

DAVITA INC  
Form DEF 14A  
April 21, 2003

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**

**of the Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

<input type="checkbox"/>	Preliminary Proxy Statement	<input type="checkbox"/>	<b>Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))</b>
<input checked="" type="checkbox"/>	Definitive Proxy Statement		
<input type="checkbox"/>	Definitive Additional Materials		
<input type="checkbox"/>	Soliciting Material Pursuant to §240.14a-12		

**DaVita Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**May 21, 2003**

TO OUR STOCKHOLDERS:

We will hold our 2003 annual meeting of the stockholders of DaVita Inc., a Delaware corporation, on Wednesday, May 21, 2003 at 1:30 p.m., San Francisco time, at the Hyatt Regency San Francisco Airport, 1333 Old Bayshore Highway, Burlingame, California 94010. As further described in the accompanying Proxy Statement, at this meeting we will:

- (1) Elect seven directors to our board of directors to serve for a term of one year or until their successors are duly elected and qualified;
- (2) Consider and act upon a proposal to approve the proposed amendment of our 2002 Equity Compensation Plan (a) to authorize awards under the plan in the form of restricted stock, stock issuances, stock appreciation rights, and other equity-based awards, as well as (b) to decrease the total number of shares available for issuance under the plan; and
- (3) Transact other business as may properly come before the meeting or any meetings held upon adjournment of the meeting.

Our board of directors has fixed the close of business on April 14, 2003 as the record date for the determination of stockholders entitled to vote at the meeting or any meetings held upon adjournment of the meeting. Only record holders of our common stock at the close of business on that day will be entitled to vote. A copy of our 2002 annual report to stockholders is enclosed with this notice, but is not part of the proxy soliciting material.

We invite you to attend the meeting and vote in person. **If you cannot attend, to assure that you are represented at the meeting, please sign and return the enclosed proxy card as promptly as possible in the enclosed postage prepaid envelope.** If you attend the meeting, you may vote in person, even if you previously returned a signed proxy.

By order of the board of directors,

Steven J. Udicious

Vice President, Secretary

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and General Counsel

Torrance, California

April 17, 2003

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**PROXY STATEMENT**

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**GENERAL INFORMATION**

We are sending you this proxy statement on or about April 17, 2003 in connection with the solicitation of proxies by our board of directors. The proxies are for use at our 2003 annual meeting of stockholders, which we will hold at 1:30 p.m., San Francisco time, at the Hyatt Regency San Francisco Airport, 1333 Old Bayshore Highway, Burlingame, California 94010. The proxies will remain valid for use at any meetings held upon adjournment of that meeting. The record date for the meeting is the close of business on April 14, 2003. All holders of record of our common stock on the record date are entitled to notice of the meeting and to vote at the meeting and any meetings held upon adjournment of that meeting. Our principal executive offices are located at 21250 Hawthorne Boulevard, Torrance, California 90503, and our telephone number is (310) 792-2600.

A proxy form is enclosed. Whether or not you plan to attend the meeting in person, please date, sign and return the enclosed proxy as promptly as possible, in the postage prepaid envelope provided, to ensure that your shares will be voted at the meeting. You may revoke your proxy at any time prior to its use by filing with our secretary an instrument revoking it or a duly executed proxy bearing a later date or by attending the meeting and voting in person.

Unless you instruct otherwise in the proxy, any proxy, if not revoked, will be voted at the meeting:

for our board's slate of nominees;

to approve the proposed amendment of our 2002 Equity Compensation Plan (a) to authorize awards under the plan in the form of restricted stock, stock issuances, stock appreciation rights, and other equity-based awards, as well as (b) to decrease the total number of shares available for issuance under the plan; and

as recommended by our board with regard to all other matters, in its discretion.

Our only voting securities are the outstanding shares of our common stock. At the record date, we had approximately 60,975,000 shares of common stock outstanding and approximately 2,600 stockholders of record. If the stockholders of record present in person or represented by their proxies at the meeting hold at least a majority of our outstanding shares of common stock, a quorum will exist for the transaction of business at the meeting. Stockholders of record who abstain from voting, including brokers holding their customers' shares who cause abstentions to be recorded, are counted as present for quorum purposes.

