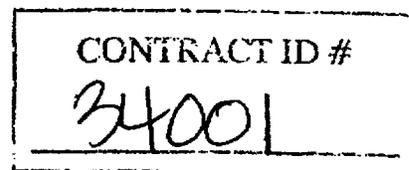


File 2012.100 Master Lease  
 Imaged \_\_\_\_\_



**LEASE AGREEMENT**

**ST. PAULS, NORTH CAROLINA**

THIS LEASE AGREEMENT, made and entered into this 29<sup>th</sup> day of September 2006 by and between HILL/GRAY SEVEN, LLC, a Florida limited liability company (hereinafter called "Lessor"), and TOTAL RENAL CARE OF NORTH CAROLINA, LLC, a Delaware limited liability company (hereinafter called the "Lessee").

**WITNESSETH:**

WHEREAS, the said Lessor desires to demise, lease and rent unto the Lessee, and the said Lessee desires to rent and lease from the Lessor, that certain real property located at 564 McLean Street, St. Pauls, North Carolina 28384, in a to-be-built building thereon ("Building") and all improvements thereon and appurtenant rights thereto including, without limitation, parking areas, easements, declarations and rights of way. A legal description and site plan of the property is attached hereto as Exhibit A; and

WHEREAS, the Building shall consist of a one (1) story building containing approximately Six Thousand Five Hundred Thirty (6,530) rentable square feet and the leased premises shall initially consist of the entire Building (hereinafter called the "Premises"), and shall include, without limitation, all heating, venting, and air conditioning ("HVAC"), mechanical, electrical, elevator and plumbing systems, roofs, walls and foundations and fixtures and the Premises shall include an approximately twenty-six (26) space parking lot. A space plan of which will be provided by Lessee within one hundred twenty (120) days of the date of this Lease and attached as Exhibit B.

NOW, THEREFORE, for and in consideration of the mutual covenants, promises and agreements herein contained, the Lessor does hereby demise, lease and rent unto the said Lessee and the Lessee does hereby rent and lease from the Lessor the Premises, under and pursuant to the following terms and conditions:

1.1 Term. The term of this Lease ("Term") shall commence on the date of issuance of a certificate of occupancy from the City of St. Pauls, North Carolina (the "Commencement Date"). Notwithstanding the foregoing, "Lessor's Work" shall include architectural and engineering costs for the minimum base building improvements; in addition, the parties agree and acknowledge that the Building shall be constructed to a level of finish commensurate with Lessor's Waynesville, North Carolina building location.

The Term shall expire (unless renewed or earlier terminated as provided herein), upon the expiration of the fifteenth (15<sup>th</sup>) Lease Year (as defined herein). Notwithstanding the foregoing, Lessee shall be responsible for all obligations under the Lease except Rent for the period from the time of substantial completion of Lessor's Work through the Commencement Date.

1.2 The first "Lease Year" shall mean the period of one (1) year commencing on the first full calendar month following the Commencement Date and each subsequent Lease Year shall be the successive one (1) year period thereafter.

1.3 Lessor shall pay for and construct the minimum base building improvements, as set forth on Exhibit C and Lessee shall construct fit-out improvements ("Lessee Improvements").

1.4 Intentionally Deleted.

1.5 Upon determination of the Commencement Date and at the request of either party, memorandum shall be executed by both Lessor and Lessee setting forth the Commencement Date and certifying that the Lease is in full force and effect.

2. Rent. (a) Subject to future adjustments in accordance with Section 3 hereinbelow, Lessee shall pay rent at an initial rate of \$19.00 per rentable square foot. Lessee shall pay as an annual base rent ("Rent") an amount equal to \$124,070.00, which Rent shall be payable without setoff, demand or deduction, except as otherwise provided herein. Lessee shall pay Rent in advance in twelve (12) equal monthly installments on the first day of each calendar month for each and every month during the term of this Lease, such monthly installment to be prorated for any partial calendar month in which the Commencement Date or Termination Date shall occur. All amounts (unless otherwise provided herein), other than the Rent and the adjustments thereto described in Section 3 hereof, owed by Lessee to Lessor hereunder shall be deemed additional rent.

(b) It is the intention of the parties that the Lessor shall receive the rents, additional rents, and all sums payable by the Lessee under this Lease free of all taxes, expenses, charges, damages and deductions of any nature whatsoever and the Lessee covenants and agrees to pay all sums which except for this Lease would have been chargeable against the leased Premises and payable by the Lessor. The Lessee shall, however, be under no obligation to pay principal or interest on any mortgage on the fee of the leased Premises, any franchise or income tax payable by the Lessor or any other tax is imposed upon or measured by Lessor's income or profits, or any gift, inheritance, transfer, estate, or succession tax by reason of any present or future law which may be enacted during the term of this Lease.

3. Consumer Price Index. (a) In the event that the CPI (as defined below) for any Lease Year during the Term shall be greater than the CPI for the preceding Lease Year, then Rent shall be increased for the succeeding Lease Year to an amount equal to the sum of (i) the Rent, as increased by previous rent adjustments for CPI, payable for the preceding Lease Year and (ii) the Rent payable for the first Lease Year multiplied by the percentage of increase by which the CPI in such succeeding Lease Year(s) exceeds the CPI for the next preceding Lease Year, it being the intention of the parties that CPI not be compounded; provided, however, that in no event shall Rent be increased by more than two percent (2%) over the Rent for the previous Lease Year. The amount to be paid as Lessee's proportion of the CPI increase during the last Lease Year shall be prorated per diem if less than a full Lease Year. The first adjustment for the change in CPI will be made on the first anniversary of the Commencement Date. In no event shall Rent be reduced due to adjustments for CPI.

The term "CPI" means the Consumer Price Index-U.S. City Averages for All Urban Consumers - All Items (1982-84=100), of the United States Bureau of Labor Statistics. The CPI for any Lease Year shall be determined by averaging the monthly All Items indices for that Lease Year. For the first Lease Year for which a CPI adjustment is payable, Lessor shall reasonably estimate such adjustment based upon the comparison of the CPI for the month

immediately prior to the Commencement Date to the CPI for the same month in the previous calendar year, subject to the provisions of subparagraph (b) below.

If the Bureau of Labor Statistics revises the manner in which such CPI is determined, Lessor may adjust the revised index to produce results equivalent, as nearly as possible, to those which would have been obtained if the CPI had not been so revised. If the 1982-84 average shall no longer be used as an index of 100, such change shall constitute a revision.

If the CPI shall become unavailable to the public because publication is discontinued, or otherwise, Lessor will substitute therefor a comparable index based upon changes in the cost of living or purchasing power of the consumer dollar published by any other governmental agency or, if no such index shall be available then a comparable index published by a major bank or other financial institution.

Promptly after expiration of each Lease Year during the Term, Lessor will furnish to Lessee a statement (hereinafter called the "Statement") showing the following:

- (i) The CPI for said expired Lease Year;
- (ii) The CPI for the Lease Year preceding said expired calendar year;
- (iii) The amount of Rent adjustment for CPI then due and payable to Lessor;
- (iv) The amount of incremental Rent to be paid on account of the rent adjustment for CPI (based on the CPI for the preceding Lease Year) which shall be paid monthly during the then current Lease Year and thereafter until receipt of a new statement containing a rent adjustment for CPI.

(b) Examination; Prorations; Part Payments; Etc. Any amount due to Lessor as shown on any such Statement, whether or not written exception is taken thereto, nonetheless shall be paid by Lessee within one (1) month after Lessor shall have submitted the Statement to Lessee. Unless Lessee shall have taken written exception to the Statement, or any item therein, within six (6) months after the furnishing of the Statement to Lessee, such Statement shall be considered as final and accepted by Lessor and Lessee; provided however, should Lessee take written exception to the Statement within said six (6) month period then Lessee or its representative shall have the right to examine Lessor's books and records with respect to the calculation of the CPI during Lessor's normal business hours at any time within sixty (60) days following the date of Lessee's written exception. In the event such Statement indicates or such examination determines, based on generally accepted accounting principles, that such CPI was overstated, Lessor shall promptly reimburse Lessee for any over-payment and Lessee's rent adjustment shall be re-adjusted to reflect the correct amount.

