DAVITA INC
Form S-4/A
August 29, 2012
Table of Contents

As filed with the Securities and Exchange Commission on August 29, 2012

Registration No. 333-182572

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

Form S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

DAVITA INC.

(Exact name of registrant as specified in its charter)

Delaware	**8090**	**51-0354549**

(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

2000 16th Street

Denver, CO 80202

(888) 484-7505

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Kim M. Rivera

2000 16th Street

Denver, CO 80202

(888) 484-7505

(Name, address, including zip code, and telephone number, including area code, of agent for service)

with copies to:

Spencer D. Klein	**Robert Margolis, M.D.**	**Robert E. Denham**
David P. Slotkin	**HealthCare Partners Holdings, LLC**	**Mark H. Kim**
Morrison & Foerster LLP	**19191 South Vermont Avenue, Suite 200**	**Munger, Tolles & Olson LLP**
1290 Avenue of the Americas	**Torrance, California 90502**	**355 South Grand Avenue, 35th Floor**
New York, NY 10104-0050	**(310) 354-4200**	**Los Angeles, CA 90071**
(212) 468-8000		**(213) 683-9100**

Approximate date of commencement of proposed sale of the securities to the public: As soon as reasonably practicable after the effectiveness of this Registration Statement and the completion of the merger described in the enclosed prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered(1)	Amount to be Registered(2)	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(3)	Amount of Registration Fee(4)
Common Stock, par value $0.001 per share	9,380,312	N/A	(3)	$0

(1) This Registration Statement relates to securities of the registrant issuable to holders of membership units of HealthCare Partners Holdings, LLC, a California limited liability company (HCP), in the proposed merger of Seismic Acquisition LLC, a California limited liability company and a wholly-owned subsidiary of the registrant, with and into HCP.

(2) Represents the estimated maximum number of shares of the registrant s common stock to be issued in connection with the merger described herein. Certain of the shares included in this number are also being registered for resale under this Registration Statement. In accordance with Rule 457(f)(5) of the Securities Act of 1933, as amended, no additional filing fee is payable in respect of such resale registration.

(3) Estimated solely for purposes of calculation of the registration fee in accordance with Rule 457(f), based upon $262.6 million, the aggregate book value of HCP securities that may be cancelled in the merger computed as of May 31, 2012, the latest practicable date prior to the date of filing of this registration statement. HCP is a private company and no market exists for its securities. As required by Rule 457(f)(3), the amount of cash consideration to be paid by the registrant in connection with the transaction, or $3.66 billion, has been deducted from this amount. This results in a negative number which we have used to calculate the filing fee.

(4) Determined in accordance with Section 6(b) of the Securities Act at a rate equal to $114.60 per $1,000,000 of the proposed maximum aggregate offering price.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. DaVita may not distribute or issue the shares of DaVita Common Stock being registered pursuant to this registration statement until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to distribute these securities, and DaVita is not soliciting offers to receive these securities in any state where such offer or distribution is not permitted.

PRELIMINARY SUBJECT TO COMPLETION DATED AUGUST 29, 2012

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Members of HealthCare Partners Holdings, LLC:

You are cordially invited to attend a special meeting of members of HealthCare Partners Holdings, LLC, a California limited liability company (HCP), to be held at , on , , 2012, at a.m., local time.

As previously announced, DaVita Inc., a Delaware corporation (DaVita), and HCP have entered into an Agreement and Plan of Merger as amended by the Amendment to Agreement and Plan of Merger (the Merger Agreement) that provides for the merger of a wholly owned subsidiary of DaVita with and into HCP (the Merger), with HCP continuing as the surviving entity and as a wholly owned subsidiary of DaVita. DaVita is a leading provider of kidney care services for those diagnosed with chronic kidney disease. Following the Merger, DaVita will be renamed DaVita HealthCare Partners Inc.

Before we can complete the Merger, we must obtain the approval of the members of HCP (the HCP Members and, individually, an HCP Member) holding a majority of the issued and outstanding Class B Units of HCP (HCP Common Units). Accordingly, at the special meeting, you will be asked to vote upon a proposal to approve the principal terms of the Merger and the Merger Agreement with DaVita. Only holders of record of HCP Common Units on the date of the special meeting are entitled to notice of and to vote at the special meeting. No vote of the DaVita stockholders is required to complete the Merger.

If the Merger is completed, the total merger consideration (not including any potential earn-out payment) to be paid to the holders of HCP Common Units and vested and unvested options to purchase HCP Common Units (the HCP Options) is an aggregate of $3,660,000,000 in cash and 9,380,312 shares of DaVita common stock, par value $0.001 per share (DaVita Common Stock), subject to certain adjustments (including a potential reduction in the merger consideration as a result of an estimated shortfall in working capital, if any, at the time of closing and a post-closing final working capital adjustment). The value of merger consideration per fully diluted HCP Common Unit, based upon the closing price of $ per share of DaVita Common Stock on , 2012, the last trading day prior to the date of this prospectus, and assuming no reduction to the total merger consideration as a result of an estimated working capital adjustment at the time of closing, would be $. Each holder of HCP Common Units may elect to receive, in exchange for each HCP Common Unit held by such HCP Member, the merger consideration per fully diluted HCP Common Unit in the form of cash or stock, or a combination thereof, subject to adjustment and proration.

The Merger Agreement provides that, notwithstanding the election by an HCP Member to receive all cash or all stock, or a combination thereof, an HCP Member may receive a combination of cash or stock that is different from what such HCP Member may have elected, depending on the elections made by other HCP Members, in order to ensure that the aggregate merger consideration of $3,660,000,000 in cash and 9,380,312 shares of DaVita Common Stock, subject to certain adjustments, is fully allocated and paid in the Merger. No fractional shares of DaVita Common Stock will be issued in the Merger. Dr. Robert Margolis, our Chairman and Chief Executive Officer, Matthew Mazdyasni, our Executive Vice President and Chief Financial and Administrative Officer, Dr. William Chin, our Executive Medical Director, and Dr. Thomas Paulsen, our Executive Medical Director, California, have each entered into a support agreement with DaVita and HCP, whereby they have agreed to elect to receive closing consideration in the form of stock in exchange for at least 33% of the HCP Common Units owned, whether directly or indirectly, by them.

The Merger Agreement provides that each HCP Option that is outstanding immediately prior to the effective time of the Merger will accelerate and become fully vested and exercisable immediately prior to the effective time of the Merger and, to the extent unexercised, will be cancelled, extinguished and automatically converted into the right to receive a cash payment for each HCP Common Unit subject to such HCP Option equal to the excess of (a) the merger consideration per fully diluted HCP Common Unit over (b) the per unit exercise price payable in respect of

such HCP Common Unit issuable under such HCP Option.

Regardless of whether an HCP Member elects cash or stock, or a combination thereof, a portion of each HCP Member s and optionholder s pro rata portion of the total merger consideration will be withheld from payment and contributed to three escrow accounts that support a potential working capital adjustment to the merger consideration, certain indemnification obligations, certain contingent payments, and certain costs and expenses that may be incurred by the member representative. The withheld consideration will be comprised of cash and DaVita Common Stock having an aggregate value of $574,375,000 as of the closing of the Merger, or approximately $5.45 per fully diluted HCP Common Unit. Funds will be released from these escrow accounts in accordance with the terms and conditions set forth in the Merger Agreement. With respect to HCP Members who contribute shares of DaVita Common Stock to the escrow, such HCP Members should be aware that as a result of

fluctuations in the market value of DaVita Common Stock, the value of such shares on the closing date may be

Table of Contents

greater than, or less than, their value on the date that such shares are released from escrow, if they are released at all. See The Merger Agreement Escrowed Merger Consideration beginning on page 118.

In addition to the merger consideration payable at the closing of the Merger and amounts that may be released over time from the escrow accounts, HCP Members and holders of HCP Options may receive up to $275,000,000 of additional cash consideration in the form of two separate earn-out payments that are based on the financial performance of HCP for fiscal years 2012 and 2013. The payment of the earn-out amounts is subject to the terms and conditions for such earn-outs set forth in the Merger Agreement. Assuming payment of the entire $275,000,000 earn-out, each HCP Member and each holder of HCP Options would receive an additional approximately $2.61 per fully diluted HCP Common Unit.

We may also permit certain individuals or entities who receive shares of DaVita Common Stock in connection with the Merger to use this prospectus to cover resale of those shares. If this happens, we will not receive any proceeds from such sales. See Selling Security Holders on page 208 for information relating to resale of our securities pursuant to this prospectus.

DaVita Common Stock is listed on the New York Stock Exchange under the symbol DVA . On , 2012, the last trading day before the date of this prospectus, the closing sale price of DaVita Common Stock was $ per share.

After careful consideration of the Merger and the terms of the Merger Agreement, the board of managers of HCP (the HCP Board) has determined that the Merger is fair, advisable, and in the best interests of HCP and the HCP Members. Accordingly, the HCP Board unanimously recommends that the HCP Members approve the principal terms of the Merger and the Merger Agreement.

In considering the recommendation of the HCP Board, you should be aware that some of the members of the HCP Board and HCP s executive officers have interests in the Merger that are different from, or in addition to, the interests of the HCP Members generally.

You should also be aware that HealthCare Partners Medical Group, an HCP Member and a California general partnership, Drs. Margolis, Chin, and Paulsen, and Mr. Mazdyasni collectively own, directly or indirectly, 74,143,126 HCP Common Units, which represent approximately 74% of the outstanding HCP Common Units, and they have each entered into an agreement with DaVita pursuant to which they have agreed to vote all of the HCP Common Units owned or controlled by them in favor of the approval of the principal terms of the Merger and the Merger Agreement. Accordingly, the approval of the principal terms of the Merger and the Merger Agreement by the HCP Members is assured.

The accompanying prospectus provides you with detailed information about the Merger and the special meeting. **We encourage you to read the entire prospectus and the Merger Agreement carefully, including the Risk Factors beginning on page 38**. A copy of the Merger Agreement and the Amendment to the Merger Agreement are attached as Annex A-1 and Annex A-2 to the accompanying prospectus.

We are excited about the opportunities the Merger may bring to HCP and the HCP Members, and we look forward to the successful completion of the Merger.

Sincerely,

Robert Margolis, M.D.

Chairman and Chief Executive Officer

HealthCare Partners Holdings, LLC

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved of the transactions described in this prospectus or the securities to be issued pursuant to the Merger or determined if the information contained in this prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This prospectus is dated , 2012, and is first being mailed to HCP Members on or about , 2012.

This prospectus incorporates by reference important business and financial information about DaVita that is not included or delivered with this document. This information is available without charge to HCP Members upon written or oral request. You can obtain the documents incorporated by reference in this prospectus by requesting them in writing or by telephone at the following address and telephone number: HealthCare Partners Holdings, LLC, 19191 South Vermont Avenue, Suite 200, Torrance, California 90502, (310) 354-4200.

To obtain timely delivery of requested documents prior to the special meeting, you must request them no later than , 2012, which is five business days prior to the special meeting.

Table of Contents

HEALTHCARE PARTNERS HOLDINGS, LLC

19191 South Vermont Avenue, Suite 200

Torrance, California 90502

NOTICE OF SPECIAL MEETING OF THE HCP MEMBERS TO BE HELD ON , 2012

To Members of HealthCare Partners Holdings, LLC:

HealthCare Partners Holdings, LLC, a California limited liability company (HCP), has entered into an Agreement and Plan of Merger, dated as of May 20, 2012 as amended by the Amendment to Agreement and Plan of Merger (the Merger Agreement), by and among HCP, DaVita Inc., a Delaware corporation (DaVita), Seismic Acquisition LLC, a California limited liability company and a wholly owned subsidiary of DaVita (Merger Sub), and Robert D. Mosher, as the member representative (the Member Representative), pursuant to which Merger Sub will be merged with and into HCP, and HCP will continue as the surviving entity and as a wholly owned subsidiary of DaVita.

A special meeting of the members of HCP (the HCP Members and, individually, an HCP Member) will be held at , on , , 2012, at a.m., local time, for the following purposes:

to approve the principal terms of the Merger and the Merger Agreement; and

to transact any other business that may properly come before the special meeting.

These proposals are more fully described in this prospectus, which we encourage you to read carefully, including the Risk Factors beginning on page 38. We have included a copy of the Merger Agreement and the Amendment to the Merger Agreement as Annex A-1 and Annex A-2 to this prospectus.

Approval of the principal terms of the Merger and the Merger Agreement requires the affirmative vote of the HCP Members holding a majority of the issued and outstanding Class B Units of HCP (HCP Common Units).

As of , , 2012, HealthCare Partners Medical Group, an HCP Member and a California general partnership, Drs. Margolis, Chin and Paulsen and Mr. Mazdyasni collectively owned, directly or indirectly, 74,143,126 HCP Common Units, which represented approximately 74% of the outstanding HCP Common Units, and they have each entered into an agreement with DaVita and HCP pursuant to which they have agreed to vote all of the HCP Common Units owned or controlled by them in favor of the approval of the principal terms of the Merger and the Merger Agreement. Accordingly, the approval of the principal terms of the Merger and the Merger Agreement by the HCP Members is assured.

Only holders of record of HCP Common Units on the date of the special meeting are entitled to notice of and to vote at the special meeting.

A summary of the dissenters rights that may be available to you are described in HCP Member Dissenters Rights on page 100.

After careful consideration of the Merger and the terms of the Merger Agreement, the board of managers of HCP (the HCP Board) has determined that the Merger is fair, advisable and in the best interests of HCP and the HCP Members. Accordingly, the HCP Board unanimously recommends that the HCP Members approve the principal terms of the Merger and the Merger Agreement.

By Order of the Board of Managers,

Robert Margolis, M.D.

Chairman and Chief Executive Officer

, 2012

Table of Contents

ADDITIONAL INFORMATION

This prospectus incorporates by reference important business and financial information about DaVita from documents that are not included in or delivered with this prospectus. For a more detailed description of the information incorporated by reference into this prospectus and how you may obtain it, see Additional Information Where You Can Find More Information beginning on page 234.

You can obtain any of the documents incorporated by reference into this prospectus without charge from DaVita, or from the United States Securities and Exchange Commission, which we refer to as the SEC, through the SEC s website at *www.sec.gov*. You may request a copy of such documents in writing or by telephone by contacting:

DaVita Inc.

2000 16th Street

Denver, Colorado 80202

(888) 484-7505

Attention: Investor Relations

You may also consult DaVita s website for more information at *www.davita.com*.

We are providing the information about how you can obtain certain documents that are incorporated by reference into this prospectus at these websites only for your convenience. Information included on DaVita s website is not incorporated by reference in this prospectus.

In order for you to receive timely delivery of the documents in advance of the special meeting of the HCP Members, DaVita must receive your request no later than five business days prior to the date of the special meeting.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING OF THE HCP MEMBERS

The following are some questions that you, as an HCP Member, may have regarding the special meeting of the HCP Members, which we refer to as the special meeting, and brief answers to those questions. For more detailed information about the matters discussed in these questions and answers, see The Special Meeting of the HCP Members beginning on page 78. HCP and DaVita encourage you to read carefully the remainder of this prospectus because the information in this section does not provide all of the information that might be important to you with respect to the Merger and the other matters being considered at the special meeting. Additional important information is also contained in the Annexes to and in the documents incorporated by reference into this prospectus.

Q: Why am I receiving this prospectus?

A: The HCP Board is using this prospectus to solicit votes of the HCP Members pursuant to the Merger Agreement. In addition, DaVita is using this document as a prospectus for DaVita because DaVita is offering, as a portion of the consideration to be paid by DaVita in the Merger, shares of DaVita common stock, par value $0.001 per share (DaVita Common Stock), to be issued in exchange for HCP Common Units. In order to complete the Merger, the HCP Members holding a majority of the issued and outstanding HCP Common Units must vote to approve the principal terms of the Merger and the Merger Agreement.

HCP will hold a special meeting of the HCP Members to obtain this approval. This prospectus contains important information about the Merger Agreement, the Merger, and the special meeting of the HCP Members, and you should read it carefully. **Your vote is important.**

Q: When and where will the special meeting of the HCP Members be held?

A: The special meeting will take place at , on , , 2012, at a.m., local time.

Q: Who can attend and vote at the special meeting?

A: Only holders of record of HCP Common Units on the date of the special meeting are entitled to notice of and to vote at the special meeting. As of August 27, 2012, there were 100,131,969.2 HCP Common Units outstanding and entitled to vote at the special meeting, held by approximately 36 holders of record. Each HCP Member is entitled to one vote for each unit owned of record.

Q: What constitutes a quorum?

A: The presence at the special meeting in person of the holders of a majority of the HCP Common Units outstanding on the date of the special meeting will constitute a quorum for the purpose of considering the proposals at the special meeting. In the event that a quorum is not present, or if there are insufficient votes to approve the principal terms of the Merger and the Merger Agreement at the time of the special meeting, it is expected that the special meeting will be adjourned or postponed.

Q: What vote of the HCP Members is required to approve the proposal to approve the principal terms of the Merger and the Merger Agreement?

A: The approval by the HCP Members of the proposal to approve the principal terms of the Merger and the Merger Agreement requires the affirmative vote of the holders of a majority of the issued and outstanding HCP Common Units entitled to vote at the special

meeting. **If you abstain from voting or fail to vote, it will have the same effect as voting against the proposal to approve the principal terms of the Merger and the Merger Agreement.**

Table of Contents

Q: How does the HCP Board recommend that the HCP Members vote?

A: The HCP Board has unanimously determined that the Merger Agreement, the Merger, and the other transactions contemplated by the Merger Agreement are advisable, fair to, and in the best interests of HCP and the HCP Members. Accordingly, the HCP Board has unanimously approved the Merger Agreement and the completion of the transactions contemplated thereby, including the Merger. The HCP Board unanimously recommends that the HCP Members vote **FOR** the proposal to approve the principal terms of the Merger and the Merger Agreement.

Q: What should the HCP Members do in order to vote on the proposals being considered at the special meeting?

A: Holders of record of HCP Common Units on the date of the special meeting may vote in person by attending the special meeting, where they will be given a ballot to vote.

Q: What will happen if I abstain from voting or fail to vote?

A: An abstention or the failure of an HCP Member to vote will have the same effect as voting against the proposal to approve the principal terms of the Merger and the Merger Agreement.

Q: Have any HCP Members already agreed to vote in favor of the Merger?

A: Yes. HealthCare Partners Medical Group, an HCP Member and a California general partnership (HCP Medical Group), and Drs. Margolis, Chin, and Paulsen, and Mr. Mazdyasni (collectively, the Substantial Members) collectively own, directly or indirectly, 74,143,126 HCP Common Units, which represent approximately 74% of the outstanding HCP Common Units, and they have each entered into an agreement with DaVita and HCP pursuant to which they have agreed to vote all of the HCP Common Units owned or controlled by them in favor of the approval of the principal terms of the Merger and the Merger Agreement. Accordingly, the approval of the principal terms of the Merger and the Merger Agreement by the HCP Members is assured.

Q: Do any managers or executive officers of HCP have different interests?

A: Some of HCP s managers and executive officers have interests in the Merger that are different from, or in addition to, your interests as an HCP Member, and that may present actual or potential conflicts of interests. These interests include, among others:

- the appointment of Dr. Margolis to fill a newly created directorship as co-chairman of the board of directors of DaVita upon completion of the Merger for a minimum period of four consecutive annual meetings of stockholders of DaVita;
- the entry into employment and noncompetition and nonsolicitation agreements with DaVita (for periods ranging from three years to seven years after the closing of the Merger) by Drs. Margolis and Chin, Mr. Mazdyasni, and Zan Calhoun, the Chief Operating Officer of HCP;
- the beneficial ownership of approximately 74% of the outstanding HCP Common Units and a substantial number of HCP Options (all of which options, as with all HCP Options, will be cashed out at the completion of the Merger); and

the right to indemnification and coverage under directors and officers liability insurance for a six-year coverage period commencing at the effective time of the Merger.

The HCP Board was aware of these interests and considered them, among other matters, prior to making its determination to recommend the approval of the principal terms of the Merger and the Merger Agreement to the HCP Members. For a more complete discussion of the interests of the HCP managers and executive officers in the Merger, see The Merger Interests of HCP s Managers and Executive Officers in the Merger beginning on page 96.

Table of Contents

Q: If the Merger is approved and consummated, what will I receive in the Merger?

A: Each HCP Common Unit (whether or not subject to restriction) issued and outstanding immediately prior to the effective time (other than (1) HCP Common Units directly or indirectly owned by DaVita, Merger Sub, or HCP and (2) dissenting units) will be converted into the right to receive the merger consideration in the form of cash or stock, or a combination thereof, subject to proration and certain adjustments (including a potential reduction in the merger consideration as a result of an estimated shortfall in working capital, if any, at the time of closing and a post-closing final working capital adjustment). Each HCP Option that is outstanding immediately prior to the effective time will accelerate and become fully vested and exercisable as of immediately prior to the effective time and, to the extent unexercised, will be cancelled, extinguished and automatically converted into the right to receive a cash payment for each HCP Common Unit subject to such HCP Option equal to the excess of (a) the merger consideration per fully diluted HCP Common Unit over (b) the per unit exercise price payable in respect of such HCP Common Unit issuable under such HCP Option. The value of the merger consideration per fully diluted HCP Common Unit, based upon the closing price of $ per share of DaVita Common Stock on , 2012, the last trading day prior to the date of this prospectus, and assuming no reduction to the total merger consideration as a result of an estimated working capital adjustment at the time of closing, would be $. See The Merger Agreement The Merger Consideration; Conversion or Cancellation of Units beginning on page 115.

You will not receive the full amount of your merger consideration at the time of the consummation of the Merger. A portion of the merger consideration will be withheld from payment and contributed to three escrow accounts that support a potential working capital adjustment, certain indemnification obligations, certain contingent payments, and certain costs and expenses that may be incurred by the Member Representative. The withheld consideration will be comprised of cash and DaVita Common Stock having an aggregate value of $574,375,000 as of the closing of the Merger, or approximately $5.45 per fully diluted HCP Common Unit. Funds will be released from these escrow accounts in accordance with the terms and conditions set forth in the Merger Agreement. With respect to HCP Members who contribute shares of DaVita Common Stock to the escrow, such HCP Members should be aware that as a result of fluctuations in the market value of DaVita Common Stock, the value of such shares on the closing date may be greater than, or less than, their value on the date that such shares are released from escrow, if they are released at all. See The Merger Agreement Escrowed Merger Consideration beginning on page 118.

In addition to the merger consideration payable upon the consummation of the Merger and the amounts that may be released from the three escrow accounts over time, HCP Members and holders of HCP Options may receive up to $275,000,000 of additional cash consideration in the form of two separate earn-out payments that are based on the financial performance of HCP for fiscal years 2012 and 2013. To the extent that any earn-out payment is made, you will be entitled to receive for each HCP Common Unit you held as of the consummation of the Merger, an amount equal to such earn-out payment divided by the number of fully diluted HCP Common Units. Assuming payment of the entire $275,000,000 earn-out, each HCP Member and each holder of HCP Options would receive an additional approximately $2.61 per fully diluted HCP Common Unit. See The Merger Agreement Earn-Out beginning on page 121.

Q: How do I elect the form of consideration I receive in the Merger?

A: An election form and other appropriate transmittal materials will be mailed not less than 30 days prior to the anticipated effective time of the Merger to each holder of HCP Common Units as of five days prior to the mailing date of such election form and transmittal materials. Each election form will permit such holder, subject to certain allocation, proration, and election procedures, (i) to elect to receive cash for all of the HCP Common Units held by such holder, (ii) to elect to receive DaVita Common Stock for all of such HCP Common Units, (iii) to elect to receive a combination of cash and DaVita Common Stock, or (iv) to indicate that such record holder has no preference as to the receipt of cash or DaVita Common Stock for such HCP Common Units. See Election and Exchange Procedures Election Procedures beginning on page 106.

Table of Contents

Q: Can I dissent and require appraisal of my shares?

A: Yes. Under California law, if the Merger is completed, you have the right to seek appraisal of the fair market value of your HCP Common Units as determined by a California court and receive such amount in cash, but only if (i) you do not vote in favor of approving the principal terms of the Merger and the Merger Agreement or you vote against the principal terms of the Merger and the Merger Agreement and (ii) you comply with the requirements of California law. See The Merger HCP Member Dissenters Rights beginning on page 100.

Q: Is the Merger expected to be taxable to me?

A: The Merger will be a taxable transaction to the HCP Members for U.S. federal income tax purposes. In general, an HCP Member who exchanges its HCP Common Units for cash and/or DaVita Common Stock pursuant to the Merger will recognize a gain or loss in an amount equal to the difference between (i) such HCP Member s amount realized, calculated as the sum of (A) the amount of any cash received, (B) the fair market value of any DaVita Common Stock received, and (C) such HCP Member s share, for U.S. federal income tax purposes, of HCP s liabilities immediately prior to the Merger and (ii) such HCP Member s adjusted tax basis in the HCP Common Units exchanged therefor. An HCP member s amount realized will include any earn-out payments received and any cash and DaVita Common Stock that is placed in escrow and actually or constructively received. If an HCP Member receives DaVita Common Stock and recognizes gain in the Merger, such HCP Member may incur a tax liability without a corresponding receipt of cash sufficient to pay such liability. For a more detailed description of the tax consequences of the exchange of HCP Common Units in the Merger, including the application of the installment method to any gain recognized by an HCP member, please see Material United States Federal Income Tax Consequences beginning on page 230. Tax matters can be complicated, and the tax consequences of the Merger to you will depend on your particular tax situation. HCP Members should consult their tax advisors for a full understanding of the Merger s tax consequences.

Q: When can I expect to receive the merger consideration?

A: Promptly following the effective time of the Merger, but in no event later than ten days thereafter, you will receive a letter of transmittal with instructions informing you how to effect the surrender of your HCP Common Units in exchange for the merger consideration.

Q: Where can I find more information on DaVita?

A: DaVita files annual, quarterly, and current reports, proxy statements, and other information with the SEC. DaVita s SEC filings are available to the public from the SEC s website at *http://www.sec.gov*. Information about DaVita, including its SEC filings, is also available through its website at *http://www.davita.com*.

Q: Who can help answer my questions?

A: If you have any questions about the Merger, or if you need additional copies of this prospectus or voting instructions, you should contact:
Matthew Mazdyasni

Executive Vice President and Chief Financial and Administrative Officer

HealthCare Partners Holdings, LLC

19191 South Vermont Avenue, Suite 200

Torrance, California 90502

(310) 354-4200

Table of Contents

SUMMARY

The following is a summary that highlights information contained in this prospectus. This summary does not contain all of the information that might be important to you. For a more complete description of the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger and the issuance of shares of DaVita Common Stock to HCP Members, we encourage you to read carefully this entire prospectus, including the attached Annexes. In addition, we encourage you to read carefully the information incorporated by reference into this prospectus. You may obtain the information incorporated by reference into this prospectus without charge by following the instructions in the section entitled Additional Information Where You Can Find More Information beginning on page 234.

Information About the Companies

DaVita Inc.

2000 16th Street

Denver, Colorado 80202

(888) 484-7505

DaVita Inc., which we refer to as DaVita, is a leading provider of kidney dialysis services in the United States for patients suffering from chronic kidney failure, also known as end stage renal disease, or ESRD. As of June 30, 2012, DaVita provided dialysis and other related services through a network of 1,884 outpatient dialysis centers located in the United States throughout 43 states and the District of Columbia, serving a total of approximately 149,000 patients. In addition, as of June 30, DaVita provided outpatient dialysis and administrative services to a total of 19 outpatient dialysis centers located in four countries outside of the United States. DaVita s centers offer outpatient hemodialysis treatments and other ESRD-related services, such as the administration of physician-prescribed pharmaceuticals, including erythropoietin, or EPO, vitamin D analogs, and iron supplements. DaVita also provides services for home dialysis patients, vascular access, disease management services, and laboratory services related to ESRD. As of June 30, DaVita also provided acute inpatient dialysis services in approximately 960 hospitals and related laboratory services throughout the United States. DaVita is a Delaware corporation, incorporated in the State of Delaware in 1994.

DaVita s U.S. dialysis and related lab services business accounts for approximately 92% of its consolidated net operating revenues for the twelve months ended June 30, 2012. Other ancillary services and strategic initiatives accounted for approximately 8% of its consolidated net operating revenues for the same period and relate primarily to its core business of providing kidney dialysis services. For the twelve months ended June 30, 2012, DaVita generated consolidated net operating revenues of $7.365 billion, Adjusted EBITDA of $1.585 billion, and net income attributable to DaVita of $519 million. For an explanation of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to Net Income, see Selected Historical Financial and Other Data beginning on page 176.

Additional information about DaVita is included in the documents incorporated by reference in this prospectus. See Additional Information Where You Can Find More Information beginning on page 234.

Seismic Acquisition LLC

2000 16th Street

Denver, Colorado 80202

(888) 484-7505

Seismic Acquisition LLC, which we refer to as Merger Sub, is a wholly-owned subsidiary of DaVita and was formed solely for the purpose of consummating the Merger. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the Merger.

5

Table of Contents

HealthCare Partners Holdings, LLC

19191 South Vermont Avenue, Suite 200

Torrance, California 90502

(310) 354-4200

HealthCare Partners Holdings, LLC, together with its subsidiaries and affiliated physician groups, which we refer to as HCP (unless the context indicates otherwise), is a patient- and physician-focused, integrated health care delivery and management company with nearly three decades of providing coordinated, outcomes-based medical care in a cost-effective manner. Through capitation contracts with some of the nation s leading health plans, as of June 30, 2012, HCP had approximately 669,400 current members under its care in southern California, central and south Florida and Las Vegas, Nevada. Of these, approximately 190,700 individuals represented patients enrolled in Medicare Advantage. The remaining approximately 478,700 individuals represented managed care members whose health coverage is provided through their employer or who have individually acquired health coverage directly from a health plan or as a result of their eligibility for Medicaid benefits. In addition, during 2011, HCP (through its affiliated physicians, physician groups and IPAs) provided care to over 412,000 fee-for-service patients.

The patients of HCP s affiliated physicians, physician groups, and IPAs benefit from an integrated approach to medical care that places the physician at the center of patient care. As of June 30, 2012, HCP delivered services to its members via a network of over 1,800 affiliated group and other network primary care physicians, 139 network hospitals, and several thousand affiliated group and network specialists. Together with hundreds of case managers, registered nurses and other care coordinators, these medical professionals utilize a comprehensive data analysis engine, sophisticated risk management techniques, and clinical protocols to provide high-quality, cost effective care to HCP s members. HCP is a California limited liability company, formed in the State of California in 2005 in connection with a reorganization of its subsidiaries.

HealthCare Partners Affiliates Medical Group, or HCPAMG, one of HCP s affiliated physician groups, was formed in 1994 and is organized as a California general partnership with 30 general partners. HCPAMG and its affiliates provide managed health care and related services through regional delivery systems and a joint venture to approximately 586,000 enrollees in southern California under contracts with various health plans and to privately insured individuals. Under a management services agreement, HCP earns a management fee from HCPAMG equal to a percentage of HCPAMG s revenues. HCPAMG provides professional medical services to the HCP-managed medical facilities that are located in California, and employs physicians or contracts with various other independent physicians, physician groups and independent practice associations, or IPAs, to provide the professional medical services in California. HCP obtains professional medical services from HCPAMG in California, rather than provide such services directly or through subsidiaries, in order to comply with California s prohibition against the corporate practice of medicine. Through the management services agreement, HCP has exclusive authority over all non-medical decision making related to the ongoing business operations of HCPAMG.

The Merger (see page 80)

DaVita and HCP have agreed to a business combination under the terms and conditions set forth in the Merger Agreement, which we describe in this prospectus. Pursuant to the Merger Agreement, Merger Sub will merge with and into HCP, with HCP continuing as the surviving entity and as a wholly-owned subsidiary of DaVita. We refer to this as the Merger. Following the Merger, DaVita will be renamed DaVita HealthCare Partners Inc. (DaVita Healthcare Partners). We have attached the Merger Agreement and the Amendment to the Merger Agreement as Annex A-1 and Annex A-2 to this prospectus. We encourage you to carefully read the Merger Agreement and the Amendment to the Merger Agreement in their entirety. We currently expect that the Merger will be completed during the fourth quarter of 2012. However, we cannot predict the actual timing of the completion of the Merger.

Table of Contents

The Special Meeting of the HCP Members (see page 78)

Date, Time and Place

The special meeting of the HCP Members will be held at , on , , 2012, at a.m., local time. At the special meeting, you will be asked:

to approve the principal terms of the Merger and the Merger Agreement; and

to transact any other business that may properly come before the special meeting.

Units Entitled to Vote

You may vote at the special meeting if you own HCP Common Units on the date of the special meeting. You may cast one vote for each HCP Common Unit that you own as of that date.

As of the close of business on August 27, 2012, there were 100,131,969.2 HCP Common Units outstanding and entitled to vote.

Vote Required

Approval of the principal terms of the Merger and the Merger Agreement requires the affirmative vote of HCP Members holding a majority of the issued and outstanding HCP Common Units entitled to vote at the special meeting. As more fully described under Other Agreements Voting Agreement and Other Agreements Support Agreements beginning on page 153 and page 154, respectively, HCP Medical Group and the Substantial Members collectively owned, directly or indirectly, 74,143,126 HCP Common Units as of August 27, 2012, which represented approximately 74% of the outstanding HCP Common Units, and they have each entered into an agreement with DaVita pursuant to which they have agreed to vote all of the HCP Common Units owned or controlled by them in favor of the approval of the principal terms of the Merger and the Merger Agreement. Accordingly, the approval of the principal terms of the Merger and the Merger Agreement by the HCP Members is assured.

Ownership of DaVita After the Merger (see page 94)

Based on the number of outstanding HCP Common Units and the number of outstanding shares of DaVita Common Stock as of June 30, 2012, DaVita anticipates that HCP Members will own approximately 9.0% of the outstanding shares of DaVita Common Stock following the Merger.

HCP s Reasons for the Merger; Recommendation of the HCP Board (see page 94)

After careful consideration of the Merger and the terms of the Merger Agreement, the HCP Board has determined that the Merger is fair, advisable and in the best interests of HCP and the HCP Members. Accordingly, the HCP Board unanimously recommends that the HCP Members approve the principal terms of the Merger and the Merger Agreement. For a discussion of the material factors considered by the HCP Board in reaching its conclusions, see The Merger HCP s Reasons for the Merger; Recommendation of the HCP Board beginning on page 94.

The HCP Board recommends that you vote FOR the approval of the principal terms of the Merger and the Merger Agreement.

Fairness Opinion (see page 95)

The HCP Board did not receive a fairness opinion regarding the fairness of the merger consideration to the HCP Members from a financial point of view, or with respect to projections, estimates and other forward-looking statements about the future earnings or other measures of the future performance of HCP.

7

Table of Contents

Interests of HCP s Managers and Executive Officers in the Merger (see page 96)

In considering the recommendations of the HCP Board, you should be aware that some of HCP s managers and executive officers have interests in the Merger that are different from, or in addition to, your interests as an HCP Member, and that may present actual or potential conflicts of interests. These interests include, among others:

- the appointment of Dr. Margolis to fill a newly created directorship as co-chairman of the DaVita Board upon completion of the Merger for a minimum period of four consecutive annual meetings of stockholders of DaVita;
- the entry into employment and noncompetition and nonsolicitation agreements with DaVita (for periods ranging from three years to seven years after the closing of the Merger) by Drs. Margolis and Chin and Messrs. Mazdyasni and Calhoun;
- the beneficial ownership of approximately 74% of the outstanding HCP Common Units and a substantial number of HCP Options (all of such options, as with all HCP Options, will be cashed out at the completion of the Merger); and
- the right to indemnification and coverage under directors and officers liability insurance for a six-year coverage period commencing at the effective time of the Merger.

The HCP Board was aware of these interests and considered them, among other matters, prior to making its determination to recommend the approval of the principal terms of the Merger and the Merger Agreement to the HCP Members. For a more complete discussion of the interests of the HCP managers and executive officers in the Merger, see The Merger Interests of HCP s Managers and Executive Officers in the Merger beginning on page 96.

Treatment of HCP Options in the Merger (see page 99)

The Merger Agreement provides that each HCP Option that is outstanding immediately prior to the effective time of the Merger will accelerate and become fully vested and exercisable as of immediately prior to the effective time of the Merger and, to the extent unexercised, will be cancelled, extinguished, and automatically converted into the right to receive a cash payment for each HCP Common Unit subject to such HCP Option equal to the excess of (a) the merger consideration per fully diluted HCP Common Unit over (b) the per unit exercise price payable in respect of such HCP Common Unit issuable pursuant to such HCP Option.

A portion of the merger consideration will be withheld from payment and contributed to three escrow accounts that support a potential working capital adjustment, certain indemnification obligations, certain contingent payments, and certain costs and expenses that may be incurred by the Member Representative. Funds will be released from these escrow accounts in accordance with the terms and conditions set forth in the Merger Agreement. For further discussion of the escrowed merger consideration, see The Merger Agreement Escrowed Merger Consideration, The Merger Agreement Member Representative Escrow, and The Merger Agreement Nevada Escrow beginning on pages 118, 122 and 123, respectively.

In addition to the closing merger consideration payable upon the consummation of the Merger and the amounts that may be released from the three escrow accounts over time, HCP Members and holders of HCP Options may receive additional cash consideration in the form of two separate earn-out payments that are based on the financial performance of HCP for fiscal years 2012 and 2013. To the extent that any earn-out payment is made, HCP Members and holders of HCP Options will be entitled to receive for each HCP Common Unit and each HCP Common Unit subject to an HCP Option held as of the consummation of the Merger, an amount equal to such earn-out payment divided by the number of fully diluted HCP Common Units. See The Merger Agreement Earn-Out beginning on page 121.

Table of Contents

Accounting Treatment (see page 100)

The Merger will be accounted for using the purchase method of accounting in accordance with the Financial Accounting Standards Board s, or FASB s, Accounting Standard Codification Topic 805, Business Combinations, and the resultant goodwill and other intangible assets will be accounted for under Accounting Standard Codification Topic 350, Intangibles Goodwill and Other. The total purchase price has been preliminarily allocated based on information available to DaVita as of the date of this prospectus to the tangible and intangible assets acquired, liabilities assumed, and contingent earn-out consideration based on management s preliminary estimates of their current fair values. These estimates and assumptions of fair values of assets acquired and liabilities assumed and contingent earn-out consideration and related operating results are subject to change that could result in material differences between the actual amounts and those reported in the unaudited pro forma condensed consolidated financial statements.

HCP Member Dissenters Rights (see page 100)

Under Sections 17601-17605 of the California Corporations Code, record holders of HCP Common Units who do not vote for the approval of the principal terms of the Merger and the Merger Agreement, or who vote against approval of the principal terms of the Merger and the Merger Agreement, who properly demand and exercise their dissenters rights and who comply with the terms of Sections 17601-17605 of the California Corporations Code will be entitled to obtain payment in cash for the judicially determined fair value of their HCP Common Units if the Merger is completed, in lieu of receiving the merger consideration. The relevant provisions of the California Corporations Code are included as Annex F to this prospectus. HCP Members are encouraged to read these provisions carefully and in their entirety. Moreover, due to the complexity of the procedures for exercising dissenters rights, HCP Members who are considering exercising such rights are encouraged to seek the advice of legal counsel. Failure to strictly comply with the applicable California Corporations Code provisions will result in the loss of dissenters rights. See The Merger HCP Member Dissenters Rights beginning on page 100. In addition, DaVita may terminate the Merger Agreement if at the time of termination holders of more than 5% of the outstanding HCP Common Units have validly exercised their dissenters rights (and not withdrawn such exercise or otherwise become ineligible to effect such exercise) in respect of the Merger.

Board of Directors and Executive Officers of DaVita After the Merger (see page 104)

The Merger Agreement provides that at the closing the DaVita Board will be increased in size by one member, and Dr. Margolis will be appointed to fill the newly created directorship as Co-Chairman . In addition, for a minimum period of four consecutive annual meetings of stockholders of DaVita, Dr. Margolis will hold the office of Co-Chairman until the expiration of his term of office or until his successor is duly elected and qualified, subject to his earlier death, resignation, disqualification, or removal in accordance with DaVita s bylaws and/or applicable law.

Information about the current DaVita directors and executive officers can be found in the documents listed under the heading Additional Information Where You Can Find More Information beginning on page 234.

DaVita Financing (see page 104)

DaVita expects to finance the cash portion of the merger consideration through a combination of borrowings under new senior secured facilities and new senior notes. DaVita and Merger Sub have agreed to use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary to arrange and obtain the financing required to consummate the transactions contemplated by the Merger Agreement as promptly as practicable after the date of the Merger Agreement. On August 28, 2012, DaVita issued $1.25 billion of 5.75% senior notes due 2022. The proceeds of the senior notes were placed in escrow

Table of Contents

pending the consummation of the Merger and the satisfaction of certain other conditions. On August 24, 2012, DaVita, its subsidiary guarantors and JPMorgan Chase Bank, N.A., as Administrative Agent, entered into an amendment of its senior secured credit agreement to permit or facilitate, among other things, $3.0 billion of additional term loans under the senior secured facilities, the Merger and the new senior notes. The effectiveness of the amendment is subject to the execution of the amendment by the other parties to the senior secured credit facilities and various conditions, including the commitments of lenders for the full $3.0 billion of additional term loans. DaVita currently anticipates that the additional term loans will consist of a new five year term loan A-3 in the principal amount of $1.35 billion and a new seven year term loan B-2 in the principal amount of $1.65 billion. DaVita has obtained commitments for the new five year term loan A-3, which are subject to various conditions, including the receipt of commitments for the new seven year term loan B-2 which are not expected to be received until immediately prior to the closing of the Merger. No assurance can be given that unconditional binding commitments for the full amount of the new term loans will be obtained, that the amendment will become effective or that the conditions to the release of the proceeds of the 5.75% senior notes will be satisfied. In the event that neither DaVita nor Merger Sub can obtain all of the financing required for the Merger, each party to the Merger generally has the right to terminate the Merger Agreement and HCP may be entitled to a termination fee. For additional information, please see The Merger Agreement Termination of the Merger Agreement and The Merger Agreement Termination Fee beginning on page 149 and page 150, respectively.

The Merger Agreement (see page 114)

Subject to the terms and conditions of the Merger Agreement and in accordance with California law, on the closing date, Merger Sub, a wholly owned subsidiary of DaVita and a party to the Merger Agreement, will merge with and into HCP. HCP will survive the Merger as a wholly owned subsidiary of DaVita, and the separate existence of Merger Sub will cease.

The closing of the Merger will occur at 10:00 a.m., New York City time, on a date to be specified by the parties to the Merger Agreement, which will be no later than the third business day after the satisfaction or waiver of all of the conditions to the closing provided in the Merger Agreement (other than conditions that by their nature are to be satisfied at the closing of the Merger, but subject to the satisfaction or waiver of such conditions at the closing), unless another time, date, or place is agreed to in writing by DaVita and HCP. For further discussion on the conditions to the Merger, see Conditions to Completion of the Merger below.

The description of the Merger Agreement and the Amendment to the Merger Agreement contained in this prospectus is qualified in its entirety by reference to the Merger Agreement, which are attached as Annex A-1 and Annex A-2 to this prospectus. We encourage you to read the Merger Agreement because it, and not any description of the Merger Agreement contained in this prospectus, is the principal document governing the Merger.

The Merger Consideration; Conversion or Cancellation of Units (see page 115)

HCP Common Units

The Merger Agreement provides that, upon the closing, each HCP Common Unit (whether or not subject to restriction) issued and outstanding immediately prior to the effective time (other than (1) HCP Common Units directly or indirectly owned by DaVita, Merger Sub, or HCP and (2) dissenting units) will be converted into the right to receive, at the election of the holder, the following consideration, subject to the portion of consideration being held back in the three escrow accounts and to any adjustment to the merger consideration (including a potential reduction in the merger consideration as a result of an estimated shortfall in working capital, if any, at the time of closing and a post-closing final working capital adjustment):

- for each HCP Common Unit with respect to which a cash election has been effectively made and not revoked or lost, cash, without interest, in an amount equal to the amount obtained by dividing (a) the sum of (i) the product of 9,380,312 shares of DaVita Common Stock multiplied by the one day DaVita

Table of Contents

volume-weighted average stock price on the last trading day prior to the closing date (the aggregate closing stock consideration), (ii) $3,660,000,000 (the aggregate closing cash consideration), and (iii) the aggregate per unit exercise price of all HCP Options by (b) the Total Outstanding HCP Units (as defined in The Merger Agreement The Merger Consideration; Conversion or Cancellation of Units below) (the Per Unit Closing Consideration);

for each HCP Common Unit with respect to which a stock election has been effectively made and not revoked or lost, that number of shares of DaVita Common Stock (the Per Unit Closing Stock Consideration) as is equal to the amount obtained by dividing (i) the Per Unit Closing Consideration by (ii) the one day DaVita volume-weighted average stock price on the last trading day prior to the closing date (the Exchange Ratio); or

for each HCP Common Unit other than units as to which a cash election, a stock election, or a combination of stock and cash election has been effectively made and not revoked or lost, the Per Unit Closing Consideration or Per Unit Closing Stock Consideration as is determined in accordance with the Merger Agreement.

See The Merger Agreement Escrowed Merger Consideration, The Merger Agreement Member Representative Escrow, The Merger Agreement Nevada Escrow and The Merger Agreement Estimated Amounts Included in Closing Merger Consideration beginning on pages 117, 118, 122 and 123.

The per unit value of merger consideration to be received by HCP Members and holders of HCP Options will be based on the one day DaVita volume-weighted average stock price as of the trading day immediately prior to the closing date. Based upon the closing price of $ per share of DaVita Common Stock on, 2012, the last trading day prior to the date of this prospectus, and assuming no estimated working capital adjustment at the time of closing, the consideration in the Merger would be $ per fully diluted HCP Common Unit.

An HCP Member may elect to receive the merger consideration represented by HCP Common Units in the form of cash or stock, or a combination thereof. However, notwithstanding any such election, an HCP Member may receive a combination of cash or stock that is different from what such HCP Member may have elected, depending on the elections made by other HCP Members, in order to ensure that the aggregate merger consideration of $3.66 billion in cash and 9,380,312 shares of DaVita Common Stock, subject to certain adjustments, is fully allocated and paid in the Merger. No fractional shares of DaVita Common Stock will be issued in the Merger.

Drs. Margolis, Chin and Paulsen, and Mr. Mazdyasni have each entered into a support agreement with DaVita and HCP, whereby they have agreed to elect to receive merger consideration in the form of stock in exchange for at least 33% of the HCP Common Units owned, whether directly or indirectly, by them.

In addition, pursuant to the Merger Agreement, each HCP Common Unit may be entitled to the following consideration, to the extent that any such payments are made as described in The Merger Agreement Escrowed Merger Consideration, The Merger Agreement Post-Closing Merger Consideration Adjustment Determination, The Merger Agreement Earn-Out, The Merger Agreement Member Representative Escrow, and The Merger Agreement Nevada Escrow beginning on pages 118, 120, 121, 122 and 123, respectively:

payable upon the occurrence of those events specified in the Merger Agreement, an amount of cash (without interest) equal to the amount obtained by dividing (x) the post-closing adjustment amount by (y) the Total Outstanding HCP Units;

Table of Contents

payable upon the occurrence of those events specified in the Merger Agreement, an amount of cash (without interest) equal to the amount obtained by dividing (x) each earn-out payment by (y) the Total Outstanding HCP Units;

a non-transferable, contingent right to distributions of Escrow Payment (as defined in The Merger Agreement The Merger Consideration; Conversion or Cancellation of Units) attributable to each HCP Common Unit, such distributions to be paid in accordance with the Merger Agreement;

a non-transferable, contingent right to distributions of MR Escrow Payment (as defined in The Merger Agreement The Merger Consideration; Conversion or Cancellation of Units) attributable to each HCP Common Unit, such distributions to be paid in accordance with the Merger Agreement; and

a non-transferable, contingent right to distributions of Nevada Escrow Payment (as defined in The Merger Agreement The Merger Consideration; Conversion or Cancellation of Units) attributable to each HCP Common Unit, such distributions to be paid in accordance with the Merger Agreement.

HCP Options

DaVita will not assume or otherwise replace any HCP Options in connection with the transactions. Upon the terms and subject to the conditions set forth in the Merger Agreement, each HCP Option that is outstanding immediately prior to the effective time will accelerate and become fully vested and exercisable as of immediately prior to the effective time and, to the extent unexercised, will be cancelled, extinguished, and automatically converted into the right to receive, for each HCP Common Unit subject to such HCP Option, in consideration of such cancellation, the following consideration, subject to the portion of the consideration being held back in the three escrow accounts described in The Merger Agreement Escrowed Merger Consideration, The Merger Agreement Member Representative Escrow, and The Merger Agreement Nevada Escrow beginning on pages 118, 122 and 123, respectively, and to any adjustment to the closing merger consideration described in The Merger Agreement Estimated Amounts Included in Closing Merger Consideration beginning on page 117:

payable upon the closing, an amount of cash (without interest) equal to the excess of the Per Unit Closing Consideration over the applicable per unit exercise price.

In addition, pursuant to the Merger Agreement, each HCP Common Unit subject to such HCP Option may be entitled to the following consideration, to the extent that any such payments are made as described in The Merger Agreement Escrowed Merger Consideration, The Merger Agreement Post-Closing Merger Consideration Adjustment Determination, The Merger Agreement Earn-Out, The Merger Agreement Member Representative Escrow, and The Merger Agreement Nevada Escrow beginning on pages 118, 120, 121, 122, and 123, respectively:

payable upon the occurrence of those events specified in the Merger Agreement, an amount of cash (without interest) equal to the amount obtained by dividing (x) the post-closing adjustment amount by (y) the Total Outstanding HCP Units;

payable upon the occurrence of those events specified in the Merger Agreement, an amount of cash (without interest) equal to the amount obtained by dividing (x) each earn-out payment by (y) the Total Outstanding HCP Units;

a non-transferable, contingent right to distributions of Escrow Payment attributable to each HCP Common Unit subject to such HCP Option, such distributions to be paid in accordance with the Merger Agreement;

12

Table of Contents

a non-transferable, contingent right to distributions of MR Escrow Payment attributable to each HCP Common Unit subject to such HCP Option, such distributions to be paid in accordance with the Merger Agreement; and

a non-transferable, contingent right to distributions of Nevada Escrow Payment attributable to each HCP Common Unit subject to such HCP Option, such distributions to be paid in accordance with the Merger Agreement.

The merger consideration may be subject to an estimated working capital adjustment at the time of closing. If the estimated net working capital minus the estimated indebtedness amount is less than negative $149,000,000 (such deficiency stated as a positive number, the Estimated Shortfall Amount), then the Closing Merger Consideration (as defined in the Merger Agreement) will be decreased by an amount equal to the deficiency, and the Per Unit Closing Consideration will be decreased by an amount equal to such deficiency divided by the Total Outstanding HCP Units.

Post-Closing Merger Consideration Adjustment Determination

The merger consideration also may be subject to a post-closing working capital adjustment that may cause the merger consideration to be more or less than what is described above. The amount of any final post-closing negative adjustment in the aggregate merger consideration will be satisfied from the Escrow Fund (as defined The Merger Agreement Indemnification below) in cash and DaVita Common Stock. The amount of any final post-closing positive adjustment in the aggregate merger consideration will be paid by DaVita to the HCP Members and the holders of HCP Options, pro rata based on the fully diluted HCP Common Units held by such HCP Members or attributable to HCP Options held by such holders of HCP Options as of immediately prior to the closing relative to the Total Outstanding HCP Units, as soon as reasonably practicable after the determination of such adjustment and, in any event with respect to any such payment made to the HCP Members, within five business days thereafter; provided that any such payments made to the holders of HCP Options will be subject to certain withholding provisions set forth in the Merger Agreement. See The Merger Agreement Post-Closing Merger Consideration Adjustment Determination beginning on page 120.

Earn-Out

As additional merger consideration, a total of up to $275,000,000, divided into two tranches, the first of which will consist of $137,500,000 (the First Tranche) and the second of which will consist of $137,500,000 (the Second Tranche), will be payable to the HCP Members, holders of HCP Options, and pursuant to the Nevada Settlement Agreements (as defined below) as set forth below:

If the Earn-Out EBITDA (as defined in The Merger Agreement Earn-Out below) for the fiscal year ended December 31, 2012 is equal to or greater than $550,000,000, then DaVita will pay to the HCP Members and holders of HCP Options the First Tranche in cash, which will be allocated among the HCP Members and holders of HCP Options pro rata based on the fully diluted HCP Common Units held by such HCP Members or attributable to HCP Options held by such holders of HCP Options as of immediately prior to the closing relative to the Total Outstanding HCP Units; provided that any such payments made to the holders of HCP Options will be subject to certain withholding provisions set forth in the Merger Agreement.

If the Earn-Out EBITDA for the fiscal year ended December 31, 2013 is equal to or greater than $600,000,000, then (x) DaVita will pay to the HCP Members and holders of HCP Options the Second Tranche (less the aggregate amount payable pursuant to clause (y) below) in cash, which will be allocated among the HCP Members and the holders of HCP Options pro rata based on the fully diluted HCP Common Units held by such HCP Members or attributable to HCP Options held by such holders

Table of Contents

of HCP Options as of immediately prior to the closing relative to the Total Outstanding HCP Units; provided that any such payments made to the holders of HCP Options will be subject to certain withholding provisions set forth in the Merger Agreement, and (y) DaVita will pay, or cause to be paid, any transaction settlement payment that is due and payable pursuant to each of the Nevada Settlement Agreements.

Assuming payment of the entire $275,000,000 earn-out, each HCP Member would receive an additional approximately $2.61 per fully diluted HCP Common Unit.

DaVita s obligation to pay each of the per unit earn-out payments to the HCP Members and holders of HCP Options is an independent obligation of DaVita and is not otherwise conditioned or contingent upon the satisfaction of any conditions precedent to any preceding or subsequent per unit earn-out payment, and the obligation to pay a per unit earn-out payment to the HCP Members and holders of HCP Options will not obligate DaVita to pay any preceding or subsequent per unit earn-out payment. See The Merger Agreement Earn-Out beginning on page 121.

Escrows

Escrowed Merger Consideration. A portion of the closing merger consideration equal to $559,375,000 (collectively with any earnings or dividends thereon, if any, the Escrowed Merger Consideration), or approximately $5.31 per fully diluted HCP Common Unit, will be withheld from the closing merger consideration otherwise deliverable to the HCP Members and holders of HCP Options on the closing date and contributed to escrow to serve as security for the benefit of DaVita (on behalf of itself or any other DaVita Indemnified Party (as defined in The Merger Agreement Indemnification below)) against (x) the indemnification afforded the DaVita Indemnified Parties in the Merger Agreement and (y) any reduction in the merger consideration payable to HCP Members and holders of HCP Options as a result of any post-closing adjustment to the merger consideration. The Escrowed Merger Consideration will consist of cash and DaVita Common Stock in the ratio of the number of HCP Common Units being converted to cash plus the number of HCP Options over the number of HCP Common Units being converted to DaVita Common Stock (the Escrow Proportion).

If any payment is required to be made to DaVita from the Escrowed Merger Consideration, such payment will be comprised of a mixture of cash and shares of DaVita Common Stock in the Escrow Proportion, with each share of DaVita Common Stock valued at the one day DaVita volume-weighted average stock price on the last trading day prior to such distribution date. Portions of the Escrowed Merger Consideration not subject to claims for indemnification by any DaVita Indemnified Party will be released, if available, to the HCP Members and holders of HCP Options periodically, with the first such release occurring on the second anniversary of the closing of the Merger and the last occurring in October 2017. On each release date, (i) the DaVita Common Stock being released, along with the aggregate amount of dividends or other distributions made on such stock or earnings on such dividends or other distributions, will be released to HCP Members who received DaVita Common Stock as merger consideration pro rata based on the number of shares of DaVita Common Stock contributed to escrow and (ii) the remaining cash being released, including all earnings on such cash, will be released to HCP Members and holders of HCP Options who received cash merger consideration pro rata based on the amount of cash contributed to escrow. You should be aware that as a result of fluctuations in the market value of DaVita Common Stock, the value of such shares on the closing date may be greater than, or less than, their value on the date that such shares are released from escrow, if they are released at all. For further information regarding the escrow distribution schedule, see The Merger Agreement Escrowed Merger Consideration beginning on page 118.

Member Representative Escrow. A portion of the closing merger consideration equal to $5,000,000, or approximately $0.05 per fully diluted HCP Common Unit, consisting entirely of cash, will be withheld from the closing merger consideration otherwise deliverable to the HCP Members and holders of HCP Options on the closing date to

Table of Contents

fund, if necessary, (i) the HCP Members share of the neutral accountant s fees and expenses; fees, costs, and expenses (other than taxes on any earnings) attributable to the establishment and maintenance of the Nevada escrow account; the HCP Members share of the purchase price allocation accounting firm s fees and expenses; and any and all costs and expenses of the Member Representative, (ii) the expenses incurred by the Member Representative acting in such capacity, and (iii) any other expense described in the Merger Agreement as being paid from the Member Representative escrow account. See The Merger Agreement Member Representative Escrow beginning on page 122.

Nevada Escrow. A portion of the closing merger consideration equal to $10,000,000, or approximately $0.10 per fully diluted HCP Common Unit, consisting entirely of cash, will be withheld from the closing merger consideration otherwise deliverable to the HCP Members and holders of HCP Options on the closing date to fund, if applicable, certain transaction settlement payments that may become due and payable pursuant to (i) that certain Settlement Agreement, dated as of May 20, 2012, by and between JSA Healthcare Nevada, L.L.C. and Sherif W. Abdou, M.D. and (ii) that certain Settlement Agreement, dated as of May 20, 2012, by and between JSA Healthcare Nevada, L.L.C. and Amir Bacchus, M.D. (collectively, the Nevada Settlement Agreements). See The Merger Agreement Nevada Escrow beginning on page 123.

No Solicitation of or Discussions Relating to Competing Transaction (see page 128)

The Merger Agreement contains provisions prohibiting HCP from seeking or discussing an alternative proposal to the transactions. Under these no solicitation provisions, HCP has agreed that it will not, and will cause each Business Entity and Related Consolidated Entity and its and their respective directors, officers, employees, agents, advisors, or other representatives not to, directly or indirectly, (a) initiate, solicit, or encourage any proposal or any inquiry that may reasonably be expected to lead to any proposal concerning a competing transaction, which includes the sale of any Business Entity or Related Consolidated Entity or any business thereof or a sale of any material assets of any Business Entity or Related Consolidated Entity, or (b) hold any discussions or enter into any contracts or other arrangements with, or provide any information or respond to, any third party concerning a proposed competing transaction or cooperate in any way with, agree to, assist or participate in, solicit, consider, entertain, facilitate, or encourage any effort or attempt by any third party to do or seek any of the foregoing.

HCP has also agreed in the Merger Agreement that if it or any of its affiliates is approached in any manner by a third party concerning a competing transaction, it will promptly, and in any event within 24 hours after contact, inform such third party of the restrictions relating to competing transactions set forth in the Merger Agreement and inform DaVita regarding such contact.

Conditions to Completion of the Merger (see page 136)

The obligations of HCP, DaVita, and Merger Sub to consummate the Merger are subject to the fulfillment or written waiver, at or prior to the closing, of each of the following conditions:

- any waiting period and any extensions applicable to the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (the HSR Act) must have expired or have been terminated (effective July 3, 2012, early termination has been granted);

- no governmental authority will have enacted, issued, promulgated, enforced, or entered any law (whether temporary, preliminary, or permanent) that has the effect of prohibiting or making illegal the transactions;

Table of Contents

the registration statement (as amended or supplemented) of which this prospectus forms a part must have been declared effective and must be effective under the Securities Act of 1933, as amended (the Securities Act), at the effective time, no stop order suspending effectiveness must have been issued, and there must be no action, suit, proceeding, or investigation seeking a stop order or to suspend the effectiveness of the registration statement pending before or threatened by the SEC; and

the principal terms of the Merger and the Merger Agreement must have been approved, authorized, and adopted by the affirmative vote of the HCP Members holding a majority of the issued and outstanding HCP Common Units.

In addition to the conditions for all parties to the Merger Agreement, the obligations of DaVita and Merger Sub to consummate the Merger are subject to the fulfillment or written waiver, at or prior to the closing, of each of the following conditions:

the representations and warranties of HCP contained in Merger Agreement, after disregarding all qualifications relating to materiality or Material Adverse Effect (as defined in The Merger Agreement below), must be true and correct at and as of the date of the Merger Agreement and at and as of the closing, as though made at and as of the closing (or, if made as of a specific date, on and as of such date), except where the failure of all such representations and warranties to be so true and correct has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;

HCP must have complied, in all material respects, with all covenants and agreements required to be complied with by it under the Merger Agreement on or before the closing;

the receipt of an officer s certificate, dated as of the closing date, executed by a duly authorized officer of HCP, certifying that the two preceding conditions have been satisfied;

each of the Substantial Members must have complied, in all material respects, with the covenants and agreements required to be complied with by them under their respective agreements with DaVita and HCP on or before the closing;

HCP Medical Group must have complied, in all material respects, with the covenants and agreements required to be complied with by it on or before the closing under the voting agreement that HCP Medical Group entered into with DaVita and HCP;

there shall not be threatened, instituted or pending any order, action or proceeding, before any court or other governmental authority with jurisdiction over material operations of HCP s business:

challenging or seeking to make illegal, or to delay, in any material respect, the consummation of the transactions or seeking to obtain material damages in connection with the transactions,

imposing or seeking to impose material limitations on the ability of DaVita or any of its affiliates to acquire or hold or to exercise full rights of ownership of any securities of HCP and its subsidiaries (the Business Entities),

seeking to prohibit direct or indirect ownership or operation by DaVita or any of its affiliates of all or any material portion of the business or assets of the Business Entities, or to compel DaVita or any of its affiliates or the entities through which HCP conducts its business (other than the Business Entities) and that are consolidated with the Business Entities in the audited financial statements and The Magan Medical Group and California Medical Group Insurance Company, Risk Retention Group (collectively, the Related Entities) to dispose of or to hold separately all or a material portion of the business or assets of DaVita and its affiliates or of the Business Entities, as a result of the transactions,

16

Table of Contents

materially restricting or materially prohibiting the operations of the Related Entities respective businesses after the closing in any geographic or product market or in any Program (as defined in The Merger Agreement Conditions to Completion of the Merger , or

seeking to invalidate or render unenforceable any material provision of the Merger Agreement or any of the other transaction documents;

the receipt by DaVita of documentation evidencing certain consents and authorizations;

each of HCP, the Member Representative, and an escrow agent must have executed and delivered to DaVita and Merger Sub the transaction documents to which it is a party and such other certificates, documents, and instruments as DaVita may reasonably request related to the transactions;

the agreements and other documents related to HCPAMG, HealthCare Partners Medical Group, Inc., a California professional corporation (HCPMGI), and Seismic Medical Group, Inc., a California professional corporation (SMG), must be in full force and effect, valid and binding on the applicable Business Entities and any Related Entities that are parties thereto, and must not have been amended or otherwise modified since the date of the Merger Agreement; and

the receipt from HCP of one or more affidavits, as appropriate, allowable, and necessary under applicable law and under penalties of perjury, providing DaVita with written documentation that (i) no interest in any Business Entity either was or is a United States real property holding corporation either prior to or as of the closing date (in form and substance required under Treasury Regulation Section 1.897-2(h) or under Treasury Regulations issued pursuant to Section 1445 of the Code) or that (ii) no HCP Member is a foreign person (in form and substance required under Treasury Regulations issued pursuant to Section 1445 of the Code).

In addition to the conditions for all parties to the Merger Agreement, the obligations of HCP to consummate the Merger are subject to the fulfillment or written waiver, at or prior to the closing, of each of the following conditions:

the representations and warranties of DaVita and Merger Sub contained in Merger Agreement, after disregarding all qualifications relating to materiality or DaVita Material Adverse Effect (as defined in The Merger Agreement below), must be true and correct at and as of the date of the Merger Agreement and at and as of the closing, as though made at and as of the closing (or, if made as of a specific date, on and as of such date), except where the failure of all such representations and warranties to be so true and correct has not had, and would not reasonably be expected to have, individually or in the aggregate, a DaVita Material Adverse Effect;

DaVita and Merger Sub must have complied, in all material respects, with all covenants and agreements required to be complied with by them under the Merger Agreement on or before the closing;

the receipt of an officer s certificate, dated as of the closing date, executed by a duly authorized officer of DaVita, certifying that the two preceding conditions have been satisfied;

there shall not be threatened, instituted, or pending any order, action, or proceeding, before any court or other governmental authority with jurisdiction over material operations of HCP s business:

challenging or seeking to make illegal, or to delay, in any material respect, the consummation of the transactions or seeking to obtain material damages in connection with the transactions,

imposing or seeking to impose material limitations on the ability of DaVita or any of its affiliates to acquire or hold or to exercise full rights of ownership of any securities of the Business Entities,

seeking to prohibit direct or indirect ownership or operation by DaVita or any of its affiliates of all or any material portion of the business or assets of the Business Entities, or to compel DaVita or

Table of Contents

any of its affiliates or the Related Entities to dispose of or to hold separately all or a material portion of the business or assets of DaVita and its affiliates or of the Business Entities, as a result of the transactions,

materially restricting or materially prohibiting the operations of the Related Entities respective businesses after the closing in any geographic or product market or in any Program, or

seeking to invalidate or render unenforceable any material provision of the Merger Agreement or any of the other transaction documents; and

each of DaVita, the Member Representative, and an escrow agent must have executed and delivered to DaVita and Merger Sub the transaction documents to which it is a party and such other certificates, documents, and instruments as HCP may reasonably request related to the transactions.

For further discussion on the conditions to the Merger, see The Merger Agreement Conditions to Completion of the Merger beginning on page 136.

Remedies; Specific Performance (see page 147)

Following the closing, other than certain specific performance obligations (subject to certain limits on indemnification):

the indemnification provisions set forth in the Merger Agreement will be the sole and exclusive remedies of the parties for any breach of the representations and warranties contained in the Merger Agreement and for any failure to perform or comply with any covenant or agreement in the Merger Agreement or of the EQ Representations (as defined in The Merger Agreement Indemnification); and

any and all claims arising out of or in connection with the transactions must be brought under and in accordance with the terms of the Merger Agreement.

In addition, in the event of a breach or a threatened breach by a party, any non-breaching party will be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance, and any other relief that may be available from a court of competent jurisdiction. For the avoidance of doubt, HCP and the Member Representative will not have the right to obtain a temporary restraining order, an injunction, specific performance, or any other equitable relief that may be available from a court of competent jurisdiction to cause the consummation of the closing if:

DaVita has complied with its financing covenants,

despite such compliance, the proceeds of the financing are not available to DaVita or Merger Sub, and

upon termination of the Merger Agreement, the termination fee is due and payable by DaVita to HCP in accordance with the Merger Agreement. See The Merger Agreement Remedies; Specific Performance beginning on page 147.

Termination of the Merger Agreement (see page 149)

Termination by HCP or DaVita

DaVita and HCP may terminate the Merger Agreement by mutual written consent. Either DaVita or HCP may terminate the Merger Agreement at any time prior to the closing:

if the closing has not occurred by November 30, 2012 (the Termination Date); provided, however, that the right to terminate the Merger Agreement after the Termination Date will not be available to

Table of Contents

any party whose breach or failure to fulfill any obligation under the Merger Agreement was the cause of, or resulted in, the failure of the closing to occur on or prior to such date;

in the event that any governmental order enjoining or otherwise prohibiting the transactions becomes final and nonappealable;

upon written notice to the other party, if the approval of the principal terms of the Merger and the Merger Agreement by HCP Members holding a majority of the issued and outstanding HCP Common Units has not been obtained;

in the event that one or more of the conditions to closing cannot be satisfied as of the closing date; provided, however, that the right to terminate the Merger Agreement for this reason will not be available to any party in breach of the Merger Agreement or whose failure to fulfill any obligation under the Merger Agreement was the cause of, or resulted in, such condition not to be satisfied as of the closing date; or

in the event that neither DaVita nor Merger Sub has received the financing at any time following the satisfaction or waiver of all the conditions to DaVita and Merger Sub s obligations to consummate the transactions (other than those conditions that, by their nature, cannot be satisfied until the closing date, but which conditions could be satisfied if the closing date were the date of such termination); provided that the right to terminate the Merger Agreement for this reason will not be available to any party in breach of the Merger Agreement or whose failure to fulfill any obligation under the financing covenants of the Merger Agreement was the cause of, or resulted in, such failure of DaVita or Merger Sub to receive financing.

Termination by DaVita

DaVita may terminate the Merger Agreement if:

a breach of any representation, warranty, covenants or agreement on the part of HCP set forth in the Merger Agreement (including an obligation to consummate the transactions) has occurred that would, if occurring or continuing on the closing date, cause any of the conditions to DaVita and Merger Sub s obligations to consummate the transactions not to be satisfied, and such breach is not cured, or is incapable of being cured, within 30 days (but no later than the Termination Date) of receipt of written notice by DaVita to HCP of such breach; provided that DaVita is not then in breach of the Merger Agreement so as to cause any of the conditions to HCP s obligations to consummate the transactions not to be satisfied; or

upon written notice to HCP within five business days after obtaining the approval of the principal terms of the Merger and the Merger Agreement by HCP Members holding a majority of the issued and outstanding HCP Common Units, if at the time of termination holders of more than 5% of the outstanding HCP Common Units have validly exercised their dissenters rights (and not withdrawn such exercise or otherwise become ineligible to effect such exercise) in respect of the transactions.

Termination by HCP

HCP may terminate the Merger Agreement if:

a breach of any representation, warranty, covenant, or agreement on the part of DaVita or Merger Sub set forth in the Merger Agreement (including an obligation to consummate the transactions) has occurred that would, if occurring or continuing on the closing date, cause any of the conditions to HCP s obligation to consummate the transactions not to be satisfied, and such breach is not cured, or is incapable of being cured, within 30 days (but no later than the Termination Date) of receipt of written

19

Table of Contents

notice by HCP to DaVita of such breach; provided that HCP is not then in breach of the Merger Agreement so as to cause any of the conditions to DaVita and Merger Sub s obligations to consummate the transactions not to be satisfied.

Termination Fee (see page 150)

The Merger Agreement provides that DaVita is required to pay HCP a $125 million termination fee in the event that the Merger Agreement is terminated under certain circumstances. For a description of such circumstances, see The Merger Agreement Termination Fee beginning on page 150.

Fees and Expenses (see page 151)

Generally, all fees and expenses incurred in connection with the Merger Agreement and the transactions contemplated by the Merger Agreement will be paid by the party incurring those expenses, subject to the specific exceptions discussed in this prospectus.

Government Regulations (see page 171)

DaVita s dialysis operations are subject to extensive federal, state and local, and foreign governmental regulations that require DaVita to meet various standards relating to, among other things, government payment programs, dialysis facilities and equipment, management of centers, personnel qualifications, maintenance of proper records, and quality assurance programs and patient care. Such regulations include licensure and certifications from the Centers for Medicare and Medicaid Services (CMS), the federal anti-kickback statute contained in the Social Security Act, the Ethics in Patient Referral Act, commonly known as the Stark Law, state laws governing fraud and abuse, The False Claims Act, and The Health Insurance Portability and Accountability Act of 1996. For a more detailed discussion of the governmental regulations that DaVita is subject to, see Information about HCP Government Regulations beginning on page 171.

In addition to those regulations described in relation to DaVita, HCP s business is subject to certain additional laws and regulations, including state laws with respect to the corporate practice of medicine and fee-splitting, the California Knox-Keene Health Care Service Plan Act of 1975 and other state laws regarding risk arrangements, Medicare and Medicaid regulations and the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010 (the Health Reform Acts), as well as numerous federal, state and local licensing laws, and regulations, relating to, among other things, professional credentialing and professional ethics. For a more detailed discussion of the governmental regulations to which HCP is subject, see Information about HCP Government Regulations beginning on page 171.

Risk Factors (see page 38)

In evaluating the Merger, the Merger Agreement or the issuance of shares of DaVita Common Stock pursuant to the Merger Agreement, you should carefully read this prospectus and especially consider the factors discussed or referred to in the section entitled Risk Factors beginning on page 38. Such factors include, among other things:

- the risk that average rates that commercial payors pay DaVita could decline significantly, which would have a material adverse effect on revenues, earnings and cash flows;
- the fact that, if the number of patients with higher-paying commercial insurance declines, then DaVita s revenues, earnings and cash flows would be substantially reduced;
- the risk that health care reform or changes in state Medicaid or other non-Medicare government-based programs or payment rates could substantially reduce DaVita s revenues, earnings and cash flows;

Table of Contents

the fact that HCP will no longer be an independent company and that it will not have autonomy in its decision-making;

the risk that the Merger could compromise or diminish HCP s distinctive physician-owned, physician-led culture and business model, including the potential impact on current employees, affiliated physicians and physician group and IPA consolidation opportunities;

the fact that the number of shares of DaVita Common Stock offered as consideration is fixed and therefore the total merger consideration at the time of closing may have a greater or lesser value than at the time the Merger Agreement was signed;

the risk that, while the Merger is expected to be completed, there can be no assurance that all conditions to the parties obligations to complete the Merger will be satisfied, and as a result, it is possible that the Merger may not be completed even if it is approved by the HCP Members;

HCP s inability to seek specific performance to require DaVita to complete the Merger if (i) DaVita has complied with its financing covenants, (ii) despite such compliance, the proceeds of the financing are not available to DaVita or the Merger Sub, and (iii) upon termination of the Merger Agreement, the termination fee is due and payable by DaVita to HCP in accordance with the Merger Agreement, and the fact that HCP s sole remedy in connection with DaVita s failure to close under this circumstance would be limited to a termination fee of $125 million;

the risks and costs to HCP if the Merger does not close, including the diversion of management and employee attention and the potential effect on HCP s business and its relationships with payors and physicians;

the restrictions on the conduct of HCP s business prior to the completion of the Merger, which may delay or prevent HCP from undertaking business opportunities that may arise and certain other actions it might otherwise take with respect to its operations pending completion of the Merger;

the risk that the cost of providing services under HCP s agreements will exceed its compensation;

the risk that laws regulating the corporate practice of medicine could restrict the manner in which HCP conducts its business;

the risk that reductions in reimbursement rates and future regulations may negatively impact HCP s business, revenue and profitability;

the risk that HCP may not be able to successfully establish a presence in new geographic regions;

the risk that reductions in the quality ratings of health maintenance organization plan customers of HCP could have an adverse effect on HCP s business;

the fact that HCP faces certain competitive threats that could reduce its profitability; and

the risk that a disruption in HCP s healthcare provider networks could have an adverse effect on HCP s operations and profitability.

DaVita s Dividend Policy (see page 36)

DaVita has never paid a cash dividend on DaVita Common Stock and has no present intention to commence the payment of cash dividends. It is possible that the DaVita board of directors (the DaVita Board) could determine in the future, based on DaVita s financial and other relevant circumstances at that time, to pay cash dividends. DaVita s senior secured credit agreement contains covenants that, among other things, limit DaVita s ability to pay dividends on its capital stock.

Table of Contents

Comparison of Rights of DaVita Stockholders and HCP Members (see page 219)

HCP is a limited liability company organized under the laws of the State of California and, accordingly, the rights of HCP Members are governed by the California Limited Liability Company Act. DaVita is a corporation organized under the laws of the State of Delaware and, accordingly, the rights of the stockholders of DaVita are governed by the Delaware General Corporation Law (the DGCL). Therefore, upon completion of the Merger, the rights of the former HCP Members will be governed by the DGCL, the certificate of incorporation of DaVita, as amended, and the bylaws of DaVita, as amended. Certain differences between the current rights of the DaVita stockholders and the current rights of the HCP Members are described in detail under Comparison of Rights of DaVita Stockholders and HCP Members beginning on page 219.

Material United States Federal Income Tax Consequences (see page 230)

The Merger will be a taxable transaction to the HCP Members for U.S. federal income tax purposes. In general, an HCP Member who exchanges its HCP Common Units for cash and/or DaVita Common Stock pursuant to the Merger will recognize a gain or loss in an amount equal to the difference between (i) such HCP Member s amount realized, calculated as the sum of (A) the amount of any cash received, (B) the fair market value of any DaVita Common Stock received, and (C) such HCP Member s share, for U.S. federal income tax purposes, of HCP s liabilities immediately prior to the Merger and (ii) such HCP Member s adjusted tax basis in the HCP Common Units exchanged therefor. An HCP member s amount realized will include any earn-out payments received and any cash and DaVita Common Stock that is placed in escrow and actually or constructively received. If an HCP Member receives DaVita Common Stock and recognizes gain in the Merger, such HCP Member may incur a tax liability without a corresponding receipt of cash sufficient to pay such liability. For a more detailed description of the tax consequences of the exchange of HCP Common Units in the Merger, including the application of the installment method to any gain recognized by an HCP member, please see Material United States Federal Income Tax Consequences beginning on page 230.

Tax matters can be complicated, and the tax consequences of the Merger to you will depend on your particular tax situation. HCP Members should consult their tax advisors for a full understanding of the Merger s tax consequences.

Table of Contents

Summary Historical Financial and Operating Data for DaVita and HCP

DaVita

The following summary historical financial information was derived from DaVita s audited historical financial statements for the years ended December 31, 2009, 2010, and 2011 and unaudited financial information for the six months ended June 30, 2011 and 2012 and the trailing twelve months ended June 30, 2012, incorporated by reference in this prospectus. Effective January 1, 2012, DaVita adopted FASB s ASU No 2011-07 *Health Care Entities Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts*. Upon adoption of this standard, DaVita was required to change the presentation of its provision for uncollectible accounts related to patient service revenue as a deduction from patient service operating revenues. These consolidated financial results have been revised for all prior periods presented to reflect the retrospective application of adopting these new presentation and disclosure requirements for the provision for uncollectible accounts. You should read the information set forth below in conjunction with DaVita s historical consolidated financial statements and related notes, incorporated herein by reference, and Selected Historical Financial and Other Data DaVita and Unaudited Pro Forma Condensed Consolidated Financial Information included in this prospectus beginning on pages 176 and 209, respectively.

