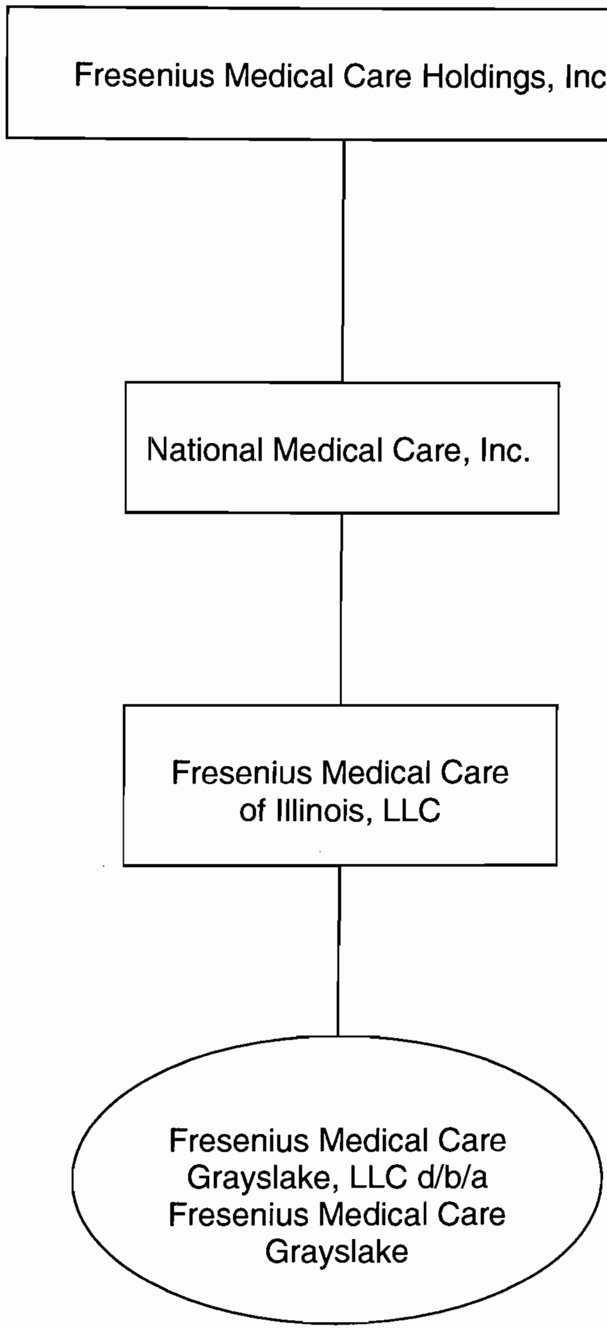
Address: *920 Winter Street, Waltham, MA 02451*

☐	Non-profit Corporation	☐	Partnership		
☐	For-profit Corporation	☐	Governmental		
✓	Limited Liability Company	☐	Sole Proprietorship	☐	Other

- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- 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.
- **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.

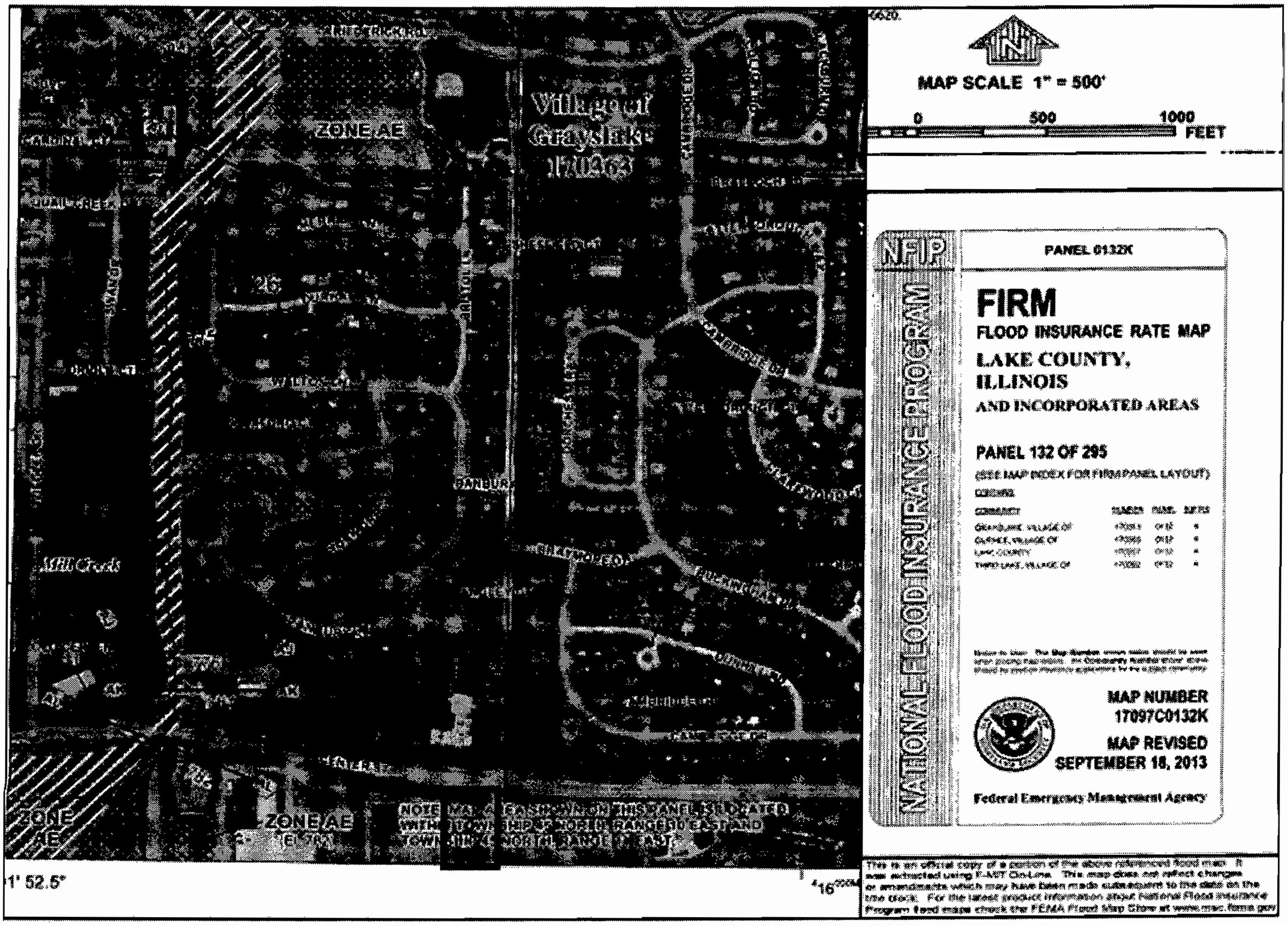
Certificate of Good Standing at Attachment – 1.



Org Chart
ATTACHMENT - 4

Flood Plain Requirements

The proposed site for the establishment of Fresenius Medical Care Grayslake complies with the requirements of Illinois Executive Order #2005-5. The site, 100 S. Atkinson, Grayslake, is not located in a flood plain as can be seen on the FEMA flood plain map below.



Illinois Historic
Preservation Agency

1 Old State Capitol Plaza, Springfield, IL 62701-1512

FAX 217/524-7525
www.illinoishistory.gov

Lake County
Grayslake
100 South Atkinson
IHFSRB
New construction, 12 station dialysis facility - Fresenius Medical Care

PLEASE REFER TO: IHPA LOG #001062614

July 2, 2014

Lori Wright
Fresenius Medical Care
3500 Lacey Road
Downers Grove, IL 60515

Dear Ms. Wright:

The Illinois Historic Preservation Agency is required by the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420, as amended, 17 IAC 4180) to review all state funded, permitted or licensed undertakings for their effect on cultural resources. Pursuant to this, we have received information regarding the referenced project for our comment.

Our staff has reviewed the specifications under the state law and assessed the impact of the project as submitted by your office. We have determined, based on the available information, that no significant historic, architectural or archaeological resources are located within the proposed project area.

According to the information you have provided concerning your proposed project, apparently there is no federal involvement in your project. However, please note that the state law is less restrictive than the federal cultural resource laws concerning archaeology. If your project will use federal loans or grants, need federal agency permits, use federal property, or involve assistance from a federal agency, then your project must be reviewed under the National Historic Preservation Act of 1966, as amended. Please notify us immediately if such is the case.

This clearance remains in effect for two (2) years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the IL Human Skeletal Remains Protection Act (20 ILCS 3440).

Please retain this letter in your files as evidence of compliance with the Illinois State Agency Historic Resources Preservation Act.

Sincerely,

Anne E. Haaker

Anne E. Haaker
Deputy State Historic
Preservation Officer

SUMMARY OF PROJECT COSTS

Modernization	
General Conditions	62,800
Temp Facilities, Controls, Cleaning, Waste Management	3,100
Concrete	16,000
Masonry	19,100
Metal Fabrications	9,400
Carpentry	110,400
Thermal, Moisture & Fire Protection	22,400
Doors, Frames, Hardware, Glass & Glazing	86,000
Walls, Ceilings, Floors, Painting	202,800
Specialities	15,700
Casework, Fl Mats & Window Treatments	7,500
Piping, Sanitary Waste, HVAC, Ductwork, Roof Penetrations	402,000
Wiring, Fire Alarm System, Lighting	242,100
Miscelleanous Construction Costs	56,500
Total	**$1,255,800**

Contingencies	**$124,800**

Architecture/Engineering Fees	**$135,200**

Moveable or Other Equipment	
Dialysis Chairs	27,000
Clinical Furniture & Equipment	30,000
Office Equipment & Other Furniture	30,000
Water Treatment	154,000
TVs & Accessories	70,000
Telephones	22,000
Generator	10,000
Facility Automation	15,000
Other miscellaneous	10,000
Total	**$368,000**

Fair Market Value of Leased Space and Equipment	
FMV Leased Space (7,800 GSF)	2,063,100
FMV Leased Dialysis Machines	200,550
FMV Leased Office Equipment	12,000
Total	**$2,275,650**

Grand Total	**$4,159,450**

Itemized Costs
ATTACHMENT - 7

Project Status and Completion Schedules

- Anticipated completion date is June 30, 2016.

- Project obligation will occur after permit issuance.

- **List of Current CON Permits**

Project Number	Name	Project Type	Completion Date
#10-063	Fresenius Lakeview	Expansion	04/15/2015
#12-046	Fresenius Spoon River	Relocation/Expansion	12/31/2014
#12-029	Fresenius SW Illinois	Relocation	08/01/2014
#12-067	Fresenius Normal	Establishment	10/31/2014
#12-069	Fresenius Pekin	Relocation/Expansion	10/31/2014
#12-091	Fresenius Carbondale	Relocation	12/31/2014
#12-095	Fresenius Waterloo	Establishment	02/28/2015
#12-098	Fresenius Monmouth	Establishment	02/28/2015
#E-010-13	Fresenius Naperville North	Expansion	04/30/2015
#13-008	Fresenius Chicago Kidney Center	Relocation	12/31/2014
#13-053	Fresenius Evanston	Expansion	11/15/2015
#14-010	Fresenius Highland Park	Establishment	11/30/2015

Cost Space Requirements

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

		Gross Square Feet		**Amount of Proposed Total Gross Square Feet That Is:**			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
REVIEWABLE							
In-Center Hemodialysis	4,159,450		7,800		7,800		
Total Clinical	4,159,450		7,800		7,800		
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL	**4,159,450**		7,800		7,800		

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

Certification & Authorization

Fresenius Medical Care Grayslake, LLC

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

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

By: ________________

ITS: Mark Fawcett
Vice President & Treasurer

By: B Mello

ITS: Bryan Mello
Assistant Treasurer

Notarization:
Subscribed and sworn to before me
this_______ day of _______, 2014

Signature of Notary

Seal

Notarization:
Subscribed and sworn to before me
this 6 day of June, 2014

C Wynelle Scenna

Signature of Notary

Seal

C. WYNELLE SCENNA
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
August 1, 2014

Certification & Authorization

Fresenius Medical Care Holdings, Inc.

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

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

By: ______________________

ITS: Mark Fawcett ~~Vice President & Treasurer~~

Notarization:
Subscribed and sworn to before me
this_______ day of _______, 2014

Signature of Notary

Seal

By: ______________________

ITS: Bryan Mello
Assistant Treasurer

Notarization:
Subscribed and sworn to before me
this 6 day of June, 2014

C Wynelle Scenna
Signature of Notary

Seal

C. WYNELLE SCENNA
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
August 1, 2014

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

Clinic	Provider #	Address	City	Zip	Fac > 10% Medicaid Treatments
Alsip	14-2630	12250 S. Cicero Ave Ste. #105	Alsip	60803	
Antioch	14-2673	311 Depot St., Ste. H	Antioch	60002	
Aurora	14-2515	455 Mercy Lane	Aurora	60506	
Austin Community	14-2653	4800 W. Chicago Ave., 2nd Fl.	Chicago	60651	17%
Berwyn	14-2533	2601 S. Harlem Avenue, 1st Fl.	Berwyn	60402	17%
Blue Island	14-2539	12200 S. Western Avenue	Blue Island	60406	
Bolingbrook	14-2605	329 Remington	Boilingbrook	60440	
Breese	14-2637	160 N. Main Street	Breese	62230	
Bridgeport	14-2524	825 W. 35th Street	Chicago	60609	26%
Burbank	14-2641	4811 W. 77th Street	Burbank	60459	15%
Carbondale	14-2514	1425 Main Street	Carbondale	62901	
Centre West Springfield	14-2546	1112 Centre West Drive	Springfield	62704	
Champaign	14-2588	1405 W. Park Street	Champaign	61801	
Chatham	14-2744	333 W. 87th Street	Chicago	60620	
Chicago Dialysis	14-2506	1806 W. Hubbard Street	Chicago	60622	35%
Chicago Westside	14-2681	1340 S. Damen	Chicago	60608	38%
Cicero	14-2754	3000 S. Cicero	Chicago	60804	28%
Congress Parkway	14-2631	3410 W. Van Buren Street	Chicago	60624	23%
Crestwood	14-2538	4861W. Cal Sag Road	Crestwood	60445	
Decatur East	14-2603	1830 S. 44th St.	Decatur	62521	
Deerfield	14-2710	405 Lake Cook Road	Deefield	60015	
Des Plaines	14-2774	1625 Oakton Place	Des Plaines	60018	
Downers Grove	14-2503	3825 Highland Ave., Ste. 102	Downers Grove	60515	
DuPage West	14-2509	450 E. Roosevelt Rd., Ste. 101	West Chicago	60185	18%
DuQuoin	14-2595	825 Sunset Avenue	DuQuoin	62832	
East Peoria	14-2562	3300 North Main Street	East Peoria	61611	
Elgin	14-2726	2130 Point Boulevard	Elgin	60123	18%
Elk Grove	14-2507	901 Biesterfield Road, Ste. 400	Elk Grove	60007	
Elmhurst	14-2612	133 E. Brush Hill Road, Suite 4	Elmhurst	60126	
Evanston	14-2621	2953 Central Street, 1st Floor	Evanston	60201	11%
Evergreen Park	14-2545	9730 S. Western Avenue	Evergreen Park	60805	
Garfield	14-2555	5401 S. Wentworth Ave.	Chicago	60609	16%
Glendale Heights	14-2617	130 E. Army Trail Road	Glendale Heights	60139	13%
Glenview	14-2551	4248 Commercial Way	Glenview	60025	11%
Greenwood	14-2601	1111 East 87th St., Ste. 700	Chicago	60619	19%
Gurnee	14-2549	101 Greenleaf	Gurnee	60031	21%
Hazel Crest	14-2607	17524 E. Carriageway Dr.	Hazel Crest	60429	
Hoffman Estates	14-2547	3150 W. Higgins, Ste. 190	Hoffman Estates	60195	14%
Jackson Park	14-2516	7531 South Stony Island Ave.	Chicago	60649	26%
Joliet	14-2739	721 E. Jackson Street	Joliet	60432	
Kewanee	14-2578	230 W. South Street	Kewanee	61443	
Lake Bluff	14-2669	101 Waukegan Rd., Ste. 700	Lake Bluff	60044	11%
Lakeview	14-2679	4008 N. Broadway, St. 1200	Chicago	60613	13%
Logan Square	14-2766	2721 N. Spalding	Chicago	60647	
Lombard	14-2722	1940 Springer Drive	Lombard	60148	
Macomb	14-2591	523 E. Grant Street	Macomb	61455	
Marquette Park	14-2566	6515 S. Western	Chicago	60636	14%
McHenry	14-2672	4312 W. Elm St.	McHenry	60050	
McLean Co	14-2563	1505 Eastland Medical Plaza	Bloomington	61704	
Melrose Park	14-2554	1111 Superior St., Ste. 204	Melrose Park	60160	21%
Merrionette Park	14-2667	11630 S. Kedzie Ave.	Merrionette Park	60803	
Metropolis	14-2705	20 Hospital Drive	Metropolis	62960	15%
Midway	14-2713	6201 W. 63rd Street	Chicago	60638	11%
Mokena	14-2689	8910 W. 192nd Street	Mokena	60448	
Monmouth(Maple City)		1225 N. Main Street	Monmouth	61462	
Morris	14-2596	1401 Lakewood Dr., Ste. B	Morris	60450	
Mundelein	14-2731	1400 Townline Road	Mundelein	60060	
Naperbrook	14-2765	2451 S Washington	Naperville	60565	
Naperville	14-2543	100 Spalding Drive Ste. 108	Naperville	60566	
Naperville North	14-2678	516 W. 5th Ave.	Naperville	60563	
Niles	14-2500	7332 N. Milwaukee Ave	Niles	60714	

Fresenius Medical Care

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

The size of the company and range of services provides healthcare partners/employees and patients with an expansive range of resources from which to draw experience, knowledge and best practices. It has also allowed it to establish an unrivaled emergency preparedness and disaster relief program that's designed to provide life sustaining dialysis care to dialysis patients whose access to clinics are disrupted in areas of the U.S. that are compromised by disaster (e.g. hurricanes, tornadoes, earthquakes). Through this program we also provide clinics, employees and others with essential supplies such as generators, gasoline and water.

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

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

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

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

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

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

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

Diabetes Care Partnership - Fresenius Medical Care and Joslin Diabetes Center, the world's preeminent diabetes research, clinical care and education organization, announced an agreement to jointly develop renal care programs in select Joslin Affiliated Centers for patients with diabetic kidney disease (DKD). Fresenius and Joslin will jointly develop clinical guidelines and effective care delivery systems to manage high blood pressure, glucose, and nutrition in patients with DKD. In addition, the organizations will help educate patients as they prepare for the possibility of end stage renal disease (ESRD) and the necessity for dialysis or kidney transplantation. Fresenius Medical Care and Joslin's multidisciplinary and coordinated approach to chronic disease management will seek to improve patient outcomes while reducing unnecessary or lengthy hospitalizations, drug interactions and overall morbidity and mortality associated with uncoordinated care.

Locally, in Illinois, Fresenius Medical Care is a predominant supporter of the National Kidney Foundation of Illinois (NKFI), Kidney Walk in downtown Chicago. Fresenius Medical Care employees in Chicago alone raised almost $19,000 for the foundation. The NKFI is an affiliate of the National Kidney Foundation, which funds medical research improving lives of those with kidney disease, prevention screenings and is a leading educator on kidney disease.

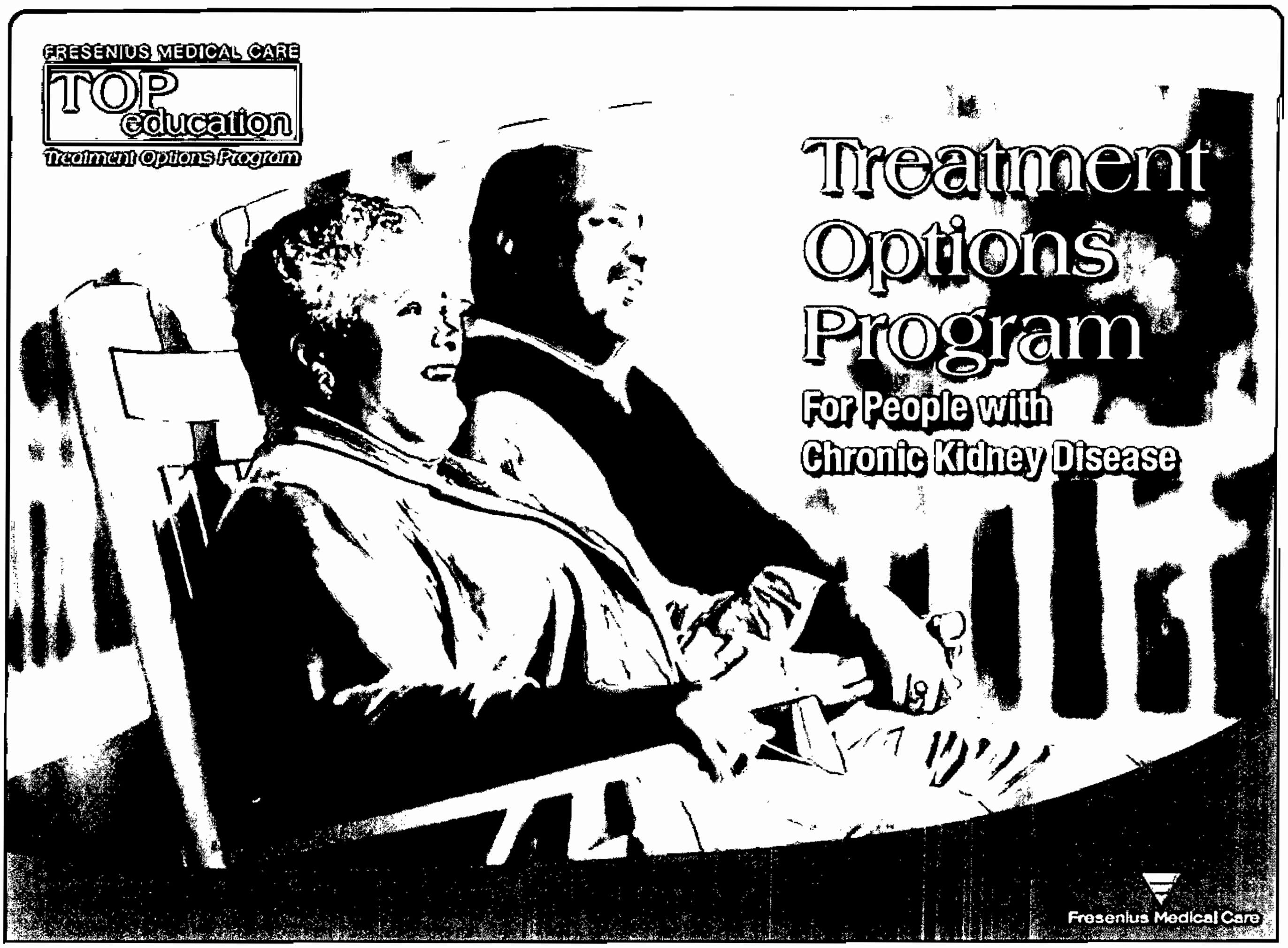
Clinic	Provider #	Address	City	Zip	Fac > 10% Medicaid Treatments
Normal		1531 E. College Avenue	Normal	61761	
Norridge	14-2521	4701 N. Cumberland	Norridge	60656	13%
North Avenue	14-2602	911 W. North Avenue	Melrose Park	60160	
North Kilpatrick	14-2501	4800 N. Kilpatrick	Chicago	60630	18%
Northcenter	14-2531	2620 W. Addison	Chicago	60618	27%
Northfield	14-2771	480 Central Avenue	Northfield	60093	11%
Northwestern University	14-2597	710 N. Fairbanks Court	Chicago	60611	
Oak Forest	14-2764	5340A West 159th Street	Oak Forest	60452	
Oak Park	14-2504	773 W. Madison Street	Oak Park	60302	
Orland Park	14-2550	9160 W. 159th St.	Orland Park	60462	
Oswego	14-2677	1051 Station Drive	Oswego	60543	
Ottawa	14-2576	1601 Mercury Circle Drive, Ste. 3	Ottawa	61350	
Palatine	14-2723	691 E. Dundee Road	Palatine	60074	
Pekin	14-2571	3521 Veteran's Drive	Pekin	61554	
Peoria Downtown	14-2574	410 W Romeo B. Garrett Ave.	Peoria	61605	
Peoria North	14-2613	10405 N. Juliet Court	Peoria	61615	
Plainfield	14-2707	2320 Michas Drive	Plainfield	60544	
Polk	14-2502	557 W. Polk St.	Chicago	60607	19%
Pontiac	14-2611	804 W. Madison St.	Pontiac	61764	
Prairie	14-2569	1717 S. Wabash	Chicago	60616	
Randolph County	14-2589	102 Memorial Drive	Chester	62233	
Regency Park	14-2558	124 Regency Park Dr., Suite 1	O'Fallon	62269	
River Forest	14-2735	103 Forest Avenue	River Forest	60305	
Rogers Park	14-2522	2277 W. Howard St.	Chicago	60645	19%
Rolling Meadows	14-2525	4180 Winnetka Avenue	Rolling Meadows	60008	12%
Roseland	14-2690	135 W. 111th Street	Chicago	60628	27%
Ross-Englewood	14-2670	6333 S. Green Street	Chicago	60621	22%
Round Lake	14-2616	401 Nippersink	Round Lake	60073	11%
Saline County	14-2573	275 Small Street, Ste. 200	Harrisburg	62946	
Sandwich	14-2700	1310 Main Street	Sandwich	60548	
Skokie	14-2618	9801 Wood Dr.	Skokie	60077	
South Chicago	14-2519	9200 S. Chicago Ave.	Chicago	60617	15%
South Deering	14-2756	10559 S. Torrence Ave.	Chicago	60617	
South Holland	14-2542	17225 S. Paxton	South Holland	60473	
South Shore	14-2572	2420 E. 79th Street	Chicago	60649	10%
Southside	14-2508	3134 W. 76th St.	Chicago	60652	19%
South Suburban	14-2517	2609 W. Lincoln Highway	Olympia Fields	60461	
Southwestern Illinois	14-2535	7 Professional Drive	Alton	62002	
Spoon River	14-2565	340 S. Avenue B	Canton	61520	
Spring Valley	14-2564	12 Wolfer Industrial Drive	Spring Valley	61362	
Steger	14-2725	219 E. 34th Street	Steger	60475	
Streator	14-2695	2356 N. Bloomington Street	Streator	61364	
Uptown	14-2692	4720 N. Marine Dr.	Chicago	60640	24%
Waterloo		513-535 Hamacher Street	Waterloo	62298	
Waukegan Harbor	14-2727	101 North West Street	Waukegan	60085	
West Batavia	14-2729	2580 W. Fabyan Parkway	Batavia	60510	
West Belmont	14-2523	4943 W. Belmont	Chicago	60641	35%
West Chicago	14-2702	1859 N. Neltnor	West Chicago	60185	11%
West Metro	14-2536	1044 North Mozart Street	Chicago	60622	25%
West Suburban	14-2530	518 N. Austin Blvd., 5th Floor	Oak Park	60302	13%
West Willow	14-2730	1444 W. Willow	Chicago	60620	
Westchester	14-2520	2400 Wolf Road, Ste. 101A	Westchester	60154	
Williamson County	14-2627	900 Skyline Drive, Ste. 200	Marion	62959	
Willowbrook	14-2632	6300 S. Kingery Hwy, Ste. 408	Willowbrook	60527	

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

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

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

Facility List
ATTACHMENT - 11



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TOP education
Treatment Options Program

Welcome to the Treatment Options Program

Over the next hour you will learn:

- What your kidneys do to keep you healthy
- What gradually or suddenly may happen to you if your kidneys stop working properly
- What you need to know if you are diagnosed by you physician with Chronic Kidney Disease(CKD)
- What you need to know if you develop "kidney failure"
- How you can live with "kidney failure"and lead a productive life
- The treatment options available to make living with "kidney failure" a good fit with your lifestyle

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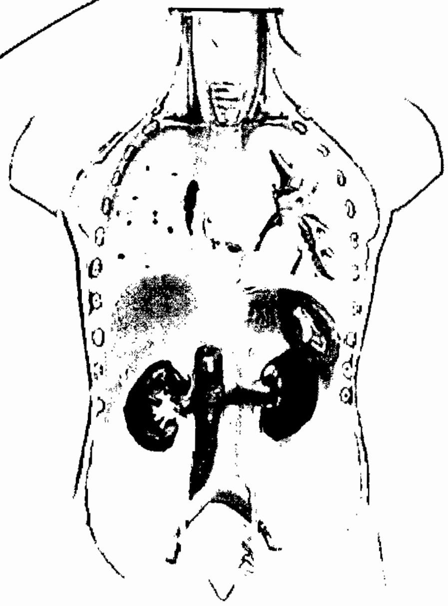
TOP education
Treatment Options Program

Your Kidneys and What They Do



- Kidneys are two bean-shaped organs about the size of your fist.
- They are located on either side of the spine, just below the rib cage.
- Your kidneys perform several important functions:
  - Filter your blood to remove waste and excess fluid;
  - Control the making of red blood cells;
  - Help control blood pressure;
  - Help control the amounts of calcium, potassium, and phosphorus in the body.

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What is Chronic Kidney Disease (CKD)?

CKD is a progressive disease that advances from Stage I through Stage V.

Stage V CKD or **End-Stage Renal Disease (ESRD)** is commonly referred to as "kidney failure."

Kidney failure is when your kidneys no longer work well enough to keep you alive, and where death will occur if treatment is not provided.

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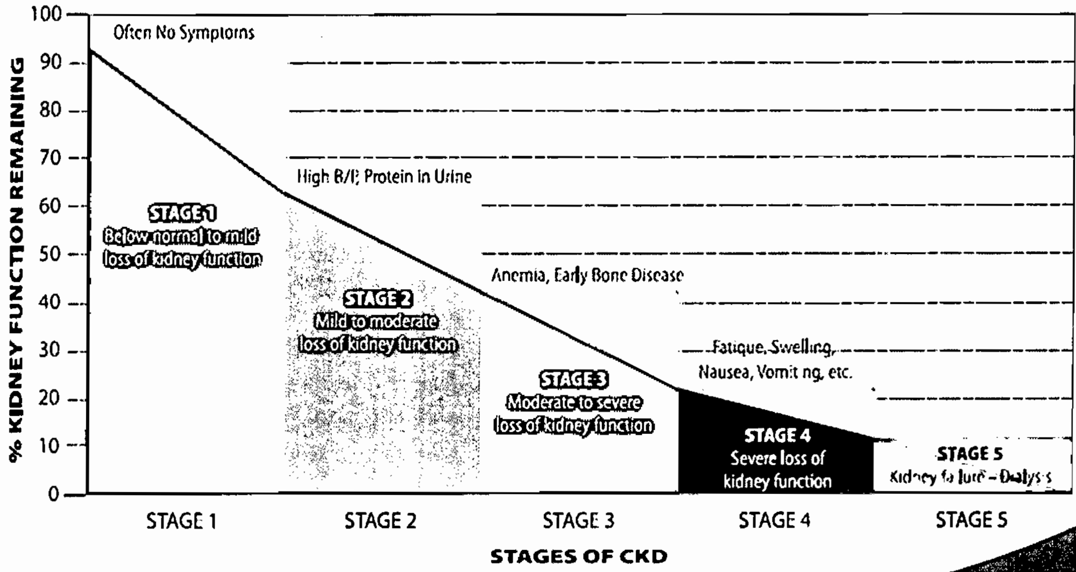
The progression of CKD



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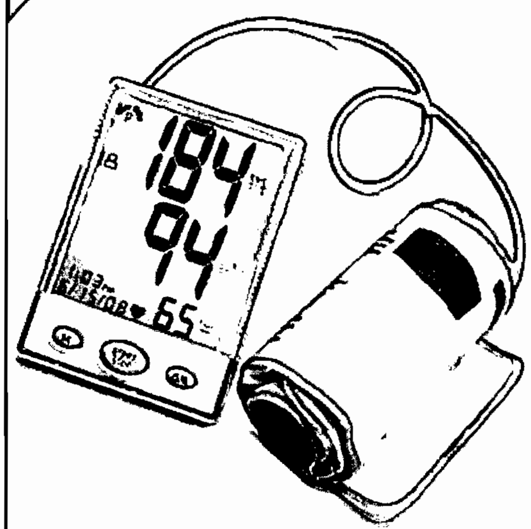
Common Causes of Chronic Kidney Disease (CKD):



- A history of diabetes, especially if poorly controlled
- A history of high blood pressure, especially if poorly controlled
- Repeated kidney infections
- Immune diseases of the kidney (like glomerulonephritis)
- Heredity (like polycystic kidneys)
- Others, including unknown

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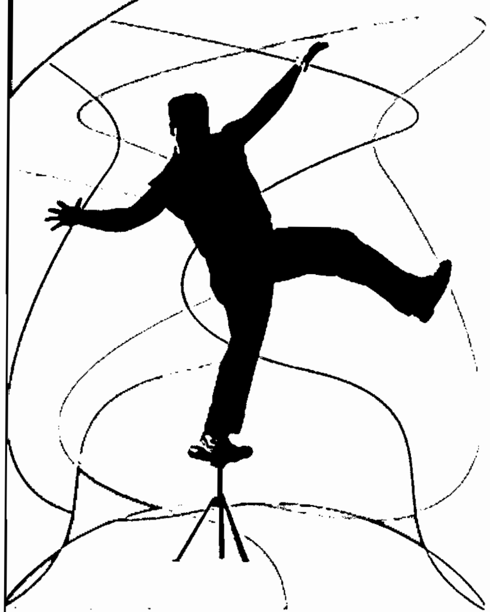
What Happens to Your Body with Chronic Kidney Disease?



- Build up of fluid (water) and waste products in your blood
  - Causes swelling and generally not feeling well
- Chemical imbalances
  - Potassium, sodium, phosphorus and calcium
- Loss of hormone production that helps:
  - Control your blood pressure
  - Build red blood cells
  - Keep your bones strong

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Symptoms of Chronic Kidney Disease (CKD)

Common symptoms of CKD include:

- Nausea, poor appetite, and weight loss
- Trouble sleeping
- Loss of concentration
- Dry, itchy skin
- Swelling of face, hands, and feet
- Cramping at night
- Difficulty breathing
- Tiredness and weakness

45

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If Your Doctor has Told You that You Have (CKD), YOU ARE NOT ALONE

- People are often unaware of their kidney disease.
  - One in nearly seven adult Americans (13%) have kidney disease*.
    - A recent study reported over 358,000 people in the US were on dialysis.
    - Roughly 16,000 (or 5%) of these people received a kidney transplant***
    - The remaining 342,000 people (or 95%) needed to choose one of the types of dialysis treatments that you will learn about in this presentation**

* NHANES (1999-2004)
** USRDS (2006 data report)
*** 2007 OPTN/SRTR Annual Report 1997-2006. HHS/HRSA/HSB/DOT

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People Like You

- Prior to 1960 people with kidney failure had little hope for survival.
- Today many people have not only survived on dialysis for over 25 years, but continue leading productive lives.
- A growing number of people performing their dialysis treatments at home are finding it possible to continue pursuing their careers and life aspirations.
- Many patients have also received kidney transplants and are alive and well 30 to 40 years later.
- If your kidneys stop working that doesn't mean that you have to; treatment options are available for you.

