UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

For the Fiscal Year Ended December 31, 2002

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-4034

DAVITA INC.

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Torrance, California 90503-5517
Telephone number (310) 792-2600

Delaware	**51-0354549**
(State of incorporation)	**(I.R.S. Employer Identification No.)**

Securities registered pursuant to Section 12(b) of the Act:

Class of Security:	**Registered on:**
Common Stock, $0.001 par value	New York Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange

The Registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and has been subject to such filing requirements for the past 90 days.

Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K will be in the Registrant's definitive proxy statement, which is incorporated by reference in Part III of this Form 10-K.

The Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

As of June 30, 2002, the number of shares of the Registrant's common stock outstanding was 67,317,502 shares and the aggregate market value of the common stock outstanding held by non-affiliates based upon the closing price of these shares on the New York Stock Exchange was approximately $1.60 billion.

As of February 14, 2003, the number of shares of the Registrant's common stock outstanding was 60,838,613 shares and the aggregate market value of the common stock outstanding held by non-affiliates based upon the closing price of these shares on the New York Stock Exchange was approximately $1.24 billion.

Documents incorporated by reference

Portions of the Registrant's proxy statement for its 2003 annual meeting of stockholders are incorporated by reference in Part III of this Form 10-K.

PART I

Item 1. Business.

The following should be read in conjunction with our consolidated financial statements and accompanying notes contained elsewhere in this Form 10-K. This Form 10-K contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements.

The Company is required to file reports pursuant to the Securities Exchange Act of 1934. Accordingly, the Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are made available free of charge through the Company's website, located at http://www.davita.com, as soon as reasonably practicable after the reports have been filed with the Securities and Exchange Commission, or SEC. The SEC also maintains an Internet site at http://www.sec.gov where these reports and other information about the Company can also be located.

Overview

DaVita Inc. is the second largest provider of dialysis services in the United States for patients suffering from chronic kidney failure, also known as end stage renal disease, or ESRD. We currently operate 515 outpatient dialysis centers located in 33 states and the District of Columbia, serving approximately 45,000 patients. In addition, we provide acute inpatient dialysis services in approximately 270 hospitals.

Prior to mid-1999, the company had an aggressive growth strategy of acquiring other dialysis businesses. This rapid growth through acquisitions had a significant impact on administrative functions and operating efficiencies. In the second half of 1999, a new management team initiated a turnaround plan focused on improving our financial and operational infrastructure. During 2000 and 2001, we divested substantially all of our operations outside the continental United States, made significant improvements in our billing and collecting operations, reduced our debt and restructured our credit facilities. During 2002, we made significant investments in new systems and processes. These investments will continue through 2003.

The dialysis industry

The loss of kidney function is generally not reversible. ESRD is the stage of advanced kidney impairment that requires routine dialysis treatments or kidney transplantation to sustain life. Dialysis is the removal of toxins, fluids and salt from the blood of ESRD patients by artificial means. Patients suffering from ESRD generally require dialysis at least three times per week for the rest of their lives.

Since 1972, the federal government has provided universal reimbursement for dialysis under the Medicare ESRD program regardless of age or financial circumstances. Under this system, Congress establishes Medicare reimbursement rates for dialysis treatments and related supplies, tests and medications.

ESRD patient base

According to the United States Renal Data System, or USRDS, there were approximately 275,000 ESRD dialysis patients in the United States at the end of 2000. The recent historical compound annual growth rate in the number of ESRD patients has been approximately 4% to 6%. We do not anticipate any significant change in the growth rate in the future. We believe factors affecting this growth include:

- The continued aging of the general population;
- Better treatment and longer survival of patients with diseases that typically lead to ESRD, including diabetes and hypertension;

- Improved medical and dialysis technology; and
- The growth of minority populations that have a higher incidence rate of ESRD.

Treatment options for ESRD

Treatment options for ESRD are hemodialysis, peritoneal dialysis and kidney transplantation. In 2002, outpatient hemodialysis treatments, peritoneal dialysis treatments and inpatient or acute dialysis treatments accounted for approximately 88%, 8% and 4% of our total dialysis treatments, respectively.

- *Hemodialysis*

Hemodialysis, the most common form of ESRD treatment, is usually performed either in a freestanding or hospital-based outpatient center. A patient can also perform hemodialysis at home with assistance. The hemodialysis machine uses an artificial kidney, called a dialyzer, to remove toxins, fluids and salt from the patient's blood. The dialysis process occurs across a semi-permeable membrane that divides the dialyzer into two distinct chambers. While blood is circulated through one chamber, a pre-mixed fluid is circulated through the other chamber. The toxins, salt and excess fluids from the blood selectively cross the membrane into the fluid, allowing cleansed blood to return into the patient's body. Each hemodialysis treatment typically lasts approximately three and one-half hours. Hemodialysis is usually performed three times per week.

- *Peritoneal dialysis*

A patient generally performs peritoneal dialysis at home. The most common methods of peritoneal dialysis are continuous ambulatory peritoneal dialysis, or CAPD, and continuous cycling peritoneal dialysis, or CCPD. All forms of peritoneal dialysis use the patient's peritoneal, or abdominal, cavity to eliminate fluid and toxins. Because it does not involve going to a center three times a week for treatment, peritoneal dialysis is an attractive alternative to hemodialysis for patients who desire more freedom in their lifestyle. However, peritoneal dialysis is not a suitable method of treatment for many patients, including patients who are not able to perform the necessary procedures and those at greater risk of peritoneal infection.

CAPD introduces dialysis solution into the patient's peritoneal cavity through a surgically placed catheter. Toxins in the blood continuously cross the peritoneal membrane into the dialysis solution. After several hours, the patient drains the used dialysis solution and replaces it with fresh solution. This procedure is usually repeated four times per day.

CCPD is performed in a manner similar to CAPD, but uses a mechanical device to cycle dialysis solution through the patient's peritoneal cavity while the patient is sleeping or at rest.

- *Transplantation*

An alternative treatment that we do not provide is kidney transplantation. Although transplantation, when successful, is generally the most desirable form of therapeutic intervention, the shortage of suitable donors, side effects of immunosuppressive drugs given to transplant recipients and dangers associated with transplant surgery for some patient populations limit the use of this treatment option.

Outpatient dialysis services

Our dialysis centers are designed specifically for outpatient hemodialysis. Throughout our network of outpatient dialysis centers, we also provide training, supplies and on-call support services to our home dialysis patients.

As required by law, we contract with an individual nephrologist or a group of affiliated nephrologists to provide medical director services at each of our centers. In addition, other nephrologists may apply for practice

privileges in order to treat their patients at our centers. Each center also has an administrator, typically a registered nurse, who supervises the day-to-day operations of the center and its staff. The staff of each center typically consists of registered nurses, licensed practical or vocational nurses, patient care technicians, a social worker, a registered dietician, biomedical technicians and other administrative and support personnel.

In addition, many of our centers offer services for home dialysis patients, primarily CAPD and CCPD. Home dialysis services consist of providing equipment and supplies, training, patient monitoring and follow-up assistance to patients who prefer and are able to receive peritoneal dialysis treatments in their homes. Registered nurses train patients and their families or other patient assistants to perform either CAPD or CCPD at home. Our training programs for home dialysis generally last two to three weeks. In 2002, peritoneal dialysis accounted for approximately 8% of our total dialysis treatments.

Quality care

We believe our reputation for providing quality care is a key factor in attracting patients and physicians and in securing relationships with managed care payors. We engage in organized and systematic efforts through our quality management programs to monitor and improve the quality of services we deliver. These efforts include the development and implementation of patient care policies and procedures, clinical education and training programs, and audits of the quality of services rendered at each of our centers.

Our quality management programs are under the direction of our chief medical officer. Our director of quality management and approximately 40 regional quality management coordinators implement these programs in our centers. In addition, our regional biomedical quality management coordinators audit the technical and biomedical quality of our centers. The corporate and regional teams also work with each center's multi-disciplinary quality management team, including the medical director, to implement the programs.

We have a national physician council of ten physicians to advise our senior management on clinical issues impacting our operations across the country. In addition, we have an eight-physician laboratory advisory committee which acts as a medical advisory board for our clinical laboratory. Our chief medical officer participates in the national physician council and laboratory advisory committee meetings.

Location and capacity of our centers

As of December 31, 2002, we operated 515 outpatient dialysis centers in the continental United States. We owned 485 of these centers, either through wholly-owned subsidiaries or through majority-owned joint ventures. Of the remaining 30 centers, we owned minority interests in seven centers, which were accounted for as equity investments, and managed 23 centers in which we have no ownership interest. The locations of the 485 wholly-owned and majority-owned centers were as follows:

State	Number of Centers	State	Number of Centers	State	Number of Centers
California	84	Michigan	13	South Dakota	3
Florida	44	Louisiana	11	New Mexico	2
Texas	43	Illinois	10	Kentucky	2
Georgia	32	Indiana	10	South Carolina	2
North Carolina	29	Kansas	9	Delaware	1
New York	26	Washington	8	Alabama	1
Minnesota	26	Arizona	7	Nebraska	1
Oklahoma	21	New Jersey	7	Ohio	1
Virginia	19	District of Columbia	5	Wisconsin	1
Pennsylvania	18	Missouri	5	Oregon	1
Colorado	18	Nevada	5		
Maryland	16	Utah	4		

We believe we have adequate capacity within our existing network to accommodate greater patient volume. In addition, we are currently expanding capacity at some of our centers by adding dialysis stations or relocating to larger facilities, and we intend to open and acquire additional centers in 2003.

Inpatient dialysis services

We provide inpatient dialysis services, excluding physician professional services, to patients in approximately 270 hospitals. We render these services for a per-treatment fee individually negotiated with each hospital. When a hospital requests our services, we typically administer the dialysis treatment at the patient's bedside or in a dedicated treatment room in the hospital. In some cases the hospital transports the patient to our center for treatment. Inpatient dialysis services are required for patients with acute kidney failure resulting from trauma, patients in the early stages of ESRD, and ESRD patients who require hospitalization for other reasons.

Ancillary services

We also provide a range of ancillary services to ESRD patients, including:

- *EPO and other pharmaceuticals*. Our most significant ancillary service is the administration of physician-prescribed pharmaceuticals, including erythropoietin, or EPO, vitamin D analogs and calcium and iron supplements. EPO is a genetically engineered form of a naturally occurring protein that stimulates the production of red blood cells. EPO is used in connection with all forms of dialysis to treat anemia, a medical complication ESRD patients frequently experience. The administration of EPO accounts for approximately one-fourth of our net operating revenues.
- *ESRD laboratory services*. We own a licensed clinical laboratory, located in Florida, specializing in ESRD patient testing. The specialized laboratory provides both routine laboratory tests covered by the Medicare composite reimbursement rate for dialysis and other physician-prescribed laboratory tests for ESRD patients. Our laboratory provides these tests primarily for our own ESRD patients throughout the United States. These tests are performed to monitor a patient's ESRD condition, including the adequacy of dialysis, as well as other diseases a patient may have. Our laboratory utilizes a proprietary information system which provides information to our dialysis centers regarding critical outcome indicators. We also operated another laboratory in Minnesota until November 2001, when it was combined with the operations of the Florida laboratory.
- *ESRD clinical research programs.* Our subsidiary DaVita Clinical Research conducts renal and renal-related Phase I through IV clinical research trials of new drugs and devices designed to improve outcomes, enhance the quality of life and reduce costs for pre-ESRD and ESRD patients. DaVita Clinical Research has conducted over 350 clinical trials for FDA approval of new drugs and devices over the last 17 years. These trials are conducted primarily under contracts with the drug and device manufacturers.
- *Physician services*. We provide management services to a small number of nephrology practices and own two such practices directly. Physician services account for less than one half percent of our net operating revenues.

Growth of our business

Our business has grown through increasing capacity at our existing centers, developing new centers, acquiring centers or entering into agreements to manage centers. We expand capacity at our existing centers by increasing hours and/or days of operation or, if additional space is available within a center, through the addition of dialysis stations. The development of a typical outpatient center generally requires $1 million to $1.5 million for initial construction and equipment and approximately $350,000 for working capital in the first year. Based on our experience, a new center typically opens nine to thirteen months after the property lease is signed, normally achieves operating profitability by the ninth to eighteenth month of operation and normally reaches maturity within

three years. Acquiring an existing center requires a substantially greater initial investment, but profitability and cash flow are initially more predictable. In addition to acquiring centers, we enter into agreements to manage third-party-owned centers in return for management fees, typically based on a percentage of revenues.

The table below shows the growth of our company by number of dialysis centers. In February 1998, we completed a merger with Renal Treatment Centers, then the fourth largest provider of dialysis services in the United States, approximately doubling the size of our operations. The pace of our acquisitions slowed significantly during the second half of 1999 and was very limited in 2000, 2001 and 2002, while we focused on restructuring our balance sheet and improving our financial infrastructure and center operations.

	2002	2001	2000	1999	1998	1997	1996	1995
Number of centers at beginning of year	495	490	572	508	197	134	68	42
Acquired centers	11	21	10	45	263	52	57	23
Developed centers	19	7	11	13	24	12	9	3
New managed centers	2	3	8	18	32			
Divestitures, closures and terminations	12	26	111	12	8	1		
Number of centers at end of year	515	495	490	572	508	197	134	68

In 2000, we completed the sale of our operations outside the continental United States, with the exception of our centers in Puerto Rico. Net cash proceeds from the completed sales were approximately $133 million, most of which was applied to reduce debt outstanding under our credit facilities in accordance with the conditions under which our lenders consented to the sales. The sale of our centers in Puerto Rico was completed in June 2002.

Physician relationships

An ESRD patient generally seeks treatment at a dialysis center near his or her home and at which his or her treating nephrologist has practice privileges. Our relationships with local nephrologists and our ability to meet their needs and the needs of their patients are key factors in the success of a dialysis center. Over 1,500 nephrologists currently refer patients to our centers. As is typical in the dialysis industry, one or a few physicians, including the center's medical director, usually account for all or a significant portion of a dialysis center's patient referral base. Our medical directors account for a substantial majority of our patient referrals. The loss of the medical director or other key referring physicians at a particular center could therefore materially reduce the revenue of that center.

Participation in the Medicare ESRD program requires that treatment at a dialysis center be "under the general supervision of a director who is a physician." Generally, the medical director must be board eligible or board certified in internal medicine or nephrology and have had at least 12 months of experience or training in the care of patients at dialysis centers. We have engaged physicians or groups of physicians to serve as medical directors for each of our centers. At some centers, we also separately contract with one or more physicians to serve as assistant or associate medical directors or to direct specific programs, such as home dialysis training programs. We have contracts with approximately 275 individual physicians and physician groups to provide medical director services.

Medical directors enter into written contracts that specify their duties and fix their compensation for periods of one or more years. The compensation of our medical directors is the result of arm's length negotiations and generally depends upon competitive factors in the local market, the physician's professional qualifications and the specific duties and responsibilities of the physician.

Our medical director agreements generally include covenants not to compete. Also, when we acquire a center from one or more physicians, or where one or more physicians own interests in centers as co-owners with us, these physicians have agreed to refrain from owning interests in competing centers within a defined

geographic area for various periods. These noncompetition agreements restrict the physicians from owning, or providing medical director services to, other dialysis centers, but do not restrict the physicians from referring patients to competing centers. Many of these noncompetition agreements expire at the same time as the corresponding medical director agreements. We have from time to time experienced competition from a new dialysis center established by a former medical director following the termination of his or her relationship with us.

Sources of revenue

Overview

The following table sets forth the percentage of our net patient operating revenues provided by the respective payor category for our continental U.S. operations.

	Year ended December 31,		
	2002	**2001**	**2000**
Percent of total dialysis revenues for continental U.S. operations:			
Medicare	51%	52%	53%
Medicaid	5	5	5
	56	57	58
HMO's, health insurance carriers and private patient payments	44	43	42
	100%	100%	100%

Medicare reimburses dialysis providers for the treatment of individuals who are diagnosed with ESRD and are eligible for participation in the Medicare ESRD program, regardless of age or financial circumstances. ESRD patients receiving dialysis become eligible for primary Medicare coverage at various times, depending on their age or disability status, as well as whether they are covered by an employer group health plan. Generally, for a patient not covered by an employer group health plan, Medicare becomes the primary payor either immediately or after a three-month waiting period. For a patient covered by an employer group health plan, Medicare generally becomes the primary payor after 33 months, or earlier if the patient's employer group health plan coverage terminates. When Medicare becomes the primary payor, the payment rate we receive for that patient shifts from the employer group health plan rate to the Medicare reimbursement rate.

For each treatment, Medicare pays 80% of the amount set by the Medicare reimbursement system. The patient is responsible for the remaining 20%, and in most cases a secondary payor, such as Medicare supplemental insurance, a state Medicaid program or a private payor, covers all or part of these balances. Some patients who do not qualify for Medicaid but otherwise cannot afford secondary insurance can apply for premium payment assistance from charitable organizations, primarily a program offered by the American Kidney Fund. We and other dialysis providers support the American Kidney Fund and similar programs through voluntary contributions.

If a patient does not qualify for Medicaid based on financial need and does not purchase secondary insurance through a private insurer, the dialysis provider may not be reimbursed for the 20% portion of the ESRD composite rate that Medicare does not pay. Congress passed legislation in 1998 requiring the Office of the Inspector General of the United States Department of Health and Human Services, or OIG, to consider adopting regulations to allow dialysis providers to pay their patients' premiums for secondary insurance. These insurance premiums are generally less than the 20% co-payment that a private insurer would pay. Accordingly, dialysis providers could capture the difference between the premiums paid to these secondary insurers and the reimbursement amounts received from them. In December 2002, the OIG announced its decision not to pursue these regulations, citing concerns that allowing the direct payment of these premiums carries too much potential for improperly influencing patients' selection of a health care provider and would create demands for similar

exceptions from other health care providers. The OIG also stated that it was not persuaded that these direct premiums were necessary in light of the American Kidney Fund and similar programs.

Medicare reimbursement

Under the Medicare ESRD program, reimbursement rates for dialysis are established by Congress. The Medicare composite rate set by the Centers for Medicare and Medicaid Services, or CMS, determines the Medicare reimbursement available for a designated group of dialysis services, including the dialysis treatment, supplies used for that treatment, some laboratory tests and some medications. The Medicare composite rate is subject to regional differences based upon several factors, including regional differences in wage levels. Other services and items are eligible for separate reimbursement under Medicare and are not part of the composite rate, including EPO, vitamin D analogs and calcium and iron supplements.

Medicare reimburses for home dialysis services under one of two methods. Under the first method, a dialysis center is designated as the supplier of home supplies and services, and provides all dialysis treatment-related services, including equipment and supplies. The center is reimbursed using a methodology based on the Medicare composite rate. Under the second method, a durable medical equipment supply company is designated as the direct supplier, provides the patient directly with all necessary equipment and supplies and is reimbursed by Medicare subject to a capitated ceiling. Under the second method, the patient also selects an outpatient dialysis center to provide additional required support services. The center is reimbursed for these support services on a monthly fee-for-service basis subject to a capitated ceiling. The reimbursement rates under these two methods differ, but both are determined prospectively and are subject to adjustment by Congress. Most of our centers are approved to provide home dialysis services under the first method and home dialysis support services under the second method. In December 2001, we decided to discontinue providing equipment and supplies under the second method.

We receive reimbursement for outpatient dialysis services provided to Medicare-eligible patients at composite rates set by Congress that are currently between $121 and $144 per treatment, with an average rate of $131 per treatment. Historically, there have been very few changes to the Medicare composite reimbursement rate. Since 1972, the rate has declined over 70% in real dollars. The rate did not change from commencement of the program in 1972 until 1983. From 1983 through December 1990, numerous Congressional actions resulted in a net reduction of the average reimbursement rate from $138 per treatment in 1983 to approximately $125 per treatment in 1990. The Medicare composite reimbursement rate was increased by $1.00 in 1991, by 1.2% in 2000 and by 2.4% in 2001.

In May 2001, CMS concluded a three-year demonstration project involving the enrollment of Medicare ESRD patients in managed care organizations. The demonstration project was designed to evaluate the feasibility of fixed, or capitated, reimbursement for dialysis services. CMS has not issued a final report on the results of the demonstration project. The timing of, and recommendations from, this report are impossible for us to predict.

Based on recent conversations with representatives of CMS, we expect CMS to conduct one or more demonstration projects to examine the desirability of bundling pharmaceutical, laboratory and other services into an expanded Medicare composite reimbursement rate. As CMS has yet to announce the parameters for any such demonstration project, it is impossible for us to predict what impact if any these projects will have on Medicare reimbursement.

Medicaid reimbursement

Medicaid programs are state-administered programs partially funded by the federal government. These programs are intended to provide health coverage for patients whose income and assets fall below state-defined levels and who are otherwise uninsured. In some states, these programs also serve as supplemental insurance programs for the Medicare co-insurance portion of the ESRD composite rate and provide reimbursement for

additional services, including some oral medications, that are not covered by Medicare. State regulations generally follow Medicare schedules with respect to reimbursement levels and coverages. Some states, however, require beneficiaries to pay a monthly share of the cost based upon levels of income or assets. We are an authorized Medicaid provider in the states in which we conduct our business.

Nongovernment payors

Before Medicare becomes the primary payor, a patient's employer group health plan, private insurance or other nongovernment payor, if any, is responsible for payment at its negotiated rates or, in the absence of negotiated rates, at our usual and customary rates. The patient is responsible for any deductibles and co-payments under the terms of his or her employer group health plan or other insurance. Our usual and customary rates, and the rates paid by nongovernment payors, are typically higher than Medicare reimbursement rates. Also, traditional indemnity plans and preferred provider organization or PPO plans typically pay at higher rates than health maintenance organization or HMO plans. After Medicare becomes the primary payor, the employer group health plan, private insurer or other nongovernment payor, if any, becomes secondary to Medicare. Secondary payors are responsible for the 20% of the Medicare reimbursement rates that Medicare does not pay. Secondary payors are not required to reimburse us for the difference between the rates they previously paid and Medicare rates.

Hospital inpatient dialysis services

We provide inpatient dialysis services, excluding physician professional services, to patients in hospitals pursuant to written agreements with the hospitals. We provide these services for a per-treatment fee which is individually negotiated with each hospital. Some of these agreements provide that we are the exclusive provider of dialysis services to the hospital, but most are nonexclusive. These agreements also generally allow either party to terminate the agreement without cause.

Reimbursement for EPO and other drugs

EPO stimulates the production of red blood cells and is beneficial in the treatment of anemia, with the effect of reducing or eliminating the need for blood transfusions for dialysis patients. Most of our dialysis patients receive EPO. Approximately one-fourth of our net operating revenues are generated from the administration of EPO. Therefore, EPO reimbursement significantly impacts our net income and cash flow.

The OIG has recommended that Medicare reimbursement for EPO be reduced from the current amount of $10 to $9 per 1,000 units. The Department of Health and Human Services, or HHS, has concurred with this recommendation. In addition, the Clinton Administration proposed the same EPO reimbursement reduction in several budget proposals, but Congress did not pass any EPO reimbursement reduction. EPO reimbursement programs have been, and in the future may be, subject to these and other legislative or administrative proposals. We cannot predict whether future rate or reimbursement method changes will be made.

Furthermore, EPO is produced by a single manufacturer, Amgen, and any interruption of supply or product cost increases could adversely affect our operations. Amgen is also developing a new product, darbepoetin alfa, also known as Aranesp®, that could replace EPO or reduce its use with dialysis patients. The FDA has approved this new product for use with dialysis patients. We cannot predict when, or whether, Amgen will seek to market this product for the dialysis market, how Medicare or other payors will reimburse dialysis providers for its use, whether physicians will prescribe it instead of EPO or how it will impact our revenues and earnings.

Other drugs that we administer upon physician prescription include vitamin D analogs, calcium and iron supplements, various antibiotics and other medications. Medicare currently reimburses us separately for most of these drugs at a rate of 95% of the average wholesale price of each drug. In December 2000, Congress mandated

a General Accounting Office, or GAO, study of whether to reduce the reimbursement rates for drugs that are based on the average wholesale price. The GAO made recommendations to Congress in September 2001 to lower drug reimbursement rates, but the majority of the drugs we administer were not included in the GAO's recommendations. Congress has yet to act on the GAO's recommendations. Effective January 1, 2003, CMS implemented a new payment structure utilizing a single drug pricer for all drugs, including those for which we are reimbursed separately. Our reimbursement under this single drug pricer will not be materially different than what we received at 95% of average wholesale price. Based on recent statements made by key members of Congress and representatives of CMS, we expect that there will be additional changes in Medicare drug reimbursement. We do not know whether or to what extent future rate changes may be implemented, nor how any such changes will impact our revenues and earnings.

Congress has also mandated a government study of whether to include EPO and other pharmaceuticals in the Medicare composite reimbursement rate. Recommendations with respect to possible changes in the services included in the Medicare composite rate were due in July 2002 but have yet to be provided to Congress. We expect the upcoming bundling demonstration projects described above to examine further the desirability of including EPO and other pharmaceuticals in the composite rate. We do not know whether or to what extent future rate changes may be implemented as a result of the study, any demonstration projects or otherwise, nor how any such changes will impact our revenues and earnings.

Management fee income

We generate management fees from managing dialysis centers which are wholly-owned or majority-owned by third parties. Fees are established by contract and are typically based on a percentage of revenues generated from the centers.

United States Attorney's inquiry

In February 2001 the Civil Division of the United States Attorney's Office for the Eastern District of Pennsylvania in Philadelphia contacted us and requested our cooperation in a review of some of our historical practices, including billing and other operating procedures and our financial relationships with physicians. We have cooperated in this review and provided the requested records to the United States Attorney's Office. In May 2002, we received a subpoena from the Philadelphia office of the OIG. The subpoena requires an update to the information we provided in our response to the February 2001 request, and also seeks a wide range of documents relating to pharmaceutical and other ancillary services provided to patients, including laboratory and other diagnostic testing services, as well as documents relating to our financial relationships with physicians and pharmaceutical companies. The subpoena covers the period from May 1996 to May 2002. We have provided the documents requested. This inquiry remains at an early stage. As it proceeds, the government could expand its areas of concern. If a court determines that there has been wrongdoing, the penalties under applicable statutes could be substantial.

At this time, we are unable to determine:

- When this matter will be resolved;
- What position the Civil Division will take regarding any potential liability on the Company's part;
- Whether any additional areas of inquiry will be opened; and
- Any outcome of this inquiry, financial or otherwise.

An adverse determination could have a material adverse impact on our business, results of operation and financial condition. As described further below under the subheading "Government regulation," the penalties under the federal anti-kickback law, Stark laws and False Claims Act and other federal and state statutes can be substantial.

Laboratory payment reviews

Our Florida-based laboratory subsidiary is the subject of a third-party carrier review of its Medicare reimbursement claims. The carrier has reviewed claims for six separate review periods. In 1998 the carrier issued a formal overpayment determination in the amount of $5.6 million for the first review period (January 1995 to April 1996). The carrier also suspended all payments of Medicare claims from the laboratory beginning in May 1998. In 1999, the carrier issued a formal overpayment determination in the amount of $15.0 million for the second review period (May 1996 to March 1998). Subsequently, the carrier informed us that $16.1 million of the suspended claims for the third review period (April 1998 to August 1999), $11.6 million of the suspended claims for the fourth review period (August 1999 to May 2000), $2.9 million of the suspended claims for the fifth review period (June 2000 to December 2000) and $0.9 million of the suspended claims for the sixth review period (December 2000 to May 2001) were not properly supported by the prescribing physicians' medical justification. The carrier's allegations regarding improperly supported claims represented approximately 99%, 96%, 70%, 72%, 24% and 10%, respectively, of the tests the laboratory billed to Medicare for these six review periods.

We have disputed the carrier's determinations and have provided supporting documentation of our claims. In addition to the formal appeal processes with the carrier and a federal administrative law judge, we have also pursued resolution of this matter through meetings with representatives of CMS and the Department of Justice, or DOJ. We initially met with the DOJ in February 2001, at which time the DOJ requested additional information, which we provided in September 2001.

In June 2002, an administrative law judge ruled that the sampling procedures and extrapolations that the carrier used as the basis of its overpayment determinations for the first two review periods were invalid. This decision invalidated the carrier's overpayment determinations for the first two review periods. The administrative law judge's decision on the first two review periods does not apply to the remaining four review periods, as each review period is evaluated independently. Moreover, the carrier's sampling procedures have varied from period to period, and the conclusions the judge arrived at with respect to the first two periods may not hold for the subsequent periods. The hearings before a carrier hearing officer for the third and fourth review periods are scheduled to take place in the second quarter of 2003.

During 2000 we stopped accruing Medicare revenue from this laboratory because of the uncertainties regarding both the timing of resolution and the ultimate revenue valuations. Following the favorable ruling by the administrative law judge in 2002 related to the first two review periods covering January 1995 to March 1998, the carrier lifted the payment suspension and began making payments in July 2002 for lab services provided subsequent to May 2001. After making its determination with respect to the fifth and sixth review periods in December 2002, the carrier paid the additional amounts that it is not disputing for the second through sixth review periods. As of December 31, 2002, we had received a total of $68.8 million, which represented approximately 70% of the total outstanding Medicare lab billings for the period from January 1995 through June 2002. Approximately $10 million of these collections related to 2002 lab services provided through June 2002. We will continue to recognize Medicare lab revenue associated with prior periods as cash collections actually occur, to the extent that cumulative recoveries do not exceed the aggregate amount that management believes we will ultimately recover upon final review and settlement of disputed billings.

In addition to processing prior period claims, the carrier also began processing billings for current period services on a timely basis. Based on these developments, we began recognizing estimated current period Medicare lab revenue in the third quarter of 2002. As a result, in addition to the $10 million of Medicare lab revenue related to the first half of 2002, we recognized approximately $11 million of current period Medicare lab revenue in the second half of 2002.

The carrier is also currently conducting a study of the utilization of dialysis-related laboratory services. During the study, the carrier has suspended all of its previously existing dialysis laboratory prepayment screens.

The purpose of the study is to determine what ongoing program safeguards are appropriate. In its initial findings from the study, the carrier had determined that some of its prior prepayment screens were invalidating appropriate claims. We cannot determine what prepayment screens, post-payment review procedures, documentation requirements or other program safeguards the carrier may yet implement as a result of its study. The carrier has also informed us that any claims that it reimburses during the study period may also be subject to post-payment review and retraction if determined inappropriate.

At this time we are unable to determine:

- When this matter will be fully resolved;
- The amount of the laboratory claims for which we may be paid;
- What action the carrier, the DOJ or HHS may take with respect to this matter; and
- Whether the carrier may review additional periods beyond the six identified.

An adverse determination could have a material adverse impact on our business, results of operations and financial condition.

The Medicare carrier for our Minnesota laboratory is conducting a post-payment review of Medicare reimbursement claims for the period January 1996 through December 1999. The scope of the review is similar to the review being conducted at our Florida laboratory. At this time, we are unable to determine how long it will take the carrier to complete this review. There is currently no overpayment determination or payment suspension with respect to the Minnesota laboratory. The DOJ also requested information with respect to this laboratory, which we have provided. Medicare revenues at the Minnesota laboratory, which were much smaller than the Florida laboratory, were approximately $15 million for the period under review. In November 2001, we closed the operations of this laboratory and combined them with our Florida laboratory.

Government regulation

Our dialysis operations are subject to extensive federal, state and local governmental regulations. These regulations require us to meet various standards relating to, among other things, government reimbursement programs, dialysis facilities and equipment, management of centers, personnel qualifications, maintenance of proper records, quality assurance programs, and patient care.

All of our dialysis centers are certified by CMS, as is required for the receipt of Medicare reimbursement. In some states our dialysis centers also are required to secure additional state health licenses. Governmental authorities, primarily state departments of health, periodically survey our centers to determine if we satisfy applicable federal and state standards and requirements, including the conditions of participation in the Medicare ESRD program. Consistent with recommendations of the OIG, the frequency and intensity of this survey activity increased industry-wide beginning in 2000. We expect this level of survey activity to continue in 2003.

Our business could be adversely impacted by:

- Loss or suspension of federal certifications;
- Loss or suspension of authorization to participate in the Medicare or Medicaid programs;
- Loss or suspension of licenses under the laws of any state or governmental authority from which we generate substantial revenues;
- Refunds of reimbursement received because of any failures to meet applicable reimbursement requirements; or
- Significant reductions in reimbursement or reduction or elimination of coverage for dialysis and ancillary services.

To date, we have not had any material difficulty in maintaining our licenses or our Medicare and Medicaid authorizations. However, we expect that our industry will continue to be subject to significant government regulation and scrutiny, the scope and application of which are difficult to predict. This regulation and scrutiny could adversely impact us in a material way.

Fraud and abuse under federal law

The "anti-kickback" statute contained in the Social Security Act imposes criminal and civil sanctions on persons who receive or make payments in return for:

- The referral of a patient for treatment; or
- The ordering or purchasing of items or services that are paid for in whole or in part by Medicare, Medicaid or similar state programs.

Federal penalties for the violation of these laws include imprisonment, fines and exclusion of the provider from future participation in the Medicare and Medicaid programs. Civil penalties for violation of these laws include up to $50,000 civil monetary penalties per violation, assessments of up to three times the total payments between the parties and suspension from future participation in Medicare and Medicaid. Some state anti-kickback statutes also include criminal penalties. The federal statute expressly prohibits traditionally criminal transactions, such as kickbacks, rebates or bribes for patient referrals. Court decisions have also held that, under certain circumstances, the statute is also violated whenever a purpose of a payment is to induce referrals.

In July 1991, November 1992 and November 1999, the Secretary of HHS published regulations that create exceptions or "safe harbors" for some business transactions and arrangements. Transactions and arrangements structured within these safe harbors do not violate the anti-kickback statute. A business transaction or arrangement must satisfy each and every element of a safe harbor to be protected by that safe harbor. Transactions and arrangements that do not satisfy all elements of a relevant safe harbor do not necessarily violate the anti-kickback statute, but enforcement agencies may subject them to greater scrutiny and could determine that they violate the statute.

Because our medical directors refer patients to our centers, the federal anti-kickback statute may apply. Among the available safe harbors is one for personal services, which is relevant to our arrangements with our medical directors. Most of our agreements with our medical directors do not satisfy all seven of the requirements of the personal services safe harbor. We believe that, except in cases where a center is in transition from one medical director to another or where the term of an agreement with a physician has expired and a new agreement is in negotiation, our agreements with our medical directors satisfy most of the elements of this safe harbor. One of the requirements not satisfied is a requirement that if the services provided under the agreement are on a part-time basis, as they are with our medical directors, the agreement must specify the schedule of intervals of service, their precise length and the exact charge for such intervals. Because of the nature of our medical directors' duties, we believe it is impossible to meet this requirement. Also, one of the requirements is that the compensation is fair market value for the services rendered. There is little guidance available as to what constitutes fair market value for medical director services. Although our medical director agreements are the result of arm's length negotiations, an enforcement agency could challenge the level of compensation that we pay our medical directors. Accordingly, we could in the future be required to change our practices, pay substantial fines or otherwise experience a material adverse effect as a result of a challenge to these arrangements. One of the areas that the United States Attorney's inquiry described above covers is our financial relationships with physicians.

At 31 of our dialysis centers, physicians who refer patients to the centers hold interests in partnerships or limited liability companies owning the centers. The anti-kickback statute may apply to these situations. Among the available safe harbors with respect to these arrangements is one for small entity investment interests. Although none of our arrangements satisfy all of the elements of this small entity investment interests safe harbor, we believe that each of these partnerships and limited liability companies satisfies a majority of the safe harbor's elements, as well as the intent of the regulations.

We lease approximately 50 of our centers from entities in which physicians hold interests and we also sublease space to referring physicians at approximately 90 of our dialysis centers. The anti-kickback statute may apply in these situations. Among the available safe harbors with respect to these arrangements is one for space rentals. We believe that the leases and subleases we have entered into are in material compliance with the safe harbor.

Because we are purchasing and selling items and services in the operation of our centers that may be paid for in whole, or in part, by Medicare or a state healthcare program and because these items and services might be purchased or sold at a discount, the federal anti-kickback statute may apply. Among the available safe harbors is one for discounts, which is relevant to our discount arrangements. We believe that the discount arrangements that we have entered into are in material compliance with the anti-kickback statute and that these arrangements satisfy, in all material respects, each of the elements of the discounts' safe harbor applicable to these arrangements.

Fraud and abuse under state law

Several states, including California, Florida, Georgia, Kansas, Louisiana, Maryland, New York, Utah and Virginia, in which we operate dialysis centers jointly owned with referring physicians, have statutes prohibiting physicians from holding financial interests in various types of medical facilities to which they refer patients. Some states also have laws similar to the federal anti-kickback statute that may affect our ability to receive referrals from physicians with whom we have financial relationships, such as our medical directors. Some of these statutes include exemptions applicable to our medical directors and other physician relationships. Some, however, include no explicit exemption for medical director services or other services for which we contract with and compensate referring physicians or for joint ownership interests of the type held by some of our referring physicians. If these statutes are interpreted to apply to referring physicians with whom we contract for medical director and similar services or to referring physicians who hold joint ownership interests, we would be required to restructure some or all of our relationships with these referring physicians and could be subject to financial penalties. We cannot predict the consequences of this type of restructuring.

Stark I/Stark II

The Omnibus Budget Reconciliation Act of 1989 includes provisions, known as Stark I, that restrict physician referrals for clinical laboratory services to entities with which a physician or an immediate family member has a "financial relationship." Federal regulatory agencies may interpret Stark I to apply to our operations. Regulations interpreting Stark I, however, have created an exception to its applicability regarding services furnished in a dialysis center if payment for those services is included in the ESRD composite rate.

The Omnibus Budget Reconciliation Act of 1993 contains provisions, known as Stark II, that restrict physician referrals for "designated health services" to entities with which a physician or immediate family member has a "financial relationship." The entity is prohibited under Stark II, as is the case for entities restricted by Stark I, from claiming reimbursement for such services under the Medicare or Medicaid programs, is liable for the refund of amounts received pursuant to prohibited claims, is subject to civil penalties of up to $15,000 per service and can be excluded from future participation in the Medicare and Medicaid programs. Stark II includes certain exceptions. Stark II provisions that may be relevant to us became effective in January 1995. Phase I of federal regulations interpreting Stark II were issued in January 2001, and became effective, in relevant part, in the first quarter of 2002. CMS has yet to propose Phase II of these regulations.

A "financial relationship" with an entity under Stark II is defined as an ownership or investment interest in, or a compensation arrangement with, the entity. We have entered into compensation agreements with our medical directors. Some of our medical directors own equity interests in entities that operate our dialysis centers. Some of our dialysis centers are leased from entities in which referring physicians hold interests and we sublease space to referring physicians at some of our dialysis centers. In addition, while nearly all of our stock option

arrangements with referring physicians were terminated in 2000, a few medical directors still own options to acquire our common stock because we did not have the contractual right to terminate their options. Under the Stark II regulations, these stock options constitute compensation arrangements that must meet an applicable exception. Also, some medical directors and other physicians own our common stock, which they either purchased in the open market or received from us as consideration in an acquisition of dialysis centers from them. Although we believe that the ownership of our stock and the other ownership interests and lease arrangements for our centers are in material compliance with Stark II, it is possible that CMS could view them as prohibited arrangements that must be restructured or for which we could be subject to other applicable penalties.

We believe that our compensation arrangements with medical directors and other contract physicians materially satisfy the personal services compensation arrangement exception to the Stark II prohibitions. Payments made by a lessor to a lessee for the use of premises are also excepted from Stark II prohibitions if specific requirements are met. We believe that our leases and subleases with referring physicians materially satisfy this exception to the Stark II prohibitions. The Stark II exception applicable to physician ownership interests in entities to which they make referrals does not encompass the kinds of ownership arrangements that referring physicians hold in several of our subsidiaries that operate dialysis centers. Accordingly, it is possible that CMS could require us to restructure some of these arrangements or seek to impose substantial fines or additional penalties on us.

For purposes of Stark II, "designated health services" include clinical laboratory services, equipment and supplies, home health services, outpatient prescription drugs and inpatient and outpatient hospital services. We believe that the language and legislative history of Stark II and Phase I of the final Stark II regulations indicate that Congress did not intend to include dialysis services and the services and items provided incident to dialysis services as a part of designated health services. For example, the final Stark II regulations exempt from the referral prohibition referrals for clinical laboratory services furnished in an ESRD center if payment for those services is included in the ESRD composite rate and for EPO and other dialysis-related outpatient prescription drugs furnished in or by an ESRD center. However, our provision of, or arrangement and assumption of financial responsibility for, certain other outpatient prescription drugs, center dialysis services and supplies, home dialysis supplies and equipment and services to hospital inpatients under our dialysis services agreements with hospitals, include services and items that still could be construed as designated health services within the meaning of Stark II. Although we bill the hospital and not Medicare or Medicaid for hospital inpatient services, our medical directors may request or establish a plan of care that includes dialysis services for hospital inpatients that may be considered a referral to us within the meaning of Stark II.

Because the Stark II regulations do not expressly address all of our operations, it is possible that CMS could interpret Stark II to apply to parts of our operations. Consequently, it is possible that CMS could determine that Stark II requires us to restructure existing compensation agreements with our medical directors and to repurchase or to request the sale of ownership interests in subsidiaries and partnerships held by referring physicians or, alternatively, to refuse to accept referrals for designated health services from these physicians. We would be materially impacted if CMS interprets Stark II to apply to us and we either could not achieve material compliance with Stark II or the cost of achieving that compliance would be substantial.

Medicare reform

Because the Medicare program represents a substantial portion of the federal budget, Congress takes action in almost every legislative session to modify the Medicare program for the purpose of, or with the result of, reducing the amounts payable from the program to healthcare providers or placing additional burdens or restrictions on healthcare providers. Legislation or regulations may be enacted in the future that may significantly modify the ESRD program or substantially reduce the amount paid for our services. Further, statutes or regulations may be adopted that impose additional requirements for eligibility to participate in the federal and state payment programs. Any legislation or regulations of this type could adversely affect our business operations in a material way.

