
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 September 30, 1999

OR

☐ 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: 1-4034

TOTAL RENAL CARE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

FOR THE QUARTER ENDED SEPTEMBER 30, 1999

Delaware
(State or other jurisdiction of
incorporation or organization)

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

21250 Hawthorne Blvd., Suite 800
Torrance, California
(Address of principal executive offices)

90503-5517
(Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report)

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 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 of the latest practicable date.

Class	Outstanding at October 31, 1999
-----	-----

Common Stock, Par Value \$0.001..... 81,188,843 shares

TOTAL RENAL CARE HOLDINGS, INC.

Unless otherwise indicated in this Form 10-Q, "we," "us," "our" and similar terms refer to Total Renal Care Holdings, Inc. and its subsidiaries.

INDEX

Page
No.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements:

Condensed Consolidated Balance Sheets as of September 30, 1999 and December 31, 1998.....	1
Condensed Consolidated Statements of Income and Comprehensive Income for the three months and nine months ended September 30, 1999 and September 30, 1998.....	2
Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 1999 and September 30, 1998.....	3
Notes to Condensed Consolidated Financial Statements.....	4

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	11
--	----

Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	20
Risk Factors.....	22

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.....	28
--------------------------------	----

Item 6. Exhibits and Reports on Form 8-K.....	28
Signatures.....	29

Note: Items 2, 3, 4 and 5 of Part II are omitted because they are not applicable.

TOTAL RENAL CARE HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

September 30, December 31,

	1999	1998
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 70,741,000	\$ 41,487,000
Patient accounts receivable, less allowance for doubtful accounts of \$113,416,000 and \$61,848,000, respectively.....	457,780,000	416,472,000
Deferred income taxes.....	55,177,000	31,917,000
Other current assets.....	74,175,000	50,395,000
Total current assets.....	657,873,000	540,271,000
Property and equipment, net.....	285,821,000	233,337,000
Notes receivable and other long-term assets....	76,521,000	57,578,000
Intangible assets, net of accumulated amortization of \$162,255,000 and \$114,982,000, respectively.....	1,176,766,000	1,084,395,000
Total assets.....	\$2,196,981,000	\$1,915,581,000

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Current portion of long-term obligations.....	\$ 23,702,000	\$ 21,847,000
Other current liabilities.....	216,484,000	152,617,000
Total current liabilities.....	240,186,000	174,464,000
Long term debt and other.....	1,434,166,000	1,227,671,000
Deferred income taxes.....	14,403,000	8,212,000
Minority interests.....	26,607,000	23,422,000
Stockholders' equity:		
Preferred stock, (\$0.001 par value; 5,000,000 shares authorized; none outstanding).....		
Common stock, voting, (\$0.001 par value; 195,000,000 shares authorized; 81,189,000 and 81,030,000 shares issued and outstanding, respectively).....	81,000	81,000
Additional paid-in capital.....	416,633,000	413,095,000
Notes receivable from stockholders.....	(188,000)	(356,000)
Accumulated other comprehensive loss.....	(4,718,000)	
Retained earnings.....	69,811,000	68,992,000
Total stockholders' equity.....	481,619,000	481,812,000
Total liabilities and stockholders' equity.....	\$2,196,981,000	\$1,915,581,000

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 AND COMPREHENSIVE INCOME

Three months and nine months ended September 30, 1999 and 1998

Three months		Nine months	
1999	1998	1999	1998

STATEMENTS OF INCOME

Net operating revenues..	\$366,968,000	\$318,585,000	\$1,072,405,000	\$865,684,000
Operating expenses:				
Facilities.....	250,765,000	200,925,000	734,528,000	551,244,000
General and administrative.....	32,725,000	18,274,000	86,003,000	52,789,000
Provision for doubtful accounts.....	17,002,000	8,997,000	63,187,000	23,539,000
Depreciation and amortization.....	29,750,000	24,205,000	84,167,000	66,604,000
Write-off of investments and loans.....			16,600,000	
Merger and related costs.....				79,435,000
	-----	-----	-----	-----
Total operating expenses.....	330,242,000	252,401,000	984,485,000	773,611,000
Operating income.....	36,726,000	66,184,000	87,920,000	92,073,000
Interest expense, net of capitalized interest...	(28,862,000)	(19,805,000)	(75,999,000)	(50,866,000)
Other financing costs...	(629,000)		(629,000)	(9,823,000)
Interest income and other.....	1,241,000	963,000	4,505,000	3,627,000
Other losses.....	(2,745,000)		(2,945,000)	
	-----	-----	-----	-----
Income before income taxes, minority interests, extraordinary item and cumulative effect of change in accounting principle.....	5,731,000	47,342,000	12,852,000	35,011,000
Income taxes.....	2,285,000	18,102,000	5,608,000	31,062,000
	-----	-----	-----	-----
Income before minority interests, extraordinary item and cumulative effect of change in accounting principle of change in accounting principle.....	3,446,000	29,240,000	7,244,000	3,949,000
Minority interests in income of consolidated subsidiaries.....	1,586,000	1,859,000	6,425,000	4,817,000
	-----	-----	-----	-----
Income (loss) before extraordinary item and cumulative effect of change in accounting principle.....	1,860,000	27,381,000	819,000	(868,000)
Extraordinary loss, net of tax of \$ 7,668,000..				(12,744,000)
Cumulative effect of change in accounting principle, net of tax of \$4,300,000.....				(6,896,000)
	-----	-----	-----	-----
Net income (loss).....	\$ 1,860,000	\$ 27,381,000	\$ 819,000	\$ (20,508,000)
	=====	=====	=====	=====
Earnings (loss) per common share:				
Income (loss) before extraordinary item and cumulative effect of change in accounting principle.....	\$ 0.02	\$ 0.34	\$ 0.01	\$ (0.01)
Extraordinary loss, net of tax.....				(0.16)
Cumulative effect of				

change in accounting principle, net of tax.....				(0.09)
Net income (loss).....	\$ 0.02	\$ 0.34	\$ 0.01	\$ (0.26)
Weighted average number of common shares outstanding.....	81,165,000	80,858,000	81,148,000	79,982,000
Earnings (loss) per common share--assuming dilution:				
Income (loss) before extraordinary item and cumulative effect of change in accounting principle.....	\$ 0.02	\$ 0.33	\$ 0.01	\$ (0.01)
Extraordinary loss, net of tax.....				(0.16)
Cumulative effect of change in accounting principle, net of tax.....				(0.09)
Net income (loss).....	\$ 0.02	\$ 0.33	\$ 0.01	\$ (0.26)
Weighted average number of common shares and equivalents outstanding--assuming dilution.....	81,561,000	87,052,000	81,600,000	79,982,000
STATEMENTS OF COMPREHENSIVE INCOME				
Net income (loss).....	\$ 1,860,000	\$ 27,381,000	\$ 819,000	\$ (20,508,000)
Other comprehensive income:				
Foreign currency translation.....	(659,000)		(4,718,000)	
Comprehensive income (loss).....	\$ 1,201,000	\$ 27,381,000	\$ (3,899,000)	\$ (20,508,000)

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

Nine months ended September 30, 1999 and 1998

	Nine months	
	1999	1998
Cash flows from operating activities:		
Net income (loss).....	\$ 819,000	\$ (20,508,000)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization.....	84,167,000	66,604,000
Extraordinary item, net of tax.....		12,744,000
Provision for doubtful accounts.....	63,187,000	23,539,000
Write-off of investments and loans.....	16,600,000	

Other losses.....	2,577,000	
Change in accounting principle, net of tax.....		6,896,000
Stock-based compensation.....	1,155,000	16,000,000
Changes in working capital.....	(67,583,000)	(98,423,000)
	-----	-----
Total adjustments.....	100,103,000	27,360,000
	-----	-----
Net cash provided by operating activities.....	100,922,000	6,852,000
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment.....	(85,245,000)	(64,767,000)
Cash paid for acquisitions, net of cash acquired.....	(152,619,000)	(276,075,000)
Other.....	(35,238,000)	(42,388,000)
	-----	-----
Net cash used in investing activities..	(273,102,000)	(383,230,000)
	-----	-----
Cash flows from financing activities:		
Borrowings from bank credit facility.....	209,289,000	1,499,825,000
Principal payments on long-term obligations..	(10,174,000)	(1,122,180,000)
Net proceeds from sale of common stock.....	2,033,000	20,347,000
Other.....	3,113,000	5,092,000
	-----	-----
Net cash provided by financing activities.....	204,261,000	403,084,000
Effect of exchange rate changes on cash.....	(2,827,000)	
	-----	-----
Net increase in cash.....	29,254,000	26,706,000
Cash at beginning of period.....	41,487,000	6,143,000
	-----	-----
Cash at end of period.....	\$ 70,741,000	\$ 32,849,000
	=====	=====

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. In our opinion the interim financial information reflects all normal recurring adjustments which are necessary to state fairly our consolidated financial position, results of operations, and cash flows as of and for the periods indicated. We presume that users of the interim financial information have read or have access to our 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, we have omitted footnote and other disclosures which would substantially duplicate the disclosures contained in our Form 10-K/A for the year ended December 31, 1998. We have made certain reclassifications of prior period amounts to conform to current period classifications. The interim financial information herein is not necessarily representative of a full year's operations.

The information related to the activity for the three months and nine months ended September 30, 1998 has been restated for certain reclassifications and adjustments. The accrued merger and related costs initially reported by us in the first nine months of 1998 amounted to \$92,835,000. We have revised our financial reporting relating to certain costs initially included in our merger and related costs and accrual resulting in a decrease in merger and related costs of \$13,400,000, partially offset by an increase to facilities operating costs of \$1,700,000 and an increase to depreciation and amortization of \$590,000 for a net decrease to our first quarter 1998 operating expenses of \$11,110,000 and a net increase to each of our second and third quarter 1998 operating expenses of \$2,870,000. These reclassifications and adjustments are more fully described in our Form 10-K/A for the year ended December 31, 1998.

2. On February 27, 1998, we acquired Renal Treatment Centers, Inc., or RTC, in a merger transaction. The merger was accounted for as a pooling of interests. As a result, we restated our condensed consolidated financial statements to include RTC for all periods presented. We had no transactions with RTC prior to the combination and no adjustments were necessary to conform RTC's accounting policies to ours.

Merger and related costs recorded during the first nine months of 1998 in connection with our merger with RTC included costs associated with certain of the integration activities, transaction costs and costs of employee severance and amounts due under employment agreements and other compensation programs. A summary of merger and related costs and accrual activity through September 30, 1999 is as follows:

	Direct Transaction Costs	Severance and Employment Costs	Costs to Integrate Operations	Total
	-----	-----	-----	-----
Initial expense.....	\$ 21,580,000	\$ 41,960,000	\$ 15,895,000	\$ 79,435,000
Amounts utilized in 1998.....	(22,885,000)	(37,401,000)	(13,137,000)	(73,423,000)
Adjustment of estimates.....	1,305,000	(959,000)	(1,593,000)	(1,247,000)
	-----	-----	-----	-----
Accrual, December 31, 1998.....	\$ =====	3,600,000	1,165,000	4,765,000
Amounts utilized--1st quarter 1999.....		(600,000)	(90,000)	(690,000)
		-----	-----	-----
Accrual, March 31, 1999.....		3,000,000	1,075,000	4,075,000
Amounts utilized--2nd quarter 1999.....			(90,000)	(90,000)
		-----	-----	-----
Accrual, June 30, 1999..		3,000,000	985,000	3,985,000
Amounts utilized--3rd quarter 1999.....			(99,000)	(99,000)
		-----	-----	-----
Accrual, September 30, 1999.....		\$ 3,000,000	\$ 886,000	\$ 3,886,000
		=====	=====	=====

The remaining balance of severance and employment costs represents tax gross-up payments expected to be paid by the end of 1999. The remaining balance of costs to integrate operations represents remaining lease payments on RTC's vacant laboratory lease space.

TOTAL RENAL CARE HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

3. During the nine months ended September 30, 1999, we purchased 44 centers and additional interests from minority partners in certain of our partnerships. Total cash consideration for these transactions was approximately \$152.6 million.

We accounted for these transactions under the purchase method. The cost of these acquisitions has been allocated primarily to intangible assets such as patient charts, noncompete agreements and goodwill to the extent the purchase price exceeds the value of the tangible assets, primarily capital equipment.

The assets and liabilities of the acquired centers were recorded at their estimated fair market values at the dates of acquisition. The initial allocations of fair market value are preliminary and subject to adjustment

during the first year following the acquisition. The results of operations of the facilities have been included in our financial statements from their respective effective acquisition dates.

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

	1999	1998
	-----	-----
Pro forma net operating revenues.....	\$1,097,101,000	\$926,121,000
Pro forma income before extraordinary item and cumulative effect of change in accounting principle.....	\$ 2,668,000	\$ 3,106,000
Pro forma net income (loss).....	\$ 2,668,000	\$ (16,534,000)
Pro forma income per share before extraordinary item and cumulative effect of change in accounting principle:		
Basic.....	\$ 0.03	\$ 0.04
Assuming dilution.....	\$ 0.03	\$ 0.04

4. In March 1998, Statement of Position No. 98-1, Accounting for the Cost of Computer Software Developed or Obtained for Internal Use, or SOP 98-1, was issued. We adopted SOP 98-1 in the first quarter of 1999, effective January 1, 1999. SOP 98-1 defines internal-use software and identifies whether internal-use software costs that we incur must be expensed or capitalized. Costs that should be capitalized include external direct costs of materials and services, payroll and payroll related costs for employees directly associated with the internal-use software projects and certain interest costs incurred in the application development stage. All other internal-use software costs are expensed as incurred. The impact of the adoption of SOP 98-1 was not material to our operations.

In April 1998, Statement of Position No. 98-5, Reporting on the Costs of Start-up Activities, or SOP 98-5, was issued. We adopted SOP 98-5 effective January 1, 1998. SOP 98-5 requires that pre-opening and organization costs, incurred in conjunction with facility pre-opening activities, which previously had been treated as deferred costs and amortized over five years, should be expensed as incurred. As a result of the adoption of SOP 98-5, all remaining unamortized pre-opening, development and organizational costs existing prior to January 1, 1998 of \$11,196,000 were recognized, net of tax of \$4,300,000, as the cumulative effect of a change in accounting principle in the first quarter of 1998.

5

TOTAL RENAL CARE HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

5. The reconciliation of the numerators and denominators used to calculate earnings (loss) per common share for all periods presented is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	-----	-----	-----	-----
	1999	1998	1999	1998
	-----	-----	-----	-----
Income (loss) before extraordinary item and cumulative effect of change in accounting principle.....	\$ 1,860,000	\$27,381,000	\$ 819,000	\$ (868,000)
Interest, net of tax resulting from dilutive effect of convertible				

debt.....		1,055,000		
Adjusted income (loss)...	1,860,000	28,436,000	819,000	(868,000)
Extraordinary loss, net of tax.....				(12,744,000)
Cumulative effect of change in accounting principle, net of tax				(6,896,000)
Income (loss)--assuming dilution.....	\$ 1,860,000	\$28,436,000	\$ 819,000	\$ (20,508,000)
Applicable common shares				
Average outstanding during the period.....	81,185,000	80,871,000	81,162,000	79,994,000
Reduction in shares in connection with notes receivable from employees.....	(20,000)	(13,000)	(14,000)	(12,000)
Weighted average number of shares outstanding for use in computing earnings per share.....	81,165,000	80,858,000	81,148,000	79,982,000
Dilutive effect of outstanding stock options.....	396,000	1,315,000	452,000	
Dilutive effect of convertible debt.....		4,879,000		
Weighted average number of shares and equivalents outstanding for use in computing earnings per share-- assuming dilution.....	81,561,000	87,052,000	81,600,000	79,982,000
Earnings (loss) per common share:				
Income (loss) per common share before extraordinary item and cumulative effect of change in accounting principle.....	\$ 0.02	\$ 0.34	\$ 0.01	\$ (0.01)
Extraordinary loss, net of tax.....				(0.16)
Cumulative effect of change in accounting principle, net of tax.....				(0.09)
Net income (loss) per common share.....	\$ 0.02	\$ 0.34	\$ 0.01	\$ (0.26)
Earnings (loss) per common share--assuming dilution:				
Income (loss) before extraordinary item and cumulative effect of change in accounting principle.....	\$ 0.02	\$ 0.33	\$ 0.01	\$ (0.01)
Extraordinary loss, net of tax.....				(0.16)
Cumulative effect of change in accounting principle, net of tax.....				(0.09)
Net income (loss) per common share--assuming dilution.....	\$ 0.02	\$ 0.33	\$ 0.01	\$ (0.26)

Included in the above calculation for the three months ended September 30, 1998, is the effect of RTC's 5 5/8% convertible subordinated notes due 2006 treated on an "as converted" basis; however, the effect is not included for all other periods presented because it was antidilutive. Our 7% convertible notes due 2009 were also anti-dilutive for all periods presented.

6. In conjunction with the refinancing of our credit facilities, our two existing forward interest rate swap agreements with notional amounts of \$100,000,000 and \$200,000,000 were canceled in April 1998. The loss associated with the early cancellation of these swaps was approximately \$9,823,000 and is presented as other financing costs in the accompanying statement of income for the nine months ended September 30, 1998.

6

TOTAL RENAL CARE HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

During the quarter ended June 30, 1998, we entered into forward interest rate cancelable swap agreements, with a combined notional amount of \$800,000,000. The lengths of the agreements are between three and ten years with cancellation clauses at the counterparties' option from one to seven years. The underlying blended rate is fixed at approximately 5.69% plus an applicable margin based upon our current leverage ratio.

During the quarter ended June 30, 1999, we received notification from two of our swap agreement counterparties that they had exercised their right to cancel agreements in the aggregate notional amount of \$100,000,000. The remaining \$700,000,000 of swap agreements with maturities from the years 2003 through 2008 and cancellation option dates from the years 2001 through 2005 are still in effect. At September 30, 1999, the effective interest rate for borrowings under the swap agreements was 9.30%.

In September 1999 we converted approximately \$50.0 million of our outstanding borrowings under our revolving credit facility from U.S. dollar denominated borrowings to Euro denominated borrowings, primarily as a hedge of our net investment in European operations.

Further, the amendment and waiver to our credit facilities described in Note 10 resulted in a write-off of \$629,000 for the reduction of previously deferred financing costs. This write-off is included in other financing costs.

7. In June 1996, RTC issued \$125,000,000 of 5 5/8% convertible subordinated notes due 2006. These notes are convertible, at the option of the holder, at any time after August 12, 1996 through maturity, unless previously redeemed or repurchased, into our common stock at a conversion price of \$25.62 principal amount per share, subject to certain adjustments. All or any part of these notes are redeemable at our option on at least 15 and not more than 60 days' notice as a whole or, from time to time, in part at redemption prices ranging from 103.94% to 100% of the principal amount thereof, depending on the year of redemption, together with accrued interest to, but excluding, the date fixed for redemption. TRCH has guaranteed these notes.

The following is summarized financial information of RTC:

	September 30, 1999	December 31, 1998
Cash and cash equivalents.....		\$ 5,396,000
Accounts receivable, net.....	\$132,960,000	130,129,000
Other current assets.....	10,427,000	19,106,000
Total current assets.....	143,387,000	154,631,000
Property and equipment, net.....	88,888,000	75,641,000
Intangible assets, net.....	406,255,000	406,562,000
Other assets.....	7,853,000	9,249,000
Total assets.....	\$646,383,000	\$646,083,000

	=====	=====
Current liabilities (includes intercompany payable to TRCH of \$207,966,000 and \$306,628,000, respectively).....	\$336,368,000	\$352,753,000
Long-term debt.....	128,830,000	125,199,000
Stockholder's equity.....	181,185,000	168,131,000
	-----	-----
Total liabilities and stockholder's equity.....	\$646,383,000	\$646,083,000
	=====	=====

TOTAL RENAL CARE HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

	Three months ended September 30,		Nine months ended September 30,	
	1999	1998	1999	1998
Net operating revenues...	\$129,295,000	\$120,178,000	\$375,597,000	\$358,829,000
Total operating expenses.....	117,038,000	98,924,000	343,433,000	335,205,000
Operating income.....	12,257,000	21,254,000	32,164,000	23,624,000
Interest expense, net....	2,194,000	2,074,000	5,741,000	6,863,000
Income before income taxes.....	10,063,000	19,180,000	26,423,000	16,761,000
Income taxes.....	4,528,000	(431,000)	13,369,000	6,671,000
Income before extraordinary item and cumulative effect of change in accounting principle.....	\$ 5,535,000	\$ 19,611,000	\$ 13,054,000	\$ 10,090,000
	=====	=====	=====	=====

8. In November 1998, we issued \$345,000,000 of 7% convertible subordinated notes due 2009, or the 7% notes, in a private placement offering. The 7% notes are convertible, at the option of the holder, at any time into our common stock at a conversion price of \$32.81 per share. We may redeem the 7% notes on or after November 15, 2001. The 7% notes are general, unsecured obligations junior to all of our existing and future senior debt and, effectively, all existing and future liabilities of us and our subsidiaries.

We subsequently filed a registration statement covering the resale of the 7% notes which has not yet been declared effective by the SEC. As further described in the registration statement, commencing May 18, 1999, we are accruing certain monetary penalties on a weekly basis until the registration statement is declared effective, as follows:

Days following 180 days after closing	Weekly Penalty	Cumulative Penalty
0-90.....	\$17,250	\$ 222,000
91-180.....	34,500	665,000
181-270.....	51,750	1,331,000
271-360.....	69,000	2,218,000
Thereafter.....	86,250	

Payment of these accrued penalties is due upon the next interest due date.

The accrued penalty as of September 30, 1999 was \$428,800.

9. Contingencies

Our Florida-based laboratory subsidiary is the subject of a third-party carrier review relating to certain claims submitted by us for Medicare reimbursement. We understand that similar reviews have been undertaken with respect to other providers' laboratory activities in Florida and elsewhere. The carrier has alleged that approximately 97% of the tests performed by this laboratory for the review periods the carrier has identified, from January 1995 to April 1996, and May 1996 to March 1998, were not properly supported by the prescribing physicians' medical justification. The carrier has issued formal overpayment determinations in the amount of \$5.6 million for the review period from January 1995 to April 1996 and \$14.2 million for the review period from May 1996 to March 1998. The carrier also has suspended all payments of claims related to this laboratory, regardless of when the laboratory performed the tests. The carrier has withheld approximately \$27 million as of September 30, 1999. In addition the carrier has informed the local offices of the Department of Justice, or DOJ, and the Department of Health and Human Services, or HHS, of this matter, and we are cooperating with DOJ and HHS.

8

TOTAL RENAL CARE HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

We have consulted with outside counsel, reviewed our records, are disputing the overpayment determinations vigorously and have provided extensive supporting documentation of our claims. We have cooperated with the carrier to resolve this matter and have initiated the process of a formal review of the carrier's determinations. The first step in this formal review process is a hearing before a hearing officer at the carrier. The hearing regarding the initial review period from January 1995 to April 1996 was held in late July 1999. We expect the hearing officer to render a decision by mid-December 1999. We have received minimal responses from the carrier to our repeated requests for clarification and information regarding the continuing payment suspension.

In February 1999, our Florida-based laboratory subsidiary filed a complaint against the carrier and HHS seeking a court order to lift the payment suspension. The court dismissed our complaint because we had not exhausted all administrative remedies.

We are unable to determine at this time:

- . When this matter will be resolved or when this laboratory's payment suspension will be lifted;
- . What, if any, of this laboratory's claims will be disallowed;
- . What action the carrier, DOJ or HHS may take with respect to this matter;
- . Whether additional periods may be reviewed by the carrier; or
- . Any other outcome of this investigation.

No provisions or allowances have been recorded for this matter. Any determination adverse to us could have an adverse impact on our business, results of operations, financial condition, or cash flows.

Following the announcement on February 18, 1999 of our preliminary results for the fourth quarter of 1998 and the full year 1998, several class action lawsuits were filed against us and certain of our officers in the U.S. District Court for the Central District of California. The complaints are similar and allege violations of federal securities laws arising from allegedly false and misleading statements primarily regarding our accounting for the integration of RTC into TRCH and request unspecified monetary damages. The lawsuits have been consolidated into a single action. A consolidated amended complaint was filed on October 6, 1999. This complaint alleges violations of the federal securities laws arising from allegedly false and misleading statements during a class period of March 11, 1997 to July 18, 1999 and seeks unspecified monetary damages. The primary allegations of this complaint are that we booked revenues at inflated amounts, failed to disclose that a material portion of our accounts

receivable were uncollectible, reported excessive non-Medicare revenues, billed for treatments that were never provided, failed to disclose accurately the basis for suspension of payments to our Florida-based laboratory subsidiary on Medicare claims, accounted for goodwill to overstate income, and manipulated the value of intangible assets. We have not yet responded to this complaint, but we believe that all of the claims are without merit and we intend to defend ourselves vigorously. We anticipate that the attorney's fees and related costs of defending this consolidated litigation should be covered primarily by our directors and officers insurance policies and we believe that any additional costs will not have a material impact on our financial condition, results of operations or cash flows.