4. Renewals. Provided Lessee is not in default under this Lease and is operating its business or in Premises, Lessee shall have the right and option to renew this lease for three (3) additional periods of five (5) years each, next immediately ensuing after the expiration of the initial Term of this lease and the subsequent renewal periods by notifying Lessor in writing not less than one hundred eighty (180) days before the expiration of the immediately preceding initial Term or subsequent renewal Term of this Lease of the Lessee's intention to exercise its option to renew, but Lessee shall have no option to extend this Lease beyond three (3) renewal periods of five (5) years each after the initial Term. In the event that Lessee so elects to extend this Lease, then, for such extended period of the Term, all of the terms, covenants and conditions

of this Lease shall continue to be, and shall be, in full force and effect during such extended period of the Term hereof, except for the Rent. The Rent for the first Lease Year of each extended period shall be as mutually agreed upon by Lessor and Lessee not less than sixty (60) days prior to the expiration of the then current Term hereof and shall be adjusted thereafter as set forth in Section 3 hereof. If Lessor and Lessee are unable to mutually agree on the new Rent for the first Lease Year of such extended period then, within fifty (50) days prior to the expiration of the then current Term of this Lease, each of Lessor and Lessee shall select a duly qualified real estate appraiser. The Rent shall be ninety percent (90%) of the annual fair market rental value (the "FMRV") of the Premises as determined by the two (2) appraisers selected by Lessee and Lessor as of the date which is forty (40) days before the date of the expiration of the then existing Term of this Lease, provided, however, that in no event shall Rent be lower than the Rent for the then existing Term of this Lease. The appraiser shall issue their reports within ten (10) days. If the higher of the two (2) appraisals is less than or equal to one hundred ten percent (110%) of the lower, FMRV shall be the average of the two; if not, the two (2) appraisers shall then mutually select the third (3rd) appraiser within ten (10) days. The third (3rd) appraiser so selected shall determine which of the two (2) appraisers' determination is closest to FMRV within ten (10) days and such determination shall be deemed to be the FMRV. Lessors shall pay the cost of the appraisal by the appraiser selected by Lessor. Lessee shall pay the cost of the appraisal by the appraiser selected by Lessee. Lessor and Lessee shall equally bear the cost of the third appraisal.

Notwithstanding any provisions of Section 3 to the contrary, for purposes of making the CPI adjustment during any extended period, (1) the Rent for the first Lease Year of any extended period shall be determined as set forth in this Section 4, without adjustment, (2) for purposes of the formula in the first paragraph of Section 3, the "Rent" shall be the Rent for the first Lease Year of such extended period without increase for previous CPI adjustments and (3) the comparison for purposes of the last sentence of the second paragraph of Section 3 shall compare the CPI for the month immediately prior to the commencement of such extended period with the CPI for the same month of the previous calendar year.

5. Condition of Premises. Lessor warrants to Lessee for a period of one (1) year after the Commencement Date that the Premises, and the systems and equipment constituting a part of the Premises (excluding Lessee Improvements), are in good working order and condition, and free of all defects in materials or workmanship. Lessee shall give written notice to Lessor within such one (1) year period of any condition of the Premises which Lessee reasonably determines to be defective or other than as represented by Lessor herein. Lessor will, immediately upon receipt of such notice from Lessee, repair such defective condition at Lessor's cost and expense.

6. Use of Premises. Lessee may occupy and use the Premises during the Term for purposes of the operation of a dialysis facility and related medical and business offices or for any other lawful purpose(s). Lessee may operate during such days and hours as permitted by applicable zoning regulations.

Lessor represents and warrants that the Premises may be used by Lessee as a dialysis facility and related medical and business offices under applicable laws, ordinances, rules and regulations ("Laws") including, without limitation, zoning Laws.

7. **Assignment.** The Lessee shall not assign this lease, or sublet the Premises, or any part thereof, without Lessor's prior written consent which consent shall not be unreasonably withheld or delayed. Lessor shall not be deemed to have unreasonably withheld its consent if, in the reasonable judgment of Lessor, the financial condition of the proposed transferee is such that it may not be able to perform its obligations in connection with this Lease. Prior to any sublease or assignment, Lessee shall first notify Lessor in writing of its election to sublease all or a portion of the Premises or to assign this Lease or any interest thereunder. At any time within fifteen (15) business days after service of said notice, Lessor shall notify Lessee that it consents or refuses to consent to the sublease or assignment. A failure by Lessor to respond within such fifteen (15) business day period shall be deemed to be a consent.

Any assignment or subletting shall not release Lessee of its liability under this Lease nor permit any subsequent assignment, subletting or other prohibited act, unless specifically provided in such consent.

Notwithstanding the foregoing, no consent of Lessor is required for Lessee to assign or otherwise transfer (by operation of law or otherwise) this Lease or any of its rights hereunder:

- (a) to any person, corporation, partnership or other entity which acquires all or substantially all of the business or assets of Lessee or stock in Lessee; or (b) to any person, corporation, partnership or other entity which controls, is controlled by or is under common control with Lessee or DaVita Inc.; or (c) 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 Lessee. Lessee and Lessee's transferee or assignee shall provide notice of any transfer or assignment described in (a), (b), or (c) hereof not less than fifteen (15) days prior to the effective date of such transfer or assignment unless prohibited by law and then, if so prohibited by law, within twenty (20) days after the date of such transfer or assignment.

No such assignment or other transfer, in whole or in part, of any Lessee's rights or obligations under this Lease shall be or operate as a release of Lessee hereunder and Lessee shall remain responsible for performing Lessee's obligations hereunder should Lessee's assignee or transferee fail to perform any such obligations.

The use(s) for which the Premises may be assigned or sublet shall include any lawful purpose(s) and shall be consistent with local zoning regulations.

Lessor hereby consents to a collateral assignment or mortgage of this Lease by Lessee to Lessee's lender, provided, however, Lessee shall be and remain liable for the performance of this Lease.

8. **Lessee to Pay Taxes, Utilities and Operating Expenses.**

(a) The Lessee shall promptly pay all real estate taxes, assessments, water and sewer charges and other governmental levies ("Impositions") against the Premises. The amount to be paid by Lessee on account of taxes during the first and last calendar years in which any portion of the Term falls shall be prorated per diem so that Lessee is liable only for so much of such taxes as the portion of the Term which falls within such calendar year bears to a full

calendar year. In case of special taxes which may be payable in installments, only the amount of each installment payable during a calendar year shall be included in taxes for that calendar year. During the Term of this Lease, Lessee shall direct all taxing authorities to send to Lessee all tax bills for the tax parcel of which the Premises are a part, and promptly upon receipt thereof, Lessee shall send copies to Lessor. Upon Lessor's written request, Lessee shall submit to Lessor proof of payment of said taxes.

(b) The Lessee shall pay for all utilities and other services necessary in the operation of the Premises, including but not be limited to, gas, fuel oil, electrical, telephone and other utility charges, janitorial services (if Lessee shall contract for such services) and grounds maintenance.

(c) The Lessee may contest the amount or validity of any Imposition described in this Section 8 by appropriate proceedings. However, the Lessee shall promptly pay such Imposition unless such proceedings shall operate to prevent or stay the collection of the Imposition so contested. The Lessor, at the Lessee's sole expense, shall join in any such contestation proceedings if any Law shall so require.

(d) All sums (other than the Rent) which may be due and payable under this Lease shall be deemed to be additional rent hereunder and in the event that Rent shall be prorated or shall abate pursuant to the terms of this Lease then such additional rent shall be prorated or abate to the same extent and in the same manner, unless otherwise specifically provided for in this Lease.

(e) The Lessor appoints the Lessee the attorney-in-fact of the Lessor for the sole purpose of making all required payments to be made by the Lessee pursuant to any of the provisions of this Lease to persons other than the Lessor. In case any person to whom any sum is directly payable by the Lessee under any of the provisions of this Lease shall refuse to accept payment of such sum from the Lessee, the Lessee shall thereupon give written notice of such fact to the Lessor and shall pay such sum directly to the Lessor, who shall thereupon pay such sum to such person.

9. Alterations. Lessee shall not make any alterations, or additions or leasehold improvements to the Premises ("Alterations") without Lessor's prior written consent in each and every instance, such consent not to be unreasonably withheld or delayed. Notwithstanding the foregoing, Lessee shall have the right to make non-structural Alterations to the Premises which do not exceed in cost Fifty Thousand Dollars (\$50,000.00) in the aggregate during each Lease Year without Lessor's consent. All Alterations which may be made by the Lessee and all Lessee Improvements which shall have been paid for by Lessee shall be the property of the Lessee and Lessee shall be entitled to remove from the leased Premises during the Term all Alterations, Lessee Improvements and any and all furniture, trade fixtures, equipment and personal property ("Fixtures") installed or located on or in the leased Premises provided that the Lessee repair any and all damages done by the removal of the foregoing. All Alterations and Lessee Improvements which Lessee does not elect to remove at the expiration of the term shall be surrendered with the Premises at the termination of this Lease.

Lessee shall have the right, to affix to the exterior of the Building and on the grounds surrounding the Building Lessee's standard signage as well as signs that identify all occupants of the Premises. All such signs shall comply with all applicable zoning laws.

10. Environmental. Lessee shall not cause or permit any hazardous or toxic substances, materials or waste, including, without limitation, medical waste ("Hazardous Substances") to be used, generated, stored or disposed of in, on or under, or transported to or from the Premises unless such Hazardous Substances are reasonably necessary for Lessee's business conducted in the Premises; provided, however, Lessee shall at all times and in all material respects comply with all local, state, and federal laws, ordinances, rules, regulations and orders, whether now in existence or hereafter adopted relating to Hazardous Substances or otherwise pertaining to the environment (the "Environmental Laws") and further provided that Lessee shall periodically cause to be removed from the Premises such Hazardous Substances placed thereon by Lessee or Lessee's agents, servants, employees, guests, invitees and/or independent contractors in accordance with good business practices, such removal to be performed by persons or entities duly qualified to handle and dispose of Hazardous Substances. Without limiting the generality of the foregoing, Lessor acknowledges that the following Hazardous Substances, among others, are required for Lessee's business operations: bleach, cidex, hibiclana, metrocide, hydrogen peroxide, and formaldehyde. Upon the expiration or earlier termination of this Lease, Lessee shall cause all Hazardous Substances placed on the Premises by Lessee to be removed, at Lessee's cost and expense, from the Premises and disposed of in strict accordance with the Environmental Laws.