The False Claims Act

The federal False Claims Act, or FCA, is a means of policing false bills or false requests for payment in the healthcare delivery system. In part, the FCA imposes a civil penalty on any person who:

- Knowingly presents, or causes to be presented, to the federal government a false or fraudulent claim for payment or approval;
- Knowingly makes, uses, or causes to be made or used, a false record or statement to get a false or fraudulent claim paid or approved by the federal government;
- Conspires to defraud the federal government by getting a false or fraudulent claim allowed or paid; or
- Knowingly makes, uses or causes to be made or used, a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit, money or property to the federal government.

The penalties for a violation of the FCA range from $5,500 to $11,000 for each false claim plus three times the amount of damages caused by each such claim. The federal government has used the FCA to prosecute a wide variety of issues as Medicare fraud, including coding errors, billing for services not rendered, the submission of false cost reports, billing services at a higher reimbursement rate than appropriate, billing under a comprehensive code as well as under one or more component codes included in the comprehensive code and billing for care that is not medically necessary. Although subject to some dispute, at least two federal district courts have also determined that an alleged violation of the federal anti-kickback statute or Stark I and Stark II are sufficient to state a claim for relief under the FCA. In addition to the civil provisions of the FCA, the federal government can use several other criminal statutes to prosecute persons who submit false or fraudulent claims for payment to the federal government.

The Health Insurance Portability and Accountability Act of 1996

The Health Insurance Portability and Accountability Act of 1996, or HIPAA, among other things, allows individuals who lose or change jobs to transfer their insurance, limits exclusions for preexisting conditions and establishes a pilot program for medical savings accounts. In addition, HIPAA also expanded federal attempts to combat healthcare fraud and abuse by making amendments to the Social Security Act and the federal criminal code. Among other things, HIPAA created a new "Health Care Fraud Abuse Control Account," under which advisory opinions are issued by the OIG regarding the application of the anti-kickback statute, criminal penalties for Medicare and Medicaid fraud were extended to other federal healthcare programs, the exclusion authority of the OIG was expanded, Medicare and Medicaid civil monetary penalty provisions were extended to other federal healthcare programs, the amounts of civil monetary penalties were increased and a criminal healthcare fraud statute was established.

HIPAA also includes provisions relating to the privacy of medical information. HHS published HIPAA privacy regulations in December 2000 and modified these regulations in August 2002. Based on our initial review of the privacy rules, compliance will require the development of extensive policies and procedures, the designation of privacy officers and the implementation of elaborate administrative safeguards with respect to private health information in our possession. Under HIPAA, compliance with the proposed privacy regulations is required by April 2003. Furthermore, HIPAA includes provisions relating to standards for electronic transactions and electronic signatures. Based on our review of the proposed standards, compliance will require us to develop additional information systems and administrative and electronic safeguards to protect data integrity. Under HIPAA, compliance with the standards for electronic transactions is required no later than October 2003. Compliance with the proposed electronic signature standards is required in 2004.

Complying with the HIPAA privacy rules and the proposed security and electronic signature standards will require substantial time and may require us to incur significant expenditures.

Other regulations

Our operations are subject to various state hazardous waste and non-hazardous medical waste disposal laws. These laws do not classify as hazardous most of the waste produced from dialysis services. Occupational Safety and Health Administration regulations require employers to provide workers who are occupationally subject to blood or other potentially infectious materials with prescribed protections. These regulatory requirements apply to all healthcare facilities, including dialysis centers, and require employers to make a determination as to which employees may be exposed to blood or other potentially infectious materials and to have in effect a written exposure control plan. In addition, employers are required to provide or employ hepatitis B vaccinations, personal protective equipment and other safety devices, infection control training, post-exposure evaluation and follow-up, waste disposal techniques and procedures, and engineering and work practice controls. Employers are also required to comply with various record-keeping requirements. We believe that we are in material compliance with these laws and regulations.

A New York statute prohibits publicly-held companies from owning the health facility license required to operate a dialysis center in New York. Although we own substantially all of the assets, including the fixed assets, of our New York dialysis centers, the licenses are held by privately-owned companies with which we have agreements to provide a broad range of administrative services, including billing and collecting. The New York State Department of Health has approved these types of arrangements; however, we cannot guarantee that they will not be challenged as prohibited under the relevant statute. If they are successfully challenged, we cannot predict the impact on our business in New York. We have a similar management relationship with physician practices in several states which prohibit the corporate practice of medicine, and with a privately-owned company in New Jersey for some, but not all, of our New Jersey dialysis centers. We have had difficulty securing licenses for new centers in New Jersey in our own name because the New Jersey Department of Aging and Senior Services refuses to grant new licenses to companies that have more than a small number of outstanding survey issues throughout all of their facilities in the entire United States, regardless of the respective size of the companies' operations.

A few states have certificate of need programs regulating the establishment or expansion of healthcare facilities, including dialysis centers. We believe that we are in material compliance with all applicable state certificate of need laws.

Although we believe we comply materially with current applicable laws and regulations, our industry will continue to be subject to substantial regulation, the scope and effect of which are difficult to predict. Our activities could be reviewed or challenged by regulatory authorities at any time in the future.

Corporate compliance program

We have implemented a company-wide corporate compliance program as part of our commitment to comply fully with all applicable laws and regulations and to maintain the high standards of conduct we expect from all of our employees. We continuously review this program and enhance it as necessary. The primary purposes of the program include:

- Increasing through training and education, the awareness of our employees and affiliated professionals of the necessity of complying with all applicable laws and regulations in an increasingly complicated regulatory environment;
- Auditing our dialysis centers, laboratories and billing offices on a regular basis to identify any potential instances of noncompliance in a timely manner; and
- Ensuring that we take steps to resolve instances of non-compliance or to address areas of potential non-compliance as promptly as we become aware of them.

We have a code of conduct that each of our employees and affiliated professionals must follow and we have a confidential toll-free hotline (888-272-7272) for employees to report potential instances of non-compliance.

Our chief compliance officer administers the compliance program. The chief compliance officer reports directly to our chief executive officer and chief operating officer and to the compliance committee of our board of directors.

Competition

The dialysis industry is highly competitive, particularly in terms of acquiring existing dialysis centers. Competition for qualified physicians to act as medical directors and for inpatient dialysis services agreements with hospitals is also vigorous. We have also, from time to time, experienced competition from former medical directors or referring physicians who have opened their own dialysis centers.

The market share of the large multi-center providers has increased significantly over the last several years and the four largest dialysis chains, including us, now comprise approximately 65% of the market, compared to approximately 30% in 1992. We expect consolidation by these large chain providers to continue. Approximately half of the independent centers are owned or controlled by hospitals or non-profit organizations. Hospital-based and non-profit dialysis units typically are more difficult to acquire than independent, physician-owned centers.

Large chain dialysis providers with whom we compete include Fresenius Medical Care, Gambro and Renal Care Group. Some of our competitors have substantially greater financial resources than we do and may compete with us for acquisitions and the development of new centers in markets we have also targeted. There are also a number of large healthcare providers and product suppliers that have entered or may decide to enter the dialysis business.

Our two largest competitors, Fresenius and Gambro, manufacture a full line of dialysis supplies and equipment in addition to owning and operating dialysis centers. This may give them cost advantages over us because of their ability to manufacture their own products. In addition, Fresenius is our largest supplier of dialysis products and is also our largest competitor in the dialysis services market.

A portion of our business also consists of monitoring and providing supplies for ESRD treatments in patients' homes. Other companies provide similar services. A company, AKsys, has developed a hemodialysis system designed to enable patients to perform hemodialysis on a daily basis in their homes. In March 2002, AKsys received FDA clearance to market its Personal Hemodialysis (PHD) system. To date there has not been significant adoption of the PHD system by our patients or physicians, however, we expect to test the concept in a few of our centers. We are unable to determine how this system will affect our business over the longer-term.

Insurance

We carry property and general liability insurance, professional liability insurance, directors' and officers' liability insurance, workers compensation, and other insurance coverage in amounts and on terms deemed adequate by management, based on our claims experience and expectations for future claims. Future claims could, however, exceed our applicable insurance coverage. Physicians practicing at our dialysis centers are required to maintain their own malpractice insurance and our medical directors maintain coverage for their individual private medical practices. Our liability policies also cover our medical directors for the performance of their duties as medical directors.

Employees

As of December 31, 2002, we had approximately 13,000 teammates:

- Licensed professional staff (nurses, dieticians and social workers) 4,800
- Other patient care and center support staff and laboratory personnel 6,700
- Corporate, billing and regional administrative staff 1,500

Our dialysis business requires nurses with specialized training for patients with complex care needs. Recruitment and retention of nurses and nurse aides are growing concerns for health care providers generally because of the disparity between the supply and demand for nurses, which has led to a nursing shortage. We have an active program of investing in our professional healthcare teammates to help ensure we meet our recruitment and retention targets, including expanded training opportunities, tuition reimbursements, and other incentives.

Item 2. Properties.

We own the land and building for only two of our dialysis facilities. Our other dialysis centers are located on premises that we lease. Our leases generally cover periods from five to ten years and typically contain renewal options of five to ten years at the fair rental value at the time of renewal or at rates subject to periodic consumer price index increases. Our outpatient dialysis centers range in size from 500 to 30,000 square feet, with an average size of approximately 6,500 square feet.

We maintain our corporate headquarters in approximately 40,000 square feet of office space in Torrance, California, which we currently lease for a term expiring in 2008. Our business office in Tacoma, Washington is in an 80,000-square foot facility leased for a term expiring in 2009. We maintain a 57,000-square foot facility in Berwyn, Pennsylvania, which we currently lease for a term expiring in 2006, principally for additional billing and collections staff. Our Florida-based laboratory is located in a 30,000-square foot facility owned by us, with a long-term ground lease, and we lease 15,000 square feet of additional space for laboratory administrative staff for a term expiring in 2007.

Some of our dialysis centers are operating at or near capacity. However, we believe that we have adequate capacity within most of our existing dialysis centers to accommodate additional patient volume through increased hours and/or days of operation, or, if additional space is available within an existing facility, by adding dialysis stations. In addition, we often can build new centers if existing centers reach capacity. With respect to relocating centers or building new centers, we believe that we can generally lease space at economically reasonable rates in the area planned for each of these centers. Expansion or relocation of our dialysis centers is subject to review for compliance with conditions relating to participation in the Medicare ESRD program. In states that require a certificate of need or center license, additional approvals would generally be necessary for expansion or relocation.

Item 3. Legal Proceedings.

See the heading "United States Attorney's inquiry" in "Item 1. Business" of this report for information on our cooperation with the Civil Division of the United States Attorney's Office for the Eastern District of Pennsylvania in a review of some of our historical practices, including billing and other operating procedures and our financial relationships with physicians.

See the heading "Laboratory payment reviews" in "Item 1. Business" of this report for information on the payment dispute with our Florida laboratory's Medicare carrier.

In addition, we are subject to claims and suits in the ordinary course of business. We do not believe that the ultimate resolution of these additional pending proceedings, whether the underlying claims are covered by insurance or not, will have a material adverse effect on our results of operations or financial condition.

Item 4. Submission of Matters to a Vote of Securities Holders.

No matters were submitted to a vote of security holders during the fourth quarter of 2002.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

Our common stock is traded on the New York Stock Exchange under the symbol "DVA". The following table sets forth, for the periods indicated, the high and low closing prices for our common stock as reported by the New York Stock Exchange.

	High	Low
Year ended December 31, 2001:		
1st quarter	$19.55	$14.60
2nd quarter	20.33	16.18
3rd quarter	22.36	18.31
4th quarter	24.45	17.05
Year ended December 31, 2002:		
1st quarter	$26.00	$21.50
2nd quarter	26.13	20.40
3rd quarter	23.91	19.46
4th quarter	25.87	22.80

The closing price of our common stock on February 14, 2003 was $20.41 per share. According to The Bank of New York, our registrar and transfer agent, as of February 14, 2003, there were 2,604 holders of record of our common stock. Since our recapitalization in 1994, we have not declared or paid cash dividends to holders of our common stock. We do not anticipate paying cash dividends in the foreseeable future. Our bank credit agreements restrict our ability to pay dividends on our common stock. Also, see the heading "Liquidity and capital resources" under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the notes to our consolidated financial statements.

Item 6. Selected Financial Data.

The following table presents selected consolidated financial and operating data for the periods indicated. The following financial and operating data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements filed as part of this report.

	Year ended December 31,				
	2002	2001	2000	1999	1998
	(in thousands, except share data)				
Income statement data:					
Net operating revenues(1)	$1,854,632	$1,650,753	$1,486,302	$ 1,445,351	$1,203,738
Total operating expenses(2)	1,463,300	1,332,761	1,311,587	1,509,333	1,068,825
Operating income (loss)	391,332	317,992	174,715	(63,982)	134,913
Other income (loss), net	5,790	4,644	(7,201)	(1,895)	4,894
Debt expense(3)	71,636	72,438	116,637	110,797	84,003
Minority interests in income of consolidated subsidiaries	(9,299)	(9,260)	(5,942)	(5,152)	(7,163)
Income (loss) before income taxes, extraordinary items and cumulative effect of change in accounting principle	316,187	240,938	44,935	(181,826)	48,641
Income tax expense (benefit)	129,500	104,600	27,960	(34,570)	38,449
Income (loss) before extraordinary items and cumulative effect of change in accounting principle	$ 186,687	$ 136,338	$ 16,975	$ (147,256)	$ 10,192
Net income (loss)(4)	$ 157,329	$ 137,315	$ 13,485	$ (147,256)	$ (9,448)
Basic earnings (loss) per common share:					
Income (loss) before extraordinary items and cumulative effect of change in accounting principle	$ 2.60	$ 1.63	$ 0.21	$ (1.81)	$ 0.12
Net income (loss)(4)	$ 2.19	$ 1.64	$ 0.17	$ (1.81)	$ (0.12)
Diluted earnings (loss) per common share:					
Income (loss) before extraordinary items and cumulative effect of change in accounting principle	$ 2.28	$ 1.51	$ 0.20	$ (1.81)	$ 0.12
Net income (loss)(4)	$ 1.96	$ 1.52	$ 0.16	$ (1.81)	$ (0.12)
Ratio of earnings to fixed charges(5)(6)	4.35:1	3.63:1	1.32:1	See (6)	1.49:1
Balance sheet data:					
Working capital(7)	$ 251,925	$ 175,983	$ 148,348	$(1,043,796)	$ 388,064
Total assets	1,775,693	1,662,683	1,596,632	2,056,718	1,911,619
Long-term debt(8)	1,311,252	811,190	974,006	5,696	1,225,781
Shareholders' equity(9)	70,264	503,637	349,368	326,404	473,864

(1) Net operating revenues include $58,778 in 2002 of prior years' services revenue relating to Medicare lab revenue, and $22,000 in 2001 of prior years' dialysis services revenue relating to cash settlements and collections in excess of prior estimates.

(2) Total operating expenses include expense offsets from recoveries of $5,192 in 2002, and $35,220 in 2001 of accounts receivable reserved in 1999, a net gain for impairments and valuation adjustments of $380 in 2002

and net impairment losses of $4,556 in 2000, $139,805 in impairment and valuation losses in 1999 principally associated with the disposition of the Company's non-continental U.S. operations and merger-related costs of $78,188 in 1998.

(3) Debt expense includes write-offs of deferred financing costs of $1,192 in 2000 and $1,601 in 1999, and a loss on termination of interest rate swap agreements related to refinanced debt of $9,823 in 1998.

(4) Net income (loss) includes an extraordinary loss of $29,358 ($0.41 per share—basic, $0.32 per share—diluted) in 2002 resulting from the write-off of deferred financing costs associated with the retirement of the $225,000 outstanding 9¼% Senior Subordinated Notes due 2011, an extraordinary gain of $977 ($0.01 per share) in 2001 relating to the write-off of deferred financing costs and the associated accelerated swap liquidation gains resulting from debt refinancing, and extraordinary losses associated with early extinguishment of debt of $3,490 ($0.04 per share) in 2000 and $12,744 ($0.16 per share) in 1998. In 1998 we adopted AICPA Statement of Position No. 98-5 *Reporting on the Costs for Start-up Activities* which requires that pre-opening and organization costs be expensed as incurred. As a result, unamortized deferred pre-opening and organizational costs of $6,896 ($0.08 per share) were written off as a cumulative effect of a change in accounting principle in 1998.

(5) The ratio of earnings to fixed charges is computed by dividing fixed charges into earnings. Earnings for this purpose is defined as pretax income from operations adjusted by adding back fixed charges excluding interest capitalized during the period. Fixed charges are defined as the total of interest expense, amortization of financing costs, capitalized interest and the estimated interest component of rental expense on operating leases.

(6) Due to our loss in 1999, the ratio coverage in 1999 was less than 1:1. We would have had to generate additional earnings of $182,535 to achieve a coverage of 1:1.

(7) The working capital calculation as of December 31, 1999 includes long-term debt of $1,425,610 that was potentially callable under covenant provisions.

(8) Long-term debt as of December 31, 1999 excludes $1,425,610 that was potentially callable under covenant provisions.

(9) We repurchased 27,327,477 shares of common stock for $642,171 in 2002 and 888,700 shares of common stock for $20,360 in 2001.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward looking statements

This Form 10-K contains statements that are forward-looking statements within the meaning of the federal securities laws, including statements about our expectations, beliefs, intentions or strategies for the future. These statements involve known and unknown risks and uncertainties, including risks resulting from the regulatory environment in which we operate, economic and market conditions, competitive activities, other business conditions, accounting estimates, and the risk factors set forth in this Form 10-K. These risks, among others, include those relating to possible reductions in private mix and private and government reimbursement rates, the concentration of profits generated from PPO and private indemnity patients and from ancillary services including the administration of pharmaceuticals, changes in pharmaceutical practice patterns or reimbursement policies, the ongoing review of the Company's Florida laboratory subsidiary by its Medicare carrier and the DOJ, the ongoing review by the US Attorney's Office and the OIG in Philadelphia and the Company's ability to maintain contracts with physician medical directors. Our actual results may differ materially from results anticipated in our forward-looking statements. We base our forward-looking statements on information currently available to us, and we have no current intention to update these statements, whether as a result of changes in underlying factors, new information, future events or other developments.

The following should be read in conjunction with our consolidated financial statements and "Item 1. Business."

Results of operations

Our operating results, excluding prior-period service recoveries, for the year ended December 31, 2002 were in line with our projected range, with no significant unanticipated changes in dialysis revenue, expense trends or EBITDA, and no material changes in our general risk assessments. However, positive developments regarding disputed Medicare claims at our Florida laboratory have allowed us to recognize Medicare lab revenue for current and prior services beginning in the third quarter of 2002.

The following is a summary of continental U. S. and non-continental U.S. operating revenues and operating expenses:

	Year ended December 31,					
	2002		2001		2000	
	(dollars in millions)					
Operating revenues:						
Continental U.S.	$1,849	*100%*	$1,636	*99%*	$1,412	*95%*
Non-continental U.S.	6		15	*1%*	74	*5%*
	$1,855	*100%*	$1,651	*100%*	$1,486	*100%*
Operating expenses:						
Continental U.S.	$1,458	*100%*	$1,317	*99%*	$1,234	*94%*
Non-continental U.S.	6		16	*1%*	73	*6%*
Impairment valuation adjustments					4	
	$1,464	*100%*	$1,333	*100%*	$1,311	*100%*

The divestiture of our dialysis operations outside the continental United States was substantially completed during 2000, and the sale of our remaining centers in Puerto Rico was completed during the second quarter of 2002. Therefore, the non-continental U.S. operating results are excluded from the revenue and cost trends discussed below.

Continental operating results were as follows (see Note 18 to the consolidated financial statements for non-continental U.S. operating results):

Continental U.S. Operations

	Year ended December 31,					
	2002		2001		2000	
	(dollars in millions)					
Net operating revenues:						
Current period services	$ 1,790	*100%*	$ 1,614	*100%*	$ 1,412	*100%*
Prior years' services—laboratory	59					
Prior years' services—dialysis			22			
Operating expenses:						
Dialysis centers and labs	1,212	*68%*	1,087	*67%*	973	*69%*
General and administrative	154	*9%*	129	*8%*	120	*8%*
Depreciation and amortization(a)	65	*4%*	62	*4%*	58	*4%*
Provision for uncollectible accounts(b)	32	*2%*	32	*2%*	38	*3%*
	1,463	*82%*	1,310	*81%*	1,189	*84%*
Operating income—current period services(a)(b)	$ 327	*18%*	$ 304	*19%*	$ 223	*16%*
Impairments and valuation losses (gains):						
Continental U.S. operations	$ 1		$ (1)		$ 5	
Non-continental U.S. operations	(1)		1		(1)	
	$ —		$ —		$ 4	
Dialysis treatments (000's)	5,975		5,690		5,354	
Average dialysis treatments per treatment day	19,090		18,185		17,066	
Average dialysis revenue per treatment	$ 291		$ 278		$ 256	

(a) For comparison purposes, excludes goodwill amortization of $42 million in 2001, and $45 million in 2000. Goodwill is not amortized effective for 2002 per SFAS No. 142.

(b) Excludes approximately $5 and $35 million of recoveries in 2002 and 2001 of amounts reserved in 1999. Operating income as presented also excludes $59 and $22 million of prior years' services revenues in 2002 and 2001.

Because of the inherent uncertainties associated with predicting third-party reimbursements in the healthcare industry, our revenue recognition involves significant estimation risks. Such risks and uncertainties are addressed in AICPA Statement of Position (SOP) No. 00-1 *Auditing Health Care Third-Party Revenues and Related Receivables.* Our estimates are developed based on the best information available to us and our best judgement as to the reasonably assured collectibility of our billings as of the reporting date. Changes in estimates are reflected in the financial statements based upon on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies.

The net operating revenues for continental U.S. operations of $1,790 million in 2002 and $1,614 million in 2001 represent annual increases of $176 million or 11% and $202 million or 14%, respectively. Approximately 50% and 60% of the increase in dialysis services revenue for 2002 and 2001 was attributable to increases in the average reimbursement rate per treatment and approximately 50% and 40% was due to an increase in the number of dialysis treatments. The increase in 2002 also included approximately $21 million of current year Medicare laboratory revenue. As discussed below, we had not recognized any Medicare laboratory revenue during 2001 due to the ongoing dispute with the third-party carrier.

Dialysis services revenue

Dialysis services revenue, excluding prior period service revenue, represented 97%, 98% and 97% of current operating revenues in 2002, 2001 and 2000, respectively. Lab, other and management fee income account for the balance of revenues.

Dialysis services include outpatient center hemodialysis, which accounts for approximately 88% of total dialysis treatments, home dialysis, and inpatient hemodialysis with contracted hospitals. Major components of dialysis revenue include the administration of EPO and other drugs as part of the dialysis treatment, which represents approximately 37% of operating revenues.

Dialysis services are paid for primarily by Medicare and state Medicaid programs in accordance with rates established by CMS, and by other third-party payors such as HMO's and health insurance carriers. Services provided to patients covered by third-party insurance companies are normally reimbursed at rates higher than Medicare or Medicaid rates. Patients covered by employer group health plans convert to Medicare after a maximum of 33 months. As of year-end 2002, the Medicare ESRD dialysis treatment rates were between $121 and $144 per treatment, or an overall average of $131 per treatment, excluding the administration of drugs.

The majority of our net earnings from dialysis services are derived from commercial payors, some of which pay at negotiated reimbursement rates and others which pay based on our usual and customary rates. The commercial reimbursement rates are under continual pressure as we negotiate contract rates with large HMO's and insurance carriers. Additionally, as a patient transitions from commercial coverage to Medicare or Medicaid coverage, the reimbursement rates generally decline substantially.

Dialysis services revenues by payor type were as follows:

	Year ended December 31,		
	2002	2001	2000
Percent of total dialysis revenue:			
Medicare	51%	52%	53%
Medicaid	5	5	5
	56	57	58
HMO's, health insurance carriers and private patient payments	44	43	42
	100%	100%	100%

The average dialysis revenue recognized per treatment (excluding prior years' services revenue) was $291, $278 and $256 for 2002, 2001 and 2000, respectively. The increase in average dialysis revenue per treatment in 2002 was principally due to increases in our standard fee schedules (impacting non-contract commercial revenue), changes in mix and intensity of physician-prescribed pharmaceuticals, continued improvements in revenue capture, billing and collecting operations, and payor contracting. The increase in 2001 was principally due to continued improvements in revenue realization due to improved clinical operations and billing and collection processes, and a 2.4% increase in the Medicare composite reimbursement rates.

The number of dialysis treatments increased 5.0% in 2002 and 6.3% in 2001, principally attributable to a non-acquired annual growth rate of approximately 4.0% for both years. We continue to expect the non-acquired growth rate to remain in the range of 3.0% to 5.0% through 2003. Acquisitions accounted for the balance of the increases in treatment volumes.

The prior years' services revenue of $22 million in 2001 related to cash recoveries associated with prior years' services and resulted from improvements in the Company's billing and collecting operations.

Lab and other services

As discussed in Note 16 to the consolidated financial statements (*Contingencies*), our Florida-based laboratory subsidiary has been under an ongoing third-party carrier review for Medicare reimbursement claims since 1998. Prior to the third quarter 2002, no Medicare payments had been received since May 1998. Following a favorable ruling by an administrative law judge in June 2002 relating to review periods from January 1995 to March 1998, the carrier began releasing funds for lab services provided subsequent to May 2001. During the fourth quarter of 2002, the carrier also released funds related to review periods from April 1998 through May 2001. During the second half of 2002, the carrier paid us a total of $68.8 million, representing approximately 70% of the total outstanding prior Medicare lab billings for the period from January 1995 through June 2002. Approximately $10 million of these collections related to 2002 lab services provided through June 2002. We have recognized prior period services Medicare lab revenue as payments have been received based on our belief that the cumulative recoveries do not exceed the aggregate amount that we will ultimately recover and retain upon final review and settlement of the Medicare billings. At this time we expect no significant additional Medicare lab payments relating to prior periods unless and until the dispute over the remaining disallowed claims are resolved in our favor. In addition to the prior-period claims, the carrier also began processing billings for current period services in the third quarter of 2002. As a result, in addition to the $10 million of Medicare lab revenue related to the first half of 2002, we recognized approximately $11 million of current period Medicare lab revenue in the second half of 2002.

Management fee income

Management fee income represented less than 1% of total revenues for 2002 and 2001. Our fees are typically based on a percentage of revenue of the center that we manage and are established in the management contract. We managed 23 and 25 third-party dialysis centers as of year end 2002 and 2001.

Dialysis centers and lab expenses

Operating expenses consist of costs and expenses specifically attributable to the operations of dialysis centers and labs, including direct labor, drugs, medical supplies and other patient care service and support costs. Dialysis centers and lab operating expenses as a percentage of net operating revenue (excluding prior period services revenue) were 68%, 67% and 69% for 2002, 2001 and 2000, respectively. On a per-treatment basis, the operating expenses increased approximately $12 and $9 in 2002 and 2001. The increase in both years was principally due to higher labor and pharmaceutical costs, as well as revenue-impacting changes in the mix of physician-prescribed pharmaceuticals. Increases in revenue per treatment substantially offset these cost increases.

General and administrative expenses. General and administrative expenses consist of those costs not specifically attributable to the dialysis centers and labs and include expenses for corporate and regional administration, including centralized accounting, billing and cash collection functions. General and administrative expenses as a percentage of net operating revenues (excluding prior period services revenue) were approximately 8.6%, 8.0% and 8.5% in 2002, 2001 and 2000, respectively. In absolute dollars, general and administrative expenses increased by approximately $25 million in 2002. The increase was principally due to higher labor costs, continued investments in infrastructure to develop new operating and billing systems, and higher legal costs relating to the laboratory and U.S. Attorney's reviews (see discussion of contingencies below) and other proactive compliance initiatives.

Provision for uncollectible accounts receivable. The provision for 2002 and 2001, net of recoveries, was $27 million and a net recovery of $3 million. Before considering cash recoveries and excluding prior period services revenue, the provisions for uncollectible accounts receivable were approximately 1.8% of current operating revenues in 2002 as compared to 2.0% in 2001 and 3% in 2000. During 2002 and 2001, we realized recoveries of $5 million and $35 million associated with aged accounts receivables that had been reserved in 1999. The recoveries and lower provisions in 2002 and 2001 resulted from continued improvements that we made in our billing and collecting processes.

Impairments and valuation adjustments. We perform impairment or valuation reviews for our property and equipment, amortizable intangibles, and investments in and advances to third-party dialysis businesses whenever a change in condition indicates that a review is warranted. Such changes include changes in our business strategy and plans, the quality or structure of our relationships with our partners, or when an owned or third-party dialysis business experiences deteriorating operating performance or liquidity problems. Goodwill is routinely assessed for possible valuation impairment using fair value methodologies.

Impairments and valuation adjustments for 2002 consisted of a net loss of approximately $1 million associated with continental U.S. operations and a net gain of approximately $1.3 million associated with the sale of our remaining non-continental U.S. operations.

Other income (loss)

The net of other income and loss items were income of $5.8 million for 2002, $4.6 million for 2001 and a loss of $7.2 million in 2000. Interest income was $3.4 million, $3.2 million and $7.7 million for 2002, 2001 and 2000, respectively. In 2000, we had losses of $15.5 million related to the settlement of a securities lawsuit and the recognition of the foreign currency translation loss associated with the divestitures of the non-continental U.S. operations.

Debt expense

Debt expense for 2002, 2001 and 2000 consisted of interest expense of approximately $69, $70 and $113 million respectively, and the amortization of deferred financing costs of approximately $3 million in both 2002 and 2001 and $4 million in 2000. The slight reduction in interest expense in 2002 was the result of lower average interest rates offset by higher debt balances due to our debt restructuring and common stock purchases that occurred as part of our recapitalization plan, as discussed below.

Provision for income taxes

The provision for income taxes for 2002 represented an effective tax rate of 41.0% as compared to 43.4% in 2001 and 62.2% in 2000. The reduction in the effective tax rate in 2002 compared to 2001 was primarily due to overall lower state income tax rates, the elimination of book amortization not deductible for tax purposes and changes in tax valuation estimates. The high effective rate in 2000 resulted from the relatively low level of pre-tax earnings in relation to significant permanent differences in 2000, including non-deductible amortization and deferred tax valuation allowances.

Extraordinary items

In 2002, the extraordinary loss of $29.4 million, net of tax, related to our recapitalization plan which included retiring all our $225 million outstanding 9¼% Senior Subordinated Notes due 2011 and extinguishing our then existing senior credit facilities, as discussed below.

In 2001, the extraordinary gain of $1 million, net of tax, related to the write-off of deferred financing costs offset by the accelerated recognition of deferred interest rate swap liquidation gains as a result of debt refinancing.

In 2000, the extraordinary loss of $3.5 million, net of tax, related to the write-off of deferred financing costs associated with an early extinguishment of debt. In July 2000, we restructured our revolving and term credit facilities.

Projections for 2003

Our current projections for 2003, based on current conditions and trends, are for normal operating earnings before depreciation and amortization, debt expense and taxes, or EBITDA, to be in the range of $380 million to

$400 million. These projections and the underlying assumptions involve significant risks and uncertainties, and actual results may vary significantly from these current projections. These risks, among others, include those relating to possible reductions in private and government reimbursement rates, the concentration of profits generated from non-governmental payors and from the administration of physician-prescribed pharmaceuticals, changes in pharmaceutical practice patterns or reimbursement policies, and the ongoing review by the United States Attorney's Office and the OIG. Additionally, the termination or restructuring of managed care contracts, medical director agreements or other arrangements may result in future impairments or otherwise negatively affect our operating results. We undertake no duty to update these projections, whether due to changes in current or expected trends, underlying market conditions, decisions of the United States Attorney's Office, the DOJ or the OIG in any pending or future review of our business, or otherwise.

Liquidity and capital resources

Cash flow from operations during 2002 amounted to $342 million which included $64 million of prior period services recoveries. The non-operating cash flows were primarily associated with our recapitalization plan to restructure our debt and repurchase common stock, as discussed below, and a net investment of $121 million in acquisitions and new center developments, system infrastructure and other capital assets. During 2001 operating cash flow amounted to $265 million, which included $57 million of prior period services recoveries. Non-operating cash flows for 2001 included a net $118 million for acquisitions and capital asset expenditures, and $20 million in stock repurchases.

In the first quarter of 2002, we initiated a recapitalization plan to restructure our debt and repurchase common stock. In April 2002, we completed the initial phase of the recapitalization plan by retiring all of our $225 million outstanding 9¼% Senior Subordinated Notes due 2011 for $266 million. Concurrent with the retirement of this debt, we secured a new senior credit facility agreement in the amount of $1.115 billion. The excess of the consideration paid over the book value of the Senior Subordinated Notes and write-off of deferred financing costs associated with extinguishing the existing senior credit facilities and the notes resulted in an extraordinary loss of $29.4 million, net of tax. In June 2002, we completed the next phase of the recapitalization plan with the repurchase of 16,682,337 shares of our common stock for approximately $402 million, or $24.10 per share, through a modified dutch auction tender offer. In May 2002, our Board of Directors authorized the purchase of an additional $225 million of common stock over the next eighteen months. As of December 31, 2002, 7,699,440 shares had been acquired for $172 million under this authorization. No additional purchases have been made under this authorization since December 2002. For the year ended December 31, 2002, stock repurchases, including 2,945,700 shares acquired prior to initiating the recapitalization plan, amounted to $642 million for 27,327,477 shares, for a composite average of $23.50 per share.

The new senior credit facility secured during the second quarter of 2002 consists of a Term Loan A for $150 million, a Term Loan B for $850 million and a $115 million undrawn revolving credit facility, which includes up to $50 million available for letters of credit. During the second quarter of 2002, we borrowed all $850 million of the Term Loan B, and $842 million of the Term Loan B remained outstanding as of December 31, 2002. The Term Loan B bears interest equal to LIBOR plus 3.00%, which was a weighted average rate of 4.71% as of December 31, 2002. The interest rates under the Term Loan A, which was fully drawn during January 2003, and the revolving credit facility are equal to LIBOR plus a margin ranging from 1.5% to 2.75% based on our leverage ratio. The current margin is 2.25% for an effective rate of 3.61%. The aggregate annual principal payments for the entire outstanding term credit facility range from $11 million to $51 million in years one through five, and $403 million in each of years six and seven, with the balance due not later than 2009. The new senior credit facility is secured by all our personal property and that of all our wholly-owned subsidiaries. The new senior credit facility also contains financial and operating covenants including investment limitations.

During the second quarter of 2001 we issued $225 million of 9¼% Senior Subordinated Notes and completed a refinancing of our senior credit facilities. The net proceeds of these transactions were used to pay down amounts outstanding under our then existing senior credit facilities. The new senior credit facilities

consisted of two term loans (totaling $114 million as of December 31, 2001) and a $150 million revolving credit facility (undrawn as of December 31, 2001). Total outstanding debt amounted to $820 million at December 31, 2001, a reduction of $156 million during the year. In 2000, we negotiated a major restructuring of the credit facility and we were able to reduce the total outstanding debt by over $482 million from our operating cash flows and the proceeds from divesting our non-continental operations.

The continental U.S. accounts receivable balance at December 31, 2002 and 2001 represented approximately 70 and 72 days of net revenue, net of bad debt provision.

During 2002 we increased our capital expenditures by approximately $50 million over 2001, principally for new dialysis centers, relocations and expansions, and for major information technology systems and upgrades. We acquired a total of 11 centers and opened 19 new centers.

We believe that we will have sufficient liquidity and operating cash flows to fund our scheduled debt service and other obligations over the next twelve months.

Off-balance sheet arrangements and aggregate contractual obligations

In addition to the debt obligations reflected on our balance sheet, we have commitments associated with operating leases, letters of credit and our investments in third-party dialysis businesses. Nearly all of our facilities are leased. We have potential acquisition obligations for several jointly-owned centers, in the form of put options exercisable at the third-party owners' discretion. These put obligations require us to purchase the third-party owners' interests at either the appraised fair market value or a predetermined multiple of earnings or cash flow. The following is a summary of these contractual obligations and commitments as of December 31, 2002 (000's):

	Within One Year	1-3 Years	4-5 Years	After 5 Years	Total
Scheduled payments under contractual obligations:					
Long-term debt	$ 7,285	$ 17,000	$438,437	$849,688	$1,312,410
Capital lease obligations	693	698	2,380	3,049	6,820
Operating leases	48,916	88,026	69,832	88,655	295,429
	$56,894	$105,724	$510,649	$941,392	$1,614,659
Potential cash requirements under existing commitments:					
Letters of credit	$ 7,418				$ 7,418
Acquisition of dialysis centers	33,000	$ 17,000	10,000		60,000
Working capital advances to managed and minority-owned centers	5,000				5,000
	$45,418	$ 17,000	$ 10,000	$ —	$ 72,418

Contingencies

Health care provider revenues may be subject to adjustment as a result of (1) examination by government agencies or contractors, for which the resolution of any matters raised may take extended periods of time to finalize; (2) differing interpretations of government regulations by different fiscal intermediaries or regulatory authorities; (3) differing opinions regarding a patient's medical diagnosis or the medical necessity of services provided; (4) retroactive applications or interpretations of governmental requirements; and (5) claims for refunds from private payors.

Our Florida-based laboratory subsidiary is the subject of a third-party carrier review of its Medicare reimbursement claims. The carrier has reviewed claims for six separate review periods. In 1998 the carrier issued

a formal overpayment determination in the amount of $5.6 million for the first review period (January 1995 to April 1996). The carrier also suspended all payments of Medicare claims from the laboratory beginning in May 1998. In 1999, the carrier issued a formal overpayment determination in the amount of $15.0 million for the second review period (May 1996 to March 1998). Subsequently, the carrier informed us that $16.1 million of the suspended claims for the third review period (April 1998 to August 1999), $11.6 million of the suspended claims for the fourth review period (August 1999 to May 2000), $2.9 million of the suspended claims for the fifth review period (June 2000 to December 2000) and $0.9 million of the suspended claims for the sixth review period (December 2000 through May 2001) were not properly supported by the prescribing physicians' medical justification. The carrier's allegations regarding improperly supported claims represented approximately 99%, 96%, 70%, 72%, 24% and 10%, respectively, of the tests the laboratory billed to Medicare for these six review periods.

We have disputed each of the carrier's determinations and have provided supporting documentation of our claims. In addition to the formal appeal processes with the carrier and a federal administrative law judge, we also pursued resolution of this matter through meetings with representatives of the Centers for Medicare and Medicaid Services, or CMS, and the Department of Justice, or DOJ. We initially met with the DOJ in February 2001, at which time the DOJ requested additional information, which we provided in September 2001.

In June 2002 an administrative law judge ruled that the sampling procedures and extrapolations that the carrier used as the basis of its overpayment determinations for the first two review periods were invalid. This decision invalidated the carrier's overpayment determinations for the first two review periods. The administrative law judge's decision on the first two review periods does not apply to the remaining four review periods, as each review period is evaluated independently. Moreover, the carrier's sampling procedures have varied from period to period, and the conclusions the judge arrived at with respect to the first two periods may not hold for the subsequent periods. The hearings before a carrier hearing officer for the third and fourth review periods are scheduled to take place in the second quarter of 2003.

During 2000 we stopped accruing Medicare revenue from this laboratory because of the uncertainties regarding both the timing of resolution and the ultimate revenue valuations. Following the favorable ruling by the administrative law judge in 2002 related to the first two review periods covering January 1995 to March 1998, the carrier lifted the payment suspension and began making payments in July 2002 for lab services provided subsequent to May 2001. After making its determination with respect to the fifth and sixth review periods in December 2002, the carrier paid the additional amounts that it is not disputing for the second through sixth review periods. As of December 31, 2002, we had received a total of $68.8 million, which represented approximately 70% of the total outstanding Medicare lab billings for the period from January 1995 through June 2002. Approximately $10 million of these collections related to 2002 lab services provided through June 2002. These cash collections were recognized as revenue in the quarter received. We will continue to recognize Medicare lab revenue associated with prior periods as cash collections actually occur, to the extent that cumulative recoveries do not exceed the aggregate amount that management believes we will ultimately recover upon final review and settlement of disputed billings.

In addition to processing prior period claims during the third quarter of 2002, the carrier also began processing billings for current period services on a timely basis. Based on these developments, we began recognizing estimated current period Medicare lab revenue in the third quarter of 2002. As a result, in addition to the $10 million of Medicare lab revenue related to the first half of 2002, we recognized approximately $11 million of current period Medicare lab revenue in the second half of 2002.

The carrier is also currently conducting a study of the utilization of dialysis-related laboratory services. During the study, the carrier has suspended all of its previously existing dialysis laboratory prepayment screens. The purpose of the study is to determine what ongoing program safeguards are appropriate. In its initial findings from the study, the carrier had determined that some of its prior prepayment screens were invalidating appropriate claims. We cannot determine what prepayment screens, post-payment review procedures,

documentation requirements or other program safeguards the carrier may yet implement as a result of its study. The carrier has also informed us that any claims that it reimburses during the study period may also be subject to post-payment review and refund if determined inappropriate.

The Medicare carrier for our Minnesota laboratory is conducting a post-payment review of Medicare reimbursement claims for the period January 1996 through December 1999. The scope of the review is similar to the review being conducted at our Florida laboratory. At this time, we are unable to determine how long it will take the carrier to complete this review. There is currently no overpayment determination or payment suspension with respect to the Minnesota laboratory. The DOJ also requested information with respect to this laboratory, which we have provided. Medicare revenues at the Minnesota laboratory, which was much smaller than the Florida laboratory, were approximately $15 million for the period under review. In November 2001, we closed the operations of this laboratory and combined them with our Florida laboratory.

In February 2001 the Civil Division of the United States Attorney's Office for the Eastern District of Pennsylvania in Philadelphia contacted us and requested our cooperation in a review of some of our historical practices, including billing and other operating procedures and our financial relationships with physicians. We cooperated in this review and provided the requested records to the United States Attorney's Office. In May 2002, we received a subpoena from the Philadelphia office of the Office of Inspector General of the Department of Health and Human Services, or OIG. The subpoena requires an update to the information we provided in our response to the February 2001 request, and also seeks a wide range of documents relating to pharmaceutical and other ancillary services provided to patients, including laboratory and other diagnostic testing services, as well as documents relating to our financial relationships with physicians and pharmaceutical companies. The subpoena covers the period from May 1996 to May 2002. We have provided the documents requested. This inquiry remains at an early stage. As it proceeds, the government could expand its areas of concern. If a court determines that there has been wrongdoing, the penalties under applicable statutes could be substantial.

