

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1996

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number _____

TOTAL RENAL CARE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)
FOR THE QUARTER ENDED JUNE 30, 1996

Delaware
(State or other jurisdiction of
Incorporation or organization)

51-0354549
(I.R.S. Employer
Identification No.)

21250 Hawthorne Blvd.
Suite 800
Torrance, CA 90503-5517
(Address of principal executive offices) (Zip Code)

(310) 792-2600
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities and Exchange Act
of 1934 during the preceding 12 months (or for such shorter period that the
Registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and
reports required to be filed by Sections 12, 13 or 15(d) of the Securities
Exchange Act of 1934 subsequent to the distribution of securities under a plan
confirmed by a court.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes
of common stock as the latest practicable date.

Class	Outstanding at August 14, 1996
Common Stock, Par Value \$.001	25,925,365 shares

TOTAL RENAL CARE HOLDINGS, INC.

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TOTAL RENAL CARE HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 1996 and December 31, 1995

	June 30, 1996	December 31 1995
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 39,969,000	\$30,181,000
Accounts receivable, less allowance for doubtful accounts of \$9,752,000 and \$5,668,000, respectively	82,375,000	40,014,000
Receivable from Tenet, a related company	390,000	432,000
Other current assets	8,685,000	4,867,000
Total current assets	131,419,000	75,494,000
Property and equipment, net	44,456,000	25,505,000
Notes receivable from related parties.	1,678,000	1,379,000
Investment in affiliate, at equity.	995,000	972,000
Other long term assets	887,000	885,000
Intangible assets, net of accumulated amortization of \$10,348,000 and \$7,353,000, respectively	111,611,000	59,763,000
	\$291,046,000	\$163,998,000
	\$291,046,000	\$163,998,000

See accompanying Notes to Condensed Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

TOTAL RENAL CARE HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 1996 and December 31, 1995

	June 30 1996 -----	December 31, 1995 -----
LIABILITIES & STOCKHOLDERS' EQUITY		
Total current liabilities.....	\$23,366,000	\$20,803,000
Deferred income taxes.....	523,000	510,000
Long term debt and other.....	59,101,000	56,538,000
Minority interests.....	4,541,000	3,343,000
Stockholders' equity:		
Common stock, Class A voting, (\$.001 par value; 55,000,000 shares authorized; 25,889,905 and 22,308,207 issued and outstanding, respectively)....	26,000	22,000
Preferred stock, (\$.001 par value; 5,000,000 shares authorized; none outstanding).....	--	--
Additional paid-in capital.....	234,369,000	123,710,000
Notes receivable from stockholders.....	(2,727,000)	(2,773,000)
Retained earnings (deficit).....	(28,153,000)	(38,155,000)
	-----	-----
Total stockholders' equity.....	203,515,000	82,804,000
	-----	-----
	\$291,046,000	\$163,998,000
	=====	=====

See accompanying Notes to Condensed Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations

TOTAL RENAL CARE HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Three Months and Six Months Ended June 30, 1996 and 1995

	Three Months		Six Months	
	1996	1995	1996	1995
Net operating revenues	\$64,583,000	\$30,624,000	\$114,820,000	\$56,093,000
Operating expenses:				
Facilities	43,318,000	19,498,000	76,647,000	36,420,000
General and administrative	4,800,000	2,777,000	8,701,000	5,200,000
Provision for doubtful accounts	1,337,000	687,000	2,333,000	1,266,000
Depreciation and amortization	3,572,000	1,414,000	6,032,000	2,673,000
Total operating expenses	53,027,000	24,376,000	93,713,000	45,559,000
Operating income	11,556,000	6,248,000	21,107,000	10,534,000
Interest expense	(2,238,000)	(2,502,000)	(4,150,000)	(4,721,000)
Interest income	1,182,000	117,000	1,613,000	174,000
Income before income taxes and minority interests	10,500,000	3,863,000	18,570,000	5,987,000
Income taxes	4,110,000	1,352,000	7,151,000	2,078,000
Income before minority interests	6,390,000	2,511,000	11,419,000	3,909,000
Minority interests in income of consolidated subsidiaries	664,000	613,000	1,417,000	1,010,000
Net income	\$5,726,000	\$1,898,000	\$10,002,000	\$2,899,000
Net income per common share	\$0.22	\$0.12	\$0.40	\$0.19
Weighted average number of common shares and equivalents outstanding	26,579,000	15,532,000	24,837,000	15,418,000

See accompanying Notes to Condensed Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

TOTAL RENAL CARE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months Ended June 30, 1996 and 1995
(Unaudited)

	1996	1995
	-----	-----
Cash flows from operating activities:		
Net income	\$10,002,000	\$2,899,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.	6,032,000	2,673,000
Noncash interest.	3,228,000	4,420,000
Provision for doubtful accounts	2,333,000	1,266,000
Other	(29,769,000)	(5,107,000)
Total adjustments.	(18,176,000)	3,252,000
Net cash (used) provided by operating activities	(8,174,000)	6,151,000
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment	(11,833,000)	(3,736,000)
Cash paid for acquisitions, net of cash acquired.	(77,867,000)	(16,753,000)
Additions to intangible assets	(1,966,000)	(363,000)
Other	152,000	536,000
Net cash used by investing activities	(91,514,000)	(20,316,000)
	-----	-----
Cash flows from financing activities:		
Borrowings from bank credit facility	51,000,000	17,800,000
Payments on bank credit facility	(51,000,000)	(4,000,000)
Net proceeds from sale of common stock	110,051,000	54,000
Distributions to minority interests.	(747,000)	(1,133,000)
Other.	172,000	(621,000)
Net cash provided by financing activities	109,476,000	12,100,000
Net increase (decrease) in cash	9,788,000	(2,065,000)
Cash at beginning of period	30,181,000	6,931,000
	-----	-----
Cash at end of period	\$39,969,000	\$4,866,000
	=====	=====

See accompanying Notes to Condensed Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