Lessee shall indemnify, defend (by counsel reasonably acceptable to Lessor), protect, and hold Lessor harmless, from and against any and all claims, liabilities, penalties, fines, judgment, forfeitures, losses, costs (including clean-up costs) or expenses (including attorney's fees, consultant's fees and expert's fees) for the death of or injury to any person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly, by (a) the presence after the Commencement Date in, on, under, or about the Premises of any Hazardous Substances caused by Lessees or its agents, servants, employees, guests, invitees and/or independent contractors; (b) any discharge or release by Lessee or its agents, servants, employees, guests, invitees and/or independent contractors after the Commencement Date in or from the Premises of any Hazardous Substances; (c) Lessee's use, storage, transportation, generation, disposal, release or discharge after the Commencement Date of Hazardous Substances, to, in, on, under, about or from the Premises; or (d) Lessee's failure after the Commencement Date to comply with any Environmental Law.

Lessor shall indemnify, defend (by counsel reasonably accepted to Lessee), protect, and hold Lessee harmless, from and against any and all claims, liabilities, penalties, fines, judgment, forfeitures, losses, costs (including clean-up costs) or expenses (including attorney's fees, consultant's fees and expert's fees) for the death of or injury to any person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly, by (a) the presence prior to the Commencement Date in, on, under, or about the Premises of any Hazardous Substances; (b) any discharge or release prior to the Commencement Date in or from the Premises of any Hazardous Substances; (c) the use, storage, transportation, generation, disposal, release or discharge of Hazardous Substances by Lessor prior to the Commencement Date, to, in, on, under, about or from the Premises; or (d) Lessor's failure prior to the Commencement Date to comply with any Environmental Law.

Lessor shall deliver to Lessee a Phase I Environmental Report within sixty (60) days of the date hereof. In the event Lessee in its sole discretion is not satisfied with the Phase I report, it may terminate the Lease by giving Lessor written notice of its intention to terminate within 7 days of its receipt of the Phase I report. Lessee shall promptly deliver to Lessor copies of all notices made by Lessee to, or received by Lessee from, any state, county, municipal or other agency having authority to enforce any environmental law ("Enforcement Agency") or from the United States Occupational Safety and Health Administration concerning environmental matters or Hazardous Substances at the Premises. Lessor shall promptly deliver to Lessee copies of all notices received by Lessor from any Enforcement Agency or from the United States Occupational Safety and Health Administration concerning environmental matters or Hazardous Substances at the Premises.

11. Damage to Premises by Fire or Casualty. In the event the Premises shall be damaged by fire or other casualty during the Term of this Lease, whereby the same shall be rendered untenable, then

(a) if the damage to the Premises is so substantial that either (1) the repair, restoration or rehabilitation of the damage cannot reasonably be expected to be Substantially Completed within two hundred twenty (220) days from the date of such Substantial Damage or (2) so much of the Premises is destroyed or rendered untenable by such fire or other casualty as to make use of the Premises as a dialysis facility operating at least 75% of the certified dialysis stations operating prior to the fire or casualty impossible ("Substantial Damage"), then Lessee may elect to terminate this Lease by giving written notice to Lessor within thirty (30) days of the date of such fire or casualty, in which case, Rent shall be paid only to the date of such fire or casualty. If this Lease is so terminated, Lessee will have no obligation to repair or rebuild and the entire insurance proceeds shall belong to Lessor, or

(b) if not so terminated, Lessor shall assign all insurance proceeds to Lessee and Lessee shall proceed with all due diligence to repair, restore or rehabilitate the Premises to substantially their former condition immediately prior to such damage or destruction, using materials of substantially the same or better quality, in which latter event this Lease shall not terminate. Rent will not abate during such period of restoration except to the extent Lessor receives the net proceeds of any business interruption and/or rental loss insurance pursuant to Section 24, unless Lessor does not receive proceeds due to an act or omission of Lessor, its employees or agents.

In the event that the Premises are partially but not Substantially Damaged by fire or other casualty, then Lessor shall assign all insurance proceeds to Lessee and Lessee shall immediately proceed with all due diligence to repair and restore the Premises. Rent will not abate during such period of restoration except to the extent Lessor receives the net proceeds of any business interruption and/or rental loss insurance pursuant to Section 24, unless Lessor does not receive proceeds due to an act or omission of Lessor, its employees or agents. Lessee's responsibility for repair of the Premises pursuant to this Section 11 shall be contingent on Lessor's assignment to Lessee of the net insurance proceeds after deduction of reasonable costs of collection, which together with Lessee's insurance proceeds, constitute an amount sufficient for repairing and restoring the Premises. If the available insurance proceeds are insufficient for that purpose,

Lessee shall contribute such shortfall prior to the assignment of any insurance proceeds and complete its restoration of the Premises.

12. Eminent Domain. If there is a taking or condemnation for any public or quasi public use or purpose of the Premises or access to or from any street adjacent to the Premises is changed or restricted by any public authority and such taking or change or restriction of access makes use of the Premises as a dialysis facility operating at least 75% of the certified dialysis stations operating prior to such taking or condemnation impossible, then Lessee or Lessor shall have the right to terminate this Lease by giving Lessor not less than thirty (30) days written notice prior to the date of cancellation designated in the notice but in any event not later than sixty (60) days of the date Lessee is notified by Lessor of such taking or change or restriction of access, in which event Rent shall be apportioned as of the date of such termination. If this Lease terminates pursuant to this Section 12, Lessee shall assign to Lessor all of Lessee's interest in such award, if any, except for any portion of the award which compensates Lessee for its relocation expenses or Lessee's Work or Lessee's Alterations. No money or other consideration shall be payable by Lessor to Lessee or Lessee to Lessor for the right of cancellation.

In the event of any taking or condemnation involving the Premises or access to or from any street adjacent to the Premises which does not result in the termination of this Lease, Lessor shall assign all net condemnation awards to Lessee (after deducting from the total award reasonable attorneys' fees, appraisers' fees and other costs incurred in connection with obtaining the award) and Lessee shall restore the Premises to substantially the condition prior to such taking with all due diligence, using materials of substantially the same or better quality, and Rent shall be equitably adjusted based on the untenability of the Premises during the period of restoration and, to the extent appropriate, for the remainder of the Term.

Lessor represents that, as of the date hereof, it has no knowledge of any taking or condemnation, actual or threatened, regarding the Premises or access to or from any street adjacent to the Premises.

13. Right of Entry by Lessor. The Lessor, or any of its agents, shall have the right to enter said Premises during all reasonable hours and upon reasonable advance notice, to examine the same or to exhibit said Premises, and to put or keep upon the doors or windows thereof a notice "FOR RENT" or "FOR SALE" at any time within one hundred eighty (180) days before the expiration of this Lease.

14. Indemnity. Lessee agrees to indemnify Lessor and save Lessor harmless from any and all liability, claims and loss for personal injury or property damage, or both, sustained or claimed to have been sustained by any person or persons, or property in, upon or about the leased Premises caused or brought about by the act or neglect of the Lessee, its agents, servants or employees. Lessor agrees to indemnify Lessee and save Lessee harmless from any and all liability, claims and loss for personal injury or property damage, or both, sustained or claimed to have been sustained by any person or persons, or property in, upon or about the leased Premises caused or brought about by the act or neglect of the Lessor, its agents, servants or employees. The indemnities set forth in this Section 14 shall survive the expiration of the term of this Lease.

15. Defaults; Events of Default; Remedies.

(a) Defaults; Events of Default. The following shall, if any requirement for notice or lapse of time or both has not been met, constitute defaults hereunder, and, if such requirements have been met, constitute "Events of Default" hereunder:

- (1) The failure of Lessee to perform or observe any of Lessee's covenants or agreements hereunder concerning the payment of money for a period of ten (10) days after written notice thereof;
- (2) The failure of Lessee to perform or observe any of Lessee's other covenants or agreements hereunder for a period of thirty (30) days after written notice thereof (provided that, in the case of defaults not reasonably curable in thirty (30) days through the exercise of reasonable diligence, such 30-day period shall be extended for so long as Lessee commences cure within such period and thereafter prosecutes such cure to completion continuously and with reasonable diligence); and
- (3) if the leasehold hereby created shall be taken on execution, or by other process of law, and such taking is not vacated by a final order of a court of competent jurisdiction within ninety (90) days thereafter; or if any assignment shall be made of Lessee's property for the benefit of creditors; or if a receiver, guardian, conservator, trustee in bankruptcy or similar officer shall be appointed to take charge of all or any part of Lessee's property by a court of competent jurisdiction, and such appointment is not vacated by a final order of a court of competent jurisdiction within ninety (90) days thereafter; or if a petition is filed by Lessee under any bankruptcy or insolvency law; or if a petition is filed against Lessee under any bankruptcy or insolvency law and the same shall not be dismissed within ninety (90) days from the date upon which it is filed;
- (4) Lessee's vacation or desertion of the Premises shall not be deemed an Event of Default unless such vacation or desertion results in physical damage to the Premises.

