

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2006

or

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

For the transition period from _____ to _____

Commission File number 1-8923

HEALTH CARE REIT, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

34-1096634

(I.R.S. Employer Identification No.)

One SeaGate, Suite 1500, Toledo, Ohio

(Address of principal executive office)

43604

(Zip Code)

(419) 247-2800

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of July 21, 2006, the registrant had 62,683,909 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**CONSOLIDATED BALANCE SHEETS
HEALTH CARE REIT, INC. AND SUBSIDIARIES**

	June 30 2006 (Unaudited)	December 31 2005 (Note)
(In thousands)		
Assets		
Real estate investments:		
Real property owned		
Land	\$ 270,810	\$ 261,236
Buildings & improvements	2,758,358	2,659,746
Real property held for sale, net of accumulated depreciation	0	11,912
Construction in progress	75,822	3,906
	<u>3,104,990</u>	<u>2,936,800</u>
Less accumulated depreciation	<u>(317,869)</u>	<u>(274,875)</u>
Total real property owned	2,787,121	2,661,925
Loans receivable	178,282	194,054
Less allowance for losses on loans receivable	<u>(6,961)</u>	<u>(6,461)</u>
	<u>171,321</u>	<u>187,593</u>
Net real estate investments	2,958,442	2,849,518
Other assets:		
Equity investments	5,070	2,970
Deferred loan expenses	11,523	12,228
Cash and cash equivalents	15,200	36,237
Receivables and other assets	71,877	71,211
	<u>103,670</u>	<u>122,646</u>
Total assets	<u>\$ 3,062,112</u>	<u>\$ 2,972,164</u>
Liabilities and stockholders' equity		
Liabilities:		
Borrowings under unsecured lines of credit arrangements	\$ 146,000	\$ 195,000
Senior unsecured notes	1,193,355	1,198,278
Secured debt	131,178	107,540
Accrued expenses and other liabilities	<u>45,641</u>	<u>40,590</u>
Total liabilities	1,516,174	1,541,408
Stockholders' equity:		
Preferred stock, \$1.00 par value:	276,875	276,875
Authorized - 25,000,000 shares		
Issued and outstanding - 11,074,989 shares at June 30, 2006 and 11,074,989 shares at December 31, 2005 at liquidation preference		
Common stock, \$1.00 par value:	62,446	58,050
Authorized - 125,000,000 shares		
Issued - 62,597,399 shares at June 30, 2006 and 58,182,592 shares at December 31, 2005 Outstanding - 62,521,163 shares at June 30, 2006 and 58,124,657 shares at December 31, 2005		
Capital in excess of par value	1,450,531	1,306,471
Treasury stock	<u>(2,714)</u>	<u>(2,054)</u>
Cumulative net income	883,082	830,103
Cumulative dividends	<u>(1,125,810)</u>	<u>(1,039,032)</u>
Accumulated other comprehensive income	0	0
Other equity	<u>1,528</u>	<u>343</u>
Total stockholders' equity	<u>1,545,938</u>	<u>1,430,756</u>
Total liabilities and stockholders' equity	<u>\$ 3,062,112</u>	<u>\$ 2,972,164</u>

NOTE: The consolidated balance sheet at December 31, 2005 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

See notes to unaudited consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
HEALTH CARE REIT, INC. AND SUBSIDIARIES

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	(In thousands, except per share data)			
Revenues:				
Rental income	\$ 74,031	\$ 59,577	\$ 146,817	\$ 118,371
Interest income	4,480	5,269	8,742	10,252
Transaction fees and other income	1,665	547	2,030	1,970
	<u>80,176</u>	<u>65,393</u>	<u>157,589</u>	<u>130,593</u>
Expenses:				
Interest expense	23,058	19,073	47,101	37,770
Provision for depreciation	24,131	19,309	47,183	37,890
General and administrative	5,089	4,337	11,291	8,355
Loan expense	707	673	1,418	1,535
Loss on extinguishment of debt	0	18,448	0	18,448
Provision for loan losses	250	300	500	600
	<u>53,235</u>	<u>62,140</u>	<u>107,493</u>	<u>104,598</u>
Income from continuing operations	26,941	3,253	50,096	25,995
Discontinued operations:				
Net gain (loss) on sales of properties	929	(24)	2,482	(134)
Income from discontinued operations, net	131	601	401	1,209
	<u>1,060</u>	<u>577</u>	<u>2,883</u>	<u>1,075</u>
Net income	28,001	3,830	52,979	27,070
Preferred stock dividends	5,333	5,436	10,666	10,872
Net income (loss) available to common stockholders	<u>\$ 22,668</u>	<u>\$ (1,606)</u>	<u>\$ 42,313</u>	<u>\$ 16,198</u>
Average number of common shares outstanding:				
Basic	61,548	53,429	59,871	53,207
Diluted	61,868	53,429	60,201	53,616
Earnings per share:				
Basic:				
Income (loss) from continuing operations available to common stockholders	\$ 0.35	\$ (0.04)	\$ 0.66	\$ 0.28
Discontinued operations, net	0.02	0.01	0.05	0.02
Net income (loss) available to common stockholders	<u>\$ 0.37</u>	<u>\$ (0.03)</u>	<u>\$ 0.71</u>	<u>\$ 0.30</u>
Diluted:				
Income (loss) from continuing operations available to common stockholders	\$ 0.35	\$ (0.04)	\$ 0.65	\$ 0.28
Discontinued operations, net	0.02	0.01	0.05	0.02
Net income (loss) available to common stockholders	<u>\$ 0.37</u>	<u>\$ (0.03)</u>	<u>\$ 0.70</u>	<u>\$ 0.30</u>
Dividends declared and paid per common share	\$ 0.64	\$ 0.62	\$ 1.26	\$ 1.22

See notes to unaudited consolidated financial statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
HEALTH CARE REIT, INC. AND SUBSIDIARIES

	Six Months Ended June 30, 2006								
	Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income	Other Equity	Total
	(In thousands)								
Balances at beginning of period	\$276,875	\$58,050	\$1,306,471	\$(2,054)	\$830,103	\$(1,039,032)	\$ 0	\$ 343	\$1,430,756
Comprehensive income:									
Net income					52,979				52,979
Other comprehensive income:									
Unrealized gain (loss) on equity investments									0
Total comprehensive income									52,979
Proceeds from issuance of common shares from dividend reinvestment and stock incentive plans, net of forfeitures		1,173	38,027	(660)				(19)	38,521
Proceeds from issuance of common shares		3,223	106,554						109,777
SFAS123(R) reclassification			(521)					521	0
Compensation expense related to stock options								683	683
Cash dividends paid:									
Common stock-\$1.26 per share						(76,112)			(76,112)
Preferred stock, Series D-\$0.984 per share						(3,938)			(3,938)
Preferred stock, Series E-\$0.75 per share						(56)			(56)
Preferred stock, Series F-\$0.953 per share						(6,672)			(6,672)
Balances at end of period	\$276,875	\$62,446	\$1,450,531	\$(2,714)	\$883,082	\$(1,125,810)	\$ 0	\$1,528	\$1,545,938
	Six Months Ended June 30, 2005								
	Preferred Stock	Common Stock	Capital In Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income	Other Equity	Total
	(In thousands)								
Balances at beginning of period	\$283,751	\$52,860	\$1,139,723	\$(1,286)	\$745,817	\$(884,890)	\$ 1	\$(697)	\$1,335,279
Comprehensive income:									
Net income					27,070				27,070
Other comprehensive income:									
Unrealized gain (loss) on equity investments									0
Total comprehensive income									27,070
Proceeds from issuance of common shares from dividend reinvestment and stock incentive plans, net of forfeitures		912	26,511	(480)					26,943
Restricted stock amortization								368	368
Compensation expense related to stock options								265	265
Cash dividends paid:									
Common stock-\$1.22 per share						(65,088)			(65,088)
Preferred stock, Series D-\$0.984 per share						(3,937)			(3,937)
Preferred stock, Series E-\$0.75 per share						(263)			(263)
Preferred stock, Series F-\$0.953 per share						(6,672)			(6,672)
Balances at end of period	\$283,751	\$53,772	\$1,166,234	\$(1,766)	\$772,887	\$(960,850)	\$ 1	\$(64)	\$1,313,965

See notes to unaudited consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
HEALTH CARE REIT, INC. AND SUBSIDIARIES

	Six Months Ended June 30	
	2006	2005
	(In thousands)	
Operating activities		
Net income	\$ 52,979	\$ 27,070
Adjustments to reconcile net income to net cash provided from operating activities:		
Provision for depreciation	47,392	41,405
Amortization	1,418	2,724
Provision for loan losses	500	600
Stock-based compensation expense	3,351	632
Rental income less than (in excess of) cash received	8,404	(4,032)
(Gain) loss on sales of properties	(2,482)	134
Increase (decrease) in accrued expenses and other liabilities	4,972	(3,267)
Decrease (increase) in receivables and other assets	(15,571)	904
Net cash provided from (used in) operating activities	<u>100,963</u>	<u>66,170</u>
Investing activities		
Investment in real property	(177,584)	(215,907)
Investment in loans receivable	(13,360)	(23,076)
Investment in equity securities	(2,100)	0
Principal collected on loans receivable	31,551	31,723
Proceeds from sales of properties	31,478	9,900
Other	(374)	177
Net cash provided from (used in) investing activities	<u>(130,389)</u>	<u>(197,183)</u>
Financing activities		
Net increase (decrease) under unsecured lines of credit arrangements	(49,000)	167,000
Proceeds from issuance of senior notes	0	250,000
Principal payments on senior notes	0	(230,170)
Principal payments on secured debt	(1,411)	(7,039)
Net proceeds from the issuance of common stock	146,290	27,423
Decrease (increase) in deferred loan expense	(712)	(4,937)
Cash distributions to stockholders	(86,778)	(75,960)
Net cash provided from (used in) financing activities	<u>8,389</u>	<u>126,317</u>
Increase (decrease) in cash and cash equivalents	(21,037)	(4,696)
Cash and cash equivalents at beginning of period	36,237	19,763
Cash and cash equivalents at end of period	<u>\$ 15,200</u>	<u>\$ 15,067</u>
Supplemental cash flow information-interest paid	<u>\$ 46,945</u>	<u>\$ 42,787</u>

See notes to unaudited consolidated financial statements

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE A — Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered for a fair presentation have been included. Operating results for the six months ended June 30, 2006 are not necessarily an indication of the results that may be expected for the year ending December 31, 2006. For further information, refer to the financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2005.

NOTE B — Real Estate Investments

During the six months ended June 30, 2006, we invested \$177,584,000 of cash in real property (including \$70,296,000 of advances for construction in progress) and provided cash loan financings of \$13,360,000. In addition, real property acquisitions included the assumption of debt totaling \$25,049,000. As of June 30, 2006, we had \$260,139,000 of unfunded construction commitments relating to existing construction in progress projects. Also during the six months ended June 30, 2006, we sold real property generating \$31,478,000 of net cash proceeds and collected \$31,551,000 of cash as repayment of principal on loans receivable.

NOTE C — Equity Investments

Equity investments, which consist of investments in private and public companies over which we do not have the ability to exercise influence, are accounted for under the cost method. Under the cost method of accounting, investments in private companies are carried at cost and are adjusted only for other-than-temporary declines in fair value, distributions of earnings and additional investments. For investments in public companies that have readily determinable fair market values, we classify our equity investments as available-for-sale and, accordingly, record these investments at their fair market values with unrealized gains and losses included in accumulated other comprehensive income, a separate component of stockholders’ equity. These investments represent a minimal ownership interest in these companies.

NOTE D — Distributions Paid to Common Stockholders

On February 21, 2006, we paid a dividend of \$0.62 per share to stockholders of record on January 31, 2006. This dividend related to the period from October 1, 2005 through December 31, 2005.

On May 19, 2006, we paid a dividend of \$0.64 per share to stockholders of record on April 28, 2006. This dividend related to the period from January 1, 2006 through March 31, 2006.

NOTE E — Derivative Instruments

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates. We may elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on our policy to match our variable rate investments with comparable borrowings, but are also based on the general trend in interest rates at the applicable dates and our perception of the future volatility of interest rates.

In June 2000, the Financial Accounting Standards Board (“FASB”) issued Statement No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which amends Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. Statement No. 133, as amended, requires companies to record derivatives at fair market value on the balance sheet as assets or liabilities.

On May 6, 2004, we entered into two interest rate swap agreements (the “Swaps”) for a total notional amount of \$100,000,000 to hedge changes in fair value attributable to changes in the LIBOR swap rate of \$100,000,000 of fixed rate debt with a maturity date of November 15, 2013. The Swaps are treated as fair-value hedges for accounting purposes and we utilize the short-cut method in accordance with Statement No. 133, as amended. The Swaps are with highly rated counterparties in which we receive a fixed rate of 6.0% and pay a variable rate based on six-month LIBOR plus a spread. At June 30, 2006, the Swaps were reported at their fair value as a \$2,635,000 other liability (\$2,211,000 other asset at December 31, 2005). For the three and six months ended June 30, 2006, we incurred \$56,000 and \$71,000, respectively, of losses related to the Swaps that was recorded as an addition to interest expense. For the three and six months ended June 30, 2005, we generated \$367,000 and \$777,000, respectively, of savings related to the Swaps that was recorded as a reduction in interest expense.

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The valuation of derivative instruments requires us to make estimates and judgments that affect the fair value of the instruments. Fair values for our derivatives are estimated by a third party consultant, which utilizes pricing models that consider forward yield curves and discount rates. Such amounts and the recognition of such amounts are subject to significant estimates which may change in the future.

NOTE F — Discontinued Operations

During the six months ended June 30, 2006, we sold four assisted living facilities, two skilled nursing facilities and two parcels of land with carrying values of \$31,664,000 for a net gain of \$2,482,000. In accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, we have reclassified the income and expenses attributable to all properties sold to discontinued operations. Expenses include an allocation of interest expense based on property carrying values and our weighted average cost of debt. The following illustrates the reclassification impact of Statement No. 144 as a result of classifying properties as discontinued operations for the periods presented (in thousands):

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Revenues:				
Rental income	\$ 160	\$ 3,214	\$ 834	\$ 6,586
Expenses:				
Interest expense	29	913	224	1,861
Provision for depreciation	0	1,700	209	3,516
Income from discontinued operations, net	<u>\$ 131</u>	<u>\$ 601</u>	<u>\$ 401</u>	<u>\$ 1,209</u>

NOTE G — Contingent Liabilities

We have an outstanding letter of credit issued for the benefit of certain insurance companies that provide workers' compensation insurance to one of our tenants. Our obligation under the letter of credit matures in 2009. At June 30, 2006, our obligation under the letter of credit was \$2,450,000.

As of June 30, 2006, we had \$260,139,000 of unfunded construction commitments.

NOTE H — Accumulated Other Comprehensive Income

Accumulated other comprehensive income includes unrealized gains or losses on our equity investments. This item is included as a component of stockholders' equity. We did not recognize any comprehensive income other than the recorded net income for the three or six months ended June 30, 2006 or 2005.

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE I — Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Numerator for basic and diluted earnings per share — net income (loss) available to common stockholders	<u>\$ 22,668</u>	<u>\$ (1,606)</u>	<u>\$ 42,313</u>	<u>\$ 16,198</u>
Denominator for basic earnings per share — weighted average shares	<u>61,548</u>	53,429	<u>59,871</u>	53,207
Effect of dilutive securities:				
Employee stock options	58	0	68	211
Non-vested restricted shares	262	0	262	198
Dilutive potential common shares	<u>320</u>	<u>0</u>	<u>330</u>	<u>409</u>
Denominator for diluted earnings per share — adjusted weighted average shares	<u>61,868</u>	<u>53,429</u>	<u>60,201</u>	<u>53,616</u>
Basic earnings (loss) per share	<u>\$ 0.37</u>	<u>\$ (0.03)</u>	<u>\$ 0.71</u>	<u>\$ 0.30</u>
Diluted earnings (loss) per share	<u>\$ 0.37</u>	<u>\$ (0.03)</u>	<u>\$ 0.70</u>	<u>\$ 0.30</u>

The diluted earnings per share calculation excludes the dilutive effect of 267,000 stock options for both the three and six months ended June 30, 2006, because the exercise prices were greater than the average market price. The diluted earnings per share calculation excludes the dilutive effect of 138,000 stock options and 198,000 non-vested restricted shares for the three months ended June 30, 2005 because of the net loss to common stockholders. The diluted earnings per share calculation excludes the dilutive effect of 173,000 and 112,000 stock options for the three and six months ended June 30, 2005, respectively, because the exercise prices were greater than the average market price. The Series E Cumulative Convertible and Redeemable Preferred Stock was not included in these calculations as the effect of the conversion into common stock was anti-dilutive for the periods presented.

NOTE J — Other Equity

Other equity consists of the following (in thousands):

	June 30 2006	December 31 2005
Accumulated compensation expense related to stock options	\$ 1,528	\$ 864
Unamortized restricted stock	0	(521)
	<u>\$ 1,528</u>	<u>\$ 343</u>

Unamortized restricted stock at December 31, 2005 represents the unamortized value of restricted stock granted to key employees and directors prior to January 1, 2003. Pursuant to the provisions of Statement No. 123(R) adopted on January 1, 2006, the unamortized restricted stock balance of \$521,000 was reclassified to capital in excess of par value. Expense, which is recognized as the restricted shares vest based on the market value at the date of the award, totaled \$647,000 and \$2,669,000 for the three and six months ended June 30, 2006, respectively, and \$184,000 and \$368,000 for the three and six months ended June 30, 2005, respectively. See Note K for further discussion.

Accumulated option compensation expense represents the amount of amortized compensation costs related to stock options awarded to employees and directors subsequent to January 1, 2003. Expense, which is recognized as the options vest based on the market value at the date of the award, totaled \$192,000 and \$683,000 for the three and six months ended June 30, 2006, respectively, and \$132,000 and \$265,000 for the same periods in 2005.

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE K — Stock Incentive Plans

Our 2005 Long-Term Incentive Plan authorizes up to 2,200,000 shares of common stock to be issued at the discretion of the Compensation Committee of the Board of Directors. The 2005 Plan replaced the 1995 Stock Incentive Plan and the Stock Plan for Non-Employee Directors. The options granted to officers and key employees under the 1995 Plan continue to vest through 2010 and expire ten years from the date of grant. Our non-employee directors, officers and key employees are eligible to participate in the 2005 Plan. The 2005 Plan allows for the issuance of, among other things, stock options, restricted stock, deferred stock units and dividend equivalent rights. Vesting periods for options and restricted shares range from three years for directors to five years for officers and key employees. Options expire ten years from the date of grant.

Impact of the Adoption of Statement No. 123(R)

We adopted the fair value-based method of accounting for share-based payments effective January 1, 2003 using the prospective method described in Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation—Transition and Disclosure. Currently, we use the Black-Scholes-Merton option pricing model to estimate the value of stock option grants and expect to continue to use this acceptable option valuation model. Because we adopted Statement No. 123 using the prospective transition method (which applied only to awards granted, modified or settled after the adoption date of Statement No. 123), compensation cost for some previously granted awards that were not recognized under Statement No. 123 will now be recognized effective with the adoption of Statement No. 123(R) on January 1, 2006. In addition, we previously amortized compensation cost for share based payments to the date that the awards became fully vested or to the expected retirement date, if sooner. Effective with the adoption of Statement No. 123(R), we began recognizing compensation cost to the date the awards become fully vested or to the retirement eligible date, if sooner, which totaled \$1,690,000 for the six months ended June 30, 2006. We expect that the adoption of Statement No. 123(R) will increase compensation cost by approximately \$1,287,000 for the full year 2006 as a result of amortizing share based awards to the retirement eligible date.

Valuation Assumptions

The fair value of each option grant is estimated on the date of grant using a Black-Scholes-Merton option pricing model with the following weighted-average assumptions:

	<u>Six Months Ended June 30, 2006</u>	<u>Six Months Ended June 30, 2005</u>
Dividend yield (1)	0.00% - 6.79%	0.00%
Expected volatility	20.3%	22.8%
Risk-free interest rate	4.35%	4.25%
Expected life (in years)	5	7
Weighted-average fair value (1)	\$5.26	\$12.48

(1) Certain of the options granted to employees in 2006 include dividend equivalent rights. The fair value of these options are calculated based on the above assumptions and then adjusted for the present value of estimated dividend payments over the expected life of the options. Options granted to employees in 2005 include dividend equivalent rights. These options are assumed to have a dividend yield of 0% for purposes of the Black-Scholes-Merton option pricing model and result in higher fair values than options without dividend equivalent rights.

The dividend yield represented the dividend yield of our common stock on the dates of grant. Our computation of expected volatility was based on historical volatility. The risk-free interest rates used were the 10-year U.S. Treasury Notes yield on the dates of grant. The expected life was based on historical experience of similar awards, giving consideration to the contractual terms, vesting schedules and expectations regarding future employee behavior.

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Option Award Activity

The following table summarizes information about stock option activity for the six months ended June 30, 2006:

<u>Stock Options</u>	<u>Number of Shares (000's)</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contract Life (years)</u>	<u>Aggregate Intrinsic Value (\$000's)</u>
Options at beginning of year	685	\$ 26.87	6.3	
Options granted	155	36.50		
Options exercised	(148)	21.51		
Options terminated	0			
Options at end of period	<u>692</u>	<u>\$ 30.18</u>	<u>7.5</u>	<u>\$ 3,322</u>
Options exercisable at end of period	183	\$ 25.11	5.5	\$ 1,805
Weighted average fair value of options granted during the period		\$ 5.26		

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the quoted price of our common stock for the options that were in-the-money at June 30, 2006. During the three and six months ended June 30, 2006 the aggregate intrinsic value of options exercised under our stock incentive plans was \$286,000 and \$2,111,000, respectively, determined as of the date of option exercise. During the three and six months ended June 30, 2005, the aggregate intrinsic value of options exercised under our stock incentive plans was \$1,591,000 and \$3,481,000, respectively, determined as of the date of option exercise. Cash received from option exercises under our stock incentive plans for the three and six months ended June 30, 2006 was \$958,000 and \$3,190,000, respectively. Cash received from option exercises under our stock incentive plans for the three and six months ended June 30, 2005 was \$2,611,000 and \$5,846,000, respectively.