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For each share of common stock you hold on the record date, you are entitled to one vote on each matter that we will consider at this meeting. You are not entitled to cumulate your votes.

Brokers holding shares of record for their customers generally are not entitled to vote on some matters unless their customers give them specific voting instructions. If the broker does not receive specific instructions, the broker will note this on the proxy form or otherwise advise us that it lacks voting authority. The votes that the brokers would have cast if their customers had given them specific instructions are commonly called broker non-votes.

The voting requirements for the proposals we will consider at the meeting are:

*Election of directors.* The seven candidates who receive the highest number of affirmative votes will be elected. Votes against a candidate and votes withheld from voting for a candidate will have no effect on the election.

*Approval of the proposed amendment of our 2002 Equity Compensation Plan (a) to authorize awards under the plan in the form of restricted stock, stock issuances, stock appreciation rights, and other equity-based awards, as well as (b) to decrease the total number of shares available for issuance under the plan.* A majority of the votes cast on this proposal by the holders of shares of our common stock present, or represented, and entitled to vote at the annual meeting must approve this proposed plan and the total votes cast on this proposal must represent over fifty percent of all shares entitled to vote on this proposal. Abstentions count as votes cast and have the effect of a vote against the proposal. Broker non-votes are not counted as votes cast and will have no effect on the outcome.

We will pay for the cost of preparing, assembling, printing and mailing this proxy statement and the accompanying form of proxy to our stockholders, as well as the cost of soliciting proxies relating to the meeting. We may request banks and brokers to solicit their customers who beneficially own our common stock listed of record in names of nominees. We will reimburse these banks and brokers for their reasonable out-of-pocket expenses regarding these solicitations. We have also retained Georgeson Shareholder, or Georgeson, to assist in the distribution and solicitation of proxies and to verify records related to the solicitation at a fee of \$9,500 plus expenses. Georgeson and our officers, directors and employees may supplement the original solicitation by mail of proxies by telephone, facsimile, e-mail and personal solicitation. We will pay no additional compensation to our officers, directors and employees for these activities. We will indemnify Georgeson against liabilities and expenses arising in connection with the proxy solicitation, including liabilities under the federal securities laws, unless caused by Georgeson's gross negligence or willful misconduct.

**PROPOSAL NO. 1****ELECTION OF DIRECTORS**

At the meeting, you will elect seven directors to serve for a term of office consisting of the coming year or until their respective successors are elected and qualified. The nominating and governance committee of our board has recommended, and our board has nominated, Kent J. Thiry, Richard B. Fontaine, Peter T. Grauer, C. Raymond Larkin, Jr., John M. Nehra, Nancy-Ann DeParle, and William L. Roper, M.D. for election as directors. All of these individuals are current members of our board. Each nominee has consented to being named in this proxy statement as a nominee and has agreed to serve as a director if elected.

The persons named as proxies in the accompanying form of proxy have advised us that at the meeting they intend to vote the shares covered by the proxies for the election of the nominees named above. If one or more of the nominees are unable to serve, or for good cause will not serve, the persons named as proxies may vote for the election of the substitute nominees that our board may propose. The accompanying form of proxy contains a discretionary grant of authority with respect to this matter. The persons named as proxies may not vote for a greater number of persons than the number of nominees named above.

No arrangement or understanding exists between any nominee and any other person or persons pursuant to which any nominee was or is to be selected as a director or nominee. None of the nominees has any family relationship with any other nominee or with any of our executive officers.