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2009	2010 (audited)	2011	2011	2012 (unaudited)	2012
	(dollars in millions)					
Statement of operations data:						
Net dialysis patient service revenues, less provision for uncollectible accounts	$ 5,601	$ 5,877	$ 6,273	$ 2,992	$ 3,465	$ 6,745
Other revenue	343	395	519	232	332	620
Net operating revenues	5,944	6,272	6,792	3,224	3,797	7,365
Operating expenses and charges:						
Patient care costs	4,242	4,467	4,681	2,277	2,575	4,979
General and administrative	531	579	691	315	422	798
Depreciation and amortization	228	234	267	126	154	294
Provision for uncollectible accounts	5	4	7	3	4	8
Goodwill impairment charge[1]			24	24		
Legal proceeding contingency accrual and related expenses[2]					78	78
Equity investment income	(2)	(9)	(9)	(4)	(5)	(10)
Total operating expenses and charges	5,004	5,275	5,661	2,742	3,228	6,147
Operating income	940	997	1,131	482	569	1,218
Debt expense	(186)	(182)	(241)	(118)	(122)	(245)
Refinancing and debt redemption charges[3]		(74)				
Other income	4	3	3	1	2	3
Income from continuing operations before income taxes	758	744	893	365	449	976
Income tax expense	278	260	316	130	164	349
Income from continuing operations	480	484	577	235	285	627
Discontinued operations[4]			(4)	1		(4)
Net income	480	484	573	236	285	623
Less: Net income attributable to noncontrolling interests	(57)	(78)	(95)	(41)	(49)	(104)
Net income attributable to DaVita Inc.	$ 423	$ 406	$ 478	$ 195	$ 236	$ 519

23

Table of Contents

	Year ended December 31,			Six Months ended June 30,		Twelve months ended June 30,
	2009	2010	2011	2011	2012	2012
	(dollars in millions, except per share data)					
Earnings per share:[5]						
Basic income from continuing operations per share attributable to DaVita Inc.	$ 4.07	$ 3.99	$ 5.09	$ 2.03	$ 2.51	5.58
Basic net income attributable to DaVita Inc.	$ 4.08	$ 4.00	$ 5.05	$ 2.03	$ 2.51	5.54
Diluted income from continuing operations per share attributable to DaVita Inc.	$ 4.05	$ 3.93	$ 4.99	$ 1.98	$ 2.46	5.48
Diluted net income attributable to DaVita Inc.	$ 4.06	$ 3.94	$ 4.96	$ 1.99	$ 2.46	5.44
Weighted average shares for earnings per share:[5]						
Basic	103,604,000	101,504,000	94,658,000	95,872,000	93,970,000	93,717,000
Diluted	104,168,000	103,059,000	96,532,000	98,014,000	95,866,000	95,468,000
Amounts attributable to DaVita Inc.						
Income from continuing operations	$ 423	$ 406	$ 482	$ 194	$ 236	523
Discontinued operations			(4)	1		(4)
Net income	$ 423	$ 406	$ 478	$ 195	$ 236	519
Balance sheet data (at end of period):						
Cash and cash equivalents	$ 539	$ 860	$ 394	$ 730	$ 273	
Working capital	1,256	1,699	1,128	1,478	943	
Total assets	7,558	8,114	8,892	8,193	9,255	
Total debt	3,632	4,309	4,505	4,286	4,498	
Total shareholders equity[5]	2,135	1,978	2,141	1,881	2,379	
Other financial data:						
Adjusted EBITDA[6]	$ 1,225	$ 1,288	$ 1,534	$ 660	$ 740	1,585
Net debt[7]	3,142	3,503	4,171	3,610	4,281	
Ratio of net debt to Adjusted EBITDA (leverage ratio)[6][8]	2.56x	2.72x	2.72x	2.69x	2.70x	2.70x
Ratio of Adjusted EBITDA to interest expense (interest coverage ratio)[6][8]	6.59x	6.33x	6.78x	6.21x	6.92x	
Net cash provided by operating activities	667	840	1,180	534	534	1,180
Ratio of earnings to fixed charges[9]	3.58x	3.44x	3.31x	2.93x	3.20x	
Operating data:						
Maintenance capital expenditures[10]	114	159	224	88	122	259
Centers	1,530	1,612	1,820	1,669	1,903	1,903
Patients	118,000	125,000	143,000	131,000	150,000	150,000
U.S. Dialysis treatments	16,985,000	17,964,000	19,599,000	9,364,000	10,766,000	21,001,000

(1) Operating expenses and charges in 2011 include $24 million of a non-cash goodwill impairment charge related to our infusion therapy business.

(2) Represents a legal proceeding contingency accrual and related expenses that resulted from an agreement we reached in principle to settle the Woodard private civil suit regarding allegations relating to DaVita s Epogen practices for the period from 1992 through 2010.

(3) In 2010, we incurred $74 million of refinancing and debt redemption charges in conjunction with the extinguishment of our prior senior secured credit facilities and the redemption of $200 million of our previously outstanding 6 $^{5}/_{8}$% senior notes.

(4) During 2011, we divested a total of 28 outpatient dialysis centers in conjunction with a consent order issued by the Federal Trade Commission on September 30, 2011 in order for us to complete the acquisition of DSI Renal, Inc. (DSI). In addition, we also completed the sale of two additional centers that were previously pending state regulatory approval in conjunction with the acquisition of DSI on October 31, 2011. The operating results of the historical DaVita divested centers are reflected as discontinued operations in our consolidated financial statements for all periods presented. In addition, the operating results for the DSI divested centers are reflected as discontinued operation in our consolidated financial statements beginning September 1, 2011.

Table of Contents

(5) Share repurchases consisted of 3,794,686 shares of DaVita Common Stock for $323 million in 2011, 8,918,760 shares of DaVita Common Stock for $618 million in 2010, 2,902,619 shares of DaVita Common Stock for $153 million in 2009, and 3,710,086 shares of DaVita Common Stock for $316 million in the first six months of 2011. Shares issued in connection with stock awards amounted to 1,260,259 in 2011, 1,771,384 in 2010 and 2,104,304 in 2009.

(6) We present Adjusted EBITDA because it is one of the components used in the calculations of the leverage ratio that is included in the covenants contained in our existing senior secured credit agreement, and we expect similar covenants to be included in our amended senior secured credit agreement; however, the terms of the amended senior secured credit agreement have not yet been finalized. Adjusted EBITDA is defined as net income attributable to DaVita Inc. before income taxes, debt expense, depreciation and amortization, noncontrolling interests, and equity investment income, net, and we further adjust for non-cash charges, stock-based compensation, pro forma amounts for acquisitions and assets sales as if they had been consummated on the first day of each period, and non-cash gains and credits. Management uses Adjusted EBITDA and similar calculations as measures to assess operating and financial performance including compliance with the financial covenants contained in our indentures and our senior secured credit agreement. Adjusted EBITDA is not a measure of financial performance computed in accordance with GAAP and should not be considered in isolation or as a substitute for operating income, net income, cash flows from operations, or other statement of operations or cash flow data prepared in conformity with GAAP, or as measures of profitability or liquidity. In addition the calculation of Adjusted EBITDA is susceptible to varying interpretations and calculation, and the amounts presented may not be comparable to similarly titled measures of other companies. Adjusted EBITDA may not be indicative of historical operating results, and we do not intend for it to be predictive of future results of operations or cash flows. For a reconciliation of Adjusted EBITDA to net income attributable to DaVita, see Selected Historical Financial and Other Data DaVita beginning on page 176.

(7) Net debt is defined as total debt, plus outstanding letters of credit, excluding debt discounts, or premiums and less cash and cash equivalents.

(8) For the six months ended June 30, 2012 and 2011, the leverage ratio, and interest coverage ratio are calculated using the trailing twelve months of Adjusted EBITDA. See Selected Historical Financial and Other Data DaVita beginning on page 176.

(9) The ratio of earnings to fixed charges was computed by dividing earnings by fixed charges. Earnings for this purpose is defined as pretax income from continuing operations adjusted by adding back fixed charges expensed during the period. Fixed charges include debt expense (interest expense and the write-off and amortization of deferred financing costs), the estimated interest component of rental expense on operating leases, and capitalized interest.

(10) Maintenance capital expenditures represent routine capital expenditures to maintain the current operations of the business and include such expenditures for system development, information technology equipment, and dialysis machines.

Table of Contents

HCP Summary Historical Financial and Operating Data

The following summary historical financial information was derived from HCP s audited historical financial statements for the years ended December 31, 2009, 2010, and 2011, unaudited financial information for the six months ended June 30, 2011 and 2012, and the unaudited financial information for the twelve months ended June 30, 2012. You should read the information set forth below in conjunction with HCP s historical financial statements and related notes thereto included in this prospectus and the discussion under Management s Discussion and Analysis of Financial Conditions and Results of Operations included in this prospectus beginning on page 182. The combined statement of operations and balance sheet data presented below are derived from the consolidated financial statements of HCP.

	Year ended December 31,			Six months ended June 30,		Twelve Months ended June 30,
	2009	2010 (audited)	2011	2011	2012 (unaudited)	2012
	(dollars in millions, except operating data)					
Statement of operations data:						
Medical revenues	$ 1,731	$ 2,049	$ 2,375	$ 1,158	$ 1,294	$ 2,511
Other operating revenues	46	40	47	22	28	53
Total operating revenues	1,777	2,089	2,422	1,180	1,322	2,564
Operating expenses and charges:						
Medical expenses	930	1,034	1,165	569	620	1,216
Hospital expenses	212	222	248	121	155	282
Clinic support and other operating costs	226	263	308	148	165	325
General and administrative expenses	136	178	207	101	110	216
Depreciation and amortization	26	29	31	16	16	31
Total operating expenses	1,530	1,726	1,959	955	1,066	2,070
Equity earnings of unconsolidated joint ventures	12	15	25	9	12	28
Operating income	259	378	488	234	268	522
Interest income	6	6	7	3	4	8
Interest expense	(6)	(5)	(16)	(9)	(6)	(13)
Gain on sale of investments	2		1	1		
Total other income (expense)	2	1	(8)	(5)	(2)	(5)
Income before income taxes	261	379	480	229	266	517
Provision for income taxes	41	49	71	37	33	67
Net income	$ 220	$ 330	$ 409	$ 192	$ 233	$ 450
Balance sheet data (end of period):						
Cash and cash equivalents	358	361	395	183	355	
Working capital.	179	360	304	192	341	
Total assets.	911	1,286	1,366	1,188	1,415	
Total debt	220	218	556	571	542	
Members equity.	340	566	188	29	248	
Other financial data:						
Total care dollars under management[1]	2,388	2,792	3,212	1,582	1,752	3,382
Adjusted EBITDA[2]	293	414	527	255	288	561
Capital expenditures	12	21	23	11	10	22
Net cash provided by operating activities	286	343	509	181	184	512
Operating data:						
Managed care members	589,900	658,000	667,700	659,200	669,400	
Medical clinic locations	99	129	152	138	157	

Full time physicians	570	715	794	734	818	
IPA Primary care physicians	1,268	1,291	1,458	1,414	1,454	
Ratio of operating income to total care dollars under management	10.8%	13.5%	15.2%	14.8%	15.3%	15.4%

Table of Contents

(1) In California, as a result of its managed care administrative services agreement with hospitals, HCP does not assume the direct financial risk for institutional (hospital) services, but is responsible for managing the care dollars associated with both the professional (physician) and institutional services being provided for the per-member per-month, or PMPM, fee attributable to both professional and institutional services. In those cases, HCP recognizes the surplus of institutional revenue less institutional expense as HCP revenue. In addition to revenues recognized for financial reporting purposes, HCP measures its total care dollars under management, which includes the PMPM fee payable to third parties for institutional (hospital) services where HCP manages the care provided to its members by the hospitals and other institutions, which are not included in GAAP revenues. HCP uses total care dollars under management as a supplement to GAAP revenues as it allows HCP to measure profit margins on a comparable basis across both the global capitation model (where HCP assumes the full financial risk for all services, including institutional services) and the risk sharing models (where HCP operates under managed care administrative services agreements where HCP does not assume the full risk). HCP believes that presenting amounts in this manner is useful because it presents its operations on a unified basis without the complication caused by models that HCP has adopted in its California market as a result of various regulations related to the assumption of institutional risk. Total care dollars under management is not a measure of financial performance computed in accordance with GAAP and should not be considered in isolation or as a substitute for revenues calculated in accordance with GAAP. Total care dollars under management includes PMPM payments to third parties that are not recorded in HCP s accounting records and have not been reviewed and are not otherwise subject to procedures by HCP s independent auditors. For a reconciliation of total care dollars under management to HCP s medical revenues, see Management s Discussion and Analysis of Financial Conditions and Results of Operations Total Care Dollars Under Management.

(2) HCP uses Adjusted EBITDA and similar calculations as measures to assess operating and financial performance, including compliance with the financial covenants contained in its senior secured credit agreement. Adjusted EBITDA is defined as net income attributable to HCP before income taxes, net debt expense, depreciation and amortization, stock-based compensation, and any impairment charges. Adjusted EBITDA is not a measure of financial performance computed in accordance with GAAP and should not be considered in isolation or as a substitute for operating income, net income, cash flows from operations, or other statement of operations or cash flow data prepared in conformity with GAAP, or as measures of profitability or liquidity. In addition, the calculation of Adjusted EBITDA is susceptible to varying interpretations and calculation, and the amounts presented may not be comparable to similarly titled measures of other companies. Adjusted EBITDA may not be indicative of historical operating results, and HCP does not mean for it to be predictive of future results of operations or cash flows. For a reconciliation of Adjusted EBITDA to net income for HCP, see Selected Historical Financial and Other Data HCP beginning on page 180.

Table of Contents

Summary Unaudited Pro Forma Condensed Consolidated Financial Information

The following summary unaudited pro forma condensed consolidated statements of income and balance sheet data were derived from DaVita s unaudited pro forma condensed consolidated financial information included elsewhere in this prospectus. The pro forma other financial data and operating data were derived from historical operating data of each of DaVita and HCP. The unaudited pro forma condensed consolidated statements of income and balance sheet data are based on the audited financial statements for the year ended December 31, 2011 of each of DaVita and HCP and unaudited financial information for the six months ended June 30, 2012 of DaVita and HCP included elsewhere and/or incorporated by reference in this prospectus, and the unaudited financial information for trailing twelve months ended June 30, 2012. The unaudited pro forma condensed consolidated financial information gives effect to the Merger and related borrowings as if each had occurred on January 1, 2011, in the case of income statement data and other financial data derived therefrom, and gives effect to the Merger and related borrowings on June 30, 2012, in the case of balance sheet data and other financial data derived therefrom. The unaudited financial data has been prepared on a basis consistent with DaVita s and HCP s historical annual audited financial statements. In the opinion of management, such unaudited financial data reflects all necessary adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results for those periods.

The summary unaudited pro forma condensed consolidated financial information has been derived from estimates and financial data that may change materially between the date of this prospectus supplement and the consummation of the Merger. The summary unaudited pro forma financial information below does not purport to represent what DaVita s results of operations or financial data would actually have been had the Merger and related borrowings in fact occurred on the dates specified, nor does it purport to project our results of operations or financial position for any future period or at any future date. Because the information below is a summary, you should read the following information in conjunction with the other information contained under the captions DaVita Inc. and HealthCare Partners Holdings, LLC Unaudited Pro Forma Condensed Consolidated Financial Statements, DaVita s and HCP s historical financial statements and the accompanying notes thereto, and other financial and statistical data included elsewhere or incorporated by reference in this prospectus. For information regarding the pro forma adjustments in the following summary unaudited pro forma condensed consolidated financial information, see Selected Historical Financial and Other Data and DaVita Inc. and HealthCare Partners Holdings, LLC Unaudited Pro Forma Condensed Consolidated Financial Statements beginning on page 176 and page 209, respectively.

Table of Contents

Unaudited Pro Forma Condensed Consolidated Statement of Income Year ended December 31, 2011

	Historical DaVita	Historical HCP	Pro forma adjustment Merger and related financing	Pro forma consolidated
	(dollars in millions, except per share data)			
Net dialysis patient service revenues, less provision for uncollectable accounts of $190	$ 6,273	$		$ 6,273
Integrated care revenue		2,375		2,375
Other revenues[1]	519	47		566
Net operating revenues	6,792	2,422		9,214
Operating expenses and charges:				
Patient care costs	4,681	1,721		6,402
General and administrative	691	207	(2)	896
Depreciation and amortization	267	31	143	425
			(16)	
Provision for uncollectible accounts	7			7
Equity investment income	(9)	(25)		(34)
Goodwill impairment charge	24			24
Total operating expenses and charges	5,661	1,934		7,720
Operating income	1,131	488		1,494
Debt expense	(241)	(16)	(181)	(446)
			(12)	
			17	
			(13)	
Other income	3	8		11
Income from continuing operations before income taxes	893	480		1,059
Income tax expense	316	71	(1)	386
Income from continuing operations	577	409		673
Discontinued operations:				
Income from operations of discontinued operations, net of tax	1			1
Loss on disposal of discontinued operations, net of tax	(5)			(5)
Net income	573	409		669
Less: Net income attributable to noncontrolling interests	(95)			(95)
Net income attributable to DaVita Inc.	$ 478	$ 409		$ 574
Earnings per share:				
Basic income from continuing operations per share attributable to DaVita Inc.	$ 5.09			$ 5.56
Basic net income per share attributable to DaVita Inc.	$ 5.05			$ 5.52
Diluted income from continuing operations per share attributable to DaVita Inc.	$ 4.99			$ 5.46

Diluted net income per share attributable to DaVita Inc.	$ 4.96	$ 5.42

Table of Contents

	Historical DaVita	Historical HCP	Pro forma adjustment Merger and related financing	Pro forma consolidated
	(dollars in millions, except per share data)			
Weighted average shares for earnings per share:				
Basic	94,658,027		9,380,312	104,038,339
Diluted	96,532,110		9,380,312	105,912,422
Amounts attributable to DaVita Inc.:				
Income from continuing operations	$ 482			$ 578
Discontinued operations	(4)			(4)
Net income	$ 478			$ 574
Other financial data and ratios:				
Adjusted EBITDA[(2)]	1,534	527	2	2,063
Net debt	4,171	167	3,728	8,066
Ratio of net debt to Adjusted EBITDA (leverage ratio)[(2)(3)]	2.72x			3.91x
Ratio of Adjusted EBITDA to interest expense (interest coverage ratio)[(2)(4)]	6.78x			4.97x
Ratio of earnings to fixed charges	3.31x			2.71x

(1) Other revenues for DaVita include revenues from our ancillary services and strategic initiatives and fees for providing management and administrative services. Other revenues for HCP include revenues primarily from consulting services and fees from management and administrative services.

(2) Adjusted EBITDA is one of the components used in the calculations of the leverage ratio that is included in the covenants contained in DaVita s existing senior secured credit agreement, and DaVita expects similar covenants to be included in its amended senior secured credit agreement; however, the terms of the amended senior secured credit agreement have not yet been finalized. Management uses Adjusted EBITDA and similar calculations as measures to assess operating and financial performance including compliance with the financial covenants contained in its indentures and its senior secured credit agreement. Adjusted EBITDA is not a measure of financial performance computed in accordance with GAAP and should not be considered in isolation or as a substitute for operating income, net income, cash flows from operations, or other statement of operations or cash flow data prepared in conformity with GAAP, or as measures of profitability or liquidity. In addition the calculation of Adjusted EBITDA is susceptible to varying interpretations and calculation, and the amounts presented may not be comparable to similarly titled measures of other companies. Adjusted EBITDA may not be indicative of historical operating results, and we do not mean for it to be predictive of future results of operations or cash flows. For a reconciliation of Adjusted EBITDA to net income attributable to DaVita and to net income for HCP, see Selected Historical Financial and Other Data and DaVita Inc. and HealthCare Partners Holdings, LLC Unaudited Pro Forma Condensed Consolidated Financial Statements included in this prospectus beginning on page 176 and page 209, respectively.

(3) Leverage ratio under the existing senior secured credit agreement is defined as all funded debt plus the face amount of all letters of credit issued, minus cash and cash equivalents, divided by Adjusted EBITDA. The leverage ratio determines the interest rate payable by us for all loans other than the Term Loan B under the existing credit agreement by establishing the margin over the base interest rate (LIBOR) that is applicable.

Table of Contents

	December 31, 2011			
	Historical DaVita	Historical HealthCare Partners	Pro forma adjustments	Pro forma consolidated
	(dollars in millions)			
Net debt per the existing senior secured credit agreement:				
Total debt (excluding debt discount of $8 million and an additional $27 million for the pro forma adjustments)	$ 4,513	$ 556	$ 3,495	$ 8,564
Letters of credit issued	52	6		58
	4,565	562	3,495	8,622
Less cash and cash equivalents	(394)	(395)	233	(556)
	$ 4,171	$ 167	$ 3,728	$ 8,066
Adjusted EBITDA	$ 1,534	$ 527	$ 2	$ 2,063
Leverage ratio	2.72x			3.91x

(4) The Consolidated Interest Coverage Ratio is the ratio of Consolidated EBITDA as defined in DaVita s existing senior secured credit agreement, which we also refer to as Adjusted EBITDA, to Consolidated Interest (debt expense) and is calculated under DaVita s existing senior secured credit agreement as follows:

	Year ended December 31, 2011			
	Historical DaVita	Historical HCP	Pro forma adjustments	Pro forma consolidated
	(dollars in millions)			
Net income	$ 478	$ 409	$ (313)	$ 574
Debt expense[(a)]	241	16	189	446
Income taxes	316	71	(1)	386
Depreciation and amortization	267	31	127	425
Stock compensation expense	49	7		56
Goodwill impairment	24			24
Noncontrolling interests and equity income, net	95			95
Other items[(b)]	64	(7)		57
Adjusted EBITDA	$ 1,534	$ 527	$ 2	$ 2,063
Interest expense	$ 226	$ 9	$ 180	$ 415
Consolidated Interest Coverage Ratio as defined in the senior secured credit agreement	6.78x			4.97x

(a) Debt expense includes interest expense, amortization of deferred financing costs and the amortization of debt discount.
(b) Represents pro forma acquisition EBITDA, non-cash gains or losses, other valuation adjustments and interest income.

Table of Contents

Unaudited pro forma condensed consolidated statement of income

six months ended June 30, 2012

	Historical DaVita	Historical HCP	Pro forma adjustment Merger and related financing	Pro forma consolidated
	(dollars in millions, except per share data)			
Dialysis patient service operating revenue, less provision for uncollectable accounts of $107	$ 3,465	$		$ 3,465
Integrated care revenue		1,294		1,294
Other revenues[1]	332	28		360
Net operating revenues	3,797	1,322		5,119
Operating expenses and charges:				
Patient care costs	2,575	940		3,515
General and administrative	422	110	(19)	513
Depreciation and amortization	154	16	72	234
			(8)	
Provision for uncollectible accounts	4			4
Equity investment income	(5)	(12)		(17)
Legal proceeding contingency accrual and related expenses	78			78
Total operating expenses	3,228	1,054		4,327
Operating income	569	268		792
Debt expense	(122)	(6)	(89)	(218)
			(6)	
			11	
			(6)	
Other income, net	2	4		6
Income before income taxes	449	266		580
Income tax expense	164	33	21	218
Net income	285	233		362
Less: Net income attributable to noncontrolling interests	(49)			(49)
Net income	$ 236	$ 233		$ 313
Earnings per share:				
Basic	$ 2.51			$ 3.03
Diluted	$ 2.46			$ 2.97
Weighted average shares for earnings per share:				
Basic	93,970,295		9,380,312	103,350,607

Diluted	95,865,605		9,380,312	105,245,917
Balance sheet data (at end of period):				
Cash and cash equivalents	$ 273	$ 355	$ (176)	$ 452
Working capital	943	341	(373)	911
Total assets	9,255	1,415	4,523	15,193
Total debt	4,498	542	3,484	8,524
Total shareholders equity attributable to DaVita Inc. and members equity	2,379	248	648	3,275
Other financial data and ratios:				
Adjusted EBITDA[(2)]	740	288	19	1,047
Net debt	4,281	204	3,686	8,171
Ratio of net debt to Adjusted EBITDA (leverage ratio)[(2)(4)]	2.70x			3.77x
Ratio of Adjusted EBITDA to interest expense (interest coverage ratio)[(3)(4)]	6.92x			5.23x
Ratio of earnings to fixed charges	3.20x			2.86x

Table of Contents

(1) Other revenues for DaVita include revenues from our ancillary services and strategic initiatives and fees for providing management and administrative services and the other revenues for HCP include revenues primarily from consulting services and fees from management and administrative services.

(2) We present Adjusted EBITDA because it is one of the components used in the calculations of the leverage ratio that is included in the covenants contained in our existing senior secured credit agreement, and we expect similar covenants to be included in our amended senior secured credit agreement; however, the terms of the amended senior secured credit agreement have not yet been finalized. Adjusted EBITDA is defined as net income attributable to DaVita before income taxes, debt expense, depreciation and amortization, noncontrolling interests, and equity investment income, net, and we further adjust for non-cash charges, stock-based compensation, pro forma amounts for acquisitions and assets sales as if they had been consummated on the first day of each period, and non-cash gains and credits. Management uses Adjusted EBITDA and similar calculations as measures to assess operating and financial performance including compliance with the financial covenants contained in our indentures and our senior secured credit agreement. Adjusted EBITDA is not a measure of financial performance computed in accordance with GAAP and should not be considered in isolation or as a substitute for operating income, net income, cash flows from operations, or other statement of operations or cash flow data prepared in conformity with GAAP, or as measures of profitability or liquidity. In addition the calculation of Adjusted EBITDA is susceptible to varying interpretations and calculation, and the amounts presented may not be comparable to similarly titled measures of other companies. Adjusted EBITDA may not be indicative of historical operating results, and we do not intend for it to be predictive of future results of operations or cash flows. For a reconciliation of Adjusted EBITDA to net income attributable to DaVita, see Selected Historical Financial and Other Data DaVita beginning on page 176.

(3) The interest coverage ratio is the ratio of Consolidated EBITDA as defined in DaVita s existing senior secured credit agreement, which also refer to as Adjusted EBITDA, to Consolidated Interest Expense (debt expense) and is calculated under DaVita s existing senior secured credit agreement as follows:

	Rolling twelve months ended June 30, 2012			
	Historical DaVita	Historical HCP	Pro forma adjustments	Pro forma consolidated
	(dollars in millions)			
Net income	$ 519	$ 450	$ (315)	$ 654
Debt expense[a]	245	13	185	443
Income taxes	349	67	23	439
Depreciation and amortization :	294	31	128	453
Stock compensation expense	50	8	(1)	57
Noncontrolling interest less equity income, net	104			104
Other items[b]	24	(8)	1	17
Adjusted EBITDA	$ 1,585	$ 561	$ 21	$ 2,167
Interest expense	$ 229	$ 5	$ 180	$ 414
Consolidated interest coverage ratio as defined in the secured credit agreement	6.92x			5.23x

(a) Debt expense includes interest expense, amortization of deferred financing costs, the amortization of debt discount.
(b) Represents pro forma acquisition EBITDA, non-cash gains or losses and other valuation adjustments and interest income.

Table of Contents

(4) Leverage ratio under DaVita s existing senior secured credit agreement is defined as all funded debt plus the face amount of all letters of credit issued, minus cash and cash equivalents, divided by Adjusted EBITDA. The leverage ratio determines the interest rate payable by DaVita for all loans other than the Term Loan B under the existing credit agreement by establishing the margin over the base interest rate (LIBOR) that is applicable.

	June 30, 2012			
	Historical DaVita	Historical HCP	Pro forma adjustments	Pro forma consolidated
	(dollars in millions)			
Net debt per the existing senior secured credit agreement:				
Total debt (excluding debt discount of $7 million and an additional $27 million for the pro forma adjustments)	$ 4,505	$ 542	$ 3,510	8,557
Letters of credit issued	49	17		66
	$ 4,554	$ 559	$ 3,510	$ 8,623
Less cash and cash equivalents	(273)	(355)	176	(452)
	$ 4,281	$ 204	$ 3,686	8,171
Adjusted EBITDA	$ 1,585	$ 561	$ 21	2,167
Leverage ratio	2.70x			3.77x

Table of Contents

UNAUDITED PRO FORMA COMBINED PER SHARE/UNIT INFORMATION

The following table sets forth for the periods presented certain historical per share data of DaVita Common Stock and per unit data of HCP Common Units on a historical basis and on unaudited pro forma and pro forma equivalent bases after giving effect to the Merger under the purchase method of accounting. The historical per share data of DaVita and per unit data of HCP has been derived from, and should be read in conjunction with, the historical financial statements of DaVita and HCP incorporated by reference or included in this prospectus. See Additional Information Where You Can Find More Information , Selected Historical Financial and Other Data DaVita , and Selected Historical Financial and Other Data HCP beginning on page 234, 176 and 180 respectively. The unaudited pro forma per share data and per unit data has been derived from, and should be read in conjunction with, the unaudited pro forma condensed consolidated financial information provided in the section titled DaVita Inc. and HealthCare Partners Holdings, LLC Unaudited Pro Forma Condensed Consolidated Financial Statements beginning on page 209.

The DaVita unaudited pro forma data shows how each share of DaVita Common Stock, including the 9,380,312 shares to be issued in the Merger, would have participated in net income and book value of DaVita if the companies had always been consolidated for accounting and financial reporting purposes for all periods presented. These amounts, however, are not intended to reflect future per share levels of net income and book value of DaVita Common Stock.

	For the Six Months Ended June 30, 2012	For the Year Ended December 31, 2011
DAVITA HISTORICAL PER COMMON SHARE DATA		
Net income per common share attributable to DaVita:		
Basic	2.51	$ 5.05
Diluted	2.46	$ 4.96
Cash dividends paid per common share		
Book value per common share	25.17	$ 22.86
HCP HISTORICAL PER UNIT DATA		
Net income per unit:		
Basic	$ 2.32	$ 4.08
Diluted	$ 2.20	$ 3.87
Cash dividends paid per unit	$ 1.77	$ 2.11
Book value per unit	$ 2.47	$ 1.88
DAVITA UNAUDITED PRO FORMA PER COMMON SHARE DATA		
Net income per common share attributable to DaVita:		
Basic	$ 3.03	$ 5.52
Diluted	$ 2.97	$ 5.42
Cash dividends paid per common share		
Book value per common share	$ 31.53	$ 27.58

Table of Contents

PER SHARE MARKET PRICE DATA AND DIVIDEND INFORMATION

DaVita Common Stock trades on the New York Stock Exchange under the symbol DVA . The table below sets forth, for the periods indicated, the range of high and low per share sales prices for DaVita Common Stock as reported on the New York Stock Exchange. For current price information, you should consult publicly available sources. DaVita has never paid a cash dividend on DaVita Common Stock and has no present intention to commence the payment of cash dividends. HCP is not a public company and, accordingly, there is no market price for the HCP Common Units.

	High	Low
For the quarterly period ended:		
March 31, 2009	$ 53.32	$ 41.21
June 30, 2009	$ 49.79	$ 42.21
September 30, 2009	$ 57.03	$ 47.24
December 31, 2009	$ 61.97	$ 52.71
For the quarterly period ended:		
March 31, 2010	$ 64.55	$ 58.51
June 30, 2010	$ 67.05	$ 58.95
September 30, 2010	$ 69.42	$ 56.58
December 31, 2010	$ 74.61	$ 66.68
For the quarterly period ended:		
March 31, 2011	$ 85.89	$ 68.14
June 30, 2011	$ 89.58	$ 82.51
September 30, 2011	$ 89.76	$ 59.61
December 31, 2011	$ 78.14	$ 59.14
For the quarterly period ended:		
March 31, 2012	$ 90.42	$ 76.60
June 30, 2012	$ 98.21	$ 77.81
September 30, 2012 (through August 27, 2012)	$ 100.52	$ 94.21

It is possible that the DaVita Board could determine in the future, based on DaVita s financial and other relevant circumstances at that time, to pay cash dividends. The terms of DaVita s credit facility contains covenants that, among other things, limit DaVita s ability to pay dividends on its capital stock.

The following table presents the last reported sale price of a share of DaVita Common Stock, as reported on the New York Stock Exchange, and the equivalent value of an HCP Common Unit, in each case, on May 18, 2012, the last full trading day prior to the public announcement of the proposed merger, and on , 2012, the last trading day prior to the printing of this prospectus for which it was practicable to include this information.

Date	DaVita Common Stock	HCP Common Unit Equivalent Per Share Value[(1)]
May 18, 2012	$ 80.81	$ 42.56
, 2012	$	$

(1) Represents the per HCP Common Unit merger consideration, assuming no post-closing working capital adjustment and no earn-out payments, based upon the closing price of DaVita Common Stock on the applicable date.

The market value of the shares of DaVita Common Stock to be issued in exchange for HCP Common Units upon the completion of the Merger, if applicable, will not be known at the time HCP Members vote on the proposal to approve the principal terms of the Merger and the Merger Agreement. The Exchange Ratio will be adjusted for changes in the stock price of DaVita before the Merger is completed.

Table of Contents

Because the market price of DaVita Common Stock will likely fluctuate prior to the Merger, these comparisons may not provide meaningful information to HCP Members in determining whether to approve the proposal to approve the principal terms of the Merger and the Merger Agreement. HCP Members are encouraged to obtain current market quotations for DaVita Common Stock and to review carefully the other information contained in this prospectus or incorporated by reference into this prospectus in considering whether to approve the proposal before them. See Additional Information Where You Can Find More Information beginning on page 234.

Table of Contents

RISK FACTORS

In addition to the other information included in this prospectus, including the matters addressed in Cautionary Statement Concerning Forward-Looking Statements beginning on page 74, HCP Members should carefully consider the following risks before deciding whether to vote for approval of the proposal to approve the principal terms of the Merger and the Merger Agreement.

Risks Related to the Merger

Because of fluctuations in the market price of DaVita Common Stock, HCP Members cannot be sure of the market value of the DaVita Common Stock that they will receive in the Merger.

At the time the Merger is completed, each issued and outstanding HCP Common Unit (other than HCP Common Units owned by DaVita or HCP and HCP Common Units in respect of which dissenters rights have been properly exercised and perfected) will be converted into the right to receive consideration in the form of DaVita Common Stock and/or cash, depending upon the HCP Member s election, subject to adjustment and proration. The exchange ratio for the DaVita Common Stock, as calculated in accordance with the formula set forth in the Merger Agreement, may fluctuate depending on the market price of DaVita Common Stock.

There will be time lapses between each of the dates on which HCP Members vote to approve the principal terms of the Merger and the Merger Agreement at the special meeting, the date on which HCP Members make their election regarding the form of consideration, the date on which the exchange ratio is determined, and the date on which HCP Members entitled to receive shares of DaVita Common Stock actually receive such shares (whether in connection with the closing of the Merger, or at a later date or dates in connection with the release of shares of DaVita Common Stock that are withheld from distribution to HCP Members at the time of closing as part of the Escrowed Merger Consideration). The market value of DaVita Common Stock may fluctuate during these periods and, with respect to shares of DaVita Common Stock subject to escrow, these periods may last more than five years. Stock price fluctuations may result from a variety of factors (many of which are beyond DaVita s control), including the following:

- changes in DaVita s business, operations, and prospects or market assessments thereof;
- market assessments of the likelihood that the Merger will be completed, including related considerations regarding litigation and regulatory approvals of the Merger;
- market assessments about the prospects of post-merger operations; and
- general business, market, industry, and economic conditions and other factors generally affecting the price of DaVita Common Stock.

Consequently, at the time HCP Members must decide whether to approve the principal terms of the Merger and the Merger Agreement, they will not know the actual market value of the shares of DaVita Common Stock they will receive when the Merger is completed and if and when the Escrowed Merger Consideration is released. The actual value of the shares of DaVita Common Stock received by the HCP Members will depend on the market value of shares of DaVita Common Stock on the date such shares are received. This market value may be less than the value used to determine the exchange ratio, as that determination will be made with respect to a period occurring prior to the consummation of the Merger.

HCP Members are urged to obtain current market quotations for shares of DaVita Common Stock.

Because there is no public market for the HCP Common Units, it is difficult to determine how the fair value of HCP Common Units compares with the merger consideration.

The outstanding HCP Common Units are privately held and are not traded in any public market. This lack of a public market makes it difficult to determine the fair value of HCP. Because the merger consideration was determined based on negotiations between the parties, it may not be indicative of the fair value of the HCP Common Units.

Table of Contents

HCP must obtain approval of the HCP Members to consummate the Merger, which, if delayed or not obtained, may jeopardize or delay the consummation of the Merger.

The Merger is conditioned on the HCP Members approving the proposal to approve the principal terms of the Merger and the Merger Agreement at the special meeting. If the HCP Members do not approve the principal terms of the Merger and the Merger Agreement, then DaVita and HCP cannot consummate the Merger. HCP Medical Group has entered into a Voting Agreement with DaVita and HCP pursuant to which it has agreed to vote all of the HCP Common Units owned or controlled by it in favor of the approval of the principal terms of the Merger and the Merger Agreement which represented 72.62% of the outstanding HCP Common Units as of August 27, 2012. The consummation of the Merger may be jeopardized or delayed if HCP Medical Group breaches its obligations under the Voting Agreement and does not vote all of the HCP Common Units controlled by it in favor of the approval of the principal terms of the Merger and the Merger Agreement.

HCP Members may not receive the contingent cash consideration payments provided for in the Merger Agreement.

In addition to the merger consideration payable at the closing of the Merger and amounts that may be released over time from the escrow accounts, HCP Members and holders of HCP Options may receive up to an aggregate of $275,000,000 of additional cash consideration, or approximately $2.61 per fully diluted HCP Common Unit, in the form of two separate earn-out payments that are based on the financial performance of HCP for fiscal years 2012 and 2013 and subject to the terms and conditions for such earn-out payments set forth in the Merger Agreement. Because this portion of the merger consideration is contingent upon HCP s performance following the closing of the Merger, there are no assurances of the amount of cash, if any, beyond the merger consideration payable at the closing that HCP Members will receive for their HCP Common Units. As a result, HCP Members will not know, prior to the date of the special meeting, the amount of contingent cash consideration, if any, that may be payable to HCP Members. For additional information on HCP s business, see Information about HCP HCP s Business beginning on page 160.

Under the accounting rules applicable to the contingent consideration, DaVita must determine the fair value of the contingent consideration on a quarterly basis, which could result in DaVita recording changes in the fair value as an expense in its financial statements, and any such expense may have an adverse impact on DaVita s earnings and DaVita s ability to predict the amount of earnings.

A portion of the merger consideration is contingent upon HCP s performance following the closing of the Merger. The accounting rules applicable to the contingent consideration require that DaVita determine the fair value of the contingent consideration on a quarterly basis. To the extent that the fair value in any quarter exceeds the prior quarter s determination, DaVita will be required to record the increase in fair value as an expense in its financial statements. Any such expense will reduce DaVita s net income in the quarter in which it is recognized. These requirements will also limit DaVita s ability to predict its earnings in the quarters in which it must assess the fair value of the contingent consideration, and have not been included in any of DaVita s existing earnings guidance.

The Merger will be a taxable transaction for HCP Members for U.S. federal income tax purposes.

The Merger will be a taxable transaction to HCP Members for U.S. federal income tax purposes. In general, an HCP Member who exchanges its HCP Common Units for cash and/or DaVita Common Stock pursuant to the Merger will recognize a gain or loss in an amount equal to the difference between (i) such HCP Member s amount realized, calculated as the sum of (A) the amount of any cash received, (B) the fair market value of any DaVita Common Stock received, and (C) such HCP Member s share, for U.S. federal income tax purposes, of HCP s liabilities immediately prior to the Merger and (ii) such HCP Member s adjusted tax basis in the HCP Common Units exchanged therefor. An HCP member s amount realized will include any earn-out payments received and any cash and DaVita Common Stock that is placed in escrow and actually or constructively received. If an HCP Member receives DaVita Common Stock and recognizes gain in the Merger, such HCP Member may incur a tax liability without a corresponding receipt of cash sufficient to pay such liability. For a more detailed description of

Table of Contents

the tax consequences of the exchange of HCP Common Units in the Merger, including the application of the installment method to any gain recognized by an HCP member, please see Material United States Federal Income Tax Consequences beginning on page 230. Tax matters can be complicated, and the tax consequences of the Merger to you will depend on your particular tax situation. HCP Members should consult their tax advisors for a full understanding of the Merger s tax consequences.

The U.S. federal income tax treatment of owning DaVita Common Stock received in the Merger will be different than the treatment of owning HCP Common Units.

For U.S. federal income tax purposes, HCP is classified as a partnership, which is not a taxable entity and, thus, is not subject to tax on its income. Instead, each HCP Member is required to take into account such HCP Member s share of items of income, gain, loss and deduction of HCP in computing its U.S. federal income tax liability. A distribution of cash by HCP to an HCP Member generally is not taxable unless the amount of cash distributed exceeds such HCP Member s adjusted tax basis in its HCP Common Units. In contrast, for U.S. federal income tax purposes, DaVita is classified as a corporation, is a taxable entity and, thus, is subject to tax on its taxable income (and its stockholders are not subject to tax on such income). A distribution of cash by DaVita to a stockholder generally is taxable to such stockholder to the extent distributed out of DaVita s current and accumulated earnings and profits. Cash distributions in excess of DaVita s current and accumulated earnings and profits are treated as a non-taxable return of capital, which reduce such stockholder s adjusted tax basis in such stockholder s DaVita Common Stock, and, to the extent such cash distributions exceed such stockholder s adjusted tax basis, as capital gain from the sale or exchange of such shares. For a more detailed description of the tax consequences of owning and disposing of DaVita Common Stock, please see Material United States Federal Income Tax Consequences beginning on page 230. Tax matters can be complicated, and the tax consequences of owning and disposing of such stock to you will depend on your particular tax situation. HCP Members should consult their tax advisors for a full understanding of such tax consequences.

Managers and officers of HCP have interests in the Merger that are in addition to or different from the interests of HCP Members.

When considering the recommendation of the HCP Board, HCP Members should be aware that some managers and executive officers of HCP have interests in the Merger that are different from, or in addition to, the interests of HCP Members generally, which may create potential conflicts of interest. These interests may cause some of HCP s managers and executive officers to view the proposed transaction differently than HCP Members. See The Merger Interests of HCP s Managers and Executive Officers in the Merger beginning on page 96. These interests include, among others:

- the appointment of Dr. Margolis to fill a newly created directorship as co-chairman of the DaVita Board upon completion of the Merger for a minimum period of four consecutive annual meetings of stockholders of DaVita;
- the entry into employment and noncompetition and nonsolicitation agreements with DaVita (for periods ranging from three years to seven years after the closing of the Merger) by Drs. Margolis and Chin and Messrs. Mazdyasni and Calhoun;
- the beneficial ownership of approximately 74% of the outstanding HCP Common Units and a substantial number of HCP Options (all of such options, as with all HCP Options, will be cashed out at the completion of the Merger); and
- the right to indemnification and coverage under directors and officers liability insurance for a six-year period commencing at the effective time of the Merger.

Table of Contents

The market price of DaVita Common Stock after the Merger may be affected by factors different from those affecting the shares of DaVita Common Stock and HCP Common Units currently.

Upon completion of the Merger, HCP Members will become holders of DaVita Common Stock. DaVita s business differs from that of HCP, and, accordingly, the results of operations of the combined company and the market price of DaVita Common Stock after the completion of the Merger may be affected by factors different from those currently affecting the independent results of operations of each of DaVita and HCP.

The Merger is subject to the receipt of approvals, waivers or consents from regulatory authorities and third parties that may impose conditions that could have an adverse effect on DaVita, and DaVita may terminate the Merger Agreement if holders of more than 5% of the outstanding HCP Common Units validly exercise dissenters rights.

Before the Merger can be completed, various approvals, waivers or consents must be obtained from regulatory authorities. These authorities may impose conditions on the completion of the Merger or require changes to the terms of the Merger. Although DaVita and HCP do not currently expect that any such conditions or changes will be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion and closing of the Merger or imposing additional costs on or limiting the revenues of DaVita following the Merger. See Information about HCP Government Regulations beginning on page 171. In addition, HCP must obtain the consent of third parties to assign certain contracts, including contracts with health plans. In addition, DaVita may terminate the Merger Agreement if, at the time of termination, holders of more than 5% of the outstanding HCP Common Units have validly exercised their dissenters rights (and not withdrawn such exercise or otherwise become ineligible to effect such exercise) in respect of the transactions.

HCP will be subject to business uncertainties and contractual restrictions while the Merger is pending.

Uncertainty about the effect of the Merger may have an adverse effect on HCP and consequently on DaVita. These uncertainties may impair HCP s ability to attract, retain and motivate key personnel and physicians until the Merger is completed, and could cause customers and others that deal with HCP to seek to change existing business relationships with HCP. Retention of certain employees may be challenging while the Merger is pending, as certain employees may experience uncertainty about their future roles with DaVita. If key employees depart, HCP s business following the Merger could be harmed. In addition, the Merger Agreement restricts HCP from making certain acquisitions and taking other specified actions without the consent of DaVita until after the Merger occurs. These restrictions may prevent HCP from pursuing attractive business opportunities that may arise prior to the completion of the Merger. See the section entitled The Merger Agreement Additional Agreements beginning on page 152 of this prospectus for a description of the restrictive covenants to which HCP is subject.

HCP s business may be negatively affected if the Merger is not consummated.

If the Merger is not completed for any reason, the consequences could adversely affect the HCP s business and results of operations, including the following:

- HCP would not realize the benefits expected from becoming part of DaVita, including the ability to pursue additional growth opportunities;
- some costs related to the transaction, such as legal, accounting, and advisor fees, must be paid even if the Merger is not completed;
- activities relating to the transaction and related uncertainties may divert HCP s management attention from the day-to-day business and may cause substantial disruptions among its employees and its existing relationships with health plans, which could result in a loss of revenue and market position; and

Table of Contents

HCP may be unable to locate another entity to merge with or be acquired by, or under terms as favorable as those in the Merger Agreement, and HCP Members would not have an opportunity to monetize their investment in HCP.

The condition of the financial markets, including volatility and weakness in the capital and credit markets, could limit the availability and terms of debt financing necessary for DaVita to consummate the Merger and could make the financing more costly or burdensome than DaVita currently anticipates.

DaVita expects to fund the cash consideration to HCP Members through debt financing. Without this financing, it is unlikely that DaVita will have sufficient funds to consummate the Merger, and each of DaVita and HCP has the right, under certain circumstances, to terminate the Merger Agreement if neither DaVita nor Merger Sub can obtain the financing. DaVita has issued $1.25 billion of senior notes, the proceeds of which have been placed in escrow pending the consummation of the Merger and the satisfaction of certain other conditions. DaVita expects to have in place an additional $3.0 billion of new term loans under its senior secured facilities at the closing of the Merger; however, neither DaVita nor Merger Sub has obtained unconditional binding commitments for these new term loans. As a result, DaVita may not be able to complete the planned financing of the Merger on the terms and the timetable that DaVita and HCP anticipate or at all. Market contractions may limit the ability of DaVita to obtain financing or cause DaVita to obtain financing on terms that are more costly or burdensome than DaVita currently anticipates, resulting in a material adverse effect on DaVita s business, financial position, results of operations and liquidity. In addition, DaVita generally would be required to pay HCP a $125 million termination fee if the Merger Agreement was terminated due to the fact that the proceeds of the financing were not obtained. See The Merger Agreement Termination of the Merger Agreement and The Merger Agreement Termination Fee beginning on pages 149 and 150, respectively, of this prospectus.

DaVita expects to incur substantial additional indebtedness to finance the Merger and may not be able to meet its substantial debt service requirements.

DaVita intends to incur substantial additional indebtedness in connection with the Merger. If DaVita is unable to generate sufficient funds to meet its obligations or the new debt financing entered into to consummate the Merger otherwise becomes due and payable, DaVita may be required to refinance, restructure, or otherwise amend some or all of such obligations, sell assets, or raise additional cash through the sale of its equity. DaVita cannot make any assurances that it would be able to obtain such refinancing on terms as favorable as its current anticipated financing or that such restructuring activities, sales of assets, or issuances of equity can be accomplished or, if accomplished, would raise sufficient funds to meet these obligations.

HCP operates in a different line of business from DaVita s historical business, and the Merger is significantly larger than any other acquisition DaVita has made to date. DaVita may face challenges managing HCP as a new business and may not realize anticipated benefits.

The Merger is the largest acquisition DaVita has attempted to date and will result in DaVita being significantly engaged in a new line of business. Upon entering into a new line of business, DaVita may not have the expertise, experience, and resources to pursue all of its businesses at once, and it may be unable to successfully operate the businesses. The administration of the businesses will require implementation of appropriate operations, management, and financial reporting systems and controls. DaVita may experience difficulties in effectively implementing these and other systems. The management of HCP will require the focused attention of DaVita s management team, including a significant commitment of its time and resources. The need for management to focus on these matters could have a material and adverse impact on DaVita s revenues and operating results. If the HCP operations are less profitable than DaVita currently anticipates or if DaVita does not have the experience, the appropriate expertise, or the resources to pursue all businesses in the combined company, the results of operations and financial condition may be materially and adversely affected.

Table of Contents

HCP will become a subsidiary of DaVita following the Merger. If HCP s liabilities are greater than expected, or if there are unknown HCP obligations, DaVita s business could be materially and adversely affected.

As a result of the Merger, HCP will become a subsidiary of DaVita and HCP s liabilities, including contingent liabilities, will be consolidated with DaVita s. DaVita may learn additional information about HCP s business that adversely affects DaVita, such as unknown liabilities, issues relating to internal controls over financial reporting or issues that could affect DaVita s ability to comply with other applicable laws, including healthcare laws and regulations. As a result, DaVita cannot assure you that the Merger will be successful or will not, in fact, harm its business. Among other things, if HCP s liabilities are greater than expected, or if there are obligations of HCP of which DaVita is not aware at the time of completion of the Merger, DaVita s business could be materially and adversely affected.

DaVita has limited indemnification rights in connection with matters affecting HCP. HCP may also have other unknown liabilities which DaVita will be responsible for after the Merger. If DaVita is responsible for liabilities not covered by indemnification rights or substantially in excess of amounts covered through any indemnification rights, DaVita could suffer severe consequences that would substantially reduce its revenues, earnings and cash flows.

If DaVita fails to successfully integrate HCP into our internal control over financial reporting or if the current internal control of HCP over financial reporting were found to be ineffective, the integrity of DaVita s and/or HCP s financial reporting could be compromised which could result in a material adverse effect on our reported financial results.

As a private company, HCP has not been subject to the requirements of the Securities Exchange Act of 1934, as amended, with respect to internal control over financial reporting, and for a period of time after the consummation of the Merger our management evaluation and auditor attestation regarding the effectiveness of our internal control over financial reporting will be permitted to exclude the operations of HCP. The integration of HCP into our internal control over financial reporting will require significant time and resources from our management and other personnel and will increase our compliance costs. If we fail to successfully integrate these operations into our internal control over financial reporting, our internal control over financial reporting may not be effective. Failure to achieve and maintain an effective internal control environment could have a material adverse effect on our ability to accurately report our financial results and the market s perception of our business and our stock price. In addition, if HCP s internal control over financial reporting were found to be ineffective, the integrity of HCP s past financial reporting could be adversely impacted.

Risks Related to DaVita

If the average rates that commercial payors pay us decline significantly, it would have a material adverse effect on our revenues, earnings and cash flows.

Approximately 34% of our dialysis and related lab services revenues for the six months ended June 30, 2012 were generated from patients who have commercial payors as the primary payor. The majority of these patients have insurance policies that pay us on terms and at rates that are generally significantly higher than Medicare rates. The payments we receive from commercial payors generate nearly all of our profit and all of our nonacute dialysis profits come from commercial payors. We continue to experience downward pressure on some of our commercial payment rates and it is possible that commercial payment rates could be materially lower in the future. The downward pressure on commercial payment rates is a result of general conditions in the market, recent and future consolidations among commercial payors, increased focus on dialysis services and other factors.

We are continuously in the process of negotiating our existing or potentially new agreements with commercial payors who tend to be aggressive in their negotiations with us. Sometimes many significant agreements are up for renewal or being renegotiated at the same time. In the event that our continual negotiations

result in overall commercial rate reductions in excess of overall commercial rate increases, the cumulative effect could have a material adverse effect on our financial results. Consolidations have significantly increased the negotiating leverage of commercial payors. Our negotiations with payors are also influenced by competitive pressures. Some of our contracted rates with commercial payors may decrease or we may experience decreases in patient volume as our negotiations with commercial payors continue. In addition to downward pressure on contracted commercial payor rates, payors have been attempting to impose restrictions and limitations on non-contracted or out-of-network providers. In some circumstances for some commercial payors, our centers are designated as out-of-network providers. Rates for out-of-network providers are on average higher than rates for in-network providers. We believe commercial payors have or will begin to restructure their benefits to create disincentives for patients to select or remain with out-of-network providers and to decrease payment rates for out-of-network providers. Decreases in out-of-network rates and restrictions on out-of-network access, our turning away new patients in instances where we are unable to come to agreement on rates, or decreases in contracted rates could result in a significant decrease in our overall revenues derived from commercial payors. If the average rates that commercial payors pay us decline significantly, or if we see a decline in commercial patients, it would have a material adverse effect on our revenues, earnings and cash flows.

If the number of patients with higher-paying commercial insurance declines, then our revenues, earnings and cash flows would be substantially reduced.

Our revenue levels are sensitive to the percentage of our patients with higher-paying commercial insurance coverage. A patient s insurance coverage may change for a number of reasons, including changes in the patient s or a family member s employment status. Currently, 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 lower Medicare payment rate. We have seen an increase in the number of patients who have government-based programs as their primary payors which we believe is largely a result of improved mortality and recent economic conditions which have a negative impact on the percentage of patients covered under commercial insurance plans. To the extent there are sustained or increased job losses in the U.S., independent of whether general economic conditions might be improving, we could experience a continued decrease in the number of patients covered under commercial plans. We could also experience a further decrease if changes to the healthcare regulatory system result in fewer patients covered under commercial plans or an increase of patients covered under more restrictive commercial plans with lower reimbursement rates. In addition, our continuous process of negotiations with commercial payors under existing or potentially new agreements could result in a decrease in the number of patients under commercial plans to the extent that we cannot reach agreement with commercial payors on rates and other terms, resulting in termination or non-renewals of existing agreements or our inability to enter into new ones. If there is a significant reduction in the number of patients under higher-paying commercial plans relative to government-based programs that pay at lower rates, it would have a material adverse effect on our revenues, earnings and cash flows.

Changes in the structure of, and payment rates under the Medicare ESRD program, including the Budget Control Act of 2011 and other healthcare reform initiatives, could substantially reduce our revenues, earnings and cash flows.

Approximately 49% of our dialysis and related lab services revenues for the six months ended June 30, 2012 was generated from patients who have Medicare as their primary payor. Prior to January 1, 2011, the Medicare ESRD program paid us for dialysis treatment services at a fixed composite rate. The Medicare composite rate was the payment rate for a dialysis treatment including the supplies used in those treatments, specified laboratory tests and certain pharmaceuticals. Certain other pharmaceuticals, including EPO, vitamin D analogs and iron supplements, as well as certain specialized laboratory tests, were separately billed.

In July 2008, the Medicare Improvements for Patients and Providers Act of 2008 was passed by Congress. This legislation introduced a new payment system for dialysis services beginning in January 2011 whereby payment for dialysis treatment and related services is now made under a bundled payment rate which provides a

Table of Contents

fixed rate to encompass all goods and services provided during the dialysis treatment, including pharmaceuticals that were historically separately reimbursed to the dialysis providers, such as EPO, vitamin D analogs and iron supplements, as well as laboratory testing. In August 2010, CMS published the final rule implementing the bundled payment in the Federal Register. The initial 2011 bundled rate included reductions of 2% from the prior reimbursement and further reduced overall rates by 5.94% tied to an expanded list of case-mix adjustors which can be earned back based upon the presence of certain patient characteristics and co-morbidities at the time of treatment. There are also other provisions which may impact payment including an outlier pool and a low volume facility adjustment.

Another important provision in the law is an annual adjustment, or market basket update, to the base ESRD Prospective Payment Rate, or PPS. Absent action by Congress the PPS base rate will be automatically updated by a formulaic inflation adjustment.

On November 1, 2011, CMS issued the final ESRD PPS rule for 2012, which increased the base rate by 2.1%, representing a market base of increase of 3.0% less a productivity adjustment of 0.9%. The increase in the final base rate for 2012 (2.1%) is slightly greater than the increase of 1.8% stated in the proposed 2012 ESRD PPS rule published in July 2011, and was made irrespective of the Medicare Payment Advisory Commission, or MedPAC, recommendation for a reduced increase. The MedPAC focus on such a reduction indicates further scrutiny of the annual update is possible.

On July 11, 2012, CMS issued the proposed ESRD PPS rule for 2013. As currently proposed, the base rate will increase by 2.5%, resulting from a market basket increase of 3.2% less a productivity adjustment of 0.7%. This increase in the ESRD PPS base rate will be further reduced by the Budget Control Act of 2011 sequestration, discussed below. The proposed rule implements the reduction in bad debt payments to dialysis facilities (as well as to all other providers eligible for bad debt payments) mandated under the Middle Class Tax Relief and Job Creation Act of 2012 and adds new quality reporting measures.

The new payment system presents operating, clinical and financial risks. For example, with regard to the expanded list of case-mix adjustors, there is a risk that our dialysis centers or billing and other systems may not accurately document and track the appropriate patient-specific characteristics, resulting in a reduction or overpayment in the amounts of the payments that we would otherwise be entitled to receive.

Beginning January 1, 2014, certain oral-only ESRD drugs (currently paid separately to pharmacies under Medicare Part D) will be included in the ESRD bundled payment to dialysis facilities. CMS delayed the inclusion of these oral only ESRD drugs until 2014 in order to assess how to reimburse for these oral drugs and services. It is currently unclear how CMS will price the oral-only drugs for inclusion in the ESRD bundle in 2014. Inadequate pricing could have a significant negative financial impact on our dialysis facilities given the volume and value of these drugs.

We expect to continue experiencing increases in operating costs that are subject to inflation, such as labor and supply costs, regardless of whether there is a compensating inflation-based increase in Medicare payment rates or in payments under the new bundled payment rate system.

On August 2, 2011, President Obama signed into law the Budget Control Act of 2011 (Public Law 112-25), which raised the debt ceiling and put into effect a series of actions to reduce the federal budget deficit over ten years. The law created a Joint Congressional Committee charged with producing legislation reducing federal spending by at least $1.2 trillion. As a result of the committee s failure to act, the federal government is facing a $1.2 trillion sequester (across-the-board cuts in discretionary programs). However, Medicare providers face a maximum of no more than a 2% reduction in reimbursements in fiscal year 2013.

We also cannot predict whether we will be able to comply with the CMS rules related to the bundled payment system as processes and systems are modified substantially to capture all required data. To the extent we are not able to adequately bill and collect for certain payment adjustors and are not able to offset the

Table of Contents

mandated reductions in reimbursement or if we face regulatory enforcement actions and penalties as a result of alleged improper billing of governmental programs, it could have a material adverse effect on our revenues, earnings and cash flows. For additional details regarding the risks we face for failing to adhere to our Medicare and Medicaid regulatory compliance obligations, see the risk factor below under the heading 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 revenues, earnings and cash flows .

Health care reform could substantially reduce our revenues, earnings and cash flows.

In March 2010, broad health care reform legislation was enacted in the U.S. Although many of the provisions of the new legislation do not take effect immediately, and may be modified before they are implemented, the reforms could have an impact on our business in a number of ways. We cannot predict how employers, private payors or persons buying insurance might react to these changes or what form many of these regulations will take before implementation. In March 2012, the Department of Health and Human Services, or HHS, issued two final proposed rules related to the establishment of health care insurance exchanges due to be operating by 2014 that will provide a marketplace for eligible individuals to purchase health care insurance. The first relates to the standards and requirements applicable to the exchanges, employers and qualified health plans that are marketed in the exchange. The second rule finalizes the provisions governing the risk adjustment program that includes reinsurance, risk corridors and risk adjustment. The final exchange rules clarify the requirements related to implementation of such exchanges, outline areas of state flexibility in their implementation of such exchanges and provide standards for certain risk adjustment mechanisms. We believe the establishment of health care insurance exchanges could result in a reduction in patients covered by commercial insurance or an increase of patients covered through the exchanges under more restrictive commercial plans with lower reimbursement rates. To the extent that the implementation of such exchanges results in a reduction in patients covered by commercial insurance or a reduction in reimbursement rates for our services from commercial and/or government payors, our revenues, earnings and cash flows could be adversely affected.

In October 2011, CMS issued a final rule concerning the Medicare Shared Savings Program established by the health care reform legislation, which under the statute was required to be implemented no later than January 1, 2012. The Medicare Shared Savings Program, which is now operational provides financial incentives to health care providers and suppliers that work together to furnish coordinated, high-quality care to Medicare beneficiaries through accountable care organizations, or ACOs.

The CMS Center for Innovation (Innovation Center) is in various stages of development in working with various healthcare providers to implement ACOs and other innovative models of care for Medicare and Medicaid beneficiaries. We are currently uncertain of the extent to which these models of care including ACOs, Bundled Payments for Care Improvement Initiative, the Comprehensive Primary Care Initiative, the Duals Demonstration, or other models, will impact the health care market. As a provider of dialysis services, we may choose to participate in one or several of these models either as a partner with other providers or independently. We are currently seeking a renal specific coordinated care pilot with the Innovation Center. Even if we do not participate in these programs, some of our patients may be assigned to a pilot, in which case the quality and cost of care that we furnish will be included in an ACO s or other program s calculations regardless of our participation in the program. As new models of care emerge, we may be at risk for losing our Medicare patient base, which would have a materially adverse effect on our revenues, earnings and cash flow. Furthermore, further initiatives in the government or private sector may arise, including the development of models similar to ACOs, independent practice associations and integrated delivery systems or evolutions of those concepts which could adversely impact our business.

In addition, the Health Reform Acts introduced severe penalties for the knowing and improper retention of overpayments collected from government payors. As a result, we made initial significant investments in additional resources to accelerate the time it takes to identify and process overpayments and we may be required to make additional investments in the future. Acceleration in our ability to identify and process overpayments

Table of Contents

could result in us refunding overpayments to government or other payors sooner than we have in the past, which could have a material adverse effect on our operating cash flows. The failure to return identified overpayments within the specified time frame is now a violation of the federal False Claims Act, or FCA.

The Health Reform Acts also reduced the timeline to file Medicare claims, which now must be filed with the government within one calendar year after the date of service. To comply with this reduced timeline, we must deploy significant resources and may change our claims processing methods to ensure that our Medicare claims are filed in a timely fashion. Failure to file a claim within the one year window could result in payment denials, adversely affecting our revenues, earnings and cash flows.

Effective March 2011, CMS instituted new screening procedures and a new $500 enrollment fee for providers enrolling and re-enrolling in government health care programs. A provider is subject to screening upon initial enrollment and each time the provider re-validates its enrollment application. Screening includes verification of enrollment information and review of various federal databases to ensure the provider has valid tax identification NPI numbers and is not excluded from participation in federal and state healthcare programs. We expect this screening process to delay the Medicare contractor approval process, potentially causing a delay in reimbursement. The enrollment fee is also applicable upon initial enrollment, re-validation, and each time an existing provider adds a new facility location. This fee is an additional expense that must be paid for each center every three years and could be more significant if other government and commercial payors follow this trend. Ultimately, we anticipate the new screening and enrollment requirements will require additional personnel and financial resources and will potentially delay the enrollment and revalidation of our centers which in turn will delay payment.

Other reform measures allow CMS to place a moratorium on new enrollment of providers and to suspend payment to providers upon a credible allegation of fraud from any source. These types of reform measures, or others, depending upon the scope and breadth of the implementing regulations, could adversely impact our revenues, earnings and cash flows.

There are numerous steps required to implement the broad healthcare reform legislation adopted by Congress, and Congress may seek to alter or eliminate some of the provisions described above. Numerous legal challenges have also been raised to the healthcare reform legislation that could alter or eliminate certain provisions. The United States Supreme Court reviewed state actions challenging the constitutionality of the health insurance mandate and the Medicaid expansion program. The Court upheld the mandate under Congress taxing power and upheld the Medicaid expansion program. However, the Court found that the federal government cannot withhold all of a state s Medicaid funding for the state s failure or refusal to expand its Medicaid program as contemplated by the reform legislation, effectively leaving the Medicaid expansion decision up to the individual states. Several states have announced they do not intend to expand their Medicaid programs. Further, various health insurance reform proposals are also emerging at the state level. There is a considerable amount of uncertainty as to the prospective implementation of the federal healthcare reform legislation and what similar measures might be enacted at the state level. The enacted reforms as well as future legislative changes could have a material adverse effect on our results of operations, including lowering our reimbursement rates and increasing our expenses. The Healthcare Reform Acts added several new tax provisions that, among other things, impose various fees and excise taxes, and limit compensation deductions for health insurance providers and their affiliates. To date, the IRS has not issued regulations for many of these provisions. In the event that we, or any of our current or future subsidiaries, were to become subject to these rules, our cash flow and tax liabilities could be negatively impacted.

Changes in state Medicaid or other non-Medicare government-based programs or payment rates could reduce our revenues, earnings and cash flows.

Approximately 16% of our dialysis and related lab services revenues for the six months ended June 30, 2012 was generated from patients who have state Medicaid or other non-Medicare government-based programs, such as Medicare-assigned plans or the VA, as their primary coverage. As state governments and governmental

Table of Contents

organizations face increasing budgetary pressure, we may in turn face reductions in payment rates, delays in the timing of payments, limitations on eligibility or other changes to the applicable programs. For example, some programs, such as certain state Medicaid programs and the VA, have recently considered, proposed or implemented rate reductions.

On December 17, 2010, the Department of Veterans Affairs published a final rule in which it materially changed the payment methodology and ultimately the amount paid for dialysis services furnished to veterans in non-VA centers such as ours. In the final rule, the VA adopted the bundled payment system implemented by Medicare and estimated a reduction of 39% in payments for dialysis services to veterans at non-VA centers. Approximately 2% of our dialysis and related lab services revenues for the six months ended June 30, 2012 was generated by the VA. The new VA payment methodology will have a significant negative impact on our revenues, earnings and cash flows as a result of the reduction in rates or as a result of the decrease in the number of VA patients we serve. We recently executed contractual agreements with the VA and there is some uncertainty as to when this rule will take effect for the patients covered by these contracts. While at this time the contracts remain in force, these agreements provide for the right of the VA to terminate the agreement without cause on short notice. Further, patients who are not covered by the contractual arrangements will likely be reimbursed at Medicare rates beginning with the date of implementation of the rule. If the VA proceeds with payment rate reductions or fails to renew our existing contracts, we might have to cease accepting patients under this program and could even be forced to close centers.

State Medicaid programs are increasingly adopting Medicare-like bundled payment systems, but sometimes these new payment systems are poorly defined and could include all drugs (even those oral-only drugs that Medicare will not include in the bundled payment until 2014) and are implemented without any claims processing infrastructure, or patient or facility adjusters. If these new payment systems are implemented without any adjusters and claims processing changes, Medicaid payments will be substantially reduced and the costs to submit such claims may increase. In addition, some state Medicaid program eligibility requirements mandate that citizen enrollees in such programs provide documented proof of citizenship. If our patients cannot meet these proof of citizenship documentation requirements, they may be denied coverage under these programs. These Medicaid payment and enrollment changes, along with similar changes to other non-Medicare government programs could reduce the rates paid by these programs for dialysis and related services, delay the timing of payment for services provided, and further limit eligibility for coverage which could adversely affect our revenues, earnings and cash flows.

Changes in clinical practices, payment rates or regulations impacting EPO and other pharmaceuticals could reduce our revenues, earnings and cash flows.

Historically, Medicare and most Medicaid programs paid for EPO outside of the composite rate. This separate payment has long been the subject of discussions regarding appropriate dosing and payment in an effort to reduce escalating expenditures for EPO. Since January 1, 2011, Medicare has bundled EPO into the prospective payment system such that dosing variations will not change the amount paid to a dialysis facility. Although some Medicaid programs and other payors suggest movement towards a bundled payment system inclusive of EPO, some non-Medicare payors continue to pay for EPO separately from the treatment rate. The administration of EPO and other pharmaceuticals that are separately billable accounted for approximately 5% of our dialysis and related lab services revenues for the six months ended June 30, 2012, with EPO alone accounting for approximately 3% of our dialysis and related lab services revenues for the same period. Changes in physician clinical practices that result in further decreased utilization of prescribed pharmaceuticals or changes in payment rates for those pharmaceuticals could reduce our revenues, earnings and cash flows.

Since late 2006, there has been significant media discussion and government scrutiny regarding anemia management practices in the U.S. which has created confusion and concern in the nephrology community. In late 2006, the U.S. House of Representatives Ways and Means Committee held a hearing on the issue of the utilization of ESAs, which include EPO, and in 2007, the FDA required changes to the labeling of EPO and

Table of Contents

Aranesp® to include a black box warning, the FDA s strongest form of warning label. An FDA advisory panel on ESA use met in October 2010, which meeting was similar to the prior meeting held in 2007 in that there was significant discussion and concern about the safety of ESAs. The panel concluded it would not recommend a change in ESA labeling. However, the FDA is not bound by the panel s recommendation. In June 2011, the FDA required that the black box warning be slightly revised and also include more conservative dosing recommendations for patients with chronic kidney disease. In addition, in June 2011, CMS opened a National Coverage Analysis, or NCA, for ESAs. Further in January 2011, CMS convened a meeting of the Medicare Evidence Development and Coverage Advisory Committee, or MEDCAC, to evaluate evidence for the pending NCA. In June 2011, CMS determined not to issue a national coverage determination for ESAs due to a lack of available evidence to establish coverage criteria or limitations.

The forgoing congressional and agency activities and related actions could result in further restrictions on the utilization and reimbursement for ESAs. Commercial payors have also increasingly examined their administration policies for EPO and, in some cases, have modified those policies. Further changes in labeling of EPO and other pharmaceuticals in a manner that alters physician practice patterns or accepted clinical practices, changes in private and governmental payment criteria, including the introduction of EPO administration policies or the conversion to alternate types of administration of EPO or other pharmaceuticals that result in further decreases in utilization of EPO for patients covered by commercial payors or increased utilization of EPO for patients for whom the cost of EPO is included in a bundled reimbursement rate, or further decreases in reimbursement for EPO and other pharmaceuticals that are not included in a bundled reimbursement rate, could have a material adverse effect on our revenues, earnings and cash flows.

Changes in EPO pricing could materially reduce our earnings and cash flows and affect our ability to care for our patients.

In November 2011, we entered into a seven year Sourcing and Supply Agreement with Amgen USA Inc. Under the agreement we committed to purchase EPO in amounts necessary to meet no less than 90% of our requirements for erythropoiesis stimulating agents. The agreement replaces in its entirety the prior one-year supply agreement between us and Amgen that expired on December 31, 2011. As long as certain conditions are met by us, the agreement limits Amgen s ability to unilaterally decide to increase the price for EPO. Future increases in the cost of EPO without corresponding increases in payment rates for EPO from commercial payors and without corresponding increases in the Medicare bundled rate could have a material adverse effect on our earnings and cash flows and ultimately reduce our income. Our agreement with Amgen for EPO provides for discounted pricing and rebates for EPO. Some of the rebates are subject to various conditions including but not limited to future pricing levels of EPO by Amgen and data submission by us. In addition, the rebates are subject to certain limitations. We cannot predict whether, over the seven year term of the agreement, we will continue to receive the rebates for EPO that we have received in the past, or whether we will continue to achieve the same levels of rebates within that structure as we have historically achieved. In the initial years of the agreement, however, the total rebate opportunity is less than what was provided in the agreement that expired at the end of 2011, however, the opportunity for us to earn discounts and rebates increases over the term of the agreement. Factors that could impact our ability to qualify for rebates provided for in our agreement with Amgen in the future include, but are not limited to, our ability to track certain data elements. We cannot predict whether we will be able to meet the applicable qualification requirements for receiving rebates. Failure to meet certain targets and earn the specified rebates could have a material adverse effect on our earnings and cash flows.

We are the subject of a number of inquiries by the federal government and two private civil suits, any of which could result in substantial penalties or awards against us, imposition of certain obligations on our practices and procedures, exclusion from future participation in the Medicare and Medicaid programs and, in certain cases, criminal penalties.

We are the subject of a number of inquiries by the federal government. We have received subpoenas or other requests for documents from the federal government in connection with the 2005 U.S. Attorney investigation, the Woodard private civil suit, the Vainer private civil suit, the 2010 U.S. Attorney physician

Table of Contents

relationship investigation, the 2011 U.S. Attorney physician relationship investigation and the 2011 U.S. Attorney Medicaid investigation. Certain current and former members of the Board and executives have been subpoenaed to testify before the grand jury in Colorado, and other Company representatives may also receive subpoenas for testimony related to the 2011 U.S. Attorney physician relationship investigation. After investigation, the government did not intervene and is not actively pursuing either the Woodard or the Vainer private civil suits mentioned above. In each of these private civil suits, a relator has filed a complaint against us in federal court under the *qui tam* provisions of the FCA and is pursuing the claims independently. The parties are engaged in active litigation in the Vainer private civil suit. In the Woodward private civil suit, though we have reached an agreement in principle to settle all allegations relating to claims arising out of this suit, it is still subject to the parties being able to enter into a mutually acceptable settlement agreement and receive the requisite approval of the federal government and the court to fully and finally resolve this matter. We are cooperating with the OIG and those offices of the U.S. Attorney still actively pursuing the matters mentioned above and are producing the requested records. Although we cannot predict whether or when proceedings might be initiated by the federal government, the scope of such proceedings or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time through the various phases of document and witness requests and on-going discussions with regulators. Responding to the subpoenas or investigations and defending ourselves in the private civil suits will continue to require management s attention and significant legal expense. Any negative findings could result in substantial financial penalties or awards against us, imposition of certain obligations on our practices and procedures, exclusion from future participation in the Medicare and Medicaid programs and, in certain cases, criminal penalties. To our knowledge, no proceedings have been initiated by the federal government against us at this time.

Continued inquiries from various governmental bodies with respect to our utilization of EPO and other pharmaceuticals will require management s attention, cause us to incur significant legal expense and could result in substantial financial penalties against us, repayment obligations or exclusion from future participation in the Medicare and Medicaid programs, and could have a material adverse effect on our revenues, earnings and cash flows.

In response to clinical studies which identified risks in certain patient populations related to the utilization of EPO and other ESAs, i.e., Aranesp®, and in response to changes in the labeling of EPO and Aranesp®, there has been substantial media attention and government scrutiny resulting in hearings and legislation regarding pharmaceutical utilization and reimbursement. Although we believe our anemia management practices and other pharmaceutical administration practices have been compliant with existing laws and regulations, as a result of the current high level of scrutiny and controversy, we may be subject to increased inquiries from a variety of governmental bodies and claims by third parties. Additional inquiries from or audits by various agencies and claims by third parties with respect to these issues would continue to require management s attention and significant legal expense and any negative findings could result in substantial financial penalties or repayments, imposition of certain obligations on our practices and procedures and the attendant financial burden on us to comply, or exclusion from future participation in the Medicare and Medicaid programs, and could have a material adverse effect on our revenues, earnings and cash flows.

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 revenues, earnings, cash flows and stock price.

Our dialysis operations are subject to extensive federal, state and local government regulations, including Medicare and Medicaid payment rules and regulations, federal and state anti-kickback laws, the Stark Law physician self-referral prohibition and analogous state referral statutes, Federal Acquisition Regulations, the FCA and federal and state laws regarding the collection, use and disclosure of patient health information and the storage, handling and administration of pharmaceuticals. The Medicare and Medicaid reimbursement rules

Table of Contents

related to claims submission, enrollment and licensing requirements, cost reporting, and payment processes impose complex and extensive requirements upon dialysis providers. A violation or departure from any of these requirements may result in government audits, lower reimbursements, significant fines and penalties, the potential loss of certification and recoupments or voluntary repayments.

The regulatory scrutiny of healthcare providers, including dialysis providers continues to increase. For example, CMS has indicated that after implementation of the Medicare bundled payment system, it will monitor the use of EPO and other pharmaceuticals. In addition, Medicare has increased the frequency and intensity of its certification inspections of dialysis centers. For example, we are required to provide substantial documentation related to the administration of pharmaceuticals, including EPO, and, to the extent that any such documentation is found insufficient, we may be required to refund to government or commercial payors any amounts received for such administration, and be subject to substantial penalties under applicable laws or regulations. In addition, Medicare contractors have increased their prepayment and post-payment reviews.

We endeavor to comply with all of the requirements for receiving Medicare and Medicaid payments, to structure all of our relationships with referring physicians to comply with state and federal anti-kickback laws and physician self-referral law (Stark Law), and for storing, handling and administering pharmaceuticals. However, the laws and regulations in these areas are complex, require considerable resources to monitor and implement and are subject to varying interpretations. For example, if an enforcement agency were to challenge the level of compensation that we pay our medical directors or the number of medical directors whom we engage, we could be required to change our practices, face criminal or civil penalties, pay substantial fines or otherwise experience a material adverse effect as a result of a challenge to these arrangements. In addition, amendments to the FCA impose severe penalties for the knowing and improper retention of overpayments collected from government payors. These amendments could subject our procedures for identifying and processing overpayments to greater scrutiny. We have made significant investments in additional resources to decrease the time it takes to identify and process overpayments and we may be required to make additional investments in the future. An acceleration in our ability to identify and process overpayments could result in us refunding overpayments to government or other payors sooner than we have in the past. A significant acceleration of these refunds could have a material adverse affect on our operating cash flows. Additionally, amendments to the federal anti-kickback statute in the health reform law make anti-kickback violations subject to FCA prosecution, including *qui tam* or whistleblower suits.

If any of our operations are found to violate these or other government regulations, we could suffer severe consequences that would have a material adverse effect on our revenues, earnings, cash flows and stock price, including:

- Suspension or termination of our participation in government payment programs;
- Refunds of amounts received in violation of law or applicable payment program requirements;
- Loss of required government certifications or exclusion from government payment programs;
- Loss of licenses required to operate health care facilities or administer pharmaceuticals in some of the states in which we operate;
- Reductions in payment rates or coverage for dialysis and ancillary services and related pharmaceuticals;
- Fines, damages or monetary penalties for anti-kickback law violations, Stark Law violations, FCA violations, civil or criminal liability based on violations of law, or other failures to meet regulatory requirements;
- Enforcement actions by governmental agencies and/or claims for monetary damages by patients who believe protected health information has been used or disclosed in violation of federal or state patient privacy laws, including the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA);

51

Table of Contents

Mandated changes to our practices or procedures that significantly increase operating expenses;

Imposition of and compliance with Corporate Integrity Agreements that could subject us to ongoing audits, reporting, increased scrutiny of our billing and business practices and potential additional fines;

Termination of relationships with medical directors; and

Harm to our reputation, which could impact our business relationships, ability to obtain financing and access to new opportunities.

Delays in state Medicare and Medicaid certification of our dialysis centers could adversely affect our revenues, earnings and cash flows.

Before we can begin billing for patients treated in our outpatient dialysis centers who are enrolled in government-based programs, we are required to obtain state and federal certification for participation in the Medicare and Medicaid programs. As state agencies responsible for surveying dialysis centers on behalf of the state and Medicare program face increasing budgetary pressure, certain states are having difficulty keeping up with certifying dialysis centers in the normal course resulting in significant delays in certification. If state governments continue to have difficulty keeping up with certifying new centers in the normal course and we continue to experience significant delays in our ability to treat and bill for services provided to patients covered under government programs, it could cause us to incur write-offs of investments or accelerate the recognition of lease obligations in the event we have to close centers or our centers operating performance deteriorates, and it could have an adverse effect on our revenues, earnings and cash flows.

If our joint ventures were found to violate the law, we could suffer severe consequences that would have a material adverse effect on our revenues, earnings and cash flows.

As of June 30, 2012, we owned a controlling interest in numerous dialysis-related joint ventures, which represented approximately 19% of our dialysis and related lab services revenues for the six months ended June 30, 2012. In addition, we also owned minority equity investments in several other dialysis related joint ventures. We anticipate that we will continue to increase the number of our joint ventures. Many of our joint ventures with physicians or physician groups also have the physician owners providing medical director services to those centers or other centers we own and operate. Because our relationships with physicians are governed by the federal anti-kickback statute, we have sought to structure our joint venture arrangements to satisfy as many safe harbor requirements as we believe are reasonably possible. However, our joint venture arrangements do not satisfy all elements of any safe harbor under the federal anti-kickback statute (and possibly the Stark Law). The subpoena and related requests for documents we received from the U.S. Attorney s Office for the Eastern District of Missouri in the 2005 U.S. Attorney investigation, the OIG s Office in Dallas in the 2010 U.S. Attorney physician relationship investigation and the U.S. Attorney s Office for the District of Colorado in the 2011 U.S. Attorney physician relationship investigation, included requests for documents related to our joint ventures. We were advised by the U.S. Department of Justice that it is conducting civil and grand jury investigations into our financial relationships with physicians.

If our joint ventures are found to be in violation of the anti-kickback statute or the Stark Law provisions, we could be required to restructure the joint ventures or refuse to accept referrals for designated health services from the physicians with whom the joint venture centers have a financial relationship.

We also could be required to repay amounts received by the joint ventures from Medicare and certain other payors to the extent that these arrangements are found to give rise to prohibited referrals, and we could be subject to monetary penalties, exclusion from government healthcare programs and, if criminal proceedings are brought against us, criminal penalties. If our joint venture centers are subject to any of these penalties, we could suffer severe consequences that would have a material adverse effect on our revenues, earnings and cash flows.