(b) Termination. If an Event of Default shall occur, Lessor may, at its option, immediately or any time thereafter and without demand or notice, enter upon the Premises or any part thereof in the name of the whole and repossess the same as of Lessor's former estate and dispossess Lessee and those claiming through or under Lessee and remove their effects, without being deemed guilty of any manner of trespass and without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenant, and upon such entry this Lease shall terminate. In lieu of making such entry, Lessor may terminate this Lease upon ten (10) business days' prior written notice to Lessee. Upon any termination of this Lease as the result of an Event of Default, Lessee shall quit and peacefully surrender the Premises to Lessor.

(c) Remedies. In the event of any such termination, Lessee shall pay to Lessor the Rent up to the time of such termination. Lessee shall remain liable for, and shall pay on the days originally fixed for such payment hereunder, the full amount of all Rent and additional rent as if this Lease had not been terminated; provided, however, if Lessor relets the Premises in

accordance with subsection (d) hereof, there shall be credited against such obligation the amount actually received by Lessor each month from such lessee after first deducting all costs and expenses incurred by Lessor in connection with reletting the Premises including, without limitation, all repossession costs, brokerage commissions, legal expenses, reasonable attorneys' fees, alteration costs, and expenses of preparation for such reletting.

At any time within two (2) years after such termination, and regardless of whether Lessee has made any payments to Lessor pursuant to the preceding paragraph of this Section, Lessor may demand and Lessee agrees to pay to Lessor on such demand, as and for liquidated and agreed damages for Lessee's default, the present value discounted at 9% of the amount by which:

- (1) the aggregate Rent which would have been payable under this Lease by Lessee from the date of such termination until what would have been the last day of the Lease Term but for such termination, exceeds
- (2) the fair and reasonable rental value of the Premises for the same period, less Lessor's reasonable estimate of expenses to be incurred in connection with reletting the Premises, including, without limitation, all repossession costs, brokerage commissions, legal expenses, reasonable attorneys' fees, alteration costs, and expenses of preparation for such reletting.

If the Premises or any part thereof are relet by Lessor for the period prior to what would have been the last day of the Lease Term but for such termination, or any portion thereof, the amount of rent reserved upon such reletting shall be, prima facie, the fair and reasonable rental value for the part or the whole of the Premises so relet during the term of the reletting.

In the event of the filing of a petition by or against Lessee under any federal bankruptcy or insolvency law now or hereafter in effect, nothing herein contained shall limit or prejudice the right of Lessor to prove and obtain as liquidated damages by reason of such termination, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved, whether or not such amount be greater, equal to, or less than the amount of the difference referred to above.

(d) Right to Relet. At any time or from time to time after any such termination, Lessor may use commercially reasonable efforts to relet the Premises or any part thereof for such a term (which may be greater or less than the period which would otherwise have constituted the balance of the Lease Term) and on such conditions (which may include concessions or free rent) as Lessor, in its sole and absolute discretion, may determine, and may collect and receive the rents therefor.

(e) Right to Equitable Relief. In the event there shall occur a default or threatened default hereunder, Lessor shall be entitled to seek to enjoin such default or threatened default and shall have the right to invoke any right and remedy allowed at law or in equity or by statute or otherwise as though re-entry and other remedies were not provided for in this Lease.

(f) Right to Self Help. In the event of the occurrence of an Event of Default hereunder, Lessor shall have the right to perform such defaulted obligation of Lessee, including the right to enter upon the Premises to do so (subject to Lessee's reasonable standard operating procedures but in cases of emergencies Lessor shall be required only to use reasonable efforts to

comply with such standard operating procedures). Lessor shall, as a courtesy only, notify Lessee of its intention to perform such obligation. In the event of a default by Lessee hereunder which has not yet continued beyond the expiration of the applicable grace period but which Lessor determines constitutes an emergency threatening imminent injury to persons or damage to property, Lessor shall have the right to perform such defaulted obligation of Lessee (including the right to enter upon the Premises to do so, subject to Lessee's reasonable standard operating procedures, but in cases of emergencies Lessor shall be required only to use reasonable efforts to comply with such standard operating procedures) after giving Lessee such notice (if any) as is reasonable under the circumstances. In either event, the aggregate of (i) all sums so paid by Lessor, (ii) interest at the rate of the "prime" rate from time to time thereafter published in The Wall Street Journal plus 1-1/2% per annum, or the highest rate permitted by law, whichever is less, on such sum, and (iii) all necessary incidental costs and expenses in connection with the performance of any such act by Lessor, shall be deemed to be additional rent under this Lease and shall be payable to Lessor immediately upon demand. Lessor may exercise its rights under this Section 15(f) without waiving any other of its rights or releasing Lessee from any of its obligations under this Lease.

(g) Lessor Default and Lessee Remedies. Subject to the terms and provisions hereinbelow, and in addition to any other remedy expressly available to Lessee pursuant to this Lease or at law or in equity, should Lessor fail to perform any term or covenant under this Lease (each and any such failure being herein sometimes referred to as a "Lessor Default") and if any such Lessor Default shall not be cured and shall accordingly be continuing thirty (30) days following written notice by certified mail by Lessee to Lessor of such Lessor Default (in the event that such Lessor Default consists of a breach or failure by Lessor to pay any monetary amount due and payable by Lessor to Lessee) or sixty (60) days following written notice by certified mail by Lessee to Lessor of such Lessor Default (in the event such default consists of a breach or failure by Lessor to comply with any obligation of Lessor other than one involving the payment of a monetary amount payable by Lessor to Lessee other than one involving the payment of a monetary amount payable by Lessor to Lessee hereunder), then, in either such event, Lessee shall have the option (at Lessee's sole discretion) of (i) terminating this Lease, (ii) abating Base Rent, or (iii) remedying such Lessor Default and, in connection therewith, incurring expenses for the account of Lessor, and any and all such sums expended or obligations incurred by Lessee in connection therewith shall be paid by Lessor to Lessee upon demand, and if Lessor fails to immediately reimburse and pay same to Lessee, Lessee may, in addition to any other right or remedy that Lessee may have under this Lease, deduct such amount (together with interest thereon at the maximum rate permitted by applicable law from the date of any such expenditure by Lessee until the date of repayment thereof by Lessor to Lessee) from subsequent installments of Lessee and other charges (if any) that from time to time thereafter may become due and payable by Lessee to Lessor hereunder. Any such abatement or deduction shall not constitute a Lessee Default unless Lessee shall fail to pay the amount of such abatement or deduction to Lessor within thirty (30) days after final adjudication that such amount is owing to Lessor. Notwithstanding the foregoing, in all events Lessee shall have the right to remedy any Lessor Default without prior notice in the event of an emergency (so long as Lessee gives notice within a reasonable period of time thereafter) and invoice Lessor and abate Base Rent (if necessary) in the manner set forth in the preceding sentences of this Section 15.

16. Lessee to Subordinate. Lessee shall, upon request of the holder of a mortgage or deed of trust in the nature of a mortgage, which holder is a commercial or institutional lender

("Mortgagee") subordinate any interest which it has by virtue of this Lease Agreement, and any extensions and renewals thereof to any mortgages or deeds of trust placed upon the leased Premises by Lessor, if and only if such Mortgagee shall execute, deliver and record in the appropriate registry of deeds a recognition and non-disturbance agreement in form and content generally used in commercial loan transactions and approved by Lessee, such approval not to be unreasonably withheld. Such agreements shall provide by their terms that notwithstanding any foreclosure of such mortgage or deeds of trust Lessee may continue to occupy the leased Premises during the term of this Lease or any extensions or renewals thereof under the same terms, conditions and provisions of this Lease unless Lessee shall be in default beyond any applicable grace periods provided for herein. Lessor shall at least thirty (30) days prior to the Commencement Date, secure from Lessor's present mortgagee of the Premises a non-disturbance agreement substantially in the form attached hereto as Exhibit E.

17. Quiet Enjoyment. Lessee, upon paying the Rent, additional rent and other sums due under this Lease, and subject to all of the Terms and covenants of this Lease, on Lessee's part to be kept, observed, and performed, shall quietly have and enjoy the Premises during the term of this Lease. Lessor agrees that Lessee shall have continuous, peaceful, uninterrupted and exclusive possession and quiet enjoyment of the Premises during the Term of this Lease.

18. Memorandum of Lease. Lessor and Lessee agree that this Lease and its financial terms shall not be recorded, however, at the request of Lessee, Lessor agrees to enter into and record a memorandum or notice of this Lease setting forth the minimum information required under law to give notice of this Lease and to protect Lessee's leasehold interest. Lessee shall be responsible for the preparation thereof and the cost of recording the same.

19. Notices. All notices, demands and requests which may be or are required to be given by either party to the other shall be in writing and shall be either (i) sent by registered or certified mail, return receipt requested, postage prepaid or (ii) delivered, by hand, or (iii) sent by overnight courier such as Federal Express. All notices to Lessor should be addressed to Lessor at 6275 North Ocean Boulevard, Ocean Ridge, Florida 33435, Attention: Gregg Hill, or at such other place as Lessor may from time to time designate in written notice to Lessee. All notices to Lessee shall be addressed to Lessee c/o Total Renal Care of North Carolina, LLC, 601 Hawaii Street, El Segundo, California 90245, Attention: General Counsel, or to any such other place as Lessee may from time to time designate in written notice to Lessor. All notices, demands and requests which shall be served upon Lessor and Lessee in the manner aforesaid shall be deemed sufficiently served or given for all purposes hereunder.