In addition, we are subject to claims and suits in the ordinary course of business for which we believe most will be covered by insurance. We do not believe that the ultimate resolution of these additional pending proceedings, whether the underlying claims are covered by insurance or not, will have a material adverse effect on our financial condition, results of operations or cash flows.

TOTAL RENAL CARE HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

10. In August 1999 the lenders under our credit facilities waived compliance with a financial covenant that established a maximum leverage ratio which we could not exceed. Subsequent to September 30, 1999, this waiver was extended on revised terms. The revision to the waiver was required because we have exceeded the maximum leverage ratio allowable under the terms of the original waiver. The revised waiver expires March 15, 2000. The lenders also waived our violation of a covenant that placed a limit on our aggregate borrowings for international acquisitions, which we had exceeded. The terms of the revised waiver:

- . Permanently reduce the revolving credit facility from \$950,000,000 to \$700,000,000;
- . Reduce our permitted borrowings under the revolving credit facility to \$650,000,000 during the waiver period;
- . Limit the amounts we may spend for acquisitions, de novo developments and expansion or relocation of existing dialysis centers;
- . Accelerated the maturity dates on the term loan and revolving credit facilities by two years, to March 31, 2006 and March 31, 2003, respectively; and
- . Increased the applicable margins used to determine the interest rates for our borrowings under the credit facilities.

Other than the issues specifically addressed in the waiver agreement, all other covenants and conditions of the credit facilities remain unchanged.

The outstanding balances on our term loan and revolving credit facilities at September 30, 1999 were \$392,000,000 and \$560,942,000 respectively. As modified by the most recent waiver agreement, borrowings under the credit facilities generally bear interest at one of two floating rates selected by us:

- . The Alternate Base Rate, defined as the higher of The Bank of New York's prime rate or the federal funds rate plus 0.5%, plus a margin ranging from 1.75% to 2.25% for borrowings under the revolving credit facility and a margin of 2.50% for borrowings under the term loan facility; or
- . Adjusted LIBOR, defined as the 30-, 60-, 90- or 180-day London Interbank Offered Rate, adjusted for statutory reserves, plus a margin ranging from 3.00% to 3.50% for borrowings under the revolving credit facility and a margin of 3.75% for borrowings under the term loan facility.

The applicable margin used in determining the interest rate for borrowings under the revolving credit facility is based on our leverage ratio. Currently, the applicable margin is at the top of the ranges listed above. In addition, the most recent waiver agreement fixed the applicable margin at 2.25% for

Alternate Base Rate loans and 3.50% for adjusted LIBOR loans for the period September 30, 1999 through March 15, 2000. The applicable margin used in determining the interest rate for borrowings under the term loan has been fixed for the remainder of the loan period.

11. During the nine months ended September 30, 1999, we provided an allowance of \$16,600,000 against loans to, and investments in, several dialysis related businesses which we are unlikely to recover as a result of recent deterioration in the financial condition of these businesses.

10

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

As described in Note 2 to our condensed consolidated financial statements, we acquired Renal Treatment Centers, Inc., or RTC, on February 27, 1998 in a merger accounted for as a pooling of interests. Accordingly, our condensed consolidated financial statements have been restated to include RTC for all periods presented.

The information related to the activity for the three months and nine months ended September 30, 1998 has been restated for certain reclassifications and adjustments. The accrued merger and related costs initially reported by us in the first and second quarters of 1998 amounted to \$92,835,000. We have revised our financial reporting relating to certain costs initially included in our merger and related costs and accrual resulting in a decrease in merger and related costs of \$13,400,000, partially offset by an increase to facilities operating costs of \$1,700,000 and an increase to depreciation and amortization of \$590,000 for a net decrease to our first quarter 1998 operating expenses of \$11,110,000 and a net increase to each of our second and third quarter 1998 operating expenses of \$2,870,000. These reclassifications and adjustments are more fully described in our Form 10-K/A for the year ended December 31, 1998.

Net operating revenues

Net operating revenues are derived primarily from five sources: (a) outpatient facility hemodialysis services; (b) ancillary services, including the administration of erythropoietin, or EPO, and other intravenous pharmaceuticals, clinical laboratory services, oral pharmaceutical products and other ancillary services; (c) home dialysis services and related products; (d) inpatient hemodialysis services provided to hospitalized patients pursuant to arrangements with hospitals; and (e) international operations. Additional revenues are derived from the provision of dialysis facility management services to certain subsidiaries and affiliated and unaffiliated dialysis centers. Our outpatient dialysis and ancillary services are reimbursed primarily under the Medicare ESRD program in accordance with rates established by the Health Care Financing Administration, or HCFA. Payments are also provided by other third party payors, generally at rates higher than those reimbursed by Medicare for up to the first 33 months of treatment as mandated by law. Rates paid for inpatient dialysis services provided to hospitalized patients are negotiated with individual hospitals.

We maintain a usual and customary fee schedule for our dialysis treatment and other patient services. We often do not realize our usual and customary rates, however, because of negotiated limitations on the amounts we can bill to or collect from the payors for our services. We generally bill the Medicare and Medicaid programs at net realizable rates determined by applicable fee schedules for these programs, which are established by statute or regulation. We bill most non-governmental payors, including managed care payors with which we have contracted, at our usual and customary rates. Since we bill most non-governmental payors at our usual and customary rates, but often expect to receive payments at the lower contracted rates, we also record a contractual allowance in order to record expected net realizable revenue for services provided. This process involves estimates and we record revisions to these estimates in subsequent periods as they are determined to be necessary.

Results of operations

Three months ended September 30, 1999 compared to the three months ended September 30, 1998

Net operating revenues. Net operating revenues increased \$48,383,000 to

\$366,968,000 in the third quarter of 1999 from \$318,585,000 in the third quarter of 1998, representing a 15% increase. Of this increase, \$55,987,000 was due to increased treatments, of which \$44,125,000 was from acquisitions consummated after the third quarter of 1998, \$5,144,000 was from de novo developments commencing operations after the third quarter of 1998 and the remainder was from existing facilities as of September 30, 1998. The difference between the \$55,987,000 described above and the total change of \$48,383,000 resulted from an overall decrease in net operating revenue per treatment which decreased from \$248.17 in the third quarter of 1998 to \$243.13 in the third quarter of 1999. This decrease in net operating revenue per treatment primarily was attributable to a overall decline in the rates we receive for our dialysis services. The decline in rates is the

11

result of increasing our contractual allowances, primarily related to billings from our Tacoma office, to reflect recent trends in collection experience and an additional allowance provision of \$3,900,000 and an overall decrease of \$2,317,000, mainly attributable to a lower net revenue recognition per treatment, for services provided by our dialysis laboratory in Minnesota. This decline was partially offset by an increase in ancillary services intensity and pricing of EPO of \$9,433,000, and an increase in non-patient services revenue of \$2,273,000 resulting from an increase in dialysis facility management services provided to facilities that we do not own or control.

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, direct labor, and supply and service costs relating to patient care. Facility operating expenses increased \$49,840,000 to \$250,765,000 in the third quarter of 1999 from \$200,925,000 in the third quarter of 1998 and as a percentage of net operating revenues, facility operating expenses increased to 68.3% in the third quarter of 1999 from 63.1% in the third quarter of 1998. This increase was primarily attributable to increased usage of EPO and other medical supplies and the impact of a lower net revenue per treatment.

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 \$14,451,000 to \$32,725,000 in the third quarter of 1999 from \$18,274,000 in the third quarter of 1998 and as a percentage of net operating revenues, general and administrative expenses increased to 8.9% in the third quarter of 1999 from 5.7% in the third quarter of 1998. This increase was primarily attributable to increased staff at both our business and corporate offices and the impact of a lower net revenue per treatment. Additionally, general and administrative expense for the third quarter of 1999 includes approximately \$1,719,000 for executive severance, and \$1,081,000 for an employee retention program, primarily for amendments to stock options extending the period in which the option holders can exercise the options after their employment is terminated.

Provision for doubtful accounts. The provision for doubtful accounts is influenced by the amount of net operating revenues generated from all payor sources in addition to the relative percentage of accounts receivable by aging category and collection trends. The provision for doubtful accounts increased \$8,005,000 to \$17,002,000 in the third quarter of 1999 from \$8,997,000 in the third quarter of 1998. As a percentage of net operating revenues, the provision for doubtful accounts increased to 4.6% in the third quarter of 1999 from 2.8% in the third quarter of 1998. This is primarily a result of a \$4,100,000 increase in the provision for doubtful accounts relating to patient accounts receivable billed from our dialysis laboratory in Minnesota.

Depreciation and amortization. Depreciation and amortization increased \$5,545,000 to \$29,750,000 in the third quarter of 1999 from \$24,205,000 in the third quarter of 1998. As a percentage of net operating revenues, depreciation and amortization increased to 8.1% in the third quarter of 1999 from 7.6% in the third quarter of 1998.

Operating income. Operating income decreased \$29,458,000 to \$36,726,000 in the third quarter of 1999 from \$66,184,000 in the third quarter of 1998. As a percentage of net operating revenues, operating income decreased to 10.0% in the third quarter of 1999 from 20.8% in the third quarter of 1998 primarily due to the increases in both facility operating and general and administrative expenses, additions to allowances for patient accounts receivable and a lower

overall net revenue per treatment as described above.

Interest expense, net of capitalized interest. Interest expense increased \$9,057,000 to \$28,862,000 in the third quarter of 1999 from \$19,805,000 in the third quarter of 1998. The increase in interest expense primarily was due to an increase in the interest rates on our credit facilities as a term of the bank waiver as well as an increase in the overall borrowings made under our credit facilities to fund acquisitions.

Other financing costs. Other financing costs represent the impact of various debt-related transactions. In the third quarter of 1999, we recognized a write-off of \$629,000 for the reduction of deferred financing costs as a result of the permanent reduction in our revolving credit facility in connection with the bank waiver.

12

Interest income and other. Interest income is generated as a result of the short-term investment of surplus cash from operations and excess proceeds from borrowings under our credit facilities. Other income is income generated by unconsolidated partnerships. Interest income and other increased by \$278,000 to \$1,241,000 in the third quarter of 1999 from \$963,000 in the third quarter of 1998.

Other losses. Other losses in the third quarter of 1999 were primarily a result of a \$2,577,000 loss on the disposition of our corporate jet.

Provision for income taxes. Provision for income taxes decreased to \$2,285,000 for the third quarter of 1999 from \$18,102,000 in the third quarter of 1998. The effective tax rate was 55.1% for the third quarter of 1999 compared to 40.4% in the third quarter of 1998, after minority interest. The change in the effective tax rate primarily was due to \$3.1 million from the non-deductible amortization of intangible assets spread over a smaller pre-tax base.

Minority interests. Minority interests represent the pretax income earned by minority partners who directly or indirectly own minority interests in our partnership affiliates and the net income in certain of our corporate subsidiaries. Minority interests decreased \$273,000 to \$1,586,000 from \$1,859,000 in the third quarter of 1998. As a percentage of net operating revenues, minority interest decreased to 0.4% in the third quarter of 1999 from 0.6% in the third quarter of 1998.

Nine months ended September 30, 1999 compared to the nine months ended September 30, 1998

Net operating revenues. Net operating revenues increased \$206,721,000 to \$1,072,405,000 in the nine months ended September 30, 1999 from \$865,684,000 in the nine months ended September 30, 1998, representing a 24% increase. Of this increase, \$193,756,000 was due to increased treatments, of which \$84,931,000 was from acquisitions consummated after the nine months ended September 30, 1998, \$11,250,000 was from de novo developments commencing operations after the nine months ended September 30, 1998 and \$97,575,000 was from existing facilities as of September 30, 1998. The remaining increase of \$12,965,000 resulted from an increase in net operating revenue per treatment which increased from \$242.49 in the nine months ended September 30, 1998 to \$245.46 in the nine months ended September 30, 1999. The increase in net operating revenue per treatment was mainly attributable to an increase in ancillary services intensity and pricing of \$38,064,000, primarily in the administration of EPO of \$35,371,000, an increase in corporate and ancillary program fees of \$1,865,000, primarily from the expansion of laboratory services to former RTC facilities of \$1,001,000, and an increase in non-patient services revenue of \$5,862,000 from the increase in dialysis facility management services to facilities that we do not own or control, which were partially offset by a decrease in our net operating revenue per treatment of \$28,926,000, as a result of increasing our contractual allowances primarily related to billings from our Tacoma office to reflect recent trends in collection experience, and an additional \$3,900,000 in contractual allowances at our dialysis laboratory in Minnesota.

Facility operating expenses. Facility operating expenses increased \$183,284,000 to \$734,528,000 in the nine months ended September 30, 1999 from \$551,244,000 in the nine months ended September 30, 1998 and as a percentage of net operating revenues, facility operating expenses increased to 68.5% in the

nine months ended September 30, 1999 from 63.7% in the nine months ended September 30, 1998. This increase was primarily attributable to increased usage in EPO and other medical supplies and the impact of a lower net revenue per treatment. Additionally, during the second quarter of 1999, a provision of \$4,500,000 was recorded for the resolution of claims made by vendors during the quarter for goods and services provided in earlier periods.

General and administrative expenses. General and administrative expenses increased \$33,214,000 to \$86,003,000 in the nine months ended September 30, 1999 from \$52,789,000 in the nine months ended September 30, 1998 and as a percentage of net operating revenues, general and administrative expenses increased to 8.0% in the nine months ended September 30, 1999 from 6.1% in the nine months ended

13

September 30, 1998. This increase was primarily attributable to increased staff at both our business and corporate offices and the impact of a lower net revenue per treatment. Additionally, general and administrative expense for the nine months ended September 30, 1999 includes approximately \$3,230,000 of expenses related to costs of business purchase transactions which we will not consummate and operating costs associated with a corporate jet we are no longer using, \$1,719,000 related to executive severance and \$1,081,000 for an employee retention program.

Provision for doubtful accounts. The provision for doubtful accounts increased \$39,648,000 to \$63,187,000 in the nine months ended September 30, 1999 from \$23,539,000 in the nine months ended September 30, 1998. As a percentage of net operating revenues, the provision for doubtful accounts increased to 5.9% in the nine months ended September 30, 1999 from 2.7% in the nine months ended September 30, 1998. This is primarily a result of a \$24,000,000 increase in the provision for doubtful accounts relating to collectibility problems of patient accounts receivable billed from our Tacoma business office. Our Tacoma office collection practices have not kept pace with the growth of our business and receivables have aged, causing them to be more difficult to collect. Additionally, we increased the provision for doubtful accounts by \$4,100,000 at our dialysis laboratory in Minnesota.

Depreciation and amortization. Depreciation and amortization increased \$17,563,000 to \$84,167,000 in the nine months ended September 30, 1999 from \$66,604,000 in the nine months ended September 30, 1998. As a percentage of net operating revenues, depreciation and amortization was 7.8% in the nine months ended September 30, 1999 and 7.7% in the nine months ended September 30, 1998.

Write-off of investments. Write-off of investments and loans recorded in the nine months ended September 30, 1999 of \$16,600,000 represents allowances provided for loans to, and investments in, several dialysis related businesses, which we are unlikely to recover as a result of recent deterioration in the financial condition of these businesses.

Merger and related costs.

Merger and related costs recorded during the nine months ended September 30, 1998 include costs associated with certain integration activities, transaction costs and costs of employee severance and amounts due under employment agreements and other compensation programs, in connection with our merger with RTC.

A summary of merger and related costs and accrual activity through September 30, 1999 is as follows:

	Direct Transaction Costs	Severance and Employment Costs	Costs to Integrate Operations	Total
	-----	-----	-----	-----
Initial expense.....	\$ 21,580,000	\$ 41,960,000	\$ 15,895,000	\$ 79,435,000
Amounts utilized in 1998.....	(22,885,000)	(37,401,000)	(13,137,000)	(73,423,000)
Adjustment of				

estimates.....	1,305,000	(959,000)	(1,593,000)	(1,247,000)
	-----	-----	-----	-----
Accrual, December 31, 1998.....	\$	3,600,000	1,165,000	4,765,000
	=====			
Amounts utilized--1st quarter 1999.....		(600,000)	(90,000)	(690,000)
		-----	-----	-----
Accrual, March 31, 1999.....		3,000,000	1,075,000	4,075,000
Amounts utilized--2nd quarter 1999.....			(90,000)	(90,000)
		-----	-----	-----
Accrual, June 30, 1999..		3,000,000	985,000	3,985,000
Amounts utilized--3rd quarter 1999.....			(99,000)	(99,000)
		-----	-----	-----
Accrual, September 30, 1999.....	\$	3,000,000	\$ 886,000	\$ 3,886,000
	=====	=====	=====	=====

The remaining balance of severance and employment costs represents tax gross-up payments expected to be paid by the end of the year. The remaining balance of costs to integrate operations represents remaining lease payments on RTC's vacant laboratory lease space.

14

Operating income. Operating income before merger and related costs and write-off of investments decreased \$66,988,000 to \$104,520,000 in the nine months ended September 30, 1999 from \$171,508,000 in the nine months ended September 30, 1998. As a percentage of net operating revenues, operating income before merger and related costs and write-off of investments decreased to 9.7% in the nine months ended September 30, 1999 from 19.8% in the nine months ended September 30, 1998. This decrease was primarily attributable to increases in both facility operating and general and administrative expenses and the additions to valuation allowances for patient accounts receivable as described above.

Interest expense, net of capitalized interest. Interest expense increased \$25,133,000 to \$75,999,000 in the nine months ended September 30, 1999 from \$50,866,000 in the nine months ended September 30, 1998. The increase in interest expense primarily was due to an increase in borrowings made under our credit facilities to fund acquisitions as well as an increase in the interest rates on our credit facilities as a term of the bank waiver.

Other financing costs. In the third quarter of 1999 we recognized a write-off of \$629,000 as a result of the permanent reduction in our revolving credit facility in connection with the bank waiver. In conjunction with the refinancing of our credit facilities, two existing forward interest swap agreements were canceled in April 1998. The early termination costs associated with the cancelation of those swaps was \$9,823,000.

Interest income and other. Interest income and other increased \$878,000 to \$4,505,000 in the nine months ended September 30, 1999 from \$3,627,000 in the nine months ended September 30, 1998 and as a percentage of net operating revenues, interest income and other was 0.4% for both periods.

Other losses. Other losses in the nine months ended September 30, 1999 were primarily a result of a \$2,577,000 loss on the disposition of our corporate jet.

Provision for income taxes. Provision for income taxes decreased \$25,454,000 to \$5,608,000 for the nine months ended September 30, 1999 from \$31,062,000 in the nine months ended September 30, 1998. The effective tax rate was 87.3% for the nine months ended September 30, 1999 compared to 40.4% in the nine months ended September 30, 1998, after minority interest but before merger and related costs. The change in the effective tax rate primarily was due to \$8.9 million from the non-deductible amortization of intangible assets spread over a smaller pre-tax income base.

Minority interests. Minority interests increased \$1,608,000 to \$6,425,000 in the nine months ended September 30, 1999 from \$4,817,000 in the nine months

ended September 30, 1998. As a percentage of net operating revenues, minority interest was 0.6% in both nine month periods.

Extraordinary loss. In February 1998, in conjunction with our merger with RTC, we terminated the RTC revolving credit agreement, and recorded all of the remaining related unamortized deferred financing costs as an extraordinary loss of \$2,812,000, net of income tax effect. In April 1998, in conjunction with refinancing our credit facilities, we also recorded all of the remaining related unamortized deferred financing costs as an extraordinary loss of \$9,932,000, net of income tax effect.

Cumulative effect of change in accounting principle. Effective January 1, 1998, we adopted Statement of Position No. 98-5, Reporting on the Costs of Start-up Activities, or SOP 98-5. SOP 98-5 requires that pre-opening and organizational costs, incurred in conjunction with our pre-opening activities on our de novo facilities, which previously had been treated as deferred costs and amortized over five years, should be expensed as incurred. In connection with the adoption of SOP 98-5, we recorded a charge of \$6,896,000, net of income tax effect as a cumulative effect of a change in accounting principle in the first quarter of 1998.

15

Liquidity and capital resources

Sources and uses of cash

Our primary capital requirements have been the funding of our growth through acquisitions and de novo developments, and equipment purchases. Net cash provided by operating activities was \$100.9 million for the first nine months of 1999 and \$6.9 million for the first nine months of 1998. Net cash provided by operating activities consists of our net income (loss), increased by non-cash expenses such as depreciation, amortization and the provision for doubtful accounts, and adjusted by changes in components of working capital, primarily accounts receivable.

Accounts receivable, net of allowance for doubtful accounts, increased during the first nine months of 1999 by \$41.3 million, of which approximately \$16.0 million was due to the payment suspension imposed on our Florida-based laboratory by its Medicare carrier, which has caused additional working capital needs, and the remainder mainly was due to an increase in our net operating revenues.

Net cash used in investing activities was \$273.1 million for the first nine months of 1999 and \$383.2 million for the first nine months of 1998. Our principal uses of cash in investing activities have been related to acquisitions, purchases of new equipment and leasehold improvements for our facilities, as well as the development of new facilities. Net cash provided by financing activities was \$204.3 million for the first nine months of 1999 and \$403.1 million for the first nine months of 1998 primarily consisting of borrowings from our credit facilities. The decreases in net cash used in investing activities and in net cash provided by financing activities were due to our completing fewer acquisitions in the first nine months of 1999 as compared to the first nine months of 1998. As of September 30, 1999, we had working capital of \$417.7 million, including cash of \$70.7 million.

We believe that we will have sufficient liquidity to fund our debt service obligations over at least the next twelve months.

Expansion

In the nine months ended September 30, 1999, we developed 17 new facilities, 8 of which we do not own but we manage, and we expect to develop approximately 8 additional de novo facilities in the remainder of 1999. We anticipate that our capital requirements for purchases of equipment and leasehold improvements for facilities, including de novo facilities, will be approximately \$20 to \$25 million in aggregate for the remaining three months of 1999.

During the nine months ended September 30, 1999, we paid cash of approximately \$152.6 million to acquire 44 facilities and additional interests from minority partners in certain of our partnerships.

Credit facilities

In August 1999 the lenders under our credit facilities waived compliance with a financial covenant that established a maximum leverage ratio which we could not exceed. Subsequent to September 30, 1999, this waiver was extended on revised terms. The revision to the waiver was required because we have exceeded the maximum leverage ratio allowable under the terms of the original waiver. The revised waiver expires March 15, 2000. The lenders also waived our violation of a covenant that placed a limit on our aggregate borrowings for international acquisitions, which we had exceeded. The terms of the revised waiver:

- . Permanently reduce the revolving credit facility from \$950.0 million to \$700.0 million;
- . Reduce our permitted borrowings under the revolving credit facility to \$650.0 million during the waiver period;
- . Limit the amounts we may spend for acquisitions, de novo developments and expansion or relocation of existing dialysis centers;

16

- . Accelerated the maturity dates on the term loan and revolving credit facilities by two years, to March 31, 2006 and March 31, 2003, respectively; and
- . Increased the applicable margins used to determine the interest rates for our borrowings under the credit facilities.

The applicable margin used in determining the interest rate for borrowings under the revolving credit facility is based on our leverage ratio. In addition, the most recent waiver agreement fixed the applicable margin at 2.25% for Alternate Base Rate loans and 3.50% for adjusted LIBOR loans for the period September 30, 1999 through March 15, 2000. The applicable margin used in determining the interest rate for borrowings under the term loan has been fixed for the remainder of the loan period.

Other than the issues specifically addressed in the waiver agreement, all other covenants and conditions of the credit facilities remain unchanged.

As of September 30, 1999 the principal amount outstanding under our revolving facility was \$560.9 million and under our term facility was \$392.0 million. The term facility requires annual principal payments of \$4.0 million, with the \$368.0 million balance due on maturity. As of September 30, 1999, we had \$89.1 million available for borrowing under the revolving facility.

In September 1999 we converted approximately \$50.0 million of our outstanding borrowings under our revolving credit facility from U.S. dollar denominated borrowings to Euro denominated borrowings, primarily as a hedge of our net investment in European operations.

Further, the amendment and waiver to our credit facilities described in Note 10 resulted in a write-off of \$629,000 for the reduction of previously deferred financing costs. This write-off is included in other financing costs.