In addition to the foregoing, we are subject to claims and suits in the ordinary course of business. Management believes that the ultimate resolution of these additional pending proceedings, whether the underlying claims are covered by insurance or not, will not have a material adverse effect on our financial condition, results of operations or cash flows.

Critical accounting estimates and judgements

Our consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States. These accounting principles require us to make estimates, judgements and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and contingencies. All significant estimates, judgements and assumptions are developed based on the best information available to us at the time made and are regularly reviewed and updated when necessary. Actual results will generally differ from these estimates. Changes in estimates are reflected in our financial statements in the period of change based upon on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies. Interim changes in estimates are generally applied prospectively within annual periods. Certain accounting estimates, including those concerning revenue recognition and provision for uncollectible accounts, impairments and valuation adjustments, and accounting for income taxes, are considered to be critical in evaluating and understanding our financial results because they involve inherently uncertain matters and their application requires the most difficult and complex judgements and estimates.

Revenue recognition and provision for uncollectible accounts

Revenues are recognized as services are provided to patients. Operating revenues consist primarily of reimbursement for dialysis and ancillary services to patients. A usual and customary fee schedule is maintained for our dialysis treatment and other patient services; however, actual collectible revenue is normally at a discount to the fee schedule. Medicare and Medicaid programs are billed at pre-determined net realizable rates per

treatment that are established by statute or regulation. Most non-governmental payors, including contracted managed care payors, are billed at our usual and customary rates, but a contractual allowance is recorded to adjust to the expected net realizable revenue for services provided. Contractual allowances along with provisions for uncollectible accounts are estimated based upon credit risks of third-party payors, contractual terms, inefficiencies in our billing and collection processes, regulatory compliance issues and historical collection experience. Revenue recognition uncertainties inherent in the Company's operations are addressed in AICPA Statement of Position (SOP) No. 00-1 *Auditing Health Care Third-Party Revenues and Related Receivables*. As addressed in SOP No. 00-1, net revenue recognition and allowances for uncollectible billings require the use of estimates of the amounts that will actually be realized considering, among other items, retroactive adjustments that may be associated with regulatory reviews, audits, billing reviews and other matters.

Lab service revenues for current period dates of services are recognized at the estimated net realizable amounts to be received after considering possible retroactive adjustments that may be made as a result of the ongoing third-party carrier review. Prior-period services Medicare lab revenue is currently being recognized as cash collections actually occur, to the extent that the cumulative recoveries do not exceed the aggregate amount that we believe we will ultimately realize upon final review and settlement of the third-party carrier's review.

Impairments of long-lived assets

We account for impairment of long-lived assets, which include property and equipment, investments, amortizable intangible assets and goodwill, in accordance with the provisions of SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets* or SFAS No. 142 *Goodwill and Other Intangible Assets,* as applicable. An impairment review is performed annually or whenever a change in condition occurs which indicates that the carrying amounts of assets may not be recoverable. Such changes include changes in our business strategies and plans, changes in the quality or structure of our relationships with our partners and deteriorating operating performance of individual dialysis centers. We use a variety of factors to assess the realizable value of assets depending on their nature and use. Such assessments are primarily based upon the sum of expected future undiscounted net cash flows over the expected period the asset will be utilized, as well as market values and conditions. The computation of expected future undiscounted net cash flows can be complex and involves a number of subjective assumptions. Any changes in these factors or assumptions could impact the assessed value of an asset and result in an impairment charge equal to the amount by which its carrying value exceeds its actual or estimated fair value.

Accounting for income taxes

We estimate our income tax provision to recognize our tax expense for the current year and our deferred tax liabilities and assets for future tax consequences of events that have been recognized in our financial statements using current enacted tax laws. Deferred tax assets must be assessed based upon the likelihood of recoverability from future taxable income and to the extent that recovery is not likely, a valuation allowance is established. The allowance is regularly reviewed and updated for changes in circumstances that would cause a change in judgement about the realizability of the related deferred tax assets. These calculations and assessments involve complex estimates and judgements because the ultimate tax outcome can be uncertain or future events unpredictable.

Variable compensation accruals

We estimate variable compensation accruals monthly based upon the annual amounts expected to be earned and paid out resulting from the achievement of certain employee-specific and or corporate financial and operating goals. Our estimates, which include compensation incentives for bonuses, awards and benefit plan contributions, are updated periodically due to changes in our economic condition or cash flows that could ultimately impact the actual final award. Actual results may vary due to the subjective nature of fulfilling employee specific and or corporate goals as well as the final determination and approval of amounts by the Company's Board of Directors.

Significant new accounting standards for 2002

Statement of Financial Accounting Standards (SFAS) No. 142 *Goodwill and Other Intangible Assets* became effective in 2002. Under SFAS No. 142, beginning in 2002 goodwill is no longer amortized, but is required to be assessed for possible valuation impairment as circumstances warrant and at least annually. An impairment charge must be recorded against current earnings to the extent that the book value of goodwill exceeds its fair value. We recognized no goodwill impairments upon transition to this standard. If this standard had been implemented at the beginning of 2000, amortization expense would have been reduced by $25 million and $27 million, net of tax, for 2001 and 2000. Net income and diluted net income per share would have been approximately $162 million or $1.76 per share and $41 million or $0.49 per share for 2001 and 2000, respectively.

SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets* became effective in 2002. SFAS No. 144 superceded SFAS No. 121 *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*. SFAS No. 144 allows different approaches in cash flow estimation, and extends discontinued operations treatment, previously applied only to operating segments, to more discrete business components. The impairment model under SFAS No. 144 is otherwise largely unchanged from SFAS No. 121, and adoption of this standard did not have a material effect on our financial statements.

SFAS No. 145 *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* will be effective for 2003. Under SFAS No. 145, gains or losses from extinguishment of debt will no longer be classified as extraordinary items, but will be included as a component of income from continuing operations. All comparable prior period extraordinary items will be reclassified for consistent presentation. Although the $29.4 million of extraordinary loss, net of tax, for 2002 will be reclassified in future financial statements as $49 million of ordinary expense before taxes, this classification change will have no impact on net income or net income per share.

FASB Interpretation No. 45 *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* was issued in November 2002. This Interpretation clarifies the requirements for a guarantor's disclosures in its interim and annual financial statements about its obligations under certain guarantees that it has issued and which remain outstanding. The Interpretation also clarifies the requirements related to the recognition of a liability for the fair value of an obligation undertaken by the guarantor at the inception of the guarantee, including its ongoing obligation to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur. The disclosure requirements are currently effective, while the recognition and initial measurement provisions will apply to guarantees issued or modified after December 31, 2002. We do not believe that these provisions will have a material impact on our financial statements.

SFAS No. 148 *Accounting for Stock-based Compensation—Transition and Disclosure*, which was issued in December 2002, provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation and also requires disclosures in interim as well as annual financial statements regarding our method of accounting for stock-based employee compensation and the effect of the method used on reported results. See Note 1 to our consolidated financial statements for this disclosure.

RISK FACTORS

This Form 10-K contains statements that are forward-looking statements within the meaning of the federal securities laws, including statements about our expectations, beliefs, intentions or strategies for the future. These forward-looking statements include statements regarding our expectations for treatment growth rates, revenue per treatment, expense growth, levels of the provision for uncollectible accounts receivable, earnings before depreciation and amortization, debt expense and taxes, and capital expenditures. We base our forward-looking statements on information currently available to us, and we do not intend to update these statements, whether as a result of changes in underlying factors, new information, future events or other developments.

These statements involve known and unknown risks and uncertainties, including risks resulting from economic and market conditions, the regulatory environment in which we operate, competitive activities and other business conditions. Our actual results may differ materially from results anticipated in these forward-looking statements. Important factors that could cause actual results to differ materially from the forward-looking statements include those set forth below. The risks discussed below are not the only ones facing our business.

If the percentage of our collections at or near our billed prices declines, then our revenues, cash flows and earnings would be substantially reduced.

Approximately 44% of our continental U.S. dialysis revenues are generated from patients who have private payors as the primary payor. A minority of these patients have insurance policies that reimburse us at or near our billed prices, which are significantly higher than Medicare rates. The majority of these patients have insurance policies that reimburse us at lower rates but, in most cases, higher than Medicare rates. We believe that pressure from private payors to decrease the rates they pay us may increase. If the percentage of collections at or near our billed prices decreases significantly, it would have a material adverse effect on our revenues, cash flows and earnings.

If the percentage of patients with insurance paying at or near our billed prices declines, then our revenues, cash flows and earnings would be substantially reduced.

Our revenue levels are sensitive to the mix of reimbursements from higher paying commercial plans to total reimbursements from all payor plans and program types. If there is a significant change in the number of patients under higher paying commercial plans relative to plans that pay at lower rates, for example a reduction in the average number of patients under indemnity and PPO plans compared with the average number of patients under HMO plans and government programs, it would negatively impact our revenues, cash flows and earnings.

If we are unable to renegotiate material contracts with managed care plans on acceptable terms, we may experience a decline in same center growth.

We have contracts with some large managed care plans that include unfavorable terms. Although we are attempting to renegotiate the terms of these contracts, we cannot predict whether we will reach agreement on new terms or whether we will renew these contracts. As a result, we may lose numerous patients of these managed care plans and experience a decline in our same center growth, which would negatively impact our revenues.

Changes in clinical practices and reimbursement rates or rules for EPO and other drugs could substantially reduce our revenue and earnings.

The administration of EPO and other drugs accounts for approximately one third of our net operating revenues. Changes in physician practice patterns and accepted clinical practices, changes in private and governmental reimbursement rates and rules, the introduction of new drugs and the conversion to alternate types of administration, for example from intravenous administration to subcutaneous or oral administration, that may also result in lower or less frequent dosages, could reduce our revenues and earnings from the administration of

EPO and other drugs. For example, some Medicare fiscal intermediaries are seeking to implement local medical review policies for EPO and vitamin D analogs that would effectively limit utilization of and reimbursement for these drugs.

Future declines, or the lack of further increases, in Medicare reimbursement rates would reduce our net income and cash flows.

Approximately 51% of our continental U.S. dialysis revenues are generated from patients who have Medicare as their primary payor. The Medicare ESRD program reimburses us for dialysis and ancillary services at fixed rates. Unlike many other Medicare programs, the Medicare ESRD program does not provide for periodic inflation increases in reimbursement rates. Increases of 1.2% in 2000 and 2.4% in 2001 were the first increases in the composite rate since 1991, and were significantly less than the cumulative rate of inflation since 1991. There was no increase in the composite rate for 2002. Increases in operating costs that are subject to inflation, such as labor and supply costs, have occurred and are expected to continue to occur with or without a compensating increase in reimbursement rates. We cannot predict the nature or extent of future rate changes, if any. To the extent these rates are not adjusted to keep pace with inflation, our net income and cash flows would be adversely affected.

Future changes in the structure of, and reimbursement rates under, the Medicare ESRD program could substantially reduce our operating earnings and cash flows.

In legislation enacted in December 2000, Congress mandated government studies on whether:

- The Medicare composite rate for dialysis should be modified to include an annual inflation increase—this study was due July 2002, but has not yet been delivered to Congress;
- The Medicare composite rate for dialysis should be modified to include additional services, such as laboratory and other diagnostic tests and the administration of EPO and other pharmaceuticals, in the composite rate—this study was due July 2002, but has not yet been delivered to Congress; and
- Reimbursement for many of the outpatient prescription drugs that we administer to dialysis patients should be changed from the historic rate of 95% of the average wholesale price, or AWP. This study was delivered to Congress but Congress has not acted upon it.

If Medicare began to include in its composite reimbursement rate any ancillary services that it currently reimburses separately, our revenue would decrease to the extent there was not a corresponding increase in that composite rate. In particular, Medicare revenue from EPO is approximately 25% of our total Medicare revenue. In January 2003, CMS implemented a new payment structure utilizing a single drug pricer for all drugs that Medicare reimburses, including many we administer. Based on the initial prices CMS has set, we do not expect our reimbursement under this single drug pricer in 2003 to differ materially from what it would have been under the AWP-based reimbursement structure. We expect, however, that CMS will change the prices set under this single drug pricer in the future or make other changes to the payment structure for these drugs. If EPO were included in the composite rate, and if the composite rate were not increased sufficiently, our operating earnings and cash flows could decrease substantially. Reductions in current reimbursement rates for EPO or other outpatient prescription drugs would also reduce our net earnings and cash flows.

Future declines in Medicaid reimbursement rates would reduce our net income and cash flows.

Approximately 5% of our continental U.S. dialysis revenues are generated from Medicaid payors. If state governments change Medicaid programs or the rates paid by those programs for our services, then our revenue and earnings may decline. Some of the states' Medicaid programs have proposed eligibility changes or have announced that they are considering reductions in the rates for certain services. Any action to reduce the Medicaid coverage rules or reimbursement rates for dialysis and related services would adversely affect our revenue and earnings.

If a significant number of physicians were to cease referring patients to our dialysis centers, whether due to regulatory or other reasons, our revenue and earnings would decline.

If a significant number of physicians stop referring patients to our centers, it could have a material adverse effect on our revenue and earnings. Many physicians prefer to have their patients treated at centers where they or other members of their practice supervise the overall care provided as medical directors of the centers. As a result, the primary referral source for most of our centers is often the physician or physician group providing medical director services to the center. If a medical director agreement terminates, whether before or at the end of its term, and a new medical director is appointed, it may negatively impact the former medical director's decision to treat his or her patients at our center. Additionally, the medical directors have no obligation to refer their patients to our centers.

Our medical director contracts are for fixed periods, generally five to ten years. Medical directors have no obligation to extend their agreements with us. In the twelve months ended December 31, 2002, we renewed the agreements with medical directors at 57 centers. In addition, as of December 31, 2002, there were 30 additional centers at which the medical director agreements required renewal on or before December 31, 2003.

We also may take actions to restructure existing relationships or take positions in negotiating extensions of relationships in order to assure compliance with anti-kickback and similar laws. These actions could negatively impact physicians' decisions to extend their medical director agreements with us or to refer their patients to us. In addition, if the terms of an existing agreement were found to violate applicable laws, we may not be successful in restructuring the relationship, which could lead to the early termination of the agreement, or force the physician to stop referring patients to the centers.

If the current shortage of skilled clinical personnel or our high level of personnel turnover continues, we may experience disruptions in our business operations and increases in operating expenses.

We are experiencing increased labor costs and difficulties in hiring nurses due to a nationwide shortage of skilled clinical personnel. This shortage limits our ability to expand our operations. We also have a high personnel turnover rate in our dialysis centers. Turnover has been the highest among our technicians, nurses and unit secretaries. Recent efforts to reduce this turnover may not succeed. If we are not successful, or if we are unable to hire skilled clinical personnel when needed, our operations and our same center growth will be negatively impacted.

Adverse developments with respect to EPO could materially reduce our net income and cash flows and affect our ability to care for our patients.

Amgen is the sole supplier of EPO and may unilaterally decide to increase its price for EPO at any time. For example, Amgen unilaterally increased its base price for EPO by 3.9% in each of 2002, 2001 and 2000. Also, we cannot predict whether we will continue to receive the same discount structure for EPO that we currently receive, or whether we will continue to achieve the same levels of discounts within that structure as we have historically achieved. In addition, Amgen has developed a new product, Aranesp®, that may replace EPO or reduce its use with dialysis patients. We cannot predict if or when Aranesp® will be introduced to the U.S. dialysis market, what its cost and reimbursement structure will be, or how it may impact our revenues from EPO. Increases in the cost of EPO and the introduction of Aranesp® could have a material adverse effect on our net income and cash flows.

The pending federal review of some of our historical practices and third-party carrier review of our laboratory subsidiary could result in substantial penalties against us.

We are voluntarily cooperating with the Civil Division of the United States Attorney's Office and OIG in Philadelphia in a review of some of our practices, including billing and other operating procedures, financial

relationships with physicians and pharmaceutical companies, and the provision of pharmaceutical and other ancillary services. In addition, our Florida laboratory and our now closed Minnesota laboratory are each the subject of a third-party carrier review of claims it has submitted for Medicare reimbursement. The DOJ has also requested and received information regarding these laboratories. We are unable to determine when these matters will be resolved, whether any additional areas of inquiry will be opened or any outcome of these matters, financial or otherwise. Any negative findings could result in substantial financial penalties against us and exclusion from future participation in the Medicare and Medicaid programs.

If we fail to adhere to all of the complex government regulations that apply to our business, we could suffer severe consequences that would substantially reduce our revenue and earnings.

Our dialysis operations are subject to extensive federal, state and local government regulations, including Medicare and Medicaid reimbursement rules and regulations, federal and state anti-kickback laws, and federal and state laws regarding the collection, use and disclosure of patient health information. The regulatory scrutiny of healthcare providers, including dialysis providers, has increased significantly in recent years. In addition, the frequency and intensity of Medicare certification surveys and inspections of dialysis centers has increased markedly since 2000.

We endeavor to comply with all of the requirements for receiving Medicare and Medicaid reimbursement and to structure all of our relationships with referring physicians to comply with the anti-kickback laws; however, the laws and regulations in this area are complex and subject to varying interpretations. In addition, our historic dependence on manual processes that vary widely across our network of dialysis centers exposes us to greater risk of errors in billing and other business processes.

Due to regulatory considerations unique to each of these states, all of our dialysis operations in New York and part of our dialysis operations in New Jersey are conducted through privately-owned companies to which we provide a broad range of administrative services. These operations account for approximately 7% of our continental U.S. dialysis revenues. We believe that we have structured these operations to comply with the laws and regulations of these states, but we can give no assurances that they will not be challenged.

If any of our operations are found to violate these or other government regulations, we could suffer severe consequences, including:

- Mandated practice changes that significantly increase operating expenses;
- Suspension of payments from government reimbursement programs;
- Refunds of amounts received in violation of law or applicable reimbursement program requirements;
- Loss of required government certifications or exclusion from government reimbursement programs;
- Loss of licenses required to operate healthcare facilities in some of the states in which we operate;
- Fines or monetary penalties for anti-kickback law violations, submission of false claims or other failures to meet reimbursement program requirements and patient privacy law violations; and
- Claims for monetary damages from patients who believe their protected health information has been used or disclosed in violation of federal or state patient privacy laws.

Our rollout of new information technology systems will significantly disrupt our billing and collection activity, may not work as planned and could have a negative impact on our results of operations and financial condition.

We will be continuing the rollout of new information technology systems and new processes to each of our dialysis centers over the next fifteen months. It is likely that this rollout will disrupt our billing and collection

activity and may cause other disruptions to our business operations, which may negatively impact our cash flows. Also, the new information systems may not work as planned or improve our billing and collection processes as expected. If they do not, we may have to spend substantial amounts to enhance or replace these systems.

Provisions in our charter documents and compensation programs we have adopted may deter a change of control that our stockholders would otherwise determine to be in their best interests.

Our charter documents include provisions which may deter hostile takeovers, delay or prevent changes of control or changes in our management, or limit the ability of our stockholders to approve transactions that they may otherwise determine to be in their best interests. These include provisions prohibiting our stockholders from acting by written consent, requiring 60 days advance notice of stockholder proposals or nominations to our Board of Directors and granting our Board of Directors the authority to issue up to five million shares of preferred stock and to determine the rights and preferences of the preferred stock without the need for further stockholder approval, and a poison pill that would substantially dilute the interest sought by an acquirer that our board of directors does not approve.

In addition, most of our outstanding employee stock options include a provision accelerating the vesting of the options in the event of a change of control. We have also adopted a change of control protection program for our employees who do not have a significant number of stock options, which provides for cash bonuses to the employees in the event of a change of control. Based on the shares of our common stock outstanding and the market price of our stock on December 31, 2002, these cash bonuses would total approximately $53 million. These compensation programs may affect the price an acquirer would be willing to pay.

These provisions could also discourage bids for our common stock at a premium and cause the market price of our common stock to decline.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Interest rate sensitivity

The table below provides information about our financial instruments that are sensitive to changes in interest rates. For our debt obligations, the table presents principal repayments and current weighted average interest rates on these obligations as of December 31, 2002. For our debt obligations with variable interest rates, the rates presented reflect the current rates in effect at the end of 2002. These rates are based on LIBOR plus a margin of 3.0%.

	Expected maturity date								
	2003	2004	2005	2006	2007	Thereafter	Total	Fair value	Average interest rate
	(dollars in millions)								
Long-term debt:									
Fixed rate				$125		$345	$470	$478	6.63%
Variable rate	$8	$9	$9	$ 9	$307	$507	$849	$849	5.10%

Our senior credit facility is based on a floating LIBOR interest rate plus a margin, which is reset periodically and can be locked in for a maximum of six months. As a result, our interest expense is subject to fluctuations as LIBOR interest rates change.

One means of assessing exposure to interest rate changes is duration-based analysis that measures the potential loss in net income resulting from a hypothetical increase in interest rates of 100 basis points across all variable rate maturities (sometimes referred to as a "parallel shift in the yield curve"). Under this model, with all else constant, it is estimated that such an increase would have reduced net income by approximately $3.5 million, $1.6 million and $4.7 million, net of tax, for the years ended December 31, 2002, 2001 and 2000, respectively.

The Company does not currently use any derivative financial instruments to hedge against interest rate exposure.

Exchange rate sensitivity

We are currently not exposed to any foreign currency exchange rate risk.

Item 8. Financial Statements and Supplementary Data.

See the Index included at "Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K."

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required by this item will appear in, and is incorporated by reference from, the section entitled "Proposal No. 1. Election of Directors" under the subheading "Information concerning nominees to our board of directors" and the section entitled "Executive Officers, Compensation and Other Information" under the subheadings "Information concerning our executive officers" and "Section 16(a) beneficial ownership reporting compliance" included in our definitive proxy statement relating to our 2003 annual stockholder meeting.

Item 11. Executive Compensation.

The information required by this item will appear in, and is incorporated by reference from, the section entitled "Proposal No. 1. Election of Directors" under the subheading "Compensation of directors" and the section entitled "Executive Officers, Compensation and Other Information" under the subheadings "Executive compensation," "Employment agreements" and "Compensation committee interlocks and insider participation" included in our definitive proxy statement relating to our 2003 annual stockholder meeting. The compensation committee report and performance graph required by Items 402(k) and (l) of Regulation S-K are not incorporated herein.

Item 12. Equity Compensation Plan Information.

The following table provides information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans and arrangements as of December 31, 2002, including the 1994 Equity Compensation Plan, the 1995 Equity Compensation Plan, the 1997 Equity Compensation Plan, the 1999 Equity Compensation Plan, the 1999 Non-Executive Officer and Non-Director Equity Compensation Plan, the Special Purpose Option Plan (RTC Plan), the 2002 Equity Compensation Plan, the Employee Stock Purchase Plan and the deferred stock unit arrangements. The material terms of each of these plans and arrangements are described in the notes to the December 31, 2002 consolidated financial statements. The 1999 Non-Executive Officer and Non-Director Equity Compensation Plan and the deferred stock unit arrangements were not required to be approved by our shareholders.

Plan category	Number of shares to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))	Total of shares reflected in columns (a) and (c)
	(a)	*(b)*	*(c)*	*(d)*
Equity compensation plans approved by shareholders	6,891,009	$13.67	12,184,516	19,075,525
Equity compensation plans not requiring shareholder approval	3,221,353	$12.56	995,951	4,217,304
Total	10,112,362	$13.32	13,180,467	23,292,829

Other information required to be disclosed by item 12 will appear in, and is incorporated by reference from, the section entitled "Security Ownership of Principal Stockholders, Directors and Officers" included in our definitive proxy statement relating to our 2003 annual stockholder meeting.

Item 13. Certain Relationships and Related Transactions.

The information required by this item will appear in, and is incorporated by reference from, the section entitled "Certain Relationships and Related Transactions" included in our definitive proxy statement relating to our 2003 annual stockholder meeting.

Item 14. Controls and Procedures.

Management maintains disclosure controls and procedures designed to ensure that information required to be disclosed in the reports filed by the Company pursuant to the Securities Exchange Act of 1934, as amended, or Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and regulations, and that such information is accumulated and communicated to the Company's management including its Chief Executive Officer and Chief Financial Officer as appropriate to allow for timely decisions regarding required disclosures. Management recognizes that these controls and procedures can provide only reasonable assurance of desired outcomes, and that estimates and judgements are still inherent in the process of maintaining effective controls and procedures.

Within 90 days of the date of this report, we carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures in accordance with the Exchange Act requirements. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective for timely identification and review of material information required to be included in the Company's Exchange Act reports, including this report on Form 10-K.

We have established and maintain a system of internal controls designed to provide reasonable assurance that transactions are executed with proper authorization and are properly recorded in the Company's records, and that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period. Internal controls are periodically reviewed and revised if necessary, and are augmented by appropriate oversight and audit functions.

Subsequent to the date that these controls were last evaluated by the Chief Executive Officer and Chief Financial Officer, we have not made any significant changes in the design and operation of our internal controls, nor have there been changes in other factors that could significantly affect the overall effectiveness of the control environment to process, record and disclose transactions.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Documents filed as part of this Report:

(1) *Index to Financial Statements:*

(2) *Index to Financial Statement Schedules:*

(3) *Exhibits:*

3.1	Amended and Restated Certificate of Incorporation of Total Renal Care Holdings, Inc., or TRCH, dated December 4, 1995.(1)
3.2	Certificate of Amendment of Certificate of Incorporation of TRCH, dated February 26, 1998.(2)
3.3	Certificate of Amendment of Certificate of Incorporation of DaVita Inc. (formerly Total Renal Care Holdings, Inc.), dated October 5, 2000.(10)
3.4	Bylaws of TRCH, dated October 6, 1995.(3)
4.1	Indenture, dated June 12, 1996 by Renal Treatment Centers, Inc., or RTC, to PNC Bank including form of RTC Note.(4)
4.2	First Supplemental Indenture, dated as of February 27, 1998, among RTC, TRCH and PNC Bank under the 1996 Indenture.(2)
4.3	Second Supplemental Indenture, dated as of March 31, 1998, among RTC, TRCH and PNC Bank under the 1996 Indenture.(2)
4.4	Indenture, dated as of November 18, 1998, between TRCH and United States Trust Company of New York, as trustee, and form of Note.(5)
4.5	Rights Agreement, dated as of November 14, 2002, between DaVita Inc. and the Bank of New York, as Rights Agent. (6)
10.1	Employment Agreement, dated as of October 18, 1999, by and between TRCH and Kent J. Thiry.(7)*
10.2	Amendment to Mr. Thiry's Employment Agreement, dated May 20, 2000.(8)*

10.3 Second Amendment to Mr. Thiry's Employment Agreement, dated November 28, 2000.(9)*

10.4 Employment Agreement, dated as of November 29, 1999, by and between TRCH and Gary W. Beil.(9)*

10.5 Employment Agreement, dated as of July 19, 2000, by and between TRCH and Charles J. McAllister.(9)*

10.6 Employment Agreement, effective as of April 19, 2000, by and between TRCH and Steven J. Udicious.(10)*

10.7 Employment Agreement, dated as of June 15, 2000, by and between DaVita Inc. and Joseph Mello.(11)*

10.8 Employment Agreement, dated as of April 1, 2001, by and between DaVita Inc. and Richard K. Whitney.(12)*

10.9 Employment Agreement, dated as of October 15, 2002, by and between DaVita Inc. and Lori S. Richardson-Pellicioni.✓*

10.10 Second Amended and Restated 1994 Equity Compensation Plan.(13) *

10.11 First Amended and Restated 1995 Equity Compensation Plan.(13)*

10.12 First Amended and Restated 1997 Equity Compensation Plan.(13)*

10.13 First Amended and Restated Special Purpose Option Plan.(13)*

10.14 1999 Equity Compensation Plan.(14)*

10.15 Amended and Restated 1999 Equity Compensation Plan.(15)*

10.16 First Amended and Restated Total Renal Care Holdings, Inc. 1999 Non-Executive Officer and Non-Director Equity Compensation Plan.✓

10.17 2002 Equity Compensation Plan.(16)*

10.18 Credit Agreement, dated as of May 3, 2001, by and among DaVita Inc., the lenders party thereto, Bank of America, N.A., as the Administrative Agent, Banc of America Securities LLC, as Joint Book Manager and Credit Suisse First Boston Corporation, as Joint Book Manager and Syndication Agent (the "Credit Agreement").(17)

10.19 Amendment No. 1, dated as of December 4, 2001, to the Credit Agreement by and among DaVita Inc., the lenders party thereto, Bank of America, N.A., as the Administrative Agent, Banc of America Securities LLC, as Joint Book Manager and Credit Suisse First Boston Corporation, as Joint Book Manager and Syndication Agent.(10)

10.20 Security Agreement, dated as of May 3, 2001, made by DaVita Inc. and the subsidiaries of DaVita Inc. named therein to Bank of America, N.A., as the Collateral Agent for the lenders party to the Credit Agreement.(17)

10.21 Subsidiary Guaranty, dated as of May 3, 2001, made by the subsidiaries of DaVita Inc. named therein in favor of the lenders party to the Credit Agreement.(17)

10.22 Guaranty, entered into as of March 31, 1998, by TRCH in favor of and for the benefit of PNC Bank.(2)

10.23 Credit Agreement, dated as of April 26, 2002, by and among DaVita Inc., the lenders party thereto, Credit Suisse First Boston Corporation as Administrative Agent and Joint Book Manager, Banc of America Securities LLC as Joint Book Manager and Bank of America, N.A., as Syndication Agent ("the Credit Agreement").(12)**

10.24 Amendment No. 1, dated as of May 9, 2002, to the Credit Agreement by and among DaVita Inc., the lenders party thereto, Credit Suisse First Boston Corporation as Administrative Agent and Joint Book Manager, Banc of America Securities LLC as Joint Book Manager and Bank of America, N.A., as Syndication Agent.(12)

10.25	Security Agreement, dated as of April 26, 2002, made by and among DaVita Inc. and the subsidiaries of DaVita Inc. named therein to Credit Suisse First Boston, Cayman Islands Branch, as the Collateral Agent for the lenders party to the Credit Agreement.(12)
10.26	Subsidiary Guarantee, dated as of April 26, 2002, made by the subsidiaries of DaVita Inc. named therein in favor of the lenders party to the Credit Agreement.(12)
10.27	Amendment #4, dated November 16, 2001, to Agreement No. 19990110 between Amgen Inc. and Total Renal Care, Inc. (10)**
10.28	Agreement No. 20010259, dated November 16, 2001 between Amgen USA Inc. and Total Renal Care, Inc.(10)**
10.29	Amendment #1, dated December 31, 2002, to Agreement No. 20010259 between Amgen USA Inc. and Total Renal Care, Inc.✓**
12.1	Statement re: Computation of Ratios of Earnings to Fixed Charges. ✓
21.1	List of our subsidiaries. ✓
23.1	Consent of KPMG LLP.✓
24.1	Powers of Attorney with respect to DaVita.✓(Included on Page II-1)
99.1	Certification of the Chief Executive Officer, dated February 27, 2003, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.✓
99.2	Certification of the Chief Financial Officer, dated February 27, 2003, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.✓

✓ Included in this filing.

* Management contract or executive compensation plan or arrangement.

** Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the SEC.

(1) Filed on March 18, 1996 as an exhibit to our Transitional Report on Form 10-K for the transition period from June 1, 1995 to December 31, 1995.

(2) Filed on March 31, 1998 as an exhibit to our Form 10-K for the year ended December 31, 1997.

(3) Filed on October 24, 1995 as an exhibit to Amendment No. 2 to our Registration Statement on Form S-1 (Registration Statement No. 33-97618).

(4) Filed on August 5, 1996 as an exhibit to RTC's Form 10-Q for the quarter ended June 30, 1996.

(5) Filed on December 18, 1998 as an exhibit to our Registration Statement on Form S-3 (Registration Statement No. 333-69227).

(6) Filed on November 19, 2002 as an exhibit to our Form 8-K reporting the adoption of the Rights Agreement.

(7) Filed on November 15, 1999 as an exhibit to our Form 10-Q for the quarter ended September 30, 1999.

(8) Filed on August 14, 2000 as an exhibit to our Form 10-Q for the quarter ended June 30, 2000.

(9) Filed on March 20, 2001 as an exhibit to our Form 10-K for the year ended December 31, 2000.

(10) Filed on March 1, 2002 as an exhibit to our Form 10-K for the year ended December 31, 2001.

(11) Filed on August 15, 2001 as an exhibit to our Form 10-Q for the quarter ended June 30, 2001.

(12) Filed on May 14, 2002 as an exhibit to our Form 10-Q for the quarter ended March 31, 2002.

(13) Filed on March 29, 2000 as an exhibit to our Form 10-K for the year ended December 31, 1999.

(14) Filed on February 18, 2000 as an exhibit to our Registration Statement on Form S-8 (Registration Statement No. 333-30736).

(15) Filed on April 27, 2001 as an exhibit to the Definitive Proxy Statement for our 2001 Annual Meeting of Stockholders.

(16) Filed on March 14, 2002 as an exhibit to the Definitive Proxy Statement for our 2002 Annual Meeting of Stockholders.

(17) Filed on June 8, 2001 as an exhibit to our Registration Statement on Form S-4 (Registration Statement No. 333-62552).

(b) Reports on Form 8-K:

Current report on Form 8-K dated November 18, 2002, which was filed on November 19, 2002, reporting under Item 5, Other Events, that upon approval by the Board of Directors of the Registrant on November 14, 2002, the Registrant adopted a Rights Agreement. A copy of the Rights Agreement was attached to the Form 8-K as Exhibit 4.1.

DAVITA INC.

REPORT OF MANAGEMENT

Management is responsible for the preparation, integrity and fair presentation of the accompanying consolidated financial statements of DaVita Inc. and its subsidiaries. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include amounts that are based on management's best estimates and judgements. Financial information included elsewhere in this Annual Report on Form 10-K for the year ended December 31, 2002 is consistent with that in the financial statements.

Management has established and maintains a system of internal controls designed to provide reasonable assurance as to the integrity, reliability and accuracy of the financial statements. Management also maintains disclosure controls and procedures designed to accumulate, process and report materially accurate information within the time periods specified in the Securities and Exchange Commission's rules and regulations.

Internal controls and disclosure controls are periodically reviewed and revised if necessary, and are augmented by appropriate oversight and audit functions, as well as an active Code of Conduct requiring adherence to the highest levels of personal and professional integrity. Management however, recognizes that these controls and procedures can provide only reasonable assurance of desired outcomes.

The consolidated financial statements have been audited and reported on by our independent auditors, KPMG LLP, who report directly to the Audit Committee of the Board of Directors. The Audit Committee, which is comprised solely of independent directors, monitors the integrity of the Company's financial reporting process and systems of internal controls and disclosure controls, monitors the independence and performance of the Company's independent auditors, ensures the effectiveness of an anonymous compliance hotline available to all employees, and holds regular meetings without the presence of management.

The Company has carried out an evaluation of the effectiveness of the design and operations of the Company's internal controls and disclosure controls and procedures in accordance with the Exchange Act requirements. Based upon that evaluation, management has concluded that the Company's internal controls are adequate to provide reasonable assurance that transactions are fairly presented in the consolidated financial statements, and that disclosure controls and procedures are effective for timely identification and review of material information required to be included in the Company's Exchange Act reports, including this Annual Report.

Kent J. Thiry	Richard K. Whitney	Gary W. Beil
Chief Executive Officer	Chief Financial Officer	Vice President and Controller

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
DaVita Inc.

We have audited the accompanying consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DaVita Inc. and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, effective July 1, 2001, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and certain provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," as required for goodwill and intangible assets resulting from business combinations consummated after June 30, 2001. In 2002, the Company changed its method of accounting for goodwill and other intangible assets for all other business combinations.

/s/ KPMG LLP

Seattle, Washington
February 21, 2003

DAVITA INC.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

	December 31, 2002	December 31, 2001
ASSETS		
Cash and cash equivalents	$ 96,475	$ 36,711
Accounts receivable, less allowance of $48,927 and $52,475	344,292	333,546
Inventories	34,929	34,901
Other current assets	28,667	9,364
Deferred income taxes	40,163	60,142
Total current assets	544,526	474,664
Property and equipment, net	298,475	252,778
Amortizable intangibles, net	63,159	73,108
Investments in third-party dialysis businesses	3,227	4,346
Other long-term assets	1,520	2,027
Goodwill	864,786	855,760
	$1,775,693	$1,662,683
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 77,890	$ 74,630
Other liabilities	101,389	111,164
Accrued compensation and benefits	95,435	88,826
Current portion of long-term debt	7,978	9,034
Income taxes payable	9,909	15,027
Total current liabilities	292,601	298,681
Long-term debt	1,311,252	811,190
Other long-term liabilities	9,417	5,012
Deferred income taxes	65,930	23,441
Minority interests	26,229	20,722
Commitments and contingencies		
Shareholders' equity:		
Preferred stock ($0.001 par value, 5,000,000 shares authorized; none issued)		
Common stock ($0.001 par value, 195,000,000 shares authorized; 88,874,896 and 85,409,037 shares issued)	89	85
Additional paid-in capital	519,369	467,904
Retained earnings	213,337	56,008
Treasury stock, at cost (28,216,177 and 888,700 shares)	(662,531)	(20,360)
Total shareholders' equity	70,264	503,637
	$1,775,693	$1,662,683

See notes to consolidated financial statements.

DAVITA INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(dollars in thousands, except per share data)

	Year ended December 31,		
	2002	2001	2000
Net operating revenues	$ 1,854,632	$ 1,650,753	$ 1,486,302
Operating expenses:			
Dialysis centers and labs	1,217,685	1,100,652	1,032,153
General and administrative	154,453	129,194	123,624
Depreciation and amortization	64,665	105,209	111,605
Provision for uncollectible accounts	26,877	(2,294)	39,649
Impairments and valuation adjustments	(380)		4,556
Total operating expenses	1,463,300	1,332,761	1,311,587
Operating income	391,332	317,992	174,715
Other income (loss), net	5,790	4,644	(7,201)
Debt expense	71,636	72,438	116,637
Minority interests in income of consolidated subsidiaries	(9,299)	(9,260)	(5,942)
Income before income taxes and extraordinary items	316,187	240,938	44,935
Income tax expense	129,500	104,600	27,960
Income before extraordinary items	186,687	136,338	16,975
Extraordinary (loss) gain related to early extinguishment of debt, net of tax of $19,572 in 2002, $(652) in 2001 and $2,222 in 2000	(29,358)	977	(3,490)
Net income	$ 157,329	$ 137,315	$ 13,485
Basic earnings per common share:			
Income before extraordinary items	$ 2.60	$ 1.63	$ 0.21
Extraordinary (loss) gain, net of tax	(0.41)	0.01	(0.04)
Net income	$ 2.19	$ 1.64	$ 0.17
Diluted earnings per common share:			
Income before extraordinary items	$ 2.28	$ 1.51	$ 0.20
Extraordinary (loss) gain, net of tax	(0.32)	0.01	(0.04)
Net income	$ 1.96	$ 1.52	$ 0.16
Weighted average shares for earnings per share:			
Basic	71,831,000	83,768,000	81,581,000
Diluted	90,480,000	103,454,000	83,157,000
STATEMENTS OF COMPREHENSIVE INCOME			
Net income	$ 157,329	$ 137,315	$ 13,485
Other comprehensive income:			
Foreign currency translation			4,718
Comprehensive income	$ 157,329	$ 137,315	$ 18,203

See notes to consolidated financial statements.

DAVITA INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Year ended December 31,		
	2002	2001	2000
Cash flows from operating activities:			
Net income	$ 157,329	$ 137,315	$ 13,485
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	64,665	105,209	111,605
Impairments and valuation adjustments	(380)		4,556
(Gain) loss on divestitures	(771)	1,031	(2,875)
Deferred income taxes	62,468	10,093	8,906
Non-cash debt expense	3,217	2,396	3,008
Stock option expense and tax benefits	22,212	17,754	2,908
Equity investment losses (income)	(1,791)	(3,228)	931
Foreign currency translation loss			4,718
Minority interests in income of consolidated subsidiaries	9,299	9,260	5,942
Distributions to minority interests	(6,165)	(7,942)	(6,564)
Extraordinary loss (gain)	29,358	(977)	3,490
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:			
Accounts receivable	(17,699)	(37,167)	59,564
Inventories	(342)	(13,575)	9,402
Other current assets	(19,089)	3,321	15,150
Other long-term assets	527	227	2,683
Accounts payable	10,822	(3,906)	(28,716)
Accrued compensation and benefits	6,837	17,990	26,365
Other current liabilities	2,585	9,728	19,445
Income taxes	14,455	17,105	45,473
Other long-term liabilities	4,458	157	1,608
Net cash provided by operating activities	341,995	264,791	301,084
Cash flows from investing activities:			
Additions of property and equipment, net	(102,712)	(51,233)	(41,088)
Acquisitions and divestitures, net	(18,511)	(66,939)	1,120
Divestitures of non-continental U.S. operations			133,177
Investments in and advances to affiliates, net	5,064	25,217	488
Intangible assets	(342)	(11)	(342)
Net cash (used in) provided by investing activities	(116,501)	(92,966)	93,355
Cash flows from financing activities:			
Borrowings	2,354,105	1,709,996	1,913,893
Payments on long-term debt	(1,855,199)	(1,866,232)	(2,390,929)
Debt redemption premium	(40,910)		
Deferred financing costs	(10,812)	(9,285)	(3,092)
Interest rate swap liquidation proceeds			6,257
Net proceeds from issuance of common stock	29,257	19,560	2,658
Purchase of treasury shares	(642,171)	(20,360)	
Net cash used in financing activities	(165,730)	(166,321)	(471,213)
Net increase (decrease) in cash and cash equivalents	59,764	5,504	(76,774)
Cash and cash equivalents at beginning of year	36,711	31,207	107,981
Cash and cash equivalents at end of year	$ 96,475	$ 36,711	$ 31,207

See notes to consolidated financial statements.