Table of Contents

There are significant estimating risks associated with the amount of dialysis revenues and related refund liabilities that we recognize and if we are unable to accurately estimate our revenues and related refund liabilities, it could impact the timing and the amount of our revenues recognition or have a significant impact on our operating results.

There are significant estimating risks associated with the amount of dialysis and related lab services revenues and related refund liabilities that we recognize in a reporting period. The billing and collection process is complex due to ongoing insurance coverage changes, geographic coverage differences, differing interpretations of contract coverage, and other payor issues. Determining applicable primary and secondary coverage for approximately 149,000 U.S. patients at any point in time, together with the changes in patient coverage that occur each month, requires complex, resource-intensive processes. Errors in determining the correct coordination of benefits may result in refunds to payors. Revenues associated with Medicare and Medicaid programs are also subject to estimating risk related to the amounts not paid by the primary government payor that will ultimately be collectible from other government programs paying secondary coverage, the patient s commercial health plan secondary coverage or the patient. Collections, refunds and payor retractions typically continue to occur for up to three years and longer after services are provided. We generally expect our range of dialysis and related lab services revenues estimating risk to be within 1% of revenues for the segment, which can represent as much as 6% of consolidated operating income. If our estimates of dialysis and related lab services revenues and related refund liabilities are materially inaccurate, it could impact the timing and the amount of our revenues recognition and have a significant impact on our operating results.

The ancillary services we provide or the strategic initiatives, including our international dialysis operations, that we invest in now or in the future may generate losses and may ultimately be unsuccessful. In the event that one or more of these activities is unsuccessful, we may have to write off our investment and incur other exit costs.

Our ancillary services and strategic initiatives currently include pharmacy services, infusion therapy services, disease management services, vascular access services, ESRD clinical research programs, physician services and our international dialysis operations. We expect to add additional service offerings and pursue additional strategic initiatives in the future as circumstances warrant, which could include healthcare services not related to dialysis. Many of these initiatives require or would require investments of both management and financial resources and can generate significant losses for a substantial period of time and may not become profitable. There can be no assurance that any such strategic initiative will ultimately be successful. Any significant change in market conditions, or business performance, or in the political, legislative or regulatory environment, may impact the economic viability of any of these strategic initiatives. For example, during 2011 and 2010, several of our strategic initiatives generated net operating losses and some are expected to generate net operating losses in 2012. If any of our ancillary services or strategic initiatives, including our international dialysis operations, do not perform as planned, we may incur a material write-off or an impairment of our investment, including goodwill, in one or more of these activities or we could incur significant termination costs if we were to exit a certain line of business. As an example, during the second quarter of 2011 we recorded a goodwill impairment charge of $24 million related to a decrease in the implied fair value of goodwill below its carrying amount associated with our infusion therapy business.

If a significant number of physicians were to cease referring patients to our dialysis centers, whether due to regulatory or other reasons, it would have a material adverse effect on our revenues, earnings and cash flows.

We believe that physicians prefer to have their patients treated at dialysis centers where they or other members of their practice supervise the overall care provided as medical director of the center. 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. Neither our current nor former medical directors have an obligation to refer their patients to our centers. 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. If we are unable to enforce noncompetition provisions contained in the terminated

Table of Contents

medical director agreements, former medical directors may choose to provide medical director services for competing providers or establish their own dialysis centers in competition with ours. Also, if the quality of service levels at our centers deteriorates, it may negatively impact patient referrals and treatment volumes.

Our medical director contracts are for fixed periods, generally three to ten years, and at any given time a large number of them could be up for renewal at the same time. Medical directors have no obligation to extend their agreements with us, and there are a number of factors, including opportunities presented by our competitors or different affiliation models in the changing healthcare environment, such as an increase in the number of physicians becoming employed by hospitals, that could negatively impact their decisions to extend their agreements with us. In addition, we may take actions to restructure existing relationships or take positions in negotiating extensions of relationships to assure compliance with the anti-kickback statute, Stark Law and other similar laws. These actions also could negatively impact the decision of physicians to extend their medical director agreements with us or to refer their patients to us. If the terms of any existing agreement are 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 cause the physician to stop referring patients to our dialysis centers. If a significant number of physicians were to cease referring patients to our dialysis centers, whether due to regulatory or other reasons, then our revenues, earnings and cash flows would be substantially reduced.

Current economic conditions as well as further disruptions in the financial markets could have a material adverse effect on our revenues, earnings and cash flows and otherwise adversely affect our financial condition.

Current economic conditions could adversely affect our business and our profitability. Among other things, the potential decline in federal and state revenues that may result from such conditions may create additional pressures to contain or reduce reimbursements for our services from Medicare, Medicaid and other government sponsored programs. Increasing job losses or slow improvement in the unemployment rate in the U.S. as a result of current or recent economic conditions has and may continue to result in a smaller percentage of our patients being covered by an employer group health plan and a larger percentage being covered by lower paying Medicare and Medicaid programs. Employers may also begin to select more restrictive commercial plans with lower reimbursement rates. To the extent that payors are negatively impacted by a decline in the economy, we may experience further pressure on commercial rates, a further slowdown in collections and a reduction in the amounts we expect to collect. In addition, uncertainty in the financial markets could adversely affect the variable interest rates payable under our credit facilities or could make it more difficult to obtain or renew such facilities or to obtain other forms of financing in the future, if at all. Any or all of these factors, as well as other consequences of the current economic conditions which cannot currently be anticipated, could have a material adverse effect on our revenues, earnings and cash flows and otherwise adversely affect our financial condition.

We may engage in acquisitions, mergers or dispositions, including the Merger, which may affect our results of operations, debt-to-capital ratio, capital expenditures or other aspects of our business.

We may engage in acquisitions, mergers or dispositions, including the Merger, which may affect our results of operations, debt-to-capital ratio, capital expenditures, or other aspects of our business. There can be no assurance that we will be able to identify suitable acquisition targets or merger partners or that, if identified, we will be able to acquire these targets on acceptable terms or agree to terms with merger partners. There can also be no assurance that we will be successful in completing any acquisitions, mergers or dispositions that we might be considering or announce, or integrating any acquired business into our overall operations or operate them successfully as stand-alone businesses, or that any such acquired business will operate profitably or will not otherwise adversely impact our results of operations. Further, we cannot be certain that key talented individuals at the business being acquired will continue to work for us after the acquisition or that they will be able to continue to successfully manage or have adequate resources to successfully operate any acquired business.

Table of Contents

If we are not able to continue to make acquisitions, or maintain an acceptable level of non-acquired growth, or if we face significant patient attrition to our competitors or a reduction in the number of our medical directors, it could adversely affect our business.

The dialysis industry is highly competitive, particularly in terms of acquiring existing dialysis centers. We continue to face increased competition in the U.S. dialysis industry from large and medium-sized providers which compete directly with us for acquisition targets as well as for individual patients and medical directors. In addition, as we continue our international dialysis expansion into various international markets, we will face competition from large and medium-sized providers for these acquisition targets as well. Acquisitions, patient retention and medical director retention are an important part of our growth strategy. Because of the ease of entry into the dialysis business and the ability of physicians to be medical directors for their own centers, competition for growth in existing and expanding markets is not limited to large competitors with substantial financial resources. Occasionally, we have experienced competition from former medical directors or referring physicians who have opened their own dialysis centers. In addition, Fresenius, our largest competitor, manufactures a full line of dialysis supplies and equipment in addition to owning and operating dialysis centers. This may give it cost advantages over us because of its ability to manufacture its own products. If we are not able to continue to make acquisitions, continue to maintain acceptable levels of non-acquired growth, or if we face significant patient attrition to our competitors or a reduction in the number of our medical directors, it could adversely affect our business.

If businesses we acquire have liabilities that we are not aware of, we could suffer severe consequences that would substantially reduce our earnings and cash flows.

Our business strategy includes the acquisition of dialysis centers and businesses that own and operate dialysis centers, as well as other ancillary and non-dialysis services and strategic initiatives, including the Merger. Businesses we acquire may have unknown or contingent liabilities or liabilities that are in excess of the amounts that we originally estimated. Although we generally seek indemnification from the sellers of businesses we acquire for matters that are not properly disclosed to us, we are not always successful. In addition, even in cases where we are able to obtain indemnification, we may discover liabilities greater than the contractual limits or the financial resources of the indemnifying party. In the event that we are responsible for liabilities substantially in excess of any amounts recovered through rights to indemnification, we could suffer severe consequences that would substantially reduce our earnings and cash flows.

Expansion of our operations to and offering our services in markets outside of the U.S. subjects us to political, legal, operational and other risks that could adversely affect our business, results of operations and cash flows.

We are undertaking an expansion of our operations and beginning to offer our services outside of the U.S., which increases our exposure to the inherent risks of doing business in international markets. Depending on the market, these risks include, without limitation, those relating to:

- changes in the local economic environment;
- political instability, armed conflicts or terrorism;
- social changes;
- intellectual property legal protections and remedies;
- trade regulations;
- procedures and actions affecting approval, production, pricing, reimbursement and marketing of products and services;
- foreign currency;

55

Table of Contents

repatriating or moving to other countries cash generated or held abroad, including considerations relating to tax-efficiencies and changes in tax laws;

export controls;

lack of reliable legal systems which may affect our ability to enforce contractual rights;

changes in local laws or regulations;

potentially longer payment and collection cycles;

financial and operational, and information technology systems integration; and

failure to comply with U.S. or local laws that prohibit us or our intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business.

Additionally, some factors that will be critical to the success of our international business and operations will be different than those affecting our domestic business and operations. For example, conducting international operations requires us to devote significant management resources to implement our controls and systems in new markets, to comply with local laws and regulations and to overcome the numerous new challenges inherent in managing international operations, including those based on differing languages, cultures and regulatory environments, and those related to the timely hiring, integration and retention of a sufficient number of skilled personnel in an environment with which we are not familiar to carry out operations.

We anticipate expanding our international operations through acquisitions of varying sizes or through organic growth, which could increase these risks. Additionally, though we might invest material amounts of capital and incur significant costs in connection with the growth and development of our international operations, there is no assurance that we will be able to operate them profitably anytime soon, if at all. As a result, we would expect these costs to be dilutive to our earnings over the next several years as we start-up or acquire new operations.

These risks could have a material adverse effect on our financial condition, results of operations and cash flows.

The level of our current and future debt could have an adverse impact on our business, and our ability to generate cash to service our indebtedness depends on many factors beyond our control.

We have substantial debt outstanding and we may incur additional indebtedness in the future. The high level of our indebtedness, among other things, could:

make it difficult for us to make payments on our debt securities;

increase our vulnerability to general adverse economic and industry conditions;

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and investments and other general corporate purposes;

limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate;

place us at a competitive disadvantage compared to our competitors that have less debt; and

limit our ability to borrow additional funds.

Our ability to make payments on our indebtedness and to fund planned capital expenditures and expansion efforts, including any strategic acquisitions we may make in the future, will depend on our ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control.

Table of Contents

We cannot provide assurance that our business will generate sufficient cash flow from operations in the future or that future borrowings will be available to us in an amount sufficient to enable us to service our indebtedness or to fund other liquidity needs. The borrowings under our amended senior secured credit facilities are guaranteed by a substantial portion of our direct and indirect wholly owned domestic subsidiaries and are secured by a substantial portion of DaVita s and its guarantors assets.

Increases in interest rates may increase our interest expense and adversely affect our earnings and cash flow and our ability to service our indebtedness.

A portion of our outstanding debt bears interest at variable rates. We are subject to LIBOR-based interest rate volatility from a floor of 1.50% to a cap of 4.00% on $1.25 billion notional amounts of our Term Loan B outstanding debt as a result of several interest rate cap agreements that were entered into in January 2011. The remaining $474 million of outstanding debt on the Term Loan B is subject to LIBOR-based interest rate volatility above a floor of 1.50%. At June 30, 2012, we were also subject to LIBOR-based interest rate volatility above a floor of 1.00% on $199 million of outstanding debt associated with our Term Loan A-2.

We also have approximately $350 million of additional borrowings available of which approximately $49 million was committed for outstanding letters of credit, under our amended senior secured credit facilities that are subject to LIBOR-based interest rate volatility. We may also incur additional variable rate debt in the future. Increases in interest rates would increase our interest expense of the variable portion of our indebtedness, which could negatively impact our earnings and cash flow and our ability to service our indebtedness which would be particularly significant in the event of rapid and substantial increases in interest rates.

At June 30, 2012, if interest rates were to hypothetically increase by 100 basis points it would increase our interest expense by approximately $0.5 million, which increase solely relates to our Term Loan A-2 that is subject to LIBOR-based interest rate volatility above a floor of 1.00%.

However, interest expense would not be impacted by any LIBOR-based interest rate volatility associated with our other Term Loans since all of our Term Loan A is economically fixed and our Term Loan B is subject to LIBOR-based interest rate volatility above a floor of 1.50%, as described above. The current LIBOR rate in effect, plus a hypothetical increase of 100 basis points, is currently less than our Term Loan B floor of 1.50%. Therefore, LIBOR-based interest rates would have to increase above a floor of 1.50% for the Term Loan B to have a negative impact on our financial results.

If there are shortages of skilled clinical personnel or if we experience a higher than normal turnover rate, 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. We compete for nurses with hospitals and other health care providers. This nursing shortage may limit our ability to expand our operations. In addition, changes in certification requirements or increases in the required staffing levels for skilled clinical personnel can impact our ability to maintain sufficient staff levels to the extent our teammates are not able to meet new requirements or competition for qualified individuals increases. If we are unable to hire skilled clinical personnel when needed, or if we experience a higher than normal turnover rate for our skilled clinical personnel, our operations and treatment growth will be negatively impacted, which would result in reduced revenues, earnings and cash flows.

Our business is labor intensive and could be adversely affected if we were unable to maintain satisfactory relations with our employees or if union organizing activities were to result in significant increases in our operating costs or decreases in productivity.

Our business is labor intensive, and our results are subject to variations in labor-related costs, productivity and the number of pending or potential claims against us related to labor and employment practices. If political

Table of Contents

efforts at the national and local level result in actions or proposals that increase the likelihood of union organizing activities at our facilities or if union organizing activities increase for other reasons, or if labor and employment claims, including the filing of class action suits, trend upwards, our operating costs could increase and our employee relations, productivity, earnings and cash flows could be adversely affected.

Upgrades to our billing and collections systems and complications associated with upgrades and other improvements to our billing and collections systems could have a material adverse effect on our revenues, cash flows and operating results.

We are continuously performing upgrades to our billing systems and expect to continue to do so in the near term. In addition, we continuously work to improve our billing and collections performance through process upgrades, organizational changes and other improvements. We may experience difficulties in our ability to successfully bill and collect for services rendered as a result of these changes, including a slow-down of collections, a reduction in the amounts we expect to collect, increased risk of retractions from and refunds to commercial and government payors, an increase in our provision for uncollectible accounts receivable and noncompliance with reimbursement regulations. The failure to successfully implement the upgrades to the billing and collection systems and other improvements could have a material adverse effect on our revenues, cash flows and operating results.

Our ability to effectively provide the services we offer could be negatively impacted if certain of our suppliers are unable to meet our needs or if we are unable to effectively access new technology, which could substantially reduce our revenues, earnings and cash flows.

We have significant suppliers that are either the sole or primary source of products critical to the services we provide, including Amgen, Baxter Healthcare Corporation, NxStage Medical, Inc. and others or to which we have committed obligations to make purchases including Gambro Renal Products and Fresenius. If any of these suppliers are unable to meet our needs for the products they supply, including in the event of a product recall, or shortage, and we are not able to find adequate alternative sources, or if some of the drugs that we purchase are not reimbursed or not adequately reimbursed by commercial payors or through the bundled payment rate by Medicare, our revenues, earnings and cash flows could be substantially reduced. In addition, the technology related to the products critical to the services we provide is subject to new developments and may result in superior products. If we are not able to access superior products on a cost-effective basis or if suppliers are not able to fulfill our requirements for such products, we could face patient attrition which could substantially reduce our revenues, earnings and cash flows.

We may be subject to liability claims for damages and other expenses not covered by insurance that could reduce our earnings and cash flows.

The administration of dialysis and related services to patients may subject us to litigation and liability for damages. Our business, profitability and growth prospects could suffer if we face negative publicity or we pay damages or defense costs in connection with a claim that is outside the scope of any applicable insurance coverage, including claims related to adverse patient events, contractual disputes and professional and general liability claims. In addition, we have received several notices of claims from commercial payors and other third parties related to our historical billing practices and the historical billing practices of the centers acquired from Gambro Healthcare and other matters related to their settlement agreement with the Department of Justice. Although the ultimate outcome of these claims cannot be predicted, an adverse result with respect to one or more of these claims could have a material adverse effect on our financial condition, results of operations, and cash flows. We currently maintain programs of general and professional liability insurance. However, a successful claim, including a professional liability, malpractice or negligence claim which is in excess of our insurance coverage could have a material adverse effect on our earnings and cash flows.

Table of Contents

In addition, if our costs of insurance and claims increase, then our earnings could decline. Market rates for insurance premiums and deductibles have been steadily increasing. Our earnings and cash flows could be materially and adversely affected by any of the following:

- the collapse or insolvency of our insurance carriers;
- further increases in premiums and deductibles;
- increases in the number of liability claims against us or the cost of settling or trying cases related to those claims; and
- an inability to obtain one or more types of insurance on acceptable terms.

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

Our charter documents include provisions that 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 90 days advance notice of stockholder proposals or nominations to our Board of Directors; and granting our Board of Directors the authority to issue preferred stock and to determine the rights and preferences of the preferred stock without the need for further stockholder approval.

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 also maintain a change of control protection program for our employees who do not have a significant number of stock awards, which has been in place since 2001, and which provides for cash bonuses to the employees in the event of a change of control. Based on the market price of our common stock and shares outstanding on June 30, 2012, these cash bonuses would total approximately $364 million if a change of control transaction occurred at that price and our Board of Directors did not modify this program. These change of control provisions may affect the price an acquirer would be willing to pay for our Company.

We are also subject to Section 203 of the Delaware General Corporation Law that, subject to exceptions, would prohibit us from engaging in any business combinations with any interested stockholder, as defined in that section, for a period of three years following the date on which that stockholder became an interested stockholder.

These provisions may discourage, delay or prevent an acquisition of our Company at a price that our stockholders may find attractive. These provisions could also make it more difficult for our stockholders to elect directors and take other corporate actions and could limit the price that investors might be willing to pay for shares of our common stock.

Risks Related to HCP

As a healthcare company, HCP is subject to many of the same risks to which DaVita is subject.

As a participant in the healthcare industry, HCP is subject to many of the same risks that DaVita is subject to as described in the DaVita risk factors, included elsewhere in or incorporated by reference into this prospectus, any of which could materially and adversely affect HCP s revenues, earnings or cash flows. Among these risks are the following:

- the healthcare business is heavily regulated and changes in laws, regulations, or government programs could have a material impact on HCP s business;

failure to comply with complex governmental regulations could have severe consequences to HCP, including, without limitation, exclusion from governmental payor programs like Medicare and Medicaid;

HCP could become the subject of governmental investigations, claims, and litigation;

Table of Contents

HCP may be unable to continue to make acquisitions or to successfully integrate such acquisitions into its business, and such acquisitions may include liabilities of which HCP was not aware; and

as a result of the broad scope of HCP s medical practice, including its affiliated physician groups in California and Nevada, HCP is exposed to medical malpractice claims, as well as claims for damages and other expenses, that may not be covered by insurance.

Under most of HCP s agreements with health plans, HCP assumes some or all of the risk that the cost of providing services will exceed its compensation.

Substantially all of HCP s revenue is derived from PMPM fees, paid by health plans under capitation agreements with HCP or its affiliated physician groups. In Florida, HCP contracts directly with health plans under global capitation arrangements to assume financial responsibility for both professional and institutional services. In Nevada, HCP contracts directly with health plans under capitation arrangements to assume financial responsibility for professional services, but does not generally assume institutional risk. Under such contracts, the health plan establishes pools for both professional services and institutional services based on a contractual PMPM fee, and the health plan then pays both professional and institutional expenses and remits the residual amounts to HCP. In California, HCP utilizes a capitation model in several different forms. While there are variations specific to each arrangement, HealthCare Partners Affiliates Medical Group, or HCPAMG, generally contracts with health plans to receive a PMPM fee for professional services and assumes the financial responsibility for professional services only. In some cases, the health plans separately enter into capitation contracts with third parties (typically hospitals) who receive directly a portion of the PMPM fee and assume contractual financial responsibility for hospital services. In other cases, the health plan does not pay any portion of the PMPM fee to the hospital, but rather administers claims for hospital expenses itself. In both scenarios, HCP enters into managed care-related administrative services agreements or similar arrangements with those third parties (hospitals) under which HCP agrees to be responsible for utilization review, quality assurance, and other managed care-related administrative functions. As compensation for such administrative services, HCP is entitled to share up to 100% of the amount by which the hospital capitation revenue exceeds hospital expenses; any such risk-share amount to which HCP is entitled is recorded as medical revenues.

To the extent that members require more care than is anticipated, aggregate PMPM payments may be insufficient to cover the costs associated with treatment. If medical expenses exceed estimates, except in very limited circumstances, HCP will not be able to increase the PMPM fee received under these risk agreements during their then-current terms.

If HCP or its affiliated physician groups enter into capitation contracts with unfavorable economic terms, or a capitation contract is amended to include unfavorable terms, HCP could, directly or indirectly through its contracts with HCPAMG, suffer losses with respect to such contract. Since HCP does not negotiate with CMS or any health plan regarding the benefits to be provided under their Medicare Advantage or other managed care plans, HCP often has just a few months to familiarize itself with each new annual package of benefits it is expected to offer.

Relatively small changes in HCP s or HCPAMG s ratio of medical expense to revenue can create significant changes in HCP s financial results. Accordingly, the failure to adequately predict and control medical expenses and to make reasonable estimates and maintain adequate accruals for incurred but not reported claims, may have a material adverse effect on HCP s financial condition, results of operations or cash flows.

Historically, HCP s and HCPAMG s medical expenses as a percentage of revenue have fluctuated. Factors that may cause medical expenses to exceed estimates include:

the health status of members;

higher than expected utilization of new or existing healthcare services or technologies;

an increase in the cost of healthcare services and supplies, including pharmaceuticals, whether as a result of inflation or otherwise;

Table of Contents

changes to mandated benefits or other changes in healthcare laws, regulations, and practices;

periodic renegotiation of provider contracts with specialist physicians, hospitals, and ancillary providers;

periodic renegotiation of contracts with HCP s affiliated primary care physicians;

changes in the demographics of the participating members and medical trends;

contractual or claims disputes with providers, hospitals, or other service providers within a health plan s network; and

the occurrence of catastrophes, major epidemics, or acts of terrorism.

Risk-sharing arrangements that HCP-affiliated physician groups (including HCPAMG) have with health plans and hospitals could result in their costs exceeding the corresponding revenues, which could reduce or eliminate any shared risk profitability.

Most of the agreements between health plans and HCP and its affiliated physician groups, including HCPAMG, contain risk-sharing arrangements under which the physician groups can earn additional compensation from the health plans by coordinating the provision of quality, cost-effective healthcare to members. However, such arrangements may require the physician group to assume a portion of any loss sustained from these arrangements, thereby reducing HCP s net income. Under these risk-sharing arrangements, HCP and its affiliated physician groups are responsible for a portion of the cost of hospital services or other services that are not capitated. The terms of the particular risk-sharing arrangement allocate responsibility to the respective parties when the cost of services exceeds the related revenue, which results in a deficit, or permit the parties to share in any surplus amounts when actual costs are less than the related revenue. The amount of non-capitated and hospital costs in any period could be affected by factors beyond the control of HCP, such as changes in treatment protocols, new technologies, longer lengths of stay by the patient, and inflation. To the extent that such non-capitated and hospital costs are higher than anticipated, revenue may not be sufficient to cover the risk-sharing deficits the health plans and HCP are responsible for, which could reduce HCP s revenues and profitability. Certain of HCP s agreements with health plans stipulate that risk-sharing pool deficit amounts are carried forward to offset any future years surplus amounts HCP would otherwise be entitled to receive. HCP accrues for any such risk-sharing deficits.

Health plans often insist on withholding negotiated amounts from professional PMPM payments, which the health plans are permitted to retain, in order to cover HCP s share of any risk-sharing deficits. Whenever possible, HCP seeks to contractually reduce or eliminate its liability for risk-sharing deficits. Notwithstanding the foregoing, risk-sharing deficits could have a significant impact on future profitability.

Renegotiation, renewal, or termination of capitation agreements with health plans could have a significant impact on HCP s future profitability.

Under most of HCP s and its affiliated physician groups , including HCPAMG s, capitation agreements with health plans, the health plan is generally permitted to modify the benefit and risk obligations and compensation rights from time to time during the terms of the agreements. If a health plan exercises its right to amend its benefit and risk obligations and compensation rights, HCP and its affiliated physician groups, including HCPAMG, are generally allowed a period of time to object to such amendment. If HCP or its affiliated physician group so objects, under some of the risk agreements, the relevant health plan may terminate the applicable agreement upon 60 to 90 days written notice. In addition, in connection with the Merger, HCP must obtain the consent of certain health plans to assign certain capitation agreements, which could result in health plans attempting to renegotiate or threatening to cancel such contracts. Depending on the health plan at issue and the amount of revenue associated with the health plan s risk agreement, the renegotiated terms or termination may have a material adverse effect on HCP s and DaVita s future revenues and profitability.

Table of Contents

Laws regulating the corporate practice of medicine could restrict the manner in which HCP is permitted to conduct its business and the failure to comply with such laws could subject HCP to penalties or require a restructuring of HCP.

Some states have laws that prohibit business entities, such as HCP, from practicing medicine, employing physicians to practice medicine, exercising control over medical decisions by physicians (also known collectively as the corporate practice of medicine) or engaging in certain arrangements, such as fee-splitting, with physicians. In some states these prohibitions are expressly stated in a statute or regulation, while in other states the prohibition is a matter of judicial or regulatory interpretation. Of the three states in which HCP currently operates, California and Nevada prohibit the corporate practice of medicine.

In California and Nevada, HCP operates by maintaining long-term contracts with its affiliated physician groups, including HCPAMG, which are each owned and operated by physicians and which employ or contract with additional physicians to provide physician services. Under these arrangements, HCP provides management services, receives a management fee for providing non-medical management services, does not represent that it offers medical services, and does not exercise influence or control over the practice of medicine by the physicians or the affiliated physician groups.

In addition to the above management arrangements, HCP has certain contractual rights relating to the orderly transfer of equity interests in certain of its California and Nevada affiliated physician groups through succession agreements and other arrangements with their physician equityholders. However, such equity interests cannot be transferred to or held by HCP or by any non-professional organization. Accordingly, neither HCP nor HCP s subsidiaries directly own any equity interests in any physician groups in California and Nevada. In the event that any of these affiliated physician groups fails to comply with the management arrangement or any management arrangement is terminated and/or HCP is unable to enforce its contractual rights over the orderly transfer of equity interests in its affiliated physician groups, such events could have a material adverse effect on HCP s business, financial condition or results of operations.

HCP may be required to restructure its relationship with its affiliated physician groups if HCP s management services agreements with such affiliated physician groups or HCP s succession agreements and other related arrangements with equityholders of any such affiliated physician groups are deemed invalid under prohibitions against the corporate practice of medicine in California and Nevada.

Some of the relevant laws, regulations, and agency interpretations relating to the corporate practice of medicine have been subject to limited judicial and regulatory interpretation. Moreover, state laws are subject to change and regulatory authorities and other parties, including HCP s group physicians, may assert that, despite these arrangements, HCP is engaged in the prohibited corporate practice of medicine.

In light of the above, it is possible that a state regulatory agency or a court could determine that HCP s agreements with physician equityholders of certain managed California and Nevada affiliated physician groups as described above, either independently or coupled with the management services agreements with such affiliated physician groups, confer impermissible control over the business and/or medical operations of such affiliated physician groups, that the management fee payable under such arrangements results in profit sharing or that HCP is the beneficial owner of the affiliated physician groups equity interests in violation of the corporate practice of medicine doctrine. If there were a determination that a corporate practice of medicine violation existed or exists, these arrangements could be deemed invalid, potentially resulting in a loss of revenues and results of operations derived from such affiliated physician groups. In addition, HCP s California and Nevada affiliated physician groups and HCP, as well as those physician equityholders of affiliated physician groups who are subject to succession agreements with HCP, could be subject to criminal or civil penalties or an injunction for practicing medicine without a license or aiding and abetting the unlicensed practice of medicine.

A determination that a corporate practice of medicine violation existed could also force a restructuring of HCP s management arrangements with affiliated physician groups in California and/or Nevada. Such a

Table of Contents

restructuring might include revisions of the management services agreements, which might include a modification of the management fee, and/or establishing an alternative structure, such as obtaining a California Knox-Keene license (a managed care plan license issued pursuant to the California Knox-Keene Health Care Service Plan Act of 1975, or Knox-Keene Act) or its Nevada equivalent, which would permit HCP to contract with a physician network without violating the corporate practice of medicine prohibition. There can be no assurance that such a restructuring would be feasible, or that it could be accomplished within a reasonable time frame without a material adverse effect on HCP s operations and financial results.

If HCP s agreements or arrangements with any physician equityholder(s) of affiliated physicians, physician groups, or IPAs are deemed invalid under state law, including laws against the corporate practice of medicine, or Federal Law, or are terminated as a result of changes in state law, or if there is a change in accounting principles or the interpretation thereof by the Financial Accounting Standards Board, or FASB, affecting consolidation of entities, it could impact HCP s consolidation of total revenues derived from such affiliated physician groups.

HCP s financial statements are consolidated and include the accounts of its majority-owned subsidiaries and certain non-owned HCP-affiliated physician groups, which consolidation is effectuated in accordance with applicable accounting rules. In the event of a change in accounting principles promulgated by FASB or in FASB s interpretation of its principles, or if there were an adverse determination by a regulatory agency or a court or if there were a change in state or federal law relating to the ability to maintain present agreements or arrangements with such physician groups, HCP may not be permitted to continue to consolidate the total revenues of such organizations. A change in accounting for consolidation with respect to HCP s present agreement or arrangements would diminish HCP s reported revenues but would not adversely affect its results of operations, while regulatory or legal rulings or changes in law interfering with HCP s ability to maintain its present agreements or arrangements could diminish both revenues and results of operations.

If HCPAMG and HCP s affiliated physician groups are not able to satisfy the California Department of Managed Health Care s financial solvency requirements, HCP could become subject to sanctions and its ability to do business in California could be limited or terminated.

The California Department of Managed Health Care, or DMHC, has instituted financial solvency regulations. The regulations are intended to provide a formal mechanism for monitoring the financial solvency of capitated physician groups. Under the regulations, HCPAMG and HCP s affiliated physician groups are required to, among other things:

- Maintain, at all times, a minimum cash-to-claims ratio (where cash-to-claims ratio means the organization s cash, marketable securities, and certain qualified receivables, divided by the organization s total unpaid claims liability). The regulations currently require a cash-to-claims ratio of 0.75.

- Submit periodic reports to the DMHC containing various data and attestations regarding performance and financial solvency, including incurred but not reported calculations and documentation, and attestations as to whether or not the organization was in compliance with the Knox-Keene Act requirements related to claims payment timeliness, had maintained positive tangible net equity (i.e., at least $1.00), and had maintained positive working capital (i.e., at least $1.00).

In the event that a physician organization is not in compliance with any of the above criteria, the organization would be required to describe in a report submitted to the DMHC the reasons for non-compliance and actions to be taken to bring the organization into compliance. Further, under these regulations, the DMHC can make public some of the information contained in the reports, including, but not limited to, whether or not a particular physician organization met each of the criteria. In the event HCP or its affiliated physician groups are not able to meet certain of the financial solvency requirements, and fail to meet subsequent corrective action plans, HCP could be subject to sanctions, or limitations on, or removal of, its ability to do business in California.

Table of Contents

Reductions in Medicare Advantage health plan reimbursement rates stemming from recent healthcare reforms and any future related regulations may negatively impact HCP s business, revenue and profitability.

A significant portion of HCP s revenue is directly or indirectly derived from the monthly premium payments paid by CMS to health plans for medical services provided to Medicare Advantage enrollees. As a result, HCP s business and results of operations are, in part, dependent on government funding levels for Medicare Advantage programs. Any changes that limit or reduce Medicare Advantage reimbursement levels, such as reductions in or limitations of reimbursement amounts or rates under programs, reductions in funding of programs, expansion of benefits without adequate funding, elimination of coverage for certain benefits, or elimination of coverage for certain individuals or treatments under programs, could have a material adverse effect on HCP s business.

The Health Reform Acts contain a number of provisions that negatively impact Medicare Advantage plans, including the following:

- Medicare Advantage benchmarks for 2011 were frozen at 2010 levels. Beginning in 2012, Medicare Advantage benchmark rates are being phased down from current levels to levels that are between 95% and 115% of fee-for-service costs, depending on a plan s geographic area. Medicare Advantage plans receiving certain quality ratings by CMS will be eligible for bonus rate increases.

- Rebates received by Medicare Advantage plans that underbid based on payment benchmarks will be reduced, with larger reductions for plans failing to receive certain quality ratings.

- The Secretary of the Department of Health and Human Services, or HHS, is granted explicit authority to deny Medicare Advantage plan bids that propose significant increases in cost sharing or decreases in benefits.

- Beginning in 2014, Medicare Advantage plans with medical loss ratios below 85% will be required to pay a rebate to the Secretary of HHS. The Secretary of HHS will halt enrollment in any plan failing to meet this ratio for three consecutive years, and terminate any plan failing to meet the ratio for five consecutive years. If an HCP-contracting Medicare Advantage plan experiences a limitation on enrollment or is otherwise terminated from the Medicare Advantage program, HCP may suffer materially adverse consequences to its business or financial condition.

- Since January 1, 2011, cost-sharing for certain services (such as chemotherapy and skilled nursing care) has been limited to the cost-sharing permitted under the original fee-for-service Medicare program.

- Prescription drug plans are now required to cover all drugs on a list developed by the Secretary of HHS, and the Medicare Part D premium subsidy for high-income beneficiaries has been reduced by 25%.

- Beginning in 2014, CMS is required to increase coding intensity adjustments for Medicare Advantage plans, which is expected to reduce CMS payments to Medicare Advantage plans, which in turn will likely reduce the amounts payable to HCP and its affiliated physicians, physician groups, and IPAs under its capitation agreements.

In addition to the above, the Health Reform Acts establish a new Independent Payment Advisory Board, or IPAB, to recommend ways to reduce Medicare spending if the increase in Medicare costs per capita exceeds certain targets, which will be implemented unless Congress passes alternative legislation that achieves the same savings. The Health Reform Acts mandate that if targets are not met, the IPAB s recommendations are to include ways to reduce payments to Medicare Advantage plans and Medicare Part D prescription drug plans related to administrative expenses (including profits) and performance bonuses. Also, the Budget Control Act of 2011, or BCA, mandates a 2% decrease in Medicare Advantage spending in order to bring Medicare spending for Medicare Advantage beneficiaries more in line with Medicare fee-for-service spending. Additional steps could be taken by government agencies and plan providers to further restrict, directly or indirectly, the reimbursements available to plan service providers like HCP.

64

Table of Contents

Finally, it is possible that the impact of the Health Reform Acts could cause a reduction in enrollment in Medicare Advantage plans, which, in turn, would reduce HCP s revenues and net income. For example, the Congressional Budget Office, or CBO, expects that, after reaching a high of 25% participation in Medicare Advantage plans in 2012, such participation will decline to 17% in 2020. The CBO predicts that this, together with other changes under the Reform Act, will result in reductions in Medicare Advantage spending by CMS of up to an aggregate of $131.9 billion over 10 years.

Although the Health Reform Acts provide for reductions in payments to Medicare Advantage plans, the Health Reform Acts also provide for bonus payments to Medicare Advantage plans rated four or five stars based on quality measures. In November 2011, CMS announced a three-year demonstration project with an alternative bonus structure that awards bonuses to plans with three or more stars. The Government Accountability Office and MedPAC have criticized the demonstration project. If Congress acts to curb the CMS initiated bonus structure, HCP s revenues would decrease.

HCP s operations are dependent on competing health plans and, at times, their and HCP s economic interests may diverge.

For the year ended December 31, 2011, 70% of HCP s consolidated medical revenues was earned through contracts with three health plans.

HCP expects that, going forward, substantially all of its revenue will continue to be derived from these and other health plans. Each health plan may immediately terminate any of HCP s contracts and/or any individual credentialed physician upon the occurrence of certain events. They may also amend the material terms of the contracts under certain circumstances. Failure to maintain the contracts on favorable terms, for any reason, would materially and adversely affect HCP s results of operations and financial condition. A material decline in the number of members could also have a material adverse effect on HCP s results of operations.

Notwithstanding each health plan s and HCP s current shared interest in providing service to HCP s members who are enrolled in the subject health plans, the health plans may have different and, at times, opposing economic interests from those of HCP. The health plans provide a wide range of health insurance services across a wide range of geographic regions, utilizing a vast network of providers. As a result, they and HCP may have different views regarding the proper pricing of services and/or the proper pricing of the various service providers in their provider networks, the cost of which HCP bears to the extent that the services of such service providers are utilized. These health plans may also have different views than HCP regarding the efforts and expenditures that they, HCP, and/or other service providers should make to achieve and/or maintain various quality ratings. In addition, several health plans have purchased or announced their intent to purchase IPAs or HMOs. If health plans with which HCP contracts make significant purchases, they may not continue to contract with HCP or contract on less favorable terms. Similarly, as a result of changes in laws, regulations, consumer preferences, or other factors, the health plans may find it in their best interest to provide health insurance services pursuant to another payment or reimbursement structure. In the event HCP s interests diverge from the interests of the health plans, HCP may have limited recourse or alternative options in light of its dependence on these health plans. There can be no assurances that HCP will continue to find it mutually beneficial to work with the health plans. As a result of various restrictive provisions that appear in some of the managed care agreements with health plans, HCP may, at times, have limitations on its ability to cancel an agreement with a particular health plan and immediately thereafter contract with a competing health plan with respect to the same service area.

HCP and its affiliated physicians, physician groups, including HCPAMG, and IPAs and other physicians may be required to continue providing services following termination or renegotiation of certain agreements with health plans.

There are circumstances under federal and state law pursuant to which HCP and its affiliated physician groups, including HCPAMG, IPAs, and other physicians could be obligated to continue to provide medical

Table of Contents

services to HCP members in their care following a termination of their applicable risk agreement with health plans and termination of the receipt of payments thereunder. In certain cases, this obligation could require the physician group or IPA to provide care to such member following the bankruptcy or insolvency of a health plan. Accordingly, the obligations to provide medical services to HCP members (and the associated costs) may not terminate at the time the applicable agreement with the health plan terminates, and HCP may not be able to recover its cost of providing those services from the health plan, which could have a material adverse effect on HCP s financial condition, results of operations, and/or cash flows.

HCP operates only in Florida, California, and Nevada. HCP may not be able to successfully establish a presence in new geographic regions.

HCP derives substantially all of its revenue from operations exclusively in California, Nevada, and Florida (California, Nevada, and Florida are hereinafter referred to as, the Existing Geographic Regions). As a result, HCP s exposure to many of the risks described herein are not mitigated by a greater diversification of geographic focus. Furthermore, due to the concentration of HCP s operations in the Existing Geographic Regions, HCP s business may be adversely affected by economic conditions, natural disasters (such as earthquakes or hurricanes), or acts of war or terrorism that disproportionately affect the Existing Geographic Regions as compared to other states and geographic markets.

To expand the operations of its network outside of the Existing Geographic Regions, HCP must devote resources to identifying and exploring such perceived opportunities. Thereafter, HCP must, among other things, recruit and retain qualified personnel, develop new offices, establish potentially new relationships with one or more health plans, and establish new relationships with physicians and other healthcare providers. The ability to establish such new relationships may be significantly inhibited by competition for such relationships and personnel in the health care marketplace in the targeted new geographic regions. In addition, if HCP were to seek expansion outside of the Existing Geographic Regions, HCP would be required to comply with laws and regulations of states that may differ from the ones in which it currently operates, and could face competitors with greater knowledge of such local markets. HCP anticipates that any geographic expansion may require it to make a substantial investment of management time, capital, and/or other resources. There can be no assurance that HCP will be able to establish profitable operations or relationships in any new geographic markets.

Reductions in the quality ratings of the health plans HCP serves could have an adverse effect on its results of operations, financial condition, and/or cash flow.

As a result of the Health Reform Acts, HCP anticipates that the level of reimbursement each health plan receives from CMS will be dependent, in part, upon the quality rating of the Medicare plan that such health plan serves. Such ratings are expected to impact the percentage of any cost savings rebate and any bonuses earned by such health plan. Since a significant portion of HCP s revenue for 2012 is expected to be calculated as a percentage of CMS reimbursements received by these health plans with respect to HCP members, reductions in the quality ratings of a health plan that HCP serves could have an adverse effect on its results of operations, financial condition, and/or cash flows. In addition, CMS has announced its intention to terminate any plan that has a rating of less than three stars for three consecutive years. Medicare Advantage plans with five stars are permitted to conduct enrollment throughout the year and enrollees in plans with 4.5 or fewer stars are permitted to change plans during the year. None of the plans with which HCP contracts are five-star plans. Given each health plan s control of its plans and the many other providers that serve such plans, HCP believes that it will have limited ability to influence the overall quality rating of any such plan. Accordingly, since low quality ratings can potentially lead to the termination of a plan that HCP serves, HCP may not be able to prevent the potential termination of a contracting plan or a shift of patients to other plans based upon quality issues which could, in turn, have an adverse effect on HCP s results of operations, financial condition, and/or cash flows.

Table of Contents

HCP s records and submissions to a health plan may contain inaccurate or unsupportable information regarding risk adjustment scores of members, which could cause HCP to overstate or understate its revenue and subject it to various penalties.

HCP, on behalf of itself and its affiliated physicians, physician groups, including HCPAMG, and IPAs, submits to health plans claims and encounter data that support the risk adjustment factor, or RAF, scores attributable to members. These RAF scores determine, in part, the revenue to which the health plan and, in turn, HCP is entitled for the provision of medical care to such members. The data submitted to CMS by each health plan is based on medical charts and diagnosis codes prepared and submitted by HCP. Each health plan generally relies on HCP to appropriately document and support such RAF data in HCP s medical records. Each health plan also relies on HCP to appropriately code claims for medical services provided to members. HCP may periodically review medical records and may find inaccurate or unsupportable coding or otherwise inaccurate records. Erroneous claims and erroneous encounter records and submissions could result in inaccurate PMPM fee revenue and risk adjustment payments, which may be subject to correction or retroactive adjustment in later periods. This corrected or adjusted information may be reflected in financial statements for periods subsequent to the period in which the revenue was recorded. HCP might also need to refund a portion of the revenue that it received, which refund, depending on its magnitude, could damage its relationship with the applicable health plan and could have a material adverse effect on HCP s results of operations, financial condition or cash flows.

CMS audits Medicare Advantage plans for documentation to support RAF-related payments for members chosen at random. The Medicare Advantage plans ask providers to submit the underlying documentation for members that they serve. It is possible that claims associated with members with higher RAF scores could be subject to more scrutiny in a CMS audit. HCP has experienced increases in RAF scores attributable to its members, and thus there is a possibility that a Medicare Advantage plan may seek repayment from HCP as a result of CMS payment adjustments to the Medicare Advantage plan. The plans also may hold HCP liable for any penalties owed to CMS for inaccurate or unsupportable RAF scores provided by HCP.

CMS has indicated that, starting with payment year 2011, payment adjustments will not be limited to RAF scores for the specific Medicare Advantage enrollees for which errors are found but may also be extrapolated to the entire Medicare Advantage plan subject to a particular CMS contract. Although CMS has described its audit process as plan-year specific and has stated that it will not extrapolate audit results for plan years prior to 2011, CMS has not specifically stated that payment adjustments as a result of one plan year s audit will not be extrapolated to prior plan years. There can be no assurance that a health plan will not be randomly selected or targeted for review by CMS or that the outcome of such a review will not result in a material adjustment in HCP s revenue and profitability, even if the information HCP submitted to the plan is accurate and supportable. Since the CMS rules, regulations, and statements regarding this audit program are still not well defined and, in some cases, have not been published in final form, there is also a risk that CMS may adopt new rules and regulations that are inconsistent with their existing rules, regulations, and statements.

A failure to estimate incurred but not reported medical benefits expense accurately could adversely affect HCP s profitability.

Medical claims expense includes estimates of future medical claims that have been incurred by the patient but for which the provider has not yet billed HCP. These claim estimates are made utilizing actuarial methods and are continually evaluated and adjusted by management, based upon HCP s historical claims experience and other factors. Adjustments, if necessary, are made to medical claims expense when the assumptions used to determine HCP s claims liability changes and when actual claim costs are ultimately determined.

Due to the inherent uncertainties associated with the factors used in these estimates and changes in the patterns and rates of medical utilization, materially different amounts could be reported in HCP s financial statements for a particular period under different conditions or using different, but still reasonable, assumptions. It is possible that HCP s estimates of this type of claim may be inadequate in the future. In such event, HCP s

Table of Contents

results of operations could be adversely impacted. Further, the inability to estimate these claims accurately may also affect HCP s ability to take timely corrective actions, further exacerbating the extent of any adverse effect on HCP s results.

HCP faces certain competitive threats which could reduce HCP s profitability and increase competition for patients.

HCP faces certain competitive threats based on certain features of the Medicare programs, including the following:

- As a result of the direct and indirect impacts of the Health Reform Acts, many Medicare beneficiaries may decide that an original fee-for-service Medicare program is more attractive than a Medicare Advantage plan. As a result, enrollment in the health plans HCP serves may decrease.

- Managed care companies offer alternative products such as regional preferred provider organizations, or PPOs, and private fee-for-service plans. Medicare PPOs and private fee-for-service plans allow their patients more flexibility in selecting physicians than Medicare Advantage health plans, which typically require patients to coordinate care with a primary care physician. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 has encouraged the creation of regional PPOs through various incentives, including certain risk corridors, or cost-reimbursement provisions, a stabilization fund for incentive payments, and special payments to hospitals not otherwise contracted with a Medicare Advantage plan that treat regional plan enrollees. The formation of regional Medicare PPOs and private fee-for-service plans may affect HCP s relative attractiveness to existing and potential Medicare patients in their service areas.

- The payments for the local and regional Medicare Advantage plans are based on a competitive bidding process that may indirectly cause a decrease in the amount of the PMPM fee or result in an increase in benefits offered.

- The annual enrollment process and subsequent lock-in provisions of the Health Reform Acts may adversely affect HCP s level of revenue growth as it will limit the ability of a health plan to market to and enroll new Medicare beneficiaries in its established service areas outside of the annual enrollment period.

- Commencing in 2012, CMS will allow Medicare beneficiaries who are enrolled in a Medicare Advantage plan with a quality rating of 4.5 stars or less to enroll in a five-star rated Medicare Advantage plan at any time during the benefit year. None of the plans HCP serves are five-star rated. Therefore, HCP may face a competitive disadvantage in recruiting and retaining Medicare beneficiaries.

In addition to the competitive threats intrinsic to the Medicare programs, competition among health plans and among healthcare providers may also have a negative impact on HCP s profitability. For example, California, Nevada, and Florida have become increasingly attractive to health plans that may compete with HCP, including the health plans with which HCP and its affiliated physicians, physician groups, and IPAs currently compete. HCP may not be able to continue to compete profitably in the healthcare industry if additional competitors enter the same market. If HCP cannot compete profitably, the ability of HCP to compete with other service providers that contract with competing health plans may be substantially impaired. Similarly, California, Nevada, and Florida have also become increasingly attractive to HCP s competitors due to the large populations of Medicare beneficiaries. HCP may not be able to continue to compete effectively if additional competitors enter the same regions.

HCP competes directly with various regional and local companies that provide similar services in HCP s Existing Geographic Regions. HCP s competitors vary in size and scope and in terms of products and services offered. HCP believes that some of its competitors and potential competitors may be significantly larger than HCP and have greater financial, sales, marketing, and other resources. Furthermore, it is HCP s belief that some of its competitors may make strategic acquisitions or establish cooperative relationships among themselves.

Table of Contents

A disruption in HCP s healthcare provider networks could have an adverse effect on HCP s operations and profitability.

In any particular service area, healthcare providers or provider networks could refuse to contract with HCP, demand higher payments, or take other actions that could result in higher healthcare costs, disruption of benefits to HCP s members, or difficulty in meeting applicable regulatory or accreditation requirements. In some service areas, healthcare providers or provider networks may have significant market positions. If healthcare providers or provider networks refuse to contract with HCP, use their market position to negotiate favorable contracts, or place HCP at a competitive disadvantage, then HCP s ability to market products or to be profitable in those service areas could be adversely affected. HCP s provider networks could also be disrupted by the financial insolvency of a large provider group. Any disruption in HCP s provider networks could result in a loss of members or higher healthcare costs.

HCP s revenues and profits could be diminished if HCP fails to retain and attract the services of key primary care physicians.

Key primary care physicians with large patient enrollment could retire, become disabled, terminate their provider contracts, get lured away by a competing independent physician association or medical group, or otherwise become unable or unwilling to continue practicing medicine or contracting with HCP or its affiliated physicians, physician groups, or IPAs. In addition, HCP s affiliated physicians, physician groups and IPA s could view the Merger as compromising or diminishing HCP s distinctive physician-owned, physician-led culture and business model, which could cause such affiliated physicians, physician groups or IPAs to terminate their relationships with HCP. Moreover, given limitations relating to the enforcement of post-termination noncompetition covenants in California, it would be difficult to restrict a primary care physician from competing with HCP s affiliated physicians, physician groups, or IPAs. As a result, members who have been served by such physicians could choose to enroll with competitors physician organizations or could seek medical care elsewhere, which could reduce HCP s revenues and profits. Moreover, HCP may not be able to attract new physicians to replace the services of terminating physicians or to service its growing membership.

HCP regularly explores potential acquisitions, which if consummated could affect its financial condition, results of operations or other aspects of its business.

HCP regularly explores potential acquisitions, which if consummated could affect its financial condition, results of operations or other aspects of its business. There can be no assurance that HCP will be able to identify suitable acquisition candidates or that, if identified, HCP would be able to consummate an acquisition on acceptable terms. There can also be no assurance that HCP will be successful in completing any acquisitions that it might be considering, or integrating any acquired business into its overall operations, or that any such acquired business will operate profitably or will not otherwise adversely impact HCP s results of operations.

Participation in Accountable Care Organization programs is subject to federal regulation, is new and subject to evolving regulatory development, and supervision and may result in financial liability.

The Health Reform Acts establish a Medicare shared savings program for ACOs, which took effect in January 2012. Participating ACOs that meet specified quality performance standards will be eligible to share in any savings below a specified benchmark amount. The Secretary of HHS is also authorized, but not required, to use capitation payment models with ACOs. The continued development and expansion of ACOs will have an uncertain impact on HCP s business, revenue, and profitability.

As an initial step in the formation and development of ACOs, CMS has issued contracts for participation in a Pioneer ACO program. HCP, through certain of its subsidiaries, was awarded contracts to participate as a Pioneer ACO in California, Nevada, and Florida. HCP is in the process of implementing such operations. The Pioneer ACO program provides for a three-year participation with opportunities for upside incentives and downside risk liability for an assigned population of Medicare fee-for-service patients. It is the responsibility of

Table of Contents

HCP s subsidiary ACOs to provide care to, and manage the health of, a patient population in California, Nevada, and Florida drawn from the traditional Medicare fee-for-service program, using a panel of specified physicians and healthcare facilities. The Pioneer ACO program requires participants to report on ACO operations, utilize healthcare information technology, and attempt to improve the quality of patient care.

The ACO programs are new and therefore operational and regulatory guidance is limited. It is possible that the operations of HCP s subsidiary ACOs may not fully comply with current or future regulations and guidelines applicable to ACOs, may not achieve quality targets or cost savings, or may not attract or retain sufficient physicians or patients to allow HCP to meet its objectives. Additionally, poor performance could put the HCP ACOs at financial risk and obligation to CMS. Traditionally, other than fee-for-service billing by the medical clinics and healthcare facilities operated by HCP, HCP has not directly contracted with CMS and has not operated any health plans or provider sponsored networks. Therefore, HCP may not have the necessary experience, systems, or compliance to successfully achieve a positive return on its ACOs investment or to avoid financial or regulatory liability. To date, demonstration projects using healthcare delivery models substantially similar to an ACO have not resulted in savings. HCP believes that its historical experience with fully delegated managed care will be applicable to operation of its subsidiary ACOs, but there can be no such assurance.

California hospitals may terminate their agreements with HCPAMG or reduce the fees they pay to HCP.

In California, HCPAMG maintains significant hospital arrangements designed to facilitate the provision of coordinated hospital care with those services provided to members by HCPAMG and its affiliated physicians, physician groups, and IPAs. Through contractual arrangements with certain key hospitals, HCPAMG provides utilization review, quality assurance, and other management services related to the provision of patient care services to members by the contracted hospitals and downstream hospital contractors. In the event that any one of these key hospital agreements is amended in a financially unfavorable manner or is otherwise terminated, such events could have a material adverse effect on HCP s business, financial condition, and results of operations.

HCP s professional liability and other insurance coverages may not be adequate to cover HCP s potential liabilities.

HCP maintains professional liability insurance and other insurance coverage through California Medical Group Insurance Company, Risk Retention Group, an Arizona corporation in which HCP is a part owner. HCP believes such insurance is adequate based on industry standards. Nonetheless, potential liabilities may not be covered by insurance, insurers may dispute coverage or may be unable to meet their obligations, or the amount of insurance coverage and/or related reserves may be inadequate. There can be no assurances that HCP will be able to obtain insurance coverage in the future, or that insurance will continue to be available on a cost-effective basis, if at all. Moreover, even if claims brought against HCP are unsuccessful or without merit, HCP would have to defend itself against such claims. The defense of any such actions may be time-consuming and costly and may distract HCP management s attention. As a result, HCP may incur significant expenses and may be unable to effectively operate HCP s business.

Changes in the rates or methods of third-party reimbursements may adversely affect HCP operations.

HCP derives a substantial portion of its revenue from direct billings to governmental healthcare programs, such as Medicare and Medicaid, and private health insurance companies and/or health plans, including but not limited to those participating in the Medicare Advantage program. As a result, any negative changes in governmental capitation or fee-for-service rates or methods of reimbursement for the services HCP provides could have a significant adverse impact on HCP s revenue and financial results.

Medicare program reimbursements for physician services as well as other services to Medicare beneficiaries who are not enrolled in Medicare Advantage plans are based upon the fee-for-service rates set forth in the Medicare Physician Fee Schedule, which relies, in part, on a target-setting formula system called the Sustainable

Table of Contents

Growth Rate, or SGR. Each year, on January 1st, the Medicare program updates the Medicare Physician Fee Schedule reimbursement rates. Many private payors use the Medicare Physician Fee Schedule to determine their own reimbursement rates. Based on the SGR, the annual fee schedule update is adjusted to reflect the comparison of actual expenditures to target expenditures. Because one of the factors for calculating the SGR is linked to the growth in the U.S. gross domestic product, or GDP, the SGR formula may result in a negative payment update if growth in Medicare beneficiaries use of services exceeds GDP growth, a situation which has occurred every year since 2002 and the reoccurrence of which HCP cannot predict.

CMS determined that, effective January 1, 2012, the SGR formula results in a payment cut of approximately 27 percent. Congress, however, enacted the Temporary Payroll Tax Cut Continuation Act of 2011, which blocked this cut through the end of February 2012. In February 2012, Congress passed the Middle Class Tax Relief and Job Creation Act of 2012, or Tax Relief Act, which blocks the cut through the end of 2012. While Congress has repeatedly intervened to mitigate the negative reimbursement impact associated with the SGR formula, there is no guarantee that Congress will continue to do so in the future. Moreover, the existing methodology may result in significant yearly fluctuations in the Medicare Physician Fee Schedule amounts, which may be unrelated to changes in the actual costs of providing physician services. Unless Congress enacts a change to the SGR methodology, the uncertainty regarding reimbursement rates and fluctuation will continue to exist. Moreover, if Congress does change the SGR methodology or substitute a new system for physician fee-for-service payments, it may require reductions in other Medicare programs including Medicare Advantage to offset such additional costs.

Another provision that affects physician payments under the Medicare Physician Fee Schedule is an adjustment under the Medicare statute to reflect the geographic variation in the cost of delivering physician services, by comparing those costs to the national average. Medicare payments to physicians under the Medicare Physician Fee Schedule are geographically adjusted to reflect the varying cost of delivering physician services across areas. The adjustments are made by indices, known as the Geographic Practice Cost Indices, or GPCI, that reflect how each geographic area compares to the national average. In 2003, Congress established that for three years there would be a floor of 1.0 on the work component of the Medicare Physician Fee Schedule formula used to determine physician payments, which meant that physician payments would not be reduced in a geographic area just because the relative cost of physician work in that area fell below the national average. Congress extended the GPCI work floor several times since its enactment in 2003. The Tax Relief Act provides another extension through 2012. Although Congress has extended the GPCI work floor several times, there is no guarantee that Congress will block the adjustment in the future, which could result in a decrease in payments HCP receives for physician services.

Congress has a strong interest in reducing the federal debt, which may lead to new proposals designed to achieve savings by altering payment policies. The BCA established a Joint Select Committee on Deficit Reduction, which had the goal of achieving a reduction in the federal debt level of at least $1.2 trillion. As a result of the Joint Select Committee s failure to draft a proposal by the BCA s deadline, automatic cuts in various federal programs will commence in January 2013. Although the Medicaid program is exempt from these cuts, Medicare payments to providers are not exempt. The BCA does, however, provide that the Medicare cuts to providers may not exceed 2%. At this time it is unclear how this automatic reduction may be applied to various Medicare healthcare programs, including physician reimbursement. Therefore it is not possible at this time to estimate what impact, if any, the BCA will have on HCP s business or results of operations.

As noted, the cuts described above will occur automatically as a matter of law. Certain members of Congress, however, want to achieve even greater reductions in the federal debt, and they want to change entitlement programs, such as Medicare. It is difficult to assess whether and to what extent Congress will alter Medicare payment policies.

Because governmental healthcare programs generally reimburse on a fee schedule basis rather than on a charge-related basis, HCP generally cannot increase its revenues from these programs by increasing the amount it charges for its services. Moreover, if HCP s costs increase, HCP may not be able to recover its increased costs

Table of Contents

from these programs. Government and private payors have taken and may continue to take steps to control the cost, eligibility for, use, and delivery of healthcare services as a result of budgetary constraints, cost containment pressures and other reasons. HCP believes that these trends in cost containment will continue. These cost containment measures, and other market changes in non-governmental insurance plans have generally restricted HCP s ability to recover, or shift to non-governmental payors, any increased costs that HCP experiences. HCP s business and financial operations may be materially affected by these developments.

HCP s business model depends on numerous complex management information systems, and any failure to successfully maintain these systems or implement new systems could materially harm HCP s operations and result in potential violations of healthcare laws and regulations.

HCP depends on a complex, specialized, and integrated management information system and standardized procedures for operational and financial information, as well as for HCP s billing operations. HCP may be unable to enhance its existing management information systems or implement new management information systems where necessary. Additionally, HCP may experience unanticipated delays, complications, or expenses in implementing, integrating, and operating its systems. HCP s management information systems may require modifications, improvements, or replacements that may require both substantial expenditures as well as interruptions in operations. HCP s ability to implement these systems is subject to the availability of information technology and skilled personnel to assist HCP in creating and implementing these systems.

HCP s failure to successfully implement and maintain all of its systems could have a material adverse effect on its business, financial condition, and results of operations. For example, HCP s failure to successfully operate its billing systems could lead to potential violations of healthcare laws and regulations. If HCP is unable to handle its claims volume, or if HCP is unable to pay claims timely, HCP may become subject to a health plan s corrective action plan or de-delegation until the problem is corrected, and/or termination of the health plan s agreement with HCP. This could have a material adverse effect on HCP s operations and profitability. In addition, if HCP s claims processing system is unable to process claims accurately, the data HCP uses for its IBNR estimates could be incomplete and HCP s ability to accurately estimate claims liabilities and establish adequate reserves could be adversely affected. Finally, if HCP s management information systems are unable to function in compliance with applicable state or federal rules and regulations, including, without limitation, medical information confidentiality laws such as the Health Insurance Portability and Accountability Act of 1996, or HIPAA, possible penalties and fines as a result of this lack of compliance could have a material adverse effect on HCP s business, financial condition, and results of operations.

Federal and state privacy and information security laws are complex, and HCP may be subject to government or private actions due to privacy and security breaches.

HCP must comply with numerous federal and state laws and regulations governing the collection, dissemination, access, use, security and privacy of protected health information, including HIPAA and its implementing privacy and security regulations, as amended by the federal Health Information Technology for Economic and Clinical Health Act. In the event that HCP s non-compliance with existing or new laws and regulations related to protected health information results in privacy or security breaches, HCP could be subject to monetary fines, civil suits, civil penalties or criminal sanctions and requirements to disclose the breach publicly.

HCP may be impacted by eligibility changes to government and private insurance programs.

Due to potential decreased availability of healthcare through private employers, the number of patients who are uninsured or participate in governmental programs may increase. The Health Reform Acts will increase the participation of individuals in the Medicaid program in states that elect to participate in the expanded Medicaid coverage. A shift in payor mix from managed care and other private payors to government payors or the uninsured may result in a reduction in the rates of reimbursement or an increase in uncollectible receivables or

Table of Contents

uncompensated care, with a corresponding decrease in net revenue. Changes in the eligibility requirements for governmental programs such as the Medicaid program under the Health Reform Acts and state decisions on whether to participate in the expansion of such programs also could increase the number of patients who participate in such programs or the number of uninsured patients. Even for those patients who remain with private insurance, changes in those programs could increase patient responsibility amounts, resulting in a greater risk for uncollectible receivables. These factors and events could have a material adverse effect on HCP s business, financial condition, and results of operations.

Negative publicity regarding the managed healthcare industry generally or HCP in particular could adversely affect HCP s results of operations or business.

Negative publicity regarding the managed healthcare industry generally, or the Medicare Advantage program or HCP in particular, may result in increased regulation and legislative review of industry practices that further increase HCP s costs of doing business and adversely affect HCP s results of operations or business by:

- requiring HCP to change its products and services;
- increasing the regulatory, including compliance, burdens under which HCP operates, which, in turn, may negatively impact the manner in which HCP provides services and increase HCP s costs of providing services;
- adversely affecting HCP s ability to market its products or services through the imposition of further regulatory restrictions regarding the manner in which plans and providers market to Medicare Advantage enrollees; or
- adversely affecting HCP s ability to attract and retain members.

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may include, but are not limited to, statements about the benefits of the proposed transaction, including future financial and operating results, and the combined company s plans, objectives, expectations, and intentions. These statements are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects, or opportunities, as well as those of the markets we serve or intend to serve, to differ materially from those expressed in, or implied by, these statements. You can identify these statements by the fact that they do not relate to matters of a strictly factual or historical nature and generally discuss or relate to forecasts, estimates or other expectations regarding future events. Generally, the words believe, expect, intend, estimate, anticipate, project, may, can, could, might, will, and similar expressions identify forward-looking statements, including statements rela expected operating and performing results, planned transactions, planned objectives of management, future developments or conditions in the industries in which we participate, and other trends, developments, and uncertainties that may affect our business in the future.

Such risks, uncertainties and other factors include, among other things:

- the ability to obtain governmental approvals of the Merger on the proposed terms and schedule contemplated by the parties;
- the failure of HCP Members to approve the proposal to approve the principal terms of the Merger and the Merger Agreement;
- the loss of key HCP employees following the Merger;
- disruption from the proposed transaction making it more difficult to maintain business and operational relationships with customers, partners, and others;
- the possibility that the proposed transaction does not close, including, but not limited to, due to the failure to satisfy the closing conditions;
- adverse developments in general market, business, economic, labor, regulatory, and political conditions;
- rating agency actions that could affect DaVita s ability to borrow funds;
- the impact of, and potential challenges in, complying with legislation and regulation in the jurisdictions in which HCP and DaVita operate;
- the risk that the cost of providing services under HCP s agreements will exceed HCP s compensation under such agreements;
- the risk that laws regulating the corporate practice of medicine could restrict the manner in which HCP conducts its business;
- the risk that reductions in reimbursement rates and future regulations may negatively impact HCP s business, revenue, and profitability;

the risk that HCP may not be able to successfully establish a presence in new geographic regions;

the risk that reductions in the quality ratings of health plan customers of HCP could have an adverse effect on HCP s business;

the fact that HCP faces certain competitive threats that could reduce its profitability;

the risk that a disruption in HCP s healthcare provider networks could have an adverse effect on HCP s operations and profitability;

competition;

risks arising from the use of accounting estimates in our financial statements;

Table of Contents

variability of DaVita s cash flows;

the concentration of profits generated from commercial payor plans;

continued downward pressure on average realized payment rates from commercial payors, which may result in the loss of revenue or patients;

a reduction in the number of patients under higher-paying commercial plans;

a reduction in government payment rates under the Medicare ESRD program or other government-based programs;

the impact of health care reform legislation that was enacted in the U.S. in March 2010;

changes in pharmaceutical or anemia management practice patterns, payment policies, or pharmaceutical pricing;

DaVita s ability to maintain contracts with physician medical directors;

legal compliance risks, including DaVita s continued compliance with complex government regulations;

current or potential investigations by various governmental entities and related government or private-party proceedings;

continued increased competition from large and medium-sized dialysis providers that compete directly with DaVita;

the emergence of new models of care introduced by the government or private sector, such as accountable care organizations, IPAs, and integrated delivery systems, and changing affiliation models for physician plans, such as employment by hospitals, that may erode our patient base and reimbursement rates;

DaVita s ability to complete any acquisitions or mergers, including the consummation of the Merger, or dispositions that DaVita might be considering or announce, or to integrate and successfully operate any business DaVita may acquire, including the HCP business, or to expand DaVita s operations and services to markets outside the U.S., or to businesses outside of dialysis; and

the risk that the Merger could compromise or diminish HCP s distinctive physician-owned, physician-led culture and business model, including the potential impact on current employees, affiliated physicians and physician groups and IPA consolidation opportunities.

Additional factors that could impact DaVita s ability to achieve the results described in any forward-looking statements may be included, if appropriate in DaVita s subsequent Quarterly Reports on Form 10-Q, to be filed with the SEC. Additional factors that could impact HCP s ability to achieve the results described in any forward-looking statements are described above under Risk Factors Risks Related to HCP.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus, or if such statement is included in another document incorporated in this prospectus, as of the date of such other document. Readers also should

understand that it is not possible to predict or identify all such factors and that this list should not be considered a complete statement of all potential risks and uncertainties. HCP and DaVita undertake no obligation to update any forward-looking statements, whether as a result of new information, changes in beliefs, changes in circumstances, future events or developments, or otherwise.

Table of Contents

INFORMATION ABOUT THE COMPANIES

DaVita

DaVita Inc.

2000 16th Street

Denver, Colorado 80202

(888) 484-7505

DaVita Inc., which we refer to as DaVita, is a leading provider of kidney dialysis services in the United States for patients suffering from chronic kidney failure, also known as end stage renal disease, or ESRD. As of June 30, 2012, DaVita provided dialysis and other related services through a network of 1,884 outpatient dialysis centers located in the United States throughout 43 states and the District of Columbia, serving a total of approximately 149,000 patients. In addition, as of June 30, 2012, DaVita provided outpatient dialysis and administrative services to a total of 19 outpatient dialysis centers located in four countries outside of the United States. DaVita s centers offer outpatient hemodialysis treatments and other ESRD-related services, such as the administration of physician-prescribed pharmaceuticals, including erythropoietin, or EPO, vitamin D analogs, and iron supplements. DaVita also provides services for home dialysis patients, vascular access, disease management services, and laboratory services related to ESRD. As of June 30, 2012, DaVita also provides acute inpatient dialysis services in approximately 960 hospitals and related laboratory services throughout the United States. DaVita is a Delaware corporation, incorporated in the State of Delaware in 1994.

DaVita s U.S. dialysis and related lab services business accounts for approximately 92% of its consolidated net operating revenues for the twelve months ended June 30, 2012. Other ancillary services and strategic initiatives accounted for approximately 8% of its consolidated net operating revenues for the same period and relate primarily to its core business of providing kidney dialysis services. For the twelve months ended June 30, 2012, DaVita generated consolidated net operating revenues of $7.365 billion, Adjusted EBITDA of $1.585 billion, and net income attributable to DaVita of $519 million.

Additional information about DaVita is included in the documents incorporated by reference in this prospectus. See Additional Information Where You Can Find More Information beginning on page 234.

Merger Sub

Seismic Acquisition LLC

2000 16th Street

Denver, Colorado 80202

(888) 484-7505

Seismic Acquisition LLC, which we refer to as Merger Sub, is a wholly-owned subsidiary of DaVita and was formed solely for the purpose of consummating the Merger. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the Merger.

HCP

HealthCare Partners Holdings, LLC

19191 South Vermont Avenue, Suite 200

Torrance, California 90502

(310) 354-4200

HealthCare Partners Holdings, LLC, together with its subsidiaries and affiliated physician groups, which we refer to as HCP (unless the context indicates otherwise), is a patient- and physician-focused, integrated health

Table of Contents

care delivery and management company with nearly three decades of providing coordinated, outcomes-based medical care in a cost-effective manner. Through capitation contracts with some of the nation s leading health plans, as of June 30, 2012, HCP had approximately 669,400 current members under its care in southern California, central and south Florida and Las Vegas, Nevada. Of these, approximately 190,700 individuals represented patients enrolled in Medicare Advantage. The remaining approximately 478,700 individuals represented managed care members whose health coverage is provided through their employer or who have individually acquired health coverage directly from a health plan or as a result of their eligibility for Medicaid benefits. In addition, during 2011, HCP (through its affiliated physicians, physician groups, and IPAs) provided care to over 412,000 fee-for-service patients.

The patients of HCP s affiliated physicians, physician groups and IPAs benefit from an integrated approach to medical care that places the physician at the center of patient care. As of June 30, 2012, HCP delivered services to its members via a network of over 1,800 affiliated group and network primary care physicians, 139 network hospitals, and several thousand affiliated group and network specialists. Together with hundreds of case managers, registered nurses and other care coordinators, these medical professionals utilize a comprehensive data analysis engine, sophisticated risk management techniques and clinical protocols to provide high-quality, cost effective care to HCP s members. HCP is a California limited liability company, formed in the State of California in 2005 in connection with a reorganization of its subsidiaries.

HealthCare Partners Affiliates Medical Group, or HCPAMG, one of HCP s affiliated physician groups, was formed in 1994 and is organized as a California general partnership with 30 general partners. HCPAMG and its affiliates provide managed health care and related services through regional delivery systems and a joint venture to approximately 586,000 enrollees in southern California under contracts with various health plans and to privately insured individuals. Under a management services agreement, HCP earns a management fee from HCPAMG equal to a percentage of HCPAMG s revenues. HCPAMG provides professional medical services to the HCP-managed medical facilities that are located in California, and employs physicians or contracts with various other independent physicians, physician groups and IPAs to provide professional medical services in California. HCP obtains professional medical services from HCPAMG in California, rather than provide such services directly or through subsidiaries, in order to comply with California s prohibition against the corporate practice of medicine. Through the management agreement, HCP has exclusive authority over all non-medical decision making related to the ongoing business operations of HCPAMG.

Table of Contents

THE SPECIAL MEETING OF THE HCP MEMBERS

General

This prospectus is being provided to HCP Members as part of a solicitation of votes by the HCP Board for use at the special meeting. This prospectus provides HCP Members with important information they need to know to be able to vote at the special meeting.

Date, Time, Place and Purpose of the Special Meeting

The special meeting is scheduled to be held at , on , , 2012, at a.m., local time. The special meeting is being held for the following purposes:

- to approve the principal terms of the Merger and the Merger Agreement; and
- to transact any other business that may properly come before the special meeting.

Recommendation of the HCP Board

After careful consideration of the Merger and the terms of the Merger Agreement, the HCP Board has determined that the Merger is fair, advisable and in the best interests of HCP and the HCP Members. Accordingly, the HCP Board unanimously recommends that the HCP Members approve the principal terms of the Merger and the Merger Agreement. For a discussion of the material factors considered by the HCP Board in reaching its conclusions, see The Merger HCP s Reasons for the Merger; Recommendation of the HCP Board beginning on page 92.

The HCP Board recommends that the HCP Members vote FOR the approval of the principal terms of the Merger and the Merger Agreement.

Units Entitled to Vote

Only holders of record of HCP Common Units on the date of the special meeting are entitled to vote at the special meeting. On August 27, 2012, there were 100,131,969.2 HCP Common Units entitled to vote at the special meeting. Each HCP Common Unit entitles an HCP Member to one vote.

Quorum and Vote Required

The presence at the special meeting in person of the holders of a majority of the HCP Common Units outstanding on the date of the special meeting will constitute a quorum for the purpose of considering the proposals at the special meeting. In the event that a quorum is not present, or if there are insufficient votes to approve the principal terms of the Merger and the Merger Agreement at the time of the special meeting, it is expected that the special meeting will be adjourned or postponed to solicit additional votes.

Approval of the principal terms of the Merger and the Merger Agreement requires the affirmative vote of HCP Members holding a majority of the issued and outstanding HCP Common Units entitled to vote at the special meeting.

Voting by HCP Members, Managers and Executive Officers

As more fully described under Other Agreements Voting Agreement and Other Agreements Support Agreements beginning on page 153 and page 154, respectively, HCP Medical Group, Drs. Margolis, Chin, and Paulsen and Mr. Mazdyasni collectively owned, directly or indirectly, 74,134,126 HCP Common Units as of August 27, 2012, which represented approximately 74% of the outstanding HCP Common Units, and they

Table of Contents

have each entered into an agreement with DaVita pursuant to which they have agreed to vote all of the HCP Common Units owned or controlled by them in favor of the approval of the principal terms of the Merger and the Merger Agreement. Accordingly, the approval of the principal terms of the Merger and the Merger Agreement by the HCP Members is assured.

As of August 27, 2012, all of the members of the HCP Board and HCP s executive officers collectively owned, directly or indirectly, 73,843,750 HCP Common Units, which represented approximately 73.7% of the outstanding HCP Common Units. HCP currently expects that all managers and executive officers will vote their HCP Common Units in favor of the approval of the principal terms of the Merger and the Merger Agreement.

Abstentions

For the proposal to approve the principal terms of the Merger and the Merger Agreement, you may vote FOR or AGAINST or ABSTAIN. Abstentions will not count as votes cast on the proposal to approve the principal terms of the Merger and the Merger Agreement, but they will count for the purpose of determining whether a quorum is present. **If you abstain, it will have the same effect as a vote AGAINST the approval of the principal terms of the Merger and the Merger Agreement.**

Other Business

The HCP Board is not currently aware of any business to be acted upon at the special meeting other than the proposal to approve the principal terms of the Merger and the Merger Agreement described in this prospectus.

Any adjournment or postponement of the special meeting may be made from time to time by approval of the holders of a majority of the HCP Common Units present in person at the special meeting, whether or not a quorum exists, without further notice other than by an announcement made at the special meeting.

Assistance

If you have more questions about the Merger or need additional copies of this prospectus, you should contact the Company at:

Matthew Mazdyasni

Executive Vice President and Chief Financial and Administrative Officer

HealthCare Partners Holdings, LLC

19191 South Vermont Avenue, Suite 200

Torrance, California 90502

Telephone: (310) 354-4200

Table of Contents

THE MERGER

The following is a description of the material aspects of the Merger. While we believe that the following description covers the material terms of the Merger, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire prospectus, including the Merger Agreement and the Amendment to the Merger Agreement attached to this prospectus as Annex A-1 and Annex A-2, for a more complete understanding of the Merger.

General

The DaVita Board and the HCP Board have each approved the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger. Following the Merger of Merger Sub, a wholly-owned subsidiary of DaVita, with and into HCP, with HCP continuing as the surviving entity, DaVita will be renamed DaVita HealthCare Partners Inc. Each HCP Common Unit will be converted into the right to receive the merger consideration, upon the terms provided in the Merger Agreement and as described below under The Merger Agreement Merger Consideration beginning on page 115.

Background of the Merger

Kent J. Thiry, prior to his appointment as chairman and chief executive officer of DaVita, and Robert J. Margolis, M.D., the chairman and chief executive officer of HCP, have known each other since the mid 1990 s. Over the years, Mr. Thiry and Dr. Margolis would periodically talk to each other, either in person or over the phone, about market conditions and trends in the health care industry and, in broad terms, about their respective companies. In those conversations, both CEOs expressed admiration for the capabilities and reputation of the other company.

Recognizing the increasing importance of integrated care as well as the long-term dynamics and uncertainties relating to the delivery and costs of healthcare and ongoing governmental and employer group efforts to address these issues, DaVita continuously evaluates opportunities for strategic transactions both within its core dialysis business and in other sectors of the healthcare services industry.

On April 28, 2011, Mr. Thiry met for lunch at a conference with Dr. Margolis. They discussed a variety of topics, including the healthcare industry and certain strategies their respective organizations were pursuing. Towards the end of the meeting, both of the executives recognized some potential opportunities to work together. The discussion of these potential opportunities led to a discussion of a full combination of their respective companies to create the nation s leading clinically led delivery system.

Between May 15, 2011 and June 8, 2011, Mr. Thiry and Dr. Margolis discussed the appropriateness of entering into a confidentiality agreement. On June 8, 2011, DaVita and HCP entered into a mutual non-disclosure agreement to permit the parties to exchange information.

On June 23, 2011, Dr. Margolis, Matthew Mazdyasni, HCP s Executive Vice President and Chief Financial and Administrative Officer, and William J. Goss, HCP S long time strategic and financial advisor, met with Mr. Thiry and senior executives of DaVita so that each company could better understand the other company s business model, markets, and organizational structure.

On July 12, 2011, Mr. Thiry, Luis Borgen, DaVita s then Chief Financial Officer, Dennis L. Kogod, DaVita s Chief Operating Officer, and Rich Whitney, Special Advisor to the Chief Executive Officer of DaVita and former Chief Financial Officer of DaVita, met with Dr. Margolis and Messrs. Mazdyasni and Goss, to discuss the possibility of pursuing a business combination between the two companies. The parties present discussed the potential benefits of such a transaction, and Dr. Margolis presented an overview of HCP, its financial results, and certain financial projections. Mr. Thiry kept DaVita s lead independent director, Peter T. Grauer, as well as the other members of the DaVita Board, informed of the discussions with HCP through

Table of Contents

periodictelephone conferences and communications, and sought guidance and direction from members of the DaVita Board.

Beginning in July 2011, DaVita began an extensive review of HCP and the benefits of a combination with HCP. Senior executives of DaVita had telephone conferences with Messrs. Mazdyasni and Goss and were provided with certain financial projections of HCP.

Also in early July 2011, without disclosing the preliminary overture from DaVita, HCP requested a high level assessment of HCP s potential for a liquidity event in 2012, including its value, from certain investment banks. On July 22, 2011, a leading, global investment bank presented its preliminary assessment of the potential for HCP to complete a successful initial public offering and an initial estimate of potential valuation ranges for such an offering. In addition, historically, HCP had periodically received analytic presentations from various investment banking firms that included a discussion of potential values and such presentations were also reviewed by HCP.

On July 27 and 28, 2011, at a regularly-scheduled meeting of the DaVita Board, senior executives of DaVita provided an update on a potential transaction with HCP, during which they reviewed, among other things, HCP s business model and financials and the impact of regulatory developments and healthcare reform on HCP s business. Members of the board asked questions and there was an extended discussion covering various aspects of the potential transaction. At the conclusion of the meeting, the board authorized senior executives of DaVita to move forward with discussions regarding a potential transaction with HCP and to conduct additional due diligence regarding HCP.