As of June 30, 2006, there was approximately \$2,646,000 of total unrecognized compensation cost related to unvested stock options granted under our stock incentive plans. That cost is expected to be recognized over a weighted average period of four years. As of June 30, 2006, there was approximately \$6,267,000 of total unrecognized compensation cost related to unvested restricted stock granted under our stock incentive plans. That cost is expected to be recognized over a weighted average period of three years.

The following table summarizes information about non-vested stock incentive awards as of June 30, 2006 and changes for the six months ended June 30, 2006:

	<u>Stock Options</u>		<u>Restricted Stock</u>	
	<u>Number of Shares (000's)</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Number of Shares (000's)</u>	<u>Weighted Average Grant Date Fair Value</u>
Non-vested at December 31, 2005	428	\$ 5.36	222	\$ 31.56
Vested	(105)	5.23	(58)	30.72
Granted	155	5.26	98	36.51
Terminated	0		0	
Non-vested at June 30, 2006	<u>478</u>	<u>\$ 5.35</u>	<u>262</u>	<u>\$ 33.59</u>

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Pro forma Information for Periods Prior to the Adoption of Statement No. 123(R)

The following table illustrates the effect on net income available to common stockholders for the periods presented if we had applied the fair value recognition provisions of Statement No. 123, as amended, to stock-based compensation for options granted since 1995 but prior to adoption at January 1, 2003 (in thousands, except per share data):

	<u>Three Months Ended June 30, 2005</u>	<u>Six Months Ended June 30, 2005</u>
Numerator:		
Net income (loss) available to common stockholders — as reported	\$ (1,606)	\$ 16,198
Deduct: Additional stock-based employee compensation expense determined under fair value based method for all awards	45	91
Net income (loss) available to common stockholders — pro forma	<u>\$ (1,651)</u>	<u>\$ 16,107</u>
Denominator:		
Basic weighted average shares — as reported and pro forma	53,429	53,207
Effect of dilutive securities:		
Employee stock options — pro forma	0	357
Non-vested restricted shares	0	198
Dilutive potential common shares	0	555
Diluted weighted average shares — pro forma	<u>53,429</u>	<u>53,762</u>
Net income (loss) available to common stockholders per share — as reported		
Basic	<u>\$ (0.03)</u>	<u>\$ 0.30</u>
Diluted	<u>\$ (0.03)</u>	<u>\$ 0.30</u>
Net income (loss) available to common stockholders per share — pro forma		
Basic	<u>\$ (0.03)</u>	<u>\$ 0.30</u>
Diluted	<u>\$ (0.03)</u>	<u>\$ 0.30</u>

NOTE L — Subsequent Events

We closed on a \$700,000,000 unsecured revolving credit facility to replace our \$500,000,000 facility which was scheduled to mature in June 2008. Among other things, the new facility provides us with additional financial flexibility and borrowing capacity, extends our agreement to July 2009 and adds two new lenders to the bank group in addition to commitment increases by eight of the ten existing lenders.

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

The following discussion and analysis is based primarily on the consolidated financial statements of Health Care REIT, Inc. for the periods presented and should be read together with the notes thereto contained in this Quarterly Report on Form 10-Q. Other important factors are identified in our Annual Report on Form 10-K for the year ended December 31, 2005, including factors identified under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Executive Overview

Business

Health Care REIT, Inc. is a self-administered, equity real estate investment trust that invests in health care and senior housing properties. Founded in 1970, we were the first REIT to invest exclusively in health care facilities. The following table summarizes our portfolio as of June 30, 2006:

Type of Facility	Investments(1) (in thousands)	Percentage of Investments	Revenues(2) (in thousands)	Percentage of Revenues	Number of Facilities	Number of Beds/Units	Investment per Bed/Unit(3)	Number of Operators(4)	Number of States(4)
Independent living/CCRCs	\$ 447,825	15%	\$ 18,695	12%	35	4,961	\$ 111,945	15	17
Assisted living facilities	984,600	33%	58,119	37%	203	12,597	88,795	24	33
Skilled nursing facilities	1,340,106	45%	72,540	46%	213	28,876	47,055	23	29
Specialty care facilities	195,322	7%	9,069	5%	13	1,248	156,508	6	7
Totals	\$ 2,967,853	100%	\$ 158,423	100%	464	47,682			

(1) Investments include gross real estate investments and credit enhancements which amounted to \$2,965,403,000 and \$2,450,000, respectively.

(2) Revenues include gross revenues and revenues from discontinued operations for the six months ended June 30, 2006.

(3) Investment per Bed/Unit was computed by using the total investment amount of \$3,227,992,000 which includes gross real estate investments, credit enhancements and unfunded construction commitments for which initial funding has commenced which amounted to \$2,965,403,000, \$2,450,000 and \$260,139,000, respectively.

(4) We have investments in properties located in 37 states and managed by 57 different operators.

Our primary objectives are to protect stockholders' capital and enhance stockholder value. We seek to pay consistent cash dividends to stockholders and create opportunities to increase dividend payments to stockholders as a result of annual increases in rental and interest income and portfolio growth. To meet these objectives, we invest in properties managed by experienced operators and diversify our investment portfolio by operator and geographic location.

Substantially all of our revenues and sources of cash flows from operations are derived from operating lease rental income and interest earned on outstanding loans receivable. These items represent our primary source of liquidity to fund distributions and are dependent upon our operators' continued ability to make contractual rent and interest payments to us. To the extent that our operators experience operating difficulties and are unable to generate sufficient cash to make payments to us, there could be a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. To mitigate this risk, we monitor our investments through a variety of methods determined by the type of facility and operator. Our asset management process includes review of monthly financial statements for each facility, periodic review of operator credit, periodic facility inspections and review of covenant compliance relating to licensure, real estate taxes, letters of credit and other collateral. In monitoring our portfolio, our personnel use a proprietary database to collect and analyze facility-specific data. Additionally, we conduct extensive research to ascertain industry trends and risks. Through these asset management and research efforts, we are typically able to intervene at an early stage and address payment risk, and in so doing, support both the collectibility of revenue and the value of our investment.

In addition to our asset management and research efforts, we also structure our investments to help mitigate payment risk. We typically limit our investments to no more than 90% of the appraised value of a property. Operating leases and loans are normally credit enhanced by guaranties and/or letters of credit. In addition, operating leases are typically structured as master leases and loans are generally cross-defaulted and cross-collateralized with other loans, operating leases or agreements between us and the operator and its affiliates. As of June 30, 2006, 88% of our real property was subject to master leases.

For the six months ended June 30, 2006, rental income and interest income represented 93% and 6%, respectively, of total gross revenues (including revenues from discontinued operations). Our standard lease structure contains annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the tenant's properties. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental

payments due for the period. Our yield on loans receivable depends upon a number of factors, including the stated interest rate, the average principal amount outstanding during the term of the loan and any interest rate adjustments.

Depending upon the availability and cost of external capital, we anticipate making investments in additional facilities. New investments are generally funded from temporary borrowings under our unsecured lines of credit arrangements, internally generated cash and the proceeds from sales of real property. Our investments generate internal cash from rent and interest receipts and principal payments on loans receivable. Permanent financing for future investments, which replaces funds drawn under the unsecured lines of credit arrangements, is expected to be provided through a combination of public and private offerings of debt and equity securities and the incurrence of secured debt. We believe our liquidity and various sources of available capital are sufficient to fund operations, meet debt service obligations (both principal and interest), make dividend distributions and finance future investments.

Depending upon market conditions, we believe that new investments will be available in the future with spreads over our cost of capital that will generate appropriate returns to our stockholders. During the six months ended June 30, 2006, we completed \$220,033,000 of gross new investments and had \$52,905,000 of investment payoffs, resulting in net investments of \$167,128,000. We increased our investment guidance to a range of \$525,000,000 to \$600,000,000 from \$450,000,000 to \$550,000,000. The increase is due to an increase in expected acquisitions and advances to existing assets to \$350,000,000 from \$300,000,000 and an increase in expected development fundings to a range of \$175,000,000 to \$250,000,000 from \$150,000,000 to \$250,000,000. We anticipate the sale of real property and the repayment of loans receivable totaling approximately \$100,000,000 to \$150,000,000 resulting in net new investments of \$375,000,000 to \$500,000,000 during 2006. It is possible that additional loan repayments or sales of real property may occur in the future. To the extent that loan repayments and real property sales exceed new investments, our revenues and cash flows from operations could be adversely affected. We expect to reinvest the proceeds from any loan repayments and real property sales in new investments. To the extent that new investment requirements exceed our available cash on hand, we expect to borrow under our unsecured lines of credit arrangements. At June 30, 2006, we had \$15,200,000 of cash and cash equivalents and \$394,000,000 of available borrowing capacity under our unsecured lines of credit arrangements.

Key Transactions in 2006

We have completed the following key transactions to date in 2006:

- our Board of Directors increased our quarterly dividend to \$0.64 per share, which represents a two cent increase from the quarterly dividend of \$0.62 paid for 2005. The dividend declared for the quarter ended June 30, 2006 represents the 141st consecutive dividend payment;
- we completed \$220,033,000 of gross investments and had \$52,905,000 of investment payoffs during the six months ended June 30, 2006;
- we completed a public offering of 3,222,800 shares of common stock with net proceeds to the company of approximately \$109,777,000 in April 2006;
- we extended our \$40,000,000 unsecured line of credit which matured in May 2006 to May 2007 and reduced pricing by 40 basis points; and
- we closed on a \$700,000,000 unsecured revolving credit facility to replace our \$500,000,000 facility which was scheduled to mature in June 2008. Among other things, the new facility provides us with additional financial flexibility and borrowing capacity, extends our agreement to July 2009 and adds two new lenders to the bank group in addition to commitment increases by eight of the ten existing lenders.

Key Performance Indicators, Trends and Uncertainties

We utilize several key performance indicators to evaluate the various aspects of our business. These indicators are discussed below and relate to operating performance, concentration risk and credit strength. Management uses these key performance indicators to facilitate internal and external comparisons to our historical operating results, in making operating decisions and for budget planning purposes.

Operating Performance. We believe that net income available to common stockholders (“NICS”) is the most appropriate earnings measure. Other useful supplemental measures of our operating performance include funds from operations (“FFO”) and funds available for distribution (“FAD”); however, these supplemental measures are not defined by U.S. generally accepted accounting principles (“U.S. GAAP”). Please refer to the section entitled “Non-GAAP Financial Measures” for further discussion of FFO and FAD and for reconciliations of FFO and FAD to NICS. These earnings measures and their relative per share amounts are widely used by investors and analysts in the valuation, comparison and investment recommendations of companies. The following table reflects the recent historical trends of our operating performance measures for the periods presented (in thousands, except per share data):

	Three Months Ended					
	March 31 2005	June 30 2005	September 30 2005	December 31 2005	March 31 2006	June 30 2006
Net income (loss) available to common stockholders	\$17,803	\$ (1,606)	\$19,908	\$26,587	\$19,645	\$22,668
Funds from operations	38,309	19,427	41,975	44,581	41,354	45,870
Funds available for distribution	35,454	18,251	41,857	49,457	49,264	46,364

Per share data (fully diluted):

Net income (loss) available to common stockholders	\$ 0.33	\$ (0.03)	\$ 0.37	\$ 0.47	\$ 0.34	\$ 0.37
Funds from operations	0.72	0.36	0.77	0.79	0.71	0.74
Funds available for distribution	0.66	0.34	0.77	0.88	0.84	0.75

Concentration Risk. We evaluate our concentration risk in terms of asset mix, investment mix, operator mix and geographic mix. Concentration risk is a valuable measure in understanding what portion of our investments could be at risk if certain sectors were to experience downturns. Asset mix measures the portion of our investments that are real property. In order to qualify as an equity REIT, at least 75% of our real estate investments must be real property whereby each property, which includes the land, buildings, improvements and related rights, is owned by us and leased to an operator pursuant to a long-term operating lease. Investment mix measures the portion of our investments that relate to our various facility types. Operator mix measures the portion of our investments that relate to our top five operators. Geographic mix measures the portion of our investments that relate to our top five states. The following table reflects our recent historical trends of concentration risk for the periods presented:

	March 31 2005	June 30 2005	September 30 2005	December 31 2005	March 31 2006	June 30 2006
Asset mix:						
Real property	90%	91%	91%	93%	94%	94%
Loans receivable	10%	9%	9%	7%	6%	6%

Investment mix:

Independent living/CCRCs (1)				15%	15%	15%
Assisted living facilities	55%	51%	50%	34%	33%	33%
Skilled nursing facilities	39%	42%	42%	44%	45%	45%
Specialty care facilities	6%	7%	8%	7%	7%	7%

Operator mix:

Emeritus Corporation	15%	14%	14%	13%	12%	12%
Brookdale Senior Living Inc. (2)					10%	10%
Life Care Centers of America, Inc.				7%	7%	8%
Merrill Gardens L.L.C.				7%	7%	7%
Tara Cares, LLC						6%
Delta Health Group, Inc.	7%	7%	7%		6%	
Southern Assisted Living, Inc. (2)	8%	8%	8%	7%		
Commonwealth Communities Holdings LLC	8%	7%	7%	7%		
Home Quality Management, Inc.	7%	7%	6%			
Remaining operators	55%	57%	58%	59%	58%	57%

Geographic mix:

Florida	15%	15%	15%	14%	14%	14%
Massachusetts	15%	14%	13%	13%	12%	11%
Ohio	6%	6%	6%		9%	9%
Texas		9%	8%	8%	8%	8%
North Carolina	8%	7%	7%	8%	7%	7%
California				7%		
Tennessee	6%					
Remaining states	50%	49%	51%	50%	50%	51%

- (1) As a result of our significant independent living/continuing care retirement community acquisitions in the fourth quarter of 2005, we began to separately disclose this facility classification in our portfolio reporting. We adopted the National Investment Center definitions and reclassified certain of our existing facilities to this classification.
- (2) In September 2005, Alterra Healthcare Corporation, one of our tenants, became an indirect wholly-owned subsidiary of Brookdale Senior Living Inc. as a result of Brookdale's merger with FEBC-ALT Investors LLC. In April 2006, Brookdale completed the acquisition of Southern Assisted Living, Inc.

Credit Strength. We measure our credit strength both in terms of leverage ratios and coverage ratios. Our leverage ratios include debt to book capitalization and debt to market capitalization. The leverage ratios indicate how much of our balance sheet capitalization is related to long-term debt. The coverage ratios indicate our ability to service interest and fixed charges (interest, secured debt principal amortization and preferred dividends). We expect to maintain capitalization ratios and coverage ratios sufficient to maintain investment grade ratings with Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings. The coverage ratios are based on earnings before interest, taxes, depreciation and amortization ("EBITDA") which is discussed in further detail, and reconciled to net income, below in "Non-GAAP Financial Measures." Leverage ratios and coverage ratios are widely used by investors, analysts and rating agencies in the valuation, comparison, investment recommendations and rating of companies. The following table reflects the recent historical trends for our credit strength measures for the periods presented:

	Three Months Ended					
	March 31 2005	June 30 2005	September 30 2005	December 31 2005	March 31 2006	June 30 2006
Debt to book capitalization ratio	48%	51%	51%	51%	52%	49%
Debt to market capitalization ratio	38%	37%	37%	40%	38%	37%
Interest coverage ratio	3.21x	2.31x	3.22x	3.52x	2.99x	3.16x
Fixed charge coverage ratio	2.46x	1.78x	2.51x	2.75x	2.41x	2.52x

We evaluate our key performance indicators in conjunction with current expectations to determine if historical trends are indicative of future results. Our expected results may not be achieved and actual results may differ materially from our expectations. Factors that may cause actual results to differ from expected results are described in more detail in "Forward-Looking Statements and Risk Factors" and other sections of this Quarterly Report on Form 10-Q. Management regularly monitors economic and other factors to develop strategic and tactical plans designed to improve performance and maximize our competitive position. Our ability to achieve our financial objectives is dependent upon our ability to effectively execute these plans and to appropriately respond to emerging economic and company-specific trends. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2005, under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of these risk factors.

Portfolio Update

Payment coverages in our portfolio continue to remain strong. Our overall payment coverage is at 1.93 times and represents an increase of three basis points from the prior year. The table below reflects our recent historical trends of portfolio coverages. Coverage data reflects the 12 months ended for the periods presented. CBMF represents the ratio of facilities' earnings before interest, taxes, depreciation, amortization, rent and management fees to contractual rent or interest due us. CAMF represents the ratio of earnings before interest, taxes, depreciation, amortization, and rent (but after imputed management fees) to contractual rent or interest due us.

	March 31, 2005		March 31, 2006	
	CBMF	CAMF	CBMF	CAMF
Independent living/CCRCs (1)			1.47x	1.25x
Assisted living facilities	1.49x	1.27x	1.53x	1.31x
Skilled nursing facilities	2.18x	1.65x	2.16x	1.58x
Specialty care facilities	3.46x	2.82x	3.02x	2.42x
Weighted averages	1.90x	1.52x	1.93x	1.51x

- (1) As a result of our significant independent living/continuing care retirement community acquisitions in the fourth quarter of 2005, we began to separately disclose this facility classification in our portfolio reporting. We adopted the National Investment Center definitions and reclassified certain of our existing facilities to this classification.

Corporate Governance

Maintaining investor confidence and trust has become increasingly important in today's business environment. Health Care REIT, Inc.'s Board of Directors and management are strongly committed to policies and procedures that reflect the highest level of ethical business practices. Our corporate governance guidelines provide the framework for our business operations and emphasize our commitment to increase stockholder value while meeting all applicable legal requirements. In March 2004, the Board of Directors adopted its Corporate Governance Guidelines. These guidelines meet the listing standards adopted by the New York Stock Exchange and are available on our Web site at www.hcreit.com and from us upon written request sent to the Senior Vice President — Administration and Corporate Secretary, Health Care REIT, Inc., One SeaGate, Suite 1500, P.O. Box 1475, Toledo, Ohio 43603-1475.

Liquidity and Capital Resources

Sources and Uses of Cash

Our primary sources of cash include rent and interest receipts, borrowings under unsecured lines of credit arrangements, public and private offerings of debt and equity securities, proceeds from the sales of real property and principal payments on loans receivable. Our primary uses of cash include dividend distributions, debt service payments (including principal and interest), real property investments (including construction advances), loan advances and general and administrative expenses. These sources and uses of cash are reflected in our Consolidated Statements of Cash Flows and are discussed in further detail below.

The following is a summary of our sources and uses of cash flows (dollars in thousands):

	Six Months Ended		Change	
	June 30, 2006	June 30, 2005	\$	%
Cash and cash equivalents at beginning of period	\$ 36,237	\$ 19,763	\$ 16,474	83%
Cash provided from (used in) operating activities	100,963	66,170	34,793	53%
Cash provided from (used in) investing activities	(130,389)	(197,183)	66,794	-34%
Cash provided from (used in) financing activities	8,389	126,317	(117,928)	-93%
Cash and cash equivalents at end of period	<u>\$ 15,200</u>	<u>\$ 15,067</u>	<u>\$ 133</u>	<u>1%</u>

Operating Activities. The change in net cash provided from operating activities is primarily attributable to an increase in net income. Net income increased primarily due to the impact of the loss on extinguishment of debt recognized during the second quarter of 2005 on the prior year's net income.

Net straight-line rental income changed primarily due to a decrease in gross straight-line rental income and increases in cash payments outside normal monthly rental payments. The following is a summary of our straight-line rent (dollars in thousands):

	Six Months Ended		Change	
	June 30, 2006	June 30, 2005	\$	%
Gross straight-line rental income	\$ 4,616	\$ 7,245	\$ (2,629)	-36%
Cash receipts due to real property sales	(1,494)	(367)	(1,127)	307%
Prepaid rent receipts	(11,526)	(2,846)	(8,680)	305%
Cash receipts less than (in excess of) rental income	<u>\$ (8,404)</u>	<u>\$ 4,032</u>	<u>\$ (12,436)</u>	<u>n/a</u>

Gross straight-line rental income represents the non-cash difference between contractual cash rent due and the average rent recognized pursuant to Statement of Financial Accounting Standards No. 13, Accounting for Leases. This amount is positive in the first half of a lease term (but declining every year due to annual increases in cash rent due) and is negative in the second half of a lease term. Our standard lease structure contains annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the tenant's properties. These escalators are not fixed, so no straight-line rent is recorded. Instead, rental income is recorded based on the contractual cash rental payment due for the period. The increase in non-recurring cash receipts is primarily attributable to cash received in connection with the acquisition of Commonwealth Communities Holdings LLC by Kindred Healthcare, Inc. in February 2006 as discussed in our Annual Report on Form 10-K for the year ended December 31, 2005.

Investing Activities. The changes in net cash used in investing activities are primarily attributable to net changes in real property and loans receivable. The following is a summary of our investment and disposition activities (dollars in thousands):

	Six Months Ended			
	June 30, 2006		June 30, 2005	
	Facilities	Amount	Facilities	Amount
Real property acquisitions:				
Independent living/CCRCs	1	\$ 6,781		
Assisted living facilities	3	26,150	3	\$ 39,620
Skilled nursing facilities	11	87,482	26	123,181
Specialty care facilities			5	51,000
Land parcels		3,274		
Total acquisitions	15	123,687	34	213,801
Less: Assumed debt		(25,049)		(15,603)
Cash disbursed for acquisitions		98,638		198,198
Construction in progress cash advances		70,296		4,096
Capital improvements to existing properties		8,650		13,613
Total cash invested in real property		177,584		215,907
Real property dispositions:				
Assisted living facilities	4	26,974	2	9,060
Skilled nursing facilities	2	4,017		
Land parcels		487		840
Proceeds from real property sales	6	31,478	2	9,900
Net cash investments in real property	9	\$ 146,106	32	\$ 206,007
Advances on loans receivable:				
Investments in new loans		\$ 10,601		\$ 10,500
Draws on existing loans		2,759		12,576
Total investments in loans		13,360		23,076
Receipts on loans receivable:				
Loan payoffs		21,240		23,494
Principal payments on loans		10,311		8,229
Total principal receipts on loans		31,551		31,723
Net cash advances (receipts) on loans receivable		\$ (18,191)		\$ (8,647)

Financing Activities. The changes in net cash provided from or used in financing activities are primarily attributable to changes related to our unsecured lines of credit arrangements, principal payments on senior notes, common stock issuances and cash distributions to stockholders.