The credit facilities contain financial and operating covenants including, among other things, requirements that we maintain certain financial ratios and satisfy certain financial tests, and impose limitations on our ability to make capital expenditures, to incur other indebtedness and to pay dividends. As of the date of this filing, including violations waived by the lenders as described, we are in compliance with all such covenants.

Interest rate swaps

During the quarter ended June 30, 1998, we entered into forward interest rate cancelable swap agreements with a combined notional amount of \$800.0 million. The lengths of the agreements are between three and ten years with cancellation clauses at the counterparties' option from one to seven years. The underlying blended interest rate is fixed at approximately 5.69% plus an applicable margin based upon our current leverage ratio. Currently, the effective interest rate for these swaps is 9.30%. During the second quarter of 1999, we received notification from two of our swap agreement counterparties that they had exercised their right to cancel agreements in the aggregate notional amount of \$100.0 million. The remaining \$700.0 million of swap agreements with maturities from the years 2003 through 2008 and cancellation option dates from the years

2000 through 2005 are still in effect.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, or SFAS 133. SFAS 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. Accordingly, for us, SFAS 133 will become effective January 1, 2001. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. For fair-value hedge transactions in which we are hedging changes in an asset's, liability's or firm commitment's fair value, changes in the fair value of the derivative instrument will generally be offset

17

in the income statement by changes in the hedged item's fair value. For cash-flow hedge transactions, in which we are hedging the variability of cash flows related to a variable-rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in current-period earnings.

We have not yet determined the impact that the adoption of SFAS 133 will have on our earnings or statement of financial position.

Subordinated notes

The \$125.0 million outstanding 5 5/8% convertible subordinated notes due 2006 issued by RTC bear interest at the rate of 5 5/8%, payable semi-annually and require no principal payments until 2006. The 5 5/8% notes are convertible into shares of our common stock at an effective conversion price of \$25.62 per share and are redeemable by us at our option on at least 15 and not more than 60 days' notice as a whole or, from time to time, in part at redemption prices ranging from 103.94% to 100% of the principal amount thereof, depending on the year of redemption, together with accrued interest to, but excluding, the date fixed for redemption. TRCH has guaranteed these notes.

In November 1998 we issued 7% convertible subordinated notes due 2009 in the aggregate principal amount of \$345.0 million. The 7% notes are convertible at any time, in whole or in part, into shares of our common stock at a conversion price of \$32.81 and will be redeemable after November 16, 2001. We used the net proceeds from the sale of the 7% notes to pay down debt under the revolving facility, which may be re-borrowed, subject to the modified terms of our credit facilities.

Year 2000 considerations

Since the summer of 1998, all of our departments have been meeting with our information systems department to determine the extent of our Year 2000, or Y2K, exposure. Project teams have been assembled to work on correcting Y2K problems and to perform contingency planning to reduce our total exposure. Corrective action and contingency plans are now in place.

Software applications and hardware. Each component of our software application portfolio, or SAP, must be examined with respect to its ability to handle dates properly in the next millennium. As part of our software assessment plan, we have tested and will continue to validate the testing of each component of our SAP. These tests are constructed to make sure each component operates properly with the system date advanced to the next millennium.

The major phases of our software assessment plan are as follows:

- . Complete SAP inventory;
- . Implement Y2K compliant software as necessary;
- . Analyze which computers have Y2K problems and the cost to repair;
- . Test all vendors' representations; and

. Fix any computer-specific problems.

Our billing and accounts receivable software was known to have a significant Y2K problem. We have already addressed this issue by obtaining a new, Y2K compliant version of this software. We completed conversion to this Y2K compliant version in the third quarter of 1999. We will conduct additional testing of this software in the fourth quarter of 1999.

18

Operating systems. We have also reviewed our operating systems to assess possible Y2K exposure. We use several different network operating systems, or NOS, for multi-user access to the software that resides on the respective servers. Each NOS was examined with respect to its ability to properly handle dates in the next millennium. We have tested each component of our SAP with a compliant version of the NOS. One level beneath the NOS is a special piece of software that comes into play when the computer is "booted" that potentially has a Y2K problem and that is the basic input output system software, or BIOS. The BIOS takes the date from the system clock and uses it in passing the date to the NOS which in turn passes the date to the desktop operating system. The system clock poses another problem in that some system clocks were only capable of storing a two-digit year while other computer clocks stored a four-digit year. This issue affects each and every computer we have purchased. To remedy these problems, we are conducting an inventory of all computer hardware using a Y2K utility program to determine whether we have a BIOS or a system clock problem. Where necessary we performed a BIOS upgrade or performed a processor upgrade to a Y2K compliant processor.

Dialysis centers, equipment and suppliers. The operations of our dialysis centers can be affected by the Y2K problem so a contingency plan must be in place to prevent the shutdown of these centers. Each center was responsible for completing a survey of the possible consequences of a failure of the information systems of our vendors and formulating a contingency plan by the end of the third quarter of 1999. During the fourth quarter of 1999 each center will continue to make preparations to minimize potential problems.

Substantially all of our biomedical devices, including dialysis machines that have a computer chip in them, have been checked for Y2K compliance. We have contacted each of the vendors of the equipment we use and asked them to provide us with documentation regarding Y2K compliance. In a few cases we are continuing to ask for and review additional documentation. A limited number of vendors have performed Y2K tests on a random sample of our equipment by advancing the clock to a date in the next millennium.

In general, we expect to have all of our biomedical devices Y2K compliant by the fourth quarter of 1999. We have completed all necessary upgrades for our dialysis machines. The only biomedical devices yet to be upgraded are two models of dialyzer reprocessing equipment, with respect to which we are in the process of securing and installing the necessary upgrades.

In addition to factors noted above which are directly within our control, factors beyond our direct control may disrupt our operations. If our suppliers are not Y2K compliant, we may experience inventory shortages and run short of critical supplies. If the utilities companies, transportation carriers and telecommunications companies which service us experience Y2K difficulties, our operations will also be adversely affected and some of our facilities may need to be closed. We are in the process of taking steps to reduce the impact on our operations in such instances and implementing contingency plans to address any possible unavoidable effect which these difficulties would have on our operations.

To address the possibility of a physical plant failure, we have contacted the landlords of each of our facilities to insure that they will provide access to our staff and any other key service providers. We have also provided written notification to our utilities companies of the locations, schedules and emergency services required of each of our dialysis facilities. In case a physical plant failure should result in an emergency closure of any of our facilities, we are currently:

- . Confirming that backup hospital affiliation agreements are up-to-date and complete;
- . Reviewing appropriate elements of our disaster preparedness plan with our

staff and patients;

- . Adopting/modifying emergency treatment orders and rationing plans with our medical directors to provide patient safety; and
- . Conducting patient meetings with social workers and dieticians.

19

To minimize the effect of any Y2K non-compliance on the part of suppliers, we have:

- . Identified our critical suppliers and surveyed each of them to assess their Y2K compliance status;
- . Identified alternative supply sources where necessary;
- . Identified Y2K compliant transportation/shipping companies to cover situations where our current suppliers' delivery systems go down;
- . Included language in contracts with new suppliers addressing Y2K performance obligations, requirements and failures;
- . Ordered one week of additional inventory for our dialysis facilities;
- . Asked critical distributors to carry additional inventory earmarked for us; and
- . Prepared a critical supplier contact/pager list for Y2K emergency supply problems and ensured that contact persons will be on call 24 hours a day.

Our financial exposure from all sources of SAP and operating system Y2K issues as well as from dialysis center, equipment and supplier Y2K issues known to date ranges from approximately \$500,000 to \$1,200,000, the majority of which has been expended.

General. The extent and magnitude of the Y2K problem as it will affect us, both before, and for some period after, January 1, 2000, are difficult to predict or quantify for a number of reasons. Among the most important are our lack of control over systems that are used by the third parties who are critical to our operations, such as telecommunications and utilities companies, the complexity of testing interconnected networks and applications that depend on third-party networks and the uncertainty surrounding how others will deal with liability issues raised by Y2K-related failures. Moreover, the estimated costs of implementing our plans for fixing Y2K problems do not take into account the costs, if any, that might be incurred as a result of Y2K-related failures that occur despite our implementation of these plans.

With respect to third-party non-governmental payors, we are refining contingency plans to prevent the interruption of cash flow. With respect to Medicare payments, HCFA and the two primary fiscal intermediaries we utilize have contingency plans in place. The HCFA mandated contingency plans have been tested by HCFA to ensure that no interruption of Medicare payments results from Y2K-related failures of their systems. During the fourth quarter of 1999 we will conclude testing with our two primary fiscal intermediaries. With respect to MediCal, the largest of our third-party state payors, we are already submitting our claims with a four-digit numerical year in accordance with the current system. We are currently working with our other state payors individually to determine the extent of their Y2K compliance.

Although we currently are not aware of any material operational issues associated with preparing our internal computer systems, facilities and equipment for Y2K, we cannot assure you, due to the overall complexity of the Y2K issues and the uncertainty surrounding third party responses to Y2K issues, that we will not experience material unanticipated negative consequences and/or material costs caused by undetected errors or defects in our or third party systems or by our failure to adequately prepare for the results of such errors or defects, including costs of related litigation, if any. The impact of such consequences could have a material adverse effect on our business, financial condition or results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest rate sensitivity

20

The table also reflects the cancellation of \$100,000,000 of interest rate swaps. For our interest rate swap agreements, the table presents the repayment of the notional amounts of these swaps at maturity, the fixed weighted average interest rates we must pay the swap holders according to the swap agreements, and the weighted average interest rates we will receive from the swap holders, based upon the current LIBOR. Notional amounts are used to calculate the contracted payments we will exchange with the swap holders under the swap agreements. The interest rates we will receive from the swap holders are variable, and are based on the LIBOR.

The table also reflects the cancellation of \$100,000,000 of interest rate swaps. For our interest rate swap agreements, the table presents the repayment of the notional amounts of these swaps at maturity, the fixed weighted average interest rates we must pay the swap holders according to the swap agreements, and the weighted average interest rates we will receive from the swap holders, based upon the current LIBOR. Notional amounts are used to calculate the contracted payments we will exchange with the swap holders under the swap agreements. The interest rates we will receive from the swap holders are variable, and are based on the LIBOR.

	Expected Maturity Date						Fair Value
	2000	2001	2002	2003	2004	Thereafter	Total
	(in millions)						
Interest rate derivatives							
Interest rate swaps							
Variable to fixed.....				\$100		\$600	\$700
Average pay rate.....				5.51%		5.69%	5.66%
Average receive rate..				5.53%		5.46%	5.47%

Swap Maturity	Call Provision	Notional Amount
-----	-----	-----
Ten-year swaps:	Seven-year	\$200
	Five-year	200
Seven-year swaps:	Four-year	100
	Three-year	100
Five-year swaps:	Two-year	100

		\$700
		=====

In September 1999 we converted approximately \$50.0 million of our outstanding borrowings under our revolving credit facility from U.S. dollar denominated borrowings to Euro denominated borrowings, primarily as a hedge of our net

investment in European operations and to assist in our management of foreign exchange rate risk.

Other than as described above, there have been no material changes in our market risk exposure from that reported in our Form 10-K/A for the fiscal year ended December 31, 1998.

21

RISK FACTORS

In addition to the other information set forth in this Form 10-Q, you should note the following risks related to our business.

If we fail to build adequate internal systems and controls then our revenue and net income may be adversely affected.

We have experienced rapid growth in the last five years, and especially in 1998, as a result of our business strategy to acquire, develop and manage a large number of dialysis centers. This historical growth and business strategy subjects us to the following risks:

- . Our billing and collection structures, systems and personnel may prove inadequate to collect all amounts owed to us for services we have rendered, resulting in a lack of sufficient cash flow;
- . We may require additional management, administrative and clinical personnel to manage and support our expanded operations, and we may not be able to attract and retain sufficient personnel;
- . Our assessment of the requirements of our growth on our information systems may prove inaccurate, and we may have to spend substantial amounts to enhance or replace our information systems;
- . Our expanded operations may require cash expenditures in excess of the cash available to us after paying our debt service obligations;
- . We may inaccurately assess the historical and projected results of operations of acquisition candidates, which may cause us to overpay for acquisitions;
- . We may inaccurately assess the historical and projected results of operations of existing and recently acquired facilities, which may cause us not to achieve the results of operations expected for these facilities; and
- . We may not be able to integrate acquired facilities as quickly or smoothly as we expect, which may cause us not to achieve the results of operations expected for these acquired facilities.

These risks are enhanced when we acquire entire regional networks or other national dialysis providers, such as RTC, or enter into multi-facility management agreements.

Future declines, or the lack of an increase, in Medicare reimbursement rates could substantially decrease our net income.

We are reimbursed for dialysis services primarily at fixed rates established in advance under the Medicare end stage renal disease, or ESRD, program. Unlike many other Medicare programs, which receive periodic cost of living increases, these rates have not increased since 1991. Increases in operating costs that are subject to inflation, such as labor and supply costs, have occurred and continue to occur without a compensating increase in reimbursement rates. In addition, if Medicare should begin to include in its composite reimbursement rate any ancillary services that it currently reimburses separately, our revenue would decrease to the extent there was not a corresponding increase in that composite rate. We cannot predict whether future rate changes will be made. Approximately 50% of our net operating revenues in the first nine months of 1999 was generated from patients who had Medicare as the primary payor.

The Department of Health and Human Services, or HHS, had recommended, and the Clinton administration had included in its fiscal year 2000 budget proposal to the Congress, a 10% reduction in Medicare reimbursement for erythropoietin, or EPO. We cannot predict whether this proposal or other future rate or

reimbursement method changes will be made. Approximately 14% of our net operating revenues in the first nine months of 1999 was generated from EPO reimbursement through Medicare and Medicaid programs. Consequently, any reduction in the rate of EPO reimbursement through Medicare and Medicaid programs could materially reduce our revenues and net income.

22

Medicare separately reimburses us for other outpatient prescription drugs that we administer to dialysis patients at the rate of 95% of the average wholesale price of each drug. The Clinton administration had also included in its fiscal year 2000 budget proposal to the Congress a reduction in the reimbursement rate for outpatient prescription drugs to 83% of average wholesale price. We cannot predict whether Congress will approve this rate change, or whether other reductions in reimbursement rates for outpatient prescription drugs will be made. If such changes are implemented, they could have a material adverse effect on our revenues and net income.

Many Medicaid programs base their reimbursement rates for the services we provide on the Medicare reimbursement rates. Any reductions in the Medicare rates could also result in reductions in the Medicaid reimbursement rates. Approximately 5% of our net operating revenues in the first nine months of 1999 was generated from patients who had Medicaid or comparable state programs as the primary payer.

If Medicare changes its ESRD program to a capitated reimbursement system, our revenues and profits could be materially reduced.

HCFA has initiated a pilot demonstration project, expected to end in 2001, to test the feasibility of allowing managed care plans to participate in the Medicare ESRD program on a capitated basis. Under a capitated plan we or managed care plans would receive a fixed periodic payment for servicing all of our Medicare-eligible ESRD patients regardless of certain fluctuations in the number of services provided in that period or the number of patients treated. Under the current demonstration project, Medicare is paying managed care plans a capitated rate equal to 95% of Medicare's current average cost of treating dialysis patients. If HCFA considers this pilot program successful, HCFA or Congress could lower the average Medicare reimbursement for dialysis.

If we charge private payors at rates less than our current rates, then our revenues and net income could be substantially reduced.

Approximately 39% of our net operating revenues in the first nine months of 1999 was generated from patients who had domestic private payors as the primary payor. Domestic private payors, particularly managed care payors, have become more aggressive in demanding contract rates approaching or at Medicare reimbursement rates. We believe that the financial pressures on private payors to decrease the rates at which they reimburse us will continue to increase and could have a material impact on our revenues and net income.

If our assumptions regarding the beneficial life of our goodwill prove to be inaccurate, or subsequently change, our current earnings may be overstated and future earnings also may be affected.

Our balance sheet has an amount designated as "goodwill" that represents 45% of our assets and 205% of our stockholders' equity at September 30, 1999. Goodwill arises when an acquiror pays more for a business than the fair value of the tangible and separately measurable intangible net assets. Generally accepted accounting principles require the amortization of goodwill and all other intangible assets over the period benefited. The current average useful life is 34 years for our goodwill and 21 years for all of our intangible assets that relate to business combinations. We have determined that most acquisitions after December 31, 1996 will continue to provide a benefit to us for no less than 40 years after the acquisition. In making this determination, we have reviewed with our independent accountants the significant factors that we considered in arriving at the consideration we paid for, and the expected period of benefit from, acquired businesses.

We continuously review the appropriateness of the amortization periods we are using and change them as necessary to reflect current expectations. This information is also reviewed with our independent accountants. If the factors we considered, and which give rise to a material portion of our goodwill, result in an actual beneficial period shorter than our determined useful life, earnings reported in periods immediately following some acquisitions would be

overstated. In addition, in later years, we would be burdened by a continuing charge against earnings without the associated benefit to income. Earnings in later years could also be affected significantly if we subsequently determine that the remaining balance of goodwill has been impaired.

23

Interruption in the supply of, or cost increases in, EPO could materially reduce our net income and affect our ability to care for our patients.

A single manufacturer, Amgen Corporation, produces EPO. In the future, Amgen may be unwilling or unable to supply us with EPO. Additionally, shortages in the raw materials or other resources necessary to manufacture EPO, or simply an arbitrary decision on the part of this sole supplier, may increase the wholesale price of EPO. Interruptions of the supply of EPO or increases in the price we pay for EPO could have a material adverse effect on our financial condition as well as our ability to provide appropriate care to our patients.

If we fail to identify, assess and respond successfully to the unique attributes of each of our foreign operations, our net income could be adversely affected.

We only recently commenced operations outside the U.S., and expect to enter additional foreign markets in the next few years. Our failure to identify, understand and respond to the unique attributes of any of the foreign markets that we enter could cause us to:

- . Overpay for acquisitions of foreign dialysis centers;
- . Fail to integrate foreign acquisitions into our operations successfully; and
- . Assess the performance of our foreign operations incorrectly.

The unique attributes of our foreign operations include:

- . Differences in payment and reimbursement rules and procedures, including unanticipated slowdowns in payments from large payors in Argentina;
- . Differences in accepted clinical standards and practices;
- . Differences in management styles and practices;
- . The unfamiliarity of foreign companies with U.S. financial reporting standards; and
- . Local laws that restrict or limit employee discharges and disciplinary actions.

If we fail to adhere to all of the complex government regulations that apply to our business, we could incur substantial fines or be excluded from participating in government reimbursement programs.

Our dialysis operations are subject to extensive federal, state and local government regulations in the U.S. and to extensive government regulation in every foreign country in which we operate. Any of the following could adversely impact our revenues:

- . Loss of required government certifications;
- . Loss of authorizations to participate in or exclusion from government reimbursement programs, such as the Medicare ESRD Program and Medicaid programs;
- . Suspension of payments from government programs;
- . Loss of licenses required to operate health care facilities in some of the states in which we operate; and
- . Any challenge to the relationships we have structured in some foreign countries to comply with barriers to direct foreign ownership of healthcare businesses.

The regulatory scrutiny of healthcare providers has increased significantly

in recent years. For example, the Office of Inspector General of HHS has reported that it recovered \$1.2 billion in fiscal year 1997 and \$480 million in fiscal year 1998 from health care fraud investigations.

24

- . We may never collect the revenues from the payments suspended as a result of an investigation of our laboratory subsidiary

Our Florida-based laboratory subsidiary is the subject of a third-party carrier review relating to claims the laboratory submitted for Medicare reimbursement. In May 1998, the carrier suspended all further Medicare payments to this laboratory. Medicare revenues from this laboratory represent approximately 2% of our net revenues. For the review periods the carrier has identified, January 1995 to April 1996, and May 1996 to March 1998, the carrier has alleged that the prescribing physician's medical justification did not properly support approximately 97% of the tests this laboratory performed. The carrier has determined that it overpaid this laboratory \$5.6 million for the period from January 1995 to April 1996, and \$14.2 million for the period from May 1996 to March 1998. The suspension of payments relates to all payments due after the suspension started, regardless of when this laboratory performed the tests. The carrier has withheld approximately \$27 million as of September 30, 1999, which has adversely affected our cash flow. We may never recover the amounts withheld.

- . Our failure to comply with federal and state fraud and abuse statutes could result in sanctions

Neither our arrangements with the medical directors of our facilities nor the minority ownership interests of referring physicians in some of our dialysis facilities meet all of the requirements of published safe harbors to the anti-kickback provisions of the Social Security Act and similar state laws. These laws impose civil and criminal sanctions on anyone who receives or makes payments for referring a patient for any service reimbursed by Medicare, Medicaid or similar federal and state programs. Arrangements within published safe harbors are deemed not to violate these provisions. Enforcement agencies may subject arrangements that do not fall within a safe harbor to greater scrutiny. If we are challenged under these statutes, we may have to change our relationships with our medical directors and with referring physicians holding minority ownership interests.

The laws of several states in which we do business prohibit a physician from making referrals for laboratory services to entities with which the physician, or an immediate family member, has a financial interest. We currently operate a large number of facilities in these states, which account for a significant percentage of our business. These state statutes could apply to laboratory services incidental to dialysis services. If so, we may have to change our relationships with referring physicians who serve as medical directors of our facilities or hold minority interests in any of our facilities.

We may not have sufficient cash flow from our business to service our debt.

The amount of our outstanding debt is large compared to the net book value of our assets, and we have substantial repayment obligations under our outstanding debt. As of September 30, 1999 we had:

- . Total consolidated debt of approximately \$1.4 billion;
- . Stockholders' equity of approximately \$482 million; and
- . A ratio of earnings to fixed charges of 1.07.

The following chart shows our aggregate interest and principal payments due on all of our currently outstanding debt for each of the next five fiscal years. Under interest swap agreements covering \$700 million of debt, the interest rate under our credit facilities varies based on the amount of debt we incur relative to our assets and equity. Accordingly, the amount of these interest payments could fluctuate in the future.

Interest Payments	Principal Payments
----------------------	-----------------------

For the year ending December 31:

2000.....	\$119,833,000	\$ 23,702,000
2001.....	110,742,000	97,874,000
2002.....	96,647,000	153,400,000
2003.....	66,576,000	327,901,000
2004.....	66,200,000	4,000,000

25

Due to the large amount of these principal and interest payments, we may not have enough cash to pay the interest on our debt as it becomes due.

The large amount and terms of our outstanding debt may prevent us from taking actions we would otherwise consider in our best interest.

Our credit facilities contain numerous financial and operating covenants that limit our ability, and the ability of most of our subsidiaries, to engage in activities such as incurring additional senior debt and disposing of our assets. These covenants require that we meet interest coverage, net worth and leverage tests.

Additionally, we are highly leveraged and, if we are not in compliance with our covenants, we may be required to renegotiate the terms of our credit facilities on terms that are more unfavorable to us, such as higher interest rates, shorter maturities or more restrictive borrowing terms; all of which may have an adverse impact on net income. Currently, as a result of the waivers granted by our lenders, we are in compliance with our credit facility covenants.

Our level of debt and the limitations our credit facilities impose on us could have other important consequences to you, including:

- . We will have to use a portion of our cash flow from operations, approximately \$143.5 million in 2000 and \$208.6 million in 2001, for debt service rather than for our operations;
- . We may not be able to obtain additional debt financing for future working capital, capital expenditures, acquisitions or other corporate purposes; and
- . We could be less able to take advantage of significant business opportunities, including acquisitions, and react to changes in market or industry conditions.

If a change of control occurs, we may not have sufficient funds to repurchase our outstanding notes.

Upon a change of control, generally the sale or transfer of a majority of our voting stock or almost all of our assets, our noteholders may require us to repurchase all or a portion of their notes. If a change of control occurs, we may not be able to pay the repurchase price for all of the notes submitted for repurchase. In addition, the terms of our credit facilities generally prohibit us from purchasing any notes until we have repaid all debt outstanding under these credit facilities. Future credit agreements or other agreements relating to debt may contain similar provisions. We may not be able to secure the consent of our lenders to repurchase our outstanding notes or refinance the borrowings that prohibit us from repurchasing our outstanding notes. If we do not obtain a consent or repay the borrowings, we could not repurchase these notes.

We may experience material unanticipated negative consequences beginning in the year 2000 due to undetected computer defects.

The Y2K issue concerns the potential exposures related to the automated generation of incorrect information from the use of computer programs which have been written using two digits, rather than four, to define the applicable year of business transactions. Due to the overall complexity of the Y2K issues and the uncertainty surrounding third party responses to Y2K issues, we cannot assure you that undetected errors or defects in our or third party systems or our failure to prepare adequately for the results of those errors or defects

will not cause us material unanticipated problems or costs.