DAVITA INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional paid-in capital	Notes receivable from shareholders	Retained earnings (deficit)	Treasury Stock		Accumulated other comprehensive income (loss)	Total
	Shares	Amount				Shares	Amount		
Balance at December 31, 1999	81,193	$81	$426,025	$(192)	$ (94,792)			$(4,718)	$326,404
Shares issued to employees and others	126		720						720
Options exercised	817	1	2,080						2,081
Repayment of notes receivable, net of interest accrued				109					109
Income tax benefit on stock options exercised			1,977						1,977
Stock option expense (benefit)			(126)						(126)
Foreign currency translation								4,718	4,718
Net income					13,485				13,485
Balance at December 31, 2000	82,136	82	430,676	(83)	(81,307)			—	349,368
Shares issued to employees and others	132		602						602
Options exercised	3,141	3	18,872						18,875
Repayment of notes receivable, net of interest accrued				83					83
Income tax benefit on stock options exercised			17,087						17,087
Stock option expense			667						667
Net income					137,315				137,315
Treasury stock purchases						(889)	$ (20,360)		(20,360)
Balance at December 31, 2001	85,409	85	467,904	—	56,008	(889)	(20,360)	—	503,637
Shares issued to employees and others	45		798						798
Options exercised	3,421	4	28,455						28,459
Income tax benefit on stock options exercised			22,150						22,150
Stock option expense			62						62
Net income					157,329				157,329
Treasury stock purchases						(27,327)	(642,171)		(642,171)
Balance at December 31, 2002	88,875	$89	$519,369	$ —	$213,337	(28,216)	$(662,531)	$ —	$ 70,264

See notes to consolidated financial statements.

1. Organization and summary of significant accounting policies

Organization

DaVita Inc. operates kidney dialysis centers and provides related medical services primarily in dialysis centers and in contracted hospitals across the United States. These operations represent a single business segment. See Note 18 regarding the Company's divestiture of its operations outside the continental United States during 2000.

Basis of presentation

These consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States. The financial statements include the Company's subsidiaries and partnerships that are wholly-owned, majority-owned, or in which the Company maintains a controlling financial interest. All significant intercompany transactions and balances have been eliminated. Non-consolidated equity investments are recorded under the equity or cost method of accounting as appropriate. Prior year balances and amounts have been classified to conform to the current year presentation.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and contingencies. Although actual results in subsequent periods will generally differ from these estimates, such estimates are developed based on the best information available to management and management's best judgements at the time made. All significant assumptions and estimates underlying the reported amounts in the financial statements and accompanying notes are regularly reviewed and updated. Changes in estimates are reflected in the financial statements based upon on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies. Interim changes in estimates are generally applied prospectively within annual periods.

The most significant assumptions and estimates underlying these financial statements and accompanying notes generally involve revenue recognition and provisions for uncollectible accounts, impairments and valuation adjustments, accounting for income taxes and variable compensation accruals. Specific estimating risks and contingencies are further addressed in these notes to the consolidated financial statements.

Net operating revenues

Revenues are recognized as services are provided to patients. Operating revenues consist primarily of reimbursement for dialysis and ancillary services to patients. A usual and customary fee schedule is maintained for dialysis treatments and other patient services; however, actual collectible revenue is normally at a discount to the fee schedule. Medicare and Medicaid programs are billed at pre-determined net realizable rates per treatment that are established by statute or regulation. Most non-governmental payors, including contracted managed care payors, are billed at our usual and customary rates, but a contractual allowance is recorded to adjust to the expected net realizable revenue for services provided. Contractual allowances along with provisions for uncollectible accounts are estimated based upon credit risks of third-party payors, contractual terms, inefficiencies in our billing and collection processes, regulatory compliance issues and historical collection experience. Revenue recognition uncertainties inherent in the Company's operations are addressed in AICPA Statement of Position (SOP) No. 00-1 *Auditing Health Care Third-Party Revenues and Related Receivables*. As addressed in SOP No. 00-1, net revenue recognition and allowances for uncollectible billings require the use of

estimates of the amounts that will actually be realized considering, among other items, retroactive adjustments that may be associated with regulatory reviews, audits, billing reviews and other matters.

Management services are provided to dialysis centers not owned by the Company. The management fees are typically determined as a percentage of the centers' patient revenues and are included in net operating revenues as earned. Any costs incurred in performing these management services are recognized in dialysis operating and general and administrative expenses.

Other income

Other income includes interest income on cash investments, earnings and losses from non-consolidated equity investments and other non-operating gains and losses.

Cash and cash equivalents

Cash equivalents are highly liquid investments with maturities of three months or less at date of purchase.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and consist principally of drugs and dialysis related supplies.

Property and equipment

Property and equipment are stated at cost reduced by any impairments. Maintenance and repairs are charged to expense as incurred. Depreciation and amortization expenses are computed using the straight-line method over the useful lives of the assets estimated as follows: buildings, 20 to 40 years; leasehold improvements, the shorter of their estimated useful life or the lease term; and equipment and software, principally 3 to 8 years. Disposition gains and losses are included in current earnings.

Amortizable intangibles

Amortizable intangible assets include noncompetition agreements and deferred debt issuance costs, each of which have determinate useful lives. Noncompetition agreements are amortized over the terms of the agreements, typically three to twelve years, using the straight-line method. Deferred debt issuance costs are amortized to debt expense over the term of the related debt using the effective interest method.

Goodwill

Goodwill represents the difference between the purchase cost of acquired businesses and the fair value of the net assets acquired, and includes intangible assets that are neither contractual nor separable, such as patient lists.

Under Statement of Financial Accounting Standards (SFAS) No. 142 *Goodwill and Other Intangible Assets*, which became effective January 1, 2002, goodwill is not amortized after December 31, 2001, but is assessed for valuation impairment as circumstances warrant and at least annually. An impairment charge would be recorded to the extent the book value of goodwill exceeds its fair value. The Company operates as one reporting unit for

goodwill impairment assessments. If this standard had been effective as of January 1, 2000, net income and diluted net income per share would have been $162,350 or $1.76 per share and $40,516 or $0.49 per share for 2001 and 2000, respectively.

Impairment of long-lived assets

Long-lived assets including property and equipment, investments, and amortizable intangible assets are reviewed for possible impairment whenever significant events or changes in circumstances, including changes in our business strategy and plans, indicate that an impairment may have occurred. An impairment is indicated when the sum of the expected future undiscounted net cash flows identifiable to that asset or asset group is less than its carrying value. Impairment losses are determined from actual or estimated fair values, which are based on market values, net realizable values or projections of discounted net cash flows, as appropriate. Interest is not accrued on impaired loans unless the estimated recovery amounts justify such accruals.

SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*, which became effective January 1, 2002, supercedes SFAS No. 121 *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*. SFAS No. 144 allows different approaches in cash flow estimation and extends discontinued operations treatment, previously applied only to operating segments, to more discrete business components. The impairment model under SFAS No. 144 is otherwise largely unchanged from SFAS No. 121, and adoption of this standard did not have a material effect on the Company's financial statements.

Income taxes

Federal, state and foreign income taxes are computed at current enacted tax rates, less tax credits. Taxes are adjusted both for items that do not have tax consequences and for the cumulative effect of any changes in tax rates from those previously used to determine deferred tax assets or liabilities. Tax provisions include amounts that are currently payable, as well as changes in deferred tax assets and liabilities that arise because of temporary differences between the timing of when items of income and expense are recognized for financial reporting and income tax purposes, and any changes in the valuation allowance caused by a change in judgement about the realizability of the related deferred tax assets.

Minority interests

Consolidated income is reduced by the proportionate amount of income accruing to minority interests. Minority interests represent the equity interests of third-party owners in consolidated entities which are not wholly-owned. As of December 31, 2002, there were 20 consolidated entities with third-party minority ownership interests.

Stock-based compensation

Stock-based compensation for employees is determined in accordance with Accounting Principles Board Opinion No. 25 *Accounting for Stock Issued to Employees*, as allowed under SFAS No. 123 *Accounting for Stock-Based Compensation*. Stock option grants to employees do not result in an expense if the exercise price is at least equal to the market price at the date of grant. Stock option expense is also measured and recorded for certain modifications to stock options as required under FASB Interpretation No. 44 *Accounting for Certain Transactions Involving Stock Compensation*. Stock options issued to non-employees and deferred stock units are valued using the Black-Scholes model and amortized over the respective vesting periods.

Pro forma net income and earnings per share. If the Company had adopted the fair value-based compensation expense provisions of SFAS No. 123 upon the issuance of that standard, net income (loss) and net income (loss) per share would have been adjusted to the pro forma amounts indicated below:

	Year ended December 31,		
	2002	2001	2000
	(in thousands, except per share)		
Net income (loss):			
As reported	$157,329	$137,315	$ 13,485
Unrecognized fair value stock option expense, net of tax	(9,429)	(17,231)	(20,467)
Pro forma net income (loss)	$147,900	$120,084	$ (6,982)
Pro forma basic earnings per share:			
Pro forma net income (loss)	$147,900	$120,084	$ (6,982)
Weighted average shares outstanding during the year	71,787	83,768	81,593
Vested deferred stock units	44		
Reduction in shares in connection with notes receivable from employees			(12)
Weighted average shares for basic earnings per share calculation	71,831	83,768	81,581
Basic net income (loss) per share—Pro forma	$ 2.06	$ 1.43	$ (0.09)
Basic net income per share—As reported	$ 2.19	$ 1.64	$ 0.17
Pro forma diluted earnings per share:			
Pro forma net income (loss)	$147,900	$120,084	$ (6,982)
Debt expense savings, net of tax, from assumed conversion of convertible debt	19,661	4,222	
Net income (loss) for diluted earnings per share calculations	$167,561	$124,306	$ (6,982)
Weighted average shares outstanding during the year	71,787	83,768	81,593
Vested deferred stock units	44		
Reduction in shares in connection with notes receivable from employees			(12)
Assumed incremental shares from stock plans	4,184	2,708	
Assumed incremental shares from convertible debt	15,394	4,879	
Weighted average shares for diluted earnings per share calculations	91,409	91,355	81,581
Diluted net income (loss) per share—Pro forma	$ 1.83	$ 1.36	$ (0.09)
Diluted net income per share—As reported	$ 1.96	$ 1.52	$ 0.16

The fair values of historical option grants were estimated as of the date of grant using the Black-Scholes option-pricing model with the following assumptions for grants in 2002, 2001 and 2000, respectively: dividend yield of 0% for all periods; weighted average expected volatility of 40%, 40% and 72%; risk-free interest rates of 3.99%, 4.44% and 6.13% and weighted average expected lives of 3.5, 3.8 and 3.5 years. The expected volatility is the most significant assumption affecting the fair value estimates. A 10% difference in the expected volatility for 2002 would have approximately a $700 pretax impact on the pro forma stock option expense for 2002.

Interest rate swap agreements

The Company has from time to time entered into interest rate swap agreements as a means of managing interest rate exposure. These agreements were not for trading or speculative purposes, and had the effect of converting a portion of our variable rate debt to a fixed rate. Net amounts paid or received have been reflected as adjustments to interest expense. The Company had no interest rate swap agreements as of December 31, 2002 and 2001.

Foreign currency translation

Prior to June 2000, the Company had operations in Argentina and Europe. The operations in Argentina were relatively self-contained and integrated within Argentina. The currency in Argentina, which was considered the functional currency, was tied to the U.S. dollar at all times during which the Company had operations in Argentina. Operations in Europe were translated into U.S. dollars at period-end exchange rates and any unrealized gains and losses were accounted for as a component of other comprehensive income. Unrealized gains and losses on debt denominated in a foreign currency that was considered a hedge of the net investment in foreign operations were accounted for as a component of other comprehensive income until June 2000 when we divested our non-continental operations and paid the foreign-denominated debt in full.

Other new accounting standards

SFAS No. 145 *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* was issued in April 2002. Under SFAS No. 145, which is effective January 1, 2003, gains or losses from extinguishment of debt will no longer be classified as extraordinary items, but will be included as a component of income from continuing operations. Extraordinary items prior to 2003 will be reclassified for consistent presentation. Although the $29,358 extraordinary loss, net of tax, for 2002 will be reclassified in future comparative financial statements as $48,930 of ordinary expense before taxes, this classification change will have no impact on net income or net income per share.

FASB Interpretation No. 45 *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* was issued in November 2002. This Interpretation clarifies the requirements for a guarantor's disclosures in its interim and annual financial statements about its obligations under certain guarantees that it has issued and which remain outstanding. The Interpretation also clarifies the requirements related to the recognition of a liability for the fair value of the obligation undertaken by the guarantor at the inception of the guarantee, including its ongoing obligation to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur. The disclosure requirements are currently effective with the recognition and initial measurement provisions applying to prospective guarantees issued or modified after December 31, 2002. These provisions are not expected to have a material impact on the Company's financial statements.

2. Earnings per share

Basic net income per share is calculated by dividing net income by the weighted average number of common shares outstanding. Diluted net income per share includes the dilutive effect of convertible debt (under the if-converted method), stock options (under the treasury stock method) and unvested deferred stock units.

The reconciliation of the numerators and denominators used to calculate basic and diluted net income per share is as follows:

	Year ended December 31,		
	2002	2001	2000
	(in thousands, except per share)		
Basic:			
Net income	$157,329	$137,315	$13,485
Weighted average shares outstanding during the year	71,787	83,768	81,593
Vested deferred stock units	44		
Reduction in shares in connection with notes receivable from employees			(12)
Weighted average shares for basic earnings per share calculations	71,831	83,768	81,581
Basic net income per share	$ 2.19	$ 1.64	$ 0.17
Diluted:			
Net income	$157,329	$137,315	$13,485
Debt expense savings, net of tax, from assumed conversion of convertible debt	19,661	19,449	
Net income for diluted earnings per share calculations	$176,990	$156,764	$13,485
Weighted average shares outstanding during the year	71,787	83,768	81,593
Vested deferred stock units	44		
Reduction in shares in connection with notes receivable from employees			(12)
Assumed incremental shares from stock plans	3,255	4,292	1,576
Assumed incremental shares from convertible debt	15,394	15,394	
Weighted average shares for diluted earnings per share calculations	90,480	103,454	83,157
Diluted net income per share	$ 1.96	$ 1.52	$ 0.16

Options to purchase 881,350 shares at $23.63 to $33.00 per share, 630,668 shares at $19.04 to $33.00 per share, and 7,887,079 shares at $6.70 to $33.50 per share were excluded from the diluted earnings per share calculations for 2002, 2001 and 2000, respectively, because they were anti-dilutive. For 2002 and 2001, the calculation of diluted earnings per share assumes conversion of both the 5⅝% convertible subordinated notes and the 7% convertible subordinated notes. For 2000, conversion was not assumed for either the 5⅝% notes or the 7% notes because conversion would have been anti-dilutive.

3. Accounts receivable

The provisions for uncollectible accounts receivable, prior to offsetting recoveries in 2002, 2001 and 2000, were $32,069, $32,926 and $39,649, respectively. The provisions before cash recoveries in 2002, 2001 and 2000 were approximately 1.8%, 2.0% and 2.7% of current operating revenues, respectively. During 2000 and 2001, substantial improvements were made in the Company's billing and collection processes, and cash recoveries of $5,192 and $35,220 were realized during 2002 and 2001 on accounts receivable reserved in 1999.

Revenues associated with patients whose primary coverage is under Medicare and Medicaid programs accounted for approximately 56%, 57% and 58% of total dialysis revenues in the continental U.S. for 2002, 2001 and 2000, respectively. Accounts receivable from Medicare and Medicaid were approximately $110,000 as of December 31, 2002. No other single payor accounted for more than 5% of total accounts receivable.

(dollars in thousands, except per share data)

4. Other current assets

Other current assets were comprised of the following:

	December 31, 2002	December 31, 2001
Supplier rebates and other non-trade receivables	$16,567	$4,090
Operating advances to managed centers	3,284	2,337
Prepaid expenses and deposits	8,816	2,937
	$28,667	$9,364

Operating advances to managed centers are generally unsecured and interest bearing.

5. Property and equipment

Property and equipment were comprised of the following:

	December 31, 2002	December 31, 2001
Land	$ 932	$ 1,039
Buildings	5,084	6,959
Leasehold improvements	204,778	184,764
Equipment	301,285	260,142
Additions in progress	49,466	16,627
	561,545	469,531
Less accumulated depreciation and amortization	(263,070)	(216,753)
	$ 298,475	$ 252,778

Depreciation and amortization expense on property and equipment was $54,701, $53,182 and $56,330 for 2002, 2001 and 2000, respectively.

Applicable interest charges incurred during significant facility expansion and construction are capitalized as one of the elements of cost and are amortized over the assets' estimated useful lives. Interest capitalized was $1,888, $751 and $1,125 for 2002, 2001 and 2000, respectively.

6. Amortizable intangibles

Amortizable intangible assets were comprised of the following:

	December 31, 2002	December 31, 2001
Noncompetition agreements	$104,479	$105,130
Deferred debt issuance costs	24,666	23,195
	129,145	128,325
Less accumulated amortization	(65,986)	(55,217)
	$ 63,159	$ 73,108

(dollars in thousands, except per share data)

Amortization expense from noncompetition agreements was $9,964, $10,162 and $10,223 for 2002, 2001 and 2000, respectively. Deferred debt issuance costs are amortized to debt expense as described in Note 11.

Scheduled amortization charges from amortizable intangible assets as of December 31, 2002 were as follows:

	Noncompetition agreements	Deferred debt issuance costs
2003	$9,589	$3,321
2004	9,229	3,201
2005	8,457	3,080
2006	7,186	2,942
2007	5,280	2,682

7. Investments in third-party dialysis businesses

Investments in third-party dialysis businesses and related advances were as follows:

	December 31,	
	2002	2001
Investments in non-consolidated businesses	$3,227	$3,403
Loans generally convertible to equity investments, less allowance of $926		943
	$3,227	$4,346

During 2002, 2001 and 2000, the Company recognized income (loss) of $1,791, $2,126, and $(931), respectively, relating to investments in non-consolidated businesses under the equity method. These amounts are included in other income (loss).

8. Goodwill

Changes in the book value of goodwill were as follows:

	Year ended December 31,	
	2002	2001
Balance at January 1	$855,760	$848,594
Acquisitions	15,260	51,820
Impairments		(925)
Sales & closures	(6,234)	(1,864)
Amortization expense		(41,865)
Balance at December 31	$864,786	$855,760

Amortization expense applicable to goodwill was $0, $41,865 and $45,052 for 2002, 2001 and 2000, respectively. The book value of goodwill was reduced from its original cost by $169,383 in amortization accumulated through December 31, 2000.

(dollars in thousands, except per share data)

A reconciliation of the Company's results previously reported to results excluding goodwill amortization is as follows:

	Year ended December 31,		
	2002	2001	2000
Reported net income	$157,329	$137,315	$13,485
Add back: Goodwill amortization, net of tax		25,035	27,031
Adjusted net income	$157,329	$162,350	$40,516
Reported income before extraordinary items	$186,687	$136,338	$16,975
Add back: Goodwill amortization, net of tax		25,035	27,031
Adjusted income before extraordinary items	$186,687	$161,373	$44,006
Basic earnings per common share:			
Reported net income	$ 2.19	$ 1.64	$ 0.17
Add back: Goodwill amortization, net of tax		0.30	0.33
Adjusted net income	$ 2.19	$ 1.94	$ 0.50
Diluted earnings per common share:			
Reported net income	$ 1.96	$ 1.52	$ 0.16
Add back: Goodwill amortization, net of tax		0.24	0.33
Adjusted net income	$ 1.96	$ 1.76	$ 0.49

9. Other liabilities

Other accrued liabilities were comprised of the following:

	December 31,	
	2002	2001
Payor deferrals and refunds	$ 70,406	$ 62,294
Accrued interest	12,476	11,282
Disposition accruals	3,829	6,267
Other	14,678	31,321
	$101,389	$111,164

(dollars in thousands, except per share data)

10. Income taxes

Income tax expense, excluding the tax effects of extraordinary items, consisted of the following:

	Year ended December 31,		
	2002	2001	2000
Current:			
Federal	$ 56,201	$ 75,562	$12,307
State	10,831	18,946	4,288
Foreign			2,459
Deferred:			
Federal	50,012	6,931	6,730
State	12,456	3,161	2,176
	$129,500	$104,600	$27,960

Temporary differences which gave rise to deferred tax assets and liabilities were as follows:

	December 31,	
	2002	2001
Asset impairment losses	$ 38,844	$ 39,531
Receivables, primarily allowance for doubtful accounts	18,583	40,029
Accrued expenses	23,510	22,505
Other	4,119	10,900
Deferred tax assets	85,056	112,965
Valuation allowance	(32,664)	(34,336)
Net deferred tax assets	52,392	78,629
Property and equipment	(25,739)	(12,099)
Intangible assets	(49,838)	(23,499)
Other	(2,582)	(6,330)
Deferred tax liabilities	(78,159)	(41,928)
Net deferred tax (liabilities) assets	$(25,767)	$ 36,701

At December 31, 2002, the Company had net operating loss carryforwards for state income tax purposes of approximately $16,000 that expire through 2015. The utilization of state net operating loss carryforwards may be limited in future years based on the profitability of certain subsidiary corporations. The Company also recorded impairment and disposition losses principally in 2000 related to the sale of its non-continental U.S. operations, for which realization of a tax benefit is not certain. The Company has recorded a valuation allowance for $32,664 against these deferred tax assets. The valuation allowance was decreased by $1,672 in 2002.

(dollars in thousands, except per share data)

The reconciliation between our effective tax rate and the U.S. federal income tax rate is as follows:

	Year ended December 31,		
	2002	2001	2000
Federal income tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	4.9	5.8	5.9
Foreign income taxes			3.6
Write-off of deferred tax asset associated with cancellation of medical director stock options			6.3
Nondeductible amortization of intangible assets		.4	5.6
Valuation allowance	(0.5)		2.4
Other	1.6	2.2	3.4
Effective tax rate	41.0%	43.4%	62.2%

11. Long-term debt

Long-term debt was comprised of the following:

	December 31,	
	2002	2001
Senior secured credit facilities	$ 841,825	$114,000
Senior subordinated notes, 9¼%, due 2011		225,000
Convertible subordinated notes, 7%, due 2009	345,000	345,000
Convertible subordinated notes, 5⅝%, due 2006	125,000	125,000
Acquisition obligations and other notes payable	585	5,455
Capital lease obligations	6,820	5,769
	1,319,230	820,224
Less current portion	(7,978)	(9,034)
	$1,311,252	$811,190

Scheduled maturities of long-term debt at December 31, 2002 were as follows:

2003	7,978
2004	8,885
2005	8,813
2006	133,856
2007	306,961
Thereafter	852,737

Included in debt expense was interest, net of capitalized interest, of $68,420, $69,978 and $112,180 for 2002, 2001 and 2000, respectively. Also included in debt expense were amortization and write-off of deferred financing costs of $3,216, $2,460 and $4,457 for 2002, 2001 and 2000, respectively.

In the first quarter of 2002, the Company initiated a recapitalization plan to restructure the Company's debt and repurchase common stock. In the second quarter of 2002, the Company completed the initial phase of the

recapitalization plan by retiring all of its $225,000 outstanding 9¼% Senior Subordinated Notes due 2011 for $266,000. Concurrent with the retirement of this debt, the Company secured a new senior credit facility agreement in the amount of $1,115,000. The excess of the consideration paid over the book value of the Senior Subordinated Notes and related write-off of the deferred financing costs associated with extinguishing the existing senior credit facility and the notes resulted in an extraordinary loss of $29,358, net of tax. The new senior credit facility consists of a Term Loan A for $150,000, a Term Loan B for $850,000 and a $115,000 undrawn revolving credit facility, which includes up to $50,000 available for letters of credit. During the second quarter of 2002, the Company borrowed all $850,000 of the Term Loan B, and $841,825 of the Term Loan B remained outstanding as of December 31, 2002. The Term Loan B bears interest equal to LIBOR plus 3.00%, which was a weighted average rate of 4.71% as of December 31, 2002. The interest rates for the Term Loan A, which was fully drawn during January 2003, and the revolving credit facility are equal to LIBOR plus a margin ranging from 1.5% to 2.75% based on the Company's leverage ratio. The current margin is 2.25% for an effective rate of 3.61%. The aggregate annual principal payments for the entire outstanding term credit facility range from $10,600 to $50,700 in years one through five, and $403,000 in each of years six and seven, with the balances due not later than 2009. Additionally, $7,400 of the $50,000 available for letters of credit has been committed in relation to certain of the Company's insurance arrangements. The new senior credit facility is secured by all personal property of the Company and its wholly-owned subsidiaries. The new senior credit facility also contains financial and operating covenants including investment limitations. The Company was in compliance with the covenants of the credit facility as of December 31, 2002.

In May 2001 the Company completed a refinancing of its then existing senior credit facilities that resulted in a net extraordinary gain of $977 relating to the write-off of deferred financing costs and the accelerated recognition of deferred swap liquidation gains associated with the refinanced debt. Proceeds from this refinancing were used to pay down all outstanding amounts under the then existing senior credit facilities. Refinancings during 2000 resulted in write-offs of deferred financing costs, reflected as an extraordinary loss of $3,490, net of tax.

7% convertible subordinated notes

In November 1998 the Company issued $345,000 of 7% convertible subordinated notes due 2009. These notes are convertible by the holder into DaVita Inc. common stock at a conversion price of $32.81 principal amount per share. The notes are also redeemable by the Company at redemption prices declining from a current price of 104.20% to 100.00% of the principal amount thereof, together with accrued and unpaid interest, over their remaining term. The notes are general, unsecured obligations junior to all existing and future senior debt and effectively all existing and future liabilities of the Company and its subsidiaries.

5⅝% convertible subordinated notes

In June 1996 Renal Treatment Centers, Inc., or RTC, issued $125,000 of 5⅝% convertible subordinated notes due 2006. These notes are convertible by the holder into DaVita Inc. common stock at a conversion price of $25.62 principal amount per share. The notes are also redeemable by the Company at redemption prices declining from a current price of 102.25% to 100.00% of the principal amount thereof, together with accrued and unpaid interest, over their remaining term. RTC became a wholly-owned subsidiary of the Company as a result of its merger with the Company in 1998. These notes are guaranteed by DaVita Inc.

Interest rate swap agreements

During 2000, the Company liquidated or cancelled all existing interest rate swap agreements, which had notional amounts of $600,000. The resulting gain of $6,297 was amortized over the remaining contractual life of

(dollars in thousands, except per share data)

the credit facilities until the refinancing of the credit facilities in 2001, at which time the unamortized gain, net of the write-off of deferred financing costs, was recognized as an extraordinary gain. There are currently no interest rate swap agreements or other interest rate hedging arrangements in place.

12. Leases

The majority of the Company's facilities are leased under noncancelable operating leases. Most lease agreements cover periods from five to ten years and contain renewal options of five to ten years at the fair rental value at the time of renewal or at rates subject to periodic consumer price index increases. Capital leases are generally for equipment.

Future minimum lease payments under noncancelable operating leases and under capital leases are as follows:

	Operating leases	Capital leases
2003	$ 48,916	$ 1,289
2004	46,067	924
2005	41,959	811
2006	37,930	810
2007	31,902	2,389
Thereafter	88,655	3,738
	$295,429	9,962
Less portion representing interest		(3,142)
Total capital lease obligation, including current portion		$ 6,820

Rental expense under all operating leases for 2002, 2001 and 2000 was $61,008, $54,347 and $51,421, respectively. The net book value of property and equipment under capital lease was $7,017 and $5,424 at December 31, 2002 and 2001, respectively. Capital lease obligations are included in long-term debt (see Note 11).

13. Shareholders' equity

In March 2002, the Company initiated a recapitalization plan consisting of restructuring debt and repurchasing common stock as discussed in Note 11. Under this plan, the Company repurchased 16,682,337 shares of its common stock for approximately $402,100, or $24.10 per share through a modified dutch auction tender offer in June 2002. In May 2002, the Company's Board of Directors authorized the purchase of an additional $225,000 of common stock over eighteen months. As of December 31, 2002, 7,699,440 shares had been acquired for $172,200 under this authorization. For the year ended December 31, 2002, stock repurchases, including 2,945,700 shares acquired prior to initiating the recapitalization plan, amounted to 27,327,477 shares for $642,200, at a composite average cost of $23.50 per share.

Stock-based compensation plans

The Company's stock-based compensation plans are described below.

2002 Plan. On April 11, 2002, the Company's shareholders approved the DaVita Inc. 2002 Equity Compensation Plan. This plan provides for grants of stock options to employees, directors and other individuals

providing services to the Company, except that incentive stock options may only be awarded to employees. The plan requires that grants are issued with exercise prices not less than the market price of the stock on the date of grant, requires a maximum option term of five years, and does not authorize the issuance of restricted stock. Options granted under this plan are generally expected to vest over four years from the date of grant.

Upon shareholder approval of the 2002 Plan, the following predecessor plans were terminated, except with respect to options then outstanding: the 1994 Equity Compensation Plan, the 1995 Equity Compensation Plan, the 1997 Equity Compensation Plan, and the 1999 Equity Compensation Plan. Shares available for future grants under these predecessor plans were transferred to the 2002 Plan upon its approval, and all shares subject to outstanding predecessor plan options cancelled after April 11, 2002 will become available for new awards under the 2002 Plan. Shares available under the 2002 Plan may also be replenished by shares repurchased by the Company from the cash proceeds and actual cash savings from option exercises under the 2002 or predecessor plans after April 11, 2002.

At December 31, 2002, under the 2002 Plan there were 80,000 options outstanding and 11,664,773 shares available for future grants, including 606,816 shares in treasury reserved to the 2002 Plan under its replenishment provision.

1999 plans. The 1999 Equity Compensation Plan provided for grants of stock options to employees, directors and other individuals providing services. This plan was terminated, except with respect to options then outstanding, upon shareholder approval of the 2002 Plan. Options granted under this plan generally vest over four years from the date of grant, and an option's maximum term is seven years. Grants were generally issued with exercise prices equal to the market price of the stock on the date of grant. At December 31, 2002 there were 1,665,500 options outstanding under this plan.

The 1999 Non-Executive Officer and Non-Director Equity Compensation Plan provides for grants of stock options to employees and other individuals providing services other than executive officers and members of the board of directors. There are 6,000,000 common shares reserved for issuance under this plan. Options granted under this plan generally vest over four years from the date of grant. Grants are generally issued with exercise prices equal to the market price of the stock on the date of grant and maximum terms of five years. At December 31, 2002 there were 3,000,966 options outstanding and 995,951 shares available for future grants under this plan.

1997 plan. The 1997 Equity Compensation Plan provided for grants of stock options and the issuance of restricted stock to certain employees, directors and other individuals providing services. This plan was terminated, except with respect to options outstanding, upon shareholder approval of the 2002 Plan. Options granted generally vest over four years from the date of grant, and an option's maximum term is ten years. Grants were generally issued with exercise prices equal to the market price of the stock on the date of grant. At December 31, 2002 there were 4,783,029 options outstanding under this plan.

1995 plan. The 1995 Equity Compensation Plan provided for grants of stock options and the issuance of restricted stock to certain employees, directors and other individuals providing services. This plan was terminated, except with respect to options outstanding, upon shareholder approval of the 2002 Plan. In December 1999, the plan was amended so that no further grants may be made under this plan. Options granted generally vested over four years from the date of grant, and an option's maximum term is ten years subject to certain restrictions. Grants were generally issued with exercise prices equal to the market price of the stock on the date of grant. At December 31, 2002, there were 129,445 options outstanding under this plan.

(dollars in thousands, except per share data)

1994 plan. The 1994 Equity Compensation Plan provided for grants of nonqualified stock options to purchase common stock and other rights to purchase shares of common stock to certain employees, directors, consultants and facility medical directors. This plan was terminated, except with respect to options then outstanding, upon shareholder approval of the 2002 Plan. In December 1999, the plan was amended so that no further grants may be made under this plan. Options outstanding under this plan generally vested over four years, and an option's maximum term is ten years. Grants were generally issued with exercise prices equal to the market price of the stock on the date of grant. At December 31, 2002 there were 217,681 options outstanding under this plan.

Special Purpose Option Plan (RTC Plan). Upon consummation of the merger with RTC, all outstanding options under RTC plans were converted to Total Renal Care Holdings, Inc. Special Purpose Option Plan options. This plan provided for grants of incentive and nonqualified stock options in exchange for outstanding RTC stock plan options. Options under this plan have the same provisions and terms provided for in the RTC stock plans. In December 1999, the plan was amended so that no further grants may be made under this plan. At December 31, 2002 there were 15,354 options outstanding under this plan.

Stock options issued under these plans to non-employees and modifications to previous grants to employees resulted in stock option expense (benefit) of $62, $667 and $(126), for the years ended December 31, 2002, 2001 and 2000, respectively.

A combined summary of the status of these stock option plans is presented below:

	Year ended December 31,					
	2002		2001		2000	
	Options	Weighted average exercise price	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of year	11,280,730	$ 9.36	14,668,579	$ 8.96	10,421,845	$15.79
Granted	2,769,500	23.33	1,609,000	17.44	9,619,400	4.70
Exercised	(3,420,950)	8.32	(3,141,326)	6.01	(817,546)	2.55
Cancelled	(737,305)	9.59	(1,855,523)	18.88	(4,555,120)	16.74
Outstanding at end of year	9,891,975	$13.61	11,280,730	$ 9.36	14,668,579	$ 8.96
Options exercisable at year end	3,651,702		4,331,910		5,006,908	
Weighted-average fair value of options granted during the year		$ 7.99		$ 6.31		$ 2.61

During 2001, 1,170,000 options with exercise prices over $15.00 were voluntarily relinquished and no replacement options were issued. During 2000, 602,000 options with exercise prices over $15.00 were voluntarily relinquished and no replacement options were issued.

(dollars in thousands, except per share data)

The following table summarizes information about stock options outstanding at December 31, 2002:

Range of exercise prices	Options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable	Weighted average exercise price
$ 0.01–$ 5.00	1,298,775	2.2	$ 2.70	434,458	$ 2.69
$ 5.01–$10.00	3,472,042	3.9	6.88	2,110,709	6.88
$10.01–$15.00	311,512	3.1	11.34	141,262	11.38
$15.01–$20.00	1,575,616	3.4	17.21	601,493	17.81
$20.01–$25.00	2,911,306	4.1	23.10	128,056	21.81
$25.01–$30.00	164,612	4.7	26.07	77,612	26.99
$30.01–$35.00	158,112	4.7	32.13	158,112	32.13
	9,891,975	3.7	$13.61	3,651,702	$10.40

Employee stock purchase plan. The Employee Stock Purchase Plan entitles qualifying employees to purchase up to $25 of the Company's common stock during each calendar year. The amounts used to purchase stock are accumulated through payroll withholdings or through an optional lump sum payment made in advance of the first day of the purchase right period. The plan allows employees to purchase stock for the lesser of 100% of the fair market value on the first day of the purchase right period or 85% of the fair market value on the last day of the purchase right period. Each purchase right period begins on January 1 or July 1, as elected by the employee, and ends on December 31. Payroll withholdings related to the plan, included in accrued employee compensation and benefits, were $882 and $820 at December 31, 2002 and 2001. Subsequent to December 31, 2002 and 2001, 41,638 and 44,909 shares, respectively, were issued to satisfy obligations under the plan.

The fair value of the employees' purchase rights was estimated on the beginning dates of the purchase right periods using the Black-Scholes model with the following assumptions for grants on July 1, 2002, January 1, 2002, July 1, 2001, January 1, 2001, July 1, 2000, and January 1, 2000, respectively: dividend yield of 0% for all periods; expected volatility of 40% in 2002, 40% in 2001, and 75% in 2000; risk-free interest rates of 3.6%, 4.0%, 3.3%, 4.9%, 6.0% and 6.4%; and expected lives of 0.5 and 1.0 years. Using these assumptions, the weighted-average fair value of purchase rights granted were $2.53, $3.68, $2.44, $3.08, $1.33 and $2.11, respectively.

Deferred stock units. The Company made awards of deferred stock units to members of the Board of Directors and certain key executive officers in 2002 and 2001. These awards vest over one to four years and will be settled in cash or stock, as they vest or at a later date at the election of the recipient. Awards of 91,474 shares and 128,913 shares, at grant-date fair values of $2,159 and $2,000, were made in 2002 and 2001, respectively. Compensation expense of $1,184 and $1,198 was recognized for these awards in 2002 and 2001.

Shareholder rights plan. The Company's Board of Directors approved a shareholder rights plan on November 14, 2002. This plan is designed to assure that DaVita's shareholders receive fair treatment in the event of any proposed takeover of DaVita.

Pursuant to this plan, the Board approved the declaration of a dividend distribution of one common stock purchase right on each outstanding share of its common stock. The dividend distribution was payable on December 10, 2002 to holders of record of DaVita common stock on November 29, 2002. This rights distribution was not taxable to DaVita shareholders. One purchase right will also be attached to each of the Company's new

shares issued or shares reissued from treasury. The rights will become exercisable if a person or group acquires, or announces a tender offer for, 15% or more of DaVita's outstanding common stock. The triggering person's stock purchase rights will become void at that time and will not become exercisable.

Each right initially entitles its holder to purchase one share of common stock from the Company at a price of $125.00. If the rights become exercisable, each purchase right will then entitle its holder to purchase $125.00 of common stock at a price per share equal to 50% of the average daily closing price of the Company's common stock for the immediately preceding 30 consecutive trading days. If DaVita is acquired in a merger or other business combination transaction after the rights become exercisable, provisions will be made to allow the holder of each right to purchase $125.00 of common stock from the acquiring company at a price equal to 50% of the average daily closing price of that company's common stock for the immediately preceding 30 consecutive trading days.

The Board of Directors may elect to redeem the rights at $0.01 per purchase right at any time prior to, or exchange common stock for the rights at an exchange ratio of one share per right at any time after, a person or group acquires, or announces a tender offer for, 15% or more of DaVita's outstanding common stock. The exercise price, number of shares, redemption price or exchange ratio associated with each right may be adjusted as appropriate upon the occurrence of certain events, including any stock split, stock dividend or similar transaction. These purchase rights will expire no later than November 14, 2012.

14. Transactions with related parties

Richard K. Whitney, the Company's Chief Financial Officer, received a loan from the Company in the principal amount of $65 bearing interest at a rate of 7% per year in July 1997. Mr. Whitney used the proceeds of this loan in the purchase of his principal residence. In February 2001 Mr. Whitney prepaid this loan in full plus accrued interest.

Joseph C. Mello, the Company's Chief Operating Officer, received a loan from the Company in the principal amount of $275 bearing interest at a rate of 7% per year in December 2000. Mr. Mello used the proceeds of this loan in the purchase of his principal residence. In December 2002 Mr. Mello prepaid this loan in full plus accrued interest.

Until March 2002, Peter Grauer, a member of the Company's Board of Directors since 1994, was a managing director of Credit Suisse First Boston, or CSFB. In 2002 and 2001, CSFB assisted the Company in connection with the issuance of public debt and securing other financing. Fees for these transactions were approximately $6,000 and $3,000. Mr. Grauer is no longer affiliated with CSFB.

Mr. Grauer was previously a managing director of Donaldson, Lufkin & Jenrette, or DLJ, which merged with CSFB in 2000. An affiliate of DLJ held an ownership interest in several dialysis centers and the Company maintained a business arrangement with DLJ under which the Company managed these centers with an option to acquire the centers at future dates and guaranteed approximately $11,000 of debt as of December 31, 1999. The Company purchased these dialysis centers from DLJ and cancelled these guarantees in November 2000.

15. Employee benefit plans

The Company has a savings plan for substantially all employees, which has been established pursuant to the provisions of Section 401(k) of the Internal Revenue Code, or IRC. The plan provides for employees to contribute from 1% to 15% of their base annual salaries on a tax-deferred basis not to exceed IRC limitations.

The Company may make a contribution under the plan each fiscal year as determined by the Company's Board of Directors. Company matched contributions were $62 and $91 for the years ended December 31, 2001 and 2000, respectively, in accordance with specific state requirements. There were no matching contributions in 2002.

During 2000, the Company established the DaVita Inc. Profit Sharing Plan. Contributions to this broad-based plan are made solely by the Company. All contributions by the Company to the plan require the approval of the Board of Directors and are deposited into an irrevocable trust. The profit sharing award for each eligible participant is calculated as a percentage of base salary and is based upon the achievement of certain employee-specific and corporate financial and operating goals. During 2002 and 2001, the Company recognized expense of $17,440 and $14,935, respectively.

16. Contingencies

Health care provider revenues may be subject to adjustment as a result of (1) examination by government agencies or contractors, for which the resolution of any matters raised may take extended periods of time to finalize; (2) differing interpretations of government regulations by different fiscal intermediaries or regulatory authorities; (3) differing opinions regarding a patient's medical diagnosis or the medical necessity of services provided; (4) retroactive applications or interpretations of governmental requirements; and (5) claims for refunds from private payors.

Florida laboratory

The Company's Florida-based laboratory subsidiary is the subject of a third-party carrier review of its Medicare reimbursement claims. The carrier has reviewed claims for six separate review periods. In 1998 the carrier issued a formal overpayment determination in the amount of $5,600 for the first review period (January 1995 to April 1996). The carrier also suspended all payments of Medicare claims from the laboratory beginning in May 1998. In 1999, the carrier issued a formal overpayment determination in the amount of $15,000 for the second review period (May 1996 to March 1998). Subsequently, the carrier informed the Company that $16,100 of the suspended claims for the third review period (April 1998 to August 1999), $11,600 of the suspended claims for the fourth review period (August 1999 to May 2000), $2,900 of the suspended claims for the fifth review period (June 2000 through December 2000) and $900 of the suspended claims for the sixth review period (December 2000 through May 2001) were not properly supported by the prescribing physicians' medical justification. The carrier's allegations regarding improperly supported claims represented approximately 99%, 96%, 70%, 72%, 24% and 10%, respectively, of the tests the laboratory billed to Medicare for these six review periods.

The Company has disputed each of the carrier's determinations and has provided supporting documentation of its claims. In addition to the formal appeal processes with the carrier and a federal administrative law judge, the Company also has pursued resolution of this matter through meetings with representatives of the Centers for Medicare and Medicaid Services, or CMS, and the Department of Justice, or DOJ. The Company initially met with the DOJ in February 2001, at which time the DOJ requested additional information, which the Company provided in September 2001.