For the six months ended June 30, 2006, we had a net decrease of \$49,000,000 on our unsecured lines of credit arrangements as compared to a net increase of \$167,000,000 for the same period in 2005.

In April 2005, we closed on a public offering of \$250,000,000 of 5.875% senior unsecured notes due May 2015 at an effective yield of 5.913%. In May 2005, we redeemed all of our outstanding \$50,000,000 8.17% senior unsecured notes due March 2006, we completed a tender offer for \$57,670,000 of our outstanding \$100,000,000 7.625% senior unsecured notes due March 2008 and we redeemed \$122,500,000 of our outstanding \$175,000,000 7.5% senior unsecured notes due August 2007. We recognized one-time charges on the extinguishment of debt totaling approximately \$18,448,000 in the second quarter of 2005 as a result of this activity.

The increase in net proceeds from the issuance of common stock is primarily attributable to our April 2006 offering and common stock issuances related to our dividend reinvestment and stock purchase plan ("DRIP"). In April 2006, we completed a public offering of 3,222,800 shares of common stock with net proceeds to the Company of \$109,777,000. During the six months ended June 30, 2006, we issued 960,000 shares of common stock pursuant to our DRIP, which generated net proceeds of approximately \$33,323,000. During the six months ended June 30, 2005, we issued 620,000 shares of common stock pursuant to our DRIP, which generated net proceeds of approximately \$20,923,000. The remaining difference in common stock issuances is primarily due to issuances pursuant to stock incentive plans.

In order to qualify as a REIT for federal income tax purposes, we must distribute at least 90% of our taxable income (including 100% of capital gains) to our stockholders. The increases in dividends are primarily attributable to increases in outstanding shares of common stock and increases in our annual common stock dividend per share.

The following is a summary of our dividend payments (in thousands, except per share amounts):

	Six Months Ended			
	June 30, 2006		June 30, 2005	
	Per Share	Amount	Per Share	Amount
Common Stock	\$ 1.260	\$ 76,112	\$ 1.220	\$ 65,088
Series D Preferred Stock	0.984	3,938	0.984	3,937
Series E Preferred Stock	0.750	56	0.750	263
Series F Preferred Stock	0.953	6,672	0.953	6,672
Totals		<u>\$ 86,778</u>		<u>\$ 75,960</u>

Off-Balance Sheet Arrangements

We have an outstanding letter of credit issued for the benefit of certain insurance companies that provide workers' compensation insurance to one of our tenants. Our obligation under the letter of credit matures in 2009. At June 30, 2006, our obligation under the letter of credit was \$2,450,000.

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates. We may or may not elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on the general trend in interest rates at the applicable dates, our perception of the future volatility of interest rates and our relative levels of variable rate debt and variable rate investments. As of June 30, 2006, we participated in two interest rate swap agreements related to our long-term debt. Our interest rate swaps are discussed below in "Contractual Obligations."

Contractual Obligations

The following table summarizes our payment requirements under contractual obligations as of June 30, 2006 (in thousands):

Contractual Obligations	Total	Payments Due by Period			
		2006	2007-2008	2009-2010	Thereafter
Unsecured lines of credit arrangements (1)	\$ 540,000	\$ 0	\$ 540,000	\$ 0	\$ 0
Senior unsecured notes (2)	1,194,830		94,830		1,100,000
Secured debt	131,178	1,561	25,363	42,540	61,714
Contractual interest obligations	719,206	54,082	198,938	166,258	299,928
Capital lease obligations	0				
Operating lease obligations	13,665	676	2,001	1,857	9,131
Purchase obligations	312,662	19,406	226,510	66,746	
Other long-term liabilities	0				
Total contractual obligations	<u>\$ 2,911,541</u>	<u>\$ 75,725</u>	<u>\$ 1,087,642</u>	<u>\$ 277,401</u>	<u>\$ 1,470,773</u>

(1) Unsecured lines of credit arrangements reflected at 100% capacity.

(2) Senior unsecured notes represent principal amounts due and do not reflect unamortized premiums/discounts or the fair value of interest-rate swap agreements as reflected on the balance sheet.

At June 30, 2006, we had an unsecured credit arrangement with a consortium of ten banks providing for a revolving line of credit ("revolving credit") in the amount of \$500,000,000, which was scheduled to expire on June 22, 2008. The agreement specified that borrowings under the revolving credit were subject to interest payable in periods no longer than three months at either the agent bank's prime rate of interest or the applicable margin over LIBOR interest rate, at our option (6.132% at June 30, 2006). The applicable margin was based on our ratings with Moody's Investors Service and Standard & Poor's Ratings Services and was 0.9% at June 30, 2006. In addition, we paid a facility fee annually to each bank based on the bank's commitment under the revolving credit facility. The facility fee depended on our ratings with Moody's Investors Service and Standard & Poor's Ratings Services and was 0.225% at June 30, 2006. We also paid an annual agent's fee of \$50,000. Principal was due upon expiration of the agreement. Subsequent to June 30, 2006, we closed on a \$700,000,000 unsecured revolving credit facility to replace our \$500,000,000 facility. Among other things, the new facility provides us with additional financial flexibility and borrowing capacity, extends our agreement to July 2009 (with the ability to extend for one year at our discretion if we are in compliance with all covenants) and adds two new lenders to the bank group in addition to commitment increases by eight of the ten existing lenders. The applicable margin remains at 0.9% and the facility fee was reduced to 0.15% based on our current ratings with Moody's Investors Service and Standard & Poor's Ratings Services. We have another unsecured line of credit arrangement with a bank for a total of \$40,000,000, which expires May 31, 2007. Borrowings under this line of credit are subject to interest at either the bank's prime rate of interest (8.25% at June 30, 2006) or 0.9% over LIBOR interest rate, at our option. Principal is

due upon expiration of the agreement. At June 30, 2006, we had \$146,000,000 outstanding under the unsecured lines of credit arrangements and estimated total contractual interest obligations of \$16,494,000. Contractual interest obligations are estimated based on the assumption that the balance of \$146,000,000 at June 30, 2006 is constant until maturity at interest rates in effect at June 30, 2006.

We have \$1,194,830,000 of senior unsecured notes principal outstanding with fixed annual interest rates ranging from 5.875% to 8.0%, payable semi-annually. Total contractual interest obligations on senior unsecured notes totaled \$604,347,000 at June 30, 2006. Additionally, we have mortgage loans totaling \$131,178,000, collateralized by owned properties, with fixed annual interest rates ranging from 5.3% to 8.5%, payable monthly. The carrying values of the properties securing the mortgage loans totaled \$205,755,000 at June 30, 2006. Total contractual interest obligations on mortgage loans totaled \$50,815,000 at June 30, 2006.

On May 6, 2004, we entered into two interest rate swap agreements (the "Swaps") for a total notional amount of \$100,000,000 to hedge changes in fair value attributable to changes in the LIBOR swap rate of \$100,000,000 of fixed rate debt with a maturity date of November 15, 2013. The Swaps are treated as fair-value hedges for accounting purposes and we utilize the short-cut method in accordance with Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. The Swaps are with highly rated counterparties in which we receive a fixed rate of 6.0% and pay a variable rate based on six-month LIBOR plus a spread. At June 30, 2006, total contractual interest obligations were estimated to be \$47,550,000.

At June 30, 2006, we had operating lease obligations of \$13,665,000 relating to our office space, one assisted living facility and seven skilled nursing facilities.

Purchase obligations are comprised of unfunded construction commitments and contingent purchase obligations. At June 30, 2006, we had outstanding construction financings of \$75,822,000 for leased properties and were committed to providing additional financing of approximately \$260,139,000 to complete construction. At June 30, 2006, we had contingent purchase obligations totaling \$41,319,000. These contingent purchase obligations primarily relate to deferred acquisition fundings and capital improvements. Deferred acquisition fundings are contingent upon a tenant satisfying certain conditions in the lease. Upon funding, amounts due from the tenant are increased to reflect the additional investment in the property. Additionally, we had an obligation to purchase a skilled nursing facility which was financed by us under a mortgage loan for \$11,204,000 at June 30, 2006.

Capital Structure

As of June 30, 2006, we had stockholders' equity of \$1,545,938,000 and a total outstanding debt balance of \$1,470,533,000, which represents a debt to total book capitalization ratio of 49%. Our ratio of debt to market capitalization was 37% at June 30, 2006. For the six months ended June 30, 2006, our interest coverage ratio was 3.08 to 1.00. For the six months ended June 30, 2006, our fixed charge coverage ratio was 2.46 to 1.00. Also, at June 30, 2006, we had \$15,200,000 of cash and cash equivalents and \$394,000,000 of available borrowing capacity under our unsecured lines of credit arrangements.

Our debt agreements contain various covenants, restrictions and events of default. Among other things, these provisions require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of June 30, 2006, we were in compliance with all of the covenants under our debt agreements. None of our debt agreements contain provisions for acceleration which could be triggered by our debt ratings. However, under our unsecured lines of credit arrangements, the ratings on our senior unsecured notes are used to determine the fees and interest payable.

As of July 28, 2006, our senior unsecured notes were rated Baa3 (positive), BBB- (positive) and BBB- (stable) by Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings, respectively. Subsequent to June 30, 2006, Moody's revised its outlook on the Company to positive from stable. We plan to manage the Company to maintain investment grade status with a capital structure consistent with our current profile. Any downgrades in terms of ratings or outlook by any or all of the noted rating agencies could have a material adverse impact on our cost and availability of capital, which could in turn have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition.

On May 12, 2006, we filed an open-ended automatic or "universal" shelf registration statement with the Securities and Exchange Commission covering an indeterminate amount of future offerings of debt securities, common stock, preferred stock, depositary shares, warrants and units. As of July 21, 2006, we had an effective registration statement on file in connection with our enhanced DRIP program under which we may issue up to 6,314,213 shares of common stock. As of July 21, 2006, 1,989,268 shares of common stock remained available for issuance under this registration statement. Depending upon market conditions, we anticipate issuing securities under our registration statements to invest in additional properties and to repay borrowings under our unsecured lines of credit arrangements.

Results of Operations

Net income (loss) available to common stockholders for the three months ended June 30, 2006 totaled \$22,668,000, or \$0.37 per diluted share, as compared with (\$1,606,000), or (\$0.03) per diluted share, for the same period in 2005. Net income available to common stockholders for the six months ended June 30, 2006 totaled \$42,313,000, or \$0.70 per diluted share, as compared with \$16,198,000, or \$0.30 per diluted share, for the same period in 2005. Net income available to common stockholders increased from the prior year primarily due to an increase in rental income offset by increases in interest expense and provision for depreciation and the recognition of a loss on extinguishment of debt totaling \$18,448,000, or \$0.34 per diluted share, during the second quarter of 2005. These items are discussed in further detail below.

FFO for the three months ended June 30, 2006 totaled \$45,870,000, or \$0.74 per diluted share, as compared with \$19,427,000, or \$0.36 per diluted share, for the same period in 2005. FAD for the three months ended June 30, 2006 totaled \$46,364,000, or \$0.75 per diluted share, as compared to \$18,251,000, or \$0.34 per diluted share, for the same period in 2005. FFO for the six months ended June 30, 2006 totaled \$87,223,000, or \$1.45 per diluted share, as compared with \$57,738,000, or \$1.08 per diluted share, for the same period in 2005. FAD for the six months ended June 30, 2006 totaled \$95,627,000, or \$1.59 per diluted share, as compared to \$53,706,000, or \$1.00 per diluted share, for the same period in 2005. The increase in FFO is due primarily to an increase in rental income offset by an increase in interest expense and general and administrative expenses and the recognition of the loss on extinguishment of debt during the second quarter of 2005. The increase in FAD is primarily due to the items noted above for FFO and the change in net straight-line rental income. Please refer to the discussion of "Non-GAAP Financial Measures" below for further information regarding FFO and FAD and for reconciliations of FFO and FAD to NICS.

EBITDA for the three months ended June 30, 2006 totaled \$75,938,000, as compared with \$47,039,000 for the same period in 2005. Our interest coverage ratio was 3.16 times for the three months ended June 30, 2006 as compared with 2.31 times for the same period in 2005. Our fixed charge coverage ratio was 2.52 times for the three months ended June 30, 2006 as compared with 1.78 times for the same period in 2005. EBITDA for the six months ended June 30, 2006 totaled \$149,126,000, as compared with \$111,050,000 for the same period in 2005. Our interest coverage ratio was 3.08 times for the six months ended June 30, 2006 as compared with 2.76 times for the same period in 2005. Our fixed charge coverage ratio was 2.46 times for the six months ended June 30, 2006 as compared with 2.12 times for the same period in 2005. The increases in EBITDA are primarily due to the increase in rental income offset by an increase in general and administrative expenses and the recognition of a loss on extinguishment of debt totaling \$18,448,000 during the second quarter of 2005. The increases in our coverage ratios are primarily due to the impact of the prior year recognition of a loss on extinguishment of debt. These items are discussed in further detail below. Please refer to the discussion of "Non-GAAP Financial Measures" below for further information regarding EBITDA and a reconciliation of EBITDA to net income.

Revenues were comprised of the following (dollars in thousands):

	Three Months Ended		Change		Six Months Ended		Change	
	June 30, 2006	June 30, 2005	\$	%	June 30, 2006	June 30, 2005	\$	%
Rental income	\$ 74,031	\$ 59,577	\$ 14,454	24%	\$ 146,817	\$ 118,371	\$ 28,446	24%
Interest income	4,480	5,269	(789)	-15%	8,742	10,252	(1,510)	-15%
Transaction fees and other income	1,665	547	1,118	204%	2,030	1,970	60	3%
Totals	<u>\$ 80,176</u>	<u>\$ 65,393</u>	<u>\$ 14,783</u>	<u>23%</u>	<u>\$ 157,589</u>	<u>\$ 130,593</u>	<u>\$ 26,996</u>	<u>21%</u>

The increase in gross revenues is primarily attributable to increased rental income resulting from the acquisitions of new properties from which we receive rent. See the discussion of investing activities in "Liquidity and Capital Resources" above for further information. In addition, our standard lease structure contains annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the tenant's properties. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If gross operating revenues at our facilities and/or the Consumer Price Index do not increase, a portion of our revenues may not continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. As of June 30, 2006, we had no leases scheduled to expire before March 2009.

Interest income decreased from 2005 primarily due to a decrease in the balance of outstanding loans. Transaction fees and other income increased for the quarter primarily due to the receipt of \$1,041,000 from a warrant position which we held in a private company that was sold during the second quarter of 2006. The prior year included a \$750,000 assignment consent fee received in the first quarter of 2005 relating to a payoff which did not occur.

Expenses were comprised of the following (dollars in thousands):

	Three Months Ended		Change		Six Months Ended		Change	
	June 30, 2006	June 30, 2005	\$	%	June 30, 2006	June 30, 2005	\$	%
Interest expense	\$ 23,058	\$ 19,073	\$ 3,985	21%	\$ 47,101	\$ 37,770	\$ 9,331	25%
Provision for depreciation	24,131	19,309	4,822	25%	47,183	37,890	9,293	25%
General and administrative	5,089	4,337	752	17%	11,291	8,355	2,936	35%
Loan expense	707	673	34	5%	1,418	1,535	(117)	-8%
Loss on extinguishment of debt		18,448	(18,448)	-100%		18,448	(18,448)	-100%
Provision for loan losses	250	300	(50)	-17%	500	600	(100)	-17%
Totals	\$ 53,235	\$ 62,140	\$ (8,905)	-14%	\$ 107,493	\$ 104,598	\$ 2,895	3%

The change in total expenses is primarily attributable to increases in interest expense, the provision for depreciation and general and administrative expense offset by the loss on extinguishment of debt in 2005. The increase in interest expense is primarily due to higher average borrowings offset by lower average borrowing costs.

The following is a summary of our interest expense (dollars in thousands):

	Three Months Ended		Change		Six Months Ended		Change	
	June 30, 2006	June 30, 2005	\$	%	June 30, 2006	June 30, 2005	\$	%
Senior unsecured notes	\$ 19,574	\$ 16,087	\$ 3,487	22%	\$ 39,149	\$ 31,659	\$ 7,490	24%
Secured debt	2,369	3,188	(819)	-26%	4,347	6,287	(1,940)	-31%
Unsecured lines of credit	1,997	1,426	571	40%	4,869	3,076	1,793	58%
Capitalized interest	(909)	(348)	(561)	161%	(1,111)	(614)	(497)	81%
SWAP losses (savings)	56	(367)	423	n/a	71	(777)	848	n/a
Discontinued operations	(29)	(913)	884	-97%	(224)	(1,861)	1,637	-88%
Totals	\$ 23,058	\$ 19,073	\$ 3,985	21%	\$ 47,101	\$ 37,770	\$ 9,331	25%

The increase in interest expense on senior unsecured notes is due to the net effect and timing of issuances and extinguishments. The following is a summary of our senior unsecured note activity (dollars in thousands):

	Three Months Ended June 30, 2006		Three Months Ended June 30, 2005		Six Months Ended June 30, 2006		Six Months Ended June 30, 2005	
	Face Amount	Weighted Avg. Interest Rate	Face Amount	Weighted Avg. Interest Rate	Face Amount	Weighted Avg. Interest Rate	Face Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 1,194,830	6.566%	\$ 875,000	7.181%	\$ 1,194,830	6.566%	\$ 875,000	7.181%
Debt issued			250,000	5.875%			250,000	5.875%
Debt extinguished			(230,170)	7.677%			(230,170)	7.677%
Ending balance	<u>\$ 1,194,830</u>	<u>6.566%</u>	<u>\$ 894,830</u>	<u>6.689%</u>	<u>\$ 1,194,830</u>	<u>6.566%</u>	<u>\$ 894,830</u>	<u>6.689%</u>
Monthly averages	\$ 1,194,830	6.566%	\$ 976,279	6.881%	\$ 1,194,830	6.566%	\$ 932,874	7.002%

The increase in interest expense on secured debt is due to the net effect and timing of assumptions, extinguishments and principal amortizations. The following is a summary of our secured debt activity (dollars in thousands):

	Three Months Ended June 30, 2006		Three Months Ended June 30, 2005		Six Months Ended June 30, 2006		Six Months Ended June 30, 2005	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 131,946	7.135%	\$ 169,506	7.489%	\$ 107,540	7.328%	\$ 160,225	7.508%
Debt assumed					25,049	6.315%	15,603	6.888%
Debt extinguished							(5,695)	6.367%
Principal payments	(768)	7.212%	(716)	7.626%	(1,411)	7.292%	(1,343)	7.658%
Ending balance	<u>\$ 131,178</u>	<u>7.135%</u>	<u>\$ 168,790</u>	<u>6.807%</u>	<u>\$ 131,178</u>	<u>7.135%</u>	<u>\$ 168,790</u>	<u>6.807%</u>
Monthly averages	\$ 131,563	7.135%	\$ 169,144	7.488%	\$ 121,176	7.208%	\$ 167,442	7.487%

The increase in interest expense on unsecured lines of credit arrangements is due primarily to higher average outstanding borrowings and higher average interest rates. The following is a summary of our unsecured lines of credit arrangements (dollars in thousands):

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Balance outstanding at quarter end	\$146,000	\$318,000	\$146,000	\$318,000
Maximum amount outstanding at any month end	\$146,000	\$318,000	\$201,000	\$318,000
Average amount outstanding (total of daily principal balances divided by days in period)	\$111,247	\$106,857	\$147,605	\$123,608
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)	7.18%	5.34%	6.60%	4.98%

We capitalize certain interest costs associated with funds used to finance the construction of properties owned directly by us. The amount capitalized is based upon the borrowings outstanding during the construction period using the rate of interest that approximates our cost of financing. Our interest expense is reduced by the amount capitalized. Capitalized interest for the three and six months ended June 30, 2006 totaled \$909,000 and \$1,111,000, respectively, as compared with \$348,000 and \$614,000 for the same periods in 2005.

On May 6, 2004, we entered into two interest rate swap agreements (the "Swaps") for a total notional amount of \$100,000,000 to hedge changes in fair value attributable to changes in the LIBOR swap rate of \$100,000,000 of fixed rate debt with a maturity date of November 15, 2013. The Swaps are treated as fair-value hedges for accounting purposes and we utilize the short-cut method in accordance with Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. The Swaps are with highly rated counterparties in which we receive a fixed rate of 6.0% and pay a variable rate based on six-month LIBOR plus a spread. For the three and six months ended June 30, 2006, we incurred \$56,000 and \$71,000, respectively, of losses related to our Swaps that was recorded as an addition to interest expense. For the three and six months ended June 30, 2005, we generated \$367,000 and \$777,000, respectively, of savings related to our Swaps that was recorded as a reduction of interest expense.

The provision for depreciation increased primarily as a result of additional investments in properties owned directly by us. See the discussion of investing activities in "Liquidity and Capital Resources" above for additional details. To the extent that we acquire or dispose of additional properties in the future, our provision for depreciation will change accordingly.

General and administrative expenses as a percentage of revenues (including revenues from discontinued operations) for the three and six months ended June 30, 2006, were 6.34% and 7.13%, respectively, as compared with 6.32% and 6.09% for the same period in 2005. Approximately \$1,690,000 of the year-to-date increase from 2005 to 2006 relates directly to the adoption of Statement of Financial Accounting Standards No. 123(R), Accounting for Stock-Based Compensation, on January 1, 2006. Effective with the adoption of Statement No. 123(R), we began recognizing stock-based compensation cost to the date the awards become fully vested or to the retirement eligible date, if sooner. We expect that the adoption of Statement No. 123(R) will increase compensation cost by approximately \$1,287,000 for 2006 as a result of amortizing share based awards to the retirement eligible date. See Note K to our unaudited consolidated financial statements for additional information. The remaining increase from 2005 is primarily related to costs associated with our initiatives to attract and retain appropriate personnel to achieve our business objectives.