**Information concerning members of our board of directors**

<b>Name</b>	<b>Age</b>	<b>Position</b>
Kent J. Thiry	47	Chairman of the Board and Chief Executive Officer
Richard B. Fontaine	59	Director
Peter T. Grauer	57	Director
C. Raymond Larkin, Jr.	54	Director
John M. Nehra	54	Director
Nancy-Ann DeParle	46	Director
William L. Roper, M.D.	54	Director

*Kent J. Thiry* became our chairman of the board and chief executive officer in October 1999. From June 1997 until he joined us, Mr. Thiry served as chairman of the board and chief executive officer of Vivra Holdings, Inc., which was formed to operate the non-dialysis business of Vivra Incorporated, or Vivra, after Gambro AB acquired the dialysis services business of Vivra in June 1997. From September 1992 to June 1997, Mr. Thiry was the president and chief executive officer of Vivra. From April 1992 to August 1992, Mr. Thiry served as president and co-chief executive officer of Vivra, and from September 1991 to March 1992, as president and chief operating officer of Vivra. From 1983 to 1991, Mr. Thiry was associated with Bain & Company, first as a consultant, and then as vice president. Mr. Thiry is also a director of Oxford Health Plans, Inc., and was appointed its chairman of the board, a non-executive position, in November 2002.

*Richard B. Fontaine* has been one of our directors since November 1999. Mr. Fontaine has been an independent health care consultant since 1992. Mr. Fontaine has also been an adjunct instructor at Westminster College since 1992. From June 1995 to September 1995, he served as interim chief executive officer of Health Advantage, Inc., a subsidiary of Vivra Specialty Partners, Inc. In 1993, he served as interim chief executive officer of Vivocell Therapy, Inc. From 1988 to 1992, he served as senior vice president of CR&R Incorporated. From 1984 to 1988, he



served as vice president, business development, of Caremark, Inc.

*Peter T. Grauer* has been one of our directors since August 1994. Mr. Grauer has been chairman of the board since April 2001, and president and treasurer since March 2002, of Bloomberg, Inc. From November 2000 until March 2002, Mr. Grauer was a managing director of Credit Suisse First Boston. From September 1992 until November 2000, upon the merger of Donaldson, Lufkin & Jenrette, or DLJ, into Credit Suisse First Boston, Mr. Grauer was a managing director and founding partner of DLJ Merchant Banking.

*C. Raymond Larkin, Jr.* has been one of our directors since December 1999. Mr. Larkin has been chairman of the board and chief executive officer of Eunoe, Inc. since August 2002. Mr. Larkin has been a principal of 3x NELL, which invests in and provides consulting services to the medical device, biotechnology and pharmaceutical industries, since July 1998. From 1983 to March 1998, he held various executive positions with Nellcor Incorporated, a medical products company, for which he served as president and chief executive officer from 1989 until August 1995, when he became president and chief executive officer of Nellcor Puritan Bennett Incorporated upon the merger of Nellcor Incorporated with Puritan-Bennett Corporation. Mr. Larkin is also a director of Cerus Corporation and Hanger Orthopedic Group Inc.

*John M. Nehra* has been one of our directors since November 2000. Mr. Nehra has been affiliated with New Enterprise Associates, a venture capital firm, since 1989, including, since 1993, as general partner of several of its affiliated venture capital limited partnerships. Mr. Nehra has also been managing general partner of Catalyst Ventures, a venture capital firm, since 1989. Mr. Nehra is also a director of Aradigm Corporation and Iridex Corporation.

*Nancy-Ann DeParle* has been one of our directors since May 2001. Ms. DeParle served as the Administrator of the Health Care Financing Administration, or HCFA, from November 1997 until October 2000. From 1993 until joining HCFA, Ms. DeParle was Associate Director for Health and Personnel at the White House Office of Management and Budget. Since February 2001 Ms. DeParle has been a senior advisor with JP Morgan Partners, LLC, a private equity firm, and since June 2001 an adjunct professor at the Wharton School of the University of Pennsylvania. Ms. DeParle is also a director of Guidant Corporation, Cerner Corporation, Specialty Laboratories, Inc., Accredo Health, Inc., and Triad Hospitals, Inc.

