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RENAL CARE GROUP INC  
Form DEF 14A  
April 29, 2002

SCHEDULE 14A  
(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION  
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"/> Confidential, for Use of the Commission<br>Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement                         |   |
| <input type="checkbox"/> Definitive Additional Materials                               |   |
| <input type="checkbox"/> Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12 |   |

Renal Care Group, 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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(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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[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(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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RENAL CARE GROUP, INC.  
2100 WEST END AVENUE, SUITE 800  
NASHVILLE, TENNESSEE 37203

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
WEDNESDAY, JUNE 5, 2002

To the stockholders of Renal Care Group, Inc.:

Renal Care Group, Inc.'s 2002 Annual Meeting of stockholders will be held at the Loews Vanderbilt Plaza Hotel, 2100 West End Avenue, Nashville, Tennessee, on Wednesday, June 5, 2002 beginning at 9:00 a.m. (Central Daylight Time) for the following purposes:

(1) To elect two Class III directors to serve for a term of three (3) years;

(2) To consider and vote upon a proposal to approve an amendment to the Renal Care Group, Inc. 1999 Long-Term Incentive Plan (the "Long-Term Incentive Plan") to increase the number of shares available under the plan; and

(3) To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement.

Stockholders of record at the close of business on April 8, 2002 will be entitled to vote at the Annual Meeting or any adjournment or postponement.

We direct your attention to the Proxy Statement accompanying this Notice for more complete information regarding the matters to be acted upon at the Annual Meeting.

By Order of the Board of Directors

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DOUGLAS B. CHAPPELL,  
Secretary

April 29, 2002

IMPORTANT

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE ANNUAL MEETING, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD.

RENAL CARE GROUP, INC.  
2100 WEST END AVENUE  
SUITE 800  
NASHVILLE, TENNESSEE 37203

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PROXY STATEMENT  
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ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD JUNE 5, 2002

This Proxy Statement is furnished in connection with the solicitation of proxies by Renal Care Group on behalf of the Board of Directors for the 2002 Annual Meeting. These proxies will be voted at the 2002 Annual Meeting of stockholders and at any adjournments or postponements. The 2002 Annual Meeting will be held at 9:00 a.m. (Central Daylight Time) on Wednesday, June 5, 2002, at the Loews Vanderbilt Plaza Hotel, 2100 West End Avenue, Nashville, Tennessee.

Stockholders of record as of the close of business on April 8, 2002 will be entitled to vote at the 2002 Annual Meeting and any adjournments. Each share of common stock is entitled to one vote on all matters presented at the 2002 Annual Meeting. Stockholders do not have the right to cumulate their votes for directors. As of April 8, 2002, there were 49,883,532 shares of common stock outstanding. Renal Care Group is first distributing the Notice of the 2002 Annual Meeting, this Proxy Statement, and the proxy form to stockholders on or about May 3, 2002.

A majority of the outstanding shares of common stock entitled to vote at the meeting, represented in person or by proxy, is required to constitute a quorum for the 2002 Annual Meeting. If a quorum is not present at the 2002 Annual Meeting, or if for any reason Renal Care Group believes that additional time should be allowed for the solicitation of proxies, then Renal Care Group may adjourn or postpone the 2002 Annual Meeting with or without a vote of the stockholders. If the Company proposes adjournment, the persons named in the enclosed proxy will vote all shares for which they have voting authority in favor of adjournment.

All shares of common stock represented by properly executed proxies received prior to or at the 2002 Annual Meeting will be voted in accordance with the instructions indicated on the proxy card unless the proxy is revoked prior to or at the 2002 Annual Meeting. If no instructions are given, the proxies will be voted in favor of the matters listed in the proxy card. The directors must be elected by a plurality of votes cast (in person or by proxy). The proposed amendment to the Long-Term Incentive Plan and any other matters will be determined based upon the vote of the majority of votes cast (in person or by proxy).

Shares represented by proxies that are marked "withhold authority" or

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"abstain" will be counted as shares present for purposes of establishing a quorum. Shares represented by proxies that include broker nonvotes will also be counted as shares present for purposes of establishing a quorum. A broker nonvote occurs when a broker or nominee holding shares for a beneficial owner votes on one proposal but does not vote on another proposal because the broker or nominee does not have discretionary voting power and has not received instructions from the beneficial owner. Neither withholding authority to vote with respect to one or more nominees nor a broker nonvote will affect the outcome of the election of directors or the amendment of the Long-Term Incentive Plan.

Renal Care Group will pay all expenses of the 2002 Annual Meeting, including the cost of soliciting proxies. The Company may reimburse persons holding shares in their names for others, or holding shares for others who have the right to give voting instructions, such as brokers, banks, fiduciaries and nominees, for their reasonable expenses in forwarding the proxy materials to their principals.

Any stockholder returning a proxy may revoke that proxy at any time prior to the 2002 Annual Meeting by (a) giving written notice to Renal Care Group of such revocation, (b) voting in person at the 2002 Annual Meeting, or (c) executing and delivering to Renal Care Group a proxy bearing a later date.

### PROPOSALS FOR STOCKHOLDER ACTION

#### PROPOSAL 1

#### ELECTION OF CLASS III DIRECTORS

Renal Care Group's Board of Directors is composed of three classes, designated Class I, Class II, and Class III. The term of the Class III directors expires at the 2002 Annual Meeting. The current Class III directors are John D. Bower, M.D., Kenneth E. Johnson, Jr., M.D. and W. Tom Meredith, M.D. Dr. Bower and Dr. Meredith informed the Company of their decision not to seek reelection to the Board of Directors, and neither will serve if elected. The Board of Directors has designated Kenneth E. Johnson, Jr., M.D. as a nominee for election as a Class III director at the 2002 Annual Meeting. In order to balance the classes of directors, the Board of Directors has designated Sam A. Brooks as a nominee for election as a Class III director. Mr. Brooks has been a Class I director and his term would have expired at the 2003 Annual Meeting. The term of the Class I directors will expire at the 2003 annual meeting, and the term of the Class II directors will expire at the 2004 annual meeting. The term of a director in each class will be three years or until his or her successor is elected. The continuing Class I directors will be Stephen D. McMurray, M.D. and William V. Lapham, and the Class II directors are Joseph C. Hutts, Harry R. Jacobson, M.D. and Thomas A. Lowery, M.D.

The nominees for election at the 2002 Annual Meeting have consented to be named as candidates in this Proxy Statement and to serve, if elected. Renal Care Group knows of no reason why either nominee may be unwilling or unable to serve as a director. If either nominee is unwilling or unable to serve, the shares represented by all valid proxies will be voted for such other person as the Board of Directors may recommend.

Directors are elected by a plurality of the votes cast by the shares of common stock represented in person or by proxy at the 2002 Annual Meeting. Therefore, the nominees for election as Class III directors who receive the greatest number of votes cast at the 2002 Annual Meeting will be elected as Class III directors. Unless the stockholder gives other instructions, the persons named in the accompanying proxy will vote FOR Sam A. Brooks and Kenneth E. Johnson, Jr., M.D. as Class III directors.

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Information as to each nominee and the directors continuing as Class I directors and Class II directors follows:

CLASS III DIRECTORS -- NOMINEES FOR ELECTION AT THE 2002 ANNUAL MEETING -- TERM EXPIRING AT THE 2005 ANNUAL MEETING

SAM A. BROOKS  
Age -- 63

Mr. Brooks has been President and Chief Executive Officer of Renal Care Group since 1995, Chairman since October 1997, and served as Treasurer from June 1995 to November 1995. He also currently serves as President of MedCare Investments, Inc., a health care investment company, and he has held that position since 1991.

KENNETH E. JOHNSON, JR., M.D.  
Age -- 57

Dr. Johnson has been a director of Renal Care Group since 1996. He is a board-certified nephrologist trained at the University of Utah. In 1975, Dr. Johnson was a founding partner of Arizona Nephrology Associates and RenalWest, L.C. Dr. Johnson joined the Board of Directors when Renal Care Group acquired RenalWest in September 1996. Dr. Johnson has served as the director of the critical care units of two hospitals and served as chairman of several Departments of Medicine in the East Valley area of Mesa, Arizona.

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Dr. Johnson has been a member of the Medical Review Board of the Regional End Stage Renal Disease Network.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINEES NAMED ABOVE AS CLASS III DIRECTORS.

CURRENT DIRECTORS WHOSE TERMS ARE NOT EXPIRING AT THE 2002 ANNUAL MEETING:

CLASS I DIRECTORS -- TERM EXPIRING AT THE 2003 ANNUAL MEETING

STEPHEN D. MCMURRAY, M.D.  
Age -- 54

Dr. McMurray has been a director of Renal Care Group since 1996. He graduated from Indiana University and Indiana University Medical Center. Dr. McMurray is a board-certified nephrologist. He has practiced nephrology in Fort Wayne, Indiana, since 1977. Dr. McMurray is a member of Indiana Medical Associates, a 46-member multi-specialty physician practice group and currently serves as Chairman of its board. He is a member of the board of the Renal Physicians Association, an organization representing nephrologists in the United States. Dr. McMurray was also a founder of D.M.N. Professional Corporation, one of the companies included in the formation of the Company in February 1996.