TOTAL RENAL CARE HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. The unaudited financial information furnished herein, in the opinion of management, reflects all adjustments which are necessary to state fairly the consolidated financial position, results of operations, and cash flows of Total Renal Care Holdings, Inc., ("TRCH" or the "Company") as of and for the periods indicated. TRCH presumes that users of the interim financial information herein have read or have access to the Company's audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations for the preceding fiscal year and that the adequacy of additional disclosure needed for a fair presentation, except in regard to material contingencies or recent significant events, may be determined in that context. Accordingly, footnote and other disclosures which would substantially duplicate the disclosures contained in Form 10-K for the transitional fiscal year ended December 31, 1995 filed on March 18, 1996 by the Company have been omitted. Certain other reclassifications of prior period amounts have been made to conform to current period classifications. The financial information herein is not necessarily representative of a full year's operations.
2. On November 3, 1995, the Company completed an equity offering of 6.9 million shares of its common stock, par value \$0.001 (the "Common Stock"). In connection with this offering the Company's directors redesignated the Class A Common Stock as "Common Stock", authorized an increase in the number of shares of Common Stock to 55,000,000, par value \$0.001, authorized 5,000,000 new shares of preferred stock, par value \$0.001, and approved a three-into-two reverse stock split of the Company's Class A and Class B Common Stock. Additionally, as of December 4, 1995, all Class B Common Stock was converted to Common Stock. All information in these condensed consolidated financial statements pertaining to shares of Common Stock and per share amounts have been adjusted to give retroactive effect to these actions.
3. During the period from October 1, 1994 to November 2, 1995 the Company issued approximately 2,190,000 shares of Common Stock and options at prices significantly below the offering price of the Common Stock in the Company's initial public offering. Such shares and common stock equivalents have been included in the number of shares outstanding from June 1, 1994, (including the quarter and six months ended June 30, 1995) until November 2, 1995 using the Treasury Stock method using the actual offering price of \$15.50 per share.
4. Effective March 1, 1996, the Company purchased substantially all of the assets and assumed certain specified liabilities of the Nephrology Services Business of Caremark International, Inc. (The "Caremark Acquisition") and one center located in South Carolina for cash consideration of \$49 million and \$8.2 million, respectively.

The transactions were recorded under the purchase method of accounting and the results of operations from March 1, 1996 have been recognized in the accompanying financial statements. Goodwill of \$21.5 million and \$5.9 million, respectively, was recorded in connection with these transactions and will be amortized over their estimated lives in accordance with the Company's existing accounting policies.

During the quarter ended June 30, 1996, the Company purchased substantially all of the assets and assumed certain specified liabilities of two unrelated centers in Maryland for cash consideration of \$8.0 million and \$2.9 million, respectively. Goodwill of \$5.8 million and \$2.6 million was recorded in connection with these transactions in accordance with the Company's existing accounting policies.

During the second quarter ended June 30, 1996 and the first quarter ended March 31, 1996, the Company also purchased selected net assets of an existing dialysis company for \$6.4 million and two existing dialysis companies for \$2.6 million, respectively, and contributed those assets during the formation of three unrelated general partnerships. Aggregate goodwill associated with these transactions during the quarter ended June 30, 1996 and May 31, 1996 was \$2.0 million and \$5.3 million respectively.

The Company entered into management agreements with two additional unaffiliated centers, one in each of the quarters ended June 30, 1996 and March 31, 1996, respectively.

The results of operations on a pro forma basis as though the above acquisitions had been combined with the Company at the beginning of each period presented for the six months ended June 30, are as follows:

	1996 -----	1995 -----
Pro forma net operating revenues	\$127,800,000 =====	\$75,630,000 =====
Pro forma net income	\$ 9,755,000 =====	\$ 2,355,000 =====
Pro forma earnings per share	\$ 0.39 =====	\$ 0.14 =====

5. On April 3, 1996, the Company completed an equity offering of 8,050,000 shares, 3,500,000 of which were sold for the Company's account and 4,550,000 of which were sold by certain of the Company's stockholders. The net proceeds to the Company of \$110.1 million from the offering were used to repay borrowings incurred under the Company's senior credit facility ("the Senior Credit Facility") in connection with the Caremark Acquisition. The remaining proceeds are invested in short-term, investment grade instruments and are to be used for future acquisitions, de novo developments, routine capital expenditures, and other general corporate purposes. Additionally, in July 1996, the Company purchased the Senior Subordinated Discount Notes (the "Discount Notes").
6. Effective August 14, 1996, the Company received firm commitments to increase its Senior Credit Facility to \$130 million.
7. In July 1996, the Company purchased and retired \$27.4 million of its remaining outstanding Discount Notes for \$28.4 million. Including the writedown of related bond issuance costs of \$800,000, the Company will recognize an extraordinary loss, net of taxes, of approximately \$3.0 million, in the quarter ending September 30, 1996.
8. Subsequent to June 30, the Company completed acquisition of eight facilities for consideration of \$32.9 million of which \$32.1 million was paid in cash; the remainder in the issuance of common stock.
9. Effective January 1, 1996, the Company changed its year end to December 31 from May 31. The consolidated statements of income and cash flows included herein have been restated from the Company's previous filings on Form 10-Q to reflect the new calendar quarter format.

The Company's sole direct wholly-owned operating subsidiary, Total Renal Care, Inc., a California corporation ("TRC"), and TRC's wholly-owned subsidiaries have guaranteed the Company's obligations arising from the Discount Notes. TRC's ability to pay dividends or otherwise distribute funds to the Company is limited pursuant to the terms of the Company's Senior Credit Facility with the exception of providing funds for: the payment of taxes by the Company on a consolidated basis, interest and principal on the Discount Notes as required, certain Company stock repurchases and providing for general corporate overhead expenses of the Company. In addition, under California law, TRC may pay dividends and make distributions only from legally available sources of funds.

Separate financial statements and other disclosures concerning TRC's subsidiaries are not presented as management has determined that they are not material to investors.

Summary unaudited condensed consolidating financial information for the Company, segregating guarantor and non-guarantor subsidiaries, follows:

Supplemental Condensed Consolidating Balance Sheets

	December 31, 1995				
	Total Renal Care Holdings, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
Current Assets:					
Accounts receivable	\$212,000	\$33,974,000	\$5,828,000		\$40,014,000
Receivable from Tenet	-----	432,000	-----		432,000
Other current assets	30,235,000	2,587,000	2,226,000		35,048,000
	-----	-----	-----		-----
Total current assets	30,447,000	36,993,000	8,054,000		75,494,000
Property and equipment, net	625,000	19,882,000	4,998,000		25,505,000
Deposits and other	5,000	868,000	12,000		885,000
Investments in subsidiaries	43,151,000	3,429,000	-----	(\$46,580,000) (a)	-----
Advances to subsidiaries	59,429,000	-----	-----	(59,429,000) (b)	-----
Other assets, net	3,486,000	56,809,000	1,819,000		62,114,000
	-----	-----	-----		-----
	\$137,143,000	\$117,981,000	\$14,883,000	(\$106,009,000)	\$163,998,000
	=====	=====	=====	=====	=====
Current liabilities					
Payable to parent	\$519,000	\$16,848,000	\$3,436,000		\$20,803,000
Long-term obligations	-----	54,886,000	4,543,000	(\$59,429,000) (b)	-----
Deferred income tax	53,820,000	2,586,000	132,000		56,538,000
Minority interests	-----	510,000	-----		510,000
Stockholders' equity	-----	-----	-----	3,343,000 (a)	3,343,000
	82,804,000	43,151,000	6,772,000	(49,923,000) (a)	82,804,000
	-----	-----	-----		-----
	\$137,143,000	\$117,981,000	\$14,883,000	(\$106,009,000)	\$163,998,000
	=====	=====	=====	=====	=====