Loan expense represents the amortization of deferred loan costs incurred in connection with the issuance and amendments of debt. The change in loan expense is primarily due to the net effect of issuances and redemptions of senior unsecured notes subsequent to June 30, 2005. In April 2005, we issued \$250,000,000 of 5.875% senior unsecured notes due May 2015. In May 2005, we redeemed all of our outstanding \$50,000,000 8.17% senior unsecured notes due March 2006, we completed a public tender offer for \$57,670,000 of

our outstanding \$100,000,000 7.625% senior unsecured notes due March 2008, and we redeemed \$122,500,000 of our outstanding \$175,000,000 7.5% senior unsecured notes due August 2007. In November 2005, we issued \$300,000,000 of 6.2% senior unsecured notes due June 2016.

The provision for loan losses is consistent with the prior year. The provision for loan losses is related to our critical accounting estimate for the allowance for loan losses and is discussed below in "Critical Accounting Policies."

Other items were comprised of the following (dollars in thousands):

	Three Months Ended		Change		Six Months Ended		Change	
	June 30, 2006	June 30, 2005	\$	%	June 30, 2006	June 30, 2005	\$	%
Gain (loss) on sales of properties	\$ 929	\$ (24)	\$ 953	n/a	\$ 2,482	\$ (134)	\$ 2,616	n/a
Discontinued operations, net	131	601	(470)	-78%	401	1,209	(808)	-67%
Preferred dividends	(5,333)	(5,436)	103	-2%	(10,666)	(10,872)	206	-2%
Totals	\$ (4,273)	\$ (4,859)	\$ 586	-12%	\$ (7,783)	\$ (9,797)	\$ 2,014	-21%

During the six months ended June 30, 2006, we sold four assisted living facilities, two skilled nursing facilities and two parcels of land with carrying values of \$31,664,000 for a net gain of \$2,482,000. These properties generated \$401,000 of income after deducting depreciation and interest expense from rental revenue for the six months ended June 30, 2006. All properties sold subsequent to January 1, 2005 generated \$1,209,000 of income after deducting depreciation and interest expense from rental revenue for the six months ended June 30, 2005. Please refer to Note F of our unaudited consolidated financial statements for further discussion.

The decrease in preferred stock dividends is due to a decrease in average outstanding preferred shares as a result of conversions of Series E Cumulative Convertible and Redeemable Preferred Stock into common stock subsequent to June 30, 2005.

Non-GAAP Financial Measures

We believe that net income, as defined by U.S. GAAP, is the most appropriate earnings measurement. However, we consider FFO and FAD to be useful supplemental measures of our operating performance. Historical cost accounting for real estate assets in accordance with U.S. GAAP implicitly assumes that the value of real estate assets diminishes predictably over time as evidenced by the provision for depreciation. However, since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient. In response, the National Association of Real Estate Investment Trusts ("NAREIT") created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation from net income. FFO, as defined by NAREIT, means net income, computed in accordance with U.S. GAAP, excluding gains (or losses) from sales of real estate, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FAD represents FFO excluding the non-cash straight-line rental adjustments.

In April 2002, the Financial Accounting Standards Board issued Statement No. 145 that requires gains and losses on extinguishment of debt to be classified as income or loss from continuing operations rather than as extraordinary items as previously required under Statement No. 4. We adopted the standard effective January 1, 2003 and have properly reflected the losses on extinguishment of debt of \$18,448,000, or \$0.34 per diluted share, for the three months ended June 30, 2005. These charges have not been added back for the calculations of FFO, FAD or EBITDA.

EBITDA stands for earnings before interest, taxes, depreciation and amortization. We believe that EBITDA, along with net income and cash flow provided from operating activities, is an important supplemental measure because it provides additional information to assess and evaluate the performance of our operations. Additionally, restrictive covenants in our long-term debt arrangements contain financial ratios based on EBITDA. We primarily utilize EBITDA to measure our interest coverage ratio, which represents EBITDA divided by total interest, and our fixed charge coverage ratio, which represents EBITDA divided by fixed charges. Fixed charges include total interest, secured debt principal amortization and preferred dividends.

FFO, FAD and EBITDA are financial measures that are widely used by investors, equity and debt analysts and rating agencies in the valuation, comparison, rating and investment recommendations of companies. Management uses these financial measures to facilitate internal and external comparisons to our historical operating results and in making operating decisions. Additionally, FFO and FAD are utilized by the Board of Directors to evaluate management. FFO, FAD and EBITDA do not represent net income or cash flow provided from operating activities as determined in accordance with U.S. GAAP and should not be considered as alternative measures of

profitability or liquidity. Finally, FFO, FAD and EBITDA, as defined by us, may not be comparable to similarly entitled items reported by other real estate investment trusts or other companies.

The table below reflects the reconciliation of FFO to net income available to common stockholders, the most directly comparable U.S. GAAP measure, for the periods presented. The provision for depreciation includes provision for depreciation from discontinued operations. Amounts are in thousands except for per share data.

	Three Months Ended					
	March 31 2005	June 30 2005	September 30 2005	December 31 2005	March 31 2006	June 30 2006
FFO Reconciliation:						
Net income (loss) available to common stockholders	\$17,803	\$ (1,606)	\$19,908	\$26,587	\$19,645	\$22,668
Provision for depreciation	20,396	21,009	22,067	21,355	23,262	24,131
Loss (gain) on sales of properties	110	24	0	(3,361)	(1,553)	(929)
Funds from operations	\$38,309	\$19,427	\$41,975	\$44,581	\$41,354	\$45,870
Average common shares outstanding:						
Basic	52,963	53,429	54,038	55,992	58,178	61,548
Diluted — for net income (loss) purposes	53,454	53,429	54,359	56,368	58,535	61,868
Diluted — for FFO purposes	53,454	53,765	54,359	56,368	58,535	61,868
Per share data:						
Net income (loss) available to common stockholders						
Basic	\$ 0.34	\$ (0.03)	\$ 0.37	\$ 0.47	\$ 0.34	\$ 0.37
Diluted	0.33	(0.03)	0.37	0.47	0.34	0.37
Funds from operations						
Basic	\$ 0.72	\$ 0.36	\$ 0.78	\$ 0.80	\$ 0.71	\$ 0.75
Diluted	0.72	0.36	0.77	0.79	0.71	0.74

The table below reflects the reconciliation of FAD to net income available to common stockholders, the most directly comparable U.S. GAAP measure, for the periods presented. The provision for depreciation includes provision for depreciation from discontinued operations. Amounts are in thousands except for per share data.

	Three Months Ended					
	March 31 2005	June 30 2005	September 30 2005	December 31 2005	March 31 2006	June 30 2006
FAD Reconciliation:						
Net income (loss) available to common stockholders	\$17,803	\$ (1,606)	\$19,908	\$26,587	\$19,645	\$22,668
Provision for depreciation	20,396	21,009	22,067	21,355	23,262	24,131
Loss (gain) on sales of properties	110	24	0	(3,361)	(1,553)	(929)
Gross straight-line rental income	(3,708)	(3,536)	(2,950)	(2,949)	(2,400)	(2,216)
Prepaid/straight-line rent receipts	853	2,360	2,832	7,825	10,310	2,710
Funds available for distribution	\$35,454	\$18,251	\$41,857	\$49,457	\$49,264	\$46,364
Average common shares outstanding:						
Basic	52,963	53,429	54,038	55,992	58,178	61,548
Diluted — for net income (loss) purposes	53,454	53,429	54,359	56,368	58,535	61,868
Diluted — for FAD purposes	53,454	53,765	54,359	56,368	58,535	61,868
Per share data:						
Net income (loss) available to common stockholders						
Basic	\$ 0.34	\$ (0.03)	\$ 0.37	\$ 0.47	\$ 0.34	\$ 0.37
Diluted	0.33	(0.03)	0.37	0.47	0.34	0.37
Funds available for distribution						
Basic	\$ 0.67	\$ 0.34	\$ 0.77	\$ 0.88	\$ 0.85	\$ 0.75
Diluted	0.66	0.34	0.77	0.88	0.84	0.75

The table below reflects the reconciliation of EBITDA to net income, the most directly comparable U.S. GAAP measure, for the periods presented. The provision for depreciation and interest expense includes provision for depreciation and interest expense from discontinued operations. Tax expense represents income-based taxes. Amortization represents the amortization of deferred loan expenses. Adjusted EBITDA represents EBITDA as adjusted below for items pursuant to covenant provisions of our unsecured lines of credit arrangements. Dollars are in thousands.

	Three Months Ended					
	March 31 2005	June 30 2005	September 30 2005	December 31 2005	March 31 2006	June 30 2006
EBITDA Reconciliation:						
Net income	\$23,239	\$ 3,830	\$25,297	\$31,921	\$24,978	\$28,001
Interest expense	19,645	19,986	21,624	21,369	24,238	23,087
Tax expense	3	216	1	62	0	12
Provision for depreciation	20,396	21,009	22,067	21,355	23,262	24,131
Amortization	726	1,998	594	618	711	707
EBITDA	64,009	47,039	69,583	75,325	73,189	75,938
Stock-based compensation expense	316	316	317	90	2,513	838
Provision for loan losses	300	300	300	300	250	250
Loss on extinguishment of debt, net	0	18,448	0	2,214	0	0
Adjusted EBITDA	\$64,625	\$66,103	\$70,200	\$77,929	\$75,952	\$77,026
Interest Coverage Ratio:						
Interest expense	\$19,645	\$19,986	\$21,624	\$21,369	\$24,238	\$23,087
Capitalized interest	265	348	12	39	202	909
Total interest	19,910	20,334	21,636	21,408	24,440	23,996
EBITDA	\$64,009	\$47,039	\$69,583	\$75,325	\$73,189	\$75,938
Interest coverage ratio	3.21x	2.31x	3.22x	3.52x	2.99x	3.16x
Adjusted EBITDA	\$64,625	\$66,103	\$70,200	\$77,929	\$75,952	\$77,026
Interest coverage ratio — adjusted	3.25x	3.25x	3.24x	3.64x	3.11x	3.21x
Fixed Charge Coverage Ratio:						
Total interest	\$19,910	\$20,334	\$21,636	\$21,408	\$24,440	\$23,996
Secured debt principal amortization	627	716	699	643	643	768
Preferred dividends	5,436	5,436	5,389	5,334	5,333	5,333
Total fixed charges	25,973	26,486	27,724	27,385	30,416	30,097
EBITDA	\$64,009	\$47,039	\$69,583	\$75,325	\$73,189	\$75,938
Fixed charge coverage ratio	2.46x	1.78x	2.51x	2.75x	2.41x	2.52x
EBITDA — adjusted	\$64,625	\$66,103	\$70,200	\$77,929	\$75,952	\$77,026
Fixed charge coverage ratio — adjusted	2.49x	2.50x	2.53x	2.85x	2.50x	2.56x

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions. Management considers an accounting estimate or assumption critical if:

- the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and
- the impact of the estimates and assumptions on financial condition or operating performance is material.

Management has discussed the development and selection of its critical accounting policies with the Audit Committee of the Board of Directors and the Audit Committee has reviewed the disclosure presented below relating to them. Management believes the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate and are not reasonably likely to change in the future. However, since these estimates require assumptions to be made that were uncertain at the time the estimate was made, they bear the risk of change. If actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations, liquidity and/or financial condition. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2005 for further information regarding significant accounting policies that impact us. There have been no material changes to these policies in 2006.

We adopted Statement of Financial Accounting Standards No. 123(R) on January 1, 2006. See Note K to our unaudited consolidated financial statements for additional information.

The following table presents information about our critical accounting policies, as well as the material assumptions used to develop each estimate:

Nature of Critical Accounting Estimate	Assumptions/Approach Used
<p>Allowance for Loan Losses</p> <p>We maintain an allowance for loan losses in accordance with Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan, as amended, and SEC Staff Accounting Bulletin No. 102, Selected Loan Loss Allowance Methodology and Documentation Issues. The allowance for loan losses is maintained at a level believed adequate to absorb potential losses in our loans receivable. The determination of the allowance is based on a quarterly evaluation of all outstanding loans. If this evaluation indicates that there is a greater risk of loan charge-offs, additional allowances or placement on non-accrual status may be required. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due as scheduled according to the contractual terms of the original loan agreement. Consistent with this definition, all loans on non-accrual are deemed impaired. To the extent circumstances improve and the risk of collectibility is diminished, we will return these loans to full accrual status.</p>	<p>The determination of the allowance is based on a quarterly evaluation of all outstanding loans, including general economic conditions and estimated collectibility of loan payments and principal. We evaluate the collectibility of our loans receivable based on a combination of factors, including, but not limited to, delinquency status, historical loan charge-offs, financial strength of the borrower and guarantors and value of the underlying property.</p> <p>For the six months ended June 30, 2006, we recorded \$500,000 as provision for loan losses, resulting in an allowance for loan losses of \$6,961,000 relating to loans with outstanding balances of \$51,810,000 at June 30, 2006. Also at June 30, 2006, we had loans with outstanding balances of \$15,316,000 on non-accrual status.</p>

Depreciation and Useful Lives

Substantially all of the properties owned by us are leased under operating leases and are recorded at cost. The cost of our real property is allocated to land, buildings, improvements and intangibles in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The allocation of the acquisition costs of properties is based on appraisals commissioned from independent real estate appraisal firms.

We compute depreciation on our properties using the straight-line method based on their estimated useful lives which range from 15 to 40 years for buildings and five to 15 years for improvements.

For the six months ended June 30, 2006, we recorded \$38,632,000 and \$8,760,000 as provision for depreciation relating to buildings and improvements, respectively. The average useful life of our buildings and improvements was 32.7 years and 10.4 years, respectively, for the six months ended June 30, 2006.

Impairment of Long-Lived Assets

We review our long-lived assets for potential impairment in accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment and Disposal of Long-Lived Assets. An impairment charge must be recognized when the carrying value of a long-lived asset is not recoverable. The carrying value is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If it is determined that a permanent impairment of a long-lived asset has occurred, the carrying value of the asset is reduced to its fair value and an impairment charge is recognized for the difference between the carrying value and the fair value.

The net book value of long-lived assets is reviewed quarterly on a property by property basis to determine if there are indicators of impairment. These indicators may include anticipated operating losses at the property level, the tenant's inability to make rent payments, a decision to dispose of an asset before the end of its estimated useful life and changes in the market that may permanently reduce the value of the property. If indicators of impairment exist, then the undiscounted future cash flows from the most likely use of the property are compared to the current net book value. This analysis requires us to determine if indicators of impairment exist and to estimate the most likely stream of cash flows to be generated from the property during the period the property is expected to be held.

We did not record any impairment charges for the six months ended June 30, 2006.

Fair Value of Derivative Instruments

The valuation of derivative instruments is accounted for in accordance with Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS133"), as amended by Statement of Financial Accounting Standards No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities. SFAS133, as amended, requires companies to record derivatives at fair market value on the balance sheet as assets or liabilities.

The valuation of derivative instruments requires us to make estimates and judgments that affect the fair value of the instruments. Fair values for our derivatives are estimated by a third party consultant, which utilizes pricing models that consider forward yield curves and discount rates. Such amounts and the recognition of such amounts are subject to significant estimates which may change in the future. At June 30, 2006, we participated in two interest rate swap agreements related to our long-term debt. At June 30, 2006, the swaps were reported at their fair value as a \$2,635,000 other liability. For the six months ended June 30, 2006, we incurred \$71,000 of losses related to our swaps that was recorded as an addition to interest expense.

Revenue Recognition

Revenue is recorded in accordance with Statement of Financial Accounting Standards No. 13, Accounting for Leases, and SEC Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements, as amended (“SAB101”). SAB101 requires that revenue be recognized after four basic criteria are met. These four criteria include persuasive evidence of an arrangement, the rendering of service, fixed and determinable income and reasonably assured collectibility. If the collectibility of revenue is determined incorrectly, the amount and timing of our reported revenue could be significantly affected. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of collectibility risk. Our standard lease structure contains annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the property. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period.

We evaluate the collectibility of our revenues and related receivables on an on-going basis. We evaluate collectibility based on assumptions and other considerations including, but not limited to, the certainty of payment, payment history, the financial strength of the investment’s underlying operations as measured by cash flows and payment coverages, the value of the underlying collateral and guaranties and current economic conditions.

If our evaluation indicates that collectibility is not reasonably assured, we may place an investment on non-accrual or reserve against all or a portion of current income as an offset to revenue.

For the six months ended June 30, 2006, we recognized \$8,742,000 of interest income and \$147,651,000 of rental income, including discontinued operations. Cash receipts on leases with deferred revenue provisions were \$13,020,000 as compared to gross straight-line rental income recognized of \$4,616,000 for the six months ended June 30, 2006. At June 30, 2006, our straight-line receivable balance was \$55,946,000. Also at June 30, 2006, we had loans with outstanding balances of \$15,316,000 on non-accrual status.

Forward-Looking Statements and Risk Factors

This Quarterly Report on Form 10-Q may contain “forward-looking” statements as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements concern and are based upon, among other things, the possible expansion of our portfolio; the sale of properties; the performance of our operators and properties; our ability to enter into agreements with new viable tenants for properties that we take back from financially troubled tenants, if any; our ability to make distributions; our policies and plans regarding investments, financings and other matters; our tax status as a real estate investment trust; our ability to appropriately balance the use of debt and equity; our ability to access capital markets or other sources of funds; and our ability to meet our earnings guidance. When we use words such as “may,” “will,” “intend,” “should,” “believe,” “expect,” “anticipate,” “project,” “estimate” or similar expressions, we are making forward-looking statements. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Our expected results may not be achieved, and actual results may differ materially from expectations. This may be a result of various factors, including, but not limited to: the status of the economy; the status of capital markets, including prevailing interest rates; serious issues facing the health care industry, including compliance with, and changes to, regulations and payment policies and operators’ difficulty in obtaining and maintaining adequate liability and other insurance; changes in financing terms; competition within the health care and senior housing industries; negative developments in the operating results or financial condition of operators, including, but not limited to, their ability to pay rent and repay loans; our ability to transition or sell facilities with profitable results; the failure of closings to occur as and when anticipated; acts of God affecting our properties; our ability to reinvest sale proceeds at similar rates to assets sold; operator bankruptcies; government regulations affecting Medicare and Medicaid reimbursement rates; liability claims and insurance costs for our operators; unanticipated difficulties and/or expenditures relating to future acquisitions; environmental laws affecting our properties; delays in reinvestment of sales proceeds; changes in rules or practices governing our financial reporting; and other factors, including REIT qualification, anti-takeover provisions and key management personnel. Other important factors are identified in our Annual Report on Form 10-K for the year ended December 31, 2005, including factors identified under the headings “Business,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Finally, we assume no obligation to update or revise any forward-looking statements or to update the reasons why actual results could differ from those projected in any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates. We seek to mitigate the effects of fluctuations in interest rates by matching the terms of new investments with new long-term fixed rate borrowings to the extent possible. We may or may not elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on our policy to match our variable rate investments with comparable borrowings, but are also based on the general trend in interest rates at the applicable dates and our perception of the future volatility of interest rates. This section is presented to provide a discussion of the risks associated with potential fluctuations in interest rates.

We historically borrow on our unsecured lines of credit arrangements to acquire, construct or make loans relating to health care and senior housing properties. Then, as market conditions dictate, we will issue equity or long-term fixed rate debt to repay the borrowings under the unsecured lines of credit arrangements.

A change in interest rates will not affect the interest expense associated with our fixed rate debt. Interest rate changes, however, will affect the fair value of our fixed rate debt. A 1% increase in interest rates would result in a decrease in fair value of our senior unsecured notes by approximately \$33,250,000 at June 30, 2006 (\$37,354,000 at June 30, 2005). Changes in the interest rate environment upon maturity of this fixed rate debt could have an effect on our future cash flows and earnings, depending on whether the debt is replaced with other fixed rate debt, variable rate debt, or equity or repaid by the sale of assets.

On May 6, 2004, we entered into two interest rate swap agreements (the "Swaps") for a total notional amount of \$100,000,000 to hedge changes in fair value attributable to changes in the LIBOR swap rate of \$100,000,000 of fixed rate debt with a maturity date of November 15, 2013. The Swaps are treated as fair-value hedges for accounting purposes and we utilize the short-cut method in accordance with Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. The Swaps are with highly rated counterparties in which we receive a fixed rate of 6.0% and pay a variable rate based on six-month LIBOR plus a spread. At June 30, 2006, the Swaps were reported at their fair value as a \$2,635,000 other liability (\$6,566,000 other asset at June 30, 2005). A 1% increase in interest rates would result in a decrease in fair value of our Swaps by approximately \$6,328,000 at June 30, 2006 (\$7,123,000 at June 30, 2005). Assuming no changes in the notional amount of \$100,000,000 of our Swaps, a 1% increase in interest rates would result in increased annual interest expense of \$1,000,000.

Our variable rate debt, including our unsecured lines of credit arrangements, is reflected at fair value. At June 30, 2006, we had \$146,000,000 outstanding related to our variable rate debt and assuming no changes in outstanding balances, a 1% increase in interest rates would result in increased annual interest expense of \$1,460,000. At June 30, 2005, we had \$318,000,000 outstanding related to our variable rate debt and assuming no changes in outstanding balances, a 1% increase in interest rates would have resulted in increased annual interest expense of \$3,180,000.

We are subject to risks associated with debt financing, including the risk that existing indebtedness may not be refinanced or that the terms of refinancing may not be as favorable as the terms of current indebtedness. The majority of our borrowings were completed under indentures or contractual agreements that limit the amount of indebtedness we may incur. Accordingly, in the event that we are unable to raise additional equity or borrow money because of these limitations, our ability to acquire additional properties may be limited.