WILLIAM V. LAPHAM  
Age -- 63

Mr. Lapham has been a director of Renal Care Group since 1999. He served as acting Chief Financial Officer of Uptons, a division of American Retail Group, from January 1999 to June 1999. From 1962 until his retirement in 1998, Mr. Lapham was associated with Ernst & Young LLP and its predecessors, serving as a partner for the last 26 years of his tenure. He was a member of Ernst & Young's

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International Council for eight years ending in December 1997. Mr. Lapham is a director of LifePoint Hospitals, Inc., an operator of general, acute care hospitals in non-urban areas, and Avado Brands, Inc., a full-service, casual dining restaurant company.

### CLASS II DIRECTORS -- TERM EXPIRING AT THE 2004 ANNUAL MEETING

JOSEPH C. HUTTS  
Age -- 60

Mr. Hutts has been a director of Renal Care Group since 1995. He currently serves as President and Chief Executive Officer of Surgis, Inc., a company that develops and operates outpatient surgery centers. He was Chairman of the Board, President and Chief Executive Officer of PhyCor, Inc., an operator of multi-specialty medical clinics, from 1988 until his resignation in June of 2000. Mr. Hutts remains a director of PhyCor, Inc. Mr. Hutts was formerly with Hospital Corporation of America in various positions, the last of which was President, HCA Health Plans. From 1986 to 1988, Mr. Hutts was Vice Chairman and Chief Operating Officer of Equitable HCA Corporation, which did business as Equicor.

HARRY R. JACOBSON, M.D.  
Age -- 54

Dr. Jacobson has been a director of Renal Care Group since 1995 and was Chairman of the Board of Directors of the Company from 1995 to 1997. He currently serves as Vice Chancellor for Health Affairs at Vanderbilt University, a position he has held since 1997. He also currently serves as Professor of Medicine at Vanderbilt University Medical Center, a position he has held since 1985. Dr. Jacobson received a B.S. degree from the University of Illinois and his M.D. from the University of Illinois Abraham Lincoln School of Medicine. He completed his internal medicine training at Johns Hopkins Hospital and his nephrology training at Southwestern Medical School in Dallas, Texas.

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THOMAS A. LOWERY, M.D.  
Age -- 55

Dr. Lowery has been a director of Renal Care Group since 1996. He is a board-certified nephrologist trained at Baylor College of Medicine and the University of Alabama, Birmingham. He has served on the Executive Committee of Southwest Organ Bank and has been the Director of the Renal Transplant Program of East Texas Medical Center in Tyler, Texas. In addition, he has practiced as a partner of Tyler Nephrology Associates, P.A. and its predecessors since 1979. Dr. Lowery was a founder of one of the companies included in the formation of the Company in February 1996.

### BOARD COMMITTEES, ATTENDANCE, AND COMPENSATION OF DIRECTORS

#### COMMITTEES

The Board of Directors has established two Committees, the Audit and Compliance Committee and the Compensation Committee, each of which is briefly described below.

Renal Care Group's Audit and Compliance Committee is composed solely of non-employee directors. It recommends the annual appointment of Renal Care Group's independent auditors and, in conjunction with the Company's auditors, reviews the scope of audit and other assignments and related fees. The Audit and Compliance Committee also reviews the accounting principles used by Renal Care Group in financial reporting, Renal Care Group's internal auditing procedures

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and the adequacy of Renal Care Group's internal control procedures, all in conjunction with Renal Care Group's independent auditors. The Audit and Compliance Committee also oversees the activities of Renal Care Group's internal compliance committee and receives reports from that committee and Renal Care Group's Compliance Officer. The Audit and Compliance Committee is chaired by Mr. Lapham and also includes Mr. Hutts, Dr. Johnson and Dr. Lowery.

Renal Care Group's Compensation Committee is composed solely of non-employee directors. It is responsible for establishing salaries, bonuses, and other compensation for the Company's executive officers. The Stock Option Subcommittee of the Compensation Committee is responsible for administering Renal Care Group's stock option plans. The Compensation Committee is currently chaired by Dr. McMurray and also includes Mr. Hutts, Mr. Lapham and Dr. Meredith. After the 2002 Annual Meeting the Compensation Committee will be chaired by Dr. McMurray and will include Mr. Hutts and Mr. Lapham. The Stock Option Subcommittee is currently chaired by Mr. Hutts and is composed of Mr. Lapham and Mr. Hutts.

### MEETINGS

During 2001, the Board of Directors of the Company held four regularly scheduled meetings. In addition, the Compensation Committee met once; and the Audit and Compliance Committee met four times during 2001. Each director attended at least 75% of the total number of meetings held by the Board of Directors and its committees on which he served.

### COMPENSATION OF DIRECTORS

Members of the Board of Directors who are employees of Renal Care Group or medical directors of Renal Care Group dialysis facilities do not receive any compensation for serving on the Board of Directors. In 2001, each non-employee, non-medical director member of the Board of Directors received a fee of \$2,000 for each meeting of the Board of Directors he attended and a fee of \$1,000 for each committee meeting he attended that was not on the same day as a meeting of the Board of Directors. All directors, including members who are employees or medical directors, receive reimbursement of out-of-pocket expenses incurred in connection with attending meetings of the Board of Directors or its committees.

Renal Care Group maintains the Renal Care Group, Inc. 1996 Stock Option Plan for Outside Directors (the "Outside Director Plan") to provide for grants of options to its non-employee directors. The Outside Director Plan provides for automatic grants to Directors of Renal Care Group who are (1) not employees of the Company, (2) not the Chairman or Vice Chairman of the Board of Directors of the Company, and (3) not a party to, and whose medical practices are not a party to, a medical director agreement with Renal

Care Group that is in force. The Outside Director Plan provides for an initial grant to each eligible director of 11,250 shares on the date such person first becomes a director and subsequent annual grants of options to purchase 5,625 shares of common stock following each annual meeting. The annual grants are made on the day following each annual meeting of stockholders. The Option Price for each option granted under the Outside Director Plan is the "Fair Market Value," as that term is defined in the Outside Director Plan, of the shares of common stock subject to the option on the date the option is granted. These options are immediately exercisable subject to securities law restrictions and have a term of ten years. Accordingly, on the day after the 2002 Annual Meeting, the Company will grant to each eligible director an option to purchase 5,625 shares of common stock with an exercise price of the Fair Market Value on such date.

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## PROPOSAL 2

### APPROVAL OF PROPOSED AMENDMENT TO THE LONG-TERM INCENTIVE PLAN

The Board of Directors adopted the Renal Care Group, Inc. 1999 Long-Term Incentive Plan in April 1999, and the stockholders approved it at the 1999 annual meeting. In February 2000 the Board of Directors approved an amendment to the Long-Term Incentive Plan, which became effective upon approval by the stockholders at the 2000 annual meeting. In March 2001 the Board of Directors approved an amendment to the Long-Term Incentive Plan, which became effective upon approval by the stockholders at the 2001 annual meeting. Under the Long-Term Incentive Plan, Renal Care Group has reserved a total of 3,500,000 shares of common stock for issuance upon the grant or exercise of awards. The Board of Directors has adopted resolutions approving and recommending to the stockholders for their approval an amendment to the Long-Term Incentive Plan that would increase the number of shares reserved for issuance under the Long-Term Incentive Plan from 3,500,000 to 5,500,000 shares. If approved by the stockholders, the proposed Amendment will be effective on the date of the 2002 Annual Meeting.

In addition to the amendment to increase the number of shares reserved for issuance under the Long-Term Incentive Plan, the Board of Directors adopted two additional amendments to the Long-Term Incentive Plan. The first amendment limits the number of shares that may be issued in any year as restricted stock awards to ten percent of the number of shares available for grant. The second amendment prohibits the repricing of any option or other award.

A summary of the Long-Term Incentive Plan is set forth below. The summary is qualified in its entirety by reference to the full text of the Long-Term Incentive Plan. Renal Care Group will provide, free of charge, a copy of the Long-Term Incentive Plan to any stockholder upon written request to the Secretary, Renal Care Group, 2100 West End Avenue, Suite 800, Nashville, Tennessee 37203.

#### GENERAL

The purpose of the Long-Term Incentive Plan is to promote the success and enhance the value of Renal Care Group by linking the personal interests of employees, officers, consultants, and directors to the interests of the stockholders, and by giving these employees, officers, consultants and directors an incentive for outstanding performance. As of March 31, 2002, there were approximately 300 persons eligible to participate in the Long-Term Incentive Plan.

The Long-Term Incentive Plan authorizes Renal Care Group to grant awards to employees, officers, consultants and directors of Renal Care Group or its subsidiaries in the following forms: (i) options to purchase shares of common stock which may be incentive stock options or nonqualified stock options; (ii) stock appreciation rights ("SARs"); (iii) performance units; (iv) restricted stock; (v) dividend equivalents; (vi) other stock-based awards; or (vii) any other right or interest relating to common stock or cash. The maximum number of shares of common stock with respect to one or more options and/or SARs that may be granted during any one calendar year under the Long-Term Incentive Plan to any one participant is 300,000, and the maximum aggregate number of shares of common stock that may be issued as restricted stock awards in any year is ten percent of the number of shares available for grant.