On August 5, 2011, at a special telephonic meeting of the DaVita Board, Mr. Thiry updated the board with respect to the continuing discussions with HCP. The board discussed, among other matters, the potential benefits from diversification of its traditional business model, the potential impact of healthcare reform and changes to Medicare and Medicare Advantage on HCP s business, and preliminary thoughts on senior management of a combined company. The board also discussed potential valuation and the potential for inclusion of an earn-out in the transaction terms. During its presentation of the strategic fit and potential benefits of a potential business combination with HCP, DaVita senior executives noted that a business combination with HCP, one of the country s leading integrated care providers, could enhance DaVita s growth prospects by entering a new line of business based on shared core competencies and vision, which new line of business is larger and more fragmented than the U.S. dialysis business, and could enhance DaVita s ability to provide integrated and comprehensive care to DaVita s existing dialysis population. Accordingly, a potential business combination with HCP represented a potentially attractive opportunity to create stockholder value. At the conclusion of the meeting, the board authorized senior executives of DaVita to continue to analyze the potential transaction and to meet with HCP s key operating officers and authorized various members of the board to meet with Dr. Margolis. The board also authorized senior executives to engage an investment bank for the purposes of evaluating HCP and its industry, evaluating the strategic merits of a combination, and discussing financing matters.

Shortly after this DaVita Board call, DaVita had a series of telephone calls with representatives of J.P. Morgan Securities LLC, or JPMorgan, to discuss the limited engagement authorized by the board.

During August 2011, senior executives of DaVita continued to have discussions and meetings with Messrs. Mazdyasni and Goss with respect to HCP s business activities, historical financial results and future business prospects.

On August 16, 2011, DaVita met preliminarily with representatives of Morrison & Foerster LLP (Morrison & Foerster) to discuss a potential business combination between DaVita and HCP.

On August 18, 2011, DaVita formally engaged JPMorgan to act as its financial advisor in connection with the engagement authorized by the DaVita Board. DaVita selected JPMorgan to act as DaVita s financial advisor

Table of Contents

for the potential transaction because of its expertise in advising clients in merger and acquisition transactions and, in particular, because of its knowledge of the healthcare market and involvement in comparable transactions. In this regard, DaVita had previously worked with JPMorgan representatives on reviewing the healthcare market and identifying and considering various potential merger or acquisition candidates, including representing DaVita in its 2005 acquisition of Gambro Healthcare, Inc. In addition, DaVita had previously worked with JPMorgan in other investment banking areas, including bank financing and capital market transactions and believed that JPMorgan had a strong team capable of providing DaVita valuable advice in the context of the potential transaction discussions, as well as the related financing transactions.

On August 22, 2011, at a regularly scheduled meeting of the HCP Board, Dr. Margolis informed the board of the transaction overture from DaVita. At that meeting, Dr. Margolis provided background of the potential transaction and information on DaVita prepared by Mr. Goss and discussed the strategic issues surrounding a potential liquidity event for HCP as well as the July 2011 preliminary report from a leading, global investment bank summarizing the opportunity for an HCP initial public offering in 2012. At this meeting, Dr. Margolis sought and received the board s approval to continue preliminary discussions of a potential transaction with DaVita.

On August 26, 2011, at a special telephonic meeting of the DaVita Board, DaVita senior executives presented a review of HCP and the strategic fit and potential benefits of a business combination with HCP. At the meeting, representatives from JPMorgan also presented an overview of a potential transaction with HCP and general trends in the integrated care and related industries. Representatives of JPMorgan provided a preliminary presentation to the board regarding the potential financial terms of a potential transaction. JPMorgan s presentation was based, in part, on certain preliminary financial forecasts relating to HCP prepared by management of HCP. At the conclusion of the meeting, after extensive questions from and discussions by the board, the board authorized DaVita senior executives to continue to analyze the potential transaction and to meet with HCP s key operating officers.

From August 26 through September 14, 2011, Mr. Thiry, Dr. Margolis and senior executives of each of DaVita and HCP participated in multiple telephone conferences regarding HCP s business and the financial projections prepared by HCP.

During this same period, Dr. Margolis and Mr. Mazdyasni kept the HCP Board apprised of the status of the discussions with DaVita through both individual discussions with members of the board as well as telephone conferences with the entire board. During these discussions with the members of the board, Dr. Margolis was directed to ensure that DaVita understood the importance of HCP preserving its longstanding physician-centric operating model and that any potential transaction would need to include various structural terms that would allow HCP to continue as a uniquely physician-focused company.

On September 14, 2011, at a special telephonic meeting of the DaVita Board, the board received an extensive review of HCP and a potential transaction with HCP and Mr. Thiry advised the board concerning the key terms of a potential business combination transaction between the companies. DaVita management summarized its findings from the business and legal due diligence that it had completed to date, covering such areas as its assessment of the attractiveness of the HCP business as well as the risks in operating in this industry. Legal due diligence topics included an assessment of the regulatory requirements of HCP s business. The board also discussed the role of HCP s CEO in the combined company. Extensive discussion of and questions regarding the potential transaction ensued.

Following a discussion by the DaVita Board at the September 14 meeting, the board authorized DaVita s senior executives to deliver to HCP a preliminary non-binding proposal regarding an acquisition by DaVita of all the equity interests in HCP. The proposal contemplated a purchase price of $4.25 billion, with the merger consideration payable to HCP s interest holders consisting of $2.85 billion in cash and shares of DaVita Common Stock representing a nominal value of approximately $1.4 billion based on the then-current trading price of

Table of Contents

DaVita Common Stock. The proposal further contemplated that certain key HCP Members would elect to receive 35% of their consideration in the form of DaVita Common Stock and that those HCP Members would be subject to a two year lock-up on 50% of the shares of DaVita Common Stock to be received by them in the transaction and a four year lock-up on the remaining 50% of the shares to be received by them. The proposal also contemplated that the name of the combined company would be DaVita HealthCare Partners Inc. and that Mr. Thiry would remain CEO and that Mr. Thiry and Dr. Margolis would serve as co-chairmen of the board of directors of the combined company.

From September 14 to September 22, 2011, senior executives of DaVita had various conversations and meetings with Mr. Goss in anticipation of DaVita making a non-binding proposal to acquire HCP.

On September 19, 2011, DaVita engaged Morrison & Foerster to provide legal advice in connection with the potential transaction. DaVita selected Morrison & Foerster to act as DaVita s legal advisor for the potential transaction because of its expertise in advising clients in merger and acquisition transactions. In addition, DaVita had been represented by a partner of Morrison & Foerster in its 2005 acquisition of Gambro Healthcare, Inc.

On September 22, 2011, Mr. Thiry presented Dr. Margolis the key terms of DaVita s non-binding proposal and an overview of the potential transaction. Mr. Thiry added that DaVita considered it important that HCP management, including Dr. Margolis, continue with the combined company. Dr. Margolis indicated that the non-binding proposal was not adequate and sought a higher acquisition price for HCP s equity interests. Dr. Margolis also emphasized the importance of preserving HCP s physician-centric culture and organizational model in any potential transaction and identified several ways DaVita could address these requirements in its proposal. Mr. Thiry and Dr. Margolis also discussed, among other matters, the possibility of an earn-out, a tax basis step-up for DaVita, and exclusivity regarding a potential business combination. Mr. Thiry indicated that senior executives of DaVita and representatives of JPMorgan would continue dialogue with senior executives of HCP and Mr. Goss to try to bridge the value gap between DaVita s proposal and HCP s valuation expectations. After receiving HCP s response to DaVita s September 22 proposal, Mr. Thiry had several conversations with members of the DaVita Board and DaVita s senior executives to share HCP s response, and the board authorized management to continue to meet with HCP s key operating officers regarding a potential transaction.

On September 23, 2011, Dr. Margolis advised the HCP Board by e-mail of the terms of DaVita s September 22 proposal. Through e-mail correspondence, the board directed Dr. Margolis and Mr. Mazdyasni, along with Mr. Goss, to work to improve the proposal. Through subsequent e-mail correspondence and discussions with the board, Dr. Margolis was also directed to begin to explore other strategic alternatives for HCP, and specific transaction options, other than a potential initial public offering, were discussed.

On September 27, 2011, Mr. Goss made a counterproposal to JPMorgan that contemplated a closing purchase price of $4.4 billion plus up to a $300 million cash dividend, with the merger consideration payable to HCP s interest holders consisting of cash and up to a maximum of $1.54 billion in shares of DaVita Common Stock , subject to adjustment for any deterioration in the market price of DaVita Common Stock between signing of a definitive agreement and closing of a potential transaction between the parties. The counterproposal further included (1) a contingent value right of up to $200 million payable to HCP interest holders tied to DaVita s closing stock price not reaching $106.40 per share between execution of a definitive agreement and the three year anniversary of the closing, (2) an earn-out payable to HCP interest holders of $100 million in cash if HCP s EBITDA for 2012 met or exceeded $550 million and $100 million in cash if HCP s EBITDA for 2013 met or exceeded $600 million, and (3) a tax basis step-up for DaVita to the extent no adverse tax or other financial consequences resulted to HCP. All vested HCP options would be cashed out. All unvested HCP options would be converted to DaVita stock options. The counterproposal also contemplated that each owner of 0.5% or more of HCP s membership interests would be required to elect to receive at least 33% of his or her consideration in the form of DaVita Common Stock and be subject to a one year lock-up on all the shares of DaVita Common Stock to be received in the transaction, a two year lock-up on 67% of the shares of DaVita Common Stock to be received in the transaction, and a three year lock up on 33% of the shares of DaVita Common Stock to be

Table of Contents

received in the transaction. Furthermore, each HCP executive leader would be required to elect to receive 33% of his consideration in the form of DaVita Common Stock and those leaders would be subject to a two year lock-up on all the shares of DaVita Common Stock to be received by them in the transaction, a three year lock-up on 67% of the shares of DaVita Common Stock to be received by them in the transaction, and a four year lock up on 33% of the shares of DaVita Common Stock to be received by them in the transaction. The counterproposal also provided that Dr. Margolis would serve as co-chairman of the board of directors of the combined company for five years after closing. The counterproposal included a 45 day exclusivity period from execution of a letter of intent.

On October 6 to 7, 2011, at a regularly scheduled meeting of the DaVita Board, the board evaluated the status of discussions between the respective senior executives of DaVita and HCP. During the meeting, the board received a report from Mr. Thiry regarding HCP s response to DaVita s September 22 proposal, including the proposed earn-out. During the presentation, DaVita management reviewed the expected financial impact on DaVita of a potential transaction with HCP. The review included, among other things, an analysis of the expected accretion to DaVita s earnings per share, DaVita s post-merger capital structure, future growth expectations, and tax matters. DaVita management summarized its findings from the initial business diligence that it had completed to date, covering such areas as its assessment of the attractiveness of the HCP business as well as the risks in operating in this industry. Following a discussion by the board, the board authorized DaVita s senior executives to deliver to HCP a revised non-binding proposal regarding a potential transaction between DaVita and HCP. The board also authorized Mr. Thiry to conduct further discussions with senior executives of HCP regarding the financial and other terms of a potential business combination, including anticipated modifications to the amount and composition of the merger consideration, subject to approval by the board of the final terms of a potential transaction.

In early October 2011, Dr. Margolis, at the suggestion of one of the members of the HCP Board, reached out to a financial advisor (the Financial Advisor) with experience working with a certain company to explore whether the financial Advisor believed that such company would be interested in engaging in a potential business combination with HCP. On October 25, 2011, after signing a confidentiality agreement, Dr. Margolis and Mr. Goss met with the Financial Advisor to preliminarily discuss the features and structure of a potential business combination with this other potential buyer. At this meeting with the Financial Advisor, Dr. Margolis and Mr. Goss shared HCP s valuation expectations and explained the importance of preserving HCP s physician-centric structure and operating model. Dr. Margolis and Mr. Goss also informed the Financial Advisor that HCP was in active discussions with another strategic buyer regarding a potential transaction, but they did not reveal DaVita s name. Shortly thereafter, HCP formally engaged the Financial Advisor to conduct a narrow, short term assessment of the financial and structural features that might apply in a potential transaction with the other potential buyer. The Financial Advisor was asked not to identify HCP to the other potential buyer unless and until instructed to do so by HCP.

By October 2011, DaVita s stock price had fallen approximately 30% from its July 2011 levels. Accordingly, senior executives of DaVita revisited the advisability of issuing DaVita stock at its then-current price.

On October 28, 2011, at a special telephonic meeting of the DaVita Board, Mr. Thiry provided the board with a detailed update regarding the discussions with HCP regarding a potential transaction, as well as the consequences of issuing DaVita stock at its then-current price. After extensive discussion regarding the potential transaction, the board authorized senior executives of DaVita to continue discussions with HCP regarding a potential transaction, and to consider reducing the stock component of the consideration.

On November 2, 2011, Mr. Thiry met with Dr. Margolis and made a proposal to acquire 100% of the equity of HCP for $4.4 billion at closing, in a combination of cash and stock, and a $200 million earn-out. The proposal also contemplated lock-ups on the stock portion of the consideration for timeframes ranging from 6 months to 4 years. After further discussion, both Mr. Thiry and Dr. Margolis tentatively agreed on the following non-binding proposal: $4.475 billion at closing, consisting of $3.66 billion in cash and $815 million in DaVita stock based on a 20-day volume-weighted average price prior to announcement of the proposed transaction, plus up to $275 million in earn-outs.

Table of Contents

On November 7, 2011, representatives of JPMorgan delivered to Mr. Goss a draft non-binding term sheet regarding the proposal that had been tentatively agreed to on November 2, 2011 between Mr. Thiry and Dr. Margolis, which draft term sheet also included certain other matters.

During November 2011 and into early December 2011, senior executives of each of DaVita and HCP, and advisors to both companies engaged in multiple telephone conferences to discuss the draft non-binding term sheet.

During this same period, Dr. Margolis and Messrs. Mazdyasni and Goss had numerous telephone conferences with the Financial Advisor. HCP also provided extensive financial and non-financial information about HCP to the Financial Advisor to facilitate its consideration of the terms that might apply in a potential transaction with the other potential buyer. On November 17 and 18, 2011, members of HCP senior management and Mr. Goss met in-person with the Financial Advisor to further discuss the potential features, structure and valuation of a potential transaction with the other potential buyer. The Financial Advisor was asked to prepare by December 2, 2011 its final description of the financial and structural features of a transaction that it thought would be attractive to the other potential buyer and to be prepared to make a presentation on this possible alternative transaction at the HCP Board meeting on December 6, 2011.

On December 2, 2011, at a special telephonic meeting of the HCP Board, Mr. Goss presented a review of HCP s potential strategic alternatives, including a potential initial public offering as previously summarized by a leading, global investment bank, a potential transaction with Company A and a potential business combination with DaVita. This review included structural and economic features of the various potential alternatives. After extensive discussion, Dr. Margolis and Messrs. Mazdyasni and Goss were instructed to proceed with inviting DaVita and the Financial Advisor to the HCP Board meeting on December 6, 2011.

On December 6, 2011, Mr. Thiry, along with two members of the DaVita Board, William L. Roper, M.D. and John M. Nehra, met with the HCP Board at HCP s headquarters in Torrance, California. At that meeting, Mr. Thiry gave a presentation outlining in detail the strong clinical orientation and results of DaVita, the successes of clinical innovation at DaVita, historical financial results of DaVita, the mission and values orientation of DaVita, DaVita s vision for integrated kidney care, and a vision of the combined company. Messrs. Thiry and Nehra and Dr. Roper left the HCP Board meeting following Mr. Thiry s presentation. At that same December 6 HCP Board meeting, after Messrs. Thiry and Nehra and Dr. Roper had left, the Financial Advisor, who, consistent with HCP s instructions, had not discussed such an HCP transaction with the other potential buyer, gave a presentation describing the structural and financial features of a transaction that it thought the other potential buyer would find attractive. Following Mr. Thiry s and the Financial Advisor s presentations, the board deliberated on the strategic and financial merits of the two potential transactions as well as the possibility of pursuing an initial public offering in early 2012. After extensive discussion with Dr. Margolis and Messrs. Mazdyasni and Goss, the board unanimously approved proceeding with a potential transaction with DaVita based on both the financial features of the proposed transaction as well as DaVita s willingness to take steps in the transaction to preserve HCP s physician-centric organizational model, culture and business practices. Such steps included DaVita s willingness to nominate Dr. Margolis to join the board of directors of the combined company as co-chairman and to rename the combined company DaVita HealthCare Partners to reflect DaVita s commitment to HCP s business. Shortly after the December 6th HCP Board meeting, Dr. Margolis advised both DaVita and the Financial Advisor that the HCP Board had decided to pursue a letter of intent with DaVita.

On December 7, 2011, DaVita engaged Sidley Austin LLP to provide financing advice.

On December 8 to 9, 2011, at a regularly scheduled meeting of the DaVita Board, Mr. Thiry provided the board with an update regarding a potential transaction with HCP, including Dr. Margolis potential role with the combined company post-closing and the status of the ongoing discussions. The board authorized senior executives of DaVita to continue discussions with HCP regarding a potential transaction.

Table of Contents

Over the next two weeks, discussions continued between senior executives of each of DaVita and HCP, and their respective advisors regarding the draft non-binding term sheet.

On December 22, 2011, senior executives of each of DaVita and HCP and advisors to both companies met to finalize the draft non-binding term sheet. Subsequent to final negotiation of terms, DaVita and HCP entered into a non-binding letter of intent containing an exclusivity provision through the earlier of the execution of a definitive agreement regarding a transaction between the parties or the termination of the letter of intent. The letter of intent was terminable (a) by mutual written consent of DaVita and HCP or (b) by HCP or DaVita if a definitive agreement was not executed and delivered on or prior to March 15, 2012. The letter of intent included a non-binding term sheet that specified, among other items, that (1) the closing consideration, based on a debt-free/cash-free balance sheet and net working capital of -$110 million, would be $4.475 billion, less the in-the-money value of all vested and unvested HCP options, comprised of $3.66 billion in cash and $815 million in shares of DaVita Common Stock, (2) DaVita would pay an additional $137.5 million in cash to HCP if HCP s EBITDA for 2012 meets or exceeds $550 million and an additional $137.5 million in cash if HCP s EBITDA for 2013 meets or exceeds $600 million, (3) Dr. Margolis, William Chin, M.D., HCP s Executive Medical Director, Mr. Mazdyasni, and Zan Calhoun, HCP s Chief Operating Officer, would enter into DaVita employment agreements effective at the closing of the potential transaction and be subject to a two year lock-up on the shares of DaVita Common Stock to be received by them in the transaction, a three year lock-up on 67% of the shares of DaVita Common Stock to be received by them in the transaction, and a four year lock up on 33% of the shares of DaVita Common Stock to be received by them in the transaction, and they would agree to elect a certain percentage (to be agreed upon) of their consideration in DaVita Common Stock, (4) Dr. Margolis would remain as chief executive officer of HCP for at least two years after closing and would be appointed to serve on the DaVita Board as co-chairman, (5) each owner of 0.5% or more of HCP s membership interests would be subject to a one year lock-up on the shares of DaVita Common Stock to be received by him in the transaction, a two year lock-up on 67% of the shares of DaVita Common Stock to be received by him in the transaction, and a three year lock up on 33% of the shares of DaVita Common Stock to be received by him in the transaction, (6) all other HCP interest holders would be subject to a six month lock-up on shares of DaVita Common Stock to be received in the transaction, (7) DaVita would be liable to pay a reverse termination fee to HCP if there is a failure to obtain financing for the transaction and all conditions to closing the transaction have been satisfied, and (8) DaVita would receive a tax basis step-up in the transaction. The letter of intent and accompanying term sheet were non-binding and subject to due diligence and negotiation of a mutually acceptable definitive agreement.

On December 27, 2011, senior executives of each of DaVita and HCP began a mutual confirmatory business, financial, and legal due diligence review of the other company. The management teams subsequently coordinated numerous follow-on discussions supported by information and document exchanges from January 2 through May 19, 2012.

On January 3, 2012, HCP met with representatives of Munger, Tolles & Olson LLP (Munger Tolles) to discuss a potential business combination between DaVita and HCP. HCP subsequently engaged Munger Tolles to provide legal advice in connection with the potential transaction. HCP selected Munger Tolles to act as its legal advisory because of its experience in advising clients in sophisticated merger and acquisition transactions.

On January 16 and January 23, 2012, senior executives of DaVita and representatives of JPMorgan, Morrison & Foerster, Sidley and Sheppard Mullin Richter & Hampton LLP, regulatory counsel to DaVita (Sheppard Mullin), participated in telephone conferences with senior executives of HCP and Mr. Goss and representatives of Munger Tolles and Nossaman LLP, HCP s regulatory counsel, to discuss structural matters regarding the potential transaction, including the treatment of HCPAMG. HCP requested to receive tax deferral on the stock portion of the consideration; however, DaVita rejected this proposal as it would impact DaVita s previously agreed upon tax basis step up.

On January 17, 2012, Mr. Goss provided senior executives of DaVita with a draft non-binding letter regarding, among other items, use of the name of the combined company, Dr. Margolis role in the combined company, and certain governance matters.

Table of Contents

On January 21, 2012, representatives of DaVita and its advisors were granted access to an electronic data room organized by HCP.

On January 25, 2012, representatives of DaVita together with representatives of its advisors JPMorgan, Morrison & Foerster, Sheppard Mullin, and Sidley Austin, as well as other advisors and consultants, met with representatives of HCP and Mr. Goss and representatives of Nossaman in Los Angeles, California to begin detailed due diligence on HCP and its affiliates, including with respect to healthcare regulatory matters.

Subsequent to the meeting in Los Angeles on January 25, 2012, representatives of DaVita and its advisors conducted extensive due diligence across multiple disciplines, including financial, clinical, payer contracting, regulatory, legal, accounting, information technology, human resources, and tax. Representatives of DaVita also met with various members of HCP management who had oversight of various corporate functions, as well as regional operating and clinical leadership. Representatives of DaVita and its advisors supplemented their direct due diligence of HCP with physician surveys and discussions with representatives of managed care payors, industry experts on the Medicare and Medicare Advantage programs, including individuals formerly involved in policy making, and executives and former executives of companies operating businesses similar to that of HCP.

In conducting due diligence, DaVita and its advisors placed particular emphasis, among other matters, on measures of success of HCP s clinical programs, expectations of changes to the Medicare Advantage program and reimbursement thereunder and the financial benefit of a step-up in tax basis in the transaction.

As part of its clinical due diligence, DaVita considered HCP s inpatient acute bed days per 1,000 Medicare Advantage patients and 30-day all cause readmission rates for Medicare Advantage patients, as compared to a benchmark for Medicare fee-for-service patients.

In evaluating expectations of changes to the Medicare Advantage program and reimbursement thereunder, DaVita considered the government s projections that suggest that the rate of participation in Medicare Advantage could decline and that this decline, coupled with changes to the Medicare Advantage Program, may result in reductions in Medicare Advantage spending. However, as a result of its diligence efforts, DaVita concluded that even though Medicare Advantage reimbursement rates may not grow as quickly as fee-for-service rates, the Medicare Advantage program provides significant benefits for many seniors, suggesting it should continue to grow, and health plans and providers should have the ability to mitigate some of the projected slowdown in the growth of reimbursement rates.

In evaluating the potential benefit of a step-up in tax basis, DaVita considered that the step-up is expected to result in approximately $900 million in reduced cash taxes over 15 years, or approximately $600 million on a present value basis.

HCP s advisors also conducted due diligence on DaVita in the areas of legal, regulatory, business development, financial, and capital resources/capital deployment strategies.

On March 8 to 9, 2012, at a regularly scheduled meeting of the DaVita Board, senior executives of DaVita presented a detailed update regarding a potential transaction with HCP, including an update regarding business and financial due diligence and a review of the financial and operational upsides and downsides of the potential transaction. Representatives of Sheppard Mullin reviewed with the board a presentation regarding healthcare regulatory and compliance matters with respect to HCP and its affiliates.

On March 22 to 23, 2012, senior executives of each of DaVita and HCP and Mr. Goss met in Denver, Colorado to discuss several specific features of the potential transaction between DaVita and HCP. The parties discussed, among other items, incentive compensation, the earn-out, interim operating covenants, indemnification, tax (including the treatment of Blocker Corporation), and healthcare regulatory matters. Senior executives of DaVita offered the following proposal: (1) $9.5 million per year in long-term incentive compensation, subject to $8 million of long-term incentive compensation expense being added back to EBITDA for purposes of determining the earn-out, (2) EBITDA targets of $550 million for 2012 and $600 million for

Table of Contents

2013, with earnings from up to $83 million of acquisitions by HCP counting towards EBITDA in 2012 and earnings from up to $181 million of cumulative acquisitions in 2012 and 2013 counting towards EBITDA in 2013, (3) a 15% of purchase price escrow for indemnification and net working capital adjustments, (4) a two year survival period for indemnification, and (5) a $10 million indemnification threshold. HCP offered the following counter-proposal: (x) 10% of purchase price escrow for indemnification and a separate net working capital escrow, (y) an 18 month survival period for indemnification, and (z) a 1% indemnification deductible.

On March 23, 2012, senior executives of DaVita and representatives of Morrison & Foerster became aware of a complaint filed by two officers in HCP s Nevada market in the District Court, Clark County, Nevada against HCP and HealthCare Partners Nevada, LLC, a subsidiary of HCP, seeking declaratory relief under various warrant agreements and non-competition agreements entered into between those officers and HCP (the Nevada litigation).

On March 24, 2012, senior executives of DaVita and representatives of Morrison & Foerster had a telephone conference with Mr. Goss during which they discussed the complaint filed in connection with the Nevada litigation and the potential settlement of the related matters.

On March 27, 2012, Morrison & Foerster delivered to Mr. Goss and Munger Tolles a preliminary draft of a merger agreement between DaVita and HCP that included, among other things, proposals on behalf of DaVita with respect to (1) a 15% escrow, (2) a negative $110 million net working capital target, (3) a two year indemnification survival period, (4) a $10 million indemnification threshold, (5) a $50 million reverse termination fee, and (6) proposals regarding financing provisions, including a financing condition to closing.

On March 29, 2012, senior executives of DaVita and representatives of Morrison & Foerster had a telephone conference with representatives of Nossaman during which they discussed recent developments regarding the Nevada litigation and the potential settlement of the related matters.

On March 30, 2012, senior executives of HCP met with the complainants in the Nevada litigation to discuss the Nevada litigation and the potential settlement of the related matters.

On April 3, 2012, Munger Tolles sent Morrison & Foerster a revised draft of the Merger Agreement that included, among other proposed changes and comments, proposals on behalf of HCP with respect to (1) a 12.5% escrow, (2) an 18 month survival period for indemnification, (3) a $44.75 million indemnification deductible, (4) fully committed financing, (5) a hell-or-high water anti-trust provision, and (6) a proposed reverse termination fee equal to $180 million.

From April 4 through April 6, 2012, senior executives of DaVita and representatives of JPMorgan, Morrison & Foerster, and Sheppard Mullin and senior executives of HCP, Mr. Goss, and representatives of Munger Tolles, and Nossaman met in Los Angeles, California to negotiate the terms of the Merger Agreement.

On April 11, 2012, at a regularly scheduled meeting of the HCP Board, Dr. Margolis and Messrs. Mazdyasni and Goss updated the board on the status of the negotiations with DaVita, including the status of mutual due diligence, discussions surrounding structural terms, including representations and warranties, and indemnification, and the various financial terms of the proposed transaction. The board authorized Dr. Margolis and Messrs. Mazdyasni and Goss to proceed with negotiations with DaVita and gave them specific instructions regarding certain features and requirements of the potential merger agreement with DaVita.

On April 11, 2012, following a review of the April 3 draft with DaVita s senior executives, Morrison & Foerster delivered to Munger Tolles a revised draft of the merger agreement that included, among other proposed changes and comments, proposals on behalf of DaVita with respect to (1) changes relating to the mechanism for the conversion of HCP stock options and other equity awards in the potential transaction, (2) changes relating to earn-out and the definition of earn-out EBITDA, (3) changes to certain preclosing covenants and closing conditions, including pre-closing operating covenants and covenants and conditions relating to compliance with competition law notification and approval requirements in connection with the potential transaction, (4) changes

Table of Contents

to certain termination and termination fee provisions in the merger agreement, including a 12.5% escrow, a 24 month indemnification survival period, and a $25 million indemnification threshold, (5) a $100 million reverse termination fee, (6) changes relating to net working capital and indebtedness, (7) no hell-or-high water anti-trust provision (8) uncommitted financing, including that DaVita take all action necessary to consummate the financing if the financing was available to DaVita at a weighted average interest rate no greater than 150 basis points higher than the indicative weighted average interest rate contained in the financing letter, (9) changes to the termination provisions, including as a result of a failure to receive the proceeds of the financing, and (10) specific performance limited to DaVita closing the financing if the financing was available at a weighted average interest rate no greater than 150 basis points higher than the indicative weighted average interest rate contained in the financing letter.

On April 13, 2012, Mr. Thiry and Dr. Margolis discussed certain open items in the draft definitive agreement, including long-term incentive compensation, tax (including Blocker Corporation), reverse termination fee, indemnification, tail insurance, net working capital, and healthcare regulatory matters. The parties also discussed the terms on which DaVita would be required to close the financing versus the opportunity for DaVita to terminate the agreement and pay a reverse termination fee. The parties further discussed a potential increase in the cash payable to HCP Members in light of certain tax and accrued expense items. With respect to indemnification, Dr. Margolis proposed a $30 million threshold for indemnification claims.

On April 16, 2012, Munger Tolles sent Morrison & Foerster a revised draft of the merger agreement that included, among other proposed changes and comments, a proposal on behalf of HCP with respect to a $125 million reverse termination fee, a proposed increase in the cash purchase price to $3.675 billion to take into account the treatment of Blocker Corporation, a reduction to $117.5 million in cash of the earn-out attributable to HCP s EBITDA for 2013 meeting or exceeding $600 million to account for the Nevada settlement matters, and a requirement that DaVita consummate the financing if available at an annual interest rate no greater than 250 basis points above the weighted average annual interest rate. Among other proposed changes and comments, the revised draft also included proposals on behalf of HCP with respect to net working capital and indebtedness, financing (including specific performance with respect to all DaVita s financing covenants), employment and benefit, long-term incentive compensation, and indemnification matters.

On April 17, 2012 at a special telephonic meeting of the DaVita Board, senior executives of DaVita presented a financial review of a potential transaction with HCP, including certain financial projections of HCP post-closing and factors that could impact those projections. Senior executives also updated the board regarding healthcare regulatory matters with respect to HCP. Following extensive discussion by the board, the board authorized DaVita s senior executives to continue discussions with senior executives of HCP regarding a potential transaction.

On April 19, 2012, Mr. Thiry and Dr. Margolis discussed certain open items in the draft definitive agreement, including long-term incentive compensation, tax (including Blocker Corporation), indemnification, net working capital, earn-out EBITDA, financing, and healthcare regulatory matters. Mr. Thiry proposed that DaVita be required to consummate the financing if available within 200 basis points of the weighted average annual interest rate.

On April 24, 2012, Morrison & Foerster sent Munger Tolles a revised draft of the merger agreement including, among other proposed changes and comments, proposals on behalf of DaVita with respect to a $27.5 million indemnification threshold, earn-out and earn-out EBITDA, net working capital and indebtedness, financing (including the 200 basis point proposal made by Mr. Thiry on April 19 and specific performance thereof), intellectual property, employment and benefit, and long-term incentive compensation matters.

On April 26 and April 27, 2012, Mr. Thiry and Dr. Margolis discussed certain open items in the draft merger agreement, including healthcare regulatory matters and the need for a longer escrow period to provide indemnification for any negative consequences of certain healthcare related matters.

Table of Contents

From April 25 through April 27, 2012, DaVita held its annual conference for its approximately 2500 leaders in Nashville, Tennessee. Senior executives of HCP attended DaVita s annual conference. During the conference, Dr. Margolis met with members of the DaVita Board. In addition, senior executives of DaVita held extensive discussions with senior executives of HCP and Mr. Goss regarding financial projections of HCP.

At the regularly scheduled meeting of the DaVita Board on April 26, 2012, senior executives of DaVita provided the board with an update regarding a potential transaction with HCP including an update regarding business and financial due diligence and reviewed with the board the financial and operational upsides and downsides of the potential transaction. JPMorgan reviewed with the board a presentation regarding potential financial terms of a potential transaction. The board was also provided a detailed summary of the current draft of the merger agreement by Morrison & Foerster, including an overview regarding the fiduciary duties of the board in connection with a potential business combination involving HCP. The board was also provided with a presentation from Sheppard Mullin of healthcare regulatory and compliance aspects of HCP and its affiliates. After extensive discussion regarding the potential transaction, the board authorized senior executives of DaVita to continue discussions with HCP regarding a potential transaction.

During this period of late April 2012, Dr. Margolis kept the HCP Board apprised of developments in the ongoing negotiations with DaVita via telephone calls and e-mails.

On April 30, 2012, senior executives of each of DaVita and HCP met in Torrance, California to review projections of HCP, including the work that had been done by Messrs. Mazdyasni and Goss the prior week. At this meeting, senior executives of DaVita concluded that its financial diligence and other diligence investigations were substantially complete, and moved forward towards finalizing the merger agreement. Towards that end, Mr. Thiry made a revised proposal regarding an extended escrow for healthcare and tax matters and regarding the Nevada litigation matter.

On May 2, 2012, Munger Tolles sent Morrison & Foerster a revised draft of the merger agreement that included, among other proposed changes and comments, proposals on behalf of HCP with respect to a proposed reversion of the cash purchase price to $3,660,000,000, as the treatment of Blocker Corporation and other accounting matters was to be dealt with in the net working capital target, the liquidation of Blocker Corporation, and a MR Escrow Account to fund, if necessary, the costs and expenses of the Member Representative acting in such capacity. Among other proposed changes and comments, the revised draft also included proposals on behalf of HCP with respect to the earn-out and earn-out EBITDA, net working capital and indebtedness, financing (including specific performance of all of DaVita s financing covenants), tax, employment and employee benefits, long-term incentive compensation, and indemnification matters.

On May 2, 2012, Nossaman sent senior executives of DaVita draft settlement documents with respect to the Nevada litigation matter.

From May 3 through May 13, 2012, representatives of Morrison & Foerster and Nossaman, together with senior executives of each of DaVita and HCP and Mr. Goss, conducted numerous telephone conferences to finalize the Nevada settlement documents and exchanged multiple drafts of the settlement agreements and related documents. During this period, the parties reached agreement on all of the material terms of the settlement agreements and related documents.

On May 3, 2012, at a special telephonic meeting of the DaVita Board, senior executives of DaVita provided an update regarding the continuing discussions with senior executives of HCP. Representatives of Morrison & Foerster reviewed with the board an updated summary of the merger agreement and the employment agreements with key employees of HCP. Representatives of JPMorgan reviewed a presentation regarding potential financial terms of a potential transaction. After extensive discussion regarding the potential transaction, the board authorized senior executives of DaVita to continue discussions with HCP regarding a potential transaction.

Table of Contents

On May 6, 2012, Morrison & Foerster sent Munger Tolles a revised draft of the merger agreement that included, among other proposed changes and comments, proposals on behalf of DaVita with respect to a -$147.5 million net working capital target to take into account the treatment of Blocker Corporation and certain other accounting items and entry into employment agreements by certain key employees of HCP. Among other proposed changes and comments, the revised draft also included proposals on behalf of DaVita with respect to tax (including the liquidation of Blocker Corporation), earn-out and earn-out EBITDA, net working capital and indebtedness, financing, long-term incentive compensation, treatment of HCPAMG, and healthcare regulatory indemnification matters.

On May 9 and May 11, 2012, Munger Tolles sent Morrison & Foerster a revised draft of the merger agreement that included, among other proposed changes and comments, proposals on behalf of HCP with respect to (1) a $5 million MR Escrow Account, (2) an extended healthcare escrow account comprised of $300 million for the third year after closing, decreasing to $150 million for the fourth year after closing, (3) an extended tax escrow account comprised of $52.5 million until December 31, 2015, decreasing to $25 million until December 31, 2016, (4) a negative $149 million net working capital target, and (5) changes to certain provisions in the merger agreement relating to employee and employee benefit transition matters.

On May 11, 2012, at a special telephonic meeting of the HCP Board, Dr. Margolis and Messrs. Mazdyasni and Goss reviewed, in detail, the status of the negotiations with DaVita and its advisors and counsel. Dr. Margolis reviewed the various financial aspects of the transaction, including the consideration and process for HCP unit holders receiving such consideration, the earn-out, incentive equity, and features of DaVita s debt financing. Dr. Margolis also reviewed other aspects of the transaction, including representations and warranties and, in particular, HCP s indemnification of DaVita, including the various escrow components and timing. Dr. Margolis also reviewed HCP s covenants to DaVita and DaVita s covenants to HCP as well as the respective parties closing conditions and termination rights. Dr. Margolis and Mr. Goss also reviewed the various HCPAMG agreements that would also be components of the overall transaction. HCP senior executives and Mr. Goss then proceeded to describe the various issues that were still open in both the draft merger agreement and the draft HCPAMG agreements. After extensive discussion, the board authorized HCP senior executives and Mr. Goss to attempt to finalize the transaction in a manner consistent with the discussions during the meeting and, subject to the successful resolution of all open issues, authorized Dr. Margolis to execute and deliver the merger agreement on behalf of HCP. One member of the board was not able to attend this telephonic board meeting, but he called Dr. Margolis prior to the telephonic meeting to register his support for consummating the transaction with DaVita.

From May 9 through May 20, 2012, representatives of Morrison & Foerster and Munger Tolles, together with senior executives of each of DaVita and HCP, conducted numerous phone conferences and in-person meetings to finalize open issues in the merger agreement and the ancillary agreements and exchanged multiple drafts of the merger agreement and ancillary agreements. During this period, the parties reached agreement on all of the material terms of the merger agreement and ancillary agreements.

On May 14, 2012, at a special telephonic meeting of the DaVita Board, senior executives provided an update regarding the continuing discussions with senior executives of HCP. Prior to the meeting, DaVita s directors had been provided with a set of meeting materials, including a copy of a proposed merger agreement and ancillary agreements, a detailed summary of the terms and conditions of the proposed merger agreement and ancillary agreements, a review of the consideration proposed to be paid in the merger and a set of draft board resolutions. Representatives of Morrison & Foerster reviewed with the board an update of the merger agreement and the ancillary agreements to the potential transaction. After extensive discussion regarding the potential transaction, the board authorized senior executives of DaVita to continue discussions with HCP regarding a potential transaction.

The DaVita Board met telephonically on May 18, 2012. Prior to the meeting, DaVita s directors had been provided with a set of meeting materials, including a copy of a proposed definitive merger agreement and ancillary agreements, a revised detailed summary of the terms and conditions of the proposed merger agreement

Table of Contents

and ancillary agreements, a review of the consideration proposed to be paid in the merger and a set of draft board resolutions. DaVita s senior executives, together with representatives of JPMorgan, Morrison & Foerster, and Sheppard Mullin, were present at the meeting. Mr. Thiry provided an overview of further developments relating to a potential transaction with HCP and informed the DaVita Board that due diligence had been largely completed and negotiations regarding a definitive merger agreement were largely finalized. Senior executives of DaVita provided the board with a summary of the legal and regulatory due diligence conducted with respect to HCP, summarizing an assessment of various risk areas, including litigation/general liability, regulatory, and compliance. Morrison & Foerster presented the board with an overview of the material terms and conditions of the proposed merger agreement. Sheppard Mullin reviewed with the board a summary of documents related to HCPAMG, HealthCare Partners Medical Group, Inc., and Seismic Medical Group. Following a discussion of the foregoing matters by the directors, the board unanimously approved the merger agreement, declared it advisable, approved the issuance of shares of DaVita Common Stock to HCP interest holders pursuant to the merger, and determined that the merger agreement and the transactions contemplated thereby, including the merger and the issuance of shares of DaVita Common Stock to HCP interest holders pursuant to the merger, are in the best interests of DaVita and its stockholders. The board authorized the appropriate DaVita officers to execute and deliver the merger agreement and the ancillary agreements on behalf of DaVita.

The Merger Agreement, the Voting Agreement, the Support Agreements, the Non-Competition and Non-Solicitation Agreements, the Nevada settlement agreements, and the non-binding letter were executed on May 20, 2012. DaVita and HCP announced the transaction through a joint press release issued prior to the open of the U.S. financial markets on May 21, 2012.

Recommendation of DaVita s Board of Directors and Reasons for the Transactions

At its meeting on May 18, 2012, the DaVita Board approved the Merger Agreement, declared it advisable, approved the issuance of DaVita Common Stock to HCP Members pursuant to the Merger, and determined that the Merger Agreement and the transactions contemplated thereby were advisable and in the best interests of DaVita and its stockholders. In making this determination, the DaVita Board consulted with DaVita s senior management and with its financial and legal advisors, and considered a number of factors. The decision of the DaVita Board was based upon a number of potential benefits of the transactions and other factors that it believed could contribute to the success of the combined company, and thus benefit the DaVita stockholders, including the following factors, the order of which does not necessarily reflect their relative significance:

- the Merger would potentially create an industry leading company that may be well positioned to capitalize on anticipated trends in U.S. healthcare, including growth in managed healthcare services, especially to the Medicare-eligible population;

- HCP s industry leadership provides it substantial credibility with the government, physician groups, large hospital systems, and payors across the U.S.;

- the success of HealthCare Partners integrated care model, which has high quality clinical outcomes, as measured by, among other things, inpatient acute care bed days per 1,000 patients and 30-day all cause readmission rates and has been able to effectively manage its costs under capitated arrangements, could potentially help DaVita achieve attractive reimbursement for globally capitated kidney care, improving DaVita s core ERSD market;

- the Merger would open a large new market for DaVita the integrated healthcare services market that HCP serves offering DaVita considerable growth opportunities beyond domestic dialysis, which is a smaller, more mature and more consolidated sector of healthcare;

- the Merger would result in a step-up in tax basis, which, measured on a present value basis, is expected to result in an effective reduction in the purchase price for HCP paid by DaVita;

- the return implied by the forecasted cash flows of the HCP business, relative to the total transaction value, is anticipated to exceed DaVita s cost of capital;

92

Table of Contents

there are many similarities in the cultures of DaVita and HCP, including a strong common culture of putting the patient first;

the Merger is anticipated to be neutral to modestly accretive to DaVita s earnings per share beginning in 2013;

the HCP management team will continue post-closing and will be committed to the success of HCP and the combined company;

HCP s physician-centric culture, which its physicians value, will be preserved; and

the foregoing benefits would potentially result in enhanced stockholder value for DaVita stockholders.

In addition, the DaVita Board also identified and considered several potentially negative factors to be balanced against the positive factors listed above, including the following, the order of which does not necessarily reflect their relative significance:

that the pendency of the transaction for an extended period of time following the announcement of the execution of the Merger Agreement could have an adverse impact on DaVita or HCP;

the potential for diversion of management and employee attention during the period prior to completion of the Merger, and the potential negative effect on DaVita s and HCP s businesses;

the risk that potential benefits sought in the transactions may not be realized, or may not be realized within the expected time period;

the potential that the acquisition of HCP is at the peak of the market, given the Medicare Advantage and commercial enrollment rate pressures;

the risks inherent in completing approximately $4 billion in new financing necessary to consummate the transactions, given the recent volatility in the U.S. debt markets;

the risk that DaVita may have to pay HCP a termination fee of $125 million if, among other things, it is unable to obtain the financing necessary to consummate the transactions;

the potential negative consequences that could result from the combined company s amount of indebtedness following the closing of the transactions;

the risk that, despite the efforts of DaVita and HCP prior to the consummation of the transactions, the combined company may lose key personnel;

the potential that the combined company might not achieve its projected financial results;

- the uncertainty surrounding the viability of recent healthcare reform legislation and its potential impact on the HCP s business model;
- the possibility that future budget cuts by the federal government will cause reduced spending on Medicare and Medicare-related programs; and
- the risk inherent in the fact that HCP s leadership is concentrated among a small number of individuals, with Dr. Margolis having been principally responsible for HCP s past growth and success.

In view of the variety of factors and the quality and amount of information considered, the DaVita Board as a whole did not find it practicable to and did not quantify or otherwise assign relative weights to the specific factors considered in reaching its determination but conducted an overall analysis of the transaction. Individual members of the DaVita Board may have given different relative considerations to different factors.

The explanation of the reasoning of the DaVita Board and certain information presented in this section are forward-looking in nature and, therefore, the information should be read in light of the factors discussed in the sections entitled Cautionary Statement Concerning Forward-Looking Statements and Risk Factors beginning on pages 74 and 38, respectively.

Table of Contents

Ownership of DaVita After the Merger

Based on the number of outstanding HCP Common Units and the number of outstanding shares of DaVita Common Stock as of June 30, 2012, DaVita anticipates that HCP Members will own approximately 9.0% of the outstanding shares of DaVita Common Stock following the Merger.

HCP s Reasons for the Merger; Recommendation of the HCP Board

The HCP Board, acting with the advice and assistance of Mr. Goss and management, evaluated the proposed merger, including the terms and conditions of the Merger Agreement. At a telephonic meeting of the HCP Board on May 11, 2012, the HCP Board unanimously (a) determined that the Merger is fair, advisable and in the best interests of HCP and the HCP Members and (b) recommended that the HCP Members approve the principal terms of the Merger and the Merger Agreement.

In the course of reaching its determination and recommendation, the HCP Board considered the following material factors that it believed supported its determination and recommendation:

- the Merger will allow HCP Members to monetize their investment in HCP, providing the HCP Members with the ability to obtain liquidity in the form of cash or registered shares of DaVita Common Stock, or a combination thereof, subject to the restrictions set forth in the Merger Agreement;

- the inclusion of DaVita Common Stock in the merger consideration provides HCP Members the ability to participate in the future results of DaVita HealthCare Partners, while the ability, subject to restrictions set forth in the Merger Agreement, to make an election between cash and DaVita Common Stock in exchange for HCP Common Units provides some flexibility for HCP Members;

- the expectation that DaVita HealthCare Partners will provide additional and significant growth capital essential to execute HCP s vision of transforming the national healthcare delivery system;

- the potential for significant tax benefits for HCP Members if the Merger is consummated in 2012 as U.S. federal income tax rates may increase in 2013;

- as a subsidiary of DaVita HealthCare Partners, HCP will be able to pursue growth opportunities more quickly and easily than it could as a private company, including: (1) market and geographic expansion and (2) enhanced business development capabilities;

- the Merger presents an opportunity to partner with a mission and values driven organization that can augment HCP s values and culture;

- the possible strategic alternatives to the Merger, including continuing as a standalone company, an initial public offering, private equity financing, or a sale or merger with other parties, were evaluated by the HCP Board with the assistance of Mr. Goss and management, and the HCP Board determined such alternatives were less favorable to HCP and the HCP Members than the Merger given the potential risks, rewards, and uncertainties associated with those alternatives;

- HCP management will stay in place following the consummation of the Merger;

- the belief that DaVita HealthCare Partners will have an increased ability to attract and retain management and medical professionals;

the expectation that DaVita HealthCare Partners will (1) have a greater opportunity to impact healthcare public policy than HCP has on a standalone basis and (2) be better able to adapt to, or take advantage of, regulatory developments and healthcare reform, including changes to Medicare and Medicare Advantage programs; and

the likelihood that the Merger would be completed, based on, among other things:

the absence of significant required regulatory approvals, other than those relating to the HSR Act;

Table of Contents

DaVita s obligation to pay HCP a $125 million termination fee if the Merger Agreement is terminated under certain circumstances; and

the reputation and financial capacity of DaVita.

In the course of its deliberations, the HCP Board also considered a variety of risks and other countervailing factors related to entering into the Merger Agreement, including, without limitation, the following:

the fact that HCP will no longer be an independent company and the concern that it will not have autonomy in its decision-making;

the risk that the Merger could compromise or diminish HCP s distinctive physician-owned, physician-led culture and business model, including the potential impact on current employees, affiliated physicians, and physician group and IPA consolidation opportunities;

the potential negative consequences that could result from public visibility into HCP s financial statements;

the fact that the number of shares of DaVita Common Stock offered as consideration is fixed and therefore the total merger consideration at the time of closing may have a greater or lesser value than at the time the Merger Agreement was signed;

the risk that the Merger might not be completed in a timely manner or at all, including the risk that the proposed merger will not occur if DaVita is unable to obtain sufficient financing for the Merger;

HCP s inability to seek specific performance to require DaVita to complete the Merger if financing is not available and the fact that HCP s sole remedy in connection with DaVita s failure to close under this circumstance would be limited to a termination fee of $125 million;

the risks and costs to HCP if the Merger does not close, including the diversion of management and employee attention and the potential effect on HCP s business and its relationships with payors and physicians;

the restrictions on the conduct of HCP s business prior to the completion of the Merger, which may delay or prevent HCP from undertaking business opportunities that may arise and certain other actions it might otherwise take with respect to its operations pending completion of the Merger; and

the risk that, while the Merger is expected to be completed, there can be no assurance that all conditions to the parties obligations to complete the Merger will be satisfied, and as a result, it is possible that the Merger may not be completed even if it is approved by the HCP Members.

In addition, the HCP Board was aware of and considered the interests that certain members of the HCP Board and executive officers have in the Merger that are different from, or in addition to, the interests of HCP Members generally, as described in Interests of HCP s Managers and Executive Officers in the Merger beginning on page 96.

The foregoing discussion of the information and factors considered by the HCP Board is not intended to be exhaustive, but includes material factors considered by the HCP Board. In view of the wide variety of factors they considered, the HCP Board did not find it practicable, and did not attempt, to quantify, rank, or otherwise assign relative weights to the foregoing factors in reaching its determination and recommendation. In addition, the HCP Board did not receive a fairness opinion regarding the fairness of the merger consideration to the HCP Members from a financial point of view, or with respect to projections, estimates, and other forward-looking statements about the future earnings or other

measures of the future performance of HCP. Individual members of the HCP Board may have given different weights to different factors and may have viewed some factors more positively or negatively than others. **Based upon the totality of the information considered, the HCP Board has determined that the Merger is fair, advisable, and in the best interests of HCP and the HCP Members and recommends that the HCP Members of HCP approve the principal terms of the Merger and the Merger Agreement.**

Table of Contents

Interests of HCP s Managers and Executive Officers in the Merger

In considering the recommendations of the HCP Board, you should be aware that some of HCP s managers and executive officers have interests in the Merger that are different from, or in addition to, the interests of HCP Members generally. The HCP Board was aware of these interests and considered them, among other matters, prior to making its determination to recommend the approval of the principal terms of the Merger and the Merger Agreement to the HCP Members.

Appointment of Dr. Margolis to the DaVita Board

The Merger Agreement provides that at the closing, the DaVita Board will be increased in size by one member and Dr. Margolis will be appointed to fill the newly created directorship as Co-Chairman . Pursuant to the terms of the Merger Agreement, for a minimum period of four consecutive annual meetings of stockholders of DaVita after his initial appointment to the DaVita Board, Dr. Margolis s re-nomination for election to the DaVita Board will be assessed in the same manner as every other incumbent director on the DaVita Board, whereby the Nominating and Governance Committee of the DaVita Board determines each year which directors it will select as nominees or recommend to the DaVita HealthCare Partners Board for nomination for election to the DaVita Board at DaVita s annual meeting of stockholders. In addition, upon his appointment and subsequent re-election to the DaVita Board, for a minimum period of four consecutive annual meetings of stockholders of DaVita, Dr. Margolis will hold the office of Co-Chairman until the expiration of his term of office or until his successor is duly elected and qualified, subject to his earlier death, resignation, disqualification, or removal in accordance with DaVita s bylaws and/or applicable law.

Employment Arrangement with Dr. Margolis

Concurrently with the execution of the Merger Agreement, Dr. Margolis entered into an employment agreement with DaVita and HCP that will become effective at the effective time of the Merger. The employment agreement will supersede his current employment with HCP and will have a two-year term of employment. Under the terms of the employment agreement, Dr. Margolis will continue to serve as Chief Executive Officer of HCP. He will receive an annual base salary of $600,000, subject to review for increases at the discretion of HCP and with the approval of DaVita. Dr. Margolis is eligible to receive annual performance bonuses for calendar years 2012, 2013 and 2014 equal to 40% of his base salary, with an additional bonus of up to 170% of such bonus amount. Dr. Margolis will be entitled to participate in all employee benefits that are generally made available to most executives at HCP with similar levels of compensation and responsibility.

Further, in the event that Dr. Margolis is terminated without cause (as defined in the employment agreement) by DaVita, he will be entitled to receive (i) an amount equal to two times his annual base salary in effect at the time such termination, plus (ii) an amount equal to the performance bonus paid in the year prior to his termination of employment, pro-rated for the number of months served in the year his employment is terminated. These severance payments will be paid in equal installments over 24 months, subject to HCP s payroll practices and procedures, and are conditioned upon Dr. Margolis s execution of a general release. Dr. Margolis is also entitled to the severance payments described above if he resigns due to a material breach of the terms of the employment agreement by DaVita or HCP and HCP fails to cure such breach.

It is anticipated that DaVita and Dr. Margolis will enter into an amended and restated employment agreement prior to the closing of the Merger that will be effective at the effective time of the Merger.

In conjunction with the execution of his employment agreement, Dr. Margolis entered into an employee non-competition and non-solicitation agreement with DaVita and HCP that will become effective at the effective time of the Merger. The employee non-competition and non-solicitation agreement restricts Dr. Margolis for a period of two years from the date of the termination of his employment from engaging in certain types of business activities in Nevada, Florida, New Mexico and California.

Table of Contents

Also in connection with the execution of the Merger Agreement, Dr. Margolis entered into a separate non-competition and non-solicitation agreement with DaVita that will become effective at the effective time of the Merger. Pursuant to the terms of the non-competition and non-solicitation agreement, Dr. Margolis will be restricted for a period of seven years following the closing date of the Merger from engaging in certain types of business activities in Nevada, Florida, New Mexico and California.

Employment Arrangement with Mr. Mazdyasni

Concurrently with the execution of the Merger Agreement, Mr. Mazdyasni entered into an employment agreement with DaVita and HCP that will become effective at the effective time of the Merger. The employment agreement will supersede his current employment with HCP. Under the terms of the employment agreement, Mr. Mazdyasni will continue to serve as Executive Vice President and Chief Financial and Administrative Officer of HCP. He will receive an annual base salary of $500,000, subject to review for increases at the discretion of HCP and with the approval of DaVita. Mr. Mazdyasni is eligible to receive annual performance bonuses for calendar years 2012, 2013 and 2014 equal to 40% of his base salary, with an additional bonus of up to 170% of such bonus amount. Mr. Mazdyasni will be entitled to participate in the stock-based awards and the long-term incentive plan awards set forth in the Merger Agreement as further described under The Merger Agreement Equity and Other Long-Term Incentive Compensation beginning on page 136. He will also be entitled to participate in all employee benefits that are generally made available to most executives at HCP with similar levels of compensation and responsibility.

Further, in the event that Mr. Mazdyasni is terminated without cause (as defined in the employment agreement) by DaVita, he will be entitled to receive (i) an amount equal to two times his annual base salary in effect at the time such termination, plus (ii) an amount equal to the performance bonus paid in the year prior to his termination of employment, pro-rated for the number of months served in the year his employment is terminated. These severance payments will be paid in equal installments over 24 months, subject to HCP s payroll practices and procedures, and are conditioned upon Mr. Mazdyasni s execution of a general release; provided, however, that any severance payments will be reduced by any amount of compensation received by Mr. Mazdyasni from another employer (as an employee, consultant, or independent contractor) during the 24-month salary continuation period. Mr. Mazdyasni is also entitled to the severance payments described above if he resigns due to a material breach of the terms of the employment agreement by DaVita or HCP and HCP fails to cure such breach.

In conjunction with the execution of his employment agreement, Mr. Mazdyasni entered into an employee non-competition and non-solicitation agreement with DaVita and HCP that will become effective at the effective time of the Merger. The employee non-competition and non-solicitation agreement restricts Mr. Mazdyasni for a period of two years from the date of the termination of his employment from engaging in certain types of business activities in Nevada, Florida, New Mexico and California.

Also in connection with the execution of the Merger Agreement, Mr. Mazdyasni entered into a separate non-competition and non-solicitation agreement with DaVita that will become effective at the effective time of the Merger. Pursuant to the terms of the non-competition and non-solicitation agreement, Mazdyasni will be restricted for a period of five years following the closing date of the Merger from engaging in certain types of business activities in Nevada, Florida, New Mexico and California.

Employment Arrangement with Dr. Chin

Concurrently with the execution of the Merger Agreement, Dr. Chin entered into an employment agreement with DaVita and HCP that will become effective at the effective time of the Merger. Under the terms of the employment agreement, Dr. Chin will continue to serve as Chief Medical Officer of HCP. He will receive an annual base salary of $450,000, subject to review for increases at the discretion of HCP and with the approval of DaVita. Dr. Chin is eligible to receive annual performance bonuses for calendar years 2012, 2013 and 2014 equal

Table of Contents

to 40% of his base salary, with an additional bonus of up to 170% of such bonus amount. Dr. Chin will be entitled to participate in the stock-based awards and the long-term incentive plan awards set forth in the Merger Agreement as further described under The Merger Agreement Equity and Other Long-Term Incentive Compensation beginning on page 136. He will also be entitled to participate in all employee benefits that are generally made available to most executives at HCP with similar levels of compensation and responsibility.

Further, in the event that Dr. Chin is terminated without cause (as defined in the employment agreement) by DaVita, he will be entitled to receive (i) an amount equal to two times his annual base salary in effect at the time such termination, plus (ii) an amount equal to the performance bonus paid in the year prior to his termination of employment, pro-rated for the number of months served in the year his employment is terminated. These severance payments will be paid in equal installments over 24 months, subject to HCP s payroll practices and procedures, and are conditioned upon Dr. Chin s execution of a general release; provided, however, that any severance payments will be reduced by any amount of compensation received by Dr. Chin from another employer (as an employee, consultant, or independent contractor) during the 24-month salary continuation period. Dr. Chin is also entitled to the severance payments described above if he resigns due to a material breach of the terms of the employment agreement by DaVita or HCP and HCP fails to cure such breach.

In conjunction with the execution of his employment agreement, Dr. Chin entered into an employee non-competition and non-solicitation agreement with DaVita and HCP that will become effective at the effective time of the Merger. The employee non-competition and non-solicitation agreement restricts Dr. Chin for a period of two years from the date of the termination of his employment from engaging in certain types of business activities in Nevada, Florida, New Mexico and California.

Also in connection with the execution of the Merger Agreement, Dr. Chin entered into a separate non-competition and non-solicitation agreement with DaVita that will become effective at the effective time of the Merger. Pursuant to the terms of the non-competition and non-solicitation agreement, Dr. Chin will be restricted for a period of seven years following the closing date of the Merger from engaging in certain types of business activities in Nevada, Florida, New Mexico and California.

Employment Arrangement with Mr. Calhoun

Concurrently with the execution of the Merger Agreement, Mr. Calhoun entered into an employment agreement with DaVita and HCP that will become effective at the effective time of the Merger. Under the terms of the employment agreement, Mr. Calhoun will continue to serve as Chief Operating Officer of HCP. He will receive an annual base salary of $400,000, subject to review for increases at the discretion of HCP and with the approval of DaVita. Mr. Calhoun is eligible to receive annual performance bonuses for calendar years 2012, 2013 and 2014 equal to 40% of his base salary, with an additional bonus of up to 170% of such bonus amount. Mr. Calhoun will be entitled to participate in the stock-based awards and the long-term incentive plan awards set forth in the Merger Agreement as further described under The Merger Agreement Equity and Other Long-Term Incentive Compensation beginning on page 136. He will also be entitled to participate in all employee benefits that are generally made available to most executives at HCP with similar levels of compensation and responsibility.

Further, in the event that Mr. Calhoun is terminated without cause (as defined in the employment agreement) by DaVita, he will be entitled to receive (i) an amount equal to two times his annual base salary in effect at the time such termination, plus (ii) an amount equal to the performance bonus paid in the year prior to his termination of employment, pro-rated for the number of months served in the year his employment is terminated. These severance payments will be paid in equal installments over 24 months, subject to HCP s payroll practices and procedures, and are conditioned upon Mr. Calhoun s execution of a general release; provided, however, that any severance payments will be reduced by any amount of compensation received by Mr. Calhoun from another employer (as an employee, consultant, or independent contractor) during the 24-month salary continuation period. Mr. Calhoun is also entitled to the severance payments described above if he resigns due to a material breach of the terms of the employment agreement by DaVita or HCP and HCP fails to cure such breach.

Table of Contents

In conjunction with the execution of his employment agreement, Mr. Calhoun entered into an employee non-competition and non-solicitation agreement with DaVita and HCP that will become effective at the effective time of the Merger. The employee non-competition and non-solicitation agreement restricts Mr. Calhoun for a period of two years from the date of the termination of his employment from engaging in certain types of business activities in Nevada, Florida, New Mexico and California.

Also in connection with the execution of the Merger Agreement, Mr. Calhoun entered into a separate non-competition and non-solicitation agreement with DaVita that will become effective at the effective time of the Merger. Pursuant to the terms of the non-competition and non-solicitation agreement, Mr. Calhoun will be restricted for a period of three years following the closing date of the Merger from engaging in certain types of business activities in Nevada, Florida, New Mexico and California.

Non-Competition and Non-Solicitation Agreement with Dr. Paulsen

In connection with the execution of the Merger Agreement, Dr. Paulsen, Executive Medical Director, California of HCP, entered into a separate non-competition and non-solicitation agreement with DaVita that will become effective at the effective time of the Merger. Pursuant to the terms of the non-competition and non-solicitation agreement, Dr. Paulsen will be restricted for a period of seven years following the closing date of the Merger from engaging in certain types of business activities in Nevada, Florida, New Mexico and California.

Treatment of HCP Options

As of August 27, 2012, there were approximately 5,304,900 HCP Common Units issuable pursuant to HCP Options granted under HCP s equity plans to its managers and executive officers. The Merger Agreement provides that each HCP Option that is outstanding immediately prior to the effective time of the Merger will accelerate and become fully vested and exercisable as of immediately prior to the effective time of the Merger and, to the extent unexercised, will be cancelled, extinguished and automatically converted into the right to receive a cash payment for each HCP Common Unit subject to such HCP Option, equal to the excess of (a) the merger consideration per fully diluted unit of HCP over (b) the per unit exercise price payable in respect of such HCP Common Unit issuable under such HCP Option. As described in The Merger Agreement Escrowed Merger Consideration, The Merger Agreement Member Representative Escrow, and The Merger Agreement Nevada Escrow beginning on pages 118, 122 and 123, respectively, a portion of the closing merger consideration paid to HCP Members and holders of HCP Options will be withheld from payment and contributed to three escrow accounts. Also, as described in The Merger Agreement Earn-Out beginning on page 121, HCP Members and holders of HCP Options may receive earn-out payments that are based on the financial performance of HCP for fiscal years 2012 and 2013.

The following table sets forth, for each of HCP s managers and executive officers holding HCP Options as of August 27, 2012, (a) the number of vested HCP Options, (b) the number of unvested HCP Options that will vest as of the effective time of the Merger, assuming the manager or executive officer remains employed by HCP at that date and such option is not exercised prior to such vesting, and (c) the per unit exercise price payable in respect of such HCP Common Unit issuable under each HCP Option.

Name	Vested HCP Options	Unvested HCP Options that Will Vest as a Result of the Merger	Per unit price exercise
Robert Margolis, M.D.	966,667	33,333	$ 12.94
Matthew Mazdyasni	217,500	7,500	$ 12.94
William Chin, M.D.	290,000	10,000	$ 12.94
Zan Calhoun	59,883	2,617	$ 12.94
Craig Frances, M.D.			
Ralph Mendez, M.D.			
Steve Valentine	48,333	1,667	$ 12.94

Table of Contents

Employee Benefits

From and after the effective time of the Merger until December 31, 2013, DaVita will not decrease, or cause to be decreased, the base salary, target annual bonus opportunity, and target commission opportunity in effect as of immediately prior to closing of each employee of HCP or its subsidiaries who continues his or her employment with DaVita, the surviving entity or any of their affiliates after the effective time of the Merger. In addition, DaVita will maintain, or cause to maintain, the severance practices and policies of HCP and the entities through which the business is conducted and that are consolidated with HCP and its subsidiaries from and after the effective time until December 31, 2013. DaVita has agreed to maintain, or to cause the surviving entity to maintain, employee benefit plans, including any vacation, sick, or personal time off plans, that are in effect immediately prior to the effective time of the Merger until December 31, 2013. As of January 1, 2014, DaVita will, or will cause its affiliates to, continue the employee benefit plans, adopt new plans, or allow the employees of DaVita, the surviving entity or their affiliates to participate in DaVita s or its affiliates plans, provided that, among other things, DaVita will, or will cause its affiliates to, waive any pre-exiting conditions or limitations and eligibility waiting periods under such plans. For a more detailed description of the employee benefit matters in the Merger Agreement, see the section entitled The Merger Agreement Employment and Employee Benefit Matters; Other Plans beginning on page 132.

Directors and Officers Insurance

The Merger Agreement provides that DaVita, on behalf of HCP, will obtain directors and officers liability insurance policies with a coverage period that commences at the effective time of the Merger and ends on a date that is six years after the effective time of the Merger. The premiums for the insurance policies will be prepaid and borne equally by DaVita and HCP, subject to the restrictions described under The Merger Agreement Tail Insurance Policies beginning on page 131.

Accounting Treatment

The Merger will be accounted for using the purchase method of accounting in accordance with FASB s Accounting Standard Codification Topic 805, Business Combinations, and the resultant goodwill and other intangible assets will be accounted for under Accounting Standard Codification Topic 350, Intangibles Goodwill and Other. The total purchase price has been preliminarily allocated based on information available to DaVita as of the date of this prospectus to the tangible and intangible assets acquired, liabilities assumed and contingent earn-out consideration based on management s preliminary estimates of their current fair values. These estimates and assumptions of fair values of assets acquired and liabilities assumed and contingent earn-out consideration and related operating results are subject to change that could result in material differences between the actual amounts and those reported in the unaudited pro forma condensed consolidated financial statements.

HCP Member Dissenters Rights

In connection with the Merger, record holders of HCP Common Units who (i) hold HCP Common Units outstanding on the date of approval of the Merger, (ii) do not vote for approval of the principal terms of the Merger and the Merger Agreement or else vote against the principal terms of the Merger and the Merger Agreement at a meeting for HCP Members, (iii) make a written demand for purchase at fair market value within 30 days of the mailing of notice of approval of the Merger and (iv) otherwise comply with the applicable statutory procedures of Sections 17601-17605 of the California Corporations Code, summarized herein, may be entitled to dissenters rights under California Corporations Code Sections 17601-17605 if the Merger is completed.

California Corporations Code Sections 17601-17605 are reprinted in their entirety as Annex F to this prospectus. Set forth below is a summary description of California Corporations Code Sections 17601-17605, which describes the material aspects of California Corporations Code Sections 17601-17605 and the law relating to dissenters rights and is qualified in its entirety by reference to Annex F. All

Table of Contents

references in California Corporations Code Sections 17601-17605 and this summary to member are to the record holder of HCP Common Units who is a dissenting member immediately prior to the effective time of the Merger as to which dissenters rights are demanded. Failure to comply strictly with the procedures set forth in California Corporations Code Sections 17601-17605 may result in your inability to have your HCP Common Units purchased for cash at fair market value.

Under the California Corporations Code, members who follow the procedures set forth in California Corporations Code Sections 17601-17605 will, if they cannot come to agreement with the limited liability company as to fair market value, be entitled to have their membership interests appraised by the superior court of the proper county or by a court-appointed appraiser and to receive payment in cash for the fair market value of those membership interests, exclusive of any element of value arising from the accomplishment or expectation of the Merger, unless such exclusion would be inequitable, in lieu of receiving the merger consideration.

Under California Corporations Code Sections 17104(c)(1), unless the operating agreement of the limited liability company provides for a different notice period, when a merger agreement relating to a proposed merger is to be submitted for adoption at a meeting of members, as in the case of the special meeting, the limited liability company, not less than 10 days and not more than 60 days prior to such meeting, must notify each member in writing of the place, date, and hour of the meeting, the means of electronic transmission by and to the limited liability company or electronic video screen communication, if any, and the general nature of the business to be transacted, such as that a merger agreement is to be voted on for approval. HCP s operating agreement provides that, in the case of a special meeting, such written notice is required not less than 10 days and not more than 30 days prior to such meeting. This prospectus serves as such notice.

In addition, under California Corporations Code Sections 17551(a) and 17602, when a merger has been approved by the vote of a majority in interest of the members of each constituent limited liability company (i.e., unless otherwise provided in the operating agreement of the limited liability company, more than 50% of the interest of members in current profits of the limited liability company), whether by a meeting or by written consent, the limited liability company, within 10 days after such approval is obtained, must notify each of its members who was a member of record on the record date for notice of such approval of the following: the price determined by the limited liability company to represent the fair market value of its outstanding interests and the method of valuation employed. Such notice must also include the latest available balance sheet of the limited liability company, the latest available income statement of the limited liability company, a copy of California Corporations Code Sections 17601-17605, and a brief description of the procedure to be followed if the member desires to exercise the member s dissenters rights under those sections. California Corporations Code Sections 17601-17605 are attached to this prospectus as Annex F and incorporated herein by reference. Subsequent to the approval of the Merger, such required notice will be provided to each record holder of HCP Common Units. Any member who wishes to exercise such dissenters rights or who wishes to preserve the right to do so should review the following discussion and Annex F carefully, because failure to timely and properly comply with the procedures specified in California Corporations Code Sections 17601-17605 will result in the inability under the California Corporations Code to require the limited liability company to purchase such dissenting interests for cash at fair market value.

If you wish to exercise dissenters rights you must either (i) not vote for the approval of the principal terms of the Merger and the Merger Agreement or (ii) vote not to approve the principal terms of the Merger and the Merger Agreement and, in either case, must deliver to HCP, within 30 days after the notice of the approval of the principal terms of the Merger and the Merger Agreement was mailed to you, a written demand for purchase at fair market value of your HCP Common Units.

A demand for purchase at fair market value will be sufficient if it states the number of HCP Common Units and contains a statement of what you claim to be the fair market value of your HCP Common Units on the day before the announcement of the proposed merger. If you wish to exercise your dissenters rights, you or your

Table of Contents

assignee of record must be the record holder of such HCP Common Units on the date the written demand for purchase at fair market value is made, and you or your assignee of record must continue to hold such interest through the time that it is submitted for endorsement, as described below.

Only a member who is a record holder of HCP Common Units or that member s assignee of record is entitled to assert dissenters rights for such HCP Common Units registered in that member s name. A demand for purchase at fair market value should be executed by or on behalf of the member or that member s assignee of record by submitting written notice of the number of HCP Common Units that the member demands that the limited liability company purchase. If the HCP Common Units are owned of record in a fiduciary capacity, such as by a trust or other nominee, execution of the demand for purchase at fair market value should be made in that capacity, and if the HCP Common Units are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all joint owners. An authorized agent, including one for two or more joint owners, may execute the demand for appraisal on behalf of a holder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, it, he or she is acting as agent for such owner or owners. Upon subsequent transfers of the dissenting interest on the books of the limited liability company, the new certificates or other written statement issued therefor shall bear a statement that the interest is a dissenting interest, together with the name of the original holder of the dissenting interest.

A record holder such as a trust or other nominee who holds HCP Common Units as nominee for several beneficial owners may exercise dissenters rights with respect to the HCP Common Units held for one or more beneficial owners while not exercising such rights with respect to the HCP Common Units held for other beneficial owners; in such case, the written demand should set forth the number of HCP Common Units as to which demand for purchase at fair market value is sought. If the number of HCP Common Units is not expressly stated, the demand will be presumed to cover all HCP Common Units held in the name of the record owner. If you hold your HCP Common Units in an account with a trust or other nominee and wish to exercise your dissenters rights, you are urged to consult with your trust or other nominee to determine the appropriate procedures for the making of a demand for purchase at fair market value.

All written demands for purchase at fair market value of HCP Common Units must be timely mailed or delivered to: HealthCare Partners Holdings, LLC, 19191 South Vermont Avenue, Suite 200, Torrance, California 90502.

If the limited liability company and the member agree that the interest is a dissenting interest, and agree on the price to be paid for it, the member is entitled to the agreed price, complete with interest at the legal rate on judgments, from the date of consummation of the Merger. The limited liability company is not under any obligation, and has no present intention, to file a petition with respect to appraisal of the value of your interest. Accordingly, if you wish to exercise your dissenters rights, you should regard it as your obligation to take all steps necessary to exercise your dissenters rights in the manner prescribed in California Corporations Code Sections 17601-17605. Agreements as to value of dissenting interests must be in writing and kept with the records of the limited liability company. The limited liability company must pay for a dissenting interest within 30 days after the amount of the interest has been agreed on, or within 30 days after conditions to the Merger are satisfied, whichever is later, unless the payment would be an improper distribution under California Corporations Code Section 17254 or would be a fraudulent conveyance under the Uniform Fraudulent Transfer Act, in which case the payment shall not be made and the members become creditors of the limited liability company for the amount not paid, with interest on that amount at the legal rate on judgments, until paid. In the latter case, members claims are subordinate to all other creditors in any proceeding relating to the winding up and dissolution of the limited liability company. Unless otherwise agreed, if the dissenting interest is evidenced by a certificate of interest, payment is subject to surrender to the limited liability company of that certificate.

If the limited liability company denies that an interest is a dissenting interest, or the limited liability company and the member cannot agree on the value of a dissenting interest, either the limited liability company or the member may bring an action in the superior court of the proper county within six months after the date the

Table of Contents

notice of approval of the Merger was mailed to the HCP Member. The court will first determine whether the interest is a dissenting interest, if that is an issue, and then its value, if that is an issue. As to the latter issue, the court may appoint an appraiser to determine the value. California Corporations Code Section 17606 provides for the conduct of the appraisal and for entry of judgment pursuant to it and for payment after the judgment is entered. If litigation is instituted to test the sufficiency or procedural compliance of the vote of members in authorizing the Merger, any proceedings underway as just described will be suspended until final determination of the litigation to test the sufficiency or procedural compliance of the vote.

If you are considering exercising your dissenters rights, you should be aware that the fair market value of your HCP Common Units as determined under California Corporations Code Sections 17601-17605 could be more than, the same as, or less than the merger consideration you are entitled to receive pursuant to the Merger Agreement if you did not seek to exercise your dissenters rights.

The superior court of the proper county will direct the purchase at the fair market value of the dissenting interests by the limited liability company of each member who is a party, or has intervened, and is entitled to require the limited liability company to purchase his, her, or its membership interest, with interest. Interest from the date of consummation of the Merger through the date of payment of the judgment is fixed at the legal rate on judgments from the date of consummation of the Merger. The costs of the action, including reasonable compensation for the appraisers, shall be determined by the superior court of the proper county and assessed upon or apportioned among the parties as court deems equitable. If the appraisal exceeds the price offered by the limited liability company, the limited liability company shall pay the costs. If the value awarded by the superior court of the proper county for the dissenting interest is more than 125% of the price offered by the limited liability company, the court may cause the limited liability company to pay attorneys fees and fees of expert witnesses.

Any member who has properly demanded purchase of his, her, or its membership interest at fair market value in compliance with California Corporations Code Sections 17601-17605, except as expressly limited by Chapter 13 of Title 2.5 of the California Corporations Code, shall continue to have all the rights and privileges incident to his, her, or its interest immediately prior to the Merger, including limited liability, until payment by the limited liability company for his, her, or its dissenting interests. A member may not withdraw a demand for payment unless the limited liability company consents to withdrawal. Cash distributions made by a limited liability company to a member after the date of consummation of the Merger, but before any payment by the limited liability company for the member s interest, are to be credited against the total amount to be paid by the limited liability company for that interest.

At any time beyond six months after the notice of the approval of the Merger was mailed to the member, any member who has not had a complaint filed against him, her, or it, or filed a complaint against the limited liability company, in the superior court of the proper county, and has not intervened in a pending action for purchase of the dissenting interest at fair market value, shall lose his, her, or its status as a member and cease to be entitled to require the limited liability company to purchase that interest, which shall lose its status as a dissenting interest. At any time that the dissenting interest is transferred prior to its endorsement under California Corporations Code Section 17603 or that the member, with consent of the limited liability company, withdraws his, her, or its demand for purchase of the dissenting interest, that interest and that member shall lose their status as a dissenting interest and a member. At any time that the limited liability company abandons the Merger, the limited liability company shall pay, on demand, to any member who has initiated proceedings in good faith under Chapter 13 of Title 2.5 of the California Corporations Code, all reasonable expenses incurred in those proceedings and reasonable attorneys fees, and that member and his, her, or its membership interest shall lose their status as a member and a dissenting interest.

If you properly demand payment at fair market value for your HCP Common Units under California Corporations Code Sections 17601-17605 but you lose your status as a dissenting member as provided in the California Corporations Code, your HCP Common Units will be converted into the right to receive the per HCP Common Unit merger consideration. You will lose your status as a dissenting member if, among other things, you and the limited liability company do not agree on the fair market value of your HCP Common Units and a

Table of Contents

complaint is not filed within six months after the notice of the approval of the Merger was mailed to you or if you, with the consent of the limited liability company, withdraw your demand for the purchase of your dissenting interest by the limited liability company.

If you desire to exercise your dissenters rights, you must either (i) not vote to approve principal terms of the Merger and the Merger Agreement or (ii) vote against approving the principal terms of the Merger and the Merger Agreement and, in either case, must strictly comply with the procedures set forth in California Corporations Code Sections 17601-17605.

Failure to take any required step in connection with the exercise of dissenters rights may result in your inability to have your HCP Common Units purchased for cash at fair market value.

In view of the complexity of California Corporations Code Sections 17601-17605, members who may wish to dissent from the Merger and pursue dissenters rights should consult their legal advisors.

Board of Directors and Executive Officers of DaVita After the Merger

The Merger Agreement provides that at the closing the DaVita Board will be increased in size by one member, and Dr. Margolis will be appointed to fill the newly created directorship as Co-Chairman . In addition, for a minimum period of four consecutive annual meetings of stockholders of DaVita, Dr. Margolis will hold the office of Co-Chairman until the expiration of his term of office or until his successor is duly elected and qualified, subject to his earlier death, resignation, disqualification, or removal in accordance with DaVita s bylaws and/or applicable law.

Information about the current DaVita directors and executive officers can be found in the documents listed under the heading Additional Information Where You Can Find More Information beginning on page 234.

Dr. Margolis, age 66, has been the Chairman and Chief Executive Officer of HCP since 1982 and the managing partner of HCP Medical Group since he founded its predecessor entity in 1975. Upon the closing of the Merger, Dr. Margolis will be appointed to the DaVita Board and will serve as the Co-Chairman of the DaVita Board. Dr. Margolis serves on the boards of directors of the Martin Luther King Hospital, the National Committee for Quality Assurance, the California Association of Physician Groups, and the California Hospital Medical Center, Los Angeles. Dr. Margolis also serves as a member of the Executive Management Advisory Board at UCLA s School of Public Health, a member of HealthCare Policy Advisory Council for Harvard Medical School, and a member of the advisory board of the USC Schaeffer Center for Health Policy and Economics. Dr. Margolis previously served as the chairman of the boards of directors of the American Medical Group Association, the National Committee for Quality Assurance, and the Unified Medical Group Association. Dr. Margolis has a national reputation in the managed care industry with over 40 years of industry experience. He works extensively on issues of quality improvement, pay for performance and access to care issues.