The extent and magnitude of the Y2K problem as it will affect us, both before, and for some period after, January 1, 2000, are difficult to predict or quantify for a number of reasons. Among the most important are:

- . Our lack of control over third party systems that are critical to our operations, including those of telecommunications and utilities companies and governmental and non-governmental payors;
- . The complexity of testing interconnected internal and external computer networks, software applications and dialysis equipment; and
- . The uncertainty surrounding how others will deal with liability issues raised by Y2K-related failures.

26

Moreover, the estimated costs of implementing our plans for fixing Y2K problems do not take into account the costs, if any, that we might incur as a result of Y2K-related failures that occur despite our implementation of these plans.

While we are developing contingency plans to address possible computer failure scenarios, we recognize that there are "worst case" scenarios which may occur. We may experience the extended failure of external and internal computer networks and equipment that control

- . Medicare, Medicaid and other third party payors' ability to reimburse us;
- . Regional infrastructures, such as power, water and telecommunications systems;
- . Equipment and machines that are essential for the delivery of patient care; and
- . Computer software necessary to support our billing process.

If any one of these events occurs, our cash flow could be materially reduced. Even in the absence of a failure of these networks and equipment, we will likely continue to incur costs related to remediation efforts, the replacement or upgrade of equipment, continued efforts regarding contingency planning, increased staffing for the periods immediately preceding and after January 1, 2000 and the possible implementation of alternative payment schemes with our payors.

Provisions in our charter documents may deter a change of control which our stockholders may otherwise determine to be in their best interests.

Our certificate of incorporation and bylaws and the Delaware General Corporation Law include provisions which may deter hostile takeovers, delay or prevent changes in control or changes in our management, or limit the ability of our stockholders to approve transactions that they may otherwise determine to be in their best interests. These provisions include:

- . A provision requiring that our stockholders may take action only at a duly called annual or special meeting of our stockholders and not by written consent;
- . A provision requiring a stockholder to give at least 60 days' advance notice of a proposal or director nomination that the stockholder desires to present at any annual or special meeting of stockholders; and
- . A provision granting our board of directors the authority to issue up to five million shares of preferred stock and to determine the rights and preferences of the preferred stock without the need for further stockholder approval. The existence of this "blank-check" preferred stock could discourage an attempt to obtain control of us by means of a tender offer, merger, proxy contest or otherwise. Furthermore, this "blank-check" preferred stock may have other rights, including economic rights, senior to our common stock. Therefore, issuance of the preferred stock could have an adverse effect on the market price of our common stock.

We may, in the future, adopt other measures that may have the effect of

delaying, deferring or preventing an unsolicited takeover, even if such a change in control were at a premium price or favored by a majority of unaffiliated stockholders. We may adopt certain of these measures without any further vote or action by our stockholders.

Forward-looking statements

We believe that this Form 10-Q contains statements that are forward-looking statements within the meaning of the federal securities laws. These include statements about our expectations, beliefs, intentions or strategies for the future, which we indicate by words or phrases such as "anticipate," "expect," "intend," "plan," "will," "believe" and similar language. These statements involve known and unknown risks, including risks resulting from economic and market conditions, the regulatory environment in which we operate, competitive activities and other business conditions, and are subject to uncertainties and assumptions set forth elsewhere in this Form 10-Q. Our actual results may differ materially from results anticipated in these forward-looking statements. We base our forward-looking statements on information currently available to us, and we assume no obligation to update these statements.

27

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

The information in Note 9 of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report is incorporated by this reference in response to this item. Please see our quarterly report on Form 10-Q for the quarter ended June 30, 1999 for additional information.

Items 2, 3, 4 and 5 are not applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 10.1 Employment Agreement, dated as of October 18, 1999, by and between TRCH and Kent J. Thiry.*
- 10.2 Agreement, dated as of October 6, 1999, by and between TRCH and Victor M.G. Chaltiel.*
- 10.3 Agreement, dated as of October 18, 1999, by and between TRCH and John E. King.*
- 10.4 Consulting Agreement, dated as of October 1, 1998, by and between Total Renal Care, Inc. and Shaul G. Massry, M.D.*
- 10.5 Amendment No. 4 and Waiver, dated as of November 8, 1999, to and under the Revolving Credit Agreement.
- 10.6 Limited Waiver and Third Amendment, dated as of November 8, 1999, to the Term Loan Agreement.
- 12.1 Statement re computation of ratio of earnings to fixed charges.
- 27.1 Financial Data Schedule--three months ended September 30, 1999 and 1998.
- 27.2 Financial Data Schedule--nine months ended September 30, 1999 and nine months ended September 30, 1998.

* Management contract or executive compensation plan or arrangement.

(b) Reports on Form 8-K

None.

28

SIGNATURES

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.

/s/ John J. McDonough

By: _____
John J. McDonough
Vice President and
Chief Accounting Officer

Date: November 15, 1999

John J. McDonough is signing in the dual capacities as the registrant's principal accounting officer and a duly authorized officer of the registrant.

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into as of October 18, 1999 by and between Total Renal Care Holdings Corp. (the "Company") and Kent J. Thiry ("Executive").

In consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the parties hereto, intending to be legally bound hereby, agree as follows:

Section 1. Employment and Duties. The Company hereby employs Executive to serve as Chief Executive Officer and Chairman of the Board of the Company during the Term (as such term is defined in Section 3). Executive accepts such employment on the terms and conditions set forth in this Agreement. Executive shall perform the duties of Chairman of the Board and Chief Executive Officer of the Company and shall perform such other duties consistent with such positions as may be assigned to Executive from time to time by the Board of Directors of the Company (the "Board"). Executive shall devote his best efforts and skills to the business and interests of the Company on a full-time basis, provided, however, that from the date hereof through November 22, 1999 or such earlier date as Executive may determine (the "Transition Period"), Executive shall be employed on a half-time basis to enable Executive to complete certain other business activities in which he is currently involved (the "Transition Activities"). Except for the Transition Activities during the Transition Period, Executive shall not engage in any other business activity during the Term; provided, however, that, to the extent such activities do not adversely affect the performance of his responsibilities to the Company hereunder, Executive may (i) manage his personal investments and participate in charitable and civic affairs, (ii) serve on the boards of directors of the three for-profit corporation boards on which he serves as of the date hereof, and (iii) serve on such additional for-profit corporate boards as the Board may expressly approve. Executive shall use his best efforts to establish a residence in the greater Los Angeles metropolitan area no later than December 31, 1999, but shall establish such a residence in any event no later than January 31, 2000. Executive shall at all times observe and abide by the Company's policies and procedures as in effect from time to time.

Section 2. Compensation. In consideration of the services to be performed by Executive hereunder, Executive shall receive the following compensation and benefits:

2.1 Base Salary. During the Transition Period, Executive shall be paid a base salary at the rate of \$250,000 per annum, payable in installments consistent with the Company's payroll schedule. From and after the Transition Period and for the remainder of the Term, Executive shall be paid an annual base salary (the "Base Salary") which shall be payable in installments consistent with the Company's payroll schedule. The Base Salary for the period beginning immediately after the last day of the Transition Period through December 31, 2000 shall be \$500,000 per year. The Base Salary shall be subject to increase by the Board for each calendar year thereafter for increases, if any, in the Consumer Price Index for the most proximate geographic area in which Executive is then employed (as published by the United States Department of Labor for the immediately preceding calendar year) and will be reviewed each year during the Company's annual salary review and the Company may, in its sole discretion, increase the Base Salary as a result of any such review.

2.2 Benefits. Commencing on the date hereof and for the remainder of the Term, Executive shall (i) be provided with employee benefits (including health insurance, long term disability insurance and dental insurance) on the same basis as such benefits are generally made available to other senior executives of the Company, (ii) be eligible to participate in the Company's 401(k) Plan on the same basis as other senior executives of the Company, (iii) be provided with \$1,500,000 in term life insurance, (iv) receive an automobile allowance of \$1,000 per month, (v) be reimbursed in accordance with the Company's reimbursement policies (or otherwise as expressly approved by the Board) for travel and entertainment expenses, cell phone charges and other business related expenses incurred in the performance of his duties hereunder, (vi) be reimbursed for

expenses related to his involvement in the Young President's Organization, and (vii) be entitled to four (4) weeks paid vacation per year. The Company shall reimburse Executive for up to \$150,000 in moving and related costs incurred in establishing a residence in the greater Los Angeles metropolitan area as required by Section 1 (and to the extent that such reimbursement is taxable to Executive, the Company shall pay to Executive such additional amount as shall be necessary to pay the taxes thereon on an after tax-basis).

2.3 Bonuses.

(a) For each calendar year commencing with calendar year 2000, Executive shall be eligible to receive a bonus (the "Bonus") based upon the achievement of performance goals to be mutually agreed upon by Executive and the Board from year to year, with the target bonus to be equal to 100% of the Base Salary for such year and the maximum bonus to be equal to 150% of such Base Salary; provided, however, that, subject to the provisions of Section 2.3(b) below, Executive shall be guaranteed a Bonus of at least \$500,000 for calendar year 2000. In addition to the foregoing, the Board shall develop an appropriate bonus package for Executive for the period following the Transition Period through December 31, 1999.

(b) The Bonus for each year shall be paid within 75 days after the last day of such year. Executive must be employed by the Company (or an affiliate) on the date any Bonus is paid to be eligible to receive such Bonus and, if Executive is not employed by the Company (or an affiliate) on the date any Bonus is paid for any reason whatsoever, Executive shall not be entitled to receive such Bonus; provided, however, that in the event Executive dies or is terminated by the Company by reason of Disability (as defined below), Executive (or his estate) shall be entitled to receive, at such time as bonuses for such year are otherwise paid, a pro rated Bonus for that portion of any year prior to such termination (or for the whole year and a portion of a year if such termination occurs after December 31 of any year and prior to the date on which the Bonus for such year is paid) regardless of whether Executive is employed on the date such Bonus is paid; and provided further, that, in the event Executive is terminated without Material Cause (as defined below) or resigns following Constructive Discharge (as defined below) at any time, Executive shall be entitled to receive a Bonus for the year in which such termination occurs equal to the Bonus, if any, which he received for the immediately preceding calendar year (or, if such termination occurs prior to December 31, 2000, Executive shall be entitled to receive a bonus equal to \$500,000), which Bonus shall be payable within five business days of the effective date of such termination.

2.4 Stock Options.

(a) Executive shall receive two nonqualified stock options under the Company's 1997 Equity Compensation Plan (the "Stock Options"), one of which shall be granted on the date hereof and shall entitle Executive to purchase up to 500,000 shares of the Company's common stock ("Common Stock") and shall have an exercise price of \$6.00 (the last sale price on October 15, 1999 (i.e., the last trading day prior to the date hereof), and one of which shall be granted on January 26, 2000 (i.e., 100 days after the date hereof) and shall entitle Executive to purchase 500,000 shares of Common Stock and shall have an exercise price equal to the average of the last sale price for the Common Stock on January 19, 2000 through January 26, 2000, inclusive. Each of the Stock Options shall vest 25% on each anniversary of the date hereof, such that all of the Stock Options shall be fully vested on October 18, 2003; provided, however, that the Stock Options shall become fully vested immediately upon a Change of Control; and provided further, that the Stock Options shall provide for automatic acceleration of the vesting of the final annual installment at such time as the closing price for the Common Stock as reported on the New York Stock Exchange exceeds \$16.89 for any ten days out of any twenty day period.

Section 3. Term.

3.1 Commencement. The term of Executive's employment hereunder shall commence on the date hereof and, unless sooner terminated as provided herein, shall continue thereafter until December 31, 2001; provided, however, that such term shall automatically be extended for an additional period of one year on December 31, 2001 and on each December 31 thereafter unless the Company delivers written notice to Executive of the Company's intention not to so extend the term no later than the September 30 prior to any such December 31. The term of Executive's employment hereunder is referred to herein as the

"Term."

3.2 Termination for Material Cause. The Company may terminate Executive's employment for Material Cause (as defined below) upon at least thirty (30) days' advance written notice specifying in detail the cause for termination and the intended termination date. Prior to the effective date of any termination for Material Cause, Executive shall have been offered an opportunity to meet and confer in person with at least two (2) Board members regarding the grounds for such intended termination. Upon termination for Material Cause, Executive shall (i) be entitled to receive the Base Salary and benefits as set forth in Section 2.1 and Section 2.2, respectively, through the effective date of such termination and (ii) not be entitled to receive any other compensation, benefits or payments of any kind, except as otherwise required by law or by the terms of any benefit or retirement plan or other arrangement that would, by its terms, apply.

3.3 Other Termination. The Company may terminate the employment of Executive prior to the expiration of the Term for any reason or for no reason at any time upon at least thirty (30) days' advance written notice. If the Company terminates the employment of Executive prior to the expiration of the Term other than for Material Cause or Disability, or if Executive resigns within sixty (60) days following Constructive Discharge, Executive shall (i) be entitled to receive the Base Salary and benefits as set forth in Section 2.1 through the effective date of such termination, (ii) be entitled to receive the Bonus provided for in Section 2.3(b), (iii) be entitled to continue to receive the Base Salary in effect as of the date of such termination for the two year period following the effective date of such termination (the "Severance Period"), subject to the limitation set forth below, (iv) be entitled to continue to receive during the Severance Period the employee health insurance benefits set forth in Section 2.2 to the extent such benefits can be provided under the Company's health insurance policies and programs in effect at the effective time of such termination and, to the extent such benefits cannot be provided under such policies and programs, the Company shall purchase for Executive reasonably equivalent health insurance benefits during the Severance Period, subject to the limitation set forth below, and (v) not be entitled to receive any other compensation, benefits or payments of any kind, except as otherwise required by law or by the terms of any benefit or retirement plan or other arrangement that would, by its terms, apply. The foregoing notwithstanding, in the event Executive accepts employment with another employer during the Severance Period, (x) Executive shall immediately notify the Company of such employment, (y) the Company's obligation to continue to pay the Base Salary pursuant to clause (ii) of the immediately preceding sentence shall be reduced by the amount of any compensation earned by Executive during the Severance Period in connection with such employment, and (z) the Company's obligation to continue to provide certain health insurance benefits pursuant to clause (iii) of the immediately preceding sentence shall terminate.

3.4 Voluntary Resignation. Executive may resign from the Company at any time upon at least ninety (90) days' written notice. If Executive resigns from the Company other than within sixty (60) days following Constructive Discharge, Executive shall (i) be entitled to receive the Base Salary and benefits as set forth in Section 2.1 and Section 2.2, respectively, through the effective date of such termination and (ii) not be entitled to receive any other compensation, benefits or payments of any kind, except as otherwise required by law or by the terms of any benefit or retirement plan or other arrangement that would, by its terms, apply. In the event Executive resigns from the Company at any time, the Company shall have the right to make such resignation effective as of any date prior to the expiration of any required notice period.

3.5 Death. In the event of Executive's death, Executive's estate shall (i) be entitled to receive the Base Salary and benefits as set forth in Section 2.1 and Section 2.2, respectively, through the date of Executive's death, (ii) be entitled to receive the Bonus provided for in Section 2.3(b) pro rated for the period through the date of Executive's death and (iii) not be entitled to receive any other compensation, benefits or payments of any kind, except as otherwise required by law or by the terms of any benefit or retirement plan or other arrangement that would, by its terms, apply.

3.6 Disability. Upon thirty (30) days' notice (which notice may be given prior to the completion of the periods described herein), the Company may terminate Executive's employment for Disability, provided that either (i) immediately upon the effective date of such termination, Executive shall be eligible to

receive full disability benefits under the disability insurance, if any, provided to Executive by the Company, or (ii) the

3

Company shall continue to pay the Base Salary to Executive until the first to occur of (A) full disability benefits are received or (B) one (1) year from the effective date of such termination.

3.7 Definition. For the purposes of this Section 3 the following terms shall have the meanings indicated:

(a) "Change of Control" shall mean (i) any transaction or series of transactions in which any person or group (within the meaning of Rule 13d-5 under the Exchange Act and Sections 13(d) and 14(d) of the Exchange Act) becomes the direct or indirect "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), by way of a stock issuance, tender offer, merger, consolidation, other business combination or otherwise, of greater than 40% of the total voting power (on a fully diluted basis as if all convertible securities had been converted and all warrants and options had been exercised) entitled to vote in the election of directors of the Company (including any transaction in which the Company becomes a wholly owned or majority owned subsidiary of another corporation), (ii) any merger or consolidation or reorganization in which the Company does not survive, (iii) any merger or consolidation in which the Company survives, but the shares of the Company's Common Stock outstanding immediately prior to such merger or consolidation represent 40% or less of the voting power of the Company after such merger or consolidation, and (iv) any transaction in which more than 40% of the Company's assets are sold.

(b) "Constructive Discharge" shall mean the occurrence of any of the following events after the date of a Change of Control without Executive's express written consent: (i) the scope of Executive's authority, duties and responsibilities are materially diminished or are not (A) in the same area of operations, (B) in the same corporate and reporting capacity (and standing in the same relationship to the ultimate parent entity, e.g., reporting to the Board of Directors of a subsidiary will not be deemed to constitute the same corporate and reporting capacity as reporting to the Board of Directors of the ultimate parent entity) or (C) of the same general nature as Executive's authority, duties and responsibilities with the Company immediately prior to such Change of Control; (ii) the failure by the Company to provide Executive office accommodations and assistance substantially equivalent to the accommodations and assistance provided to Executive immediately prior to such Change of Control; (iii) the principal office to which Executive is required to report is changed to a location which is more than twenty (20) miles from the principal office to which Executive is required to report immediately prior to such Change of Control; or (iv) a reduction by the Company in Executive's Base Salary, bonus arrangement or other material benefits as in effect on the date of such Change of Control or as the same may be increased thereafter.

(c) "Disability" shall mean the inability, for a period of six (6) months to adequately perform Executive's regular duties, with or without accommodation, due to a physical or mental illness, condition or disability.

(d) "Material Cause" shall mean: (i) conviction of a felony involving moral turpitude relating to the business of the Company and which does, in fact, adversely and directly affect the business of the Company; (ii) the adjudication by a court of competent jurisdiction that Executive has committed any act of fraud or dishonesty resulting or intended to result directly or indirectly in personal enrichment at the expense of the Company; (iii) repeated failure or refusal by Executive to follow policies or directives reasonably established by the Board that goes uncorrected for a period of thirty (30) consecutive days after written notice has been provided to Executive; or (iv) a material breach by Executive of this Agreement that goes uncorrected for a period of thirty (30) consecutive days after written notice has been provided to Executive.

3.8 Notice of Termination. Any purported termination of Executive's employment by the Company or by Executive shall be communicated by a written Notice of Termination to the other party hereto in accordance with Section 8.5 hereof. A "Notice of Termination" shall mean a written notice that indicates the specific termination provision in this Agreement relied upon and sets forth in

reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment.

4

3.9 Rights and Obligations Upon Termination. The termination of Executive's employment shall not modify or affect the rights and obligations of the parties, if any, under this Section 3 or under Section 5, Section 6, Section 7 or Section 8.

Section 4. Board of Directors. By action taken at a special meeting held on October 14, 1999, the Board increased the authorized number of Directors from five to seven and elected Executive to fill one of the newly created vacancies, such election to be subject to the execution of this Agreement and to be effective as of the date hereof. In connection with the annual meeting of the Company's stockholders scheduled for December, 1999, the Board shall designate a nominating committee to recommend to the Board a slate of directors to stand for election at such annual meeting and shall appoint Executive to serve as one of the members of such committee, it being understood and agreed that the slate of Directors to be nominated at such meeting shall be approved by the Board as a whole. The termination of Executive's employment for any reason shall constitute Executive's resignation from the Board without any further action on the part of the Company or Executive. The foregoing notwithstanding, Executive shall execute upon request a written resignation from the Board following the termination of his employment for any reason.

Section 5. Certain Covenants of Executive.

5.1 Confidential Information.

(a) Executive acknowledges and agrees that: (i) in the course of his employment or continued employment by the Company, it will or may be necessary for Executive to create, use or have access to (A) technical, business, or customer information, materials, or data relating to the Company's present or planned business which has not previously been released to the public with the Company's authorization, including, but not limited to, confidential information, materials or proprietary data belonging to the Company or relating to the Company's affairs (collectively, "Confidential Information") and (B) information and materials that concern the Company's business that come into Executive's possession by reason of employment with the Company (collectively, "Business Related Information"); (ii) all Confidential Information and Business Related Information are the property of the Company; (iii) the use, misappropriation or disclosure of any Confidential Information or any Business Related Information would constitute a breach of trust and could cause serious and irreparable injury to the Company; and (iv) it is essential to the protection of the Company's goodwill and to the maintenance of the Company's competitive position that all Confidential Information and Business Related Information be kept confidential and that Executive not disclose any Confidential Information or Business Related Information to others or use any Confidential Information or Business Related Information to Executive's own advantage or the advantage of others.

(b) In recognition of the acknowledgments contained in Section 5.1(a) above, Executive agrees that, during the Term and thereafter until the Confidential Information and Business Related Information becomes publicly available (otherwise than through breach by Executive), Executive shall: (i) hold and safeguard all Confidential Information and Business Related Information in trust for the Company, its successors and assigns; (ii) not appropriate or disclose or make available to anyone for use outside of the Company's organization at any time, either during employment with the Company or subsequent to the termination of employment with the Company for any reason, any Confidential Information or Business Related Information, whether or not developed by Executive, except as required in the performance of Executive's duties to the Company; (iii) keep in strictest confidence any Confidential Information or Business Related Information; and (iv) not disclose or divulge, or allow to be disclosed or divulged by any person within Executive's control, to any person, firm or corporation, or use directly or indirectly, for Executive's own benefit or the benefit of others, any Confidential Information or Business Related Information.

5

5.2 Competition.

(a) Executive agrees that, during the Term and for a period following the Term ending on the first to occur of (A) the second anniversary of the termination of Executive's employment and (B) the period following the Term which is equal to the length of the Term, Executive shall not: (i) directly or indirectly, on Executive's behalf or as an officer, director, consultant, partner, owner, stockholder, employee, creditor, agent, trustee or advisor of any individual, partnership or limited liability company, corporation, independent practice association or management services organization or other entity ("Person") that is in the business of, or directly or indirectly derives any economic benefit from, providing, arranging, offering, managing or subcontracting dialysis services or renal care services; or (ii) in any other capacity, own, manage, control, operate, invest or acquire an interest in or otherwise engage in or act for or on behalf of any Person (other than the Company and its subsidiaries and affiliates) engaged in any activity in the United States and those countries outside the United States in which the Company or any of its subsidiaries or affiliates is conducting any business as of the date on which Executive's employment hereunder terminates, where such activity is similar to or competitive with the activities carried on by the Company or any of its subsidiaries or affiliates. As used herein, the term "dialysis services" or "renal care services" includes, but shall not be limited to, all dialysis services and nephrology-related services provided by the Company as of the date on which Executive's employment hereunder terminates, including, but not limited to, hemodialysis, acute dialysis, apheresis services, peritoneal dialysis of any type, staff-assisted hemodialysis, home hemodialysis, dialysis-related laboratory and pharmacy services, access-related services, Method II dialysis supplies and services, and any other service or treatment for persons diagnosed as having end stage renal disease ("ESRD") or pre-end stage renal disease, as well as any dialysis services provided in an acute hospital. To the extent such regulation is changed or amended, the term "ESRD" shall have the same meaning as set forth in Title 42, Code of Federal Regulations 405.2101 et seq. or any successor thereto. Executive acknowledges that the nature of the Company's activities is such that competitive activities could be conducted effectively regardless of the geographic distance between the Company's place of business and the place of any competitive business. Notwithstanding anything herein to the contrary, such activity shall not include the ownership of 5% or less of the issued and outstanding stock of a public company.

(b) Executive agrees that, during the Term and for a period of two (2) years from the date Executive's employment terminates for any reason, Executive shall not, directly or indirectly: (i) induce any patient or customer of the Company, either individually or collectively, to patronize any competing dialysis facility; (ii) request or advise any patient, customer or supplier of the Company to withdraw, curtail or cancel such person's business with the Company; (iii) enter into any contract the purpose or result of which would benefit Executive if any patient or customer of the Company were to withdraw, curtail or cancel such person's business with the Company; (iv) solicit, induce or encourage any physician (or former physician) affiliated with the Company or induce or encourage any other person employed by or under contract with the Company to curtail or terminate such person's affiliation or employment or contractual relationship with the Company; (v) disclose to any Person the names or physician addresses of any customer of the Company; or (vi) disparage the Company or any of its agents, employees or affiliate physicians in any fashion.