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deduct compensation in excess of \$1 million paid to the President and the four next most highly compensated executive officers of the Company. The Long-Term Incentive Plan is designed to comply with Code Section 162(m) so that the grant of options and SARs under the Long-Term Incentive Plan, and other awards, such as performance units, that are conditioned on the performance goals described in Section 13.13 of the Long-Term Incentive Plan, will be excluded from the calculation of annual compensation for purposes of Code Section 162(m) and will be fully deductible.

### ADMINISTRATION

The Long-Term Incentive Plan is administered by the Stock Option Subcommittee of the Compensation Committee of the Board of Directors of the Company, or at the discretion of the Board from time to time, by the Board or another committee. The committee or subcommittee administering the Long-Term Incentive Plan (the "Committee") has the power, authority and discretion to:

- designate participants;
- determine the type or types of awards to be granted to each participant and the number, terms and conditions thereof;
- establish, adopt or revise any rules and regulations as it deems necessary or advisable to administer the Long-Term Incentive Plan; and
- make all other decisions and determinations that may be required under, or as it deems necessary or advisable to administer, the Long-Term Incentive Plan.

### AWARDS

**Stock Options.** The Committee is authorized to grant options to participants. The options may be incentive stock options or nonqualified stock options. All options must be evidenced by a written award agreement between the Company and the participant, which will include such provisions as may be specified by the Committee. The exercise price of an option will be established by the Committee, provided that the exercise price shall not be less than the fair market value of the underlying common stock as of the date of the grant. The terms of any incentive stock option must meet the requirements of Section 422 of the Code, including stockholder approval requirements.

**Stock Appreciation Rights.** The Committee may grant SARs to participants. Upon the exercise of a SAR, the participant has the right to receive the excess, if any, of: the fair market value of one share of common stock on the date of exercise, over the grant price of the SAR as determined by the Committee. The grant price of the SAR will not be less than the fair market value of one share of common stock on the date of grant. All awards of SARs must be evidenced by an award agreement, reflecting the terms, methods of exercise, methods of settlement, form of consideration payable in settlement, and any other terms and conditions of the SAR, as determined by the Committee at the time of grant.

**Performance Units.** The Committee may grant performance units to participants on such terms and conditions as may be selected by the Committee. The Committee will have the complete discretion to determine the number of performance units granted to each participant and to set performance goals and other terms or conditions to payment of the performance units in its discretion which, depending on the extent to which they are met, will determine the number and value of performance units that will be paid to the participant.

**Restricted Stock Awards.** The Committee may make awards of restricted stock to participants, which will be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without

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limitation, limitations on the right to vote restricted stock or the right to receive dividends, if any, on the restricted stock). In 2002 the Board of Directors amended the plan to limit the number of shares that may be issued as restricted stock awards. From and after the year ending December 31, 2002, the

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Company may not make restricted stock awards in any year in excess of ten percent of the number of shares available for grant.

**Dividend Equivalents.** The Committee is authorized to grant dividend equivalents to participants subject to such terms and conditions as may be selected by the Committee. Dividend equivalents entitle the participant to receive payments equal to dividends with respect to all or a portion of the number of shares of common stock subject to an option award or SAR award, as determined by the Committee. The Committee may provide that dividend equivalents will be paid or distributed when accrued or be deemed to have been reinvested in additional shares of common stock or otherwise reinvested.

**Other Stock-Based Awards.** The Committee may, subject to limitations under applicable law, grant to participants such other awards that are payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of common stock as deemed by the Committee to be consistent with the purposes of the Long-Term Incentive Plan, including without limitation shares of common stock awarded purely as a bonus and not subject to any restrictions or conditions, convertible or exchangeable debt securities, other rights convertible or exchangeable into shares of common stock and awards valued by reference to book value of shares of common stock or the value of securities of or the performance of specified parents or subsidiaries of Renal Care Group. The Committee will determine the terms and conditions of any such awards.

**Performance Goals.** The Committee may determine that any award will be determined solely on the basis of (a) the achievement by Renal Care Group or a parent or subsidiary company of a specified target return, or target growth in return, on equity or assets, (b) Renal Care Group's, parent's or subsidiary's stock price, (c) the Company's total shareholder return (stock price appreciation plus reinvested dividends) relative to a defined comparison group or target over a specific performance period, (d) the achievement by a business unit of Renal Care Group, parent or subsidiary of a specified target, or target growth in, net income or earnings per share, or (e) any combination of the goals set forth in (a) through (d) above. If an award is made on such basis, the Committee will establish goals prior to the beginning of the period for which such performance goal relates (or such later date as may be permitted under Code Section 162(m) or the regulations thereunder), and the Committee may reduce (but not increase) the award, notwithstanding the achievement of a specified goal. Any payment of an award granted with performance goals will be conditioned on the written certification of the Committee in each case that the performance goals and any other material conditions were satisfied.

**Limitations on Transfer; Beneficiaries.** No award will be assignable or transferable by a participant other than by will or the laws of descent and distribution or, except in the case of an incentive stock option, pursuant to a qualified domestic relations order; provided, however, that the Committee may (but need not) permit other transfers where the Committee concludes that such transferability (i) does not result in accelerated taxation, (ii) does not cause any option intended to be an incentive stock option to fail to be described in Code Section 422(b), and (iii) is otherwise appropriate and desirable, taking into account any factors deemed relevant, including without limitation, state or federal tax or securities laws applicable to transferable awards. A participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the participant and to receive any distribution with

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respect to any award upon the participant's death.

**Acceleration Upon Certain Events.** Upon the participant's death or disability, all outstanding options, SARs, and other awards in the nature of rights that may be exercised will become fully exercisable and all restrictions on outstanding awards will lapse. Any options or SARs will thereafter continue or lapse in accordance with the other provisions of the Long-Term Incentive Plan and the award agreement. Unless otherwise provided in an Award Agreement approved by the Committee, if a Change in Control (as defined in the Long-Term Incentive Plan) occurs and is followed by a participant's termination of employment (other than by reason of participant's death, disability, resignation without good reason or termination for cause) within twelve months after the Change in Control, then all of such participant's unexercised Awards (whether vested or not vested) shall automatically vest and become unforfeitable and shall be cashed out at the greater of (a) the highest closing price per share paid for the purchase of common stock in a national securities market during the 90 day period ending on the date of the Change in Control (the "Change in Control Price") or (b) the fair market value of the common stock on the date of such termination. Upon a Change in Control

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that results directly or indirectly in the common stock (or the stock of any successor received in exchange therefor) ceasing to be publicly traded in a national securities market, all unexercised Awards (whether vested or not vested) shall automatically vest and become unforfeitable and shall be cashed out at the Change in Control Price. Upon a Change in Control, no action may be taken that would adversely affect the rights of any participant or the operation of the Long-Term Incentive Plan with respect to any Award to which a participant may be entitled on or prior to the date, or as a result, of the Change in Control. Under certain conditions, the Board of Directors may determine that events otherwise constituting a Change in Control will not be considered a Change in Control. Under certain conditions, the Board of Directors may determine that events that do not otherwise constitute a Change in Control, but which the Board of Directors deems to be, or to be reasonably likely to lead to, an effective change in control, the Committee may in its discretion declare that all unvested Awards will vest and become unforfeitable. In addition, the Committee has the discretion at any time to accelerate vesting of a participant's Awards.

### TERMINATION AND AMENDMENT

The Board of Directors or the Committee may, at any time and from time to time, terminate, amend or modify the Long-Term Incentive Plan without stockholder approval. The Board of Directors or the Committee may, however, condition any amendment on the approval of Renal Care Group's stockholders if approval is necessary or advisable with respect to tax, securities or other applicable laws, policies or regulations. No termination, amendment or modification of the Long-Term Incentive Plan may adversely affect any award previously granted under the Long-Term Incentive Plan, without the written consent of the participant. In 2002, the Board of Directors amended the plan to provide that the exercise price of any option or other Award granted under the Long-Term Incentive Plan may not be reduced, and that the original term of any option or other Award may not be extended.

### CERTAIN FEDERAL INCOME TAX EFFECTS

**Nonqualified Stock Options.** Under present federal income tax regulations, there will be no federal income tax consequences to either Renal Care Group or the participant when the Company grants a nonqualified stock option with an exercise price equal to at least the Fair Market Value on the date of grant.

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However, the participant will realize ordinary income on the exercise of the nonqualified stock option in an amount equal to the excess of the fair market value of the common stock acquired upon the exercise of such option over the exercise price, and Renal Care Group will receive a corresponding deduction (subject to Code Section 162(m) limitations). The gain, if any, realized upon the subsequent disposition by the participant of the common stock will constitute short-term or long-term capital gain, depending on the participant's holding period.