Item 4. Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by us in the reports we file with or submit to the Securities and Exchange Commission ("SEC") under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. No change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes from the risk factors identified under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2005.

Item 4. Submission of Matters to a Vote of Security Holders

Our annual meeting of stockholders was duly called and held on May 4, 2006 in Toledo, Ohio. Proxies for the meeting were solicited on behalf of the Board of Directors pursuant to Regulation 14A of the General Rules and Regulations of the SEC. There was no solicitation in opposition to the Board's nominees for election as directors as listed in the Proxy Statement, and all such nominees were elected.

Votes were cast at the meeting upon the proposals described in the Proxy Statement for the meeting (filed with the SEC pursuant to Regulation 14A and incorporated herein by reference) as follows:

Proposal #1 — Election of three directors for a term of three years:

Nominee	For	Withheld
Pier C. Borra	53,899,653	388,426
George L. Chapman	53,823,559	464,520
Sharon M. Oster	53,441,460	846,619

Proposal #2 — Ratification of the appointment of Ernst & Young LLP as independent registered public accounting firm for the fiscal year 2006:

For	53,643,451
Against	494,349
Abstain	150,279

Item 5. Other Information

Entry into a Material Definitive Agreement

On July 26, 2006, the Company and certain of its subsidiaries entered into a \$700,000,000 unsecured line of credit with a consortium of 12 banks, with KeyBank National Association, as administrative agent, Deutsche Bank Securities Inc., as syndication agent, and UBS Securities LLC, Bank of America, N.A. and JPMorgan Chase Bank, N.A., as documentation agents. The agreement expires on July 26, 2009 but may be extended for an additional year, at the Company's option, upon payment of an extension fee. Borrowings under this line of credit are subject to interest payable in periods no longer than three months at either the administrative agent's prime rate of interest or the applicable margin over LIBOR interest rate, at the Company's option. The applicable margin is based on the Company's ratings with Moody's Investors Service, Inc. and Standard & Poor's Ratings Services and is currently 0.9%. In addition, the Company annually pays a facility fee to each bank based on the bank's commitment under the line of credit. The facility fee depends upon the Company's ratings with Moody's and Standard & Poor's and is currently 0.15% of each bank's commitment. The Company also pays an annual agent's fee of \$50,000. Principal is due upon expiration of the agreement. The agreement includes customary representations and warranties by the Company and certain of its subsidiaries and the borrowings under the agreement are subject to acceleration upon the occurrence of certain events of default.

The foregoing description does not purport to be a complete statement of the parties' rights and obligations under this line of credit. The above description is qualified in its entirety by reference to the Third Amended and Restated Loan Agreement by and among the Company and certain of its subsidiaries, the banks signatory thereto, KeyBank National Association, as administrative agent, Deutsche Bank Securities Inc., as syndication agent, and UBS Securities LLC, Bank of America, N.A. and JPMorgan Chase Bank, N.A., as documentation agents, dated as of July 26, 2006, which is filed as Exhibit 10.2 to this Quarterly Report on Form 10-Q.

Termination of a Material Definitive Agreement

The new \$700,000,000 unsecured line of credit replaces the \$500,000,000 unsecured line of credit with a consortium of ten banks, with KeyBank National Association, as administrative agent, Deutsche Bank Securities Inc., as syndication agent, and UBS Securities LLC, Bank of America, N.A. and JPMorgan Chase Bank, N.A., as documentation agents, that would have expired on June 22, 2008. Borrowings under the prior line of credit were subject to interest at either the agent bank's prime rate of interest or the applicable margin over LIBOR interest rate, at the Company's option. The applicable margin was 0.9% as of July 26, 2006. In addition, the Company annually paid a facility fee to each bank based on the bank's commitment under the line of credit. The facility fee was 0.225% of each bank's commitment as of July 26, 2006. The Company also paid an annual agent's fee of \$50,000. The parties terminated the agreement on July 26, 2006.

Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

See the disclosure above regarding the new \$700,000,000 unsecured line of credit.

Item 6. Exhibits

- 10.1 Credit Agreement, dated as of May 31, 2006, by and among Health Care REIT, Inc. and certain of its subsidiaries and Fifth Third Bank (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed June 5, 2006, and incorporated by reference thereto).
- 10.2 Third Amended and Restated Loan Agreement, dated as of July 26, 2006, by and among Health Care REIT, Inc. and certain of its subsidiaries, the banks signatory thereto, KeyBank National Association, as administrative agent, Deutsche Bank Securities Inc., as syndication agent, and UBS Securities LLC, Bank of America, N.A. and JPMorgan Chase Bank, N.A., as documentation agents.
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
- 32.1 Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer.
- 32.2 Certification pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEALTH CARE REIT, INC.

Date: July 28, 2006

By: /s/ GEORGE L. CHAPMAN
George L. Chapman,
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: July 28, 2006

By: /s/ SCOTT A. ESTES
Scott A. Estes,
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: July 28, 2006

By: /s/ PAUL D. NUNGESTER, JR.
Paul D. Nungester, Jr.,
Vice President and Controller
(Principal Accounting Officer)

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THIRD AMENDED AND RESTATED LOAN AGREEMENT

BY AND AMONG

HEALTH CARE REIT, INC.
AND CERTAIN OF ITS SUBSIDIARIES,

THE BANKS SIGNATORY HERETO

AND

KEYBANK NATIONAL ASSOCIATION,
AS ADMINISTRATIVE AGENT FOR SUCH BANKS,

DEUTSCHE BANK SECURITIES INC.,
AS SYNDICATION AGENT

AND

UBS SECURITIES LLC,
BANK OF AMERICA, N.A.
JPMORGAN CHASE BANK, N.A.
AS DOCUMENTATION AGENTS

JULY 26, 2006

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KEYBANK NATIONAL ASSOCIATION
AND
DEUTSCHE BANK SECURITIES INC.,
AS JOINT LEAD ARRANGERS AND JOINT BOOK MANAGERS

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EXHIBITS:

- 1 List of Borrowers
- A Form of Note
- B Form of Assignment and Acceptance
- C Form of Compliance Certificate

SCHEDULES:

- 3.1 States of Incorporation and Qualification, and Capitalization of
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- 3.2 Consents, Waivers, Approvals; Violation of Agreements
- 3.6 Judgments, Actions, Proceedings
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THIRD AMENDED AND RESTATED LOAN AGREEMENT

AGREEMENT, made this 26th day of July, 2006, by and among:

HEALTH CARE REIT, INC., a Delaware corporation and each of the other entities listed on Exhibit 1 annexed hereto (individually, a "BORROWER" and collectively, the "BORROWERS");

The Banks that have executed the signature pages hereto (individually, a "BANK" and collectively, the "BANKS"); and

KEYBANK NATIONAL ASSOCIATION, a national banking association, as Administrative Agent for the Banks (in such capacity, together with its successors in such capacity, the "AGENT");

WITNESSETH:

WHEREAS, the Borrowers, the Agent, Deutsche Bank Securities Inc., as Syndication Agent, and UBS Securities LLC, Bank of America, N.A. and JPMorgan Chase Bank, N.A., as Documentation Agents entered into a certain Second Amended and Restated Loan Agreement dated June 22, 2005, as modified by a certain Waiver and Consent to Second Amended and Restated Loan Agreement dated as of September 20, 2005 (as so modified, the "EXISTING LOAN AGREEMENT") with the financial institutions from time to time party thereto (collectively, the "EXISTING LENDERS") pursuant to which the Existing Lenders made certain loans to the Borrowers; and

WHEREAS, the Borrowers desire to amend and restate the Existing Loan Agreement, in the form hereof, and the Banks party hereto are willing to so amend and restate the Existing Loan Agreement, in order to, among other things, provide for a joint and several revolving credit facility from the Banks to the Borrowers in the aggregate principal amount of up to Seven Hundred Million (\$700,000,000) Dollars on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto agree to amend and restate the Existing Loan Agreement in its entirety as follows:

ARTICLE 1. DEFINITIONS.

SECTION 1.1 DEFINED TERMS.

As used in this Agreement, the following terms shall have the following meanings:

"ADDITIONAL COSTS" - as defined in subsection 2.18(b) hereof.

"AFFECTED LOANS" - as defined in Section 2.21 hereof.

"AFFECTED TYPE" - as defined in Section 2.21 hereof.

"AFFILIATE" - as to any Person, any other Person that directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), provided that, in any event: (a) any Person that owns directly or indirectly ten (10%) percent or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or ten (10%) percent or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person; and (b) each ten (10%) percent or more shareholder, each director and executive officer of any Borrower shall be deemed to be an Affiliate of such Borrower.

"AGENCY FEE" - as defined in subsection 2.7(c) hereof.

"ALTERNATE BASE RATE" - for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16th of 1%) equal to the greater of (a) the Base Rate in effect on such day, and (b) 0.5% plus the Federal Funds Rate in effect on such day.

"APPLICABLE MARGIN" - as at any date of determination, with respect to LIBOR Loans, the applicable percentage per annum set forth below based upon the Ratings in effect on such date:

Rating Level	Applicable Margin for LIBOR Loans
Level 1 A-/A3 or above	0.575%
Level 2 BBB+/Baa1	0.725%
Level 3 BBB/Baa2	0.800%
Level 4 BBB-/Baa3	0.900%
Level 5 Lower than Level 4 or No Rating	1.250%

For purposes of the foregoing: (i) if the Ratings established by S&P and Moodys shall fall within different levels, the Applicable Margin shall be based upon the higher of the two Ratings unless one of the two Ratings is two or more levels lower than the other, in which case the Applicable Margin shall be determined by reference to the level that is one above the lower Rating, and (ii) if any Rating shall be changed (other than as a result of a change in the rating system of the applicable Rating Agency), such change shall be effective as of the date on which it is first announced by the Rating Agency making such change. Each such change in the Applicable Margin shall apply to all outstanding LIBOR Loans during the period commencing

on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of any Rating Agency shall change, the parties hereto shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system.

"APPRAISAL" - an appraisal providing an assessment of the fair market value of a Property (whether appraised on a stand-alone basis or "in bulk" together with similar Properties) which is independently and impartially prepared by an MAI appraiser having substantial experience in the appraisal of health care facilities and conforming to Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation.

"APPRAISED VALUE" - with respect to any Facility, the value of such Facility reflected in the most recent Appraisal prepared with respect to such Facility.

"ARRANGEMENT FEE" - as defined in subsection 2.7(c) hereof.

"ASSESSMENT RATE" - at any time, the rate (rounded upwards, if necessary, to the nearest 1/100 of one (1%) percent) then charged by the Federal Deposit Insurance Corporation (or any successor) to the Reference Bank for deposit insurance for Dollar time deposits with the Reference Bank at the Principal Office as determined by the Reference Bank.

"ASSIGNMENT AND ACCEPTANCE" - an agreement in the form of Exhibit B hereto.

"BASE RATE" - the interest rate established from time to time by the Agent as its base rate at the Principal Office. Notwithstanding the foregoing, the Borrowers acknowledge that the Agent may regularly make domestic commercial loans at rates of interest less than the rate of interest referred to in the preceding sentence. Each change in any interest rate provided for herein based upon the Base Rate resulting from a change in the Base Rate shall take effect at the time of such change in the Base Rate.

"BASE RATE LOANS" - Loans that bear interest at a rate based upon the Alternate Base Rate.

"BORROWING NOTICE" - as defined in Section 2.2 hereof.

"BUSINESS DAY" - any day other than Saturday, Sunday or any other day on which commercial banks in the States of Ohio or New York are authorized or required to close under the laws of such States.

"CAPITAL EXPENDITURES" - for any period, the aggregate amount of all payments made or to be made during such period by any Person directly or indirectly for the purpose of acquiring, constructing or maintaining fixed assets, real property or equipment that, in accordance with GAAP, would be added as a debit to the fixed asset account of such Person, including, without limitation, all amounts paid or payable during such period with respect to Capitalized Lease Obligations and interest that are required to be capitalized in accordance with GAAP.

"CAPITALIZED LEASE" - any lease, the obligations to pay rent or other amounts under which constitute Capitalized Lease Obligations.

"CAPITALIZED LEASE OBLIGATIONS" - as to any Person, the obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal property which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

"CASH" - as to any Person, such Person's cash and cash equivalents, as defined in accordance with GAAP consistently applied.

"CERCLA" - the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42 U.S.C. Section 9601, et seq.

"CODE" - the Internal Revenue Code of 1986, as it may be amended from time to time, and the regulations promulgated thereunder.

"COMPLIANCE CERTIFICATE" - a certificate in the form of Exhibit C annexed hereto, executed by the chief executive officer or chief financial officer of HCRI to the effect that: (a) as of the effective date of the certificate, no Default or Event of Default under this Agreement exists or would exist after giving effect to the action intended to be taken by the Borrowers as described in such certificate, including, without limitation, that the covenants set forth in Section 6.9 hereof would not be breached after giving effect to such action, together with a calculation in reasonable detail, and in form and substance satisfactory to the Agent, of such compliance, and (b) the representations and warranties contained in Article 3 hereof are true and with the same effect as though such representations and warranties were made on the date of such certificate, except for changes in the ordinary course of business none of which, either singly or in the aggregate, have had a Material Adverse Effect.

"CONSOLIDATED TOTAL ASSETS" - on any date, the consolidated total assets of HCRI and its Subsidiaries, as such amount would appear on a consolidated balance sheet of HCRI prepared as of such date in accordance with GAAP.

"CONSTRUCTION INVESTMENTS" - financing extended by HCRI with respect to a Facility which is under construction i.e., has not received a certificate of occupancy and the Borrower(s) conditions for conversion to permanent financing for the Facility have not been satisfied.

"CONTROLLED GROUP" - all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with HCRI, are treated as a single employer under Section 414(b), 414(c) or 414(m) of the Code and Section 4001(a)(2) of ERISA.

"CREDIT PERIOD" - the period commencing on the date of this Agreement and ending on the Revolving Credit Commitment Termination Date.

"DBSI" - Deutsche Bank Securities Inc., a Delaware corporation.

"DEBT INSTRUMENT" - as defined in subsection 8.4(a) hereof.

"DEFAULT" - an event which with notice or lapse of time, or both, would constitute an Event of Default.

"DISPOSITION" - the sale, lease, conveyance, transfer or other disposition of any Facility (whether in one or a series of transactions), including accounts and notes receivable (with or without recourse) and sale-leaseback transactions.

"DOLLARS" and "\$" - lawful money of the United States of America.

"EBITDA" - for any period, with respect to HCRI on a consolidated basis, determined in accordance with GAAP, the sum of net income (or net loss) for such period plus, the sum of all amounts treated as expenses for: (a) interest, (b) depreciation, (c) amortization, including, but not limited to, amortization of loan expenses and stock-based compensation, (d) all accrued taxes on or measured by income to the extent included in the determination of such net income (or net loss), (e) provision for loan losses, and (f) losses on extinguishment of debt, minus gains on extinguishment of debt, provided, however, that net income (or net loss) shall be computed without giving effect to extraordinary losses or gains.

"ELIGIBLE ASSIGNEE" - a commercial bank or other financial institution having a combined capital and surplus of at least One Hundred Million (\$100,000,000) Dollars.

"EMPLOYEE BENEFIT PLAN" - any employee benefit plan within the meaning of Section 3(3) of ERISA which is subject to ERISA and (a) is maintained for employees of HCRI, or (b) with respect to which any Loan Party has any liability.

"ENVIRONMENTAL LAWS AND REGULATIONS" - all federal, state and local environmental laws, regulations, ordinances, orders, judgments and decrees applicable to the Borrowers or any other Loan Party, or any of their respective assets or properties.

"ENVIRONMENTAL LIABILITY" - any liability under any applicable Environmental Laws and Regulations for any disposal, release or threatened release of a hazardous substance pollutant or contaminant as those terms are defined under CERCLA, and any liability which would require a removal, remedial or response action, as those terms are defined under CERCLA, by any person or by any environmental regulatory body having jurisdiction over HCRI and its Subsidiaries and/or any liability arising under any Environmental Laws and Regulations for HCRI's or any Subsidiary's failure to comply with such laws and regulations, including without limitation, the failure to comply with or obtain any applicable environmental permit.

"ENVIRONMENTAL PROCEEDING" - any judgment, action, proceeding or investigation pending before any court or governmental authority, with respect to HCRI or any Subsidiary and arising under or relating to any Environmental Laws and Regulations.

"ERISA" - the Employee Retirement Income Security Act of 1974, as it may be amended from time to time, and the regulations promulgated thereunder.

"ERISA AFFILIATE" - as applied to any Loan Party, any corporation, person or trade or business which is a member of a group which is under common control with any Loan Party, who together with any Loan Party, is treated as a single employer within the meaning of Section 414(b) - (o) of the Code and, if applicable, Section 4001(a)(14) and (b) of ERISA.

"EVENT OF DEFAULT" - as defined in Article 8 hereof.

"FACILITY" - (a) a health care facility offering health care-related products and services, including but not limited to any acute care hospital, rehabilitation hospital, nursing facility, assisted living facility, retirement center, long-term care facility, out-patient diagnostic facility or medical office building, and related or ancillary facilities, services and products, and (b) housing intended to be occupied primarily by persons over the age of 55 and related or ancillary facilities, services and products.

"FACILITY FEE" - as defined in subsection 2.7(b) hereof.

"FACILITY FEE PERCENTAGE" - as at the last day of any fiscal quarter, the applicable percentage per annum set forth below based upon the Ratings in effect on such date:

Rating Level -----	Facility Fee Percentage -----
Level 1 A-/A3 or above	0.125%
Level 2 BBB+/Baa1	0.125%
Level 3 BBB/Baa2	0.150%
Level 4 BBB-/Baa3	0.150%
Level 5 Lower than Level 4 or No Rating	0.250%

For purposes of the foregoing: (i) if the Ratings established by S&P and Moody's shall fall within different levels, the Facility Fee Percentage shall be based upon the higher of the two Ratings unless one of the two Ratings is two or more levels lower than the other, in which case the Facility Fee Percentage shall be determined by reference to the level that is one above the lower Rating, and (ii) if any Rating shall be changed (other than as a result of a change in the rating system of the applicable Rating Agency), such change shall be effective as of the date on which it is first announced by the Rating Agency making such change. Each such change with respect to the Borrowers shall apply at any time during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of any Rating Agency shall change, the parties hereto shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system.

"FEDERAL FUNDS RATE" - for any day, the weighted average of the rates on overnight federal funds transactions with member banks of the Federal Reserve System arranged by federal funds brokers as published by the Federal Reserve Bank of New York for such day, or if such day is not a Business Day, for the next preceding Business Day (or, if such rate is not so published for any such day, the average rate charged to the Agent on such day on such transactions as reasonably determined by the Agent).

"FEE(S)" - as defined in subsection 2.7(e) hereof.

"FINANCIAL STATEMENTS" - with respect to HCRI, its audited Consolidated Balance Sheet as at December 31, 2005, together with the related audited Consolidated Income Statement and Statement of Changes in Cash Flow for the fiscal year then ended.

"FIXED CHARGE COVERAGE" - as at the last day of any fiscal quarter, the quotient, expressed as a percentage (which may be in excess of 100%), determined by dividing EBITDA by Fixed Charges; all of the foregoing calculated by reference to the immediately preceding four (4) fiscal quarters of the Borrowers ending on such date of determination.

"FIXED CHARGES" - for any period, with respect to HCRI on a consolidated basis, the sum of, without duplication, (a) Interest Expense, plus (b) scheduled principal payments on Funded Indebtedness (excluding any balloon or final payment other than the final payment with respect to a loan that is fully amortized over its term) during the applicable period, plus (c) dividends and distributions in respect of preferred stock (but excluding redemption payments or charges in connection with the redemption of preferred stock), in each case determined in accordance with GAAP.

"FUNDED INDEBTEDNESS" - as of any date of determination thereof, (i) all Indebtedness of any Person, determined in accordance with GAAP, which by its terms matures more than one year after the date of calculation, and any such Indebtedness maturing within one year from such date which is renewable or extendable at the option of the obligor to a date more than one year from such date, including, in any event, the Revolving Credit Loans, and (ii) the current portion of all such Indebtedness.

"GAAP" - generally accepted accounting principles in the United States in effect from time to time.

"HAZARDOUS MATERIALS" - any toxic chemical, hazardous substances, contaminants or pollutants, medical wastes, infectious wastes, or hazardous wastes which have not been remediated in accordance with applicable Environmental Laws and Regulations.

"HCRI" - Health Care REIT, Inc., a Delaware corporation.

"HEALTHCARE ASSETS" - as of any date as of which the amount thereof is to be determined, the aggregate amount equal to the sum of:

(i) the lesser of the Appraised Value or purchase price of each Facility owned entirely by a Borrower and leased to an Operator; plus

(ii) the lesser of the Appraised Value of any Facility encumbered by a Mortgage or the outstanding principal amount of the Mortgage which encumbers any such Facility.

"INDEBTEDNESS" - with respect to any Person, all: (a) liabilities or obligations, direct and contingent, which in accordance with GAAP would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person at the date as of which Indebtedness is to be determined, including, without limitation, contingent liabilities that in accordance with such principles, would be set forth in a specific Dollar amount on the liability side of such balance sheet, and Capitalized Lease Obligations of such Person; (b) liabilities or obligations of others for which such Person is directly or indirectly liable, by way of guaranty (whether by direct guaranty, suretyship, discount, endorsement, take-or-pay agreement, agreement to purchase or advance or keep in funds or other agreement having the effect of a guaranty) or otherwise; (c) liabilities or obligations secured by Liens on any assets of such Person, whether or not such liabilities or obligations shall have been assumed by it; (d) liabilities or obligations of such Person, direct or contingent, with respect to letters of credit issued for the account of such Person and bankers acceptances created for such Person, and (e) monetary obligations of such Person under a so-called synthetic lease, off-balance sheet or tax retention lease or under an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

"INTEREST EXPENSE" - for any period, on a combined basis, the sum of all interest paid or payable (excluding unamortized debt issuance costs) on all items of Indebtedness of the Borrowers outstanding at any time during such period.

