

Roate, George

From: Kara Friedman [KFriedman@Polsinelli.com]
Sent: Friday, May 27, 2011 4:51 PM
To: Roate, George
Cc: Anne Cooper; 'Heather Haworth'
Subject: DaVita Change of Ownership CON Applications
Attachments: Scan_Doc0337.pdf

11-027
11-028
11-029
11-030
11-031
11-032
11-033
11-034
11-035
11-036

George,

Please see attached. This is the information that we discussed yesterday.

Enjoy the holiday weekend and I'll talk to you next week!

Thanks,
Kara
312/873-3639

This electronic mail message contains CONFIDENTIAL information which is (a) ATTORNEY - CLIENT PRIVILEGED COMMUNICATION, WORK PRODUCT, PROPRIETARY IN NATURE, OR OTHERWISE PROTECTED BY LAW FROM DISCLOSURE, and (b) intended only for the use of the Addressee(s) named herein. If you are not an Addressee, or the person responsible for delivering this to an Addressee, you are hereby notified that reading, copying, or distributing this message is prohibited. If you have received this electronic mail message in error, please reply to the sender and take the steps necessary to delete the message completely from your computer system.

IRS CIRCULAR 230 DISCLOSURE: Unless expressly stated otherwise, any U.S. federal tax advice contained in this e-mail, including attachments, is not intended or written by Polsinelli Shughart PC to be used, and any such tax advice cannot be used, for the purpose of avoiding penalties that may be imposed by the Internal Revenue Service.



Legal Department
15253 Bake Parkway
Irvine, CA 92618
Tel: 949-930-4400 | Fax: 949-930-6949
www.davita.com

Via Electronic Mail

May 27, 2011

Mr. George Roate
Illinois Health Facilities and Services Review Board
525 W. Jefferson, 2nd Floor
Springfield, IL 62761

Re: DaVita Inc. Purchase Price Allocations for Illinois Dialysis Facilities

Dear Mr. Roate:

This letter provides additional information in support of each of the 10 Illinois Certificate of Need applications filed in connection with the planned acquisition of the DSI Renal, Inc. facilities by DaVita Inc. As stated, the acquisition of the Illinois facilities is part of a large, approximately \$690 million transaction involving 106 dialysis facilities. In order to meet the Certificate of Need application filing requirement that a value be allocated for each of the DSI facilities that are located in Illinois, DaVita compared the financial status of each individual facility with the financial status of the DSI company as a whole.

Specifically, we reviewed the forecasted DSI EBITDA for the first year post-acquisition and the forecasted EBITDA of each individual facility for the same period. Based on that comparison, we attributed a value to each individual center based on relative EBITDA. One facility in Illinois, the DSI Markham facility, is negative EBITDA. Rather than allocating a value of \$0 to the DSI Markham facility, we attributed \$100,000 value to it to acknowledge that it is a going concern.

Thank you for your time and attention to this matter. We appreciate all of staff's efforts to keep these applications on track for prompt consideration by the Illinois Health Facilities and Services Review Board.

Very truly yours,

Chetan Mehta
Corporate Vice-President of Finance

