DAVITA INC.

DIRECTOR INDEPENDENCE AND
AUDIT AND COMPENSATION COMMITTEE ELIGIBILITY

I. Independence

Ever since the publication by Berle and Means of The Modern Corporation and Private Property, legal experts and economists have been debating the optimum balance between role of owners (shareholders) and management. Under prevailing concepts of corporate law, the intersection of these two forces resides at the board of directors, which has the duty to manage the business and affairs of the corporation. With the adoption of the Sarbanes-Oxley Act of 2002 and the various of rules, regulations and other pronouncements arising in its aftermath, substantial additional attention has been focused on the independence of the boards of directors of public companies and the manner in which boards and committees of boards operate. The principal of independence has long been espoused by shareholder activists, with the goal of encouraging boards to exercise judgment independent of management, operate with greater transparency and give due weight to the interests and views of shareholders. It is now reflected throughout the various subsequent reforms, including (i) the requirement of the NYSE that a board have a majority of independent directors, (ii) the independence requirements of both the SEC and the New York Stock Exchange for participation on certain committees, and (iii) the requirement of the New York Stock Exchange to publicly disclose certain independence determinations.

II. New York Stock Exchange Requirements

As a New York Stock Exchange listed company, DaVita is required to have a board with at least a majority of "independent" directors. The purpose of this requirement is to ensure that in carrying out its responsibilities for managing the affairs of the corporation the Board exercises judgment that is independent of internal management, thereby fulfilling its fiduciary duty to act in the best interests of the shareholders as a whole. Historically, shareholder groups and corporate governance experts have expressed concerns that the absence of independence from internal management could result in a less critical evaluation by a board of internal management and accordingly a less robust promotion of the interests of the shareholders. The New York Stock Exchange rule is intended to prevent this circumstance and encourage a board to operate without undue influence from internal management.

Under the New York Stock Exchange rules:

> No director qualifies as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company).

In making the required determination, the Board is entitled to exercise its business judgment applying all relevant facts and circumstances known to it. However, the Commentary to the NYSE rules provides some guidance:

> It is best that boards making "independence" determinations broadly consider all relevant facts and circumstances. In particular, when assessing the materiality of a director's relationship with the company, the board should consider the issue not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. However, as the concern is independence from management, the Exchange does not view ownership of even a significant amount of stock, by itself, as a bar to an independence finding…. [Emphasis added]

The Commentary reiterates the theme of "independence from management".

In addition to the broad standard described above that is applied by a board in its business judgment, the NYSE rules specify certain circumstances that will preclude a director from qualifying as independent, regardless of the views of the Board. Among these prohibited relationships are (i) serving as an employee of the Company, (ii) receiving more than $120,000 per year in direct compensation from the Company, (iii) being affiliated with an internal or external auditor of the Company, (iv) being employed by another company where an executive of the Company serves on the other company's compensation committee, and (v) serving as an employee of another company with which the Company does business in excess of certain thresholds. Many of these prohibited relationships extend to similar relationships with family members of the director and also have a three year look-back provision.

III. Determination Process and Disclosure

Each year the Board must make determinations regarding which of the Company's Directors is "independent" for purposes of the NYSE rules and must affirmatively determine that the Director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Typically, these determinations are made on the basis of information gathered by company management by circulating questionnaires to each of the directors. In making these determinations, the Board should consider any relationships disclosed in the questionnaires that were not within the prohibited relationships outlined above. If the Board concludes that those relationships do not impair the independence of those individuals from management, it may make a finding of independence.

IV. Audit Committee Eligibility

The rules of the New York Stock Exchange require that each member of the Audit Committee (i) is "independent" as described above, (ii) satisfies the requirements of Section 10A-3 of the Securities Exchange Act of 1934 (the "34 Act"), and (iii) is financially literate.

Rule 10A-3 under the 34 Act requires that no member of the Audit Committee may:

a. Accept any consulting, advisory, or other compensatory fee from the Company; or

b. Be an affiliate of the Company.

The rules of the New York Stock Exchange require that each member of the Audit Committee be "financially literate" and go on to provide that financial literacy is determined by the Company's Board as it interprets such qualification in its business judgment.

Finally, the charter of the Audit Committee requires that each member of the Audit Committee must be "free of any relationship that would interfere with exercise of his or her independent judgment" and must "have a basic understanding of finance and accounting be able to read and understand fundamental financial statements". These qualifications should also be determined by the Board in its business judgment.

V. Audit Committee Financial Expert

Item 401(h) of Regulation S-K of the rules of the Securities and Exchange Commission requires the Company to disclose whether or not the Board has determined that there is at least one Audit Committee Financial Expert serving on the Audit Committee and provides that an Audit Committee Financial Expert is a person who has the following attributes:

a. An understanding of generally accepted accounting principles and financial statements;

b. The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

c. Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience actively supervising one or more persons engaged in such activities;

d. An understanding of internal control over financial reporting; and

e. An understanding of audit committee functions.

An individual that is deemed to be an Audit Committee Financial Expert must have obtained these attributes through one or more of the following:

a. Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

b. Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

c. Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

d. Other relevant experience.

VI. Compensation Committee Eligibility

The charter of the Compensation Committee of DaVita requires that each member of the Committee be an "Independent Director" which means a member of the Board who (i) is an independent (as defined in the New York Stock Exchange listing standards described above), non-executive director, free from any relationship that would interfere with the exercise of his or her independent judgment, (ii) meets the requirements for a "Non-Employee Director" contained in Rule 16b-3 under the '34 Act, as amended, and (iii) meets the requirements for an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended.

Rule 16b-3 of the '34 Act defines a "non-employee director" as a director who:

a. Is not currently an officer of the issuer or a parent subsidiary of the issuer, or otherwise currently employed by the issuer or a parent or subsidiary of the issuer;

b. Does not receive compensation, either directly or indirectly, from the issuer or a parent or subsidiary of the issuer, for services rendered as a consultant or in any capacity other than as a director, except for an amount that does not exceed the dollar amount for which disclosure would be required pursuant to Item 404(a) of Regulation S-K;

c. Does not possess an interest in any other transaction for which disclosure would be required pursuant to Item 404(a) of Regulation S-K; and

d. Is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K.

For a member of the compensation committee to be considered an outside director under section 162(m), the following four conditions must be met:

a. the director must not be a current employee of the corporation;

b. the director must not be a former employee of the corporation who is receiving compensation for prior services;

c. the director must not be, nor have been, an officer of the corporation; and

d. the director must not have received remuneration from the company for reasons other than being a director of the company.

A director will not qualify as an outside director if the director was an officer of a company that is currently affiliated with the company. However, if the director was an officer of a formerly

affiliated company and not an officer of a currently affiliated company, the director would qualify as an outside director under section 162(m). A director is not deemed to have received compensation from the company for reasons other than being a director when the additional compensation is viewed as de minimis. Additional compensation will qualify as de minimis when the amounts paid to an entity in which the director has a beneficial interest of 5 percent, but not more than 50 percent, do not exceed the lesser of $60,000 or 5 percent of the entity's gross revenue for the applicable tax year.