20. Estoppel Certificate. Each of Lessor and Lessee agrees at any time and from time to time upon not less than fifteen (15) days' prior written request by the other to execute, acknowledge and deliver to the other a statement in writing certifying that (a) this Lease is unmodified and in full force and effect (or if there have been modifications that the same is in full force and effect as modified and stating the modifications), (b) the dates to which the Rent and other charges have been paid in advance, if any, and (c) all of the defaults of Lessor or Lessee hereunder, if any, (and if there are no defaults a statement to that effect) and any other information reasonably requested, it being intended that any such statement delivered pursuant to this Section 20 may be relied upon by any prospective purchaser of the Premises or any mortgagee or assignee of any mortgage upon the fee or leasehold of the Premises or by any

prospective assignee of this Lease or sublessee of the whole or any portion of the Premises and/or by other party interested in the Premises or any part thereof.

21. Holding Over. In the event Lessee remains in possession of the Premises after the expiration of the term of this Lease, or any extensions hereof without the written consent of Lessor, Lessee shall then be obligated to pay Rent at one hundred ten percent (110%) of the then current rate (including all adjustments) and all other sums then payable hereunder prorated on a daily basis for each day that Lessor is kept out of possession of the Premises.

22. Binding Effect. All covenants, agreements, stipulations, provisions, conditions and obligations herein expressed and set forth shall extend to, bind and inure to the benefit of, as the case may require, the successors and permitted assigns of Lessor and Lessee respectively, as fully as if such words were written wherever reference to Lessor or Lessee occurs in this Lease.

23. Complete Agreement. Any stipulations, representations, promises or agreements, oral or written, made prior to or contemporaneously with this agreement shall have no legal or equitable consequences, and the only agreement made and binding upon the parties with respect to the leasing of the Premises is contained herein, and it is the complete and total integration of the intent and understanding of Lessor and Lessee with respect to the leasing of the Premises.

24. Insurance. Lessee covenants and agrees to keep the Premises and contents insured for full replacement value against loss by fire and casualty, under an all risk policy with extended coverage endorsements, said insurance to at all times reflect the interest of the Lessor and Lessee as their interests may appear. In addition thereto, Lessee shall obtain and keep in force with respect to the Premises comprehensive general liability insurance in a minimum amount of \$1,000,000.00 per occurrence and \$3,000,000.00 in the aggregate for both bodily injury and property damage. Lessee shall also carry rental loss and business interruption insurance in an amount sufficient to cover Rent and additional rent for twelve (12) months and other insurance as may be reasonably required by Lessor or any mortgagee and which is generally required for similar and similarly located properties by other institutional lenders.

Lessee may carry any insurance required by this Lease under a blanket policy provided that the coverage thereunder for the Premises shall not be diminished by occurrences elsewhere.

Each policy shall provide that the insurer shall endeavor to give to Lessor thirty (30) days written notice prior to any cancellation of the policy.

25. Subrogation. Each of the parties hereto hereby releases the other and the other's partners, agents and employees, to the extent of each party's insurance coverage, from any and all liability for any loss or damage which may be inflicted upon the property of such party even if such loss or damage shall be brought about by the fault or negligence of the other party, its partners, agents or employees; provided, however, that this release shall be effective only with respect to loss or damage occurring during such time as the appropriate policy of insurance shall contain a clause to the effect that this release shall not affect said policy or the right of the insured to recover thereunder. If any policy does not permit such a waiver, and if the party to benefit therefrom requests that such a waiver be obtained, the other party agrees to obtain an endorsement to its insurance policies permitting such waiver of subrogation if it is commercially available and if such policies do not provide therefor. If an additional premium is charged for

such waiver, the party benefiting therefrom, if it desires to have the waiver, agrees to pay to the other the amount of such additional premium promptly upon being billed therefor.

26. Repairs and Maintenance.

A. Lessor shall, at its sole cost and expense, keep and maintain in good order and condition and repair and replace (including replacement of parts and equipment if necessary) the roof (structural components only, excluding shingles or other roofing material), four outer walls, all structural portions of the Premises and the slab/foundation of the property. Lessee shall, at its sole cost and expense, keep and maintain in good order and condition and repair and replace (including replacement of parts and equipment if necessary) the Premises and every part thereof and any and all appurtenances thereto wherever located, including, but without limitation, the parking lot, all landscaping, exterior light fixtures, the exterior and interior portion of all doors, door checks, windows plate, plexiglass or safety glass, store front, all plumbing and sewage facilities within the Premises, including free flow up to the main sewer line, fixtures, HVAC and electrical systems, sprinkler systems, walls, floors and ceilings. The plumbing and sewage facilities shall not be used for any purpose other than that for which they are constructed, and no foreign substance of any kind shall be introduced therein. Lessor hereby agrees to be responsible for any expenses incurred in connection with any breakage, stoppage or damage resulting from a violation of this provision by Lessor, its agents, employees, invitees, licensees or contractors.

B. Lessee shall keep and maintain the Premises in a clean, sanitary and safe condition in accordance with the laws of the State of North Carolina and in accordance with all directions, rules and regulations of the health officer, fire marshal, building inspector, or other proper officials of the governmental agencies having jurisdiction over the Premises, at the sole cost and expense of Lessee, and Lessee shall comply with all requirements of law, ordinance and otherwise, affecting said Premises, including but not limited to all rules, regulations, laws or ordinances promulgated by any governmental agency having jurisdiction over the Premises relative to the use, storage, handling, disposal or treatment of hazardous materials as that term is defined in the comprehensive Environmental Response, Compensation and Liability Act, as amended. If either party refuses or neglects to commence or complete repairs required by subparagraphs (A) hereof promptly and adequately, the other party may, but shall not be required to do so, make all or any part of said repairs and the non-performing party shall pay the cost thereof to the performing party upon demand. At the time of the expiration of the tenancy created herein, Lessee shall surrender the Premises in good condition, reasonable wear and tear, loss by fire or other unavoidable casualty excepted.

C. Lessee shall keep the Premises free from any and all liens arising out of work performed, materials furnished or obligations incurred by or for Lessee, and agrees to bond against or discharge any construction lien within fifteen (15) days after written request therefor by Lessor. Lessee shall reimburse Lessor for any and all costs and expenses which may be incurred by Lessor by reason of the filing of any such lien and/or the removal of same, such reimbursement to be made within fifteen (15) days after receipt by Lessee from Lessor of a statement setting forth the amount of such costs and expenses. The failure of Lessee to pay any such amount to Lessor within said fifteen (15) day period shall carry with it the same consequences as failure to pay any installment of Rent.

D. Lessee, at its own expense, shall install and maintain fire extinguishers and other fire protection devices as may be required from time to time by any agency having jurisdiction thereof and the insurance underwriters insuring the Premises.

E. During the entire Term, Lessee shall maintain with a reputable service maintenance company a contract to provide service on all systems including but not limited to HVAC, wherein all manufacturers' service or maintenance schedules are timely and properly kept and further keep written service records of same.

27. Brokers. Lessee and Lessor each represents to the other that neither has dealt with brokers in connection with this Lease. In addition, no broker procured this Lease or is entitled to any commission in connection therewith.

28. Severability. If any term, covenant or condition of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

29. Emergency. If Lessor is unable or unwilling to take action which it is obligated to take hereunder where an emergency has occurred with respect to the Premises, then Lessee may take such action as is reasonably necessary to protect the Premises and persons or property in the Premises and Lessor shall, within fifteen (15) days after written notice thereof from Lessee reimburse Lessee for its reasonable out-of-pocket expenses incurred in curing such emergency.

30. Title. Lessor hereby represents that Lessor is or shall be as of commencement the owner in fee simple of the Premises, including the Building and all improvements thereon free from any liens or encumbrances other than Permitted Encumbrances set forth on Exhibit F hereto and has the right and authority to enter into this Lease. Lessor further represents that Lessor and those signatories executing this Lease on behalf of Lessor have full power and authority to execute this Lease.

Lessor agrees that Lessor will not make any modifications to the Premises (including, without limitation, the parking areas, driveways and walks) without Lessee's prior written consent. Without limiting the generality of the foregoing, the Premises shall at all times have at least the minimum number of parking spaces required by applicable laws. All parking spaces shall have such dimensions and be in such a configuration as is required by applicable laws.

31. Compliance with Laws. Lessor represents and warrants to Lessee that as of the Commencement Date the Premises shall be in compliance with applicable federal, state and local laws, ordinances, rules and regulations ("Laws"), including, without limitation, applicable zoning laws, ordinances, rules and regulations and with applicable instruments affecting title to the Premises. Lessor further represents that it has received no notices or communications from any public authority having jurisdiction alleging violation of any Laws relating to the Premises or the Building or improvements thereon and has received no notices alleging violation of any title instrument. Without limiting the generality of the foregoing, Lessor represents that the

Premises comply with all applicable Laws relating to handicapped accessibility, including, without limitation, the Americans with Disabilities Act.