*William L. Roper, M.D.* has been one of our directors since May 2001. Dr. Roper served as the administrator of HCFA from 1986 to 1989. He is currently dean of the School of Public Health at The University of North Carolina at Chapel Hill, or UNC. He is also a professor of health policy and administration in the School of Public Health and a professor of pediatrics in the School of Medicine at UNC. Before joining UNC in 1997, Dr. Roper served as senior vice president of Prudential Health Care. He also served as Director of the Centers for Disease Control and Prevention from 1990 to 1993 and on the senior White House staff in 1989 and 1990. Dr. Roper is also a director of Luminex Corporation and Quintiles Transnational Corporation.

#### **Information regarding our board of directors and its committees**

Our board of directors met nine times during 2002. Each of our directors attended at least 75% of the total number of meetings of the board and meetings of the committees of the board on which he or she served during 2002, except for Nancy-Ann DeParle, who attended six of nine meetings of the board and five of six meetings of the committees on which she served during 2002, or 73% of the total number of meetings.

In 2002, our audit committee consisted of C. Raymond Larkin, Jr., Nancy-Ann DeParle and John M. Nehra. Mr. Larkin is the chairperson of the audit committee. Each of the members of our audit committee is independent in accordance with the listing standards of the New York Stock Exchange. Our board of directors has adopted a written charter for our audit committee and amended the charter in November 2002. The amended charter is included with this proxy statement as *Appendix A*. Our audit committee (i) monitors the integrity of our financial reporting process and systems of internal controls regarding accounting, disclosure controls and legal compliance, (ii) appoints our independent auditors,

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(iii) monitors the independence and performance of our independent auditors and internal auditing department, and (iv) provides an avenue of communication among the

independent auditors, management, the internal auditing department and our board of directors. The audit committee met five times during 2002. In addition to the committee meetings, the independent auditors and management meet with the chairman of the audit committee and other available members of the committee each quarter prior to the release of the company's financial statements.

In 2002, our compensation committee consisted of Richard B. Fontaine, John M. Nehra and, beginning in April 2002, Peter T. Grauer. C. Raymond Larkin, Jr. served on the committee until April 2002. Mr. Fontaine is the chairperson of the compensation committee. Each of the members of our compensation committee is independent. Our compensation committee reviews the performance of our chief executive officer and other executives and makes specific recommendations and decisions regarding their compensation, with the goal of ensuring that our compensation system for our executives, as well as our philosophy for compensation for all employees, is aligned with the long term interests of our stockholders. The compensation committee also establishes policies relating to the compensation of our executive officers and other key employees that further this goal. The compensation committee met four times during 2002.

From January 2002 through April 2002 our compliance committee consisted of John M. Nehra and William L. Roper, M.D. Mr. Nehra was the chairperson of our compliance committee until April 2002. From April 2002 through December 2002, our compliance committee consisted of Dr. Roper and C. Raymond Larkin, Jr. Since April 2002, Dr. Roper has been the chairperson of our compliance committee. Each of the members of our compliance committee is independent. Our compliance committee oversees and monitors the effectiveness of our corporate compliance program, reviews significant compliance risk areas, other than those areas addressed by the audit committee, and the steps management is taking to monitor, control and report risk exposures and meets regularly with our chief compliance officer. The compliance committee met seven times during 2002.

In July 2002, our board of directors formed a nominating and governance committee. The nominating and governance committee consists of all of our independent directors, C. Raymond Larkin, Jr., Nancy-Ann DeParle, Richard B. Fontaine, Peter T. Grauer, John M. Nehra, and William L. Roper, M.D. Mr. Larkin, as our lead independent director, is the chairperson of the nominating and governance committee. Our nominating and governance committee reviews and makes recommendations to the board of directors about the Company's governance processes, assists in identifying and recruiting candidates for the board of directors, proposes a slate of nominees for election at the annual meeting of stockholders, and makes recommendations to the board regarding the membership and chairs of the committees of the board. The nominating and governance committee will consider nominees for directors nominated by stockholders upon submission in writing to the Secretary of the Company of the names and qualifications of such nominees. The nominating and governance committee met once during 2002. In addition, the independent directors meet separately at each of our regular quarterly board meetings.