**Incentive Stock Options.** Under present federal income tax regulations, there will be no federal income tax consequences to either Renal Care Group or the participant when the Company grants an incentive stock option or when the participant exercises an incentive stock option, except that upon exercise of an incentive stock option, the participant may be subject to alternative minimum tax on certain items of tax preference. If the participant holds the shares of common stock acquired upon exercise of an incentive stock option for the greater of two years after the date the option was granted or one year after the acquisition of such shares of common stock, the difference between the aggregate option price and the amount realized upon disposition of the shares of common stock will constitute long-term capital gain or loss, and Renal Care Group will not be entitled to a federal income tax deduction. If the shares of common stock are disposed of in a sale, exchange or other "disqualifying disposition" during the required holding period, the participant will realize taxable ordinary income in an amount equal to the excess of the fair market value of the common stock purchased at the time of exercise over the aggregate option price, and Renal Care Group will be entitled to a federal income tax deduction in that amount (subject to Code Section 162(m) limitations).

**SARs.** Under present federal income tax regulations, a participant receiving a SAR will not recognize income, and Renal Care Group will not be allowed a tax deduction, at the time the award is granted. When a participant exercises a SAR, the amount of cash and the fair market value of any shares of common stock

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received will be ordinary income to the participant, and Renal Care Group will be allowed a deduction in that amount for federal income tax purposes (subject to Code Section 162(m) limitations).

**Performance Units.** Under present federal income tax regulations, a participant receiving performance units will not recognize income, and Renal Care Group will not be allowed a tax deduction, at the time the award is granted. When a participant receives payment of performance units, the amount of cash and the fair market value of any shares of common stock received will be ordinary income to the participant, and Renal Care Group will be allowed a deduction in that amount for federal income tax purposes (subject to Code Section 162(m) limitations).

**Restricted Stock.** Under present federal income tax regulations, and unless the participant makes an election to accelerate recognition of the income to the date of grant, a participant receiving a restricted stock award will not recognize income, and Renal Care Group will not be allowed a tax deduction, at the time the award is granted. When the restrictions lapse, the participant will recognize ordinary income equal to the fair market value of the common stock, and Renal Care Group will be entitled to a tax deduction in that amount (subject to Code Section 162(m) limitations).

### BENEFITS TO NAMED EXECUTIVE OFFICERS AND OTHERS

The table below reflects awards granted during the fiscal year ended

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December 31, 2001 to the persons and groups shown in the table below. Any future awards under the Long-Term Incentive Plan will be made at the discretion of the Committee or the Board, as the case may be. Consequently, Renal Care Group cannot determine, with respect to (1) the executive officers of the Company, (2) all current executive officers as a group, (3) all non-executive directors, as a group, or (4) all eligible participants, including all current officers who are not executive officers, as a group, either the benefits or amounts that will be received in the future by such persons or groups pursuant to the Long-Term Incentive Plan.

### 1999 LONG-TERM INCENTIVE PLAN

NAME AND POSITION -----	STOCK OPTION GRANTS(1)		RESTRICTED STOCK AWARDS(3)	
	DOLLAR VALUE OF OPTIONS	NUMBER OF OPTIONS	DOLLAR VALUE OF AWARDS	NUMBER OF SHARES
Sam A. Brooks..... Chairman of the Board, Chief Executive Officer and President	(2)	105,000	\$560,200	20,000
Gary Brukardt..... Executive Vice President and Chief Operating Officer	(2)	62,500	0	0
Raymond Hakim, M.D., Ph.D. .... Executive Vice President, Chief Medical Officer	(2)	62,500	0	0
R. Dirk Allison..... Executive Vice President, Chief Financial Officer and Treasurer	(2)	62,500	0	0
All Executive Officers as a Group.....	(2)	292,500	560,200	20,000
All Non-Executive Directors as a Group.....	(2)	0	0	0
All Non-Executive Officer Employees as a Group.....	(2)	747,625	0	0

(1) The options granted Mr. Brooks vest as to 33 1/3% of the shares as of the grant date and an additional 33 1/3% of the shares will vest on each successive anniversary date. The options granted to Messrs. Brukardt, Hakim and Allison will vest as to 25% of the shares one year after the date of grant and

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an additional 25% on each successive anniversary date. The exercise price per share for options granted to executive officers of the Company during 2001 was \$28.02 per share.

(2) The dollar value of the above options is dependent on the difference between the exercise price and the fair market value of the underlying shares on the date of exercise. As of April 26, 2002 fair market value of the shares was \$34.58 based on the closing price of the Company's common stock on that day.

(3) The restrictions on the restricted stock granted Mr. Brooks lapse on August 2, 2006. The restricted stock was granted on August 2, 2001, and the closing price for the common stock on that day was \$28.01 per share.

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## REASONS FOR AMENDMENT OF THE LONG-TERM INCENTIVE PLAN

Renal Care Group believes that granting awards under the Long-Term Incentive Plan is necessary to attract, retain, and motivate qualified employees and consultants, including but not limited to individuals who are or will be employed by Renal Care Group. Renal Care Group also grants awards to new employees joining the Company whether through recruiting efforts or acquisitions. Management believes that grants to new employees are an important tool, enhancing Renal Care Group's ability to recruit new employees and to acquire companies and to pursue its growth strategy, by aligning the interests of these new employees with those of Renal Care Group's stockholders. In the past, Renal Care Group has also granted options to physicians serving as medical directors of some of its facilities. Of the approximately 6,436,000 options currently outstanding under the Long-Term Incentive Plan and other plans, medical directors hold approximately 850,000 options.

There are currently fewer than 240,000 shares available for grant under Renal Care Group's Long-Term Incentive Plan and the 1996 Stock Option Plan, which are the only plans under which Renal Care Group will make grants to current officers, employees and consultants. Renal Care Group has determined not to make future grants under option plans of acquired companies.

Renal Care Group believes it is important to make annual grants to current officers and employees, so that they have a continuing incentive to improve Renal Care Group's performance that vests over a period of time and mirrors the results for the Renal Care Group's stockholders. To be able to continue to use stock-based incentives to attract new employees, to incent and retain existing employees, and to align the incentives of employees of acquired companies with those of Renal Care Group's stockholders, the Board of Directors has recommended an amendment to increase the number shares of common stock reserved for issuance under the Long-Term Incentive Plan.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE AMENDMENT TO THE LONG-TERM INCENTIVE PLAN.

### SECURITY OWNERSHIP OF DIRECTORS, OFFICERS AND PRINCIPAL STOCKHOLDERS

The following table sets forth the number of shares of common stock held beneficially, directly or indirectly, as of the Record Date by (a) each director of Renal Care Group, (b) Renal Care Group's Chief Executive Officer and Renal Care Group's three most highly compensated executive officers other than the Chief Executive Officer (collectively, the "Named Executive Officers"), and (c) all directors and executive officers of Renal Care Group as a group, together with the percentage of the outstanding shares of common stock which such ownership represents. As of the date of this Proxy Statement, to the knowledge of the Company, there is no person or entity that owns more than five percent of the outstanding common stock.

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### COMMON STOCK

NAME	BENEFICIAL OWNERSHIP (1)	
	NUMBER	PERCENT
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Sam A. Brooks(2).....	988,684	2.0
Gary A. Brukardt(3).....	399,826	*
Raymond Hakim, M.D., Ph.D.(4).....	366,686	*
R. Dirk Allison(5).....	66,687	*
John D. Bower(6).....	434,554	*
Joseph C. Hutts(7).....	36,000	*
Harry R. Jacobson, M.D.(8).....	398,931	*
Kenneth E. Johnson, Jr., M.D.(9).....	257,350	*
William V. Lapham(10).....	23,100	*
Thomas A. Lowery, M.D.(11).....	150,348	*
Stephen D. McMurray, M.D.(12).....	76,602	*
W. Tom Meredith, M.D.(13).....	140,939	*
All executive officers and directors as a group (12 persons)(14).....	3,319,707	6.7

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\* Less than 1% of the outstanding common stock.

- (1) Information relating to the beneficial ownership of common stock by the above individuals is based upon information furnished by each such individual using "beneficial ownership" concepts set forth in rules promulgated by the Securities and Exchange Commission (the "Commission") under Section 13(d) of the Exchange Act. Beneficial ownership includes shares as to which such person or group, directly or indirectly, through any contract, management, understanding, relationship, or otherwise has or shares voting power and/or investment power as those terms are defined in Rule 13d-3(a) of the Exchange Act. Except as indicated in other footnotes to this table, each individual listed above possesses sole voting and investment power with respect to all shares set forth by his or its name, except to the extent such power is shared by a spouse under applicable law. Any security that any person named above has the right to acquire within 60 days is deemed to be outstanding for purposes of calculating the ownership percentage by the particular person or group, but are not deemed outstanding for any other purpose.
- (2) Includes 36,550 shares of restricted stock and 760,516 shares of common stock that may be acquired upon exercise of options. Does not include 236,984 shares of common stock that may be acquired upon exercise of options that are not exercisable within 60 days.
- (3) Includes 390,250 shares of common stock that may be acquired upon exercise of options and 6,525 shares of restricted stock. Does not include 212,250 shares of common stock that may be acquired upon exercise of options that are not exercisable within 60 days.
- (4) Includes 347,750 shares of common stock that may be acquired upon exercise of options and 6,525 shares of restricted stock. Does not include 212,250 shares of common stock that may be acquired upon exercise of options that are not exercisable within 60 days.
- (5) Includes 66,250 shares of common stock that may be acquired upon exercise of options. Does not include 226,250 shares of common stock that may be acquired upon exercise of options that are not exercisable within 60 days.
- (6) Includes 84,375 shares of common stock that may be acquired upon exercise of options.
- (7) Includes 36,000 shares of common stock that may be acquired upon exercise of options.