If at any time, or from time to time, any Alterations to the roof, foundation or bearing walls of the Premises, are required in order for the Premises to comply with any Laws from time to time applicable to the Premises, Lessee shall immediately make such Alterations at its sole cost and expense, subject to the provisions of Section 26. Lessee shall be responsible for all other Alterations.

32. Lessor's Sale of the Building. Lessor may, at any time, without the prior consent of Lessee, contract to and/or perform any of the following transactions with respect to an interest in Lessor, the Lease, the Premises, the reality underlying the Premises, and/or any portion of or interest in the realty or improvements in the Building owned or hereafter acquired by Lessor: sale, purchase, exchange, transfer, assignment, lease, conveyance (collectively referred to herein as "Sale"); and/or encumbrance, pledge, mortgage, deed of trust, hypothecation or sale and leaseback transaction (collectively referred to as "Mortgage"). From and after a Sale, Lessor shall be released from all liability to Lessee and Lessee's successors and assigns arising from this Lease because of any act, occurrence or omission of Lessor occurring after such Sale, and Lessee shall look solely to Lessor's successor in connection with the same; provided however, that Lessor shall not be released from liability to Lessee and Lessee's successors and assigns from this lease because of any act, occurrence or omission of Lessor's occurring prior to such Sale, unless such liability is expressly assumed by Lessor's successor-in-interest in this Building and Premises. Within a commercially reasonable time period prior to the effective date of a Sale, Lessor shall notify Lessee whether Lessor's successor-in-interest and assignee to this Lease would or would not be a source of referrals for patients or business as described in Section 31 above.

33. Guaranty. Lessee shall provide a Guaranty of this Lease to Lessor in the form of Exhibit D attached hereto.

34. Applicable Law. The laws of the State of North Carolina shall govern the validity, performance and enforcement of this Lease, without regard to such State's conflict-of-law principles.

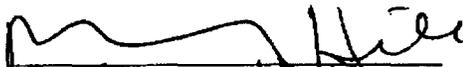
35. Force Majeure. If either party hereto shall be delayed or hindered in or prevented from the performance of any obligation required hereunder by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, military or usurped power, sabotage, unusually severe weather, fire or other casualty or other reason (but excluding inadequacy of insurance proceeds, financial inability or the lack of suitable financing) of a like nature beyond the reasonable control of the party delayed in performing its obligations under this Lease ("Force Majeure Event"), the time for performance of such obligation shall be extended for the period of the delay. The provisions of the preceding sentence however shall not excuse Lessee from the prompt and timely payment of the Rent when due under this Lease except when (i) the Commencement Date of the Term is delayed by reason of a Force Majeure Event, or (ii) such payment is excused pursuant to other express provisions of this Lease.

36. Amendment. This Lease and the exhibits attached hereto and forming a part hereof set forth all the covenants, promises, agreements, conditions and understandings between Lessor and Lessee concerning the Premises, and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between them other than are herein set forth. Except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this Lease shall be binding upon Lessor or Lessee unless reduced to writing and signed by them.

IN TESTIMONY WHEREOF, the Lessor and Lessee have caused this Lease to be executed, as of the day and year first above written.