DaVita Financing

DaVita expects to finance the cash portion of the merger consideration through a combination of borrowings under new senior secured facilities and new senior notes. DaVita and Merger Sub have agreed to use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary to arrange and obtain the financing required to consummate the transactions contemplated by the Merger Agreement as promptly as practicable after the date of the Merger Agreement. On August 28, 2012, DaVita issued $1.25 billion of 5.75% senior notes due 2022. The proceeds of the senior notes were placed in escrow pending the consummation of the Merger and the satisfaction of certain other conditions. On August 24, 2012, DaVita, its subsidiary guarantors and JPMorgan Chase Bank, N.A., as Administrative Agent, entered into an amendment of its senior secured credit agreement to permit or facilitate, among other things, $3.0 billion of additional term loans under the senior secured facilities, the Merger and the new senior notes. The effectiveness

Table of Contents

of the amendment is subject to the execution of the amendment by the other parties to the senior secured credit facilities and various conditions, including the commitments of lenders for the full $3.0 billion of additional term loans. DaVita currently anticipates that the additional term loans will consist of a new five year term loan A-3 in the principal amount of $1.35 billion and a new seven year term loan B-2 in the principal amount of $1.65 billion. DaVita has obtained commitments for the new five year term loan A-3, which are subject to various conditions, including the receipt of commitments for the new seven year term loan B-2 which are not expected to be received until immediately prior to the closing of the Merger. No assurance can be given that unconditional binding commitments for the full amount of the new term loans will be obtained, that the amendment will become effective or that the conditions to the release of the proceeds of the 5.75% senior notes will be satisfied. In the event that neither DaVita nor Merger Sub can obtain all of the financing required for the Merger, each party to the Merger generally has the right to terminate the Merger Agreement and HCP may be entitled to a termination fee. For additional information, please see The Merger Agreement Termination of the Merger Agreement and The Merger Agreement Termination Fee beginning on page 149 and page 150, respectively.

Table of Contents

ELECTION AND EXCHANGE PROCEDURES

Election Procedures

An election form and other appropriate and customary transmittal materials will be mailed not less than 30 days prior to the anticipated effective time of the Merger to each holder of record of HCP Common Units as of five business days prior to the mailing date of such election form and transmittal materials. HCP will use its commercially reasonable efforts to make available as many election forms as may be reasonably requested by all persons who are holders (or beneficial owners) of HCP Common Units or who become holders (or beneficial owners) of HCP Common Units prior to the close of business on the business day immediately prior to the election deadline. HCP will provide to the exchange agent agreed upon by DaVita and HCP (the Exchange Agent) all information reasonably necessary for it to perform as specified in the Merger Agreement.

The election form will permit a holder of HCP Common Units to elect to receive cash for all of such holder s units (cash election units), to elect to receive DaVita Common Stock for all units (stock election units), to elect to receive a mix of DaVita Common Stock and cash for such holder s units, or to indicate that such holder has no preference as to the receipt of cash or DaVita Common Stock (non-election units).

A holder of record of HCP Common Units may submit multiple election forms; provided that each such election form covers all the HCP Common Units held by such holder for a particular beneficial owner. Such holder of record will permit the holders of its equity securities to direct it to make an election in accordance with the terms of its governing documents and will make an election that reflects such election by the holders of its equity securities.

Any HCP Common Units with respect to which the holder thereof has not, as of the election deadline, made an election by submitting to the Exchange Agent an effective, properly completed election form will be treated as non-election units. All dissenting units will be deemed units subject to a cash election and, only for purposes of making the proration calculations discussed in this section, dissenting units as existing at the effective time will be deemed cash election units.

A properly completed election form must be submitted to the Exchange Agent on or before 5:00 p.m., New York City time, on the second business day prior to the effective time (or such other time and date as DaVita and HCP may mutually agree) to be effective. An election will have been properly made only if the Exchange Agent has actually received a properly completed election form by the election deadline. An election form will be deemed properly completed only if accompanied by duly executed transmittal materials included with the election form. Any election form may be revoked or changed by the person submitting such election form to the Exchange Agent by written notice to the Exchange Agent only if such notice of revocation or change is actually received by the Exchange Agent at or prior to the election deadline.

The Exchange Agent will have reasonable discretion to determine whether any election, modification, or revocation has been properly or timely made and to disregard immaterial defects in the election forms, and any good faith decisions of the Exchange Agent regarding such matters will be binding and conclusive. None of DaVita, HCP, or the Exchange Agent will be under any obligation to notify any person of any defect in an election form.

HCP Members are limited in the amount of DaVita Common Stock they may elect to receive for their units. If an HCP Member makes a stock election for a number of HCP Common Units in excess of such member s limit, then such member will be deemed to have made a stock election with respect to a number of HCP Common Units equal to such member s limit and a cash election with respect to all other of such member s HCP Common Units.

The total number of HCP Common Units to be converted into the right to receive the Per Unit Closing Stock Consideration (the Unit Conversion Number) will be equal to the amount obtained by dividing (x) 9,380,312

Table of Contents

shares of DaVita Common Stock by (y) the Exchange Ratio. Each other HCP Common Unit (other than dissenting units) will be converted into an amount of cash equal to the Per Unit Closing Consideration.

If the aggregate number of HCP Common Units with respect to which stock elections will have been validly made (the Stock Election Number) exceeds the Unit Conversion Number, then all cash election units and all non-election units of each holder thereof will be converted into the right to receive cash, and stock election units of each holder thereof will be reduced proportionately, with each of such holder s remaining stock election units being converted into the right to receive cash.

If the Stock Election Number is less than the Unit Conversion Number (the amount by which the Unit Conversion Number exceeds the Stock Election Number being referred to herein as the Shortfall Number), then all stock election units will be converted into the right to receive the Per Unit Closing Stock Consideration as follows:

- If the Shortfall Number is less than or equal to the number of non-election units: (1) All cash election units will be converted into the right to receive an amount of cash equal to the Per Unit Closing Consideration, and (2) the non-election units of each holder thereof will be converted into the right to receive the Per Unit Closing Stock Consideration in respect of that number of non-election units equal to the product obtained by multiplying (A) the number of non-election units held by such holder by (B) a fraction, the numerator of which is the Shortfall Number and the denominator of which is the total number of non-election units, with each of such holder s remaining non-election units being converted into the right to receive an amount of cash equal to the Per Unit Closing Consideration; or

- If the Shortfall Number exceeds the number of non-election units: (1) All non-election units will be converted into the right to receive the Per Unit Closing Stock Consideration, and (2) the cash election units of each holder thereof will be converted into the right to receive the Per Unit Closing Stock Consideration in respect of that number of cash election units equal to the product obtained by multiplying (A) the number of cash election units held by such holder by (B) a fraction, the numerator of which is the amount by which (x) the Shortfall Number exceeds (y) the total number of non-election units and the denominator of which is the total number of cash election units, with each of such holder s remaining cash election units being converted into the right to receive an amount of cash equal to the Per Unit Closing Consideration.

However, if as a result of the application of the two immediately preceding paragraphs, any HCP Member will be making a stock election for a number of HCP Common Units in excess of such HCP Member s Maximum Stock Election Eligible Units (as defined in the Merger Agreement), then such HCP Member will instead be deemed to have made a stock election with respect to a number of HCP Common Units equal to such HCP Member s Maximum Stock Election Eligible Units and a cash election with respect to the rest of such HCP Member s HCP Common Units, and the resulting Shortfall Number will be reallocated to the other HCP Members non-election units and cash election units in the manner set forth in the two immediately preceding paragraphs, with references to non-election units and cash election units in such paragraphs being deemed for purposes of this reallocation to exclude non-election units and cash election units held by any HCP Member that has made, or has been deemed to have made, a stock election equal to such HCP Member s Maximum Stock Election Eligible Units.

The following table illustrates the election procedures described above and provides examples of the amount of cash and/or stock (not including any potential earn-out payment) a hypothetical holder of HCP Common Units (Holder A) would receive under different election scenarios. In each of the examples, we have assumed that Holder A holds 10,000 HCP Common Units and that Holder A does not hold any HCP Options.

For purposes of the hypothetical election scenarios presented in the table, we have also assumed that:

- Based upon the closing price of DaVita Common Stock of $97.46 on August 27, 2012, the Per Unit Closing Consideration is approximately $44.04 and the Exchange Ratio is approximately 0.45x.

- Stock elections must be made such that exactly 9,380,312 shares of DaVita Common Stock are issued as merger consideration.

107

Table of Contents

The cash portion of the merger consideration is $3,660,000,000, and the aggregate per unit exercise prices of all HCP Options are $69,456,964.

There are 105,436,869.2 fully diluted HCP Common Units.

Drs. Margolis, Chin and Paulsen and Mr. Mazdyasni make aggregate stock elections of 5,995,942.47 HCP Common Units (the minimum amount required pursuant to their respective support agreements), but with respect to their remaining HCP Common Units they each make the same elections as all other holders of HCP Common Units indicated below. Thus, All Other Members as used in the columns of the table refers to the actions of all HCP Members other than Holder A and the actions of Drs. Margolis, Chin and Paulsen and Mr. Mazdyasni for their units for which they have made their minimum mandatory stock elections.

There is no reduction in the total merger consideration as a result of an estimated shortfall in working capital at the time of closing. We note that the Per Unit Closing Consideration that will be determined at closing will be calculated based on the one day volume-weighted average stock price of DaVita common stock on the trading day immediately prior to the closing date rather than the closing price of DaVita Common Stock on August 27, 2012 and the Per Unit Closing Price may vary if any holders of HCP Options exercise any HCP Options prior to the closing date.

All HCP Members and holders of HCP Options are required to fund their proportionate shares of each of the Escrowed Merger Consideration (which consists of $559,375,000 in cash and DaVita common stock), the Nevada Escrow (which consists of $10,000,000 in cash) and the MR Escrow (which consists of $5,000,000 in cash). The Escrowed Merger Consideration will consist of cash and DaVita Common Stock in the ratio of the number of HCP Common Units (including the number of HCP Options) being converted to cash over the number of HCP Common Units being converted to DaVita Common Stock. Each HCP Member is subject to a Maximum Stock Election to ensure that each HCP Member has made a cash election for a number of HCP Common Units sufficient to meet such HCP Member s obligation to fund the Nevada Escrow and the MR Escrow. Based on the assumption set forth above, Holder A s Maximum Stock Election Eligible Units are 9,968 of his HCP Common Units. If Holder A makes a stock election with respect to more than 9,968 HCP Common Units, his Maximum Stock Election Eligible Units, he will be deemed to have made a stock election with respect to 9,968 HCP Common Units and a cash election with respect to his remaining 32 HCP Common Units.

We note that the examples in the table below reflect the maximum merger consideration that Holder A would receive at closing in the election scenarios described below prior to the funding of escrows by holding back cash and stock to fund Holder A s escrow obligations. The total merger consideration that Holder A would ultimately receive after all post-closing events may be negatively affected by certain post-closing events, including the final working capital adjustment, indemnification claims successfully asserted against the HCP Members, or costs funded by the escrows. The total merger consideration that Holder A would ultimately receive in the described scenarios could also be positively affected by the receipt of earn-out consideration, with such earn-out consideration being paid post-closing, if at all. In addition, amounts of consideration described in the table are before tax. The scenarios described in the table below are intended to be illustrative only, do not purport to be realistic predictions of the election decisions that will be made and, because these scenarios are highly dependent on a number of assumptions and variables, are not intended to reflect the actual results of election decisions made by any particular HCP Member.

Table of Contents

ILLUSTRATIVE EXAMPLES OF ELECTION ADJUSTMENTS

(approximate numbers)

	All Other Members Elect 100% Cash	All Other Members Elect Maximum Stock Election (and Elect Cash for Remaining Units)	All Other Members Fail to Make a Proper Election
Scenario 1:	Effect: Total stock elections fall short of the mandatory 9,380,312 shares of DaVita Common Stock.	Effect: Total stock elections exceed the mandatory 9,380,312 shares of DaVita Common Stock.	Effect: Total stock elections fall short of the mandatory 9,380,312 shares of DaVita Common Stock.
Holder A Elects 100% Cash	Adjustment: To adjust for the shortfall in stock elections, cash election units of all Members (including Holder A) are proportionately reduced and converted to stock election units.	Adjustment: No adjustment to Holder A s cash election. To adjust for the excess in stock elections, stock election units of other Members are proportionately reduced and converted to cash election units.	Adjustment: No adjustment to Holder A s cash election. To adjust for the shortfall in stock elections, non-election units of other Members are proportionately converted to stock election units (with remaining non-election units converted to cash election units).
	Result: Instead of receiving $440,421 in cash (subject to escrow withholding), Holder A receives $375,036 in cash and 671 shares of DaVita Common Stock (valued at $65,335), of which $8,894 in cash and 65 shares of DaVita Common Stock (valued at $6,335) will be held back at closing to fund Holder A s escrow obligations.	Result: Holder A receives $440,421 in cash, of which $10,445 in cash will be held back at closing to fund Holder A s escrow obligations.	Result: Holder A receives $440,421 in cash, of which $10,445 in cash will be held back at closing to fund Holder A s escrow obligations.

Table of Contents

	All Other Members Elect 100% Cash	All Other Members Elect Maximum Stock Election (and Elect Cash for Remaining Units)	All Other Members Fail to Make a Proper Election
Scenario 2: **Holder A Elects Maximum Stock Election (and Elects Cash for Remaining Units)**	Effect: Total stock elections fall short of the mandatory 9,380,312 shares of DaVita Common Stock. Adjustment: No adjustment to Holder A s stock and cash elections. To adjust for the shortfall in stock elections, cash election units of other Members are proportionately reduced and converted to stock election units. Result: Holder A receives $1,409 in cash and 4,505 shares of DaVita Common Stock (valued at $439,057), of which $33 in cash and 436 shares of DaVita Common Stock (valued at $42,493) will be held back at closing to fund Holder A s escrow obligations.	Effect: Total stock elections exceed the mandatory 9,380,312 shares of DaVita Common Stock. Adjustment: To adjust for the excess in stock elections, stock election units of all Members (including Holder A) are proportionately reduced and converted to cash election units. Result: Instead of receiving $1,409 in cash and 4,505 shares of DaVita Common Stock (valued at $439,057) (subject to escrow withholding), Holder A receives $353,715 in cash and 890 shares of DaVita Common Stock (valued at $86,739), of which $8,388 in cash and 86 shares of DaVita Common Stock (valued at $8,376) will be held back at closing to fund Holder A s escrow obligations.	Effect: Total stock elections fall short of the mandatory 9,380,312 shares of DaVita Common Stock. Adjustment: No adjustment to Holder A s stock and cash elections. To adjust for the shortfall in stock elections, non-election units of other Members are proportionately converted to stock election units (with remaining non-election units converted to cash election units). Result: Holder A receives $1,409 in cash and 4,505 shares of DaVita Common Stock (valued at $439,057), of which $33 in cash and 436 shares of DaVita Common Stock (valued at $42,493) will be held back at closing to fund Holder A s escrow obligations.

Table of Contents

	All Other Members Elect 100% Cash	All Other Members Elect Maximum Stock Election (and Elect Cash for Remaining Units)	All Other Members Fail to Make a Proper Election
Scenario 3: **Holder A Elects 50% Cash and 50% Stock**	Effect: Total stock elections fall short of the mandatory 9,380,312 shares of DaVita Common Stock.	Effect: Total stock elections exceed the mandatory 9,380,312 shares of DaVita Common Stock.	Effect: Total stock elections fall short of the mandatory 9,380,312 shares of DaVita Common Stock.
	Adjustment: To adjust for the shortfall in stock elections, cash election units of all Members (including Holder A) are proportionately reduced and converted to stock election units.	Adjustment: To adjust for the excess in stock elections, stock election units of all Members (including Holder A) are proportionately reduced and converted to cash election units.	Adjustment: No adjustment to Holder A s cash and stock elections. To adjust for the shortfall in stock elections, non-election units of other Members are proportionately converted to stock election units (with remaining non-election units converted to cash election units).
	Result: Instead of receiving $220,211 in cash and 2,259 shares of DaVita Common Stock (valued at $220,162) (subject to escrow withholding), Holder A receives $187,529 in cash and 2,595 shares of DaVita Common Stock (valued at $252,909), of which $4,447 in cash and 251 shares of DaVita Common Stock (valued at $24,462) will be held back at closing to fund Holder A s escrow obligations.	Result: Instead of receiving $220,211 in cash and 2,259 shares of DaVita Common Stock (valued at $220,162) (subject to escrow withholding), Holder A receives $397,066 in cash and 445 shares of DaVita Common Stock (valued at $43,370), of which $9,416 in cash and 43 shares of DaVita Common Stock (valued at $4,191) will be held back at closing to fund Holder A s escrow obligations.	Result: Holder A receives $220,211 in cash and 2,259 shares of DaVita Common Stock (valued at $220,162), of which $5,222 in cash and 219 shares of DaVita Common Stock (valued at $21,344) will be held back at closing to fund Holder A s escrow obligations.

Table of Contents

	All Other Members Elect 100% Cash	All Other Members Elect Maximum Stock Election (and Elect Cash for Remaining Units)	All Other Members Fail to Make a Proper Election
Scenario 4:	Effect: Total stock elections fall short of the mandatory 9,380,312 shares of DaVita Common Stock.	Effect: Total stock elections exceed the mandatory 9,380,312 shares of DaVita Common Stock.	Effect: Total stock elections fall short of the mandatory 9,380,312 shares of DaVita Common Stock.
Holder A Fails to Make a Proper Election	Adjustment: To adjust for the shortfall in stock elections, all of Holder A s non-election units are converted to stock election units up to Holder A s Maximum Stock Election (with the remaining units converted to cash election units), and then cash election units of other Members are proportionately reduced and converted to stock election units.	Adjustment: To adjust for the excess in stock elections, all of Holder A s non-election units are converted to cash election units and stock election units of other Members are proportionately reduced and converted to cash election units.	Adjustment: To adjust for the shortfall in stock elections, non-election units of all Members (including Holder A) are proportionately converted to stock election units (with the remaining non-election units converted to cash election units).
	Result: Holder A receives $1,409 in cash and 4,505 shares of DaVita Common Stock (valued at $439,057), of which $33 in cash and 436 shares of DaVita Common Stock (valued at $42,493) will be held back at closing to fund Holder A s escrow obligations.	Result: Holder A receives $440,421 in cash, of which $10,445 in cash will be held back at closing to fund Holder A s escrow obligations.	Result: Holder A receives $375,036 in cash and 671 shares of DaVita Common Stock (valued at $65,335), of which $8,894 in cash and 65 shares of DaVita Common Stock (valued at $6,335) will be held back at closing to fund Holder A s escrow obligations.

Exchange Procedures

After the election deadline and no later than the closing date and until 180 days after the effective time, DaVita will deposit, or cause to be deposited, with the Exchange Agent (i) cash in an amount sufficient to allow the Exchange Agent to make all payments that may be required under the Merger Agreement, other than cash delivered by DaVita to the Escrow Agent and delivered to HCP for payment to holders of HCP Options, and (ii) certificates, or at DaVita s option, evidence of shares in book entry form, representing the 9,380,312 shares of DaVita Common Stock, to be given to the holders of HCP Common Units in exchange for their units, other than the shares delivered to the Escrow Agent.

Table of Contents

Any such cash or new certificates remaining in the possession of the Exchange Agent 180 days after the effective time (together with any earnings in respect thereof) will be delivered to (or as directed by) DaVita. Any holder of HCP Common Units who has not theretofore exchanged his, her, or its HCP Common Units will thereafter be entitled to look exclusively to DaVita for the consideration to which he, she, or it may be entitled upon exchange of such HCP Common Units. Irrespective of the foregoing, neither the Exchange Agent nor any party to the Merger Agreement will be liable to any holder of HCP Common Units for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat, or similar laws.

Promptly after the effective time, but in no event later than ten days thereafter, the surviving entity will cause the Exchange Agent to mail or deliver to each person who was, immediately prior to the effective time, a holder of record of HCP Common Units a form of letter of transmittal containing instructions for use in effecting exchange for the consideration to which such person may be entitled. Upon surrender to the Exchange Agent of a letter of transmittal duly executed and completed in accordance its instructions, the holder of such HCP Common Units will promptly be provided in exchange, but in no event later than 10 business days after due surrender, a new certificate representing shares of DaVita Common Stock and a check, ACH payment, or a wire transfer in the amount to which such holder is entitled, and the HCP Common Units so surrendered will forthwith be canceled. No interest will accrue or be paid with respect to any cash or other property to be delivered upon surrender of any HCP Common Units. Each of DaVita and the surviving entity will be entitled to deduct and withhold, or cause the Exchange Agent to deduct and withhold, from the consideration otherwise payable pursuant to the Merger Agreement to any holder of HCP Common Units such amounts as it may be required to deduct and withhold with respect to the making of such payment under the Code or any provision of state, local, or foreign tax law.

If any cash payment is to be made in a name other than that in which the HCP Common Units surrendered in exchange therefor is registered, it will be a condition of such exchange that the person requesting such exchange will pay any transfer or other taxes required solely by reason of the making of such payment in a name other than that of the registered holder of the HCP Common Units surrendered, or required for any other reason relating to such holder or requesting person, or will establish to the reasonable satisfaction of the Exchange Agent that such tax has been paid or is not payable. If any new certificate representing shares of DaVita Common Stock is to be issued in a name other than that of the registered holder of the HCP Common Units surrendered in exchange therefor, it will be a condition of such issuance that the HCP Common Units so surrendered must be properly endorsed (or accompanied by an appropriate instrument of transfer) and otherwise in proper form for transfer, and that the person requesting such exchange will pay to the Exchange Agent in advance any transfer or other taxes required solely by reason of the issuance of a certificate representing HCP Common Units in a name other than that of the registered holder of the HCP Common Units surrendered, or required for any other reason relating to such holder or requesting person, or will establish to the reasonable satisfaction of the Exchange Agent that such tax has been paid or is not payable.

No dividends or other distributions with a record date after the effective time of the Merger with respect to DaVita Common Stock will be paid to the holder of an unsurrendered HCP Common Unit until the holder thereof has surrendered such HCP Common Unit. After the surrender of the HCP Common Units, the record holder of such HCP Common Units will be entitled to receive any dividends or other distributions, without any interest thereon, that become payable with respect to the DaVita Common Stock represented by the new certificates.

If any certificate evidencing a HCP Common Unit or HCP Option has been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen, or destroyed and, if required by DaVita or the Exchange Agent, the posting by such person of a bond in such reasonable amount as DaVita or the Exchange Agent may direct as indemnity against any claim that may be made against it with respect to such certificate, DaVita or the Exchange Agent will, in exchange for such lost, stolen, or destroyed certificate, pay or cause to be paid the consideration deliverable in respect of the HCP Common Units or HCP Options formerly represented by such certificate.

Table of Contents

THE MERGER AGREEMENT

The following describes the material provisions of the Merger Agreement. The description in this section and elsewhere in this prospectus is qualified in its entirety by reference to the Merger Agreement and the Amendment to the Merger Agreement, which are included as Annex A-1 and Annex A-2 to this prospectus and incorporated by reference. This summary does not purport to be complete and may not contain all of the information about the Merger Agreement that is important to you. DaVita and HCP encourage you to read carefully the Merger Agreement and the Amendment to the Merger Agreement in their entirety before making any decisions regarding the transactions as it is the principal legal document governing the Merger.

The Merger Agreement and this summary of its terms have been included to provide you with information regarding the terms of the Merger Agreement. Factual disclosures about DaVita or HCP contained in this prospectus or DaVita s public reports filed with the SEC may supplement, update, or modify the factual disclosures about DaVita contained in the Merger Agreement and described in this summary. The representations, warranties, and covenants made in the Merger Agreement by DaVita, HCP and Merger Sub were qualified and subject to important limitations agreed to by DaVita, HCP, Merger Sub, and the Member Representative in connection with negotiating the terms of the Merger Agreement. In particular, in your review of the representations and warranties contained in the Merger Agreement and described in this summary, it is important to bear in mind that the representations and warranties were made solely for the benefit of the parties to the Merger Agreement, and were negotiated with the principal purposes of allocating risk between the parties to the Merger Agreement, rather than establishing matters as facts. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to stockholders and reports and documents filed with the SEC and in some cases were qualified by confidential disclosures that were made by each party to the other, which disclosures are not reflected in the Merger Agreement or otherwise publicly disclosed. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Merger Agreement and subsequent developments or new information qualifying a representation or warranty may have been included in this prospectus. For the foregoing reasons, the representations, warranties, and covenants or any descriptions of those provisions should not be read alone.

The Transaction

On the closing date, Merger Sub, a wholly owned subsidiary of DaVita and a party to the Merger Agreement, will merge with and into HCP, subject to the terms and conditions of the Merger Agreement and in accordance with California law. HCP will survive the Merger as a wholly owned subsidiary of DaVita, and the separate existence of Merger Sub will cease.

Closing; Effective Time

The closing of the Merger will occur at 10:00 a.m., New York City time, on a date specified by the parties to the Merger Agreement, to be no later than the third business day after the satisfaction or waiver of all of the conditions to the closing provided in the Merger Agreement, other than those conditions that by their nature are to be satisfied at the closing of the Merger, unless DaVita and HCP mutually agree in writing. For further discussion on the conditions to the Merger, see Conditions to Completion of the Merger below.

The Merger will become effective upon the filing of the certificate of merger with the Secretary of State of the State of California (at the time specified in the certificate of merger or, if no such time is specified, as of the close of business on the date so filed), or at a subsequent date or time as DaVita and HCP will agree and specify in the certificate of merger or, if not specified therein, as specified by the California Limited Liability Company Act.

DaVita and HCP currently expect to complete the Merger during the fourth calendar quarter of 2012, subject to receipt of required HCP Member and regulatory approvals and to the satisfaction or waiver of the other conditions to the transactions described below.

Table of Contents

Organizational Documents of the Surviving Entity

At the effective time, the articles of organization of HCP will be amended and restated in their entirety as set forth in an exhibit to the Merger Agreement, and such amended and restated articles of organization will be the articles of organization of the surviving entity until thereafter changed or amended. The operating agreement of HCP will be amended and restated as set forth in an exhibit to the Merger Agreement and will be the operating agreement of the surviving entity until thereafter changed or amended.

Managers and Officers of the Surviving Entity

The managers of Merger Sub immediately prior to the effective time will be the managers of the surviving entity until the earlier of their resignation or removal or until their respective successors are duly elected and qualified. The officers of HCP immediately prior to the effective time will be the initial officers of the surviving entity until the earlier of their resignation or removal or until their respective successors are duly designated.

The Merger Consideration; Conversion or Cancellation of Units

HCP Common Units

The Merger Agreement provides that at the closing each HCP Common Unit, whether or not subject to restriction, issued and outstanding immediately prior to the effective time (other than (1) HCP Common Units directly or indirectly owned by DaVita, Merger Sub, or HCP and (2) dissenting units) will be converted into and constitute the right to receive, at the election of the holder and as adjusted pursuant to the Merger Agreement, and as described below, the following consideration, subject to withholdings for the three escrow accounts described in Escrowed Merger Consideration, Member Representative Escrow, and Nevada Escrow and to any potential downward adjustment to the closing merger consideration described in Estimated Amounts Included in Closing Merger Consideration :

Closing Date Payment

for each HCP Common Unit for which a cash election has been effectively made and not revoked or lost, cash, without interest, in an amount (the Per Unit Closing Consideration) equal to the amount obtained by dividing (a) the sum of (i) the product of 9,380,312 shares of DaVita Common Stock multiplied by the one day DaVita volume-weighted average stock price on the last trading day prior to the closing date (the aggregate closing stock consideration), (ii) $3,660,000,000 (the aggregate closing cash consideration), and (iii) the aggregate per unit exercise price of all HCP Options by (b) the Total Outstanding HCP Units (as defined below);

for each HCP Common Unit for which a stock election has been effectively made and not revoked or lost, that number of shares of DaVita Common Stock (the Per Unit Closing Stock Consideration) as is equal to the amount obtained by dividing (i) the Per Unit Closing Consideration by (ii) the one day DaVita volume-weighted average stock price on the last trading day prior to the closing date (the Exchange Ratio); or

for each HCP Common Unit other than units as to which a cash election, a stock election, or a combination of stock and cash election has been effectively made and not revoked or lost, the Per Unit Closing Consideration or Per Unit Closing Stock Consideration as is determined in accordance with the Merger Agreement and described below in Election Procedures.

Total Outstanding HCP Units means the aggregate number of HCP Common Units (not held by HCP in its treasury) issued and outstanding as of immediately prior to the closing plus the maximum aggregate number of HCP Common Units issuable upon full exercise of all HCP Options issued and outstanding as of immediately prior to the closing, whether vested or unvested, and whether or not exercised. Notwithstanding the foregoing, Total Outstanding HCP Units will not include any HCP Common Units issuable upon the exercise of HCP Options that are cancelled (other than pursuant to the Merger Agreement) or otherwise expire prior to the closing to the extent not exercised.

Table of Contents

The per unit value of merger consideration that HCP Members will receive for each of their HCP Common Units is calculated by dividing the total amount of merger consideration by the total number of fully diluted HCP Common Units. The total amount of merger consideration is the sum of the cash consideration of $3,660,000, the value of 9,380,312 shares of DaVita Common Stock based on the one-day volume-weighted average stock price of such stock on the trading day immediately prior to the closing date, and the aggregate per unit exercise prices of all HCP Options (approximately $69.5 million as of the date of this prospectus). As of the date of this prospectus, the total number of fully diluted HCP Common Units is 105,436,869.2, which includes all issued and outstanding HCP Common Units and all HCP Common Units issuable upon full exercise of all HCP Options issued and outstanding, whether vested or unvested, and whether exercised or not exercised. Based upon the closing price of $ per share of DaVita Common Stock on , 2012, the last trading day prior to the date of this prospectus, and assuming no reduction to the total merger consideration as a result of an estimated working capital adjustment at the time of closing, the merger consideration would be $ per fully diluted HCP Common Unit.

An HCP Member may elect to receive the merger consideration represented by HCP Common Units in the form of cash or stock, or a combination thereof. However, notwithstanding any such election, an HCP Member may receive a combination of cash or stock that is different from what such HCP Member may have elected, depending on the elections made by other HCP Members, in order to ensure that the merger consideration of $3.66 billion in cash and 9,380,312 shares of DaVita Common Stock, subject to certain adjustments (including a potential reduction in the merger consideration as a result of an estimated shortfall in working capital, if any, at the time of closing and a post-closing final working capital adjustment), is fully allocated and paid in the merger. No fractional shares of DaVita Common Stock will be issued in the merger.

Post-Closing Adjustment. Payable upon the occurrence of those events specified in the Merger Agreement, an amount of cash (without interest) equal to the amount obtained by dividing (x) the post-closing adjustment amount by (y) the Total Outstanding HCP Units (see Post-Closing Merger Consideration Adjustment Determination below).

Earn-Out Payment. Payable upon the occurrence of those events specified in the Merger Agreement, an amount of cash (without interest) equal to the amount obtained by dividing (x) the Total Cash Earn-Out Consideration (as defined in Earn-Out below), by (y) the Total Outstanding HCP Units (see Earn-Out below).

Escrow Payment. A non-transferable, contingent right to distributions of funds (together with earnings thereon) to be held in one or more escrow accounts pursuant to the Escrow Agreement from and after the effective time, to secure purchase price adjustment obligations to DaVita and indemnification obligations to the DaVita Indemnified Parties (as defined in Indemnification below) attributable to such HCP Common Units, such distributions to be paid in accordance with the Merger Agreement (the Escrow Payment) (see Escrowed Merger Consideration below).

MR Escrow Payment. A non-transferable, contingent right to distributions of funds (together with earnings thereon) to be held in an escrow account pursuant to the MR Escrow Agreement from and after the effective time, to fund, if necessary, the costs and expenses of the Member Representative acting in such capacity attributable to such HCP Common Units, such distributions to be paid in accordance with the Merger Agreement (the MR Escrow Payment) (see Member Representative Escrow below).

Nevada Escrow Payment. A non-transferable, contingent right to distributions of funds (together with earnings thereon) to be held in an escrow account pursuant to the Nevada Escrow Agreement from and after the effective time, to fund, if applicable, certain transaction settlement payments that may become due and payable pursuant to the Nevada Settlement Agreements, such distributions to be paid in accordance with the Merger Agreement (the Nevada Escrow Payment) (see Nevada Escrow below).

Table of Contents

HCP Options

DaVita will not assume or otherwise replace any HCP Options in connection with the transactions. Upon the terms and subject to the conditions set forth in the Merger Agreement, each HCP Option that is outstanding immediately prior to the effective time will accelerate and become fully vested and exercisable as of immediately prior to the effective time and, to the extent unexercised, will be cancelled, extinguished, and automatically converted into the right to receive, for each HCP Common Unit subject to such HCP Option immediately prior to the effective time, in consideration of such cancellation, the following consideration:

Closing Date Payment. Payable upon the closing, subject to withholdings for the three escrow accounts described in Escrowed Merger Consideration, Member Representative Escrow, and Nevada Escrow and to any potential downward adjustment to the closing merger consideration described in Estimated Amounts Included in Closing Merger Consideration, an amount of cash (without interest) equal to the excess of the Per Unit Closing Consideration over the applicable per unit exercise price (the Per Option Closing Consideration).

Post-Closing Adjustment. Payable upon the occurrence of those events specified in the Merger Agreement, an amount of cash (without interest) equal to the amount obtained by dividing (x) the post-closing adjustment amount by (y) the Total Outstanding HCP Units (see Post-Closing Merger Consideration Adjustment Determination below).

Earn-Out Payment. Payable upon the occurrence of those events specified in the Merger Agreement, an amount of cash (without interest) equal to the per unit earn-out payment (see Earn-Out below).

Escrow Payment. A non-transferable, contingent right to distributions of Escrow Payment attributable to each HCP Common Unit subject to such HCP Option, such distributions to be paid in accordance with the Merger Agreement (see Escrowed Merger Consideration below).

MR Escrow Payment. A non-transferable, contingent right to distributions of MR Escrow Payment attributable to each HCP Common Unit subject to such HCP Option, such distributions to be paid in accordance with the Merger Agreement (see Member Representative Escrow below).

Nevada Escrow Payment. A non-transferable, contingent right to distributions of Nevada Escrow Payment attributable to each HCP Common Unit subject to such HCP Option, such distributions to be paid in accordance with the Merger Agreement (see Nevada Escrow below).

Withholding

Payments of the merger consideration will be reduced by any applicable tax withholding required under the Code or any provision of applicable state, local, or foreign tax law. For example, payments of consideration to holders of HCP Options received as compensation generally will be subject to income and employment tax withholding. To the extent that amounts are so withheld, such withheld amounts must be timely paid to the applicable taxing authority and treated for all purposes of the Merger Agreement as having been paid to such holder of HCP Options.

Estimated Amounts Included In Closing Merger Consideration

No later than five business days prior to the closing date, HCP will prepare and deliver to DaVita (i) an estimated consolidated balance sheet of the Business Entities and the entities through which the business is conducted (other than the Business Entities) and that are consolidated with the Business Entities in the audited financial statements, including HCPAMG and its subsidiaries, HealthCare Partners Medical Group (Bacchus), Ltd., JSA Professional Association, and HCPMGI (the Related Consolidated Entities) as of immediately prior

Table of Contents

to the effective time and (ii) a statement setting forth HCP s good faith estimates of the net working capital of the Related Consolidated Entities and the indebtedness amount, in each case as of immediately prior to the effective time. The estimated closing balance sheet and the estimated adjustment statement will be prepared in accordance with generally accepted accounting principles (GAAP) applied on a basis consistent with HCP s audited financial statements for fiscal years ended December 31, 2011, 2010 and 2009, and include reasonable detail with respect to the calculation of each component of the estimated net working capital and the estimated indebtedness amount. HCP and DaVita will use good faith efforts to resolve prior to the closing any disagreements between them concerning the computation of any of the items on the estimated closing balance sheet or the estimated adjustment statement. If the estimated net working capital minus the estimated indebtedness amount is less than negative $149,000,000 (such deficiency stated as a positive number, the Estimated Shortfall Amount), then the closing merger consideration will be decreased by an amount equal to the Estimated Shortfall Amount and the Per Unit Closing Consideration will be decreased by an amount equal to the Estimated Shortfall Amount divided by the Total Outstanding HCP Units.

Adjustments to Prevent Dilution

If DaVita changes (or the DaVita Board sets a related record date that will occur before the effective time for a change in) the number or kind of shares of the common stock of DaVita outstanding by way of a stock split, stock dividend, recapitalization, reclassification, reorganization, or similar transaction, then 9,380,312 shares of DaVita Common Stock, the Closing Price (as defined below), and the Exchange Ratio (and any other dependent items) will be adjusted proportionately to account for such change. If HCP changes (or the HCP Board sets a related record date that will occur before the effective time for a change in) the number or kind of HCP Common Units (or rights thereto) outstanding by way of a stock split, stock dividend, recapitalization, reclassification, reorganization, or similar transaction, then the aggregate per unit exercise price of all HCP Options (and any other dependent items) will be adjusted proportionately to account for such change.

Fractional Shares

No fractional shares of the common stock of DaVita will be issued in the Merger. Instead, DaVita will pay to each holder of HCP Common Units who would otherwise be entitled to a fractional share of the DaVita Common Stock an amount in cash (without interest) determined by multiplying such fraction of a share of the DaVita Common Stock, subject to certain anti-dilution adjustments as set forth in the Merger Agreement, by the arithmetic average of the closing price per share of DaVita Common Stock as reported on the NYSE for the five consecutive trading days ending on (and including) the second trading day prior to the closing date (the Closing Price).

Escrowed Merger Consideration

A portion of the closing merger consideration equal to $559,375,000 in the aggregate, or approximately $5.31 per fully diluted HCP Common Unit, (collectively with any earnings or dividends or other distributions thereon, if any, the Escrowed Merger Consideration) will be withheld from the closing merger consideration otherwise deliverable to HCP Members and holders of HCP Options on the closing date to serve as security for the benefit of DaVita against the indemnification afforded the DaVita Indemnified Parties in the Merger Agreement and any reduction in the merger consideration as a result of any post-closing adjustment to the merger consideration. The Escrowed Merger Consideration will consist of cash and DaVita Common Stock in the Escrow Proportion.

If any payment is required to be made to DaVita from the Escrowed Merger Consideration, such payment will be comprised of a mixture of cash and shares of DaVita Common Stock in the Escrow Proportion, with each share of DaVita Common Stock valued at the one day DaVita volume-weighted average stock price on the last trading day prior to such distribution date. Portions of the Escrowed Merger Consideration not subject to claims for indemnification by any DaVita Indemnified Party will be released, if available, to the HCP Members and

Table of Contents

holders of HCP Options periodically, with the first such release occurring on the second anniversary of the closing of the Merger and the last occurring in October 2017. On each release date, (i) the DaVita Common Stock being released, along with the aggregate amount of dividends or other distributions made on such stock or earnings on such dividends or other distributions, will be released to HCP Members who received DaVita Common Stock as merger consideration pro rata based on the number of shares of DaVita Common Stock contributed to escrow and (ii) the remaining cash being released, including all earnings on such cash, will be released to HCP Members who received cash merger consideration and holders of HCP Options pro rata based on the amount of cash contributed to escrow.

With respect to the stock portion of the Escrowed Merger Consideration, losses and gains due, respectively, to declines or increases in the value of DaVita Common Stock will generally be to the detriment or benefit, respectively, of HCP Members who contributed stock to escrow. However, when the stock value decline is great enough and indemnified claims are large enough, the portion of indemnified claims that cannot be allocated to the stock portion of the Escrowed Merger Consideration will be allocated to the cash portion, and the HCP Members who contributed cash to escrow and holders of HCP Options could bear some of the loss from the decline of DaVita Common Stock. On the other hand, when stock value gain is great enough and the indemnity claims are large enough, the portion of indemnified claims that cannot be allocated to the cash portion of the Escrowed Merger Consideration will be allocated to the stock portion and the HCP Members who contributed stock to escrow could fail to realize a portion of the benefit of the increase in DaVita Common Stock s value.

The Escrowed Merger Consideration will consist of cash and DaVita Common Stock in the ratio of the value of cash to be received in the transaction over the value of the DaVita Common Stock to be received in the transaction (the Escrow Proportion). Each share of DaVita Common Stock will be valued for these purposes at the one day DaVita volume-weighted average stock price on the last trading day prior to the closing date. On the closing date, the Escrowed Merger Consideration will be deposited by DaVita with the escrow agent in an escrow account (the Escrow Account) established in accordance with the Escrow Agreement. If any payment is required to be made to DaVita from the Escrow Account, DaVita and the Member Representative will promptly provide written instructions to the escrow agent, an institution mutually selected by DaVita and HCP, pursuant to the terms of the Escrow Agreement, to deliver to DaVita out of the Escrow Fund an amount of cash and DaVita Common Stock, in the Escrow Proportion, that in the aggregate is equal in value to such required payment, with each share of DaVita Common Stock valued for these purposes at the one day DaVita volume-weighted average stock price on the last trading day prior to the date of such distribution.

On the second anniversary of the closing date (the First Escrow Distribution Date), the escrow agent will create two additional separate escrow accounts. The escrow agent will deposit from the Escrow Account into the first additional account (the Healthcare Indemnity Account) $300,000,000 and will deposit from the Escrow Account into the second additional account (the Tax Indemnity Account) $50,000,000, with each escrow account consisting of cash and DaVita Common Stock in the Escrow Proportion (as defined in the Merger Agreement). In addition, no later than the second business day following the First Escrow Distribution Date, DaVita and the Member Representative will provide written instructions to the escrow agent to deliver to the HCP Members and to HCP for proper payment to the holders of HCP Options as of the closing, no later than five business days following the First Escrow Distribution Date, any Escrowed Merger Consideration remaining in the Escrow Account other than the amounts deposited in the Healthcare Indemnity Account and the Tax Indemnity Account, pro rata to HCP Members and holders of HCP Options, except for amounts subject to claims for indemnification by any DaVita Indemnified Party.

No later than the second business day following the third anniversary of the closing date (the Second Escrow Distribution Date), DaVita and the Member Representative will provide written instructions to the escrow agent, pursuant to the terms of the Escrow Agreement, to deliver to the HCP Members and to HCP for payment to the holders of HCP Options as of the closing, no later than five business days following the Second Escrow Distribution Date, any Escrowed Merger Consideration in the Healthcare Indemnity Account in excess of $150,000,000, except for amounts subject to claims for indemnification by any DaVita Indemnified Party.

Table of Contents

No later than the second business day following October 15, 2016 (the Third Escrow Distribution Date), DaVita and the Member Representative will provide written instructions to the escrow agent to deliver to the HCP Members and to HCP for payment to the holders of HCP Options as of the closing, within five business days following the Third Escrow Distribution Date, any Escrowed Merger Consideration in the Tax Indemnity Account in excess of $25,000,000, except for amounts subject to claims for indemnification by any DaVita Indemnified Party.

No later than the second business day following the fourth anniversary of the closing date (the Fourth Escrow Distribution Date), DaVita and the Member Representative will provide written instructions to the escrow agent, to deliver to the HCP Members and to HCP for payment to the holders of HCP Options as of the closing, within five business days following the Fourth Escrow Distribution Date, the aggregate amount of remaining Escrowed Merger Consideration in the Healthcare Indemnity Account, except for amounts subject to claims for indemnification by any DaVita Indemnified Party.

No later than the second business day following October 15, 2017 (the Fifth Escrow Distribution Date), DaVita and the Member Representative will provide written instructions to the escrow agent to deliver to the HCP Members and to HCP for payment to the holders of HCP Options as of the closing, within five business days following the Fifth Escrow Distribution Date, the aggregate amount of remaining Escrowed Merger Consideration in the Tax Indemnity Account, except for amounts subject to claims for indemnification by any DaVita Indemnified Party.

Holders of HCP Options, in their capacity solely as holders of HCP Options, will bear responsibility for a portion of the indemnification obligations, if any, of the HCP Members solely and exclusively through distributions from the Escrow Account, the Healthcare Indemnity Account, and the Tax Indemnity Account, and following the distribution of all Escrowed Merger Consideration from the Escrow Account, the Healthcare Indemnity Account, and the Tax Indemnity Account, will bear no further indemnification obligations pursuant to the Merger Agreement.

Post-Closing Merger Consideration Adjustment Determination

As soon as practicable, but in no event later than 90 days after the closing date, DaVita will prepare and deliver to the Member Representative the following:

- an unaudited consolidated balance sheet of the Business Entities and Related Consolidated Entities as of immediately prior to the effective time, prepared by DaVita in accordance with GAAP, applied on a basis consistent with HCP s audited financial statements for the fiscal years ended December 31, 2011, 2010, and 2009; and

- a statement setting forth reasonably detailed calculations by DaVita of the net working capital and the indebtedness amount, in each case as of immediately prior to the effective time based on the preliminary closing balance sheet and prepared in a manner consistent with the Merger Agreement and in accordance with GAAP, applied on a basis consistent with HCP s audited financial statements for the fiscal years ended December 31, 2011, 2010, and 2009; provided that net working capital and indebtedness amount will be calculated in accordance with the definitions of the terms in the Merger Agreement.

After all disputes have been resolved, if any, in accordance with the terms of the Merger Agreement, if the net working capital minus the indebtedness amount plus $149,000,000, plus the deficiency (stated as a positive number) resulting from the estimated closing adjustments (see Estimated Amounts Included In Closing Merger Consideration) (x) is a positive number, then the aggregate merger consideration will be increased by such excess or (y) is a negative number, then the aggregate merger consideration will be decreased by such shortfall. The amount of any final post-closing negative adjustment in the aggregate merger consideration will be satisfied from the Escrow Fund in cash and DaVita Common Stock.

Table of Contents

The amount of any final post-closing positive adjustment in the aggregate merger consideration to be made will be paid by DaVita to the HCP Members and the holders of HCP Options, pro rata based on the fully diluted HCP Common Units held by such HCP Member or attributable to HCP Options held by such holders of HCP Options as of immediately prior to the closing, relative to the total outstanding HCP Common Units, as soon as reasonably practicable after the determination of the final adjustment amounts and, in any event with respect to any such payment made to the HCP Members, within five business days thereafter; provided that any such payments made to the holders of HCP Options will be subject to certain withholding provisions set forth in the Merger Agreement.

Earn-Out

As additional merger consideration, a total of up to $275,000,000, divided into two tranches, each of which will consist of $137,500,000, will be payable to the HCP Members, holders of HCP Options, and pursuant to the Nevada Settlement Agreements. Such payments are conditioned on the achievement of certain milestones based on the EBITDA of HCP (calculated in accordance with the definition of Earn-Out EBITDA set forth in the Merger Agreement) (the Earn-Out EBITDA), as set forth below:

- If the Earn-Out EBITDA for the fiscal year ended December 31, 2012 is equal to or greater than $550,000,000, then DaVita will pay to the HCP Members and holders of HCP Options the First Tranche in cash, which will be allocated among the HCP Members and holders of HCP Options pro rata based on the fully diluted HCP Common Units held by such HCP Members or attributable to HCP Options held by such holders of HCP Options as of immediately prior to the closing relative to the Total Outstanding HCP Units; provided that any such payments made to the holders of HCP Options will be subject to certain withholding provisions set forth in the Merger Agreement.

- If the Earn-Out EBITDA for the fiscal year ended December 31, 2013 is equal to or greater than $600,000,000, then DaVita will pay to the HCP Members and holders of HCP Options the Second Tranche (less the aggregate amount payable pursuant to each of the Nevada Settlement Agreements) in cash, which will be allocated among the HCP Members and the holders of HCP Options pro rata based on the fully diluted HCP Common Units held by such HCP Members or attributable to HCP Options held by such holders of HCP Options as of immediately prior to the closing relative to the Total Outstanding HCP Units; provided that any such payments made to the holders of HCP Options will be subject to certain withholding provisions set forth in the Merger Agreement, and DaVita will pay, or cause to be paid, any transaction settlement payment that is due and payable pursuant to each of the Nevada Settlement Agreements.

On or prior to 10 business days after DaVita has filed its Annual Report on Form 10-K for each calculation period, DaVita will prepare and deliver to the Member Representative a written statement setting forth in reasonable detail its determination of Earn-Out EBITDA for the applicable calculation period and its calculation of the resulting per unit earn-out payment. The Merger Agreement governs certain actions that may impact the calculation of Earn-Out EBITDA. The calculation of EBITDA for this purpose includes corporate expense allocations for expenses in substitution or enhancement of services currently performed by a Business Entity or any Related Consolidated Entity. If such expenses exceed the expenses previously incurred by HCP for such services and Dr. Margolis is opposed to the DaVita recommendation or decision to substitute or enhance such services, Dr. Margolis has the right to request that the DaVita Board decide the issue, in which case the matter will be determined by the DaVita Board (and no such expenses shall be included in the calculation of EBITDA for this purpose until such time as the DaVita Board approves such expenses after considering in good faith the objections of Dr. Margolis). The Member Representative will be entitled to review the written statement in accordance with the terms set forth in the Merger Agreement.

DaVita s obligation to pay each of the per unit earn-out payments to the HCP Members and holders of HCP Options is an independent obligation of DaVita and is not otherwise conditioned or contingent upon the satisfaction of any conditions precedent to any preceding or subsequent per unit earn-out payment and the

Table of Contents

obligation to pay a per unit earn-out payment to the HCP Members and holders of HCP Options will not obligate DaVita to pay any preceding or subsequent per unit earn-out payment. Assuming payment of the entire $275,000,000 earn-out, each HCP Member and each holder of HCP Options would receive an additional approximately $2.61 per fully diluted HCP Common Unit.

Subject to certain withholding provisions set forth in the Merger Agreement, any per unit earn-out payment that DaVita is required to pay will be paid in full no later than the later of (i) April 30 following the applicable calculation period and (ii) five business days following the date upon which the determination of Earn-Out EBITDA for the applicable calculation period becomes final and binding upon the parties.

At any time after the closing date, DaVita may, in its sole discretion, elect to make either or both of the following payments to the HCP Members and the holders of HCP Options: (i) a payment equal in amount to the First Tranche, discounted from April 30, 2013 back to the date of actual payment at a rate of 5% per annum, and (ii) a payment equal in amount to the Second Tranche, discounted from April 30, 2014 back to the date of actual payment at a rate of 5% per annum, it being understood that from the discounted Second Tranche amount, DaVita will pay, or cause to be paid, any transaction settlement payment that is due and payable pursuant to each of the Nevada Settlement Agreements. Any such payment will be made in cash, allocated among the HCP Members and holders of HCP Options pro rata based on the fully diluted HCP Common Units held by such HCP Member or attributable to HCP Options held by such holders of HCP Options as of immediately prior to the closing, relative to the total outstanding HCP Common Units; provided that any such payments made to the holders of HCP Options will be subject to certain withholding provisions set forth in the Merger Agreement and that any payment made pursuant to the Nevada Settlement Agreements will be paid in accordance with such provision.

Subsequent to the closing and through December 31, 2013, Dr. Margolis and the management of HCP will operate the business of the Business Entities and Related Entities on an autonomous basis in a manner substantially consistent with their current operations. Dr. Margolis, the chief executive officer of HCP, and Kent J. Thiry, the chief executive officer of DaVita, will collaborate on major decisions, consistent with appropriate corporate governance, including DaVita s corporate policy on acquisitions. Mr. Thiry and the DaVita Board will retain ultimate decision-making authority as it relates to the business. Notwithstanding the above, to the extent DaVita recommends taking or opposing any action or decision with respect to the business that would reasonably be expected to adversely impact any earn-out payment and Dr. Margolis is opposed to such DaVita recommendation or decision, Dr. Margolis has the right to request that the DaVita Board decide the issue, in which case the matter will be determined by the DaVita Board (and no such taking or opposing such action or decision shall be acted upon until such time as the DaVita Board approves such taking or opposing such action or decision after considering in good faith the objections of Dr. Margolis). In every event, DaVita and HCP acknowledge that all decisions will be made in compliance with applicable law and in the best interests of the combined company consistent with the fiduciary duties of the officers and directors of the combined company. Further, in no event may DaVita take any action, or fail to take any action, in bad faith with the intent of reducing or avoiding any of the earn-out payments under the Merger Agreement. Similarly, in no event may the management of HCP take any action not in the best interests of the combined company with the intent to ensure any of the earn-out payments under the Merger Agreement. See the risk factor entitled HCP s revenues and profits could be diminished if HCP fails to retain and attract the services of key primary care physicians on page 69.

Member Representative Escrow

A portion of the closing merger consideration equal to $5,000,000, or approximately $0.05 per fully diluted HCP Common Unit, consisting entirely of cash, will be withheld from the closing merger consideration otherwise deliverable to the HCP members and holders of HCP Options on the closing date to fund, if necessary, (i) the HCP Members share of the neutral accountant s fees and expenses; fees, costs, and expenses attributable to the establishment and maintenance of the Nevada Escrow Account; the HCP Members share of the purchase price allocation accounting firm s fees and expenses; any and all costs and expenses of the Member Representative, and the amounts described in this paragraph as being paid from the MR Escrow Account, (ii) the

Table of Contents

expenses incurred by the Member Representative acting in such capacity, and (iii) any other expense described in the Merger Agreement as being paid from the MR Escrow Account.

On the closing date, such cash will be deposited by DaVita with the escrow agent in an escrow account (the MR Escrow Account) established in accordance with an escrow agreement to be entered into between the Member Representative and the escrow agent, consistent with the terms set forth in the Merger Agreement and other customary terms and conditions for similar agreements (the MR Escrow Agreement). All remaining funds in the MR Escrow Account (less any amounts required to be pay outstanding and anticipated expenses) will be distributed pro rata to the Members and the holders of HCP Options no later than the fifth business day following the distribution of all remaining funds in the Escrow Account, the Healthcare Indemnity Account, and the Tax Indemnity Account. The Member Representative will provide HCP Medical Group with a written statement setting forth all distributions and payments made from the MR Escrow Account for each month in which the MR Escrow Account is active, no later than 20 business days following the end of such month. The Member Representative will provide all HCP Members with a written report for each year in which the MR Escrow Account is active, no later than 90 days following the end of such year, setting forth (i) the amount of distributions and payments made from the MR Escrow Account during such year by category (specifically identifying payments made to the Member Representative or the Member Representative s affiliated or related entities), (ii) the total amount of distributions and payments made from the MR Escrow Account during such year, (iii) the total earnings received on the funds in the MR Escrow Account during such year, and (iv) the funds remaining in the MR Escrow Account as of such year s end, and attaching a copy of any annual statement received by the Member Representative from the escrow agent with respect to the MR Escrow Account.

Nevada Escrow

A portion of the closing merger consideration equal to $10,000,000, or approximately $0.10 per fully diluted HCP Common Unit, consisting entirely of cash will be withheld from the closing merger consideration otherwise deliverable to the HCP Members and holders of HCP Options on the closing date to fund, if applicable, certain transaction settlement payments that may become due and payable pursuant to the Nevada Settlement Agreements.

On the closing date, such cash will be deposited by DaVita with the escrow agent in an escrow account (the Nevada Escrow Account) established in accordance with an escrow agreement to be entered into among HCP, the Member Representative, and the escrow agent, consistent with the terms set forth in the Merger Agreement and other customary terms and conditions for similar agreements (the Nevada Escrow Agreement). If, pursuant to either Nevada Settlement Agreement, any transaction settlement payment will not be made because a condition precedent is not met (after giving effect to the shortfall provision contained therein), then HCP and the Member Representative will promptly provide written instructions to the escrow agent, pursuant to the terms of the Nevada Escrow Agreement, to deliver the amount of such unpaid transaction settlement payment to the HCP Members and to HCP for proper payment to the holders of HCP Options as of the closing pro rata based on the fully diluted HCP Common Units held by such HCP Member or attributable to HCP Options held by such holders of HCP Options as of immediately prior to the closing, relative to the total outstanding HCP Common Units, it being understood that any such payments made to the holders of HCP Options will be subject to certain withholding provisions set forth in the Merger Agreement.

Representations and Warranties

The Merger Agreement contains representations and warranties by HCP, DaVita, and Merger Sub. These representations and warranties have been made solely for the benefit of the other parties to the Merger Agreement and:

- may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

- have been qualified by disclosures that were made to the other parties in connection with the negotiation of the Merger Agreement, which disclosures may not be reflected in the Merger Agreement;

Table of Contents

may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and

were made only as of the date of the Merger Agreement or such other date or dates as may be specified in the Merger Agreement and are subject to more recent developments.

The representations and warranties made by DaVita, Merger Sub and HCP relate to, among other things:

organization and authority;

no conflict;

governmental consents and approvals;

financial information;

capitalization;

information provided;

absence of undisclosed liabilities;

conduct in the ordinary course;

healthcare regulatory compliance;

government contracts;

litigation;

brokers;

no reliance; and

disclaimer.

Additional representations and warranties made only by HCP relate to, among other things:

qualification of HCP;

organization, authority, and qualification of the Business Entities and Related Entities;

ownership of equity interests;

approval of the board of managers of HCP;

vote required;

accounting records; internal controls;

governmental orders;

compliance with laws;

environmental matters;

intellectual property;

real property;

employee benefits;

labor matters;

taxes;

material contracts;

Table of Contents

information technology;

intercompany transactions;

certain interests;

insurance; and

payors and vendors.

Additional representations and warranties made only by DaVita relate to, among other things:

SEC filings;

financing; and

ownership of Merger Sub; no prior activities of Merger Sub.

Conduct of Business Prior to Closing

Subject to applicable law and certain exceptions set forth in the Merger Agreement and the disclosure schedules delivered by HCP to DaVita in connection with the Merger Agreement, prior to the closing HCP will and will cause each Business Entity and Related Consolidated Entity to (1) conduct its business in the ordinary course in all material respects, (2) use its commercially reasonable efforts to preserve intact in all material respects the business organization and operations of such Business Entity or Related Consolidated Entity, and (3) use its commercially reasonable efforts to keep available the services of key employees and to preserve the relationships with payors, providers, and others having business dealings with such Business Entity or Related Consolidated Entity.

Subject to applicable law and certain exceptions set forth in the Merger Agreement and the disclosure schedules delivered by HCP to DaVita in connection with the Merger Agreement, unless DaVita consents in writing (which consent cannot be unreasonably withheld, conditioned or delayed), prior to the closing none of the Business Entities or Related Consolidated Entities will, and HCP will cause each Business Entity and Related Consolidated Entity not to:

amend or restate the governing documents of any Business Entity or Related Consolidated Entity;

make or pay any dividend or other distribution in cash with respect to any of its equity interests if, as a result of such dividend or other distribution, the net working capital minus the indebtedness amount would reasonably be expected to be less than negative $149,000,000, other than quarterly tax distributions in the ordinary course of business and consistent with past practice;

issue, sell, transfer, pledge, or otherwise dispose of any equity interests, notes, bonds, or other securities of any Business Entity or Related Consolidated Entity (or any option, warrant, or other right to acquire the same) or redeem or repurchase any of the equity interests of any Business Entity or Related Consolidated Entity, other than, in each case, transactions between or among Business Entities and Related Consolidated Entities and exercises of HCP Options and issuance of HCP Common Units in connection therewith, and subject to the intent of the parties to the Merger Agreement that the aggregate magnitude of the long-term incentive

awards, whether in stock-based or cash-based form, will result in aggregate compensation expense (excluding any compensation expense attributable to any stock-based or cash-based awards granted to Dr. Margolis) of approximately $40,000,000, to be expensed over the applicable vesting period(s);

effect any recapitalization, reclassification, stock split, or like change in the capitalization of any Business Entity or Related Consolidated Entity;

make any change in any method of accounting or accounting practice or policy used by any Business Entity or Related Consolidated Entity, other than such changes as are required by GAAP or a governmental authority;

make, or enter into any new commitment for, any individual capital expenditures in excess of $750,000 or $15,000,000 in the aggregate;

acquire (i) by merger or consolidation, by the purchase of all or a substantial portion of its assets or equity interests, or by any other manner any business or any business entity or (ii) any assets in excess of $1,000,000;

transfer, sell, lease, license, subject to any encumbrance (other than permitted encumbrances), or otherwise dispose of any properties or assets that are material, in the aggregate, to any Business Entity or Related Consolidated Entity, other than in the ordinary course of business and consistent with past practice and other than obsolete properties or assets;

incur or assume any liabilities, obligations, or indebtedness for borrowed money or guarantee or otherwise provide credit support in respect of any such liabilities, obligations, or indebtedness, other than in the ordinary course of business and consistent with past practice;

except as required to comply with plans existing on the date of the Merger Agreement that have been disclosed to DaVita, (i) increase the compensation payable or to become payable (including bonus grants and retention payments) or increase or accelerate the vesting of any benefits provided, or pay or award any payment or benefit not required as of the date of the Merger Agreement by a plan, to its current and former managers, directors, partners, officers, or employees, (ii) grant any severance or termination pay or retention payments or benefits to, or enter into or amend or terminate any employment, severance, retention, change in control, consulting, or termination contract with, any current or former manager, director, partner, officer or other employee of the Business Entities or Related Consolidated Entities, (iii) establish, adopt, enter into, amend or terminate any bonus, profit-sharing, thrift, compensation, unit option, pension, retirement, deferred compensation, employment, termination, severance or other plan, contract, trust, fund or policy for the benefit of any current or former manager, director, partner, officer or employee, (iv) pay or make, or agree to pay or make, any accrual or other arrangement for, or take, or agree to take, any action to fund or secure payment of, any severance pension, indemnification, retirement allowance, or other benefit, or (v) terminate the employment (other than for cause), change the title, office, or position, or materially reduce the responsibilities of any key employee or any other officer or other key personnel of the Business Entities or Related Consolidated Entities;

grant or announce any increase or decrease in the salaries, bonuses, or other benefits payable by any Business Entity or Related Consolidated Entity to any employee of any Business Entity or Related Consolidated Entity, other than in the ordinary course of business and consistent with past practice;

establish, adopt, or enter into any collective bargaining agreement or other labor union contract;

enter into or materially modify any contract with any of its officers or members of the board of managers (or equivalent body) (or, to HCP s knowledge, with any relative, spouse, beneficiary, or affiliate of such persons), other than obligations incidental to the employment (or former employment) of any such individual by such Business Entity or Related Consolidated Entity or such individual s service (or former service) on such board of managers (or equivalent body);

other than in the ordinary course of business and consistent with past practice, fail to exercise any rights of renewal with respect to any leased real property that by its terms would otherwise expire;

commence any suit, arbitration, or other proceeding or amend, terminate, settle, or compromise any claim by or against any Business Entity or Related Consolidated Entity, other than in the ordinary course of business, and other than to enforce the rights of HCP under the Merger Agreement, in each case involving an amount in excess of $750,000 or involving injunctive or other equitable

relief or a finding or admission of any violation of applicable law or violation of the rights of any person;

enter into, extend, materially amend, waive any material provision of, cancel, or terminate any material contract, employment, bonus, or other compensation contract, or any contract that if entered into prior

Table of Contents

to the date of the Merger Agreement would be a material contract, other than in the ordinary course of business and consistent with past practice;

fail to keep in force insurance policies or replacement or revised provisions providing insurance coverage consistent in all material respects with respect to the assets, operations, and activities of the Business Entities or Related Consolidated Entities as are currently in effect or fail to report any claim to the applicable insurance carriers, including all risk retention group carriers;

adopt a plan or resolutions providing for a complete or partial liquidation, dissolution, or other reorganization of any Business Entity or Related Consolidated Entity;

make or change any tax election, change any annual accounting period, adopt or change any accounting method for tax purposes, file any amended tax return, enter into any closing agreement, settle any tax claim or assessment, surrender any right to claim a refund of taxes, or consent to any extension or waiver of the limitation period applicable to any tax claim or assessment, if such election, adoption, change, amendment, agreement, settlement, surrender, or consent would have the effect of increasing the tax liability of any Business Entity or a Related Consolidated Entity for any period ending after the closing date or decreasing any tax attribute of any Business Entity or a Related Consolidated Entity existing on the closing date;

agree to take any of the above listed actions.

HCP Member Approval

HCP has agreed to cause a meeting of the HCP Members to be duly called and held as soon as reasonably practicable after the SEC declares effective under the Securities Act the registration statement of which this prospectus forms a part, for the purpose of such HCP Members voting on the approval of the principal terms of the Merger and the Merger Agreement and to obtain HCP Member approval of the principal terms of the Merger and the Merger Agreement. The HCP Board has unanimously approved the Merger Agreement and the transactions contemplated thereby, authorized the Merger Agreement to be submitted to the HCP Members for their consideration and agreed to use its commercially reasonable efforts to recommend to the HCP Members that they vote to approve the principal terms of the Merger and the Merger Agreement. Pursuant to the Voting Agreement, the approval of the principal terms of the Merger and the Merger Agreement and the transactions by the HCP Members is assured (see Voting Agreement below).

DaVita Board of Directors Approval; 280G Approval

The DaVita Board has unanimously approved the principal terms of the Merger and the Merger Agreement.

In addition, HCP will use its commercially reasonable efforts to obtain and deliver to DaVita, prior to mailing or delivering the stockholder solicitation proposals described below to the stockholders of DNH Medical Management, Inc. and JSA Holdings, Inc., each an indirect, wholly owned subsidiary of HCP, a parachute payment waiver from each person who is or reasonably could be a disqualified individual, as determined immediately prior to the initiation of the stockholder solicitation, and who reasonably might otherwise receive a parachute payment under Section 280G of the Code.

With respect to each of DNH Medical Management, Inc. and JSA Holdings, Inc., no later than 30 days prior to the closing, HCP will mail or deliver a stockholder solicitation proposal to be voted on by the stockholders of the respective entity in accordance with the terms of Section 280G(b)(5)(B) of the Code so as to render the parachute payment provisions of Section 280G of the Code inapplicable to any and all payments and/or benefits provided pursuant to contracts or arrangements of each individual who executes a parachute payment waiver that, in the absence of the executed parachute payment waivers by the affected persons, might otherwise reasonably result, separately or in the aggregate, in the payment of any amount and/or the provision of any benefit that would not be deductible by reason of Section 280G of the Code (which determination will be made by HCP and

Table of Contents

will be subject to review and approval by DaVita which will not be unreasonably withheld, conditioned, or delayed), with such stockholder approval to be solicited in a manner which satisfies all applicable requirements of Section 280G(b)(5)(B) of the Code and the Treasury Regulations thereunder.

No Solicitation of or Discussions Relating to Competing Transaction

The Merger Agreement contains provisions prohibiting HCP from seeking or discussing an alternative proposal to the transactions. Under these no solicitation provisions, HCP has agreed that it will not, and will cause each Business Entity and Related Consolidated Entity and its and their respective directors, officers, employees, agents, advisors, or other representatives (the Representatives) not to, directly or indirectly:

- initiate, solicit, or encourage any proposal or any inquiry that may reasonably be expected to lead to any proposal concerning a competing transaction, which includes the sale of any Business Entity or Related Consolidated Entity or any business thereof or a sale of any material assets of any Business Entity or Related Consolidated Entity; or
- hold any discussions or enter into any contracts or other arrangements with, or provide any information or respond to, any third party concerning a proposed competing transaction or cooperate in any way with, agree to, assist or participate in, solicit, consider, entertain, facilitate, or encourage any effort or attempt by any third party to do or seek any of the foregoing.

HCP has also agreed in the Merger Agreement that if it or any of its affiliates is approached in any manner by a third party concerning a competing transaction, it will promptly, and in any event within 24 hours after contact, inform such third party of the restrictions relating to competing transactions set forth in the Merger Agreement and inform DaVita of such contact.

Competing transaction means the sale of any Business Entity or any Related Consolidated Entities or any business thereof or a sale of any material assets of any Business Entity or Related Consolidated Entity or any transaction that would be inconsistent with or interfere with or prevent or delay the consummation of the transactions.

Regulatory and Other Authorizations; Notices and Consents

Pursuant to the terms of the Merger Agreement, DaVita and HCP have agreed to, and to cause their respective affiliates to, use their commercially reasonable efforts to:

- promptly obtain all consents of all governmental authorities that may be or become necessary for its execution and delivery of, and the performance of its obligations pursuant to, the Merger Agreement;
- cooperate fully with the other party in promptly seeking to obtain all such consents; and
- provide such other information to any governmental authority as such governmental authority may reasonably request in connection therewith.

Each party to the Merger Agreement has agreed to, and to cause its respective affiliates to, (a) make its respective filing, if necessary, pursuant to the HSR Act with respect to the transactions as promptly as reasonably practicable after the date of the Merger Agreement and to supply as promptly as practicable to the appropriate governmental authorities any additional information and documentary material that may be requested pursuant to the HSR Act and (b) make as promptly as practicable its respective filings and notifications, if any, and cooperate with the other parties to the Merger Agreement if required for making such filings under any other applicable antitrust, competition, or trade regulation law (together with the HSR Act, the Antitrust Laws) and to supply as promptly as practicable to the appropriate governmental authorities any additional information and documentary material that may be requested pursuant to the applicable Antitrust Law. DaVita has agreed to pay the filing fees required under the HSR Act and all other filing fees required by any governmental authority in connection with such consents.

128

Table of Contents

The parties to the Merger Agreement have agreed, and each party will cause its affiliates, not to enter into any transaction, or any agreement to effect any transaction (including any merger or acquisition), that might reasonably be expected to make it more difficult, or to increase the time required, to (1) obtain the expiration or termination of the waiting period under the HSR Act or any other applicable Antitrust Law applicable to the transactions or (2) obtain all other authorizations, consents, orders, and approvals of governmental authorities necessary for the consummation of the transactions.

Effective July 3, 2012, the Federal Trade Commission granted the parties request for early termination of the waiting period under the HSR Act.

Prior to closing, HCP will, and will cause the Related Consolidated Entities to, use commercially reasonable efforts to obtain the consent of one or more third parties to assign certain contracts to a professional corporation designated by DaVita. Any such assignment will only become effective at the effective time.

Financing Covenant; HCP Cooperation

Each of DaVita and Merger Sub acknowledged and agreed that its obligations under the Merger Agreement are not conditioned in any manner upon DaVita or Merger Sub obtaining any financing. However, the foregoing does not limit the ability of HCP or DaVita to terminate the Merger Agreement under the circumstances described below under Termination , the sole remedy, except in the case of an intentional breach of the Merger Agreement by DaVita or Merger Sub, for any such termination being the payment by DaVita of a termination fee of $125 million (the DaVita Termination Fee) as described below under Termination Fee, plus the amounts described below under Expenses beginning on page 151.

DaVita and Merger Sub have agreed to use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary to arrange and obtain the financing contemplated by the Merger Agreement in the form of secured bank loans (the Senior Secured Financing) and unsecured debt financing (the Unsecured Financing , and together with the Senior Secured Financing, the Financing) as promptly as practicable after the date of the Merger Agreement, including using their reasonable best efforts to:

- maintain in effect, and comply on a timely basis with their obligations under, the letter agreements among DaVita, JPMorgan Chase Bank, N.A. (the Lender) and J.P. Morgan Securities LLC (JPMorgan Securities and together with the Lender, JPMorgan) contemplated by the Merger Agreement (the Financing Letter) (none of which includes a binding financing commitment on the part of JPMorgan);

- negotiate and enter into, keep in effect, and comply on a timely basis with their obligations under definitive agreements with respect to the Financing (the Financing Agreement); and

- satisfy on a timely basis all terms and conditions (including conditions precedent) in the Financing Letter or the Financing Agreement, other than obligations of parties to the Financing Letter or the Financing Agreement other than DaVita, Merger Sub, or any of their respective affiliates controlled by either of them.

DaVita and Merger Sub will take, or cause to be taken, and do or cause to be done, all things necessary to consummate the Financing, at or prior to the closing, if the Financing is available, including that all conditions precedent for the Senior Secured Financing and the Unsecured Financing, other than execution and delivery of the applicable Financing Agreement, and consummation of the Merger, have been met or concurrently with the consummation of the Senior Secured Financing or Unsecured Financing, as applicable, will be met and no facts or circumstances exist that violate the terms of the Financing Agreement with respect to the Senior Secured Financing and would entitle the lenders to accelerate obligations thereunder) to DaVita or Merger Sub on the Anticipated Financing Terms (as defined in the Merger Agreement). DaVita has agreed to (1) promptly provide HCP with a fully executed copy of any amendment, supplement, modification, or waiver to the Financing Letter

Table of Contents

as promptly as practicable following the execution thereof, (2) furnish to HCP copies of the Financing Agreement promptly upon its execution (except that any arranger or agent fees payable solely to JPMorgan may be redacted) and drafts of such documents posted to a lender group and (3) otherwise keep HCP reasonably informed of the status of the efforts of DaVita and Merger Sub to arrange the Financing. Each of DaVita and Merger Sub has agreed it will not permit or suffer to exist any express restriction, in the Financing Agreement or otherwise, on DaVita s ability to make any earn-out payment required under the Merger Agreement or enter into any agreement that it knows will be breached by the making of any such earn-out payments.

Pursuant to the Merger Agreement, DaVita has agreed to give HCP prompt notice (1) of any breach or default by any party to the Financing Letter or any Financing Agreement of which DaVita becomes aware, or (2) of the receipt of any written notice from any party to the Financing Letter or any Financing Agreement or any other lender, initial purchaser, underwriter, holder or trustee with respect to (a) any breach, default, termination, or repudiation by any party to the Financing Letter or the Financing Agreement or any provisions of the Financing Letter or the Financing Agreement or (b) any event, including any dispute or disagreement between or among any parties to the Financing Letter or the Financing Agreement, that would reasonably be expected to prevent or delay the consummation of the transactions. DaVita and Merger Sub have agreed to provide as soon as reasonably practicable any information reasonably requested by HCP relating to any circumstance referred to in clause (1) or (2) of the immediately preceding sentence.

Pursuant to the Merger Agreement, HCP has agreed to use its commercially reasonable efforts to, and to cause each of the Business Entities and the Related Consolidated Entities to use its commercially reasonable efforts to (and to cause their respective Representatives to use their commercially reasonable efforts to), among other things, cooperate in connection with the Financing as may be reasonably requested by DaVita (so long as such requested cooperation does not unreasonably interfere with the ongoing operations of the Business Entities or the Related Consolidated Entities or involve the payment of any out of pocket expenses (other than the fees of Ernst & Young LLP with respect to the preparation of certain financial information required under the Merger Agreement and the fees of Munger, Tolles & Olson LLP, counsel to HCP) by the Business Entities, the Related Consolidated Entities, or such Representatives that is not advanced by DaVita). None of HCP, any Business Entity, or any Related Consolidated Entity is required to pay any commitment or similar fee or incur any other liability or obligation in connection with the Financing prior to the closing. Each of DaVita and Merger Sub agreed to indemnify and hold harmless each HCP Member and its affiliates, Representatives, and equityholders from and against any and all Losses suffered or incurred by them in connection with the arrangement or offering of the Financing and any information utilized in connection therewith (except to the extent that such Losses arise as a result of disclosure by any of the Business Entities or any Related Consolidated Entities supplied to DaVita or its Representatives in writing for use in the Financing that is determined to have contained an untrue statement of material fact or omitted a material fact necessary in order to make the statements made therein not misleading).

Further Action

Pursuant to the Merger Agreement, the parties to the Merger Agreement will, and will cause their respective affiliates to:

- use commercially reasonable efforts to take, or cause to be taken, all appropriate action, to do or cause to be done all things necessary, proper, or advisable under applicable law, and to execute and deliver such documents and other papers as may be required to carry out the provisions of the Merger Agreement and the other transaction documents to which it is a party and consummate and make effective the transactions;

- use commercially reasonable efforts to obtain all necessary consents required to be obtained by it from third parties (other than governmental authorities) in connection with the transactions; and

- provide reasonable assistance to the other party in obtaining such consents.

Table of Contents

Intercompany Indebtedness

In connection with the closing and the Merger, HCP will take, or will cause its affiliates to take, all actions necessary, so that, as of immediately following the closing, there will be no intercompany indebtedness. Elimination of intercompany indebtedness will not be required to the extent there is insufficient cash maintained on the balance sheet of any Business Entity or Related Consolidated Entity to pay down any intercompany indebtedness, or any such intercompany indebtedness is required for any Business Entity or Related Consolidated Entity to remain in compliance with applicable financial solvency ratios, including those established by the DMHC, or any such intercompany indebtedness is required to ensure that a Business Entity or a Related Consolidated Entity maintains sufficient working capital and cash-on-hand to fund its ongoing business operations.

Name

Immediately following the effective time, DaVita will cause its corporate name to be changed to DaVita HealthCare Partners Inc. by filing a Certificate of Ownership and Merger with the Secretary of State of the State of Delaware to effect a merger of a newly formed, wholly owned subsidiary of DaVita with and into DaVita, and to change DaVita s legal name to DaVita HealthCare Partners Inc., in accordance with Section 253 of the Delaware General Corporation Law.

Board Representation

At closing, and in accordance with Article IV of the Amended and Restated Bylaws of DaVita (the DaVita Bylaws), the DaVita Board will increase the DaVita Board s size by one member and will appoint Dr. Margolis to fill the newly created directorship. Dr. Margolis s title will be Co-Chairman.

For a minimum period of four consecutive annual meetings of stockholders of DaVita after his initial appointment to the DaVita Board, Dr. Margolis s prospective re-nomination for election to the DaVita Board will be assessed in the same manner as is each other DaVita incumbent director s re-nomination when the Nominating and Governance Committee of the DaVita Board determines each year, in accordance with the Nominating and Governance Committee s charter and the Corporate Governance Guidelines of DaVita, which directors it will select as nominees or recommend to the DaVita Board for nomination for election to the DaVita Board at the annual meeting.

Upon his appointment or election to the DaVita Board, for a minimum period of four consecutive annual meetings of stockholders of DaVita, Dr. Margolis will hold the office of Co-Chairman until the expiration of his term of office or until his successor is duly elected and qualified, subject to his earlier death, resignation, disqualification, or removal in accordance with the DaVita Bylaws and/or applicable law.

Tail Insurance Policies

Prior to the closing, DaVita, on behalf of HCP, will secure (1) a combined directors and officers liability and employment practices liability run-off insurance policy package and (2) run-off fiduciary liability insurance policies, each of (1) and (2) having an effective date on the effective time and ending on a date that is six years after the effective time. One-half of the premiums for each of these policies will be prepaid by each of HCP and DaVita for the full six-year term of such policies, subject to the limitations described below. DaVita will provide HCP with an opportunity to review a proposal regarding such policies, and any amendment or supplement thereto, prior to securing such policies.

In no event will the aggregate amount of premiums payable by HCP for the tail policies described above exceed $275,000, and if the aggregate amount of premiums payable exceeds $550,000, then HCP has agreed to bear $275,000 of such premiums and DaVita will solely bear the remainder of such premiums. In addition, any

Table of Contents

premiums paid by HCP on or prior to the closing for the tail policies described above will be excluded from the calculations of Earn-Out EBITDA, indebtedness amount, and net working capital.

Employment and Employee Benefits Matters; Other Plans

HCP will, and will cause the Business Entities and Related Consolidated Entities to, help DaVita identify employees of HCPMGI who provide non-medical services to the Business Entities or Related Entities and whose employment will be transferred to the surviving entity, DaVita, or any of their subsidiaries (the Affected Employees). Such transfer of the Affected Employees will occur effective as of the closing date, unless DaVita gives written notice to HCP at least 60 days prior to the closing date that such transfer of Affected Employees will instead occur as of January 1, 2013 (either such transfer date referred to as the Employee Transfer Date).