	June 30, 1996				
	Total Renal Care Holdings, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
Current Assets:					
Accounts receivable	\$744,000	\$72,565,000	\$9,066,000		\$82,375,000
Receivable from Tenet	-----	390,000	-----		390,000
Other current assets	37,769,000	7,474,000	3,411,000		48,654,000
	-----	-----	-----		-----
Total current assets	38,513,000	80,429,000	12,477,000		131,419,000
Property and equipment, net	870,000	35,788,000	7,798,000		44,456,000
Deposits and other	5,000	862,000	20,000		887,000
Investments in subsidiaries	51,485,000	4,992,000	-----	(\$56,477,000) (a)	-----
Advances to subsidiaries	166,514,000	-----	-----	(166,514,000) (b)	-----
Other assets, net	4,067,000	108,239,000	1,978,000		114,284,000
	-----	-----	-----		-----
	\$261,454,000	\$230,310,000	\$22,273,000	(\$222,991,000)	\$291,046,000
	=====	=====	=====	=====	=====
Current liabilities					
Payable to parent	\$891,000	\$15,595,000	\$6,880,000		\$23,366,000
Long-term obligations	-----	160,944,000	5,570,000	(\$166,514,000) (b)	-----
Deferred income tax	57,048,000	1,763,000	290,000		59,101,000
Minority interests	-----	523,000	-----		523,000
Stockholders' equity	-----	-----	-----	4,541,000 (a)	4,541,000
	203,515,000	51,485,000	9,533,000	(61,018,000) (a)	203,515,000
	-----	-----	-----		-----
	\$261,454,000	\$230,310,000	\$22,273,000	(\$222,991,000)	\$291,046,000
	=====	=====	=====	=====	=====

Supplemental Condensed Consolidating Statements of Income

	Six Months Ended June 30, 1995				
	Total Renal Care Holdings, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
Net operating revenues.....	\$ 429,000	\$43,646,000	\$12,018,000		\$ 56,093,000
Operating expenses.....	(2,827,000)	39,433,000	8,953,000		45,559,000
Operating Income.....	3,256,000	4,213,000	3,065,000		10,534,000
Interest expense, net.....	4,328,000	247,000	(28,000)		4,547,000
Income taxes.....	(428,000)	1,630,000	876,000		2,078,000
Equity in income of subsidiaries.....	3,543,000	1,207,000	----	(\$4,750,000) (a)	----
Minority interests.....	----	----	----	(1,010,000) (b)	1,010,000
Net Income.....	\$ 2,899,000	\$ 3,543,000	\$ 2,217,000	(\$5,760,000)	\$ 2,899,000
	=====	=====	=====	=====	=====
	Three Months Ended June 30, 1995				
	Total Renal Care Holdings, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
Net operating revenues.....	\$ 429,000	\$23,551,000	\$ 6,644,000		\$ 30,624,000
Operating expenses.....	(2,950,000)	22,529,000	4,797,000		24,376,000
Operating Income.....	3,379,000	1,022,000	1,847,000		6,248,000
Interest expense, net.....	2,150,000	247,000	(12,000)		2,385,000
Income taxes.....	491,000	317,000	544,000		1,352,000
Equity in income of subsidiaries.....	1,160,000	702,000	----	(\$1,862,000) (a)	----
Minority interests.....	----	----	----	(613,000) (b)	613,000
Net Income.....	\$ 1,898,000	\$ 1,160,000	\$ 1,315,000	(\$2,475,000)	\$ 1,898,000
	=====	=====	=====	=====	=====
	Six Months Ended June 30, 1996				
	Total Renal Care Holdings, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
Net operating revenues.....	\$ 780,000	\$92,017,000	\$22,023,000		\$114,820,000
Operating expenses.....	(4,096,000)	79,901,000	17,908,000		93,713,000
Operating Income.....	4,876,000	12,116,000	4,115,000		21,107,000
Interest expense, net.....	2,081,000	126,000	330,000		2,537,000
Income taxes.....	1,127,000	5,000,000	1,024,000		7,151,000
Equity in income of subsidiaries.....	8,334,000	1,344,000	----	(\$9,678,000) (a)	----
Minority interests.....	----	----	----	(1,417,000) (b)	1,417,000
Net Income.....	\$10,002,000	\$ 8,334,000	\$ 2,761,000	(\$11,095,000)	\$ 10,002,000
	=====	=====	=====	=====	=====
	Three Months Ended June 30, 1996				
	Total Renal Care Holdings, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
Net operating revenues.....	\$ 400,000	\$52,790,000	\$11,393,000		\$ 64,583,000
Operating expenses.....	(2,401,000)	46,107,000	9,321,000		53,027,000
Operating Income.....	2,801,000	6,683,000	2,072,000		11,556,000
Interest expense, net.....	893,000	(149,000)	312,000		1,056,000
Income taxes.....	772,000	2,854,000	484,000		4,110,000
Equity in income of subsidiaries.....	4,590,000	612,000	----	(\$5,202,000) (a)	----
Minority interests.....	----	----	----	(664,000) (b)	664,000
Net Income.....	\$ 5,726,000	\$ 4,590,000	\$ 1,276,000	(\$5,866,000)	\$ 5,726,000
	=====	=====	=====	=====	=====

Six Months Ended
June 30, 1995

	Total Renal Care Holdings, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
Cash flows from operating activities:					
Net income.....	\$ 2,899,000	\$ 3,543,000	\$ 2,217,000	(\$ 5,760,000) (a)	\$ 2,899,000
Adjustments to net income:					
Depreciation and amortization.....	178,000	2,079,000	416,000		2,673,000
Noncash interest.....	4,420,000	----	----		4,420,000
Provision for doubtful accounts.....	----	1,249,000	17,000		1,266,000
Equity in earnings of subsidiaries....	(3,543,000)	(1,207,000)	----	4,750,000 (a)	----
Other.....	119,000	(5,320,000)	(916,000)	1,010,000 (a)	(5,107,000)
Net cash provided by operating activities.....	4,073,000	344,000	1,734,000	----	6,151,000
Cash flows from investing activities:					
Purchases of property and equipment.....	(219,000)	(1,887,000)	(1,630,000)		(3,736,000)
Cash paid for acquisitions, net of cash acquired.....	----	(16,753,000)	----		(16,753,000)
Additions to intangible assets.....	(54,000)	(307,000)	(2,000)		(363,000)
Other.....	----	289,000	247,000		536,000
Net cash used by investing activities.....	(273,000)	(18,658,000)	(1,385,000)		(20,316,000)
Cash flows from financing activities:					
Intercompany advances.....	(3,603,000)	1,230,000	2,373,000		----
Proceeds from bank credit facility.....	----	17,800,000	----		17,800,000
Payments on bank credit facility.....	----	(4,000,000)	----		(4,000,000)
Net proceeds from sale of common stock....	54,000	----	----		54,000
Distributions to minority interests.....	----	2,791,000	(3,924,000)		(1,133,000)
Other.....	(249,000)	(367,000)	(5,000)		(621,000)
Net cash provided (used) by financing activities.....	(3,798,000)	17,454,000	(1,556,000)		12,100,000
Net increase (decrease) in cash.....	2,000	(860,000)	(1,207,000)		(2,065,000)
Cash at beginning of period.....	----	3,852,000	3,079,000		6,931,000
Cash at end of period.....	\$ 2,000	\$ 2,992,000	\$ 1,872,000		\$ 4,866,000