5.3 Enforcement. In the event that any part of this Section 5 shall be held unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions had not been a part hereof. In the event that the area, period of restriction, activity or subject established in accordance with this Section 5 shall be deemed to exceed the maximum area, period of restriction, activity or subject that a court of competent jurisdiction deems enforceable, such area, period of restriction, activity or subject shall, for the purpose of this Section 5, be reduced to the extent necessary to render them enforceable.

5.4 Equitable Relief. Executive agrees that any violation by Executive of any covenant in this Section 5 may cause such damage to the Company as will be serious and irreparable and the exact amount of which will be difficult to ascertain, and for that reason, Executive agrees that the Company shall be

entitled, as a matter of

6

right, to a temporary, preliminary and/or permanent injunction and/or other injunctive relief, ex parte or otherwise, from any court of competent jurisdiction, restraining any further violations by Executive. Such injunctive relief shall be in addition to and in no way in limitation of, any and all other remedies the Company shall have in law and equity for the enforcement of such covenants and provisions.

5.5 Documents. Upon the termination of Executive's employment with the Company for any reason, Executive shall promptly deliver to the Company all materials and documents belonging to or concerning the Company or relating to its affairs and, without limiting the foregoing, will promptly deliver to the Company any and all other documents or materials containing or constituting Confidential Information or Business Related Information.

Section 6. Excess Parachute Payment. In the event that any payment or benefit received or to be received by Executive in connection with a Change of Control, whether payable pursuant to the terms of this Agreement or any other plan, arrangement or agreement by the Company, any predecessor or successor to the Company or any corporation affiliated (within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code")) with the Company or which becomes so affiliated pursuant to the transactions resulting in a Change of Control (collectively all such payments are hereinafter referred to as the "Total Payments") is deemed to be an "Excess Parachute Payment" (in whole or in part) to Executive within the meaning of Section 280G(b)(1) of the Code, as in effect at such time, no change shall be made to the Total Payments to be made in connection with the Change of Control, except that, in addition to all other amounts to be paid to Executive by the Company hereunder, the Company shall, within thirty (30) days of the date on which any Excess Parachute Payment is made, pay to Executive, in addition to any other payment, coverage or benefit due and owing hereunder, an amount determined by (i) multiplying the rate of excise tax then imposed by Code Section 4999 by the amount of the "Excess Parachute Payment" received by Executive (determined without regard to any payments made to Executive pursuant to this Section 6 and (ii) dividing the product so obtained by the amount obtained by subtracting (A) the aggregate local, state and Federal income tax rates (including the value of the loss of itemized deductions under Section 68 of the Internal Revenue Code) applicable to the receipt by Executive of the "Excess Parachute Payment" (taking into account the deductibility for Federal income tax purposes of the payment of state and local income taxes thereon) from (B) the amount obtained by subtracting from 1.00 the rate of excise tax then imposed by Section 4999 of the Code. It is the Company's intention that Executive's net after-tax position be identical to that which would have obtained had Sections 280G and 4999 not been part of the Code. For purposes of implementing this Section 6, (i) no portion, if any, of the Total Payments, the receipt or enjoyment of which Executive shall have effectively waived in writing prior to the date of payment of the Total Payments, shall be taken into account, and (ii) the value of any non-cash benefit or any deferred cash payment included in the Total Payments shall be determined by the Company's independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

Section 7. Representations, Warranties and Agreements of Executive. Executive represents and warrants to the Company that (i) he has resigned as an officer of VSP Holdings, Inc. and all affiliated companies (except that he has not resigned as the non-executive Chairman of the Board of VSP Holdings, Inc. and Vivra Asthma-Allergy, Inc.) and, as of the date hereof, is not an officer of any other corporation or other entity, (ii) the performance of this Agreement will not breach any other agreement or obligation by which Executive is bound to keep in confidence proprietary information acquired by Executive or in confidence or in trust prior to employment by the Company and or any agreement restricting or purporting to restrict his right to perform services for the Company and (iii) he has not taken and does not have in his possession or control any confidential information or property relating to any former employer. Executive agrees that he will not use confidential information or property of any other employer while employed by the Company. Executive shall indemnify and hold the Company harmless for any breach the representations, warranties and agreements set forth in this Section 7, including reasonable attorney's fees and costs of suit.

7

Section 8. Miscellaneous.

8.1 Mediation of Disputes Concerning Employment. In the event of any dispute concerning Executive's employment by the Company, whether or not relating to this Agreement, Executive and the Company shall first attempt to resolve such dispute through mediation as provided in this Section 8.1 before instituting any legal action or other proceedings with respect thereto; provided, however, that neither party shall be required to utilize such mediation procedures to the extent that equitable relief is being sought by a party in the good faith belief that an immediate remedy is required to avoid irreparable injury to such party. Except as otherwise provided in the proviso to the immediately preceding sentence, in the event that either party desires to institute litigation or other legal proceedings to resolve a dispute concerning Executive's employment by the Company, such party shall first give written notice to the other party setting forth in detail the nature of the dispute and the facts which such party believes supports such party's position in such dispute. The parties shall then promptly (and, in any event, within ten (10) business days of the giving of notice of a dispute) engage the services of an impartial, experienced employment mediator (the "Mediator") under the auspices of JAMS/Endispute (or such other mediation service as the parties may mutually select) in Los Angeles County, California and shall promptly schedule a mediation session with the Mediator for a date which is not later than forty five (45) days after the date of the selection of the Mediator. The Mediator shall conduct a one-day mediation session, attended by both parties and their counsel, in an attempt to informally resolve the dispute. By oral or written agreement of both parties, follow-up or additional mediation sessions may be scheduled, but neither party shall be required to participate in more than one day of mediation. Neither party shall be required to submit briefs or position papers to the Mediator, but both parties shall have the right to do so, subject to such rules and procedures as the Mediator may establish in his or her sole discretion. Except as otherwise agreed by the parties, all written submissions to the Mediator shall remain confidential as between the submitting party and the Mediator. The mediation process shall be treated as a settlement negotiation and no evidence introduced in the mediation process may be used in any way by either party or any other person in connection with any subsequent litigation or other legal proceedings (except to the extent independently obtained through discovery in such litigation or proceedings) and the disclosure of any privileged information to the Mediator shall not operate as a waiver of privilege with respect to such information. Each party shall bear all of its own costs, attorneys' fees and expenses related to preparing for and attending any mediation conducted under this Agreement. The fees and expenses of the Mediator and the mediation service used, if any, shall be borne equally by the Company and Executive.

8.2 Entire Agreement; Amendment. This Agreement and the Stock Options represent the entire understanding of the parties hereto with respect to the employment of Executive and supersede all prior agreements with respect thereto. This Agreement may not be altered or amended except in writing executed by both parties hereto.

8.3 Assignment Benefit. This Agreement is personal and may not be assigned by Executive. This Agreement may be assigned by the Company and shall inure to the benefit of and be binding upon the successors and assigns of the Company.

8.4 Applicable Law. This Agreement shall be governed by the laws of the State of California, without regard to the principles of conflicts of laws.

8.5 Notice. Notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the Company at its principal office and to Executive at Executive's principal residence as shown in the Company's personnel records, provided that all notices to the Company shall be directed to the attention of the Board of Directors with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

8.6 Waiver. The waiver by any party of a breach of any provision of this Agreement by the other shall not operate or be construed as a waiver of any other or subsequent breach of such or any provision.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date and year first above written.

TOTAL RENAL CARE HOLDINGS, INC.
/s/ Maris Andersons

EXECUTIVE
/s/ Kent J. Thiry

By: _____
Maris Andersons, Director

_____ Kent J. Thiry

AGREEMENT

THIS AGREEMENT (this "Agreement") is entered into on October 6, 1999 by and between Victor M.G. Chaltiel ("Mr. Chaltiel") and Total Renal Care Holdings, Inc., a Delaware corporation (the "Company").

R E C I T A L S:

A. Mr. Chaltiel has tendered his resignation as an employee and as an officer of the Company and all of its subsidiaries and affiliated entities effective as of August 4, 1999 (the "Effective Date").

B. The Company and Mr. Chaltiel desire to provide for certain payments in connection with his resignation and to provide for certain other agreements between them as set forth herein.

A G R E E M E N T:

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants contained herein, the parties agree as follows:

1. Confirmation of Resignation. Mr. Chaltiel hereby confirms his resignation as an employee and as an officer of the Company and all of its subsidiaries and affiliated entities effective as of the Effective Date. Mr. Chaltiel's resignation as an employee and officer of the Company shall not affect his status as a member of the Board of Directors of the Company.

2. Termination of Employment Agreement. The Company and Mr. Chaltiel acknowledge and agree that, effective as of the Effective Date, all of their respective rights and obligations under that certain Employment Agreement dated as of August 11, 1994, as amended through the date hereof, between the Company and Mr. Chaltiel (the "Employment Agreement"), shall be deemed to have terminated and to be of no further force or effect.

3. Payment by the Company; Termination of Benefits. The Company shall pay (i) separation pay by issuing a check in the amount of Seven Hundred and Sixty Six Thousand Five Hundred and Eighty Dollars and No Cents (\$766,580.00) made payable to Victor M.G. Chaltiel, which check shall be delivered to Mr. Chaltiel one business day after the expiration of the rescission period referred to in Section 16(k) below at such address as he may request (the "Separation Payment"), and (ii) Mr. Chaltiel's legal fees in connection with the negotiation of this Agreement and related matters by issuing a check in the amount of Nine Thousand Dollars and No Cents (\$9,000.00) made payable to "Munger, Tolles & Olson LLP" for attorneys' fees and costs (the "Attorneys' Fees Portion"), which check shall be delivered to Munger, Tolles & Olson LLP one business day after the expiration of the rescission period referred to in Section 16(k) below at 355 South Grand Avenue, Thirty Fifth Floor, Los Angeles, California 90071-1560. The Company shall report the Separation Payment on a Form 1099 for federal income tax purposes for Mr. Chaltiel and the Attorneys' Fees Portion on a Form 1099 for federal income tax purposes for Munger, Tolles & Olson. Mr. Chaltiel shall be responsible for the payment of any all federal, state and local taxes due with respect to the Separation Payment and shall indemnify and hold the Company harmless from any cost, expense or liability resulting from any failure to pay any such taxes. The Company acknowledges and agrees that the payments provided for in this Section 3 are being made pursuant to a negotiated agreement with Mr. Chaltiel and not pursuant to any provision of the Employment Agreement. Mr. Chaltiel acknowledges and agrees that, except for the payment to be made as provided in this Section 3 and the expense reimbursements to be paid as provided in Section 4 below, he has received all salary and other payments of any kind to which he was entitled through the Effective Date, including, without limitation, all accrued vacation pay and similar payments to which he was entitled as an officer or an employee of the Company. From and after the Effective Date, Mr. Chaltiel shall not be entitled to participate in any of the Company's employee benefit plans, including but not limited to its 401(k) plan and its health, disability and life insurance programs, except to the extent required by law (e.g., pursuant to COBRA) and except to the extent he is entitled to participate in any such plan by virtue of his status as a director of the Company.

4. Expense Reimbursement. Notwithstanding any other provision of this Agreement, Mr. Chaltiel may submit requests for reimbursement of business related expenses for which he may be entitled to reimbursement pursuant to Section 4.6 of the Employment Agreement or otherwise pursuant to any Company policy (including any payments related to his private use of the Company's airplane); provided, however, that any and all such reimbursement requests must be submitted no later than October 29, 1999 in order to be considered for reimbursement.

5. Amendment of Stock Options. Pursuant to authorization of the Board of Directors of the Company, the non-qualified stock option held by Mr. Chaltiel to purchase up to 166,667 shares of common stock of the Company (the "Stock Option") is hereby amended to provide that the unvested portion of the Stock Option (covering 55,555 shares) shall be deemed fully vested as of the Effective Date. The Stock Option shall be exercisable at any time prior to August 4, 2002, and shall expire on such date to the extent not exercised prior thereto.

6. No Effect on Indemnification Agreement. This Agreement shall have no effect on, and shall not limit in any way, the obligations of the Company pursuant to the terms of that certain Indemnification Agreement dated as of October 25, 1995 by and between the Company and Mr. Chaltiel, a copy of which is attached hereto as Exhibit A (the "Indemnification Agreement").

7. Assistance and Cooperation. Mr. Chaltiel shall assist the Company and cooperate in preparing for any and all litigation, arbitration proceedings, investigations and other legal proceedings (collectively, "Legal Proceedings") relating to matters which occurred during his tenure with the Company and as to which the Company may reasonably request his assistance. Without limiting the generality of the foregoing, Mr. Chaltiel shall (i) make himself available at such times as may reasonably be requested for depositions in connection with any Legal Proceedings, (ii) make himself available to testify in any Legal Proceedings and (iii) assist the Company in preparing responses to requests for written discovery in any Legal Proceedings. Mr. Chaltiel shall be reimbursed for all of his out-of pocket expenses in providing such assistance to the Company.

8. Confidentiality.

(a) Mr. Chaltiel shall not at any time disclose or use for his own benefit or purposes or for the benefit or purposes of any other person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise other than the Company and any of its subsidiaries or affiliates, any trade secrets, information, data, or other confidential information relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, financing methods, plans, or the business and affairs of the Company generally, or any subsidiary or affiliate of the Company; provided that the foregoing shall not apply when such information is lawfully obtainable from other sources and the information is not unique to the Company or is generally known to the industry or the public other than as a result of Mr. Chaltiel's breach of this Section 8(a). Mr. Chaltiel shall not retain or use for his account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of the Company or its affiliates. Notwithstanding the foregoing, Mr. Chaltiel shall not be prohibited from complying with any applicable law, rule or regulation (including complying with any oral or written questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process to which he is subject).

(b) The Company shall give Mr. Chaltiel written notice of an event or circumstances constituting a breach of Section 8(a) and thirty (30) days from the date of such notice to cure such event or circumstances, if curable.

(c) Mr. Chaltiel acknowledges and agrees that the Company's remedies at law for a breach of any of the provisions of Section 8(a) would be inadequate and, in recognition of this fact, Mr. Chaltiel agrees that, in the event of such a breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

9. Release by Mr. Chaltiel. As a material inducement to the Company to enter into this Agreement, Mr. Chaltiel hereby irrevocably and unconditionally releases, acquits and forever discharges the Company and each of the Company's past, present and future owners, stockholders, predecessors, successors, assigns, agents, directors, officers, employees, representatives, attorneys, divisions, subsidiaries and affiliates (and all past, present and future owners, stockholders, predecessors, successors, assigns, agents, directors, officers, employees, representatives and attorneys of such divisions, subsidiaries and affiliates), and all persons acting by, through, under or in concert with any of them (collectively, the "Company Releasees"), from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, including, but not limited to, any charges, complaints, claims, liabilities, obligations, controversies and expenses arising out of alleged violations of any contracts, express or implied, any covenant of good faith and fair dealing, express or implied, any obligation for compensation, lost wages, lost benefits, accrued vacation pay, or any other expectation of remuneration or benefit on the part of Mr. Chaltiel, including but not limited to, any defamation, intentional or negligent infliction of emotional distress, or any other tort, or any legal restrictions on the Company's right to terminate employees, or any federal state or other governmental statute, regulation, or ordinance (including, without limitation: (i) Title VII of the Civil Rights Act of 1964 (race, color, religion, sex and national origin discrimination); (ii) 42 U.S.C. (P) 1981 (discrimination); (iii) 29 U.S.C. (P) 206(d)(1) (equal pay); (iv) the California Fair Employment and Housing Act (discrimination, including race, color, national origin, ancestry, physical handicap, medical condition, marital status, sex or age); (v) the California Workers' Compensation Act; (vi) the California Labor Code; (vii) Executive Order 11246 (race, color, religion, sex and national origin discrimination); (viii) Executive Order 11141 (age discrimination); (ix) (P) 503 and (P) 504 of the Rehabilitation Act of 1973 (disability discrimination); (x) the Employee Retirement Income Security Act (employee benefits); (xi) the Fair Labor Standards Act; (xii) the Americans with Disabilities Act (discrimination against individuals with a disability); (xiii) the Age Discrimination in Employment Act (age discrimination), and (xiv) the Civil Rights Act of 1991), which Mr. Chaltiel now has, owns or holds, or claims to have, own or hold, or which Mr. Chaltiel at any time heretofore had, owned, or held, or claimed to have, own or hold, against the Company or any other Company Releasee; provided, however, that the foregoing shall not release the Company or any other Company Releasee from any (1) obligations under this Agreement (including the obligation to make the payments provided for herein and to reimburse Mr. Chaltiel for business expenses as provided in Section 4) or under the Indemnification Agreement, (2) claims arising after October 6, 1999 or (3) charges, complaints, claims, liabilities, obligations, promises, agreements, controversies and expenses arising out of any conduct by the Company or such other Company Releasee which was knowingly fraudulent or deliberately dishonest (provided, however, that under no circumstances may Mr. Chaltiel pursue any claim which would be released in this Section 9 absent this proviso on the basis that an action taken by any member of the Board of Directors of the Company on or after the Effective Date and on or prior to October 6, 1999 was knowingly fraudulent or deliberately dishonest). Mr. Chaltiel agrees that as of October 6, 1999, he does not know, claim, suspect or have any evidence whatsoever of facts which would give rise to the assertion that the Company or any Company Releasee has engaged in any knowingly fraudulent or deliberately dishonest conduct.

10. Release by the Company. As a material inducement to Mr. Chaltiel to enter into this Agreement, the Company, on its own behalf and on behalf of the subsidiaries and affiliated entities which it controls, hereby irrevocably and unconditionally releases, acquits and forever discharges Mr. Chaltiel, his personal and legal representatives, executors, administrators, heirs, distributees, devisees and legatees (collectively, the "Chaltiel Releasees") from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, including, but not limited to, any charges, complaints, claims, liabilities, obligations, controversies and expenses arising out of alleged violations of any contracts, express or implied, or any covenant of good faith and fair dealing, express or implied, which the Company or any of such subsidiaries or affiliated entities now has, owns or holds, or claims to have, own or hold, or which the Company or any of such subsidiaries or affiliated

entities at any time heretofore had, owned, or held, or claimed to have, own or hold, against Mr. Chaltiel or any other Chaltiel Releasee relating to the performance of

Mr. Chaltiel's duties as an officer, director or employee of the Company or any of its divisions, subsidiaries or affiliates; provided, however, that the foregoing shall not release Mr. Chaltiel or any Chaltiel Releasee from any (1) obligations under this Agreement or under the Indemnification Agreement, (2) claims arising after October 6, 1999 or (3) charges, complaints, claims, liabilities, obligations, promises, agreements, controversies and expenses arising out of any conduct by Mr. Chaltiel which was knowingly fraudulent or deliberately dishonest. The Company agrees that as of October 6, 1999, neither it nor any Company Releasee knows, claims, suspects or has any evidence whatsoever of facts which would give rise to the assertion that Mr. Chaltiel has engaged in any knowingly fraudulent or deliberately dishonest conduct.

11. Knowing and Voluntary Waiver. The parties expressly waive and relinquish all rights and benefits afforded by Section 1542 of the Civil Code of the State of California with respect to the releases provided herein, and do so understanding and acknowledging the significance of such specific waiver of Section 1542. Section 1542 of the Civil Code of the State of California states as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

Thus, notwithstanding the provisions of Section 1542, and for the purpose of implementing the releases provided herein, the parties expressly acknowledge that this Agreement is intended to include in its effect, without limitation other than the express limitations set forth herein, all claims which either party does not know or suspect to exist in such party's favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims. The parties acknowledge and agree that the foregoing waiver of the provisions of Section 1542 has been expressly bargained for by each of the parties in the negotiation of this Agreement.

12. No Claims; Covenant Not to Sue. Mr. Chaltiel represents and covenants that (i) he has not filed any complaints, charges or lawsuits, nor commenced any arbitration or similar proceedings, against the Company or any other Company Releasee in connection with any claim or potential claim released hereunder, including any claims under the Employment Agreement, and (ii) he will not do so at any time hereafter; provided, however, that this Section 12 shall not limit Mr. Chaltiel from commencing appropriate proceedings for the purpose of enforcing any claims not released hereunder. The Company represents and covenants that (i) neither it nor any subsidiary or other affiliated entity which it controls has filed any complaints, charges or lawsuits nor commenced any arbitration or similar proceedings against Mr. Chaltiel or any other Chaltiel Releasee in connection with any claim or potential claim released hereunder, including any claims under the Employment Agreement, and (ii) neither it nor any such subsidiary or affiliated entity will do so at any time hereafter; provided, however, that this Section 12 shall not limit the Company from commencing appropriate proceedings for the purpose of enforcing any claims not released hereunder.

13. Non-Admission of Liability. This Agreement shall not in any way be construed as an admission by the Company that it or any subsidiary or affiliated entity has acted wrongfully with respect to Mr. Chaltiel or that Mr. Chaltiel has any rights whatsoever against the Company or any other Company Releasee, and the Company specifically disclaims any liability to or wrongful acts against Mr. Chaltiel. This Agreement shall not in any way be construed as an admission by Mr. Chaltiel that he has acted wrongfully with respect to the Company, or that the Company or any subsidiary or affiliated entity has any rights whatsoever against Mr. Chaltiel or any other Chaltiel Releasee, and Mr. Chaltiel specifically disclaims any liability to or wrongful acts against the Company.

14. Non-Disparagement. From and after the date hereof, the Company shall not make, and shall not permit any subsidiary or affiliated entity which it controls to make, any untrue, defamatory or disparaging statements concerning Mr. Chaltiel, and Mr. Chaltiel shall not make any untrue, defamatory or

disparaging statements concerning the Company or any other Company Releasee. The foregoing notwithstanding, under no

4

circumstances shall testimony given under oath in any lawsuit, deposition or other legal proceeding be held to constitute disparagement of any person or entity in violation of this Section 14.

15. No Confidentiality. Mr. Chaltiel acknowledges that the Company intends to file a copy of this Agreement as an exhibit to a future filing with the Securities and Exchange Commission. Consequently, Mr. Chaltiel acknowledges and agrees that the contents of this Agreement will be made publicly available and confirms that he has no expectation of confidentiality with respect to the terms hereof.

16. Miscellaneous.

(a) Return of Company Property. Mr. Chaltiel hereby confirms that he has delivered and returned to the Company any and all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates; provided, however, that Mr. Chaltiel may retain personal notes, notebooks, diaries, Rolodexes and addresses and phone numbers; and provided further, that, so long as Mr. Chaltiel remains a member of the Board of Directors of the Company, Mr. Chaltiel may retain such Company property and related materials as are necessary for him to perform his duties as a director of the Company or as have been or may be provided to him specifically in his capacity as a director of the Company.

(b) Arbitration of Disputes. All controversies, claims, disputes and matters in question arising out of, or relating to, this Agreement or the breach hereof (but not including controversies, claims, disputes and matters in question arising out of, or relating to, the Indemnification Agreement or the breach thereof), shall be decided by binding arbitration conducted in Los Angeles, California under the applicable rules of the American Arbitration Association (the "AAA") or its successor in effect at the time a demand for arbitration is made. The arbitration will be conducted by a single arbitrator chosen from the AAA's Commercial, Large Complex Cases panel pursuant to the rules of the AAA then in effect. The decision of the arbitrator shall be conclusive, final, and binding on the parties hereto and on their respective heirs, legal representatives, successors, and assigns. The arbitrator shall have no power to award punitive, exemplary or similar damages to any party.

(c) Notices. Any notice or demand which, by the provisions hereof, is required or which may be given to or served upon the parties hereto shall be in writing and shall be deemed to have been validly served, given or delivered (i) upon confirmation of transmission, if sent by telecopy, (ii) upon actual delivery, if delivered by personal delivery, and (iii) three business days after deposit in the United States mail, as registered or certified mail, with proper postage prepaid and addressed to the party or parties to be notified, if sent by mail. All notices shall be sent or delivered to the following addresses or facsimile numbers (or such other address(es) or facsimile number(s) as a party may designate by like notice):

If to the Company: Total Renal Care Holdings, Inc.
21250 Hawthorne Boulevard, Suite 800
Torrance, California 90503
Attention: General Counsel
Facsimile No.: (310) 792-0044

If to Mr. Chaltiel: Victor M.G. Chaltiel
The Estates at Spanish Trail
13 Vintage Court
Las Vegas, NV 89113
Facsimile No.: (702) 247-6454

(d) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties and, in the case of the Company, its

successors and assigns, and, in the case of Mr. Chaltiel, his personal and legal representatives, executors, administrators, heirs, distributees, devisees and legatees. The parties hereto acknowledge that the Company shall have the right to assign, with absolute discretion, any or all of its rights and obligations under this Agreement to any of its affiliates, successors and assigns. This Agreement shall be deemed to be personal to Mr. Chaltiel and shall not be assignable by Mr. Chaltiel.