In June 2002, an administrative law judge ruled that the sampling procedures and extrapolations that the carrier used as the basis of its overpayment determinations for the first two review periods were invalid. This decision invalidated the carrier's overpayment determinations for the first two review periods. The administrative law judge's decision on the first two review periods also does not apply to the remaining four review periods, as

each review period is evaluated independently. Moreover, the carrier's sampling procedures have varied from period to period, and the conclusions the judge arrived at with respect to the first two periods may not hold for the subsequent periods. The hearings before a carrier hearing officer for the third and fourth review periods are scheduled to take place in the second quarter of 2003.

During 2000 the Company stopped accruing Medicare revenue from this laboratory because of the uncertainties regarding both the timing of resolution and the ultimate revenue valuations. Following the favorable ruling by the administrative law judge in 2002 related to the first two review periods covering January 1995 to March 1998, the carrier lifted the payment suspension and began making payments in July 2002 for lab services provided subsequent to May 2001. After making its determination with respect to the fifth and sixth review periods in December 2002, the carrier paid the additional amounts that it is not disputing for the second through sixth review periods. As of December 31, 2002, the Company had received a total of $68,778, which represented approximately 70% of the total outstanding Medicare lab billings for the period from January 1995 through June 2002. Approximately $10,000 of these collections related to 2002 lab services through June 2002. These cash collections were recognized as revenue in the quarter received. The Company will continue to recognize Medicare lab revenue associated with prior periods as cash collections actually occur, to the extent that cumulative recoveries do not exceed the aggregate amount that management believes the Company will ultimately recover upon final review and settlement of disputed billings.

In addition to processing prior period claims, the carrier also began processing billings for current period services on a timely basis. Based on these developments, the Company began recognizing estimated current period Medicare lab revenue in the third quarter of 2002. As a result, in addition to the $10 million of Medicare lab revenue related to the first half of 2002, we recognized approximately $11 million of current period Medicare lab revenue in the second half of 2002.

The carrier is also currently conducting a study of the utilization of dialysis-related laboratory services. During the study, the carrier has suspended all of its previously existing dialysis laboratory prepayment screens. The purpose of the study is to determine what ongoing program safeguards are appropriate. In its initial findings from the study, the carrier had determined that some of its prior prepayment screens were invalidating appropriate claims. The Company cannot determine what prepayment screens, post-payment review procedures, documentation requirements or other program safeguards the carrier may yet implement as a result of its study. The carrier has also informed the Company that any claims that it reimburses during the study period may also be subject to post-payment review and retraction if determined inappropriate.

Minnesota laboratory

The Medicare carrier for our Minnesota laboratory is conducting a post-payment review of Medicare reimbursement claims for the period January 1996 through December 1999. The scope of the review is similar to the review being conducted at our Florida laboratory. At this time, the Company is unable to determine how long it will take the carrier to complete this review. There is currently no overpayment determination with respect to the Minnesota laboratory. The DOJ has also requested information with respect to this laboratory, which the Company has provided. Medicare revenues at the Minnesota laboratory, which was much smaller than the Florida laboratory, were approximately $15,000 for the period under review. In November 2001, the Company closed the Minnesota laboratory and combined the operations of this laboratory with its Florida laboratory.

United States Attorney's inquiry

In February 2001 the Civil Division of the United States Attorney's Office for the Eastern District of Pennsylvania in Philadelphia contacted the Company and requested its cooperation in a review of some of the

(dollars in thousands, except per share data)

Company's historical practices, including billing and other operating procedures and its financial relationships with physicians. The Company cooperated in this review and provided the requested records to the United States Attorney's Office. In May 2002, the Company received a subpoena from the Philadelphia office of the Office of Inspector General of the Department of Health and Human Services, or OIG. The subpoena required an update to the information the Company provided in its response to the February 2001 request, and also sought a wide range of documents relating to pharmaceutical and other ancillary services provided to patients, including laboratory and other diagnostic testing services, as well as documents relating to the Company's financial relationships with physicians and pharmaceutical companies. The subpoena covers the period from May 1996 to May 2002. The Company has provided the documents requested. This inquiry remains at an early stage. As it proceeds, the government could expand its areas of concern. If a court determines that there has been wrongdoing, the penalties under applicable statutes could be substantial.

Other

In addition to the foregoing, DaVita is subject to claims and suits in the ordinary course of business. Management believes that the ultimate resolution of these additional pending proceedings, whether the underlying claims are covered by insurance or not, will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

17. Other commitments

The Company has obligations to purchase the third-party interests in several of its joint ventures. These obligations are in the form of put options, exercisable at the third-party owners' discretion, and require the Company to purchase the minority owners' interests at either the appraised fair market value or a predetermined multiple of cash flow or earnings. As of December 31, 2002, the Company's potential obligations under these put options totaled approximately $60,000 of which approximately $33,000 was exercisable within one year. Additionally, the Company has certain other potential working capital commitments relating to managed and minority-owned centers of approximately $5 million.

Other than operating leases disclosed in Note 12 and letters of credit as disclosed in Note 11, the Company has no off balance sheet financing arrangements as of December 31, 2002.

18. Acquisitions and divestitures

Acquisitions

The following is a summary of acquisitions, all of which were accounted for as purchases:

	Year ended December 31,		
	2002	2001	2000
Number of centers acquired	11	21	8
Cash paid, net of cash acquired	$19,977	$36,330	$12,895
Application of investments in and advances to previously managed businesses		25,320	
Deferred purchase payments and acquisition obligations	100	6,300	
Aggregate purchase price	$20,077	$67,950	$12,895

(dollars in thousands, except per share data)

The assets and liabilities of the acquired entities in the preceding table were recorded at their estimated fair market values at the dates of acquisition. The results of operations of these centers have been included in the financial statements from their designated effective acquisition dates. The nearest month-end has been designated as the effective date for recording acquisitions that close during the month because there were no partial month accounting cutoffs and partial month results associated with these acquisitions would not have a material impact on consolidated operating results. Settlements with tax authorities relating to pre-acquisition income tax liabilities may result in an adjustment to goodwill attributable to that acquisition.

The initial allocations of purchase price at fair value are based upon available information for the acquired businesses and are finalized when any contingent purchase price amounts are resolved. The final allocations did not differ materially from the initial allocations. Aggregate purchase price allocations were as follows:

	Year ended December 31,		
	2002	2001	2000
Tangible assets	$ 3,360	$19,886	$13,006
Amortizable intangible assets	1,975	1,648	
Goodwill	15,260	51,820	
Liabilities assumed	(518)	(5,404)	(111)
Aggregate purchase price	$20,077	$67,950	$12,895

The following summary, prepared on a pro forma basis, combines the results of operations as if these acquisitions had been consummated as of the beginning of both of the periods presented, after including the impact of certain adjustments such as amortization of intangibles, interest expense on acquisition financing and income tax effects.

	Year ended December 31,	
	2002	2001
	(unaudited)	
Net revenues	$1,870,518	$1,692,338
Income before extraordinary items	187,162	137,713
Net income	157,804	138,690
Pro forma basic income per share before extraordinary items	$ 2.61	$ 1.64
Pro forma diluted income per share before extraordinary items	2.29	1.52
Pro forma basic net income per share	2.20	1.66
Pro forma diluted net income per share	1.96	1.53

These unaudited pro forma results are not necessarily indicative of what actually would have occurred if the acquisitions had been completed as of the beginning of both of the periods presented. In addition, they are not intended to be a projection of future results and do not reflect all of the synergies, additional revenue-generating services or reductions in direct center operating expenses that might be achieved from combined operations.

Divestitures

During the second quarter of 2000, the Company completed the sale of its operations outside the continental U.S. with the exception of its operations in Puerto Rico. The Company recognized a foreign currency translation loss of $4,718 in 2000 associated with this divestiture. The foreign currency translation loss had previously been recognized in other comprehensive income.

(dollars in thousands, except per share data)

Net cash proceeds from the sales of non-continental U.S. operations in 2000 were $133,177. Of these proceeds, $125,000 was immediately applied to our credit facilities debt in accordance with the conditions under which we received consent from the lenders to consummate the sales.

The definitive sale agreement for the Puerto Rico operations was signed in 2000, and the sale was completed in June 2002. As a result, in 2002 the Company recognized a recovery gain of $1,389 on assets previously impaired in contemplation of the closing of this sale.

Operating results for the non-continental U.S. operations, excluding impairment charges, were as follows:

	Year ended December 31,		
	2002	2001	2000
Net operating revenues	$6,159	$15,313	$74,453
Operating expenses:			
Dialysis centers and labs	5,922	14,417	59,264
General and administrative			3,640
Depreciation and amortization	202	1,311	8,181
Provision for uncollectible accounts	41	1,094	1,728
	6,165	16,822	72,813
Operating (loss) income	$ (6)	$ (1,509)	$ 1,640

19. Impairments and valuation adjustments

Impairments and valuation adjustments for the years ended December 31, 2002, 2001 and 2000 consisted of the following:

	Year ended December 31,		
	2002	2001	2000
Losses (gains):			
Continental U.S. operations	$ 1,009	$(1,000)	$5,172
Non-continental U.S. operations	(1,389)	1,000	(616)
	$ (380)	$ —	$4,556

During the fourth quarter of 1999, the Company announced its intention to sell its dialysis operations outside the continental United States and established a plan to curtail new facility acquisitions and developments and to close centers not supporting the Company's new strategic direction. In 2000, the Company completed the sale of its operations outside the continental United States with the exception of its operations in Puerto Rico, the sale of which was completed in June 2002.

Impairments and valuation losses in 2000 associated with continental U.S. operations principally related to centers identified for closure or sale, new facility plans terminated and projects abandoned, and impairments of loans to and investments in third-party dialysis-related businesses.

Impairments and valuation adjustments recognized in 2001 were primarily associated with net cash recoveries on loans to third-party dialysis-related businesses previously deemed uncollectible and additional impairment losses recognized on remaining non-continental operations.

(dollars in thousands, except per share data)

Impairments and valuation adjustments recognized in 2002 associated with continental U.S. operations related primarily to real property impairments, offset by realized gains of approximately $2,800 on previously impaired investments. In June 2002 the Company recognized a recovery gain of $1,389 on previously impaired non-continental assets upon the completion of the sale of its operations in Puerto Rico.

20. Fair values of financial instruments

Financial instruments consist primarily of cash, accounts receivable, notes receivable, accounts payable, accrued compensation and benefits, and other accrued liabilities and debt. The balances of the non-debt financial instruments as presented in the financial statements at December 31, 2002 approximate their fair values. Borrowings under credit facilities, of which $841,825 was outstanding as of December 31, 2002, reflect fair value as they are subject to fees and adjustable rates competitively determined in the marketplace. The fair value of the 7% convertible subordinated notes and the RTC 5⅝% convertible subordinated notes were approximately $345,000 and $133,000, respectively, at December 31, 2002 based on quoted market prices.

21. Supplemental cash flow information

The table below provides supplemental cash flow information:

	Year ended December 31,		
	2002	2001	2000
Cash paid (received):			
Income taxes	$30,217	$68,264	$ (28,585)
Interest	69,114	70,149	117,856
Non-cash investing and financing activities:			
Fixed assets acquired under capital lease obligations	2,356		
Contributions to consolidated partnerships	2,154	25	25
Deferred financing cost write-offs	73	721	1,192

22. Selected quarterly financial data (unaudited)

Summary unaudited quarterly financial data for 2002 and 2001 is as follows:

	2002				2001			
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Net operating revenues	$503,096	$481,194	$442,677	$427,665	$429,657	$434,239	$400,640	$386,217
Operating income	120,179	111,324	80,911	78,918	75,226	96,867	70,432	75,467
Income before extraordinary item	58,811	54,170	37,728	35,978	32,558	44,278	28,568	30,934
Net income	58,811	54,170	8,370	35,978	32,558	44,278	29,545	30,934
Basic income per common share:								
Income before extraordinary item	$ 0.97	$ 0.84	$ 0.47	$ 0.43	$ 0.38	$ 0.52	$ 0.34	$ 0.37
Extraordinary income			(0.37)				0.01	
Net income per share	$ 0.97	$ 0.84	$ 0.10	$ 0.43	$ 0.38	$ 0.52	$ 0.35	$ 0.37
Diluted income per common share:								
Income before extraordinary item	$ 0.81	$ 0.72	$ 0.43	$ 0.40	$ 0.36	$ 0.47	$ 0.32	$ 0.35
Extraordinary income			(0.30)				0.01	
Net income per share	$ 0.81	$ 0.72	$ 0.13	$ 0.40	$ 0.36	$ 0.47	$ 0.33	$ 0.35

23. Condensed consolidating financial statements

The following information is presented as required under the Securities and Exchange Commission Financial Reporting Release No. 55 in connection with the Company's publicly traded debt. The operating and investing activities of the separate legal entities included in the consolidated financial statements are fully interdependent and integrated. Revenues and operating expenses of the separate legal entities include intercompany charges for management and other services. Other income (loss) for 2002 and 2001 includes intercompany interest charges in accordance with the intercompany debt agreements.

The $125,000 5⅝% Convertible Subordinated Notes due 2006, issued by the wholly-owned subsidiary Renal Treatment Centers, Inc., or RTC, are guaranteed by DaVita Inc.

(dollars in thousands, except per share data)

Condensed Consolidating Balance Sheets

	DaVita Inc.	RTC	Non-guarantor subsidiaries	Consolidating adjustments	Consolidated total
As of December 31, 2002					
Cash and cash equivalents	$ 96,468	$ 7			$ 96,475
Accounts receivable, net	213,410	98,825	$ 32,057		344,292
Other current assets	86,777	14,368	2,614		103,759
Total current assets	396,655	113,200	34,671		544,526
Property and equipment, net	185,676	80,532	32,267		298,475
Investment in subsidiaries	399,190			$(399,190)	
Receivable from subsidiaries	81,833			(81,833)	
Amortizable intangibles, net	41,215	15,062	6,882		63,159
Other assets	3,973	729	45		4,747
Goodwill	464,028	291,602	109,156		864,786
Total assets	$1,572,570	$501,125	$183,021	$(481,023)	$1,775,693
Current liabilities	$ 270,060	$ 12,386	$ 10,155		$ 292,601
Payables to parent		60,489	21,344	$ (81,833)	
Long-term liabilities	1,232,246	148,877	5,476		1,386,599
Minority interests				26,229	26,229
Shareholders' equity	70,264	279,373	146,046	(425,419)	70,264
Total liabilities and shareholders' equity	$1,572,570	$501,125	$183,021	$(481,023)	$1,775,693
As of December 31, 2001					
Cash and cash equivalents	$ 34,949	$ 1,762			$ 36,711
Accounts receivable, net	195,074	111,413	$ 27,059		333,546
Other current assets	81,021	21,142	2,244		104,407
Total current assets	311,044	134,317	29,303		474,664
Property and equipment, net	169,675	59,717	23,386		252,778
Investment in subsidiaries	326,751			$(326,751)	
Receivable from subsidiaries	160,150			(160,150)	
Amortizable intangibles, net	49,479	16,294	7,335		73,108
Other assets	5,649	680	44		6,373
Goodwill	470,150	279,185	106,425		855,760
Total assets	$1,492,898	$490,193	$166,493	$(486,901)	$1,662,683
Current liabilities	$ 283,387	$ 10,728	$ 4,566		$ 298,681
Payables to parent		140,548	19,602	$(160,150)	
Long-term liabilities	705,874	128,976	4,793		839,643
Minority interests				20,722	20,722
Shareholders' equity	503,637	209,941	137,532	(347,473)	503,637
Total liabilities and shareholders' equity	$1,492,898	$490,193	$166,493	$(486,901)	$1,662,683

(dollars in thousands, except per share data)

Condensed Consolidating Statements of Income

	DaVita Inc.	RTC	Non-guarantor subsidiaries	Consolidating adjustments	Consolidated total
For the year ended December 31, 2002					
Net operating revenues	$1,236,407	$570,658	$190,109	$(142,542)	$1,854,632
Operating expenses	990,504	464,047	151,291	(142,542)	1,463,300
Operating income	245,903	106,611	38,818	—	391,332
Other income	5,790				5,790
Debt expense	60,599	6,871	4,166		71,636
Minority interests				(9,299)	(9,299)
Income taxes	87,566	41,928	6		129,500
Equity earnings in consolidated subsidiaries	83,159			(83,159)	
Extraordinary loss	(29,358)				(29,358)
Net income	$ 157,329	$ 57,812	$ 34,646	$ (92,458)	$ 157,329
For the year ended December 31, 2001					
Net operating revenues	$1,056,231	$527,006	$185,300	$(117,784)	$1,650,753
Operating expenses	854,765	453,564	142,216	(117,784)	1,332,761
Operating income	201,466	73,442	43,084	—	317,992
Other income	4,644				4,644
Debt expense	60,329	7,055	5,054		72,438
Minority interests				(9,260)	(9,260)
Income taxes	75,987	28,613			104,600
Equity earnings in consolidated subsidiaries	66,544			(66,544)	
Extraordinary gain	977				977
Net income	$ 137,315	$ 37,774	$ 38,030	$ (75,804)	$ 137,315
For the year ended December 31, 2000					
Net operating revenues	$ 992,575	$442,940	$159,974	$(109,187)	$1,486,302
Operating expenses	867,052	426,069	127,653	(109,187)	1,311,587
Operating income	125,523	16,871	32,321	—	174,715
Other income (loss)	(8,498)		1,297		(7,201)
Debt expense	102,562	7,040	7,035		116,637
Minority interests				(5,942)	(5,942)
Income taxes	22,803	5,261	(104)		27,960
Equity earnings in consolidated subsidiaries	25,315			(25,315)	
Extraordinary loss	(3,490)				(3,490)
Net income	$ 13,485	$ 4,570	$ 26,687	$ (31,257)	$ 13,485

(dollars in thousands, except per share data)

Condensed Consolidating Statements of Cash Flows

	DaVita Inc.	RTC	Non-guarantor subsidiaries	Consolidating adjustments	Consolidated total
Year ended December 31, 2002					
Cash flows from operating activities:					
Net income	$ 157,329	$ 57,812	$ 34,646	$(92,458)	$ 157,329
Changes in operating and intercompany assets and liabilities and non-cash items included in net income	118,422	(9,149)	(17,065)	92,458	184,666
Net cash provided by operating activities	275,751	48,663	17,581	—	341,995
Cash flows from investing activities:					
Purchases of property and equipment, net	(55,779)	(34,275)	(12,658)		(102,712)
Acquisitions and divestitures, net	1,469	(15,850)	(4,130)		(18,511)
Other items	4,972	(220)	(30)		4,722
Net cash used in investing activities	(49,338)	(50,345)	(16,818)		(116,501)
Cash flows from financing activities:					
Long term debt	499,742	(73)	(763)		498,906
Other items	(664,636)				(664,636)
Net cash used in financing activities	(164,894)	(73)	(763)		(165,730)
Net increase (decrease) in cash	61,519	(1,755)	—	—	59,764
Cash at the beginning of the year	34,949	1,762			36,711
Cash at the end of the year	$ 96,468	$ 7	$ —	$ —	$ 96,475
Year ended December 31, 2001					
Cash flows from operating activities:					
Net income	$ 137,315	$ 37,774	$ 38,030	$(75,804)	$ 137,315
Changes in operating and intercompany assets and liabilities and non-cash items included in net income	104,478	(20,552)	(32,254)	75,804	127,476
Net cash provided by operating activities	241,793	17,222	5,776	—	264,791
Cash flows from investing activities:					
Purchases of property and equipment, net	(31,752)	(13,607)	(5,874)		(51,233)
Acquisitions and divestitures, net	(63,097)	(3,842)			(66,939)
Other items	25,181		25		25,206
Net cash used in investing activities	(69,668)	(17,449)	(5,849)		(92,966)
Cash flows from financing activities:					
Long term debt	(156,427)	118	73		(156,236)
Other items	(10,085)				(10,085)
Net cash provided by (used in) financing activities	(166,512)	118	73		(166,321)
Net increase (decrease) in cash	5,613	(109)	—	—	5,504
Cash at the beginning of the year	29,336	1,871			31,207
Cash at the end of the year	$ 34,949	$ 1,762	$ —	$ —	$ 36,711

(dollars in thousands, except per share data)

Condensed Consolidating Statements of Cash Flows—(Continued)

	DaVita Inc.	RTC	Non-guarantor subsidiaries	Consolidating adjustments	Consolidated total
Year ended December 31, 2000					
Cash flows from operating activities:					
Net income	$ 13,485	$ 4,570	$ 26,687	$(31,257)	$ 13,485
Changes in operating and intercompany assets and liabilities and non-cash items included in net income	375,649	(99,917)	(19,390)	31,257	287,599
Net cash provided by operating activities	389,134	(95,347)	7,297	—	301,084
Cash flows from investing activities:					
Purchases of property and equipment, net	(20,019)	(12,242)	(8,827)		(41,088)
Acquisitions and divestitures, net	28,955	105,342			134,297
Other items	146				146
Net cash used in investing activities	9,082	93,100	(8,827)		93,355
Cash flows from financing activities:					
Long term debt	(478,566)		1,530		(477,036)
Other items	5,823				5,823
Net cash provided by (used in) financing activities	(472,743)	—	1,530		(471,213)
Net increase (decrease) in cash	(74,527)	(2,247)	—	—	(76,774)
Cash at the beginning of the year	103,863	4,118			107,981
Cash at the end of the year	$ 29,336	$ 1,871	$ —	$ —	$ 31,207

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, we have duly caused this Report on Form 10-K to be signed on our behalf by the undersigned, thereunto duly authorized, in the City of Torrance, State of California, on February 28, 2003.

DAVITA INC.

By: /s/ KENT J. THIRY
Kent J. Thiry
Chairman and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENT, that each person whose signature appears below constitutes and appoints Kent J. Thiry, Richard K. Whitney, and Steven J. Udicious, and each of them his true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ KENT J. THIRY Kent J. Thiry	Chairman and Chief Executive Officer (Principal Executive Officer)	February 28, 2003
/s/ RICHARD K. WHITNEY Richard K. Whitney	Chief Financial Officer (Principal Financial Officer)	February 28, 2003
/s/ GARY W. BEIL Gary W. Beil	Vice President and Controller (Principal Accounting Officer)	February 28, 2003
/s/ NANCY-ANN DEPARLE Nancy-Ann DeParle	Director	February 28, 2003
/s/ RICHARD B. FONTAINE Richard B. Fontaine	Director	February 28, 2003
/s/ PETER T. GRAUER Peter T. Grauer	Director	February 28, 2003
/s/ C. RAYMOND LARKIN, JR. C. Raymond Larkin, Jr.	Director	February 28, 2003
/s/ JOHN M. NEHRA John M. Nehra	Director	February 28, 2003
/s/ WILLIAM L. ROPER William L. Roper	Director	February 28, 2003

CERTIFICATIONS

I, Kent J. Thiry, certify that:

1. I have reviewed this annual report on Form 10-K of DaVita Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 28, 2003

/s/ KENT J. THIRY

Kent J. Thiry
Chief Executive Officer

CERTIFICATIONS

I, Richard K. Whitney, certify that:

1. I have reviewed this annual report on Form 10-K of DaVita Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 28, 2003

/s/ RICHARD K. WHITNEY

Richard K. Whitney
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULE

The Board of Directors and Shareholders
DaVita Inc.

Under date of February 21, 2003, we reported on the consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2002, which are included in the Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule for each of the years in the three-year period ended December 31, 2002 in the Form 10-K. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for goodwill and intangible assets resulting from business combinations.

/s/ KPMG LLP

Seattle, Washington
February 21, 2003

DAVITA INC.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of year	Amounts charged to income	Amounts written off	Balance at end of year
		(in thousands)		
Allowance for uncollectible accounts:				
Year ended December 31, 2000	$67,315	$39,649	$45,345	$61,619
Year ended December 31, 2001	61,619	32,926	42,070	52,475
Year ended December 31, 2002	52,475	32,069	35,617	48,927

EXHIBIT INDEX

Exhibit Number	Description	Page Number
3.1	Amended and Restated Certificate of Incorporation of Total Renal Care Holdings, Inc., or TRCH, dated December 4, 1995.(1)	
3.2	Certificate of Amendment of Certificate of Incorporation of TRCH, dated February 26, 1998.(2)	
3.3	Certificate of Amendment of Certificate of Incorporation of DaVita Inc. (formerly Total Renal Care Holdings, Inc.), dated October 5, 2000.(10)	
3.4	Bylaws of TRCH, dated October 6, 1995.(3)	
4.1	Indenture, dated June 12, 1996 by Renal Treatment Centers, Inc., or RTC, to PNC Bank including form of RTC Note.(4)	
4.2	First Supplemental Indenture, dated as of February 27, 1998, among RTC, TRCH and PNC Bank under the 1996 Indenture.(2)	
4.3	Second Supplemental Indenture, dated as of March 31, 1998, among RTC, TRCH and PNC Bank under the 1996 Indenture.(2)	
4.4	Indenture, dated as of November 18, 1998, between TRCH and United States Trust Company of New York, as trustee, and form of Note.(5)	
4.5	Rights Agreement, dated as of November 14, 2002, between DaVita Inc. and the Bank of New York, as Rights Agent. (6)	
10.1	Employment Agreement, dated as of October 18, 1999, by and between TRCH and Kent J. Thiry.(7)*	
10.2	Amendment to Mr. Thiry's Employment Agreement, dated May 20, 2000.(8)*	
10.3	Second Amendment to Mr. Thiry's Employment Agreement, dated November 28, 2000.(9)*	
10.4	Employment Agreement, dated as of November 29, 1999, by and between TRCH and Gary W. Beil.(9)*	
10.5	Employment Agreement, dated as of July 19, 2000, by and between TRCH and Charles J. McAllister.(9)*	
10.6	Employment Agreement, effective as of April 19, 2000, by and between TRCH and Steven J. Udicious.(10)*	
10.7	Employment Agreement, dated as of June 15, 2000, by and between DaVita Inc. and Joseph Mello.(11)*	
10.8	Employment Agreement, dated as of April 1, 2001, by and between DaVita Inc. and Richard K. Whitney.(12)*	
10.9	Employment Agreement, dated as of October 15, 2002, by and between DaVita Inc. and Lori S. Richardson-Pellicioni.✓*	
10.10	Second Amended and Restated 1994 Equity Compensation Plan.(13) *	
10.11	First Amended and Restated 1995 Equity Compensation Plan.(13)*	
10.12	First Amended and Restated 1997 Equity Compensation Plan.(13)*	
10.13	First Amended and Restated Special Purpose Option Plan.(13)*	
10.14	1999 Equity Compensation Plan.(14)*	
10.15	Amended and Restated 1999 Equity Compensation Plan.(15)*	
10.16	First Amended and Restated Total Renal Care Holdings, Inc. 1999 Non-Executive Officer and Non-Director Equity Compensation Plan.✓	

Exhibit Number	Description	Page Number
10.17	2002 Equity Compensation Plan.(16)*	
10.18	Credit Agreement, dated as of May 3, 2001, by and among DaVita Inc., the lenders party thereto, Bank of America, N.A., as the Administrative Agent, Banc of America Securities LLC, as Joint Book Manager and Credit Suisse First Boston Corporation, as Joint Book Manager and Syndication Agent (the "Credit Agreement").(17)	
10.19	Amendment No. 1, dated as of December 4, 2001, to the Credit Agreement by and among DaVita Inc., the lenders party thereto, Bank of America, N.A., as the Administrative Agent, Banc of America Securities LLC, as Joint Book Manager and Credit Suisse First Boston Corporation, as Joint Book Manager and Syndication Agent.(10)	
10.20	Security Agreement, dated as of May 3, 2001, made by DaVita Inc. and the subsidiaries of DaVita Inc. named therein to Bank of America, N.A., as the Collateral Agent for the lenders party to the Credit Agreement.(17)	
10.21	Subsidiary Guaranty, dated as of May 3, 2001, made by the subsidiaries of DaVita Inc. named therein in favor of the lenders party to the Credit Agreement.(17)	
10.22	Guaranty, entered into as of March 31, 1998, by TRCH in favor of and for the benefit of PNC Bank.(2)	
10.23	Credit Agreement, dated as of April 26, 2002, by and among DaVita Inc., the lenders party thereto, Credit Suisse First Boston Corporation as Administrative Agent and Joint Book Manager, Banc of America Securities LLC as Joint Book Manager and Bank of America, N.A., as Syndication Agent ("the Credit Agreement").(12)**	
10.24	Amendment No. 1, dated as of May 9, 2002, to the Credit Agreement by and among DaVita Inc., the lenders party thereto, Credit Suisse First Boston Corporation as Administrative Agent and Joint Book Manager, Bank of America Securities LLC as Joint Book Manager and Banc of America, N.A., as Syndication Agent.(12)	
10.25	Security Agreement, dated as of April 26, 2002, made by and among DaVita Inc. and the subsidiaries of DaVita Inc. named therein to Credit Suisse First Boston, Cayman Islands Branch, as the Collateral Agent for the lenders party to the Credit Agreement.(12)	
10.26	Subsidiary Guarantee, dated as of April 26, 2002, made by the subsidiaries of DaVita Inc. named therein in favor of the lenders party to the Credit Agreement.(12)	
10.27	Amendment #4, dated November 16, 2001, to Agreement No. 19990110 between Amgen Inc. and Total Renal Care, Inc. (10)**	
10.28	Agreement No. 20010259, dated November 16, 2001 between Amgen USA Inc. and Total Renal Care, Inc.(10)**	
10.29	Amendment #1, dated December 31, 2002, to Agreement No. 20010259 between Amgen USA Inc. and Total Renal Care, Inc.✓**	
12.1	Statement re: Computation of Ratios of Earnings to Fixed Charges. ✓	
21.1	List of our subsidiaries. ✓	
23.1	Consent of KPMG LLP.✓	
24.1	Powers of Attorney with respect to DaVita. ✓(Included on Page II-1)	
99.1	Certification of the Chief Executive Officer, dated February 27, 2003, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.✓	
99.2	Certification of the Chief Financial Officer, dated February 27, 2003, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.✓	

✓ Included in this filing.

* Management contract or executive compensation plan or arrangement.

** Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the SEC.

(1) Filed on March 18, 1996 as an exhibit to our Transitional Report on Form 10-K for the transition period from June 1, 1995 to December 31, 1995.

(2) Filed on March 31, 1998 as an exhibit to our Form 10-K for the year ended December 31, 1997.

(3) Filed on October 24, 1995 as an exhibit to Amendment No. 2 to our Registration Statement on Form S-1 (Registration Statement No. 33-97618).

(4) Filed on August 5, 1996 as an exhibit to RTC's Form 10-Q for the quarter ended June 30, 1996.

(5) Filed on December 18, 1998 as an exhibit to our Registration Statement on Form S-3 (Registration Statement No. 333-69227).

(6) Filed on November 19, 2002 as an exhibit to our Form 8-K reporting the adoption of the Rights Agreement.

(7) Filed on November 15, 1999 as an exhibit to our Form 10-Q for the quarter ended September 30, 1999.

(8) Filed on August 14, 2000 as an exhibit to our Form 10-Q for the quarter ended June 30, 2000.

(9) Filed on March 20, 2001 as an exhibit to our Form 10-K for the year ended December 31, 2000.

(10) Filed on March 1, 2002 as an exhibit to our Form 10-K for the year ended December 31, 2001.

(11) Filed on August 15, 2001 as an exhibit to our Form 10-Q for the quarter ended June 30, 2001.

(12) Filed on May 14, 2002 as an exhibit to our Form 10-Q for the quarter ended March 31, 2002.

(13) Filed on March 29, 2000 as an exhibit to our Form 10-K for the year ended December 31, 1999.

(14) Filed on February 18, 2000 as an exhibit to our Registration Statement on Form S-8 (Registration Statement No. 333-30736).

(15) Filed on April 27, 2001 as an exhibit to the Definitive Proxy Statement for our 2001 Annual Meeting of Stockholders.

(16) Filed on March 14, 2002 as an exhibit to the Definitive Proxy Statement for our 2002 Annual Meeting of Stockholders.

(17) Filed on June 8, 2001 as an exhibit to our Registration Statement on Form S-4 (Registration Statement No. 333-62552).

EXHIBIT 10.9

October 15, 2002

Lori S. Richardson Pellicioni
9040 Alto Cedro Drive
Beverly Hills, CA 90210

Dear Lori:

On behalf of DaVita Inc., I am pleased to finalize the terms of your new position as Vice President, Compliance and Chief Compliance Officer. In this new role, you will report to the DaVita Board of Directors, Joe Mello and me. Your start date has yet to be determined. The following represents the terms and conditions in this regard:

As we discussed, your base salary for this position has been set at $210,000.00 per annum, less standard deductions and authorized withholdings. Your base salary will be reviewed each year during DaVita's annual salary review. DaVita, in its sole discretion, may increase the base salary as a result of any such review. In addition, you will be eligible to receive an annual performance bonus between zero and $135,000, which will be prorated the first year and is payable in a manner consistent with our practices and procedures. Your position is exempt under the wage and hour laws. You will be paid bi-weekly pursuant to our normal payroll practices. Your status will be that of a regular full-time benefit eligible employee.

You and your family shall be eligible for participation in and receive all benefits under DaVita's health and welfare benefit plans under the same terms and conditions applicable to DaVita executives at similar levels of compensation and responsibility. A summary of those benefits will be presented to you at the start of your employment.

The Board of Directors has approved that you receive a grant of stock options to purchase 80,000 shares of DaVita stock. Such options will have a five-year term and will vest over a four-year period, one-quarter vesting on each anniversary of the grant. The exercise price will be the closing price on the New York Stock Exchange on the start date of your employment. The options will be reflected in a separate Stock Option Agreement. DaVita is currently in the process of developing an Executive Equity Ownership requirement. Specific details will be communicated when completed. In the meantime, should you have any questions, you can feel free to contact either Rich Whitney, CFO, or myself.

The Company will provide you with a separate indemnification agreement. Our indemnification agreement is currently being reviewed by outside counsel to ensure that it is consistent with the newly enacted federal laws; once that review is completed, we will send the indemnity agreement to you. DaVita also agrees to reimburse you in accordance with its travel and entertainment policies, as well as other business-related expenses, incurred in the performance of your duties. Based upon your estimated travel schedule, DaVita agrees to allow you to purchase coach seats as per our normal travel policy. For trips in excess of three (3) hours, DaVita will reimburse you for upgrades to Business Class. This is subject to change at DaVita's discretion.

Our offer of employment is conditioned upon your successful completion of a pre-employment drug test, which must be successfully completed before you can start your employment. Please contact Moira Ireland at 310/750-2232 to arrange for a pre-employment drug test, which must be completed before you can start your employment.

This Agreement, separate Stock Option Agreement, Non-Compete/Confidentiality/Non-Solicitation Agreement and provisions relating to termination of employment represent the entire understanding of the parties hereto with respect to your employment and supercedes all prior agreements with respect thereto. This Agreement may not be altered or amended except in writing executed by both parties hereto.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument. Photographic or facsimile copies of such signed counterparts may be used in lieu of the originals for any purpose.

In the event that any provision of the Agreement is determined to be illegal, invalid or void for any reason, the remaining provisions hereof shall continue in full force and effect.

If the above terms of employment are acceptable to you, please sign below and return this Agreement to me as soon as possible. In addition, please read and sign the attached Non-Compete/Confidentiality/Non-Solicitation Agreement.

Sincerely,

Kent Thiry
Chief Executive Officer
DaVita Inc.

I accept the position of Vice President, Compliance and Chief Compliance Officer under the terms and conditions outlined above.

_____ _____

Lori S. Richardson Pellicioni Date

cc: Joe Mello
Chief Operating Officer

Robert D. Armstrong
Vice President, People Services

EXHIBIT 10.16

First Amended and Restated
Total Renal Care Holdings, Inc.
1999 Non-Executive Officer and Non-Director
Equity Compensation Plan

1. ***Purpose*****.** The purpose of the Total Renal Care Holdings, Inc. 1999 Non-Executive Officer and Non-Director Equity Compensation Plan (this "Plan") is to promote the interests of Total Renal Care Holdings, Inc. (the "Company") and its stockholders by enabling the Company to offer Participants an opportunity to acquire an equity interest in the Company so as to better attract, retain, and reward employees and other persons providing services to the Company and, accordingly, to strengthen the mutuality of interests between Participants and the Company's stockholders by providing Participants with a proprietary interest in pursuing the Company's long-term growth and financial success.

2. ***Definitions***. For purposes of this Plan, the following terms shall have the meanings set forth below.

(a) "Award" means an Option granted under this Plan.

(b) "Board" means the Board of Directors of the Company.

(c) "Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder. Reference to any specific section of the Code shall be deemed to be a reference to any successor provision.

(d) "Committee" means the committee appointed by the Board, if any, to administer this Plan as permitted by Section 4 below or, if no such committee is appointed, the Board.

(e) "Common Stock" means the common stock of Total Renal Care Holdings, Inc. or any security issued in substitution, exchange, or in lieu thereof.

(f) "Company" means Total Renal Care Holdings, Inc., a Delaware corporation, or any successor corporation.

(g) "Option" means an option to purchase Common Stock.

(h) "Participant" means a person who has been granted an Option.

(i) "Plan" means this 1999 Non-Executive Officer and Non-Director Equity Compensation Plan of the Company, as it may be amended from time to time.

(j) "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in the chain, as determined in accordance with the rules of Section 424(f) of the Code.

3. ***Eligibility***. All employees and other persons providing bona fide services (other than persons only providing services in connection with the offering or sale of securities in a capital raising transaction) to the Company or any Subsidiary are eligible to receive Awards under this Plan. However, neither executive officers nor directors of the Company are eligible to receive Awards under this Plan. In the event that the Company acquires another entity, the Committee may authorize the issuance of Awards ("Substitute Awards") to employees and other persons in substitution of stock options or restricted stock grants previously granted to such employees and other persons in connection with their performance of services for the acquired entity upon such terms and conditions as the Committee shall determine.

4. ***Administration***. This Plan shall be administered by the Board or by a committee consisting of two or more members of the Board appointed by the Board to administer this Plan. The Committee is authorized to interpret this Plan and to adopt rules and procedures relating to the administration of this Plan. All actions of the

Committee in connection with the interpretation and administration of this Plan shall be binding upon all parties. Subject to the limitations set forth below, the Committee is expressly authorized to make such modifications to this Plan and the Awards granted hereunder as are necessary to effectuate the intent of this Plan as a result of any changes in the tax, accounting, or securities laws treatment of Participants and the Plan. The Committee may delegate its responsibilities to others under such conditions and limitations as it may prescribe.

5. ***Effective Date of this Plan***. This Plan shall be effective on March 11, 1999. No Awards may be granted under this Plan prior to its effective date. This Plan may be terminated by the Board at any time. Unless earlier terminated by the Board, this Plan shall terminate as of the close of business on the day prior to the tenth (10^{th}) anniversary of the effective date of this Plan. The foregoing notwithstanding, the termination of this Plan shall not adversely affect the rights of any Participant with respect to any Award outstanding as of the time of such termination.

6. ***Shares Subject to this Plan***. The aggregate number of shares of Common Stock which may be issued pursuant to this Plan shall be one million two hundred sixty-seven thousand five hundred (1,267,500). This number may be adjusted from time to time as set forth in Section 12 below. Upon the expiration or termination of any Option granted under this Plan which shall not have been exercised in full, the shares of Common Stock remaining unissued under such Option shall again become available for granting under the Plan.

7. ***Form of Options***. Options shall be granted under this Plan on such terms and in such form as the Committee may approve, which shall not be inconsistent with the provisions of this Plan, and which need not be the same for each such grant. The terms and conditions of each Option shall include, in addition to such other terms and conditions as may be established by the Committee, (a) the per share exercise price of such Option, (b) the termination date of such Option, and (c) the effect on such Option of the termination of the Participant's employment. The Options granted under this Plan will not qualify as "incentive stock options" under Code Section 422.

8. ***Exercise of Options***. Options are exercised by payment of the full amount of the purchase price to the Company as follows:

(a) The payment shall be in the form of cash or such other forms of consideration as the Committee shall deem acceptable, such as the surrender of outstanding shares of Common Stock owned by the Participant for the minimum period of time necessary to avoid adverse accounting treatment (if applicable).

(b) The Committee may authorize the exercise of Options by the delivery to the Company or its designated agent of an irrevocable written notice of exercise form together with irrevocable instructions to a broker-dealer to sell or margin a sufficient portion of the shares of Common Stock and to deliver the sale or margin loan proceeds directly to the Company to pay all or a portion of the exercise price of the Options.

(c) Options shall only be exercised for whole numbers of shares.

9. ***Modification of Awards***. The Committee may modify any outstanding Award as it deems appropriate. Such authority shall include, without limitation, the right to decrease the exercise price of any Option and to accelerate the right to exercise any Option. However, no modification may be made to any Award that would adversely affect the rights of the Participant with respect to any outstanding Award without such Participant's consent.

10. ***Transfer Restrictions***. Options granted to such Participant under this Plan are exercisable only by the Participant and are not assignable or transferable, except by will or the laws of descent and distribution.

11. ***Adjustments***. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination, reclassification, reorganization, merger, combination, consolidation, exchange of Common Stock, spinoff or other distribution of Company assets to stockholders (other than normal cash dividends), the Committee may, in such manner and to such extent, if any, as it deems appropriate and equitable, authorize such adjustments with respect to: (a) the number and kind of shares for which Awards may be granted under this Plan,

(b) the number and kind of shares covered by outstanding Awards, and (c) the per share exercise price of outstanding Options. In connection with any merger or consolidation of the Company with or into another entity in which the Company is not the surviving corporation or as a result of which the Common Stock ceases or will cease to be publicly traded, the Committee may, but shall not be required to, by resolution terminate all outstanding Options effective upon the consummation of such merger or consolidation, provided that, as a condition to such termination, all restrictions on the exercisability of such Options (*i.e.*, vesting provisions) shall be eliminated and the holders thereof shall be given at least twenty (20) days prior to such termination to exercise such Options without regard to any restrictions.

12. ***Amendment of this Plan***. The Board may amend this Plan at any time. However, no such amendment may adversely affect the rights of any Participant with respect to any outstanding Award without the Participant's consent.