**LESSOR:**

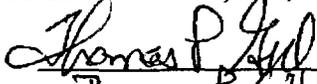
**HILL/GRAY SEVEN, LLC**

By:   
Name: R. Gray Hill  
Title: Manager

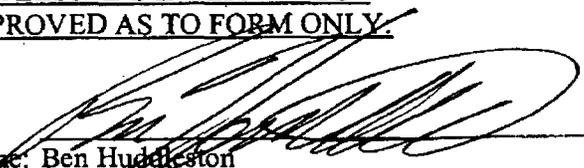
**LESSEE:**

**TOTAL RENAL CARE OF NORTH CAROLINA, LLC**

**By: Total Renal Care, Inc., its majority member**

By:   
Name: Thomas P Gill  
Title: OP

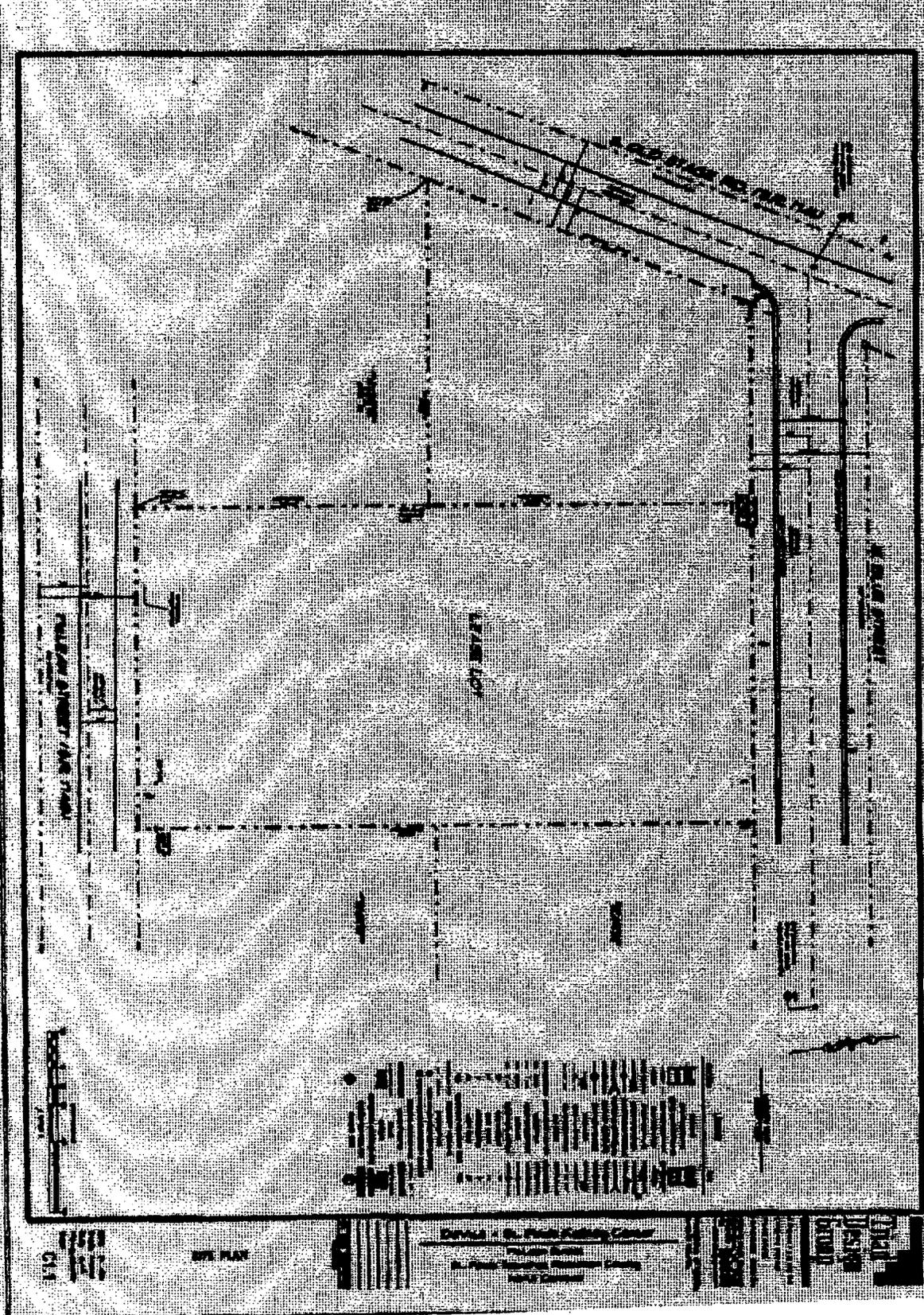
**FOR LESSEE'S INTERNAL USE**  
**APPROVED AS TO FORM ONLY.**

By:   
Name: Ben Huddleston  
Title: Group General Counsel

**EXHIBIT A**  
**LEGAL DESCRIPTION AND SITE PLAN**  
**(attached)**

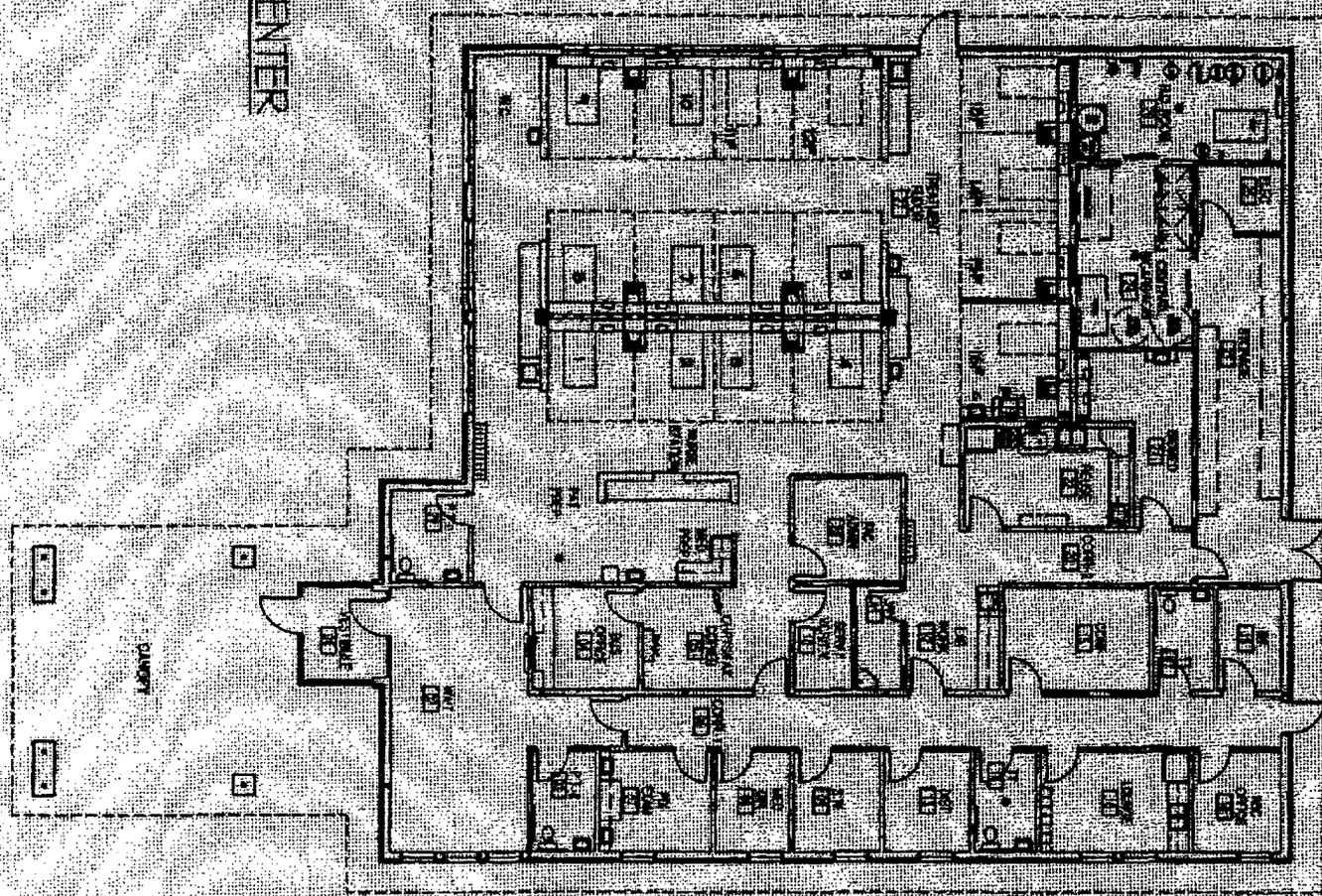
**DAVITA SAINT PAULS DESCRIPTION:**

BEGINNING AT A POINT LOCATED N 86 DEG 18 MIN 39 SEC E 278.04 FEET FROM THE INTERSECTION OF S. OLD STAGE ROAD (S.R. 1741) AND McLEAN STREET (SR 1740), SAID POINT BEING WITHIN THE RIGHT OF WAY OF McLEAN STREET (SR 1740) THENCE WITH A COMMON LINE WITH THE EVANS JACKSON PROPERTY AND THE DAVITA SAINT PAULS PROPERTY N 08 DEG 50 MIN 52 SEC E 150.00 FEET TO A REBAR THENCE CONTINUING WITH A COMMON LINE WITH THE HILL GRAY SEVEN PROPERTY N 08 DEG 50 MIN 52 SEC E TO A POINT BEING IN THE RIGHT OF WAY OF W. BLUE STREET THENCE WITH THE RIGHT OF WAY OF W. BLUE STREET S 81 DEG 09 MIN 08 SEC E 174.99 FEET TO A POINT WITHIN THE RIGHT OF WAY OF W. BLUE STREET THENCE CONTINUING WITH A COMMON PROPERTY LINE WITH THE DAVITA SAINT PAULS PROPERTY AND BETTY J. BEASLEY S 08 DEG 50 MIN 52 SEC W 168.60 FEET TO A POINT THENCE CONTINUING WITH A COMMON PROPERTY LINE S 08 DEG 50 MIN 52 SEC W 152.00 FEET TO A POINT WITHIN THE RIGHT OF WAY OF McLEAN STREET (SR 1740), THENCE WITH THE RIGHT OF WAY OF McLEAN STREET (SR 1740) N 81 DEG 09 SEC 08 MIN W 174.99 FEET TO THE POINT AND PLACE OF BEGINNING AND CONTAINING APPROXIMATELY 1.265 ACRES.



**EXHIBIT B**  
**SPACE PLANS**  
**(attached)**

EXHIBIT 'B'



ST. PAUL'S KIDNEY CENTER  
ST. PAUL'S, NC

SCALE: 1/8" = 1'-0"  
TOTAL BUILDING: 6550 SQ. FT.  
MAY 19, 2006

## EXHIBIT C

### MINIMUM BASE BUILDING IMPROVEMENTS (LESSOR'S WORK)

At a minimum, Lessor shall provide the following Base Building Improvements to the entire Premises:

**Building Shell** - All work that is associated with the development of state approved plans and specifications shall be prepared by a licensed architect and engineer. The plans and specifications will include the design of all utilities (mechanical, electrical and plumbing), shell construction, and utility tie-in construction (interior and exterior) to the existing structure. Lessor shall provide a building shell that includes demising walls, unpainted, one hour rated, taped, spackled and sanded, and finished ceiling tiles. Building walls shall receive 5/8" gypsum wall board on metal studs, taped, spackled and sanded. Demising walls will have sound attenuation batts from underside of structural floors and/or roof to floor. The Building shall conform to all federal, state and local code requirements.

**Demolition** - Lessor will be responsible for demolition of any interior partitions, plumbing, electrical, mechanical and finishes of the existing building, including the existing exterior wall separating the existing and new structures. Lessor to provide demising walls that are finished with drywall and meet all federal, state and local code requirements. Building shell shall be broom clean and ready for interior improvements specific to the operation of a dialysis facility.

**Utilities** - All utilities, including a dedicated 2" water line required for Lessee specific water use, a separate sprinkler pipe water line, sanitary sewer (4" min.), electric, gas, telephone and CATV to be provided to the Premises at locations approved by the Lessee. Lessor will provide Lessee with water flow tests (to include psi and gallons per minute readings taken at the 2" connecting point to the building). Gas service, at a minimum, will be rated to have 6" water column pressure and supply 800,000 BTU's.

**Foundation and Floor** - The foundation and floor of the building shall be in accordance with local code requirements. The foundation and concrete slab shall be designed by Lessor's engineer to accommodate site specific soil conditions. The concrete floor slab shall be a minimum of a 3000 psi reinforced concrete slab on grade. Lessor shall provide a floor that is level, smooth, broom clean, and has no adhesive residues. Concrete floor shall be level and in a condition that is acceptable to install floor coverings in accordance with the manufacturer's specifications. Concrete floors shall be constructed so that no more than 3 lbs./ of moisture per 1000/ sf/ 24 hours is emitted. Underslab plumbing (as approved by Lessee) shall be installed prior to pouring the building slab.

**Structural** - Existing exterior walls, roofing and framing shall remain the same, however, if determined by Lessor's structural engineer (mutually agreed upon by Lessor and Lessee) will be upgraded and replaced to meet building requirements and code. Lessor shall be responsible for any existing exterior structural walls that require removal. Structural systems shall be designed to provide a minimum 14' 0" clearance to underside of structural beams.

**Roof** - The existing roof shall be repaired and/or replaced as required to provide Lessee with a

no dollar limit (NDL) fifteen (15) year manufacturer's guarantee against leakage due to ordinary wear and tear.

**Windows** - Energy efficient windows with 1" insulated glass and thin line horizontal venetian blinds (mini blinds). Any broken or missing windows shall be repaired/replaced.

**Thermal Insulation** - All exterior walls to have 3" R-13 insulation, ceiling space adjacent to roof to have R-30 insulation. Insulation shall be provided at all perimeter walls.

**Exterior Doors** - Exterior doors to be 20 gauge insulated hollow metal. Service entry to have double doors. Front entry door to be 4' minimum in width. All doors to have weather-stripping and commercial grade hardware (equal to Schlage L Series or better). Lessor shall change the keys (reset tumblers) on all doors with locks after construction, but prior to commencement of the Lease, and shall provide Lessee with 3 sets of keys. Doors shall meet ADA and State Department of Health requirements.

**Mechanical/HVAC** - Equipment to be Carrier, Trane or equal. Equipment shall be new. Supply air shall be provided to Lessee space sufficient for cooling at the rate of 300 square feet per ton. Duct work shall be extended to the space for supply and return air. Ductwork distribution within the Premises shall be installed by Lessor. Two separate exhaust air means shall be provided sufficient for (i) 500 cfm; and (ii) 200 cfm from the roof. The location of the dedicated exhausts shall be coordinated with Lessee. Air conditioning to be electric, heating to be gas. Prior to the Lessor's procurement and installation of the HVAC system, Lessor shall submit shop drawings to Lessee for approval. Air handling units shall be located above the ceiling and installed to local building code. Lessee's engineer shall have the final approval on the sizes / tonnages and number of HVAC units.