### **Compensation of directors**

Directors who are our employees or officers do not receive compensation for service on our board of directors or any committee of the board. Each of our directors who is not one of our officers or employees is entitled to receive a retainer of \$24,000 per year, paid quarterly in arrears (half in cash and half in deferred stock units that vest after one year), and additional compensation of \$4,000 for each board meeting attended in person and \$2,000 for each meeting held via telephone conference that lasts more than one and one half hours. For committee meetings, additional compensation of \$2,000 per meeting is paid, whether attended in person or by telephone. No committee meeting fees are paid for committee meetings held on regular board meeting dates.

The chairperson of our compensation committee also receives an additional retainer of \$45,000 per year, paid quarterly in arrears (half in cash and half in deferred stock units that vest after one year). Other committee chairpersons and the lead independent director also receive an additional retainer of \$20,000 per year, paid quarterly in arrears (half in cash and half in deferred stock units that vest after one year). If the lead independent director also serves as a committee chairperson, he or she will only receive a total additional retainer of \$20,000.



(not \$40,000) per year. C. Raymond Larkin, Jr. serves as our lead independent director. We also reimburse our directors for their reasonable out-of-pocket expenses in connection with their travel to and attendance at meetings of the board.

In addition, each director who is not one of our officers or employees is entitled to receive options to purchase 8,000 shares of our common stock for each year they are elected to serve on our board, issued upon election or re-election to the board. The director options have an exercise price equal to the fair market value of our common stock on the date of grant and vest over two years at an annual rate of 50% beginning on the first anniversary of the date of grant, with acceleration of vesting upon a change in control.

Committee chairpersons and the lead independent director also receive additional options to purchase 10,000 shares of our common stock for each year of service in these roles, issued upon the date of the annual meeting. The committee chairpersons and the lead independent director options have an exercise price equal to the fair market value of our common stock on the date of grant and generally vest over three years at an annual rate of 33 1/3% beginning on the first anniversary of the date of grant, with acceleration of vesting upon a change in control. Vesting of the committee chairpersons and the lead independent director's options continues so long as the director continues to serve on our board. If the lead independent director also serves as a committee chairperson, he or she will receive a total additional option grant of 10,000 shares (not 20,000 shares).

Each new member of our board receives a one-time grant of options to purchase 15,000 shares of our common stock issued upon initial appointment to our board, priced at the fair market value of our common stock on the date of grant and vesting over four years at an annual rate of 25% beginning on the first anniversary of the date of grant.

In accordance with the foregoing, in 2002 Messrs. Fontaine and Larkin and Dr. Roper each received options to purchase 18,000 shares, and Ms. DeParle and Messrs. Grauer and Nehra each received options to purchase 8,000 shares.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the ownership of our common stock as of April 14, 2003 by (a) all those persons known by us to own beneficially more than 5% of our common stock, (b) each of our directors and executive officers, and (c) all directors and executive officers as a group. Unless otherwise set forth in the following table, the address of each beneficial owner is 21250 Hawthorne Boulevard, Torrance, California 90503. We know of no agreements among our shareholders which relate to voting or investment power over our common stock or any arrangement the operation of which may at a subsequent date result in a change of control of us.

Name of beneficial owner	Number of shares beneficially owned	Percentage of shares beneficially owned
FMR Corp. (1) 82 Devonshire Street  Boston, Massachusetts 02109	6,584,973	10.8%
T. Rowe Price Associates, Inc. (2)  100 E. Pratt Street  Baltimore, Maryland 21202	6,223,183	10.2%
Barclays Global Investors, N.A. and affiliates (3)  45 Fremont Street  San Francisco, California 94105	3,161,732	5.2%
Peninsula Investment Partners, L.P. and Peninsula Capital Advisors, LLC (4)  404 B East Main Street  Charlottesville, Virginia 22902	3,091,500	5.1%
Kent J. Thiry (5)	1,216,970	2.0%
Joseph C. Mello (6)	194,816	*
Richard K. Whitney (7)	345,559	*
Gary W. Beil (8)	139,800	*
Charles J. McAllister (9)	25,666	*
Steven J. Udicious (10)	25,331	*
Lori S. Richardson Pelliccioni	0	*
Richard B. Fontaine (11)	58,928	*
Peter T. Grauer (12)	138,155	*
C. Raymond Larkin Jr. (13)	70,412	*
John M. Nehra (14)	38,415	*
Nancy-Ann DeParle (15)	20,505	*
William L. Roper (16)	24,151	*
All directors and executive officers as a group (13 persons) (17)	2,298,708	3.6%