Six Months Ended
June 30, 1996

	Total Renal Care Holdings, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
Cash flows from operating activities:					
Net income.....	\$10,002,000	\$ 8,334,000	\$ 2,761,000	(\$11,095,000) (a)	\$ 10,002,000
Adjustments to net income:					
Depreciation and amortization.....	172,000	5,324,000	536,000		6,032,000
Noncash interest.....	3,228,000	----	----		3,228,000
Provision for doubtful accounts.....	----	1,816,000	517,000		2,333,000
Equity in earnings of subsidiaries....	(8,334,000)	(1,344,000)	----	9,678,000 (a)	----
Other.....	(349,000)	(32,748,000)	1,911,000	1,417,000 (a)	(29,769,000)
Net cash provided (used) by operating activities.....	4,719,000	(18,618,000)	5,725,000	----	(8,174,000)
Cash flows from investing activities:					
Purchases of property and equipment.....	(301,000)	(8,071,000)	(3,461,000)		(11,833,000)
Cash paid for acquisitions, net of cash acquired.....	----	(77,867,000)	----		(77,867,000)
Additions to intangible assets.....	(467,000)	(1,346,000)	(153,000)		(1,966,000)
Other.....	(232,000)	110,000	274,000		152,000
Net cash used by investing activities.....	(1,000,000)	(87,174,000)	(3,340,000)		(91,514,000)
Cash flows from financing activities:					
Intercompany advances.....	(107,085,000)	106,058,000	1,027,000		----
Proceeds from bank credit facility.....	----	51,000,000	----		51,000,000
Payments on bank credit facility.....	----	(51,000,000)	----		(51,000,000)
Net proceeds from sale of common stock....	110,051,000	----	----		110,051,000
Distributions to minority interests.....	----	1,687,000	(2,434,000)		(747,000)
Other.....	753,000	(204,000)	(377,000)		172,000
Net cash provided (used) by financing activities.....	3,719,000	107,541,000	(1,784,000)		109,476,000

Net increase in cash.....	7,438,000	1,749,000	601,000	9,788,000
Cash (overdraft) at beginning of period...	30,116,000	(1,682,000)	1,747,000	30,181,000
	-----	-----	-----	-----
Cash at end of period.....	\$37,554,000	\$ 67,000	\$ 2,348,000	\$ 39,969,000
	=====	=====	=====	=====

Investments in subsidiaries in the foregoing condensed consolidating financial statements are accounted for under the equity method of accounting.

Consolidating adjustments to the condensed consolidating balance sheets include the following:

- (a) Elimination of investments in subsidiaries and recording of minority interests, and
- (b) Elimination of intercompany accounts.

Consolidating adjustments to the condensed consolidating statements of income include the following:

- (a) Elimination of equity in earnings of subsidiaries, and
- (b) Recognition of minority interests in income of consolidated subsidiaries.

Consolidating adjustments to the condensed consolidating statements of cash flows include the following:

- (a) Elimination of equity in income of subsidiaries and recognition of minority interests in income of consolidated subsidiaries.

TOTAL RENAL CARE HOLDINGS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Such statements relating to future events and financial performance are forward-looking statements that involve risks and uncertainties, detailed from time to time in the Company's various Securities and Exchange Commission filings.

RESULTS OF OPERATIONS

Three Months Ended June 30, 1996 Compared to the Three Months Ended June 30, 1995.

Net Operating Revenues. Net operating revenues for the second quarter ended June 30, 1996 increased \$33,959,000 to \$64,583,000 from \$30,624,000 for the second quarter ended June 30, 1995 representing a 110.9% increase. Of this increase \$29,126,000 was due to increased treatments from acquisitions, existing facility growth and from de novo developments. The remainder was due to an increase in net operating revenues per treatment, \$235.48 in the second quarter of 1996 compared to \$223.64 in the second quarter of 1995, and an increase in affiliated and unaffiliated facility management fees. The increase in operating revenues per treatment was due to increased ancillary utilization primarily in the administration of erythropoietin ("EPO"), the addition of Total Renal Care, Inc.'s ("TRC") end stage renal disease ("ESRD") laboratory, an overall increase in average reimbursement rates, and the opening of an intravenous therapy ("IV") and oral pharmaceutical program and an access management program.

Facility Operating Expenses. Facility operating expenses consist of costs and expenses specifically attributable to the operation of dialysis facilities, including operating and maintenance costs of such facilities, equipment and direct labor, and supplies and service costs relating to patient care. Facility operating expenses increased \$23,820,000 to \$43,318,000 in the second quarter of 1996 from \$19,498,000 in the second quarter of 1995. As a percentage of net operating revenues, facility operating expenses increased to 67.1% in the second quarter of 1996 from 63.7% in the second quarter of 1995 due to the significant amount of recent acquisitions and de novo development activity with an operating expense structure that is initially higher due to integration costs incurred in the first few months of operations coupled with a lower base of revenue generated until the Company's ancillary programs are added, leading to an overall lower operating margin.

General and Administrative Expenses. General and administrative expenses include headquarters expense and administrative, legal, quality assurance, information systems and centralized accounting support functions. General and administrative expenses increased \$2,023,000 to \$4,800,000 in the second quarter of 1996 from \$2,777,000 in the second quarter of 1995. As a percentage of net operating revenues, general and administrative expenses declined to 7.4% in the second quarter of 1996 from 9.1% in the second quarter of 1995. This decline as a percentage of net revenue is a result of revenue growth and economies of scale achieved through the leveraging of corporate staff across a higher revenue base.