"INTEREST PERIOD" - with respect to any LIBOR Loan, each period commencing on the date such Loan is made or converted from a Loan or Loans of another Type into a LIBOR Loan, or the last day of the next preceding Interest Period with respect to such Loan, and ending on the same day 1, 2, 3 or 6 months thereafter, as the Borrowers may select as provided in Section 2.2 hereof, except that each such Interest Period which commences on the last LIBOR Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last LIBOR Business Day of the appropriate subsequent calendar month.

Notwithstanding the foregoing: (a) each Interest Period that would otherwise end on a day which is not a LIBOR Business Day shall end on the next succeeding LIBOR Business Day (or, if such next succeeding LIBOR Business Day falls in the next succeeding calendar month, on the next preceding LIBOR Business Day); (b) no more than seven (7) Interest Periods for LIBOR Loans shall be in effect at the same time; (c) any Interest Period that commences before the Revolving Credit Commitment Termination Date shall end no later than the Revolving Credit Commitment Termination Date; and (d) notwithstanding clause (c) above, no Interest Period shall have a duration of less than one month. In the event that the Borrowers fail to select the duration of any Interest Period for any LIBOR Loan within the time period and otherwise as provided in Section 2.2 hereof, such LIBOR Loans will be automatically converted into a Base Rate Loan on the last day of the preceding Interest Period for such LIBOR Loan.

"INTEREST RATE CONTRACTS" - interest rate swap agreements, interest rate cap agreements, interest rate collar agreements, interest rate insurance and other agreements or arrangements designed to provide protection against fluctuation in interest rates, in each case, in form and substance satisfactory to the Agent and, in each case, with counter-parties satisfactory to the Agent.

"INVESTMENT" - a Facility or a Mortgage, individually or collectively, as the case may be.

"LATEST BALANCE SHEET" - as defined in subsection 3.9(a) hereof.

"LEASE RENTAL EXPENSE" - for any period and with respect to any Facility, the total amount payable during such period by the lessee of such Facility to any Borrower, including, without limitation, (a) base rent (as adjusted from time to time), plus (b) all incremental charges to which the Facility is subject under the lease relating thereto.

"LENDING OFFICE" - with respect to each Bank, with respect to each Type of Loan, the Lending Office as designated for such Type of Loan below its name on the signature pages hereof or such other office of such Bank or of an affiliate of such Bank as it may from time to time specify to the Agent and the Borrowers as the office at which its Loans of such Type are to be made and maintained.

"LEVERAGE RATIO" - as defined in subsection 6.9(a) hereof.

"LIBOR BASE RATE" - with respect to any LIBOR Loan, for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/16 of one (1%) percent) quoted by the Reference Bank at approximately 11:00 a.m. London time (or as soon thereafter as practicable) two (2) LIBOR Business Days prior to the first day of such Interest Period as the rate at which the Reference Bank is offered Dollar deposits in the London interbank market where the LIBOR and foreign currency and exchange operations of the Reference Bank are customarily conducted, having terms of one (1), two (2), three (3) or six (6) months and in an amount comparable to the principal amount of the LIBOR Loan to be made by the Banks to which such Interest Period relates.

"LIBOR BUSINESS DAY" - a Business Day on which dealings in Dollar deposits are carried out in the London interbank market.

"LIBOR LOAN(S)" - any Loan the interest on which is determined on the basis of rates referred to in the definition of "LIBOR Base Rate" in this Article 1.

"LIBOR RATE" - for any LIBOR Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of one (1%) percent) determined by the Agent to be equal to: (a) the LIBOR Base Rate for such Loan for such Interest Period; divided by (b) one (1) minus the Reserve Requirement for such Loan for such Interest Period. The Agent shall use its best efforts to advise the Borrowers of the LIBOR Rate as soon as practicable after each change in the LIBOR Rate; provided, however, that the failure of the Agent to so advise the Borrowers on any one or more occasions shall not affect the rights of the Banks or the Agent or the obligations of the Borrowers hereunder.

"LIEN" - any mortgage, deed of trust, pledge, security interest, encumbrance, lien, claim or charge of any kind (including any agreement to give any of the foregoing), any conditional sale or other title retention agreement, any lease in the nature of any of the foregoing, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction.

"LOAN(S)" - as defined in Section 2.1 hereof. Loans of different Types made or converted from Loans of other Types on the same day (or of the same Type but having different Interest Periods) shall be deemed to be separate Loans for all purposes of this Agreement.

"LOAN DOCUMENTS" - this Agreement, the Notes, Interest Rate Contracts and all other documents executed and delivered in connection herewith or therewith, including all amendments, modifications and supplements of or to all such documents.

"LOAN PARTY" - each Borrower and any other Person (other than the Banks and the Agent) which now or hereafter executes and delivers to any Bank or the Agent any Loan Document.

"MATERIAL ADVERSE EFFECT" - any fact or circumstance which (a) materially and adversely affects the business, operation, property or financial condition of the Borrowers taken as a whole, or (b) has a material adverse effect on the ability of the Borrowers to perform their respective obligations under this Agreement, the Notes or the other Loan Documents.

"MOODY'S" - Moody's Investors Service, Inc.

"MORTGAGE(S)" - mortgages of real property constituting a Facility for which any Borrower is the sole mortgagee.

"MORTGAGE EXPENSE" - for any period and with respect to any Facility, the total amount payable during such period by the mortgagor of such Facility to any Borrower, including, without limitation, (a) interest and principal (as adjusted from time to time) plus (b) all incremental charges to which the Facility is subject under the mortgage.

"MULTIEMPLOYER PLAN" - a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which any Loan Party or any ERISA Affiliate is making, or is accruing an obligation to make, contributions or has made, or been obligated to make, contributions within the preceding six (6) years.

"NET ISSUANCE PROCEEDS" - in respect of any issuance of Indebtedness or equity, the proceeds in Cash received by HCRI or any of its Subsidiaries upon or simultaneously with such issuance, net of direct costs of such issuance and any taxes paid or payable by the recipient of such proceeds.

"NET PROCEEDS" - in respect of any Disposition, the proceeds in Cash received by any of the Borrowers upon or simultaneously with such Disposition, net of (i) direct costs of such Disposition, (ii) any taxes paid or payable by the recipient of such proceeds, and (iii) amounts required to be applied to repay any Indebtedness secured by a lien on the asset which is the subject of the Disposition.

"NEW TYPE LOANS" - as defined in Section 2.21 hereof.

"NOTE(S)" - as defined in subsection 2.4(a) hereof.

"OBLIGATIONS" - collectively, all of the indebtedness, liabilities and obligations of the Borrowers to the Banks and the Agent, whether now existing or hereafter arising, whether or not currently contemplated, including, without limitation, those arising under the Loan Documents.

"OPERATOR" - (a) the lessee of any Facility owned or leased by a Borrower, and (b) the mortgagor of a Facility which is subject to a Mortgage to the extent that such entity controls the operation of the Facility.

"OPERATOR INTEREST EXPENSE" - for any period, the sum of all interest on, and all amortization of debt discount and expenses on, all Indebtedness of an Operator outstanding at any time during such period but excluding any amounts which constitute Mortgage Expense.

"ORIGINATION FEE" - as defined in subsection 2.7(a) hereof.

"PAYOR" - as defined in Section 2.15 hereof.

"PBGC" - Pension Benefit Guaranty Corporation.

"PERMITTED LIENS" - as to any Person: (a) pledges or deposits by such Person under workers' compensation laws, unemployment insurance laws, social security laws, or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness of such Person), or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of Cash or United States Government Bonds to secure surety, appeal, performance or other similar bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent; (b) Liens imposed by law, such as carriers', warehousemen's, materialmen's and mechanics' liens, or Liens arising out of judgments or awards against such Person with respect to which such Person at the time shall currently be prosecuting an appeal or proceedings for review; (c) Liens for taxes not yet subject to penalties for non-payment and Liens for taxes the payment of which is being contested as permitted by Section 6.6 hereof; (d) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of, others for rights of way, highways and railroad crossings, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties; and (e) Liens incidental to the conduct of the business of such Person or to the ownership of such Person's property that were not incurred in connection with Indebtedness of such Person, all of which Liens referred to in this clause (e) do not in the aggregate materially impair the value of the properties to which they relate or materially impair their use in the operation of the business taken as a whole of such Person, and as to all the foregoing only to the extent arising and continuing in the ordinary course of business.

"PERSON" - an individual, a corporation, a limited liability company, a partnership, a joint venture, a trust or unincorporated organization, a joint stock company or

other similar organization, a government or any political subdivision thereof, a court, or any other legal entity, whether acting in an individual, fiduciary or other capacity.

"PLAN" - at any time an employee pension benefit plan that is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either: (a) maintained by HCRI or any member of the Controlled Group for employees of HCRI, or by HCRI for any other member of such Controlled Group, or (b) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which HCRI or any member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"POST-DEFAULT RATE" - (a) in respect of any Loans, a rate per annum equal to: (i) if such Loans are Base Rate Loans, two (2%) percent above the Alternate Base Rate as in effect from time to time for Base Rate Loans, or (ii) if such Loans are LIBOR Loans, two (2%) percent above the rate of interest in effect thereon at the time of the Event of Default that resulted in the Post-Default Rate being instituted until the end of the then current Interest Period therefor and, thereafter, two (2%) above the Alternate Base Rate as in effect from time to time; and (b) in respect of other amounts payable by the Borrowers hereunder (other than interest), equal to two (2%) above the Alternate Base Rate as in effect from time to time.

"PRINCIPAL OFFICE" - the principal office of the Agent presently located at 127 Public Square, Cleveland, Ohio 44114-1306.

"PROJECTIONS" - the projections relating to HCRI and its Subsidiaries for the three (3) year period 2006-2008, including balance sheets, statements of operations and cash flows (together with related assumptions) as furnished by HCRI to the Agent.

"PROPERTY" - any estate or interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

"QUARTERLY DATES" - the first day of each March, June, September and December, the first of which shall be the first such day after the date of this Agreement, provided that, if any such date is not a LIBOR Business Day, the relevant Quarterly Date shall be the next succeeding LIBOR Business Day (or, if the next succeeding LIBOR Business Day falls in the next succeeding calendar month, then on the next preceding LIBOR Business Day).

"RATINGS" - shall mean the ratings from time to time established by the Rating Agencies for senior, unsecured, non-credit enhanced long-term debt of HCRI.

"RATINGS AGENCIES" - Moody's and S&P.

"REFERENCE BANK" - a bank appearing on the display designated as page "LIBOR" on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBOR page on that service for the purpose of displaying London interbank offered rates of major banks); provided, that, if no such offered rate shall appear on such display, "Reference Bank" shall mean a bank in the London interbank market as selected by the Agent.

"REGULATION D" - Regulation D of the Board of Governors of the Federal Reserve System, as the same may be amended or supplemented from time to time.

"REGULATORY CHANGE" - as to any Bank, any change after the date of this Agreement in United States federal, or state, or foreign, laws or regulations (including Regulation D and the laws or regulations that designate any assessment rate relating to certificates of deposit or otherwise (including the "Assessment Rate" if applicable to any Loan)) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks, including such Bank, of or under any United States federal, or state, or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"REIT STATUS" - with respect to any Person, (a) the qualification of such Person as a real estate investment trust under Sections 856 through 860 of the Code, and (b) the applicability to such Person and its shareholders of the method of taxation provided for in Sections 857 et seq. of the Code.

"REQUIRED BANKS" - at any time, any combination of Banks having more than 50% of the Total Revolving Credit Commitment hereunder, or if the Total Revolving Credit Commitment has been terminated at such time, any combination of Banks having more than 50% of the aggregate principal amount of Loans then outstanding.

"REQUIRED PAYMENT" - as defined in Section 2.15 hereof.

"RESERVE REQUIREMENT" - for any LIBOR Loans for any quarterly period (or, as the case may be, shorter period) as to which interest is payable hereunder, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during such period under Regulation D by member banks of the Federal Reserve System in New York City with deposits exceeding One Billion (\$1,000,000,000) Dollars against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks by reason of any Regulatory Change against: (a) any category of liabilities which includes deposits by references to which the LIBOR Rate for LIBOR Loans is to be determined as provided in the definition of "LIBOR Base Rate" in this Article 1, or (b) any category of extensions of credit or other assets which include LIBOR Loans.

"REVOLVING CREDIT COMMITMENT" - as to each Bank, the obligation of such Bank to make Loans in the aggregate amount set forth opposite such Bank's name on the signature pages hereof under the caption "Revolving Credit Commitment" as such amount is subject to reduction in accordance with the terms hereof.

"REVOLVING CREDIT COMMITMENT TERMINATION DATE" - July 24, 2009, or any later date established in accordance with Section 2.23 hereof.

"S&P" - Standard and Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc.

"SUBSIDIARY" - with respect to any Person, any corporation, partnership, joint venture or other entity, whether now existing or hereafter organized or acquired: (a) in the case of a corporation, of which a majority of the securities having ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) are at the time owned by such Person and/or one or more Subsidiaries of such Person, (b) in the case of a partnership or other entity, in which such Person is a general partner or of which a majority of the partnership or other equity interests are at the time owned by such Person and/or one or more of its Subsidiaries, or (c) in the case of a joint venture, in which such Person is a joint venturer and of which a majority of the ownership interests are at the time owned by such Person and/or one or more of its Subsidiaries. Unless the context otherwise requires, references in this Agreement to "Subsidiary" or "Subsidiaries" shall be deemed to be references to a Subsidiary or Subsidiaries of HCRI.

"TANGIBLE NET WORTH" - the sum of capital surplus, earned surplus and capital stock, minus deferred charges, intangibles and treasury stock, all as determined in accordance with GAAP consistently applied.

"TOTAL REVOLVING CREDIT COMMITMENT" - the aggregate obligation of the Banks to make Loans hereunder up to the aggregate amount of Seven Hundred Million (\$700,000,000) Dollars.

"TYPE" - refers to the characteristics of a Loan as a Base Rate Loan or a LIBOR Loan for a particular Interest Period. All Base Rate Loans are of the same Type. All LIBOR Loans with identical interest rates and Interest Periods are of the same Type. All other Loans are of different Types. Interest Periods are identical if they begin and end on the same days.

"UNENCUMBERED ASSETS" - on any date, net real estate investments (valued on a book basis) of the Borrowers that are not subject to any Lien which secures indebtedness for borrowed money of any of the Borrowers plus, without duplication, loan loss reserves relating thereto, accumulated depreciation thereon plus Cash, as all such amounts would appear on a consolidated balance sheet of HCRI prepared as of such date in accordance with GAAP.

SECTION 1.2 GAAP.

Any accounting terms used in this Agreement that are not specifically defined herein shall have the meanings customarily given to them in accordance with GAAP as in effect on the date of this Agreement, except that references in Article 5 to such principles shall be deemed to refer to such principles as in effect on the date of the financial statements delivered pursuant thereto.

ARTICLE 2. REVOLVING CREDIT COMMITMENTS; LOANS.

SECTION 2.1 LOANS.

Each Bank hereby severally agrees, on the terms and subject to the conditions of this Agreement, to make loans (individually a "LOAN" and, collectively, the "LOANS") to the Borrowers during the Credit Period to and including the Revolving Credit Commitment Termination Date in an aggregate principal amount at any one time outstanding up to, but not

exceeding, the Revolving Credit Commitment of such Bank as then in effect; provided, that the aggregate principal amount of Loans at any one time outstanding shall not exceed the Total Revolving Credit Commitment as then in effect. Subject to the terms of this Agreement, during the Credit Period the Borrowers may borrow, repay and reborrow Loans. The Borrowers hereby acknowledge and agree that all of the Obligations hereunder shall be the joint and several obligations of the Borrowers.

SECTION 2.2 NOTICES RELATING TO LOANS.

The Borrowers shall give the Agent written notice of each termination or reduction of the Revolving Credit Commitments, each borrowing, conversion, repayment and prepayment of each Loan and of the duration of each Interest Period applicable to each LIBOR Loan (in each case, a "BORROWING NOTICE"). Each such written notice shall be irrevocable and shall be effective only if received by the Agent not later than 1:00 p.m. (Cleveland, Ohio time) on the date that is:

(a) In the case of each notice of termination or reduction of the Revolving Credit Commitments, five (5) Business Days prior to the date of the related termination or reduction;

(b) In the case of each notice of borrowing and repayment of, or conversion into, Base Rate Loans, one (1) Business Day prior to the date of the related borrowing or repayment or conversion; and

(c) In the case of each notice of borrowing or repayment of, or conversion into, LIBOR Loans, or the duration of an Interest Period for LIBOR Loans, two (2) LIBOR Business Days prior to the date of the related borrowing, repayment or conversion or the first day of such Interest Period.

Each such notice of termination or reduction shall specify the amount thereof. Each such notice of borrowing, conversion, repayment or prepayment shall specify the amount (subject to Section 2.1 hereof) and Type of Loans to be borrowed, converted, repaid or prepaid (and, in the case of a conversion, the Type of Loans to result from such conversion), the date of borrowing, conversion, repayment or prepayment (which shall be: (i) a Business Day in the case of each borrowing or repayment of Base Rate Loans, and (ii) a LIBOR Business Day in the case of each borrowing, prepayment, or repayment of LIBOR Loans and each conversion of or into a LIBOR Loan). Each such notice of the duration of an Interest Period shall specify the Loans to which such Interest Period is to relate. The Agent shall notify the Banks of the content of each such Borrowing Notice promptly after its receipt thereof.

SECTION 2.3 DISBURSEMENT OF LOAN PROCEEDS.

The Borrowers shall give the Agent notice of each borrowing hereunder as provided in Section 2.2 hereof and the Agent shall promptly notify the Banks thereof. Not later than 1:00 p.m. (Cleveland, Ohio time) on the date specified for each borrowing hereunder, each Bank shall transfer to the Agent, by wire transfer or otherwise, but in any event in immediately available funds, the amount of the Loan to be made by it on such date, and the Agent, upon its receipt thereof, upon compliance with the requirements of Section 4.1 and 4.2, as applicable,

shall disburse such sum to the Borrowers by depositing the amount thereof in an account of the Borrowers, or any of them, designated by the Borrowers maintained with the Agent.

SECTION 2.4 NOTES.

(a) The Loans made by each Bank shall be evidenced by a single joint and several promissory note of the Borrowers in substantially the form of Exhibit A hereto (each, a "NOTE" and collectively, the "NOTES"). Each Note shall be dated the date hereof, shall be payable to the order of such Bank in a principal amount equal to such Bank's Revolving Credit Commitment as originally in effect, and shall otherwise be duly completed. The Notes shall be payable as provided in Sections 2.1 and 2.5 hereof.

(b) Each Bank shall enter on a schedule with respect to its Note a notation with respect to each Loan made hereunder of: (i) the date and principal amount thereof and (ii) each payment and repayment of principal thereof. The failure of any Bank to make a notation on any such schedule as aforesaid shall not limit or otherwise affect the joint and several obligation of the Borrowers to repay the Loans in accordance with their respective terms as set forth herein.

SECTION 2.5 PAYMENT OF LOANS; VOLUNTARY CHANGES IN COMMITMENT; MANDATORY REPAYMENTS.

(a) All outstanding Loans shall be paid in full not later than the Revolving Credit Commitment Termination Date.

(b) The Borrowers shall be entitled to terminate or reduce the Total Revolving Credit Commitment or repay the principal amount of the Loans provided that the Borrowers shall give notice of such termination, reduction or repayment to the Agent as provided in Section 2.2 hereof and that any repayment or partial reduction of the Total Revolving Credit Commitment shall be in the minimum aggregate amount of Three Million (\$3,000,000) Dollars and multiples of One Million (\$1,000,000) Dollars in excess thereof. Any such termination or reduction in the Total Revolving Credit Commitment shall be permanent and irrevocable.

(c) Repayment of a LIBOR Loan on a day other than the last day of the relevant Interest Period relating thereto shall be subject to the provisions of Section 2.22 hereof; and all repayments of principal (whether mandatory or voluntary) shall be applied first to Base Rate Loans, then to the fewest number of Types of LIBOR Loans as possible.

(d) If HCRI (or any of its Subsidiaries) shall make any public or private issuance of Indebtedness or equity (other than in connection with any dividend reinvestment program(s)), HCRI shall promptly notify the Agent of such issuance and repay the Loans in an amount equal to the aggregate Net Issuance Proceeds of such issuance immediately upon receipt thereof.

SECTION 2.6 INTEREST.

(a) The Borrowers shall pay to the Agent for the account of each Bank interest on the unpaid principal amount of each Loan made by such Bank for the period

commencing on the date of such Loan until such Loan shall be paid in full, at the following rates per annum:

(i) During such periods that such Loan is a Base Rate Loan, the Alternate Base Rate;

(ii) During such periods that such Loan is a LIBOR Loan, for each Interest Period relating thereto, the LIBOR Rate for such Loan for such Interest Period plus the Applicable Margin.

(b) Notwithstanding the foregoing, the Borrowers shall pay interest on any Loan or any installment thereof, and on any other amount payable by the Borrowers hereunder (to the extent permitted by law) which are not paid in full when due (whether at stated maturity, by acceleration or otherwise) for the period commencing on the due date thereof until the same is paid in full at the applicable Post-Default Rate.

(c) Except as provided in the next sentence, accrued interest on each Loan shall be payable: (i) in the case of each Base Rate Loan, quarterly on the Quarterly Dates, (ii) in the case of a LIBOR Loan, on the last day of each Interest Period for such Loan (and, if such Interest Period exceeds three months' duration, quarterly, commencing on the first quarterly anniversary of the first day of such Interest Period), and (iii) in the case of any Loan, upon the payment or repayment thereof or the conversion thereof into a Loan of another Type (but only on the principal so paid, repaid or converted); provided, however, this clause (iii) shall not apply in the case of a conversion of a Base Rate Loan into a LIBOR Loan. Interest that is payable at the Post-Default Rate shall be payable from time to time on demand of the Agent. Promptly after the establishment of any interest rate provided for herein or any change therein, the Agent will notify the Banks and the Borrowers thereof, provided that the failure of the Agent to so notify the Banks and the Borrowers shall not affect the obligations of the Borrowers hereunder or under any of the Notes in any respect.