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(8) Includes 27,050 shares of restricted stock and 85,625 shares of common stock that may be acquired upon exercise of options.

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(9) Includes 234,907 shares of common stock owned by EVIG Konsten, L.P., an Arizona limited partnership and 21,775 shares of common stock owned by The Kenneth E. and Becky H. Johnson Foundation.

(10) Includes 22,500 shares of common stock that may be acquired upon exercise of options.

(11) Includes 45,000 shares of common stock that may be acquired upon exercise of options and 5,250 shares of restricted stock.

(12) Includes 18,300 shares of restricted stock. Does not include 27,000 shares of common stock that may be acquired upon exercise of options that are held by his spouse.

(13) Includes 5,625 shares of common stock that may be acquired upon exercise of options.

(14) Includes 1,843,891 shares of common stock that may be acquired upon exercise of options and 80,200 shares of restricted stock.

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MANAGEMENT

The Named Executive Officers are listed in the table below. Biographical information concerning Sam A. Brooks, who is also a director, is included under Proposal 1 in this Proxy Statement. Biographical information concerning the other Named Executive Officers is set forth below.

NAME ----	AGE ---	POSITION -----
Sam A. Brooks.....	63	Chairman of the Board, President, Chief Executive Officer and Director
Gary A. Brukardt.....	56	Executive Vice President, Chief Operating Officer
Raymond Hakim, M.D., Ph.D. ....	57	Executive Vice President and Chief Medical Officer
R. Dirk Allison.....	46	Executive Vice President, Chief Financial Officer and Treasurer

Mr. Brukardt has been Executive Vice President and Chief Operating Officer of Renal Care Group since 1996. From 1991 to 1996, Mr. Brukardt served as Executive Vice President of Baptist Health Care Affiliates in Nashville, Tennessee, where he was responsible for the development and operation of physician practice management organizations and the management of four hospitals and 22 outpatient facilities. In addition, from 1991 to 1996, Mr. Brukardt served as Chairman and President of HealthNet Management, Inc., a managed care company.

Dr. Hakim has been Executive Vice President and Chief Medical Officer of Renal Care Group since 1995. He has published extensively on the adequacy of



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dialysis and the clinical aspects of biocompatibility. From 1992 to 1995, Dr. Hakim served as Medical Director for the Vanderbilt Dialysis Program. He served as a member of the Medical Board of Vanderbilt University Medical Center in 1992, as Chairman of the Ambulatory Services Committee of Vanderbilt University Medical Center in 1990 and 1991, and as Director, Clinical Nephrology of Vanderbilt University Medical Center from 1987 to 1991. He received his M.S. from Rensselaer Polytechnic Institute, his Ph.D. from Massachusetts Institute of Technology and his M.D. from McGill University. Dr. Hakim performed his residency at Royal Victoria Hospital and his renal fellowship at Brigham and Women's Hospital.

Mr. Allison has been Executive Vice President and Chief Financial Officer of Renal Care Group since 1999. From 1997 until 1999, Mr. Allison was President and Chief Executive Officer of MedSynergies, Inc. a physician practice management company specializing in eye care based in Dallas, Texas. From 1995 until 1997, Mr. Allison was President and Chief Executive Officer of Capstone Pharmacy Services, Inc., a public institutional pharmacy company with more than 40 pharmacies. From 1993 until 1995, Mr. Allison was President and Chief Executive Officer of PremierPharmacy, Inc. an institutional pharmacy company that was sold to Capstone Pharmacy Services, Inc. From 1987 until 1993, Mr. Allison was President and Chief Executive Officer of Allied Pharmacy Management, Inc., a hospital pharmacy management company. In 1987, Mr. Allison was Director of Internal Auditing for Wal-Mart Stores, Inc. Mr. Allison is a certified public accountant and holds an MBA from the University of Dallas and a BBA from Northeast Louisiana University.

### EMPLOYMENT AGREEMENTS

Renal Care Group has entered into employment agreements with Messrs. Brooks, Allison and Brukardt and Dr. Hakim, as well as some other key associates. The terms of the employment agreements for Messrs. Brooks and Brukardt and Dr. Hakim commenced on July 13, 2000, and the term of Mr. Allison's commenced on October 15, 1999. Each of these employment agreements has a term of three years and successive one-year renewal terms thereafter. Each of these employment agreements contains restrictive covenants prohibiting the officer from competing with Renal Care Group for a period of one year after the end of the employment term, unless the employment agreement is terminated following a change in control.

The annual salaries of the executive officers as set forth in the employment agreements are \$600,000, \$250,000, \$375,000, and \$330,000 for Messrs. Brooks, Allison and Brukardt and Dr. Hakim, respectively.

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These salaries are subject to adjustment by the Compensation Committee, and their annual salaries during 2001 were \$600,000, \$286,539, \$380,000, and \$330,000 for Messrs. Brooks, Allison and Brukardt and Dr. Hakim, respectively. Each executive officer is eligible under his employment agreement for bonuses at the sole discretion of Renal Care Group.

The employment agreements of Messrs. Brooks, Allison and Brukardt and Dr. Hakim, also provide for severance of (i) his salary (plus target bonus in the case of Mr. Brooks) for 12 months if such officer is terminated without cause, (ii) his salary for one month if the officer is terminated for cause, (iii) his salary (plus target bonus) for 36 months if the officer is terminated within 12 months of a change in control of Renal Care Group either (A) without cause, or (B) by resignation of the officer as a result of declining to accept reassignment to a job that is not the equivalent of his then current position, or (iv) his salary (plus target bonus) for 24 months if the officer resigns 12 months after a change in control of Renal Care Group. If any of the executive

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officers receives severance that would result in the imposition of excise tax under Section 4999 of the Code, he will be entitled to the amount described above plus a gross-up payment, if necessary, to reimburse him for any such excise tax plus all federal, state and local income and excise taxes imposed on such gross-up payment. In addition, following a change in control of Renal Care Group, if any of the above officers resigns for any reason or is terminated without cause, the non-competition covenants set forth in his employment agreement will become null and void.

### EXECUTIVE COMPENSATION

#### SUMMARY COMPENSATION TABLE

The following table sets forth the annual salaries paid to the Named Executive Officers for the fiscal years ended December 31, 1999, 2000 and 2001.

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION		ALL OTHER COMPENSATION
		SALARY	BONUS	RESTRICTED STOCK AWARDS (1)	SECURITIES UNDERLYING OPTIONS/SARS	
Sam A. Brooks.....	2001	\$600,000	\$352,500	\$560,200	105,000	\$20,968 (2)
Chairman of the Board and	2000	558,274	417,187	--	225,000	20,968 (2)
President	1999	445,016	323,750	113,096	230,000	--
Gary A. Brukardt.....	2001	380,000	142,500	--	62,500	9,174 (2)
Executive Vice President,	2000	366,543	206,250	--	125,000	18,273 (2)
Chief Operating Officer	1999	330,018	142,506	--	140,000	--
Raymond Hakim, M.D., Ph.D. ..	2001	330,000	148,750	--	62,500	--
Executive Vice President	2000	319,232	181,250	--	125,000	3,074 (2)
and Chief Medical Officer	1999	290,004	135,000	--	140,000	--
R. Dirk Allison.....	2001	286,539	93,750	--	62,500	1,574 (2)
Executive Vice President,	2000	250,000	31,678	--	125,000	1,574 (2)
Chief Financial Officer,	1999	48,077	--	--	105,000	58,037 (3)
and Treasurer						

(1) Mr. Brooks was granted a restricted stock award of 20,000 shares on August 2, 2001. The value in the above table is based on a closing price of \$28.01 on that date. The award contains restrictions that lapse on August 2, 2006. Mr. Brooks was also granted a restricted stock award of 3,500 shares on January 25, 1999. The value in the above table is based on a closing price of \$32.313 on that date. The award contains restrictions that lapse on January 25, 2004. Mr. Brooks holds an aggregate of 36,550 shares of restricted stock with an aggregate value of \$900,584 as of their respective dates of grant. Mr. Brukardt holds an aggregate of 6,525 shares of restricted stock with an aggregate value of \$113,644 as of the date of grant. Dr. Hakim holds an aggregate of 6,525 shares of restricted stock with an aggregate of \$113,644 as of the date of grant. If dividends are declared and paid on the Company's common stock, then dividends will be paid to the holders of restricted stock.