Provision for Doubtful Accounts. The provision for doubtful accounts increased \$650,000 to \$1,337,000 in the second quarter of 1996 from \$687,000 in the second quarter of 1995. As a percentage of net operating revenues, the provision for doubtful accounts decreased to 2.1% in the second quarter of 1996 from 2.2% in the second quarter of 1995. The provision for doubtful accounts is influenced by the amount of net operating revenues generated from non-governmental payor sources in addition to the relative percentage of accounts receivable by aging category. Due to the significant acquisition activity since the second quarter of 1995, the percentage of accounts receivable, for which the Company provision methodology will be applied, in the more recent aging categories has increased, causing a corresponding decrease in the provision as a percentage of revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Depreciation and Amortization. Depreciation and amortization increased \$2,158,000 to \$3,572,000 in the second quarter of 1996 from \$1,414,000 in the second quarter of 1995. As a percentage of net operating revenues, depreciation and amortization increased to 5.5% in the second quarter of 1996 from 4.6% in the second quarter of 1995. The increase was attributable to goodwill, other intangibles and fixed assets recorded through significant acquisition activity and increased depreciation from new center leaseholds and routine capital expenditures.

Operating Income. Operating income increased \$5,308,000 to \$11,556,000 in the second quarter of 1996 from \$6,248,000 in the second quarter of 1995. As a percentage of net operating revenues, operating income decreased to 17.9% in the second quarter of 1996 from 20.4% in the second quarter of 1995. This decrease in operating income is primarily due to an increase in facilities expense and depreciation and amortization as a percentage of net operating revenue partially offset by a decrease in general and administrative expenses as a percentage of net operating revenues.

Interest Expense/Interest Income. In connection with the Total Renal Care Holdings, Inc.'s ("TRCH" or the "Company") reorganization in 1994 and the implementation of the Company's growth strategy, the Company incurred substantial debt, some of which requires interest to be paid in cash and most of which is recognized as non-cash interest expense. Interest expense, net of interest income, decreased \$1,329,000 in the second quarter of 1996 from \$2,385,000 in the second quarter of 1995. As a percentage of net operating revenues, interest expense, net of interest income, decreased to 1.6% in the second quarter of 1996 from 7.8% in the second quarter of 1995. Cash interest expense during the second quarter of 1996 was \$601,000 and non-cash interest during the same period was \$1,637,000 versus \$260,000 and \$2,242,000 in the second quarter of 1995, respectively. The decrease in the second quarter of 1996 non-cash interest expense was due primarily to a scheduled accretion offset by the redemption of 35% of the accreted value of the Company's senior subordinated discount notes (the "Discount Notes") in December 1995. The increase in cash interest expense was due primarily to be under the Company's senior credit facility (the "Senior Credit Facility") to fund the Company's acquisition of the Nephrology Services Business of Caremark International, Inc. (the "Caremark Acquisition"). The increase in interest income was due to investments of excess cash generated from the Company's equity public offering, completed April 3, 1996, placed in short-term high-grade instruments.

Provision for Income Taxes. Provision for income taxes increased \$2,758,000 to \$4,110,000 in the second quarter of 1996 from \$1,352,000 in the second quarter of 1995. As a percentage of net operating revenues, provision for income taxes increased to 6.4% in the second quarter of 1996 from 4.4% in the second quarter of 1995 and the effective tax rate increased slightly to 41.8% from 41.6% over the same period. The effective tax rate is influenced by the mix of operations in states with varying tax rates and the taxable income earned by minority interests recognized in two subsidiary corporations. The increase as a percentage of net operating revenues was primarily due to the increased profitability of the Company in the second quarter of 1996 versus the same period in the prior year.

Minority Interests. Minority interests represent the pretax net income earned by physicians who directly or indirectly own minority interests in all of the Company's partnership affiliates and the net income in two of the Company's corporate subsidiaries. Minority interests increased \$51,000 to \$664,000 in the second quarter of 1996 from \$613,000 in the second quarter of 1995. As a percentage of net operating revenues, minority interest decreased to 1.0% in the second quarter of 1996 from 2.0% in the second quarter of 1995. This decrease in minority interest as a percentage of net operating revenues is a result of a relative proportionate decrease in the formation of partnership affiliates and subsidiaries as a percentage of total new acquisitions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Six Months Ended June 30, 1996 Compared to Six Months Ended June 30, 1995

Net Operating Revenues. Net operating revenues for the six months ended June 30, 1996 increased \$58,727,000 to \$114,820,000 from \$56,093,000 for the six months ended June 30, 1995 representing a 104.7% increase. Of this increase \$46,470,000 was due to increased treatments from acquisitions, existing facility growth and from de novo developments. The remainder was due to an increase in net operating revenues per treatment, \$233.51 in the first six months of 1996 compared to \$215.70 in the first six months of 1995, and an increase in affiliated and unaffiliated facility management fees. The increase in operating revenues per treatment was due to the addition of the Company's ESRD laboratory, increased ancillary utilization primarily in the administration of EPO, an overall increase in average reimbursement rates, and the opening of an IV and oral pharmaceutical programs and an access management program.

Facility Operating Expenses. Facility operating expenses increased \$40,227,000 to \$76,647,000 in the first six months of 1996 from \$36,420,000 in the first six months of 1995. As a percentage of net operating revenues, facility operating expenses increased to 66.8% in the first six months of 1996 from 64.9% in the first six months of 1995 due to the significant amount of recent acquisition and de novo development activity with an operating expense structure that is initially higher due to integration costs incurred in the first few months of operations coupled with a lower base of revenue generated until the Company's ancillary programs are added, leading to an overall lower operating margin.

General and administrative expenses increased \$3,501,000 to \$8,701,000 in the first six months of 1996 from \$5,200,000 in the first six months of 1995. As a percentage of net operating revenues, general and administrative expenses declined to 7.6% in the first six months of 1996 from 9.3% in the first six months of 1995. This decline as a percentage of net revenue is a result of revenue growth and economies of scale achieved through the leveraging of corporate staff across a higher revenue base.

Provision for Doubtful Accounts. The provision for doubtful accounts increased \$1,067,000 to \$2,333,000 in the first six months of 1996 from \$1,266,000 in the first six months of 1995. As a percentage of net operating revenues, the provision for doubtful accounts decreased to 2.0% in the first six months of 1996 from 2.3% in the first six months of 1995. Due to the significant acquisition activity since the first six months of 1995, the percentage of accounts receivable, for which the Company provision methodology will be applied, in the more recent aging categories has increased, causing a corresponding decrease in the provision as a percentage of revenues.

Depreciation and Amortization. Depreciation and amortization increased \$3,359,000 to \$6,032,000 in the first six months of 1996 from \$2,673,000 in the first six months of 1995. As a percentage of net operating revenues, depreciation and amortization increased to 5.3% in the first six months of 1996 from 4.8% in the first six months of 1995. The increase was attributable to goodwill, other intangibles and fixed assets recorded through significant acquisition activity and increased depreciation from new center leaseholds and routine capital expenditures.