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Treatment Options Program

If You Have CKD You Need to Know:

- Early diagnosis & treatment helps slow the disease process.
- It's important to learn about the available treatments now before therapy is needed.
- You can take an active role in deciding with your doctor the best choice to meet your medical needs and lifestyle preferences.
- Managing your disease well helps determine the quality of your life.
- You have the right not to accept treatment for your kidney failure (ESRD).

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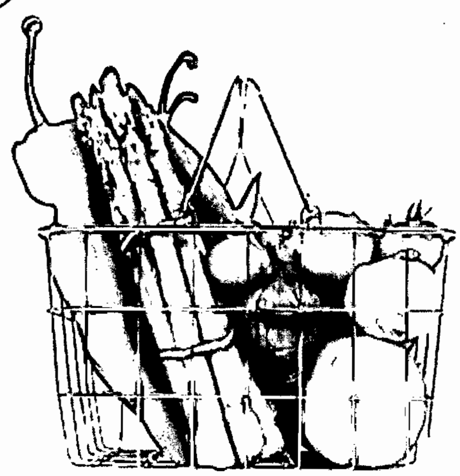
Managing Your CKD



Diet & Medication

- Dietary changes help decrease the fluid and waste build-up that the kidneys can no longer remove.
- Medications replace some of the functions that the kidneys can no longer do:
  - Control blood pressure
  - Make red blood cells
  - Keep bones healthy and strong
- Be prepared, before you become sick, to treat your CKD with one of the methods outlined in this training.

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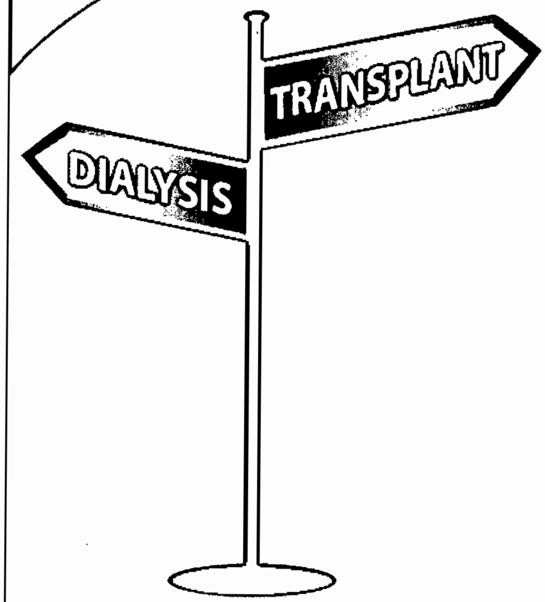
Treatment Options Program



Treatments for Kidney Failure or ESRD

- Kidney Transplant: considered the "Gold Standard"
- Kidney Dialysis

  Two types of treatments to remove excess fluid and waste from your blood
  - Peritoneal Dialysis (PD)
  - Hemodialysis (HD)

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The Transplant Option

- A kidney transplant is not a cure. It is a treatment option that requires life long commitments (taking medications and being followed by a kidney specialist).
- A transplant is considered the "Gold Standard" because it is the treatment that comes closest to "normal" kidney function.
- A transplant is a major surgical procedure that places a healthy kidney from another person into your lower abdomen.
- Usually it is not necessary to remove your kidneys, however it is the donated kidney that performs the functions yours once did.
- It is possible to have a kidney transplant without going on dialysis.

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A Kidney Transplant is Not for Everyone

Several factors determine if a transplant is an option for you:

- General health
- Emotional health
- Health insurance and financial resources
- Treatment compliance

The benefits of a transplant should outweigh the risks associated with surgery and life long medications.

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Finding a donor kidney

- Your body tissues must "match" the tissues of the donor
  - Living donor:
    - Relatives (usually the closest match)
    - Non-relative (spouse, friend)
  - Non-Living donor:
    - A person that donates their organs when he/she dies
- A non-living donor kidney may not be immediately available
- The waiting list may extend beyond a year or two

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Caring for the Donated Kidney

- Daily, lifelong medication is usually required to prevent rejection.
- Regular follow-up with your physician is required.
- Follow all other physician guidelines:
  - Diet
  - Activity
- Watch for signs of potential problems.

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Kidney Transplant Option

- Closest treatment to "normal" kidney function
- Fewer dietary and fluid restrictions
- Allows you to maintain your normal schedule & activities

- Risks associated with surgery and kidney rejection
- Daily medications may have side effects and can be costly
- Must take medications and follow up with physician for life of the kidney
- May be placed on a waiting list for an extended period of time

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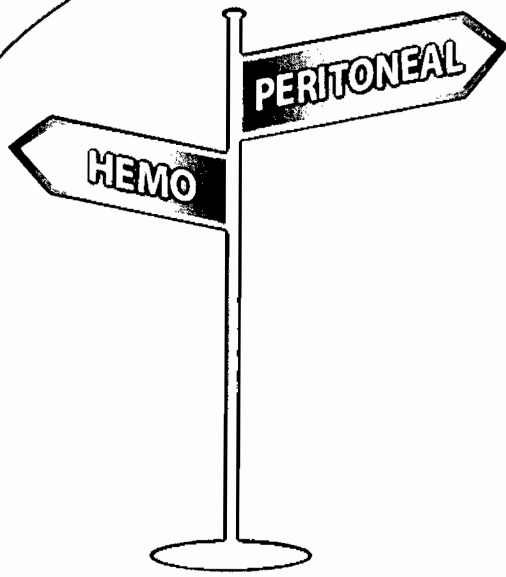
The Dialysis Options



- There are two types of dialysis:
  - Peritoneal dialysis
  - Hemodialysis
- Both remove excess fluid and wastes from the body
- Hemodialysis is routinely done in a dialysis facility, and can be done at home with training.
- Peritoneal Dialysis is typically done at home.

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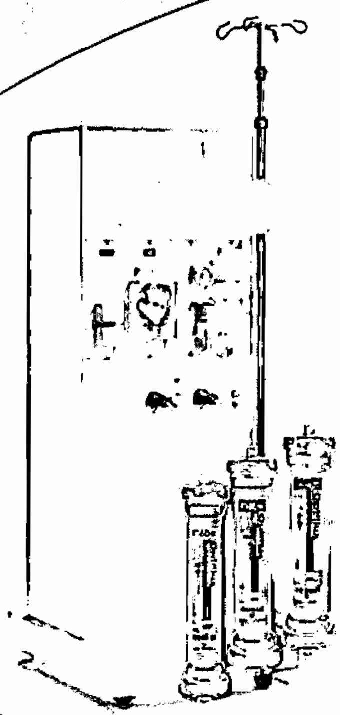
Hemodialysis



- Blood is cleaned by an "artificial kidney" or dialyzer and a machine
- Tubing allows blood to flow from your body to the machine and back to your body
- Two needles are required for each treatment if you have a fistula or graft; one to remove the blood, one to return the blood
- Only a small amount of blood is out of your body at any time

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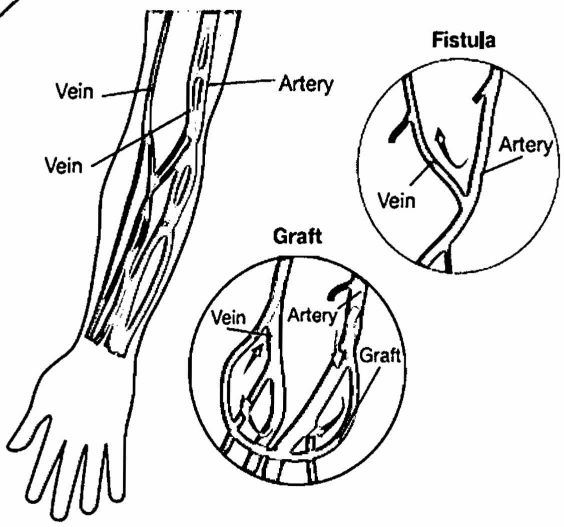
Hemodialysis Access



- Your blood must flow out and back to your body through a blood vessel that can be used repeatedly. This is called an access.
- A **fistula**, the 1st choice, is a surgical connection of your artery and your vein.
- A **graft**, 2nd choice, is a surgical insertion of a special tube which is used like a vein.
- A **catheter** is a temporary tubing inserted through the skin and sutured into place.

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In-Center Hemodialysis Option

- Treatments are done by trained dialysis nurses and technicians.
- You are on a fixed schedule for your treatments, and changes may be difficult.
- You must travel to/from the dialysis center.
- Treatments are usually done 3 times each week.
- No equipment or supplies needed at home.
- Opportunity for regular social interaction with other dialysis patients.
- Treatments usually last 3.5-4.0 hours each.

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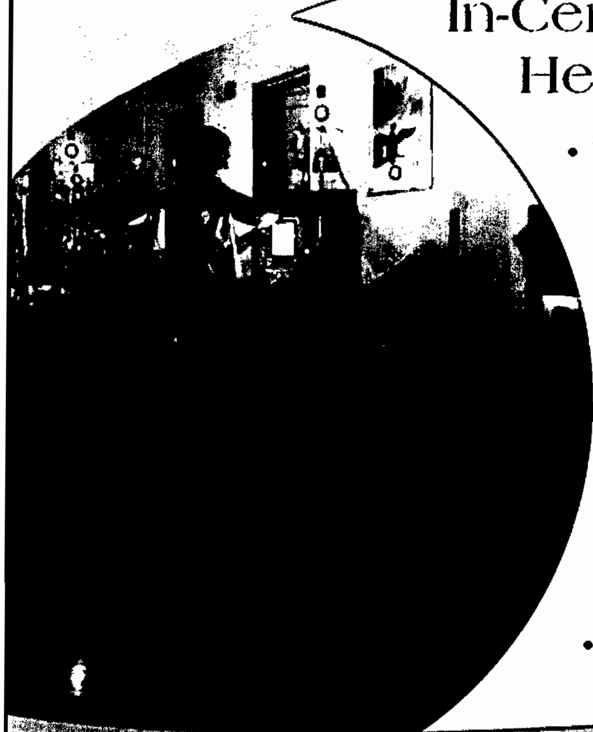
In-Center Nocturnal (night-time) Hemodialysis Option



- Treatments are done by dialysis nurses and technicians
- Treatment occurs during the night while you sleep at the dialysis center; usually 3 times a week for about 8 hours each treatment
- Allows you to work, go to school, or participate in other activities during the day
- Provides more treatment over a longer period of time
- Useful when needing to remove large amounts of fluid
- Helpful when removing fluid is difficult with regular hemodialysis
- You must travel to the dialysis facility for treatment and are away from home 3 nights each week
- May not be offered in your area

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In-Center Hemodialysis Considerations

- Therapy performed by trained clinicians
- No equipment or supplies needed at home
- Opportunity for more frequent social interaction with other dialysis patients

- Patient must travel to the clinic usually 3 times per week
- Patients are on a fixed schedule to receive their therapy

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Home Hemodialysis Option

- Easier to fit into your daily or nightly schedule
- No travel to clinic needed
- Comfort and privacy of your own home
- Easier to keep working if you have a job
- Must have a trained helper or partner
- Must have space in home for supplies and equipment
- Home may need changes and plumbing or wiring
- Less social interaction with other dialysis patients than at a dialysis center

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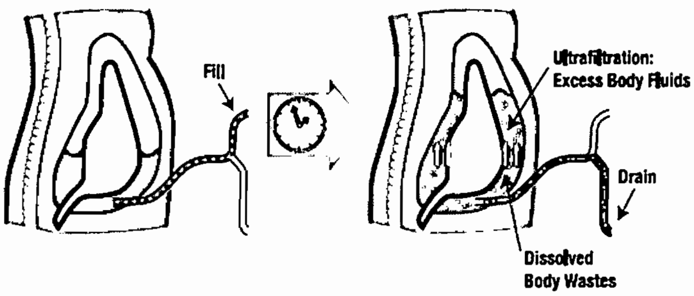
Peritoneal Dialysis (PD)



- Blood is cleansed inside the body by using the peritoneum; a filter-like membrane located in the lower abdomen.
- Solution is inserted into the abdomen where it is in contact with the peritoneum.
- Excess fluid and waste products in the nearby blood vessels are filtered through the peritoneum and collect in the solution in the abdomen.
- The solution is allowed to dwell for a period of time, then is drained out of the abdomen and replaced with fresh solution.

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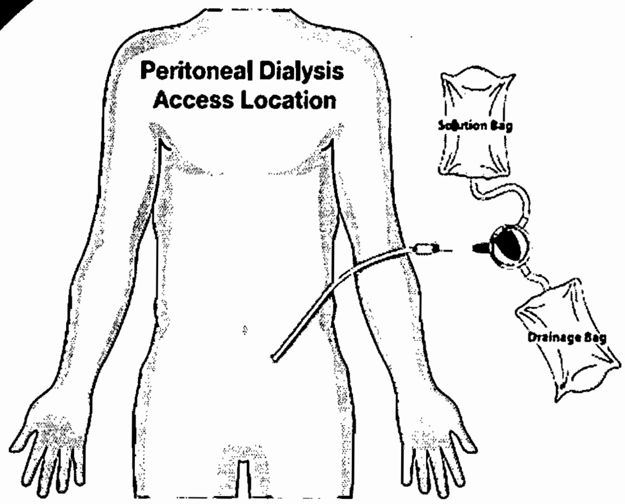
Peritoneal Dialysis Access



- PD solution flows in and out of your body through a catheter
- A PD catheter is surgically inserted into the lower abdomen and secured in place
- The catheter extends several inches out of your body
- Your clothes cover the catheter when it is not being used

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Two types of PD

1. Continuous Ambulatory Peritoneal Dialysis (CAPD)

- A manual process usually done during the day
- Can be done in any clean location at home, work or while traveling
- Average 4 to 5 exchanges each day
- About 30-45 minutes for each exchange

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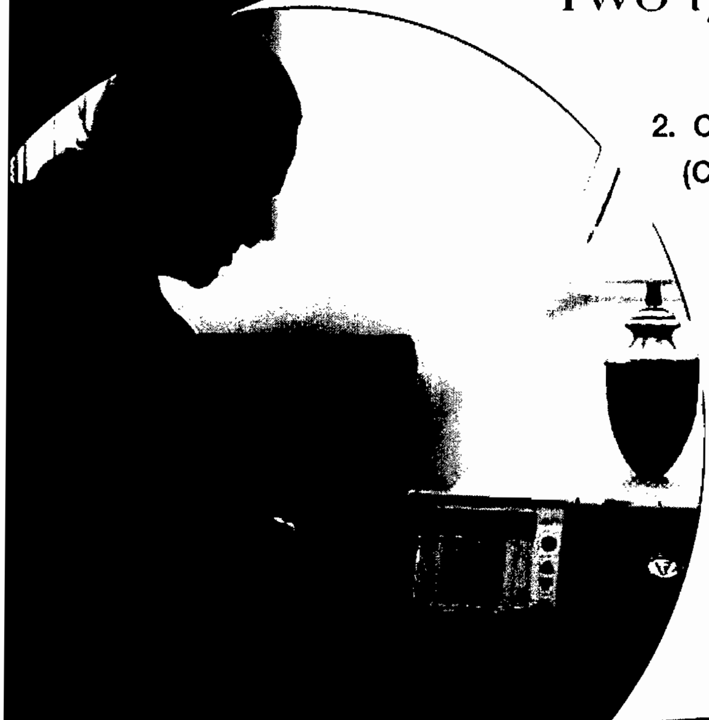
Two types of PD



2. Continuous Cycling Peritoneal Dialysis (CCPD)

- A machine-controlled process usually done overnight while sleeping, for about 9-10 hours
    - Solution remains in the peritoneum during the day until you go to bed and hook up to the machine
    - Occasionally some patients require an additional exchange during the daytime

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Peritoneal Dialysis Option

- A partner is not required, but may be needed by some
- More flexible dialysis treatment schedule
- Allows independence and a more normal (working) lifestyle
- Gentle treatment more like "normal" kidney function
- A bloodless form of treatment with no needles required

- Treatment needs to be performed every day
- Risk of infection
- External catheter
- Need storage space in home for supplies
- Larger people may need to do more exchanges

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Dialysis Options Comparison

Advantages	IN-CENTER HD	IN-CENTER NHD	HOME HD	HOME PD
Treatment Time Flexibility			√	√
Treatment Location Flexibility			√	√
Treatment Duration Flexibility				√
Reduced Clinic Visit Time			√	√
Reduced Clinic Travel Time			√	√
Reduced Clinic Travel Costs			√	√
No treatment partner needed	√	√		√
Greater Privacy			√	√
Greater Social Interaction with Other Dialysis Patients	√			

Advantages	IN-CENTER HD	IN-CENTER NHD	HOME HD	HOME PD
Perform treatments during nightly sleep		√	√	√
Improved availability during work hours		√	√	√
Bloodless access				√
More independent lifestyle			√	√
Greater treatment supervision	√	√		
No supply delivery & storage needs	√	√		
No routine needle sticks				√
Greater Travel options				√
No additional electrical/plumbing	√	√		√

Note: Together with your nephrologist, who will advise you based on your medical condition, you should seek a treatment option which best suits your medical and lifestyle needs.

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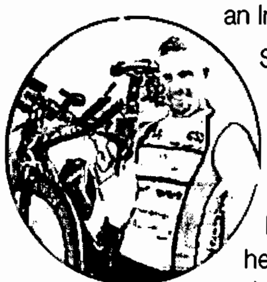
People Like You

Shad Ireland's kidneys failed in 1983 at age 10.

On July 25th, 2004 Shad became the first dialysis patient to complete an Ironman triathlon.



Shad continues to compete, and has also created the Shad Ireland Foundation to help people with renal disease improve their lives through physical activity.

Mickey Sledge developed kidney failure in 2000 at age 46. He has developed a passion for taking care of himself as a result of his disease. As a volunteer for treadmill manufacturers he enjoys demonstrating his fitness at major dialysis conferences around the country. "Working helps me stay in tune with reality," says Mickey, who continues his job of 23 years. Apart from routine appointments, Mickey takes pride in never having had to take time off work because of his kidney disease.

Lori Hartwell, a kidney patient since the age of two, founded the Renal Support Network to instill "health, happiness, and hope" into the lives of fellow patients. Lori travels throughout the country educating and inspiring patients and healthcare professionals with her stories, insight, and humor. She was named "2005 Woman of the Year" by California State Senator Jack Scott and continues to be widely recognized for her contributions to improving the lives of people with Chronic Kidney Disease.

Criterion 1110.230 – Purpose of Project

1. This project is being proposed to provide access to dialysis treatment centrally located in Lake County between two facilities historically operating at high utilization rates. It will alleviate overcrowding at current facilities, reduce patient travel burdens and expense and allow for additional favored treatment times for patients new to dialysis.

2. The facility will be located in Grayslake in central Lake County, HSA 8. The market area it will serve is predominantly a 5 mile radius encompassing part of Libertyville, Gurnee, Round Lake, Lindenhurst and other towns such as Gages Lake, Third Lake, Hainesville, Fremont Center and Round Lake Beach.

3. The Fresenius Round Lake and Gurnee facilities have long been operating at high utilization rates as have other area facilities: Fresenius Lake Bluff and DaVita Waukegan and Lake County. Recently established Fresenius Mundelein and Waukegan Harbor are close to full. This creates access barriers sometimes requiring a 4th shift to operate, little or no choice of treatment shift for new patients, transportation issues and loss of continuity of care if one has to travel out of area for treatment.

4. Station inventory data was obtained from the IHFSRB quarterly utilization report. All population/demographic data was obtained from the U.S. Census Bureau and patient data was obtained from North Shore Nephrology.

5. Having access to treatment within one's own healthcare market area reduces complications and thus healthcare costs. Patients are less likely to miss treatments if barriers to access are reduced. Patient's stress is reduced and quality of life is increased if they are able to dialyze on a shift that fits their particular work/family schedule. Continuity of care is important for these patients whose many co-morbid conditions require a team of healthcare professionals.

6. Fresenius Medical Care facilities meet the Board's criteria on quality. It is expected that this facility would have and maintain the same quality outcomes as the other facilities that North Shore nephrology oversees.

    - 94% of patients had a URR $\geq$ 65%
    - 96% of patients had a Kt/V $\geq$ 1.2

Alternatives

1) All Alternatives

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

The only alternative that would entail a lesser scope and cost than the project proposed in this application would be to do nothing and maintain the status quo. This alternative was rejected because it would not address the clinics operating at a high utilization rate or address the need for access for North Shore Nephrology's 137 pre-ESRD patients living in the Grayslake area. While this option has no monetary cost, the cost is to the patients who will have limited and decreasing access in their healthcare market.

B. Pursuing a joint venture or similar arrangement with one or more providers of entities to meet all or a portion of the project's intended purposes' developing alternative settings to meet all or a portion of the project's intended purposes.

The typical Fresenius model of ownership is for our facilities to be wholly owned, however we do enter into joint ventures on occasion. Fresenius Medical Care always maintains control of the governance, assets and operations of a facility it enters into a joint venture agreement with. Our healthy financial position and abundant liquidity indicate that that we have the ability to support the development of additional dialysis centers. Fresenius Medical Care has more than adequate capability to meet all of its expected financial obligations and does not require any additional funds to meet expected project costs. This ownership of this facility is structured so that if physicians choose to invest at a later date they would be able to do so. The cost of a joint venture would be the same as the current project, however split amongst joint venture partners.

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

Clinics immediately surrounding Grayslake are operating at high utilization rates with the exception of the Mundelein facility which was recently established and is filling up quickly. It is expected to be above 80% prior to the opening of the facility proposed in this application, which will be in approximately 18-24 months.

Facility	Address	City	Zip Code	MapQuest Miles	MapQuest Time	x 1.15 Adjusted	Stations	Patients 3/31/2014	Utilization 3/31/2014
Fresenius Round Lake	401 Nippersink Ave	Round Lake	60073	4.9	9	10.35	16	84	87.50%
Fresenius Gurnee	101 S Greenleaf Ave	Gurnee	60031	6.52	9	10.35	16	86	89.58%
DaVita Waukegan	3300 Grand Avenue	Waukegan	60085	8.44	12	13.8	22	94	81.21%
Fresenius Mundelein	1400 Townline Road	Mundelein	60060	7.74	13	14.95	12	45	62.50%

Facilities with capacity for new patients are further away from Grayslake, outside of the identified market. It does not make sense from a healthcare planning perspective to force patients to travel past several full dialysis clinics to find one that has available treatment times. Responsible planning identifies the need demonstrated by high utilization and addresses it by creating access where needed. There is no monetary cost to this alternative, except to the patient's health and well-being by limiting access.

- As discussed further in this application, the most desirable alternative to keep access to dialysis services available in the Grayslake market area of central Lake County is to establish the Fresenius Grayslake facility centrally located between the facilities that are full. The cost of this project is $4,159,450.

2) Comparison of Alternatives

	Total Cost	Patient Access	Quality	Financial
Maintain Status Quo	$0	Access for Grayslake patients is diminishing as surrounding clinics are full. Patients will be forced to travel outside of market for treatment.	If patients miss treatments due to lack of access, individual patient quality values will likely decline.	Increased transportation costs as patients must travel to other areas for treatment.
Form a Joint Venture	$4,159,450	Same as current project.	Same as current project.	Same as current project, however JV Partner would share in costs.
Utilize Area Providers	$0	Surrounding clinics are full . Patients from this underserved area will have to travel out of market past the full clinics for services causing transportation issues.	Some patients may have to switch physicians and loss of continuity of care could lead to lower patient outcomes. Also, there would likely be more missed treatments leading to lower quality markers.	No financial cost to Fresenius Medical Care Health care cost may rise as patient's quality declines. Cost of patient's transportation would increase with higher travel times.
Establish Fresenius Medical Care Grayslake	$4,159,450	Access to dialysis services will be maintained in this highly utilized market. Access will be highly improved to residents of Grayslake.	Patient clinical quality would remain above standards. Patient satisfaction and quality of life would improve with easier access to treatment.	The cost is to Fresenius Medical Care only who is willing to address the need identified by highly utilized clinics.

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

There is no direct empirical evidence relating to this project other than that when chronic care patients have adequate access to services, it tends to reduce overall healthcare costs and results in less complications. The facilities where North Shore Nephrology serves as Medical Director, have achieved average adequacy outcomes of:

- 94% of patients had a URR $\geq$ 65%
- 96% of patients had a Kt/V $\geq$ 1.2

and same is expected for Fresenius Medical Care Grayslake.

Criterion 1110.234, Size of Project

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD 450-650 BGSF Per Station	DIFFERENCE	MET STANDARD?
ESRD IN-CENTER HEMODIALYSIS	7,800 (12 Stations)	5,400 – 7,800 BGSF	None	Yes

As seen in the chart above, the State Standard for ESRD is between 450 - 650 BGSF per station or 5,400 – 7,800 BGSF for 12 stations. The proposed BGSF falls within the State Standard thereby meeting this criterion.

Criterion 1110.234, Project Services Utilization

UTILIZATION					
	DEPT/SERVICE	HISTORICAL UTILIZATION	PROJECTED UTILIZATION	STATE STANDARD	MET STANDARD?
YEAR 1	IN-CENTER HEMODIALYSIS	N/A New Facility	53%	80%	No
YEAR 2	IN-CENTER HEMODIALYSIS	N/A New Facility	80%	80%	Yes

There are a total of 137 pre-ESRD patients from the Grayslake area who are expected to begin dialysis within two years after the facility begins operation. Accounting for patient attrition, it is estimated that approximately 96 will begin dialysis at the Grayslake facility, although there may be a shift of patients between the Gurnee, Grayslake and Round Lake facilities as shift availability opens up. The facility is expected to reach 80% utilization by the end of the second year of operation.

Planning Area Need

A. Formula Need Calculation:

The proposed Fresenius Medical Care Grayslake dialysis facility is located in Grayslake, IL which is in Lake County and HSA 8. According to the June 2014 Board inventory, there is an excess of 30 stations in this HSA. However, the ratio of stations to population is 1 station per 5,295 residents indicating a need. There are no clinics that can accommodate the 137 patients identified in this application. This also indicates a need.

Planning Area Need – Service To Planning Area Residents:

A. The primary purpose of this project is to provide in-center hemodialysis services to the residents Grayslake in central Lake County in HSA 8. 100% of the pre-ESRD and transfer identified for the Grayslake facility reside in HSA 8.

County	HSA	Pre-ESRD Patients who will be referred to Fresenius Medical Care Grayslake
Lake County	8	137 – 100%

NANCY A. NORA, M.D.
SHALINI N. PATEL, M.D.
INTERNAL MEDICINE/NEPHROLOGY

767 PARK AVENUE WEST, SUITE 260
HIGHLAND PARK, ILLINOIS 60035

TELEPHONE (847) 432-7222
FACSIMILE (847) 432-9360

May 29, 2014

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

Dear Ms. Avery:

We are writing on behalf of North Shore Nephrology to support the Fresenius Medical Care Grayslake proposed in-center dialysis facility. We have a long standing nephrology practice based in Highland Park along with our partner Dr. Mehta. We have steadily seen more and more patients coming from further west in central Lake County. Four years ago we opened our second office in Grayslake to accommodate the increasing number of patients coming from this area.

With the high utilization at many facilities in central and east Lake County, we often encounter difficulty finding an appropriate shift for a patient new to dialysis. The proposed Grayslake facility will offer additional options for our patients in this area.

Our practice was treating 165 hemodialysis patients at the end of 2011, 161 at the end of 2012 and 180 patients at the end of 2013, and 179 as of March 2014 as reported to The Renal Network. Over the past 12 months we referred 65 new ESRD patients for hemodialysis services to Highland Park Hospital, Fresenius Medical Care Deerfield, Lake Bluff, Palatine, Mundelein, Gurnee, and Round Lake. We have over 800 pre-ESRD patients that we see in our office and there are 137 that live in close proximity to Grayslake that we anticipate would be referred to the Fresenius Grayslake facility in the first two years of its operation.

Thank you for your consideration and we respectfully ask you to approve Fresenius Medical Care Grayslake to provide access to the growing numbers of ESRD patients in central Lake County.

We 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 permitted or pending CON application.

Sincerely,

Nancy A. Nora, M.D.

Shalini N. Patel, M.D.

Notarization:
Subscribed and sworn to before me
this 30th day of May, 2014
Michelle M. Hogan
Signature of Notary

Seal
OFFICIAL SEAL
MICHELLE M HOGAN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:01/12/17

Notarization:
Subscribed and sworn to before me
this 30th day of May, 2014
Michelle M. Hogan
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NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:01/12/17

PRE-ESRD PATIENTS TO BE REFERRED TO FRESENIUS MEDICAL CARE GRAYSLAKE

Town	Zip Code	Patients
Grayslake	60030	29
Gurnee	60031	40
Lindenhurst	60046	16
Libertyville	60048	22
Mundelein	60060	11
Round Lake	60073	17
Wauconda	60084	2
	Total	**137**

NEW ESRD REFERRALS OF NORTH SHORE NEPHROLOGY FOR PAST 12 MONTHS

Zip	Fresenius Medical Care							Highland Park	
Code	Deerfield	Gurnee	Lake Bluff	Mundelein	Round Lake	Waukegan Harbor	Palatine	Hospital	Total
54304								1	1
60010									0
60015	2							6	8
60022								1	1
60025								1	1
60030		1							1
60031								1	1
60035	1							6	7
60040								3	3
60044	1		1						2
60045	1		1	1				2	5
60047				1					1
60060				1				1	2
60061	1							1	2
60062	1							1	2
60064	1						1	1	3
60069				1				3	4
60073					3				3
60085		3	1	4		4		1	13
60089	1								1
60090								2	2
60091								1	1
60610								1	1
Total	**9**	**4**	**3**	**8**	**3**	**4**	**1**	**33**	**65**

IN-CENTER ESRD PATIENTS OF NORTH SHORE NEPHROLOGY AT YEAR END 2011

Highland Park Hospital		DaVita Lake County		Fresenius Medical Care					
				Deerfield		Lake Bluff		Antioch	
Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients
60046	2	60061	1	60045	1	60087	4	60096	1
60035	29			60022	1	60064	4	60099	1
60069	5			60062	5	60085	2		
60064	6			60040	2	60048	2		
60085	7			60047	1	60045	2		
60015	6			60073	1	60099	3		
60050	1			60064	2	60096	1		
60099	5			60035	3	60060	1		
60060	1			60085	2	60061	1		
60091	1			60046	1	60031	1		
60134	1			60048	1	60044	3		
60645	1			60031	2	60083	1		
60169	1			60090	1	60035	1		
60089	3			60015	1	60030	1		
60083	3			60099	1				
60065	1			60015	1				
60090	2								
60062	6								
60045	5								
60048	1								
60712	1								
60061	1								
60047	1								
60022	1								
60096	1								
60031	4								
60040	9								
60044	1								
60625	1								
60070	1								
60010	1								
Total	**109**	**Total**	**1**	**Total**	**26**	**Total**	**27**	**Total**	**2**

Grand Total	**165**

IN-CENTER ESRD PATIENTS OF NORTH SHORE NEPHROLOGY
AT YEAR END 2012

Highland Park Hospital		Fresenius Medical Care							
		Deerfield		Lake Bluff		Mundelein		Round Lake	
Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients
60035	18	60045	1	60064	7	60061	2	60073	1
60069	5	60089	3	60085	10	60073	2		
60064	6	60022	1	60045	3	60087	1		
60085	7	60040	1	60099	3	60069	1		
60050	1	60064	1	60048	2	60060	3		
60015	7	60062	4	60087	4	60031	1		
60099	5	60015	2	60030	1	60030	1		
60040	8	60085	2	60061	1	60047	1		
60060	1	60026	1	60044	2	60041	1		
60091	1	60046	1	60096	1				
60046	1	60048	1	60064	1				
60645	1	60090	2						
60089	2	60031	2						
60062	3	60022	1						
60030	1	60047	3						
60045	6	60035	2						
60061	1								
60004	1								
60083	2								
60031	3								
60712	1								
60070	1								
60044	1								
60154	1								
Total	**84**	**Total**	**28**	**Total**	**35**	**Total**	**13**	**Total**	**1**
								Grand Total	**161**

IN-CENTER ESRD PATIENTS OF NORTH SHORE NEPHROLOGY AT YEAR END 2013

Highland Park Hospital		Fresenius Medical Care											
		Deerfield		Lake Bluff		Mundelein		Waukegan Harbor		Gurnee		Round Lake	
Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients
60035	20	60045	1	60087	1	60085	2	60085	5	60085	4	60085	1
60069	6	60015	8	60044	3	60030	1	60087	1	60030	1		
60064	7	60089	3	60048	1	60074	1	60047	1				
60085	4	60022	2	60064	5	60046	1						
60099	4	60040	1	60085	2	60061	5						
60040	9	60064	2	60030	1	60064	1						
60060	1	60085	2	60099	4	60010	1						
60091	1	60062	2	60045	2	60099	1						
60046	1	60026	1	60061	1	60060	2						
60645	1	60048	1			60073	2						
60090	2	60090	2			60047	2						
60089	2	60035	2			60069	1						
60062	4	60031	1			60087	1						
60015	7	60065	1			60050	1						
60022	1	60083	1			60089	1						
60030	1					60031	1						
60045	9					60041	1						
60083	2												
60048	1												
60201	1												
60061	1												
60031	4												
60712	1												
60070	1												
60154	1												
Totals	**92**	**Total**	**30**	**Total**	**20**	**Total**	**25**	**Total**	**7**	**Total**	**5**	**Total**	**1**

Grand Total	180

ESRD PATIENTS OF NORTH SHORE NEPHROLOGY
AS OF MARCH 31, 2014

Zip	Fresenius Medical Care							DaVita	Highland Park	
Code	Deerfield	Gurnee	Lake Bluff	Mundelein	Round Lake	Waukegan Harbor	Palatine	Lake County	Hospital	Total
60010				1						1
60015	4							1	8	13
60022	1								1	2
60025									1	1
60026	1									1
60030		1	1	1					1	4
60031	1			1		1			3	6
60035									19	19
60040	2								11	13
60041				1						1
60044			2						2	4
60045	2		4						10	16
60046				1					1	2
60047				1						1
60048			1						1	2
60060				4					1	5
60061			1	5					1	7
60062	1								4	5
60064	1		4	1			1		6	13
60065	1									1
60069				1					7	8
60070									1	1
60073				2	3					5
60074				1						1
60083									2	2
60085	2	3	1	4		6			5	21
60087			1	1		2				4
60089	2			1				1	2	6
60090	2								1	3
60099			4	1		1			2	8
60610									1	1
60645									1	1
60712									1	1
Total	**20**	**4**	**19**	**27**	**3**	**10**	**1**	**2**	**93**	**179**

Service Accessibility – Service Restrictions

The proposed Fresenius Medical Care Grayslake facility will improve access for residents of the Grayslake healthcare market (approximate 5 mile radius) where there is a disproportionate ratio of stations to population demonstrating need and facilities operating at high utilization rates. Although there is not a determined need for stations and there are other providers in Lake County, access limitations exist as they pertain to existing facilities, population demographics and transportation.