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\* Amount represents less than 1% of our common stock.

(1) Based upon information contained in a Schedule 13G/A filed with the Securities and Exchange Commission, or SEC, on February 13, 2003. FMR Corp. is the beneficial owner of these shares through its control of the following entities: Fidelity Management & Research Company, beneficial owner of 5,575,691 shares; Fidelity Management Trust Company, beneficial owner of 981,407 shares; Fidelity International Limited, beneficial owner of 27,647 shares, and Geode Capital Management, LLC, beneficial owner of 228 shares. These shares include a total of 3,957,460 shares issuable upon conversion of convertible subordinated notes. Mr. Edward C. Johnson 3rd is the chairman of FMR Corp. By virtue of his position as chairman of FMR Corp. and his and Abigail Johnson's ownership of FMR Corp., they may be deemed to have the sole power to dispose of and vote the 5,575,691 shares owned by Fidelity Management & Research Company. They may be deemed to have the sole power to dispose of 981,407 shares and the sole power to vote 777,055 of the shares owned by Fidelity Management Trust Company. By virtue of Mr. Johnson's position as chairman of Fidelity International Limited, he may be deemed to have the sole power to dispose of and vote the 27,647 shares owned by Fidelity International Limited.



- (2) Based upon information contained in a Schedule 13G/A filed with the SEC on April 8, 2003. These securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. serves as investment adviser with power to direct investments and/or sole power to vote the securities. These shares include a total of 247,970 shares issuable upon conversion of subordinated notes. T. Rowe Price Associates, Inc. has the sole power to vote 1,048,650 of the shares and sole power to dispose of 6,223,183 of the shares.
- (3) Based upon information contained in a Schedule 13G filed with the SEC on February 12, 2003. Barclays Global Investors, N.A. is the beneficial owner of 3,000,128 shares with the sole power to vote and dispose of the shares. Barclays Global Fund Advisors is the beneficial owner of 103,119 shares with the sole power to vote and dispose of the shares. Barclays Global Investors, LTD. is the beneficial owner of 58,485 shares with the sole power to vote and dispose of the shares.
- (4) Based upon information contained in a Schedule 13G filed with the SEC on January 13, 2003. Peninsula Investment Partners, L.P. and Peninsula Capital Advisors, LLC are the beneficial owners of 3,091,500 shares with the shared power to vote and dispose of the shares.
- (5) Includes 33,666 shares held in a family trust, 1,128,000 shares issuable upon the exercise of options which are exercisable as of, or will become exercisable within 60 days after, April 14, 2003, and 27,056 deferred stock units that will vest on the earlier of the termination of employment or the deferral date Mr. Thiry has elected.
- (6) Includes 177,500 shares issuable upon the exercise of options which are exercisable as of, or will become exercisable within 60 days after, April 14, 2003 and 17,316 deferred stock units that will vest on the earlier of the termination of employment or the deferral date Mr. Mello has elected.
- (7) Includes 330,152 shares issuable upon the exercise of options which are exercisable as of, or will become exercisable within 60 days after, April 14, 2003 and 12,988 deferred stock units that will vest on the earlier of the termination of employment or the deferral date Mr. Whitney has elected.
- (8) Includes 100,000 shares issuable upon the exercise of options which are exercisable as of, or will become exercisable within 60 days after, April 14, 2003.
- (9) Includes 25,000 shares issuable upon the exercise of options which are exercisable as of, or will become exercisable within 60 days after, April 14, 2003.
- (10) Includes 25,000 shares issuable upon the exercise of options which are exercisable as of, or will become exercisable within 60 days after, April 14, 2003.
- (11) Includes 56,750 shares issuable upon the exercise of options which are exercisable as of, or will become exercisable within 60 days after, April 14, 2003 and 1,467 deferred stock units that will vest on the earlier of the termination of services or on the anniversary date of the grant.
- (12) Includes 131,250 shares issuable upon the exercise of options which are exercisable as of, or will become exercisable within 60 days after, April 14, 2003 and 518 deferred stock units that will vest on the earlier of the termination of services or on the anniversary date of the grant.
- (13) Includes 68,750 shares issuable upon the exercise of options which are exercisable as of, or will become exercisable within 60 days after, April 14, 2003 and 951 deferred stock units that will vest on the earlier of the termination of services or on the anniversary date of the grant.
- (14) Includes 27,167 shares issuable upon the exercise of options which are exercisable as of, or will become exercisable within 60 days after, April 14, 2003 and 537 deferred stock units that will vest on the earlier of the termination of services or on the anniversary date of the grant.
- (15) Includes 19,500 shares issuable upon the exercise of options which are exercisable as of, or will become exercisable within 60 days after, April 14, 2003 and 518 deferred stock units that will vest on the earlier of the termination of services or on the anniversary date of the grant.
- (16) Includes 22,833 shares issuable upon the exercise of options which are exercisable as of, or will become exercisable within 60 days after, April 14, 2003 and 931 deferred stock units that will vest on the earlier of the termination of services or on the anniversary date of the grant.
- (17) All directors and executive officers in office on April 14, 2003. Includes 2,111,902 shares issuable upon the exercise of options which are exercisable as of, or will become exercisable within 60 days after, April 14, 2003 and 62,282 deferred stock units that may vest within 60 days after April 14, 2003.