With respect to the Affected Employees, HCP will, and will cause the Business Entities and Related Consolidated Entities to, assist DaVita in its efforts to enter into, or have HCP or any of their subsidiaries enter into, an offer letter or such other service arrangement as DaVita deems appropriate with such employee as soon as practicable after the date of the Merger Agreement and in any event prior to the Employee Transfer Date, which offer or arrangement will be effective immediately following the Employee Transfer Date. None of DaVita, HCP, the surviving entity, or any of their respective affiliates will have any obligation to make an offer of employment or provide such other service arrangement to, or otherwise transfer the employment of, any employee of HCPMGI who solely provides medical services to the Business Entities or Related Entities. Effective immediately following the Employee Transfer Date, HCP will, and will cause the Business Entities and Related Consolidated Entities to, take all action necessary to cause HCPMGI to terminate the employment of each of the Affected Employees who has received, but not accepted, an offer of employment or such other service arrangement as DaVita deems appropriate with DaVita, HCP, the surviving entity, or any of their subsidiaries effective immediately following the Employee Transfer Date. Affected Employees who accept offers of employment from, or whose employment will otherwise be transferred to, DaVita, HCP, the surviving entity, or any of their subsidiaries will be referred to as Transferred Employees. DaVita will promptly reimburse the Business Entities and the Related Consolidated Entities for their reasonable, out-of-pocket costs incurred as a result of complying with their obligations with respect to the Affected Employees, other than any such costs that result from the Business Entities or the Related Consolidated Entities violation of applicable law, unless such violation of law occurred as a result of the Business Entities or the Related Consolidated Entities compliance with such obligations. Any and all expenses arising from or related to any action taken pursuant to these obligations will be excluded from the calculations of Earn-Out EBITDA. Any and all liabilities arising from or related to any action taken pursuant to these obligations will be excluded from the calculations of indebtedness amount and net working capital. Any and all cash expended in the compliance with these obligations (net of any reimbursement received by any Business Entity or Related Consolidated Entity from DaVita pursuant to these obligations) that would otherwise have reduced net working capital will be added back to net working capital.

Without limiting any additional rights that current employees of the Business Entities who continue employment with DaVita, the surviving entity, or any of their affiliates following the closing date (such employees, with the Transferred Employees, referred to as Continuing Employees) may have under any plan, from and after the effective time and until December 31, 2013, DaVita will cause the surviving entity and each of the Related Entities to maintain the severance practices and policies of HCP and certain Related Entities in accordance with the terms and conditions set forth therein and provide the severance benefits set forth therein to any Continuing Employee whose employment is involuntarily terminated by DaVita, the surviving entity, or any of their affiliates following the effective time (or following the Employee Transfer Date in the case of Transferred Employees) but on or before December 31, 2013, under circumstances that would otherwise entitle such individual to severance benefits in accordance with the terms and conditions of such severance arrangements, provided that the provision of such severance benefits would be consistent with past practice.

From and after the effective time (or from and after the Employee Transfer Date in the case of Transferred Employees) and until December 31, 2013, the base salary, target annual bonus opportunity, and target

commission opportunity in effect as of immediately prior to the closing date will not be decreased for the Continuing Employees that remain employed during that period.

From and after the effective time and until December 31, 2013, with respect to Continuing Employees other than the Transferred Employees, DaVita will cause the surviving entity (or its subsidiaries) to maintain for such Continuing Employees each plan that is an employee welfare benefit plan within the meaning of Section 3(1) of ERISA (other than the severance arrangements) and each other plan that provides vacation, sick, or personal time off pursuant to its terms in effect immediately prior to the effective time, except to the extent any such plan must be amended to comply with applicable law. Effective as of January 1, 2014, DaVita will, or will cause the surviving entity (or its subsidiaries) to, either:

- continue the welfare plans or adopt new employee welfare plans, programs, or arrangements;
- permit such Continuing Employees to participate in the employee welfare plans, programs, or policies (including any severance, vacation, sick, or personal time off plans or programs) of DaVita or its affiliates; or
- a combination of the above.

From and after January 1, 2014, DaVita will, or will cause its affiliates to:

- cause any pre-existing conditions or limitations and eligibility waiting periods under any group health plans of DaVita or its affiliates to be waived with respect to Continuing Employees (other than the Transferred Employees) to the extent such Continuing Employees were not subject to such preexisting conditions and limitations and eligibility waiting periods under the comparable welfare plan as of immediately prior to January 1, 2014; and
- with respect to a welfare plan that provides for group health plan benefits and has a plan year that is other than the calendar year, provide each such Continuing Employee with credit for any deductibles or out of pocket expenses paid under such plan in the plan year in effect as of January 1, 2014, in satisfying any applicable deductible or out of pocket requirements under any group health plans of DaVita or its affiliates that such employees are eligible to participate in as of January 1, 2014, to the same extent that such expenses were recognized under the comparable welfare plan

From and after the Employee Transfer Date and until December 31, 2013, with respect to the Transferred Employees, DaVita will, or will cause the surviving entity (or its subsidiaries) to, either:

- continue or commence participation in the welfare plans or other employee welfare plans, programs, or arrangements of a Related Entity in which such Transferred Employees participated immediately prior to the effective time or adopt new employee welfare plans, programs, or arrangements that are substantially identical to or more favorable than such plans, programs, or arrangements;
- permit such Transferred Employees to participate in the employee welfare plans, programs, or policies (including any severance, vacation, sick, or personal time off plans or programs) of DaVita or its affiliates; or
- a combination of the above;

provided, however, that the benefits provided to the Transferred Employees are substantially identical to or more favorable than the benefits provided to such Transferred Employees pursuant to the welfare plans or other employee welfare plans, programs, or arrangements of a Related Entity in which they participated immediately prior to the effective time.

Effective as of January 1, 2014, DaVita will, or will cause the surviving entity (or its subsidiaries) to, either:

continue participation in the welfare plans or other employee welfare plans, programs, or arrangements of a Related Entity, continue the new plans or adopt new employee welfare plans, programs, or arrangements;

permit the Transferred Employees to participate in the employee welfare plans, programs, or policies (including any severance, vacation, sick, or personal time off plans or programs) of DaVita or its affiliates; or

a combination of the above.

From and after the Employee Transfer Date, DaVita will, or will cause its affiliates to, (i) cause any pre-existing conditions or limitations and eligibility waiting periods under any new plan or the group health plans of DaVita or its affiliates in which a Transferred Employee will participate to be waived with respect to such Transferred Employee to the extent such Transferred Employee was not subject to such preexisting conditions and limitations and eligibility waiting periods under the comparable employee welfare plans, programs, or arrangements of the surviving entity or a Related Entity in which such Transferred Employee participated as of immediately prior to the date the Transferred Employee s participation will commence under any new plan or the group health plans of DaVita or its affiliates, as applicable, and (ii) provide each Transferred Employee with credit for any deductibles or out of pocket expenses paid under such employee welfare plans, programs, or arrangements of the surviving entity or a Related Entity in which such Transferred Employee participated as of immediately prior to the date the Transferred Employee s participation will commence under any new plan or the group health plans of DaVita or its affiliates, as applicable, in the plan year in effect as of such date in satisfying any applicable deductible or out of pocket requirements under any new plan or group health plans of DaVita or its affiliates that such employee is eligible to participate in to the same extent that such expenses were recognized under the comparable employee welfare plans, programs, or arrangements of the surviving entity or a Related Entity.

From and after the effective time and until December 31, 2013, DaVita will, or will cause the surviving entity or its subsidiaries to, maintain, or as applicable commence or continue participation in, each plan intended to include a Code Section 401(k) arrangement pursuant to its terms in effect immediately prior to the effective time, except to the extent any such plan must be amended to comply with applicable law.

From and after the Employee Transfer Date and until December 31, 2013, with respect to the Transferred Employees, DaVita will, or will cause the surviving entity (or its subsidiaries) to adopt a new nonqualified deferred compensation plan; provided, however, that the benefits provided to each Transferred Employee who elects to participate in such deferred compensation plan are no less favorable in the aggregate than the benefits provided to such Transferred Employees pursuant to the Deferred Compensation Plan or Deferred Compensation Plan 2 of HCPMGI in which the Transferred Employee participated immediately prior to the effective time. It is the intent of the parties that in the event any Transferred Employee is paid a distribution or commences receipt of distributions pursuant to the Deferred Compensation Plan or Deferred Compensation Plan 2 of HCPMGI as a result of his or her termination of employment from HCPMGI in connection with the closing, DaVita will, or will cause the surviving entity (or its subsidiaries) to, pay to the Transferred Employee an amount in cash to make the Transferred Employee whole for the income taxes payable with respect to any such distributions (the DC Distribution Tax Payment), as well as any income and employment taxes payable on the DC Distribution Tax Payment (together with the DC Distribution Tax Payment, the Deferred Compensation Tax Payment) such that the Transferred Employee is in no worse position than if no distribution from the Deferred Compensation Plan or Deferred Compensation Plan 2 had occurred. With respect to a Transferred Employee who has elected or is required to receive a lump sum distribution, the Deferred Compensation Tax Payment must be paid within fifteen business days of the distribution. Following the date of the Merger Agreement, HCP and DaVita will work together in good faith to determine:

whether any distributions from the Deferred Compensation Plan or Deferred Compensation Plan 2 of HCPMGI are scheduled to be made to individuals who are anticipated to be Transferred Employees in the form of either a lump sum or installments; and

when the Deferred Compensation Tax Payment will be made to eligible Transferred Employees who have elected distributions in the form of installment payments.

Table of Contents

Notwithstanding any provision in the Merger Agreement to the contrary:

DaVita will be solely liable and responsible for all liabilities arising from or related to, the Deferred Compensation Tax Payment and in no event will any Member be deemed to have indemnified any DaVita Indemnified Party for any Losses arising from or related to Deferred Compensation Tax Payment; and

(x) any and all expenses arising from or related to the Deferred Compensation Tax Payment will be excluded from the calculations of Earn-Out EBITDA, (y) any and all liabilities arising from or related to the Deferred Compensation Tax Payment will be excluded from the calculations of indebtedness amount and net working capital, and (z) any and all cash expended in making the Deferred Compensation Tax Payment that would otherwise have reduced net working capital will be added back to net working capital.

As of the date Continuing Employees are eligible to participate in the employee benefit plans, programs, or policies of DaVita or its affiliates, DaVita will, or will cause the surviving entity to, give Continuing Employees full credit under such DaVita plans for purposes of eligibility, vesting and determination of level of benefits (but not to the extent that such credit would result in duplication of benefits) for the Continuing Employees service with the Business Entities and Related Entities and their predecessor entities to the same extent recognized by HCP, the Business Entities, and the Related Entities immediately prior to the effective time under an analogous plan.

DaVita will cause the surviving entity and each of DaVita s subsidiaries, for a period commencing at the effective time and ending ninety days thereafter, not to effectuate a plant closing or mass layoff as those terms are defined in the Worker Adjustment and Retraining Notification Act of 1988 (together with any similar state or local law, WARN) without complying with all provisions of WARN or any similar provision of applicable foreign law. Irrespective of any provision in the Merger Agreement to the contrary, in the event DaVita terminates, or requests or causes the termination of, the employment of any employee of any Business Entity or Related Entity with such Business Entity or Related Entity on or following the closing (whether or not such employee is thereafter promptly employed by any Business Entity or Related Entity), (i) DaVita will be solely liable and responsible for compliance with, and for all liabilities arising from or related to, such termination under WARN and any similar state or local law or ordinance and in no event will any Member be deemed to have indemnified any DaVita Indemnified Party for any Losses arising from or related to any such termination and (ii) (x) any and all expenses arising from or related to any such termination under WARN and any similar state or local law or ordinance will be excluded from the calculations of Earn-Out EBITDA, and (y) any and all liabilities arising from or related to any such termination under WARN and any similar state or local law or ordinance will be excluded from the calculations of indebtedness amount and net working capital.

No provision of the Merger Agreement, express or implied: (i) will be construed to establish, amend, or modify any plan, any benefit plan, program, agreement, or arrangement or the terms of any sub agreements or sub plans, terms and conditions, restrictive covenants, or participation requirements thereof, except and to the extent such amendment is explicitly contemplated by the express language of the Merger Agreement; (ii) will, following the second anniversary of the effective time, limit the ability of DaVita or any of its affiliates (including, following the effective time, the surviving entity and any of its subsidiaries) to amend, modify, or terminate any benefit plan, program, agreement, or arrangement at any time assumed, established, sponsored, or maintained by any of them; (iii) is intended to confer upon any current or former employee (including any Continuing Employee) or any other person any right to employment or continued employment for any period of time by reason of the Merger Agreement, or any right to a particular term or condition of employment; or (iv) is intended to confer upon any Continuing Employee any rights or remedies, including the right to enforce any obligations of DaVita or the surviving entity contained in this section Employment and Employee Benefits Matters; Other Plans as a third party beneficiary.

Table of Contents

Equity and Other Long-Term Incentive Compensation

It is the intent of the parties to the Merger Agreement that the aggregate magnitude of the long-term incentive awards described below, whether in stock-based or cash-based form, will result in aggregate compensation expense (excluding any compensation expense attributable to any stock-based or cash-based awards granted to Dr. Margolis) of approximately $40,000,000, to be expensed over the applicable vesting period(s).

As soon as practicable, but in no event later than 21 days after the closing date, DaVita agrees to grant cash-settled performance-based long-term incentive plan awards and stock-based awards to the groups of Continuing Employees and in the amounts and subject to the terms and conditions to be mutually agreed upon by DaVita and Dr. Margolis as soon as administratively practicable following the date of the Merger Agreement. The number of shares of DaVita Common Stock subject to each such stock-based award will be determined by dividing the dollar amount set forth for the recipient as agreed upon by DaVita and Mr. Margolis by an amount equal to the product of the one day DaVita stock volume-weighted average price for the trading day prior to the date of grant and 52.0875%. If applicable, the per unit base or exercise price of such award will be determined by the closing price of DaVita Common Stock on the New York Stock Exchange on the date of grant. Finally, with respect to the portion of the approximately $40,000,000 of long-term incentive compensation expense referenced in the first paragraph of this section Equity and Other Long-Term Incentive Compensation that remains after any grants of long-term incentive awards are made within 21 days following the closing date in accordance with this paragraph, as soon as practicable, but in no event later than 5 business days after the one year anniversary of the closing date, DaVita agrees to grant stock-based awards to the groups of Continuing Employees and in the amounts and subject to the terms and conditions to be mutually agreed upon by DaVita and Dr. Margolis as soon as administratively practicable following the date of the Merger Agreement.

Earn-Out EBITDA LTIP

In the event that the Earn-Out EBITDA for the fiscal year ended December 31, 2013 is equal to or greater than $600,000,000 or payment of the Second Tranche is accelerated pursuant at DaVita s election, then DaVita will, no later than the first date of payment of the Second Tranche (including as such payment may be accelerated at DaVita s election), grant cash-settled performance-based long-term incentive plan awards, totaling $20,000,000 in the aggregate, to the groups of individuals and in the amounts and subject to the terms and conditions to be mutually agreed upon by DaVita and Dr. Margolis.

Conditions to Completion of the Merger

The obligations of HCP to effect the transactions are subject to the satisfaction or waiver of the following conditions:

- the representations and warranties of DaVita and Merger Sub in the Merger Agreement, after disregarding all qualifications relating to materiality and DaVita Material Adverse Effect, must be true and correct at and as of the date of the Merger Agreement and at and as of the closing, as though made at and as of the closing (or, if made as of a specific date, on and as of such date), except where the failure of all such representations or warranties to be so true and correct has not had, and would not reasonably be expected to have, individually or in the aggregate, a DaVita Material Adverse Effect;

- DaVita and Merger Sub having complied with, in all material respects, all covenants and agreements required to be complied with by them under the Merger Agreement on or before the closing;

- the receipt of an officer s certificate, dated as of the closing date, executed by a duly authorized officer of DaVita certifying that the two preceding conditions have been satisfied;

- there not being threatened, instituted or pending any order, action or proceeding, before any court or other governmental authority with jurisdiction over material operations of HCP s business

Table of Contents

(i) challenging or seeking to make illegal, or to delay or otherwise directly or indirectly restrain or prohibit, in any material respect, the consummation of the transactions or seeking to obtain material damages in connection with the transactions, (ii) imposing or seeking to impose material limitations on the ability of DaVita or any of its affiliates to acquire or hold or to exercise full rights of ownership of any securities of the Business Entities, (iii) seeking to prohibit direct or indirect ownership or operation by DaVita or any of its affiliates of all or any material portion of the business or assets of the Business Entities, or to compel DaVita or any of its affiliates or the Related Entities to dispose of or to hold separately all or a material portion of the business or assets of DaVita and its affiliates or of the Business Entities, as a result of the transactions, (iv) materially restricting or materially prohibiting the operations of the Related Entities respective businesses after the closing in any geographic or product market or in any Program, or (v) seeking to invalidate or render unenforceable any material provision of the Merger Agreement or any of the other transaction documents, in each case of clauses (ii), (iii), and (iv) above, only if any such action could reasonably be expected to materially and adversely affect Earn-Out EBITDA for the fiscal year ended December 31, 2012 or December 31, 2013; and

each of DaVita, Merger Sub, and the escrow agent having executed and delivered to HCP and the Member Representative the transaction documents to which it is a party and such other certificates, documents and instruments as HCP may reasonably request related to the transactions.

DaVita Material Adverse Effect means any event, circumstance, change in, or effect on any of DaVita or DaVita s subsidiaries (together with DaVita, the DaVita Business Entities) that is, or could reasonably be expected to be, materially adverse to the business, assets, liabilities, results of operations or the financial condition of the DaVita Business Entities, taken as a whole; provided, however, that none of the following, either alone or in combination, will be taken into account in determining whether there has been a DaVita Material Adverse Effect : (a) events, circumstances, changes, or effects that generally affect the industries or segments thereof in which the DaVita Business Entities operate (including legal and regulatory changes), in each case to the extent such events, circumstances, changes, or effects do not affect the DaVita Business Entities in a substantially disproportionate manner relative to other participants in the industries in which the DaVita Business Entities operate; (b) general economic or political conditions (or changes therein), in each case to the extent such conditions or changes do not affect the DaVita Business Entities in a substantially disproportionate manner relative to other participants in the industries in which the DaVita Business Entities operate; (c) events, circumstances, changes, or effects affecting the financial, credit, or securities markets in the United States generally, including changes in interest rates or foreign exchange rates, to the extent such events, circumstances, changes, or effects do not affect the DaVita Business Entities in a substantially disproportionate manner relative to other participants in the industries in which the DaVita Business Entities operate; (d) events, circumstances, changes, or effects attributable to the consummation of the transactions, or the announcement of the execution of, the Merger Agreement; (e) any event, circumstance, change, or effect caused by acts of civil unrest, armed hostility, sabotage, terrorism, or war (whether or not declared), including any escalation or worsening thereof; (f) earthquakes, hurricanes, tsunamis, tornadoes, floods, mudslides, volcanic eruptions, or other natural disasters; (g) changes or modifications in GAAP, accounting principles, or practices otherwise applicable to the DaVita Business Entities; and (h) any event, circumstance, change, or effect that results from any actions required to be taken or not taken pursuant to the Merger Agreement or upon the written request of HCP.

The obligations of each of DaVita and Merger Sub to effect the transactions are subject to the satisfaction or waiver of the following conditions:

the representations and warranties of HCP contained in Merger Agreement, after disregarding all qualifications relating to materiality or Material Adverse Effect, must be true and correct at and as of the date of the Merger Agreement and at and as of the closing, as though made at and as of the closing (or, if made as of a specific date, on and as of such date), except where the failure of all such representations or warranties to be so true and correct has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;

Table of Contents

HCP having complied, in all material respects, with all covenants and agreements required to be complied with by it under the Merger Agreement on or before the closing;

each of the Substantial Members having complied, in all material respects, with the covenants and agreements required to be complied with by them under their respective Support Agreements on or before the closing;

HCP Medical Group, having complied, in all material respects, with the covenants and agreements required to be complied with by it under the Voting Agreement on or before the closing;

the receipt of an officer s certificate, dated as of the closing date, executed by a duly authorized officer of HCP certifying that the first two conditions above have been satisfied;

there not being threatened, instituted, or pending any order, action or proceeding, before any court or other governmental authority with jurisdiction over material operations of HCP s business (i) challenging or seeking to make illegal, or to delay or otherwise directly or indirectly restrain or prohibit, in any material respect, the consummation of the transactions or seeking to obtain material damages in connection with the transactions, (ii) imposing or seeking to impose material limitations on the ability of DaVita or any of its affiliates to acquire or hold or to exercise full rights of ownership of any securities of the Business Entities, (iii) seeking to prohibit direct or indirect ownership or operation by DaVita or any of its affiliates of all or any material portion of the business or assets of the Business Entities, or to compel DaVita or any of its affiliates or the Related Entities to dispose of or to hold separately all or a material portion of the business or assets of DaVita and its affiliates or of the Business Entities, as a result of the transactions, (iv) materially restricting or materially prohibiting the operations of the Related Entities respective businesses after the closing in any geographic or product market or in any Medicare or Medicaid (or other similar federal, state, local reimbursement, governmental or third-party reimbursement and payment) program, plan or contract (a Program), or (v) seeking to invalidate or render unenforceable any material provision of the Merger Agreement or any of the other transaction documents;

the receipt by DaVita of documentation evidencing certain consents and authorizations;

each of HCP, the Member Representative, and an escrow agent having executed and delivered to DaVita and Merger Sub the transaction documents to which it is a party and such other certificates, documents and instruments as DaVita may reasonably request related to the transactions;

the agreements and other documents related to HCPAMG, HCPMGI, and SMG being in full force and effect, valid and binding on the applicable Business Entities and any Related Entities that are parties thereto, and having not been amended or otherwise modified since the date of the Merger Agreement; and

the receipt from HCP of one or more affidavits, as appropriate, allowable, and necessary under applicable law and under penalties of perjury, providing DaVita with written documentation that (i) no interest in any Business Entity either was or is a United States real property holding corporation either prior to or as of the closing date (in form and substance required under Treasury Regulation Section 1.897-2(h) or under Treasury Regulations issued pursuant to Section 1445 of the Code) or that (ii) no HCP Member is a foreign person (in form and substance required under Treasury Regulations issued pursuant to Section 1445 of the Code), so that DaVita or the Exchange Agent or other party is exempt from withholding any portion of the consideration to be delivered pursuant to the Merger Agreement under Section 1445 of the Code.

Material Adverse Effect means any event, circumstance, change in, or effect on any Business Entity or Related Entity that is, or could reasonably be expected to be, materially adverse to the business, assets, liabilities, results of operations or the financial condition of the Business Entities and the Related Entities, taken as a whole; provided, however, that none of the following, either alone or in combination, will be taken into account in determining whether there has been a Material Adverse Effect : (a) events, circumstances, changes, or effects

138

Table of Contents

that generally affect the industries or segments thereof in which the Business Entities and the Related Entities operate (including legal and regulatory changes), in each case to the extent such events, circumstances, changes, or effects do not affect the Business Entities and the Related Entities in a substantially disproportionate manner relative to other participants in the industries in which the Business Entities and the Related Entities operate; (b) general economic or political conditions (or changes therein), in each case to the extent such conditions or changes do not affect the Business Entities and the Related Entities in a substantially disproportionate manner relative to other participants in the industries in which the Business Entities and the Related Entities operate; (c) events, circumstances, changes, or effects affecting the financial, credit, or securities markets in the United States generally, including changes in interest rates or foreign exchange rates, to the extent such events, circumstances, changes, or effects do not affect the Business Entities and the Related Entities in a substantially disproportionate manner relative to other participants in the industries in which the Business Entities and the Related Entities operate; (d) events, circumstances, changes, or effects attributable to the consummation of the transactions, or the announcement of the execution of, the Merger Agreement; (e) any event, circumstance, change, or effect caused by acts of civil unrest, armed hostility, sabotage, terrorism, or war (whether or not declared), including any escalation or worsening thereof; (f) earthquakes, hurricanes, tsunamis, tornadoes, floods, mudslides, volcanic eruptions, or other natural disasters; (g) changes or modifications in GAAP, accounting principles, or practices otherwise applicable to any Business Entity or Related Entity; and (h) any event, circumstance, change, or effect that results from any actions required to be taken or not taken pursuant to the Merger Agreement or upon the written request of DaVita.

DaVita and HCP may not consummate the transactions unless each of the following conditions is satisfied or waived:

- any waiting period and any extensions applicable to the Merger under the HSR Act must have expired or have been terminated;
- no governmental authority will have enacted, issued, promulgated, enforced or entered any law (whether temporary, preliminary, or permanent) that has the effect of prohibiting or making illegal the transactions;
- the registration statement (as amended or supplemented) of which this prospectus forms a part must have been declared and must be effective under the Securities Act at the effective time, no stop order suspending effectiveness must have been issued, and there must be no action or investigation seeking a stop order or to suspend the effectiveness of the registration statement pending before or threatened by the SEC; and
- the principal terms of the Merger and the Merger Agreement must have been approved, authorized and adopted by the affirmative vote of the HCP Members holding a majority of the issued and outstanding HCP Common Units (the Member Approval).

In addition, DaVita and HCP may terminate the Merger Agreement if the financing is not available, and DaVita may terminate the Merger Agreement the holders of more than 5% of the outstanding HCP Common Units validly exercise their dissenters rights (see Termination of the Merger Agreement below).

Indemnification

The representations and warranties of the parties contained in the Merger Agreement and the representations and warranties with respect to the Business Entities and Related Consolidated Entities that (a) are reasonably requested by the administrative agent under the Senior Secured Financing, (b) are customarily made in secured term loan financings by borrowers with a credit rating equal to or better than DaVita after giving effect to the Merger, (c) as of the closing will be true and correct in all material respects, and (d) pertain to a subject matter other than that covered by the representations and warranties made by HCP in the Merger Agreement (such representations and warranties satisfying the requirements of each of the foregoing clauses (a) through (d), the EQ Representations) will survive the closing until the second anniversary of the closing date, except for (i) the

Table of Contents

representations and warranties relating to the organization, authority and qualification of HCP, the Business Entities, and the Related Entities; ownership of equity interests; no options; brokers; and the organization and authority of DaVita and Merger Sub (collectively, the Specified Reps), which will survive indefinitely with respect only to any indemnification obligations arising out of or resulting from fraud or intentional misrepresentation by HCP, any HCP Member, DaVita, or Merger Sub, and (ii) the representations and warranties relating to healthcare regulatory compliance, which will survive until the fourth anniversary of the closing date. The covenants and agreements contained in the Merger Agreement (other than covenants and agreements to be performed after the closing) will expire on the effective time, and each covenant and agreement contained in the Merger Agreement to be performed after the closing will expire immediately following 120 days after the date on which such covenant or agreement is to be performed. However, any claim made in accordance with the Merger Agreement by the party seeking to be indemnified within the time periods set forth in this paragraph will survive until such claim is finally and fully resolved. Following the expiration of a representation, warranty, covenant, or agreement, no action may be initiated by any DaVita Indemnified Party or HealthCare Partners Indemnified Party (as defined below) with respect thereto, regardless of any statute of limitations period that would otherwise apply.

The Merger Agreement provides that, following the closing, DaVita and its affiliates (including the Business Entities following the closing) and their respective officers, directors, employees, and agents (each, a DaVita Indemnified Party) will from and after the closing be indemnified and held harmless by the HCP Members, jointly and severally, from and against all liabilities, claims, damages (but excluding any consequential, incidental, or indirect damages, mental or emotional distress, diminution in value, lost profits, special, punitive, exemplary, or similar damages, and any damages calculated as a multiple of earnings, EBITDA, or revenue or loss of business reputation or opportunity), interest, awards, judgments, penalties, expenses, and assessments (in each case, including reasonable attorneys and consultants fees and expenses) (collectively, Losses) suffered or incurred by them arising out of or resulting from (without duplication):

- any misrepresentation in or breach of any of the representations or warranties of HCP contained in the Merger Agreement (other than the tax-related representations and warranties, which are addressed below, or any of the EQ Representations);

- the breach of, or failure to perform, any covenant or agreement of HCP (but only to the extent that any such covenant or agreement is to be performed by HCP prior to the closing), the HCP Members, or the Member Representative contained in the Merger Agreement (other than certain tax-related covenants and agreements, which are addressed in below);

- any Losses, including any adverse impact on management fees to be paid to any Business Entity after the closing pursuant to one or more management agreements with Related Entities, attributable to both (1) the operation of the business on or prior to December 31, 2012 (as measured by date of service occurring on or prior to December 31, 2012) and (2) either of the following:

  - any net negative adjustments (netting out all positive adjustments, including recoupments, against all negative adjustments) made to, or net repayments (netting out all positive adjustments, including recoupments, against all negative adjustments) of, pre- or post-closing capitation or other payments from payors to any of the Related Entities as a result of an adjustment of or challenge to the applicable plan s risk adjustment factors by CMS or as a result of any withdrawal or nonvalidation of codes submitted by any of the Related Entities, in each case pursuant to a risk adjustment data validation audit (or other similar or successor audit(s)) of pre-closing activity by CMS or its contractors; or

  - any disclosure (including self-disclosures) to, or investigation, action, order, or audit by, CMS, any other governmental authority regulating or enforcing Health Care Laws or payor, or any agent or contractor thereof or thereto, with respect to pre-closing activity, including a disclosure by a whistleblower with respect to any Business Entity or Related Entity, in all cases computed net of all positive adjustments, including recoupments, resulting from all such disclosures, investigations, actions, orders or audits;

provided, however, that any indemnification obligation of the HCP Members under this section that is attributable to the operation of the business (as measured by date of service) during the period from the closing date until December 31, 2012, will be prorated by multiplying the amount of such Losses by a fraction, the numerator of which is the number of days in 2012 through the closing date and the denominator of which is 366; there will be no proration or reduction for any Losses attributable to the operation of the business (as measured by date of service) prior to the closing date and that the HCP Members will be responsible under the Merger Agreement for all such pre-closing date Losses; and

Indemnified Taxes, meaning any and all taxes imposed on any of the Business Entities or on any of the Related Entities

in respect of any pre-closing tax period (regardless of whether such taxes, or the tax returns therefor, are due prior to, as of, or after the closing date);

by reason of any Business Entity or any Related Entity being (i) a party to a tax sharing agreement or tax indemnity agreement or other similar agreement entered into prior to the closing date, (ii) a successor or transferee under applicable law in respect of a transaction consummated prior to the closing date, or (iii) included in any consolidated, affiliated, combined or unitary or other tax group at any time before the closing date with any entity other than another Business Entity or another Related Entity, including by reason of any liability pursuant to Treasury Regulation Section 1.1502-6 or a similar provision of state, local, or other law, in each case, with respect to the foregoing clauses (i), (ii), and (iii), to the extent that such taxes relate to an event or transaction occurring prior to the closing;

in respect of any discharge of indebtedness or other income that results from the elimination of any intercompany indebtedness as contemplated by the Merger Agreement; or

in respect of or as a result of (i) the breach of the covenants not to take certain actions that would increase the tax liability of any Business Entity or a Related Consolidated Entity for any period ending after the closing date or decrease any tax attribute of any Business Entity or a Related Consolidated Entity existing on the closing date or of certain agreements relating to tax matters contained in the Merger Agreement, or (ii) the breach of HCP s tax-related representations and warranties contained in the Merger Agreement; provided that Indemnified Taxes will also include Deferred Compensation Amounts (as defined in the Merger Agreement); provided, further, that any taxes, tax reserves or Deferred Compensation Amounts that are taken into account as a current liability for purposes of final net working capital (excluding any reserve for deferred taxes established to reflect timing differences between book and tax income) will be excluded from Indemnified Taxes.

In the case of any taxable period beginning on or before and ending after the closing date (a Straddle Period),

the amount of any taxes based on or measured by income, receipts, or expenditures of the Business Entities or the Related Entities that is allocable to the pre-closing tax period will be determined based on an interim closing of the books of each of the Business Entities and the Related Entities as of the close of business on the closing date (and for such purpose, the taxable period of any partnership or other pass-through entity in which any of the Business Entities or Related Entities holds a beneficial interest will be deemed to terminate at such time); and

the amount of all other taxes of the Business Entities or the Related Entities that are allocable to the pre-closing tax period will be deemed to be the amount of such taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days in the Straddle Period ending on the closing date and the denominator of which is the number of days in such Straddle Period; provided that (A) any taxes attributable to any transaction engaged in by DaVita, any Business Entity, or any Related Entity that is not specifically contemplated by the Merger Agreement (rather than generally

Table of Contents

permitted by the Merger Agreement) or that is not in the ordinary course of business, in each case, after the closing but on the closing date, (B) any increase in property taxes that is directly due to the transactions contemplated by the Merger Agreement or to actions taken by DaVita or any Business Entity following the closing, and (C) any taxes (other than taxes resulting from a negative tax capital account maintained by a partner of HCPAMG) attributable to the execution of the AMG Documents (as defined in the Merger Agreement) or effecting the transactions contemplated thereby will, in each case, be allocated to the Post-Closing Tax Period beginning on the day after the closing date. For purposes of this section, Losses includes taxes.

The HCP Members and their respective officers, managers, equityholders, employees, and agents (each, a HealthCare Partners Indemnified Party) will from and after the closing be indemnified and held harmless by DaVita from and against any and all Losses suffered or incurred by them arising out of or resulting from (without duplication):

any misrepresentation in or breach of any of the representations or warranties of DaVita or Merger Sub contained in the Merger Agreement;

the breach of, or failure to perform, any covenant or agreement of DaVita or Merger Sub, or HCP (but with respect to HCP only to the extent that any such covenant or agreement is to be performed by HCP after the closing) contained in the Merger Agreement;

any taxes imposed on the Business Entities or the Related Entities, or any taxes that are imposed on any HCP Member with respect to a pre-closing tax period as a result of the breach of, or failure to perform, any covenant or agreement in the Merger Agreement by DaVita or any affiliate of DaVita, including, after the closing, HCP or any affiliate of HCP, and that are not Indemnified Taxes subject to indemnification (and for purposes of this section, Losses includes taxes); and

the execution of the AMG Documents and the transactions contemplated thereby (and for purposes of this section, Losses include taxes other than taxes resulting from a negative tax capital account maintained by a partner of HCPAMG).

Notwithstanding anything to the contrary contained in the Merger Agreement:

the HCP Members will not be liable for any Losses arising from any misrepresentation in or breach of any of the representations or warranties of HCP contained in the Merger Agreement (other than the tax-related representations and warranties) or any of the EQ Representations or any Losses attributable to both the operation of the business on or prior to December 31, 2012 and either (x) any net negative adjustments made to, or net repayments of, pre- or post-closing capitation or other payments from payors to any of the Related Entities pursuant to a risk adjustment data validation audit or (y) any disclosure to, or investigation, action, order, or audit by, CMS, any other governmental authority regulating or enforcing health care laws or payor, with respect to pre-closing activity, unless and until the aggregate amount of indemnifiable Losses which may be recovered from the HCP Members exceeds $27,500,000, whereupon the DaVita Indemnified Party will be entitled to indemnification for the full amount of such Losses (without deduction of such threshold amount); provided that the limitations set forth in this paragraph will not apply to breaches by HCP of any of the Specified Reps;

no claim for indemnification by any DaVita Indemnified Party may be asserted for any individual item or a series of related items where the Losses with respect to such item or series of related items are less than $100,000 (and if the Losses relating to such item or series of related items do not exceed $100,000, then no such Losses will be counted toward satisfaction of the $27,500,000 threshold described in the immediately preceding paragraph);

the maximum aggregate amount of indemnifiable Losses that may be recovered from the HCP Members will be an amount equal to the value, if any, of DaVita Common Stock and the amount, if any, of cash remaining in the Escrow Fund on or prior to the second anniversary of the closing date and

142

Table of Contents

in the Healthcare Indemnity Account and the Tax Indemnity Account following the second anniversary of the closing date (the Cap) (the HCP Members will not be liable for Losses in the aggregate in excess of the Cap);

following the second anniversary of the closing date, the only indemnifiable Losses that may be recovered from the HCP Members (and any such recovery will be limited by the Cap) will be (A) from the Healthcare Indemnity Account but only until the Fourth Escrow Distribution Date (except as otherwise provided in the following paragraph) and only (x) pursuant to the provisions governing indemnification by the HCP Members for any misrepresentation in or breach of any of the representations or warranties of HCP contained in the Merger Agreement (other than the tax-related representations and warranties) or any of the EQ Representations but only with respect to the representations and warranties relating to Healthcare Regulatory Compliance and (y) pursuant to the provisions governing the indemnification of any Losses attributable to both the operation of the business on or prior to December 31, 2012 and either (x) any net negative adjustments made to, or net repayments of, pre- or post-closing capitation or other payments from payors to any of the Related Entities pursuant to a risk adjustment data validation audit or (y) any disclosure to, or investigation, action, order, or audit by, CMS, any other governmental authority regulating or enforcing health care laws or payor, with respect to pre-closing activity, and (B) from the Tax Indemnity Account but only until the Fifth Escrow Distribution Date (except as otherwise provided below and only pursuant to the provisions governing indemnification by the HCP Members for Indemnified Taxes);

following the Fourth Escrow Distribution Date, the only indemnifiable Losses that may be recovered from the Healthcare Indemnity Account will be for any claim made by a DaVita Indemnified Party on or prior to the Fourth Escrow Distribution Date in accordance with the Merger Agreement for Losses arising from any misrepresentation in or breach of any of the representations or warranties of HCP contained in the Merger Agreement (other than the tax-related representations and warranties) or any of the EQ Representations but only with respect to the representations and warranties relating to healthcare regulatory compliance or for Losses attributable to both the operation of the business on or prior to December 31, 2012 and either (x) any net negative adjustments made to, or net repayments of, pre- or post-closing capitation or other payments from payors to any of the Related Entities pursuant to a risk adjustment data validation audit or (y) any disclosure to, or investigation, action, order, or audit by, CMS, any other governmental authority regulating or enforcing health care laws or payor, with respect to pre-closing activity, in each case that remains unresolved as of the Fourth Escrow Distribution Date;

following the Fifth Escrow Distribution Date, the only indemnifiable Losses that may be recovered from the Tax Indemnity Account will be for any claim made by a DaVita Indemnified Party on or prior to the Fifth Escrow Distribution Date in accordance with the Merger Agreement and from the Tax Indemnity Account but only until the Fifth Escrow Distribution Date and only pursuant to the provisions governing indemnification by the HCP Members for Indemnified Taxes, in each case that remains unresolved as of the Fifth Escrow Distribution Date;

the HCP Members will not be liable for any Losses for Indemnified Taxes to the extent arising out of, resulting from, or accelerated by, the breach of any covenant in the Merger Agreement by DaVita or any affiliate of DaVita, including, after the closing, HCP or any affiliate of HCP; and

the HCP Members will not be liable for any Losses to the extent arising out of or resulting from the execution of the AMG Documents or the transactions contemplated thereby (it being understood that, for the avoidance of doubt, this will not require DaVita to indemnify any HCP Member that is also a partner of HCPAMG for taxes resulting from a negative tax capital account maintained by such partner in HCPAMG).

The limitations listed above will not apply in respect of any indemnification obligation arising out of or resulting from fraud or intentional misrepresentation by HCP (to the extent occurring prior to the closing) or any

Table of Contents

HCP Member (it being understood that any such indemnification obligation may only be recovered from the Escrow Fund if a claim is made with respect thereto on or prior to the second anniversary of the closing date in accordance with the Merger Agreement and may not be recovered from the Healthcare Indemnity Account or the Tax Indemnity Account).

Notwithstanding anything to the contrary contained in the Merger Agreement:

- DaVita will not be liable for any Losses arising from any misrepresentation in or breach of any of the representations or warranties of DaVita or Merger Sub contained in the Merger Agreement unless and until the aggregate amount of indemnifiable Losses which may be recovered from DaVita exceeds $5,008,380, whereupon the HealthCare Partners Indemnified Party will be entitled to indemnification for the full amount of such Losses (without deduction of such threshold amount); provided that the limitations set forth in this paragraph will not apply to breaches by DaVita or Merger Sub of any of the Specified Reps;

- no claim for indemnification by any HealthCare Partners Indemnified Party for (a) Losses arising from any misrepresentation in or breach of any of the representations or warranties of DaVita or Merger Sub contained in the Merger Agreement or (b) Losses arising from the breach of, or failure to perform, any covenant or agreement of DaVita or Merger Sub or HCP (but with respect to HCP, only to the extent any covenant or agreement is to be performed by HCP after the closing) contained in the Merger Agreement will be asserted for any individual item or a series of related items where the Losses with respect to such item or series of related items are less than $100,000 (and if the Losses relating to such item or series of related items do not exceed $100,000, then no such Losses will be counted toward satisfaction of the threshold set forth in the immediately preceding paragraph;

- the maximum aggregate amount of indemnifiable Losses which may be recovered from DaVita arising from (a) any misrepresentation in or breach of any of the representations or warranties of DaVita or Merger Sub contained in the Merger Agreement and (b) any taxes that are not Indemnified Taxes imposed on the Business Entities or the Related Entities, or any taxes that are not Indemnified Taxes imposed on any HCP Member with respect to a pre-closing tax period as a result of DaVita s or a DaVita affiliate s (including, after the closing, HCP or an affiliate of HCP) breach of, or failure to perform, any covenant or agreement in the Merger Agreement will be an amount equal to $101,875,000 (it being understood that DaVita will not be liable for Losses in the aggregate in excess of $101,875,000 pursuant to this paragraph); and

- DaVita will not be liable for any Losses arising from (a) any taxes that are not Indemnified Taxes imposed on the Business Entities or the Related Entities, or any taxes that are not Indemnified Taxes imposed on any HCP Member with respect to a pre-closing tax period as a result of DaVita s or a DaVita affiliate s (including, after the closing, HCP or an affiliate of HCP) breach of, or failure to perform, any covenant or agreement in the Merger Agreement or (b) the execution of the AMG Documents and the transactions contemplated thereby (including Losses relating to taxes other than taxes resulting from a negative tax capital account maintained by a partner of HCPAMG) to the extent arising out of, resulting from, or accelerated by, the breach of any covenant in the Merger Agreement by any HCP Member or, prior to the closing, by HCP or any affiliate of HCP.

The limitations listed above will not apply in respect of any indemnification obligation arising out of or resulting from fraud or intentional misrepresentation by DaVita or Merger Sub, or by HCP (to the extent occurring after the closing).

The HCP Members liability for any Losses will be satisfied solely and exclusively from the Escrowed Merger Consideration then held by the Escrow Agent in the Escrow Account on or prior to the second anniversary of the closing date (the Escrow Fund) or in the Healthcare Indemnity Account and in the Tax Indemnity Account after the second anniversary of the closing date by reducing the amounts that would otherwise become payable to the HCP Members under the Escrow Agreement, and in no event will any such

Table of Contents

Losses other than from Escrowed Merger Consideration in the Escrow Account, the Healthcare Indemnity Account, and the Tax Indemnity Account be payable by the HCP Members through application of the specific performance provisions of the Merger Agreement. Notwithstanding anything else in the Merger Agreement to the contrary, once Escrowed Merger Consideration in the Escrow Account, the Healthcare Indemnity Account, and the Tax Indemnity Account has been exhausted or fully paid to the HCP Members and the holders of HCP Options, the only liability of the HCP Members for Losses under the Merger Agreement that will survive will be with respect to breaches of any of the Specified Reps arising out of or resulting from fraud or intentional misrepresentation by HCP (to the extent occurring prior to the closing) or any HCP Member, which liability will be several and not joint among the HCP Members and will be allocated pro rata based on the fully diluted units held by such HCP Members as of immediately prior to the closing relative to the Total Outstanding HCP Units.

For purposes of the indemnification provisions of the Merger Agreement, the representations and warranties of HCP will not be deemed to be qualified by any references to the terms material , materially , Material Adverse Effect or terms of similar meaning; provided, however, that, in no event will (A) Material Contract be read to mean Contract or (B) any such material , materially or Material Adverse Effect be read out of representations and warranties relating to conduct in the ordinary course or Material Contracts. Losses will be net of (A) any insurance proceeds actually paid to the indemnified party or any of its affiliates in connection with the facts giving rise to the right of indemnification and, if the indemnified party or any of its affiliates receives such proceeds after receipt of payment from the indemnifying party, then the amount of such proceeds, net of any related deductibles and reasonable expenses incurred in obtaining them, will be paid to the indemnifying party; (B) any prior or subsequent contribution or other payments or recoveries of a like nature by the indemnified party from any third person (other than the indemnifying party) with respect to such Losses; and (C) any amount reserved on the estimated closing balance sheet or, on and after such time there exists a balance sheet from which final net working capital and final indebtedness amount are calculated, such balance sheet with respect to such Loss to the extent that such amount was included in final net working capital or final indebtedness amount. Each of the parties to the Merger Agreement agreed to treat any payment for any indemnification claim pursuant to the Merger Agreement as an adjustment to the consideration received pursuant to the Merger Agreement by the HCP Members and the holders of HCP Options. Each indemnified party will be obligated to use its commercially reasonable efforts to mitigate all Losses after it becomes aware of any event that could reasonably be expected to give rise to any Losses that are indemnifiable or recoverable under the Merger Agreement or in connection therewith.

No indemnifying party will be liable for Losses in respect of any liability or Loss that is contingent unless and until such contingent liability or Loss becomes an actual liability or Loss and is due and payable and no indemnifying party will be liable to pay any amount in discharge of a claim unless and until the liability or Loss in respect of which the claim is made has become due and payable.

An indemnified party is not entitled under the Merger Agreement to multiple recoveries for the same Loss.

No DaVita Indemnified Party will be entitled to indemnification under the Merger Agreement with respect to any Losses to the extent that such Losses have been incorporated into the final determination of the final net working capital or the final indebtedness amount (see Post-Closing Merger Consideration Adjustment Determination) and DaVita has been paid the total shortfall amount, if any, to which it is entitled pursuant to the Merger Agreement.

The right of a DaVita Indemnified Party or a HealthCare Partners Indemnified Party to indemnification or to assert or recover on any claim will not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of the Merger Agreement or the closing date, with respect to the accuracy of or compliance with any of the representations, warranties, covenants, or agreements set forth in the Merger Agreement. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with

Table of Contents

any covenant or agreement, will not affect the right to indemnification or other remedy based on such representations, warranties, covenants or agreements.

DaVita may offset any amounts to which it may be entitled under the terms of the Merger Agreement against amounts otherwise payable by it under the Merger Agreement. Neither the exercise of, nor the failure to exercise, such right of offset will constitute an election of remedies or limit DaVita in any manner in the enforcement of any other remedies that may be available to it.

Any Loss incurred by a DaVita Indemnified Party to the extent due to its or HCP s or a Related Consolidated Entity s direct or indirect ownership of equity securities of a less than wholly owned Related Entity will be limited to the Losses attributable to such DaVita Indemnified Party s or HCP s or such Related Consolidated Entity s ownership interest and will not include any Losses incurred to the extent due to any other ownership interest of equity securities in such Related Entity.

Notice of Loss; Third-Party Claims

An indemnified party will give the indemnifying party written notice of any matter which an indemnified party has determined has given or could give rise to a right of indemnification under the Merger Agreement, within 45 days of such determination, stating the amount of the Loss, if known, and method of computation thereof, and containing a reference to the provisions of the Merger Agreement in respect of which such right of indemnification is claimed or arises; provided, however, that the failure to provide such notice will not release the indemnifying party from any of its obligations under the Merger Agreement except to the extent that the indemnifying party is materially prejudiced by such failure.

If an indemnified party receives notice of any action, audit, claim, demand, or assessment against it (each, a Third-Party Claim) that may give rise to a claim for Loss under the Merger Agreement, within 30 days of the receipt of such notice (or within such shorter period as may be required to permit the indemnifying party to respond to any such claim), the indemnified party will give the indemnifying party written notice of such Third-Party Claim together with copies of all notices and documents served on or received by the indemnified party; provided, however, that the failure to provide such notice or copies will not release the indemnifying party from any of its obligations under the Merger Agreement except to the extent that the indemnifying party is materially prejudiced by such failure. The indemnifying party will be entitled to assume and control the defense of such Third-Party Claim at its expense and through counsel of its choice (provided that such counsel is not reasonably objected to by the indemnified party) if it gives notice of its intention to do so to the indemnified party within 30 days of the receipt of such notice from the indemnified party; provided that, if the Third-Party Claim consists of an action brought against or with respect to the indemnified party by a governmental authority enforcing, or asserting Losses as a result of a violation of, health care laws, the indemnified party will be entitled, by giving written notice to the indemnifying party concurrently with the giving of written notice of such Third-Party Claim, to elect to jointly assume and control the defense of such Third-Party Claim with the indemnifying party, with each of the indemnified party and indemnifying party bearing one-half of the expense of such defense and through counsel jointly selected by the indemnified party and the indemnifying party. If the indemnifying party elects to undertake any such defense (other than a joint defense as described above) against a Third-Party Claim, the indemnified party may participate in such defense at its own expense. The indemnified party will reasonably cooperate with the indemnifying party in such defense and make available to the indemnifying party, at the indemnifying party s expense (other than in the case of a joint defense as described above where such expense will be split equally), all witnesses, pertinent records, materials, and information in the indemnified party s possession or under the indemnified party s control relating thereto (or in the possession or control of any of its affiliates or its or their Representatives) as is reasonably requested by the indemnifying party or its counsel. If the indemnifying party elects to direct the defense of any Third-Party Claim, the indemnified party will not pay or approve the payment of any part of such Third-Party Claim unless the indemnifying party consents in writing to such payment or unless the indemnifying party withdraws from the defense of such Third-Party Claim or unless a final judgment from which no appeal may be taken by or on behalf of the indemnifying party is entered against

Table of Contents

the indemnified party for such Third-Party Claim. If the indemnifying party has elected to direct and is directing the defense of any Third-Party Claim, the indemnified party will not forgo any appeal or admit any liability with respect to, or settle, compromise, or discharge, such Third-Party Claim without the indemnifying party s prior written consent. The indemnifying party will have the right to settle any Third-Party Claim for which it obtains a full release of the indemnified party in respect of such Third-Party Claim (and which settlement does not impose injunctive or other equitable relief against the indemnified party or a finding or admission of any violation of applicable law or violation of the rights of any person by the indemnified party) or to which settlement the indemnified party consents in writing, such consent not to be unreasonably withheld, conditioned, or delayed.

Upon making any payment to the indemnified party for any indemnification claim, the indemnifying party will be subrogated, to the extent of such payment, to any rights which the indemnified party may have against any third-parties with respect to the subject matter underlying such indemnification claim and the indemnified party will assign any such rights to the indemnifying party.

Remedies; Specific Performance

Each of the parties to the Merger Agreement acknowledges and agrees that following the closing, other than certain specific performance obligations (subject to certain limits on indemnification):

- the indemnification provisions set forth in the Merger Agreement will be the sole and exclusive remedies of the parties for any breach of the representations and warranties contained in the Merger Agreement or of the EQ Representations and for any failure to perform or comply with any covenant or agreement in the Merger Agreement; and

- any and all claims arising out of or in connection with the transactions must be brought under and in accordance with the terms of the Merger Agreement.

In furtherance of the foregoing, each party to the Merger Agreement has agreed to waive, from and after the closing, to the fullest extent permitted by law, any and all other rights, claims, and causes of action it may have against the other party or its affiliates, successors, and permitted assigns relating to the subject matter of the Merger Agreement (other than claims for fraud or intentional misrepresentation).

Subject to certain limitations on indemnification, each of the parties to the Merger Agreement acknowledges that a breach or threatened breach by any party of any of their obligations under the Merger Agreement (including failing to take such actions as are required of it under the Merger Agreement to consummate the transactions) would give rise to irreparable harm to the other parties to the Merger Agreement for which monetary damages would not be an adequate remedy and agrees that in the event of a breach or a threatened breach by a party of any such obligations, any non-breaching party will, in addition to any and all other rights and remedies that may be available to it in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance, and any other relief that may be available from a court of competent jurisdiction (without any requirement to post bond or other security). Each of the parties to the Merger Agreement agrees that such party will not oppose the granting of a temporary restraining order, an injunction, specific performance, or any other equitable relief on the basis that there is an adequate remedy at law or that any award of specific performance is not an appropriate remedy for any reason at law or in equity. For the avoidance of doubt, HCP and the Member Representative will not have the rights described in this paragraph to obtain a temporary restraining order, an injunction, specific performance, or any other equitable relief that may be available from a court of competent jurisdiction to cause the consummation of the closing if:

- DaVita has complied with its Financing covenants,

- despite such compliance, the proceeds of the Financing are not available to DaVita or Merger Sub; and

- upon termination of the Merger Agreement, the DaVita Termination Fee is due and payable in accordance with the Merger Agreement.

147

Table of Contents

Member Representative

Pursuant to the Merger Agreement, each HCP Member irrevocably designates Robert D. Mosher as the Member Representative and appoints Mr. Mosher as the true and lawful agent and attorney in fact of the HCP Members as the Member Representative for and on behalf of the HCP Members to give and receive notices and communications in connection with the Merger Agreement and related matters, including in connection with claims for indemnification, to take all actions, including the payment of expenses or defense on behalf of HCP Members, and to agree to, negotiate, defend, and enter into settlements, adjustments, and compromises of, and commence and prosecute litigation and comply with governmental orders with respect to, such claims, and to take all other actions, including the giving of instructions to the escrow agent, that are either (i) necessary or appropriate in the judgment of the Member Representative for the accomplishment of the foregoing or (ii) specifically authorized or mandated by the Merger Agreement. The Member Representative will be subject to removal by HCP Medical Group (or its designated successor). Notices or communications to or from the Member Representative will constitute notice to or from the Members. Each Member agrees to receive correspondence from the Member Representative, including in electronic form. As promptly as reasonably practicable following the date of the Merger Agreement, HCP will deliver to the Member Representative a mailing list with the mailing address and email address of each HCP Member and holder of HCP Options and the Member Representative will rely on such mailing list unless notified in writing by any HCP Member, holder of HCP Options, or any authorized representative of any HCP Member or holder of HCP Options of a change in such member s or holder of HCP Options mailing address or email address or of a transfer, identifying (in the case of a transfer) the name and address of the successor interest holder. Mr. Mosher executed the Merger Agreement solely in his capacity as the Member Representative and solely with respect to certain specified provisions of the Merger Agreement, and the Member Representative has no duties or obligations, at law, in equity, by contract, or otherwise, to act on behalf of any HCP Member, except for those duties or obligations expressly set forth in the Merger Agreement.

Any and all costs and expenses of the Member Representative, including any costs and expenses of any person retained by the Member Representative to provide assistance, counsel, or other advisory services, incurred in performing his obligations under the Merger Agreement will be paid or recovered from funds in the MR Escrow Account (see Member Representative Escrow). If there are no funds in the MR Escrow Account, the Member Representative may recover 80% of such expenses from HCP Medical Group and 20% of such expenses from Bay Shores Investment LLC. HCP Medical Group and Bay Shores Investment LLC may recover any such expenses pro rata from the other HCP Members to the extent that the amount of such expenses paid by HCP Medical Group or Bay Shore Investment LLC exceeds their respective pro rata shares.

The Member Representative will be entitled to act in his sole and absolute discretion and will incur no liability whatsoever to the HCP Members for any act done or omitted as the Member Representative, including errors in judgment, while acting in good faith or in reliance on the advice of representatives of HCP Medical Group, counsel, accountants, or other advisors, consultants, or experts. The HCP Members will exonerate and make no claim against the Member Representative for acting as their Member Representative, other than with respect to any act or failure to act which represents fraud, willful misconduct, or gross negligence on the part of the Member Representative. The HCP Members will indemnify the Member Representative and hold the Member Representative harmless against any liability incurred without fraud, willful misconduct, or gross negligence on the part of the Member Representative and arising out of or in connection with the acceptance or administration of the Member Representative s duties under the Merger Agreement, including the reasonable fees and expenses of any legal counsel retained by the Member Representative. The Member Representative will be compensated for his service as such based upon the amount of time devoted to such services at the normal hourly rate of the Member Representative as determined by Nossaman LLP. If the Member Representative is not a lawyer at Nossaman LLP, the Member Representative will be compensated at a rate and on a basis established by HCP Medical Group. The Member Representative will be paid such compensation from the funds in the MR Escrow Account. If there are no remaining funds in the MR Escrow Account, the Member Representative may recover his compensation in the same way expenses may be recovered pursuant to the last two sentences of the preceding paragraph.

Table of Contents

A decision, act, consent, or instruction of the Member Representative after the closing, including a waiver of the Merger Agreement pursuant to the Merger Agreement (see Amendment and Waiver), will constitute a decision of all the HCP Members and will be final, binding, and conclusive upon the HCP Members. DaVita is entitled to rely upon any such decision, act, consent, or instruction of the Member Representative as being the decision, act, consent, or instruction of all the Members. Under the Merger Agreement, DaVita is relieved from any liability to any person for any acts done by DaVita in accordance with such decision, act, consent, or instruction of the Member Representative.

Concurrently with the execution of the Merger Agreement, DaVita executed and delivered to the Member Representative a conflict waiver letter mutually agreeable to DaVita and the Member Representative. The HCP Members acknowledge that the Member Representative is a partner in a law firm, Nossaman LLP, which provides legal services to HCP and after the closing may provide legal services to or on behalf of DaVita and its affiliates, including the surviving entity, and HCP with respect to periods prior to closing, and the HCP Members acknowledge and waive any conflict of interest that may result from the representation of DaVita and its affiliates by Nossaman LLP or Mr. Mosher at a time when Mr. Mosher concurrently serves as the Member Representative.

Termination of the Merger Agreement

DaVita and HCP may terminate the Merger Agreement by mutual written consent. Either DaVita or HCP may terminate the Merger Agreement at any time prior to the closing:

- if the closing has not occurred by November 30, 2012 (the Termination Date); provided, however, that the right to terminate the Merger Agreement after the Termination Date will not be available to any party whose breach or failure to fulfill any obligation under the Merger Agreement was the cause of, or resulted in, the failure of the closing to occur on or prior to such date;

- in the event that any governmental order enjoining or otherwise prohibiting the transactions becomes final and nonappealable;

- upon written notice to the other party, if the Member Approval has not been obtained;

- in the event that one or more of the conditions to closing cannot be satisfied as of the closing date; provided, however, that the right to terminate the Merger Agreement for this reason will not be available to any party in breach of the Merger Agreement or whose failure to fulfill any obligation under the Merger Agreement was the cause of, or resulted in, such condition not to be satisfied as of the closing date; or

- in the event that neither DaVita nor Merger Sub has received the proceeds of the Financing at any time following the satisfaction or waiver of all the conditions to DaVita and Merger Sub s obligation to consummate the transactions (other than those conditions that, by their nature, cannot be satisfied until the closing date, but which conditions could be satisfied if the closing date were the date of such termination); provided that the right to terminate the Merger Agreement for this reason will not be available to any party in breach of the Merger Agreement or whose failure to fulfill any obligation under the financing covenants of the Merger Agreement was the cause of, or resulted in, such failure of DaVita or Merger Sub to receive the proceeds of the Financing.

DaVita may terminate the Merger Agreement if:

- a breach of any representation, warranty, covenant or agreement on the part of HCP set forth in the Merger Agreement (including an obligation to consummate the transactions) has occurred that would, if occurring or continuing on the closing date, cause any of the conditions to DaVita and Merger Sub s obligations to consummate the transactions not to be satisfied, and such breach is not cured, or is incapable of being cured, within 30 days (but no later than the Termination Date) of receipt of written notice by DaVita to HCP of such breach; provided that DaVita is not then in breach of the Merger

Table of Contents

Agreement so as to cause any of the conditions to HCP s obligations to consummate the transactions not to be satisfied; or

upon written notice to HCP within five business days after obtaining the Member Approval, if at the time of termination holders of more than 5% of the outstanding HCP Common Units have validly exercised their dissent rights (and not withdrawn such exercise or otherwise become ineligible to effect such exercise) in respect of the transactions.

HCP may terminate the Merger Agreement if:

a breach of any representation, warranty, covenant, or agreement on the part of DaVita or Merger Sub set forth in the Merger Agreement (including an obligation to consummate the transactions) has occurred that would, if occurring or continuing on the closing date, cause any of the conditions to HCP s obligation to consummate the transactions not to be satisfied, and such breach is not cured, or is incapable of being cured, within 30 days (but no later than the Termination Date) of receipt of written notice by HCP to DaVita of such breach; provided that HCP is not then in breach of the Merger Agreement so as to cause any of the conditions to DaVita and Merger Sub s obligations to consummate the transactions not to be satisfied.

In some cases, termination of the Merger Agreement may require DaVita to pay a termination fee and expenses to HCP, as described below under Termination Fee and Expenses.

Termination Fee

The Merger Agreement provides that DaVita is required to pay the DaVita Termination Fee to HCP (provided that in no event will DaVita be required to pay the DaVita Termination Fee on more than one occasion) in the event that:

DaVita or HCP terminates the Merger Agreement because the closing has not occurred by the Termination Date, and at such time:

a breach of any representation, warranty, covenant or agreement on the part of DaVita and Merger Sub set forth in the Merger Agreement exists, including the obligation of DaVita or Merger Sub to consummate the transactions;

HCP has not received a certificate of DaVita signed by a duly authorized officer certifying that DaVita s and Merger Sub s representations and warranties are true and correct and that DaVita and Merger Sub have complied with their covenants and agreements in all material respects;

either DaVita, Merger Sub or the escrow agent has not executed and delivered the transaction documents to which it is a party; or

any other condition to HCP s obligation to consummate the transactions has not been met due to DaVita s or Merger Sub s breach of the Merger Agreement or failure to fulfill any obligation under the Merger Agreement).

In each case, following the satisfaction or waiver of all the conditions to DaVita s and Merger Sub s obligation to consummate the transactions (other than (x) conditions that have not been met due to DaVita s or Merger Sub s breach of the Merger Agreement or failure to fulfill any obligation under the Merger Agreement and (y) those conditions that, by their nature, cannot be satisfied until the closing date, but, in the case of clause (y), which conditions could be satisfied if the closing date were the date of such termination or if DaVita or Merger Sub had not breached the Merger Agreement or had not failed to fulfill its obligations under the Merger Agreement;

HCP terminates the Merger Agreement because a breach of any representation, warranty, covenant, or agreement on the part of DaVita or Merger Sub set forth in the Merger Agreement (including an

150

Table of Contents

obligation to consummate the transactions) has occurred that would, if occurring or continuing on the closing date, cause any of the conditions of HCP s obligation to consummate the transactions not to be satisfied, and such breach is not cured, or is incapable of being cured, within 30 days (but no later than the Termination Date) of receipt of written notice by HCP to DaVita of such breach, following the satisfaction or waiver of all the conditions to DaVita and Merger Sub s obligation to consummate the transactions (other than (x) conditions that have not been met due to DaVita s or Merger Sub s breach of the Merger Agreement or failure to fulfill any obligation under the Merger Agreement and (y) those conditions that, by their nature, cannot be satisfied until the closing date, but, in the case of clause (y), which conditions could be satisfied if the closing date were the date of such termination or if DaVita or Merger Sub had not breached the Merger Agreement or had not failed to fulfill its obligations under the Merger Agreement);

HCP terminates the Merger Agreement in the event that one or more of the conditions to closing cannot be satisfied as of the closing date following DaVita s or Merger Sub s breach of the Merger Agreement or failure to fulfill any obligation under the Merger Agreement, in each case that has been the cause of, or has resulted in, a condition not to be satisfied as of the closing date that provided the basis for the termination of the Merger Agreement; or

DaVita or HCP terminates the Merger Agreement in the event that neither DaVita nor Merger Sub has received the proceeds of the Financing at any time following the satisfaction or waiver of all the conditions to DaVita s and Merger Sub s obligation to consummate the transactions (other than those conditions that, by their nature, cannot be satisfied until the closing date, but which conditions could be satisfied if the closing date were the date of such termination), other than if:

HCP has failed to deliver to DaVita on the closing date a certificate signed by a duly authorized officer of HCP certifying that, effective as of the closing, the EQ Representations with respect to which HCP has confirmed to DaVita that DaVita may make in the Financing Agreement with respect to the Senior Secured Financing are true and correct in all material respects as of the closing date; and

neither DaVita nor Merger Sub has received the proceeds of the Senior Secured Financing and that failure is solely the result of the EQ Representations not being true and correct in all material respects as of the closing date.

If the DaVita Termination Fee becomes due and DaVita fails to timely pay such fee, and, in order to obtain payment, HCP commences an action that results in a judgment against DaVita for the payment of the DaVita Termination Fee, DaVita will, in addition to paying HCP the DaVita Termination Fee, pay HCP its reasonable costs and expenses (including reasonable attorneys fees) in connection with the such action, together with interest on such termination fee at the prime rate, as quoted in the Money Rates section of *The Wall Street Journal*, for the period commencing on the date the DaVita Termination Fee was required to be paid through the date such payment was actually received by HCP.

Expenses

Except as otherwise specified in the Merger Agreement, all costs and expenses, including fees and disbursements of counsel, financial advisors, accountants, and printers and filing, processing or other fees, incurred in connection with the Merger Agreement and the other transaction documents and the transactions shall be borne by the party incurring such costs and expenses, whether or not the closing has occurred.

Amendment and Waiver

The Merger Agreement may not be amended or modified except (a) by an instrument in writing signed by, or on behalf of, each of the parties to the Merger Agreement; or (b) by a waiver as described below.

Table of Contents

Any party to the Merger Agreement may (a) extend the time for the performance of any of the obligations or other acts of any other party; (b) waive any inaccuracies in the representations and warranties of any other party contained in the Merger Agreement or in any document delivered by any other party pursuant to the Merger Agreement; or (c) waive compliance with any of the agreements of any other party or conditions to such obligations contained in the Merger Agreement. Any such extension or waiver will be valid only if set forth in writing signed by the parties to be bound thereby. Notwithstanding the foregoing, no failure or delay by any party to the Merger Agreement in exercising any right thereunder will operate as a waiver thereof nor will any single or partial exercise thereof preclude any other or future exercise of any other right under the Merger Agreement. The failure of any party to the Merger Agreement to assert any of its rights under the Merger Agreement will not constitute a waiver of any of such rights.

Additional Agreements

The Merger Agreement also contains covenants relating to cooperation in the preparation of this prospectus and additional covenants relating to, among other things, access to information, notice of specified matters, and HCP Member litigation.

Table of Contents

OTHER AGREEMENTS

Voting Agreement

The following describes the material provisions of the Voting Agreement, which is attached as Annex B to this prospectus and which is incorporated by reference herein.

The description in this section and elsewhere in this prospectus is qualified in its entirety by reference to the Voting Agreement. This summary does not purport to be complete and may not contain all of the information about the Voting Agreement that is important to you. DaVita and HCP encourage you to read carefully the Voting Agreement in its entirety before making any decisions regarding the transactions. The Voting Agreement and this summary of its terms have been included to provide you with information regarding the terms of the Voting Agreement.

The affirmative vote of HCP Members holding a majority of HCP Common Units is necessary to approve the principal terms of the Merger and the Merger Agreement. As a result of the Voting Agreement, the approval of the principal terms of the Merger and the Merger Agreement is assured.

The Voting Agreement was entered into simultaneously with the execution of the Merger Agreement, on May 20, 2012, by and among DaVita, HCP and HCP Medical Group, and was a condition and material inducement to the willingness of DaVita to enter into the Merger Agreement. HCP Medical Group holds HCP Common Units representing approximately 72.6% of the voting power of the outstanding units of HCP. Pursuant to the terms of the Voting Agreement, HCP Medical Group agreed, among other things, to vote all of its interests in HCP:

- in favor of the approval of the principal terms of the Merger and the Merger Agreement;
- in favor of any adjournment of any meeting of the HCP Members, if necessary, to permit further solicitation and vote of proxies if there are insufficient votes at the time of such meeting to approve the principal terms of the Merger and the Merger Agreement; and
- against any of the following actions (other than the Merger and any transactions contemplated by the Merger Agreement or acquisitions by HCP referred to in HCP s confidential disclosures delivered to DaVita): (i) any merger, consolidation, business combination, sale of assets, reorganization, or recapitalization of or involving HCP or any of the Business Entities or Related Consolidated Entities, (ii) any sale, lease or transfer of all or substantially all of the assets of HCP or any of the Business Entities or Related Consolidated Entities, (iii) any reorganization, recapitalization, dissolution, liquidation or winding up of HCP or any of the Business Entities or Related Consolidated Entities, (iv) any material change in the capitalization of HCP or any of the Business Entities or Related Consolidated Entities, or the corporate structure of HCP or any of the Business Entities or Related Consolidated Entities, or (v) any other action that is intended, or would reasonably be expected to, materially impede, interfere with, delay, postpone, discourage, or adversely affect the Merger or any other transaction contemplated by the Merger Agreement or result in a breach in any material respect of the Merger Agreement.

HCP Medical Group also agreed not to exercise, and irrevocably and unconditionally waived, any rights of appraisal or rights of dissent from the Merger that HCP Medical Group may have under Chapter 13 of the California Limited Liability Company Act. In addition, HCP Medical Group delivered to DaVita an irrevocable proxy authorizing and empowering DaVita to act as HCP Medical Group s attorney and proxy to vote all of its interests in HCP and to exercise all voting, consent, and similar rights of HCP Medical Group with respect to its interests in HCP in accordance with (1) through (3) of this summary of the Voting Agreement. HCP Medical Group agreed to permit the holders of its equity securities to direct it to make a timely election of the Per Unit Closing Consideration and/or Per Unit Closing Stock Consideration, as applicable, in accordance with its governing documents and to make an election that reflects such election by the holders of its equity securities.

Table of Contents

HCP Medical Group agreed to distribute to the holders of its equity securities in accordance with the terms of its governing documents, upon receipt pursuant to the terms of the Merger Agreement, the Per Unit Closing Consideration, the Final Per Unit Adjustment Payment (as defined in the Merger Agreement), the Per Unit Earn-Out Payment and the Escrow Payment.

The Voting Agreement will remain in effect until the earlier of (i) such date and time as that the Merger Agreement is validly terminated pursuant to Article IX thereof and (ii) such date and time that the Merger becomes effective in accordance with the terms and provisions of the Merger Agreement.

Support Agreements

The following describes the material provisions of the Support Agreements, which are attached as Annex C to this prospectus and which are incorporated by reference herein.

The description in this section and elsewhere in this prospectus is qualified in its entirety by reference to the Support Agreements. This summary does not purport to be complete and may not contain all of the information about the Support Agreements that is important to you. DaVita and HCP encourage you to read carefully the Support Agreements in their entirety before making any decisions regarding the transactions. The Support Agreements and this summary of their terms have been included to provide you with information regarding the terms of the Support Agreement.

Simultaneously with the execution of the Merger Agreement and the Voting Agreement, on May 20, 2012, each of the Substantial Members, in his capacity as an interest holder in HCP, entered into a Support Agreement with DaVita and HCP. Pursuant to the terms of the Support Agreements, each Substantial Member agreed, among other things, to vote all the HCP Common Units owned or controlled by him:

- in favor of the approval of the principal terms of the Merger and the Merger Agreement;
- in favor of any adjournment of any HCP Member meeting, if necessary, to permit further solicitation and vote of proxies if there are insufficient votes at the time of such meeting to approve the principal terms of the Merger and the Merger Agreement; and
- against any of the following actions (other than the Merger and any transactions contemplated by the Merger Agreement or acquisitions by HCP referred to in HCP s confidential disclosures delivered to DaVita): (i) any merger, consolidation, business combination, sale of assets, reorganization, or recapitalization of or involving HCP or any of the Business Entities or Related Consolidated Entities, (ii) any sale, lease or transfer of all or substantially all of the assets of HCP or any of the Business Entities or Related Consolidated Entities, (iii) any reorganization, recapitalization, dissolution, liquidation or winding up of HCP or any of the Business Entities or Related Consolidated Entities, (iv) any material change in the capitalization of HCP or any of the Business Entities or Related Consolidated Entities, or the corporate structure of HCP or any of the Business Entities or Related Consolidated Entities, or (v) any other action that is intended, or would reasonably be expected to, materially impeded, interfere with, delay, postpone, discourage, or adversely affect the Merger or any other transaction contemplated by the Merger Agreement or result in a breach in any material respect of the Merger Agreement.

Lock-Up

In addition, each Substantial Member agreed that:

- for a period of two years from the effective time of the Merger, such Substantial Member may not sell or otherwise transfer, make any short sale of, grant any option for the purchase of, or enter into an hedging or similar transaction with the same economic effect as a sale of DaVita Common Stock received by the Substantial Member pursuant to the Merger Agreement;

Table of Contents

during the one-year period following the second anniversary of the effective time of the Merger, such Substantial Member may sell or otherwise transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale of no more than 33% of the DaVita Common Stock received by the Substantial Member pursuant to the Merger Agreement;

during the one-year period following the third anniversary of the effective time of the Merger, such Substantial Member may sell or otherwise transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale of no more than 67% of the DaVita Common Stock (inclusive of any DaVita Common Stock sold during the prior year under the Support Agreement) received by the Substantial Member pursuant to the Merger Agreement; and

after the fourth anniversary of the effective time of the Merger, all restrictions on the sale or transfer of DaVita Common Stock will terminate.

Each Substantial Member also agreed to (i) elect to receive the Per Unit Closing Stock Consideration for not less than 33% of the Substantial Member s equity interests in HCP and to not revoke or change such election and (ii) to submit an election to or otherwise instruct any intermediate entity through which he holds indirect equity interests in HCP to receive the Per Unit Closing Stock Consideration for not less than 33% of the Substantial Member s indirect equity interests, subject to the applicable governing documents of the intermediate entity, and to not revoke or change such election. In addition, each Substantial Member agreed not to exercise, and irrevocably and unconditionally waived, any rights of appraisal or rights of dissent from the Merger that the Substantial Member may have under Chapter 13 of the California Limited Liability Company Act. Simultaneously with the execution of the Support Agreements, each Substantial Member delivered to DaVita an irrevocable proxy authorizing and empowering DaVita to act as the Substantial Member s attorney and proxy to vote all of its interests in HCP and to exercise all voting, consent, and similar rights of the Substantial Member with respect to its interests in HCP in accordance with (1) through (3) of this summary of the Support Agreements.

The Support Agreements will remain in effect until the earlier of (i) such date and time as that the Merger Agreement is validly terminated pursuant to Article IX thereof and (ii) such date and time that the Merger becomes effective in accordance with the terms and provisions of the Merger Agreement; provided that the rights and obligations specified in Lock-Up above will survive in accordance with their terms.

Noncompetition and Nonsolicitation Agreements

The following describes the material provisions of the Noncompetition and Nonsolicitation Agreements, which are attached as Annex D to this prospectus and which are incorporated by reference herein.

The description in this section and elsewhere in this prospectus is qualified in its entirety by reference to the Noncompetition and Nonsolicitation Agreements. This summary does not purport to be complete and may not contain all of the information about the Noncompetition and Nonsolicitation Agreements that is important to you. DaVita and HCP encourage you to read carefully the Noncompetition and Nonsolicitation Agreements in their entirety before making any decisions regarding the transactions. The Noncompetition and Nonsolicitation Agreements and this summary of their terms have been included to provide you with information regarding the terms of the Noncompetition and Nonsolicitation Agreements.

Simultaneous with the execution of the Merger Agreement, on May 20, 2012, Drs. Margolis, Chin and Paulsen and Messrs. Mazdyasni and Calhoun, in his capacity as an interest holder of HCP, each entered into a Noncompetition and Nonsolicitation Agreement with DaVita. Pursuant to the terms of the Noncompetition and

Table of Contents

Nonsolicitation Agreements, each interest holder agreed, among other things, that during the Restricted Period (as defined below), such interest holder will not, directly or indirectly:

take any action that results or may reasonably be expected to result in owning, leasing, managing, operating, joining, extending credit to, controlling, or participating in the ownership, leasing, management, operation, extension of credit to, or control of, whether as an employer, shareholder, employee, director, manager, lender, joint venturer, member, consultant, advisor or partner, whether or not compensated for any of the foregoing, with, any business that directly or indirectly anywhere within Nevada, California, Florida, and New Mexico (together the Restricted Region) engages in or derives any economic benefit from, or is preparing to engage in or derive any economic benefit from the Restricted Business (as defined below); or

for his own account or for the account of others, own, manage, operate, join, control or participate in the ownership, management, operation or control of, or be connected as an employer, shareholder, employee, director, manager, lender, joint venturer, member, consultant, advisor or partner, whether or not compensated for any of the foregoing, with, any business that directly or indirectly anywhere within the Restricted Region engages in, or takes affirmative action to prepare to engage in or derive any economic benefit from, the Restricted Business.

The foregoing will not prohibit an interest holder from passively owning 5% or less of any class of securities of any publicly-held company.

In addition, during the Restricted Period, each interest holder agrees not to:

solicit any of DaVita or its subsidiaries (including HCP s) employees to work for any person;

hire any of DaVita or its subsidiaries (including HCP s) employees to work for any person;

take any action that may reasonably result in any of DaVita or its subsidiaries (including HCP s) employees going to work (as an employee or an independent contractor) for any person;

induce any patient or customer of DaVita or its subsidiaries (including HCP s), either individually or collectively, to patronize any competing facility;

request or advise any patient, customer, or supplier of DaVita or its subsidiaries (including HCP) to withdraw, curtail, or cancel such person s business with DaVita or its subsidiaries (including HCP);

solicit, induce, or encourage any physician affiliated with DaVita or its subsidiaries (including HCP) to induce or encourage any other person under contract with DaVita or its subsidiaries (including HCP) to curtail or terminate such person s affiliation or contractual relationship with DaVita or its subsidiaries (including HCP); or

disclose to any person the names or addresses of any patient or customer of DaVita or its subsidiaries (including HCP).

The Noncompetition and Nonsolicitation Agreements do not prohibit an interest holder from personally practicing medicine as a physician or making a general employment solicitation to the public that does not target any employee or independent contractor of DaVita or the its subsidiaries (including HCP) and then having contact with and/or employing such employee or independent contractor who responds to such general solicitation or who otherwise independently contacts an interest holder.

For purposes of the Noncompetition and Nonsolicitation Agreements, Restricted Business means any of the following:

physician practices, independent physician associations or any other practicing physician organizations;

Table of Contents

organizations engaged in coordinated, managed care, accountable care and other similar models of care for a population of patients;

organizations which provide management or related services to organizations described in (i) or (ii);

hospitals, ACOs, ancillary service providers, health plans or other licensed health plans, but only insofar as an interest holder s role (A) would include activities on behalf of such organizations described in (i), (ii), or (iii), including but not limited to, having direct responsibility for or having direct influence in setting up, running, managing or controlling a provider network; or (B) would include engaging in direct negotiations or consulting on negotiations on behalf of such organization with DaVita or its subsidiaries (including HCP);

dialysis services or renal care services, except to the extent that such services are only an incidental part of the services provided by the organization for which an interest holder is providing services;

researching, developing, marketing, or working on any products or providing any services, including direct primary care services, for a direct competitor of Direct Primary Care Holdings, LLC d/b/a Paladina Health and any of its subsidiaries; and

assisting any third party to engage in the above.

The Restricted Period means:

for Mr. Calhoun, three years from and after the closing date of the Merger;

for Mr. Mazdyasni, five years from and after the closing date of the Merger; and

for Drs. Margolis, Chin and Paulsen, seven years from and after the closing date of the Merger.

The Restricted Period will be tolled during any period that an interest holder is in breach of the terms of the applicable Noncompetition and Nonsolicitation Agreement.

Member Representative Agreement

The following describes the material provisions of the Member Representative Agreement and the Amendment to Member Representative Agreement, which are attached as Annex E-1 and Annex E-2 to this prospectus and which are incorporated by reference herein.

The description in this section and elsewhere in this prospectus is qualified in its entirety by reference to the Member Representative Agreement. This summary does not purport to be complete and may not contain all of the information about the Member Representative Agreement that is important to you. DaVita and HCP encourage you to read carefully the Member Representative Agreement and the Amendment to Member Representative Agreement in their entirety before making any decisions regarding the transactions. The Member Representative Agreement and this summary of its terms have been included to provide you with information regarding the terms of the Member Representative Agreement.