Existing Facilities

Grayslake is centrally located between Fresenius Gurnee and Round Lake, both of which are nearing capacity. To the south Fresenius Mundelein, which was recently opened, is filling up and is expected to reach 80% long before the Grayslake facility is operating. Patients in Grayslake will need to travel well beyond their market and travel past several full clinics to find availability. This will create a loss of continuity of care as some may have to change physicians and in an emergency may end up at a hospital where their healthcare team does not round. Numerous transportation problems will also arise since most patients are dependent on either family members for rides to and from treatment or medical car transportations that do not operate past 4 p.m.

Population Demographics

Between 2000 and 2010 Lake County population grew at 9%, higher than the State of Illinois overall rate of 3%. Along with this growth the elderly population more than doubled during this time.

Population Growth			
County	2000	2010	% Growth
Lake	644,356	703,462	9%

Illinois Population Growth		
2000	2010	% Growth
12,419,293	12,830,632	3%

Population Age 65 and over			
County	2000	2010	% Growth
Lake	54,989	139,987	155%

The elderly population is more likely to require dialysis services as incidence of diabetes and hypertension increase with age. Charts below from The Renal Network 10 Annual Report show the age groups and diseases more likely to show need/cause for dialysis.

ESRD Dialysis Prevalence - One Year Statistics

As of 01/01/2013 - 12/31/2013

Age Group	IL	Other	Total
00-04	6	1	7
05-09	6	0	6
10-14	5	0	5
15-19	39	4	43
20-24	182	4	186
25-29	311	6	317
30-34	429	3	432
35-39	574	5	579
40-44	906	14	920
45-49	1,151	23	1,174
50-54	1,634	15	1,649
55-59	2,068	29	2,097
60-64	2,214	27	2,241
65-69	2,301	33	2,334
70-74	1,971	34	2,005
75-79	1,754	27	1,781
80-84	1,292	13	1,305
>=85	1,041	12	1,053
Total	17,884	250	18,134

ESRD Incidence - One Year Statistics

As of 01/01/2013 - 12/31/2013

Primary Diagnosis	IL	Other	Total
Cystic/Hereditary/Congenital Diseases	103	4	107
Diabetes	1,989	41	2,030
Glomerulonephritis	204	7	211
Hypertension/Large Vessel Disease	1,795	29	1,824
Interstitial Nephritis/Pyelonephritis	80	0	80
Miscellaneous Conditions	319	9	328
Neoplasms/Tumors	72	2	74
Secondary GN/Vasculitis	80	1	81
Not Specified	324	6	330
Total	4,966	99	5,065

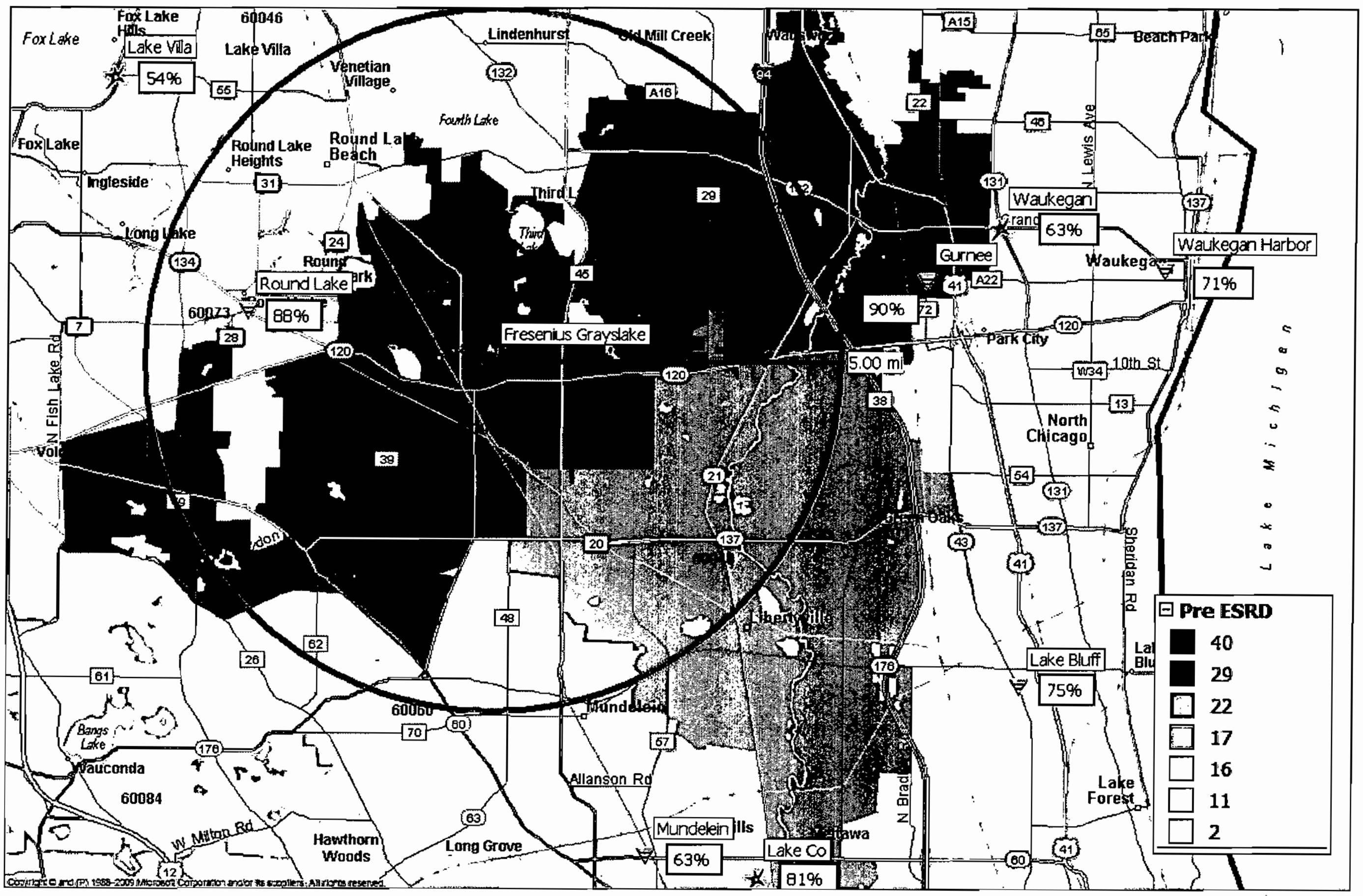
Also, while Grayslake is not in a medically underserved area, there is a high percentage of patients who are Medicaid recipients. The two nearest Fresenius clinics that serve this area, Round Lake and Gurnee perform 11% and 21% Medicaid reimbursed treatments respectively.

Transportation

Facilities Within 30 Minutes Travel Time of Fresenius Grayslake

Facility	Address	City	Zip Code	MapQuest Miles	MapQuest Time	x 1.15 Adjusted	Stations	Patients 3/31/2014	Utilization 3/31/2014
Fresenius Round Lake	401 Nippersink Ave	Round Lake	60073	4.19	8	9.2	16	84	87.50%
Fresenius Gurnee	101 S Greenleaf Ave	Gurnee	60031	7.52	11	12.65	16	86	89.58%
DaVita Waukegan	3300 Grand Avenue	Waukegan	60085	9.84	14	16.1	22	94	81.21%
Fresenius Mundelein	1400 Townline Road	Mundelein	60060	9.12	15	17.25	12	45	62.50%
DaVita Lake Villa	37809 SR-59	Lake Villa	60046	9.11	15	17.25	12	39	54.17%
Fresenius Waukegan Harbor	110 N West Street	Waukegan	60085	10.56	17	19.55	21	80	63.49%
Fresenius Lake Bluff	101 Waukegan Rd	Lake Bluff	60044	11.4	18	20.7	16	72	75.00%
DaVita Lake County	565 Lakeview Pkwy	Vernon Hills	60061	10.7	19	21.85	16	78	81.25%
Fresenius Antioch	311 W Depot St	Antioch	60002	11.42	20	23	12	48	66.67%
Fresenius McHenry	4312 W Elm St	McHenry	60050	14.46	23	26.45	14	42	50.00%
Fresenius Deerfield	405 Lake Cook Rd	Deerfield	60015	21.6	25	28.75	12	30	41.67%
ARA McHenry	4209 W Shamrock Lane	McHenry	60050	15.7	25	28.75	12	20	27.78%
DaVita Buffalo Grove	1291 W Dundee Rd	Buffalo Grove	60089	15.93	26	29.9	12	59	61.46%
Fresenius Highland Park	1657 Old Skokie Road	Highland Park	60035	19.55	26	29.9	20	90	75.00%
						Total Stations	213		

Demographics of Pre-ESRD Patients & The Grayslake Market Area



Unnecessary Duplication/Maldistribution

ZIP Code	Population
60002	24,299
60004	50,582
60010	44,095
60012	11,120
60013	26,842
60014	48,550
60015	26,800
60020	9,825
60022	8,153
60030	36,056
60031	37,947
60035	29,763
60037	60,037
60040	5,431
60041	9,250
60042	8,547
60044	9,792
60045	20,925
60046	35,111
60047	41,669
60048	29,095
60050	31,620
60051	25,192
60060	37,189
60061	25,748
60062	39,936
60064	15,407
60067	38,585
60069	8,384
60070	16,001
60072	928
60073	60,002
60074	38,985
60081	10,079
60083	9,838
60084	16,771
60085	71,714
60087	26,978
60088	15,761
60089	41,533
60090	37,633
60096	6,897
60097	11,250
60099	31,104
Total	**1,191,424**

1) The establishment of the Grayslake facility will not result in unnecessary duplication. Grayslake lies directly between two historically highly utilized facilities on a major thoroughfare in central Lake County and will give area patients access closer to home and a choice of treatment times that are not available at the Round Lake and Gurnee facilities. This will help to alleviate high utilization at both the Round Lake and Gurnee facilities by opening up additional treatments times/schedules in central Lake County. (See list of facilities within 30 minutes on following page).

2)Maldistribution: The ratio of ESRD stations to population in the zip codes within a 30-minute radius of Fresenius Grayslake is one station per every 5,295 residents. The State ratio is 1 station per 3,123 residents. While there may not be a determined need for stations in HSA 8, the disproportionate station to population ratios demonstrate need.

As evidenced by the low resident to station ratio, high area utilization and 137 pre-ESRD patients identified by North Shore Nephrology, maldistribution will not occur.

3) All new patients being referred to the Grayslake facility are pre-ESRD patients of North Shore Nephrology (NSN). Currently there have not been any patients identified to transfer from the overutilized Round Lake or Gurnee facilities; however there likely will be some. This would have a positive effect on utilization at those clinics that are nearing capacity. Any transfers would open up additional treatment times at those facilities. No patients have been identified to transfer from any other area facilities and North Shore Nephrology will continue to refer to other area facilities according to the patient's place of residence and choice.

Facilities Within 30 Minutes Travel Time of Fresenius Medical Care Grayslake

Facility	Address	City	Zip Code	MapQuest Miles	MapQuest Time	x 1.15 Adjusted	Stations	Patients 3/31/2014	Utilization 3/31/2014
Fresenius Round Lake	401 Nippersink Ave	Round Lake	60073	4.19	8	9.2	16	84	87.50%
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ARA McHenry	4209 W Shamrock Lane	McHenry	60050	15.7	25	28.75	12	20	27.78%
DaVita Buffalo Grove	1291 W Dundee Rd	Buffalo Grove	60089	15.93	26	29.9	12	59	61.46%
Fresenius Highland Park	1657 Old Skokie Road	Highland Park	60035	19.55	26	29.9	20	90	75.00%
						Total Stations	213		

Criterion 1110.1430 (e)(1) – Staffing

2) A. Medical Director

Dr. Nancy Nora is currently the Medical Director of the Highland Park Hospital out-patient dialysis facility. Her and Dr. Shalini Patel, who is currently the Medical Director of the Fresenius Mundelein and Deerfield facilities are supporting this project. Attached are both physician's curriculum vitae.

B. All Other Personnel

Upon opening, the facility will hire a Clinic Manager who is a Registered Nurse (RN) from within the company and will hire one Patient Care Technician (PCT). After we have more than one patient, we will hire another RN and another PCT.

Upon opening we will also employ:

- Part-time Registered Dietitian
- Part-time Licensed Master level Social Worker
- Part-time Equipment Technician
- Part-time Secretary

These positions will go to full time as the clinic census increases. As well, the patient care staff will increase to the following:

- One Clinic Manager – Registered Nurse
- Four Registered Nurses
- Ten Patient Care Technicians

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

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

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

NANCY A. NORA, M.D.
750 Homewood Avenue
Suite 250
Highland Park, IL 60035

PERSONAL DATA:	Date of Birth:	February 27, 1958 Chicago, Illinois
EDUCATION:	1972 – 1976	Regina Dominican High School Wilmette, Illinois
	1976 – 1979	St. Louis University St. Louis, Missouri
	1979 – 1985	Royal College of Surgeons Dublin, Ireland M.D. 1985
	1985 – 1988	Resident, Internal Medicine St. Francis Hospital Evanston, Illinois
	1988 – 1991	Nephrology Fellowship Northwestern University Chicago, Illinois
EXAMINATIONS:	FMGEMS – 1984	
	FLEX – 1986	
	ABIM	Internal Medicine – 1988 Certificate #119058
	ABIM	Nephrology – 1992 Certificate #119058 Re-certified – 2001 Certificate #119058
MEDICAL LICENSURE:	Illinois State Medical License #036-074215	
HONORS AND AWARDS:	1973	Academic Scholarship St. Louis University
	1979 – 1985	Honors in several courses; Graduated top 10% of class Royal College of Surgeons

HONORS AND AWARDS: (con't)

1985	Intern of the Year St. Francis Hospital
1988	Outstanding Clinical Research paper St. Francis Hospital
1989	Finalist; Clinical Research Fellowship American Kidney Foundation
2001	Chicago Magazine Top Doctors in Chicago (Nephrology)
2003 Summer/Fall	Chicago Consumers Checkbook Chicago Areas Top Doctors
2003	Chicago Magazine Top Doctors in Chicago (Nephrology)

PROFESSIONAL EXPERIENCE:

January 1995 to January 1996	Medical Director Highland Park Hospital Dialysis Unit
1991 to Current	David S. Ginsburg, M.D., FACP, Ltd.

PROFESSIONAL MEMBERSHIPS:

----	American Medical Association
----	Illinois State Medical Society
----	Chicago Medical Society
----	American Society of Nephrology

COMMITTEES SERVED ON THROUGH HIGHLAND PARK AND EVANSTON HOSPITALS:

01/01/93 to Current	Ethics	(as member)
06/01/92 to 12/31/95	CME/Library	(as member)
01/01/94 to 10/2000	Medical Care Evaluation Committee – Medicine	(as officer)
01/01/94 to 2001	Pharmacy & Therapeutics	(as member)
01/01/93 to Current	Renal Dialysis	(as member)
2003 to Current	Medical Executive Committee Evanston Northwestern Healthcare	

PUBLICATIONS:

Principles and clinical uses of diuretic therapy., 167 REFS, Mujais SK; Nora NA; Levin ML, Prog Cardiovasc Dis 1992 Nov – Dec; 35 (3): 221 – 45.

PUBLICATIONS CONT.:

Vasopressin resistance in potassium depletion: role of Na-K pump., Mujais SK; Nora NA; Chen Y, AMJ Physiol 1992 Oct; 263 (4 pt 2): F705 – 10.

Discordant aspects of aldosterone resistance in potassium depletion., Mujais SK; Chen Y; Nora NA, AMJ Physiol 1992 Jun; 262 (6 pt 2): F972 – 9.

Interpretation of hypercalcemia in a patient with end-stage renal disease., Nora NA; Singer I, Arch Intern Med 1992 June; 152 (6): 1321 – 2.

Severe acute peripartum hypernatremia., Nora NA; Hedger R; Batlle DC, AMJ Kidney Disease 1992 Apr; 19 (4) 385 – 8.

Uremic goiter: the malevolent iodide (editorial)., Nora NA; Mujais SK, Int. J Artif Organs 1991 Oct; 14 (10): 662 – 4.

Use of iodinated contrast media in patients with chronic renal insufficiency and in end-stage renal disease (editorial)., Nora NA; Krumlovsky FA, Int J Artif Organs 1991 Apr; 14 (4): 196 – 8.

Control of hypertension and reversal of renal failure in undifferentiated connective tissue disease by enalapril (letter; comment)., Levin ML; Ginsburg DS; Nora NA, Arch Intern Med 1990 Apr; 150 (4): 916, 918.

Hypokalemic, hypophosphatemic thyrotoxic periodic paralysis., 12 REFS, Nora NA; Berns AS, AMJ Kidney Dis 1989 Mar; 13 (3): 247 – 9.

SHALINI PATEL, MD
767 Park Avenue West, Suite 260
Highland Park, IL 60035
(847) 432-7222

PERSONAL DATA	Date of Birth: July 26, 1969
EXPERIENCE	July 2000 – Present Practicing Nephrology Involved in managing patients in all aspects of Nephrology, including Transplantation. Hospital privileges at Highland Park and Lake Forest Hospital
MEDICAL TRAINING	July 1998 – June 2000 Fellowship in Nephrology University of Louisville; Kentucky July 1995 – June 1998 Residency in Internal Medicine Overlook Hospital; Columbia University – New York July 1994 – June 1995 Transitional Year Jersey Shore Hospital; UMDNJ – New Jersey January 1993 – MBBS (Bachelor of Medicine and Surgery) B.J. Medical College; Gujarat University – India
EXAMINATIONS PASSED	Board certified in Nephrology, 2001 Board re-certified in Internal Medicine, 2007 Board certified in Internal Medicine, 1998 USMLE Step I, June 1993 USMLE Step II, March 1994
MEDICAL LICENSURE	Illinois State License License #036-102203

Criterion 1110.1430 (e)(5) Medical Staff

I am the Regional Vice President of the Chicago Region of the West Division of Fresenius Medical Care North America. In accordance with 77 Il. Admin Code 1110.1430, and with regards to Fresenius Medical Care Grayslake, I certify the following:

> Fresenius Medical Care Grayslake will be an "open" unit with regards to medical staff. Any Board Licensed nephrologist may apply for privileges at the Grayslake facility, just as they currently are able to at all Fresenius Medical Care facilities.

Teri A Gurchiek
Signature

Teri Gurchiek
Printed Name

Regional Vice President
Title

Subscribed and sworn to before me
this 21st day of May, 2014
Michelle M. Hogan
Signature of Notary

Seal

OFFICIAL SEAL
MICHELLE M HOGAN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:01/12/17

Criterion 1110.1430 (f) – Support Services

I am the Regional Vice President of the Chicago Region of the West Division of Fresenius Medical Care North America. In accordance with 77 Il. Admin Code 1110.1430, I certify to the following:

- Fresenius Medical Care utilizes a patient data tracking system in all of its facilities.

- These support services are will be available at Fresenius Medical Care Grayslake during all six shifts:
  - Nutritional Counseling
  - Psychiatric/Social Services
  - Home/self training
  - Clinical Laboratory Services – provided by Spectra Laboratories

- The following services will be provided via referral to Advocate Condell Medical Center, Libertyville:

  - Blood Bank Services
  - Rehabilitation Services
  - Psychiatric Services

Teri A Gurchiek

Signature

Teri Gurchiek/Regional Vice President

Name/Title

Subscribed and sworn to before me this 21st day of MAY, 2014

Michelle M Hogan

Signature of Notary

Seal

OFFICIAL SEAL
MICHELLE M HOGAN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:01/12/17

Criterion 1110.1430 (g) – Minimum Number of Stations

Fresenius Medical Care Grayslake is located in the Chicago-Naperville-Joliet-Gary, IL-IN-WI Metropolitan Statistical Area (MSA). A minimum of eight dialysis stations is required to establish an in-center hemodialysis center in an MSA. Fresenius Medical Care Grayslake will have twelve dialysis stations thereby meeting this requirement.

TRANSFER AGREEMENT
BETWEEN
ADVOCATE CONDELL MEDICAL CENTER
AND
NATIONAL MEDICAL CARE, INC.

THIS AGREEMENT is entered into this 26 day of March, 2014 between ADVOCATE CONDELL MEDICAL CENTER, an Illinois not-for-profit corporation, hereinafter referred to as "ACMC", and NATIONAL MEDICAL CARE, INC., hereinafter referred to as "NMC".

WHEREAS, ACMC is licensed under Illinois law as an acute care hospital and provides inpatient care, routine and emergency dialysis and emergency medical care;

WHEREAS, NMC is certified to operate as a renal dialysis facility under the the Medicare End Stage Renal Disease ("ESRD") Program and, if required, as a properly licensed medical facility under state laws and regulations;

WHEREAS, ACMC and NMC desire to cooperate in the transfer of patients between ACMC and NMC, when and if such transfer may, from time to time be deemed necessary and requested by the respective patient's physician, to facilitate appropriate patient care;

WHEREAS, the parties mutually desire to enter into a transfer agreement to provide for the medically appropriate transfer or referral of patients from NMC to ACMC, for the benefit of the community and in compliance with HHS regulations; and

WHEREAS, the parties desire to provide a full statement of their agreement in connection with the services to be provided hereunder.

NOW, THEREFORE, BE IT RESOLVED, that in consideration of the mutual covenants, obligations and agreements set forth herein, the parties agree as follows:

I. TERM

1.1 This Agreement shall be effective from the date it is entered into, and shall remain in full force and effect for an initial term of one (1) year. **Thereafter, this Agreement shall be automatically extended for successive one (1) year periods unless terminated as hereinafter set forth. All the terms and provisions of this Agreement shall continue in full force and effect during the extension period(s).**

II. TERMINATION

2.1 Either party may terminate this Agreement at any time with or without cause upon thirty (30) days prior written notice to the other party. Additionally, this Agreement shall automatically terminate should either party fail to maintain the licensure or certification necessary to carry out the provisions of this Agreement.

III. OBLIGATIONS OF THE PARTIES

3.1 NMC agrees:

a. That NMC shall refer and transfer patients to ACMC for medical treatment only when such transfer and referral has been determined to be medically appropriate by the patient's attending physician or, in the case of an emergency, the Medical Director for NMC, hereinafter referred to as the "Transferring Physician";

b. That the Transferring Physician shall contact ACMC's Emergency Department Nursing Coordinator prior to transport, to verify the transport and acceptance of the emergency patient by ACMC. The decision to accept the transfer of the emergency patient shall be made by ACMC's Emergency Department physician, hereinafter referred to as the "Emergency Physician", based on consultation with the member of ACMC's Medical Staff who will serve as the accepting attending physician, hereinafter referred to as the "Accepting Physician". In the case of the non-emergency patient, the Medical Staff attending physician will act as the Accepting Physician and must indicate acceptance of the patient. NMC agrees that ACMC shall have the sole discretion to accept the transfer of patients pursuant to this Agreement subject to the availability of equipment and personnel at ACMC. The Transferring Physician shall report all patient medical information which is necessary and pertinent for transport and acceptance of the patient by ACMC to the Emergency Physician and/or Accepting Physician;

c. That NMC shall be responsible for affecting the transfer of all patients referred to ACMC under the terms of this Agreement, including arranging for appropriate transportation, financial responsibility for the transfer in the event patient fails or is unable to pay, and care for the patient during the transfer. The Transferring Physician shall determine the appropriate level of patient care during transport in consultation with the Emergency Physician and/or Accepting Physician;

d. That pre-transfer treatment guidelines, if any, will be augmented by orders obtained from the Emergency Physician and/or Accepting Physician;

e. That, prior to patient transfer, the Transferring Physician is responsible for insuring that written, informed consent to transfer is obtained from the patient, the parent or legal guardian of a minor patient, or from the legal guardian or next-of-kin of a patient who is determined by the Transferring Physician to be unable to give informed consent to transfer; and

f. To maintain and provide proof to ACMC of professional and public liability insurance coverage in the amount of One Million Dollars ($1,000,000.00) per occurrence and Three Million Dollars ($3,000,000.00) in the aggregate with respect to the actions of its employees and agents connected with or arising out of services provided under this Agreement.

3.2 ACMC agrees:

a. To accept and admit in a timely manner, subject to bed availability, NMC patients referred for medical treatment, as more fully described in Section 3.1;

b. To accept patients from NMC in need of inpatient hospital care, when such transfer and referral has been determined to be medically appropriate by the patient's Transferring Physician at NMC;

c. That ACMC will seek to facilitate referral of transfer patients to specific Accepting Physicians when this is requested by Transferring Physicians and/or transfer patients;

d. That ACMC shall provide NMC patients with medically appropriate and available treatment provided that Accepting Physician and/or Emergency Physician writes appropriate orders for such services; and

e. To maintain and provide proof to NMC of professional and public liability insurance coverage in the amount of One Million Dollars ($1,000,000.00) per occurrence and Three Million Dollars ($3,000,000.00) in the aggregate with respect to the actions of its employees and agents connected with or arising out of services provided under this Agreement.

IV. GENERAL COVENANTS AND CONDITIONS

4.1 Release of Medical Information. In all cases of patients transferred for the purpose of receiving medical treatment under the terms of this Agreement, NMC shall insure that copies of the patient's medical records, including X-rays and reports of all diagnostic tests, accompany the patient to ACMC, subject to the provisions of applicable State and Federal laws governing the confidentiality of such information. Information to be exchanged shall include any completed transfer and referral forms mutually agreed upon for the purpose of providing the medical and administrative information necessary to determine the appropriateness of treatment or placement, and to enable continuing care to be provided to the patient. The medical records in the care and custody of ACMC and NMC shall remain the property of each respective institution.

4.2 Personal Effects. NMC shall be responsible for the security, accountability and appropriate disposition of the personal effects of patients prior to and during transfer to ACMC. ACMC shall be responsible for the security, accountability and appropriate disposition of the personal effects of transferred patients upon arrival of the patient at ACMC.

4.3 Indemnification. The parties agree to indemnify and hold each other harmless from any liability, claim, demand, judgment and costs (including reasonable attorney's fees) arising out of or in connection with the intentional or negligent acts of their respective employees and/or agents.

4.4 Independent Contractor. Nothing contained in this Agreement shall constitute or be construed to create a partnership, joint venture, employment, or agency relationship between the parties and/or their respective successors and assigns, it being mutually understood and agreed that the parties shall provide the services and fulfill the obligations hereunder as independent contractors. Further, it is mutually understood and agreed that nothing in this Agreement shall in any way affect the independent operation of either ACMC or NMC. The governing body of ACMC and NMC shall have exclusive control of the management, assets, and affairs at their respective institutions. No party by virtue of this Agreement shall assume any liability for any debts or obligations of a financial or legal nature incurred by the other, and neither institution shall look to the other to pay for service rendered to a patient transferred by virtue of this Agreement.

4.5 Publicity and Advertising. Neither the name of ACMC nor NMC shall be used for any form of publicity or advertising by the other without the express written consent of the other.

4.6 Cooperative Efforts. The parties agree to devote their best efforts to promoting cooperation and effective communication between the parties in the performance of services hereunder, to foster the prompt and effective evaluation, treatment and continuing care of recipients of these services.

4.7 Nondiscrimination. The parties agree to comply with Title VI of the Civil Rights Act of 1964, all requirements imposed by regulations issued pursuant to that title, section 504 of the Rehabilitation Act of 1973, and all related regulations, to insure that neither party shall discriminate against any recipient of services hereunder on the basis of race, color, sex, creed, national origin, age or handicap, under any program or activity receiving Federal financial assistance.

4.8 Affiliation. Each party shall retain the right to affiliate or contract under similar agreements with other institutions while this Agreement is in effect.

4.9 Applicable Laws. The parties agree to fully comply with applicable federal, and state laws and regulations affecting the provision of services under the terms of this Agreement.

4.10 Governing Law. All questions concerning the validity or construction of this Agreement shall be determined in accordance with the laws of Illinois.

4.11 Writing Constitutes Full Agreement. This Agreement embodies the complete and full understanding of ACMC and NMC with respect to the services to be provided hereunder. There are no promises, terms, conditions, or obligations other than those contained herein; and this Agreement shall supersede all previous communications, representations, or agreements, either verbal or written, between the parties hereto. Neither this Agreement nor any rights hereunder may be assigned by either party without the written consent of the other party.

4.12 Written Modification. There shall be no modification of this Agreement, except in writing and exercised with the same formalities of this Agreement.

4.13 Severability. It is understood and agreed by the parties hereto that if any part, term, or provision of this Agreement is held to be illegal by the courts or in conflict with any law of the state where made, the validity of the remaining portions or provisions shall be construed and enforced as if the Agreement did not contain the particular part, term, or provision held to be invalid.

4.14 Notices. All notices required to be served by provisions of this Agreement may be served on any of the parties hereto personally or may be served by sending a letter duly addressed by registered or certified mail. Notices to be served on ACMC shall be served at or mailed to: Advocate Condell Medical Center, 801 S. Milwaukee Avenue, Libertyville, Illinois 60048, Attention: President, with a copy to Senior Vice President and General Counsel, 3075 Highland Parkway, Downers Grove, IL 60515 unless otherwise instructed. Notices to be served on NMC shall be mailed to National Medical Care, Inc., 40-50 Tower Court, Gurnee, IL 60031, Attention: Area Manager, with a copy to Corporate Legal Department, Fresenius Medical Care North America, 920 Winter Street, Waltham, MA 02541-1457.

IN WITNESS WHEREOF, this Agreement has been executed by ACMC and NMC on the date first above written.

ADVOCATE CONDELL MEDICAL CENTER

BY: Dominica Tallarico

NAME: Dominica Tallarico
TITLE: President, Advocate Condell
Medical Center

NATIONAL MEDICAL CARE, INC.

BY: Coleen Muldoon

NAME: Coleen Muldoon
TITLE: Regional Vice President

58822

Criterion 1110.1430 (j) – Assurances

I am the Regional Vice President of the Chicago Region of the West Division of Fresenius Medical Care North America. In accordance with 77 Il. Admin Code 1110.1430, and with regards to Fresenius Medical Care Grayslake, I certify the following:

1. As supported in this application through expected referrals to Fresenius Medical Care Grayslake in the first two years of operation, the facility is expected to achieve and maintain the utilization standard, specified in 77 Ill. Adm. Code 1100, of 80% and;

2. Fresenius Medical Care hemodialysis patients in the Fresenius facilities in Lake County, achieved average adequacy outcomes of:

   - 95% of patients had a URR $\geq$ 65%
   - 96% of patients had a Kt/V $\geq$ 1.2

   and the same is expected for Fresenius Medical Care Grayslake.

Teri A Gurchiek

Signature

Teri Gurchiek/Regional Vice President

Name/Title

Subscribed and sworn to before me
this 21st day of May, 2014

Michelle M Hogan

Signature of Notary

Seal

OFFICIAL SEAL
MICHELLE M HOGAN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:01/12/17

CUSHMAN & WAKEFIELD®

Cushman & Wakefield of
Illinois, Inc.
455 N. Cityfront Plaza Drive
Suite 2800
Chicago, IL 60611-5555
(312) 470-1800 Tel
(312) 470-3800 Fax
www.cushwake.com

July 2, 2014

Sherwood Blitstein
Mosaic Properties and Development
555 Skokie Blvd. Ste. 204
Northbrook IL, 60062

RE: **Fresenius Medical Care, LLC.**
Letter of Intent – 100 S. Atkinson Grayslake, IL 60030

Dear Sherwood,

Fresenius Medical Care is pleased to provide the following Letter of Intent to lease space.

LANDLORD:	Mosaic Real Estate Investments, or is assignee 555 Skokie Blvd. Ste. 204 Northbrook IL, 60062
TENANT:	FRESENIUS MEDICAL CARE of Illinois.
LOCATION:	100 S. Atkinson, Grayslake, IL 60030
INITIAL SPACE REQUIREMENTS:	Approximately 7,800 contiguous rentable square feet.
PRIMARY TERM:	An initial lease term of fifteen (15) years commencing on the Rent Commencement Date. For purposes of establishing an actual occupancy date, both parties will execute a Commencement Date Certificate after occupancy has occurred, setting forth dates for purposes of calculations, notices, or other events in the Lease that may be tied to a commencement date.
DELIVERY OF PREMISES:	Landlord shall deliver the Premises to FRESENIUS MEDICAL CARE for completion of the Tenant Improvements after the Landlord Work, as described herein, is complete. The date all Landlord's Work is substantially complete and delivered to, and accepted by, Tenant shall be the Possession Date.

OPTIONS TO RENEW: Three (3), five (5) year options to renew the Lease. Option rental rates shall increase at 3.0% per year. FRESENIUS MEDICAL CARE shall provide three hundred sixty (360) days' prior written notification of its desire to exercise the option.

RENTAL RATE: $25.00 Net per rentable square foot.

RENT COMMENCEMENT: 180 days after the Possession Date

ESCALATIONS: 10% escalation in years 6 & 11.

LANDLORD WORK: Landlord to construct Premises as a "cool dark shell". Such building shall include structure, roof, all utilities stubbed to location specified by Tenant and all site work, including demolition of the current structure, paving, site lighting, and water detention as required by the City of Chicago. In order to provide a parking surface in like-new condition near the time of store opening, the final course of paving will be done by Landlord post Possession, at such time as Tenant directs with reasonable notice - prior to store opening. Collectively, all such work shall be "Landlord's Work". Additionally, Landlord shall give Tenant a cash payment of $50,000 for HVAC purchase and installation, at the time of acceptance of Possession. All finishes and further improvements to the Premises will be performed by Tenant, collectively, "Tenant's Work".

USE: FRESENIUS MEDICAL CARE shall use and occupy the Premises for the purpose of an outpatient dialysis facility and related office uses and for no other purposes except those authorized in writing by Landlord, which shall not be unreasonably withheld, conditioned or delayed. FRESENIUS MEDICAL CARE may operate on the Premises, at FRESENIUS MEDICAL CARE's option, on seven (7) days a week, twenty-four (24) hours a day basis, subject to zoning and other regulatory requirements and covenants of record.

CONTRACTOR FOR TENANT IMPROVEMENTS: Landlord will hire a contractor and/or subcontractors of its choosing for construction of Landlord's Work. FRESENIUS MEDICAL CARE shall be responsible for the implementation and management of all Tenant Work.

DELIVERIES: FRESENIUS MEDICAL CARE requires delivery access to the Premises 24 hours per day, 7 days per week.

EMERGENCY GENERATOR: FRESENIUS MEDICAL CARE shall have the right, at its cost, to install an emergency generator to service the Premises in a location to be mutually agreed upon between the parties.

PARKING: Landlord will provide designated handicapped spaces plus one ambulance space (cost to designate parking spaces to be at Landlord's sole cost and expense).