5

(e) Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of California (without regard to choice of law principles).

(f) Amendment; Waiver. This Agreement may be amended only by an instrument in writing executed by the parties hereto. No waiver, express or implied, of any breach of any covenant, agreement or duty shall be held or construed as a waiver of any other breach of the same or any other covenant, agreement or duty.

(g) Entire Agreement. This Agreement and the Indemnification Agreement constitute the entire agreement of the parties hereto and fully supersede and replace any and all prior agreements (including the Employment Agreement) and understandings, whether oral or written, express or implied, between the parties pertaining to the subject matter of this Agreement.

(h) Captions. The captions of the several sections and paragraphs of this Agreement are used for convenience only and shall not be considered or referred to in resolving questions of interpretation with respect to this Agreement.

(i) Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, and both of which together shall constitute one and the same Agreement.

(j) Negotiation. Mr. Chaltiel acknowledges that (i) he has had an opportunity to negotiate the terms of this Agreement and to receive advice of counsel with regard thereto, (ii) he has carefully read and considered this Agreement, (iii) he fully understands the extent and impact of the provisions of this Agreement, and (iv) he has executed this Agreement voluntarily and without coercion, undue influence, threats, or intimidation of any kind or type whatsoever.

(k) Time Periods. Mr. Chaltiel understands that he has the right to be given twenty-one (21) days to consider whether or not to execute this Agreement and that, if he chooses to execute this Agreement before that time period expires, he will be deemed to have voluntarily waived and forfeited such right. Mr. Chaltiel also understands that he has up to seven (7) days after executing this Agreement to rescind this Agreement by notifying the Company of such rescission in writing.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

TOTAL RENAL CARE HOLDINGS, INC.

/s/ Maris Andersons	/s/ Victor M.G. Chaltiel
By: _____	_____
Maris Andersons Director	Victor M.G. Chaltiel

6

AGREEMENT

THIS AGREEMENT (this "Agreement") is entered into on October 18, 1999 by and between John E. King ("Mr. King") and Total Renal Care Holdings, Inc., a Delaware corporation (the "Company").

RECITALS:

A. Mr. King has tendered his resignation as an employee and as an officer of the Company and all of its subsidiaries and affiliated entities effective as of the close of business on July 16, 1999 (the "Effective Date").

B. The Company and Mr. King desire to provide for certain payments in connection with his resignation and to provide for certain other agreements between them as set forth herein.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants contained herein, the parties agree as follows:

1. Confirmation of Resignation. Mr. King hereby confirms his resignation as an employee and as an officer of the Company and all of its subsidiaries and affiliated entities effective as of the Effective Date.

2. Severance Pay; Termination of Benefits. On January 3, 2000, the Company shall pay to Mr. King a severance payment equal to One Hundred and Eighty Thousand Dollars and No Cents (\$180,000.00) in one lump sum payment, subject to all required federal, state and local tax and other withholdings. Mr. King acknowledges and agrees that, except for certain unpaid expense reimbursements provided for in Section 4 below, he has received all salary and other payments of any kind to which he was entitled through the Effective Date, including, without limitation, all accrued vacation pay and similar payments to which he was entitled. From and after the Effective Date (including during the Consulting Period, as such term is defined in Section 5(b)), Mr. King shall not be entitled to participate in any of the Company's employee benefit plans, including but not limited to its 401(k) plan and its health, disability and life insurance programs, except to the extent required by law (e.g., pursuant to COBRA).

3. Termination of Employment Agreement. The Company and Mr. King acknowledge and agree that, effective as of the Effective Date, all of their respective rights and obligations under that certain Employment Agreement effective as of March 2, 1998, between the Company and Mr. King (the "Employment Agreement"), shall be deemed to have terminated and to be of no further force or effect; provided, however, that the amendment of the stock options held by Mr. King set forth in clause (i) of Section 6.1 of the Employment Agreement (i.e., the amendment of such stock options to permit the payment of the exercise price by the delivery of shares of Common Stock of the Company held by Mr. King) shall not terminate and shall continue in full force and effect.

4. Expense Reimbursement. Notwithstanding any other provision of this Agreement, Mr. King may submit requests for reimbursement of business related expenses for which he may be entitled to reimbursement pursuant to any Company policy; provided, however, that any and all such reimbursement requests must be submitted no later than October 29, 1999 in order to be considered for reimbursement.

5. Consulting and Other Services.

(a) From and after the Effective Date through August 18, 1999 (the "Initial Consulting Period"), Mr. King served as a consultant to the Chief Executive Officer of the Company (the "CEO") and the Board of Directors on a full-time, exclusive basis and received compensation for such services at the rate of Five Thousand Dollars (\$5,000) per week (pro-rated for any partial weeks).

(b) From September 13, 1999 through the first to occur of (i) December 31, 1999 and (ii) one week after the Company hires a Chief Financial Officer (such period, together with the Initial Consulting Period

is referred to herein as the "Consulting Period"), Mr. King shall serve as a consultant to the Chief Executive Officer of the Company or the Interim Chief Executive Officer of the Company (the "CEO") and the Board of Directors on an as-needed, non-exclusive basis on the terms set forth in this Section 5(b). For such consulting services, Mr. King shall be compensated at the rate of One Thousand Dollars (\$1,000) per day (subject to pro rata reduction for partial days, based on an eight hour day), such payments to be made in accordance with the Company's regular payroll schedule. In no event shall Mr. King be required to provide consulting services during such period in excess of eighty (80) hours per month. Notwithstanding the foregoing, in the event Mr. King accepts full-time employment with another company or organization during this period, the Company shall not request that he perform consulting services hereunder that would interfere with his ability to perform his obligations as an employee of such company or organization.

(c) The Company shall promptly reimburse Mr. King, upon receipt of proper documentation, for such reasonable out-of-pocket expenses incurred by him in providing consulting services hereunder as may be approved by the CEO. Except as expressly provided herein, Mr. King shall not be entitled to receive any additional compensation or benefits from the Company for providing consulting services as provided herein.

(d) Any consulting services provided by Mr. King hereunder shall be provided by Mr. King as an independent contractor and not as an employee of the Company, and nothing contained herein shall be construed to create a continuing employment relationship between Mr. King and the Company. Except as otherwise expressly authorized by the Board of Directors of the Company, Mr. King shall have no power hereunder to act in the name of or on behalf of the Company or in any way to bind the Company in any regard. Mr. King shall indemnify and hold the Company harmless against any claims, losses, damages, liabilities, costs or expenses, including attorneys' fees, arising out of any violation of the restrictions on his authority set forth in this Agreement.

(e) Nothing in this Section 5 shall be construed to supersede or replace Mr. King's obligation pursuant to Section 4 of the Employment Agreement with the Company to provide up to one hundred and twenty (120) hours per year of consulting services during the two year period following the Effective Date. It is the understanding of the parties Mr. King shall be obligated to provide such consulting services beginning after the expiration of the Consulting Period and ending on the second anniversary of the Effective Date.

6. Amendment of Stock Options. Pursuant to authorization of the Board of Directors of the Company, all stock options held by Mr. King to purchase common stock of the Company (each, a "Stock Option") are hereby amended to (i) provide that they shall continue to vest for one (1) year following the Effective Date in the same manner as if Mr. King were employed by the Company during such period, (ii) extend the exercise period of that portion of each Stock Option that was vested as of July 19, 1999 such that Mr. King may exercise such Stock Option to the extent vested as of July 19, 1999 at any time during the one year period ending on the first anniversary of the Effective Date, (iii) provide that, with respect to any portion of any Stock Option which vests during the one year period ending on the first anniversary of the Effective Date, Mr. King may, after the date on which such Stock Option vests, exercise such portion of such Stock Option during the period provided for in such Stock Option for the exercise of the vested portion of such Stock Option following a termination of employment without cause (as if the date on which such Stock Option vests were the effective date of such termination without cause), and (iv) provide that, upon the consummation of a Change of Control (as such term was defined in Section 3.6(a) of the Employment Agreement) at any time during the one (1) year period ending on the first anniversary of the Effective Date, such portion of each Stock Option as would have vested during such one (1) year period shall, to the extent not vested as of the date on which such Change of Control is consummated, be accelerated and shall be deemed to have vested immediately prior to such Change of Control and Mr. King may, after the date on which such Change of Control is consummated, exercise such portion of such Stock Option during the period provided for in such Stock Option for the exercise of the vested portion of such Stock Option following a termination of employment without cause (as if the date on such Change of Control is consummated were the effective date of such termination without cause).

7. No Effect on Indemnification Agreement. This Agreement shall have no effect on, and shall not limit in any way, the obligations of the Company pursuant to the terms of that certain Indemnification Agreement dated as of October 25, 1995 by and between the Company and Mr. King, a copy of which is attached hereto as Exhibit A (the "Indemnification Agreement").

8. Assistance and Cooperation. In addition to the consulting services to be provided pursuant to Section 5, Mr. King shall assist the Company and cooperate in preparing for any and all litigation, arbitration proceedings, investigations and other legal proceedings (collectively, "Legal Proceedings") relating to matters which occurred during his tenure with the Company and as to which the Company may reasonably request his assistance. Without limiting the generality of the foregoing, Mr. King shall (i) make himself available at such times as may reasonably be requested for depositions in connection with any Legal Proceedings, (ii) make himself available to testify in any Legal Proceedings and (iii) assist the Company in preparing responses to requests for written discovery in any Legal Proceedings. To the extent such assistance is rendered during the Consulting Period, Mr. King shall be compensated in accordance with the provisions of Section 5(b) of this Agreement. To the extent such assistance is rendered after the expiration of the Consulting Period, Mr. King shall only be entitled to be reimbursed for his out-of-pocket expenses in providing such assistance to the Company. The Company shall work with Mr. King in good faith and otherwise use reasonable efforts to ensure that the assistance requested of Mr. King pursuant to this Section 8 will not unduly interfere with Mr. King's other personal and professional commitments at the time any such request is made.

9. Confidentiality and Non-Solicitation.

(a) Mr. King agrees that (i) in the course of his employment by the Company he has created, used and had access to, and that, in the course of providing consulting services to the Company during the Consulting Period, he may create, use or have access to (A) technical, business, or customer information, materials, or data relating to the Company's present or planned business which has not previously been released to the public with the Company's authorization, including, but not limited to, confidential information, materials or proprietary data belonging to the Company or relating to the Company's affairs (collectively, the "Confidential Information") and (B) other non-public information and materials that concern the Company's business (collectively, "Business Related Information"), (ii) the Confidential Information and the Business Related Information are the property of the Company, (iii) any misappropriation or disclosure of the Confidential Information or the Business Related Information would constitute a breach of trust and could cause serious and irreparable injury to the Company, and (iv) it is essential to the protection of the Company's good will and to the maintenance of the Company's competitive position that the Confidential Information and the Business Related Information be kept secret and that Mr. King not disclose the Confidential Information or the Business Related Information to others or use same to his own advantage or the advantage of others;

(b) In consideration of the payments being made pursuant hereto, Mr. King agrees that, except to the extent that any Confidential Information or Business Related Information becomes publicly available (otherwise than through a breach of this Section 9 by Mr. King), he will (i) hold and safeguard the Confidential Information and the Business Related Information in trust for the Company, its successors and assigns, (ii) not appropriate or disclose or make available to anyone for use outside of the Company's organization at any time any of the Confidential Information or the Business Related Information, whether or not developed by Mr. King, (iii) at all times keep in strictest confidence all Confidential Information and all Business Related Information, and (iv) not disclose or divulge, or allow to be disclosed or divulged by any person within his control, to any person, firm or corporation, or use directly or indirectly, for his own benefit or the benefit of others, any Confidential Information or Business Related Information.

(c) In consideration of the payments being made pursuant hereto, Mr. King agrees that, during the period from the Effective Date through the second anniversary of the Effective Date, he will not, directly or indirectly, without the prior written consent of the Company (which consent shall not be unreasonably withheld) (i) induce any patient or customer of the Company, either individually or collectively, to patronize any competing dialysis facility, (ii) request or advise any patient, customer or supplier

of the Company to withdraw, curtail or cancel such person's business with the Company, (iii) enter into any

3

contract the purpose or result of which would benefit Mr. King if any patient or customer of the Company were to withdraw, curtail or cancel such person's business with the Company, (iv) solicit, induce or encourage any physician (or former physician) affiliated with the Company, or induce or encourage any other person employed by or under contract with the Company, to curtail or terminate such person's affiliation or employment or contractual relationship with the Company, or (v) disclose to any provider of dialysis services the names or physician addresses of any customer of the Company.

(d) The provisions of this Section 9 notwithstanding, the Company hereby consents to Mr. King's serving as a consultant to Scripps Memorial Hospital with respect to two ESRD facilities located in San Diego County.

(e) Mr. King agrees that any violation of any covenant in this Section 9 may cause such damage to the Company as will be serious and irreparable and the exact amount of which will be difficult to ascertain, and for that reason, Mr. King agrees that the Company shall be entitled, as a matter of right, to a temporary, preliminary and/or permanent injunction and/or other injunctive relief, ex parte or otherwise, from any court of competent jurisdiction, restraining any further violations by Mr. King. Such injunctive relief shall be in addition to and in no way in limitation of, any and all other remedies the Company shall have in law and equity for the enforcement of such covenants and provisions. In the event that any provision of this Section 9 is held unenforceable or invalid by any court or other governmental body, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions had not been a part hereof.

10. Release by Mr. King. As a material inducement to the Company to enter into this Agreement, Mr. King hereby irrevocably and unconditionally releases, acquits and forever discharges the Company and each of the Company's past, present and future owners, stockholders, predecessors, successors, assigns, agents, directors, officers, employees, representatives, attorneys, divisions, subsidiaries and affiliates (and all past, present and future owners, stockholders, predecessors, successors, assigns, agents, directors, officers, employees, representatives and attorneys of such divisions, subsidiaries and affiliates), and all persons acting by, through, under or in concert with any of them (collectively, "Company Releasees"), from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, including, but not limited to, any charges, complaints, claims, liabilities, obligations, controversies and expenses arising out of alleged violations of any contracts, express or implied, any covenant of good faith and fair dealing, express or implied, any obligation for compensation, lost wages, lost benefits, accrued vacation pay, or any other expectation of remuneration or benefit on the part of Mr. King, including but not limited to, any defamation, intentional or negligent infliction of emotional distress, or any other tort, or any legal restrictions on the Company's right to terminate employees, or any federal state or other governmental statute, regulation, or ordinance (including, without limitation: (i) Title VII of the Civil Rights Act of 1964 (race, color, religion, sex and national origin discrimination); (ii) 42 U.S.C. (P) 1981 (discrimination); (iii) 29 U.S.C. (P) 206(d)(1) (equal pay); (iv) the California Fair Employment and Housing Act (discrimination, including race, color, national origin, ancestry, physical handicap, medical condition, marital status, sex or age); (v) the California Workers' Compensation Act; (vi) the California Labor Code; (vii) Executive Order 11246 (race, color, religion, sex and national origin discrimination); (viii) Executive Order 11141 (age discrimination); (ix) (P) 503 and (P) 504 of the Rehabilitation Act of 1973 (disability discrimination); (x) the Employee Retirement Income Security Act (employee benefits); (xi) the Fair Labor Standards Act; (xii) the Americans with Disabilities Act (discrimination against individuals with a disability); (xiii) the Age Discrimination in Employment Act (age discrimination), and (xiv) the Civil Rights Act of 1991), which Mr. King now has, owns or holds, or claims to have, own or hold, or which Mr. King at any time heretofore had, owned, or held, or claimed to have, own or hold, against each or any of the Company Releasees; provided, however, that the foregoing shall not release the Company from (1) any of its obligations under this Agreement (including the obligation

to make the payments provided for herein and to reimburse Mr. King for business expenses as provided in Section 4) or under the Indemnification Agreement, or (2) any claims arising after October 18, 1999.

4

11. Release by the Company. As a material inducement to Mr. King to enter into this Agreement, the Company, on its own behalf and on behalf of the subsidiaries and affiliated entities which it controls, hereby irrevocably and unconditionally releases, acquits and forever discharges Mr. King, his personal and legal representatives, executors, administrators, heirs, distributees, devisees and legatees (collectively, the "King Releasees") from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, including, but not limited to, any charges, complaints, claims, liabilities, obligations, controversies and expenses arising out of alleged violations of any contracts, express or implied, or any covenant of good faith and fair dealing, express or implied, which the Company or any of such subsidiaries or affiliated entities now has, owns or holds, or claims to have, own or hold, or which the Company or any of such subsidiaries or affiliated entities at any time heretofore had, owned, or held, or claimed to have, own or hold, against Mr. King or any other King Releasee relating to the performance of Mr. King's duties as an officer or employee of the Company or any of its divisions, subsidiaries or affiliates; provided, however, that the foregoing shall not release Mr. King or any King Releasee from (1) any obligations under this Agreement or under the Indemnification Agreement, (2) any claims arising after October 18, 1999 or (3) any claims arising out of any conduct by Mr. King which was knowingly fraudulent or deliberately dishonest or for which Mr. King would not be entitled to indemnification by the Company under the Indemnification Agreement.

12. Knowing and Voluntary Waiver. The parties expressly waive and relinquish all rights and benefits afforded by Section 1542 of the Civil Code of the State of California, and do so understanding and acknowledging the significance of such specific waiver of Section 1542. Section 1542 of the Civil Code of the State of California states as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

Thus, notwithstanding the provisions of Section 1542, and for the purpose of implementing the releases provided herein, each party expressly acknowledges that this Agreement is intended to include in its effect, without limitation, all claims, other than the claims expressly not released as provided above, which such party does not know or suspect to exist in such party's favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims. The parties acknowledge and agree that they have expressly bargained for the foregoing waiver of the provisions of Section 1542.

13. No Claims; Covenant Not to Sue. Mr. King represents and covenants that (i) he has not filed any complaints, charges or lawsuits, nor commenced any arbitration or similar proceedings, against the Company or any other Company Releasee in connection with any claim or potential claim released hereunder, including any claims under the Employment Agreement, and (ii) he will not do so at any time hereafter; provided, however, that this Section 13 shall not limit Mr. King from commencing arbitration proceedings for the purpose of enforcing his rights under this Agreement or from commencing litigation for the purpose of enforcing any of his rights under the Indemnification Agreement. The Company represents and covenants that (i) it has not filed any complaints, charges or lawsuits, nor commenced any arbitration or similar proceedings, against Mr. King or any other King Releasee in connection with any claim or potential claim released hereunder, and (ii) it will not do so at any time hereafter; provided, however, that this Section 13 shall not limit the Company from commencing arbitration proceedings for the purpose of enforcing its rights under this Agreement or from commencing litigation for the purpose of enforcing any of its rights under the Indemnification Agreement.

14. Non-Admission of Liability. This Agreement shall not in any way be construed as an admission (i) by the Company that it has acted wrongfully with respect to Mr. King or that Mr. King has any rights whatsoever against the

Company or any other Company Releasee, and the Company specifically disclaims any liability to or wrongful acts against Mr. King or (ii) by Mr. King that he has acted wrongfully with respect to the Company or any other Company Releasee or that the Company has any rights whatsoever against him or

5

any other King Releasee, and Mr. King specifically disclaims any liability to or wrongful acts against the Company or any other Company Releasee.

15. Non-Disparagement. From and after the date hereof, the Company shall not make any untrue, defamatory or disparaging statements concerning Mr. King, and Mr. King shall not make any untrue, defamatory or disparaging statements concerning the Company or any other Company Releasee. The foregoing notwithstanding, under no circumstances shall testimony given under oath in any lawsuit, deposition or other legal proceeding be held to constitute disparagement of any person or entity in violation of this Section 15.

16. No Confidentiality. Mr. King acknowledges that the Company intends to file a copy of this Agreement as an exhibit to a future filing with the Securities and Exchange Commission. Consequently, Mr. King acknowledges and agrees that the contents of this Agreement will be made publicly available and confirms that he has no expectation of confidentiality with respect to the terms hereof.

17. Miscellaneous.

(a) Return of Company Property. Mr. King hereby confirms that he has delivered and returned to the Company any and all property, including without limitation, any and all books, records, computer records, files and other materials, documents and similar property, belonging to or concerning the Company or any subsidiary or affiliate of the Company which may be in his possession or control, including any and all documents or other materials containing or constituting Confidential Information or Business Related Information.

(b) Arbitration of Disputes. All controversies, claims, disputes, and matters in question arising out of, or relating to, this Agreement or the breach hereof, shall be decided by binding arbitration conducted in Los Angeles, California under the applicable rules of the American Arbitration Association or its successor in effect at the time a demand for arbitration is made. The arbitration panel will consist of three arbitrators, one chosen by the Company, one chosen by Mr. King and one chosen by the two arbitrators so chosen. The decision of the majority of the arbitrators, including the determination of the amount of any damages suffered, shall be conclusive, final, and binding on the parties hereto, and their respective heirs, legal representatives, successors, and assigns. The arbitrators shall have no power to award punitive, exemplary or similar damages to any party. Each party shall bear such party's own attorneys' fees and costs in any such arbitration. The costs of the arbitrators and the fees and charges of the American Arbitration Association shall be shared equally by the Company and Mr. King. The arbitrators shall be bound to follow California law and case precedent.

(c) Notices. Any notice or demand which, by the provisions hereof, is required or which may be given to or served upon the parties hereto shall be in writing and shall be deemed to have been validly served, given or delivered (i) upon confirmation of transmission, if sent by telecopy, (ii) upon actual delivery, if delivered by personal delivery, and (iii) three business days after deposit in the United States mail, as registered or certified mail, with proper postage prepaid and addressed to the party or parties to be notified, if sent by mail. All notices shall be sent or delivered to the following addresses or facsimile numbers (or such other address(es) or facsimile number(s) as a party may designate by like notice):

If to the Company: Total Renal Care Holdings, Inc.
21250 Hawthorne Boulevard, Suite 800
Torrance, California 90503
Attention: General Counsel
Facsimile No.: (310) 792-0044
If to Mr. King: John E. King

(d) Successors and Assigns. The parties hereto acknowledge that the Company shall have the right to assign, with absolute discretion, any or all of its rights and obligations under this Agreement to any of its affiliates, successors and assigns, and this Agreement shall inure to the benefit of, and be binding upon, such respective affiliates, successors and assigns of the Company, in the same manner and to the same extent as if such affiliates, successors and assigns were original parties hereto. This Agreement shall be deemed to be personal to Mr. King and shall not be assignable by Mr. King.

(e) Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of California (without regard to choice of law principles).

(f) Amendment; Waiver. This Agreement may be amended only by an instrument in writing executed by the parties hereto. No waiver, express or implied, of any breach of any covenant, agreement or duty shall be held or construed as a waiver of any other breach of the same or any other covenant, agreement or duty.

(g) Entire Agreement. This Agreement and the Indemnification Agreement constitute the entire agreement of the parties hereto and fully supersede and replace any and all prior agreements (including the Employment Agreement) and understandings, whether oral or written, express or implied, between the parties pertaining to the subject matter of this Agreement.

(h) Captions. The captions of the several sections and paragraphs of this Agreement are used for convenience only and shall not be considered or referred to in resolving questions of interpretation with respect to this Agreement.

(i) Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, and both of which together shall constitute one and the same Agreement.

(j) Negotiation. Mr. King acknowledges that (i) he has had an opportunity to negotiate the terms of this Agreement and to receive advice of counsel with regard thereto, (ii) he has carefully read and considered this Agreement, (iii) he fully understands the extent and impact of the provisions of this Agreement, and (iv) he has executed this Agreement voluntarily and without coercion, undue influence, threats, or intimidation of any kind or type whatsoever.

(k) Time Periods. Mr. King understands that he has the right to be given twenty-one (21) days to consider whether or not to execute this Agreement and that, if he chooses to execute this Agreement before that time period expires, he will be deemed to have voluntarily waived and forfeited such right. Mr. King also understands that he has up to seven (7) days after executing this Agreement to rescind this Agreement by notifying the Company of such rescission in writing.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

TOTAL RENAL CARE HOLDINGS, INC.

By: /s/ George B. Dehuff, III
George B. Dehuff, III
President

/s/ John E. King
John E. King

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT ("Consulting Agreement") effective as of October 1, 1998, (the "Effective Date") by and between Total Renal Care, Inc., a California corporation having offices at 21250 Hawthorne Blvd., Suite 800, Torrance, CA 90503-5517 (hereinafter "TRC") and, Shaul G. Massry, M.D. (hereinafter "Consultant").