13. ***Tax Withholding***. The Company shall have the right to take such actions as may be necessary to satisfy its tax withholding obligations arising because of the operation of this Plan. To the extent authorized by the Committee, Participants may surrender previously acquired shares of Common Stock or have shares withheld upon the exercise of an Option in satisfaction of the tax withholding obligations. However, the maximum number of shares that may be withheld for this purpose is the minimum number needed to satisfy the applicable income tax withholding rules.

14. ***No Additional Rights***. Neither the adoption of this Plan nor the granting of any Option shall (a) affect or restrict in any way the power of the Company to undertake any corporate action otherwise permitted under applicable law, (b) confer upon any Participant the right to continue performing services for the Company, or (c) interfere in any way with the right of the Company to terminate the services of any Participant at any time, with or without cause, subject to such other contractual obligations which may exist. No Participant shall have any rights as a stockholder with respect to any shares covered by an Option granted to the Participant until the date a certificate for such shares has been issued to the Participant following the exercise of the Option.

15. ***Securities Law Restrictions.***

(a) No shares of Common Stock shall be issued under this Plan unless the Committee shall be satisfied that the issuance will be in compliance with applicable federal and state securities laws, as well as the requirements of any stock exchange or quotation system on which the Common Stock is traded. The Committee may require certain investment or other representations and undertakings by the person exercising an Option in order to comply with applicable law. Certificates for shares of Common Stock delivered under this Plan may be subject to such restrictions as the Committee may deem advisable. The Committee may cause a legend to be placed on the certificates to refer to these restrictions.

(b) The inability of the Company to obtain registration, qualification or other necessary authorization, or the unavailability of an exemption from registration or qualification obligation deemed by the Company's counsel to be necessary for the lawful issuance and sale of any shares of its Common Stock under this Plan, shall suspend the Company's obligation to permit the exercise of any Option or to issue any shares under the Plan and shall relieve the Company of any liability in respect of the nonissuance or sale of the shares as to which the requisite authority or exemption shall not have been obtained.

16. ***Indemnification***. To the maximum extent permitted by law, the Company shall indemnify each member of the Committee and each other member of the Board, as well as any other employee of the Company with duties under this Plan, against expenses (including any amount paid in settlement, provided such settlement is approved in writing by the Company) reasonably incurred by the individual in connection with any claim against the individual by reason of the performance of the individual's duties as a member of the Committee, unless the losses are due to the individual's gross negligence or lack of good faith. However, the Company shall be entitled to control the defense of any such claim and shall be entitled to engage counsel for such defense. In addition, if more than one member of the Committee or such other employee is subject to such claim, or if the Company or other parties entitled to indemnification by the Company are also subject to such claim, the

Company, if applicable, and all such parties shall be represented by a single counsel selected by the Company and no member or other party shall be entitled to be represented by separate counsel at the Company's expense unless counsel selected by the Company advises the Company in writing that such counsel cannot represent such member or other party under applicable rules of professional responsibility.

17. ***Governing Law***. This Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware.

EXHIBIT 10.29

Amendment #1 dated December 31, 2002 to Agreement No. 20010259

This Amendment #1 to Agreement No. 20010259 (Amendment") is being entered by and between Amgen USA Inc. ("Amgen"), a wholly-owned subsidiary of Amgen Inc., and Total Renal Care, Inc., a subsidiary of DaVita Inc., including the freestanding dialysis center affiliate(s) listed on Appendix B (collectively, Dialysis Center").

WHEREAS, Amgen and Dialysis Center entered into Agreement No. 20010259 (the Agreement") effective January 1, 2002; and

WHEREAS, the parties now wish to amend the Agreement to extend the term for an additional year, to incorporate the terms and conditions for the purchase of Aranesp® (darbepoetin alfa) exclusively for the treatment of dialysis patients, and to modify certain incentive option provisions.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, representations and warranties set forth herein, the parties agree as follows:

SECTION 1. ***Definitions: References.*** Unless otherwise specifically defined herein, each term used in this Amendment which is defined in the Agreement shall have the meaning assigned to such term in the Agreement. Except as amended and supplemented hereby, all of the terms of the Agreement are incorporated herein by reference, shall remain and continue in full force and effect, and are hereby ratified and confirmed in all respects.

SECTION 2. ***Amendment of Section 1. Term of Agreement:*** Section 1 is hereby amended to extend the Term of the Agreement through December 31, 2003. Accordingly, Section 1 is amended and restated in its entirety to read as follows:

1. Term of Agreement. The "Term" of this Agreement shall be defined as January 1, 2002 ("Commencement Date") through December 31, 2003 ("Termination Date").

Notwithstanding the foregoing, all payments, calculations, reconciliations, vesting, and other actions connected with Qualified Purchases made during the period January 1, 2002 through December 31, 2002, and the discounts and incentives for which Dialysis Center is eligible thereon, which are required by the Agreement to occur, be measured, or be performed at the end of or within specified periods in relation to the "Term", shall continue to be required to occur, be measured, or be performed at or within the specified time periods so stated, as if the Term were to expire on December 31, 2002.

SECTION 3. ***Amendment of Section 2. Dialysis Center Affiliates:*** Section 2 is hereby amended for the period January 1, 2003 through December 31, 2003, as follows:

2. Dialysis Center Affiliates. Only those Dialysis Center affiliates ('Affiliates") listed on Appendix B which is incorporated by reference hereto and made a part of this Agreement will be eligible to participate under this Agreement. Affiliates eligible to participate under this Agreement shall be facilities owned in whole or in part by Dialysis Center or for which Dialysis Center provides management or administrative services including such services as the purchasing and billing of EPOGEN® (Epoetin alfa) and Aranesp® (darbepoetin alfa) (collectively, "Products"). Additions to the Affiliates listed on Appendix B may be made pursuant to the request of Dialysis Center's corporate headquarters and are subject to approval and acknowledgment by Amgen in writing, and such approval and acknowledgment shall not be unreasonably withheld, conditioned or delayed. Dialysis Center may delete Affiliates from participation in this Agreement at any time, in its sole discretion. Amgen requires reasonable notice before the effective date of change (the "Administrative Effective Date") for any addition or deletion of Affiliates. Notwithstanding the immediately

preceding sentence, Amgen agrees to coordinate with Dialysis Center's Authorized Wholesalers (as defined in Section 4 of the Agreement) [DELETED] any and all purchases made by Dialysis Center [DELETED] pursuant to which Dialysis Center is legally authorized to purchase Products for such added Affiliate [DELETED]; all such purchases by Dialysis Center during such period shall constitute "Qualified Purchases" under this Agreement and shall be included for purposes of eligibility and calculation of each and every discount and incentive provided hereunder and in Appendix A which is incorporated by reference hereto and made a part of this Agreement, including but not limited to [DELETED] set forth in Section 2 of Appendix A for EPOGEN® purchases and including but not limited to [DELETED] set forth in Section 1 of Appendix A for Aranesp®, so long as Amgen is not obligated to pay the same discount or incentive attributable to the same purchases to any person or entity other than Dialysis Center. Amgen reserves the right in its reasonable discretion to terminate any Affiliates with regard to participation in this Agreement. Termination of any Affiliate by Amgen shall be effective (a) immediately in instances in which Amgen determines, in its sole discretion, that such immediate termination is required by law or order of any court or regulatory agency or as a result of negligence or willful misconduct in the use or administration of Products by such Affiliate; or (b) upon thirty (30) days prior written notice to Dialysis Center in all other instances; provided, that such termination shall be effective before the expiration of such thirty (30) days where Dialysis Center requests or consents to such earlier termination.

SECTION 4. ***Amendment of Section 3, Own Use:*** Section 3 is hereby amended for the period January 1, 2003 through December 31, 2003, as follows:

3. Own Use. Dialysis Center hereby certifies that Products purchased hereunder shall be for Dialysis Center's "own use" for the exclusive treatment of dialysis patients.

SECTION 5. ***Amendment of Section 4. Authorized Wholesalers:*** Section 4 is hereby amended for the period January 1, 2003 through December 31, 2003, as follows:

4. Authorized Wholesalers. Attached hereto as Appendix C is a complete list, as of the date of execution of this Amendment, of the wholesalers from which Dialysis Center intends to purchase Products. All of the wholesalers so designated by Dialysis Center are hereby approved by Amgen to participate in this program and are deemed "Authorized Wholesalers". Notification of proposed changes to the list of Authorized Wholesalers must be provided to Amgen in writing at least thirty (30) days before the effective date of the proposed change; provided, however, that Amgen will use its best efforts to accept a change on fewer than thirty (30) days' notice. Amgen reserves the right, in its reasonable discretion, to reject or terminate, with reasonable notice, any wholesaler with regard to participation in this Agreement, so long as (a) Amgen rejects or terminates such wholesaler with respect to providing Products to any and all purchasers of Products, or (b) such wholesaler independently requests Amgen to remove it as an Authorized Wholesaler for Dialysis Center. Amgen also reserves the right, in its reasonable discretion, to accept wholesalers with regards to participation in this Agreement, but Amgen agrees that it shall accept any wholesaler designated by Dialysis Center which provides Products to other purchasers approved by Amgen. Dialysis Center agrees to request all Authorized Wholesalers to submit product sales information to a third-party sales reporting organization designated by Amgen. In the event Amgen terminates any Authorized Wholesaler from which Dialysis Center is purchasing Products, Amgen will work with Dialysis Center to identify other possible Authorized Wholesalers from which Dialysis Center may purchase Products and/or, in the case of an emergency and subject to credit qualification as well as receipt and approval of an "Application for Direct Ship Account", use reasonable efforts in attempting to establish a temporary direct purchase relationship between Dialysis Center and Amgen until such time as an alternative Authorized Wholesaler can be secured, which in no event shall exceed sixty (60) days. If Dialysis Center purchases directly from Amgen as contemplated immediately above, all purchases made from Amgen shall be deemed "Qualified Purchases" (as defined below) and all such purchases shall be accounted for in the calculation of the discounts and incentives provided for in this Agreement and in Appendix A.

SECTION 6. ***Amendment of Section 5, Qualified Purchases:*** Section 5 is hereby amended for the period January 1, 2003 through December 31, 2003, as follows:

5. Qualified Purchases. Only Products purchased under this Agreement by Dialysis Center through Authorized Wholesalers (or directly from Amgen as provided in Section 4 above), as confirmed by Amgen based on sales tracking data, will be deemed "Qualified Purchases".

SECTION 7. ***Amendment of Section 6, Commitment to Purchase:*** Section 6 is hereby amended for the period January 1, 2003 through December 31, 2003, as follows:

6. Commitment to Purchase. Dialysis Center agrees to purchase Products for all of its dialysis use requirements for recombinant human erythropoietin, and Amgen agrees to supply through Authorized Wholesalers all orders as placed by Dialysis Center. Notwithstanding the foregoing, Amgen expressly acknowledges and agrees that Dialysis Center may participate in clinical trials involving the administration of other products for the management of anemia in dialysis patients. Dialysis Center may purchase another brand of recombinant human erythropoietin for its dialysis use requirements only for the time, and only to the extent, that Amgen has notified Dialysis Center's corporate headquarters in writing that Amgen cannot supply EPOGEN® or Aranesp® within and for the time period reasonably required by Dialysis Center. Any such notification shall be given by Amgen at least thirty (30) days prior to the date on which Amgen will cease supplying EPOGEN® or Aranesp® to Dialysis Center, unless an act or event described in Section 16 of the Agreement, or an order of a regulatory agency or other action arising out of patient safety concerns, requires the giving of shorter notice. In the event that Amgen fails to supply Dialysis Center with EPOGEN® or Aranesp® as ordered, Dialysis Center shall be entitled, at a minimum, to have the same proportion of its purchase orders fulfilled at all times as other purchasers of EPOGEN® or Aranesp® and, upon request, Amgen shall provide written assurances of same to Dialysis Center.

SECTION 8. Amendment of Section 8, Discounts: Section 8 is hereby amended for the period January 1, 2003 through December 31, 2003, as follows:

8. Discounts. Dialysis Center shall qualify for discounts and incentives subject to material compliance with the terms and conditions of this Agreement as well as the schedules and terms set forth in Appendix A. Discounts in arrears will be paid in the form of a wire transfer to Dialysis Center's corporate headquarters, and Amgen Inc. hereby guarantees Amgen's obligation to pay all discounts earned by Dialysis Center hereunder. Discounts in arrears will be calculated in accordance with Amgen's discount calculation policies based on Qualified Purchases using Amgen's standard [DELETED] as the calculation price, except as otherwise provided hereunder or as set forth in Appendix A. Payment amounts, as calculated by Amgen, must equal or exceed $100.00 for the applicable period to qualify, and are subject to audit and final determination by arbitration, as provided in Appendix A hereto. Subject to the section entitled "Termination", in the event that Amgen is notified in writing that Dialysis Center, and/or any Affiliate(s) (the "Acquired Party") is acquired by another entity or a change of control otherwise occurs with respect to any Acquired Party, any discounts which may have been earned hereunder for all periods preceding such acquisition or change of control shall be paid in the form of a wire transfer to Dialysis Center's corporate headquarters, subject to the conditions and requirements described herein. For purposes of all of the discounts paid in arrears contained herein, including, without limitation, those discounts and incentives provided in Appendix A, if any Affiliates are added to or deleted from this Agreement during any [DELETED] the period January 1, 2003 through December 31, 2003 of this Amendment, Amgen shall appropriately adjust Dialysis Center's purchases for the relevant periods (x) for deleted Affiliates, by excluding purchases by such Affiliates effective from the effective date of their deletion and during the relevant [DELETED] used for comparison, or (y) for added Affiliates, by including any purchases made by such acquired Affiliates effective from the date they are added to the list of Affiliates on Appendix B and during the relevant [DELETED] used for comparison, and by including any purchases made by any de novo

Affiliates commencing in the [DELETED] in which they commence operations. Amgen and Dialysis Center agree that, for purposes of determining eligibility for and calculation of all discounts and all incentives provided in this Agreement (including, without limitation, all discounts and incentives as are set forth in Appendix A), a Qualified Purchase of EPOGEN® or Aranesp® shall be deemed made on the date of invoice to Dialysis Center from an Authorized Wholesaler. Upon any termination of this Agreement, Amgen shall pay to Dialysis Center all discounts and incentives earned by Dialysis Center through the date of termination. Failure of Dialysis Center to qualify for or receive any particular discount or incentive hereunder shall not automatically affect its qualification for or receipt of any other discount or incentive provided under this Agreement.

SECTION 9. ***Amendment of Section 9. Treatment of Discounts:*** Section 9 is hereby amended for the period January 1, 2003 through December 31, 2003, as follows:

9. Treatment of Discounts. a) Dialysis Center agrees that it will properly disclose and account for any discount or other reduction in price earned hereunder, in whatever form (i.e., pricing, discount, or incentive), in a way that complies with all applicable federal, state, and local laws and regulations, including without limitation, Section 1128B(b) of the Social Security Act and its implementing regulations. Section 11 28B(b) requires that a provider of services properly disclose and appropriately reflect the value of any discount or other reduction in price earned in the costs claimed or charges made by the provider under a federal health care program, as that term is defined in Section 11288(f). Dialysis Center also agrees that, if required by such statutes or regulations, it will (i) claim the benefit of such discount received, in whatever form, in the fiscal year in which such discount was earned or the year after, (ii) fully and accurately report the value of such discount in any cost reports filed under Title XVIII or Title XIX of the Social Security Act, or a state health care program, and (iii) provide, upon request by the U.S. Department of Health and Human Services or a state agency or any other federally funded state health care program, the information furnished to Dialysis Center by Amgen concerning the amount or value of such discount. Dialysis Center's corporate headquarters agrees that it will advise all Affiliates, in writing, of any discount received by Dialysis Center's corporate headquarters hereunder with respect to purchases made by such Affiliates and that said Affiliates will account for any such discount in accordance with the above stated requirements.

b) In order to assist Dialysis Centers compliance with its obligations as set forth in Section 9(a) immediately above, Amgen agrees that, along with the [DELETED] delivery of its payment on the [DELETED] earned hereunder, it will provide to Dialysis Center a statement on a [DELETED] basis stating the incentives and discounts earned by Dialysis Center in a particular [DELETED] with the itemization Product purchases made in a particular [DELETED] and the [DELETED] (as defined in Appendix A, Section 3(b)), both broken down by Affiliates; and any other information that Dialysis Center may request that is reasonably available to Amgen and necessary for Dialysis Center to obtain in order to comply with its obligation as set forth in Section 9(a).

SECTION 10. ***Amendment of Section 10, Data Collection:*** Section 10 is hereby amended for the period January 1, 2003 through December 31, 2003, as follows:

10. Data Collection. Dialysis Center agrees that it will at all times comply with all federal, state, or local laws or regulations relating to patient privacy of medical records, and that all data to be provided to Amgen pursuant to this Agreement, shall be in a form that does not disclose the identity or name of any patient or other patient-identifying information such as address, telephone number, birth date, all or part of a social security number, medical record number or prescription number. Dialysis Center and Amgen agree that not later than April 1, 2003 they will use and accept only those patient identifiers compliant with the federal medical privacy standards codified under 45 C.F.R. parts 160 and 164 pursuant to the Health Insurance Portability and Accountability Act ("HIPAA"). Dialysis Center acknowledges that the data to be supplied to Amgen pursuant to this Agreement shall be used to support verification of the discounts and incentives

referenced herein, as well as for Amgen-sponsored research concerning the role of EPOGEN® in improving treatment outcomes and quality of life of dialysis patients. Dialysis Center shall consistently use a unique alpha-numeric code (which shall not be the same as part or all of the patient's social security number) as a "case identifier" to track the care rendered to each individual patient over time, and such case identifier shall be included in the data provided to Amgen. The key or list matching patient identities to their unique case identifiers shall not be provided to Amgen personnel. In furtherance of Amgen research, Dialysis Center may agree from time to time, on terms to be negotiated separately by the parties, to use its key to update the patient care data by linking it with information concerning health outcomes, quality of life, and other pertinent data that may become available to Amgen from other sources. Any such linking of data sources shall not provide the identity of any patient to Amgen. Amgen and Amgen Inc. agree that they will maintain data supplied under this Agreement in confidence, they will not use such data to identify or contact any patient, and they will at all times comply with all federal, state, or local laws or regulations relating to patient records. [DELETED]. Amgen and Amgen Inc. shall not sell or resell any data obtained pursuant to this Agreement. Additionally, any use by Amgen or Amgen Inc. of any such data outside of Amgen, Amgen Inc. or Dialysis Center shall be in a format which does not identify Dialysis Center as the source of such data, unless otherwise permitted in writing by Dialysis Center. No reports by Amgen or Amgen Inc. concerning analyses of the data or the results of such research shall disclose the identity of any patient. Nothing in this Agreement shall limit Dialysis Center's use of its own patient case data, including, without limitation, any and all data to be supplied to Amgen hereunder.

SECTION 11. ***Amendment of Section 13. Warranties:*** Section 13 is hereby amended for the period January 1, 2003 through December 31, 2003, as follows:

13. Warranties. Each party represents and warrants to the other that this Amendment (a) has been duly authorized, executed, and delivered by it, (b) constitutes a valid, legal, and binding agreement enforceable against it in accordance with the terms contained herein, and (c) does not conflict with or violate any of its other contractual obligations, expressed or implied, to which it is a party or by which it may be bound. The party executing this Amendment on behalf of Dialysis Center specifically warrants and represents to Amgen that it is authorized to execute this Amendment on behalf of and has the power to bind Dialysis Center and the Affiliates to the terms set forth in this Amendment. The parties executing this Amendment on behalf of Amgen and Amgen Inc. specifically warrant and represent to Dialysis Center that they are authorized to execute this Amendment on behalf of and have the power to bind Amgen and Amgen Inc. to the terms set forth in this Amendment. Amgen warrants that the Products purchased pursuant to this Agreement (a) are manufactured in accordance with all applicable federal, state and local laws and regulations pertaining to the manufacturing of the Products including without limitation, the Federal Food, Drug, and Cosmetic Act and implementing regulations, and meet all specifications for effectiveness and reliability as required by the United States Food and Drug Administration, and (b) when used in accordance with the directions on the labeling, are fit for the purposes and indications described in the labeling. Amgen agrees that it will promptly notify Dialysis Center once it determines that there has been any material defect in any of the Products delivered to Dialysis Center.

Amendment #1 dated December 31, 2002 to Agreement No. 20010259 (continued)

SECTION 12. Amendment of Section 14, Notices: Section 14 is hereby amended for the period January 1,2003 through December 31, 2003, as follows:

14. Notices. Any notice or other communication required or permitted hereunder (excluding purchase orders) shall be in writing and shall be deemed given or made three (3) days after deposit in the United States mail with proper postage for first-class registered or certified mail prepaid, return receipt requested, or when delivered personally or by facsimile (receipt verified and confirmed by overnight mail), or one (1) day following traceable delivery to a nationally recognized overnight delivery service with instructions for overnight delivery, in each case addressed to the parties as follows (or at such other addresses as the parties may notify each other of in writing):

If to Dialysis Center:
Total Renal Care, Inc.
21250 Hawthorne Boulevard, Suite 800
Torrance, CA 90503-5517
Attn: Chief Financial Officer
Fax No.: (310) 792-9281

with a copy to:
Total Renal Care, Inc.
21250 Hawthorne Boulevard, Suite 800
Torrance, CA 90503-5517
Attn: General Counsel
Fax No.: (310) 792-0044

If to Amgen:
Amgen USA Inc.
One Amgen Center Drive, M/S 37-2-B
Thousand Oaks, CA 91320-1789
Attn: Gail Gilbotowski, Manager, Contract Administration
Fax No.: (805) 376-8554

with a copy to:
Amgen USA Inc.
One Amgen Center Drive, M/S 27-4-A
Thousand Oaks, CA 91320-1789
Attn: General Counsel
Fax No.: (805) 447-1000

If to Amgen Inc.:
Amgen Inc.
One Amgen Center Drive, M/S 37-2-B
Thousand Oaks, CA 91320-1789
Attn: Gail Gilbotowski, Manager, Contract Administration
Fax No.: (805) 376-8554

with a copy to:
Amgen Inc.
One Amgen Center Drive, M/S 27-4-A
Thousand Oaks, CA 91320-1789
Attn: General Counsel
Fax No.: (805) 447-1000

SECTION 13. ***Amendment of Section 15. Compliance with Health Care Pricing and Patient Privacy Legislation and Statutes:*** Section 15 is hereby amended for the period January 1, 2003 through December 31, 2003, as follows:

15. Compliance with Health Care Pricing and Patient Privacy Legislation and Statutes; Data Use Agreement. a) Notwithstanding anything contained herein to the contrary, in order to assure compliance, as determined by either party, in its sole discretion, with any existing federal, state or local statute, regulation or ordinance, or at any time following the enactment of any federal, state, or local law or regulation that in any manner reforms, modifies, alters, restricts, or otherwise affects the pricing of or reimbursement available for Products, including but not limited to the enactment of any reimbursement rule, guideline, final program memorandum, coverage decision, pricing decision, instruction or the like by the Centers for Medicare and Medicaid Services ("CMS") or any of Dialysis Centers Medicare fiscal intermediaries, or any change in reimbursement systems that in any manner reforms, modifies, alters, restricts or otherwise affects the reimbursement available to Dialysis Center for any of the Products, either party may, in its sole discretion, upon thirty (30) days notice, seek to modify this Agreement in accordance with the procedure referenced below or exclude any Affiliates from participating in this Agreement unless such Affiliate(s) certifies in writing that they are, or will be, exempt from the provisions thereunder. If such affected Affiliate(s) does not so certify and is therefore excluded from participating in this Agreement, Dialysis Center and Amgen shall meet and in good faith seek to mutually agree to modify this Agreement to accommodate any such change in law or regulation, with the intent that, if possible, the essential terms and the pricing structure [DELETED] shall be retained at least at the applicable tier as in effect immediately prior to such Affiliate's exclusion. If the parties in good faith determine such modification is not possible, the parties shall seek to modify the Agreement in another manner acceptable to both parties. If the parties, after ninety (90) days are unable to agree upon such a modification, Amgen shall be entitled to terminate the Agreement on no less than thirty (30) days' notice. *In the event there is a future change in Medicare, Medicaid, or other federal or state statute(s) or regulation(s) or in the interDretation thereof, which renders any of the material terms of this Aoreement unlawful or unenforceable, this Agreement shall continue only if amended by the Darties as a result of good faith negotiations as necessary to bring the Agreement into comDliance with such statute or regulation.*

b) Notwithstanding anything contained herein to the contrary, in order to assure compliance, as determined by either party in its sole discretion, with any existing federal, state or local statute, regulation or ordinance relating to patient privacy of medical records, or at any time following the enactment of any federal, state, or local law or regulation relating to patient privacy of medical records that in any manner reforms, modifies, alters, restricts, or otherwise affects any of the data received or to be received in connection with any of the incentives contemplated under this Agreement, either party may, in its discretion, upon thirty (30) days' notice, seek to modify this Agreement. Dialysis Center and Amgen shall meet and in good faith seek to mutually agree to modify this Agreement to accommodate any such change in law or regulation, with the intent to, if possible, retain the essential terms of the affected incentive and pricing structure. If the parties in good faith determine that such modification is not possible, the parties shall seek to modify the Agreement in another manner acceptable to both parties. If the parties, after ninety (90) days, are unable to agree upon such a modification, either party shall be entitled to terminate the affected incentive upon thirty (30) days' notice.

(c) Notwithstanding anything contained herein to the contrary, this Agreement is effective only as of the date the parties hereto execute a mutually agreeable Data Use Agreement pursuant to which Dialysis Center may disclose a Limited Data Set of patient information to Amgen (as specified in the Data Use Agreement and which shall include, at a minimum, the data fields to be received by Amgen in connection with this Agreement) for purposes of Amgen's Research and Public Health analyses and Dialysis Center's Health Care Operations. Unless otherwise specifically defined in this Agreement, each capitalized term used in this

Section 15(c) shall have the meaning assigned to such term by HIPAA. If Dialysis Center terminates the Data Use Agreement for any reason, Amgen shall be entitled to terminate this Agreement immediately. The parties acknowledge and agree that they have entered into a Data Use Agreement ("DUA") in connection with the disclosure to Amgen of certain patient information, as described in Section 23 of this Agreement. Without limitation of the foregoing, Amgen and Dialysis Center agree to negotiate in good faith to further amend the Agreement and/or enter into such additional agreements to the extent necessary to allow Dialysis Center to disclose to Amgen patient data (including any individually identifiable health information), and to otherwise comply with the Standards of Privacy of Individually Identifiable Health Information (the "Standards") promulgated or to be promulgated by the Secretary of Health and Human Services in accordance with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") or other related regulations or statutes. Dialysis Center and Amgen agree that they will fully comply with all such Standards and that they will amend the Agreement and/or enter into additional agreements in order to incorporate any material terms required by the Standards prior to the compliance date specified in the regulations for such Standards. Without limiting the generality of the foregoing, Amgen and Dialysis Center specifically agree to enter into such amendment(s) or agreement(s), as may be appropriate or necessary as determined by the parties, to permit the disclosure to and access and use by Amgen of patient data (including individually identifiable health information) in order to allow the provision by Amgen of the Good Pharmaceutical Practice Support Services for EPOGEN® as provided to Dialysis Center consistent with past practice and defined in Section 21 of this Agreement. In the event Dialysis Center and Amgen have not amended the Agreement and/or entered into such additional agreements by the compliance date for such Standards, and except for the obligations of the Parties under the DUA, (1) Dialysis Center shall be entitled to cease disclosure of patient data (including any individually identifiable health information) to Amgen in connection with Amgen's provision of Good Pharmaceutical Practice Support Services as defined in Section 21 of this Agreement, and (2) Amgen shall be entitled to cease providing Good Pharmaceutical Practice Support Services, as defined in Section 21 of this Agreement, to Dialysis Center, in each case notwithstanding any past practice or as otherwise may be contemplated by the Agreement."

SECTION 14. ***Amendment of Section 18. Entire Agreement:*** Section 18 is hereby amended for the period of January 1, 2003 through December 31, 2003, as follows:

18. Entire Agreement. The Agreement (as modified by this Amendment) together with the DUA and all of the Appendices attached hereto and thereto, constitutes the entire understanding between the parties and supersedes all prior or oral written proposals, agreements or commitments pertaining to the subject matter herein and therein.

SECTION 15. ***Amendment of Section 19. [DELETED]:*** Section 19 is hereby amended for the period January 1, 2003 through December 31, 2003, as follows:

19. [DELETED]

SECTION 16. ***Addition of Section 21. Good Pharmaceutical Practice Supi,ort Services for EPOGEN®:*** Section 21 is hereby added for the period January 1, 2003 through December 31, 2003, as follows:

21. Good Pharmaceutical Practice Support Services for EPOGEN®: In order to advance the common clinical objectives of the parties under this Agreement, Amgen agrees to provide to Dialysis Center the following good pharmaceutical practice standard support services which it provides to all customers, at no additional cost or charge:

(a) Clinical support team of nephrology specialists who provide clinical information about anemia management, offer non-patient-specific advice about the use of EPOGEN® in the treatment of patients with end-stage renal disease, and answer general questions about EPOGEN®, anemia management, and reimbursement presented by a facility's clinical staff;

(b) Patient education materials;

(c) EPOGEN® reimbursement hotline; and

(d) 24-hour emergency drug information service.

Amgen agrees to furnish such services only in cooperation with Dialysis Center's facilities, in a manner consistent with Dialysis Center's policies and procedures, and in accordance with the terms otherwise set forth in this Agreement, including without limitation Section 22 hereof.

SECTION 17. ***Addition of Section 22, Access:*** Section 22 is hereby added for the period January 1, 2003 through December 31, 2003, as follows:

22. Access. Amgen agrees that it and its agents and employees shall, at all times, comply with all applicable laws and regulations, and with Dialysis Center's general policies and procedures, regulations and guidelines regarding product promotion and access to Dialysis Center's facilities and personnel. Amgen's discussion of its Products shall be in compliance with all applicable laws and regulations.

SECTION 18. ***Addition of Section 23 HIPAA Compliance/Data Use Agreement:*** Section 23 is hereby added for the period January 1, 2003 through December 31, 2003, as follows:

23. HIPAA Compliance/Data Use Agreement. Amgen and Dialysis Center acknowledge and agree that not later than April 14, 2003 certain of the patient information and data delivered to Amgen hereunder must be in a format that is compliant with the privacy standards of HIPAA. In connection with the foregoing, the Parties have executed and delivered, contemporaneously herewith, a Data Use Agreement ("DUA") which specifies the limited data set format of patient information that may be delivered to Amgen under this Agreement and the DUA. The parties acknowledge and agree that the rights and obligations of the parties under the DUA are a supplement to the rights and obligations hereunder.

SECTION 19. ***Amendment to Appendix A: Discount Pricing. Schedule, and Terms:*** Appendix A is hereby amended and restated in its entirety for the period of January 1, 2003 through December 31, 2003 to read as follows:

1. Pricing—Aranesp®. During the period January 1, 2003 through December 31, 2003, Dialysis Center may purchase Aranesp® through Authorized Wholesalers at [DELETED], which shall be equal to the [DELETED]. Amgen reserves the right to change the [DELETED] at any time. Resulting prices do not include any wholesaler markup, service fees, or other charges. No other discounts, including discounts in arrears, are applicable to Aranesp purchased under this Agreement.

2. Pricing—EPOGEN®. During the period January 1, 2003 through December 31, 2003, Dialysis Center may purchase EPOGEN® through Authorized Wholesalers at [DELETED], which shall be equal to the [DELETED]. Amgen reserves the right to change the [DELETED] at any time. Notwithstanding any such change(s), the [DELETED] that is applicable to Dialysis Center throughout the Term shall be the [DELETED]. Resulting prices do not include any wholesaler markup, service fees, or other charges. In the event that [DELETED] are effectuated at any time [DELETED] Dialysis Center's [DELETED] for Qualified Purchases of EPOGEN® shall [DELETED]. All discounts earned in arrears during the Term of the Amendment shall be calculated based upon the [DELETED] of this Agreement, such that any [DELETED] contained in any of the discounts or incentives set forth in this Appendix A shall [DELETED] in the [DELETED].

3. [DELETED]**.** Dialysis Center may qualify for a [DELETED] provided it meets the criteria described below in this Section 3. The [DELETED] is designed to improve patient outcomes by encouraging [DELETED].[1]

a. Requirements: In order to qualify for the [DELETED] during the period January 1, 2003 through December 31, 2003, Dialysis Center's aggregate Qualified Purchases of EPOGEN® and Aranesp® by all

Affiliates as listed on Appendix B on the effective date of this Amendment and all new approved Affiliates (whether by acquisition, to the extent that either Amgen or Dialysis Center can provide adequate data concerning such Affiliates' purchases for the same time period from 2001, or de novo) must equal or exceed [DELETED] of the aggregate Qualified Purchases of EPOGEN® by those same Affiliates for the same [DELETED] from 2001 as set forth in the [DELETED] contained in section 5(a) below, and as adjusted pursuant to section 5(a) (the [DELETED]). The [DELETED] shall be calculated using the formula described in Section 5(a) below. In addition, no more than [DELETED] of Dialysis Center's [DELETED] taken on an overall basis (and not separately for each Affiliate) may have [DELETED] (as defined in Section 3(b) below) [DELETED] during the applicable [DELETED] of the period January 1, 2003 through December 31, 2003. If either of these criteria is not met during any given [DELETED] of the period January 1, 2003 through December 31, 2003, Dialysis Center will not qualify for the [DELETED] during that [DELETED]. Failure of Dialysis Center to qualify for the [DELETED] during a particular [DELETED] shall not affect Dialysis Center's eligibility to qualify during any other [DELETED] of the period January 1, 2003 through December 31, 2003, nor shall Dialysis Center's qualification during a particular [DELETED] automatically result in qualification during any other [DELETED]. Notwithstanding the foregoing, if Dialysis Center has not satisfied the [DELETED] for any particular [DELETED], then, at the end of the Term of this Agreement, Amgen will conduct an analysis to determine if Dialysis Center has achieved the required [DELETED]. If Dialysis Center has achieved the [DELETED], Amgen will [DELETED]. Reconciliation payments will be made [DELETED]. [DELETED] a reconciliation payment, the payment will be made within [DELETED] after [DELETED], and receipt by Amgen of all required Data as set forth in Section 3(a)(i) below. [DELETED] a reconciliation payment, [DELETED] will pay [DELETED] within [DELETED] after receipt of [DELETED].

In order to participate in the [DELETED], Dialysis Center must also provide the following data items to Amgen or to a data collection vendor specified and paid for by Amgen, on a [DELETED] basis, and no later than [DELETED] days after the end of each [DELETED]. In those cases in which Amgen directs Dialysis Center to submit the following information to a data collection vendor, Dialysis Center shall be deemed to have timely submitted the information to such data collection vendor so long as it does so on a [DELETED] basis and no later than [DELETED] days after the end of each [DELETED], regardless of the date on which such vendor, in turn, submits such information to Amgen:

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1 [DELETED]

i) all [DELETED] for each dialysis patient, the date of each test, and a consistent, unique, alphanumeric identifier (sufficient to consistently track an individual patient without in any way disclosing the identity of the patient), along with the name, address and phone number of the particular Affiliate at which each patient received treatment (collectively, the "Data"); provided, however, that Dialysis Center shall be required to submit such test results only for those dialysis patients whose test results are actually determined by laboratories owned and operated by Dialysis Center. Amgen may utilize the Data for any legal purpose, and reserves the right to audit all Data, provided that any audit shall not permit access to information disclosing the identity of any patient. Under no circumstances on or after April 1, 2003 should the Data include any patient identifiable information including, without limitation, name, address, telephone number, birth date, all or part of a social security number, medical record number or prescription number. The identity of the Affiliate and of the account submitting the Data and any association with the Data will remain confidential. The [DELETED] must be derived from [DELETED] taken immediately before dialysis treatment using any [DELETED] testing method [DELETED] and must be reported to the [DELETED], and must be submitted [DELETED] in a format acceptable to Amgen. Hand written reports are not acceptable; only electronic submission of the Data will be accepted, and

ii) upon execution of this Amendment, Dialysis Center shall simultaneously provide to Amgen an executed "Certification Letter", a copy of which is attached hereto as Exhibit #1. Amgen hereby acknowledges that it has received such required Certification Letter, in a form and substance satisfactory to Amgen. Delivery of such Certification Letter shall serve to qualify Dialysis Center's participation in the [DELETED] throughout the period January 1,2003 through December 31, 2003 of this Agreement for the limited purpose of certification of the accuracy of the data submitted to Amgen hereunder.

b. Calculation: Assuming Dialysis Center has fulfilled all requirements as described in Section 3(a) above, the [DELETED] for Dialysis Center will be calculated as follows:

The [DELETED] for each dialysis patient will be based upon the average of all [DELETED] gathered for each patient during the applicable [DELETED] of the period January 1, 2003 through December 31, 2003. The [DELETED] of all dialysis patients with [DELETED], will be determined by [DELETED] the total [DELETED] of dialysis patients with [DELETED] by the total [DELETED] of dialysis patients treated by Dialysis Center during that [DELETED].

c. Payment: The [DELETED] will be calculated on a [DELETED] basis and paid to Dialysis Center's corporate headquarters within [DELETED] days after receipt by Amgen of all required data. If any Affiliates are added to or deleted from this Agreement during any [DELETED] of the period January 1, 2003 through December 31, 2003, Amgen shall appropriately adjust Dialysis Center's purchases for the relevant periods by including any purchases made by any acquired Affiliates during the relevant [DELETED] and also during the period(s) used for comparison, and by including any purchases made by any de novo Affiliates commencing in the [DELETED] in which they commence operations, and by excluding any purchases made by any deleted Affiliates during the relevant [DELETED] and also during the period(s) used for comparison. Payment is contingent upon meeting the [DELETED] and receipt by Amgen of all required [DELETED] Data for each corresponding [DELETED]. If the Data is received more than [DELETED] days after the last day of any [DELETED] within a given [DELETED], the total Qualified Purchases of EPOGEN® attributable to Dialysis Center during such [DELETED] will be excluded from the calculation of the [DELETED] for that [DELETED]. Notwithstanding the foregoing, if Amgen receives all required Data from a minimum of [DELETED] of all Affiliates within the definition of "Dialysis Center" within the time frame referenced in Section 3(a) above for any [DELETED] within a given [DELETED], the total Qualified Purchases of EPOGEN® attributable to Dialysis Center during such [DELETED] will be included in the calculation of the [DELETED] for that [DELETED]. If Amgen receives all required data from [DELETED] of all Affiliates within the definition of "Dialysis Center" within the time frame referenced in Section 3(a) above for any [DELETED] within a given [DELETED], the total Qualified Purchases of EPOGEN® attributable to those Affiliates that have submitted the required data during such [DELETED] will be included in the calculation of the [DELETED] for that [DELETED]. If Amgen receives all required Data from less than [DELETED] of all Affiliates within the definition of "Dialysis Center" for any [DELETED] within a given [DELETED], no Qualified Purchases of Dialysis Center during such [DELETED] will be included in the calculation of the [DELETED] for that [DELETED]. At any time during the period January 1, 2003 through December 31, 2003 of this Agreement, if Amgen determines that any Affiliate(s) is consistently not submitting the required Data, Amgen reserves the right in its sole discretion to exclude such Affiliate's Qualified Purchases of EPOGEN® from the calculation of the [DELETED] for any relevant [DELETED]. [DELETED] payments will be made based upon the Data received from the previous [DELETED], and will equal a percentage of Dialysis Center's total Qualified Purchases of EPOGEN® during that [DELETED] (exclusive of any Qualified Purchases of EPOGEN® made by Dialysis Center or any Affiliate not meeting the Data submission requirements described above) as governed by the [DELETED] schedule listed below. If Amgen determines that any Affiliate is consistently not submitting the required Data, Amgen and Dialysis Center will work collaboratively in resolving such matters. Notwithstanding the foregoing, payment for any period from January 1, 2003 through

December 31, 2003 that is not equivalent to a complete [DELETED] will be based on an average of the Data that is available for that period. If the EPOGEN® package insert language or the National Kidney Foundation's Kidney Disease Outcomes Quality Initiative Guidelines change, then Amgen and Dialysis Center will meet and in good faith seek to mutually agree to modify this Agreement to accommodate any such change, with the intent to retain the essential terms of the [DELETED]. If the parties, after ninety (90) days, are unable to agree upon such a modification, Amgen shall be entitled to terminate the [DELETED], Amgen warrants and represents that, as of the execution date of this Amendment, it has not submitted to any United States regulatory authorities any proposed changes to the EPOGEN® package insert that would materially affect the [DELETED] throughout the Term of this Amendment. In addition, at the [DELETED], Amgen will conduct an analysis to determine if Dialysis Center has achieved the [DELETED] (contemplated by Section 3(a) above) throughout the period January 1, 2003 through December 31, 2003. If [DELETED] Dialysis Center has achieved the [DELETED], then Amgen will perform a reconciliation calculation in connection with all previous [DELETED] calculations and appropriately adjust the [DELETED] for all relevant [DELETED] during the period January 1, 2003 through December 31, 2003 in which a [DELETED] was not paid based upon the failure of Dialysis Center to attain the minimum [DELETED] growth requirement (as referenced in Section 3(a) above). However, if at the [DELETED], the [DELETED] has not been met, Amgen will perform a reconciliation calculation in connection with all previous [DELETED] payments of the period January 1, 2003 through December 31, 2003, which may result in [DELETED]. The [DELETED] payment and any other discount or incentive earned in arrears (other than the [DELETED] set forth in Section 4 below) corresponding to the last [DELETED] of the Term ([DELETED]), if any, shall not be due and owing until, and shall be subject to, reconciliation by Amgen. Reconciliation payments will be made by [DELETED], within [DELETED] days after the [DELETED] and receipt by Amgen of all required Data as set forth in Section 3(a)(i) above.