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(2) The amounts represent premiums paid by the Company in respect of life insurance policies for the benefit of each Named Executive Officer.

(3) Relocation expenses.

OPTION GRANTS IN 2001

The following table is a summary of all stock options granted to the Named Executive Officers during the year ended December 31, 2001. Individual grants are listed separately for each Named Executive Officer. In addition, this table shows the potential gain that could be realized if the fair market value of the common stock were to appreciate at an annual rate of either 5% or 10% over the option term.

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE (\$/SHARE)	EXPIRATION DATE	POTENTIAL REALIZABLE ASSUMED ANNUAL PRICE APPRECIATION OPTION
					5%
Sam A. Brooks(1)	105,000	10.1%	\$28.02	8/2/11	\$1,850,271
Gary A. Brukardt(2)	62,500	6.0	\$28.02	8/2/11	1,101,352
Raymond Hakim, M.D., Ph.D.(2)	62,500	6.0	\$28.02	8/2/11	1,101,352
R. Dirk Allison(2)	62,500	6.0	\$28.02	8/2/11	1,101,352

(1) Options vest as to 33 1/3% of the shares as of the grant date and an additional 33 1/3% of the shares will vest on each successive anniversary date.

(2) Options vest as to 25% of the shares one year after the date of grant and an additional 25% on each successive anniversary date.

(3) The potential realizable value through the expiration date of the options has been determined on the basis of the market price per share at the time of grant compounded annually over the term of the option, net of the exercise price. These values have been determined based upon assumed rates of appreciation mandated by the Securities and Exchange Commission and are not intended to forecast the possible future appreciation, if any, of the price or value of the common stock.

AGGREGATED OPTION EXERCISES IN 2001 AND YEAR-END VALUES

Set forth below is information with respect to exercises of options by the Named Executive Officers during 2001 pursuant to Renal Care Group's stock incentive plans, and information with respect to unexercised options held by the Named Executive Officers as of December 31, 2001.

NUMBER OF SHARES ACQUIRED	VALUE	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS HELD AT DECEMBER 31, 2001	VALUE OF IN-THE-MONEY AT DECEMBER 31, 2001
---------------------------------	-------	--	--

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NAME -----	ON EXERCISE -----	REALIZED (1) -----	EXERCISABLE -----	UNEXERCISABLE -----	EXERCISABLE -----
Sam A. Brooks.....	500,000	\$12,708,636	700,516	296,984	\$9,482,983
Gary A. Brukardt.....	70,000	1,202,466	352,750	249,750	4,825,549
Raymond Hakim, M.D., Ph.D. ....	80,000	2,190,786	325,250	234,750	6,029,467
R. Dirk Allison.....	0	0	66,250	226,250	1,046,688

(1) These amounts represent the market value of the underlying common stock on the date of exercise, less the applicable exercise price.

(2) The market value of the common stock on the New York Stock Exchange was \$32.10 per share as of December 31, 2001.

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### COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

#### INTRODUCTION

This report is submitted by Renal Care Group's Compensation Committee at the direction of the Board of Directors. It provides information regarding the compensation and benefits provided to Renal Care Group's Chief Executive Officer and other executive officers. The Compensation Committee is responsible for all decisions regarding compensation for Renal Care Group's executive officers. The Compensation Committee is composed of four non-employee directors. Because the Compensation Committee believes that each executive officer has the potential to affect the short-term and long-term profitability of Renal Care Group, the Committee places considerable importance on the task of creating and implementing Renal Care Group's executive compensation program. During 1999 the Board of Directors created the Stock Option Subcommittee of the Compensation Committee. This subcommittee administers Renal Care Group's stock option and incentive plans.

Renal Care Group's executive compensation program is focused on stockholder value, the overall performance of Renal Care Group, the effect of the executive's performance on the success of Renal Care Group and the individual performance of the particular executive.

#### COMPENSATION PHILOSOPHY

The Compensation Committee's philosophy is to integrate the compensation of Renal Care Group's executive officers with corporate performance. The Compensation Committee's objectives are to measure executive performance against short-term and long-term goals, reward performance, and recognize individual initiative and achievements. The Compensation Committee is also focused on assisting Renal Care Group in attracting, motivating, and retaining qualified executives, and aligning the incentives of management with the interests of stockholders. In administering the compensation policies and programs used by the Compensation Committee and endorsed by the Board of Directors, the Compensation Committee:

- recommends total compensation of executive officers in relation to Renal Care Group's performance;
- aligns compensation amounts with comparable levels paid to executive officers of companies comparable in size and performance to Renal Care

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Group; and

- provides cash bonuses based upon a percentage of annual salary to motivate and retain high quality executive officers.

The Stock Option Subcommittee considers and approves all grants of stock options and restricted stock. Renal Care Group's compensation program currently consists of base salary and annual incentive compensation in the form of cash bonuses and options. In 2001, the Compensation Committee reviewed Renal Care Group's executive compensation relative to executive compensation of peer groups. Because Renal Care Group's compensation plan involves incentives that are contingent upon Renal Care Group's performance and individual performance, an executive officer's actual compensation level in any particular year may be above or below that of similarly situated officers of competitors. The Compensation Committee reviews each element of executive compensation annually. The key components of Renal Care Group's executive compensation program are described below.

### BASE SALARY

The Compensation Committee reviews and approves an annual salary plan for Renal Care Group's executive officers. The salary plan is developed by Renal Care Group's Chief Executive Officer, who reviews it with the Compensation Committee. The Compensation Committee reviews many subjective factors in determining these salary plans, such as the executive officer's responsibilities, the scope of the position, length of service, corporate and individual performance, and salaries paid by other health care services companies to officers in similar positions. While these subjective factors are then integrated with objective factors, including Renal Care Group's net income, earnings per share, return on equity and growth, the overall assessment is

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primarily a subjective one that is intended to reflect the level of responsibility and individual performance of the particular executive officer.

### BONUSES

The Compensation Committee believes that a significant portion of the total cash compensation for executive officers should be based on Renal Care Group's achievement of specific performance criteria, including earnings per share, clinical performance and individual performance. Executive officers of Renal Care Group receive a cash bonus based on a percentage of annual base salary, if Renal Care Group and the executive officer meet annual performance targets. The performance targets are established and communicated at the beginning of each year. The Compensation Committee includes clinical performance targets and individual performance targets with earnings-based targets to determine bonuses to the executive officers. The Compensation Committee believes Renal Care Group's long-term success depends not only on earnings per share performance but also on keeping Renal Care Group's patients healthy and on having the executive officers take responsibility for meeting their personal goals, both of which may not translate directly into improved annual financial performance. Bonuses for executive officers can be as much as 112.5% of base salary in the case of the CEO and 75% for Executive Vice Presidents. This means that a significant part of each executive's cash compensation package is at risk.

### LONG-TERM COMPONENT -- STOCK INCENTIVE PLANS

To date, Renal Care Group has relied primarily upon stock option and restricted stock awards to provide long-term incentives for executives and to align executives' incentives more closely with the interests of stockholders.

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The Stock Option Subcommittee of the Compensation Committee continues to believe that stock options and restricted stock awards have been and remain an excellent vehicle for providing financial incentives for management. Renal Care Group's stock incentive plans permit Renal Care Group to issue stock options and restricted stock awards to officers, key employees, and consultants of Renal Care Group. Subject to general limits prescribed by the stock incentive plans, the Stock Option Subcommittee has the authority to determine the individuals to whom stock options and restricted stock awards will be granted, the terms of the options and restricted stock awards, and the number of shares subject to each option or restricted stock award. The size of any particular stock option or restricted stock award is based upon position and the executive's individual performance during the related evaluation period. With respect to stock options, because the exercise price of the options is the market price of stock on the date of grant and the options generally vest over a period of time and carry a ten-year life, employees benefit only if the value of Renal Care Group's common stock increases. Thus, employees with stock options are rewarded for their efforts to improve long-term stock market performance. In this way, the Stock Option Subcommittee works to align the financial interests of management with those of stockholders. For this reason, Renal Care Group uses stock options as its principal long-term incentive program.

Executive officers of Renal Care Group may also participate in Renal Care Group's Employee Stock Purchase Plan (the "Stock Purchase Plan"). Executive officers participate in the Stock Purchase Plan on the same terms as non-executive employees who meet the applicable eligibility criteria, subject to any legal limitations on the amounts that may be contributed or the benefits that may be payable under the Stock Purchase Plan. All contributions to the Stock Purchase Plan are made or invested in Renal Care Group's common stock. These features are intended to align further the employees' and stockholders' long-term financial interests.