RECITALS

A. TRC and Consultant are parties to an agreement entered into on December 30, 1994 (hereinafter the "Agreement"); and

B. TRC and Consultant are parties to the First Amendment to the Agreement dated July 1, 1996 (hereinafter the "First Amendment"); and

C. TRC and Consultant are parties to the Second Amendment to the Agreement dated October 1, 1997 (hereinafter the "Second Amendment") (The Agreement, the First Amendment and the Second Amendment are referred to herein jointly as the "Agreements"); and

D. Under the Agreements, Consultant had initiated discussions with certain acquisition and affiliation targets in specific markets which are listed on Exhibit 1 attached hereto ("Targets"); and

E. TRC and Consultant wish to terminate the Agreements and enter into this new Consulting Agreement which shall govern the continued work Consultant shall perform for TRC in the future and compensation that Consultant shall be paid for said work;

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Recitals. The Recitals of this Consulting Agreement shall be included and incorporated herein as if fully set forth below.

2. Term and Termination

A. Term. The term of this Agreement shall commence on October 1, 1998, and shall terminate on September 30, 2003 (the "Term"). After the initial Term, this Consulting Agreement shall continue on a month-to-month basis without any further action by the parties.

B. Termination. This Agreement may be terminated upon ninety (90) days prior written notice by either party for no cause. Furthermore, this Agreement may be terminated upon thirty (30) days prior written notice for cause upon a material breach by either party. The notice provided by the party alleging the breach shall describe the breach with reasonable specificity and the alleged breaching party shall utilize said thirty (30) days to cure the alleged breach. If the alleged breach is cured during the thirty (30) day period or the alleged breaching party commences curing and continues to diligently pursue a cure, the Agreement shall continue. In the event TRC terminates Consultant without cause during the Term, Consultant shall be entitled to receive, as his sole and exclusive remedy for such a termination, nine (9) months worth of the Cash Fee (defined below) payable on a monthly basis during said year.

C. Effect of Termination. Upon any termination of this Agreement in accordance with any provision hereof, or upon expiration of this Agreement at the end of the Term or any applicable renewal term, all obligations of TRC to Consultant shall immediately terminate, including without limitation all obligations to compensate Consultant as set forth in Section 5 hereof except that the Options granted to Consultant in Section 5 shall continue to vest pursuant to the Stock Option Agreements. Upon any such termination, TRC shall have no further liability or obligation to Consultant of any kind in connection with this Agreement or any relationship established hereby, except for payment of any unpaid compensation due with respect to periods prior to such termination. Consultant's obligations under Sections 10 and 11 shall survive any termination or expiration of this Agreement for a

period of one (1) years.

3. No Agency. At all times during the performance of any services hereunder, Consultant shall be acting and discharging his duties and responsibilities as an independent contractor. TRC shall have no responsibility for withholding taxes or employee benefits of any kind. Consultant shall indemnify and hold TRC harmless from, and shall pay to TRC upon demand the amount of, all taxes, interest and penalties that TRC is required to pay because of a determination that Consultant is not an independent contractor. Consultant shall allow TRC to participate in any audit proceeding with respect to each instance in which a taxing authority asserts that Consultant is not an independent contractor under this Agreement. The relationship between TRC and Consultant established by this Agreement is solely that of an independent contractor, and neither party is in any way the legal representative or agent of the other. Neither party is authorized or empowered to assume any obligation of any kind, implied or expressed, on behalf of the other party, without the express written consent of the other.

4. Duties. Consultant shall assist TRC in developing and closing acquisitions domestically, in Sicily, Italy and other regions of Europe and Asia as are mutually agreed upon in writing by Consultant and the Chief Executive Officer of TRC. Consultant shall also assist TRC in developing alliances with and the acquiring of, dialysis centers affiliated with academic institutions in the United States. Furthermore, Consultant shall function as a senior advisor to the Chief Executive Officer of TRC and shall provide selected strategic and clinical consultative services as mutually agreed upon by Consultant and the Chief Executive Officer of TRC. Finally, Consultant shall be expected to work at least three hundred (300) hours per year.

5. Compensation. Upon confirmation of Consultant's performance of services related to those acquisitions which are mutually agreed upon in advance and in writing by Consultant and the Chief Executive Officer of TRC and where, in the sole discretion of the Chief Executive Officer of TRC, Consultant introduces potential targets and materially assists TRC with closing a transaction with said potential target, Consultant shall be paid the following commission:

- A. 1.5% of the purchase price of an acquisition with a purchase price of \$3,000,000 or less;
- B. 1.2% of the purchase price of an acquisition with a purchase price of between \$3,000,001 and \$7,500,000; and
- C. 1.0% of the purchase price of an acquisition with a purchase price of greater than 7,500,000 (the "Commission").

Consultant shall not receive a Commission in excess of \$100,000 per transaction nor shall Consultant receive any Commission on a transaction where only limited services were performed, such as merely making an introduction and only limited further involvement. Consultant acknowledges that for such limited services on a particular transaction and where a particular transaction is not pre-approved in writing by the Chief Executive Officer of TRC, the compensation shall be limited to the Cash Fee and the Stock Options provided for below.

Consultant shall also be paid an annual aggregate compensation of One Hundred and Twenty Thousand dollars (\$120,000) payable in twelve monthly installments of Ten Thousand dollars (\$10,000) (the "Cash Fee"). However, Seventy Thousand dollars (\$70,000) of the Cash Fee shall be deemed an advance payable to against the future payment of a Commission for closing deals which are not Targets, (the "Advance") and no Commission shall be paid to Consultant until the entire amount of the Advance is repaid to TRC. For example, if Consultant had been paid \$35,000 of the Advance before closing the first non-Target acquisition and the purchase price for said non-Target acquisition was \$3,000,000, thereby entitling Consultant to a \$45,000 Commission, he would only actually receive \$10,000 once the \$35,000 Advance was repaid.

Furthermore, on the Effective Date and on each anniversary of the Effective Date during the Term, Consultant shall receive Twenty-Two Thousand Five Hundred (22,500) options to purchase Common Stock of Total Renal Care Holding, Inc. (the "Options"). The strike price of the Options shall be the closing price on

the Effective Date and each subsequent granting shall be priced as of the close

of market on each anniversary of the Effective Date. If the Effective Date or any anniversary of the Effective Date falls on a day when the New York Stock Exchange is closed, the strike price of the Options will be the closing price on the next full day of trading. The initial grant of Options shall be pursuant to the terms set forth in the Non-Qualified Stock Option Agreement Attached hereto as Exhibit 1.

No additional compensation shall be paid without the express written authorization by the CEO or any duly authorized officer of TRC.

6. Taxes. Consultant shall maintain responsibility for paying all Federal, State and Local Income Taxes arising out of Consultant's earnings from TRC. TRC shall provide the Consultant with a Federal Form 1099.

7. Non-Assignability. This Agreement is entered into in consideration of the personal qualifications of Consultant and may not be, nor may any right or interest hereunder be, assigned by her without the prior written consent of TRC. TRC shall be permitted, without the consent of Consultant, to assign or otherwise transfer this Agreement or any of its rights hereunder: (a) upon the purchase or sale of all or substantially all of the assets or stock of TRC or Total Renal Care Holdings, Inc. ("TRCH"), the parent of TRC, or the transfer (by operation of law or otherwise) of the ownership or control of TRC or TRCH, to the purchaser of such assets or stock, or the transferee of such interests; or (b) to any affiliate (within the meaning of such term as set forth in Rule 501 of Regulation D under the federal Securities Act of 1933) of TRC.

8. Entire Agreement. Except as set forth in Section 4 above, this Agreement supersedes any and all other agreements, either oral or in writing between the parties in any manner whatsoever. Each party to this Agreement acknowledges that no representation, inducements, promises, or agreements, orally or otherwise, have been made by any party or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise not contained in this Agreement or attached as an exhibit shall be valid or binding on either party.

9. Modification. Any modification of this Agreement will be effective only if it is in writing and signed by the party to be charged.

10. Exclusivity and Confidential Information. Except for Consultant's current position as Chief of the Division of Nephrology at County USC Medical Center, Consultant understands that during the Term, he shall not provide the same or similar services as are provided to TRC hereunder, directly or indirectly, as a consultant or otherwise, to a competitor of TRC both domestically and abroad. Furthermore, all information not disclosed to the public by TRC regarding the business of TRC which is compiled by, obtained by or furnished to Consultant, or any of its agents or employees, while performing services hereunder, is acknowledged to be confidential information, trade secrets and the exclusive property of TRC. During and after the term hereof, Consultant agrees that he will not, directly or indirectly, divulge in any manner contrary to the interests of TRC or use or cause or suffer to be used in competition with TRC, any such information or trade secrets. TRC acknowledges that the breach, or threatened breach of the provisions of this Section would cause irreparable injury to TRC that could not be adequately compensated by money damages. Accordingly, TRC may obtain a restraining order and/or injunction prohibiting a breach or threatened breach of the provisions of this Section, in addition to any other legal or equitable remedies that may be available.

11. Termination of Agreements. The Agreements are hereby terminated as of the Effective Date and shall have no further force or effect except that the Stock Options granted to Consultant pursuant to the Agreement shall continue and vest according to the terms of the agreement granting said options.

E-3

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment effective as of the day and year first above written.

TOTAL RENAL CARE, INC.

CONSULTANT

/s/ Victor M.G. Chaltiel
By: _____
Victor M.G. Chaltiel

/s/ Shaul G. Massry, M.D.
By: _____
Shaul G. Massry, M.D.

Its: President, Chief
Executive Officer and
Chairman of the Board

E-4

EXHIBIT I

TARGETS

1.Napoli
Dr. Del Pretta
Tora Del Greco & Tora Annuziatta
Dr. De Santo Group
Dr. Bellini Unit and laboratory

2.Sicily
Dr. Figara Laboratory and Nephrologico
Amos
Santagata
Unit of Mariano Cocco
Unit of Dr. Galione
Unit of Dr. Janni in Seracusa
Unit of Dr. Jenarti in Caltinesta
Dr. Angelo Giammaressi-Palermo
Dr. Figura-Catania

3.Rome
Dr. Vinceguerra

4.Japan
Kurakawa & Kai

The above listed transactions are considered Targets for purpose of the Agreement and therefore are not subject to the Advance adjustments. The deals listed below which we to be updated quarterly are considered non-Targets and are therefore subject to the Advance adjustments.

New as of 3/15/99

1.Sicily
Dr. Leone-Catania
Dr. Aliffe-Noto
Dr. Leonardo-Caltagione

2.Japan
Dr. Ohno-Osaka
Dr. Ishikawa-Tokyo

Approval of March 15, 1999:

/s/ Rich Whitney

/s/ Shaul Massry, M.D.

Rich Whitney
Vice President--
International

Shaul Massry, M.D.
Consultant

E-5

EXHIBIT I

TARGETS

1.Napoli
Dr. Del Pretta
Tora Del Greco & Tora Annuziatta
Dr. De Santo Group
Dr. Bellini Unit and laboratory

2.Sicily
Dr. Figara Laboratory and Nephrologico
Amos

Santagata
Unit of Mariano Cocco
Unit of Dr. Galione
Unit of Dr. Janni in Seracusa
Unit of Dr Jenarti in Caltinesta

3.Rome
Dr. Vinceguerra

The above listed transactions are considered Targets for purpose of the Agreement and therefore are not subject to the Advance adjustments.

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

AMENDMENT NO. 4 AND WAIVER (this "Amendment"), dated as of November 8, 1999, to and under the Amended and Restated Revolving Credit Agreement, as amended by Amendment No. 1 and Consent No. 1, dated as of August 5, 1998, Amendment No. 2, dated as of November 12, 1998, and Amendment No. 3 and Waiver, dated as of August 9, 1999 (the "Third Amendment and Waiver") (as so amended, the "Revolving Credit Agreement"), dated as of April 30, 1998, by and among TOTAL RENAL CARE HOLDINGS, INC., a Delaware corporation (the "Borrower"), the lenders party thereto (the "Lenders"), DLJ CAPITAL FUNDING, INC., as Syndication Agent, FIRST UNION NATIONAL BANK, as Documentation Agent, and THE BANK OF NEW YORK, as administrative agent (in such capacity, the "Administrative Agent").

RECITALS

I. Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings ascribed thereto in the Revolving Credit Agreement.

II. The Borrower has requested that the Administrative Agent and the Lenders agree to amend and waive certain provisions under the Revolving Credit Agreement upon the terms and conditions contained herein, and the Administrative Agent and the Required Lenders are willing to so agree.

Accordingly, in consideration of the Recitals and the covenants and conditions hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. The Administrative Agent and the Required Lenders hereby waive compliance with Section 7.15 of the Revolving Credit Agreement from and including September 30, 1999 through and including March 15, 2000 (the "Waiver Period"), provided that each of the following conditions (the "Waiver Conditions") shall be, and shall at all times remain, satisfied:

(a) the Leverage Ratio (calculated so as to exclude, to the extent included therein, certain one-time charges related to the fiscal quarter of the Borrower ended on September 30, 1999 (consisting of approximately: \$10,000,000 relating to the write-off of certain accounts receivable at the Borrower's Minnesota laboratory, \$3,200,000 relating to certain fees and expenses paid in connection with the August 9, 1999 amendments and waivers to the Revolving Credit Agreement and the Term Loan Facility, \$2,580,000 relating to certain severance charges; \$730,000 relating to certain aircraft, \$540,000 relating to the settlement of a certain workers compensation claim in respect of RTC, and \$130,000 relating to certain employment retention bonuses) in an aggregate amount not to exceed \$17,200,000 on a pre-tax basis (the "One-Time Charges")) during the Waiver Period shall not exceed 4.80:1.00 at any time,

(b) the Aggregate Credit Exposure of all Lenders during the Waiver Period shall not exceed \$650,000,000 at any time,

(c) in addition to the terms, conditions and restrictions contained in the Revolving Credit Agreement, the use by the Borrower and any of its Subsidiaries of cash (including, without limitation, the proceeds of all Loans) during the period from July 1, 1999 through and including March 15, 2000 shall be solely for: (i) the ordinary working capital purposes of the Borrower and its Subsidiaries, (ii) Permitted Acquisitions, and (iii) other capital expenditures and corporate purposes of the Borrower and its Subsidiaries in amounts that do not materially exceed those outlined in the cash flow forecast of the Borrower distributed to the Lenders on October 27, 1999,

(d) in addition to the terms, conditions and restrictions contained in the Revolving Credit Agreement, the total consideration for (i) all

Permitted Acquisitions made after July 1, 1999 through and including March 15, 2000 (excluding the Permitted Acquisitions set forth in Annex I attached hereto) shall not exceed in the aggregate \$10,000,000, and
(ii) all Foreign Acquisitions made after July 1, 1999 through and including March 15, 2000 shall not exceed in the aggregate \$5,000,000,

(e) for purposes of determining the Commitment Fee during the Waiver Period, the Leverage Ratio shall be calculated without excluding the One-Time Charges as defined in the Third Amendment and Waiver (prior to giving effect to this Amendment) and as defined in this Amendment, and

(f) during the period from July 1, 1999 through and including March 15, 2000 capital expenditures of the Borrower and its Subsidiaries (on a Consolidated basis determined in accordance with GAAP) attributable to the creation of new renal treatment centers or the relocation or expansion of existing renal treatment centers shall not exceed in the aggregate \$40,000,000.

2. Provided that each of the Waiver Conditions shall be, and shall at all times remain, satisfied, the Administrative Agent and the Required Lenders hereby waive any Default or Event of Default that may have occurred prior to the effectiveness of this Amendment (a) under or in connection with Section 4.21 or 7.2(a), (b) due to any misrepresentation or miscertification made in (i) any Borrowing Request, Notice of Conversion/Continuation or Letter of Credit Request delivered to the Administrative Agent during the period from and including September 30, 1999 to but excluding the effective date of this Amendment, or (c) under or in connection with Section 9.1(g)(iii) or 9.1(k)(ii) as a result of any defaults that may have arisen under the Term Loan Facility that will be waived pursuant to the Term Loan Waiver (as defined below).

3. Effective at all times on and after September 30, 1999, clause (a) of the definition of "Applicable Margin" contained in Section 1.1 of the Revolving Credit Agreement is hereby amended and restated as follows:

(a) (i) for the period from and including September 30, 1999 through and including March 15, 2000, (A) with respect to the unpaid principal amount of Eurodollar Advances and Alternate Currency Advances, 3.50%, and (B) with respect to the unpaid principal amount of ABR Advances, 2.25%, and (ii) thereafter, at all times during the applicable periods set forth below and based on the most recently delivered Compliance Certificate of the Borrower: (A) with respect to the unpaid principal amount of Eurodollar Advances and Alternate Currency Advances, the percentage set forth below under the heading "Eurodollar Margin" and adjacent to such period, and (B) with respect to the unpaid principal amount of ABR Advances, the percentage set forth below under the heading "ABR Margin" and adjacent to such period:

Period -----	Eurodollar Margin	ABR Margin
-----	-----	-----
When the Leverage Ratio is greater than 4.40:1.00.....	3.50%	2.25%
When the Leverage Ratio is less than or equal to 4.40:1.00 but greater than 4.00.....	3.25%	2.00%
When the Leverage Ratio is less than or equal to 4.00:1.00.....	3.00%	1.75%

4. Simultaneously with the delivery to the Administrative Agent of the Compliance Certificate for the fiscal quarter of the Borrower ended on September 30, 1999 and in no event later than November 15, 1999 (the "CC Delivery Date"), the Borrower shall pay to the Administrative Agent, for distribution to the Lenders, any additional interest, Commitment Fees and Letter of Credit Fees that accrued under the Revolving Credit Agreement and the Revolving Credit Notes during the period from and including September 30, 1999 to and including the CC Delivery Date, as a result of any increase in the Applicable Margin or Commitment Fee caused by the amendment to the definition of "Applicable Margin" effected

hereby, to the extent that any such accrued additional interest, Commitment Fees or Letter of Credit Fees would have been payable on any Interest Payment Date or other applicable payment date during such period. All such additional interest, Commitment Fees and Letter of Credit Fees that have accrued under the Revolving Credit Agreement and the Revolving Credit Notes on and after September 30, 1999 but that have not been paid on or before the CC Delivery Date, shall continue to be owed under the Revolving Credit Agreement and the Revolving Credit Notes, and shall be paid in accordance with the Revolving Credit Agreement on the next applicable Interest Payment Date or other applicable payment date. Section 3.1(a) of the Revolving Credit Agreement and the definition of "Applicable Margin" in Section 1.1 of the Revolving Credit Agreement, each as in effect immediately prior to September 30, 1999, shall continue to govern the calculation of interest, Commitment Fees and Letter of Credit Fees payable thereunder for periods prior to such date.

5. The Administrative Agent and the Required Lenders hereby consent to the Term Loan Waiver.

6. The Aggregate Revolving Credit Commitments are hereby permanently reduced to \$700,000,000 and Exhibit A to the Credit Agreement is hereby amended and restated in the form of Exhibit A attached hereto.

7. Paragraphs 1--6 of this Amendment shall not become effective until the satisfaction of all of the following conditions precedent:

(a) The Administrative Agent shall have received this Amendment, duly executed by a duly authorized officer or officers of the Borrower, the Guarantors, the Pledgors, the Administrative Agent and the Required Lenders.

(b) Receipt by the Administrative Agent, for the account of each Lender that shall have executed and delivered this Amendment (without any reservation or condition) to the Administrative Agent before 5:00 p.m. (New York City time) on November 8, 1999, of a non-refundable fee in an amount equal to 0.250% of the Revolving Credit Commitment (as set forth on Exhibit A attached hereto) of such Lender.

(c) The Limited Waiver and Third Amendment to Amended and Restated Term Loan Agreement, dated as of the date hereof and substantially in the form of Annex II hereto (the "Term Loan Waiver"), shall have become effective prior to or simultaneously herewith, and the Administrative Agent shall have received an executed copy thereof.

(d) The Administrative Agent shall have received a certificate, dated the effective date of this Amendment, of the Secretary or Assistant Secretary of the Borrower (i) attaching a true and complete copy of the resolutions of its Board of Directors and of all documents evidencing other necessary corporate action (in form and substance satisfactory to the Administrative Agent) taken by it to authorize this Amendment and the transactions contemplated hereby, and (ii) setting forth the incumbency of its officer or officers (including therein the signature specimen of such officer or officers) who may sign this Amendment, any Loan Document or any other document, notice or certificate executed and delivered in connection with any Loan Document.

(e) The Administrative Agent shall have received an opinion of general counsel of the Borrower, the Guarantors and the Pledgors, dated the effective date of this Amendment and addressed to the Administrative Agent, the Collateral Agent, the Documentation Agent, the Syndication Agent and the Lenders, in form and substance reasonably satisfactory to the Administrative Agent and the Syndication Agent.

8. Without limiting the generality of the provisions of Section 11.1 of the Revolving Credit Agreement, the waivers set forth in this Amendment shall be limited precisely as written and nothing in this Amendment shall be deemed to: (a) constitute a waiver of any Defaults or Events of Default arising in any other instance or a waiver of any other term, provision or condition of the Revolving Credit

Agreement or any other instrument or agreement referred to therein; or (b) prejudice any right or remedy that the Administrative Agent, the Collateral

Agent, the Swing Line Lender, the Letter of Credit Issuer or any Lender may now have (except to the extent such right or remedy was based upon any existing defaults that will not exist after giving effect to this Amendment) or may have in the future under or in connection with the Revolving Credit Agreement or any other instrument or agreement referred to therein.

9. The Borrower hereby acknowledges and agrees that all costs, fees and expenses as described in Section 11.5 of the Revolving Credit Agreement incurred by the Administrative Agent, the Syndication Agent, the Co-Arrangers, and Special Counsel with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of the Borrower and shall be promptly paid by the Borrower following the submission of an invoice therefor.

10. On the date hereof, each Credit Party hereby (a) reaffirms and admits the validity and enforceability of the Loan Documents (as amended by this Amendment) and all of its obligations thereunder, (b) agrees and admits that it has no defenses to or offsets against any such obligation, and (c) represents and warrants that, after giving effect to the effectiveness of this Amendment, no Default or Event of Default has occurred and is continuing, and that each of the representations and warranties made by it in the Loan Documents (as amended by this Amendment) to which it is a party is true and correct with the same effect as though such representation and warranty had been made on the date hereof.

11. In all other respects, the Loan Documents shall remain in full force and effect, and no amendment in respect of any term or condition of any Loan Document contained herein shall be deemed to be an amendment in respect of any other term or condition contained in any Loan Document. Notwithstanding anything to the contrary contained herein, the terms, provisions and conditions of the Third Amendment and Waiver shall remain and continue in full force and effect; provided that, for the period from September 30, 1999 through and including March 15, 2000, the Waiver Conditions as defined in the Third Amendment and Waiver shall be deemed replaced in their entirety by the Waiver Conditions as defined in this Amendment, except that the references to "One-Time Charges" contained in Paragraphs 3 and 10 of the Third Amendment and Waiver shall continue to be as defined under the Third Amendment and Waiver prior to giving effect to this Amendment.

12. This Amendment may be executed in any number of counterparts all of which, taken together, shall constitute one Amendment. In making proof of this Amendment, it shall only be necessary to produce the counterpart executed and delivered by the party to be charged.

13. THIS AMENDMENT IS BEING EXECUTED AND DELIVERED IN, AND IS INTENDED TO BE PERFORMED IN, THE STATE OF NEW YORK AND SHALL BE CONSTRUED AND ENFORCEABLE IN ACCORDANCE WITH, AND BE GOVERNED BY, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

[Remainder of page intentionally left blank]

4

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

AS EVIDENCE of the agreement by the parties hereto to the terms and conditions herein contained, each such party has caused this Amendment to be executed on its behalf.

TOTAL RENAL CARE HOLDINGS, INC.