[DELETED] of all dialysis patients with [DELETED] package insert	**[DELETED] Percent [DELETED] as defined in Section 5(a)**	**[DELETED] Percent [DELETED] as defined in Section 5(a)**	**[DELETED] Percent [DELETED] as defined in Section 5(a)**
[DELETED]	[DELETED]	[DELETED]	[DELETED]

Dialysis Center shall have the right, at its own cost and expense, at all times to audit all Data and all calculations relevant to the determination of eligibility for and amount of [DELETED] to be awarded to Dialysis Center hereunder. The parties shall meet and confer in good faith to resolve any disagreements arising out of these matters. If the parties are unable to resolve any such disagreement within ninety (90) days, the parties shall submit such disagreement to binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, except that the parties shall be entitled to expanded discovery. Dialysis Center and Amgen shall each name one arbitrator, and the arbitrators so chosen shall, within thirty (30) days thereafter, name a third neutral arbitrator. The arbitration award, as decided by a majority of the arbitrators, may be entered as a judgment in accord with applicable law by any court having jurisdiction. Venue for the arbitration shall be Los Angeles County, California. Each party shall be responsible for its own attorneys' fees, and the costs of the arbitration and of the arbitrators shall be shared equally by the parties; provided, however, that if the decision of the arbitrators finds that either of the parties has acted in bad faith, the party acting in bad faith alone shall be required to bear one hundred percent (100%) of the costs and expenses of the arbitration and of the arbitrators, as well as one hundred percent of the attorney's fees of the other party. The arbitrators shall have the authority to award interest in respect to any monetary award.

d. Vesting: Dialysis Center's [DELETED] will vest [DELETED], subject to the reconciliation referenced above, and will be paid in accordance with the terms and conditions described in this Section 3. In the event that the [DELETED] paid to Dialysis Center [DELETED] exceed Dialysis Center's [DELETED] the difference between the [DELETED] paid and the [DELETED] within [DELETED] after Dialysis Centers

receipt of [DELETED]. Similarly, in the event that Dialysis Center's [DELETED] exceeds the [DELETED] that have been paid to Dialysis Center, [DELETED] the difference between the [DELETED] and the [DELETED] paid.

e. [DELETED] Data Submission: To participate in the [DELETED], Dialysis Center must electronically submit [DELETED], rather than [DELETED], measurements. Such measurements must be submitted for all dialysis patients at each Affiliate whose test results are actually determined in labs owned and operated by Dialysis Center along with all other information described in Section 3(a) above. Amgen no longer accepts [DELETED] test results.

4. [DELETED]. Dialysis Center shall be eligible to receive a [DELETED] if certain data elements are transmitted electronically to Amgen. The [DELETED] will be calculated as a percentage of the Qualified Purchases of EPOGEN® attributable to Dialysis Center during the applicable [DELETED]. Failure of Dialysis Center to qualify during a particular [DELETED] shall not affect Dialysis Center's eligibility to qualify during any other [DELETED] of the period January 1, 2003 through December 31, 2003, nor shall Dialysis Center's qualification during a particular [DELETED] automatically result in qualification during any other [DELETED]. In order to qualify for the [DELETED], the following [DELETED] must be submitted to Amgen by all Affiliates pursuant to Section 15(c) of the Agreement in an electronic format acceptable to Amgen (Excel; Lotus 123.wki; or text file that is tab delimited, comma delimited, or space delimited): Facility ID, Patient ID (sufficient to consistently track an individual patient without in any way disclosing the identity of the patient), peritoneal dialysis ("PD") denotation (a PD patient shall be defined as a patient who receives at least one (1) peritoneal dialysis treatment during a given month), [DELETED] delivered for each patient per treatment (but only for patients of Affiliates using the CRIS or Snappy systems), [DELETED] for each patient once per [DELETED], and all [DELETED] with their corresponding draw dates for each patient; provided, however, that Dialysis Center shall be required to submit such test results only for those dialysis patients whose test results are actually determined by laboratories owned and operated by Dialysis Center. Such [DELETED] must be submitted, on a [DELETED] basis, and no later than [DELETED] days after the end of each [DELETED]. Notwithstanding the foregoing, if Amgen receives all required data from a minimum of [DELETED] of all Affiliates within the definition of "Dialysis Center" within the time frame set forth herein for any [DELETED] within a given [DELETED], the total Qualified Purchases of EPOGEN® attributable to Dialysis Center during such [DELETED], will be included in the calculation of the [DELETED] for that [DELETED]. If Amgen receives all required data from [DELETED] of all Affiliates within the definition of "Dialysis Center" within the time frame set forth herein for any [DELETED] within a given [DELETED], the total Qualified Purchases of EPOGEN® attributable to those Affiliates that have submitted the required data during such [DELETED] will be included in the calculation of the [DELETED] for that [DELETED]. If Amgen receives all required data from less than [DELETED] of all Affiliates within the definition of "Dialysis Center" for any [DELETED] within a given [DELETED], no Qualified Purchases of Dialysis Center during such [DELETED] will be included in the calculation of the [DELETED] for that [DELETED]. However, if Amgen reasonably determines that any Affiliate is consistently not submitting the required data, Amgen and Dialysis Center will work collaboratively in resolving such inconsistencies. Amgen will use its best efforts to notify Dialysis Center in writing, no later than [DELETED] after the receipt and acceptance by Amgen of the Data, of the identity of all those Affiliates, if any, which have failed to meet the Data submission requirements for that [DELETED]. Amgen reserves the right in its sole discretion to exclude any consistently non-reporting Affiliate's Qualified Purchases of EPOGEN® from the calculation of the [DELETED] for any relevant [DELETED]. Amgen will remit any earned [DELETED] payments within [DELETED] days after the end of each [DELETED], contingent upon receipt by Amgen of all required data. The [DELETED] will vest at the end of each [DELETED] and will be reconciled at the end of each [DELETED] based on the actual Qualified Purchases of EPOGEN® made by Dialysis Center during such [DELETED]. The reconciliation payment will be made within [DELETED] days after the end of such [DELETED]. In addition to the foregoing, the [DELETED] will also be subject to reconciliation [DELETED] and Amgen may withhold

payment of the [DELETED] payment subject to such reconciliation. The final reconciliation payment will be made within [DELETED] days of the [DELETED], contingent upon receipt by Amgen of all required data. Dialysis Center shall have the right, at its own cost and expense, at all times to audit all Data and all calculations relevant to the determination of eligibility for and amount of [DELETED] to be paid to Dialysis Center hereunder.

The parties shall meet and confer in good faith to resolve any disagreements arising out of these matters. If the parties are unable to resolve any such disagreement within ninety (90) days, the parties shall submit such disagreement to binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, except that the parties shall be entitled to expanded discovery. Dialysis Center and Amgen shall each name one (1) arbitrator, and the arbitrators so chosen shall, within thirty (30) days thereafter, name a third neutral arbitrator. The arbitration award, as decided by a majority of the arbitrators, may be entered as a judgment in accord with applicable law by any court having jurisdiction. Venue for the arbitration shall be Los Angeles County, California. Each party shall be responsible for its own attorneys' fees, and the costs of the arbitration and of the arbitrators shall be shared equally by the parties; provided, however, that if the decision of the arbitrators finds that either of the parties has acted in bad faith, the party acting in bad faith alone shall be required to bear one hundred percent (100%) of the costs and expenses of the arbitration and of the arbitrators, as well as one hundred percent of the attorney's fees of the other party. The arbitrators shall have the authority to award interest in respect to any monetary award.

5. [DELETED]. Dialysis Center may qualify for the [DELETED] as described below.

a. Calculation: Dialysis Center's [DELETED] will be calculated in accordance with the following formula.

Where [DELETED] = **AxB**

A = [DELETED] of EPOGEN® during the relevant [DELETED] by all Affiliates.
B = A percent in accordance with the [DELETED] schedule listed below.
C = [DELETED].
D = [DELETED].

[DELETED]

For purposes of calculating [DELETED], Amgen will [DELETED] of EPOGEN® and Aranesp® during each [DELETED] of the period January 1, 2003 through December 31, 2003 by all Affiliates listed on Appendix B on the Commencement Date of this Amendment and all new approved Affiliates (whether by acquisition, to the extent that either Amgen or Dialysis Center can provide adequate data concerning such Affiliates' [DELETED], or de novo), [DELETED] of EPOGEN®, for the [DELETED]. [DELETED] represents the actual annual [DELETED] of EPOGEN® derived from [DELETED]. Additionally, the [DELETED] has been reconciled to address Affiliates acquired or deleted from the Agreement through [DELETED]. If any Affiliates are added to or deleted from the Agreement from [DELETED], Amgen shall appropriately adjust Dialysis Center's [DELETED] for the relevant periods (x) for deleted Affiliates, by excluding [DELETED] by such Affiliates effective from the effective date of their deletion and during the relevant [DELETED] used for [DELETED], or (y) for added Affiliates, by including any [DELETED] made by such acquired Affiliates effective from the date they are added to the list of Affiliates on Appendix B and during the relevant [DELETED] used for [DELETED], and by including any [DELETED] made by any de novo Affiliates commencing in the [DELETED] in which they commence operations . In addition, no later than [DELETED] days following the [DELETED], Amgen will conduct an analysis to determine the [DELETED] achieved by Dialysis Center during the [DELETED], by [DELETED] of EPOGEN® and Aranesp® during the [DELETED] by all Affiliates listed on Appendix B on the effective date of this Amendment and all new approved Affiliates (whether by acquisition, to the extent that either Amgen or Dialysis Center can provide adequate data concerning such Affiliates' [DELETED], or de novo) [DELETED] of EPOGEN® for the [DELETED]. For purposes of

calculating the [DELETED] of EPOGEN® and Aranesp® [DELETED] period shall be derived using Amgen's prevailing [DELETED] for all EPOGEN® [DELETED] made in [DELETED] (including [DELETED] by acquired and/or deleted Affiliates as defined above), and Amgen's prevailing [DELETED] of this Agreement ([DELETED]) for all EPOGEN® and Aranesp® [DELETED] made in [DELETED].

[DELETED]

Estimated payments will be made each [DELETED] within [DELETED] days after receipt by Amgen of all [DELETED] data using Amgen's discount calculation policies, and the [DELETED] will be reconciled within [DELETED] days after [DELETED].

b. Vesting: Dialysis Center's [DELETED] will vest [DELETED] and will be paid in accordance with Section 8 of this Agreement. In the event that the [DELETED] paid to Dialysis Center [DELETED] exceed Dialysis Center's [DELETED] the difference between the [DELETED] paid and the [DELETED] within [DELETED] of Dialysis Center's receipt of [DELETED]. Similarly, in the event that Dialysis Center's [DELETED] exceeds the [DELETED] that have been paid to Dialysis Center, [DELETED] the difference between the [DELETED] and the [DELETED] paid.

Dialysis Center shall have the right, at its own cost and expense, at all times to audit all Data and all calculations relevant to the determination of eligibility for and amount of [DELETED] to be awarded to Dialysis Center hereunder, including, without limitation, the [DELETED] above. The parties shall meet and confer in good faith to resolve any disagreements arising out of these matters. If the parties are unable to resolve any such disagreement within ninety (90) days, the parties shall submit such disagreement to binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, except that the parties shall be entitled to expanded discovery. Dialysis Center and Amgen shall each name one arbitrator, and the arbitrators so chosen shall, within thirty (30) days thereafter, name a third neutral arbitrator. The arbitration award, as decided by a majority of the arbitrators, may be entered as a judgment in accord with applicable law by any court having jurisdiction. Venue for the arbitration shall be Los Angeles County, California. Each party shall be responsible for its own attorneys' fees, and the costs of the arbitration and of the arbitrators shall be shared equally by the parties; provided, however, that if the decision of the arbitrators finds that either of the parties has acted in bad faith, the party acting in bad faith alone shall be required to bear one hundred percent of the costs and expenses of the arbitration and of the arbitrators, as well as one hundred percent (100%) of the attorney's fees of the other party. The arbitrators shall have the authority to award interest in respect to any monetary award.

5. [DELETED]. Dialysis Center may [DELETED] for the [DELETED] as described below.

a. Throughout the Term of this Agreement, Amgen hereby elects [DELETED] to be organized by Dialysis Center throughout the Term of this Agreement [DELETED]. Dialysis Center may, from time to time and in its sole discretion, establish or alter the [DELETED], so long as during the Term, [DELETED] will include Dialysis Center [DELETED]. In consideration for the [DELETED], and to receive all of the [DELETED] generally accorded by Dialysis Center to all [DELETED], Amgen will provide to Dialysis Center [DELETED] to Dialysis Center throughout the Term of this Agreement. Dialysis Center [DELETED] shall provide to Amgen, within [DELETED] following the [DELETED], documentation regarding [DELETED]. [DELETED] Dialysis Center in the [DELETED] within [DELETED] following the [DELETED]. [DELETED] for any period during the Term that is not [DELETED] will be based [DELETED]. Such [DELETED] immediately upon the conclusion, at any time during the Term, of the [DELETED].

b. Amgen may elect [DELETED] that may be organized from time to time by Dialysis Center during the Term, in addition to the [DELETED], on such additional terms and conditions as shall generally apply to [DELETED]. [DELETED] Amgen of a [DELETED] under this Section shall not entitle Amgen [DELETED] in any such [DELETED].

c. [DELETED]. The parties shall meet and confer in good faith to resolve any disagreements arising out of these matters. If the parties are unable to resolve any such disagreement within a reasonable time period, the parties shall submit such disagreement to binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, except that the parties shall be entitled to expanded discovery. Dialysis Center and Amgen shall each name one arbitrator, and the arbitrators so chosen shall, within 30 days thereafter, name a third neutral arbitrator. The arbitration award, as decided by a majority of the arbitrators, may be entered as a judgment in accord with applicable law by a court having jurisdiction. Venue for the arbitration shall be Los Angeles County, California. Each party shall be responsible for its own attorneys' fees, and the costs of the arbitration and of the arbitrators shall be shared equally by the parties; provided, however, that if the decision of the arbitrators finds that either of the parties has acted in bad faith, the party acting in bad faith alone shall be required to bear one hundred percent (100%) of the costs and expenses of the arbitration and of the arbitrators, as well as one hundred percent (100%) of the attorney's fees of the other party. The arbitrators shall have the authority to award interest in respect to any monetary award.

d. Amgen hereby acknowledges receipt of a copy of Dialysis Center's current [DELETED] and [DELETED], and agrees to be bound by the terms thereof. Dialysis Center agrees that, except as provided in the [DELETED], none of its agents, representatives or employees ("Agents") shall otherwise [DELETED] Amgen for any other [DELETED], for Dialysis Center or any of its agents or facilities, whether [DELETED], at any [DELETED] or pursuant to any other [DELETED]. Amgen acknowledges and agrees that, except as provided in the [DELETED], it shall not [DELETED] any such other [DELETED] to Dialysis Center, its Agents, or its facilities.

Amendment #1 dated December 31, 2002 to Agreement No. 20010259 (continued)

Appendix B

List of Dialysis Center Affiliates

ACIS	Account Name	Address	City	State	Zip
108669	Scottsbluff Dialysis Center	3812 Avenue B.	Scottsbluff	NE	69361
208876	DaVita Chinle Dialysis Facility	U.S. Highway 191, Po Box 897	Chinle	AZ	86503
208878	DaVita of Sterling Dialysis Center	46396 Benedict Drive, Suite 100	Sterling	VA	20164
208880	Continental Dialysis Center—Manassas	8409 Dorsey Circle, Suite 101	Manassas	VA	20110
208881	DaVita Desert Mountain Dialysis	9220 East Mountainview Road, Suite 105	Scottsdale	AZ	85258
208882	DaVita Los Angeles Dialysis Center	2250 South Western Avenue, Suite 100	Los Angeles	CA	90018
208885	DaVita Monterey Park Dialysis Center, Inc.	2560 Corporate Place, Building D, Suites 100-101	Monterey Park	CA	91754
208891	DaVita—Lawrenceburg Dialysis	555 Eads Parkway, Suite 200	Lawrenceburg	IN	47025
208894	Renal Treatment Center—Madison	220 Clifty Drive Unit K	Madison	IN	47250
208970	DaVita Hayward Dialysis Center	22477 Maple Court	Hayward	CA	94541
208978	Renal Treatment Center of Fort Valley	557 North Camelia Boulevard	Fort Valley	GA	31030
208991	DaVita Midtown Atlanta	121 Linden Avenue	Atlanta	GA	30308
209042	Walnut Creek Dialysis Center	108 La Casa Via, Suites 100 And 106	Walnut Creek	CA	94598
209049	Platte Place Dialysis, A Total Renal Care Facility	2361 East Platte Place	Colorado Springs	CO	80909
209050	DaVita—Thornton Dialysis Center	8800 Fox Drive	Thornton	CO	80260
209089	Mid-Town Macon Dialysis	657 Hemlock Street, Suite 100	Macon	GA	31201
209125	DaVita Dba: Southfield Dialysis Center	23077 Greenfield Road, Suite 104	Southfield	MI	48075
209127	North Oakland Dialysis Facility	450 North Telegraph	Pontiac	MI	48341
209334	Bay Area Dialysis Center, Inc.	1101 9th Street North	St. Petersburg	FL	33701
209338	New Port Richey Kidney Center	4807 Grand Boulevard	New Port Richey	FL	34652
209343	Hernando Kidney Center	2985-A Landover Boulevard	Spring Hill	FL	34608
209346	DaVita—Pompano Beach Artificial Kidney Center	1311 East Atlantic Boulevard	Pompano Beach	FL	33060
209351	Fort Lauderdale Renal Associates, Inc.	6264 North Federal Highway	Fort Lauderdale	FL	33308
209406	Mid-Columbia Kidney Center	117 South 3rd Avenue	Pasco	WA	99301
209425	Continental Dialysis Center—Springfield Trc	8350a Traford Lane	Springfield	VA	22152
209426	East End Dialysis Center of Total Renal Care, Inc.	2201 East Main Street, Suite 100	Richmond	VA	23223
209439	Continental Dialysis Center—Woodbridge Dialysis	2751 Killarney Drive	Woodbridge	VA	22192
209507	Total Renal Care—Bedford Dba: Heb Dialysis Center	1401 Brown Trail, Suite A	Bedford	TX	76022
209518	DaVita Dialysis	5610 Almeda Road	Houston	TX	77004
209519	DaVita—Southwest San Antonio Dialysis	7515 Barlite Boulevard	San Antonio	TX	78224
209520	Total Renal Care	1211 East Commerce	San Antonio	TX	78205
209523	Total Renal Care—Victoria	1405 Victoria Station Drive	Victoria	TX	77901
209524	Fourth Street Dialysis	3101b North 4th Street	Longview	TX	75605
209751	Total Renal Care, Dba: Camp Hill Dialysis Center	425 North 21st Street, Plaza 21, First Floor	Camp Hill	PA	17011
209754	Franklin Dialysis Center	Garfield Duncan Building, 700 Spruce Street	Philadelphia	PA	19106
209763	Total Renal Care—Exton	710 Springdale Drive	Exton	PA	19341
209776	Renal Treatment Center—Upland	1 Medical Boulevard, Professional Office Building Ii, Suite 120	Upland	PA	19013
209915	Southeastern Dialysis Center	608 Pecan Lane	Whiteville	NC	28472
209925	Southeastern Dialysis of Wilmington	2215 Yaupon Drive	Wilmington	NC	28401
209929	Asheville Kidney Center for Dialysis—A Total Renal Care Facility	10 Mcdowell Street	Asheville	NC	28801
209953	Richmond Kidney Center	1366 Victory Boulevard	Staten Island	NY	10301
209962	South Brooklyn Nephrology Center, Inc.	3915 Avenue V.	Brooklyn	NY	11234
209970	South Bronx Kidney Center	1940 Webster Avenue	Bronx	NY	10457
210054	DaVita—Four Corners Dialysis Center	815/817 West Broadway	Farmington	NM	87401

Amendment #1 dated December 31, 2002 to Agreement No. 20010259 (continued)

ACIS	Account Name	Address	City	State	Zip
210097	DaVita—Las Vegas Dialysis Center	3100 West Charleston, Suite 100	Las Vegas	NV	89102
210134	Renal Treatment Center—St. Louis	2610 Clark Avenue	St. Louis	MO	63103
210178	DaVita Burnsville Dialysis	303 East Nicollet, Suite 363	Burnsville	MN	55337
210179	DaVita Coon Rapids Dialysis	3960 Coon Rapids Boulevard, Suite 309	Coon Rapids	MN	55433
210198	Minneapolis Dialysis Center of DaVita	825 South 8th Street, Suite Sl42	Minneapolis	MN	55404
210271	Total Renal Care—Northwest Baltimore Mount Washington	1340 Smith Avenue	Baltimore	MD	21209
210276	Downtown Dialysis Center	821 North Eutaw Street, Suite 401	Baltimore	MD	21201
210278	Total Renal Treatment—Berlin Dialysis Center	314 Franklin Avenue, Suite 306 Berlin Professional Center	Berlin	MD	21811
210286	DaVita Easton Dialysis	402 Marvel Court	Easton	MD	21601
210287	DaVita Rockville	14915 Broschart Road, Suite 100	Rockville	MD	20850
210335	DaVita—Tri-Parish Chronic Renal Center	2345 St. Claude Avenue	New Orleans	LA	70117
210350	DaVita—Westbank Chronic Renal Center	4422 General Meyer Avenue, Suite 103	New Orleans	LA	70131
210359	DaVita New Orleans	4528 Freret Street	New Orleans	LA	70115
210381	Woodland Dialysis Center	912 Woodland Drive	Elizabethtown	KY	42701
210397	DaVita—Wichita Dialysis	909 North Topeka	Wichita	KS	67214
210423	Batesville Dialysis Center	232 State Road 129 North	Batesville	IN	47006
210453	Granite City Dialysis—Total Renal Care	1300 Neidringhaus Avenue	Granite City	IL	62040
210456	DaVita Logan Square Dialysis Services, Inc.	2659 North Milwaukee Avenue	Chicago	IL	60647
210461	Total Renal Care—Hyde Park Kidney Center	1437-39 East 53rd Street	Chicago	IL	60615
210462	Lincoln Park Dialysis Services—Total Renal Care	3157 North Lincoln Avenue	Chicago	IL	60657
210528	Elberton Dialysis Facility, Incorporated	325 North Mcintosh Street	Elberton	GA	30635
210530	DaVita of Vidalia	1806 Edwina Drive	Vidalia	GA	30474
210544	DaVita Griffin Dialysis Center	731 South 8th Street	Griffin	GA	30224
210546	DaVita Washington Dialysis Center	154 Washington Plaza	Washington	GA	30673
210549	DaVita—Southwest Atlanta Nephrology	3620 Martin Luther King Drive	Atlanta	GA	30331
210555	DaVita Jonesboro	118 Stockbridge Road	Jonesboro	GA	30236
210588	The Center for Kidney Disease	1190 Northwest 95th Street, Suite 208	Miami	FL	33150
210593	Lejeune Dialysis Center, Inc.	4338 Northwest 7th Street	Miami	FL	33126
210604	Delray Artificial Kidney Center	16244 South Military Trail, Suite 110	Delray Beach	FL	33484
210608	Bayonet Point—Hudson Kidney Center	14144 Nephron Lane	Hudson	FL	34667
210621	DaVita—Port Charlotte Artificial Kidney Center	4300 Kings Highway, Suite 406, Box D17	Port Charlotte	FL	33980
210635	Interamerican Dialysis Institute, Inc.	7815 Coral Way, Suite 119	Miami	FL	33155
210645	Boca Raton Artificial Kidney Center	998 Northwest 9th Court	Boca Raton	FL	33486
210651	DaVita—Panama City Dialysis	615 Highway 231	Panama City	FL	32405
210655	Dialysis Associates of the Palm Beaches, Inc.	2611 Poinsettia Avenue	West Palm Beach	FL	33407
210661	South Broward Artificial Kidney Center	4401 Hollywood Boulevard	Hollywood	FL	33021
210684	DaVita—Grant Park Dialysis	5000 Burroughs Avenue, Northeast	Washington	DC	20019
210723	DaVita Pikes Peak Dialysis Center	2120 East La Salle Street	Colorado Springs	CO	80909
210725	DaVita Lakewood Dialysis Center	1750 North Pierce Street, Suite B.	Lakewood	CO	80214
210738	United Dialysis Center	2880 Atlantic Avenue, Suite 230	Long Beach	CA	90806
210748	Antelope Dialysis Center, Dba: Total Renal Care—Antelope Clinic	6406 Tupelo Drive, Suite A	Citrus Heights	CA	95621
210750	DaVita—Corona Dialysis Center	1820 Fullerton Avenue, Suite 180	Corona	CA	92881
210754	DaVita Palm Desert Dialysis Center, Inc.	41-501 Corporate Way	Palm Desert	CA	92260
210757	DaVita Garey Dialysis Center	1880 North Garey Avenue	Pomona	CA	91767
210759	DaVita—Paramount Dialysis Center	8319 Alondra Boulevard	Paramount	CA	90723
210764	Satellite Dialysis Centers, Inc.	1729 North Olive Avenue, Suite 9	Turlock	CA	95382
210776	DaVita Pacific Coast Dialysis Center	1416 Centinela Avenue	Inglewood	CA	90302
210779	DaVita Wilshire Dialysis Center	1212 Wilshire Boulevard	Los Angeles	CA	90017
210780	Satellite Dialysis Centers, Inc.	1255 North Dutton Avenue, Park Center 2	Santa Rosa	CA	95401
210781	Satellite Dialysis Centers, Inc.	40 Pennylane, Suite 1	Watsonville	CA	95076
210790	DaVita Hemet Dialysis Center	1330 South State Street, Suite B.	San Jacinto	CA	92583

Amendment #1 dated December 31, 2002 to Agreement No. 20010259 (continued)

ACIS	Account Name	Address	City	State	Zip
210796	DaVita—Eaton Canyon Dialysis Center	2551 East Washington Boulevard	Pasadena	CA	91107
210799	DaVita—Piedmont Dialysis	2710 Telegraph Avenue	Oakland	CA	94612
210800	Satellite Dialysis Centers, Inc.	136 East Columbia Way	Sonora	CA	95370
210805	Manzanita Dialysis Center, Dba: Total Renal Care—Manzanita	5120 Manzanita Avenue, Suites 140 And 160	Carmichael	CA	95608
210806	Salinas Valley Dialysis Services, Inc.	955 Blanco Circle, Suite C	Salinas	CA	93901
210808	Satellite Dialysis Centers, Inc.	393 Blossom Hill Road, Suite 110	San Jose	CA	95123
210809	DaVita—Beverly Hills Dialysis Center	8762 West Pico Boulevard	Los Angeles	CA	90035
210815	DaVita Whittier Dialysis Center	10155 Colima Road	Whittier	CA	90603
210827	Covina Dialysis Center	1547 West Garvey Avenue	West Covina	CA	91791
210833	Downey Dialysis Center	8630 Florence Avenue	Downey	CA	90240
210835	Satellite Dialysis Centers, Inc.	2121 Alexian Drive	San Jose	CA	95116
210838	South Sacramento Dialysis Center, Dba: Total Renal Care—South Sacramento	7000 Franklin Boulevard, Suite 880	Sacramento	CA	95823
210843	DaVita Garfield Hemodialysis Center	118 Hilliard Avenue	Monterey Park	CA	91754
210844	Yuba City Dialysis Center, Dba: Total Renal Care—Yuba City	1007 Live Oak Boulevard, Suite B-4	Yuba City	CA	95991
210851	Satellite Dialysis	2128 Soquel Avenue	Santa Cruz	CA	95062
210852	Valley Dialysis Center	16149 Hart Street	Van Nuys	CA	91406
210853	Chico Dialysis Center, Dba: Total Renal Care—Chico	530 Cohasset Road	Chico	CA	95926
210855	Satellite Dialysis Centers, Inc.	1410 Marshall Street	Redwood City	CA	94063
210867	DaVita Lakewood Dialysis Center	4645 Silva Street	Lakewood	CA	90712
210872	Riverside Dialysis Center	4361 Latham Street, Suite 100	Riverside	CA	92501
210873	Satellite Dialysis Centers, Inc.	1329 Spanos Court, Building D	Modesto	CA	95355
210874	DaVita University Dialysis Center	300 University Avenue, Suite 103	Sacramento	CA	95825
210876	Redding Dialysis Center, Dba: Total Renal Care—Redding	1876 Park Marina Drive	Redding	CA	96001
210878	Satellite Dialysis Larkspur #771	565 Sir Francis Drake Boulevard	Greenbrae	CA	94904
210889	Satellite Dialysis Centers, Inc.	1175 Saratoga Avenue, Suite 14	San Jose	CA	95129
210893	Community Hemodialysis Unit of San Francisco	1800 Haight Street	San Francisco	CA	94117
210897	Kidney Dialysis Care Units	3600 East Martin Luther King, Junior Boulevard	Lynwood	CA	90262
210978	Tuba City Dialysis	500 Edgewater Drive	Tuba City	AZ	86045
210979	Total Renal Care, Dba: Scottsdale Dialysis Center	7321 East Osborn Drive	Scottsdale	AZ	85251
211005	Phenix City Dialysis Center	1900 Opelika Road	Phenix City	AL	36867
213230	Placerville Dialysis Center, Dba: Total Renal Care—Placerville	3964 Missouri Flat Road, Suite J.	Placerville	CA	95667
213248	Total Renal Care—Carroll County Dialysis Facility	412 Malcolm Drive, Suite 310	Westminster	MD	21157
213260	DaVita—Boulder Dialysis Center	2880 Folsom Street, Suite 110	Boulder	CO	80304
213274	DaVita—Arden Hills Dialysis	3900 Northwoods Drive, Suite 110	Arden Hills	MN	55112
213279	Total Renal Care—Crystal City Dialysis	Highway 61 South And I. 55	Crystal City	MO	63019
213287	DaVita—Bluff City Dialysis	2400 Lucy Lee Parkway, Suite E.	Poplar Bluff	MO	63901
213288	Mount Dora Dialysis	2744 West Old Highway 441	Mount Dora	FL	32757
213290	Venture Dialysis Center, Inc.	16855 Northeast 2nd Avenue, Suite 205	North Miami Beach	FL	33162
213295	North Palm Beach Dialysis Center, Inc.	3375 Burns Road, Suite 101	Palm Beach Gardens	FL	33410
213305	Total Renal Care—Tamarac Artificial Kidney Center	7140-48 West Mcnab Road	Tamarac	FL	33321
213319	DaVita—Nephrology Center of Augusta, Inc.	1238 D'Antignac Street	Augusta	GA	30901
213323	Renal Treatment Center—Columbus	6228 Bradley Park Drive, Suite B.	Columbus	GA	31904
213324	Dialysis Care of Mecklenburg	3515 Latrobe Drive	Charlotte	NC	28211
213327	Dialysis Care of Rockingham County	251 West King'S Highway	Eden	NC	27288
213331	Dialysis Care of Richmond	Highway 177 South, Behind Britthaven	Hamlet	NC	28345
213339	DaVita Milledgeville	400 South Wayne Street	Milledgeville	GA	31061

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ACIS	Account Name	Address	City	State	Zip
213343	Dialysis Care of Moore	#16 Regional Drive, Suite 1-4	Pinehurst	NC	28374
213347	Dialysis Care of Rowan	1406 B. West Innes Street	Salisbury	NC	28144
213362	Lake County Dialysis	918 South Milwaukee	Libertyville	IL	60048
213366	Total Renal Care Olympia Fields	4557b West Lincoln Highway	Matteson	IL	60443
213376	Total Renal Care—Lincolnland	1112 Centre West Drive	Springfield	IL	62704
213391	Garden City Dialysis Center of Total Renal Care	310 East Walnut	Garden City	KS	67846
213393	Total Renal Care—Independence Dialysis	801 West Myrtle	Independence	KS	67301
213398	Taylor County Dialysis Facility	101 Kingswood Drive	Campbellsville	KY	42718
213410	DaVita—Midwest City	2801 Park Lawn Drive, Suite 304	Midwest City	OK	73110
213426	St. Charles Dialysis Unit	3600 Prytania Street, Suite 83	New Orleans	LA	70115
213433	Slidell Kidney Care	1150 Robert Boulevard, Suite 240	Slidell	LA	70458
213451	DaVita—Shawnee Dialysis Center	2508 North Harrison Avenue	Shawnee	OK	74804
213471	DaVita—Marshall Dialysis	1301 South Washington	Marshall	TX	75670
213484	Total Renal Care—Northwest San Antonio	8132 Fredericksburg Road	San Antonio	TX	78229
213496	Upstate Dialysis Center, Inc.	308 Mills Avenue	Greenville	SC	29605
213498	Greer Kidney Center, Inc.	211 Village Drive	Greer	SC	29651
213504	Meherrin Dialysis Center, Inc.	201-A Weaver Avenue	Emporia	VA	23847
213540	Edina Dialysis of Total Renal Care	6550 York Avenue South, Suite 100	Edina	MN	55435
213542	Marshall Dialysis of Total Renal Care	300 South Bruce Street	Marshall	MN	56258
213544	Red Wing Dialysis DaVita	1407 West 4th Street	Red Wing	MN	55066
213547	St. Croix Falls Dialysis—Total Renal Care	744 Louisiana East	St. Croix Falls	WI	54024
213560	Southeastern Dialysis Center, Inc.	14 Office Park Drive	Jacksonville	NC	28546
213561	Southeastern Dialysis of Kenansville	305 Beasley Street	Kenansville	NC	28349
213570	Georgetown On the Potomac Dialysis Center	3223 K Street Northwest, Suite 110	Washington	DC	20007
213582	Gulf Coast Dialysis, Inc.	3300 Tamiami Trail, Suite 101a	Port Charlotte	FL	33952
213674	Bertha Sirk Dialysis Center, Inc.	5820 York Road, Suite 10	Baltimore	MD	21212
213722	DaVita—Bhs Dialysis Services	1255 East 3900 South	Salt Lake City	UT	84124
213723	Alhambra Dialysis Center, Dba: Total Renal Care—Alhambra	1315 Alhambra Boulevard, Suite 100	Sacramento	CA	95816
213727	DaVita St. Paul Dialysis	555 Park Street, Suite 180	St. Paul	MN	55103
213728	Regional Kidney Disease Program of Total Renal Care, Dba: West St. Paul Dialysis	1555 Livingston	West St. Paul	MN	55118
213742	DaVita—Northwest Bethany	7800 Northwest 23rd Street, Suite A	Bethany	OK	73008
213749	Sylva Dialysis Center	655 Asheville Highway	Sylva	NC	28779
213820	DaVita—University Park Dialysis Center	3986 South Figueroa Street	Los Angeles	CA	90037
216245	DaVita Norwalk Dialysis Center	12375 East Imperial Highway	Norwalk	CA	90650
216247	DaVita—Cincinnati	815 Eastgate Boulevard South	Cincinnati	OH	45245
216368	DaVita Lufkin Dialysis	509 Chestnut Village	Lufkin	TX	75901
216792	DaVita Cass Lake Dialysis	602 Grand Utley Street	Cass Lake	MN	56633
216796	Rosebud Dialysis of DaVita	1 Soldier Creek Road	Rosebud	SD	57570
217091	DaVita Greater El Monte Dialysis Center	1938 Tyler Avenue, Suite J-168	El Monte	CA	91733
217182	DaVita—Provo	1134 North 500 West	Provo	UT	84604
218763	DaVita—Gary	4802 Broadway	Gary	IN	46408
218764	DaVita—Hammond	222 Douglas Street	Hammond	IN	46320
219028	Northwest Kidney Center, Llp	11029 Northwest Freeway	Houston	TX	77092
219160	Southeastern Dialysis Center, Inc.	704 South Dickerson	Burgaw	NC	28425
219611	Complete Dialysis Care, Inc.	7850 West Sample Road	Coral Springs	FL	33065
219739	Piedmont Dialysis Center	2285 Peachtree Road, Suite 200	Atlanta	GA	30309
219743	DaVita—Doctors Dialysis Center of East Los Angeles	4036 East Whittier Boulevard, Suite 100	Los Angeles	CA	90023
219857	DaVita—Peralta Renal Center	450 30th Street	Oakland	CA	94609
219952	Continental Dialysis Center—Alexandria	5999 Stevenson Avenue, Suite 100	Alexandria	VA	22304
219968	Total Renal Care—Cape May Courthouse	144 Magnolia Drive	Cape May Courthouse	NJ	08210

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ACIS	Account Name	Address	City	State	Zip
220161	Baltimore County Dialysis Facility (Mason-Dixon Dialysis Facility)	9635a Liberty Road	Randallstown	MD	21133
220477	Life Care Dialysis Center	221 West 61st Street	New York	NY	10023
220649	DaVita—Hopewell Dialysis	301 West Broadway	Hopewell	VA	23860
221169	Catskill Dialysis and Renal Disease Center	Route 42 And Lloyd Lane	Monticello	NY	12701
221297	DaVita—Miami Lakes Artifical Kidney Center	14600 60th Avenue Northwest	Miami Lakes	FL	33014
221360	Waterloo Dialysis Center	4200 North Lamar Street, Suite 100	Austin	TX	78756
221633	Total Renal Care—Kingwood	2300 Green Oaks, Suite 500	Kingwood	TX	77339
221765	Renal Care of Buffalo, Inc.	550 Orchard Park Road, Suite B104	Buffalo	NY	14224
221767	Faribault Dialysis of Total Renal Care	201 South Lyndale Avenue	Faribault	MN	55021
221850	Hope Again Dialysis	1207 State Route V.V.	Kennett	MO	63857
221965	Ocean Garden Dialysis Center	1738 Ocean Avenue	San Francisco	CA	94112
221973	Satellite Home Care Llc—Modesto	1208 Floyd Avenue	Modesto	CA	95350
221981	DaVita—Duncan Dialysis	2645 West Elk	Duncan	OK	73533
221999	Dialysis Care of Anson County	923 East Caswell Street	Wadesboro	NC	28170
223140	DaVita—Altus Dialysis Center	205 South Park Lane, Suite 130	Altus	OK	73521
223253	Total Renal Care—Wilmington Dialysis	700 Lea Boulevard, Suite G2	Wilmington	DE	19802
223507	DaVita—East Bay Peritoneal Dialysis	13939 East 14th Street, Suite 110	San Leandro	CA	94578
223774	DaVita—North Las Vegas	2300 Mcdaniel Street	North Las Vegas	NV	89030
224112	Total Renal Care—Northeast Philadelphia	518 Knorr Street	Philadelphia	PA	19111
224113	South Philadelphia Dialysis Center	109 Dickinson Street	Philadelphia	PA	19147
224329	Central City Dialysis Center	1300 Murchison Street, Suite 320	El Paso	TX	79902
224349	DaVita Dialysis Center of Middle Georgia	747 Second Street	Macon	GA	31201
224554	Renal Treatment Center—East St. Louis	129 North Eighth Street 3rd Floor	East St. Louis	IL	62201
224565	DaVita—East Wichita Dialysis	320 North Hillside	Wichita	KS	67214
225103	Total Renal Care Dba: Lincoln Park Capd	3929 North Central, Suite 1	Chicago	IL	60634
225471	DaVita—Winter Haven	400 Security Square	Winter Haven	FL	33880
225512	Honesdale Dialysis Center—A Total Renal Care Facility	Maple Avenue—Route 6—Sturbridge Mall	Honesdale	PA	18431
225679	Greenspring Dialysis Center, Inc.	3825 Greenspring Avenue	Baltimore	MD	21211
225731	DaVita—Stillwater Dialysis Center	406 East Hall Of Fame Avenue, Suite 300	Stillwater	OK	74075
225777	Federal Way Community Dialysis Center	1109 South 348th Street	Federal Way	WA	98003
225836	Gettysburg Dialysis	26 Springs Avenue, Suite C	Gettysburg	PA	17325
225939	Renal Treatment Centers—Palmerton	185-C Delaware Avenue	Palmerton	PA	18071
226257	DaVita—Temecula Dialysis	40945 County Center Drive, Suite G.	Temecula	CA	92591
226385	Flamingo Park Kidney Center	901 East 10th Avenue	Hialeah	FL	33010
226403	Nephrology Center of Waynesboro	163 South Liberty Street	Waynesboro	GA	30830
226418	Nephrology Center of Statesboro	4b College Plaza	Statesboro	GA	30458
226421	Devita—Denison	1220 Reba Mcentire Lane	Denison	TX	75020
226683	DaVita Hendersonville Dialysis Center	500 Beverly Hanks Center, Highway 25 North	Hendersonville	NC	28792
226735	DaVita—Omni	9350 Kirby, Suite 110	Houston	TX	77054
226754	DaVita—Mission Dialysis of El Cajon	858 Fletcher Parkway	El Cajon	CA	92020
226851	Dialysis of Reading	2201 Dengler Street	Reading	PA	19606
226979	Total Renal Care—Vacaville	1241 Alamo Drive, Suite 7	Vacaville	CA	95687
226982	DaVita—Fairfield Dialysis Center	604 Empire Street	Fairfield	CA	94533
226987	Total Renal Care—Lakeport	804 11th Street	Lakeport	CA	95453
226989	DaVita—Napa Dialysis Center	3900—C Bel Aire Plaza	Napa	CA	94558
227012	DaVita—Mountain Vista Dialysis Center	401 B. East Highland Avenue	San Bernardino	CA	92404
227022	Dialysis Care of Rutherford County	226 Commercial Drive	Forest City	NC	28043
227112	DaVita—Norman	1818 West Lindsey, B. 104	Norman	OK	73069
227123	Marianna Dialysis	4319 Lafayette	Marianna	FL	32446
227124	South County Dialysis	7800 Arroyo Circle	Gilroy	CA	95020
227252	DaVita—Sunrise Dialysis Center, Inc.	13039 Hawthorne Boulevard	Hawthorne	CA	90250
227267	DaVita—Claremore Dialysis Center	202 East Blue Starr Drive	Claremore	OK	74017
227272	DaVita—Tahlequah Dialysis Center	228 North Bliss Avenue	Tahlequah	OK	74464
227277	DaVita—Broken Arrow Dialysis Center	601 South Aspen Avenue	Broken Arrow	OK	74012