(d) Anything in this Agreement or any of the Notes to the contrary notwithstanding, the obligation of the Borrowers to make payments of interest shall be subject to the limitation that payments of interest shall not be required to be made to any Bank to the extent that such Bank's receipt thereof would not be permissible under the law or laws applicable to such Bank limiting rates of interest that may be charged or collected by such Bank. Any such payments of interest that are not made as a result of the limitation referred to in the preceding sentence shall be made by the Borrowers to such Bank on the earliest interest payment date or dates on which the receipt thereof would be permissible under the laws applicable to such Bank limiting rates of interest that may be charged or collected by such Bank. Such deferred interest shall not bear interest.

SECTION 2.7 FEES.

(a) Simultaneously with the execution and delivery of this Agreement, the Borrowers shall pay to the Agent, for the benefit of the Banks according to their respective Revolving Credit Commitments, a non-refundable origination fee (the "ORIGINATION FEE"), as set forth in a separate written agreement.

(b) The Borrowers shall pay to the Agent for the account of the Banks, pro rata according to their respective Commitments, a facility fee (the "FACILITY FEE") on the daily average amount of such Bank's Commitment, for the period from the date hereof to and including the earlier of (i) the date such Bank's Revolving Credit Commitment is terminated, and (ii) the Revolving Credit Commitment Termination Date, at the rate per annum equal to the Facility Fee Percentage from time to time in effect on the amount of the Total Revolving Credit Commitment. The accrued Facility Fee shall be payable on the Quarterly Dates, and on the earlier of (i) the date the Total Revolving Credit Commitment is terminated, or (ii) the Revolving Credit Commitment Termination Date, and in the event the Borrowers reduce the Total Revolving Credit Commitment as provided in subsection 2.5(b) hereof, on the effective date of such reduction.

(c) The Borrowers shall (i) pay to the Agent, for its own account, an annual administrative agency fee (the "AGENCY FEE"), and (ii) pay to each of the Agent and DBSI, for their respective accounts, an arrangement fee (the "ARRANGEMENT FEE"), all as set forth in a separate written agreement.

(d) The Origination Fee, the Facility Fee, the Agency Fee and the Arrangement Fee are hereinafter sometimes referred to individually as a "FEE" and collectively as the "FEES".

SECTION 2.8 USE OF PROCEEDS OF LOANS.

The proceeds of the Loans hereunder may be used by the Borrowers solely as follows: (a) for the repayment in full of the outstanding principal amount of, and all accrued interest on, the outstanding indebtedness of the Borrowers under the Existing Loan Agreement, (b) to acquire Facilities and real estate, whether developed or undeveloped, that the Borrowers intend to principally use for a Facility, (c) to extend or acquire loans secured by Mortgages, (d) to finance Construction Investments or for capital improvements to a Facility previously financed by HCRI, (e) for investments that are not prohibited under Section 7.8 hereof, (f) for the repayment or refinance of other outstanding indebtedness of the Borrowers reasonably satisfactory to the Agent, and (g) for working capital and general corporate purposes.

SECTION 2.9 COMPUTATIONS.

Interest on all Loans and each Fee shall be computed on the basis of a year of 360 days and actual days elapsed (including the first day but excluding the last) occurring in the period for which payable.

SECTION 2.10 MINIMUM AMOUNTS OF BORROWINGS, CONVERSIONS AND REPAYMENTS.

Except for borrowings, conversions and repayments that exhaust the full remaining amount of the Revolving Credit Commitments (in the case of borrowings) or result in the conversion or repayment of all Loans of a particular Type (in the case of conversions or repayments) or conversions made pursuant to Section 2.17, subsection 2.18(b) or Section 2.20 hereof, each borrowing from each Bank, each conversion of Loans of one Type into Loans of another Type and each repayment of principal of Loans hereunder shall be in a minimum amount of One Million (\$1,000,000) Dollars, in the case of Base Rate Loans, and Three Million (\$3,000,000) Dollars, in the case of LIBOR Loans, and in either case if in excess thereof, in integral multiples of One Hundred Thousand (\$100,000) Dollars (borrowings, conversions and repayments of different Types of Loans at the same time hereunder to be deemed separate borrowings, conversions and repayments for purposes of the foregoing, one for each Type). The Agent and the Borrowers may make immaterial mutually convenient adjustments to the thresholds and multiples set forth above in respect of LIBOR Loans.

SECTION 2.11 TIME AND METHOD OF PAYMENTS.

All payments of principal, interest, Fees and other amounts (including indemnities) payable by the Borrowers hereunder shall be made in Dollars, in immediately available funds, to the Agent at the Principal Office not later than 11:00 a.m., Cleveland, Ohio time, on the date on which such payment shall become due (and the Agent or any Bank for whose account any such payment is to be made may, but shall not be obligated to, debit the amount of any such payment that is not made by such time to any ordinary deposit account of the Borrowers, or any of them, with the Agent or such Bank, as the case may be). Additional provisions relating to payments are set forth in Section 10.3 hereof. Each payment received by the Agent hereunder for the account of a Bank shall be paid promptly to such Bank, in like funds, for the account of such Bank's Lending Office for the Loan in respect of which such payment is made.

SECTION 2.12 LENDING OFFICES.

The Loans of each Type made by each Bank shall be made and maintained at such Bank's applicable Lending Office for Loans of such Type.

SECTION 2.13 SEVERAL OBLIGATIONS.

The failure of any Bank to make any Loan to be made by it on the date specified therefor shall not relieve the other Banks of their respective obligations to make their Loans on such date, but no Bank shall be responsible for the failure of the other Banks to make Loans to be made by such other Banks.

SECTION 2.14 PRO RATA TREATMENT AMONG BANKS.

Except as otherwise provided herein: (a) each borrowing from the Banks under Section 2.1 hereof will be made from the Banks and each payment of each Fee (other than the Agency Fee, the Arrangement Fee and the Origination Fee) shall be made for the account of the

Banks pro rata according to the amount of their respective Commitment; (b) each partial reduction of the Total Revolving Credit Commitment shall be applied to the Revolving Credit Commitments of the Banks pro rata according to each Bank's respective Revolving Credit Commitment; (c) each payment and repayment of principal of or interest on Loans will be made to the Agent for the account of the Banks pro rata in accordance with the respective unpaid principal amounts of the Loans held by such Banks; and (d) each conversion of Loans of a particular Type under Section 2.17 hereof (other than conversions provided for by Section 2.20 or 2.21 hereof) shall be made pro rata among the Banks holding Loans of such Type according to the respective principal amounts of such Loans held by such Banks.

SECTION 2.15 NON-RECEIPT OF FUNDS BY THE AGENT.

Unless the Agent shall have been notified by a Bank or the Borrowers (the "PAYOR") prior to the date on which such Bank is to make payment to the Agent of the proceeds of a Loan to be made by it hereunder or the Borrowers are to make a payment to the Agent for the account of one or more of the Banks, as the case may be (such payment being herein called the "REQUIRED PAYMENT"), which notice shall be effective upon receipt, that the Payor does not intend to make the Required Payment to the Agent, the Agent may assume that the Required Payment has been made and may, in reliance upon such assumption (but shall not be required to), make the amount thereof available to the intended recipient on such date and, if the Payor has not in fact made the Required Payment to the Agent, the recipient of such payment shall, on demand, repay to the Agent the amount made available to it together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal (i) when the recipient is a Bank, the Federal Funds Rate for such day, or (ii) the rate of interest applicable to such Loan (when the recipient is the Borrowers).

SECTION 2.16 SHARING OF PAYMENTS AND SET-OFF AMONG BANKS.

The Borrowers hereby agree that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim a Bank may otherwise have, each Bank shall be entitled, at its option, to offset balances held by it at any of its offices against any principal of or interest on any of its Loans hereunder or any Fee payable to it, that is not paid when due (regardless of whether such balances are then due to the Borrowers), in which case it shall promptly notify the Borrowers and the Agent thereof, provided that its failure to give such notice shall not affect the validity thereof. If a Bank shall effect payment of any principal of or interest or Fee on Loans held by it under this Agreement through the exercise of any right of set-off, banker's lien, counterclaim or similar right, it shall promptly purchase from the other Banks participations in the Loans held by the other Banks in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all the Banks shall share the benefit of such payment pro rata in accordance with the unpaid amount of principal and interest or Fee on the Loans held by each of them. To such end all the Banks shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. The Borrowers agree that any Bank so purchasing a participation in the Loans held by the other Banks may exercise all rights of set-off, banker's lien, counterclaim or similar rights with respect to such participation as fully as if such Bank were a direct holder of Loans in the amount of such participation. Nothing contained herein

shall require any Bank to exercise any such right or shall affect the right of any Bank to exercise and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrowers.

SECTION 2.17 CONVERSION OF LOANS.

The Borrowers shall have the right to convert Loans of one Type into Loans of another Type from time to time, provided that: (i) the Borrowers shall give the Agent notice of each such conversion as provided in Section 2.2 hereof; (ii) LIBOR Loans may be converted only on the last day of an Interest Period for such Loans; and (iii) no Base Rate Loan may be converted into a LIBOR Loan or LIBOR Loan continued as or converted into another LIBOR Loan if on the proposed date of conversion a Default or an Event of Default exists. The Agent shall use its best efforts to notify the Borrowers of the effectiveness of such conversion, and the new interest rate to which the converted Loans are subject, as soon as practicable after the conversion; provided, however, that any failure to give such notice shall not affect the Borrowers' obligations, or the Agent's or the Banks' rights and remedies, hereunder in any way whatsoever.

SECTION 2.18 ADDITIONAL COSTS; CAPITAL REQUIREMENTS.

(a) In the event that any existing or future law or regulation, guideline or interpretation thereof, by any court or administrative or governmental authority (foreign or domestic) charged with the administration thereof, or compliance by any Bank with any request or directive (whether or not having the force of law) of any such authority shall impose, modify or deem applicable or result in the application of, any capital maintenance, capital ratio or similar requirement against loan commitments made by any Bank hereunder, and the result of any event referred to above is to impose upon any Bank or increase any capital requirement applicable as a result of the making or maintenance of such Bank's Revolving Credit Commitment or the obligation of the Borrowers hereunder with respect to such Revolving Credit Commitment (which imposition of capital requirements may be determined by each Bank's reasonable allocation of the aggregate of such capital increases or impositions), then, within ten (10) Business Days' of demand made by such Bank as promptly as practicable after it obtains knowledge that such law, regulation, guideline, interpretation, request or directive exists and determines to make such demand, the Borrowers shall pay to such Bank from time to time as specified by such Bank additional amounts which shall be sufficient to compensate such Bank for such imposition of or increase in capital requirements together with interest on each such amount from the date demanded until payment in full thereof at the Post-Default Rate. A certificate setting forth in reasonable detail the amount necessary to compensate such Bank as a result of an imposition of or increase in capital requirements submitted by such Bank to the Borrowers shall be conclusive, absent manifest error, as to the amount thereof. All references to any "Bank" shall be deemed to include any participant in such Bank's Revolving Credit Commitment.

(b) In the event that any Regulatory Change shall: (i) change the basis of taxation of any amounts payable to any Bank under this Agreement or the Notes in respect of any Loans including, without limitation, LIBOR Loans (other than taxes imposed on the overall net income of such Bank for any such Loans by the United States of America or the jurisdiction

in which such Bank has its principal office); or (ii) impose or modify any reserve, Federal Deposit Insurance Corporation premium or assessment, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Bank (including any of such Loans or any deposits referred to in the definition of "LIBOR Base Rate" in Article 1 hereof); or (iii) impose any other conditions affecting this Agreement in respect of Loans, including, without limitation, LIBOR Loans (or any of such extensions of credit, assets, deposits or liabilities); and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase such Bank's costs of making or maintaining any Loans including, without limitation, LIBOR Loans, or its Revolving Credit Commitment, or to reduce any amount receivable by such Bank hereunder in respect of its Commitment (such increases in costs and reductions in amounts receivable are hereinafter referred to as "ADDITIONAL COSTS") in each case, only to the extent, with respect to LIBOR Loans, that such Additional Costs are not included in the LIBOR Base Rate applicable to LIBOR Loans, then, within ten (10) Business Days' of demand made by such Bank as promptly as practicable after it obtains knowledge that such a Regulatory Change exists and determines to make such demand (a copy of which demand shall be delivered to the Agent), the Borrowers shall pay to such Bank from time to time as specified by such Bank, additional amounts which shall be sufficient to compensate such Bank for such increased cost or reduction in amounts receivable by such Bank from the date of such change, together with interest on each such amount from the date demanded until payment in full thereof at the Post-Default Rate. All references to any "Bank" shall be deemed to include any participant in such Bank's Revolving Credit Commitment.

(c) Without limiting the effect of the foregoing provisions of this Section 2.18, in the event that, by reason of any Regulatory Change, any Bank either: (i) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Bank which includes deposits by reference to which the interest rate on LIBOR Loans is determined as provided in this Agreement or a category of extensions of credit or other assets of such Bank which includes LIBOR Loans, or (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets that it may hold, then, if such Bank so elects by notice to the Borrowers (with a copy to the Agent), the obligation of such Bank to make, and to convert Loans of any other Type into, Loans of such Type hereunder shall be suspended until the date such Regulatory Change ceases to be in effect (and all Loans of such Type then outstanding shall be converted into Base Rate Loans or into LIBOR Loans of another duration as the case may be, in accordance with Sections 2.17 and 2.21).

(d) Determinations by any Bank for purposes of this Section 2.18 of the effect of any Regulatory Change on its costs of making or maintaining Loans or on amounts receivable by it in respect of Loans, and of the additional amounts required to compensate such Bank in respect of any Additional Costs, shall be set forth in writing in reasonable detail describing the Additional Costs together with a calculation demonstrating the allocation to the Borrowers of such Additional Costs which shall be conclusive, absent manifest error.

SECTION 2.19 LIMITATION ON TYPES OF LOANS.

Anything herein to the contrary notwithstanding, if, on or prior to the determination of an interest rate for any LIBOR Loans for any Interest Period therefor, the Required Banks determine (which determination shall be conclusive):

(a) by reason of any event affecting the money markets in the United States of America or the London interbank market, quotations of interest rates for the relevant deposits are not being provided in the relevant amounts or for the relevant maturities for purposes of determining the rate of interest for such Loans under this Agreement; or

(b) the rates of interest referred to in the definition of "LIBOR Base Rate" in Article 1 hereof upon the basis of which the rate of interest on any LIBOR Loans for such period is determined, do not accurately reflect the cost to the Banks of making or maintaining such Loans for such period;

then the Agent shall give the Borrowers and each Bank prompt notice thereof (and shall thereafter give the Borrowers and each Bank prompt notice of the cessation, if any, of such condition), and so long as such condition remains in effect, the Banks shall be under no obligation to make Loans of such Type or to convert Loans of any other Type into Loans of such Type and the Borrowers shall, on the last day(s) of the then current Interest Period(s) for the outstanding Loans of the affected Type either repay such Loans in accordance with Section 2.5 hereof or convert such Loan into Loans of another Type in accordance with Section 2.17 hereof.

SECTION 2.20 ILLEGALITY.

Notwithstanding any other provision in this Agreement, in the event that it becomes unlawful for any Bank or its applicable Lending Office to: (a) honor its obligation to make LIBOR Loans hereunder, or (b) maintain LIBOR Loans hereunder, then such Bank shall promptly notify the Borrowers thereof (with a copy to the Agent), describing such illegality in reasonable detail (and shall thereafter promptly notify the Borrowers and the Agent of the cessation, if any, of such illegality), and such Bank's obligation to make LIBOR Loans and to convert Base Rate Loans into LIBOR Loans hereunder shall, upon written notice given by such Bank to the Borrowers, be suspended until such time as such Bank may again make and maintain LIBOR Loans and such Bank's outstanding LIBOR Loans shall be converted into Base Rate Loans, in accordance with Sections 2.17 and 2.21 hereof.

SECTION 2.21 CERTAIN CONVERSIONS PURSUANT TO SECTIONS 2.18 AND 2.20.

If the Loans of any Bank of a particular Type (Loans of such Type are hereinafter referred to as "AFFECTED LOANS" and such Type is hereinafter referred to as the "AFFECTED TYPE") are to be converted pursuant to Section 2.18 or 2.20 hereof, such Bank's Affected Loans shall be converted into Base Rate Loans, or LIBOR Loans of another Type, as the case may be (the "NEW TYPE LOANS"), on the last day(s) of the then current Interest Period(s) for the Affected Loans (or, in the case of a conversion required by subsection 2.18(b) or Section 2.20 hereof, on such earlier date as such Bank may specify to the Borrowers with a copy to the Agent) and, until such Bank gives notice as provided below that the circumstances specified in Section 2.18 or 2.20 hereof which gave rise to such conversion no longer exist:

(a) to the extent that such Bank's Affected Loans have been so converted, all repayments of principal which would otherwise be applied to such Affected Loans shall be applied instead to its New Type Loans;

(b) all Loans which would otherwise be made by such Bank as Loans of the Affected Type shall be made instead as New Type Loans and all Loans of such Bank which would otherwise be converted into Loans of the Affected Type shall be converted instead into (or shall remain as) New Type Loans.

SECTION 2.22 INDEMNIFICATION.

The Borrowers shall pay to the Agent for the account of each Bank, upon the request of such Bank through the Agent, such amount or amounts as shall compensate such Bank for any loss (including loss of profit), cost or expense incurred by such Bank (as reasonably determined by such Bank) as a result of:

(a) any payment or repayment or conversion of a LIBOR Loan held by such Bank on a date other than the last day of an Interest Period for such LIBOR Loan except pursuant to Sections 2.18 or 2.20 hereof; or

(b) any failure by the Borrowers to borrow a LIBOR Loan held by such Bank on the date for such borrowing specified in the relevant Borrowing Notice under Section 2.2 hereof,

such compensation to include, without limitation, an amount equal to: (i) any loss or expense suffered by such Bank during the period from the date of receipt of such early payment or repayment or the date of such conversion to the last day of such Interest Period if the rate of interest obtainable by such Bank upon the redeployment of an amount of funds equal to such Bank's pro rata share of such payment, repayment or conversion or failure to borrow or convert is less than the rate of interest applicable to such LIBOR Loan for such Interest Period, or (ii) any loss or expense suffered by such Bank in liquidating LIBOR deposits prior to maturity which correspond to such Bank's pro rata share of such payment, repayment, conversion, failure to borrow or failure to convert. The determination by each such Bank of the amount of any such loss or expense, when set forth in a written notice to the Borrowers, containing such Bank's calculation thereof in reasonable detail, shall be presumed correct, in the absence of manifest error.

SECTION 2.23 EXTENSION OF REVOLVING CREDIT COMMITMENT TERMINATION DATE.

Subject to the following provisions, the Borrowers shall have the option to extend the initial Revolving Credit Commitment Termination Date to July 26, 2010. By written notice to the Agent delivered no later than six (6) months prior to the initial Revolving Credit Commitment Termination Date, so long as no Event of Default has occurred since the date of this Agreement, the Borrowers may request such extension to the initial Revolving Credit Commitment Termination Date (which request shall be accompanied by a Compliance Certificate). Promptly upon receipt of such written notice, the Agent shall deliver a copy to each Bank and the initial Revolving Credit Commitment Termination Date shall be deemed so extended. In the event that the Borrowers shall have delivered an extension notice under this

Section 2.23, the Borrowers shall pay to the Agent for the ratable benefit of the Banks on the initial Revolving Credit Commitment Termination Date, a non-refundable extension fee in an amount equal to twenty (20) basis points multiplied by the Total Revolving Credit Commitment, as then in effect.

ARTICLE 3. REPRESENTATIONS AND WARRANTIES.

Each of the Borrowers hereby represents and warrants to the Banks and the Agent that:

SECTION 3.1 ORGANIZATION.

(a) Each Borrower is duly organized and validly existing under the laws of its state of organization and has the power to own its assets and to transact the business in which it is presently engaged and in which it proposes to be engaged. Schedule 3.1 hereto accurately and completely lists, as to each Borrower: (i) the state of incorporation or organization of each such entity, (ii) as to each of them that is a corporation, the classes and number of authorized and outstanding shares of capital stock of each such corporation, and (iii) the business in which each of such entities is engaged. All of the foregoing shares or other equity interests that are issued and outstanding have been duly and validly issued and are fully paid and non-assessable. Except as set forth on Schedule 3.1, none of the Borrowers has any Subsidiary.

(b) Each Borrower is in good standing in its state of organization and in each state in which it is qualified to do business. There are no jurisdictions other than as set forth on Schedule 3.1 hereto in which the character of the properties owned or proposed to be owned by each Borrower or in which the transaction of the business of each Borrower as now conducted or as proposed to be conducted requires or will require such Borrower to qualify to do business and as to which failure so to qualify could have a Material Adverse Effect on such Borrower.

SECTION 3.2 POWER, AUTHORITY, CONSENTS.

Each Borrower has the power to execute, deliver and perform the Loan Documents to be executed by it. Each Borrower has the power to borrow hereunder and has taken all necessary action, corporate or otherwise, to authorize the borrowing hereunder on the terms and conditions of this Agreement. Each Borrower has taken all necessary action, corporate or otherwise, to authorize the execution, delivery and performance of the Loan Documents to be executed by it. No consent or approval of any Person (including, without limitation, any stockholder of any Borrower), no consent or approval of any landlord or mortgagee, no waiver of any Lien or right of distraint or other similar right and no consent, license, certificate of need, approval, authorization or declaration of any governmental authority, bureau or agency, is or will be required in connection with the execution, delivery or performance by each Borrower, or the validity or enforcement of the Loan Documents, except as set forth on Schedule 3.2 hereto, each of which either has been duly and validly obtained on or prior to the date hereof and is now in full force and effect, or is designated on Schedule 3.2 as waived by the Required Banks.