### CHIEF EXECUTIVE OFFICER COMPENSATION

The Compensation Committee's basis for compensation of Mr. Brooks, Renal Care Group's Chief Executive Officer, is based on the compensation philosophy discussed above. Mr. Brooks participates in the same executive compensation plans available to the other executive officers. In 2001, the Compensation Committee set Mr. Brooks' base salary at \$600,000, which was the same as his base salary in 2000. The Compensation Committee kept Mr. Brooks' base salary flat in light of the Company's performance in 2000. The Stock Option Subcommittee approved a grant of options to purchase 105,000 shares of common stock

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and a restricted stock award of 20,000 shares of common stock. The compensation levels established for Mr. Brooks were in response to the Board's, the Committee's and the Subcommittee's assessments of Renal Care Group's performance and accomplishments in 2000 and 2001, as well as Mr. Brooks' position in Renal Care Group and the nature of his responsibilities and contributions. The Committee considered Mr. Brooks' performance in terms of Renal Care Group's success in meeting its performance targets, from both an operational and a financial standpoint, and in developing and executing its strategic plan. In evaluating Mr. Brooks' compensation, the Committee also considered Renal Care Group's performance relative to its peers and competitors in the health care services industry.

### FEDERAL INCOME TAX DEDUCTIBILITY LIMITATIONS

The Compensation Committee and the Stock Option Subcommittee intend to work to structure future compensation so that executive compensation paid by Renal Care Group is fully deductible in accordance with Section 162(m) of the Internal

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Revenue Code. Section 162(m) generally disallows a tax deduction to public companies for compensation over \$1 million paid to certain executive officers unless certain conditions are met. However, the Compensation Committee may, in a particular case, decide to approve compensation that may prove not to be deductible.

### SUMMARY

The Compensation Committee believes that this mix of base salaries, variable cash incentives and the potential for equity ownership in Renal Care Group represents a balance that will motivate the management team to produce strong returns for Renal Care Group's stockholders over the long term. The Compensation Committee also believes this program strikes an appropriate balance between the interests and needs of Renal Care Group in operating its business and appropriate rewards based on stockholder value.

Submitted by the Compensation  
Committee

Stephen D. McMurray, M.D., Chairman  
Joseph C. Hutts  
William V. Lapham  
W. Tom Meredith, M.D.

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### STOCKHOLDER RETURN PERFORMANCE GRAPH

The following is a comparative performance graph that compares the percentage change of cumulative total stockholder return on Renal Care Group's common stock with (a) the performance of a broad equity market indicator and (b) the performance of a published industry index or peer group. The following graph compares the percentage change of cumulative total stockholder return on Renal Care Group's common stock with (1) the Standard & Poor's 500 Composite Index (the "Broad Index") and (2) the Nasdaq Health Services Stocks, SIC Codes 8000-8099 (the "Industry Index"). The graph begins on January 1, 1997. For purposes of preparing the graph, Renal Care Group assumed that an investment of \$100 was made on January 1, 1997 in each of Renal Care Group's common stock, the Broad Index and the Industry Index and that all dividends, if any, were reinvested at the time they were paid.

The comparison in the graph below is based on historical data and is not intended to forecast the possible future performance of the common stock.

### COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURNS PERFORMANCE GRAPH FOR RENAL CARE GROUP, INC.

PRODUCED ON 04/01/2002 INCLUDING DATA TO 12/31/2001

(PERFORMANCE GRAPH)

CRSP TOTAL RETURNS INDEX FOR:	12/1996	12/1997	12/1998	12/1999	12/2000
Renal Care Group, Inc.	100.0	151.8	205.0	166.3	195.1
S&P 500 Stocks	100.0	133.5	172.2	208.5	190.0
Nasdaq Health Services					

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Stocks					
SIC 8000 -- 8099 US &					
Foreign	100.0	102.6	87.0	70.0	96.0

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Source: Center for Research in Security Prices

### Notes:

- A. The lines represent monthly index levels derived from compounded daily returns that include all dividends.
- B. The indexes are reweighted daily, using the market capitalization on the previous trading day.
- C. If the monthly interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.
- D. The index level for all series was set to \$100.0 on 12/31/1996.

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### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of Renal Care Group's Compensation Committee are Joseph C. Hutts, Stephen D. McMurray, M.D., W. Tom Meredith, M.D. and William V. Lapham.

Dr. McMurray is a member of Indiana Dialysis Management, a division of Indiana Medical Associates, a 46-member multi-specialty practice group. Renal Care Group entered into a Medical Director Agreement dated February 12, 1996 with the predecessor of that practice group. The Medical Director Agreement has a term of seven years with successive renewal terms of three years each and provides for medical director fees of \$326,000 subject to agreed adjustments. In 2001, Renal Care Group paid Indiana Dialysis Management \$500,000 under this agreement.

Renal Care Group entered into an Independent Contractor Agreement with Dr. McMurray, dated November 20, 1997, pursuant to which Dr. McMurray receives \$12,000 per month in connection with services provided to the Company. Dr. McMurray received \$144,000 under this agreement during 2001.

Barbara McMurray, Dr. McMurray's spouse, is an employee of Renal Care Group. In 2001 Ms. McMurray received a base salary of \$139,500.14 plus bonuses of \$22,281.75. Ms. McMurray serves as Vice President Operations Development.

During 2001, Renal Care Group and Indiana Dialysis Management formed two joint ventures, each of which will own and operate one dialysis center. During 2001, neither center conducted operations. Indiana Dialysis Management owns a 40% interest in one of the joint ventures and 30% in the other. The agreements for these joint ventures require all members to contribute in cash their share of all capital (including working capital) to operate the business and provide for distributions out of net cash flow strictly in accordance with the members' interests. During 2001, Indiana Dialysis Management contributed \$380,000 to the capital of one of these two joint ventures and is obligated to contribute \$351,493 to the capital of the other. During 2001, the members of these joint ventures received no distributions. The formation of these joint ventures was reviewed by the Audit and Compliance Committee and was approved by the full Board of Directors, with Dr. McMurray not taking part in the deliberations.

### AUDIT AND COMPLIANCE COMMITTEE REPORT

The Audit and Compliance Committee of the Board of Directors oversees Renal Care Group's financial reporting process on behalf of the Board of Directors.



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The Audit and Compliance committee operates under a written charter adopted by the Board of Directors in 1999 and updated on November 7, 2000. This report reviews the actions taken by the Audit and Compliance Committee with regard to Renal Care Group's financial reporting process during 2001 and particularly with regard to the Company's audited consolidated financial statements as of December 31, 2000 and 2001 and for the three years in the period ended December 31, 2001.

All members of the Audit and Compliance Committee are independent, as that term is defined by Section 303.01(B)(2)(a) and (3) of the listing standards of the New York Stock Exchange. None of the committee members is or has been an officer or employee of Renal Care Group or any of its subsidiaries or has engaged in any business transaction or has any business or family relationship with Renal Care Group or any of its subsidiaries or affiliates that would cause that member not to be considered independent.

Renal Care Group's management has the primary responsibility for the company's financial statements and reporting process, including the systems of internal controls. Ernst & Young LLP, Renal Care Group's independent auditors, is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States and issuing a report thereon. The Audit and Compliance Committee monitors and oversees these processes and recommends annually to the Board of Directors the accountants to serve as Renal Care Group's independent auditors for the coming year.

The Audit and Compliance Committee has implemented procedures to guide its activities during the course of each fiscal year. These procedures are designed to allow the Committee to devote the attention that

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it deems necessary or appropriate to fulfill its oversight responsibilities under the Audit and Compliance Committee's charter. To carry out its responsibilities, the Audit and Compliance Committee met four times during 2001.

In fulfilling its oversight responsibilities, the Audit and Compliance Committee reviewed with management the audited financial statements to be included in Renal Care Group's annual report on Form 10-K for 2001, including a discussion of the quality (rather than just the acceptability) of the accounting principles, the reasonableness of significant judgments, the identification and application of significant accounting policies and the clarity of disclosures in the financial statements. The Audit and Compliance Committee also reviewed with Renal Care Group's independent auditors, Ernst & Young LLP, their judgments as to the quality (rather than just the acceptability) of Renal Care Group's accounting principles, the identification and application of significant accounting policies and such other matters as are required to be discussed with the Audit and Compliance Committee under Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended.

The Audit and Compliance Committee obtained from the independent auditors a formal written statement describing all relationships between the auditors and Renal Care Group that might bear on the auditors' independence consistent with Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees. The Audit and Compliance Committee discussed with the auditors any relationships that may have an impact on the auditors' objectivity and independence, and the Audit and Compliance Committee determined that the auditors are independent. The Audit and Compliance Committee also considered whether the provision of information technology services and other non-audit services by Ernst & Young LLP is compatible with maintaining Ernst & Young's independence.

Additionally, the Audit and Compliance Committee discussed with Renal Care

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Group's internal and independent auditors the overall scope and plan for their respective audits. The committee met with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of Renal Care Group's internal controls and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Audit and Compliance Committee recommended to the Board of Directors that the audited financial statements be included in Renal Care Group's annual report on Form 10-K for 2001 for filing with the Securities and Exchange Commission. The Audit and Compliance Committee also recommended to the Board of Directors that the Company retain Ernst & Young LLP as Renal Care Group's independent auditors for 2002.

This report of the audit committee does not constitute "soliciting material" and should not be deemed to be "filed" with the Securities and Exchange Commission or incorporated by reference into any other filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this report by reference in any of those filings.