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ACIS	Account Name	Address	City	State	Zip
227279	DaVita—Tulsa	4436 South Harvard	Tulsa	OK	74135
227310	DaVita Valley View Dialysis	26900 Cactus Avenue	Moreno Valley	CA	92555
227449	Burlington Dialysis Center	873 Heather Road	Burlington	NC	27215
227497	DaVita—San Leandro	198 East 14th Street	San Leandro	CA	94577
227605	DaVita—Valparaiso	606 Lincolnway	Valparaiso	IN	46383
227684	Livingston Dialysis Center	203 North Houston Street	Livingston	TX	77351
227863	DaVita—Dialysis Care of Franklin County	1706 North Carolina Highway 39 North	Louisburg	NC	27549
227906	Total Renal Care Union City Dialysis Center	32930 Alvarado Niles Road, Suite 300	Union City	CA	94587
227908	Total Renal Care—Pleasanton, Aka: Pleasanton Dialysis Center	5720 Stoneridge Mall Road, Suites 140 And 160	Pleasanton	CA	94588
227954	Maplewood Dialysis DaVita	2785 White Bear Avenue	Maplewood	MN	55109
227956	DaVita Deerfield Beach	1983 West Hillsboro Boulevard	Deerfield Beach	FL	33442
227976	Montevideo Dialysis DaVita	824 North 11th Street	Montevideo	MN	56265
228000	DaVita—Oklahoma City	4140 West Memorial Road, Suite 107	Oklahoma City	OK	73120
228033	DaVita—Santa Ana Dialysis	1820 East Deere Avenue	Santa Ana	CA	92705
228035	DaVita Brea Dialysis Center	595 Tamarack Avenue, Suite A	Brea	CA	92821
228047	Total Renal Care—Howell	3502 Route 9 South, Howell Heritage Plaza	Howell	NJ	07731
228191	North Houston Kidney Center, L.L.P	380 West Little York	Houston	TX	77076
228218	Renal Treatment Center—East Macon	750 Baconsfield Drive, Suite 103	Macon	GA	31211
228252	Dialysis Care of Edgecombe County	3206 Western Boulevard	Tarboro	NC	27886
228544	Total Renal Care—North Houston	129 Little York	Houston	TX	77076
228587	DaVita—Leesburg Dialysis	801 East Dixie Avenue, Suite 108-A	Leesburg	FL	34748
228591	Norfolk Dialysis Center—A Total Renal Care Facility	962 Norfolk Square	Norfolk	VA	23502
228652	Pd Central	1401 North 24th Street, Suite 2	Phoenix	AZ	85008
228659	Total Renal Care—Chesapeake	1400 Crossways Boulevard, Crossways Ii, Suite 106	Chesapeake	VA	23320
228667	DaVita Newport News Dialysis	700 Newmarket Square	Newport News	VA	23605
228696	DaVita—Aurora Dialysis	1411 South Potomac, Suite 100	Aurora	CO	80012
228697	DaVita—Westminster Dialysis Center	9053 Harland Street, Unit 90	Westminster	CO	80030
228704	Lonestar Dialysis Center	8560 Monroe Road	Houston	TX	77075
228756	DaVita—Denver Dialysis	1719 East 19th Avenue	Denver	CO	80218
228757	DaVita South Denver Dialysis	990 East Harvard Avenue	Denver	CO	80210
228768	DaVita—Littleton	209 West County Line Road	Littleton	CO	80129
228898	Redwood Falls Dialysis DaVita	100 Fallwood Road	Redwood Falls	MN	56283
228976	DaVita—Lodi Community Dialysis, Inc.	2415 West Vine Street, Suite 106	Lodi	CA	95242
229029	Mount Adams Kidney Center	512 2nd Avenue	Zillah	WA	98953
229034	DaVita—Buena Vista	347 Highway 41 North	Buena Vista	GA	31803
229074	Dialysis Care of Wayne County	2403 Wayne Memorial Drive	Goldsboro	NC	27530
229102	DaVita Macomb Kidney Center	11885 East 12 Mile Road, Suites 100a-100b	Warren	MI	48093
229111	DaVita—Sparks Dialysis	2345 East Prater Way, Suite 100	Sparks	NV	89434
229133	Total Renal Care—Venice	816 Pinebrook Road	Venice	FL	34292
229218	Total Renal Care—Virginia Beach	740 Independence Circle	Virginia Beach	VA	23455
229403	Dialysis Care of Hoke County	403 South Main Street	Raeford	NC	28376
229404	Dialysis Care of Montgomery County	318 North Main Street	Troy	NC	27371
229459	Southeastern Dialysis Center of Elizabethtown	101 Dialysis Drive	Elizabethtown	NC	28337
229618	Total Renal Care, Dba: Southeastern Dialysis Center of Shallotte	4740 Shallotte Avenue	Shallotte	NC	28470
229662	DaVita Moultrie Dialysis Center	2419 South Main Street	Moultrie	GA	31768
229685	Total Renal Care Dialysis East	7200 Gateway East, Suite B.	El Paso	TX	79915
229739	Sioux Falls Community Dialysis of DaVita	Mckennan Hospital, 800 East 21st Street, 4th Floor	Sioux Falls	SD	57105
229797	DaVita Premier Dialysis	7612 Atlantic Avenue	Cudahy	CA	90201
230041	Dialysis Specialists of Dallas, Dba: Elmbrook Kidney Center	7920 Elmbrook, Suite 108	Dallas	TX	75247
230061	DaVita Dialysis	611 Electric Avenue	Lewistown	PA	17044

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ACIS	Account Name	Address	City	State	Zip
230157	DaVita—Conroe Dialysis	500 Medical Center Boulevard, Suite 175	Conroe	TX	77304
230256	DaVita—Crescent City Dialysis	3909 Bienville Street, Suite 1b	New Orleans	LA	70119
230300	DaVita Kayenta Dialysis Facility	Highway 163, Po Box 217	Kayenta	AZ	86033
230340	Miami Beach Kidney Center	400 Arthur Godfrey Road, Suite 402	Miami Beach	FL	33140
230633	Port Chester Dialysis Unit	38 Bulkley Avenue	Port Chester	NY	10573
230685	Ocala Regional Kidney Center—West	9401 Southwest Highway 200, Building 600, Suite 601	Ocala	FL	34481
230708	Milford Dialysis Center—A Total Renal Care Facility	10 Buist Road, County Commerce Center	Milford	PA	18337
230792	DaVita Pine City Dialysis	129 East 6th Avenue	Pine City	MN	55063
230899	Total Renal Care—Bridgewater Dialysis Center	2121 Route 22 West	Bound Brook	NJ	08805
230900	Mitchell Community Dialysis of DaVita	525 North Foster	Mitchell	SD	57301
230911	El Milagro Dialysis Center	2800 South Interstate Highway 35 Iii Fountain Park Plaza, Suite 120	Austin	TX	78704
230926	Total Renal Care—North Philadelphia Dialysis Center	3409-3411 Germantown Avenue	Philadelphia	PA	19140
231099	DaVita—Elk City	1710 West 3rd Street, Suite 101	Elk City	OK	73644
231100	Renal Treatment Centers—Pocono	447 Office Plaza—100 Plaza Court, Suite B.	East Stroudsburg	PA	18301
231179	Renal Treatment Center—Lake Wales	1348 State Route 60 East	Lake Wales	FL	33853
231194	Total Renal Care—Houston Kidney Center, Cypress Station	221 H Fm 1960 West	Houston	TX	77090
231261	DaVita Dialysis West	1250 East Cliff Drive, Suite B.	El Paso	TX	79902
231283	DaVita Shiprock Dialysis Center	Us Highway 666 North, Po Box 2156	Shiprock	NM	87420
231288	DaVita—West Mount Houston Dialysis	2506 West Mount Houston Road, Suite A	Houston	TX	77038
231411	Gulf Breeze Dialysis	1121 Overcash Drive	Dunedin	FL	34698
231423	Ocala Regional Kidney Center—East	2870 Southeast 1st Avenue	Ocala	FL	34471
231460	DaVita Minnetonka Dialysis Unit	17809 Hutchins Drive	Minnetonka	MN	55345
231577	Potrero Hill Dialysis Center	1750 Cesar Chavez Street, Suite A	San Francisco	CA	94124
231579	DaVita Kenner Regional Dialysis Center	200 West Esplanade Avenue, Suite 100	Kenner	LA	70065
231673	DaVita—Mission Dialysis Center of San Diego	7007 Mission Gorge Road	San Diego	CA	92120
231710	DaVita Arvada Dialysis	9950 West 80th, Suite 25	Arvada	CO	80005
231721	Dialysis Care of Martin County	100 Medical Drive	Williamston	NC	27892
231824	New Center Dialysis, P.C.	3011 West Grand Boulevard, Suite 650	Detroit	MI	48202
231889	Sunrise Dialysis Center, Dba: Total Renal Care—Sunrise	2951 Sunrise Boulevard, Suite 145	Rancho Cordova	CA	95742
231977	Total Renal Care—Cleveland	600 East Houston Avenue, Suite 630	Cleveland	TX	77327
232013	Linden Dialysis	522 North Wood Avenue	Linden	NJ	07036
232027	Total Renal Care—Chestertown	100 Brown Street	Chestertown	MD	21620
232039	Delta-Sierra Dialysis Center—Total Renal Care	555 West Benjamin Holt Drive, Suite 200	Stockton	CA	95207
232130	Novi Kidney Center, P.C.	47250 West Ten Mile Road	Novi	MI	48374
232195	Riverdale Dialysis	170 West 233rd Street	Riverdale	NY	10463
232253	Riverside Dialysis DaVita	606 24th Avenue South, Suite 701	Minneapolis	MN	55454
232257	DaVita Doctors Dialysis Center of Montebello	1721 West Whittier Boulevard	Montebello	CA	90640
232258	DaVita Home Dialysis	825 South Eighth Street, Sl16	Minneapolis	MN	55404
232512	Lake Dialysis	221 North First Street	Leesburg	FL	34748
232606	Ihs—Bronx Dialysis Center	1615 Eastchester Road	Bronx	NY	10461
232647	Dialysis Center At St. Mary	1205 Langhorne-Newtown Road Asb First Floor	Langhorne	PA	19047
232653	Total Renal Care—Loma Vista	1382-A Lomaland	El Paso	TX	79935
232723	Pine Island Kidney Center	1871 North Pine Island Road	Plantation	FL	33322
232816	Renal Treatment Centers—Longview	425 North Fredonia, Suite 300	Longview	TX	75601
232987	Total Renal Care—Winfield	1315 East 4th Avenue	Winfield	KS	67156
233084	Total Renal Care—Tomball Dialysis	27720-A Tomball Parkway	Tomball	TX	77375
233105	Total Renal Care—Ghent Dialysis Center	901 Hampton Boulevard, Suite 200	Norfolk	VA	23507
233195	Dialysis Center of Middle Georgia	509 North Houston Road	Warner Robins	GA	31093

Amendment #1 dated December 31, 2002 to Agreement No. 20010259 (continued)

ACIS	Account Name	Address	City	State	Zip
233257	Dialysis Center of Gonzales	428 St. Andrew Street	Gonzales	TX	78629
233407	DaVita—Forest Lake Dialysis Unit	1068 South Lake Street	Forest Lake	MN	55025
233509	DaVita—USC Kidney Center	2310 Alcazar Street	Los Angeles	CA	90089
233510	DaVita Hollywood Dialysis Center	5108 Sunset Boulevard	Los Angeles	CA	90027
233532	DaVita South San Antonio Dialysis	1313 Southeast Military Drive, Suite 111	San Antonio	TX	78214
233683	Total Renal Care At Union Plaza	810 First Street, Northeast, Suite 100	Washington	DC	20002
233712	Palmer Dialysis Center—A Total Renal Care Facility	30 Community Drive	Easton	PA	18045
233797	Crystal River Dialysis Center	7435 West Gulf To Lake Highway	Crystal River	FL	34429
233800	Total Renal Care—Mesa Vista Dialysis Facility	2400 North Oregon, Suite C	El Paso	TX	79902
234551	Lakewood Community Dialysis Center	5919 Lakewood Town Center Boulevard, Suite A	Lakewood	WA	98499
234651	Cyfair Dialysis Center	9110 Jones Road, Suite 110	Houston	TX	77065
234652	Katy Dialysis Center	22233 Katy Freeway	Katy	TX	77450
234653	Memorial Dialysis	10000 Old Katy Road, Suite 210b	Houston	TX	77055
234667	Sherman Dialysis Center	205 West Lamberth Road	Sherman	TX	75092
234849	DaVita Printer's Place Dialysis Center	2802 International Circle	Colorado Springs	CO	80910
234928	Eastmont Dialysis Center	7200 Bancroft Avenue, Suite 220	Oakland	CA	94605
234932	DaVita Harbor-UCLA	21602 South Vermont Avenue	Torrance	CA	90502
234933	Complete Dialysis Care South	111 Southwest 23rd Street, Suite D	Fort Lauderdale	FL	33315
235075	Total Renal Care—Atlantic City	2720 Atlantic Avenue	Atlantic City	NJ	08401
235086	Total Renal Care—Parsons	1902 South Highway 59, Building B. Labette County Medical Center	Parsons	KS	67357
235089	Renal Treatment Center—Decatur	1987 Candler Road	Decatur	GA	30032
235090	DaVita—Newton	1223 Washington Road	Newton	KS	67114
235096	DaVita Montclair Dialysis Center	5050 Palo Verde Street, Suite 100	Montclair	CA	91763
235258	DaVita Michigan Kidney Center—Brighton	7960 West Grand River, Suite 210	Brighton	MI	48114
235294	DaVita Woodbury Dialysis	1850-3 Weir Drive	Woodbury	MN	55125
235295	Lakeview Dialysis DaVita	927 West Churchill Street	Stillwater	MN	55082
235296	DaVita Capitol Dialysis	555 Park Street, Suite 230	St. Paul	MN	55103
235302	Atlantic Artificial Kidney Center	6 Industrial Way West, Meridian Center #3	Eatontown	NJ	07724
235311	Waconia Dialysis DaVita	490 Maple Street, Suite 110	Waconia	MN	55387
235321	University Peritoneal Dialysis Center, Dba: Total Renal Care University Peritoneal Dialysis	300 University Avenue, Suite 122	Sacramento	CA	95825
235367	Renal Treatment Center—Harrisburg	2601 North Third Street 3rd Floor, Main Building	Harrisburg	PA	17110
235399	DaVita—Michigan City	120 Dunes Plaza	Michigan City	IN	46360
235532	DaVita Main Place Dialysis	972 Town And Country Road	Orange	CA	92868
235556	DaVita—Owings Mills	10 Cross Road, Suite 110	Owings Mills	MD	21117
235571	Elk River Kidney Center, Llc	216 South Bridge Street	Elkton	MD	21921
235634	Hudson Valley Dialysis Center, Inc.	155 White Plains Road, Suite 107	Tarrytown	NY	10591
235687	DaVita—Derby	250 West Red Powell Road	Derby	KS	67037
235688	Hill Country Dialysis	1820 Peter Garza Street	San Marcos	TX	78666
235746	DaVita—Edmond Dialysis	50 South Baumann Avenue	Edmond	OK	73034
235772	DaVita—Munster	8317 Calumet Avenue, Suite A	Munster	IN	46321
235774	Moncrief Dialysis Center	800 West 34th Street	Austin	TX	78705
235783	Renal Treament Center of Wheaton	11941 Georgia Avenue, Wheaton Park Shopping Center	Wheaton	MD	20902
235809	Jennersville Dialysis Center—A Total Renal Care Facility	1011 West Baltimore Pike Avenue	West Grove	PA	19390
235905	Memorial Dialysis Center	4427 South Robertson Street	New Orleans	LA	70115
235931	DaVita Glendora Dialysis Center	120 West Foothill Boulevard	Glendora	CA	91741
235955	Children's Memorial Dialysis Center—Total Renal Care	2611 North Halsted	Chicago	IL	60614
236041	Total Renal Care, Dba: North Highlands Dialysis Center	4986 Watt Avenue	North Highlands	CA	95660
236059	Total Renal Care	111 Michigan Avenue Northwest	Washington	DC	20010

Amendment #1 dated December 31, 2002 to Agreement No. 20010259 (continued)

ACIS	Account Name	Address	City	State	Zip
261006	Houston Kidney Center Southwest	11111 Brooklet Drive, Building 100, Suite 100	Houston	TX	77099
274903	Peninsula Nephrology, Inc. Dba: San Mateo Dialysis Center	2000 South El Camino Real	San Mateo	CA	94403
274929	DaVita—Pipestone Dialysis Center	911 5th Avenue Southwest	Pipestone	MN	56164
274930	Dialysis Care of Kannapolis	1607 North Main Street	Kannapolis	NC	28081
274931	Dialysis Care of North Mecklenberg	9030 Glenwater Drive	Charlotte	NC	28262
274973	Total Renal Care of Fairfax	8501 Arlington Boulevard, Suite 100	Fairfax	VA	22031
275219	Ocala Regional Kidney—South Unit	13940 Us Highway 441	Lady Lake	FL	32159
275316	Peekskill—Cortland Dialysis Center	Pike Plaza, Route 6, Suite 15	Cortlandt Manor	NY	10567
275453	Oakland Peritoneal Dialysis Center	3300 Webster Street, Suite 306	Oakland	CA	94609
275472	Rocky Hill Connecticut	1845 Silas Deane Highway	Rocky Hill	CT	06067
275487	DaVita Mission Dialysis Center	1181 Broadway	Chula Vista	CA	91911
275488	DaVita—Mission Dialysis Center of Oceanside	2227-B El Camino Real, Camino Town And Country Shopping Center	Oceanside	CA	92054
275567	DaVita—Cortez Dialysis	610 East Main Street, Suite C	Cortez	CO	81321
275579	Boston Post Road Dialysis Center	4026 Boston Road	Bronx	NY	10466
275609	Queens Dialysis Center	118-01 Guy Brewer Boulevard	Jamaica	NY	11434
275809	Dialysis Center At Oxford Court	930 Town Center Drive, Suite G. 100	Langhorne	PA	19047
275901	DaVita Midvalley Dialysis Center	5578 South 1900 West	Taylorsville	UT	84118
275902	DaVita Bountiful Dialysis	724 West 500 South, Suite 300	West Bountiful	UT	84087
275948	DaVita Lowry Dialysis Center	7465 East 1st Avenue, Suite A	Denver	CO	80230
276120	Ira of Orlando, Llp	14050 Town Loop Boulevard	Orlando	FL	32837
276179	DaVita Crescent Heights Dialysis	8151 Beverly Boulevard	Los Angeles	CA	90048
276364	DaVita Grand Blanc Dialysis	3625 Genesys Parkway	Grand Blanc	MI	48439
276603	Antioch Dialysis Center	3100 Delta Fair Boulevard	Antioch	CA	94509
276604	Bay Breeze Dialysis	11465 Ulmerton Road	Largo	FL	33778
276615	Appomattox Dialysis Center	15 West Old Street	Petersburg	VA	23803
276630	Mcdonough Dialysis Center	114 Dunn Avenue	Mcdonough	GA	30253
276702	Total Renal Care, Dba: Cleve Hill Dialysis Center	1461 Kensington Avenue	Buffalo	NY	14215
276807	DaVita Renal Care—UCLA Dialysis Center	200 Ucla Medical Plaza, Suite 565	Los Angeles	CA	90095
276941	Dialysis Treatment Center	745 Pine Street	Macon	GA	31201
276942	East Point Dialysis	2669 Church Street	East Point	GA	30344
277077	Ypsilanti Dialysis Center—DaVita	2766 Washtenaw, Washetenaw Fountain Plaza	Ypsilanti	MI	48197
277104	DaVita Jackson Dialysis Center	234 West Louis Glick Highway	Jackson	MI	49201
277257	Imperial Care, Inc.	3680 East Imperial Highway, 2nd Floor	Lynwood	CA	90262
277259	Olympic View Dialysis Center	125 16th Avenue East, Csb-5th Floor	Seattle	WA	98112
277271	Coney Island Dialysis	26-48 Brighton 11 Street	Brooklyn	NY	11235
277272	Yonkers Dialysis Center	575 Yonkers Avenue	Yonkers	NY	10704
277273	Soundview Dialysis Center	1622-24 Bruckner Boulevard	Bronx	NY	10473
277274	Port Washington Dialysis	50 Seaview Boulevard	Port Washington	NY	11050
277275	Lynbrook Dialysis Center	147 Scranton Avenue	Lynbrook	NY	11563
277295	Total Renal Care—Muncy	Route 405	Muncy	PA	17756
277498	Dialysis Systems of Covington—DaVita	210 Greenbriar Boulevard	Covington	LA	70433
277540	DaVita Englewood Dialysis	3247 South Lincoln Street	Englewood	CO	80110
277619	Dyker Heights Dialysis Center	1435 86th Street	Brooklyn	NY	11228
277642	Purcellville Dialysis Center of Total Renal Care	280 North Hatcher Avenue	Purcellville	VA	20132
277648	Rivertowne Dialysis Center At Oxon Hill	6192 Oxon Hill Road	Oxon Hill	MD	20745
277654	Ira of Celebration	1154 Celebration Boulevard	Celebration	FL	34747
277689	Pratt Dialysis Center of Total Renal Care	203 South Watson Suite 110	Pratt	KS	67124
278156	Total Renal Care At Celia Dill Dialysis Center	Barns Office Center, Suite 206, Stoneleigh Avenue	Carmel	NY	10512
278233	Arcadia Dialysis Center	1341 East Oak Street	Arcadia	FL	34266
278238	DaVita—East Chicago	4320 Fir Street, Suite 404	East Chicago	IN	46312
278248	Rose Garden Dialysis Center	999 West Taylor Street	San Jose	CA	95126

Amendment #1 dated December 31, 2002 to Agreement No. 20010259 (continued)

ACIS	Account Name	Address	City	State	Zip
278253	El Camino Dialysis Center	2490 Grant Road	Mountain View	CA	94040
278254	Evergreen Dialysis Center	2060 Aborn Road	San Jose	CA	95121
278534	Henderson Dialysis Center	1002 Highway 79 North	Henderson	TX	75652
278545	Clarkston Dialysis of DaVita	6770 Dixie Highway, Suite 205	Clarkston	MI	48346
278548	Total Renal Care—South Hayward Dialysis Center	254 Jackson Street	Hayward	CA	94544
278568	Lee Street Dialysis	5155 Lee Street Northeast	Washington	DC	20019
278786	Timpanogos Dialysis Center	852 North 500 West, Suite 200	Provo	UT	84604
278794	Garden City Dialysis	1100 Stewart Avenue	Garden City	NY	11530
279024	Harford Road Dialysis Center	5800 Harford Road	Baltimore	MD	21214
279025	DaVita Washington Plaza Dialysis Center	516-522 East Washington Boulevard	Los Angeles	CA	90015
279028	Total Renal Care At Richmond Community	1510 North 28th Street, Suite 110	Richmond	VA	23223
280304	DaVita-South County Dialysis	4145 Union Road	St. Louis	MO	63129
280350	DaVita—Detroit Dialysis	2674 East Jefferson	Detroit	MI	48207
280386	Nephrology Center of South Augusta	1631 Gordon Highway, Suite 1b	Augusta	GA	30906
280403	DaVita of Haines City	110 Patterson Road	Haines City	FL	33844
280404	Nephrology Center of Louisville	1011 Peachtree Street	Louisville	GA	30434
280414	Orangevale Dialysis	9267 Greenback Lane, Suite A-2	Orangevale	CA	95662
280489	DaVita—Okmulgee Dialysis Center	1101 South Belmont, Suite #204	Okmulgee	OK	74447
280490	DaVita—Central Tulsa Dialysis	1124 South St. Louis Avenue	Tulsa	OK	74120
280491	DaVita—Miami Dialysis Center	200 2nd Avenue Southwest	Miami	OK	74354
280492	DaVita—Muskogee Community Dialysis	2913 Azalea Park Boulevard	Muskogee	OK	74401
280495	DaVita—Stilwell Dialysis Center	319 North 2nd Street	Stilwell	OK	74960
280496	Pahrump Dialysis Center	1460 East Calvada Boulevard	Pahrump	NV	89048
280591	The New York United Dialysis Center	406 Boston Post Road	Port Chester	NY	10573
280820	DaVita Fort Pierce	1801 South 23rd Street, Suite 1	Fort Pierce	FL	34950
280825	White Plains Dialysis Center	200 Hamilton Avenue, Space 13b	Whiteplains	NY	10601
280829	DaVita—Cherokee Dialysis Center	53 Echota Church Road	Cherokee	NC	28719
281010	DaVita Hope Dialysis Center	300 Marcella Road	Hampton	VA	23666
281016	Seneca County Dialysis	65 St. Francis Street, Betty Jane Center	Tiffin	OH	44883
281046	Dialysis Systems of Hammond—DaVita	2570 Southwest Railroad Avenue, Suite A	Hammond	LA	70403
281058	Great Bridge Dialysis—Total Renal Care	745 North Battlefield Boulevard	Chesapeake	VA	23320
281071	Dulaney Towson Dialysis Center	113 West Road	Towson	MD	21204
281079	Bloomington Dialysis DaVita	8591 Lyndale Avenue South	Bloomington	MN	55420
281227	DaVita—Kenneth Hahn Plaza Dialysis Center	11854 Wilmington Avenue	Los Angeles	CA	90059
281338	Florin Dialysis Center—Total Renal Care	7000 Stockton Boulevard	Sacramento	CA	95823
281406	Kent Community Dialysis	21501 84th Avenue South	Kent	WA	98032
281411	Queens Village Dialysis	222-02 Hempstead Avenue	Queens Village	NY	11429
281412	South Las Vegas Dialysis Center—DaVita	4711 Industrial Road	Las Vegas	NV	89103
281661	DaVita—Rialto Dialysis	1850 North Riverside Avenue, Suite 150	Rialto	CA	92376
281662	DaVita Commerce City Dialysis	6320 Holly Street	Commerce City	CO	80022
281735	Weaverville Dialysis Center—Total Renal Care	329 Merrimon Avenue	Weaverville	NC	28787
281772	Bricktown Dialysis	525 Jack Martin Boulevard, Suite 200	Brick	NJ	08723
281789	Kidney Care Perry, Llc	1027 Keith Drive	Perry	GA	31069
281992	DaVita Longmont Dialysis	1700 Kylie Drive, Suite 170	Longmont	CO	80501
284522	DaVita Lakewood Crossing Dialysis	1057 South Wadsworth Boulevard	Lakewood	CO	80226
285249	DaVita—Summerlin Dialysis Center	653 Town Center Drive, Building 2, Suite 70	Las Vegas	NV	89144
285270	Dialysis of Georgia, L.L.C.	1565 East Highway 34, Suite A	Newnan	GA	30265
285733	Home Pharmacy Services C/O Cvs Procare Pharmacy	6622 Fannin Street	Houston	TX	77006
285735	Satellite Dialysis Centers—Sunnyvale	155 North Wolfe Road	Sunnyvale	CA	94086
285886	DaVita Dialysis Unit—Hopi Health Care Center	Highway 264—Mile Marker 388	Polacca	AZ	86042
286073	Dialysis of Georgia, Llc—Gainesville	2545 Flintridge Road, Suite 130	Gainesville	GA	30501
287115	DaVita Forest Park Dialysis Center	380 Forest Parkway	Forest Park	GA	30297
305989	Independent Renal Center—DaVita	12392 Highway 40	Independence	LA	70443

Amendment #1 dated December 31, 2002 to Agreement No. 20010259 (continued)

ACIS	Account Name	Address	City	State	Zip
306244	South San Francisco Dialysis	205 Kenwood Way	South San Francisco	CA	94080
312200	DaVita of Woodstock	2001 Professional Parkway, Suite 100	Woodstock	GA	30188
314625	Puyallup Dialysis Center	716-C South Hill Park	Puyallup	WA	98373
314626	Pelham Parkway Dialysis Center	1400 Pelham Parkway South/A-1, Building 5	Bronx	NY	10461
314628	Queens Dialysis At South Flushing	71-12 Park Avenue	Flushing	NY	11365
314821	DaVita First Landing Dialysis Center	1745 Camelot Drive, Suite 100	Virginia Beach	VA	23454
317405	DaVita #476—Iris City Dialysis	521 North Expressway Village, Suite 1509	Griffin	GA	30223
317860	Dialysis of Georgia, Llc—Ellijay	91 Southside Church Street	Ellijay	GA	30540
318370	East Aurora Dialysis	482 South Chambers Road	Aurora	CO	80017
319087	Satellite Dialysis Windsor	911 Medical Center Plaza, Suite 16	Windsor	CA	95492
319171	Pearland Dialysis	6516 Broadway	Pearland	TX	77581
319589	DaVita Sapulpa Dialysis Center	9647 Ridgeview Street	Tulsa	OK	74131
319590	DaVita—Indio Dialysis	46-767 Monroe Street, Suite 101	Indio	CA	92201
319618	Lake Elsinore Dialysis	32291 Mission Trail Road, Building S.	Lake Elsinore	CA	92530
319642	DaVita Pin Oak Dialysis	1302 Pin Oak Road	Katy	TX	77494
319884	DaVita Merrillville Dialysis	9223 Taft Street	Merrillville	IN	46410
319932	DaVita—Hermiston Dialysis Center	1155 West Linda Avenue	Hermiston	OR	97838
320534	Ocala Regional Kidney Center—North	2620 West Highway 316	Citra	FL	32113
320621	DaVita Flushing Dialysis	3469 Pierson Place	Flushing	MI	48433
320622	DaVita Clinton Dialysis Center	150 South 31st Street	Clinton	OK	73601
320624	DaVita Neptune Dialysis	2180 Bradley Avenue	Neptune	NJ	07753
320625	Minneapolis North East Hennepin Dialysis	1049 10th Avenue South East	Minneapolis	MN	55414
320727	Soledad Dialysis	901 Los Coches Drive	Soledad	CA	93960
323958	DaVita St. Louis Park Dialysis	6490 Excelsior Boulevard	St. Louis Park	MN	55426
342101	Satellite Dialysis Home Training	1530 Meridian Avenue, Suite 100	San Jose	CA	95125
344531	Tustin Dialysis Center	2090 North Tustin Avenue	Santa Ana	CA	92705
344533	Chadbourn Dialysis Center	210 East Strawberry Boulevard	Chadbourn	NC	28431
344551	Fowlerville Dialysis	206 East Grand River	Fowlerville	MI	48836
344606	Bakers Ferry Dialysis #0456	3645 Bakers Ferry Road	Atlanta	GA	30331
344607	Irvine Dialysis Center	16255 Laguna Canyon Road	Irvine	CA	92618
344612	Madison Dialysis Center	302 North Highway Street	Madison	NC	27025
344838	Davison Dialysis Center	1011 South State Road	Davison	MI	48423
344957	Maryville Dialysis Center	2130 Vadalabene Drive	Maryville	IL	62062
345184	Southfield West Dialysis Center	21900 Melrose, Southfield Tech Center, Building #2	Southfield	MI	48075
345193	Northeast Wichita Dialysis Center	2630 North Webb Road, Building 100, Suite 100	Wichita	KS	67226
345205	DaVita Swannanoa Dialysis Center #1508	2305 Us Highway 70	Swannanoa	NC	28778
345241	Misson Hills Dialysis	2700 North Stanton	El Paso	TX	79902
345294	Yakima Dialysis Center #1539	110 South 9th Avenue	Yakima	WA	98902

Appendix C

List of Authorized Wholesalers

To ensure you receive the appropriate discount, it is important for Amgen to have your current list of Authorized Wholesalers. The following list represents the Wholesalers Amgen currently has associated with Dialysis Center's contract. Please update the list by adding or deleting Wholesalers, as necessary.

American Medical Distributors, Inc., Subsidiary of BelIco Drug Corporation
180 Route 109
West Babylon, NY 11704

AmenSource Corporation
100 Friars Lane
Thorofare, NJ 08086

ASD Specialty Healthcare, Subsidiary of Bergen Brunswig Drug Co.
1851 Monetary Lane
Carrollton, TX 75006

Bergen Brunswig Drug Company
283 Sand Island Access Road
Honolulu, HI 96819

Bergen Brunswig Drug Company
P0 Box 5916
Orange, CA 92613

Henry Schein Incorporated
5 Harbor Park Drive
Port Washington, NY 11050

Metro Medical Supply, Inc.
1911 Church Street
Nashville, TN 37203

Metro Medical Wholesale Supply, Inc.
1911 Church Street
Nashville, TN 37203

Priority Healthcare Corporation Charise Charles Division
285 West Central Parkway Suite 1704
Altmamonte Springs, FL 32714

Exhibit #1

Certification Letter

, 200

Total Renal Care, Inc.
21250 Hawthorne Boulevard, Suite 800
Torrance, CA 90503
Attention: Kim Brady

RE: EPOGEN® (Epoetin alfa) Agreement No. 20010259 as amended

Dear

Thank you for your participation in the [DELETED]. In order for us to enroll you, we require that a duly authorized representative of your organization sign the certification below.

Upon receipt of this executed document, we will calculate the value of your incentive. If we do not receive the executed certification, we cannot provide you with this incentive.

If you have any questions regarding this letter please contact me at (805) 447-1000. Thank you for your assistance in returning this certification.

Sincerely,

Outcomes Incentive Analyst

CERTIFICATION:

On behalf of Total Renal Care, Inc. and all eligible Affiliates participating in the [DELETED] under Agreement No. 20010259 as amended, the undersigned hereby certifies that the [DELETED] data and any other data required to be submitted (herein referred to as "Data"), for each eligible Affiliate during the period January 1, 2003 through December 31, 2003 of this Agreement shall include the required Data from all dialysis patients from each such Affiliate, (excluding those patients whose data is obtained from laboratories not owned or operated by Total Renal Care, Inc.), and shall not include Data from non-patients. The party executing this document also represents and warrants that it (i) has no reason to believe that the submitted Data will be incorrect, and (ii) is authorized to make this certification on behalf of all eligible Affiliates submitting Data.

TOTAL RENAL CARE, INC.

Signature: _____
Print Name: _____
Print Title: _____
Date: _____

Please retain one fully executed original for your records and return the other fully executed original to Amgen.

The parties executed this Amendment as of the dates set forth below.

AMGEN USA INC.	TOTAL RENAL CARE, INC.
Signature: _____	Signature: _____
Print Name: _____	Print Name: _____
Print Title: _____	Print Title: _____
Date: _____	Date: _____

Amgen Inc. hereby agrees to be bound by certain provisions of this Agreement, as amended, as set forth herein.

AMGEN INC.

Signature: _____
Print Name: _____
Print Title: _____
Date: _____

EXHIBIT 12.1

DAVITA INC.

RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges is computed by dividing fixed charges into earnings. Earnings is defined as pretax income from operations adjusted by adding fixed charges and excluding interest capitalized during the period. Fixed charges means the total of interest expense, amortization of financing costs, capitalized interest and the estimated interest component of rental expense on operating leases.

	Year ended December 31,				
	2002	2001	2000	1999	1998
	(dollars in thousands)				
Earnings adjusted for fixed charges:					
Income (loss) before income taxes, extraordinary items and cumulative effect of a change in accounting principle	$316,187	$240,938	$ 44,935	$(181,826)	$ 48,641
Add:					
Interest expense and amortization of financing costs	71,636	72,438	116,637	110,797	84,003
Interest portion of rental expense	20,336	18,116	17,140	17,501	12,992
	91,972	90,554	133,777	128,298	96,995
Earnings (loss) before income taxes, extraordinary items, cumulative effect of a change in accounting principle and fixed charges	$408,159	$331,492	$178,712	$ (53,528)	$145,636
Fixed charges:					
Interest expense and amortization of financing costs	71,636	72,438	116,637	110,797	84,003
Capitalized interest	1,888	751	1,125	709	804
Interest portion of rental expense	20,336	18,116	17,140	17,501	12,992
Total fixed charges	93,860	91,305	134,902	129,007	97,799
Ratio of earnings to fixed charges	4.35	3.63	1.32	(a)	1.49

(a) Due to the Company's loss in 1999, the ratio coverage was less than 1:1. The Company would have had to generate additional earnings of $182,535 to achieve a coverage of 1:1.

EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY

As of January 27, 2003

Name	Structure	Jurisdiction of Incorporation
Astro, Hobby, West Mt. Renal Care Limited Partnership	Limited Partnership	DE
Bay Area Dialysis Partnership	Partnership	FL
Beverly Hills Dialysis Partnership	Partnership	CA
Capital Dialysis Partnership	Partnership	CA
Carroll County Dialysis Facility, Inc.	Corporation	MD
Carroll County Dialysis Facility Limited Partnership	Limited Partnership	MD
Continental Dialysis Center, Inc.	Corporation	VA
Continental Dialysis Center of Springfield-Fairfax, Inc.	Corporation	VA
DaVita Nephrology Medical Associates of California, Inc.	Corporation	CA
DaVita Nephrology Medical Associates of Illinois, P.C.	Corporation	IL
DaVita – Riverside, LLC	Limited Liability Company	DE
DaVita – West, LLC	Limited Liability Company	DE
Dialysis of North Atlanta, LLC	Limited Liability Company	DE
Dialysis Specialists of Dallas, Inc.	Corporation	TX
East End Dialysis Center, Inc.	Corporation	VA
Eastmont Dialysis Partnership	Partnership	CA
Elberton Dialysis Facility, Inc.	Corporation	GA
Flamingo Park Kidney Center, Inc.	Corporation	FL
Garey Dialysis Center Partnership	Partnership	CA
Houston Kidney Center/Total Renal Care Integrated Service Network Limited Partnership	Limited Partnership	DE
Irvine Dialysis Center, LLC	Limited Liability Company	DE
Knickerbocker RC, Inc.	Corporation	NY
Liberty RC, Inc.	Corporation	NY
Lincoln Park Dialysis Services, Inc.	Corporation	IL
Los Angeles Dialysis Center	Partnership	CA
Marysville Dialysis Center, LLC	Limited Liability Company	DE
Mason-Dixon Dialysis Facilities, Inc.	Corporation	MD
Nephrology Medical Associates of California, Inc.	Professional Corporation	CA
Nephrology Medical Associates of Georgia, LLC	Limited Liability Company	GA
Open Access Sonography, Inc.	Corporation	FL
Pacific Coast Dialysis Center	Partnership	CA
Peninsula Dialysis Center, Inc.	Corporation	VA
Renal Treatment Centers – California, Inc.	Corporation	DE
Renal Treatment Centers – Hawaii, Inc.	Corporation	DE
Renal Treatment Centers – Illinois, Inc.	Corporation	DE
Renal Treatment Centers, Inc.	Corporation	DE
Renal Treatment Centers – Mid-Atlantic, Inc.	Corporation	DE
Renal Treatment Centers – Northeast, Inc.	Corporation	DE
Renal Treatment Centers – Southeast, LP	Limited Partnership	DE
Renal Treatment Centers – West, Inc.	Corporation	DE
Rocky Mountain Dialysis Services, LLC	Limited Liability Company	DE
RTC Holdings, Inc.	Corporation	DE
RTC-Texas Acquisition, Inc.	Corporation	TX
RTC TN, Inc.	Corporation	DE

SUBSIDIARIES OF THE COMPANY

As of January 27, 2003

Name	Structure	Jurisdiction of Incorporation
San Gabriel Valley Partnership	Partnership	CA
Shining Star Dialysis, Inc.	Corporation	NJ
Sierra Rose Dialysis Center, LLC	Limited Liability Company	DE
Soledad Dialysis Center, LLC	Limited Liability Company	DE
Southcrest Dialysis, LLC	Limited Liability Company	DE
Total Acute Kidney Care, Inc.	Corporation	FL
Total Nephrology Care Network Medical Associates, A Prof. Corp.	Corporation	CA
Total Renal Care/Eaton Canyon Dialysis Center Partnership	Partnership	CA
Total Renal Care/Hollywood Partnership	Partnership	CA
Total Renal Care, Inc.	Corporation	CA
Total Renal Care of Colorado, Inc.	Corporation	CO
Total Renal Care North Carolina, LLC	Limited Liability Company	DE
Total Renal Care of Utah, L.L.C. Limited	Liability Company	DE
Total Renal Care/Peralta Renal Center Partnership	Partnership	CA
Total Renal Care/Piedmont Dialysis Center Partnership	Partnership	CA
Total Renal Care Texas Limited Partnership	Limited Partnership	DE
Total Renal Laboratories, Inc.	Corporation	FL
Total Renal Research, Inc.	Corporation	DE
Total Renal Support Services, Inc.	Corporation	DE
Total Renal Support Services of North Carolina, LLC	Limited Liability Company	DE
TRC-Dyker Heights, L.P.	Limited Partnership	NY
TRC El Paso Limited Partnership	Limited Partnership	DE
TRC – Four Corners Dialysis Clinics, L.L.C.	Limited Liability Company	NM
TRC – Georgetown Regional Dialysis LLC	Limited Liability Company	DC
TRC – Indiana LLC	Limited Liability Company	IN
TRC of New York, Inc.	Corporation	NY
TRC West, Inc.	Corporation	DE
Tri-City Dialysis Center, Inc.	Corporation	VA
Tulsa Dialysis, LLC	Limited Liability Company	DE
Tustin Dialysis Center, LLC	Limited Liability Company	DE
West Jefferson Dialysis Center, LLC	Limited Liability Company	DE

Exhibit 23.1

Independent Auditors' Consent

The Board of Directors and Shareholders
DaVita Inc.:

We consent to incorporation by reference in the registration statements on Form S-8 (No. 33-84610, No. 33-83018, No. 33-99862, No. 33-99864, No. 333-1620, No. 333-34693, No. 333-34695, No. 333-46887, No. 333-75361, No. 333-56149, No. 333-30734, No. 333-30736, No. 333-63158, No. 333-42653, No. 333-86550 and No. 333-86556) and Form S-3 (No. 333-69227) of DaVita Inc. of our reports dated February 21, 2003, relating to the consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2002, and the related schedule, which reports appear in this annual report on Form 10-K.

Our report refers to a change in accounting for goodwill and intangible assets resulting from business combinations.

/s/ KPMG LLP

Seattle, Washington
February 28, 2003

EXHIBIT 99.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of DaVita Inc. (the "Company") on Form 10-K for the year ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Kent J. Thiry, Chief Executive Officer of the Company, certify, pursuant to 18.U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ KENT J. THIRY
Kent J. Thiry
Chief Executive Officer

February 28, 2003

EXHIBIT 99.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of DaVita Inc. (the "Company") on Form 10-K for the year ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Richard K. Whitney, Chief Financial Officer of the Company, certify, pursuant to 18.U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RICHARD K. WHITNEY
Richard K. Whitney
Chief Financial Officer

February 28, 2003