BUILDING CODES: FRESENIUS MEDICAL CARE requires that Landlord Work meet all local, and State building code requirements, including all provisions of ADA.

CORPORATE IDENTIFICATION: Tenant shall have signage rights in accordance with local code.

COMMON AREA EXPENSES AND REAL ESTATE TAXES: Tenant shall be responsible for all Real Estate Taxes and Operating Expenses associated with its premises. The lease shall be a double net lease, with Landlord responsible for roof and structure, as described in the below Maintenance section. Landlord will manage the building as part of common area expenses, and include a customary management fee. Tenant will pay Real Estate Taxes directly to the municipal authority.

ASSIGNMENT/ SUBLETTING: FRESENIUS MEDICAL CARE requires the right to assign or sublet all or a portion of the demised premises to any subsidiary or affiliate without Landlord's consent, provided Guarantor remains liable. Any other assignment or subletting will be subject to Landlord's prior consent, which shall not be unreasonably withheld or delayed.

MAINTENANCE: Landlord shall, without expense to Tenant, maintain and make all necessary repairs and replacements to all portions of the structure of the Premises, and replace the roof when needed.

With respect to all other maintenance, repairs and replacements, Landlord shall perform such at Tenant's expense, as part of Tenant's common area maintenance charges. All such work to be performed to good and accepted business practices throughout the term, including: repainting the exterior surfaces of the building when necessary, repairing, resurfacing, repaving, re-striping, and resealing, of the parking areas; repair of all curbing, sidewalks and directional markers; removal of snow and ice; landscaping; and provision of adequate lighting during all hours of darkness that Tenant shall be open for business.

Tenant shall maintain and keep the interior of the Premises in good repair, free of refuse and rubbish and shall return the same at the expiration or termination of the Lease in as good condition as received by Tenant, ordinary wear and tear, and damage or destruction by fire, flood, storm, civil commotion or other unavoidable causes excepted. Tenant shall be responsible for maintenance and repair of Tenant's equipment in the Premises.

ZONING AND RESTRICTIVE COVENANTS: Landlord confirms that the current property zoning is acceptable for the proposed use as an outpatient kidney dialysis clinic. There are no restrictive covenants imposed by the development, owner, and/or municipality that would in any way limit or restrict the operation of FRESENIUS MEDICAL CARE's dialysis clinic

FLOOD PLAIN: Landlord confirms that the property and Premises is not in a Flood Plain.

FINANCING: Landlord, or its Lender, will provide a subordination, non-disturbance and attornment agreement. Tenant will supply Landlord with an estoppel certificate, reasonably satisfactory to Landlord's Lender within 14 days from written request.

ENVIRONMENTAL: An acceptable Phase One Environmental Study will be required.

DRAFT LEASE: FRESENIUS MEDICAL CARE requires the use of its Standard Form Lease.

Tenant agrees to reimburse Landlord in the event any or all such payments are made to seller, and Tenant is not successful in obtaining its CON within 240 days from Lease execution, at which time the Lease shall be null and void.

LEASE EXECUTION: Both parties agree that they will make best efforts to reach a fully executed lease document within thirty days of the execution of this letter of intent.

LEASE SECURITY: Fresenius Medical Holdings Corp shall fully guarantee the lease.

CONFIDENTIAL: The material contained herein is confidential. It is intended for use of Landlord and Tenant solely in determining whether they desire to enter into a Lease, and it is not to be copied or discussed with any other person.

NON-BINDING NATURE: This proposal is intended solely as a preliminary expression of general intentions and is to be used for discussion purposes only. The parties intend that neither shall have any contractual obligations to the other with respect to the matters referred herein unless and until a definitive Lease agreement has been fully executed and delivered by the parties. The parties agree that this proposal is not intended to create any agreement or obligation by either party to negotiate a definitive Lease agreement and imposes no duty whatsoever on either party to continue negotiations, including without limitation any obligation to negotiate in good faith or in any way other than at arm's length. Prior to delivery of a definitive, fully executed agreement, and without any liability to the other party, either party may (i) propose different terms from those summarized herein, (ii) enter into negotiations with other parties and/or (iii) unilaterally terminate all negotiations with the other party hereto.

Sincerely,

Cushman & Wakefield of Illinois
Phone: 312-470-1800
Fax: 312-470-3800

AGREED AND ACCEPTED this ____ day of ____________________, 2014

By____________________________

Title:__________________________

AGREED AND ACCEPTED this ____ day of ____________________, 2014

By: ________________________________

Title:________________________________

Criterion 1120.310 Financial Viability

Financial Viability Waiver

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

Financials

2012 Financial Statements for Fresenius Medical Care Holdings, Inc. were submitted previously to the Board with #13-040, Fresenius Medical Care Lemont.

2013 Financial Statements for Fresenius Medical Care Holdings, Inc. are being submitted with this application and are attached as Appendix 3.

Criterion 1120.310 (c) Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
	A	B	C	D	E	F	G	H	
Department (list below)	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. $ (A x C)	Mod. $ (B x E)	Total Cost (G + H)
ESRD		161.00			7,800			1,255,800	1,255,800
Contingency		16.00			7,800			124,800	124,800
TOTALS		177.00			7,800			1,380,600	1,380,,6000
* Include the percentage (%) of space for circulation									

Criterion 1120.310 (d) – Projected Operating Costs

Year 2018

Estimated Personnel Expense:	$647,708
Estimated Medical Supplies:	$189,864
Estimated Other Supplies (Exc. Dep/Amort):	$926,671
	$1,764,243
Estimated Annual Treatments:	8,986
Cost Per Treatment:	$196.33

Criterion 1120.310 (e) – Total Effect of the Project on Capital Costs

Year 2018

Depreciation/Amortization:	$224,770
Interest	$0
Capital Costs:	$224,770
Treatments:	8,986
Capital Cost per Treatment	$25.01

Criterion 1120.310(a) Reasonableness of Financing Arrangements

Fresenius Medical Care Grayslake, LLC

The applicant is paying for the project with cash on hand, and not borrowing any funds for the project. However, per the Board's rules the entering of a lease is treated as borrowing. As such, we are attesting that the entering into of a lease (borrowing) is less costly than the liquidation of existing investments which would be required for the applicant to buy the property and build a structure itself to house a dialysis clinic. Further, should the applicant be required to pay off the lease in full, its existing investments and capital retained could be converted to cash or used to retire the outstanding lease obligations within a sixty (60) day period.

By: ______________________	By: ______________________
Title: Mark Fawcett Vice President & Treasurer	Title: Bryan Mello Assistant Treasurer
Notarization: Subscribed and sworn to before me this_______ day of _______, 2014	Notarization: Subscribed and sworn to before me this 6 day of June, 2014
______________________ Signature of Notary	C Wynelle Scenna Signature of Notary
Seal	Seal C. WYNELLE SCENNA Notary Public COMMONWEALTH OF MASSACHUSETTS My Commission Expires August 1, 2014

Criterion 1120.310(a) Reasonableness of Financing Arrangements

Fresenius Medical Care Holdings, Inc.

The applicant is paying for the project with cash on hand, and not borrowing any funds for the project. However, per the Board's rules the entering of a lease is treated as borrowing. As such, we are attesting that the entering into of a lease (borrowing) is less costly than the liquidation of existing investments which would be required for the applicant to buy the property and build a structure itself to house a dialysis clinic. Further, should the applicant be required to pay off the lease in full, its existing investments and capital retained could be converted to cash or used to retire the outstanding lease obligations within a sixty (60) day period.

By:____________________

Title: Mark Fawcett
Vice President & Treasurer

Notarization:
Subscribed and sworn to before me
this_______ day of _______, 2014

____
Signature of Notary

Seal

By:____________________

Title: ~~Bryan Mello~~
Assistant Treasurer

Notarization:
Subscribed and sworn to before me
this 6 day of June, 2014

C Wynelle Scenna
Signature of Notary

Seal

C. WYNELLE SCENNA
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
August 1, 2014

Criterion 1120.310(b) Conditions of Debt Financing

Fresenius Medical Care Grayslake, LLC

In accordance with 77 ILL. ADM Code 1120, Subpart D, Section 1120.310, of the Illinois Health Facilities & Services Review Board Application for Certificate of Need; I do hereby attest to the fact that:

There is no debt financing. The project will be funded with cash and leasing arrangements; and

The expenses incurred with leasing the proposed facility and cost of leasing the equipment is less costly than constructing a new facility or purchasing new equipment.

By:________________

ITS: Mark Fawcett
Vice President & Treasurer

By:________________

ITS: Bryan Mello
Assistant Treasurer

Notarization:
Subscribed and sworn to before me
this______ day of ______, 2014

Signature of Notary

Seal

Notarization:
Subscribed and sworn to before me
this 6 day of June, 2014

C Wynelle Scenna

Signature of Notary

Seal

C. WYNELLE SCENNA
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
August 1, 2014

Criterion 1120.310(b) Conditions of Debt Financing

Fresenius Medical Care Holdings, Inc.

In accordance with 77 ILL. ADM Code 1120, Subpart D, Section 1120.310, of the Illinois Health Facilities & Services Review Board Application for Certificate of Need; I do hereby attest to the fact that:

> There is no debt financing. The project will be funded with cash and leasing arrangements; and
>
> The expenses incurred with leasing the proposed facility and cost of leasing the equipment is less costly than constructing a new facility or purchasing new equipment.

By:	By: B Mello
ITS: Mark Fawcett Vice President & Treasurer	ITS: Bryan Mello Assistant Treasurer
Notarization: Subscribed and sworn to before me this_______ day of _______, 2014	Notarization: Subscribed and sworn to before me this 6 day of June, 2014
Signature of Notary	C Wynelle Scenna Signature of Notary
Seal	Seal C. WYNELLE SCENNA Notary Public COMMONWEALTH OF MASSACHUSETTS My Commission Expires August 1, 2014

Safety Net Impact Statement

The establishment of the Fresenius Medical Care Grayslake dialysis facility will not have any impact on safety net services in the Grayslake/Lake County area. Outpatient dialysis services are not typically considered "safety net" services, to the best of our knowledge. However, we do provide care for patients in the community who are economically challenged and/or who are undocumented aliens, who do not qualify for Medicare/Medicaid. We assist patients who do not have insurance in enrolling when possible in Medicaid and/or Medicaid as applicable, and also our social services department assists patients who have issues regarding transportation and/or who are wheel chair bound or have other disabilities which require assistance with respect to dialysis services and transport to and from the unit.

This particular application will not have an impact on any other safety net provider in the area, as no hospital within the area provides dialysis services on an outpatient basis.

Fresenius Medical Care is a for-profit publicly traded company and is not required to provide charity care, nor does it do so according to the Board's definition. However, Fresenius Medical Care provides care to all patients regardless of their ability to pay. There are patients treated by Fresenius who either do not qualify for or will not seek any type of coverage for dialysis services. These patients are considered "self-pay" patients. These patients are invoiced as all patients are invoiced, however payment is not expected and Fresenius does not initiate any collections activity on these accounts. These unpaid invoices are written off as bad debt. Fresenius notes that as a for profit entity, it does pay sales, real estate and income taxes. It also does provide community benefit by supporting various medical education activities and associations, such as the Renal Network and National Kidney Foundation.

The table on the following page shows the amount of "self-pay" care and Medicaid services provided for the 3 fiscal years prior to submission of the application for all Fresenius Medical Care facilities in Illinois.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Net Revenue	$353,355,908	$387,393,758	$398,570,288
	2011	2012	2013
Charity * (# of self-pay patients)	93	203	642
Charity (cost In dollars)	$632,154	$1,536,372	$5,346,976
Ratio Charity Care Cost to Net Patient Revenue	0.18%	.40%	1.34%
MEDICAID			
	2011	2012	2013
Medicaid (# of patients)	1,865	1,705	1,660
Medicaid (revenue)	$42,367,328	$36,254,633	$31,373,534
Ratio Medicaid to Net Patient Revenue	12%	9.36%	7.87%

Note:

A new billing procedure was put into place in late 2012 to reduce the amount of voids and rebilling. Previously patients with Medicaid pending were considered only under Medicaid and after the procedure change, Medicaid pending patients are considered under self-pay. This has resulted in the increase in "charity" (self-pay) patients and costs.

Medicaid number of patients appears to be going down, however this is due to the reassignment of the "charity" (self-pay) patients associated with the billing change.

Charity Care Information

The applicant(s) do not provide charity care at any of their facilities per the Board's definition of charity care because self-pay patients are billed and their accounts are written off as bad debt. Fresenius takes Medicaid patients without limitations or exception. The applicant(s) are for profit corporations and do not receive the benefits of not for profit entities, such as sales tax and/or real estate exemptions, or charitable donations. The applicants are not required, by any State or Federal law, including the Illinois Healthcare Facilities Planning Act, to provide charity care. The applicant(s) are prohibited by Federal law from advising patients that they will not be invoiced for care, as this type of representation could be an inducement for patients to seek care prior to qualifying for Medicaid, Medicare or other available benefits. This is why self-pay patients are invoiced and then the accounts written off as bad debt.

The applicants do provide access to care at all of its clinics regardless of payer source or whether a patient is likely to receive treatments for which the applicants are not compensated. Uncompensated care occurs when a patient is not eligible for any type of insurance coverage (whether private or governmental) and receives treatment at our facilities. It is rare in Illinois for patients to have no coverage as patients who are not Medicare eligible are Medicaid eligible. This represents a small number of patients, as Medicare covers all dialysis services as long as an individual is entitled to receive Medicare benefits (i.e. has worked and paid into the social security system as a result) regardless of age. In addition, in Illinois Medicaid covers patients who are undocumented and/or who do not qualify for Medicare, and who otherwise qualify for public assistance. Also, the American Kidney Fund provides low cost insurance coverage for patients who meet the AKF's financial parameters and who suffer from end stage renal disease (see uncompensated care attachment). The applicants work with patients to procure coverage for them as possible whether it be Medicaid, Medicare and/or coverage through the AKF. The applicants donate to the AKF to support its initiatives.

If a patient has no available insurance coverage, they are billed for services rendered, and after three statement reminders the charges are written off as bad debt. Collection actions are not initiated unless the applicants are aware that the patient has substantial financial resources available and/or the patient has received reimbursement from an insurer for services we have rendered, and has not submitted the payment for same to the applicants

Nearly all dialysis patients in Illinois will qualify for some type of coverage and Fresenius works aggressively to obtain insurance coverage for each patient.

Uncompensated Care For All Fresenius Facilities in Illinois

CHARITY CARE			
	2011	**2012**	**2013**
Net Patient Revenue	**$362,977,407**	**$387,393,758**	**$398,570,288**
Amount of Charity Care (charges)	$642,947	$1,566,380	$5,346,976
Cost of Charity Care	$642,947	$1,566,380	$5,346,976
Ratio Charity Care Cost to Net Patient Revenue	0.18%	.40%	1.34%

Fresenius Medical Care North America
Community Care

Fresenius Medical Care North America (FMCNA) assists all of our patients in securing and maintaining insurance coverage when possible. However, even if for whatever reason insurance (governmental or otherwise) is not available FMCNA does not deny admission for treatment due to lack of insurance coverage.

American Kidney Fund

FMCNA works with the American Kidney Fund (AKF) to help patients with insurance premiums at no cost to the patient.

Applicants must be dialyzed in the US or its territories and referred to AKF by a renal professional and/or nephrologist The Health Insurance Premium Program is a "last resort" program. It is restricted to patients who have no means of paying health insurance premiums and who would forego coverage without the benefit of HIPP. Alternative programs that pay for primary or secondary health coverage, and for which the patient is eligible, such as Medicaid, state renal programs, etc. must be utilized. Applicants must demonstrate to the AKF that they cannot afford health coverage and related expenses (deductible etc.).

Our team of Financial Coordinators and Social Workers connect patients who cannot afford to pay their insurance premiums, with AKF, which provides financial assistance to the patients for this purpose. FMCNA's North Division currently has 2986 patients with primary insurance coverage and 7469 patients with secondary insurance coverage for a total of 10,455 patients receiving AKF assistance. For the state of Illinois we have 632 primary and 1503 secondary patients receiving AKF assistance. The benefit of working with the AKF is the insurance coverage which AKF facilities applies to all of the patient's insurance needs, not just coverage for dialysis services.

Indigent Waiver Program

FMCNA has established an indigent waiver program to assist patients who are unable to obtain insurance coverage or who lack the financial resources to pay for medical services. In order to qualify for an indigent waiver, a patient must satisfy eligibility criteria for both annual income and net worth.

Annual Income: A patient (including immediate family members who reside with, or are legally responsible for, the patient) may not have an annual income in excess of two (2) times the Federal Poverty Standard in effect at the time. Patients whose annual income is greater than two (2) times the Federal Poverty Standard may qualify for a partial indigent waiver based upon a sliding scale schedule approved by the Office of Business Practices and Corporate Compliance.

Net Worth: A patient (including immediate family members who reside with, or are legally responsible for, the patient) may not have a net worth in excess of $75,000 (or such other amount as may be established by the Office of Business Practices and Corporate Compliance based on changes in the Consumer Price Index

The Company recognizes the financial burdens associated with ESRD and wishes to ensure that patients are not denied access to medically necessary care for financial reasons. At the same time, the Company also recognizes the limitations imposed by federal law on offering "free" or "discounted" medical items or services to Medicare and other government supported patients for the purpose of inducing such patients to receive ESRD-related items and services from FMCNA. An indigent waiver excuses a patient's obligation to pay for items and services furnished by FMCNA. Patients may have dual coverage of AKF assistance and an Indigent Waiver if their financial status qualifies them for both programs.

FMCNA North Division currently has 718 active Indigent Waivers. 21 cover primary balances which means the patient has no insurance coverage, and 697 cover patient balances where there is no supplemental insurance.

Illinois currently has 5 active Indigent Waivers that cover the supplemental balances after the primary insurance pays. There isn't a high volume of Indigent Waivers issued in Illinois because patients are entitled to Medicaid coverage in Illinois.

IL Medicaid and Undocumented patients

FMCNA has a bi-lingual Regional Insurance Coordinator who works directly with Illinois Medicaid to assist patients with Medicaid applications. An immigrant who is unable to produce proper documentation will not be eligible for Medicaid unless there is a medical emergency. ESRD is considered a medical emergency.

The Regional Insurance Coordinator will petition Medicaid if patients are denied and assist undocumented patients through the application process to get them Illinois Medicaid coverage. This role is actively involved with the Medicaid offices and attends appeals to help patients secure and maintain their Medicaid coverage for all of their healthcare needs, including transportation to their appointments.

FMCNA Collection policy

FMCNA's collection policy is designed to comply with federal law while not penalizing patients who are unable to pay for services.

FMCNA does not use a collection agency for patient collections unless the patient receives direct insurance payment and does not forward the payment to FMCNA.

Medicare and Medicaid Eligibility

Medicare: Patients are eligible for Medicare when they meet the following criteria: age 65 or older, under age 65 with certain disabilities, and people of all ages with End-Stage Renal Disease (permanent kidney failure requiring dialysis or a kidney transplant).

There are three insurance programs offered by Medicare, Part A for hospital coverage, Part B for medical coverage and Part D for pharmacy coverage. Most people don't have to pay a monthly premium, for Part A. This is because they or a spouse paid Medicare taxes while working. If a beneficiary doesn't get premium-free Part A, they may be able to buy it if they (or their spouse) aren't entitled to Social Security, because they didn't work or didn't pay enough Medicare taxes while working, are age 65 or older, or are disabled but no longer get free Part A because they returned to work. Part B and Part D both have monthly premiums. Patients must have Part B coverage for dialysis services.

Medicare does allow members to enroll in Health Plans for supplemental coverage. Supplemental coverage (secondary) is any policy that pays balances after the primary pays reducing any out of pocket expenses incurred by the member.

Medicare will pay 80% of what is allowed by a set fee schedule. The patient would be responsible for the remaining 20% not paid by Medicare. The supplemental (secondary) policy covers the cost of co-pays, deductibles and the remaining 20% of charges.

Medicaid: Low-income Illinois residents who can't afford health insurance may be eligible for Medicaid. In addition to meeting federal guidelines, individuals must also meet the state criteria to qualify for Medicaid coverage in Illinois.

Self-Pay

A self-pay patient would not have any type of insurance coverage (un-insured). They may be un-insured because they do not meet the eligibility requirements for Medicare or Medicaid and can not afford a commercial insurance policy.

In addition, a patient balance becomes self-pay after their primary insurance pays, but the patient does not have a supplemental insurance policy to cover the remaining balance. The AKF assistance referenced earlier may or may not be available to these patients, dependent on whether or not they meet AKF eligibility requirements.

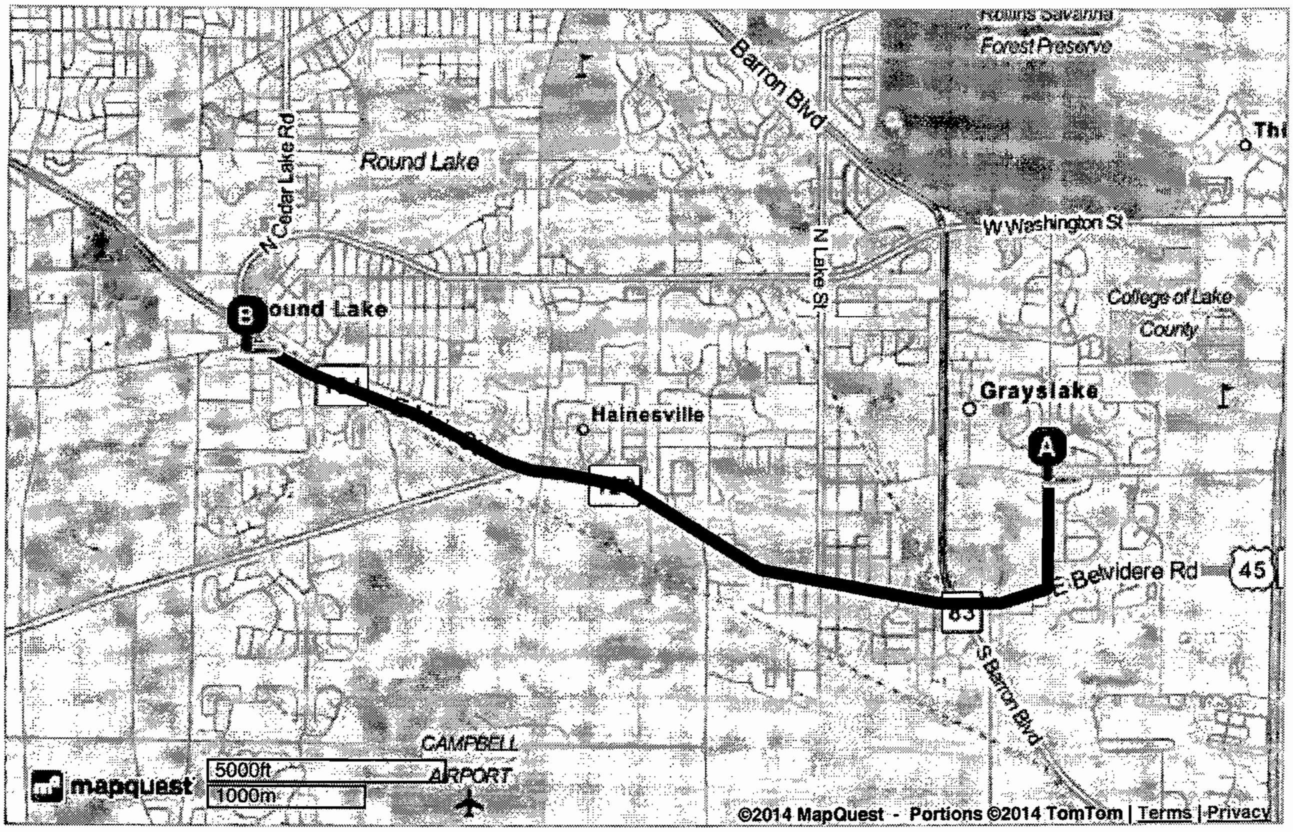
mapquest

Notes

TO FRESENIUS MEDICAL CARE ROUND LAKE

Trip to:

Neomedica
401 W Nippersink Rd
Round Lake, IL 60073
(866) 434-2597
4.23 miles / 8 minutes



mapquest

Notes

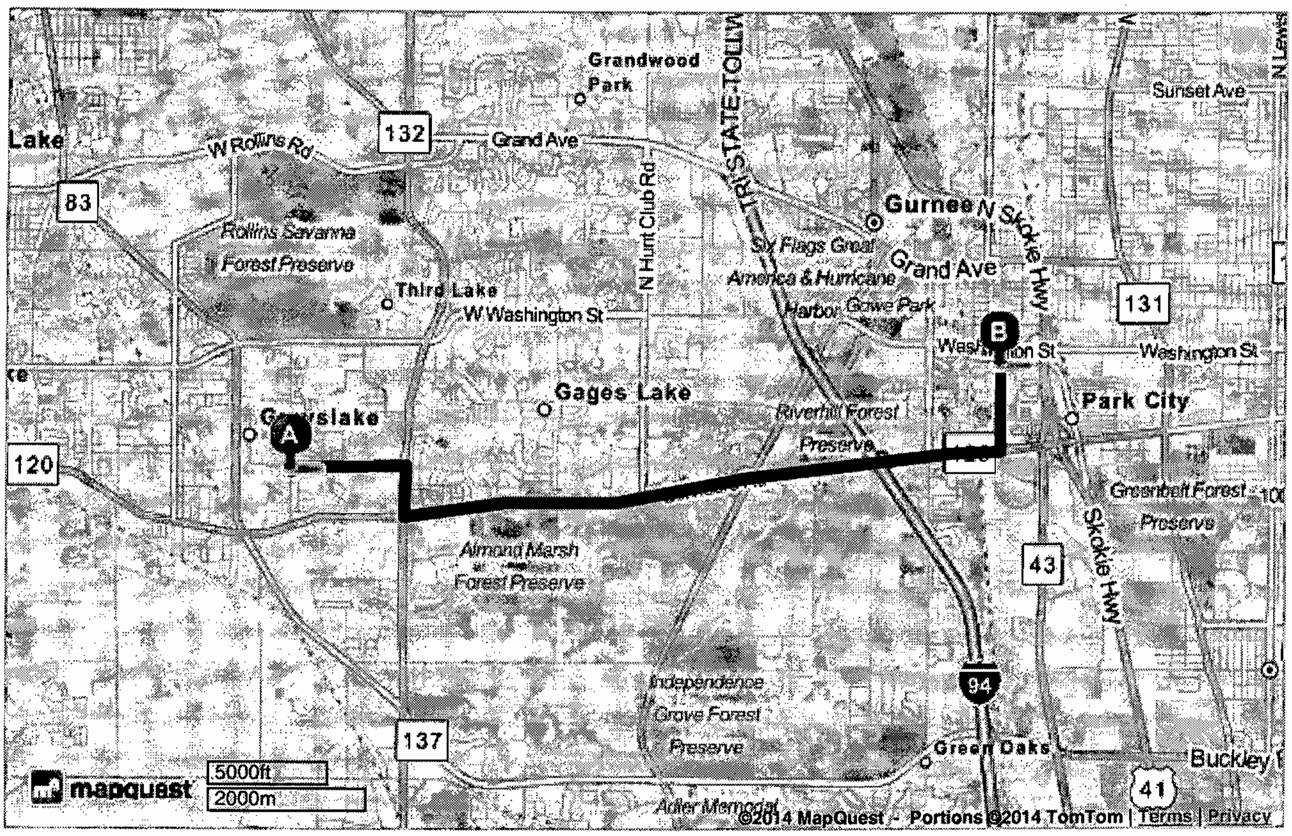
TO FRESENIUS MEDICAL CARE GURNEE

Trip to:

101 S Greenleaf St

Gurnee, IL 60031-3369

7.52 miles / 11 minutes



mapquest

Notes

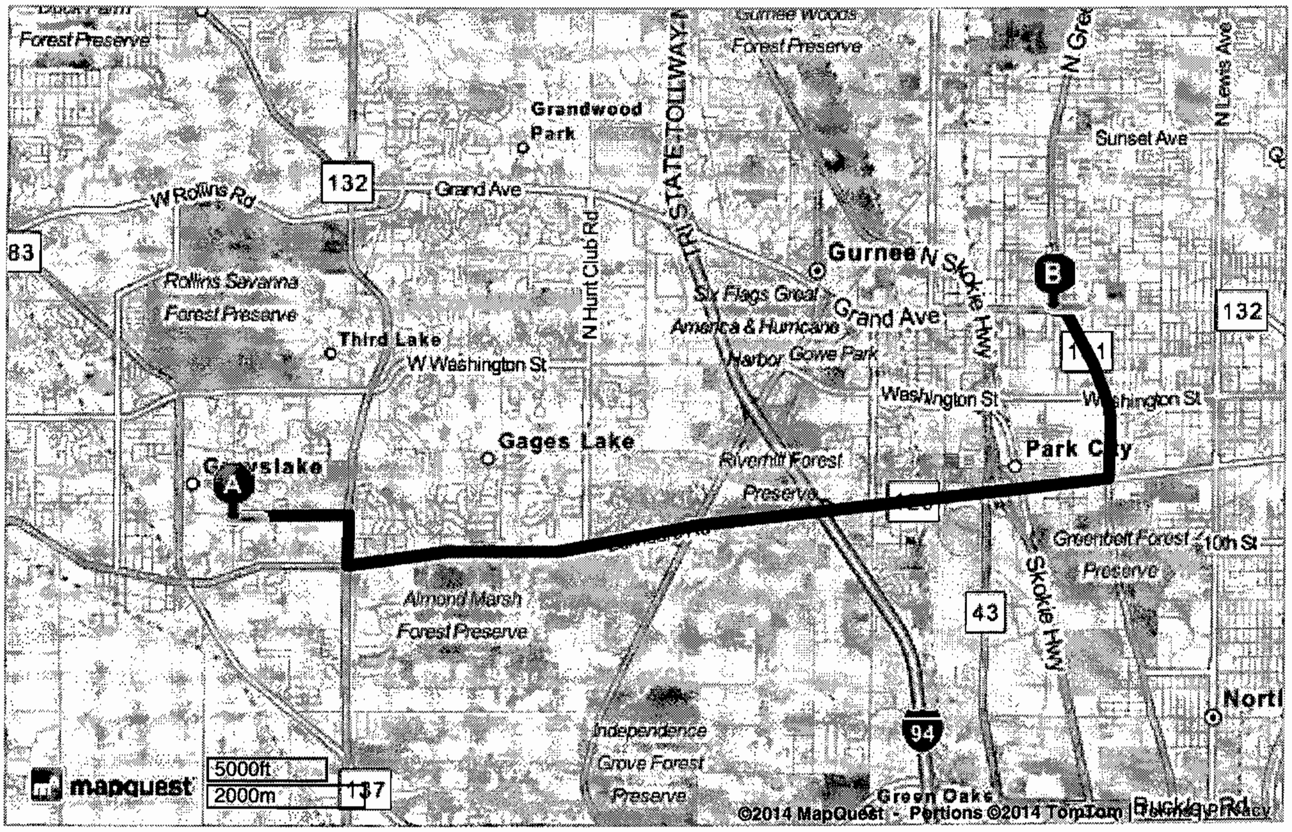
TO DAVITA WAUKEGAN

Trip to:

3300 Grand Ave

Waukegan, IL 60085-2206

9.84 miles / 14 minutes



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MapQuest Travel Times

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mapquest

Notes

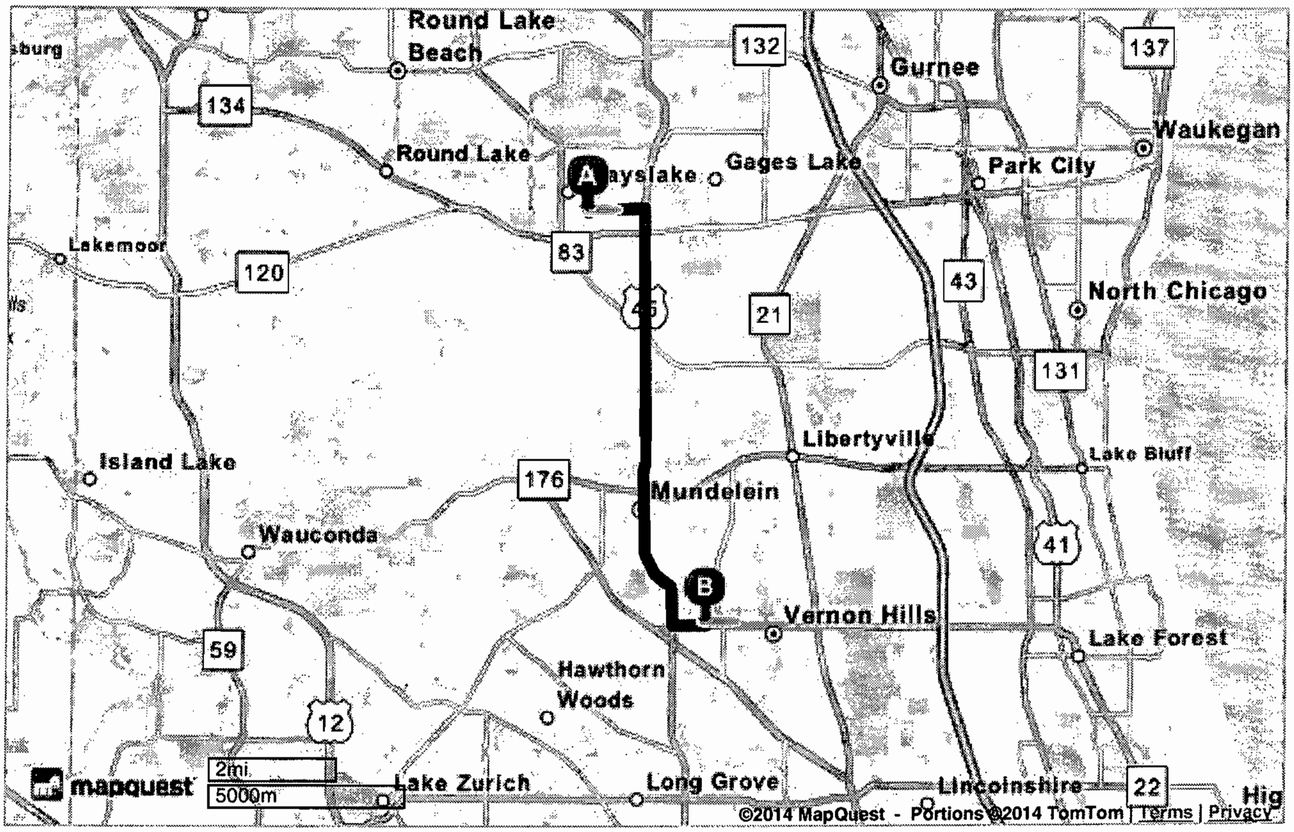
TO FRESENIUS MEDICAL CARE MUNDELEIN

Trip to:

1400 Townline Rd

Mundelein, IL 60060-4433

9.12 miles / 15 minutes



mapquest

Notes

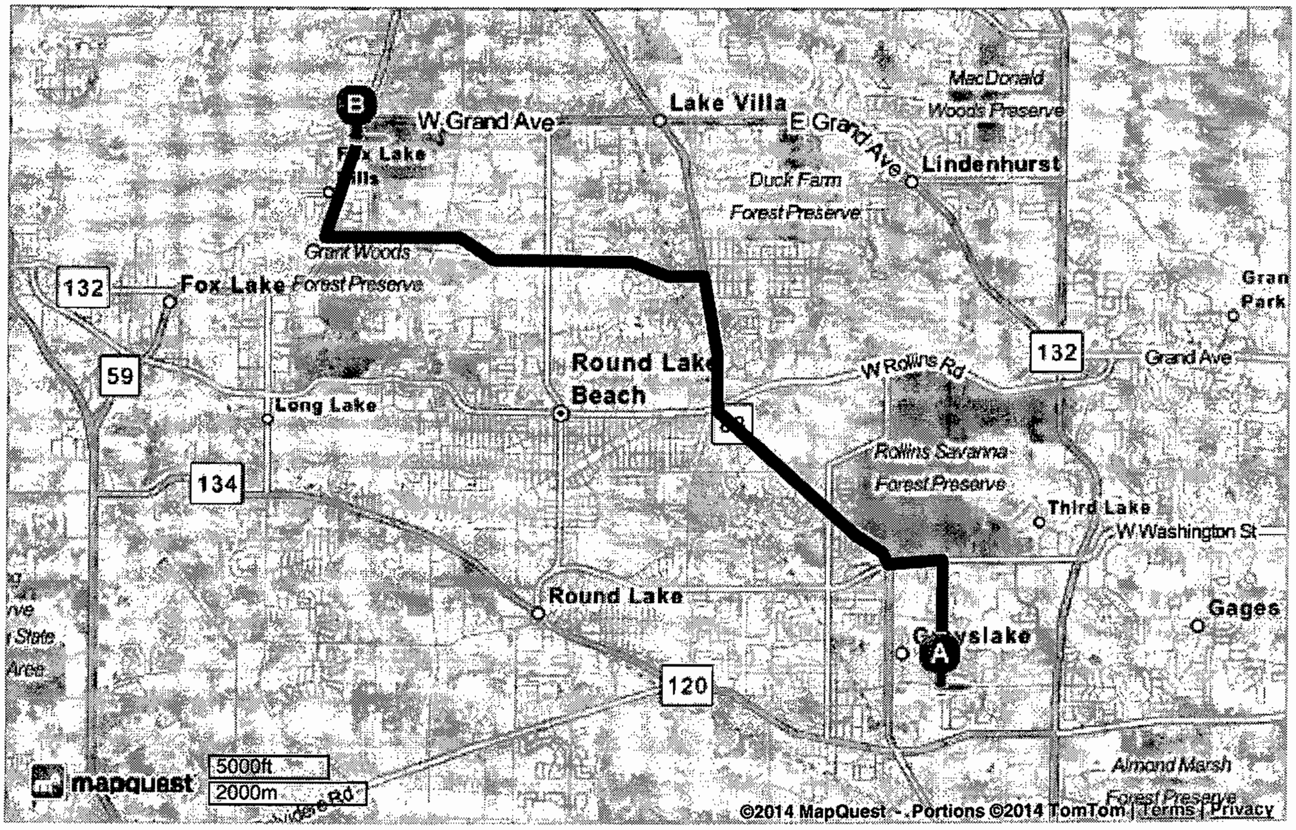
TO DAVITA LAKE VILLA

Trip to:

37809 Il Highway 132

Lake Villa, IL 60046-7332

9.11 miles / 15 minutes



MapQuest Travel Times

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mapquest

Notes

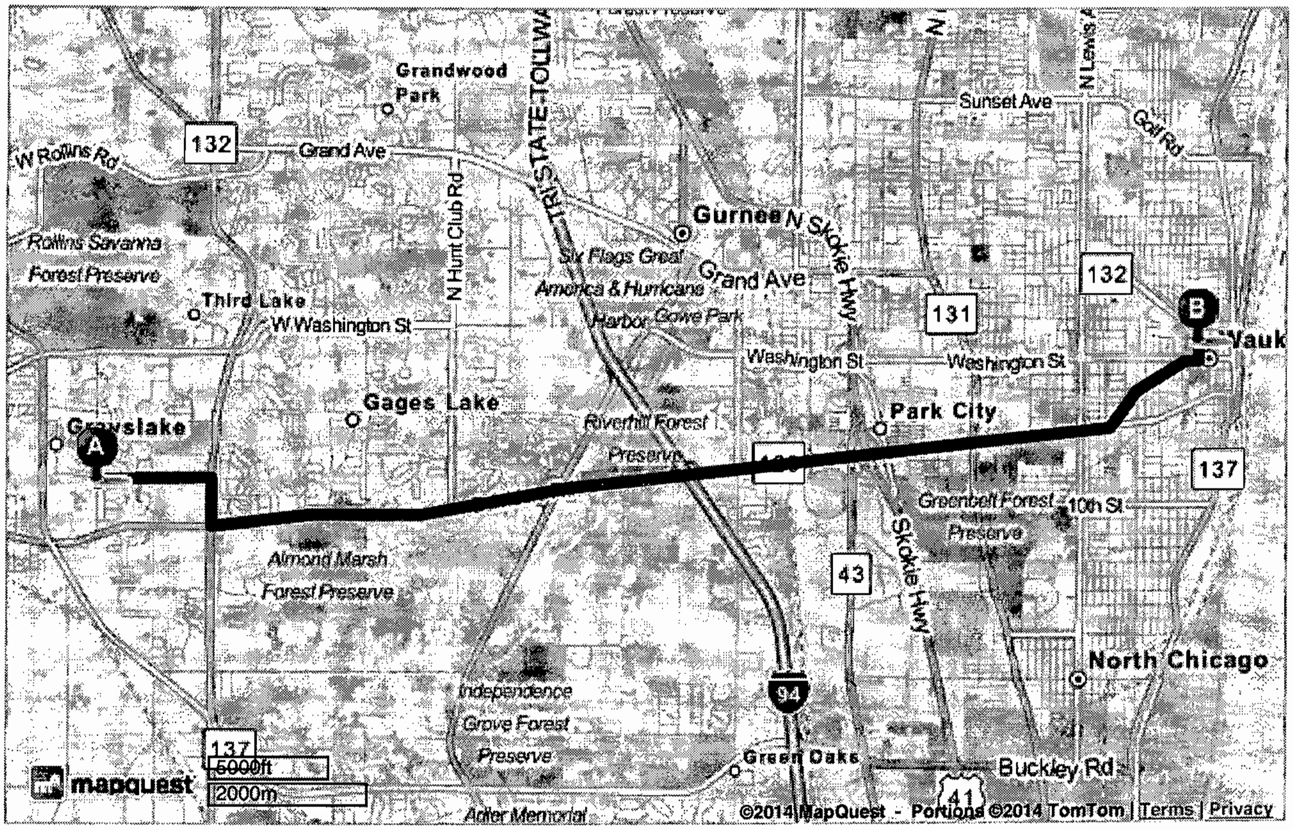
TO FRESENIUS MEDICAL CARE
WAUKEGAN HARBOR

Trip to:

110 N West St

Waukegan, IL 60085-4330

10.56 miles / 17 minutes



Notes

TO FRESENIUS MEDICAL CARE LAKE BLUFF

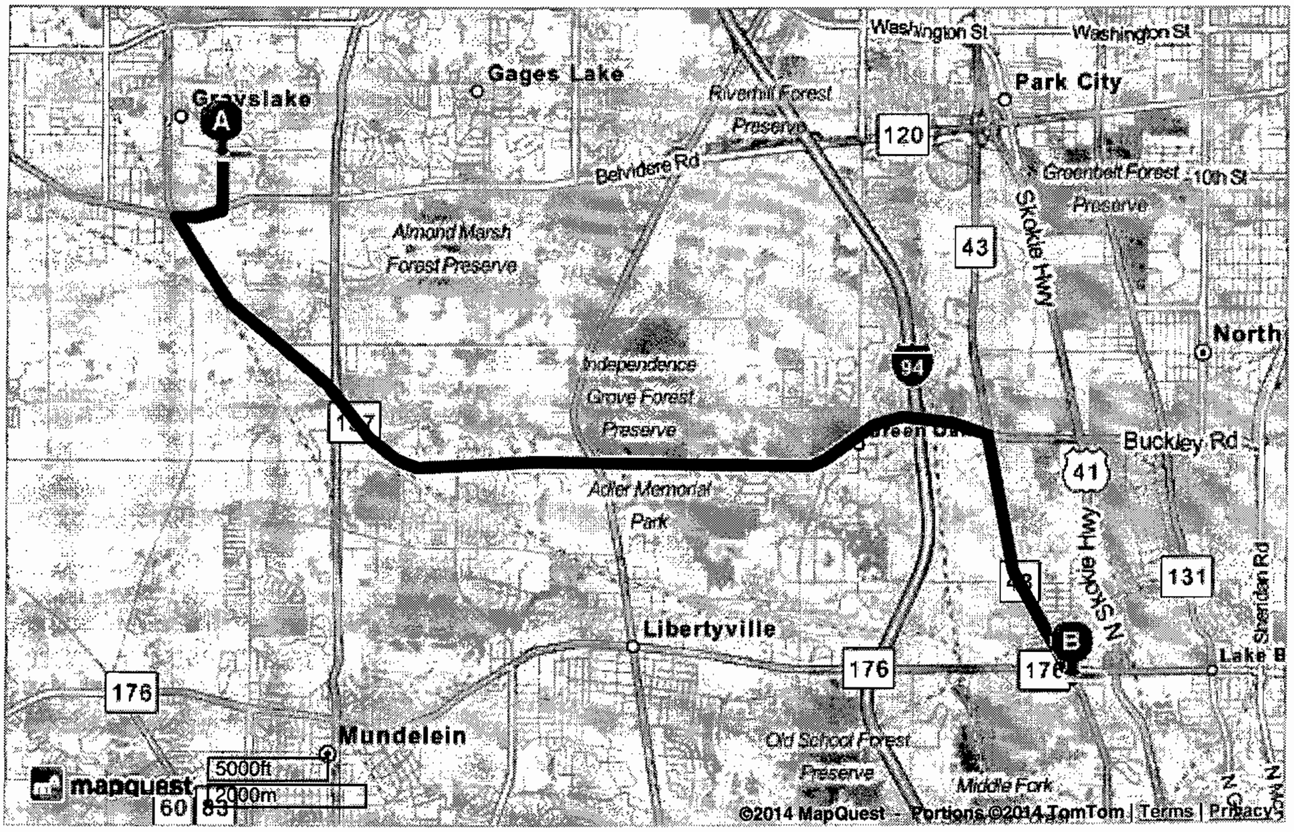
mapquest

Trip to:

101 Waukegan Rd

Lake Bluff, IL 60044

11.40 miles / 18 minutes



mapquest

Notes

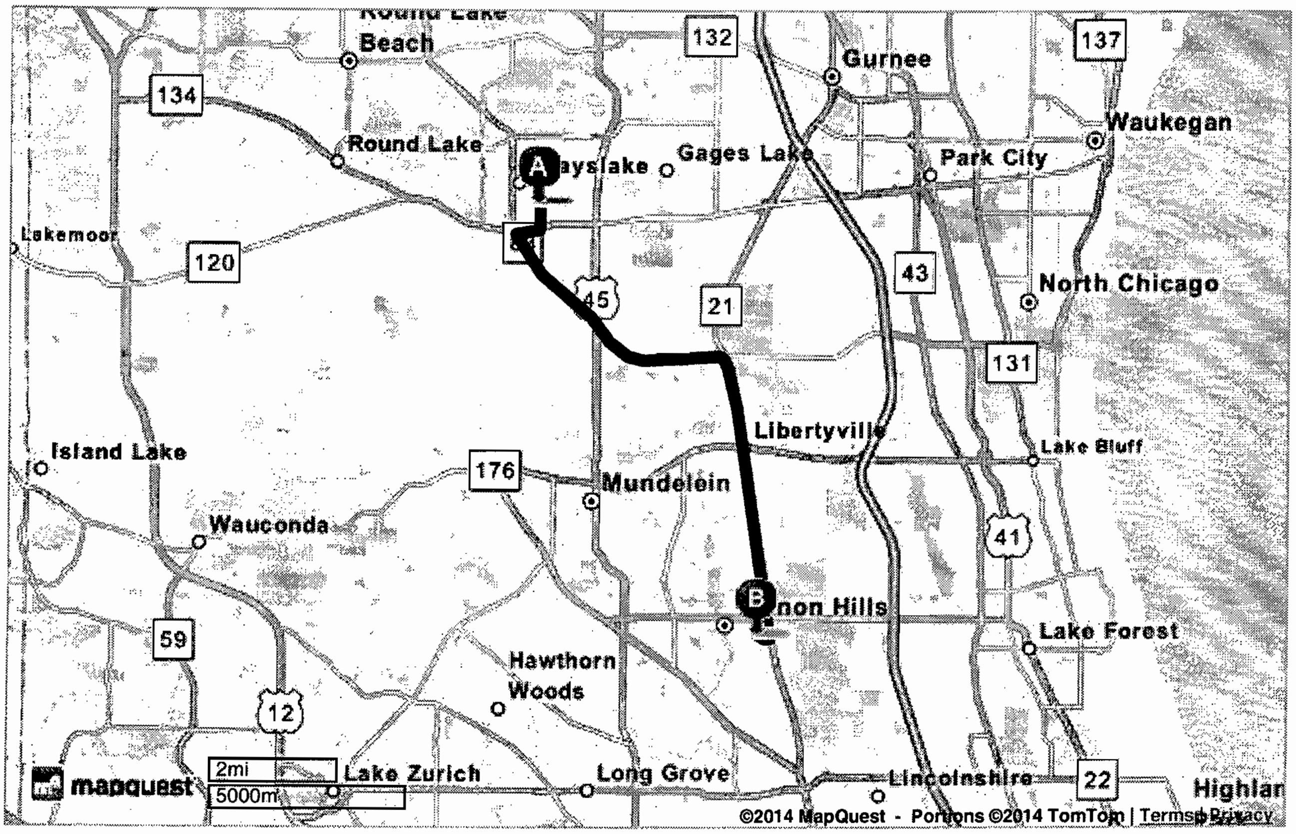
TO DAVITA LAKE COUNTY

Trip to:

565 Lakeview Pkwy

Vernon Hills, IL 60061-1829

10.70 miles / 19 minutes



mapquest

Notes

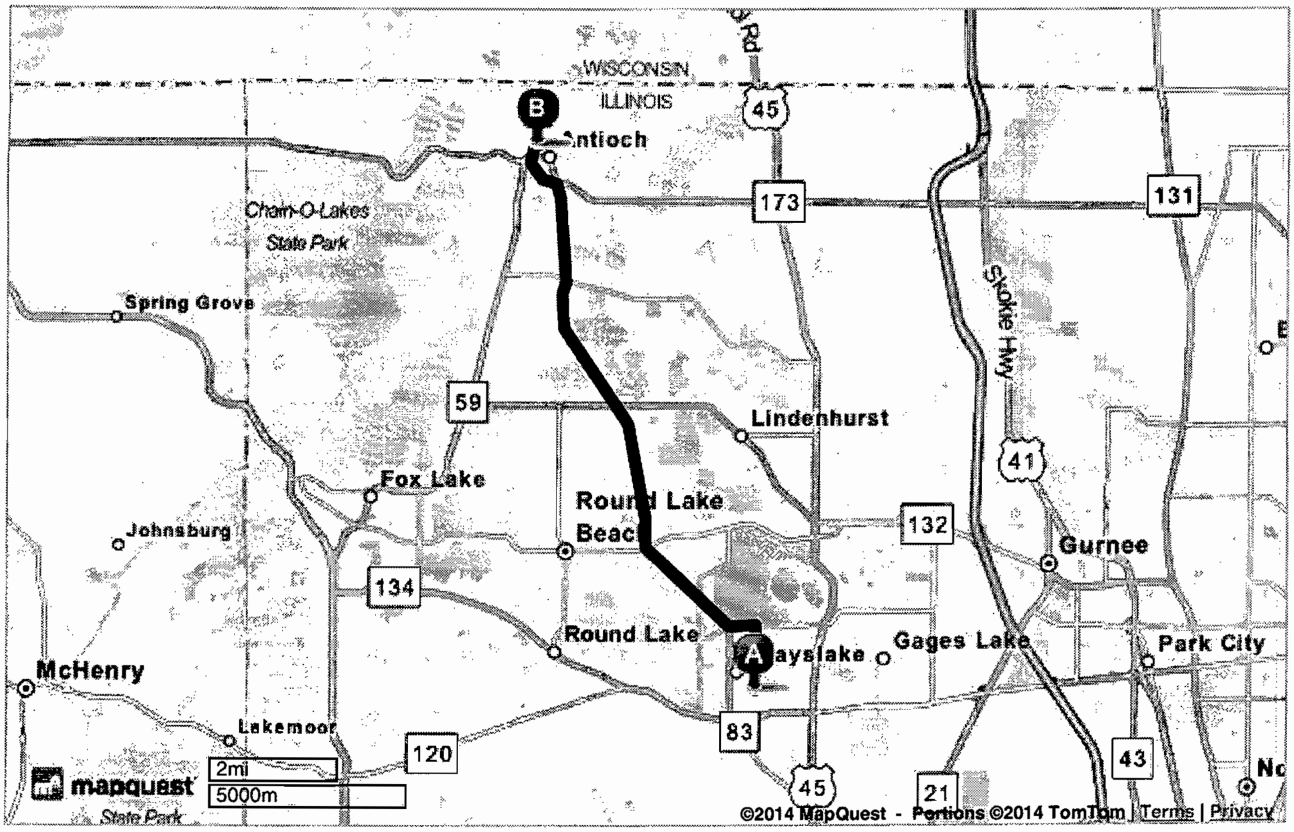
TO FRESENIUS MEDICAL CARE ANTIOCH

Trip to:

311 W Depot St

Antioch, IL 60002-1524

11.42 miles / 20 minutes



Notes

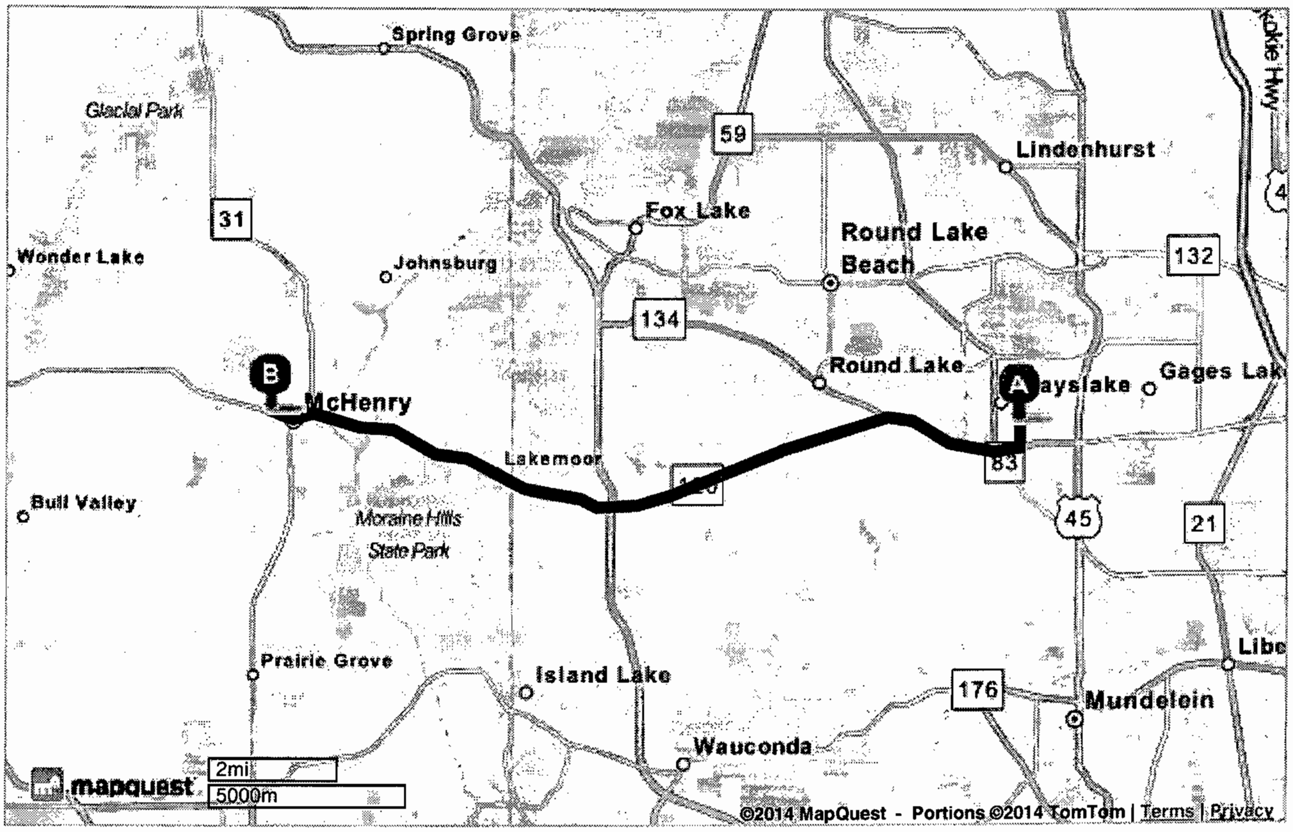
TO FRESENIUS MEDICAL CARE MCHENRY

Trip to:

4312 W Elm St

Mchenry, IL 60050-4003

14.46 miles / 23 minutes



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MapQuest Travel Times

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mapquest

Notes

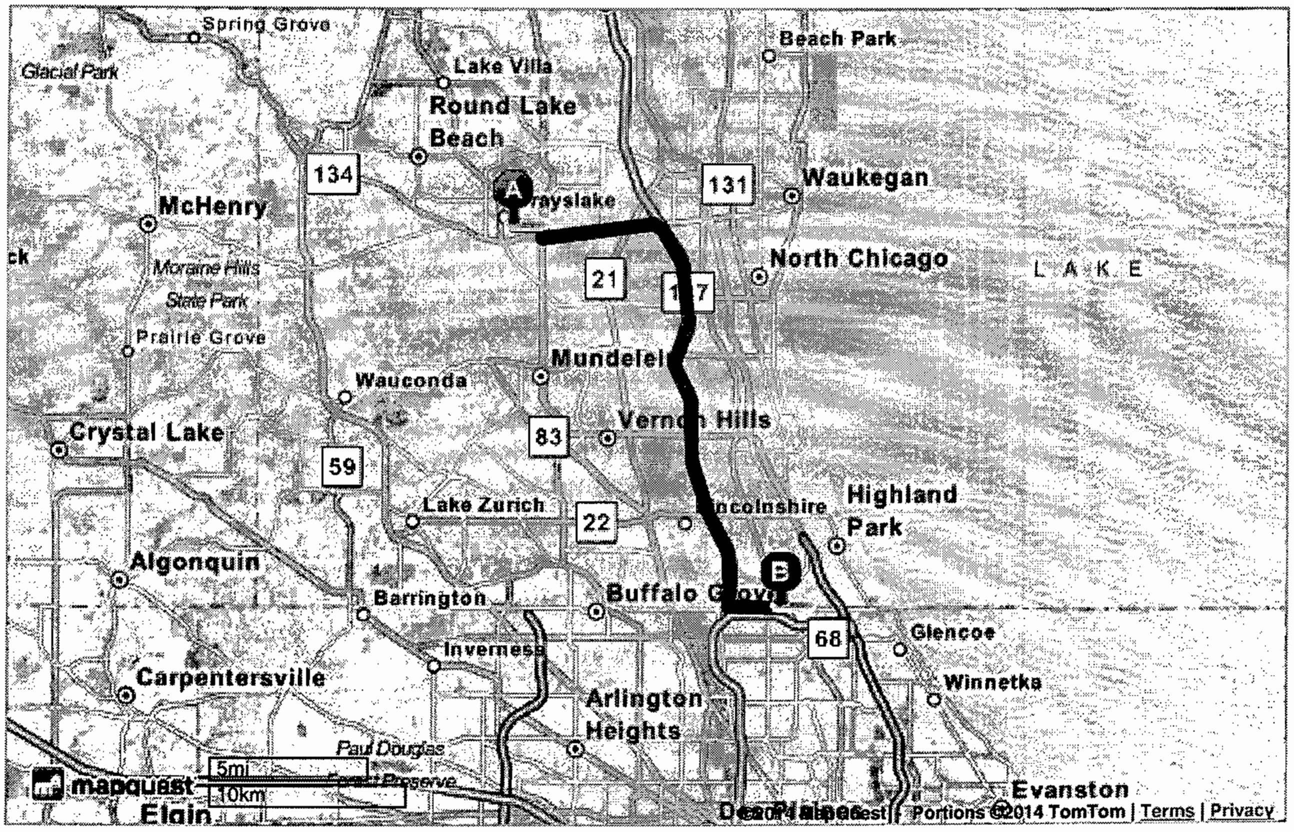
TO FRESENIUS MEDICAL CARE DEERFIELD

Trip to:

405 Lake Cook Rd

Deerfield, IL 60015-5202

21.60 miles / 25 minutes



mapquest

Trip to:

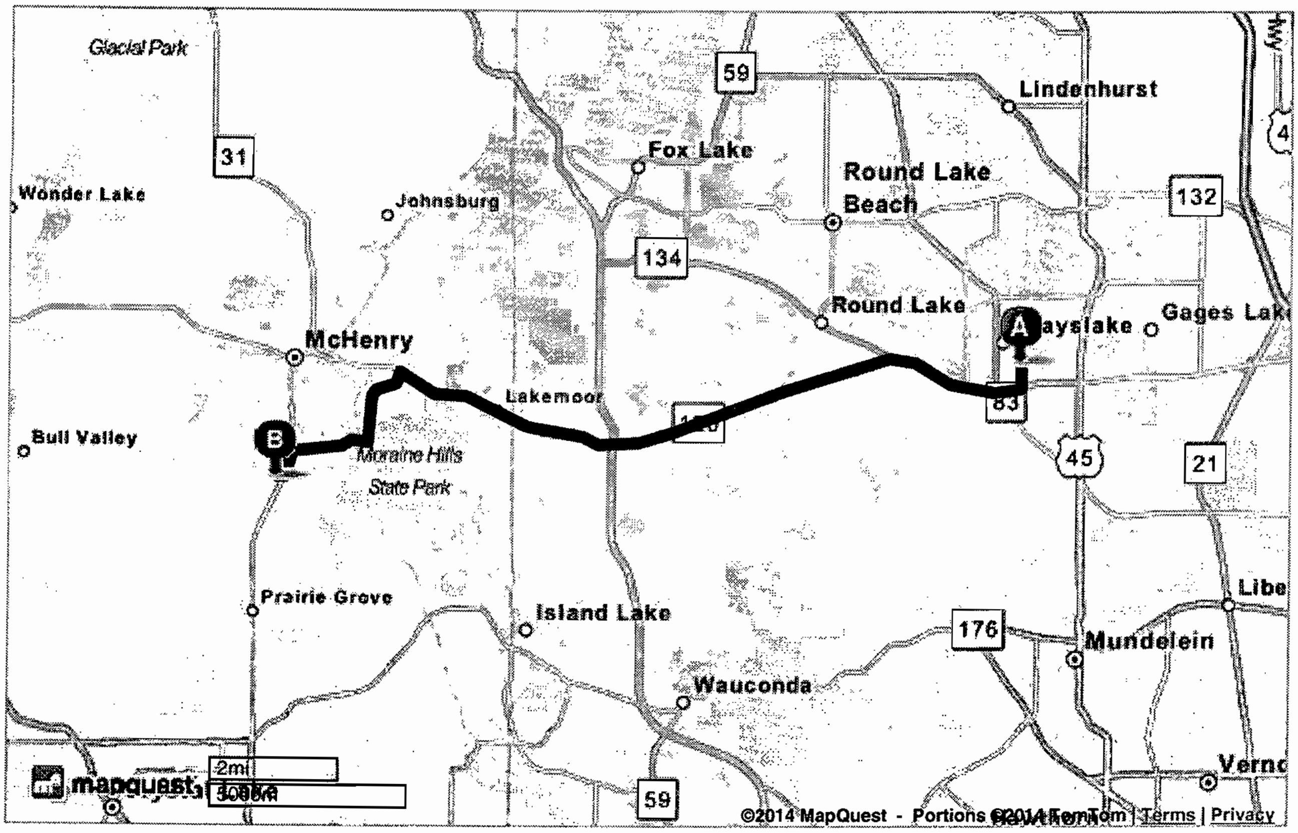
4209 W Shamrock Ln

Mchenry, IL 60050-8271

15.70 miles / 25 minutes

Notes

TO ARA MCHENRY



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MapQuest Travel Times

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mapquest

Trip to:

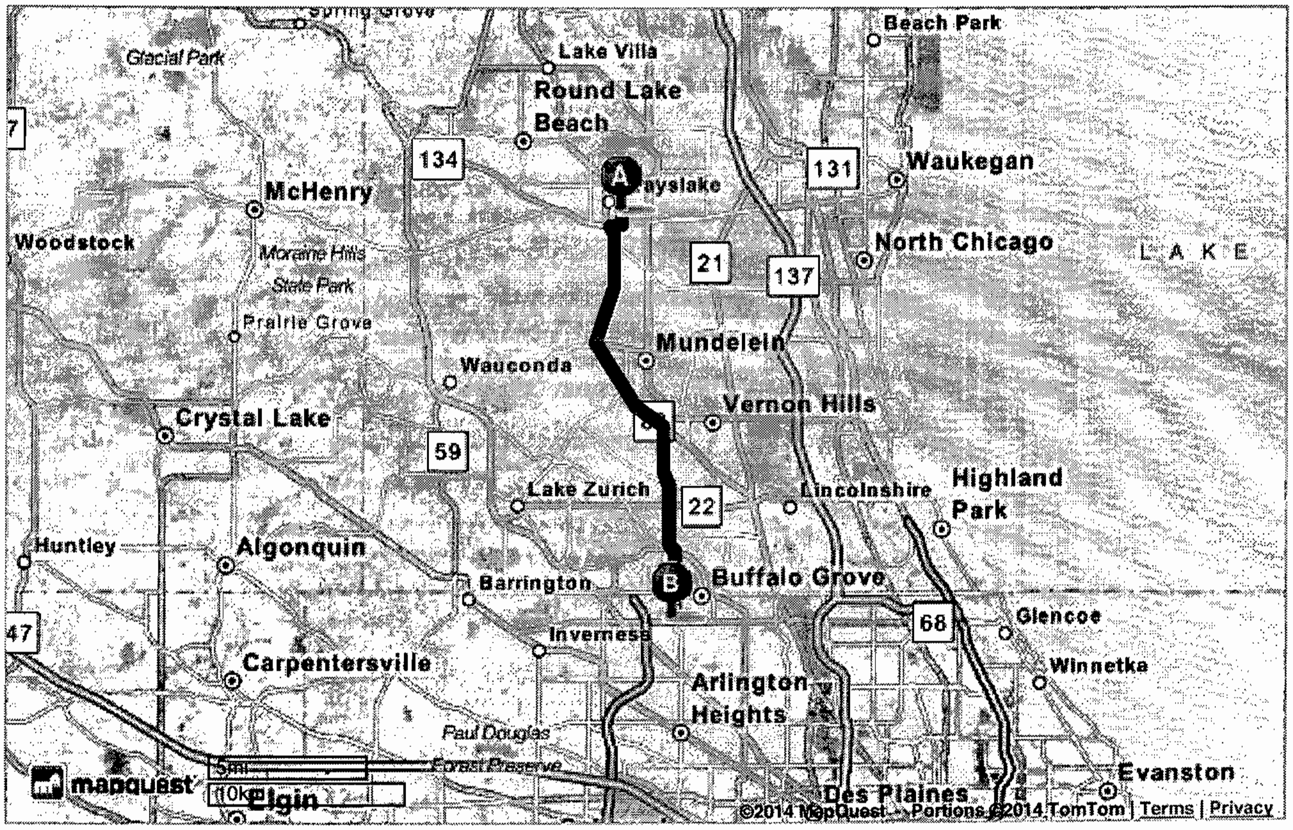
1291 W Dundee Rd

Buffalo Grove, IL 60089-4009

15.93 miles / 26 minutes

Notes

TO DAVITA BUFFALO GROVE



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MapQuest Travel Times

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Notes

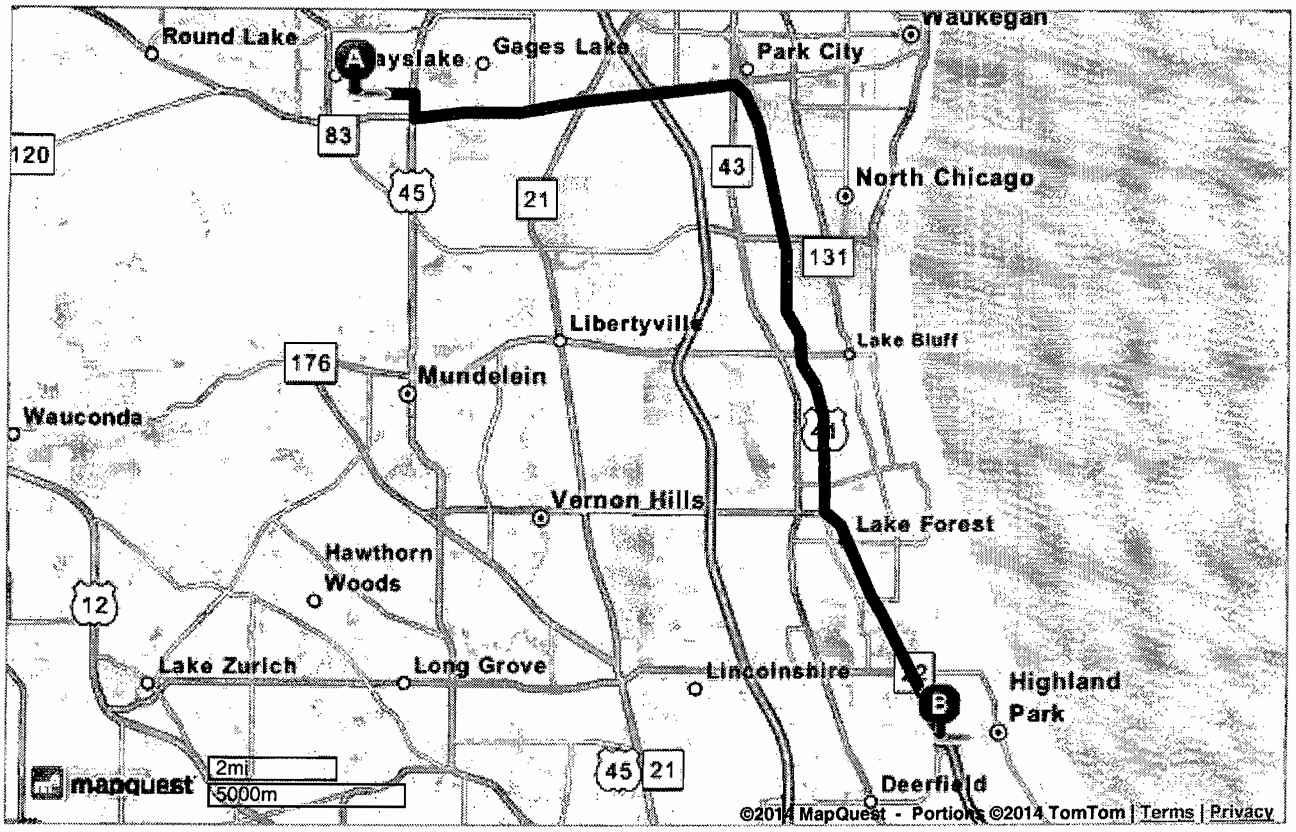
TO FRESENIUS MEDICAL CARE HIGHLAND PARK (HIGHLAND PARK HOSPITAL DIALYSIS)