**Information concerning our executive officers**

Name	Age	Position
Kent J. Thiry	47	Chairman of the Board and Chief Executive Officer
Joseph C. Mello	44	Chief Operating Officer
Richard K. Whitney	35	Chief Financial Officer
Gary W. Beil	51	Vice President and Controller
Charles J. McAllister, M.D	55	Chief Medical Officer
Lori S. Richardson Pelliccioni	43	Vice President, Compliance and Chief Compliance Officer
Steven J. Udicious	35	Vice President, Secretary and General Counsel

Our executive officers are elected by, and serve at the discretion of, our board of directors. Set forth below is a brief description of the business experience of all executive officers other than Mr. Thiry, who is also a director and whose business experience is set forth above in the Information concerning members of our board of directors section of this proxy statement.

*Joseph C. Mello* became our chief operating officer in June 2000. From April 1998 until joining us, Mr. Mello served as president and chief executive officer of Vivra Asthma & Allergy. From August 1994 to April 1998, Mr. Mello held various positions with MedPartners, Inc., including senior vice president/chief operating officer southeastern region from March 1997 to April 1998. Prior to joining MedPartners, Mr. Mello was a partner with KPMG LLP, from 1984 to 1994. Mr. Mello is a director of Radiologix, Inc.

*Richard K. Whitney* became our chief financial officer in February 2000. From September 1998 until his appointment as chief financial officer, Mr. Whitney served as vice president and general manager of our international operations. Mr. Whitney joined us in June 1995 and has also served as director of corporate development and vice president of corporate development. Prior to joining us, Mr. Whitney was associated with RFE Investment Partners, a private equity investment firm, and Deloitte & Touche.

*Gary W. Beil* has been our vice president and controller since November 1999. From 1979 to 1999, Mr. Beil held a variety of divisional and corporate finance positions with The Boeing Company, including corporate vice president and controller from March 1996 to March 1999.

