DAVITA INC
Form S-4/A
September 26, 2012
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As filed with the Securities and Exchange Commission on September 26, 2012

Registration No. 333-182572

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 3

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	**(Primary Standard Industrial**	**(I.R.S. Employer**

incorporation or organization)	Classification Code Number)	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	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(2)	N/A	(3)	$0
Common Stock, par value $0.001 per share	9,140,799(5)	N/A	N/A	N/A(6)

(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. 9,140,799 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.

(5) Represents shares of the registrant s common stock being registered for resale under this Registration Statement. Such shares are also included in the number of shares to be issued in connection with the merger described herein. See Note (2) above.

(6) In accordance with Rule 457(f)(5), no additional filing fee is payable in respect of the resale registration.

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.

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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 SEPTEMBER 26, 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 Common 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 $100.30 per share of DaVita Common Stock on September 25, 2012, 2012, the last practicable 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 $44.29. 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.

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.

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

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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 up to 9,140,799 shares. If this happens, we will not receive any proceeds from such sales. See Selling Security Holders on page 210 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 September 25, 2012, the last practicable day before the date of this prospectus, the closing sale price of DaVita Common Stock was $100.30 per share.

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.

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 September 26, 2012, and is first being mailed to HCP Members on or about , 2012.

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.

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.

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, 74,143,125.7 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.

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

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.

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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 Common Units of HCP (HCP Common Units).

As of September 25, 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, 74,143,125.7 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 103.

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

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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 236.

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.

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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 September 25, 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.**

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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, 74,143,125.7 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 98.

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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 $100.30 per share of DaVita Common Stock on September 25, 2012, the last practicable 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 $44.29. See The Merger Agreement The Merger Consideration; Conversion or Cancellation of Units beginning on page 117.

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 120.

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 123.

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 108.

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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 103.

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 232. 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

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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 236.

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 178.

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 236.

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.

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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.

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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 September 25, 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 155 and page 156, respectively, HCP Medical Group and the Substantial Members collectively owned, directly or indirectly, 74,143,125.7 HCP Common Units as of September 25, 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 96)

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 96.

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 97)

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.

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Interests of HCP s Managers and Executive Officers in the Merger (see page 98)

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 98.

Treatment of HCP Options in the Merger (see page 101)

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 120, 124 and 125, 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 123.

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Accounting Treatment (see page 102)

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 103)

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 103. 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 107)

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 236.

DaVita Financing (see page 106)

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

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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 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 151 and page 152, respectively.

The Merger Agreement (see page 116)

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 117)

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

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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 120, 124, 125 and 119, respectively.

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 $100.30 per share of DaVita Common Stock on, September 25, 2012, the last practicable 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 $44.29 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 120, 122, 123, 124 and 125, 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;

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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 120, 124 and 125, 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 119:

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 120, 122, 123, 124, and 125, 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;

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.

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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 122.

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 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.

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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 123.

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 120.

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 (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 124.

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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 125.

No Solicitation of or Discussions Relating to Competing Transaction (see page 130)

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 138)

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;

- 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.

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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,

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;

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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 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.

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For further discussion on the conditions to the Merger, see The Merger Agreement Conditions to Completion of the Merger beginning on page 138.

Remedies; Specific Performance (see page 149)

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 149.

Termination of the Merger Agreement (see page 151)

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 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

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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 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 152)

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 152.

Fees and Expenses (see page 153)

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.

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Government Regulations (see page 173)

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 173.

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 173.

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;
- 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

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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.

Comparison of Rights of DaVita Stockholders and HCP Members (see page 221)

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 221.

Material United States Federal Income Tax Consequences (see page 232)

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

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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 232.

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.

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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 178 and 211, 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

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	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.

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(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 178.

(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 178.

(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.

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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 184. 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%

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(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 182.

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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 178 and page 211, respectively.

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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

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	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 178 and page 211, 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.

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	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.

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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

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(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 178.

(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.

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(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

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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 236, 178 and 182 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 211.

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

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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 September 25, 2012)	$ 103.97	$ 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 September 25, 2012, the last practicable 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
September 25, 2012	$ 100.30	$ 44.29

(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.

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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 236.

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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.

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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 September 25, 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 162.

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

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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 232. 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 232. 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 98. 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.

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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 173. 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 154 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

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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 151 and 152, 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.

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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

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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

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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

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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

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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

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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

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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 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);

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

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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.

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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

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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.

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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;

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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.

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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

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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.

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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;

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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;

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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.

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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

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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.

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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.

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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

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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 opportuni