Operating Income. Operating income increased \$10,573,000 to \$21,107,000 in the first six months of 1996 from \$10,534,000 in the first six months of 1995. As a percentage of net operating revenues, operating income decreased slightly to 18.4% in the first six months of 1996 from 18.8% in the first six months of 1995. This decrease in operating income is primarily due to an increase in depreciation and amortization as a percentage of net operating revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Interest Expense/Interest Income. Interest expense, net of interest income, decreased \$2,010,000 in the first six months of 1996 from \$4,547,000 in the first six months of 1995. As a percentage of net operating revenues, interest expense, net of interest income, decreased to 2.2% in the first six months of 1996 from 8.1% in the first six months of 1995. Cash interest expense during the first six months of 1996 was \$922,000 and non-cash interest expense during the same period was \$3,228,000 versus \$301,000 and \$4,420,000 in the first six months of 1995, respectively. The decrease in the first six months of 1996 non-cash interest expense was due primarily to the redemption of 35% of the accreted value of the Company's Discount Notes in December 1995. The increase in cash interest expense was due primarily to borrowings made under the Company's Senior Credit Facility to fund the Company's Caremark Acquisition. The increase in interest income was due to investments of excess cash generated from the Company's initial public offering and secondary equity offering placed in short-term high-grade instruments.

Provision for Income Taxes. Provision for income taxes increased \$5,073,000 to \$7,151,000 in the first six months of 1996 from \$2,078,000 in the first six months of 1995. As a percentage of net operating revenues, provision for income taxes increased to 6.2% in the first six months of 1996 from 3.7% in the first six months of 1995 and the effective tax rate decreased to 41.7% from 41.8% over the same period. The effective tax rate is influenced by the mix of operations in states with varying tax rates and the taxable income earned by minority interests recognized in two subsidiary corporations. The increase as a percentage of net operating revenues was primarily due to the increased profitability of the Company in the first six months of 1996 versus the same period in the prior year.

Minority Interests. Minority interests increased \$407,000 to \$1,417,000 in the first six months of 1996 from \$1,010,000 in the first six months of 1995. As a percentage of net operating revenues, minority interest decreased to 1.2% in the first six months of 1996 from 1.8% in the first six months of 1995. This decrease in minority interest as a percentage of net operating revenues is a result of a relative proportionate decrease in the formation of partnership affiliates and subsidiaries as a percentage of total new acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 1996, the Company had working capital of \$108,053,000, including cash of \$39,969,000. The Company intends to finance its working capital needs, as well as purchases of additional property and equipment for the operation of its existing facilities, from cash generated by operations and borrowings under the Senior Credit Facility.

Net cash used by operating activities was \$8,174,000 for the first six months of 1996. Net cash used by operating activities consists of the Company's net income, increased by non-cash expenses such as depreciation, amortization, non-cash interest, and the provision for doubtful accounts, and adjusted by changes in components of working capital, primarily accounts receivable, in the first six months of 1996. Net cash used in investing activities was \$91,514,000 for the first six months of 1996. The Company's principal uses of cash in investing activities have been related to acquisitions, purchases of new equipment and leasehold improvements for the Company's outpatient facilities, as well as the development of new outpatient facilities. Net cash provided by financing activities was \$109,476,000 of which the primary source of financing were net proceeds from sale of common stock used to finance the Caremark Acquisition and the development of new facilities. The remaining cash required for other acquisitions, de novo developments and working capital needs were funded by the Company's available cash. As a result, cash increased by \$9,788,000 in the first six months of 1996.

On April 3, 1996 the Company completed an equity offering providing \$110.1 million of net proceeds to the Company. On August 14, 1996 the Company received firm commitments to increase its Senior Credit Facility to \$100 million. On December 7, 1995 the Company redeemed 35% of the then accreted value of its Discount Notes.

Subsequent to June 30, 1996, the Company completed acquisitions of eight facilities for consideration of \$32.9 million of which \$32.1 million was paid in cash; the remainder in the issuance of common stock. Also in July 1996, the Company repurchased an additional \$27.4 million of the outstanding Discount Notes, at maturity, for \$28.4 million. The remaining Discount Notes after the transaction will accrete to \$37.6 million on August 15, 1997 at which point cash interest will begin to accrue. The outstanding Discount Notes are due August 15, 2004.

The Company believes that it will be able to fund all capital requirements, including interest on the remaining Discount Notes and the Senior Credit Facility, with cash generated from operations and other current sources of financing. To continue its growth strategy, however, the Company may need to issue additional debt or equity securities. There can be no assurance that additional financing and capital, if and when required, will be available on terms acceptable to the Company or at all.

RISK FACTORS

In evaluating the Company, its business and its financial position the following risk factors should be carefully considered in addition to the other information contained herein. The following factors could affect the Company's actual future results and could cause them to differ from any forward-looking statements made by or on behalf of the Company.

DEPENDENCE ON MEDICARE, MEDICAID AND OTHER SOURCES OF REIMBURSEMENT

The Company is reimbursed for dialysis services primarily at fixed rates established in advance under the Medicare End Stage Renal Disease program. Under this program, once a patient becomes eligible for Medicare reimbursement, Medicare is responsible for payment of 80% of the composite rates determined by the Health Care Financing Administration ("HCFA") for dialysis treatments. Since 1972, qualified patients suffering from chronic kidney failure, also known as ESRD, have been entitled to Medicare benefits regardless of age or financial circumstances. The Company estimates that approximately 62% of its net patient revenues during its fiscal year ended May 31, 1995 and approximately 60% during the seven months ended December 31, 1995 and the six months ended June 30, 1996 were funded by Medicare. Since 1983, numerous Congressional actions have resulted in changes in the Medicare composite reimbursement rate from a national average of \$138 per treatment in 1983 to a low of \$125 per treatment on average in 1986 and to approximately \$126 per treatment on average at present. The Company is not able to predict whether future rate changes will be made. Reductions in composite rates could have a material adverse effect on the Company's revenues and net earnings. Furthermore, increases in operating costs that are subject to inflation, such as labor and supply costs, without a compensating increase in prescribed rates, may adversely affect the Company's earnings in the future. The Company is also unable to predict whether certain services, as to which the Company is currently separately reimbursed, may in the future be included in the Medicare composite rate.