Submitted by the Audit and Compliance  
Committee:

William V. Lapham, Chairman  
Joseph C. Hutts  
Kenneth E. Johnson, Jr., M.D.  
Thomas A. Lowery, M.D.

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### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

#### MEDICAL DIRECTOR ARRANGEMENTS

Dr. Lowery is a member of Tyler Nephrology Associates, P.A., a practice group currently consisting of six nephrologists. Renal Care Group entered into a Medical Director Agreement with that practice group dated February 12, 1996. The Medical Director Agreement has a term of seven years with successive renewal terms of three years each and provides for medical director fees of \$392,000 subject to agreed adjustments. During 2001, Renal Care Group paid Tyler Nephrology Associates, P.A. \$428,000 under this agreement.

Dr. Johnson is a member of Arizona Nephrology Associates, PLC, a practice group consisting of 16 nephrologists. Renal Care Group entered into a Medical Director Services Agreement with several additional nephrologists dated September 30, 1996. The Medical Director Services Agreement has a term of seven years with successive renewal terms of three years each and currently provides for medical director fees of \$840,000 per year. During 2001, Renal Care Group paid Arizona Nephrology Associates \$1,000,000 in the aggregate under this Agreement.

Renal Care Group believes that each of the foregoing agreements was obtained on terms no less favorable to the Company than could be obtained from unaffiliated third parties. The terms of each such Medical Director Agreement were determined by arm's-length negotiations between Renal Care Group and the practices generally before the practice became affiliated with Renal Care Group and before the director became a director. See "Compensation Committee Interlocks and Insider Participation" for a discussion of the terms of Medical Director Agreement between the Company and Dr. McMurray's practice group.

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### LEASES OF REAL PROPERTY

Pursuant to a lease agreement dated February 12, 1996, Renal Care Group leases from an affiliate of Dr. Bower approximately 30,000 square feet of administrative and other space used by the Company for the operation of centers in Mississippi. The lease is a triple net lease at a rate of approximately \$8.50 per square foot per year, or a gross payment of approximately \$21,300 per month. The lease contains an initial term of ten years and two five-year renewal options. During 2001, Renal Care Group paid the affiliate of Dr. Bower approximately \$256,000 under this lease.

Dr. Lowery owns a 37% interest in real property and improvements used in the operation of two of Renal Care Group's dialysis centers. Pursuant to lease agreements dated February 12, 1996, Renal Care Group leases centers located in Carthage and Tyler, Texas. Each lease is a triple net lease with rent payable at \$12.00 per square foot per year. The Tyler lease requires a gross payment of \$20,092 per month, and the Carthage lease requires a gross payment of \$2,479 per month. Each lease has an initial term of ten years with two additional five-year renewal options. The amount of rent is subject to a consumer price index adjustment after the initial five-year period. In addition, Renal Care Group has subleased back to Tyler Nephrology Associates, Inc. a portion of the Tyler center on terms substantially similar to those contained in the lease of such center to the Company. During 2001, Renal Care Group paid approximately \$259,000 in rent under these leases net of amounts attributable to the sublease.

Renal Care Group believes that each of the foregoing Leases was obtained on terms no less favorable to Renal Care Group than could be obtained from unaffiliated third parties.

### RELATIONSHIP WITH VANDERBILT UNIVERSITY

Dr. Jacobson currently serves as Vice Chancellor of Health Affairs at Vanderbilt University and as Professor of Medicine in the Division of Nephrology, Department of Medicine, Vanderbilt University. Renal Care Group is a party to a Dialysis Center Management Agreement with Vanderbilt University Medical Center pursuant to which Renal Care Group manages the outpatient dialysis center of Vanderbilt University Medical Center. Renal Care Group received approximately \$519,000 pursuant to this agreement for the year ended December 31, 2001. This agreement has a one-year term that is automatically renewed each year unless either party cancels the agreement at least 90 days prior to the end of the current term.

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### COMPANY POLICY

Renal Care Group's policy is that transactions with affiliates (other than those entered into in connection with its formation) must be reviewed by the Audit and Compliance Committee and approved by a majority of the disinterested members of the Board of Directors and will be made on terms no less favorable to Renal Care Group than could be obtained from unaffiliated third parties.

### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under Section 16 of the Exchange Act, Renal Care Group's directors, executive officers and any person holding more than ten percent of the common stock are required to report their ownership of the common stock and any changes in that ownership to the SEC and the Nasdaq Stock Market's National Market. These persons are also required by SEC regulations to furnish copies of these reports to Renal Care Group. Specific due dates for these reports have been established, and Renal Care Group must report any failure to make required

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filings in 2001 in this Proxy Statement. Based solely on a review of the reports furnished to Renal Care Group or written representations from the Company's directors, officers, and ten percent beneficial owners, all reporting requirements were satisfied, with the exception of a Form 4 that was filed late by Raymond M. Hakim in connection with his exercise of options in May 2001.

### AUDITORS

Ernst & Young LLP has served as Renal Care Group's independent public accountants since its inception and is expected to be selected to serve in that capacity for the fiscal year ended December 31, 2002. A representative of Ernst & Young LLP will attend the 2002 Annual Meeting to respond to questions from stockholders and to make a statement if necessary.

### AUDIT FEES

The aggregate fees billed by Ernst & Young LLP for professional services rendered for the audit of the Company's annual financial statements for the fiscal year ended December 31, 2001, and the reviews of the financial statements included in the Company's quarterly reports on Form 10-Q for that fiscal year were \$177,500. Audit-related fees were \$67,000.

### FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES

There were no fees billed by Ernst & Young LLP for financial information systems design and implementation services during the fiscal year ended December 31, 2001.

### ALL OTHER FEES

The aggregate fees billed by Ernst & Young LLP for professional services rendered during the fiscal year ended December 31, 2001, other than as stated above under the captions Audit Fees and Financial Information Systems Design and Implementation Fees, were \$908,941. These fees primarily consist of tax compliance services, assistance with an IRS examination and state and local tax planning.

### AUDIT COMMITTEE REVIEW

Renal Care Group's Audit and Compliance Committee has reviewed the services rendered and the fees billed by Ernst & Young LLP for the fiscal year ended December 31, 2001. The Audit and Compliance Committee determined that the services rendered and the fees billed last year that were not related to the audit of Renal Care Group's financial statements are compatible with the independence of Ernst & Young LLP as the Company's independent accountants.

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### STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING

Stockholders wishing to submit a proposal for action at Renal Care Group's 2003 annual meeting of stockholders and to have the proposal included in Renal Care Group's proxy materials relating to that meeting, must deliver their proposals to Renal Care Group at its principal offices not later than December 31, 2002. Additional legal requirements apply to any inclusion of stockholder proposals in proxy materials of Renal Care Group.

### ANNUAL REPORTS

Renal Care Group's 2001 Annual Report to stockholders is being mailed to stockholders with this Proxy Statement. The Annual Report is not part of the

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proxy soliciting material.

A copy of Renal Care Group's annual report on Form 10-K for the fiscal year ended December 31, 2001, as filed with the Securities and Exchange Commission, may be obtained by any stockholder, free of charge, upon written request to the Secretary, Renal Care Group, Inc., 2100 West End Avenue, Suite 800, Nashville, Tennessee 37203.

OTHER MATTERS

Management knows of no other matters to be presented and acted upon at the Annual Meeting other than those set forth in the accompanying notice. However, if any other matters requiring a vote of the stockholders should properly come before the 2002 Annual Meeting or any adjournment thereof, each proxy will be voted with respect thereto in accordance with the best judgment of the proxy holder.

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RENAL CARE GROUP, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Sam A. Brooks, Jr. and R. Dirk Allison as Proxies, each with power to appoint his substitute, and hereby authorizes either one or both of them to represent and to vote, as designated below, all the shares of common stock of Renal Care Group, Inc. held of record by the undersigned on April 8, 2002, at the 2002 Annual Meeting of Stockholders to be held on June 5, 2002.

The Board of Directors recommends a vote "FOR" all of the following proposals:

1. ELECTION OF DIRECTORS

- FOR the nominees listed below (except as marked to the contrary)
- WITHHOLD AUTHORITY to vote for the nominees listed below

(INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, WRITE THAT NOMINEE'S NAME ON THE SPACE PROVIDED BELOW.)

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(Sam A. Brooks, Jr. and Kenneth E. Johnson, Jr., M.D. as Class III Directors)

2. PROPOSAL TO: approve an amendment to the Renal Care Group, Inc. 1999 Long-Term Incentive Plan that would increase the number of shares available for issuance from 3,500,000 to 5,500,000; and

- FOR
- AGAINST
- ABSTAIN

3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

(Continued and to be dated and signed on reverse side)

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED BY

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THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ALL NOMINEES FOR DIRECTOR LISTED ABOVE AND FOR PROPOSAL 2 ABOVE.

Please sign exactly as name appears below. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Dated: \_\_\_\_\_, 2002  
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Signature

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Signature if held jointly