Trip to:

1657 Old Skokie Rd

Highland Park, IL 60035-2349

19.55 miles / 26 minutes



Notes

TO FRESENIUS MEDICAL CARE PALATINE

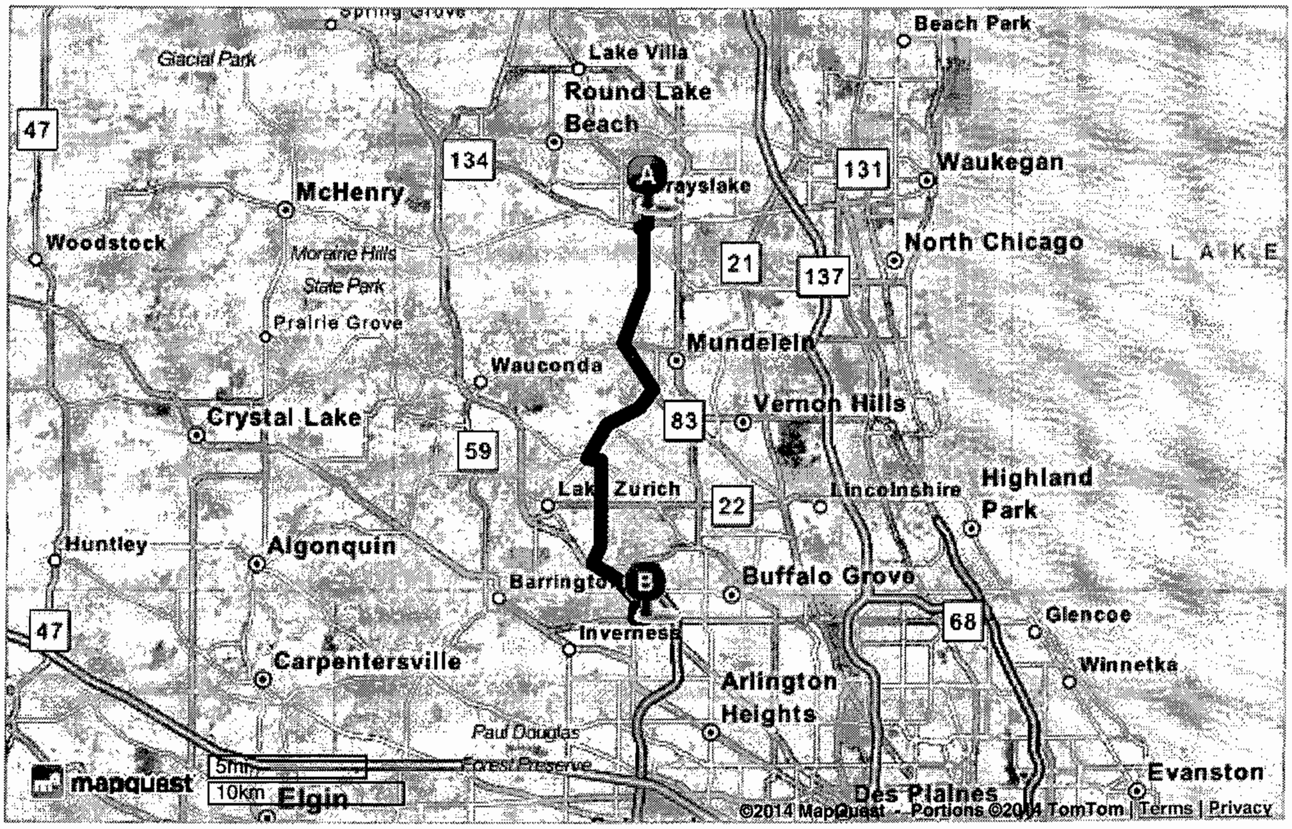
mapquest

Trip to:

691 E Dundee Rd

Palatine, IL 60074

17.74 miles / 28 minutes



Over 30 Minutes

mapquest

Notes

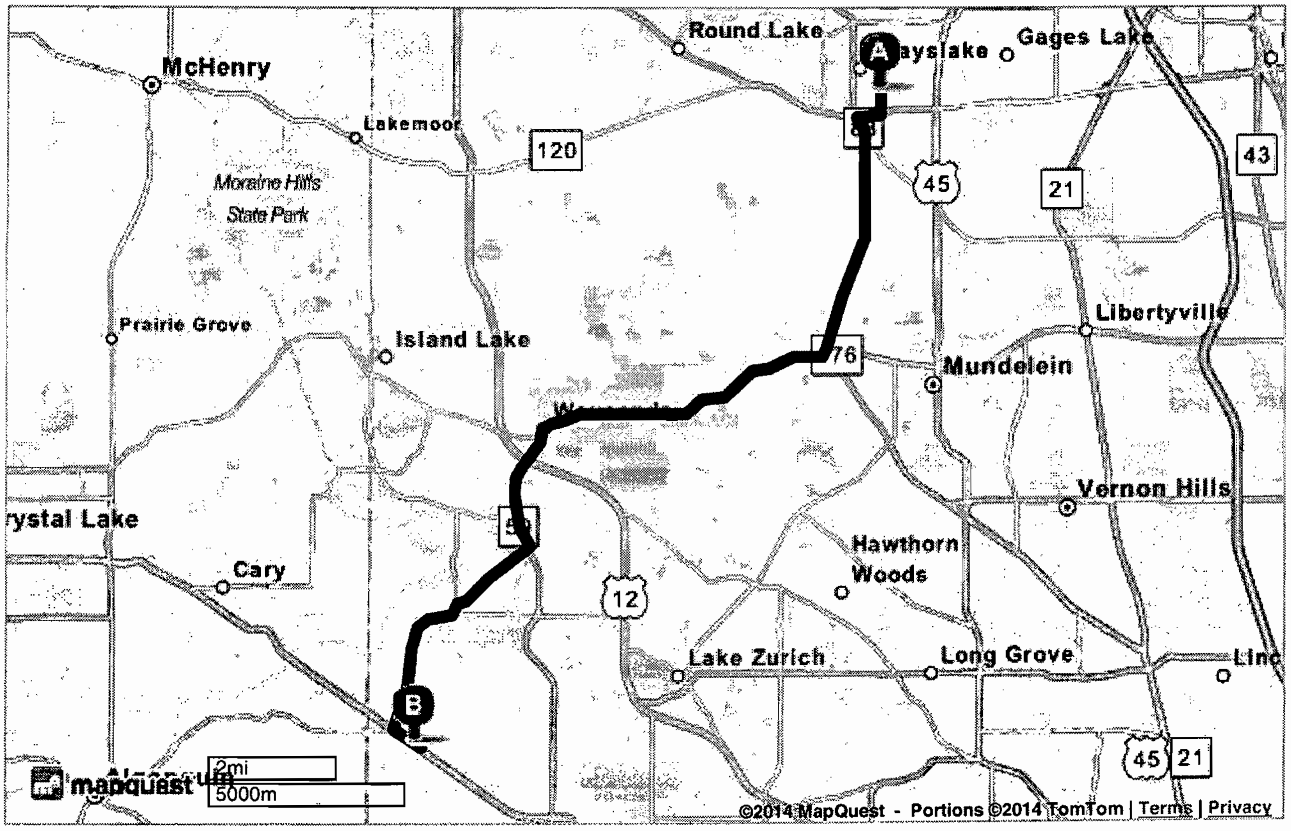
To DaVita Barrington Creek

Trip to:

28160 W Northwest Hwy

Lake Barrington, IL 60010-2324

17.77 miles / 27 minutes



Over 30 Minutes

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MapQuest Travel Times

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NANCY A. NORA, M.D.
SHALINI N. PATEL, M.D.
INTERNAL MEDICINE/NEPHROLOGY

767 PARK AVENUE WEST, SUITE 260
HIGHLAND PARK, ILLINOIS 60035

TELEPHONE (847) 432-7222
FACSIMILE (847) 432-9360

May 29, 2014

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

Dear Ms. Avery:

We are writing on behalf of North Shore Nephrology to support the Fresenius Medical Care Grayslake proposed in-center dialysis facility. We have a long standing nephrology practice based in Highland Park along with our partner Dr. Mehta. We have steadily seen more and more patients coming from further west in central Lake County. Four years ago we opened our second office in Grayslake to accommodate the increasing number of patients coming from this area.

With the high utilization at many facilities in central and east Lake County, we often encounter difficulty finding an appropriate shift for a patient new to dialysis. The proposed Grayslake facility will offer additional options for our patients in this area.

Our practice was treating 165 hemodialysis patients at the end of 2011, 161 at the end of 2012 and 180 patients at the end of 2013, and 179 as of March 2014 as reported to The Renal Network. Over the past 12 months we referred 65 new ESRD patients for hemodialysis services to Highland Park Hospital, Fresenius Medical Care Deerfield, Lake Bluff, Palatine, Mundelein, Gurnee, and Round Lake. We have over 800 pre-ESRD patients that we see in our office and there are 137 that live in close proximity to Grayslake that we anticipate would be referred to the Fresenius Grayslake facility in the first two years of its operation.

Thank you for your consideration and we respectfully ask you to approve Fresenius Medical Care Grayslake to provide access to the growing numbers of ESRD patients in central Lake County.

We 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 permitted or pending CON application.

Sincerely,

Nancy A. Nora, M.D.

Shalini N. Patel, M.D.

Notarization:
Subscribed and sworn to before me
this 30th day of May, 2014

Signature of Notary

Seal
OFFICIAL SEAL
MICHELLE M HOGAN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:01/12/17

Notarization:
Subscribed and sworn to before me
this 30th day of May, 2014

Signature of Notary

Seal
OFFICIAL SEAL
MICHELLE M HOGAN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:01/12/17

PRE-ESRD PATIENTS TO BE REFERRED TO FRESENIUS MEDICAL CARE GRAYSLAKE

Town	Zip Code	Patients
Grayslake	60030	29
Gurnee	60031	40
Lindenhurst	60046	16
Libertyville	60048	22
Mundelein	60060	11
Round Lake	60073	17
Wauconda	60084	2
	Total	**137**

NEW ESRD REFERRALS OF NORTH SHORE NEPHROLOGY FOR PAST 12 MONTHS

Zip Code	Fresenius Medical Care							Highland Park Hospital	Total
	Deerfield	Gurnee	Lake Bluff	Mundelein	Round Lake	Waukegan Harbor	Palatine		
54304								1	1
60010									0
60015	2							6	8
60022								1	1
60025								1	1
60030		1							1
60031								1	1
60035	1							6	7
60040								3	3
60044	1		1						2
60045	1		1	1				2	5
60047				1					1
60060				1				1	2
60061	1							1	2
60062	1							1	2
60064	1						1	1	3
60069				1				3	4
60073					3				3
60085		3	1	4		4		1	13
60089	1								1
60090								2	2
60091								1	1
60610								1	1
Total	**9**	**4**	**3**	**8**	**3**	**4**	**1**	**33**	**65**

IN-CENTER ESRD PATIENTS OF NORTH SHORE NEPHROLOGY
AT YEAR END 2011

Highland Park Hospital		DaVita Lake County		Fresenius Medical Care					
				Deerfield		Lake Bluff		Antioch	
Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients
60046	2	60061	1	60045	1	60087	4	60096	1
60035	29			60022	1	60064	4	60099	1
60069	5			60062	5	60085	2		
60064	6			60040	2	60048	2		
60085	7			60047	1	60045	2		
60015	6			60073	1	60099	3		
60050	1			60064	2	60096	1		
60099	5			60035	3	60060	1		
60060	1			60085	2	60061	1		
60091	1			60046	1	60031	1		
60134	1			60048	1	60044	3		
60645	1			60031	2	60083	1		
60169	1			60090	1	60035	1		
60089	3			60015	1	60030	1		
60083	3			60099	1				
60065	1			60015	1				
60090	2								
60062	6								
60045	5								
60048	1								
60712	1								
60061	1								
60047	1								
60022	1								
60096	1								
60031	4								
60040	9								
60044	1								
60625	1								
60070	1								
60010	1								
Total	**109**	**Total**	**1**	**Total**	**26**	**Total**	**27**	**Total**	**2**

Grand Total	**165**

IN-CENTER ESRD PATIENTS OF NORTH SHORE NEPHROLOGY AT YEAR END 2012

Highland Park Hospital		Fresenius Medical Care							
		Deerfield		Lake Bluff		Mundelein		Round Lake	
Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients
60035	18	60045	1	60064	7	60061	2	60073	1
60069	5	60089	3	60085	10	60073	2		
60064	6	60022	1	60045	3	60087	1		
60085	7	60040	1	60099	3	60069	1		
60050	1	60064	1	60048	2	60060	3		
60015	7	60062	4	60087	4	60031	1		
60099	5	60015	2	60030	1	60030	1		
60040	8	60085	2	60061	1	60047	1		
60060	1	60026	1	60044	2	60041	1		
60091	1	60046	1	60096	1				
60046	1	60048	1	60064	1				
60645	1	60090	2						
60089	2	60031	2						
60062	3	60022	1						
60030	1	60047	3						
60045	6	60035	2						
60061	1								
60004	1								
60083	2								
60031	3								
60712	1								
60070	1								
60044	1								
60154	1								
Total	**84**	**Total**	**28**	**Total**	**35**	**Total**	**13**	**Total**	**1**

Grand Total	**161**

IN-CENTER ESRD PATIENTS OF NORTH SHORE NEPHROLOGY AT YEAR END 2013

Highland Park Hospital		Fresenius Medical Care											
		Deerfield		Lake Bluff		Mundelein		Waukegan Harbor		Gurnee		Round Lake	
Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients	Zip Code	Patients
60035	20	60045	1	60087	1	60085	2	60085	5	60085	4	60085	1
60069	6	60015	8	60044	3	60030	1	60087	1	60030	1		
60064	7	60089	3	60048	1	60074	1	60047	1				
60085	4	60022	2	60064	5	60046	1						
60099	4	60040	1	60085	2	60061	5						
60040	9	60064	2	60030	1	60064	1						
60060	1	60085	2	60099	4	60010	1						
60091	1	60062	2	60045	2	60099	1						
60046	1	60026	1	60061	1	60060	2						
60645	1	60048	1			60073	2						
60090	2	60090	2			60047	2						
60089	2	60035	2			60069	1						
60062	4	60031	1			60087	1						
60015	7	60065	1			60050	1						
60022	1	60083	1			60089	1						
60030	1					60031	1						
60045	9					60041	1						
60083	2												
60048	1												
60201	1												
60061	1												
60031	4												
60712	1												
60070	1												
60154	1												
Totals	**92**	**Total**	**30**	**Total**	**20**	**Total**	**25**	**Total**	**7**	**Total**	**5**	**Total**	**1**

Grand Total	180

ESRD PATIENTS OF NORTH SHORE NEPHROLOGY
AS OF MARCH 31, 2014

Zip	Fresenius Medical Care							DaVita	Highland Park	
Code	Deerfield	Gurnee	Lake Bluff	Mundelein	Round Lake	Waukegan Harbor	Palatine	Lake County	Hospital	Total
60010				1						1
60015	4							1	8	13
60022	1								1	2
60025									1	1
60026	1									1
60030		1	1	1					1	4
60031	1			1		1			3	6
60035									19	19
60040	2								11	13
60041				1						1
60044			2						2	4
60045	2		4						10	16
60046				1					1	2
60047				1						1
60048			1						1	2
60060				4					1	5
60061			1	5					1	7
60062	1								4	5
60064	1		4	1			1		6	13
60065	1									1
60069				1					7	8
60070									1	1
60073				2	3					5
60074				1						1
60083									2	2
60085	2	3	1	4		6			5	21
60087			1	1		2				4
60089	2			1				1	2	6
60090	2								1	3
60099			4	1		1			2	8
60610									1	1
60645									1	1
60712									1	1
Total	**20**	**4**	**19**	**27**	**3**	**10**	**1**	**2**	**93**	**179**

KPMG

FRESENIUS MEDICAL CARE HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

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

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Consolidated Statements of Comprehensive Income for the years ended December 31, 2013 and 2012	5
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Notes to Consolidated Financial Statements	9–55

KPMG

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

Independent Auditors' Report

The Shareholders
Fresenius Medical Care Holdings, Inc.:

We have audited the accompanying consolidated financial statements of Fresenius Medical Care Holdings, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Fresenius Medical Care Holdings, Inc. and its subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Boston, Massachusetts
May 22, 2014

FRESENIUS MEDICAL CARE HOLDINGS, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2013 and 2012

(Dollars in thousands)

Assets		**2013**	**2012**
Current assets:			
Cash and cash equivalents	$	275,719	341,071
Trade accounts receivable, less allowances of $299,180 in 2013 and $250,124 in 2012		1,369,826	1,361,637
Receivables from affiliates		961,307	2,763,935
Inventories		436,430	428,620
Deferred income taxes		247,585	242,996
Other current assets		575,256	535,444
Total current assets		3,866,123	5,673,703
Property, plant and equipment, net		1,656,841	1,568,231
Other assets:			
Goodwill		10,008,571	9,850,023
Other intangible assets, net		574,208	524,578
Investment in equity method investees		48,820	45,619
Other assets and deferred charges		442,751	146,481
Total other assets		11,074,350	10,566,701
Total assets	$	16,597,314	17,808,635
Liabilities and Equity			
Current liabilities:			
Short-term borrowings	$	13,613	23,804
Current portion of long-term debt and capital lease obligations		200,768	101,078
Current portion of mandatorily redeemable preferred securities		—	665,500
Accounts payable		291,217	373,768
Accrued liabilities		1,167,663	998,525
Accrued special charge for legal matters		115,458	115,555
Accounts payable to affiliates		48,189	52,134
Accrued income taxes		257,785	179,747
Total current liabilities		2,094,693	2,510,111
Long-term debt		2,792,267	2,728,162
Noncurrent borrowings from affiliates		2,113,723	2,030,126
Capital lease obligations		10,804	1,376
Deferred income taxes		695,328	612,965
Other liabilities		368,675	518,426
Total liabilities		8,075,490	8,401,166
Noncontrolling interests subject to put provisions		616,792	511,707
Series C redeemable preferred stock, $1 par value		235,141	1,250,000
Equity:			
Preferred stock, $1 par value		1,188,390	1,188,390
Common stock, $1 par value		90,000	90,000
Additional paid-in capital		1,786,715	1,861,059
Retained earnings		4,463,220	4,407,900
Accumulated other comprehensive loss		(71,204)	(120,540)
Total Fresenius Medical Care Holdings Inc. equity		7,457,121	7,426,809
Noncontrolling interests not subject to put provisions		212,770	218,953
Total equity		7,669,891	7,645,762
Total liabilities and equity	$	16,597,314	17,808,635

See accompanying notes to consolidated financial statements.

FRESENIUS MEDICAL CARE HOLDINGS, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2013 and 2012

(Dollars in thousands)

		2013	2012
Net revenues:			
Health care services	$	8,967,583	8,434,059
Less patient service bad debt provision		284,648	280,365
Net health care services		8,682,935	8,153,694
Medical supplies		750,257	731,707
		9,433,192	8,885,401
Expenses:			
Cost of health care services		5,666,513	5,154,520
Cost of medical supplies		559,338	561,578
General and administrative expenses		1,263,043	1,243,523
Depreciation and amortization		379,992	353,012
Research and development		48,291	38,256
Equity investment income		(5,666)	(7,900)
Interest expense, net, and related financing costs (including $113,662 and $131,118 of interest with affiliates, respectively)		177,441	181,356
Investment gain		—	(139,600)
		8,088,952	7,384,745
Income before income taxes		1,344,240	1,500,656
Provision for income taxes		465,540	497,177
Net income		878,700	1,003,479
Less net income attributable to noncontrolling interests		139,298	140,232
Net income attributable to Fresenius Medical Care Holdings, Inc.	$	739,402	863,247

See accompanying notes to consolidated financial statements.

FRESENIUS MEDICAL CARE HOLDINGS, INC.
AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended December 31, 2013 and 2012

(Dollars in thousands)

		2013	2012
Net income	$	878,700	1,003,479
Other comprehensive income (loss):			
Foreign currency translation adjustments		(2,389)	1,039
Unrealized gain on investments		1,450	—
Pension asset (liability) adjustments, (net of deferred tax of $32,979 and $19,645, respectively)		50,618	(30,152)
Derivative instruments, (net of deferred tax of $223 and ($8,598), respectively)		(343)	13,197
Total other comprehensive income (loss)		49,336	(15,916)
Total comprehensive income		928,036	987,563
Comprehensive income attributable to noncontrolling interests		139,298	140,232
Comprehensive income attributable to Fresenius Medical Care Holdings, Inc.	$	788,738	847,331

See accompanying notes to consolidated financial statements.

FRESENIUS MEDICAL CARE HOLDINGS, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

Years ended December 31, 2013 and 2012

(Dollars in thousands, except share data)

	Preferred stock		Common stock							
	Shares	Amount	Shares	Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total FMCH, Inc. shareholders' equity	Noncontrolling interests not subject to put provisions	Total equity
Balance, December 31, 2011	4,753,560	$ 1,188,390	90,000,000	$ 90,000	1,840,621	3,544,516	(104,624)	6,558,903	102,686	6,661,589
Net income	—	—	—	—	—	863,247	—	863,247	45,514	908,761
Other comprehensive income	—	—	—	—	—	—	(15,916)	(15,916)	—	(15,916)
Exercise of stock options and related tax effects	—	—	—	—	13,273	—	—	13,273	—	13,273
Compensation expense related to stock options	—	—	—	—	18,059	—	—	18,059	—	18,059
Cash contributions noncontrolling interests	—	—	—	—	—	—	—	—	3,199	3,199
Dividends paid noncontrolling interests	—	—	—	—	—	—	—	—	(23,734)	(23,734)
Purchase (sale) of noncontrolling interests	—	—	—	—	(29,779)	—	—	(29,779)	91,288	61,509
Changes in fair value of noncontrolling interests subject to put provisions	—	—	—	—	18,880	—	—	18,880	—	18,880
Other reclassifications	—	—	—	—	5	137	—	142	—	142
Balance, December 31, 2012	4,753,560	1,188,390	90,000,000	90,000	1,861,059	4,407,900	(120,540)	7,426,809	218,953	7,645,762
Net income	—	—	—	—	—	739,402	—	739,402	26,142	765,544
Other comprehensive income	—	—	—	—	—	—	49,336	49,336	—	49,336
Exercise of stock options and related tax effects	—	—	—	—	3,351	—	—	3,351	—	3,351
Compensation expense related to stock options	—	—	—	—	9,495	—	—	9,495	—	9,495
Dividends paid	—	—	—	—	—	(684,229)	—	(684,229)	—	(684,229)
Cash contributions noncontrolling interests	—	—	—	—	—	—	—	—	7,341	7,341
Dividends paid noncontrolling interests	—	—	—	—	—	—	—	—	(31,335)	(31,335)
Purchase (sale) of noncontrolling interests	—	—	—	—	21,420	—	—	21,420	(8,331)	13,089
Changes in fair value of noncontrolling interests subject to put provisions	—	—	—	—	(108,575)	—	—	(108,575)	—	(108,575)
Other reclassifications	—	—	—	—	(35)	147	—	112	—	112
Balance, December 31, 2013	4,753,560	$ 1,188,390	90,000,000	$ 90,000	1,786,715	4,463,220	(71,204)	7,457,121	212,770	7,669,891

See accompanying notes to consolidated financial statements.

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FRESENIUS MEDICAL CARE HOLDINGS, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2013 and 2012

(Dollars in thousands)

		2013	2012
Cash flows from operating activities:			
Net income	$	878,700	1,003,479
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		379,992	353,012
Gain on investment fair value remeasurement		—	(139,600)
Provision for doubtful accounts		285,991	280,374
Deferred income taxes		51,924	89,910
Loss on sale of dialysis clinic		(7,763)	(33,926)
Amortization of discount on senior note		2,285	2,285
Equity investment income		(5,666)	(7,900)
Loss on disposal of properties and equipment		5,432	4,160
Compensation expense related to stock options		9,495	18,059
Amortization of discount on investments		—	70
Gain on currency exchange agreements		(284,392)	(49,528)
Changes in operating assets and liabilities, net of effects of purchase acquisitions:			
Increase in trade accounts receivable		(301,714)	(297,826)
Increase in inventories		(6,567)	(4,394)
(Increase) decrease in other current assets		(9,953)	66,904
Decrease (increase) in other assets and deferred charges		(6,258)	(223,391)
(Decrease) increase in accounts payable		(82,252)	46,333
Increase in accrued income taxes		55,325	29,098
Increase in accrued liabilities		163,116	65,890
Decrease in accrued special charge for legal matters		(97)	(139)
(Decrease) increase in other long-term liabilities		37,101	109,789
Net changes due to/from affiliates		17,107	61,994
Distributions received on equity investments		5,495	3,336
Other, net		(3,418)	2,160
Net cash provided by operating activities		1,183,883	1,380,149
Cash flows from investing activities:			
Capital expenditures, net of proceeds		(411,193)	(326,510)
Acquisitions and investments, net of cash acquired		(212,519)	(1,847,248)
Proceeds from sale of interests and divestitures		14,590	233,598
Issuance of note receivable		(168,204)	—
Purchases of available for sale securities		(29,078)	—
Net cash used in investing activities		(806,404)	(1,940,160)
Cash flows from financing activities:			
Net increase in borrowings from affiliates		1,886,449	220,830
Net increase (decrease) from receivable financing facility		189,250	(372,500)
Net (decrease) increase in debt and capital leases		(28,482)	1,011,460
Debt issuance costs		(3,918)	(17,344)
Repurchase of preferred stock		(1,014,859)	—
Dividends paid		(684,229)	—
Payment of mandatorily redeemable debt		(665,500)	—
Distributions to noncontrolling interests		(153,513)	(138,270)
Contributions from noncontrolling interests		25,106	19,764
Proceeds from sale of noncontrolling interests		41,080	17,893
Purchases of noncontrolling interests		(31,187)	(44,616)
Tax on stock options		(15)	6
Net cash (used in) provided by financing activities		(439,818)	697,223
Effects of changes in foreign exchange rates		(3,013)	(283)
Change in cash and cash equivalents		(65,352)	136,929
Cash and cash equivalents at beginning of year		341,071	204,142
Cash and cash equivalents at end of year	$	275,719	341,071

FRESENIUS MEDICAL CARE HOLDINGS, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2013 and 2012

(Dollars in thousands)

		2013	2012
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$	240,927	128,027
Income taxes, net		379,193	443,749
Details for acquisitions:			
Assets acquired	$	(254,845)	(2,455,296)
Liabilities assumed		39,635	203,616
Noncontrolling interests		8,759	222,197
Notes assumed in connection with acquisition		38	70,201
Gain fair value investment remeasurement		—	139,600
Gain on sale of divestitures		7,763	33,926
Adjustment to financing		—	2,050
Cash paid		(198,650)	(1,783,706)
Less cash acquired		357	170,056
Net cash paid for acquisitions	$	(198,293)	(1,613,650)

See accompanying notes to consolidated financial statements.

(1) The Company

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

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

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

(a) Basis of Presentation

Certain items in the prior year's consolidated financial statements have been reclassified to conform with the current year's presentation. Cost of medical supplies of $115,690 has been reclassified to cost of health care services to better align with the Parent Company's consolidated financial statements. Net operating results have not been affected by the reclassification.

During 2013, the Company identified an immaterial error that affected the year ended December 31, 2012 consolidated financial statements, related to the accounting for a preferred stock forward sale agreement between the Company and an affiliate (see note 15(a)). The carrying value of the preferred stock/ forward sale agreement was reflected as a component of permanent equity as opposed to a component of mezzanine equity and the preferred stock balance was improperly adjusted each reporting period when it should have remained at carrying value. Further, the note received by the Company in conjunction with the execution of the forward sale agreement was classified as a receivable from affiliates rather than as a contra-equity account and the Company improperly recorded a deferred financing charge related to the note and amortized it over a period of five years, when the offset should have been within equity. The Company has reflected the correction of this immaterial error in the consolidated financial statements as of December 31, 2012 by increasing mezzanine equity by $1,250,000, reducing general & administrative expense by $26,334, increasing retained earnings by $33,882, reducing receivables from affiliates by $32,874, increasing tax expense by $9,612, increasing accrued income tax by $29,088, and decreasing equity by $1,362,566. The error had no impact on the reported cash flows from operating, investing or financing activities within the consolidated statement of cash flows for 2012. Retained earnings as of December 31, 2012 within the consolidated statements of changes in equity increased $50,604 as a result of the error.

The Company has evaluated subsequent events through May 22, 2014, which is the date these consolidated financial statements were issued.

(b) Basis of Consolidation

The consolidated financial statements in this report as of December 31, 2013 and 2012 and for the years then ended have been prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP). These consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary for the fair presentation of the consolidated results for all periods presented.

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

(2) Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

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

(b) Allowance for Doubtful Accounts

Estimates for allowances for accounts receivable are based on an analysis of collection experience and recognizing the differences between payors. The Company also performs an aging of accounts receivable which enables the review of each customer and their payment pattern. From time to time, accounts receivable are reviewed for changes from the historic collection experience to ensure the appropriateness of the allowances.

The allowance for doubtful accounts for the products business are estimates comprised of customer specific evaluations regarding their payment history, current financial stability, and applicable country specific risks for receivables that are overdue more than one year. The changes in the allowance for products receivables are recorded in general and administrative as an expense.

(c) Inventories

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

(d) Property, Plant and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation (see note 11). Significant improvements are capitalized; repairs and maintenance costs that do not extend the useful lives of the assets are charged to expense as incurred. Property, plant and equipment under capital leases are stated at the present value of future minimum lease payments at the inception of the lease, less accumulated depreciation. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts, and any gain or loss is included in income when the assets are disposed.

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

The Company capitalizes interest on borrowed funds during construction periods. Interest capitalized during 2013 and 2012 was $2,230 and $2,545, respectively.

(e) Intangible Assets and Goodwill

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

Goodwill and identifiable intangibles with indefinite useful lives are not amortized but tested for impairment annually or when an event becomes known that could trigger an impairment. The Company identified tradenames and certain qualified management contracts as intangible assets with indefinite useful lives because, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which those assets are expected to generate net cash inflows for the Company. Intangible assets with finite useful lives are amortized over their respective useful lives to their residual values. The Company amortizes noncompete agreements over their average useful life of 8 years. Technology is amortized over its useful life of 15 years. The iron products distribution and manufacturing agreement is amortized over its ten-year contractual license period based upon the annual estimated units of sale of the licensed product. All other intangible assets are amortized over their individual estimated useful lives between 3 and 25 years. Intangible assets with finite useful lives are evaluated for impairment when events have occurred that may give rise to an impairment.

To perform the annual impairment test of goodwill, the Company identifies its reporting units and determines their carrying value by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. The Company is comprised of one reporting unit.

In a first step, the Company compares its fair value to its carrying amount. Fair value is determined using estimated future cash flows discounted by an after-tax weighted average cost of capital (WACC). Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the Company utilizes its three-year budget, projections for years 4 to 10 and a representative growth rate for all remaining years. Projections for up to ten years are possible due to the stability of the Company's business which, results from the nondiscretionary nature of the healthcare services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services. The expected growth rate for the period beyond ten years was 1%. The discount factor is determined by the Company's WACC. The Company's WACC consists of a basic rate of 6.12% for 2013.

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

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

In connection with its annual impairment tests, the Company determined that there was no impairment of goodwill or other intangible assets. Accordingly the Company did not record any impairment charges during 2013 and 2012.

(f) Derivative Instruments and Hedging Activities

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

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

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

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

(g) Foreign Currency Translation

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

Gains and losses resulting from the translation of revenues and expenses and intercompany borrowings, which are not considered equity investments, are included in the consolidated statements of operations within general and administrative expenses. Foreign exchange gains amounted to $408 and $3,078 for the years ended December 31, 2013 and 2012, respectively.

(h) Revenue Recognition

Dialysis care revenues are recognized on the date the patient receives treatment and includes amounts related to certain services, products and supplies utilized in providing such treatment. The patient is obligated to pay for dialysis care services at amounts estimated to be receivable based upon the Company's standard rates or at rates determined under reimbursement arrangements. These arrangements are generally with third party payors, like Medicare, Medicaid or commercial insurers.

As of January 1, 2012, the Company adopted ASU 2011-07, *Health Care Entities – Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts*. As a result, for services performed for patients where the collection of the billed amount or a portion of the billed amount cannot be determined at the time services are performed, the difference between the receivable recorded and the amount estimated to be collectible must be recorded as a provision and the expense is presented as a reduction of Health Care revenues. The provision includes such items as amounts due from patients without adequate insurance coverage, and patient co-payment and deductible amounts due from patients with health care coverage. The Company bases the provision mainly on past collection history and reports it as "Patient service bad debt provision" in the Consolidated Statements of Operations.

Dialysis product revenues are recognized upon transfer of title to the customer, either at the time of shipment, upon receipt or upon any other terms that clearly define passage of title. Product revenues are normally based upon pre-determined rates that are established by contractual arrangement. As product returns are not typical, no return allowances are established. In the event a return is required, the appropriate reductions to sales, accounts receivables and cost of sales are made.

For both dialysis care and dialysis products, patients, third party payors and customers are billed at our standard rates net of contractual allowances, discounts or rebates to reflect the estimated amounts to be receivable from these payors.

Net revenues from machines sales for 2013 and 2012 include $89.1 million and $83.5 million, respectively, of net revenues for machines sold to a third-party leasing company which are utilized by the Fresenius Medical Services division to provide services to customers. The profits on these sales are deferred and amortized to earnings over the lease terms.

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

(i) Research and Development

Research and development costs are expensed as incurred.

(j) Income Taxes

The Company recognizes deferred tax assets and liabilities for future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis as well as on consolidation procedures affecting net income and tax loss carryforwards which are more likely than not to be utilized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded to reduce the carrying amount of the deferred tax assets unless it is more likely than not that such assets will be realized (see note 10).