Since June 1, 1989, the Medicare ESRD program has provided reimbursement for the administration to dialysis patients of EPO. EPO is beneficial in the treatment of anemia, a medical complication frequently experienced by dialysis patients. Many of the Company's dialysis patients receive EPO. Revenues from EPO (the substantial majority of which are reimbursed through Medicare and Medicaid programs) were approximately \$18.2 million, or 18% of net patient revenues, in its fiscal year ended May 31, 1995; \$18.0 million or 20% of net patient revenues, during the seven months ended December 31, 1995; and approximately \$21.9 million, or 19% of net patient revenues for the six months ended June 30, 1996. EPO reimbursement significantly affects the Company's net income. Medicare reimbursement for EPO was reduced from \$11 to \$10 per 1,000 units for services rendered after December 31, 1993. EPO is produced by a single manufacturer, and any interruption of supply or product cost increases could adversely affect the Company's operations.

The Company provides certain of its patients with intradialytic parenteral nutrition ("IDPN"), a nutritional supplement administered during dialysis to patients suffering from nutritional deficiencies. The Company has historically been reimbursed by the Medicare program for the administration of IDPN therapy. Beginning in 1993, HCFA designated four durable medical equipment regional carriers ("DMERCs") to process reimbursement claims for IDPN therapy. The DMERCs recently established new, more stringent medical policies for reimbursement of IDPN therapy, and many dialysis providers' claims have subsequently been denied or delayed. Where appropriate, the Company has appealed and continues to appeal such denials. In addition, the DMERCs are reportedly reviewing the existing IDPN medical policies. The final outcome of the appeals and the anticipated review is uncertain and may ultimately reduce the number of patients eligible to receive reimbursement for IDPN therapy. The Company's allowance for doubtful accounts reflects a reserve that the Company believes is adequate against the possibility of an adverse outcome. The Company has continued to provide IDPN therapy to its patients pending clarification of this policy. A significant reduction in the number of patients eligible to receive reimbursement for IDPN therapy or the amount of Medicare reimbursement therefore would have an adverse effect on the Company's net operating revenues and net income.

All of the states in which the Company currently operates dialysis facilities provide Medicaid (or comparable) benefits to qualified recipients to supplement their Medicare entitlement. The Company estimates that approximately 8% of its net patient revenues during the fiscal year ended May 31, 1995 and 7% of its net patient revenues during the seven months ended December 31, 1995 were funded by Medicaid or comparable state programs. The Medicaid programs are subject to statutory and regulatory changes, administrative rulings, interpretations of policy and governmental funding restrictions, all of which may have the effect of decreasing program payments, increasing costs or modifying the way the Company operates its dialysis business.

Approximately 30% of the Company's net patient revenues during the fiscal year ended May 31, 1995 and 33% during the seven month period ended December 31, 1995 were from sources other than Medicare and Medicaid. These sources include payments from third-party, non-government payors, at rates that generally exceed the Medicare and Medicaid rates, and payments from hospitals with which the Company has contracts for the provision of acute dialysis treatments. Any restriction or reduction of the Company's ability to charge for such services at rates in excess of those paid by Medicare would adversely affect the Company's net operating revenues and net income. The Company is unable to quantify or predict the degree, if any, of the risk of reductions in payments under these various payment plans. The Company is a party to non-exclusive agreements with certain third-party payors and termination of such third-party agreements could have an adverse effect on the Company.

OPERATIONS SUBJECT TO GOVERNMENT REGULATION

The Company is subject to extensive regulation by both the federal government and the states in which the Company conducts its business. The Company is subject to the illegal remuneration provisions of the Social Security Act and similar state laws, which impose civil and criminal sanctions on persons who solicit, offer, receive or pay any remuneration, directly or indirectly, for referring a patient for treatment that is paid for in whole or in part by Medicare, Medicaid or similar state programs. In July 1991 and November 1992, the federal government published regulations that provide exceptions or "safe harbors" for certain business transactions. Transactions that are structured within the safe harbors are deemed not to violate the illegal remuneration provisions. Transactions that do not satisfy all elements of a relevant safe harbor do not necessarily violate the illegal remuneration statute, but may be subject to greater scrutiny by enforcement agencies. Neither the arrangements between the Company and the physician directors of its facilities ("Medical Directors") nor the minority ownership interests of referring physicians in certain of the Company's dialysis facilities fall within the protection afforded by these safe harbors. Although the Company has never been challenged under these statutes and believes it complies in all material respects with these and all other applicable laws and regulations, there can be no assurance that the Company will not be required to change its practices or relationships with its Medical Directors or with referring physicians holding minority ownership interests or that the Company will not experience material adverse effects as a result of any such challenge.

The Omnibus Budget Reconciliation Act of 1989 includes certain provisions ("Stark I") that restrict physician referrals for clinical laboratory services to entities with which a physician or an immediate family member has a "financial relationship." In August 1995, HCFA published regulations interpreting Stark I. The regulations specifically provide that services furnished in an ESRD facility that are included in the composite billing rate are excluded from the coverage of Stark I. The Company believes that the language and legislative history of Stark I indicate that Congress did not intend to include laboratory services provided incidental to dialysis services within the Stark I prohibition; however, laboratory services not included in the Medicare composite rate could be included within the coverage of Stark I. Violations of Stark I are punishable by civil penalties which may include exclusion or suspension of a provider from future participation in Medicare and Medicaid programs and substantial fines. Due to the breadth of the statutory provisions, it is possible that the Company's practices might be challenged under this law. Any such interpretation of Stark I would apply to the Company's competitors as well.

The Omnibus Budget Reconciliation Act of 1993 includes certain provisions ("Stark II") that restrict physician referrals for certain "designated health services" to entities with which a physician or an immediate family member has a "financial relationship." The Company believes that the language and legislative history of Stark II indicate that Congress did not intend to include dialysis services and the services and items provided incident to dialysis services within the Stark II prohibitions; however, certain services, including the provision of, or arrangement and assumption of financial responsibility for, outpatient prescription drugs, including EPO, and clinical laboratory services, could be construed as designated health services within the meaning of Stark II. Violations of Stark II are punishable by civil penalties which may include exclusion or suspension of a provider from future participation in Medicare and Medicaid programs and substantial fines. Due to the breadth of the statutory provisions and the absence of regulations or court decisions addressing the specific arrangements by which the Company conducts its business, it is possible that the Company's practices might be challenged under these laws. A broad interpretation of Stark II to include dialysis services and items provided incident to dialysis services would apply to the Company's competitors as well.

A number of proposals for health care reform have been made in recent years, some of which have included radical changes in the health care system. Health care reform could result in material changes in the financing and regulation of the health care business, and the Company is unable to predict the effect of such changes on its future operations. It is uncertain what legislation on health care reform, if any, will ultimately be implemented or whether other changes in the administration or interpretation of governmental health care programs will occur. There can be no assurance that future health care legislation or other changes in the administration or interpretation of governmental health care programs will not have a material adverse effect on the results of operations of the Company.