*Charles J. McAllister, M.D.*, a nephrologist, became our chief medical officer in July 2000. From 1977 until joining us, Dr. McAllister was in private practice in Florida, including, from 1978, as medical director of two dialysis centers. Dr. McAllister also served as vice president of clinical affairs for Vivra Renal Care, the dialysis services business of Vivra, from 1992 until June 1997, when Gambro acquired Vivra Renal Care. Dr. McAllister continued as vice president of clinical affairs for Gambro until December 1998.

*Lori S. Richardson Pelliccioni* became our vice president, compliance and chief compliance officer in November 2002. From November 1997 until joining us, Ms. Pelliccioni was associated with PricewaterhouseCoopers LLP, including, since July 2000, as a partner in their health care practice. From 1991 until joining PricewaterhouseCoopers, Ms. Pelliccioni was an Assistant United States Attorney for the United States Department of Justice.

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*Steven J. Udicious* became our vice president, secretary and general counsel in April 2000. Mr. Udicious served as our assistant general counsel from February 1998 until February 2000, when he became secretary and acting general counsel. Mr. Udicious served as assistant general counsel of Renal Treatment Centers, Inc., or RTC, from March 1997 until RTC's merger with us in February 1998. Prior to joining RTC, Mr. Udicious was associated with the law firm Duane, Morris & Heckscher, LLP in Philadelphia, Pennsylvania.

None of the executive officers has any family relationship with any other executive officer or with any of our directors.

**Section 16(a) beneficial ownership reporting compliance**

Section 16(a) of the Exchange Act requires insiders, including our executive officers, directors and beneficial owners of more than 10% of our common stock, to file reports of ownership and changes in ownership of our common stock with the Securities and Exchange Commission and the New York Stock Exchange, and to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received by us, or written representations from reporting persons that no Form 5's were required for those persons, we believe that only one reportable transaction was not timely reported on Form 4 in 2002, although proper disclosure was made in accordance with Rule 144. Mr. Thiry was nine days late in filing a report on Form 4 relating to the exercise of stock options and the sale of the underlying stock by Mr. Thiry in March 2002.

**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans and arrangements as of December 31, 2002, including the 1994 Equity Compensation Plan, the 1995 Equity Compensation Plan, the 1997 Equity Compensation Plan, the 1999 Equity Compensation Plan, the 1999 Non-Executive Officer and Non-Director Equity Compensation Plan, the Special Purpose Option Plan (RTC Plan), the 2002 Equity Compensation Plan, the Employee Stock Purchase Plan and the deferred stock unit arrangements. The material terms of each of these plans and arrangements are described in the notes to the December 31, 2002 consolidated financial statements, which are part of our Annual Report on Form 10-K for the year ended December 31, 2002. The 1999 Non-Executive Officer and Non-Director Equity Compensation Plan and the deferred stock unit arrangements were not required to be approved by our stockholders.

Plan category	Number of shares to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))	Total of shares reflected in columns (a) and (c)
	(a)	(b)	(c)	(d)
Equity compensation plans approved by stockholders	6,891,009	\$ 13.67	12,184,516(1)	19,075,525
Equity compensation plans not requiring stockholder approval	3,221,353(2)	\$ 12.56	995,951	4,217,304
<b>Total</b>	<b>10,112,362</b>	<b>\$ 13.32</b>	<b>13,180,467</b>	<b>23,292,829</b>

(1) Includes 519,743 shares of common stock available for issuance under our Employee Stock Purchase Plan.

(2) Includes 220,387 shares of common stock subject to issuance under individual deferred stock unit arrangements.

**EXECUTIVE COMPENSATION**

The following table sets forth the compensation for each of the fiscal years in the three-year period ended December 31, 2002 of our chief executive officer and our four most highly compensated executive officers other than our chief executive officer at December 31, 2002.

**Summary Compensation Table**

<u>Name and Principal Position</u>	<u>Year</u>	<u>Annual Compensation</u>			<u>Long Term Compensation</u>	
		<u>Salary</u>	<u>Bonus</u>	<u>Other</u>	<u>Awards</u>	<u>Payouts</u>
					<u>(\$)</u>	<u>\$(1)</u>