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

(k) Impairment

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

Long-lived assets to be disposed of by sale are reported at the lower of carrying value or fair value less cost to sell and depreciation is ceased. Long-lived assets to be disposed of other than by sale are considered to be held and used until disposal. No impairment charges were recorded for the years ended December 31, 2013 and 2012.

(l) Debt Issuance Costs

Costs related to the issuance of debt are amortized over the term of the related obligation (see note 7).

(m) Self-Insurance Programs

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

(n) Use of Estimates

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

(o) Concentration of Credit Risk

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

Approximately 49% of the Company's revenues in each of the years ended December 31, 2013 and 2012 were earned and subject to regulations under governmental healthcare programs, Medicare and Medicaid, administered by various states and the United States government.

(p) Comprehensive Income

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

(q) Employee Benefit Plans

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

(r) Stock Option Plans

The Company recognizes all employee stock based compensation as a cost in the consolidated financial statements. Equity classified awards are measured at the grant date fair value of the award. The Company estimates grant date fair value using the Black-Scholes-Merton option pricing model.

(s) Legal Contingencies

From time to time, during the ordinary course of the Company's operations, the Company is party to litigation and arbitration and is subject to investigations relating to various aspects of its business (see note 18). The Company regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including the estimated legal expenses and consulting services in connection with these matters, as appropriate. The Company utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for a loss accrual, the Company considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

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

(t) Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

(3) Acquisition of Liberty Dialysis Holdings

On February 28, 2012, the Company acquired 100% of the equity of LD Holdings, the owner of Liberty Dialysis and owner of a 51% stake in Renal Advantage Partners, LLC (the Liberty Acquisition). The Company accounted for this transaction as a business combination and finalized the acquisition accounting on February 28, 2013.

Total consideration for the Liberty Acquisition was $2,181,358, consisting of $1,696,659 cash, net of cash acquired and $484,699 noncash consideration. Accounting standards for business combinations require previously held equity interests to be fair valued with the difference to book value to be recognized as a gain or loss in income. Prior to the Liberty Acquisition, the Company had a 49% equity investment in Renal Advantage Partners, LLC, the fair value of which, $201,915, is included as noncash consideration. The Company has determined the estimated fair value based on the discounted cash flow method, utilizing an approximately 13% discount rate. In addition to the Company's investment, it also had a loan receivable from Renal Advantage Partners, LLC of $279,793, at a fair value of $282,784, which was retired as part of the transaction.

The following table summarizes the estimated fair values as of the date of acquisition based upon information available through February 28, 2013, of assets acquired and liabilities assumed at the date of the acquisition. Any adjustments to acquisition accounting from December 31, 2012 until finalization on February 28, 2013, net of related income tax effects, were recorded with a corresponding adjustment to goodwill:

(Dollars in thousands, except share data)

Assets held for sale	$	164,068
Trade accounts receivable		149,219
Other current assets		17,458
Deferred tax assets		14,932
Property, plant and equipment		168,335
Intangible assets and other assets		84,556
Goodwill		2,003,465
Accounts payable, accrued expenses and other current liabilities		(105,403)
Income tax payable and deferred taxes		(33,597)
Short-term borrowings and other financial liabilities and long-term debt and capital lease obligations		(72,101)
Other liabilities		(39,923)
Noncontrolling interests (subject and not subject to put provisions)		(169,651)
Total acquisition cost		2,181,358
Less, fair value, noncash contributions:		
Investment at acquisition date		(201,915)
Long-term notes receivable		(282,784)
Total noncash items		(484,699)
Net cash paid	$	1,696,659

The amortizable intangible assets acquired in this acquisition have weighted average useful lives of 6-8 years.

Goodwill, in the amount of $2,003,465 was acquired as part of the Liberty Acquisition. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill arises principally due to the fair value placed on acquiring an established stream of future cash flows versus building a similar franchise. Of the goodwill recognized in this acquisition, approximately $436,000 is expected to be deductible for tax purposes and amortized over a 15 year period.

The noncontrolling interests acquired as part of the acquisition are stated at estimated fair value, based upon utilized implied multiples used in conjunction with the Liberty Acquisition, as well as the Company's overall experience and contractual multiples typical for such arrangements.

LD Holdings' results have been included in the Company's Consolidated Statement of Operations since February 29, 2012. For the year ended December 31, 2012, LD Holdings contributed revenue and operating income in the amount of $713,774 and $182,188, respectively, to the Company's consolidated income. This amount for operating income does not include synergies which may have resulted at consolidated entities outside LD Holdings since the acquisition closed. In addition, the Company's results include those of divested FMCH clinics prior to their divestiture.

(Continued)

(Dollars in thousands, except share data)

The fair valuation of the Company's 49% equity investment in Renal Advantage Partners, LLC at the time of the Liberty Acquisition resulted in a nontaxable gain of $139,600 and is presented in the separate line item "Investment Gain" in the Consolidated Statement of Operations. The retirement of the loan receivable resulted in a gain of $8,501 which was recognized in interest income in the year ended December 31, 2012.

Divestitures

In connection with the Federal Trade Commission's consent order relating to the Liberty Acquisition, the Company agreed to divest a total of 62 renal dialysis centers. During the year ended December 31, 2012, 24 of the 61 clinics that were sold were FMCNA legacy clinics, which resulted in a $33,455 gain recognized in general and administrative expense. During 2013, the remaining legacy clinic required to be sold was sold for a gain of $7,705. The 38 clinics acquired and subsequently sold were categorized as "Assets held for sale" in the preceding table at the time of the Liberty Acquisition.

For the years ended December 31, 2013 and 2012, the income tax expense related to the sale of these clinics of approximately $5,019 and $20,804, respectively, has been recorded in income tax expense, resulting in a net gain of approximately $2,986 and $12,651, respectively.

Pro Forma Financial Information (Unaudited)

Pro forma information reflects the consolidated results of operations as if the Liberty Acquisition and the divestitures described above had been consummated on January 1, 2012. The pro forma information includes adjustments primarily for elimination of the investment gain and the gain from the retirement of debt. The pro-forma financial information is not necessarily indicative of the results of operations as it would have been had the transactions been consummated on January 1, 2012. For the year ended December 31, 2012, pro forma net revenues and net income attributable to the shareholders of FMCH, Inc. is $8,983,029 and $707,095 respectively.

(4) Other Balance Sheet Items

(a) Inventories

As of December 31, 2013 and 2012, inventories consisted of the following:

		2013	2012
Inventories:			
Raw materials	$	110,755	102,907
Manufactured goods in process		23,530	28,514
Manufactured and purchased inventory available for sale		152,643	181,889
		286,928	313,310
Health care supplies		149,502	115,310
Total	$	436,430	428,620

Under the terms of certain unconditional purchase agreements, including the Venofer® license, distribution, manufacturing and supply agreement (the Venofer® Agreement) with Luitpold Pharmaceuticals, Inc. and American Regent, Inc., the Company is obligated to purchase approximately $612,925 of materials, of which $337,027 is committed for 2014. The terms of these agreements run 1 to 7 years.

Healthcare supplies inventories as of December 31, 2013 and 2012 include $33,294 and $29,704, respectively, of Erythropoietin (EPO). On January 1, 2012, the Company entered into a three-year sourcing and supply agreement with its EPO supplier.

(b) Related Party Services

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

(c) Notes Receivable

On August 12, 2013, FMCH entered into an investment agreement with a middle-market dialysis provider by providing a credit facility in the amount of up to $200,000 to fund general corporate purposes. The agreement is in the form of subordinated notes with a maturity date of July 4, 2020 (unless prepaid) and includes a payment-in-kind (PIK) feature that will allow interest payments in the form of cash (at 10.75%) or PIK (at 11.75%). The PIK feature, if used, allows for the addition of the accrued interest to the then outstanding principal. The collateral for this loan is 100% of the equity interest in this middle-market dialysis provider. The availability period for drawdowns on this loan is 18 months ending on February 12, 2015 and amounts drawn, whether repaid or prepaid, cannot be re-borrowed.

The Company assesses the recoverability of this investment based on quarterly financial statements and other information obtained, used for an assessment of profitability and business plan objectives, as well as by analyzing general economic and market conditions in which the provider operates. At December 31, 2013, $170,000 had been drawn ($165,542, net of commitment and closing fees) with $3,097 of interest income accrued. Interest is payable on a semi-annual basis for the length of the loan. The first interest payment was due and received on October 31, 2013.

(5) Sale of Accounts Receivable

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

NMC Funding pays interest to the bank investors calculated based on the commercial paper rates for the particular tranches selected. The average interest rate during 2013 and 2012 was 1.04% and 1.70%

(Dollars in thousands, except share data)

respectively. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

The Company refinanced the A/R Facility on January 17, 2013 for a term expiring on January 15, 2016 with the available borrowings of $800,000. At December 31, 2013 and 2012 there are outstanding borrowings under the A/R Facility of $351,250 and $162,000.

(6) Short Term Borrowings

At December 31, 2013 and 2012, short-term borrowings consisted of the following:

		December 31	
		2013	**2012**
Commercial paper	$	8,109	9,205
Other		5,504	14,599
Total short-term borrowings	$	13,613	23,804

(7) Long-Term Debt and Capital Lease Obligations

At December 31, 2013 and 2012, long-term debt and capital lease obligations consisted of the following:

		December 31	
		2013	**2012**
Revolving credit facility	$	138,190	59,340
2012 Credit Agreement Term Loan		2,500,000	2,600,000
AR facility		351,250	162,000
Other*		14,399	9,276
		3,003,839	2,830,616
Less amounts classified as current		200,768	101,078
	$	2,803,071	2,729,538

* Other includes long term capital lease obligations (see note 11).

The weighted average interest rate for all Company debt outstanding as of December 31, 2013 and 2012 was approximately 4.01% and 4.18%, respectively, including the effects of interest rate swaps in effect during the period.

In addition, at December 31, 2013 and December 31, 2012, the Company had letters of credit outstanding in the amount of $75,066 and $77,188, respectively, which are not included above as part of the balance outstanding at those dates, but which reduce available borrowings under the respective revolving credit facility.

2012 Credit Agreement

The Parent Company and FMCH entered into a $3,850,000 syndicated credit facility (the 2012 Credit Agreement) with a large group of banks and institutional investors (collectively, the Lenders) on October 30, 2012 which replaced a prior credit agreement. The credit facility consists of:

- A 5-year revolving credit facility of approximately $1,250,000 comprising a $400,000 multicurrency revolving facility, a $200,000 revolving facility and a €500,000 revolving facility which will be due and payable on October 30, 2017.
- a 5-year term loan facility of $2,600,000, also scheduled to mature on October 30, 2017, requiring 17 quarterly payments of $50,000 each, which began in the third quarter of 2013 that permanently reduce the term loan facility. The remaining balance is due on October 30, 2017.

Interest on the credit facilities is, at the Company's option, at a rate equal to either (i) LIBOR or EURIBOR (as applicable) plus an applicable margin or (ii) the Base Rate as defined in the 2012 Credit Agreement plus an applicable margin. At December 31, 2013, the dollar-denominated tranches outstanding under the 2012 Credit Agreement had a weighted average interest rate of 2.00%. The euro-denominated tranche had an interest rate of 1.95%.

The applicable margin is variable and depends on the Company's Consolidated Leverage Ratio which is a ratio of its Consolidated Funded Debt less cash and cash equivalents held by the Consolidated Group to Consolidated Earnings before interest, taxes, depreciation and amortization (EBITDA) (as these terms are defined in the 2012 Credit Agreement).

In addition to scheduled principal payments, indebtedness outstanding under the 2012 Credit Agreement will be reduced by portions of the net cash proceeds received from certain sales of assets and the issuance of certain additional debt.

Obligations under the 2012 Credit Agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the Lenders.

The 2012 Credit Agreement contains affirmative and negative covenants with respect to the Parent Company and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of the Parent Company and investments by the Parent Company, and require the Parent Company to maintain certain financial ratios defined in the agreement. Additionally, the 2012 Credit Agreement provides for a limitation on dividends and other restricted payments which is €330,000 ($455,103 based upon the December 31, 2013 spot rate) for dividends to be paid in 2014, and increases in subsequent years. In default, the outstanding balance under the 2012 Credit Agreement becomes immediately due and payable at the option of the Lenders. The Parent Company was in compliance with all covenants at December 31, 2013.

(Dollars in thousands, except share data)

The following table shows the available and outstanding amounts under the 2012 Credit Agreement at December 31, 2013 and 2012:

2012 Credit Agreement	Maximum amount Available December 31, 2013				Maximum amount Balance outstanding December 31, 2013	
Revolving Credit USD	$	600,000	$	600,000	$ 138,190	$ 138,190
Revolving Credit EUR	€	500,000	$	689,550	—	—
Term Loan A	$	2,500,000		2,500,000	$ 2,500,000	$ 2,500,000
			$	3,789,550		$ 2,638,190

2012 Credit Agreement	Maximum amount Available December 31, 2012				Maximum amount Balance outstanding December 31, 2012	
Revolving Credit USD	$	600,000	$	600,000	$ 59,340	$ 59,340
Revolving Credit EUR	€	500,000	$	659,700	—	—
Term Loan A	$	2,600,000		2,600,000	$ 2,600,000	$ 2,600,000
			$	3,859,700		$ 2,659,340

(a) (Receivables) Borrowings from Affiliates

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

(Dollars in thousands, except share data)

At December 31, 2013 and 2012, (receivables) borrowings from affiliates consisted of the following:

		December 31	
		2013	2012
(Receivables) borrowings from affiliates consists of:			
Fresenius Medical Care AG & Co. KGaA borrowings (receivables) primarily at interest rates approximating 1.995% and 0.82%, respectively	$	(974,543)	(860,000)
RTC Holdings International, Inc. borrowings at Interest rates of 0.67% and 1.04%, respectively		13,236	13,116
FMC B LLC borrowings, net of discounts at fixed rates of interest between 5.25% and 5.45%.		1,683,876	1,610,983
NMC/FMC B LLC receivables, net of discounts at a rate of LIBOR plus 1.125%.		(1,017)	(511)
FMC US Finance receivables, net of discounts at a rate of LIBOR plus 1.125%		12,027	7,482
FMC Finance II borrowings, net of discounts at a fixed rate of 7.00%		408,942	408,942
FMC Finance II borrowings, net of discounts at a rate of LIBOR plus 1.125%		9,895	3,229
Fresenius Medical Care North America Holdings Limited Partnership receivables at a rate of LIBOR plus 1.5%		—	(1,949,924)
		1,152,416	(766,683)
Less amounts classified as current		(961,307)	(2,796,809)
Total	$	2,113,723	2,030,126

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

2014	$	(760,539)
2015		203,529
2016		551,771
2017		2,038,644
2018		419,239
2019 and thereafter		1,703,611
Total	$	4,156,255

(Dollars in thousands, except share data)

(8) Goodwill and Other Intangible Assets

At December 31, 2013 and 2012, the carrying value and accumulated amortization of other intangible assets consisted of the following:

		December 31, 2013			December 31, 2012		
		Gross carrying value	Accumulated amortization	Carrying value	Gross carrying value	Accumulated amortization	Carrying value
Amortizable intangible assets:							
Noncompete agreements	$	302,913	(232,086)	70,827	300,805	(207,368)	93,437
Acute care agreements		149,544	(138,378)	11,166	151,680	(136,698)	14,982
License and distribution agreements		159,549	(26,697)	132,852	55,369	(20,718)	34,651
Technology		109,680	(45,625)	64,055	65,536	(26,280)	39,256
Other intangibles		97,245	(49,556)	47,689	135,627	(50,452)	85,175
Construction in progress		35,340	—	35,340	45,148	—	45,148
		854,271	(492,342)	361,929	754,165	(441,516)	312,649
Nonamortizable intangible assets:							
Tradename		209,116	—	209,116	208,766	—	208,766
Management contracts		3,163	—	3,163	3,163	—	3,163
		212,279	—	212,279	211,929	—	211,929
Net intangibles	$	1,066,550	(492,342)	574,208	966,094	(441,516)	524,578

Amortization expense for amortizable intangible assets for the years ended December 31, 2013 and 2012 was $58,355 and $53,693, respectively. Amortization expense is estimated to be approximately $48,000 a year for the next five years.

Goodwill

Changes in the reporting unit's carrying amount of goodwill for the years ended December 31, 2013 and 2012 are as follows:

		December 31	
		2013	2012
Carrying value as of beginning of year	$	9,850,023	7,677,810
Goodwill acquired		176,081	2,282,234
Divested clinics		(17,500)	(109,880)
Other reclassifications		(33)	(141)
Carrying value as of end of year	$	10,008,571	9,850,023

(Dollars in thousands, except share data)

(9) Special Charge for Legal Matters

In 2001, the Company recorded a $258,159 special charge to address legal matters relating to transactions pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996 by and between W. R. Grace & Co. and Fresenius AG (the Merger), estimated liabilities and legal expenses arising in connection with the W. R. Grace & Co. Chapter 11 proceedings (the Grace Chapter 11 Proceedings) and the cost of resolving pending litigation and other disputes with certain commercial insurers. During the second quarter of 2003, the court supervising the Grace Chapter 11 Proceedings approved a definitive settlement agreement entered into among the Company, the committee representing the asbestos creditors and W. R. Grace & Co. Under the settlement agreement, the Company agreed to pay $115,000, without interest, upon plan confirmation (see note 18(a)). At December 31, 2013, there is a remaining balance of $115,458 in accrued special charge for legal matters. During the years ended December 31, 2013 and 2012, $125 and $139, respectively, in charges were applied against the accrued special charges for legal matters.

On February 3, 2014, the Plan of Reorganization was confirmed and became effective. The Company paid the $115,000 at that time, and all matters related to the special charge have been now resolved (see note 18).

(10) Income Taxes

Income (loss) before income taxes is as follows:

		Year ended December 31	
		2013	2012
Domestic	$	1,342,463	1,502,751
Foreign		1,777	(2,095)
Total income before income taxes	$	1,344,240	1,500,656

(Dollars in thousands, except share data)

The provisions for income taxes are as follows:

		Year ended December 31	
		2013	2012
Current tax expense:			
Federal	$	336,559	344,073
State		61,412	56,405
Foreign		15,645	6,789
Total current		413,616	407,267
Deferred tax expense:			
Federal		40,797	72,463
State		9,933	17,048
Foreign		1,194	399
Total deferred tax expense		51,924	89,910
Total provision	$	465,540	497,177

The provision for income taxes for the years ended December 31, 2013 and 2012 differed from the amount of income taxes determined by applying the applicable statutory federal income tax rate to pre-tax earnings as a result of the following differences:

	Year ended December 31	
	2013	2012
Statutory federal tax rate	35.0%	35.0%
State income taxes, net of federal tax benefit	3.5	3.8
Provision for tax audit liability	(0.1)	0.6
Non taxable gain on acquisition	—	(3.3)
Noncontrolling partnership interests	(3.4)	(3.3)
Foreign losses and taxes	—	0.6
Manufacturing deduction	(0.1)	(0.2)
Other	(0.2)	(0.1)
Effective tax rate	34.7%	33.1%

(Dollars in thousands, except share data)

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

		December 31	
		2013	**2012**
Reserves and other accrued liabilities	$	(160,762)	(179,937)
Depreciation and amortization		720,730	697,344
Special charge not currently deductible		(43,930)	(43,930)
Derivatives		851	1,075
Pension valuation		(50,272)	(83,926)
Stock based compensation expense		(18,874)	(20,656)
Other		—	(1)
Net deferred tax liabilities	$	447,743	369,969

The Company has established valuation allowances for deferred tax assets of $21,554 and $23,422 at December 31, 2013 and 2012, respectively.

The net (decrease) increase in the valuation allowance for deferred tax assets was ($1,868) and $575 for the years ended December 31, 2013 and 2012 respectively. The changes aforementioned relate to activities incurred in state and foreign jurisdictions.

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

At December 31, 2013, there is a federal net operating loss carryover of $10,324 the majority of which will begin to expire in 2024. In addition, there is a Federal Tax Credit of $1,270 which will begin to expire in 2020. State net operating loss carryovers are $261,407 with varying expiration dates and foreign net operating losses are $4,302, which will be fully utilized in 2014.

Provision has not been made for additional federal, state, or foreign taxes on $68,186 of undistributed earnings of foreign subsidiaries. Prior to a decision on the evaluation discussed below, those earnings have been and will continue to be reinvested. The earnings could be subject to additional tax if they were remitted as dividends, if foreign earnings were loaned to the Company or a U.S. affiliate or if the Company should sell its stock in these subsidiaries. The Company estimates that the distribution of these earnings would result in $25,534 of additional foreign withholding tax and U.S. federal income taxes.

The Company applies ASC 740, *Income Taxes* (ASC 740), formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. ASC 740 prescribes a two-step approach to the recognition and measurement of all tax positions taken or expected to be taken in a tax return. The enterprise must determine whether it is more-likely than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If the threshold is met, the tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement and is recognized in the consolidated financial statements.

(Dollars in thousands, except share data)

The Company filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's civil settlement payment deductions taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, the Company received a partial refund in September 2008 of $37,000, inclusive of interest and preserved the right to pursue claims in the United States Courts for refunds of all other disallowed deductions, which totaled approximately $126,000. On December 22, 2008, the Company filed a complaint for complete refund in the United States District Court for the District of Massachusetts, styled as Fresenius Medical Care Holdings, Inc. v. United States. On August 15, 2012, a jury entered a verdict for FMCH granting additional deductions of $95,000. On May 31, 2013, the district court entered a final judgment for FMCH in the amount of $50,400. On September 18, 2013, the IRS appealed the District Court's ruling to the United States Court of Appeals for the First Circuit (Boston).

In the U.S., the tax years 2009 and 2010 are currently under audit by the tax authorities. Fiscal years 2011 and 2012 are open to audit. FMCH is also subject to audit in various state jurisdictions. A number of these audits are in progress and various years are open to audit in various state jurisdictions. All expected results for both federal and state income tax audits have been recognized in the consolidated financial statements.

The following table shows the reconciliation of the beginning and ending amounts of unrecognized tax benefits:

		2013	2012
Unrecognized tax benefits (net of interest):			
Balance at January 1	$	58,447	66,024
Increases in unrecognized tax benefits prior periods		4,581	5,831
Decreases in unrecognized tax benefits prior periods		(3,289)	(513)
Increases in unrecognized tax benefits current periods		—	2,083
Changes related to settlements with tax authorities		7,224	(14,978)
Balance at December 31	$	66,963	58,447

Included in the balance is $70,535 and $35,028 of unrecognized tax benefits at December 31, 2013 and 2012, respectively which would affect the effective tax rate if recognized. The Company is currently not in a position to forecast the timing and magnitude of changes in the unrecognized tax benefits within the next twelve months.

During the year ended December 31, 2013 and 2012, the Company recognized $1,604 and $3,185 in interest and penalties, respectively. The Company paid $6,109 and $35,084 in interest and penalties during 2013 and 2012, respectively.

(Dollars in thousands, except share data)

(11) Property, Plant and Equipment

As of December 31, 2013 and 2012, property, plant and equipment consisted of the following:

		December 31	
		2013	2012
Land and improvements	$	11,509	12,700
Buildings		208,905	205,496
Capital lease property		14,392	4,585
Leasehold improvements		1,434,303	1,307,360
Equipment and furniture		1,574,997	1,439,717
Construction in progress		117,450	85,569
		3,361,556	3,055,427
Accumulated depreciation and amortization		(1,704,715)	(1,487,196)
Property, plant and equipment, net	$	1,656,841	1,568,231

Depreciation expense relating to property, plant and equipment (including capital lease property) amounted to $321,637 and $299,319 for the years ended December 31, 2013 and 2012, respectively.

Included in property, plant and equipment as of December 31, 2013 and 2012 were $106,150 and $99,567, respectively, of peritoneal dialysis cycler machines which the Company leases to customers with end-stage renal disease on a month-to-month basis. Rental income for the peritoneal dialysis cycler machines was $9,129 and $8,351, for the years ended December 31, 2013 and 2012, respectively.

Leases

The Company leases buildings and machinery and equipment under various lease agreements expiring on dates through 2039. Rental expense for operating leases was $489,002 and $462,112 for the years ended December 31, 2013 and 2012, respectively. Amortization of properties under capital leases amounted to $2,413 and $371 for the years ended December 31, 2013 and 2012, respectively.

(Dollars in thousands, except share data)

Future minimum payments under noncancelable leases (principally for clinics, offices and equipment) for the five years succeeding December 31, 2013 and thereafter are as follows:

		Operating leases	Capital leases		Total
2014	$	446,098	1,614		447,712
2015		395,957	1,473		397,430
2016		340,097	1,251		341,348
2017		280,043	1,159		281,202
2018		216,377	1,060		217,437
2019 and beyond		740,139	14,571		754,710
Total minimum payments	$	2,418,711	21,128	$	2,439,839
Less interest and operating costs			9,556		
Present value of minimum lease payments ($846 payable in 2014)		$	11,572		

Lease agreements frequently include renewal options and require that the Company pay for utilities, taxes, insurance and maintenance expenses. Options to purchase are also included in some lease agreements, particularly capital leases.

(12) Mandatorily Redeemable Preferred Securities

FMCAG & KGaA issued Trust Preferred Securities through Fresenius Medical Care Capital Trusts, statutory trusts organized under the laws of the state of Delaware. FMCAG & KGaA own all of the common securities of these trusts. The sole asset of each trust is a senior subordinated note of FMCAG & KGaA or a wholly owned subsidiary of FMCAG & KGaA. FMCAG & KGaA, Fresenius Medical Care Deutschland GmbH (D-GmbH) and FMCH have guaranteed payment and performance of the senior subordinated notes to the Fresenius Medical Care Capital Trusts. The Trust Preferred Securities are guaranteed by FMCAG & KGaA through Series of undertakings by FMCAG & KGaA and FMCH and D-GmbH.

The holders of the Redeemable Preferred Securities are entitled to receive dividends in an amount of dollars per share that varies from approximately 3% to 5% of the purchase price depending on the year. The dividends will be declared and paid in cash at least annually. All the Redeemable Preferred Securities have a par value of $0.01 per share.

Upon liquidation or dissolution or winding up of the issuer of the Redeemable Preferred Securities, the holders of the Redeemable Preferred Securities are entitled to an amount equal to the liquidation preference for each share of stock plus an amount equal to all accrued and unpaid dividends thereon through the date of distribution. The liquidation preference is the sum of the issuance price plus, for each year or portion thereof, an amount equal to one-half of one percent of the issue price, not to exceed 5% of the issue price in the aggregate.

Series A was offered in March 2007 and was redeemed in March 2013.

Dividends accrued were recorded and classified as part of interest expense in the consolidated statements of operations in the amounts of $24,418 for the year ended December 31, 2012. During the years ended December 31, 2013 and 2012, cash dividend payments were made totaling $24,691 and $23,290, respectively.

(13) Pension and Other Post Retirement Benefits

(a) National Medical Care, Inc. Defined Benefit Pension Plan

The Company has a noncontributory, defined benefit pension plan (NMC plan). Each year the Company contributes at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended. Plan assets consist primarily of publicly traded common stock, fixed income securities and cash equivalents.

In 2002, the Company curtailed its defined benefit and supplemental executive retirement plans. Under the curtailment amendment for substantially all employees eligible to participate in the plan, benefits have been frozen as of the curtailment date and no additional defined benefits for future services will be earned. The Company has retained all employee benefit obligations as of the curtailment date. There was $6,100 in contributions based on minimum funding requirement in 2013. The Company contributed $10,600 and $10,200 (including minimum funding requirement) for the years ended December 31, 2013 and 2012 respectively. Expected funding for 2014 is $41,600.

(Dollars in thousands, except share data)

The following table shows the changes in benefit obligations, the changes in plan assets, and the funded status of the NMC plan:

		Year ended December 31	
		2013	2012
Change in benefit obligation:			
Benefit obligation at beginning of year	$	408,830	339,265
Service cost		3,379	2,301
Interest cost		16,650	17,169
Actuarial (gain) loss		(53,593)	69,248
Benefits paid		(10,979)	(19,153)
Benefit obligation at end of year		364,287	408,830
Change in plan assets:			
Fair value of plan assets at beginning of year		228,394	218,990
Actual return on plan assets		20,482	18,357
Employer contribution		10,600	10,200
Benefits paid		(10,979)	(19,153)
Fair value of plan assets at end of year		248,497	228,394
Funded status at year-end	$	(115,790)	(180,436)

The pension liability recognized as of December 31, 2013 and 2012, is equal to the amount shown as 2013 and 2012 funded status at end of year in the preceding table and is recorded as a component of other liabilities in the consolidated balance sheets.

The accumulated benefit obligation for the NMC plan with an obligation in excess of plan assets was $360,966 and $405,330 at December 31, 2013 and 2012, respectively.

(Dollars in thousands, except share data)

The pre-tax changes in the table below for 2013 and 2012 reflect actuarial losses in other comprehensive income relating to pension liabilities. As of December 31, 2013 there are no cumulative effects of prior service costs included in other comprehensive income.

		Actuarial (gains) losses
Adjustments related to pensions at January 1, 2012	$	157,427
Actuarial (gain) loss for year		66,133
Amortization of unrealized losses		(17,139)
Adjustments related to pensions at December 31, 2012		206,421
Actuarial (gain) loss for year		(60,437)
Amortization of unrealized losses		(21,486)
Adjustments related to pensions at December 31, 2013	$	124,498

The actuarial loss expected to be amortized from other comprehensive income into net periodic pension cost over the next year is $11,471.

The following weighted average assumptions were utilized in determining benefit obligations as of December 31:

	2013	2012
Discount rate	5.15%	4.21%
Rate of compensation increase	3.50	3.50

The NMC plan net periodic benefit costs are comprised of the following components:

		2013	2012
Components of net periodic benefit cost:			
Service cost	$	3,379	2,301
Interest cost		16,650	17,169
Expected return on plan assets		(13,638)	(15,242)
Amortization of unrealized losses		21,486	17,139
Net periodic benefit cost	$	27,877	21,367

(Dollars in thousands, except share data)

The discount rates for the plan are derived from an analysis and comparison of yields of portfolios of equity and highly rated debt instruments with maturities that mirror the plan's benefit obligation. The Company's discount rate is the weighted average of these plans based upon their benefit obligations at December 31, 2013. The following weighted average assumptions were used in determining net periodic benefit cost for the years ended December 31:

	2013	2012
Discount rate	4.21%	5.03%
Expected return on plan assets	6.00	7.00
Rate of compensation increase	3.50	4.00

Expected benefit payments for the NMC plan for the next five years and in the aggregate for the five years thereafter are as follows:

2014	$	13,579
2015		14,645
2016		15,610
2017		16,819
2018		17,751
2019 through 2023		106,799

(Dollars in thousands, except share data)

Plan Assets

The following table presents the fair values of the Company's pension plan assets at December 31, 2013 and 2012:

		Fair value measurements at December 31, 2013			Fair value measurements at December 31, 2012	
	Total	Quoted prices in active markets for identical assets Level 1	Significant observable inputs Level 2	Total	Quoted prices in active markets for identical assets Level 1	Significant observable inputs Level 2
Asset category:						
Equity investments:						
Index funds [1]	$ 62,003	205	61,798	58,511	—	58,511
Fixed income investments:						
Government securities [2]	4,913	3,735	1,178	9,859	8,504	1,355
Corporate bonds [3]	155,389	—	155,389	152,332	—	152,332
Other bonds [4]	1,438	—	1,438	457	—	457
U.S. Treasury money market funds [5]	19,150	19,150	—	2,975	2,975	—
Other types of investments:						
Cash, money market and mutual funds [6]	5,603	5,603	—	4,260	4,260	—
Total	$ 248,496	28,693	219,803	228,394	15,739	212,655

1 This category comprises low-cost equity index funds not actively managed that track the S&P 500, S&P 400, Russell 2000, MSCI Emerging Markets Index and the Morgan Stanley International EAFE Index.

2 This category comprises fixed income investments by the U.S. government and government sponsored entities.

3 This category represents investment grade bonds of U.S. issuers from diverse industries.

4 This category comprises private placement bonds as well as collateralized mortgage obligations.

5 This category represents funds that invest in treasury obligations directly or in treasury-backed obligations.

6 This category represents cash, money market funds as well as mutual funds comprised of high grade corporate bonds.

The methods and inputs used to measure the fair value of plan assets are as follows:

Index funds are valued based on market quotes.

Government bonds are valued based on market quotes.

Corporate bonds and other bonds are valued based on market quotes.

Cash is stated at nominal value which equals the fair value.

U.S. Treasury money market funds as well as other money market and mutual funds are valued at their market price.

Plan Investment Policy and Strategy

The Company periodically reviews the assumption for long-term expected return on pension plan assets. As part of the assumptions review, independent consulting actuaries determine a range of reasonable expected investment returns for the pension plan as a whole based on their analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class. As a result, the Company's expected rate of return on pension plan assets was 6.00% for 2013 and 7.00% for 2012.

The Company's overall investment strategy is to achieve a mix of approximately 96% of investments for long-term growth and 4% for near-term benefit payments with a wide diversification of asset types, fund strategies and fund managers.

The investment policy, utilizing a revised target investment allocation of 30% equity and 70% long-term U.S. bonds, considers that there will be a time horizon for invested funds of more than 5 years. The total portfolio will be measured against a policy index that reflects the asset class benchmarks and the target asset allocation. The NMC Plan policy does not allow investments in securities of the Company or other related-party securities. The performance benchmarks for the separate asset classes include: S&P 500 Index, S&P 400 Index, Russell 2000 Growth Index, MSCI EAFE Index, MSCI Emerging Markets Index, Barclays Capital Long Term Government Index and Barclays Capital 20 Year U.S. 20+ year Index.

(b) Supplemental Executive Retirement Plan

The Company's supplemental executive retirement plan provides certain key executives with benefits in excess of normal pension benefits. This plan was also curtailed prior to 2010. The projected benefit obligation was $13,883 and $14,680 at December 31, 2013 and 2012, respectively. Pension expense for this plan, for the years ended December 31, 2013 and 2012 was $1,617 and $1,451, respectively. The Company has recorded $4,226 and $5,900 to accumulated other comprehensive income (loss) to recognize the additional liability for this plan at December 31, 2013 and 2012, respectively. The Company contributed $739 and $604 to this plan during 2013 and 2012, respectively. Expected funding for 2014 is $985.

The pension liability recognized as of December 31, 2013 and 2012 of $13,883 and $14,680, respectively, includes a current portion of $960 and $888, respectively which is recognized as a current liability in the line item "accrued liabilities" within the consolidated balance sheets. The noncurrent portion of $12,923 as of December 31, 2013 and $13,792 as of December 31, 2012 is recorded as noncurrent pension liability in "other liabilities" within the consolidated balance sheets.

The Company does not provide any post-retirement benefits to its employees other than those provided under its pension plan and supplemental executive retirement plan.