By: _____
Name: _____
Title: _____

5

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

THE BANK OF NEW YORK,
Individually, as the Letter of
Credit Issuer, as the Swing Line
Lender and as Administrative Agent

By: _____
Name: _____
Title: _____

6

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

DLJ CAPITAL FUNDING, INC.,
Individually and as Syndication
Agent

By: _____
Name: _____
Title: _____

7

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

FIRST UNION NATIONAL BANK,
Individually and as Documentation
Agent

By: _____
Name: _____
Title: _____

8

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

ABN AMRO BANK N.V.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

9

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

ALLIED IRISH BANKS, P.L.C., CAYMAN
ISLANDS BRANCH

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

BANCO ESPIRITO SANTO E COMERCIAL DE
LISBOA, NASSAU BRANCH

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

BANK LEUMI TRUST COMPANY OF NEW YORK

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

THE BANK OF NOVA SCOTIA

By: _____
Name: _____
Title: _____

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

BANQUE NATIONALE DE PARIS

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

BHF (USA) CAPITAL CORPORATION

By: _____

Name: _____
Title: _____

By: _____
Name: _____
Title: _____

15

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

CITY NATIONAL BANK

By: _____
Name: _____
Title: _____

16

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

BANK OF AUSTRIA CREDITANSTALT
CORPORATE FINANCE, INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

17

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

CREDIT LYONNAIS NEW YORK BRANCH

By: _____
Name: _____
Title: _____

18

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

DEUTSCHE BANK AG, NEW YORK AND/OR
CAYMAN ISLANDS BRANCHES

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

19

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

DRESDNER BANK AG, NEW YORK BRANCH
AND GRAND CAYMAN BRANCH

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

20

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

ERSTE BANK DER OESTERREICHISCHEN
SPARKASSEN AG--NEW YORK

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

21

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

FLEET NATIONAL BANK

By: _____
Name: _____
Title: _____

22

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

THE FUJI BANK, LIMITED

By: _____
Name: _____
Title: _____

23

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

HIBERNIA NATIONAL BANK

By: _____
Name: _____
Title: _____

24

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

THE INDUSTRIAL BANK OF JAPAN, LTD.,
LOS ANGELES AGENCY

By: _____
Name: _____
Title: _____

25

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

KBC BANK

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

26

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

GENERAL ELECTRIC CAPITAL CORPORATION

By: _____
Name: _____
Title: _____

27

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

MELLON BANK, N.A.

By: _____
Name: _____
Title: _____

28

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

MICHIGAN NATIONAL BANK

By: _____
Name: _____
Title: _____

29

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

THE MITSUBISHI TRUST AND BANKING
CORPORATION

By: _____
Name: _____
Title: _____

30

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

NATIONAL CITY BANK OF KENTUCKY

By: _____
Name: _____
Title: _____

31

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

PARIBAS

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

32

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

COOPERATIEVE CENTRALE RAIFFEISEN--
BOERENLEENBANK B.A, "RABOBANK
NEDERLAND", NEW YORK BRANCH

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

33

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

ROYAL BANK OF CANADA

By: _____
Name: _____
Title: _____

34

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

THE ROYAL BANK OF SCOTLAND PLC

By: _____
Name: _____
Title: _____

35

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

ROYALTON COMPANY

By: Pacific Investment Management
company,
as its Investment Advisor

By: _____
Name: _____
Title: _____

36

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

THE SANWA BANK, LIMITED

By: _____
Name: _____
Title: _____

37

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

SOCIETE GENERALE

By: _____
Name: _____
Title: _____

38

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

STB DELAWARE FUNDING TRUST I

By: _____
Name: _____
Title: _____

39

AMENDMENT NO. 4 AND WAIVER

TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

SUNTRUST BANK, NASHVILLE, N.A.

By: _____
Name: _____
Title: _____

40

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

THE TOKAI BANK, LIMITED

By: _____
Name: _____
Title: _____

41

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

THE TOYO TRUST & BANKING CO., LTD.,
New York Branch

By: _____
Name: _____
Title: _____

42

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

UNION BANK OF CALIFORNIA, N.A.

By: _____
Name: _____
Title: _____

43

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

U.S. BANK NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

44

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

AGREED AND CONSENTED TO:

TOTAL RENAL CARE, INC.
TOTAL RENAL CARE ACQUISITION CORP.
RENAL TREATMENT CENTERS, INC.
RENAL TREATMENT CENTERS-MID-ATLANTIC, INC.
RENAL TREATMENT CENTERS-NORTHEAST, INC.
RENAL TREATMENT CENTERS-CALIFORNIA, INC.
RENAL TREATMENT CENTERS-WEST, INC.
RENAL TREATMENT CENTERS-SOUTHEAST, INC.

Each by: _____
Name: _____
Title: _____

TRC WEST, INC.

By: _____
Name: _____
Title: _____

45

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

ANNEX I

LIST OF PERMITTED ACQUISITIONS--PUT OBLIGATIONS

46

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

ANNEX II

FORM OF TERM LOAN WAIVER

47

AMENDMENT NO. 4 AND WAIVER
TO AND UNDER
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

TRCH EXHIBIT A

LIST OF COMMITMENTS

48

TOTAL RENAL CARE HOLDINGS, INC.

LIMITED WAIVER AND THIRD AMENDMENT
TO AMENDED AND RESTATED TERM LOAN AGREEMENT

This LIMITED WAIVER AND THIRD AMENDMENT TO AMENDED AND RESTATED TERM LOAN AGREEMENT (this "Amendment") is dated as of November 8, 1999, and entered into by and among TOTAL RENAL CARE HOLDINGS, INC., a Delaware corporation (the "Borrower"), the financial institutions listed on the signature pages hereof (the "Lenders", each a "Lender"), DLJ CAPITAL FUNDING, INC., as Syndication Agent (the "Syndication Agent"), THE BANK OF NEW YORK, as collateral agent and as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and, for purposes of Section 5 hereof, the Credit Support Parties (as defined in Section 5 hereof) listed on the signature pages hereof, and is made with reference to that certain Amended and Restated Term Loan Agreement dated as of April 30, 1998, as amended to the date hereof (as so amended, the "Term Loan Agreement"), by and among the Borrower, Lenders, Syndication Agent and Administrative Agent. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Term Loan Agreement.

RECITALS

WHEREAS, the Borrower, the undersigned Lenders, constituting Required Lenders, the Administrative Agent, and the Syndication Agent desire to amend the Term Loan Agreement for the purpose of increasing the interest rates payable on the Loans;

WHEREAS, the Borrower has requested the lenders that are parties to the Revolving Credit Facility to enter into an Amendment No. 4 and Waiver to and under Amended and Restated Revolving Credit Agreement substantially in the form of Annex I hereto (the "Revolving Credit Facility Waiver"), pursuant to which such lenders would waive certain defaults that may have arisen under the Revolving Credit Facility resulting from, among other things, the Borrower's failure to comply with subsection 7.15 thereof;

WHEREAS, the Borrower has requested Lenders to waive any Defaults or Events of Default that may have arisen under subsection 9.1(f) of the Term Loan Agreement as a direct or indirect result of the delivery to the Administrative Agent of a Notice of Conversion/Continuation dated October 5, 1999;

WHEREAS, the Borrower has requested Lenders to waive any Defaults or Events of Default that may have arisen under subsection 9.1(g) of the Term Loan Agreement as a result of any defaults that may have arisen under the Revolving Credit Facility that will be waived or cured upon the effectiveness of the Revolving Credit Facility Waiver, and Lenders are willing to waive any such Defaults and Events of Default, subject to the terms and conditions hereof;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

Section 1. AMENDMENTS TO THE TERM LOAN AGREEMENT

1.1 Amendments to Section 1: Definitions and Principals of Construction

A. Section 1.1 of the Term Loan Agreement is hereby amended effective as of September 30, 1999, by deleting the definition of "Applicable Margin" in its entirety and substituting the following therefor:

"Applicable Margin": at all times, 3.75% with respect to the unpaid principal amount of Eurodollar Advances and 2.50% with respect to the unpaid principal amount of ABR Advances."

Section 2. LIMITED WAIVER TO TERM LOAN AGREEMENT

A. Subject to the terms and conditions set forth herein and in reliance on the representations and warranties of the Borrower herein contained, Lenders hereby waive any Defaults and Events of Default that may have arisen under subsection

9.1(f) the Term Loan Agreement as a direct or indirect result of the delivery to the Administrative Agent of a Notice of Conversion/Continuation dated October 5, 1999.

B. Subject to the terms and conditions set forth herein and in reliance on the representations and warranties of the Borrower herein contained, Lenders hereby waive any Defaults and Events of Default that may have arisen during the period from and including September 30, 1999, to and including the Third Amendment Effective Date under subsection 9.1(g) of the Term Loan Agreement as a result of any defaults that may have arisen under the Revolving Credit Facility that will be waived or cured upon the effectiveness of the Revolving Credit Facility Waiver.

Without limiting the generality of the provisions of subsection 11.1 of the Term Loan Agreement, the waivers set forth above shall be limited precisely as written and nothing in this Amendment shall be deemed to:

(a) constitute a waiver of any Defaults or Events of Default arising under subsections 9.1(f) or 9.1(g) of the Term Loan Agreement in any other instance, or a waiver of any other term, provision or condition of the Term Loan Agreement or any other instrument or agreement referred to therein; or

(b) prejudice any right or remedy that Agents or any Lender may now have (except to the extent such right or remedy was based upon any existing defaults that will not exist after giving effect to this Waiver) or may have in the future under or in connection with the Term Loan Agreement or any other instrument or agreement referred to therein.

Section 3. CONDITIONS TO EFFECTIVENESS

Sections 1 and 2 of this Amendment shall become effective only upon the satisfaction of all of the following conditions precedent (the date of satisfaction of such conditions being referred to herein as the "Third Amendment Effective Date"):

A. Required Lenders (as such term is defined in the Revolving Credit Agreement) shall have entered into the Revolving Credit Facility Waiver, Administrative Agent and Syndication Agent shall have received an executed copy thereof, and such Revolving Credit Facility Waiver shall have become effective simultaneously with the effectiveness hereof.

B. Borrower shall have paid to Administrative Agent, for distribution to each Approving Lender (as defined in Section 7C hereof), the fees set forth in Section 7C hereof.

C. The Administrative Agent shall have received a certificate, dated the Third Amendment Effective Date, of the Secretary or Assistant Secretary of the Borrower (i) attaching a true and complete copy of the resolutions of its Board of Directors and of all documents evidencing other necessary corporate action (in form and substance satisfactory to the Administrative Agent and the Syndication Agent) taken by it to authorize this Amendment and the transactions contemplated hereby, and (ii) setting forth the incumbency of its officer or officers (including therein the signature specimen of such officer or officers) who may sign this Amendment, any Loan Document or any other document, notice or certificate executed and delivered in connection with any Loan Document.

D. The Administrative Agent shall have received the opinion of the general counsel of the Borrower, the Guarantors and the Pledgors, dated the Third Amendment Effective Date and addressed to the Administrative Agent, the Collateral Agent, the Documentation Agent, the Syndication Agent and the Lenders, in form and substance reasonably satisfactory to the Administrative Agent and the Syndication Agent.

Section 4. BORROWER'S REPRESENTATIONS AND WARRANTIES

In order to induce Lenders to enter into this Amendment and to amend the Term Loan Agreement in the manner provided herein, Borrower represents and warrants to each Lender that the following statements are true, correct and complete:

A. Corporate Power and Authority. Each Credit Party has all requisite corporate power and authority to enter into this Amendment and to carry out the

transactions contemplated by, and perform its obligations under, the Term Loan Agreement as amended by this Amendment (the "Amended Agreement").

B. Authorization of Agreements. The execution and delivery of this Amendment have been duly authorized by all necessary corporate action on the part of each Credit Party. The performance of the Amended Agreement has been duly authorized by all necessary corporate action on the part of each Credit Party.

C. No Conflict. The execution and delivery by each Credit Party of this Amendment, and the performance by each Credit Party of the Amended Agreement do not and will not (i) violate any provision of any law or any governmental rule or regulation applicable to Borrower or any of its Subsidiaries, the Certificate or Articles of Incorporation or Bylaws of Borrower or any of its Subsidiaries or any order, judgment or decree of any court or other agency of government binding on Borrower or any of its Subsidiaries, (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any contractual obligation of Borrower or any of its Subsidiaries, (iii) result in or require the creation or imposition of any Lien upon any of the properties or assets of Borrower or any of its Subsidiaries (other than Liens created under any of the Loan Documents in favor of Administrative Agent on behalf of Lenders), or (iv) require any approval of stockholders or any approval or consent of any Person under any contractual obligation of Borrower or any of its Subsidiaries.

D. Governmental Consents. The execution and delivery by each Credit Party of this Amendment and the performance by each Credit Party of the Amended Agreement, do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body.

E. Binding Obligation. This Amendment and the Amended Agreement have been duly executed and delivered by each Credit Party and are the legally valid and binding obligations of each Credit Party, enforceable against each Credit Party in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

F. Incorporation of Representations and Warranties From Term Loan Agreement. The representations and warranties contained in Section 4 of the Term Loan Agreement (after giving effect to this Amendment) are and will be true, correct and complete in all material respects on and as of the Third Amendment Effective Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects on and as of such earlier date.

G. Absence of Default. No event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Amendment that would constitute an Event of Default, other than any Events of Default that will be cured or waived upon the effectiveness of this Amendment.

Section 5. ACKNOWLEDGEMENT AND CONSENT

Borrower is a party to the Borrower Pledge Agreement pursuant to which Borrower has pledged certain Collateral to Administrative Agent to secure the Obligations. TRC is a party to the Subsidiary Guaranty and the Subsidiary Pledge Agreement pursuant to which TRC has (i) guarantied the Obligations and (ii) pledged certain Collateral to Administrative Agent to secure the Obligations and to secure the obligations of TRC under the Subsidiary Guaranty. Each of the other Guarantors listed on the signature pages hereof is a party to the

Subsidiary Guaranty pursuant to which such Guarantor has guarantied the Obligations. Borrower and the Guarantors are collectively referred to herein as the "Credit Support Parties", and the Borrower Pledge Agreement, the Subsidiary Pledge Agreement and the Subsidiary Guaranty are collectively referred to herein as the "Credit Support Documents".

Each Credit Support Party hereby acknowledges that it has reviewed the terms and provisions of the Term Loan Agreement and this Amendment and consents to

the amendment of the Term Loan Agreement effected pursuant to this Amendment. Each Credit Support Party hereby confirms that each Credit Support Document to which it is a party or otherwise bound and all Collateral encumbered thereby will continue to guaranty or secure, as the case may be, to the fullest extent possible the payment and performance of all "Guarantied Obligations" and "Secured Obligations," as the case may be (in each case as such terms are defined in the applicable Credit Support Document), including without limitation the payment and performance of all such "Guarantied Obligations" and "Secured Obligations," as the case may be, in respect of the Obligations of Borrower now or hereafter existing under or in respect of the Amended Agreement and the Notes defined therein.

Each Credit Support Party acknowledges and agrees that any of the Credit Support Documents to which it is a party or otherwise bound shall continue in full force and effect and that all of its obligations thereunder shall be valid and enforceable and shall not be impaired or limited by the execution or effectiveness of this Amendment. Each Credit Support Party represents and warrants that all representations and warranties contained in the Amended Agreement and the Credit Support Documents to which it is a party or otherwise bound are true, correct and complete in all material respects on and as of the Third Amendment Effective Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects on and as of such earlier date.

Each Credit Support Party acknowledges and agrees that (i) notwithstanding the conditions to effectiveness set forth in this Amendment, such Credit Support Party is not required by the terms of the Term Loan Agreement or any other Loan Document to consent to the amendments to the Term Loan Agreement effected pursuant to this Amendment and (ii) nothing in the Term Loan Agreement, this Amendment or any other Loan Document shall be deemed to require the consent of such Credit Support Party to any future amendments to the Term Loan Agreement.

Section 6. PAYMENT OF ADDITIONAL INTEREST

Simultaneously with the delivery to the Administrative Agent of the Compliance Certificate for the fiscal quarter of the Borrower ended on September 30, 1999 and in any event no later than November 15, 1999 (the "CC Delivery Date"), the Borrower shall pay to Administrative Agent, for distribution to Lenders (including assignors of Notes to Lenders, as applicable) any additional interest that accrued under the Term Loan Agreement and Notes during the period from and including September 30, 1999, to and including the CC Delivery Date, as a result of any increase in the Applicable Margin caused by the amendment to the definition of "Applicable Margin" effected hereby, to the extent that such accrued interest would have been payable on any Interest Payment Date during such period. All such additional interest that accrued under the Term Loan Agreement and the Notes on and after September 30, 1999, that is not paid on or before the CC Delivery Date, shall continue to be owed under the Term Loan Agreement and the Notes, and shall be paid in accordance with the Term Loan Agreement on the next applicable Interest Payment Date. The definition of "Applicable Margin" in the Term Loan Agreement as in effect immediately prior to September 30, 1999, shall continue to govern the calculation of interest payable thereunder for periods prior to such date.

Section 7. MISCELLANEOUS

A. Reference to and Effect on the Term Loan Agreement and the Other Loan Documents.

(i) On and after the Third Amendment Effective Date, each reference in the Term Loan Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Term

Loan Agreement, and each reference in the other Loan Documents to the "Term Loan Agreement", "thereunder", "thereof" or words of like import referring to the Term Loan Agreement shall mean and be a reference to the Amended Agreement.

(ii) Except as specifically amended by this Amendment, the Term Loan Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of Administrative Agent or any Lender under, the Term Loan Agreement or any of the other Loan Documents.

B. Fees and Expenses. Borrower acknowledges that all costs, fees and expenses as described in Section 11.5 of the Term Loan Agreement incurred by Administrative Agent, Syndication Agent, Co-Arrangers, and Special Counsel, with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of Borrower and shall be promptly paid by Borrower following the submission of an invoice therefor.

C. Consent Fee. On the Third Amendment Effective Date, Borrower shall pay to Administrative Agent, for distribution to each Lender that shall have executed and delivered (without any reservation or condition) a counterpart of this Amendment to Administrative Agent before 5:00 p.m. (New York City time) on November 8, 1999 (each, an "Approving Lender"), non-refundable fees in the amount of 1/4 of 1% of the aggregate amount of the Loans of each such Approving Lender (immediately prior to the effectiveness hereof).

E. Headings. Section and subsection headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

F. Applicable Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

G. Counterparts; Effectiveness. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. This Amendment (other than the provisions of Sections 1 and 2 hereof, the effectiveness of which is governed by Section 3 hereof) shall become effective upon the execution of a counterpart hereof by Borrower, Required Lenders, Administrative Agent, and each of the Credit Support Parties and receipt by Borrower and Administrative Agent of written or telephonic notification of such execution and authorization of delivery thereof.

[Remainder of page intentionally left blank]

5

ANNEX I

REVOLVING CREDIT FACILITY WAIVER

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

BORROWER:

TOTAL RENAL CARE HOLDINGS, INC.

By: _____
Name: _____
Title: _____

CREDIT SUPPORT PARTIES:

TOTAL RENAL CARE, INC.,
TOTAL RENAL CARE ACQUISITION CORP.
RENAL TREATMENT CENTERS, INC.,
RENAL TREATMENT CENTERS--MID-ATLANTIC, INC.
RENAL TREATMENT CENTERS-NORTHEAST, INC.
RENAL TREATMENT CENTERS-CALIFORNIA, INC.
RENAL TREATMENT CENTERS-WEST, INC.
RENAL TREATMENT CENTERS-SOUTHEAST,

INC. (for purposes of Section 5
only) each as a Credit Support
Party

Each by: _____
Name: _____
Title: _____

TRC WEST, INC., (for purposes of
Section 5 only) as a Credit Support
Party

By: _____
Name: _____
Title: _____

AGENTS:

THE BANK OF NEW YORK, Individually
and as Administrative Agent and
Collateral Agent

By: _____
Name: _____
Title: _____

DLJ CAPITAL FUNDING, INC.,
Individually and as Syndication
Agent

By: _____
Name: _____
Title: _____

TOTAL RENAL CARE HOLDINGS, INC.

RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges is computed by dividing fixed charges into earnings. Earnings is defined as pretax income from continuing operations adjusted by adding fixed charges and excluding interest capitalized during the period. Fixed charges means the total of interest expense, amortization of financing costs and the estimated interest component of rental expense on operating leases. In 1995, we changed our fiscal year end to December 31 from May 31.

	Years ended May 31,		Seven months ended December 31,		Years ended December 31,				Nine months ended September 30,
	1994	1995	1994	1995	1995	1996	1997	1998	1999
	(in thousands, except for ratio data)								
Income before income taxes, minority interest, extraordinary items and cumulative effect of a charge in accounting principle ..	\$18,753	\$24,323	\$14,174	\$26,436	\$39,685	\$60,945	\$99,741	\$64,085	\$12,852
Minority interest.....	(1,046)	(1,593)	(878)	(1,784)	(2,544)	(3,578)	(4,502)	(7,163)	(6,425)
	17,707	22,730	13,296	24,652	37,141	57,367	95,239	56,922	6,427
Fixed Charges:									
Interest expense and amortization of debt issuance costs and discounts on all indebtedness.....	1,575	9,087	4,676	8,007	13,375	14,075	30,289		
	83,710	75,999							
Interest portion of rental expense.....	1,926	2,475	1,438	1,950	3,347	5,301	8,196	12,992	12,379
Total fixed charges.....	3,501	11,562	6,114	9,957	16,722	19,376	38,485	96,702	88,378
Earnings before income taxes, extraordinary items, cumulative effect of a change in accounting principle and fixed charges.....	\$21,208	\$34,292	\$19,410	\$34,609	\$53,863	\$76,743	\$133,724	\$153,624	\$94,805
Ratio of earnings to fixed charges.....	6.06	2.97	3.17	3.48	3.22	3.96	3.47	1.59	1.07

<ARTICLE> 5

<PERIOD-TYPE>	3-MOS		3-MOS	
<FISCAL-YEAR-END>		DEC-31-1999		DEC-31-1998
<PERIOD-START>		JUL-01-1999		JUL-01-1998
<PERIOD-END>		SEP-30-1999		SEP-30-1998
<CASH>		70,741,000		0
<SECURITIES>		0		0
<RECEIVABLES>		571,196,000		0
<ALLOWANCES>		113,416,000		0
<INVENTORY>		26,750,000		0
<CURRENT-ASSETS>		657,873,000		0
<PP&E>		285,821,000		0
<DEPRECIATION>		0		0
<TOTAL-ASSETS>		2,196,981,000		0
<CURRENT-LIABILITIES>		240,186,000		0
<BONDS>		0		0
<PREFERRED-MANDATORY>		0		0
<PREFERRED>		0		0
<COMMON>		81,000		0
<OTHER-SE>		481,538,000		0
<TOTAL-LIABILITY-AND-EQUITY>		2,196,981,000		0
<SALES>		366,968,000		318,585,000
<TOTAL-REVENUES>		366,968,000		318,585,000
<CGS>		0		0
<TOTAL-COSTS>		330,242,000		252,401,000
<OTHER-EXPENSES>		0		0
<LOSS-PROVISION>		17,002,000		8,997,000
<INTEREST-EXPENSE>		28,862,000		19,805,000
<INCOME-PRETAX>		4,145,000		45,483,000
<INCOME-TAX>		2,285,000		18,102,000
<INCOME-CONTINUING>		1,860,000		27,381,000
<DISCONTINUED>		0		0
<EXTRAORDINARY>		0		0
<CHANGES>		0		0
<NET-INCOME>		1,860,000		27,381,000
<EPS-BASIC>		0.02		0.34
<EPS-DILUTED>		0.02		0.33

<ARTICLE> 5

<PERIOD-TYPE>	9-MOS		9-MOS	
<FISCAL-YEAR-END>		DEC-31-1999		DEC-31-1998
<PERIOD-START>		JAN-01-1999		JAN-01-1998
<PERIOD-END>		SEP-30-1999		SEP-30-1998
<CASH>		0		0
<SECURITIES>		0		0
<RECEIVABLES>		0		0
<ALLOWANCES>		0		0
<INVENTORY>		0		0
<CURRENT-ASSETS>		0		0
<PP&E>		0		0
<DEPRECIATION>		0		0
<TOTAL-ASSETS>		0		0
<CURRENT-LIABILITIES>		0		0
<BONDS>		0		0
<PREFERRED-MANDATORY>		0		0
<PREFERRED>		0		0
<COMMON>		0		0
<OTHER-SE>		0		0
<TOTAL-LIABILITY-AND-EQUITY>		0		0
<SALES>		1,072,405,000		865,684,000
<TOTAL-REVENUES>		1,072,405,000		865,684,000
<CGS>		0		0
<TOTAL-COSTS>		984,485,000		773,611,000
<OTHER-EXPENSES>		0		0
<LOSS-PROVISION>		63,187,000		23,539,000
<INTEREST-EXPENSE>		75,999,000		50,866,000
<INCOME-PRETAX>		6,427,000		30,194,000
<INCOME-TAX>		5,608,000		31,062,000
<INCOME-CONTINUING>		819,000		(868,000)
<DISCONTINUED>		0		0
<EXTRAORDINARY>		0		12,744,000
<CHANGES>		0		6,896,000
<NET-INCOME>		819,000		(20,508,000)
<EPS-BASIC>		0.01		(0.26)
<EPS-DILUTED>		0.01		(0.26)