RISKS INHERENT IN GROWTH STRATEGY

Following the Company's reorganization in August 1994, the Company began an aggressive growth strategy. This growth strategy is dependent on the continued availability of suitable acquisition candidates and subjects the Company to the risks inherent in assessing the value, strengths and weaknesses of acquisition candidates, integrating and managing the operations of acquired companies and identifying suitable locations for additional facilities. The Company's growth is expected to place significant demands on the Company's financial and management resources. There can be no assurance that the Company will be able to continue its growth strategy or that this strategy will ultimately prove successful. A failure to successfully continue its growth strategy could have an adverse effect on the Company's results of operations.

COMPETITION

The dialysis industry is fragmented and highly competitive, particularly in terms of acquisitions of existing dialysis facilities and developing relationships with referring physicians. Certain of the Company's competitors have substantially greater financial resources than the Company and may compete with the Company for acquisitions of facilities in markets targeted by the Company. Competition for acquisitions has increased the cost of acquiring existing dialysis facilities. The Company has from time to time experienced competition from referring physicians who have opened their own dialysis facilities. A portion of the Company's business consists of monitoring and providing supplies for ESRD treatments in patients' homes. Certain physicians also provide similar services and, if the number of such physicians were to increase, the Company could be adversely affected.

DEPENDENCE ON KEY PERSONNEL

The Company is dependent upon the services and management experience of the Company's executive officers, and accordingly has entered into employment agreements with, and provided a variety of equity incentives to, each of these executives. The Company's continued growth depends upon its ability to attract and retain skilled employees, in particular highly skilled nurses, for whom competition is intense. The Company believes that its future success also will be significantly dependent upon its ability to attract and retain qualified physicians to serve as Medical Directors of its dialysis facilities. The Company does not carry key-man life insurance on any of its officers.

DEPENDENCE ON PHYSICIAN REFERRALS

The Company's facilities are dependent upon referrals of ESRD patients for treatment by physicians specializing in nephrology and practicing in communities served by the Company's dialysis facilities. As is generally true in the dialysis industry, at each facility one or a few physicians account for all or a significant portion of the patient referral base. The loss of one or more key referring physicians at a particular facility could have a material adverse effect on the operations of that facility and could adversely affect the Company's overall operations. Referring physicians own minority interests in 12 of the Company's dialysis facilities. If such interests are deemed to violate applicable federal or state law, such physicians may be forced to dispose of their ownership interests. The Company cannot predict the effect such dispositions would have on its business.

SIGNIFICANT INFLUENCE BY DLJMB

DLJ Merchant Banking Partners, L.P. and certain of its affiliates ("DLJMB") own approximately 10% of the outstanding Common Stock of the Company. In addition, pursuant to a Shareholders Agreement, DLJMB has the right to nominate four of the five members of the Company's Board of Directors. As a result of its significant stock ownership and its rights under such Shareholders Agreement, DLJMB will be able to influence significantly the outcome of certain corporate transactions, including any "going private" transaction, merger, consolidation or sale of all or substantially all of the Company's assets.

PART II. OTHER INFORMATION

ITEM 1,2,3 AND 5 ARE NOT APPLICABLE.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's Annual Meeting of Stockholders of the Company was held on June 6, 1996. Proposal I submitted to a vote of security holders at the meeting was the election of Directors. The following Directors, being all of the Directors of the Corporation, were elected at the meeting, with the number of votes cast for each Director or withheld from each Director being set forth after Director's respective name:

Name	Votes For	Votes Withheld
Victor M.G. Chaltiel	19,006,151	75,750
Maris Andersons	19,004,751	77,150
Peter T. Grauer	18,943,851	138,050
Marsha M. Plotnitsky	18,943,851	138,050
David B. Wilson	19,004,751	77,150

Proposal II submitted to a vote of security holders at the meeting was the ratification of the 1994 Equity Compensation Plan. Votes were cast as follows:

For	Against	Abstain
13,637,608	5,440,243	4,050

Proposal III submitted to a vote of security holders at the meeting was the ratification of the 1995 Equity Compensation Plan. The votes were cast as follows:

For	Against	Abstain	No Vote
13,759,477	5,306,388	6,450	9,586

Proposal IV submitted to a vote of security holders at the meeting was the ratification of the Employee Stock Purchase Plan. The votes were cast as follows:

For	Against	Abstain	No Vote
19,020,001	44,564	7,750	9,586

Proposal V submitted to a vote of security holders at the meeting was the ratification of the Appointment of Price Waterhouse LLP as Independent Accountants. The votes were cast as follows:

For	Against	Abstain
19,077,751	950	3,200

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

11. Computation of per share earnings for the three months and six months ended June 30, 1996 and June 30, 1995.
27. Financial Data Schedule (filed via Edgar on August 14, 1996).

SIGNATURE

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED THEREUNTO DULY AUTHORIZED.

TOTAL RENAL CARE HOLDINGS, INC.
(REGISTRANT)

/s/ John E. King

John E. King
Vice President and Chief Financial Officer

Date: August 14, 1996

John E. King is signing in the dual capacities as i) Chief Financial Officer, and ii) a duly authorized officer of the Company.

COMPUTATION OF PER SHARE EARNINGS

During the period from October 1, 1994 to November 2, 1995 the Company issued approximately 2,190,000 shares of Common Stock and options at prices significantly below the offering price of the Company's initial public offering. Such shares and common stock equivalents have been included in the number of shares outstanding from June 1, 1994 (including the quarter and six months ended June 30, 1995) until November 2, 1995 using the Treasury Stock method using the actual offering price of \$15.50 per share.

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	1996	1995	1996	1995
Applicable Common Shares				
Average outstanding during the period	25,802,000	13,927,000	24,077,000	13,863,000
Outstanding stock options	841,000	1,656,000	825,000	1,605,000
Reduction in shares in connection with notes receivable from employees	(64,000)	(51,000)	(65,000)	(50,000)
Weighted average number of shares outstanding	26,579,000	15,532,000	24,837,000	15,418,000
Net income	\$ 5,726,000	\$ 1,898,000	10,002,000	2,899,000
Net earnings per share	\$ 0.22	\$ 0.12	\$ 0.40	\$ 0.19

3-MOS		
	DEC-31-1996	
	JAN-01-1996	
	JUN-30-1996	
		39,969,000
		0
	82,375,000	0
		0
	131,419,000	
		44,456,000
		0
	291,046,000	
23,366,000		57,503,000
	0	0
		26,000
	203,489,000	
291,046,000		0
	64,583,000	0
	53,027,000	
		0
	1,337,000	
	2,238,000	
	10,500,000	
	4,110,000	
6,390,000		0
		0
		0
	5,726,000	
		0.22
		0.22