(c) Defined Contribution Plans

Most of the Company's employees are eligible to join a 401(k) savings plan. Employees can deposit up to 75% of their pay up to a maximum of $17.5 if under 50 years old ($23.0 if 50 or over) under this savings plan. The Company will match 50% of the employee deposit up to a maximum Company contribution of 3% of the employee's pay. The Company's total expense under this defined contribution plan for the years ended December 31, 2013 and 2012 was $38,999 and $38,582, respectively.

(14) Noncontrolling Interests Subject to Put Provisions

The Company has potential obligations to purchase the noncontrolling interests held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Company would be required to purchase all or part of third-party owners' noncontrolling interests at the appraised fair value at the time of exercise. The methodology the Company uses to estimate the fair values of the noncontrolling interest subject to put provisions assumes the greater of net book value or a multiple of earnings, based on historical earnings, development stage of the underlying business and other factors. The estimated fair values of the noncontrolling interests subject to these put provisions can also fluctuate and the implicit multiple of earnings at which these noncontrolling interest obligations may ultimately be settled could vary significantly from our current estimates depending upon market conditions.

As of December 31, 2013 and 2012 the Company's potential obligations under these put options are $616,792 and $511,707, respectively, of which, at December 31, 2013 and 2012, $258,405 and $221,452 were exercisable. In the last two fiscal years ending December 31, 2013 three puts have been exercised for a total consideration of $7,105.

(Dollars in thousands, except share data)

Following is a rollforward of noncontrolling interests subject to put provisions for the years ended December 31, 2013 and 2012:

		2013	2012
Beginning balance	$	511,707	404,015
Dividends paid		(122,178)	(114,536)
Purchase/sale of noncontrolling interests		(12,233)	129,824
Contributions from noncontrolling interests		17,765	16,566
Changes in fair value of noncontrolling interests		108,575	(18,880)
Net income		113,156	94,718
Ending balance	$	616,792	511,707

(15) Series C Redeemable Preferred Stock

During 2006, the Company issued to Fresenius Medical Care North America Holdings Limited Partnership (DLP), 5,000,000 shares at $1.00 par value of Series C Preferred Stock. The Company received proceeds of $1,250,000. Simultaneously with the issuance of the securities, the Company entered into a conditional forward sale agreement related to the Series C Preferred Stock. The conditional aspects of the contract are not certain to occur and are related to the dissolution or reorganization of DLP. However, if the conditions were to occur, the forward sale agreement requires that the Company redeem the securities at the same Euro value that was used to acquire the shares when initially issued plus any accumulated and declared but unpaid dividends at the spot rate in effect on the settlement date and declared but unpaid dividends at the spot rate in effect on the settlement date plus the discounted present value of all accumulated and unpaid dividends that have not been declared by the Board of Directors at the spot rate in effect on the settlement date. At December 31, 2013 and 2012, the redemption value of the Series C Preferred Stock was $436,180 and $2,180,767, respectively.

In accordance with ASC 480, *Distinguishing Liabilities from Equity*; the Company recorded the proceeds as part of mezzanine equity. On March 28, 2013 the Company redeemed 4,059,437 Series C Preferred Stock for $1,014,859. In connection with the redemption, the Company also paid a dividend of $684,229. The shares were retired upon redemption.

(Dollars in thousands, except share data)

(16) Equity

(a) Preferred Stock

At December 31, 2013 and 2012, the components of the Company's preferred stocks as presented in the consolidated balance sheets consisted of the following:

		December 31	
		2013	**2012**
Preferred stock $1.00 par value:			
Class E; 2,653,560 shares authorized, issued and outstanding.	$	663,390	663,390
Class F; 2,100,000 shares authorized, issued and outstanding.		525,000	525,000
Total preferred stock	$	1,188,390	1,188,390

(b) Stock Options

In connection with its stock option program, the Company incurred compensation expense of $9,495 and $18,059 for the years ended December 31, 2013 and 2012, respectively. There were no capitalized compensation costs in any of the two years presented. The Company also recorded a related deferred income tax of $3,746 and $7,124 for the years ended December 31, 2013 and 2012, respectively.

On May 12, 2011, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 (2011 SOP) was established by resolution of the Parent Company's annual general meeting (AGM). The 2011 SOP, together with the Phantom Stock Plan 2011, which was established by resolution of the General Partner's Management and Supervisory Boards, forms the Parent Company's Long Term Incentive Program 2011 (2011 Incentive Program). Under the 2011 Incentive Program, participants may be granted awards, which will consist of a combination of stock options and phantom stock. Awards under the 2011 Incentive Program will be granted over a five year period and can be granted on the last Monday in July and/or the first Monday in December each year. Prior to the respective grant, the participants will be able to choose how much of the granted value is granted in the form of stock options and phantom stock in a predefined range of 75:25 to 50:50, stock options vs. phantom stock. The number of phantom shares that plan participants may choose to receive instead of stock options within the aforementioned predefined range is determined on the basis of a fair value assessment pursuant to a binomial model. With respect to grants made in July, this fair value assessment will be conducted on the day following the Parent Company's AGM and with respect to the grants made in December, on the first Monday in October.

Awards under the 2011 Incentive Program are subject to a four-year vesting period. The vesting of the awards granted is subject to achievement of performance targets measured over a four-year period beginning with the first day of the year of the grant. For each such year, the performance target is achieved if the Parent Company's adjusted basic income per ordinary share (Adjusted EPS), as calculated in accordance with the 2011 Incentive Program, increases by at least 8% year over year during the vesting period or, if this is not the case, the compounded annual growth rate of the Adjusted EPS reflects an increase of at least 8% per year of the Adjusted EPS during the four-year vesting period. At the end of the vesting period, one-fourth of the awards granted is forfeited for each year in which the performance target is not achieved. All awards are considered vested if the compounded annual growth rate of the Adjusted EPS reflects an increase of at least 8% per year during the four-year vesting period. Vesting of the portion or portions of a grant for a year or years in which the performance target is met does not occur until completion of the four-year vesting period.

The exercise price of stock options granted under the 2011 Incentive Program shall be the average stock exchange price on the Frankfurt Stock Exchange of the Parent Company's ordinary shares during the 30 calendar days immediately prior to each grant date. Stock options granted under the 2011 Incentive Program have an eight-year term and can be exercised only after a four-year vesting period. Stock options granted under the 2011 Incentive Program to US participants are nonqualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the 2011 Incentive Program are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or disposed of otherwise.

Upon issuance of the options, the employees had the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the preference shares upon the first time the stock exchange quoted price exceeds the initial value by at least 25%. The initial value (Initial Value) is the average price of the preference shares during the last 30 trading days prior to the date of grant. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee would be 15% less than if the employee elected options subject to the stock price target. The conversion price of the options without a stock price target is the Initial Value. Each option entitles the holder thereof, upon payment of the respective conversion price, to acquire one preference share. Effective May 2006, no further grants can be issued under the FMCAG International Plan and no options were granted under the FMCAG International Plan after 2005.

The Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006 (the 2006 Amended Plan) was established with a conditional capital increase up to 12,800 Euros, subject to the issue of up to five million nonpar value bearer ordinary shares with a nominal value of 1.00 Euros, each of which can be exercised to obtain one ordinary share. In connection with the share split affected in 2007, the principal amount was adjusted to the same proportion as the share capital out of the capital increase up to 15,000 Euros by the issue of up to 15 million new nonpar bearer ordinary shares. After December 2010, no further grants were issued under the 2006 Amended Plan. Options granted under this plan are exercisable through December 2017.

Options granted under the 2006 Amended Plan to U.S. participants are nonqualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the 2006

Amended Plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of.

The table below provides reconciliations for options outstanding at December 31, 2013, as compared to December 31, 2012.

	Options	Weighted average exercise price
	(In thousands)	
Ordinary shares:		
Balance at December 31, 2011	7,619	$ 49.73
Granted	1,519	70.11
Exercised	(1,827)	42.52
Forfeited	(584)	39.49
Balance at December 31, 2012	6,727	58.51
Granted	1,490	68.61
Exercised	(1,237)	50.13
Converted	32	26.01
Forfeited	(203)	58.64
Balance at December 31, 2013	6,809	64.80

	Options	Weighted average exercise price
	(In thousands)	
Preference shares:		
Balance at December 31, 2011	49	$ 24.12
Exercised	(7)	20.54
Forfeited	(4)	24.59
Balance at December 31, 2012	38	26.56
Exercised	(2)	25.31
Forfeited	(4)	32.49
Converted	(32)	26.01
Balance at December 31, 2013	—	—

(Dollars in thousands, except share data)

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2013:

	Fully vested outstanding and exercisable options			
	Number of options	**Weighted average remaining contractual life in years**	**Weighted average exercise price**	**Aggregate intrinsic value**
Options for ordinary shares	2,630	2.64	$ 51.40	52,441

At December 31, 2013, there is $33,910 of total unrecognized compensation costs related to nonvested options granted under all plans. These costs are expected to be recognized over a weighted average period of 2.0 years.

During the years ended December 31, 2013 and 2012, the Parent Company received cash of $59,759 and $75,802, respectively, from the exercise of stock options. The intrinsic value of options exercised for the years ended December 31, 2013 and 2012 were $22,503 and $53,252, respectively. The Company recorded a related tax benefit of $8,877 and $21,008 for the years ended December 31, 2013 and 2012, respectively.

(c) Fair Value Information

The Company used a binomial option-pricing model in determining the fair value of the awards under the 2011 SOP and the 2006 Amended Plan. Option valuation models require the input of subjective assumptions including expected stock price volatility. The Company's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. Expected volatility is based on historical volatility of the Company's shares. To incorporate the effects of expected early exercise in the model, an early exercise of vested options was assumed as soon as the share price exceeds 155% of the exercise price. The Company's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option.

The assumptions used to determine the fair value of the 2013 and 2012 grants are as follows:

	2013	**2012**
Expected dividend yield	2.02%	1.61%
Risk-free interest rate	1.33	1.09
Expected volatility	22.44	22.20
Expected life of options	8 years	8 years
Weighted average exercise price	$ 68.61	75.41

(Dollars in thousands, except share data)

(17) Financial Instruments

As a supplier of dialysis services and products, the Company is faced with a concentration of credit risks due to the nature of the reimbursement system which are often provided by the governments of the jurisdictions in which the Company operates. Changes in reimbursement rates or scope of coverage could have a material adverse effect on the Company's business, financial condition and results of operations and thus on its capacity to generate cash flow. In the past the Company experienced and also expects in the future generally stable reimbursements for its dialysis services. This includes the balancing of favorable and unfavorable reimbursement changes. Due to the fact that a large portion of the Company's reimbursement is provided by public healthcare organizations and private insurers, the Company expects that most of its accounts receivables will be collectable.

Nonderivative Financial Instruments

The following table presents the carrying amounts and fair values of the Company's nonderivative financial instruments at December 31, 2013 and 2012:

		December 31, 2013		December 31, 2012	
		Carrying amount	Fair value	Carrying amount	Fair value
Nonderivatives:					
Assets:					
Cash and cash equivalents	$	275,719	275,719	341,071	341,071
Trade accounts receivable		1,369,826	1,369,826	1,361,637	1,361,637
Receivables from affiliates		961,307	961,307	2,796,809	2,796,809
Long term notes receivable		165,542	175,768	—	—
Liabilities:					
Accounts payable		291,217	291,217	373,768	373,768
Short-term borrowings		13,613	13,613	23,804	23,804
Long-term debt and capital lease obligations, excluding Amended 2006 Senior Credit Agreement		365,650	365,650	171,276	171,276
Amended 2006 Senior Credit Agreement		2,638,189	2,625,184	2,659,340	2,646,764
Mandatorily redeemable preferred securities		—	—	665,500	665,500
Borrowings from affiliates		2,113,723	2,113,723	2,030,126	2,030,126
Noncontrolling interests subject to put provisions		616,792	616,792	511,707	511,707

The carrying amounts in the table are included in the consolidated balance sheets under the indicated captions.

The significant methods and assumptions used in estimating the fair values of financial instruments are as follows:

Cash and cash equivalents are stated at nominal value which equals the fair value.

Short-term financial instruments such as accounts receivable, accounts payable and short-term borrowings are valued at their carrying amounts, which are reasonable estimates of the fair value due to the relatively short period to maturity of these instruments.

The valuation of the long-term notes receivable is determined using significant unobservable inputs (Level 3). It is valued using a constructed index based upon similar instruments with comparable credit ratings, terms, tenor, interest rates and that are within the Company's industry. The Company tracked the prices of the constructed index from the note issuance date to the reporting date to determine fair value.

The fair values of the long-term debt and capital lease obligations are calculated on the basis of market information. Instruments for which market quotes are available are measured using these quotes. The fair values of the other long-term financial liabilities are calculated at the present value of the respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Company as of the balance sheet date are used.

The valuation of the noncontrolling interests subject to put provisions is determined using significant unobservable inputs (Level 3). See note 14 for a discussion of the Company's methodology for estimating the fair value of these noncontrolling interests subject to put obligations.

Currently, there is no indication that a decrease in the value of the Company's financing receivables is probable. Therefore, the allowances on credit losses of financing receivables are not considered necessary.

(18) Derivative Financial Instruments

The Company is exposed to market risk from changes in interest rates and foreign exchange rates. In order to manage the risk of interest rate and currency exchange rate fluctuations, the Company enters into various hedging transactions with highly rated financial institutions as authorized by the Parent Company. On a quarterly basis an assessment of the Company's counterparty credit risk is performed, which the Company considers to be low. The Company does not use financial instruments for trading purposes.

The Company established guidelines for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

The table below summarizes the derivative financial instruments pre-tax and after-tax effect on accumulated other comprehensive income (loss) in equity for the years ended December 31, 2013 and 2012:

		Year ended December 31	
		2013	**2012**
		(Dollars in millions)	
Interest rate swaps:			
Pre-tax (gain)	$	—	(9.8)
After-tax (gain)		—	(6.0)
Forecasted raw material product purchases and other obligations:			
Pre-tax loss (gain)	$	0.6	(12.0)
After-tax loss (gain)		0.3	(7.2)

The interest rate swaps are designated as cash flow hedges effectively converting certain variable interest rate payments into fixed interest rate payments. After-tax gains and losses are deferred in other comprehensive income and subsequently reclassified to earnings when the hedged item also affects earnings. Interest payable and receivable under the swap terms are accrued and recorded as adjustments to interest expense at each reporting date.

The Company enters into forward rate agreements that are designated and effective as hedges of forecasted raw material purchases and other obligations. After-tax gains and losses are deferred in other comprehensive income and are reclassified into cost of medical supplies in the period during which the hedged transactions affect earnings. All deferred amounts are reclassified into earnings within the next twelve months.

(a) ***Foreign Currency Contracts***

The Company uses foreign exchange contracts as a hedge against foreign exchange risks associated with the settlement of foreign currency denominated payables and firm commitments. At December 31, 2013 and 2012, the Company had outstanding foreign currency contracts for the purchase of Euros (EUR) totaling 27,963 and 55,578, respectively, contracts for the purchase of 306,000 and 288,000 Mexican pesos, respectively, and contracts for the sale of 2,483 and 3,206 Canadian dollars, respectively. The contracts outstanding at December 31, 2013 include forward contracts for purchase of EUR at rates ranging from $1.226 to $1.391 per EUR, forward contracts for the purchase of Mexican pesos at rates ranging from $12.910 to $13.800 per Mexican peso, and outright sale contracts for Canadian dollars at rates ranging from $1.020 to $1.050 per Canadian dollar. All contracts are for periods between January 2013 and March 2015.

The fair value of currency contracts are the estimated amounts that the Company would receive or pay to terminate the agreements at the reporting date, taking into account the current exchange rates and the current creditworthiness of the counterparties in addition to the Company's own nonperformance risk. At December 31, 2013, the Company would have received approximately $2,731 to terminate these contracts and at December 31, 2012, the Company would have received approximately $1,966 to terminate these contracts.

(b) Interest Rate Agreements

The Company enters into derivatives, particularly interest rate swaps to hedge interest exposures arising from long-term debt at floating rates by effectively swapping them into fixed rates.

At December 31, 2013, the Company did not have any interest rate swaps outstanding.

(c) Currency Exchange Agreements

Periodically, the Company enters into derivative instruments with related parties to form a natural hedge for currency exchange rate exposures on intercompany obligations. These instruments are reflected in the consolidated balance sheets at fair value with changes in fair value recognized in earnings. Pre-tax gains recorded in the consolidated statements of operations for the years ended December 31, 2013 and 2012 were $263,864 and $73,202, respectively. After-tax gains in the consolidated statements of operations for the years ended December 31, 2013 and 2012 were $126,969 and $46,381, respectively.

$1,250,000 Currency Exchange Agreement

The Company entered into a currency exchange agreement with DLP. The notional principal amount of the currency exchange agreement is $1,250,000 and a Euro amount with equal market value applying the market foreign exchange rate at the time the exchange agreement was entered into. The currency exchange agreement requires that at each periodic settlement date, DLP is obligated to pay to FMCH, Euro interest on the Euro equivalent of $1,250,000. Conversely, at the periodic settlement date, FMCH is obligated to pay DLP, the interest on $1,250,000 in U.S. dollars.

On March 31, 2013, DLP paid to FMCH, the Euro equivalent of $1.25 billion converted at the spot rate and FMCH paid to DLP the final settlement amount of $1.25 billion (plus any outstanding period interest payments).

This instrument is reflected in other liabilities within the consolidated balance sheets at fair value at the reporting date with changes in fair value recognized in earnings. At December 31, 2013 and 2012, the fair value of the derivative asset (liability) was $0 and ($89,058), respectively.

$682,500 Currency Exchange Agreement

On February 3, 2011, the Company entered into a currency exchange agreement with DLP with a notional principal amount of $682,500 and a Euro amount with equal market value applying the market foreign exchange rate at the time the exchange agreement was entered into. The currency exchange agreement requires that at each periodic settlement date, DLP is obligated to pay to FMCH, Euro interest on the on the Euro equivalent of $682,500. Conversely, at the periodic settlement date, FMCH is obligated to pay DLP, the interest on $682,500 in U.S. dollars.

Upon maturity (February 15, 2021), DLP is obligated to pay to FMCH, the Euro equivalent of $682,500 converted at the spot rate and FMCH will pay to DLP the final settlement amount of $682,500.

This instrument is reflected in other liabilities within the consolidated balance sheets at fair value at the reporting date with changes in fair value recognized in earnings. At December 31, 2013 and 2012, the fair value of the derivative asset (liability) was $1,916, and ($24,161), respectively.

$525,000 Currency Exchange Agreement

On June 16, 2011, the Company entered into a currency exchange agreement with DLP with a notional principal amount of $525,000 and a Euro amount with equal market value applying the market foreign exchange rate at the time the exchange agreement was entered into. The currency exchange agreement requires that at each periodic settlement date, DLP is obligated to pay to FMCH, Euro interest on the on the Euro equivalent of $525,000. Conversely, at the periodic settlement date, FMCH is obligated to pay DLP, the interest on $525,000 in U.S. dollars.

Upon maturity (July 15, 2017), DLP is obligated to pay to FMCH, the Euro equivalent of $525,000 converted at the spot rate and FMCH will pay to DLP the final settlement amount of $525,000.

This instrument is reflected in other liabilities within the consolidated balance sheets at fair value at the reporting date with changes in fair value recognized in earnings. At December 31, 2013 and 2012, the fair value of the derivative liability was $10,642 and $32,171, respectively.

FMC Finance II Currency Exchange Agreements

On January 26, 2012 the Company entered into three currency exchange agreements with Fresenius Medical Care US Finance II, Inc. (FMC Finance II) with a notional principal amounts of $800,000, $700,000, and $105,000 U.S. dollars, and an equivalent Euro amount based on the foreign exchange rate at the time the exchange agreements were entered into. The currency exchange agreement requires that at each periodic settlement date, FMC Finance II is obligated to pay to FMCH, Euro interest on the on the Euro equivalent of notional principal amounts. Conversely, at the periodic settlement date, FMCH is obligated to pay DLP, the interest on notional principal amounts in U.S. dollars.

Upon maturity (July 2019, January 2022, and July 2019, respectively), FMC Finance II is obligated to pay to FMCH, the Euro equivalent of the notional principal amount converted at the spot rate and FMCH will pay to FMC Finance II the final settlement amount of the notional principal amount.

This instrument is reflected in other assets and deferred charges within the consolidated balance sheets at fair value at the reporting date with changes in fair value recognized in earnings. At December 31, 2013 and 2012, the fair value of the derivative asset was $161,953 and $34,752, respectively.

(Dollars in thousands, except share data)

The following table shows the Company's derivatives at December 31, 2013 and 2012:

	2013		2012	
	Assets (2)	**Liabilities (2)**	**Assets (2)**	**Liabilities (2)**
Derivatives in cash flow hedging relationships (1):				
Current:				
Foreign currency contracts	$ 2,649	180	2,521	1,332
Noncurrent:				
Foreign currency contracts	162,215	8,726	783	145,395
Total	$ 164,864	8,906	3,304	146,727

(1) As of December 31, 2013 and 2012, the valuation of the Company's derivatives was determined using Significant Other Observable inputs (Level 2) in accordance with the fair value hierarchy levels established in U.S. GAAP.

(2) Derivative instruments are marked to market each reporting period resulting in carrying amounts being equal to fair values at each reporting date.

The carrying amounts for the current portion of derivatives indicated as assets in the table above are included in other current assets in the consolidated balance sheets while the current portion of those indicated as liabilities are included in other current liabilities. The noncurrent portions indicated as assets or liabilities are included in the consolidated balance sheets in other assets or other liabilities, respectively.

The significant methods and assumptions used in estimating the fair values of derivative financial instruments are as follows:

The fair value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the balance sheet date. To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the balance sheet date. The result is then discounted on the basis of the market interest rates prevailing at the balance sheet date for the applicable currency.

The Company includes its own credit risk when measuring the fair value of derivative financial instruments.

(Dollars in thousands, except share data)

The Effect of Derivatives on the Consolidated Financial Statements

	Amount of gain or (loss) recognized in OCI on derivatives (effective portion) December 31		Location of gain (loss) reclassified from OCI in income (effective portion)	Amount of gain (loss) reclassified from OCI in income (effective portion) for the twelve months ended December 31	
	2013	2012		2013	2012
Dollar interest rate hedges	$ —	(152)	Interest income/expense	$ —	11,878
Foreign currency contracts	1,414	5,051	Cost of medical supplies	(1,980)	5,018
	$ 1,414	4,899		$ (1,980)	16,896

The Company expects to recognize $1,045 of gains deferred in accumulated other comprehensive income at December 31, 2013, in earnings during the next twelve months.

As of December 31, 2013, the Company had foreign currency contracts with maturities of up to 15 months.

(19) Legal Proceedings

(a) Commercial Litigation

The Company was originally formed as a result of a series of transactions it completed pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996, by and between W.R. Grace & Co. and Fresenius SE (the Merger). At the time of the Merger, a W.R. Grace & Co. subsidiary known as W.R. Grace & Co.-Conn. had significant liabilities arising out of product-liability related litigation (including asbestos-related actions), pre-Merger tax claims and other claims unrelated to National Medical Care, Inc. (NMC), which was W.R. Grace & Co.'s dialysis business prior to the Merger. In connection with the Merger, W.R. Grace & Co.-Conn. agreed to indemnify the Company, FMCH, and NMC against all liabilities of W.R. Grace & Co., whether relating to events occurring before or after the Merger, other than liabilities arising from or relating to NMC's operations. W.R. Grace & Co. and certain of its subsidiaries filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code (the Grace Chapter 11 Proceedings) on April 2, 2001.

Prior to and after the commencement of the Grace Chapter 11 Proceedings, class action complaints were filed against W.R. Grace & Co. and FMCH by plaintiffs claiming to be creditors of W.R. Grace & Co.-Conn., and by the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate in the Grace Chapter 11 Proceedings, alleging, among other things that the Merger was a fraudulent conveyance, violated the uniform fraudulent transfer act and constituted a conspiracy. All such cases have been dismissed as part of the Grace Chapter 11 Proceedings.

In 2003, the Company reached agreement with the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate and W.R. Grace & Co. in the matters pending in the Grace Chapter 11 Proceedings for the settlement of all fraudulent conveyance and tax claims against it and other claims related to the Company that arise out of the bankruptcy of W.R. Grace & Co. The District Court approved the terms of the settlement agreement as amended (the Settlement Agreement), in 2003, and included the terms of the Settlement Agreement within the First Amended Plan of reorganization (the Grace Bankruptcy Plan) that was ultimately approved and confirmed by the District Court. On February 3, 2014, the Court of Appeals dismissed the last of the appeals of the District Court order confirming the plan of reorganization, and the Grace Bankruptcy Plan went effective on that date. Pursuant to the terms of the Settlement Agreement and the Grace Bankruptcy Plan, all actions asserting fraudulent conveyance and other claims raised on behalf of asbestos claimants were dismissed with prejudice and the Company received protection against existing and potential future W.R. Grace & Co. related claims, including fraudulent conveyance and asbestos claims by operation of injunctions and releases and the Company also received indemnification against income tax claims related to the non-NMC members of the W.R. Grace & Co. consolidated tax group. Also, pursuant to the Settlement Agreement on February 3, 2014, the Company paid a total of $115,000, which had previously been accrued, to the asbestos personal injury and property damage trusts created under the Grace Bankruptcy Plan. No admission of liability was made.

On April 4, 2003, FMCH filed a suit in the U. S. District Court for the Northern District of California, styled Fresenius USA, Inc., et al., v. Baxter International Inc., et al., Case No. C 03-1431, seeking a declaratory judgment that FMCH does not infringe patents held by Baxter International Inc. and its subsidiaries and affiliates (Baxter), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against FMCH for alleged infringement of Baxter's patents. In general, the asserted patents concern the use of touch screen interfaces for hemodialysis machines. Baxter filed counterclaims against FMCH seeking more than $140,000 in monetary damages and injunctive relief, and alleging that FMCH willfully infringed on Baxter's patents. On July 17, 2006, the court entered judgment on a jury verdict in favor of FMCH finding all asserted claims of Baxter patents invalid as obvious and/or anticipated in light of prior art.

On February 13, 2007, the court granted Baxter's motion to set aside the jury's verdict in favor of FMCH and reinstated the patents and entered judgment of infringement. Following a trial on damages, the court entered judgment on November 6, 2007 in favor of Baxter on a jury award of $14,300. On April 4, 2008, the court denied Baxter's motion for a new trial, established a royalty payable to Baxter of 10% of the sales price for continuing sales of FMCH's 2008K hemodialysis machines and 7% of the sales price of related disposables, parts and service beginning November 7, 2007, and enjoined sales of the touchscreen-equipped 2008K machine effective January 1, 2009. The Company appealed the court's rulings to the United States Court of Appeals for the Federal Circuit (Federal Circuit). On September 10, 2009, the Federal Circuit reversed the district court's decision and determined that the asserted claims in two of the three patents at issue are invalid. As to the third patent, the Federal Circuit affirmed the district court's decision; however, the Court also vacated the injunction and award of damages. These issues were remanded to the District Court for reconsideration in light of the invalidity ruling on most of the claims. Upon remand, the district court reduced the post-verdict damages award to $10,000. Separately, the U.S. Patent and Trademark Office (USPTO) and the Board of Patent Appeals and Interferences ruled that the remaining Baxter patent is invalid. On May 17, 2012 the Federal Circuit affirmed the USPTO's ruling and invalidated the final remaining Baxter patent. Baxter appealed to the Federal Circuit claiming that approximately $20,000 of damages awarded to it by the District Court before the Federal Circuit affirmed the USPTO ruling constituted a final judgment that may be collected. On July 2, 2013, the Federal Circuit denied Baxter's appeal and ordered the District Court to dismiss the case. The court-approved escrow account has been terminated and the escrow funds have been returned to FMCH.

On August 27, 2012, Baxter filed suit in the U.S. District Court for the Northern District of Illinois, styled Baxter International Inc., et al., v. Fresenius Medical Care Holdings, Inc., Case No. 12-cv-06890, alleging that the Company's LibertyTM cycler infringes certain U.S. patents that were issued to Baxter between October 2010 and June 2012. The Company believes it has valid defenses to these claims, and will defend this litigation vigorously.

On April 5, 2013, the U.S. Judicial Panel on Multidistrict Litigation ordered that the numerous lawsuits filed and anticipated to be filed in various federal courts alleging wrongful death and personal injury claims against FMCH and certain of its affiliates relating to FMCH's acid concentrate products NaturaLyte® and Granuflo® be transferred and consolidated for pretrial management purposes into a consolidated multidistrict litigation in the United States District Court for the District of Massachusetts, *styled In Re: Fresenius Granuflo/Naturalyte Dialysate Products Liability Litigation*, Case No. 2013-md-02428. The Massachusetts state courts subsequently established a similar consolidated litigation for such cases filed in Massachusetts county courts, *styled In Re: Consolidated Fresenius Cases, Case No. MICV 2013-03400-O* (Massachusetts Superior Court, Middlesex County). These lawsuits allege generally that inadequate labeling and warnings for these products caused harm to patients. In addition, similar cases have been filed in several state courts that may or may not eventually be formally consolidated with the federal multidistrict litigation. FMCH believes that these lawsuits are without merit, and will defend them vigorously.

(b) Other Litigation and Potential Exposures

On February 15, 2011, a qui tam relator's complaint under the False Claims Act against FMCH was unsealed by order of the United States District Court for the District of Massachusetts and served by the relator. The United States has not intervened in the case United States ex rel. Chris Drennen v. Fresenius Medical Care Holdings, Inc., 2009 Civ. 10179 (D. Mass.). The relator's complaint, which was first filed under seal in February 2009, alleges that the Company seeks and receives reimbursement from government payors for serum ferritin and hepatitis B laboratory tests that are medically unnecessary or not properly ordered by a physician. On March 6, 2011, the United States Attorney for the District of Massachusetts issued a Civil Investigative Demand seeking the production of documents related to the same laboratory tests that are the subject of the relator's complaint. FMCH has cooperated fully in responding to the additional Civil Investigative Demand, and will vigorously contest the relator's complaint.

Subpoenas or search warrants have been issued by federal and state law enforcement authorities under the supervision of the United States Attorneys for the Districts of Connecticut, Southern Florida, Southern New York, Eastern Virginia and Rhode Island to American Access Care LLC (AAC), which the Company acquired in October 2011, and to the Company's Fresenius Vascular

Access subsidiary which now operates former AAC centers as well as its own original facilities. Subpoenas have also been issued to certain of the Company's outpatient hemodialysis facilities for records relating to vascular access treatment and monitoring. The Company is cooperating fully in these investigations. Communications with certain of the investigating United States Attorney Offices indicate that the inquiry encompasses invoicing and coding for procedures commonly performed in vascular access centers and the documentary support for the medical necessity of such procedures. The AAC acquisition agreement contains customary indemnification obligations with respect to breaches of representations, warranties or covenants and certain other specified matters. As of October 18, 2013, a group of the prior owners of AAC exercised their right pursuant to the terms of the acquisition agreement to assume responsibility for responding to certain of the subpoenas. Pursuant to the AAC acquisition agreement the prior owners are obligated to indemnify the Company for certain liabilities that might arise from those subpoenas.

In December 2012 and January 2013, FMCH received subpoenas from the United States Attorneys for the District of Massachusetts and the Western District of Louisiana requesting production of a broad range of documents. Communications with the investigating United States Attorney Offices indicate that the inquiry relates to products manufactured by FMCH, which encompasses the Granuflo® and Naturalyte® acid concentrate products that are also the subject of personal injury litigation described above, as well as electron-beam sterilization of dialyzers, the Liberty peritoneal dialysis cycler, and 2008 series hemodialysis machines as related to the use of Granuflo® and Naturalyte®. FMCH is cooperating fully in the government's investigation.

The Company filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's civil settlement payment deductions taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, the Company received a partial refund in September 2008 of $37,000, inclusive of interest and preserved its right to pursue claims in the United States Courts for refunds of all other disallowed deductions, which totaled approximately $126,000. On December 22, 2008, the Company filed a complaint for a complete refund in the United States District Court for the District of Massachusetts, styled as Fresenius Medical Care Holdings, Inc. v. United States. On August 15, 2012, a jury entered a verdict for FMCH granting additional deductions of $95,000. On May 31, 2013, the District Court entered final judgment for FMCH in the amount of $50,400. On September 18, 2013, the IRS appealed the District Court's ruling to the United States Court of Appeals for the First Circuit (Boston).

From time to time, the Company is a party to or may be threatened with other litigation or arbitration, claims or assessments arising in the ordinary course of its business. Management regularly analyzes current information including, as applicable, the Company's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The Company, like other healthcare providers, conducts its operations under intense government regulation and scrutiny. It must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the operation of manufacturing facilities, laboratories and dialysis clinics, and environmental and occupational health and safety. The Company must also comply with the laws of the United States, including the federal Anti-Kickback Statute, the federal False Claims Act, the federal Stark Law, and other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from the Company's interpretations or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some states. In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence "qui tam" or "whistle blower" actions. In May 2009, the scope of the False Claims Act was expanded and additional protections for whistle blowers and procedural provisions to aid whistle blowers' ability to proceed in a False Claims Act case were added. By virtue of this regulatory environment, the Company's business activities and practices are subject to extensive review by regulatory authorities and private parties, and continuing audits, investigative demands, subpoenas, other inquiries, claims and litigation relating to the Company's compliance with applicable laws and regulations. The Company may not always be aware that an inquiry or action has begun, particularly in the case of "whistle blower" actions, which are initially filed under court seal.

The Company operates many facilities throughout the United States and other parts of the world. In such a decentralized system, it is often difficult to maintain the desired level of oversight and control over the thousands of individuals employed by many affiliated companies. The Company relies upon its management structure, regulatory and legal resources, and the effective operation of its compliance program to direct, manage and monitor the activities of these employees. On occasion, the Company may identify instances where employees or other agents deliberately, recklessly or inadvertently contravene the Company's policies or violate applicable law. The actions of such persons may subject the Company and its subsidiaries to liability under the Anti-Kickback Statute, the Stark Law, the False Claims Act and the Foreign Corrupt Practices Act, among other laws and comparable laws of other countries.

Physicians, hospitals and other participants in the healthcare industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, worker's compensation or related claims, many of which involve large claims and significant defense costs. The Company has been and is currently subject to these suits due to the nature of its business and expects that those types of lawsuits may continue. Although the Company maintains insurance at a level which it believes to be prudent, it cannot assure that the coverage limits will be adequate or that insurance will cover all asserted claims. A successful claim against the Company or any of its subsidiaries in excess of insurance coverage could have a material adverse effect upon it and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

The Company has also had claims asserted against it and has had lawsuits filed against it relating to alleged patent infringements or businesses that it has acquired or divested. These claims and suits relate both to operation of the businesses and to the acquisition and divestiture transactions. The Company has, when appropriate, asserted its own claims, and claims for indemnification. A successful claim against the Company or any of its subsidiaries could have a material adverse effect upon its business, financial condition, and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.