**Plumbing** - Water shall be provided to the Lessee space in the amount of a 2' dedicated, sub-metered, supply pipe with a continuous minimum 50 psi and corresponding nominal flow rate. Lessee requires a minimum flow rate of 30 gallons per minute. Line shall be stubbed in Lessee space with sub-meter and valve in place by Lessor. Lessor shall provide Lessee with water flow and pressure test results (gallons per minute and psi) for Lessee approval. Sewer shall be stubbed into Lessee's space and sufficient to continuously waste the corresponding amount of water. Natural gas shall be provided for heating of hot water. If gas is not available, additional electric service capacity for a 45 KW water heater shall be provided. Natural gas line shall be stubbed into Lessee space, metered and capped by Lessor.

**Electrical** - Provide a separately metered, minimum 400 amps, 120/208 volt, 3 phase, 4 wire electric service to a panel in the Premises (location to be coordinated with Lessee) for Lessee's exclusive use in powering equipment, appliances, lighting, a 45 KW domestic electric hot water heater and miscellaneous use. If 277/480 volt electric service is available, that voltage may be used for Lessee's 45 KW electric hot water heater and lighting, with a corresponding reduction (e.g., step-down transformer) in the 120/208 volt system amps. Power required for HVAC equipment provided by Lessor is in addition to the 400 amps for Lessee's specific use. HVAC shall be wired to Lessee space by Lessor. Lessor will separately meter electric for Lessee's HVAC system. If gas service is not available to heat Lessee's R/O water, Lessor shall provide an additional 200 Amp service separately metered as directed and located by Lessee's Architect.

**Sprinkler** - If required by local codes or other regulations, a sprinkler system shall be installed accordingly. Lessor shall design and install a complete sprinkler system on a dedicated water line independent of Lessee's water line requirements (including drops and heads). Design of sprinkler system to be coordinated with Lessee. If required by federal, state or local codes and regulations, the Lessor shall install a smoke detector, fire detection/monitoring system, and carbon monoxide detection/monitoring system.

**Telephone** - Lessor shall provide wiring to Lessee's space for Lessee's telephone termination and punchdown strips. Location shall be coordinated with Lessee.

**Cable TV** - Lessor shall provide wiring to Lessee's space for cable television service complete to termination and punchdown strips and all other necessary appurtenances necessary for cable TV service. Location shall be coordinated with Lessee.

**Handicap Accessibility** - Full compliance with ADA and all local jurisdiction's handicap requirements. Lessor shall comply with all ADA regulations affecting the Building including, but not limited to, the elevator, exterior and interior doors, parking lot, delivery area and walkways.

**Exiting** - Exit doors, lights, signs, corridors, fire escapes and alarms (audio and visual) in accordance with applicable building codes, local fire codes and other applicable regulations, ordinances and codes.

**Building Codes** - All Minimum Base Building Improvements are to be performed in accordance with all building codes, fire codes, ADA regulations, State Department of Health, and other applicable federal, state and/or local regulations, ordinances and codes.

**EXHIBIT D****GUARANTY**

WHEREAS, HILL/GRAY SEVEN, LLC ("Lessor") and TOTAL RENAL CARE OF NORTH CAROLINA, LLC ("Lessee"), have entered into a certain Lease Agreement dated on or about the date hereof, covering certain premises (the "Premises") in St. Pauls, North Carolina (the "Lease"); and

WHEREAS, the Lessor requires as a condition to its execution of the Lease that the undersigned unconditionally becomes a surety to Lessor for the obligations of Lessee under the Lease; and

WHEREAS, the undersigned is the parent corporation of Lessee and as such is desirous that Lessor enter into the Lease with Lessee.

NOW THEREFORE, in consideration of the execution of the Lease by Lessor and other good and valuable consideration and intending to be legally bound hereby, the undersigned hereby unconditionally becomes surety to Lessor, its successors and assigns for the full, faithful and punctual performance of each and all of the covenants, agreements and conditions of the Lease to be kept and performed by Lessee (subject to all applicable notice and/or cure periods set forth in the Lease), in accordance with and within the time prescribed by the Lease (hereinafter collectively referred to as the "Liabilities"). The undersigned further agrees as follows:

1. Lessor shall have the right from time to time, and at any time in its sole discretion, without notice to or consent from the undersigned, or without affecting, impairing or discharging in whole or in part, the Liabilities or the obligations of the undersigned hereunder, to modify, change, extend, alter, amend, or supplement in any respect whatever, the Lease, or any agreement or transaction between Lessor and Lessee or between Lessor and any other party liable for the Liabilities, or any portion or provision thereof; to grant extension of time and other indulgences of any kind to Lessee; to compromise, release, substitute, exercise, enforce or fail to refuse to exercise or enforce any claims, rights, or remedies of any kind which Lessor may have at any time against Lessee or any other party liable for the Liabilities, or any thereof, or with respect to any security of any kind held by Lessor at any time under any agreement or otherwise.

2. The undersigned waives: (a) all notice, including but not limited to (i) notice of acceptance of this Guaranty; (ii) notice of presentment, demand for payment, or protest of any of the Liabilities, or the obligation of any person, firm, or corporation held by Lessor as collateral security; (b) trial by jury and the right thereto in any proceeding of any kind, whether arising on or out of, under or by reason of this Guaranty, or any other agreement or transaction between the undersigned, Lessor and/or Lessee; and (c) all notices of the financial condition or of any adverse or other change in the financial condition of Lessee.

3. Lessor may, without notice, assign this Guaranty in whole or in part to Lessor's successor in interest under the Lease, and no assignment of this Guaranty shall operate to extinguish or diminish the liability of the undersigned hereunder. The assignment of the Lease by Lessee to an entity not affiliated with the undersigned shall automatically terminate this Guaranty, and thereafter, the undersigned shall have no further liability hereunder. Notwithstanding the foregoing, this Guaranty shall not terminate due to a transfer or assignment of the lease pursuant to Sections 7(a), (b) or (d) of the Lease.

If Lessee elects to assign the Lease pursuant to an affiliated entity of the undersigned as set forth under the Lease and the assignee of Lessee (the "Assignee") is an entity in which Lessee, the undersigned or another wholly-owned subsidiary of undersigned (collectively, "DaVita") has an equity ownership interest equivalent to less than 100% of the entire ownership interest of Assignee, then this Guaranty shall automatically be reduced to a pro-rata or proportionate guaranty from the undersigned, in relation to Lessee's actual percentage of equity ownership in the Assignee on the effective date of such assignment. For example, if Lessee assigns the Lease pursuant to Sections 7(a), (b) or (c) under the Lease to an Assignee in which DaVita owns 70% of the equity ownership interest of the Assignee and an unrelated third-party(ies) own the remaining 30% of the equity ownership interest of the Assignee, then this Guaranty would be reduced from a 100% full guaranty from the undersigned to a 70% pro-rata guaranty from the undersigned on the effective date of such assignment.

4. The liability of the undersigned under the Guaranty shall be primary under any right of action which shall accrue to Lessor under the Lease and Lessor may, at its option, proceed against the undersigned without having to commence any action, or have obtained any judgment against Lessee.

5. All of the Liabilities and the obligations of the undersigned hereunder shall be immediately due and payable by the undersigned, anything contained herein to the contrary notwithstanding, immediately upon the occurrence of a default under the Lease which continues beyond the expiration of the applicable notice and/or grace period, if any, under the Lease.

6. The obligations of the undersigned hereunder shall not be affected, impaired or discharged, in whole or in part, by reason of: (a) the entry of an order for relief pursuant to the United States Bankruptcy Code by or against Lessee or the undersigned; or (b) the proposal of or the consummation of a plan of reorganization concerning Lessee or the undersigned.

7. The waiver of any right by Lessor or its failure to exercise promptly any right shall not be construed as the waiver of any other right including the right to exercise the same at any time thereafter. No waiver of modification of any of the terms or conditions of this Guaranty shall be binding against Lessor unless such waiver or modification is in a writing signed by Lessor.

8. The provisions of the Guaranty shall bind all of the respective successors and assigns of the undersigned and shall inure to the benefit of Lessor, its successors and assigns.

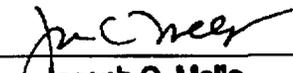
9. All rights and remedies of Lessor are cumulative and not alternative. This Guaranty is, and shall be deemed to be, a contract entered into under and pursuant to the laws of

the State of North Carolina and shall be in all respects governed, construed, applied and enforced in accordance with the laws of said State.

10. The undersigned represents that at the time of the execution and delivery of this Guaranty nothing exists to impair the effectiveness of the obligations of the undersigned to Lessor hereunder, or the immediate taking effect of this Guaranty between the undersigned and Lessor with respect to the undersigned becoming a surety for the Liabilities.

IN WITNESS WHEREOF, the undersigned has caused this Guaranty to be executed this 30 day of AUGUST, 2006.

**DaVITA INC., a Delaware corporation**

By:  JLM  
Name: Joseph C. Mello  
Title: Chief Operating Officer

. . . .

**EXHIBIT E**

**SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT**

**(to be attached after Lease execution)**

**EXHIBIT F**

**PERMITTED ENCUMBRANCES**

**[NONE]**