Simultaneously with the execution of the Merger Agreement, on May 20, 2012, HCP Medical Group and Bay Shores Investment LLC, in their capacity as HCP Members, entered into a Member Representative Agreement with HCP and the Member Representative as amended by the Amendment to Member Representative Agreement, dated July 6, 2012 (the Member Representative Agreement). HCP Medical Group and Bay Shores Investment LLC designated Mr. Mosher as the Member Representative and appointed the Member Representative to act as the Member Representative in accordance with the terms and conditions set forth in the Merger Agreement and the Member Representative Agreement, and the Member Representative accepted such appointment. Pursuant to the terms of the Member Representative Agreement, the Member Representative was authorized to take the following actions, among others:

to act as the true and lawful agent and attorney in fact of the HCP Members as the Member Representative for and on behalf of the HCP Members, to give and receive notices and

Table of Contents

communications in connection with the Merger Agreement and related matters, including in connection with claims for indemnification under the Merger Agreement, to negotiate, defend, and enter into settlements, adjustments, and compromises of, and commence and prosecute litigation and comply with governmental orders with respect to, such claims, and to take all other actions, including the giving of instructions to the Escrow Agent, that are either (i) necessary or appropriate in the judgment of the Member Representative for the accomplishment of the foregoing or (ii) specifically authorized or mandated by the Merger Agreement; and

to retain any person the Member Representative deems necessary and appropriate to provide assistance, counsel or other advisory services in connection with his exercise of the duties set forth in the Merger Agreement.

In addition, the Member Representative does not have any duties or obligations, at law, in equity, by contract or otherwise, to act on behalf of any HCP Member, except for those duties or obligations expressly set forth in the Merger Agreement and the Member Representative Agreement. The Member Representative is entitled to act in his sole and absolute discretion and will incur no liability whatsoever to the HCP Members for any act done or omitted as the Member Representative, including any errors of judgment, while acting in good faith or in reliance on the advice of representatives of HCP Medical Group, counsel, accountants, or other advisors, consultants, or experts. The Member Representative is not required to expend or risk any of his own funds or otherwise incur any liability, financial or otherwise, in performing any of his duties under the Merger Agreement or the Member Representative Agreement. A decision, act, consent, or instruction of the Member Representative, including a waiver of the Merger Agreement pursuant to the Merger Agreement, will constitute a decision of all the HCP Members and will be final, binding, and conclusive upon the HCP Members.

The HCP Members agree to:

exonerate and make no claim against the Member Representative for acting as their Member Representative, other than with respect to any act or failure to act which represents fraud, willful misconduct, or gross negligence on the part of the Member Representative; and

indemnify the Member Representative and hold the Member Representative harmless against any liability incurred without fraud, willful misconduct, or gross negligence on the part of the Member Representative and arising out of or in connection with the acceptance or administration of the Member Representative s duties under the Merger Agreement, including the reasonable fees and expenses of any legal counsel retained by the Member Representative.

The HCP Members acknowledge that the Member Representative is a partner in a law firm, Nossaman LLP, which provides legal services to HCP and after the closing may provide legal services to or on behalf of DaVita and its affiliates, including the surviving entity, and HCP with respect to periods prior to closing, and the HCP Members acknowledge and waive any conflict of interest that may result from the representation of DaVita and its affiliates by Nossaman LLP or Mr. Mosher at a time when Mr. Mosher concurrently serves as the Member Representative.

The Member Representative Agreement provides that the Member Representative will be compensated for his service as such based upon the amount of time devoted to such services at the normal hourly rate of the Member Representative as determined by Nossaman LLP. If the Member Representative is not a lawyer at Nossaman LLP, the Member Representative will be compensated at a rate and on a basis established by HCP Medical Group. The Member Representative s compensation and any and all costs and expenses of the Member Representative, including any costs and expenses of any person retained by the Member Representative to provide assistance, counsel, or other advisory services, incurred in performing his obligations under the Merger Agreement will be paid or recovered from funds in the MR Escrow Account. If there are no funds in the MR Escrow Account, the Member Representative may recover 80% of such expenses from HCP Medical Group and 20% of such expenses from Bay Shores Investment LLC. HCP Medical Group and Bay Shores Investment LLC may recover any such expenses pro rata from the other HCP Members to the extent that the amount of such expenses paid by HCP Medical Group or Bay Shore Investment LLC exceeds their respective pro rata shares.

Table of Contents

INFORMATION ABOUT DAVITA

General

DaVita Inc., which we refer to as DaVita, is a leading provider of kidney dialysis services in the United States for patients suffering from chronic kidney failure, also known as end stage renal disease, or ESRD. As of June 30, 2012, DaVita provided dialysis and other related services through a network of 1,884 outpatient dialysis centers located in the United States throughout 43 states and the District of Columbia, serving a total of approximately 149,000 patients. In addition, as of June 30, 2012, DaVita provided outpatient dialysis and administrative services to a total of 19 outpatient dialysis centers located in four countries outside of the United States. DaVita s centers offer outpatient hemodialysis treatments and other ESRD-related services, such as the administration of physician-prescribed pharmaceuticals, including erythropoietin, or EPO, vitamin D analogs, and iron supplements. DaVita also provides services for home dialysis patients, vascular access, disease management services, and laboratory services related to ESRD. As of June 30, 2012, DaVita also provides acute inpatient dialysis services in approximately 960 hospitals and related laboratory services throughout the United States. DaVita is a Delaware corporation, incorporated in the State of Delaware in 1994.

DaVita s U.S. dialysis and related lab services business accounts for approximately 92% of DaVita s consolidated net operating revenues for the twelve months ended June 30, 2012. Other ancillary services and strategic initiatives accounted for approximately 8% of DaVita s consolidated net operating revenues for the same period and relate primarily to DaVita s core business of providing kidney dialysis services. For the twelve months ended June 30, 2012, DaVita generated consolidated net operating revenues of $7.365 billion, Adjusted EBITDA of $1.585 billion, and net income attributable to DaVita of $519 million.

Management and Additional Information

Certain information relating to executive compensation, benefit plans, voting securities and the principal holders thereof, certain relationships and related transactions and other related matters as to DaVita is incorporated by reference or set forth in DaVita s annual report on Form 10-K for the year ended December 31, 2011, which is incorporated herein by reference. HCP Members wishing to obtain a copy of such document may contact DaVita at its address or telephone number indicated under Additional Information Where You Can Find More Information beginning on page 234.

Table of Contents

INFORMATION ABOUT HCP

HCP s Business

HCP is a patient- and physician-focused, integrated health care delivery and management company with nearly three decades of providing coordinated, outcomes-based medical care in a cost-effective manner. Through capitation contracts with some of the nation s leading health plans, as of June 30, 2012, HCP had approximately 669,400 current members under its care in southern California, central and south Florida and southern Nevada. Of these, approximately 190,700 individuals were patients enrolled in Medicare Advantage. The remaining approximately 478,700 individuals were managed care members whose health coverage is provided through their employer or who have individually acquired health coverage directly from a health plan or as a result of their eligibility for Medicaid benefits. In addition, during 2011, HCP provided care to over 412,000 fee-for-service patients.

The patients of HCP s affiliated physicians, physician groups and IPAs benefit from an integrated approach to medical care that places the physician at the center of patient care. As of June 30, 2012, HCP delivered services to its members via a network of over 1,800 affiliated group and other network primary care physicians, 139 network hospitals, and several thousand affiliated group and network specialists. Together with hundreds of case managers, registered nurses and other care coordinators, these medical professionals utilize a comprehensive data analysis engine, sophisticated risk management techniques and clinical protocols to provide high-quality, cost effective care to HCP s members.

Approximately 94% of HCP s revenues are derived from multi-year capitation contracts with health plans. Under these contracts, HCP s health plan customers delegate full responsibility for member care to physicians and health care facilities that are part of HCP s network. In return, HCP receives a PMPM fee for each HCP member. As a result, HCP has financial and clinical accountability for a population of members. In California, HCP does not assume direct financial risk for institutional (hospital) services, but is responsible for managing the care dollars associated with both the professional (physician) and institutional services being provided for the PMPM fee attributable to both professional and institutional services. In those cases and as a result of its managed care-related administrative services agreements with hospitals, HCP recognizes the surplus of institutional revenues less institutional expense as HCP revenues. In addition to revenues recognized for financial reporting purposes, HCP measures its total care dollars under management which includes the PMPM fee payable to third parties for institutional (hospital) services where HCP manages the care provided to its members by hospitals and other institutional providers, which fees are not included in GAAP revenues. For the twelve months ended June 30, 2012, HCP s total consolidated operating revenues were $2.6 billion, total care dollars under management were $3.4 billion, net income was $450 million and Adjusted EBITDA was $561 million. Total care dollars under management and Adjusted EBITDA are non-GAAP measures. For a description of how HCP calculates total care dollars under management and Adjusted EBITDA and a reconciliation to revenues and net income, respectively, see Selected Historical Financial and Other Data HCP.

We believe that HCP is well positioned to profitably leverage marketplace demands for greater provider accountability, measurable quality results and cost effective medical care. We believe that HCP s business model is likely to continue to be an attractive alternative for health plans looking for high quality, cost effective delivery systems, physicians seeking an attractive practice environment and patients interested in a highly integrated approach to managing their medical care. Additionally, we believe that the scale of HCP s business allows it to spread capitation risk over a large population of members, invest in comprehensive analytic and health care information tools as well as clinical and quality measurement infrastructure, and recognize administrative and operating efficiencies. For these reasons, we believe that HCP offers patients, physicians and health plans a proven platform for addressing many of the most pressing challenges facing the U.S. health care system, including rising medical costs.

HCP s Industry

U.S. healthcare spending has increased steadily over the past twenty years. These increases have been driven, in part, by the aging population of the baby boomer generation, lack of healthy lifestyle both in terms of

exercise and diet, rapidly increasing costs in medical technology and pharmaceutical research, and provider reimbursement structures that may promote volume over quality in a fee-for-service environment. These factors, as well as the steady growth of the U.S. population, have made the healthcare industry a growing market. In 2009, CMS reported that health care accounted for 17.3% of the U.S. economy. According to CMS, the increase in health spending, from $2.3 trillion in 2008 to $2.5 trillion in 2009, was the largest one-year jump since 1960. Comprising an estimated 14% of the federal budget and more than one-fifth of total national health expenditures in 2010, Medicare is frequently the focus of discussions on how to moderate the growth of both federal spending and health care spending in the U.S.

Growth in Medicare spending is expected to continue due to demographics. According to the U.S. Census Bureau, from 1970 through 2011, the overall U.S. population is expected to have grown 52% while the number of Medicare enrollees will have grown approximately 130% over that time period. As an increasing number of the baby boomers become eligible for Medicare, the senior market is expected to grow to 79 million by 2030, more than double the number in 2000. UnitedHealth estimates that over the next decade 10,000 people per day will become newly eligible for Medicare. This translates into a Medicare population that makes up more than 20% of the total U.S. population by the year 2025, compared to less than 15% currently.

Medicare Advantage is an alternative to the traditional fee-for-service Medicare program, which permits Medicare beneficiaries to receive benefits from a managed care health plan. Medicare Advantage plans contract with CMS to provide benefits at least comparable to those offered under the traditional fee-for-service Medicare program in exchange for a fixed monthly premium payment per member from CMS. The monthly premium varies based on the county in which the member resides, as adjusted to reflect the plan members demographics and the members risk scores. Individuals who elect to participate in the Medicare Advantage program typically receive greater benefits than traditional fee-for-service Medicare Part B beneficiaries, including additional preventive services, vision, dental and prescription drug benefits, and typically have lower deductibles and co-payments than traditional fee-for-service Medicare.

Managed care health plans were developed, primarily during the 1980s, in an attempt to mitigate the rising cost of providing healthcare benefits to populations covered by traditional health insurance. These managed care health plans enroll members through their employers, under federal Medicare benefits or through state Medicaid programs. As a result of the prevalence of these health plans, many seniors now becoming eligible for Medicare have been interacting with managed care companies through their employers for the last 30 years. Individuals turning 65 now are likely to be far more familiar with the managed care setting than previous Medicare populations. According to the Kaiser Family Foundation, in 2012, Medicare Advantage represents only 27% of total Medicare members, creating a significant opportunity for additional Medicare Advantage penetration of newly eligible seniors.

In an effort to reduce the number of uninsured and to begin to control healthcare expenditures, President Obama signed the Health Reform Acts into law in March 2010, which were affirmed, in substantial part, by the U.S. Supreme Court in June 2012. The Health Reform Acts provide for a reduction of up to 32 million uninsured by 2019, while potentially increasing Medicaid coverage by up to 16 million and net commercial coverage by 16 million. CMS projects that the total number of uninsured Americans will fall to 24 million in 2019 from 52 million in 2011. These previously uninsured Americans and potentially newly eligible Medicaid beneficiaries represent a significant new market opportunity for health plans. We believe that health plans looking to cover these newly eligible individuals under fixed premium arrangements will seek provider arrangements that can effectively manage the cost and quality of the care being provided to these newly eligible individuals.

In 2006, Medicare began to pay Medicare Advantage health plans under a bidding process. Plans bid against county-level benchmarks established by Medicare based on the prior year s Medicare Advantage county payment rate and increased by the projected national growth rate in per capita Medicare spending. Those payment rates were at least as high as per capita fee-for-service Medicare spending in each county and often substantially higher because Congress set floors to raise the lowest rates to stimulate plan growth in areas where plans

Table of Contents

historically had not found it profitable to enter. If a plan s bid is higher than the benchmark, enrollees pay the difference in the form of a monthly premium. If the bid is lower than the benchmark, the Medicare program retains 25% of the difference as savings and the plan receives 75% as a rebate, which must be returned to enrollees in the form of additional benefits or reduced premiums. Plan payments are also adjusted based on enrollees risk profiles. The formula for base payment is a combination of the base rate for the enrollee s county of residence, multiplied by the enrollee s risk score.

One of the primary ways in which the Healthcare Reform Acts will fund increased health insurance coverage is through cuts in Medicare Advantage reimbursement. County benchmarks are transitioning to a system in which each county s benchmark in 2017 will be a certain percentage (ranging from 95% to 115%) of fee-for-service. MedPAC estimated that 2012 Medicare Advantage benchmarks, bids, and payments will average 112%, 98%, and 107% of fee-for-service spending, respectively. As a result, plans on average would have to bid 36% lower than fee-for-service or 43% lower than the Medicare Advantage benchmark for CMS to begin to save money on Medicare Advantage. As result of the transition of county benchmarks to 95% to 115% of fee-for-service, Medicare Advantage benchmarks on average are expected to be reduced to parity with fee-for-service as compared to 112% of fee-for-service today. Given that CMS will retain 25% of the difference of any plans bid below benchmark, the overall Medicare Advantage program should realize savings as compared to fee-for-service in 2017, which would result in lower payments to Medicare Advantage plans and to HCP.

Many health plans recognize both the opportunity for growth from senior members as well as the potential risks and costs associated with managing additional senior members. In California, Florida, Nevada and numerous other markets, many health plans subcontract a significant portion of the responsibility for managing patient care to integrated medical systems such as HCP. These integrated health care systems, whether medical groups or IPAs, offer a comprehensive medical delivery system and sophisticated care management know-how and infrastructure to more efficiently provide for the health care needs of the population enrolled with that health plan. While reimbursement models for these arrangements vary around the country, health plans in California, Florida and Nevada often prospectively pay the integrated health care system a fixed PMPM amount, or capitation payment, which is often based on a percentage of the amount received by the health plan. The capitation payment is for much and sometimes virtually all of the care needs of the applicable membership. Capitation payments to integrated health care systems, in the aggregate, represent a prospective budget from which the system manages care-related expenses on behalf of the population enrolled with that system. To the extent that these systems manage care-related expenses under the capitated levels, the system realizes an operating profit. On the other hand, if care-related expenses exceed projected levels, the system will realize an operating deficit. Since premiums paid represent a significant amount per person, there is a significant revenue opportunity for an integrated medical system like HCP that is able to effectively manage its costs under a capitated arrangement. This is particularly the case for Medicare Advantage members for which revenue to a system can be substantial given the higher expected morbidity and cost associated with a Medicare Advantage member.

Integrated medical systems, such as HCP, that have scale are positioned to spread an individual member s cost experience across a wider population and realize the benefits of pooling medical risk among large numbers. In addition, integrated medical systems with years of managed care experience can utilize their sizeable medical claims data to identify specific medical care and quality management strategies and interventions for potential high cost cases and aggressively manage them to improve the health of its population base and, thus, lower cost. Many integrated medical systems, like HCP, have also established physician performance metrics that allow them to monitor quality and service outcomes achieved by participating physicians in order to reward efficient, high quality care delivered to members and initiate improvement efforts for physicians whose results can be enhanced.

Table of Contents

Healthcare Reform

The U.S. healthcare system, including the Medicare Advantage program, is subject to a broad array of new laws and regulations as a result of the Health Reform Acts. The Health Reform Acts are considered by some to be the most dramatic change to the U.S. healthcare system in decades. The Supreme Court recently found that the individual mandate to obtain health insurance coverage under this legislation is constitutional and also found that the expanded Medicaid benefit included in the legislation is constitutional if states can opt out of the expanded Medicaid benefit without losing their funding under the current Medicaid program. This legislation made significant changes to the Medicare program and to the health insurance market overall. The Health Reform Acts reflect sweeping legislation that, once fully implemented, may have a significant impact on the U.S. health care system generally and the operations of HCP s business. There are numerous steps required to implement the Health Reform Acts, and Congress may seek to alter or eliminate some of their provisions.

One provision of the Health Reform Acts requires CMS to establish a Medicare Shared Savings Program, or MSSP, that promotes accountability and coordination of care through the creation of Accountable Care Organizations, or ACOs, beginning no later than January 1, 2012. The program allows certain providers and suppliers (including hospitals, physicians and other designated professionals) to voluntarily form ACOs and work together along with other ACO participants to invest in infrastructure and redesign delivery processes to achieve high quality and efficient delivery of services.

In addition, beginning January 1, 2012, CMS authorized 32 organizations to participate in the Pioneer ACO program, which is similar to, but separate from, the ACOs created under the MSSP regulations. HCP has been designated as a Pioneer ACO in each of its three geographic regions Florida, California and Nevada. The Pioneer ACO designation is designed for health care organizations and providers, like HCP, that are already experienced in coordinating care for patients across care settings. It allows designated provider groups to move more rapidly from a shared savings payment model to a population-based payment model on a track consistent with, but separate from, the MSSP. The Pioneer ACO program is designed to work in coordination with private payors by aligning provider incentives. This alignment of provider incentives is intended to improve quality and medical outcomes for patients across the ACO, and achieve cost savings for Medicare, employers and patients. The Pioneer ACOs began operating January 1, 2012. As the initial participants for the MSSP, Pioneer ACOs face significant uncertainty. CMS authorized an additional 27 ACOs in April 2012 to begin services April 1, 2012 and an additional 88 ACOs in July 2012 to begin services as of July 1, 2012. See Government Regulations below for a discussion of some of these issues.

Payor Environment

Government Programs

HCP derives a significant portion of its revenues from services rendered to beneficiaries of Medicare, including Medicare Advantage, Medicaid, and other governmental healthcare programs.

Medicare. The Medicare program was established in 1965 and became effective in 1967 as a federally funded U.S. health insurance program for persons aged 65 and older, and it was later expanded to include individuals with ESRD and certain disabled persons, regardless of income or age. Since its formation, Medicare has grown to a $549 billion program in 2011, covering approximately 49 million Americans and, based on the growing number of eligible beneficiaries and increases in the cost of health care, CMS projects that Medicare program funding will grow to $1.1 trillion by 2022.

Initially, Medicare was offered only on a fee-for-service basis. Under the Medicare fee-for-service payment system, an individual can choose any licensed physician enrolled in Medicare and use the services of any hospital, health care provider or facility certified by Medicare. CMS reimburses providers, based on a fee schedule, if Medicare covers the service and CMS considers it medically necessary.

Table of Contents

Fee-for-service Medicare is paid according to a physician fee schedule, or PFS, set each year by CMS in accordance with formulas mandated by Congress. CMS is required to limit the growth in spending under the PFS by a predetermined sustained growth rate, or SGR. If implemented as mandated, the SGR would result in significant payment reductions under the PFS. For 2013 it would be approximately 27%. Every year since 2003 Congress has delayed application of the SGR but we cannot predict whether they will continue to do so. There is pressure for Congress to implement a permanent solution to the SGR reductions. We cannot predict whether the SGR will be repealed or if another formula would be substituted and what form that might take. Repeal of the SGR could be offset by further reductions in Medicare payments.

Medicare Advantage. Medicare Advantage is a Medicare health plan program developed and administered by the CMS as an alternative to the original fee-for-service Medicare program. Under the Medicare Advantage program, Medicare beneficiaries may choose to receive benefits under a managed care health plan that provides benefits at least comparable to those offered under the original Medicare fee-for-service payment system in exchange for which the health plan receives a monthly per patient premium payment from CMS. The Medicare Advantage monthly premium varies based on the county in which the member resides, and is adjusted to reflect the demographics and estimated risk profile of the members that enroll. Once a person is authorized by CMS to participate in Medicare Advantage, health plans compete for enrollment based on benefit design differences such as co-payments or deductibles, availability of preventive care, attractiveness of and access to a network of hospitals, physicians and ancillary providers and premium contribution or, most often in Medicare Advantage plans, the absence of any monthly premium. As described above under Industry , in certain parts of the country, many health plans that provide Medicare Advantage benefits subcontract with integrated medical systems such as HCP to transfer the responsibility for managing patient care.

One of CMS s primary directives in establishing the Medicare Advantage program was to make it more attractive for health plans to enroll members with higher intensity illnesses. To accomplish this and in addition to base rate increases, CMS adopted a risk adjustment payment system for Medicare health plans in which the participating health plans premiums are adjusted based on the actual illness burden of the members that enroll. The model bases a portion of the total CMS reimbursement payments on various clinical and demographic factors, including hospital inpatient diagnoses, additional diagnosis data from ambulatory treatment settings, hospital outpatient department and physician visits, gender, age and Medicaid eligibility. CMS requires that all managed care companies capture, collect and submit the necessary diagnosis code information to CMS twice a year for reconciliation with CMS s internal database. Medical providers, such as HCP, provide this diagnosis code information to health plan customers for submission to CMS. Under this system, the risk-adjusted portion of the total CMS payment to the Medicare Advantage plans will equal the local rate set forth in the traditional demographic rate book, adjusted to reflect the plan members gender, age and morbidity. See Government Regulations below.

Most Medicare beneficiaries have the option to enroll in private health insurance plans that contract with Medicare under the Medicare Advantage program. The share of Medicare beneficiaries in such plans has risen rapidly in recent years; it reached approximately 25% in 2011 from approximately 13% in 2004. Plan costs for the standard benefit package can be significantly lower or higher than the corresponding cost for beneficiaries in the traditional Medicare fee-for-service payment program, but prior to the Health Reform Acts, private plans were generally paid a higher average amount, and they used the additional payments to reduce enrollee cost-sharing requirements, provide extra benefits, and/or reduce Medicare premiums. These enhancements were valuable to enrollees but also resulted in higher Medicare costs overall and higher premiums for all Medicare Part B beneficiaries and not just those enrolled in Medicare Advantage plans. The Health Reform Acts require that future payments to plans be based on benchmarks in a range of 95% to 115% of local fee-for-service Medicare costs, with bonus amounts payable to plans meeting high quality-of-care standards. In addition, beginning in 2014, health plans offering Medicare Advantage will be required to spend at least 85% of their premium dollars on medical care, the so-called medical loss ratio, or MLR. Since HCP is not a health plan it is not subject to the 85% MLR floor. However, payments health plans make to HCP will apply in full towards the health plans 85% MLR requirement. If HCP s administrative costs combined with a plan s other administrative costs aggregate to more than 15% of the total premium dollars the plan receives, the plan will either be required to reduce its administrative costs or increase the amount expended for MLR.

Table of Contents

Medicaid. Medicaid is a federal entitlement program administered by the states that provides health care and long-term care services and support to low-income Americans. Medicaid is funded jointly by the states and the federal government. The federal government guarantees matching funds to states for qualifying Medicaid expenditures based on each state s federal medical assistance percentage, which is calculated annually and varies inversely with average personal income in the state. Subject to federal rules, each state establishes its own eligibility standards, benefit packages, payment rates and program administration within broad federal statutory and regulatory guidelines. Every state Medicaid program must balance a number of potentially competing demands, including the need for quality care, adequate provider access, and cost-effectiveness. In an effort to improve quality and provide more uniform and cost-effective care, many states have implemented Medicaid managed care programs to improve access to coordinated health care services, including preventative care, and to control health care costs. Under Medicaid managed care programs, a health plan receives capitation payments from the state. The health plan, in turn, arranges for the provision of health care services by contracting with a network of medical providers, such as HCP. HCP has capitation contracts to manage approximately 25,000 Medicaid managed care members in its southern California market.

Commercial Payors

According to the Robert Wood Johnson Foundation, in 2009, approximately 61% of non-elderly U.S. citizens received their health care benefits through their employer, which contracted with health plans to administer these health care benefits. Patients enrolled in health plans offered through an employment setting are generally referred to as commercial members. Nationally, commercial health plan enrollment was approximately 162 million as of 2010. Under the Health Reform Acts, beginning in 2014, many uninsured individuals and many individuals who receive their health insurance benefits through small employers may purchase their health care benefits through insurance exchanges in which health plans compete directly for individual or small group members enrollment. HCP derives a significant amount of its revenues from commercial payors; however, these payors represent a disproportionately small share of HCP s operating profits.

Whether in the Medicare Advantage, commercial or Medicaid market, managed care health plans seek to provide a coordinated and efficient approach to managing the health care needs of their enrolled populations. By negotiating with providers, such as pharmacies, hospitals and physicians, and indirectly trying to influence physicians behavior through various incentive and penalty schemes, managed care companies attempt to enhance their profitability by limiting their medical costs. These health plans have shown success in mitigating certain components of medical cost, but we believe they are limited by their indirect relationship with physicians, who in the aggregate direct most of their patients health care costs. We believe that physician-led and professionally-managed integrated medical systems such as HCP s have a greater opportunity to influence cost and improve quality due to the close coordination of care at the most effective point of contact with the patient the primary care physician.

Capitation

There are a number of different models under which an integrated medical system receives payment for managing and providing health care services to its members.

Capitation Structure. Under traditional fee-for-service reimbursement, physicians are paid a specified fee for services they provide during a patient visit. Under this structure, physician compensation is solely related to the volume of patient visits and procedures performed, thus offering limited financial incentive to focus on cost containment and preventative care.

Under capitation, payors pay a fixed amount per enrolled member, thereby subcontracting a significant portion of the responsibility for managing patient care to physicians. Global capitation represents a prospective budget from which the provider system then manages care-related expenses including payments to affiliated

Table of Contents

providers outside the group, such as hospitals and specialists. Compared to traditional fee-for-service models, We believe that capitation arrangements better align provider incentives with both quality and efficiency of care for a population of patients. We believe that this approach improves the quality of the experience for patients and the potential profitability for efficient care providers.

Since premiums paid represent a significant amount per person, the revenue and, when costs are effectively managed, profit opportunity available to an integrated medical system under a capitated arrangement can be significant. This is particularly the case for patients with multiple diseases and senior members. We believe that the advantages, savings and efficiencies made possible by the capitated model are most pronounced when the care demands of the population are the most severe and require the most coordination, such as for the senior population or patients with chronic, complex and follow-on diseases. While organized coordination of care is central to the capitated model, it is also well suited to the implementation of preventative care and disease management over the long-term since physicians have a financial incentive to improve the overall health of their population.

The inherent risk in assumption of global care risk can lead to losses if a number of individual patients medical costs exceed the expected amount. This risk is especially significant to individual practitioners or smaller physician groups who lack the scale required to spread the risk over a broad population. HCP has the scale, comprehensive medical delivery resources, significant infrastructure to support practicing physicians, and demonstrated care management know-how to spread the risk of losses over a large patient population.

Global Model. In Florida and Nevada, HCP contracts directly with health plans under global capitation arrangements that include hospital services because state law permits HCP to assume financial responsibility for both professional and institutional services. Because of the capitation to HCP, and HCP s assumption of nearly the entire professional and institutional risk, HCP s health plan customers function primarily to support it in processing claims and undertaking marketing and sales efforts to enroll members.

Risk-Share Model. In California, HCP utilizes a capitation model in several different forms. While there are variations specific to each arrangement, HCP generally contracts with health plans to receive a PMPM fee for professional (physician) services and assumes the financial responsibility for professional services only. In some cases, the health plans separately enter into capitation contracts with third parties (typically hospitals) who receive directly a portion of the PMPM fee and assume contractual financial responsibility for institutional (hospital) services. In other cases, the health plan does not pay any portion of the PMPM fee to the hospital, but rather simply administers claims for hospital expenses itself. In both cases, HCP is responsible for managing the care dollars associated with both the professional and institutional services provided for the PMPM fee, but in the case of institutional services and as a result of its managed care-related administrative services agreements with hospitals, HCP recognizes the surplus of institutional revenues less institutional expense as HCP revenues.

HCP s Competitive Strengths

We believe that HCP distinguishes itself through its ability to demonstrably improve medical outcomes and patient satisfaction while effectively managing costs. HCP achieves this result through the following key strengths:

Clinically based utilization management models. HCP s clinical leadership and affiliated group and network physicians devote significant efforts to ensuring that HCP s members receive the most appropriate care in the most appropriate setting. HCP believes this results in significant differences compared to a typical unmanaged patient population. For example, during fiscal 2010, HCP s inpatient acute bed days in California were 864 days per 1,000 members for its Medicare Advantage members, as compared to an average of 1,706 days per 1,000 patients for Medicare s fee-for-service program during the same period. Similarly, HCP s 30 day all cause hospital re-admission rate in California during fiscal 2010 was 14%, which HCP believes was lower than the Medicare fee-for-service benchmark. HCP has achieved similarly favorable outcomes in Nevada and Florida when compared to benchmarks.

Service commitment. HCP is committed to maximizing its patients satisfaction levels with HCP and their physicians. HCP regularly conducts comprehensive satisfaction surveys of its members and actively monitors survey results at the individual physician level. In its most recent survey conducted during the second quarter of 2012, 91.6% of patients surveyed gave their HCP physician top satisfaction scores. We believe that HCP s high rates of patient satisfaction lead to greater member retention. Because of the number of HCP commercial health plan customers, if an employer changes health plans, members can often move to another plan and still retain their participation with HCP. HCP believes the longevity of the patient-physician relationship provides it with additional leverage with the health plans and helps to ensure the stability of the relationship between the health plans and HCP.

Long standing relationships with health plans. We believe that HCP s scale, combined with its strong reputation and high quality patient care, makes it an attractive partner for health plans compared to smaller provider groups that may have a higher risk of default and may not have the same resources to devote to integrated care techniques. We believe that HCP is a leader in managing global capitation arrangements by assuming both professional (physician) and institutional (hospital) risk and has the critical mass necessary to diversify these risks across a large membership base. HCP s scale and resources enable it to invest in continuous innovation to improve the clinical outcomes of its members. We believe that health plans in the regions in which it operates appreciate HCP s ability to manage global risk because these arrangements eliminate the volatility of medical costs, the largest cost component for health plans. HCP, or its predecessor companies, have longstanding relationships with its health plan customers, with these relationships having an average tenure of approximately 20 years. For example, HCP has had a relationship spanning approximately 28 years with UnitedHealthcare, one of HCP s largest customers. HCP also provides care to a significant portion of Humana s Medicare Advantage membership in the central Florida region. HCP is not aware of any health plan customer that has not renewed its contract with HCP.

Proprietary database of long-tenured patient data. HCP has nearly three decades of experience in managing complex disease cases for its population of patients. As a result, HCP has developed a rich dataset of patient care experiences and outcomes which permits HCP to proactively monitor and intervene in improving the care of its members. HCP uses this proprietary database to:

- identify patients with high-cost or high-utilization disease categories;
- provide direct feedback to their physicians and other care-givers with point of care reminders and other notifications of patient s needs;
- reduce variation in practice patterns, provide immediate feedback to physicians and improve the overall quality of care;
- benchmark HCP s performance across its organization and against published metrics to establish a best practices approach to health care; and
- accurately model historical utilization and cost patterns and, from that, seek to project future patterns, allowing HCP to better assess risk and negotiate health plan contracts.

Experienced management team. HCP s senior management team possesses substantial experience within the healthcare industry, with average experience of nearly 35 years. The management team has overseen significant growth in its business and demonstrated the ability to produce strong financial performance. HCP s senior management team is expected to continue with HCP after the Merger.

Strong financial performance. Consistent revenue and EBITDA growth over the prior 14 years, coupled with negative working capital and low maintenance capital expenditures over this period of less than one percent of revenue, have enabled HCP to achieve attractive historical cash flows. In the twelve months ended June 30, 2012, HCP generated cash flows from operating activities of

$512 million. HCP s ability to generate strong and consistent cash flow from operations has enabled it to invest in its operations and pursue attractive growth opportunities.

Table of Contents

Scalable and portable business model. We believe that HCP s strong clinical outcomes, reputation with health plans and health care providers and its ability to successfully manage complex regulatory, reimbursement, clinical and operating environments associated with practicing medicine are key reasons that medical groups and IPAs are interested in joining HCP s network. HCP has the capacity to extend its network and systems to encompass additional medical groups and IPAs with only limited incremental capital expenditures.

HCP s Strategy

HCP intends to continue to increase its membership, and generate incremental revenue and earnings opportunities in existing and new markets. HCP expects to accomplish this through pursuing the following activities:

Continue to Provide High Quality Care to Patients While Minimizing Costs. HCP intends to continue to improve quality care and strong medical outcomes for its patients while managing health care costs and minimizing the level of unnecessary care by investing in the following programs and initiatives:

Integrated care teams. HCP has re-engineered the patient care process to enhance the patient care experience through the use of integrated care teams. These include care teams of physicians, nurses and medical assistants who have direct contact with and deep personal knowledge of a panel of assigned patients. Patients have direct phone and/or email access to these teams for appointments and information flow. Teams are supported by a multi-disciplined support center, 24 hours a day, seven days per week, that handles customer service issues, claims and benefit questions as well as medical questions and the triaging of medical conditions to the appropriate resource after office hours.

Disease management programs. HCP proactively manages its patients with specific disease conditions, including chronic obstructive pulmonary disease, chronic kidney disease, ESRD and diabetes, among others, through a combination of direct clinical intervention and treatment, and patient education. These programs are designed to reduce the escalation of the severity of the medical conditions, thereby reducing hospital admissions and medical claims costs, as well as improving the overall quality of life for patients with these conditions.

Hospitalists. HCP utilizes hospitalists in all of its markets to more efficiently use HCP s primary care physicians and to provide more individualized and focused attention for hospitalized patients. These specifically trained physicians monitor and manage on a 24 hours a day, seven days per week basis all aspects of care during a patient s hospital stay, in many cases on-site at the hospital. We believe this results in more efficient, and generally shorter hospital stays, as well as reduced levels of readmissions.

Comprehensive care centers. HCP offers comprehensive care centers that are typically located within existing medical clinics and practice locations. These comprehensive care centers provide customized interventions for high-risk patients with multiple chronic diseases. These comprehensive services are designed to prevent these chronic disease conditions from becoming more severe.

Home care program. The most ill, highest risk patient population typically accounts for a disproportionate level of hospitalizations and emergency room visits. HCP s home care program brings personalized care to its most frail and ill patients in their home. This program is designed to reduce inpatient acute admissions and emergency room visits for the patients under HCP s care.

Same or next day access. Most physicians who depend on fee-for-service reimbursement have fully booked schedules so that when a patient calls with symptoms that are troublesome, but not life-threatening, the patient may be told to go to the emergency room, an extremely high cost and inefficient setting for delivery of care. To mitigate this problem, HCP keeps open a significant block of its physicians schedules for same or next day access. This allows patients with non life-threatening problems to be seen in a physician s office on the same or next day after they call. We believe this program not only improves the quality of care, but also enhances patient satisfaction and retention.

168

Table of Contents

Urgent care centers. HCP owns and operates freestanding urgent care centers to provide access for patients who require immediate care. These centers create a more appropriate clinical alternative to emergency room visits, which are typically expensive and may lead to unnecessary inpatient admissions.

Organically Grow by Adding Physicians, Physician Groups and IPAs in Existing and Adjacent Markets. Consistent with HCP s historical growth model, HCP plans to continue to organically grow its network in and adjacent to its existing markets by adding physicians, physician groups and IPAs, particularly those with strong senior enrollment and an acceptance of integrated care management and evidence-based medicine techniques. We believe that HCP s strong relationships with many leading health plans, extensive provider networks, and reputation for providing quality care, make it an attractive partner for a wide range of physician groups and IPAs. We believe that there are many of these physician groups and IPAs in its existing and adjacent markets that have experience in managed care. As such, HCP believes that the growth opportunity from organically adding physician groups and IPAs is significant in its primary and adjacent markets.

Opportunistically Expand into New Markets. HCP intends to continue to expand its business model into new markets in a disciplined and opportunistic manner. HCP has acquired or has become affiliated with a number of medical groups, IPAs and physician practices in the past and is currently reviewing a number of acquisitions and affiliation candidates of various sizes both within and outside its existing geographic markets.

Pursue New Product Offerings. HCP also intends to pursue new product offerings. In HCP s existing markets, HCP intends to contract with health plans that undertake to manage the care of members who are dually eligible for both Medicare and Medicaid benefits, and who are currently receiving care through a traditional fee-for-service model. Health plans receive a higher premium from CMS for dual-eligible patients under a Medicare Advantage program, as these patients typically have higher medical costs. For example, these patients experience 80% higher medical costs than the average Medicare patient and have a 47% higher rate of diabetes; over half of these patients are under treatment for five or more chronic conditions. As a result of CMS authorized demonstration projects, several states are exploring enrolling these dual-eligible patients in managed care plans, and California announced an intention to launch a demonstration project in 2013. Given the high level of chronic disease states among this population and the higher associated costs, HCP believes there is a sizeable new revenue opportunity to apply its integrated care management model to serving dual-eligible patients. In addition, HCP has been selected by CMS Innovation Center to be among the 32 Pioneer Accountable Care Organizations, in each of HCP s three markets. HCP is the only such Pioneer ACO in more than one state. Pioneer ACOs contract with CMS on a direct basis, not through health plans, to manage the care of Medicare fee-for-service patients attributable to these organizations. The Pioneer ACO program presents an opportunity for HCP to bring the benefit of its integrated care programs to a fee-for-service patient population. Because Medicare fee-for-service is not part of HCP s health plan customers business, this new product offering will not compete with HCP s customers.

Provider Network

HCP provides complete medical care through a network of participating physicians and other health care professionals. Through its group model, HCP employs, directly and through its affiliated physician groups, approximately 374 affiliated group full-time primary care physicians who practice in clinics that are operated by HCP. Through its IPA model, HCP contracts with approximately 1,454 additional network primary care physicians who provide care for HCP s members in an independent office setting. These physicians are complemented by a network of several thousand specialists and ancillary providers and 139 network hospitals that provide specialty or institutional care to the patients of HCP s affiliated physicians, physician groups and IPAs.

In order to comply with local regulations prohibiting the corporate practice of medicine, many of HCP s group physicians are employed by affiliated medical groups with which HCP has entered into long-term

Table of Contents

management agreements, while, in other regions, the physicians are employed directly by HCP. The largest of these HCP managed medical groups is HCPAMG, which employs, directly or indirectly, 590 full-time primary care physicians, specialists and hospitalists. See Government Regulations Corporate Practice of Medicine and Fee Splitting below.

HCP does not own hospitals, although hospitals are an essential part of its provider network. In most cases, however, HCP contracts or otherwise aligns with hospitals to manage the utilization, readmission and cost of hospital services.

Most HCP patients receive specialty care through HCP s network based on referrals made by their primary care physician. These specialists may be reimbursed based on capitation, case rates or on a discounted fee-for-service rate.

A typical fee-for-service primary care physician might treat approximately 30 patients per day. In contrast, HCP group physicians typically see 18 to 20 patients per day, which we believe is a more appropriate benchmark to ensure there is sufficient time to understand all of the patients clinical needs. HCP care teams, including nurses, engage in outreach to patients in order help monitor the fragile and high risk patients, and help improve adherence to physicians care plans. During these visits, HCP s physicians, nurses and educators use the time to educate patients and manage their health care needs. The goal of this preventative care delivery model is to keep patients healthy. Education improves self-management and compliance which allows the patient to recognize early signs of their disease and seek appropriate care. We believe this translates into earlier intervention, which in turn leads to fewer emergency room visits, fewer hospital admissions and fewer hospital bed days (the most expensive location for health care).

This clinical model seeks to provide early diagnosis of disease or deterioration in a chronic and complex condition and provide preventive care to maintain optimal health and avert unnecessary hospitalization. Clinic-based case managers and hospitalists coordinate with the primary care physicians to ensure that patients are receiving proper care whether they are in the clinic, in the hospital or are not regularly accessing health care. Physicians and case managers encourage patients to regularly visit the clinics in order to enhance their day-to-day health and diagnose any illness or deterioration in condition as early as possible.

Information Technology and Clinical Data Management

HCP s information technology system, including HCP s electronic health record and data warehouse, is designed to support the HCP delivery model with data-driven opportunities to improve the quality and cost effectiveness of the care received by its members. Using informatics technology, HCP has created disease registries that track large numbers of patients with defined medical conditions. HCP applies the data from these registries to manage the care for patients with similar medical conditions which we believe leads to a better medical outcome. We believe its approach to using this data is effective because the information is communicated by the patient s physician rather than the health plan or disease management companies.

HCP employs a wide variety of other information applications in order to service IPA and network providers using web connectivity. The HCP Connect! on-line portal provides web-based eligibility, referrals, electronic claims submission and explanation of benefits, and other communication vehicles for individual physician offices. The success of this suite of applications has enhanced HCP s ability to manage its IPA networks, and has resulted in significant back-office efficiencies for HCP and its affiliated physician groups. HCP has further expanded its ability to share key utilization and clinical data with its internal and contracted physicians and specialists through the Physician Information Portal and the Clinical Viewer. Through these secure web portals, a physician is able to obtain web-based, point of care information regarding a patient, including diagnosis history, provide quality indicators, historical risk-adjustment coding information, pharmacy medication history, and other key information. In addition to its web-portals geared towards physicians, HCP has recently introduced a patient on-line portal to enable HCP s patients to securely view their own clinical

Table of Contents

information, schedule physician appointments and interact electronically with their physicians. HCP believes these tools help to lead to high quality clinical outcomes, create internal efficiencies, and enhance the satisfaction of its affiliated physicians and patients.

In addition, HCP uses its data to carefully track high utilizing patients through an automated data warehouse and mining system. HCP filters the data warehouse to identify and reach out to patients with high-utilization patterns who are inefficiently using resources such as visiting an emergency room when either a same-day appointment or urgent care center would be more appropriate and satisfactory for the member. High utilizing patients are identified and tracked as part of HCP s electronic health record by their physician and HCP s care management staff. Specific care plans are attached to each of these patients and tracked carefully for full compliance. The objective is to proactively manage their care at times when these patients are either not compliant with the care plan or when changing circumstances require care managers to develop new and more suitable care plans. By using these resources, HCP has achieved improvements in quality of care, satisfaction and cost.

Government Regulations

In addition to the laws and regulations to which DaVita is subject, HCP s internal operations and contractual relationships with healthcare providers such as hospitals, other healthcare facilities, and healthcare professionals are subject to extensive and increasing regulation by numerous federal, state, and local government entities. These laws and regulations often are interpreted broadly and enforced aggressively by multiple government agencies, including the Office of Inspector General, or OIG, the U.S. Department of Justice, and various state authorities. Many of these laws and regulations are the same as those that impact DaVita. For example:

- HCP s financial relationships with healthcare providers including physicians and hospitals could subject HCP to sanctions and penalties under the federal anti-kickback statute;
- The referral of Medicare patients by HCP-affiliated physicians for the provision of designated health services, or DHS, may subject the parties to sanctions and penalties under the federal Stark Law;
- HCP s financial relationships and those of its affiliated physicians may subject the parties to penalties and sanction under state fraud and abuse law;
- HCP s submission of claims to governmental payors such as the Medicare and Medicaid programs and submission of data to Medicare Advantage plans for services provided by its affiliated physicians and clinical personnel may subject HCP to sanctions and penalties under the federal False Claims Act, or FCA; and
- HCP s handling of electronic protected health information may subject HCP to sanctions and penalties under HIPAA, and state medical privacy laws which often include penalties and restrictions that are more severe than those which arise under HIPAA.

A finding that claims for services were not covered or not payable, or the imposition of sanctions associated with a violation of any of these healthcare laws and regulations, could result in criminal or civil penalties and exclusion from participation in Medicare, Medicaid and other federal and state healthcare programs and could have a material adverse effect on HCP s business, financial condition and results of operations. HCP cannot guarantee that its arrangements or business practices will not be subject to government scrutiny or be found to violate certain healthcare laws. Government audits, investigations and prosecutions, even if HCP is ultimately found to be without fault, can be costly and disruptive to HCP s business. Moreover, changes in healthcare legislation or government regulation may restrict HCP s existing operations, limit the expansion of HCP s business or impose additional compliance requirements and costs, any of which could have a material adverse effect on HCP s business, financial condition and results of operations.

Table of Contents

The following includes brief descriptions of some, but not all, of the laws and regulations that, in addition to those described in relation to DaVita, affect HCP s business.

Licensing, Certification, Accreditation and Related Laws and Guidelines.

HCP clinical personnel are subject to numerous federal, state and local licensing laws and regulations, relating to, among other things, professional credentialing and professional ethics. Since HCP clinical personnel perform services in medical office settings, hospitals and other types of healthcare facilities, HCP may indirectly be subject to laws applicable to those entities as well as ethical guidelines and operating standards of professional trade associations and private accreditation commissions, such as the American Medical Association and the Joint Commission. There are penalties for non-compliance with these laws and standards, including loss of professional license, civil or criminal fines and penalties, loss of hospital admitting privileges, federal health care program disenrollment, loss of billing privileges, and exclusion from participation in various governmental and other third-party healthcare programs.

Professional Licensing Requirements.

HCP s clinical personnel including physicians must satisfy and maintain their professional licensing in the states where they practice medicine. Activities that qualify as professional misconduct under state law may subject them to sanctions, including the loss of their licenses and could, possibly, subject HCP to sanctions as well. Some state boards of medicine impose reciprocal discipline, that is, if a physician is disciplined for having committed professional misconduct in one state where he or she is licensed, another state where he or she is also licensed may impose the same discipline even though the conduct occurred in another state. Therefore, if an HCP-affiliated physician is licensed in multiple states, sanctions or loss of licensure in one state may result in sanction or the loss of licensure in another state. Professional licensing sanctions may also result in exclusion from participation in governmental healthcare programs, such as Medicare and Medicaid, as well as other third-party programs.

Corporate Practice of Medicine and Fee Splitting.

Two states in which HCP operates, California and Nevada, which represented 76% of HCP s revenues for 2011, have laws that prohibit business entities, such as HCP and its subsidiaries, from practicing medicine, employing physicians to practice medicine, exercising control over medical decisions by physicians, known collectively as the corporate practice of medicine. These states also prohibit entities from engaging in certain arrangements, such as fee-splitting, with physicians. In some states these prohibitions are expressly stated in a statute or regulation, while in other states the prohibition is a matter of judicial or regulatory interpretation. In California, a violation of the corporate practice of medicine prohibition constitutes the unlawful practice of medicine, which is a public offense punishable by fines and other criminal penalties. In addition, any physician who participates in a scheme that violates California s corporate practice of medicine prohibition may be punished for aiding and abetting a lay entity in the unlawful practice of medicine. In Nevada, violation of the corporate practice of medicine rules by a lay entity also constitutes the unlawful practice of medicine. This violation is a felony punishable by fines and other criminal penalties. Physicians in Nevada can similarly be punished for aiding and abetting in the unlicensed practice of medicine.

In California and Nevada, where the corporate practice of medicine is prohibited, HCP operates by maintaining long-term management contracts with multiple affiliated professional organizations that, in turn, employ or contract with physicians to provide those professional medical services required by the enrollees of the payors with which the professional organizations contract. Under these management arrangements, HCP performs only non-medical administrative services, does not represent that it offers medical services, and does not exercise influence or control over the practice of medicine by the physicians or the affiliated physician groups with which it contracts. For example, in California, HCP has a full-service management contract with HCPAMG. HCPAMG is owned by California-licensed physicians and professional medical corporations and

Table of Contents

contracts with physicians to provide professional medical services. In Nevada, HCP s Nevada subsidiaries have similar management arrangements with Nevada professional corporations that employ and contract with physicians to provide professional medical services.

Some of the relevant laws, regulations, and agency interpretations in California and Nevada have been subject to limited judicial and regulatory interpretation. Moreover, state laws are subject to change. Regulatory authorities and other parties, including HCP s affiliated physicians, may assert that, despite the management contracts under which HCP operates, HCP is engaged in the prohibited corporate practice of medicine or that HCP s arrangements constitute unlawful fee-splitting. If this were to occur, HCP could be subject to civil or criminal penalties, HCP s contracts could be found legally invalid and unenforceable (in whole or in part), or HCP could be required to restructure its contractual arrangements.

If HCP were required to restructure its management arrangements in California or Nevada due to determination that a corporate practice of medicine violation existed, such a restructuring might include revisions of the management services agreements, which might include a modification of the management fee, and/or establishing an alternative structure, such as obtaining a California Knox-Keene license (as described below) or its Nevada equivalent which would permit HCP to contract with a physician network without violating the corporate practice of medicine prohibition.

The Knox-Keene Act.

The California Department of Managed Health Care, or DMHC, licenses and regulates health care service plans, or HCSPs, such as health plans pursuant to the Knox-Keene Act. In addition to administering the Knox-Keene Act s various patient s rights protections for HCSP-enrolled individuals, the DMHC is responsible for ensuring the financial sustainability over time of HCSPs and other regulated entities. As such, the DMHC is charged with continually monitoring the financial health of regulated entities. The DMHC s Division of Financial Oversight conducts examinations of the fiscal and administrative affairs of licensed HCSPs to protect consumers and providers from potential insolvencies. Financial examination reviews include examinations of cash flow, premium receivables, intercompany transactions and medical liabilities. The examination also ensures that there is adequate tangible net equity, or TNE, as determined according to calculations included in the Knox-Keene Act . The TNE regulations for organizations holding a Knox-Keene license vary depending on circumstances, but generally require any licensee to have on hand in cash or cash equivalents 130% of the greater of (1) One Million Dollars ($1,000,000); (2) the sum of 2% of the first One Million Five Hundred Thousand Dollars ($1,500,000) of annualized premium revenues plus 1% of annualized premium revenues in excess of One Million Five Hundred Thousand Dollars ($1,500,000); or (3) the sum of 8% of the first One Million Five Hundred Thousand Dollars ($1,500,000) of annualized health care expenditures (except those paid on a capitated basis or managed hospital payment basis); plus 4% of the annualized health care expenditures, except those paid on a capitated basis or managed hospital payment basis, which are in excess of One Million Five Hundred Thousand Dollars ($1,500,000); plus 4% of annualized hospital expenditures paid on a managed hospital payment basis.

The DMHC interprets the Knox-Keene Act to apply to both HCSPs and downstream contracting entities, including provider groups, that enter into global risk contracts with licensed HCSPs. A global risk contract is a health care services contract in which a downstream contracting entity agrees to provide both professional (e.g., medical group) services and institutional (e.g., hospital) services subject to an at-risk or capitated reimbursement methodology. According to DMHC, entities that accept global risk must obtain a limited Knox-Keene license.

Under a limited Knox-Keene license, entities may enter into global risk contracts with other licensed HCSPs. Holders of limited licenses must comply with the same financial requirements as HCSPs with full licenses, including demonstrating specific levels of TNE, but are granted waivers from meeting marketing and other terms of full Knox-Keene licensure. The consequences of operating without a license include civil penalties, criminal penalties and the issuance of cease and desist orders.

Table of Contents

HCP does not hold a limited Knox-Keene license. Instead of operating under such a license which would allow HCP to directly enter risk contracts with HCSPs for the provision of both professional and institutional services, HCP utilizes arrangements with hospital and its affiliated physician organizations. If (i) DMHC were to determine that HCP has been inappropriately taking global risk for institutional and professional services as a result of its various hospital and physician arrangements without having a limited Knox-Keene license or (ii) the California Board of Medicine were to conclude that the current HCP physician arrangements present a violation of the corporate practice of medicine, HCP may be required to obtain a limited Knox-Keene license to resolve such violations and HCP could be subject to civil and criminal penalties. Alternatively, HCP might voluntarily elect to obtain a limited Knox-Keene license for various reasons including to permit it to contract directly with HCSPs, to simplify its current contractual and financial structure and to facilitate expansion into new markets. If HCP were to obtain a limited Knox-Keene license, one of the primary impacts would be the TNE requirements described above.

Although obtaining such a limited Knox-Keene license would ameliorate risks under the Knox-Keene Act and California s corporate practice of medicine prohibition, there are disadvantages associated with obtaining such a license. These disadvantages include: (1) regulatory oversight of operations, (2) the need to seek approval for all material business changes, (3) significant requirements to maintain certain TNE levels, and (4) other operating limitations imposed by the Knox-Keene Act and its regulations.

Competition

HCP operates in a highly competitive environment and competes with medical groups and individual physicians in its markets. HCP competes with other primary care groups or physicians contracted with the health plans for membership. The health plans contract with care providers on the basis of costs, reputation, scope, efficiency and stability. The individual members select a primary care physician at the time of membership with the health plan. Location, name recognition, quality indicators and other factors go into that decision. For example, HCP competes with both Permanente Medical Group, which is the exclusive provider for Kaiser, and Heritage Provider Network in California; however, HCP s principal competitors for members and health plan contracts vary by market.

Customers

While HCP promotes its physicians, programs and services, HCP does not sell to patients. Representatives from health plans with whom HCP contracts, and field marketing personnel, make the sales of enrolling patients. HCP contributes to the success of these sales efforts through relevant and differentiated messaging, materials and events that highlight the value of HCP s accomplishments, services and effective care delivery. In this way, HCP s marketing department and the health plans and field marketers are each responsible for their core competencies.

Table of Contents

MARKET PRICE AND DISTRIBUTIONS

HCP is a private company, and there is no public trading market for the HCP Common Units.

As a private limited liability company, HCP makes distributions to the HCP Members several times a year to fund the HCP Members respective pass-through tax liabilities associated with their ownership interests. The following table sets forth cash distributions made by HCP to the HCP Members during the 2012, 2011 and 2010 fiscal years.

	2012	2011	2010
Payment Month	**Distribution Amount**	**Distribution Amount**	**Distribution Amount**
January	$ 30,210,494.00	$ 30,096,222.00	$ 17,405,206.25
April	88,950,486.00	76,367,624.00	38,033,456.00
June	57,733,917.00	43,933,344.00	32,340,771.00
September		48,631,527.00	23,362,586.00
December		11,973,131.00	
Total	$ 176,894,897.00	$ 211,001,848.00	$ 111,142,019.25

Table of Contents

SELECTED HISTORICAL FINANCIAL AND OTHER DATA

DaVita

The following selected consolidated financial data should be read in conjunction with DaVita s financial statements for the years ended December 31, 2009, 2010 and 2011 and unaudited financial information for the six months ended June 30, 2012 and 2011, and related notes thereto incorporated by reference in this prospectus. The consolidated statement of operations data and balance sheet data presented below are derived from DaVita s consolidated financial statements included or incorporated by reference in this prospectus. Effective January 1, 2012, DaVita adopted FASB s ASU No 2011-07 Health Care Entities Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts. Upon adoption of this standard, DaVita was required to change the presentation of its provision for uncollectible accounts related to patient service revenue as a deduction from patient service operating revenues. These consolidated financial results have been revised for all prior periods presented to reflect the retrospective application of adopting these new presentation and disclosures requirement for the provision for uncollectible accounts.

	Year ended December 31,					Six months ended June 30,	
	2007	2008	2009	2010	2011	2011	2012
			(audited)			(unaudited)	
				(dollars in millions)			
Statement of operations data:							
Net dialysis patient service revenues, less provision for uncollectible accounts	$ 4,970	$ 5,247	$ 5,601	$ 5,877	$ 6,273	$ 2,992	$ 3,465
Other revenue	154	264	343	395	519	232	332
Net operating revenues	5,124	5,511	5,944	6,272	6,792	3,224	3,797
Operating expenses and charges:							
Patient care costs	3,584	3,915	4,242	4,467	4,681	2,277	2,575
General and administrative	491	508	531	579	691	315	422
Depreciation and amortization	193	216	228	234	267	126	154
Provision for uncollectible accounts	3	4	5	4	7	3	4
Valuation gain on the Product Supply Agreement[1]	(55)						
Goodwill impairment charge[1]					24	24	
Legal proceeding contingency accrual and related expenses[2]							78
Equity investment income	(1)	(1)	(2)	(9)	(9)	(4)	(5)
Total operating expenses and charges	4,215	4,642	5,004	5,275	5,661	2,742	3,228
Operating income	909	869	940	997	1,131	482	569
Debt expense[3]	(257)	(225)	(186)	(182)	(241)	(118)	(122)
Refinancing and debt redemption charges[4]				(74)			
Other income[5]	22	13	4	3	3	1	2
Income from continuing operations before income taxes	674	657	758	744	893	365	449
Income tax expense	245	236	278	260	316	130	164
Income from continuing operations	429	421	480	484	577	235	285

Discontinued operations[6]					(4)	1	
Net income	429	421	480	484	573	236	285
Less: Net income attributable to noncontrolling interests	(47)	(47)	(57)	(78)	(95)	(41)	(49)
Net income attributable to DaVita Inc.	$ 382	$ 374	$ 423	$ 406	$ 478	$ 195	$ 236

Table of Contents

Selected Historical Financial and Other Data

(continued)

	Year ended December 31					Six months ended June 30	
	2007	2008	2009	2010	2011	2011	2012
	(dollars in millions)						
Earnings per share:[7]							
Basic income from continuing operations per share attributable to DaVita Inc.	$ 3.60	$ 3.56	$ 4.07	$ 3.99	$ 5.09	$ 2.03	$ 2.51
Basic net income attributable to DaVita Inc.	$ 3.61	$ 3.56	$ 4.08	$ 4.00	$ 5.05	$ 2.03	$ 2.51
Diluted income from continuing operations per share attributable to DaVita Inc.	$ 3.55	$ 3.53	$ 4.05	$ 3.93	$ 4.99	$ 1.98	$ 2.46
Diluted net income attributable to DaVita Inc.	$ 3.55	$ 3.53	$ 4.06	$ 3.94	$ 4.96	$ 1.99	$ 2.46
Weighted average shares for earnings per share:[7]							
Basic	105,893,000	105,149,000	103,604,000	101,504,000	94,658,000	95,872,000	93,970,000
Diluted	107,418,000	105,940,000	104,168,000	103,059,000	96,532,000	98,014,000	95,866,000
Amounts attributable to DaVita Inc.							
Income from continuing operations	$ 382	$ 374	$ 423	$ 406	$ 482	$ 194	$ 236
Discontinued operations					(4)	1	
Net income	$ 382	$ 374	$ 423	$ 406	$ 478	$ 195	$ 236
Balance sheet data (at end of period):							
Cash and cash equivalents	$ 447	$ 411	$ 539	$ 860	$ 394	$ 730	$ 273
Working capital	890	965	1,256	1,699	1,128	1,478	943
Total assets	6,944	7,286	7,558	8,114	8,892	8,193	9,255
Total debt	3,707	3,695	3,632	4,309	4,505	4,286	4,498
Total shareholders equity[7]	1,504	1,768	2,135	1,978	2,141	1,881	2,379
Other financial data:							
Adjusted EBITDA[8]	$ 1,102	$ 1,157	$ 1,225	$ 1,288	$ 1,534	$ 660	$ 740
Net debt[9]	3,297	3,331	3,142	3,503	4,171	3,610	4,281
Ratio of net debt to Adjusted EBITDA (leverage ratio)	2.99x	2.88x	2.56x	2.72x	2.72x	2.69x	2.70x
Ratio of Adjusted EBITDA to interest expense (interest coverage ratio)	4.29x	5.14x	6.59x	6.33x	6.78x	6.21x	6.92x
Net cash provided by operating activities	581	614	667	840	1,180	534	534
Ratio of earnings to fixed charges[6]	2.92x	3.01x	3.58x	3.44x	3.31x	2.93x	3.20x
Pro forma ratio of earnings to fixed charges[6]					2.71x		2.86x
Operating data:							

Maintenance capital expenditures[10]	114	105	114	159	224	88	122
Centers	1,359	1,449	1,530	1,612	1,820	1,669	1,903
Patients	107,000	112,000	118,000	125,000	143,000	131,000	150,000
Dialysis treatments	15,296,000	16,192,000	16,985,000	17,964,000	19,599,000	9,364,000	10,766,000

(1) Operating expenses and charges in 2011 include $24 million of a non-cash goodwill impairment charge related to our infusion therapy business and $55 million in 2007 of valuation gains on the alliance and product supply agreement with Gambro Renal Products, Inc. Operating expenses and charges in 2007 also includes $7 million of gains from insurance settlements related to Hurricane Katrina and a fire that destroyed one center.

Table of Contents

Selected Historical Financial and Other Data

(continued)

(2) Debt expense in 2007 includes the write-off of approximately $4 million of deferred financing costs associated with our principal prepayments on our term loans.

(3) In 2010, we incurred $74 million of refinancing and debt redemption charges in conjunction with the extinguishment of our previously existing senior secured credit facilities and the redemption of $200 million of our previously outstanding 6 5/8% senior notes.

(4) Other income, net, includes $6 million in 2007 of gains from the sale of investment securities.

(5) During 2011, we divested a total of 28 outpatient dialysis centers in conjunction with a consent order issued by the Federal Trade Commission on September 30, 2011 in order for us to complete the acquisition of DSI. In addition, we also completed the sale of two additional centers that were previously pending state regulatory approval in conjunction with the acquisition of DSI on October 31, 2011. The operating results of the historical DaVita divested centers are reflected as discontinued operations in our consolidated financial statements for all periods presented. In addition, the operating results for the DSI divested centers are reflected as discontinued operation in our consolidated financial statements beginning September 1, 2011.

(6) The ratio of earnings to fixed charges was computed by dividing earnings by fixed charges. Earnings for this purpose is defined as pretax income from continuing operations adjusted by adding back fixed charges expensed during the period. Fixed charges include debt expense (interest expense and the write-off and amortization of deferred financing costs), the estimated interest component of rental expense on operating leases, and capitalized interest.

(7) Share repurchases consisted of 3,794,686 shares of DaVita Common Stock for $323 million in 2011, 8,918,760 shares of DaVita Common Stock for $618 million in 2010, 2,902,619 shares of DaVita Common Stock for $153 million in 2009, 4,788,881 shares of DaVita Common Stock for $233 million in 2008, 111,300 shares of DaVita Common Stock for $6 million in 2007 and 3,710,086 shares of DaVita Common Stock for $316 million in the first six months of 2011. Shares issued in connection with stock awards amounted to 1,260,259 in 2011, 1,771,384 in 2010, 2,104,304 in 2009, 1,314,074 in 2008, and 2,480,899 in 2007.

(8) Adjusted EBITDA reconciled to net income attributable to DaVita is as follows:

	Year ended December 31					Six months ended June 30		Rolling twelve months June 30	
	2007	2008	2009	2010	2011	2011	2012	2011	2012
	(dollars in millions)								
Net income attributable to DaVita Inc.	$ 382	$ 374	$ 423	$ 406	$ 478	$ 195	$ 236	$ 383	$ 519
Income tax expense	245	235	278	260	316	130	164	245	349
Debt expense[a]	257	225	186	182	241	118	122	213	245
Depreciation and amortization	193	216	228	234	267	126	154	245	294
Noncontrolling interests and equity investment income, net	45	47	55	75	95	41	49	88	104
Non-cash charges[b]	39	55	53	62	56	30	25	65	55
Non-cash goodwill impairment charge					24	24		24	
Debt refinancing and redemption charges				74				70	
Pro forma amounts for acquisitions and assets sales	8	9	9	22	89	18	22	40	62
Non-cash gains and credits	(12)	(4)	(7)	(27)	(32)	(22)	(32)	(30)	(43)
Valuation gain on the product supply agreement	(55)								
Adjusted EBITDA	$ 1,102	$ 1,157	$ 1,225	$ 1,288	$ 1,534	$ 660	$ 740	$ 1,343	$ 1,585

Table of Contents

Selected Historical Financial and Other Data

(continued)

We present Adjusted EBITDA because it is one of the components used in the calculations of the leverage ratio that is included in the covenants contained in our existing senior secured credit agreement, and we expect similar covenants to be included in our amended senior secured credit agreement; however, the terms of the amended senior secured credit agreement have not yet been finalized. Adjusted EBITDA is defined as net income attributable to DaVita Inc. before income taxes, debt expense, depreciation and amortization, noncontrolling interests and equity investment income, net, and we further adjust for non-cash charges, stock-based compensation, pro forma amounts for acquisitions and assets sales as if they had been consummated on the first day of each period, and non-cash gains and credits. Management uses Adjusted EBITDA and similar calculations as measures to assess operating and financial performance, including compliance with the financial covenants contained in our indentures and our senior secured credit agreement. Adjusted EBITDA is not a measure of operating performance computed in accordance with GAAP and should not be considered in isolation or as a substitute for operating income, net income, cash flows from operation, or other statement of operations or cash flow data prepared in conformity with GAAP, or as measures of profitability or liquidity. In addition, the calculation of Adjusted EBITDA is susceptible to varying interpretations and calculation, and the amounts presented may not be comparable to similarly titled measures of other companies. Adjusted EBITDA may not be indicative of historical operating results, and DaVita does not mean for it to be predictive of future results of operations or cash flows.

(a) Debt expense is defined as interest expense plus the amortization of deferred financing costs and amortization of debt discounts or premiums.
(b) Includes stock-based compensation expense, impairments and valuation adjustments and other non-cash charges and losses.

(9) Net debt is defined as total debt, plus outstanding letters of credit, excluding debt discount or premium and less cash and cash equivalents.
(10) Maintenance capital expenditures represents routine capital expenditures to maintain the current operations of the business and includes such expenditures for system development, information technology equipment and dialysis machines.

Table of Contents

HCP

The following selected combined and consolidated financial data should be read in conjunction with HCP s financial statements for the years ended December 31, 2009, 2010 and 2011, and unaudited financial information for the six months ended June 30, 2012 and 2011, and related notes thereto included in this prospectus and the discussion under Management s Discussion and Analysis of Financial Conditions and Results of Operations included herein. The combined statement of operations and balance sheet data presented below, are derived from the combined and consolidated financial statements of HCP.

	Year ended December 31,					Six months ended June 30,	
	2007	2008	2009	2010	2011	2011	2012
			(audited)			(unaudited)	
			(dollars in millions, except operating data)				
Statement of operations data:							
Medical revenues	$ 1,187	$ 1,557	$ 1,731	$ 2,049	$ 2,375	$ 1,158	$ 1,294
Other operating revenues	42	46	46	40	47	22	28
Total operating revenues	1,229	1,603	1,777	2,089	2,422	1,180	1,322
Operating expenses and charges:							
Medical expenses	605	814	930	1,034	1,165	569	620
Hospital expenses	122	191	212	222	248	121	155
Clinic support and other operating costs	175	197	226	263	308	148	165
General and administrative expenses	120	142	136	178	207	101	110
Depreciation and amortization	19	24	26	29	31	16	16
Total operating expenses	1,041	1,368	1,530	1,726	1,959	955	1,066
Equity earnings of unconsolidated joint ventures	12	11	12	15	25	9	12
Operating income	200	246	259	378	488	234	268
Interest income	6	6	6	6	7	3	4
Interest expense	(20)	(14)	(6)	(5)	(16)	(9)	(6)
Investment impairment		(5)					
Gain on sale of investments			2		1	1	
Total other income (expense)	(14)	(13)	2	1	(8)	(5)	(2)
Income before income taxes	186	233	261	379	480	229	266
Provision for income taxes	9	30	41	49	71	37	33
Net income	$ 177	$ 203	$ 220	$ 330	$ 409	$ 192	$ 233
Balance sheet data (end of period):							
Cash and cash equivalents	154	214	358	361	395	183	355
Working capital.	28	72	179	360	304	192	341
Total assets.	590	748	911	1,286	1,366	1,188	1,415
Total debt	260	223	220	218	556	571	542
Member s equity.	84	225	340	566	188	29	248
Other financial data:							

Capital expenditures	12	28	12	21	23	11	10
Net cash provided by operating activities	218	233	286	343	509	181	184
Operating data:							
Total care dollars under management[(1)]	1,639	2,159	2,388	2,792	3,212	1,582	1,752
Managed care members	469,700	586,500	589,900	658,000	667,700	659,200	669,400
Medical clinic locations	82	90	99	129	152	138	157
Full time physicians	461	496	570	715	794	734	818
IPA Primary care physicians	875	1,178	1,268	1,291	1,458	1,414	1,454
Adjusted EBITDA[(2)]	221	278	293	414	527	255	288
Ratio of Operating Income to total care dollars under management	12.2%	11.4%	10.8%	13.5%	15.2%	14.8%	15.3%

Table of Contents

Selected Historical Financial and Other Data

(continued)

(1) In California, as a result of its managed care administrative services agreements with hospitals, HCP does not assume the direct financial risk for institutional (hospital) services, but is responsible for managing the care dollars associated with both the professional (physician) and institutional services being provided for the PMPM fee attributable to both professional and institutional services. In those cases, HCP recognizes the surplus of institutional revenue less institutional expense as HCP revenue. In addition to revenues recognized for financial reporting purposes, HCP measures its total care dollars under management which includes the PMPM fee payable to third parties for institutional (hospital) services where HCP manages the care provided to its members by the hospitals and other institutions, which fees are not included in GAAP revenues. HCP uses total care dollars under management as a supplement to GAAP revenues as it allows HCP to measure profit margins on a comparable basis across both the global capitation market (where HCP assumes the full financial risk for all services, including institutional services) and the risk sharing models (where HCP operates under managed care administrative services agreements where HCP does not assume the full risk). HCP believes that presenting amounts in this manner is useful because it presents its operations on a unified basis without the complication caused by models that HCP has adopted in its California market as a result of various regulations related to the assumption of institutional risk. Total care dollars under management is not a measure of financial performance computed in accordance with GAAP and should not be considered in isolation or as a substitute for revenues calculated in accordance with GAAP. Total care dollars under management includes PMPM payments to third parties that are not recorded in HCP s accounting records and have not been reviewed and are not otherwise subject to procedures by HCP s independent auditors. For a reconciliation of total care dollars under management to HCP s revenues, see Management s Discussion and Analysis of Financial Conditions and Results of Operations Total Care Dollars Under Management.

(2) Adjusted EBITDA reconciled to net income to HCP is as follows:

	Year ended December 31					Six months ended June 30	
	2007	2008	2009	2010	2011	2011	2012
	(dollars in millions)						
Net income	$ 177	$ 203	$ 220	$ 330	$ 409	$ 192	$ 233
Income tax expense	9	30	41	49	71	37	33
Debt expense	20	14	6	5	16	9	6
Depreciation and amortization	19	24	26	29	31	16	16
Stock-based compensation	2	8	6	7	7	4	4
Impairment charge		5					
Interest income	(6)	(6)	(6)	(6)	(7)	(3)	(4)
Adjusted EBITDA	$ 221	$ 278	$ 293	$ 414	$ 527	$ 255	$ 288

HCP uses Adjusted EBITDA and similar calculations as measures to assess operating and financial performance, including compliance with the financial covenants contained in its senior secured credit agreement. Adjusted EBITDA is defined as net income attributable to HCP before income taxes, net debt expense, depreciation and amortization, stock-based compensation, and any impairment charges. Adjusted EBITDA is not a measure of operating performance computed in accordance with GAAP and should not be considered in isolation or as a substitute for operating income, net income, cash flows from operation, or other statement of operations or cash flow data prepared in conformity with GAAP, or as measures of profitability or liquidity. In addition, Adjusted EBITDA is susceptible to varying interpretations and calculation, and the amounts presented may not be comparable to similarly titled measures of other companies. Adjusted EBITDA may not be indicative of historical operating results, and HCP does not mean for it to be predictive of future results of operations or cash flows.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

DaVita

The Management s Discussion and Analysis of Financial Conditions and Results of Operations set forth in DaVita s Quarterly Report on Form 10-Q for the three and six months ended June 30, 2012, filed with the SEC and incorporated by reference into this prospectus. For further information regarding the documents incorporated by reference in this prospectus, please see Additional Information Where You Can Find More Information beginning on page 234.

HCP

Overview and Recent Developments

HCP is a patient- and physician-focused, integrated health care delivery and management company with nearly three decades of providing coordinated, outcomes-based medical care in a cost-effective manner. Through capitation contracts with some of the nation s leading health plans, as of June 30, 2012, HCP had approximately 669,400 current members under its care in southern California, central and south Florida and southern Nevada. Of these, approximately 190,700 individuals represented patients enrolled in Medicare Advantage. The remaining approximately 478,700 individuals represented managed care members whose health coverage is provided through their employer or who have individually acquired health coverage directly from a health plan or as a result of their eligibility for Medicaid benefits. In addition, during 2011, HCP provided care to over 412,000 fee-for-service patients.

The patients of HCP s affiliated physicians, physician groups and IPAs benefit from an integrated approach to medical care that places the physician at the center of patient care. As of June 30, 2012, HCP delivered services to its members via a network of over 1,800 affiliated group and other network primary care physicians, 139 network hospitals, and several thousand affiliated group and network specialists. Together with hundreds of case managers, registered nurses and other care coordinators, these medical professionals utilize a comprehensive data analysis engine, sophisticated risk management techniques and clinical protocols to provide high-quality, cost effective care to HCP s members. HCP monitors certain control metrics, such as the number of inpatient acute bed days per 1,000 patients and hospital readmission rates, as they are contributors to quality clinical outcomes and HCP s financial performance. HCP endeavors to stay informed of any changes to the Medicare and Medicare Advantage programs as such changes may affect its financial performance. Additionally, in an effort to identify changes or trends with respect to its commercial, senior and Medicaid payer classifications, HCP closely monitors the number of managed care members who have enrolled with an HCP employed or affiliated physician as their primary care physician.

On April 16, 2012, HCP acquired the assets of Cardiovascular Consultants of Nevada, Inc., or Cardiovascular Consultants, a physician group practice providing primarily cardiology and related services in southern Nevada and surrounding communities, for $15.0 million.

Key Financial Measures and Indicators

Operating Revenues

General. HCP s consolidated revenues consist primarily of (1) medical revenues, including revenues attributable to capitation arrangements contracts with health plans and, to a lesser extent, revenues from fee-for-services arrangements and (2) other operating revenues, each as described in more detail below.

Medical Revenues. Medical revenues consist primarily of fees for medical services provided under capitated contracts with various health plans or under fee-for-service arrangements with privately insured individuals. Capitation revenue derived from health plans typically results from either (1) premium payments by CMS to HCP s

Table of Contents

health plan customers under Medicare Advantage with respect to seniors, disabled and other eligible persons (which are referred to herein as HCP s senior membership), (2) premium payments by state governments to HCP s health plan customers under Medicaid managed care programs (which are referred to herein as HCP s Medicaid membership), and (3) premium payments from public and private employers and individuals to HCP s health plan customers with respect to their employees (which are referred to herein as HCP s commercial membership). Capitation payments under health plan contracts are made monthly based on the number of enrollees selecting an HCP affiliated group physician employed or affiliated with one of HCP s medical group entities as their primary health care provider. The amount of monthly capitation HCP receives from health plans on behalf of a member generally does not vary during a given calendar year, regardless of the level of actual medical services utilized by the member. Due to differing state laws affecting health care entities, HCP s capitation contracts fall into two general categories. As described in more detail below, in central Florida and southern Nevada, HCP utilizes a global capitation model in which it assumes the financial responsibility for both professional (physician) and institutional (or hospital) services for covered benefits. In southern California, HCP utilizes variants of a different model for capitation under which it is directly financially responsible for covered professional services, but indirectly financially responsible for covered institutional expenses. HCP s affiliated medical groups also receive specified incentive payments from health plans based on specified performance and quality criteria. These amounts are accrued when earned, and the amounts can be reasonably estimated.

Global Capitation Model. HCP records the aggregate global capitation PMPM fee as revenue and the amounts paid with respect to claims as medical expenses or hospital expenses, as applicable, in its combined financial statements (see Operating Expenses Medical Expenses and Operating Expenses Hospital Expenses below). Revenue with respect to both professional and institutional capitation is recorded in the month in which enrollees are entitled to receive health care. In HCP s central Florida market, HCP also receives capitation revenue and is liable for corresponding expenses for prescription drug activity rendered on behalf of HCP s senior members through the Part D component under the Medicare Advantage program.

Risk-Sharing Model. As compensation under its various managed care-related administrative services agreements with hospitals, HCP is entitled to receive up to 100% of the amount by which the hospital capitation revenue received from health plans exceeds hospital expenses, and any such risk-share amount to which HCP is entitled is recorded as medical revenues. In addition, pursuant to such managed care-related administrative services agreements, HCP agrees to be responsible should the third party incur hospital expenses in excess of hospital capitation revenue. As with global capitation, revenue with respect to professional capitation is reported in the month in which enrollees are entitled to receive health care. Risk-share revenues (that is, the portion of the excess of hospital capitation revenue to which HCP is entitled less hospital expenses), in contrast, are based on the number of enrollees and estimates of hospital utilization and associated costs incurred by assigned health plan enrollees, and the amounts accrued when earned can be reasonably estimated. Differences between actual contract settlements and estimated receivables and payables are recorded in the year of final settlement.

Retroactive Revenue-Adjustments. The Medicare Advantage revenue received by HCP s health plan customers is adjusted periodically to give effect to the relative clinical and demographic profile of the members for whom HCP is financially responsible. The model employed by CMS bases a portion of the total reimbursement payments on various clinical and demographic risk factors, including hospital inpatient diagnoses, additional diagnosis data from ambulatory treatment settings, hospital outpatient department and physician visits, gender, age and Medicaid eligibility. Under this methodology, health plans must capture, collect and submit diagnosis code information to CMS. Capitation payments under this methodology are paid at interim rates during the year and retroactive adjustments occur in subsequent periods (generally in the third quarter of the same year, with a final adjustment in the third quarter of the following year) after the data is compiled by CMS. HCP estimates the amount of such adjustments in revenues during the first and second quarters of any given year and adjusts its estimates during the third quarter, upon receipt of payments from CMS. Differences between actual contract

settlements and estimated revenues are recorded in the year of final settlement. To date, all such adjustments have resulted in increases in revenue. See Critical Accounting Policies and Estimates below for further information on HCP s estimations.

Fee-for-Service Revenues. Fee-for-service revenues are recorded when the services are provided. Such revenues are based on a negotiated fixed-fee schedule with the applicable health plan.

Other Operating Revenues. In addition to the revenues discussed above, other operating revenues primarily represents (1) revenues received by The Camden Group, a medical consulting firm and HCP s wholly owned subsidiary; and (2) management fees HCP receives with respect to its role as the manager of Magan Medical Group, Magan JV or Magan, an unconsolidated joint venture with Magan Medical Clinic, Inc., located in southern California, in which HCP owns a 50% interest.

Operating Expenses

General. HCP s largest expense is the cost of medical services provided pursuant to its capitation contracts, which is recorded in HCP s financial statements in medical expenses, hospital expenses and clinical support and other operating costs, as further described below. Under both the global capitation and the risk-share capitation models, costs of medical services are recognized in the month in which the related services are provided. In addition, medical expenses and hospital expenses include an estimate of such expenses that have been incurred but not yet reported. For further information on how HCP estimates such claims, see Critical Accounting Policies and Estimates Medical Claims Liability and Related Payable, Medical Expense and Hospital Expense below.

Medical Expenses. Medical expenses consist of payments for professional and ancillary services to independent primary care physicians, specialists, ancillary providers and hospitals (including, with respect to hospitals, for outpatient services) pursuant to agreements with those entities. The structure of such expenses can consist of, among other things, sub-capitation and fee-for-service payments. In addition, medical expenses include compensation and related expenses incurred with respect to HCP s affiliated group primary care physicians and specialists, registered nurses, physician assistants and hospitalists.

Hospital Expenses. Hospital expenses consist of payments for institutional services to contracted and non-contracted hospitals for both inpatient and outpatient services, skilled nursing facilities, and to other institutional providers. Hospital expenses are only incurred in connection with the services HCP provides in central Florida and southern Nevada. In those regions, as described above, HCP enters into contracts with health plans pursuant to which it assumes the risk for institutional hospital services. In California, in contrast, HCP s medical groups are not permitted to contract with health plans to directly assume the risk for institutional services. Accordingly, the risk-share revenue that HCP records in California is net of reported claims and estimates of hospital utilization and associated costs incurred by assigned health plan enrollees, and no portion of institutional hospital costs incurred with respect to HCP s California operations is included in hospital expenses.

Clinic Support and Other Operating Costs. Clinic support and other operating costs primarily consist of the costs incurred with respect to compensation of administrative and other support staff employed at HCP s medical clinics, clinic rent and utilities, medical supplies and other direct costs incurred to support clinic operations. Also included in clinic support costs are direct costs incurred to support The Camden Group.

Earnings of Unconsolidated Joint Venture. As discussed above, HCP is a 50% owner of the Magan JV with Magan Medical Clinic, Inc. HCP accounts for this interest under the equity method of accounting, meaning that its assets and liabilities are not consolidated with HCP s, but HCP records its pro rata share of Magan JV s earnings as earnings of an unconsolidated joint venture.

Table of Contents

Other Income (Expense)

Interest Income and Expense. Interest income consists of earnings on HCP s invested cash. Interest expense consists of amounts of interest incurred related to HCP s existing credit facility.

Gain on Sale of Investments. Gain on sale of investments represents principally gains realized upon the sale of investment securities and fixed assets, and in 2009, from divestures of certain operating divisions.

Provision for Income Taxes. HCP s provision for income taxes relates to taxes recorded for those entities included in its consolidated financial statements that are organized as C-corporations which file separate tax returns. No provision for income taxes has been made for HCP s limited liability companies or partnerships, as taxes on profits of those entities are the responsibility of the individual partners and limited liability company members.

2012 performance**:** HCP uses Adjusted EBITDA and similar calculations as measures to assess operating and financial performance, including compliance with financial covenants contained in its senior secured credit agreement. HCP generated $288 million of Adjusted EBITDA during the six months ended June 30, 2012. HCP s results during the first quarter of 2012 benefited primarily from a lower incidence of high-cost hospital cases relative to historical norms, which is not necessarily indicative of HCP s normal operating results and Adjusted EBITDA. HCP s results during the second quarter of 2012 are more consistent with HCP s expected operating results. For a reconciliation of Adjusted EBITDA to net income for HCP, see Selected Historical Financial and Other Data HCP beginning on page 180.

Results of Operations

Comparison of 2011 and 2010

HCP s consolidated operating results for the year ended December 31, 2011, as compared to the year ended December 31, 2010 were as follows:

	2011	2010 (dollars in millions)	$ increase	% change
Operating revenues:				
Medical revenues	$ 2,375.1	$ 2,048.6	$ 326.5	15.9%
Other operating revenues	46.8	39.9	6.9	17.3%
Total operating revenues	2,421.9	2,088.5	333.4	16.0%
Operating expense:				
Medical expenses	1,165.8	1,034.1	131.7	12.7%
Hospital expenses	247.6	222.4	25.2	11.3%
Clinic support and other operating costs	307.6	262.6	45.0	17.1%
General and administrative expense	206.9	178.0	28.9	16.2%
Depreciation and amortization	30.6	28.6	2.0	7.0%
Total expenses	1,958.5	1,725.7	232.8	13.5%
Equity in earnings of unconsolidated joint venture	24.6	15.1	9.5	62.9%
Operating income	$ 488.0	$ 377.9	$ 110.1	29.1%

Overview

Net income in 2011 was $408.6 million, as compared to $329.9 million in 2010, an increase of $78.7 million or 23.9%. HCP s operating revenues in 2011 were $2,421.9 million, as compared to $2,088.5 million in 2010, an increase of $333.4 million or 16.0%. The increase in revenue was attributable to an increase in average senior enrollment of 7.4%, partially due to the full year impact in 2011 of the acquisition of all of the outstanding shares

185

Table of Contents

of Talbert Medical Group, Inc. and their subsidiary entities (collectively, referred to herein as Talbert), which occurred in May 2010, and from increased average capitation premium PMPM rates on HCP s commercial and senior membership of 9.9% and 8.1%, respectively.

Medical and hospital expenses were $1,413.4 million in 2011, as compared to $1,256.5 million in 2010, an increase of $156.9 million, or 12.5%. The increase in medical and hospital expenses was primarily attributable to membership growth and medical costs that are subject to inflation.

General and administrative expenses were $206.9 million in 2011, as compared to $178.0 million in 2010, an increase of $28.9 million or 16.2%.

Membership Information

The table set forth below provides (i) the total number of managed care members to whom HCP provided healthcare services as of December 31, 2011 and 2010, and (ii) the aggregate member months for 2011 and 2010. Member months represent the aggregate number of months of healthcare services HCP has provided to managed care members during a period of time.

	Members at December 31,		Member months in		Percentage increase in member months between years
Payor classification	2011	2010	2011	2010	
Commercial	418,658	421,933	5,023,789	4,943,479	1.6%
Senior	172,121	158,699	1,986,592	1,850,325	7.4%
Medicaid	26,245	25,357	306,321	195,992	56.3%
	617,024	605,989	7,316,702	6,989,796	4.7%

The increase in member months for 2011 as compared to 2010 was primarily the result of the full year impact of the acquisition of Talbert. Excluding the impact of this acquisition, member months were unchanged in 2011, as compared to 2010. Within the corresponding lines of business, excluding the impact of the Talbert acquisition, commercial member months decreased by 1.9% in 2011, as compared to 2010, primarily due to general economic conditions and commercial employers making health insurance selections other than health maintenance organization coverage for their employee base; whereas senior member months increased by 4.9% in 2011 as compared to 2010, resulting from strong membership increases during the open enrollment period, and increased number of independent physicians affiliated with HCP.

In addition, through the Magan JV, HCP provided care to 50,628 and 52,038 members as of December 2011 and 2010, respectively.

Revenues

The following table provides a breakdown of HCP s sources of operating revenues:

	Year ended December 31,			
	2011	2010	$ increase	% increase
	(dollar amounts in millions)			
Commercial managed care revenues	$ 627.5	$ 556.6	$ 70.9	12.7%
Senior managed care revenues	1,626.5	1,393.4	233.1	16.7%
Medicaid managed care revenues	19.2	10.8	8.4	77.8%
Fee-for-service	101.9	87.8	14.1	16.1%
Medical revenues	2,375.1	2,048.6	326.5	15.9%
Other operating revenues	46.8	39.9	6.9	17.3%
Total operating revenues	$ 2,421.9	$ 2,088.5	$ 333.4	16.0%

186

Table of Contents

HCP s commercial managed care revenues increased by $70.9 million, or 12.7% in 2011, as compared to 2010. Excluding the impact of the Talbert acquisition, HCP s commercial managed care revenue increased by $46.3 million, or 8.6% in 2011, as compared to 2010, primarily from annual premium increases from HCP s commercial payors and from improved inpatient utilization impacting shared risk settlements in HCP s California market, partially offset by the impact of a reduction in commercial member months. The full year impact of the Talbert acquisition, inclusive of improvements in contractual reimbursement terms with HCP s commercial payors, contributed $24.6 million of the increase in revenues in 2011, as compared to 2010.

Under risk-sharing programs with commercial health plans, HCP shares in the risk for hospitalization services and have the opportunity to earn additional incentive revenues based on the utilization of hospital and related services. Estimated shared-risk revenues are recorded based upon hospital utilization and associated costs incurred by corresponding health plan enrollees, including an estimate of costs which have been incurred but not reported as of the measurement date. Differences between actual contract settlements and estimated receivables are recorded in the year of final settlement. During 2011 and 2010, HCP recorded favorable changes of estimates related to its prior years commercial shared risk settlements in the amount of $20.9 million and $18.7 million, respectively.

HCP s senior managed care revenue increased by $233.1 million, or 16.7% in 2011, as compared to 2010. Excluding the impact of the Talbert acquisition, HCP s senior managed care revenue increased by $180.9 million, or 13.4% in 2011, as compared to 2010, primarily from RAF coding driving higher capitation premiums, from improved inpatient utilization impacting shared risk settlements in its California market, and from increased revenues associated with a 7.4% increase in senior member months from 2010 to 2011. The full year impact of the Talbert acquisition, inclusive of improvements in contractual reimbursement terms with HCP s senior payors, contributed $52.2 million of the increase in revenues in 2011, as compared to 2010.

Periodically, HCP receives retroactive adjustments to the capitation premiums paid to HCP based on the updated RAF scores of its senior managed care enrollees. The factors considered in these updates include changes in demographic factors, changes in risk adjustment scores resulting from time lags in medical encounter data submitted to senior health plans and CMS and updated customer information. HCP records any corresponding retroactive revenues in the year of receipt. During 2011 and 2010, HCP recorded approximately $14.3 million and $19.5 million, respectively, of additional senior managed care revenue related to prior year premium risk adjustments. In addition, during 2011 and 2010, HCP recorded favorable changes of estimates related to its prior year senior shared risk settlements in the amount of $16.6 million and $12.9 million, respectively.

The increase in HCP s Medicaid managed care operations in 2011 as compared to 2010 of $8.4 million results from the full year impact of the Talbert acquisition; prior to the acquisition of Talbert, HCP did not provide care to Medicaid managed care patients. The increase in fee-for-service revenues was primarily attributable to acquisitions in HCP s Nevada market, and from the full year impact of the Talbert acquisition.

Medical Expenses, Hospital Expenses, and Clinic Support and Other Operating Costs

The following table reflects HCP s medical expenses, hospital expenses and clinic support costs:

	Year ended December 31,			
	2011	2010	$ increase	% change
	(dollar amounts in millions)			
Medical expenses	$ 1,165.8	$ 1,034.1	$ 131.7	12.7%
Hospital expenses	247.6	222.4	25.2	11.3%
Clinic support and other operating costs	307.6	262.6	45.0	17.1%
Total	$ 1,721.0	$ 1,519.1	$ 201.9	13.3%

Table of Contents

HCP s medical expenses increased by $131.7 million, or 12.7%, in 2011, as compared to 2010. Of this increase, $101.0 million was attributable to increased payments to contracted and affiliated physicians, of which $53.8 million, or 39%, results from increased managed care membership growth in 2011, and $47.2 million, or 34%, results from increased performance incentive payments to contracted physicians and from medical costs that are subject to inflation. $36.0 million, or 27%, of the increase was attributable to increases in employed clinician compensation, resulting from increases in the number of employed clinicians due to HCP s acquisitions, expansion of programs to improve utilization rates of its high risk patients, and medical costs that are subject to inflation. Additionally, during the years ended December 31, 2011 and 2010, HCP recorded favorable changes in estimates to prior year medical claims and related payables in the amount of $5.3 million and $5.1 million, respectively.

HCP s hospital expenses, which represent hospital costs incurred on behalf of global capitated managed care members in its Florida and Nevada markets, increased by $25.2 million, or 11.3%, in 2011, as compared to 2010. This increase was attributable to increases in managed care membership, which contributed $15.2 million of the increase, and an increase of $10.1 million attributable to medical costs that are subject to inflation and slight increased acuity of the corresponding patient population.

HCP s clinic support and other operating costs increased by $45.0 million, or 17.1%, in 2011, as compared to 2010. This increase was attributable to increases in the average number of employed staff and related clinic support costs resulting from acquisitions in HCP s California and Nevada markets, increases in performance bonus payments to staff, and cost inflation.

Other Operating Expenses

HCP s general and administrative costs increased by $28.9 million, or 16.2%, in 2011, as compared to 2010. This increase was primarily attributable to additional costs incurred to support newly acquired entities principally in HCP s California and Nevada markets.

HCP s 2011 depreciation and amortization expense of $30.6 million consists of $13.5 million of depreciation expense for equipment and leasehold improvements, compared to $13.5 million in 2010, and $17.1 million of amortization expense associated with intangible assets acquired in various acquisitions, compared to $15.1 million of intangible asset amortization expense in 2010.

Other Items

HCP s share of earnings from joint venture relationships increased from $15.1 million in 2010 to $24.6 million in 2011, an increase of $9.5 million, or 62.9%. This increase was primarily attributable to improved inpatient utilization for the corresponding patient population, increased senior managed care membership, as well as approximately $4.0 million related to favorable changes in estimates related to risk sharing settlements with health plans.

HCP recognized other expense of $7.9 million in 2011, as compared to other income of $0.6 million in 2010. The increase in other expense was primarily attributable to increased interest expense incurred during 2011, as compared to 2010, and from the January 2011 refinancing of HCP s credit facility to repurchase certain preferred equity interests in HCP.

Income Taxes

HCP s provision for income taxes relates to taxes recorded for those entities included in its consolidated financial statements that are organized as C-corporations which file separate tax returns. No provision for income taxes has been made for its limited liability companies or partnerships, as taxes on any profits of those entities are the responsibility of the individual partners and limited liability company members.

Table of Contents

HCP s provision for income taxes increased from $48.6 million in 2010 to $71.5 million in 2011, an increase of $22.9 million, or 47.1%. The increase was primarily attributable to additional expense recognized to increase HCP s reserve for uncertain tax positions of $13.5 million, and taxes resulting from increased taxable income in HCP s subsidiaries taxed as corporations.

Acquisitions

On October 1, 2011, HCP acquired certain assets of Outcome Based Delivery Systems, LLC, or OBDS, a physician group practice and management services organization serving the south Florida and southern Nevada markets. Additionally, on May 1, 2010, HCP acquired Talbert, a multi-specialty medical group providing comprehensive health care services to managed care enrollees in southern California.

Comparison of 2010 and 2009

HCP s consolidated operating results for the year ended December 31, 2010, as compared to the year ended December 31, 2009 were as follows:

	Year ended December 31,			
	2010	2009	$ increase	% change
	(dollars in millions)			
Operating revenues:				
Medical revenues	$ 2,048.6	$ 1,730.7	$ 317.9	18.4%
Other operating revenues	39.9	46.1	(6.2)	-13.4%
Total operating revenues	2,088.5	1,776.8	311.7	17.5%
Operating expense:				
Medical expenses	1,034.1	930.2	103.9	11.2%
Hospital expenses	222.4	211.5	10.9	5.2%
Clinic support and other operating costs	262.6	225.5	37.1	16.5%
General and administrative expense	178.0	136.3	41.7	30.6%
Depreciation and amortization	28.6	26.0	2.6	10.0%
Total expenses	1,725.7	1,529.5	196.2	12.8%
Equity in earnings of unconsolidated joint venture	15.1	11.5	3.6	31.3%
Operating income	$ 377.9	$ 258.8	$ 119.1	46.0%

Overview

Net income in 2010 was $329.9 million, as compared to $220.3 million in 2009, an increase of $109.6 million or 49.7%. HCP s operating revenues in 2010 were $2,088.5 million, as compared to $1,776.8 million in 2009, an increase of $311.7 million or 17.5%. The increase in revenue was attributable to an increase in average senior enrollment of 10.3%, partially due to the Talbert acquisition, and to increased average capitation premium PMPM rates on HCP s commercial and senior membership of 6.6% and 3.8%, respectively.

Medical and hospital expenses were $1,256.5 million in 2010, as compared to $1,141.7 million in 2009, an increase of $114.8 million or 10.1%. Membership growth and increased medical costs subject to inflation contributed to this increase.

General and administrative expenses were $178.0 million in 2010, as compared to $136.3 million in 2009, an increase of $41.7 million or 30.6%, due primarily to costs incurred supporting acquired entities.

Table of Contents

Membership Information

The table set forth below provides (i) the total number of managed care members to whom HCP provided healthcare services as of December 31, 2010 and 2009, and (ii) the aggregate member months for 2010 and 2009.

	Members at December 31,		Member months in		Percentage increase in member months between years
Payor classification	2010	2009	2010	2009	
Commercial	421,933	394,099	4,943,479	4,826,413	2.4%
Senior	158,699	141,652	1,850,325	1,677,734	10.3%
Medicaid	25,357	0	195,992	0	100%
	605,989	535,751	6,989,796	6,504,147	7.5%

In addition, through HCP s joint venture relationship with Magan Medical Group, HCP provided care to 52,308 and 54,158 members as of December 2010 and 2009, respectively.

The increase in member months for 2010 as compared to 2009 is primarily the result of the acquisition of Talbert, partially offset by the full year impact of the sale of operations associated with approximately 25,000 managed care members to HCP s Magan JV effective July 1, 2009. Excluding these events, HCP s member months remained flat from 2009 to 2010. Within the corresponding lines of business, excluding the Talbert and Magan transactions, commercial member months decreased by 1.4% in 2010 as compared to 2009, primarily due to general economic conditions and commercial employers making health insurance selections other than health maintenance organization coverage for their employee base; whereas senior member months increased by 5.3% in 2010 as compared to 2009, resulting from strong membership increases during the open enrollment period, and increased number of independent physicians joining HCP s network.

Revenues

The following table provides a breakdown of HCP s sources of operating revenues:

	Year ended December 31,			
	2010	2009	$ increase	% increase
	(dollar amounts in millions)			
Commercial managed care revenues	$ 556.6	$ 478.6	$ 78.0	16.3%
Senior managed care revenues	1,393.4	1,190.6	202.8	17.0%
Medicaid managed care revenues	10.8	0.0	10.8	100.0%
Fee-for-service	87.8	61.5	26.3	42.8%
Medical revenues	2,048.6	1,730.7	317.9	18.4%
Other operating revenues	39.9	46.1	(6.2)	-13.4%
Total operating revenues	$ 2,088.5	$ 1,776.8	$ 311.7	17.5%

HCP s commercial managed care revenue increased by $78.0 million, or 16.3%, in 2010, as compared to 2009. Excluding the impact of the Talbert acquisition, HCP s commercial managed care revenue increased by $57.8 million, or 12.1%, in 2010, as compared to 2009, primarily from annual premium increases from its commercial payors and from improved inpatient utilization impacting shared risk settlements in its California market, partially offset by the impact of a reduction in commercial member months. The Talbert acquisition contributed $20.2 million of the increase in commercial managed care revenues in 2010, as compared to 2009.

Differences between actual contract settlements and estimated receivables are recorded in the year of final settlement. During 2010 and 2009, HCP recorded favorable changes of estimates related to its prior years commercial shared risk settlements in the amount of $18.7 million and $11.0 million, respectively.

190

Table of Contents

HCP s senior managed care revenue increased by $202.8 million, or 17.0%, in 2010, as compared to 2009. Excluding the impact of the Talbert acquisition, HCP s senior managed care revenue increased by $164.0 million, or 13.8%, from 2009, resulting from improved MRA coding driving higher capitation premiums, from improved inpatient utilization impacting shared risk settlements in its California market, and from increased revenues associated with a 2.4% increase in senior member months in 2010, as compared to 2009, excluding the impact of the Talbert acquisition. The Talbert acquisition contributed $38.8 million of the increase in senior managed care revenues in 2010.

During 2010 and 2009, HCP recorded $19.5 million and $15.5 million, respectively, of additional senior managed care revenue related to prior year premium risk adjustments. In addition, during 2010 and 2009, HCP recorded favorable changes of estimates related to its prior year senior shared risk settlements in the amount of $12.9 million and $9.0 million, respectively.

The increase in HCP s Medicaid managed care operations in 2010 as compared to 2009 of $10.8 million results exclusively to the Talbert acquisition, prior to which HCP did not provide care to Medicaid managed care patients. The increase in fee-for-service revenues results primarily from acquisitions in HCP s Nevada market and from the Talbert acquisition.

Medical Expenses, Hospital Expenses, and Clinic Support and Other Operating Costs

The following table reflects HCP s medical expenses, hospital expenses and clinic support costs:

	Year ended December 31,			
	2010	2009	$ increase	% change
	(dollar amounts in millions)			
Medical expenses	$ 1,034.1	$ 930.2	$ 103.9	11.2%
Hospital expenses	222.4	211.5	10.9	5.2%
Clinic support and other operating costs	262.6	225.5	37.1	16.5%
Total	$ 1,519.1	$ 1,367.2	$ 151.9	11.1%

HCP s medical expenses increased by $103.9 million, or 11.2%, in 2010, as compared to 2009. Of this increase, $66.0 million was attributable to increased payments to contracted and affiliated physicians resulting principally from increased membership volume in 2010. $43.0 million of the increase was attributable to increases in employed clinician compensation, resulting from increases in number of employed clinicians due to acquisitions, expansion of programs to improve utilization rates by HCP s high risk patients, and medical costs subject to inflation. Additionally, during the years ended December 31, 2010 and 2009, HCP recorded favorable changes in estimates to prior year medical claims and related payables of $5.1 million and $ 4.2 million, respectively.

HCP s hospital expenses, which represent hospital costs incurred on behalf of global capitated managed care members in its Florida and Nevada markets, increased by $10.9 million, or 5.2%, in 2010, as compared to 2009. This increase was primarily attributable to increases in managed care membership. Excluding changes in membership levels, hospital expenses were essentially flat in 2010, as compared to 2009.

HCP s clinic support and other operating costs increased by $37.1 million, or 16.5%, in 2010, as compared to 2009. This increase was primarily attributable to increases in the average number of employed staff and related clinic support costs resulting from acquisitions in HCP s California and Nevada markets, increases in performance bonus payments to staff, and cost inflation.

Other Operating Expenses

HCP s general and administrative costs increased by $41.7 million, or 30.6%, in 2010, as compared to 2009. This increase was primarily attributable to additional costs incurred to support newly acquired entities principally in HCP s California and Nevada markets.

Table of Contents

HCP s 2010 depreciation and amortization expense of $28.6 million consists of $13.5 million of depreciation expense for equipment and leasehold improvements, compared to $13.0 million in 2009, and $15.1 million of amortization expense associated with intangible assets acquired in various acquisitions in 2010, compared to $13.0 million of intangible asset amortization in 2009.

Other Income

HCP recognized other income of $0.6 million in 2010 compared to other income of $1.7 million in 2009. The decrease in other income was primarily attributable to recognition of gains of $1.8 million in 2009 on the sale of HCP s interests in a wholly owned third party administrator and a minority-owned software firm, offset by increases in net interest activity.

Income Taxes

HCP s provision for income taxes increased from $40.3 million in 2009 to $48.6 million in 2010, an increase of $8.3 million, or 20.6%. This increase was primarily attributable to taxes resulting from increased taxable income in its subsidiaries taxed as corporations.

Acquisitions

On May 1, 2010, HCP acquired Talbert, a multi-specialty medical group providing comprehensive health care services to managed care enrollees in southern California, as described in Overview , above.

On July 1, 2009, HCP acquired all tangible assets and administrative operations of Fremont Medical Center, Inc., a medical practice based in southern Nevada, providing medical services to patients on primarily a fee-for-service basis, for $9.5 million.

Comparison of the Six Months Ended June 30, 2012 and 2011

HCP s consolidated operating results for the six months ended June 30, 2012 compared to the six months ended June 30, 2011 were as follows:

	Six months ended June 30,			
	2012	2011	$ increase	% change
	(dollars in millions)			
Operating revenues:				
Medical revenues	$ 1,295.1	$ 1,158.6	$ 136.5	11.8%
Other operating revenues	28.1	21.9	6.2	28.3%
Total operating revenues	1,323.2	1,180.5	142.7	12.1%
Operating expense:				
Medical expenses	619.9	569.7	50.2	8.8%
Hospital expenses	155.4	121.7	33.7	27.7%
Clinic support and other operating costs	165.2	147.7	17.5	11.8%
General and administrative expense	109.8	101.0	8.8	8.7%
Depreciation and amortization	15.9	15.9	0.0	0.0%
Total expenses	1,066.2	956.0	110.2	11.5%
Equity in earnings of unconsolidated joint venture	11.5	8.7	2.8	32.2%
Operating income	$ 268.5	$ 233.2	$ 35.3	15.1%

Table of Contents

Overview

Net income for the six months ended June 30, 2012 was $232.7 million, as compared to $192.1 million for the six months ended June 30, 2011, an increase of $40.6 million or 21.1%. HCP s operating revenues for the six months ended June 30, 2012 were $1,323.2 million, as compared to $1,180.5 million for the six months ended June 30, 2011, an increase of $142.7 million or 12.1%. The increase in revenue was attributable to an increase in average senior enrollment of 11.4%, and to increased average capitation premium PMPM rates on HCP s commercial membership of 6.9%.

Medical and hospital expenses were $775.3 million for the six months ended June 30, 2012, as compared to $691.4 million for the six months ended June 30, 2011, an increase of $83.9 million or 12.1%. Membership growth and medical cost inflation contributed to this increase.

General and administrative expenses were $109.8 million for the six months ended June 30, 2012, as compared to $101.0 million for the six months ended June 30, 2011, an increase of $8.8 million or 8.7%, resulting from $2.4 million of advisory and related costs during the six months ended June 30, 2012 incurred to support activities related to the transaction with DaVita Inc., and from costs incurred supporting acquired entities.

Membership Information

The table set forth below provides (i) the total number of managed care enrollees to whom HCP was providing healthcare services as of June 30, 2012 and 2011, and (ii) the aggregate member months for the six months ended June 30, 2012 and 2011, respectively.

	Members at June 30,		Member months in six months ended June 30,		Percentage increase in member months
Payer classification	2012	2011	2012	2011	between years
Commercial	410,742	418,791	2,473,451	2,503,696	-1.2%
Senior	182,477	163,497	1,090,663	979,428	11.4%
Medicaid	27,076	25,247	160,696	150,760	6.6%
	620,295	607,535	3,724,810	3,633,884	2.5%

In addition, through our joint venture relationship with Magan Medical Group, HCP provided care to 49,080 and 51,654 members as of June 30, 2012 and 2011, respectively.

The increase in member months for the six months ended June 30, 2012 compared to the six months ended June 30, 2011 is the result of the conversion of senior patients not previously contracted with HCP through global capitation relationships into contractual relationships under global capitation, increased enrollment growth from the OBDS acquisition and positive growth trends in all three geographic markets. Commercial member months decreased by 1.2% from the six months ended June 30, 2012, as compared to the six months ended June 30, 2011, primarily due to general economic conditions and commercial employers making health insurance selections other than managed care coverage for their employee base.

Table of Contents

Revenues

The following table provides a breakdown of HCP s sources of operating revenues:

	Six months ended June 30,			
	2012	2011	$ increase	% increase
	(dollars in millions)			
Commercial managed care revenues	$ 333.9	$ 308.9	$ 25.0	8.1%
Senior managed care revenues	894.0	793.0	101.0	12.7%
Medicaid managed care revenues	7.2	8.7	(1.5)	-17.2%
Fee-for-service	60.0	48.0	12.0	25.0%
Medical revenues	1,295.1	1,158.6	136.5	11.8%
Other operating revenues	28.1	21.9	6.2	28.3%
Total operating revenues	$ 1,323.2	$ 1,180.5	$ 142.7	12.1%

HCP s commercial managed care revenue increased by $25.0 million, or 8.1%, from the six months ended June 30, 2011, as compared to the six months ended June 30, 2012, resulting primarily from annual premium increases from its commercial payers of approximately 6.9%, from improved inpatient utilization impacting shared risk settlements in its California market, partially offset by the impact of a reduction in commercial member months. During the quarter ended March 31, 2012, HCP recognized $2.5 million of retroactive commercial capitation payments relating to 2011. During the six months ended June 30, 2012 and 2011, HCP recorded favorable changes of estimates related to its prior years commercial shared risk settlements in the amount of $4.0 million and $3.3 million. HCP s senior managed care revenue increased by $101.0 million, or 12.7%, from the six months ended June 30, 2011, as compared to the six months ended June 30, 2012, resulting primarily from increased revenue associated with an 11.4% increase in senior member months from the six months ended June 30, 2011, as compared to the six months ended June 30, 2012 and from improved inpatient utilization impacting shared risk settlements in its California market. During the six months ended June 30, 2012 and 2011, HCP recorded favorable changes of estimates related to its prior years senior shared risk settlements in the amount of $7.2 million and $3.3 million, respectively. HCP s managed care revenues during the quarter ended March 31, 2012 benefited from a lower incidence of high-cost hospital cases relative to historical norms.

Medical Expenses, Hospital Expenses, and Clinic Support and Other Operating Costs

The following table reflects our medical expenses, hospital expenses and clinic support costs:

	Six months ended June 30,			
	2012	2011	$ increase	% change
	(dollars in millions)			
Medical expenses	$ 619.9	$ 569.7	$ 50.2	8.8%
Hospital expenses	155.4	121.7	33.7	27.7%
Clinic support and other operating costs	165.2	147.7	17.5	11.8%
Total	$ 940.5	$ 839.1	$ 101.4	12.1%

HCP s medical expenses increased by $50.2 million, or 8.8%, from the six months ended June 30, 2011, as compared to the six months ended June 30, 2012. Of this increase, $43.3 million was attributable to increased payments to contracted and affiliated physicians resulting principally from increased membership volume from the six months ended June 30, 2011, as compared to the six months ended June 30, 2012. $11.9 million of the increase was attributable to increases in employed clinician compensation, resulting from increases in number of employed clinicians due to acquisitions, to support expansion of high risk programs, to improve utilization rates of HCP s patients, and from medical cost inflation. Additionally, during the six months ended June 30, 2012 and June 30, 2011, HCP recorded favorable changes in estimates to prior year medical claims and related payables of $5.0 million and $2.6 million, respectively, adjusted through the respective six month expense.

Table of Contents

HCP s hospital expenses, which represent hospital costs incurred on behalf of globally capitated managed care members in its Florida and Nevada markets, increased by $33.7 million, or 27.7%, from the six months ended June 30, 2011, as compared to the six months ended June 30, 2012, of which $27.7 million was attributable to senior membership increases in its Florida and Nevada markets, and the remaining $6.0 million primarily attributable to general medical cost inflation increases.

HCP s clinic support and other operating costs increased by $17.5 million, or 11.8%, from the six months ended June 30, 2011, as compared to the six months ended June 30, 2012. This increase was attributable to increases in the average number of employed staff and related clinic support costs resulting from acquisitions in HCP s Florida and Nevada markets, and to cost inflation.

Other Operating Expenses

HCP s general and administrative costs increased by $8.8 million, or 8.7%, from the six months ended June 30, 2011, as compared to the six months ended June 30, 2012. This increase was primarily attributable to $2.4 million incurred during the six months ended June 30, 2012 for advisory services related to the transaction with DaVita Inc., additional costs incurred to support newly acquired entities, and to cost inflation.

HCP depreciation and amortization expense for the six months ended each of June 30, 2012 and 2011 of $15.9 million consists of $7.9 million of depreciation expense in equipment and leasehold improvements, compared to $7.3 million during the six months ended June 30, 2011, and $8.0 million of amortization of intangible assets acquired in various acquisitions, compared to $8.6 million of intangible asset amortization during the six months ended June 30, 2011.

Other Income (Expense)

HCP recognized other expense of $2.8 million for the six months ended June 30, 2012, as compared to other expense of $4.4 million in during the six months ended June 30, 2011. The change in other expense is primarily attributable to write-off during the six months ended June 30, 2011 of $1.9 million of previously unamortized deferred financing costs, in connection with our January 2011 refinancing and increase of HCP s credit facility (see Liquidity and Capital Resources below).

Income Taxes

HCP s provision for income taxes decreased from $36.9 million for the six months ended June 30, 2011, as compared to $32.9 million for the six months ended June 30, 2012, a decrease of $4.0 million, or 10.8%. This decrease is primarily attributable to a reduction in the amount of tax expense recognized to increase our reserves for uncertain tax positions, from $16.9 million for the six months ended June 30, 2011, as compared to $2.8 million for the six months ended June 30, 2012, partially offset from taxes resulting from increased taxable income in HCP s subsidiaries taxed as corporations.

Acquisitions

Effective April 16, 2012, HCP acquired certain assets of Cardiovascular Consultants of Nevada, Inc. for $15.0 million.

Table of Contents

Comparison of the Quarter Ended June 30, 2012 and 2011

HCP s consolidated operating results for the quarter ended June 30, 2012, as compared to the quarter ended June 30, 2011 were as follows:

	Quarter ended June 30,			
	2012	2011	$ increase	% change
	(dollars in millions)			
Operating revenues:				
Medical revenues	$ 642.3	$ 583.0	$ 59.3	10.2%
Other operating revenues	14.4	11.2	3.2	28.6%
Total operating revenues	656.7	594.2	62.5	10.5%
Operating expense:				
Medical expenses	312.7	285.2	27.5	9.6%
Hospital expenses	77.1	61.4	15.7	25.6%
Clinic support and other operating costs	83.5	76.1	7.4	9.7%
General and administrative expense	55.1	49.9	5.2	10.4%
Depreciation and amortization	8.5	7.7	0.8	10.4%
Total expenses	536.9	480.3	56.6	11.8%
Equity in earnings of unconsolidated joint venture	6.5	3.8	2.7	71.1%
Operating income	$ 126.3	$ 117.7	$ 8.6	7.3%

Overview

Net income for the quarter ended June 30, 2012 was $111.6 million, as compared to $104.9 million for the quarter ended June 30, 2011, an increase of $6.7 million or 6.4%. HCP s operating revenues for the quarter ended June 30, 2012 were $656.7 million, as compared to $594.2 million for the quarter ended June 30, 2011, an increase of $62.5 million or 10.5%. The increase in revenue was attributable to an increase in average senior enrollment of 11.5%, and to increased average capitation premium PMPM rates on HCP s commercial membership of 5.7%.

Medical and hospital expenses were $389.8 million for the quarter ended June 30, 2012, as compared to $346.6 million for the quarter ended June 30, 2011, an increase of $43.2 million or 12.5%. Membership growth and medical cost inflation contributed to this increase.

General and administrative expenses were $55.1 million for the quarter ended June 30, 2012, as compared to $49.9 million for the quarter ended June 30, 2011, an increase of $5.2 million or 10.4%, resulting from $1.7 million of advisory and related costs during the quarter ended June 30, 2012 incurred to support activities related to the transaction with DaVita Inc., and from costs incurred supporting acquired entities.

Table of Contents

Membership information

The table set forth below provides (i) the total number of managed care enrollees to whom HCP was providing healthcare services as of June 30, 2012 and 2011, and (ii) the aggregate member months for the quarter ended June 30, 2012 and 2011, respectively. Member months represent the aggregate number of months of healthcare services HCP has provided to managed care enrollees during a period of time.

	Members at June 30,		Member months in quarter ended June 30,		Percentage increase in member months between years
Payer classification	2012	2011	2012	2011	
Commercial	410,742	418,791	1,236,341	1,254,482	-1.4%
Senior	182,477	163,497	546,310	489,907	11.5%
Medicaid	27,076	25,247	80,667	75,874	6.3%
	620,295	607,535	1,863,318	1,820,263	2.4%

In addition, through our joint venture relationship with Magan Medical Group, HCP provided care to 49,080 and 51,654 members as of June 30, 2012 and 2011, respectively.

The increase in member months for the quarter ended June 30, 2012, as compared to the quarter ended June 30, 2011 is the result of the conversion of senior patients not previously contracted with HCP through global capitation relationships into contractual relationships under global capitation, as well as from increased enrollment growth from the OBDS acquisition. Commercial member months decreased by 1.4% from the quarter ended June 30, 2012, as compared to the quarter ended June 30, 2011, primarily due to general economic conditions and commercial employers making health insurance selections other than managed care coverage for their employee base.

Revenues

The following table provides a breakdown of HCP s sources of operating revenues:

	Quarter ended June 30,			
	2012	2011	$ increase	% increase
	(dollars in millions)			
Commercial managed care revenues	$ 162.3	$ 157.4	$ 4.9	3.1%
Senior managed care revenues	444.8	397.1	47.7	12.0%
Medicaid managed care revenues	3.5	4.8	(1.3)	-27.1%
Fee-for-service	31.7	23.7	8.0	33.8%
Medical revenues	642.3	583.0	59.3	10.2%
Other operating revenues	14.4	11.2	3.2	28.6%
Total operating revenues	$ 656.7	$ 594.2	$ 62.5	10.5%

HCP s commercial managed care revenue increased by $4.9 million, or 3.1%, from the quarter ended June 30, 2011, as compared to the quarter ended June 30, 2012, resulting from annual premium increases from its commercial payers of approximately 5.7%, partially offset from a decrease of revenue of $1.0 million from shared risk settlements in its California market and by the impact of the reduction in commercial member months. During the quarters ended June 30, 2012 and 2011, HCP recorded favorable changes of estimates related to its prior years commercial shared risk settlements in the amount of $1.3 million and $1.7 million, respectively.

HCP s senior managed care revenue increased by $47.7 million, or 12.0%, from the quarter ended June 30, 2011, as compared to the quarter ended June 30, 2012, resulting primarily from increased revenue associated with an 11.5% increase in senior member months from the quarter ended June 30, 2011, as compared to the

197

Table of Contents

quarter ended June 30, 2012. During the quarters ended June 30, 2012 and 2011, HCP recorded favorable changes of estimates related to its prior years senior shared risk settlements in the amount of $5.9 million and $2.0 million, respectively.

Medical Expenses, Hospital Expenses, and Clinic Support and Other Operating Costs

The following table reflects our medical expenses, hospital expenses and clinic support costs:

	Quarter ended June 30,			
	2012	2011	$ increase	% change
	(dollars in millions)			
Medical expenses	$ 312.7	$ 285.2	$ 27.5	9.6%
Hospital expenses	77.1	61.4	15.7	25.6%
Clinic support and other operating costs	83.5	76.1	7.4	9.7%
Total	$ 473.3	$ 422.7	$ 50.6	12.0%

HCP s medical expenses increased by $27.5 million, or 9.6%, from the quarter ended June 30, 2011, as compared to the quarter ended June 30, 2012. Of this increase, $20.5 million was attributable to increased payments to contracted and affiliated physicians resulting principally from increased membership volume from the quarter ended June 30, 2011, as compared to the quarter ended June 30, 2012. $7.0 million of the increase was attributable to increases in employed clinician compensation, resulting from increases in number of employed clinicians due to acquisitions, to support expansion of high risk programs to improve utilization rates of HCP s patients, and from medical cost inflation. Additionally, during the quarters ended June 30, 2012 and 2011, HCP recorded favorable changes in estimates to prior year medical claims and related payables of $0 and $1.3 million, respectively.

HCP s hospital expenses, which represent hospital costs incurred on behalf of globally capitated managed care members in its Florida and Nevada markets, increased by $15.7 million, or 25.6%, from the quarter ended June 30, 2011, as compared to the quarter ended June 30, 2012, of which $14.0 million was attributable to senior membership increases in its Florida and Nevada markets, and the remaining $1.7 million primarily attributable to general medical cost inflation increases.

HCP s clinic support and other operating costs increased by $7.4 million, or 9.7%, from the quarter ended June 30, 2011, as compared to the quarter ended June 30, 2012. This increase was attributable to increases in the average number of employed staff and related clinic support costs resulting from acquisitions in HCP s Florida and Nevada markets, and to cost inflation.

Other operating expenses

HCP s general and administrative costs increased by $5.2 million, or 10.4%, from the quarter ended June 30, 2011, as compared to the quarter ended June 30, 2012. This increase was primarily attributable $1.7 million incurred during the quarter ended June 30, 2012 for advisory services related to the transaction with DaVita Inc., additional costs incurred to support newly acquired entities, and to cost inflation.

HCP depreciation and amortization expense for the quarter ended June 30, 2012 and 2011 of $8.5 million and $7.7 million, respectively, consists of $4.0 million of depreciation expense in equipment and leasehold improvements for the quarter ended June 30, 2012, as compared to $3.6 million during the quarter ended June 30, 2011, and $4.5 million of amortization of intangible assets acquired in various acquisitions for the quarter ended June 30, 2012, as compared to $4.1 million of intangible asset amortization during the quarter ended June 30, 2011.

Table of Contents

Other Income (Expense)

HCP recognized other expense of $1.3 million for the quarter ended June 30, 2012, as compared to other expense of $1.4 million in during the quarter ended June 30, 2011.

Income taxes

HCP s provision for income taxes increased from $11.5 million for the quarter ended June 30, 2011, as compared to $13.4 million for the quarter ended June 30, 2012, an increase of $1.9 million, or 16.5%, resulting primarily from increased taxable income in HCP s subsidiaries taxed as corporations.

Total Care Dollars Under Management

As described above, HCP recognizes revenue generally under two capitation models: the global capitation model and the risk-share capitation model. Under the global capitation model, HCP records as revenue the aggregate PMPM capitation payments under its contracts with health plans, which incorporates both professional and institutional components of capitation funding. Amounts paid with respect to health care services provided to its enrollees are recorded as medical expenses or hospital expenses, as applicable, in its consolidated financial statements. In HCP s California market, in contrast, it records as medical revenue (1) 100% of capitation payments it receives with respect to professional services and (2) only the risk-share revenue that it receives with respect to hospital services, which is based on hospital funding on behalf of, less estimated hospital utilization and associated costs incurred by, assigned health plan enrollees. See Key Financial Measures and Indicators Operating Revenues Medical Revenues .

Accordingly, in order to reflect the total dollar amount that would represent medical revenues as if all of HCP s operations were operated under the global capitation model, HCP also presents Total Care Dollars Under Management . HCP believes that presenting amounts in this manner is useful because it presents its operations on a unified basis without the complication caused by models that HCP has adopted in its California market as a result of various regulations related to the assumption of institutional risk.

The following table reconciles Total Care Dollars Under Management to medical revenues for the periods indicated. Total Care Dollars Under Management is a non-GAAP measure.

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
			(dollars in millions)		
Medical revenues	$ 1,730.7	$ 2,048.6	$ 2,375.1	$ 1,158.6	$ 1,295.1
Less: Risk share revenue, net	(30.1)	(87.3)	(126.9)	(52.2)	(61.8)
Add: Institutional capitation amounts	687.0	830.7	963.9	475.4	518.5
Total care dollars under management	$ 2,387.6	$ 2,792.0	$ 3,212.1	$ 1,581.8	$ 1,751.8

Liquidity and Capital Resources

Cash, cash equivalents and short-term investments at December 31, 2011 and 2010 totaled $569.6 million and $540.4 million, respectively. Working capital totaled $304.1 million at December 31, 2011, compared to $360.1 million at December 31, 2010, a decrease of $56.0 million, or 15.6%. HCP s members equity at December 31, 2011 was $188.1 million, compared to $566.0 million at December 31, 2010. In January 2011, HCP repurchased 24.1 million Class A Preferred Units from investment funds affiliated with Summit Partners, LP in exchange for $540.0 million in cash and 436,550 Class B Common Units valued at $10.0 million and an assumed tax liability of $37.0 million. This transaction was financed from a combination of cash on hand and cash provided by a new and expanded credit facility which replaced HCP s previously existing credit facility.

HCP has historically financed its operations primarily through internally generated funds. HCP generates cash primarily from fees for medical services provided under capitated contracts with various health plans or

Table of Contents

under fee-for-service arrangements, and its primary use of cash is the payment of medical costs. HCP generally invests cash in short-term fixed income securities that have final maturities of five years or less and average maturity of two years or less. Professional portfolio managers operating under documented guidelines manage HCP s investments. Additionally, as of December 31, 2011, HCP had invested $340.9 million in a portfolio of highly liquid money market securities, and HCP s fixed income investments consisted solely of investment-grade debt securities. All of HCP s investments are classified as current assets, except for auction rate securities with an estimated fair value of $3.0 million at December 31, 2011, which are classified as non-current assets.

During 2011, HCP s cash and cash equivalents increased by $33.4 million. In 2011, net cash provided by operating activities was $509.3 million, which was attributable principally to net income of $408.6 million. The following non-cash expenses also contributed to the cash provided by operating activities: depreciation and amortization of $30.6 million, amortization of debt issuance costs of $3.1 million, and share-based compensation of $7.5 million. HCP s cash provided by operating activities was also sourced from increases in accounts payable, accrued compensation and other liabilities of $56.0 million and in medical claims and capitation payable of $35.4 million, partially offset by decreases in amounts payable to health plans of $19.7 million.

In 2010, net cash provided by operating activities was $343.1 million, which was attributable principally to net income of $329.9 million. The following non-cash expenses also contributed to the cash provided by operating activities: depreciation and amortization of $28.6 million, amortization of debt issuance costs of $0.7 million, and share-based compensation of $7.4 million. HCP s cash provided by operating activities was also sourced from increases in accounts payable, accrued compensation and other liabilities of $36.9 million and in medical claims and capitation payable of $46.4 million, partially offset by decreases in amounts payable to health plans of $56.3 million.

Net cash used in investing activities during 2011 was $56.5 million, which resulted primarily from cash used to finance acquisitions, net of cash acquired, of $39.8 million and from capital expenditures of $23.2 million, offset by investments in marketable securities and other items.

Net cash used in investing activities during 2010 was $225.6 million, which resulted primarily from net purchases of marketable securities of $175.7 million, and from cash used to finance acquisitions, net of cash acquired, of $30.7 million.

Net cash used in financing activities during 2011 was $419.5 million. As discussed, during January 2011 HCP repurchased 24.1 million Class A Preferred Units from investment funds affiliated with Summit Partners, LP in exchange for $540.0 million in cash (as well as non-cash activities of 436,550 Class B Common Units valued at $10.0 million and an assumed tax liability of $37.0 million). This transaction was partially financed from $585.0 million of proceeds from HCP s credit facility. The proceeds from the credit facility were also utilized to extinguish HCP s previous credit facility, with a then outstanding term loan balance of $217.0 million. HCP also made payments during 2011 of $29.3 million on the term loan under its new credit facility. During 2011, HCP issued cash distributions to its members of $211.0 million to fund their respective pass-through tax liabilities associated with their ownership interests, and repurchased for $6.4 million vested options to acquire HCP Common Units.

Net cash used in financing activities during 2010 was $113.9 million, which consisted of cash distributions to members of HCP of $111.1 million and principal payments on the term loan of its credit facility of $2.8 million.

During the six months ended June 30, 2012, HCP s cash and cash equivalents decreased by $39.4 million. Cash provided by operating activities during the six months ended June 30, 2012 was $184.1 million, as compared to $180.7 million during the six months ended June 30, 2011. Cash used in investing activities during the six months ended June 30, 2012 was $31.7 million, as compared to $15.3 million during the six months ended June 30, 2011, for which the increase is primarily attributable to an increase in cash used to finance acquisitions

Table of Contents

of $7.4 million and to increases in cash used to purchase marketable securities. Cash used in finance activities during the six months ended June 30, 2012 was $191.7 million, as compared to $343.8 million during the six months ended June 30, 2011. The decrease is primarily attributable to net cash utilized during January 2011 related to the repurchase of Class A Preferred Units and concurrent refinancing of HCP s credit facility, offset by an increase in distributions to members from $150.4 million during the six months ended June 30, 2011, as compared to $176.9 million during the six months ended June 30, 2012.

Credit Facility

On January 6, 2011, HCP extinguished its then existing credit facility in full and entered into a new credit facility, or HCP Credit Facility, which includes a term loan in the amount of $585.0 million and a revolving line of credit in the amount of $15.0 million, with various lenders. Principal payments on the term loan are due quarterly until maturity on January 6, 2016. The term loan bears interest at the Eurodollar rate (defined as the British Bankers Association London interbank offered rate for deposits in U.S. dollars) plus a margin ranging from 1.50% to 2.50%, based on defined financial ratios. The average interest rate on the HCP Credit Facility during 2011 was 2.07%. The HCP Credit Facility is secured by substantially all of HCP s assets.

At June 30, 2012, HCP had issued several standby letters of credit in a collective amount of $17.0 million, primarily to secure medical service obligations and workers compensation claim liabilities. There were no amounts drawn under these letters of credit.

The HCP Credit Facility includes usual and customary covenants, including restrictive financial covenants. As of June 30, 2012, HCP was in compliance with all covenants under the HCP Credit Facility. The HCP Credit Facility will be repaid and terminated as of the closing of the Merger.

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements of HCP in accordance with U.S. generally accepted accounting principles requires its management to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and to the reported amounts of revenues and expenses during the period. HCP bases its estimates on historical experience and on various other assumptions that HCP believes are reasonable under the circumstances. Changes in estimates are recorded if and when better information becomes available. Actual results could significantly differ from those estimates under different assumptions and conditions. HCP believes that the accounting policies discussed below are those that are most important to the presentation of its financial condition and results of operations and that require its management s most difficult, subjective and complex judgments.

Variable Interest Entities

Accounting Standards Codification (ASC) Section 810-10-15-14 stipulates that generally any entity with (a) insufficient equity to finance its activities without additional subordinated financial support or (b) equity holders that, as a group, lack the characteristics that evidence a controlling financial interest, is considered a Variable Interest Entity, or VIE. All VIEs in which HCP owns a majority voting interest and all VIEs for which HCP is the primary beneficiary are included in HCP s consolidated financial statements. HCP determines whether it is the primary beneficiary of a VIE through a qualitative analysis that identifies which variable interest holder has the controlling financial interest in the VIE. The variable interest holder who has both of the following has the controlling financial interest and is the primary beneficiary: (1) the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and (2) the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. In performing this analysis, HCP management considered all relevant facts and circumstances, including: the design and activities of the VIE, the terms of the contracts the VIE has entered into, the nature of the VIE s variable interests issued

Table of Contents

and how they were negotiated with or marketed to potential investors, and which parties participated significantly in the design or redesign of the entity. HCP s consolidated financial statements include HCPAMG, HealthCare Partners Medical Group, Inc., and Healthcare Partners Medical Group (Bacchus), Ltd.

Revenue Recognition

HCP s medical revenue consists primarily of fees for medical services provided under shared risk capitated (or per person) contracts with various health plans in its southern California market, and fees for medical and hospital services under global capitation contracts in its central Florida and southern Nevada markets. Capitation revenue under health plan contracts is paid monthly based on the number of enrollees assigned to HCP s employed and affiliated physicians.

Capitation revenue paid by health plans is recognized in the month in which HCP is obligated to provide medical and hospital services. Capitation revenue may be subsequently adjusted to reflect changes in enrollment as a result of enrollee retroactive terminations or additions. Such retroactive terminations or additions have not had a material effect on capitation revenue.

Revenue that HCP receives with respect to its senior membership is adjusted periodically to give effect to the relative risk profile of the senior members for whom HCP is financially responsible. In the Balanced Budget Act of 1997, Congress created a rate-setting methodology that included a provision requiring CMS to implement a risk adjustment payment system for Medicare health plans. Risk adjustment uses health status indicators to improve the accuracy of risk adjusted payments and establish incentives for plans to enroll and treat less healthy Medicare beneficiaries. Under this methodology, health plans must capture, collect and submit diagnosis code information to CMS. Capitation premiums under this methodology are paid at interim rates during the year and retroactive adjustments occur in subsequent periods (generally in the third quarter of the same year, with a final adjustment in the third quarter of the following year) after data is compiled by CMS. Positive or negative payment adjustments are made for enrollees with conditions requiring more or less health care services than assumed in the interim payments. HCP includes in the first two quarters of each year an estimate of the retroactivity adjustment, based on each enrollee s anticipated payment rates derived from qualifying diagnoses coded on behalf of enrollees as compiled in its data bases. HCP anticipates that, over the coming years, as HCP continues to collect more historical data and refine its estimation practices, HCP will record larger estimates in the first and second quarter of any given year.

HCP also has the potential to earn additional revenue or incur losses under health plan contracts by sharing in the risk of hospitalization based upon inpatient and related services utilized by its members. HCP estimates risk pool revenues based on estimated hospital utilization and associated costs compared to contracted rates. Differences between actual and estimated settlements are recorded when the final outcome is known. HCP also receives incentives under pay for performance programs for quality medical care based on various criteria. HCP estimates revenues under these programs based on historical performance and contractual guarantees.

Medical Claims Liability and Related Payable, Medical Expense and Hospital Expense

Medical expense and hospital expense are recognized in the period in which services are provided and include an estimate of claims which have been incurred but not reported as of the balance sheet date. Medical claims expenses consist of payments for professional services to contracted independent physician associations, medical groups and physicians that are not affiliated with HCP. Hospital expenses consist of payments for institutional services to contracted hospitals. In addition, as explained above under Key Financial Measures and Indicators Operating Revenues, under HCP s risk-share capitation model, risk-share revenues (that is, the portion of the excess of hospital capitation revenue to which HCP is entitled over hospital expenses) is based on the number of enrollees and estimates of hospital utilization and associated costs incurred by assigned health plan enrollees, including an estimate of institutional claims which have been incurred but not reported.

Table of Contents

The IBNR component of total medical claims liability and related payables is based on historical utilization and payment trends, medical inflation, enrollment levels, product line and other relevant information. Estimating IBNR is complex and involves a significant amount of judgment. Accordingly, it represents HCP s most critical accounting estimate. Such estimates are analyzed and reviewed on a monthly basis, and adjustments to monthly accrual estimates are reflected in current operations. Changes in this estimate can materially affect, either favorably or unfavorably, HCP s combined operating results and overall financial position.

HCP s IBNR estimate methodology utilizes standard lag-based actuarial models to develop completion factors. The model considers claims payment data for the most recent 24 months. The completion factor is a measure of how complete the claims paid to date are relative to the estimate of the total claims for services rendered for a given reporting period. For any given month of service, the corresponding completion factor is divided into claims paid to date to estimate the amount of incurred claims for the given month. Although the completion factor is generally reliable for older service periods, it is more volatile, and hence less reliable, for more recent measurement periods given inherent billing and processing lags involved in the administration of claim payments. As a result, for the most recent two to three service months, the estimate for incurred claims is developed from a trend factor analysis based on per member per month claims trends experienced in the preceding months, as adjusted for other relevant factors.

Each month, HCP re-examines the previously established medical claims liability and related payable estimates based on actual claim submissions and other relevant changes in facts and circumstances. As the liability estimates recorded in prior periods become more exact, HCP increases or decreases the amount of the estimates, and include the changes in medical expenses in the period in which the change is identified. In every reporting period, HCP s operating results include the effects of more completely developed medical claims liability and related payable estimates associated with prior periods.

HCP believes that the amount of its medical claims liability estimate is adequate to provide for its ultimate liability for incurred claims as of the balance sheet dates; however, the amount of actual future claim payments may differ from its estimate. Assuming a hypothetical 1% variance in HCP s estimate of accrued medical claims, HCP s medical expense for the years ended December 31, 2011 and 2010 would increase or decrease by approximately $0.9 million and $0.8 million, respectively.

HCP also regularly evaluates the potential need to establish premium deficiency reserves for the probability that anticipated future health care costs could exceed future capitation payments from health plans. To date, HCP has determined that no premium deficiency reserves have been necessary.

Goodwill and Intangible Assets

HCP s goodwill balance was $287.7 million and $278.6 million at June 30, 2012 and December 31, 2011, respectively. Goodwill represents the excess cost of a business acquisition over the fair value of the net assets acquired. As of December 31, 2011, HCP early adopted ASU 2011-08, Testing Goodwill for Impairment. As such, HCP assessed qualitative factors to determine whether it is more likely than not that fair value of the reporting units is less than the carrying value. As a result of this assessment, it was determined that performing the two-step impairment test was not necessary. HCP s analysis indicated that goodwill had not been impaired as of December 31, 2011.

HCP s intangible assets were $157.8 million and $157.4 million at June 30, 2012 and December 31, 2011, respectively. Identifiable intangible assets with definite useful lives consist primarily of customer relationships and trade names, and are amortized over periods between two and 26 years. Intangible assets are measured for impairment when events or changes in business conditions suggest that the carrying value of an asset may not be recovered. No intangible assets were deemed to be impaired at June 30, 2012 and December 31, 2011.

Table of Contents

In addition to the initial consideration paid at the close of each business combination, the stock or asset purchase agreements for completed acquisitions frequently provide for additional future consideration to be paid, which is generally based upon the achievement of certain operating results of the acquired organization as of defined measurement dates. Pursuant to GAAP, the estimated fair value of contingent consideration is accrued at the acquisition date. Subsequent changes, if any, to the estimated fair value of contingent consideration are recognized as part of on-going operations.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued ASU Number 2011-04, *Fair Value Measurement*, which modifies the fair value measurement and disclosure guidance. This guidance results in new disclosures primarily related to Level 3 measurements, including quantitative disclosure about unobservable inputs and assumptions, a description of the valuation processes, and a narrative description of the sensitivity of the fair value to changes in unobservable inputs. This guidance is effective for reporting periods (including interim periods) beginning after December 15, 2011, and HCP adopted this guidance for the interim period ending March 31, 2012. The adoption of this ASU did not have a material impact on HCP s financial position, results of operations, or cash flows, but changed certain disclosures.

In June 2011, the FASB issued ASU Number 2011-05, *Presentation of Comprehensive Income*, which changed the disclosure requirements for the presentation of other comprehensive income (OCI) in the financial statements, including eliminating the option to present OCI in the statement of stockholders equity. OCI and its components will be required to be presented for both interim and annual periods either in a single financial statement, the statement of comprehensive income, or in two separate but consecutive financial statements consisting of a statement of income followed by a separate statement presenting OCI. HCP adopted this ASU for the interim period ending March 31, 2012, which is the period for which it became effective.

In July 2011, the FASB issued an ASU modifying the presentation and disclosure of patient service revenue, provision for bad debts, and the allowance for doubtful accounts. This guidance changes the presentation on the statement of operations by requiring the reclassification of the provision for bad debts associated with patient service revenues from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, the amendment requires disclosures regarding HCP s policy for recognizing patient service revenue and assessing bad debts. Qualitative and quantitative information about changes in the allowance for doubtful accounts is required. This guidance is effective for annual periods beginning after December 15, 2012, and interim and annual periods thereafter, and should be applied retrospectively to all prior periods presented. The adoption of this accounting standards update will not have a material impact on HCP s statement of financial position, operating results, or cash flows.

Contractual Obligations and Reserves

The below table summarizes by maturity HCP s significant contractual obligations and reserves as of June 30, 2012:

	Total	Remainder of 2012	2013-2014	2015-2016	2017 and beyond
		(dollar amounts in thousands)			
Long term debt	$ 541,234	$ 14,625	$ 73,125	$ 453,375	$ 109
Operating leases	192,381	19,184	71,686	51,423	50,088
Capital leases	332	198	134	0	0
Deferred compensation liabilities [1]	43,504	0	0	0	43,504
Acquisition earn-out payments [2]	10,408	10,408	0	0	0
Total contractual obligations	$ 787,859	$ 44,415	$ 144,945	$ 504,798	$ 93,701

Table of Contents

(1) Due to uncertainty regarding payment timing, obligations for deferred compensation liabilities have been categorized in the 2017 and beyond category.
(2) In addition to the initial consideration paid pursuant to certain stock and asset purchase agreements entered into, additional contingent consideration is to be paid based upon the achievement of certain operating results.

HCP has typically paid 90% to 95% of medical claims within six months of the date incurred and approximately 98% of medical claims within nine months of the date incurred. HCP believes medical claims liabilities are short-term in nature and therefore do not meet the listed criteria for classification as contractual obligations and, accordingly, have been excluded from the table above.

Off-Balance Sheet Arrangements

As part of HCP s ongoing business, it does not participate or knowingly seek to participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, or SPE, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of June 30, 2012, HCP was not involved in any SPE transactions.

Table of Contents

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

HCP is exposed to interest rate changes and changes in market values of its investments and long-term debt. HCP does not use financial instruments for trading or other speculative purposes.

Interest Rate Sensitivity

HCP holds money market fund investments that are classified as cash equivalents. HCP had cash equivalent investments totaling $394.5 million and $361.1 million at December 31, 2011 and 2010, respectively. These investments are typically maintained in highly-liquid money market securities, for which the interest rate earned during 2011 and 2010 was de minimus. During 2011 and 2010, a hypothetical 1% increase or decrease in interest rates would not have materially affected HCP s consolidated financial statements.

HCP also holds available-for-sale securities that are classified as short-term marketable securities, generally consisting of investments in short-term fixed income securities that have final maturities of five years or less and average maturity of two years or less. HCP had short-term investments totaling $175.1 million and $179.3 million at December 31, 2011 and 2010, respectively. HCP also maintains funds on deposit with a third party to secure a risk sharing arrangement with a hospital in its California market, which totaled $63.6 million and $66.7 million at December 31, 2011 and 2010, respectively, and is also generally invested in short-term fixed income securities. These investments are recorded at fair value and are generally short term in nature, and therefore changes in interest rates would not have a material impact on the valuation of these investments. During 2011 and 2010, a hypothetical 1.0% increase or decrease in interest rates would have resulted in an increase or decrease in interest income earned on these investments of approximately $2.4 million and $1.7 million, respectively.

HCP is exposed to changes in interest rates on borrowings under its Credit Facility. The interest rate can fluctuate based on both the interest rate option of either the base rate or LIBOR rate, plus an applicable margin, and the interest period of 30 day, 60 day, 90 day or 180 day LIBOR. At December 31, 2011 and 2010, the amount of outstanding debt subject to interest rate fluctuations was $555.8 million and $217.0 million, respectively. During 2011 and 2010, a hypothetical 1.0% increase in LIBOR would have resulted in an increase to interest expense of $5.7 million and $2.2 million, respectively. HCP has not historically utilized interest rate swaps or other similar hedging instruments as a vehicle to minimize the impact of fluctuations in interest rates.

Table of Contents

SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF HCP

The following table sets forth information as of August 27, 2012 regarding beneficial ownership of the HCP Common Units by (i) each person known by HCP to beneficially own more than 5% of HCP Common Units, (ii) each of the members of the HCP Board, (iii) each of HCP s named executive officers and (iv) all of the members of the HCP Board and HCP s executive officers as a group.

In computing the percentage ownership of a person, HCP Options are deemed to be outstanding if they are exercisable within 60 days of August 27, 2012. All percentages in the following table are based on a total of 100,131,969.2 HCP Common Units outstanding as of August 27, 2012. Unless otherwise indicated, the address for each person or entity named in the table below is c/o HCP, 19191 South Vermont Avenue, Suite 200, Torrance, California 90502.

Name and Address of Beneficial Owner	Number of HCP Common Units Beneficially Owned	Percent of Class
5% Unitholders		
HealthCare Partners Medical Group[1]	72,711,090	72.62%
Bay Shores Investment LLC[2]	19,656,250	19.63%
Named Executive Officers and		
Members of the HCP Board		
Robert Margolis, M.D.[1][3]	73,677,757	72.88%
Matthew Mazdyasni[4]	1,350,160	1.35%
William Chin, M.D.[5]	290,000	*
Zan Calhoun[6]	59,883	*
Ralph Mendez, M.D.		
Craig Frances, M.D.		
Steve Valentine[7]	48,333	*
All members of the HCP Board and HCP s executive officers as a group (7 persons)[8]	**75,426,133**	**74.15%**

* Represents beneficial ownership of less than 1%.

(1) Consists of 72,711,090 HCP Common Units held directly by HCP Medical Group. Dr. Margolis, the Chairman and Chief Executive Officer of HCP, is the managing partner of HCP Medical Group and, together with the executive committee of HCP, has shared voting and investment power with respect to such HCP Common Units. Dr. Margolis owns 18.67% of the partnership interests of HCP Medical Group.

(2) Consists of 19,656,250 HCP Common Units held directly by Bay Shores Investment LLC. The executive committee of Bay Shores Investment LLC has shared voting and investment power with respect to such HCP Common Units.

(3) Includes 966,667 HCP Options held by Mr. Margolis that are exercisable within 60 days of August 27, 2012.

(4) Consists of 1,132,660 HCP Common Units held by Mr. Mazdyasni, and 217,500 HCP Options held by Mr. Mazdyasni that are exercisable within 60 days of August 27, 2012.

(5) Consists of 290,000 HCP Options held by Mr. Chin that are exercisable within 60 days of August 27, 2012.

(6) Consists of 59,883 HCP Options held by Mr. Calhoun that are exercisable within 60 days of August 27, 2012.

(7) Consists of 48,333 HCP Options held by Mr. Valentine that are exercisable within 60 days of August 27, 2012.

(8) Includes 1,582,383 HCP Options held in the aggregate by the members of the HCP Board and HCP s executive officers that are exercisable within 60 days of August 27, 2012.

Table of Contents

SELLING SECURITY HOLDERS

We are registering for resale shares of DaVita Common Stock to be received by HCP Medical Group as merger consideration for resale. HCP Medical Group intends to distribute its shares of DaVita Common Stock to its equity holders in accordance with the terms of its governing documents, subject to such individual equity holder s cash and/or stock election. For purposes of determining the number of shares of DaVita Common Stock that HCP Medical Group will receive as merger consideration, we assumed the following: (i) HCP Medical Group elects to receive stock in exchange for the Maximum Stock Election Eligible Units available for 72,711,090 HCP Common Units, all of the HCP Common Units that it holds as of August , 2012 and Drs. Margolis and Chin participate pro rata in the Maximum Stock Election by HCP Medical Group, (ii) no other holders of HCP Common Units, other than Drs. Margolis, Chin, and Paulsen and Mr. Mazdyasni, elect to receive any DaVita Common Stock as merger consideration, (iii) each of Dr. Paulsen and Mr. Mazdyasni only make the minimum stock election required pursuant to their respective support agreements, (iv) no reduction to the total merger consideration as a result of an estimated working capital adjustment at the time of closing, and (v) an Exchange Ratio of , calculated by dividing the Per Unit Closing Consideration of $ by the closing stock price of DaVita Common Stock of $ on August , 2012. Under this example, HCP Medical Group would receive shares of DaVita Common Stock and would hold % of the outstanding DaVita Common Stock following the Merger and prior to any distribution to its owners. Such amount reflects the applicable withholdings of stock for the Escrowed Merger Consideration and the applicable withholdings of cash for the MR Escrow and the Nevada Escrow.

Drs. Margolis and Chin hold equity interests in HCP Medical Group and, therefore, the amount of shares of DaVita Common Stock that would be issued to HCP Medical Group under these assumptions include the shares that Drs. Margolis and Chin each are required to elect to receive pursuant to their support agreements.

Dr. Margolis is the managing partner of HCP Medical Group and holds 18.67% of the equity interests of HCP Medical Group. Dr. Margolis entered into a support agreement with HCP and DaVita whereby he has agreed to elect to receive per unit closing stock consideration for not less than 33% of his direct and indirect equity interests in HCP.

Table of Contents

DAVITA INC. AND HEALTHCARE PARTNERS HOLDINGS, LLC

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

Unaudited pro forma condensed consolidated balance sheet

As of June 30, 2012

			Pro forma adjustments[i]		
	Historical DaVita	Historical HealthCare Partners	DaVita and HealthCare Partners Merger[a]	Related Borrowings	Pro forma Consolidated
			(dollars in millions)		
Assets					
Cash and cash equivalents	$ 273	$ 355	$ (3,592)	$ 3,958[b]	$ 452
				(542)[f]	
Short-term investments	9	180			189
Accounts receivable, net	1,250	172			1,422
Inventories	78				78
Other receivables	211				211
Other current assets	46	106			152
Income tax receivable	12			1[e]	19
				4[d]	
				2[f]	
Deferred income taxes	300	7	(7)		300
Total current assets	2,179	820			2,823
Property and equipment, net	1,586	79			1,665
Amortizable intangibles, net	162	158	1,638	56[d]	1,854
			(158)	(2)[e]	
Notes receivable, net		8			8
Equity investments	28		4		32
Long-term investments	12				12
Other long-term assets	30	62	(4)	(5)[f]	83
Goodwill	5,258	288	3,361		8,716
			158		
			(288)		
			(68)		
			7		
	$ 9,255	$ 1,415			$ 15,193
Liabilities and shareholders equity					
Accounts payable	$ 299	$ 222			$ 521
Other liabilities	395		$ 144		539
Accrued compensation and benefits	436				436
Medical claims and related payables		228			228
Current portion of long-term debt	106	30		(2)[b]	188
				84[c]	
				(30)[f]	

Total current liabilities	1,236	480			1,912
Long-term debt	4,393	512		(196)[(b)]	8,336
				4,250[(c)]	
				(84)[(c)]	
				(27)[(d)]	
				(512)[(f)]	
Other long-term liabilities	147	107	116		370
Alliance and product supply agreement, net	17				17
Deferred income taxes	431	68	200		631
			(68)		
Total liabilities	6,224	1,167			11,266

Table of Contents

	Historical DaVita	Historical HealthCare Partners	DaVita and HealthCare Partners Merger[a]	Pro forma adjustments[i] Related Borrowings	Pro forma Consolidated
		(dollars in millions, except per share data)			
Noncontrolling interests subject to put provisions	523				523
Shareholders equity:					
Preferred stock ($0.001 par value; 5,000,000 shares authorized; none issued)					
Common stock ($0.001 par value; 450,000,000 shares authorized; 134,862,283 shares issued; 94,486,725 and 103,867,037 shares outstanding historically and on a pro forma basis, respectively)					
Additional paid-in capital	565		536		1,101
Retained earnings	3,431			(1)[e]	3,420
				(7)[d]	
				(3)[f]	
Treasury stock, at cost (40,375,558 shares historically and 30,995,246 on a pro forma basis)	(1,598)		371		(1,227)
Accumulated other comprehensive loss	(19)				(19)
Total DaVita Inc. shareholders equity	2,379				3,275
Members equity		248	(248)		
Noncontrolling interests not subject to put provisions	129				129
Total equity	2,508	248			3,404
Total liabilities plus shareholders equity	$ 9,255	$ 1,415			$ 15,193

Table of Contents

Notes to unaudited pro forma condensed consolidated balance sheet

(a) The purchase of HCP for approximately $4,749 million comprised of $3,592 million in cash (which includes the effect of an estimated negative working capital adjustment of $68 million), a $275 million contingent earn-out consideration with a preliminary estimated fair value of $250 million and $907 million from the issuance of 9,380,312 shares of DaVita common stock valued at the closing market price as reported by the NYSE as of August 10, 2012. The purchase price is subject to a final working capital true-up adjustment at closing (as described under the Merger Agreement).

	(dollars in millions)
Customer relationships	$ 940
Practice management tools	250
Non-compete agreements	220
Trade names	220
Provider network	8
Net tangible liabilities	(198)
Deferred income taxes	(200)
Other closing liabilities	(10)
Goodwill	3,519
	$ 4,749

Goodwill is also being adjusted for the elimination of HCP s historical amounts for goodwill and deferred taxes in the amount of $288 million and $61 million, respectively.

Assuming the Company s stock price were to either decrease or increase by 15% as compared to the price on August 10, 2012, then the overall purchase price would be adjusted by approximately $136 million and would result in a corresponding adjustment to goodwill.

Of the total contingent earn-out consideration, $134 million is expected to be short-term and the balance of $116 million is considered to be long-term.

The $275 million total contingent earn-out consideration as described above can be earned in two tranches. The first tranche consists of $137.5 million if the EBITDA for HCP for 2012 is equal or greater than $550 million and the second tranche consists of $137.5 million if the earn-out EBITDA for HCP for 2013 is equal or greater than $600 million. We have estimated the preliminary fair value of the contingent earn-out consideration to be $250 million as of the expected closing date. The contingent earn-out consideration will subsequently be remeasured to fair value at each reporting date until the contingency is resolved with changes in the liability due to the re-measurement recorded in earnings. Therefore, if HCP achieves both of these earn-out EBITDA targets, we would be required to record a charge to earnings in the amount of $25 million, primarily in 2013, representing the difference between the preliminary fair value of the contingent earn-out consideration of $250 million as compared to the total potential pay-out of $275 million.

Conversely, if the fair value of the contingent earn-out consideration were to decrease below the preliminary fair value amount of $250 million, we would then record a gain to earnings.

For purposes of this pro forma presentation, we estimate that the amounts for tangible assets and liabilities reflected on HCP s consolidated balance sheet approximate the fair values of such assets and liabilities, and accordingly, such amounts have not been adjusted in the accompanying pro forma financial information. Our projections and underlying assumptions concerning the initial purchase price allocations and fair values of HCP s identifiable assets, liabilities and contingent earn-out consideration represent our current best estimates and are based upon the information available to us at this time. However, these estimates are preliminary and subject to change based upon completion of final valuation analyses. Additionally, the final purchase price is subject to a working capital true-up adjustment. Accordingly, the final amounts will differ from the amounts shown above.

This includes the reclassification of equity investments of $4 million for consistent presentation.

211

Table of Contents

(b) Net proceeds of cash as a result of the Financings related to the acquisition of HCP as follows: net proceeds from borrowings under the amended senior credit facilities of $3.0 billion, plus the net proceeds of $1.25 billion from the incurrence of additional senior financing reduced by an estimated $94 million of fees and the pay-off of Term Loan A-2 for $198 million.

(c) The borrowing under the amended senior secured credit facilities and from the incurrence of the additional senior financing is set forth in the table below:

	(dollars in millions)
Senior secured credit facilities	
Term Loan A-3	$ 1,350
Term Loan B-2	1,650
Total new Term Loans	3,000
Additional Senior Financing	1,250
Total borrowings	$ 4,250

Of the $4.25 billion of total borrowings, $84 million is expected to be short-term and $4.166 billion is expected to be long-term.

(d) Fees and expenses totaling $94 million are expected to be paid from the proceeds of the borrowings and as described above and are as follows:

	(dollars in millions)
Deferred financing costs	$ 56
Debt discount	27
Transaction costs (expensed)	11
	$ 94

We estimate that all of the deferred financing costs of $56 million associated with the amended senior secured credit facilities and the incurrence of additional senior financing will be capitalized and that no existing deferred financing costs associated with the existing senior secured credit facilities, except for the Term Loan A-2, will be written off. However, these amounts are subject to change depending upon the final calculations that will determine the actual amount of deferred financing costs that will be capitalized or expensed.

(e) Write-off of the existing deferred financing costs associated with the extinguishment of the Term Loan A-2 of $2 million.

(f) In conjunction with the Merger, it is anticipated that all of HCP s outstanding debt totaling $542 million will be paid-off at close and the related deferred financing costs of $5 million will be written-off.

(i) The unaudited pro forma condensed consolidated balance sheet as of June 30, 2012 gives effect to the acquisition of HCP and related borrowings as if each had occurred on June 30, 2012.

Table of Contents

Unaudited pro forma condensed consolidated statement of income Year ended December 31, 2011

	Historical DaVita	Historical HCP	Pro forma adjustment[i] Merger and related financing	Pro forma consolidated
	(dollars in millions, except per share data)			
Net dialysis patient service revenues, less provision for uncollectable accounts of $190	$ 6,273	$		$ 6,273
Integrated care revenue		2,375		2,375
Other revenues[1]	519	47		566
Net operating revenues	6,792	2,422		9,214
Operating expenses and charges:				
Patient care costs	4,681	1,721		6,402
General and administrative	691	207	(2)[a]	896
Depreciation and amortization	267	31	143[a]	425
			(16)[a]	
Provision for uncollectible accounts	7			7
Equity investment income	(9)	(25)		(34)
Goodwill impairment charge	24			24
Total operating expenses and charges	5,661	1,934		7,720
Operating income	1,131	488		1,494
Debt expense	(241)	(16)	(181)[b]	(446)
			(12)[b]	
			17[b]	
Other income	3	8	(13)[b]	11
Income from continuing operations before income taxes	893	480		1,059
Income tax expense	316	71	(1)[c]	386
Income from continuing operations	577	409		673
Discontinued operations:				
Income from operations of discontinued operations, net of tax	1			1
Loss on disposal of discontinued operations, net of tax	(5)			(5)
Net income	573	409		669
Less: Net income attributable to noncontrolling interests	(95)			(95)
Net income attributable to DaVita Inc.	$ 478	$ 409		$ 574
Earnings per share:				
Basic income from continuing operations per share attributable to DaVita Inc.	$ 5.09			$ 5.56
Basic net income per share attributable to DaVita Inc.	$ 5.05			$ 5.52
Diluted income from continuing operations per share attributable to DaVita Inc.	$ 4.99			$ 5.46

Diluted net income per share attributable to DaVita Inc.	$ 4.96		$ 5.42
Weighted average shares for earnings per share:			
Basic	94,658,027	9,380,312	104,038,339
Diluted	96,532,110	9,380,312	105,912,422
Amounts attributable to DaVita Inc.:			
Income from continuing operations	$ 482		$ 578
Discontinued operations	(4)		(4)
Net income	$ 478		$ 574

(1) Other revenues for DaVita include revenues from our ancillary services and strategic initiatives and fees for providing management and administrative services and the other revenues for HCP include revenues primarily from consulting services and fees from management and administrative services.

Table of Contents

Notes to unaudited pro forma condensed consolidated statement of income Year ended December 31, 2011

(a) Reflects net amortization expense associated with the customer relationships non-compete agreements and other intangible assets. The customer relationships are being amortized over seventeen years, the non-compete agreements are being amortized over three and seven years and the other intangible assets are being amortized over five to ten years, as set forth in the table below:

	Amount	Life	Amortization
		(dollars in millions)	
Customer relationships	$ 940	17	$ 55
Non-compete agreements	$ 220	3-7	33
Other intangibles	$ 478	5-10	55
			$ 143

Historical HCP amortization expense of $16 million will be replaced with the estimated $143 million of amortization expense as a result of recording the acquisition at fair value.

Transaction costs of $2 million that were recognized during the year ended December 31, 2011 have been reversed since they represent non-recurring charges directly related to the transaction.

(b) Reflects adjustments to interest expense to reflect: (i) increase in annual interest expense of $181 million associated with borrowings under the amended senior secured credit facilities and the incurrence of the additional senior indebtedness, (ii) the amortization of deferred financing costs and debt discount associated with the Financing of approximately $12 million, (iii) reduced interest expense associated with the repayment of HCP s outstanding debt of approximately $14 million, and (iv) the amortization of previously recognized deferred financings costs and interest expense with respect to DaVita s previous outstanding Term Loan A-2 of $3 million. Pro forma debt expense assumes a weighted average effective interest rate of 4.49% including the impact of our anticipated new swap agreements for the year ending December 31, 2011. Pro forma debt expense assumes the interest rates on the financings that we expect to obtain at the time of closing, actual interest rates may vary. An increase or decrease of 0.125% in the interest rate applicable to the additional $4.052 billion of indebtedness at closing of the Merger would result in an approximate change of approximately $5 million in debt expense annually (assuming that (A) DaVita will enter into swap agreements with respect to the additional borrowings under the amended senior secured credit facilities with a notional amount of $1.35 billion and associated debt expense of $13 million and (B) the prevailing LIBOR rate on the closing date of the Merger will be less than the assumed interest rate floor of 1.00% associated with the portion of the additional borrowings under the amended senior secured credit facilities that will not be subject to the swap agreements referred to in clause (A)).

(c) Reflects the adjustment to the income tax expense amount of ($1) million based on the overall pro forma pre-tax income at 40.0% after considering noncontrolling interests.

(i) The unaudited pro forma condensed consolidated statement of income for the year ended December 31, 2011 gives effect to the acquisition of HCP and related borrowings as if each had occurred on January 1, 2011.

Table of Contents

Unaudited pro forma condensed consolidated statement of income

six months ended June 30, 2012

	Historical DaVita	Historical HCP	Pro forma adjustment[i] Merger and related financing	Pro forma consolidated
		(dollars in millions, except per share data)		
Dialysis patient service operating revenue, less provision for uncollectable accounts of $107	$ 3,465	$		$ 3,465
Integrated care revenue		1,294		1,294
Other revenues[(1)]	332	28		360
Net operating revenues	3,797	1,322		5,119
Operating expenses and charges:				
Patient care costs	2,575	940		3,515
General and administrative	422	110	(19)[(a)]	513
Depreciation and amortization	154	16	72[(a)]	234
			(8)[(a)]	
Provision for uncollectible accounts	4			4
Equity investment income	(5)	(12)		(17)
Legal proceeding contingency accrual and related expenses	78			78
Total operating expenses	3,228	1,054		4,327
Operating income	569	268		792
Debt expense	(122)	(6)	(89)[(b)]	(218)
			(6)[(b)]	
			11[(b)]	
			(6)[(b)]	
Other income, net	2	4		6
Income before income taxes	449	266		580
Income tax expense	164	33	21[(c)]	218
Net income	285	233		362
Less: Net income attributable to noncontrolling interests	(49)			