SECTION 3.3 NO VIOLATION OF LAW OR AGREEMENTS.

The execution and delivery by each Borrower of each Loan Document to which it is a party and performance by it hereunder and thereunder, will not violate any provision of law and will not conflict with or result in a breach of any order, writ, injunction, ordinance, resolution, decree, or other similar document or instrument of any court or governmental authority, bureau or agency, domestic or foreign, or any certificate of incorporation or by-laws or other organizational document of each Borrower, or create (with or without the giving of notice or lapse of time, or both) a default under or breach of any agreement, bond, note or indenture to which any Borrower is a party, or by which any Borrower is bound or any of their respective properties or assets is affected, except for such defaults and breaches which in the aggregate could not have a Material Adverse Effect on the Borrowers, or result in the imposition of any Lien of any nature whatsoever upon any of the properties or assets owned by or used in connection with the business of each Borrower.

SECTION 3.4 DUE EXECUTION, VALIDITY, ENFORCEABILITY.

This Agreement and each other Loan Document to which each Borrower is a party has been duly executed and delivered by each Borrower that is a party thereto and each constitutes the valid and legally binding obligation of each Borrower, enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally and except that the remedy of specific performance and other equitable remedies are subject to judicial discretion.

SECTION 3.5 TITLE TO PROPERTIES.

Each of the Borrowers has good and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary course of its business, except for such defects in title as could not, individually or in the aggregate, have a Material Adverse Effect.

SECTION 3.6 JUDGMENTS, ACTIONS, PROCEEDINGS.

Except as set forth on Schedule 3.6 hereto, there are no outstanding judgments, investigations, actions or proceedings, including, without limitation, any Environmental Proceeding, pending before any court or governmental authority, bureau or agency, with respect to or, to the best of each Borrower's knowledge, threatened against or affecting such Borrower or any of its assets involving, in the case of any court proceeding, a claim in excess of Two Hundred Fifty Thousand (\$250,000) Dollars, nor, to the best of each Borrower's knowledge, is there any reasonable basis for the institution of any such action or proceeding that is probable of assertion, nor are there any pending actions or proceedings in which any Borrower is a plaintiff or complainant.

SECTION 3.7 NO DEFAULTS, COMPLIANCE WITH LAWS.

Except as set forth on Schedule 3.7 hereto, none of the Borrowers is in default under any agreement, ordinance, resolution, decree, bond, note, indenture, order or judgment to

which it is a party or by which it is bound, or any other agreement or other instrument by which any of the properties or assets owned by it or used in the conduct of its business is affected, which default could have a Material Adverse Effect on such Borrower. Each Borrower has complied and is in compliance in all respects with all applicable laws, ordinances and regulations, resolutions, ordinances, decrees and other similar documents and instruments of all courts and governmental authorities, bureaus and agencies, domestic and foreign, including, without limitation, all applicable provisions of the Americans with Disabilities Act (42 U.S.C. Section 12101-12213) and the regulations issued thereunder and all applicable Environmental Laws and Regulations, non-compliance with which could have a Material Adverse Effect on such Borrower.

SECTION 3.8 BURDENSOME DOCUMENTS.

Except as set forth on Schedule 3.8 hereto, none of the Borrowers is a party to or bound by, nor are any of the properties or assets owned by any of the Borrowers used in the conduct of their respective businesses affected by, any agreement, ordinance, resolution, decree, bond, note, indenture, order or judgment, including, without limitation, any of the foregoing relating to any Environmental Liability, that materially and adversely affects their respective businesses, assets or conditions, financial or otherwise.

SECTION 3.9 FINANCIAL STATEMENTS; PROJECTIONS.

(a) Each of the Financial Statements is complete and presents fairly the consolidated financial position of HCRI and its Subsidiaries as at its date, and has been prepared in accordance with GAAP. None of the Borrowers to which any of the Financial Statements relates, has any material obligation, liability or commitment, direct or contingent (including, without limitation, any Environmental Liability), that is not reflected in the Financial Statements. There has been no material adverse change in the financial position or operations of any of the Borrowers since the date of the latest balance sheet included in the Financial Statements (the "LATEST BALANCE SHEET"). Each Borrower's fiscal year is the twelve-month period ending on December 31 in each year.

(b) The Projections have been prepared on the basis of the assumptions accompanying them and reflect as of the date thereof HCRI's good faith projections, after reasonable analysis, of the matters set forth therein, based on such assumptions.

SECTION 3.10 TAX RETURNS.

Each Borrower has filed all federal, state and local tax returns required to be filed by it and has not failed to pay any taxes, or interest and penalties relating thereto, on or before the due dates thereof. Except to the extent that reserves therefor are reflected in the Financial Statements: (i) there are no material federal, state or local tax liabilities of any of the Borrowers, due or to become due for any tax year ended on or prior to the date of the Latest Balance Sheet relating to such entity, whether incurred in respect of or measured by the income of such entity, that are not properly reflected in the Latest Balance Sheet relating to such entity, and (ii) there are no material claims pending or, to the knowledge of each of the Borrowers, proposed or

threatened against such Borrower for past federal, state or local taxes, except those, if any, as to which proper reserves are reflected in the Financial Statements.

SECTION 3.11 INTANGIBLE ASSETS.

Each Borrower possesses all patents, trademarks, service marks, trade names, and copyrights, and rights with respect to the foregoing, necessary to conduct its business as now conducted and as proposed to be conducted, without any conflict with the patents, trademarks, service marks, trade names, and copyrights and rights with respect to the foregoing, of any other Person.

SECTION 3.12 REGULATION U.

No part of the proceeds received by any of the Borrowers from the Loans will be used directly or indirectly for: (a) any purpose other than as set forth in Section 2.8 hereof, or (b) the purpose of purchasing or carrying, or for payment in full or in part of Indebtedness that was incurred for the purposes of purchasing or carrying, any "margin stock", as such term is defined in Section 221.3 of Regulation U of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II, Part 221.

SECTION 3.13 NAME CHANGES, MERGERS, ACQUISITIONS.

Except as set forth on Schedule 3.13 hereto, none of the Borrowers has within the six-year period immediately preceding the date of this Agreement changed its name, been the surviving entity of a merger or consolidation, or, except in the ordinary course of business, acquired all or substantially all of the assets of any Person.

SECTION 3.14 FULL DISCLOSURE.

Neither the Financial Statements nor any certificate, opinion, or any other statement made or furnished in writing to the Agent or any Bank by or on behalf of the Borrowers in connection with this Agreement or the transactions contemplated herein, contains any untrue statement of a material fact, or omits to state a material fact necessary in order to make the statements contained therein or herein not misleading, as of the date such statement was made. There is no fact known to any Borrower that has, or would in the now foreseeable future have, a Material Adverse Effect on such Borrower, which fact has not been set forth herein, in the Financial Statements or any certificate, opinion or other written statement so made or furnished to the Agent or the Banks.

SECTION 3.15 LICENSES AND APPROVALS.

(a) Each Borrower has all necessary licenses, permits and governmental authorizations, including, without limitation, licenses, permits and authorizations arising under or relating to Environmental Laws and Regulations, to own and operate its properties and to carry on its business as now conducted, the absence of which would have a Material Adverse Effect on the Borrowers.

(b) To the best of HCRI's knowledge, no violation exists of any applicable law pertaining to the ownership or operation of any Facility or any Operator that would have a reasonable likelihood of leading to revocation of any license necessary for the operation of such Facility.

SECTION 3.16 ERISA.

(a) Except as set forth on Schedule 3.16 hereto, no Employee Benefit Plan is maintained or has ever been maintained by any Loan Party or any ERISA Affiliate, nor has any Loan Party or any ERISA Affiliate ever contributed to a Multiemployer Plan.

(b) There are no agreements which will provide payments to any officer, employee, shareholder or highly compensated individual which will be "parachute payments" under 280G of the Code that are nondeductible to any Loan Party and which will be subject to tax under Section 4999 of the Code for which any Loan Party will have a material withholding liability.

SECTION 3.17 REIT STATUS.

HCRI currently has REIT Status and has maintained REIT Status on a continuous basis since its formation. None of the Subsidiaries of HCRI currently has REIT Status.

ARTICLE 4. CONDITIONS TO THE LOANS.

SECTION 4.1 CONDITIONS TO INITIAL LOAN(S).

The obligation of each Bank to execute and deliver this Agreement shall be subject to the fulfillment (to the satisfaction of the Agent) of the following conditions precedent:

(a) Each Borrower shall have executed and delivered to each Bank its Note.

(b) (i) The Borrowers shall have paid to the Agent, for the benefit of the Banks, the Origination Fee.

(ii) The Borrowers shall have paid to the Agent and DBSI, as the case may be, the Agency Fee and the Arrangement Fee.

(c) Counsel to the Borrowers shall have delivered its opinion to, and in form and substance satisfactory to, the Agent.

(d) The Agent shall have received complete copies of the Financial Statements and the Projections, each certified as such in a certificate executed by an executive officer of HCRI.

(e) The Agent shall have received copies of the following:

(i) All of the consents, approvals and waivers referred to on Schedule 3.2 hereto (except only those which, as stated on Schedule 3.2, shall not be delivered);

(ii) The certificates of incorporation (or other organizational documents) of each of the Borrowers, certified by the Secretary of State of their respective states of organization;

(iii) The by-laws (or other organizational documents) of each of the Borrowers, certified by their respective secretaries;

(iv) All action taken by each of the Borrowers, corporate or otherwise, to authorize the execution, delivery and performance of each of the Loan Documents to which it is a party and the transactions contemplated thereby, certified by their respective secretaries;

(v) Good standing certificates as of a recent date, with respect to each of the Borrowers from the Secretary of State of their respective states of organization and each state in which each of them is qualified to do business; and

(vi) An incumbency certificate (with specimen signatures) with respect to each of the Borrowers.

(f) (i) Each of the Borrowers shall have complied and shall then be in compliance with all of the terms, covenants and conditions of this Agreement;

(ii) After giving effect to the initial Loan, there shall exist no Default or Event of Default hereunder; and

(iii) The representations and warranties contained in Article 3 hereof shall be true and correct on the date hereof;

and the borrowing by the Borrowers of the initial Loan hereunder shall constitute a representation and warranty by the Borrowers as of the date hereof that the conditions set forth in this subsection 4.1(f) have been satisfied.

(g) All legal matters incident to the initial Loans shall be satisfactory to counsel to the Agent.

SECTION 4.2 CONDITIONS TO SUBSEQUENT LOANS.

The obligation of the Banks to make the initial Loan and each Loan subsequent to the date hereof shall be subject to the fulfillment (to the satisfaction of the Agent) of the following conditions precedent:

(a) The Agent shall have received a Borrowing Notice in accordance with Section 2.2 hereof.

(b) Each of the Borrowers shall have complied and shall then be in compliance with all of the terms, covenants and conditions of this Agreement;

(i) After giving effect to the requested Loan, there shall exist no Default or Event of Default hereunder; and

(ii) The representations and warranties contained in Article 3 hereof shall be true and correct on and as of such date as if made on and as of such date (provided Section 3.6 shall relate only to claims in excess of \$1,500,000 as of the date of such requested Loan);

and the borrowing by the Borrowers of the requested Loan hereunder shall constitute a representation and warranty by the Borrowers as of the date of such Loan that the conditions set forth in this subsection 4.2(c) have been satisfied.

(c) All legal matters incident to such Loan shall be satisfactory to counsel for the Agent.

ARTICLE 5. DELIVERY OF FINANCIAL REPORTS, DOCUMENTS AND OTHER INFORMATION.

While the Revolving Credit Commitments are outstanding, and, in the event any Loan remains outstanding, so long as any of the Borrowers are indebted to the Banks or the Agent and until payment in full of the Notes and full and complete performance of all of its other Obligations arising hereunder, HCRI shall deliver to each Bank:

SECTION 5.1 ANNUAL FINANCIAL STATEMENTS.

Annually, as soon as available, but in any event within ninety (90) days after the last day of each of its fiscal years, a consolidated balance sheet of HCRI and its Subsidiaries as at such last day of the fiscal year, and consolidated statements of income and retained earnings and statements of cash flow, for such fiscal year, each prepared in accordance with generally accepted accounting principles consistently applied, in reasonable detail, and certified without qualification by a nationally recognized independent public accounting firm or by any other certified public accounting firm satisfactory to the Agent as fairly presenting the financial position and results of operations of HCRI and its Subsidiaries as at and for the year ending on its date and as having been prepared in accordance with GAAP; provided, however, HCRI may satisfy its obligations to deliver the financial statements described in this Section 5.1 by furnishing to the Banks a copy of its annual report on Form 10-K in respect of such fiscal year together with the financial statements required to be attached thereto, provided HCRI is required to file such annual report on Form 10-K with the Securities and Exchange Commission and such filing is actually made.

SECTION 5.2 QUARTERLY FINANCIAL STATEMENTS.

As soon as available, but in any event within forty-five (45) days after the end of each of HCRI's fiscal quarters, a consolidated balance sheet of HCRI and the Subsidiaries as of the last day of such quarter and consolidated statements of income and retained earnings and statements of cash flow, for such quarter, and on a comparative basis figures for the

corresponding period of the immediately preceding fiscal year, all in reasonable detail, each such statement to be certified in a certificate of the chief financial officer of HCRI as accurately presenting the financial position and the results of operations of HCRI and its Subsidiaries as at its date and for such quarter and as having been prepared in accordance with GAAP (subject to year-end audit adjustments); provided, however, HCRI may satisfy its obligations to deliver the financial statements described in this Section 5.2 by furnishing to the Banks a copy of its quarterly report on Form 10-Q in respect of such fiscal quarter together with the financial statements required to be attached thereto, provided HCRI is required to file such quarterly report on Form 10-Q with the Securities and Exchange Commission and such filing is actually made.

SECTION 5.3 COMPLIANCE INFORMATION.

Promptly after a written request therefor, such other financial data or information evidencing compliance with the requirements of this Agreement, the Notes and the other Loan Documents, as any Bank may reasonably request from time to time.

SECTION 5.4 NO DEFAULT CERTIFICATE.

At the same time as it delivers the financial statements required under the provisions of Sections 5.1 and 5.2 hereof, a certificate of the chief executive officer or chief financial officer of HCRI to the effect that no Event of Default hereunder and that no default under any other agreement to which any Borrower is a party or by which it is bound, or by which, to the best knowledge of HCRI or any other Borrower, any of its properties or assets, taken as a whole, may be materially affected, and no event which, with the giving of notice or the lapse of time, or both, would constitute such an Event of Default or default, exists, or, if such cannot be so certified, specifying in reasonable detail the exceptions, if any, to such statement. Such certificate shall be accompanied by a detailed calculation indicating compliance with the covenants contained in Section 6.9 hereof in the form annexed hereto as Exhibit C.

SECTION 5.5 CERTIFICATE OF ACCOUNTANTS.

At the same time as it delivers the financial statements required under the provisions of Section 5.1 hereof, a certificate of the independent certified public accountants of HCRI addressed specifically to both HCRI and the Agent to the effect that during the course of their audit of the operations of HCRI and its Subsidiaries and its condition as of the end of the fiscal year, nothing has come to their attention which would indicate that a Default or an Event of Default hereunder has occurred or that there was any violation of the covenants of HCRI and its Subsidiaries contained in Section 6.9 or Article 7 of this Agreement, or, if such cannot be so certified, specifying in reasonable detail the exceptions, if any, to such statement.

SECTION 5.6 INTENTIONALLY OMITTED.

SECTION 5.7 BUSINESS PLAN AND PROJECTIONS.

Not later than January 31st in each year, copies of HCRI's business plan and financial projections for the upcoming three (3) fiscal years (together with a copy in writing of the assumptions on which such business plan and projections were based), each certified by

HCRI's chief financial officer and illustrating the projected income statements, balance sheets and statements of changes in cash flow on a consolidated basis.

SECTION 5.8 QUARTERLY FACILITY REPORTS.

(a) As soon as available but in any event not less than seventy-five (75) days after the end of each fiscal quarter of HCRI, a report with respect to the Facilities and the Operators, the form of which is set forth on Schedule 5.8 annexed hereto and which report shall contain information for the quarterly period immediately prior to the fiscal quarter for which the report is submitted.

(b) Within thirty (30) days after the receipt thereof, a copy of the annual audited financial statements of each publicly-held Operator delivered to HCRI by each such Operator.

(c) Such other information regarding the financial condition of the Operators as the Agent or DBSI may from time to time reasonably request, subject to each of their agreement that all such information shall be and remain confidential and none of such information may be distributed to any other Person without HCRI's prior consent.

SECTION 5.9 ACCOUNTANTS' REPORTS.

Promptly upon receipt thereof, copies of all material reports submitted to HCRI by its independent accountants in connection with any annual or interim audit of the books of HCRI or its Subsidiaries made by such accountants which material reports are a necessary part of such annual or interim audit.

SECTION 5.10 COPIES OF DOCUMENTS.

Promptly upon their becoming available, copies of any: (i) financial statements, non-routine reports and notices (other than routine correspondence), any of which are of a material nature, requests for waivers and proxy statements, in each case, delivered by HCRI or any of its Subsidiaries to any of their respective existing lending institutions or creditors; (ii) correspondence or notices received by HCRI from any federal, state or local governmental authority that regulates the operations of HCRI or any of its Subsidiaries, relating to an actual or threatened change or development that would be materially adverse to HCRI or any Subsidiary; (iii) registration statements and any amendments and supplements thereto, and any regular and periodic reports, if any, filed by HCRI or any of its Subsidiaries with any securities exchange or with the Securities and Exchange Commission or any governmental authority succeeding to any or all of the functions of the said Commission; and (iv) at the request of the Agent, any appraisals received by HCRI or any of its Subsidiaries with respect to the properties or assets of HCRI or its Subsidiaries during the term of this Agreement.

SECTION 5.11 NOTICES OF DEFAULTS.

Promptly, notice of the occurrence of any Default or Event of Default, or any event that would constitute or cause a Material Adverse Effect in the condition, financial or otherwise, or the operations of HCRI or any of the Subsidiaries.

SECTION 5.12 ERISA NOTICES AND REQUESTS.

(a) Concurrently with such filing, a copy of each Form 5500 that is filed with respect to each Plan with the IRS; and

(b) Promptly, upon their becoming available, copies of: (i) all correspondence with the PBGC, the Secretary of Labor or any representative of the IRS with respect to any Plan, relating to an actual or threatened change or development that would be materially adverse to the Borrower(s); (ii) all actuarial valuations received by the Borrower(s) with respect to any Plan; and (iii) any notices of Plan termination filed by any Plan Administrator (as those terms are used in ERISA) with the PBGC and of any notices from the PBGC to the Borrower(s) with respect to the intent of the PBGC to institute involuntary termination proceedings.

SECTION 5.13 ADDITIONAL INFORMATION.

Such other material additional information regarding the business, affairs and condition of the Borrowers as the Agent or DBSI may from time to time request, including, without limitation, as soon as available but in any event not less than forty-five (45) days after the end of each fiscal quarter of HCRI, schedules, in form and substance satisfactory to the Agent, with respect to HCRI on a consolidated basis, of recorded liabilities, unfunded commitments, contingent liabilities, any off balance sheet financings including synthetic lease transactions and sale-leaseback arrangements and other similar material items, in each case, covering such quarter.

ARTICLE 6. AFFIRMATIVE COVENANTS.

While the Revolving Credit Commitments are outstanding, and, in the event any Loan remains outstanding, so long as any Borrower is indebted to the Banks or the Agent, and until payment in full of the Notes and full and complete performance of all of its other Obligations arising hereunder, each Borrower shall:

SECTION 6.1 BOOKS AND RECORDS.

Keep proper books of record and account in a manner reasonably satisfactory to the Agent in which full and true entries shall be made of all dealings or transactions in relation to its business and activities.

SECTION 6.2 INSPECTIONS AND AUDITS.

Permit the Agent to make or cause to be made (prior to an Event of Default, at the Banks' expense and after the occurrence of and during the continuance of an Event of Default, at the Borrowers' expense), inspections and audits of any books, records and papers of HCRI or any Subsidiary and to make extracts therefrom and copies thereof, or to make appraisals, inspections and examinations of any properties and facilities of HCRI or any Subsidiary, on reasonable notice, at all such reasonable times and as often as any Bank may reasonably require, in order to assure that the Borrowers are and will be in compliance with their obligations under the Loan Documents or to evaluate the investment in the then outstanding Notes.

Notwithstanding the foregoing, the Borrowers agree that the Agent shall be permitted to conduct or cause to be conducted an annual field audit at the Borrowers' expense.

SECTION 6.3 MAINTENANCE AND REPAIRS.

Cause to be maintained in good repair, working order and condition, subject to normal wear and tear, all material properties and assets from time to time owned by HCRI or any Subsidiary and used in or necessary for the operation of its businesses, and make or cause to be made all reasonable repairs, replacements, additions and improvements thereto.

SECTION 6.4 CONTINUANCE OF BUSINESS.

Do, or cause to be done, all things reasonably necessary to preserve and keep in full force and effect the corporate existence of HCRI or any Subsidiary and all permits, rights and privileges necessary for the proper conduct of its business, and continue to engage in the same line of business and comply in all material respects with all applicable laws, regulations and orders.

SECTION 6.5 COPIES OF CORPORATE DOCUMENTS.

Subject to the prohibitions set forth in Section 7.6 hereof, promptly deliver to the Agent copies of any amendments or modifications to the certificate of incorporation (or other applicable organizational documents) and by-laws of HCRI or any Subsidiary, certified with respect to the certificate of incorporation (or other organizational documents) by the Secretary of State of its state of incorporation and, with respect to the by-laws, by the secretary or assistant secretary of such corporation.

SECTION 6.6 PERFORM OBLIGATIONS.

Pay and discharge all of the obligations and liabilities of HCRI or any Subsidiary, including, without limitation, all taxes, assessments and governmental charges upon its income and properties when due, unless and to the extent only that such obligations, liabilities, taxes, assessments and governmental charges shall be contested in good faith and by appropriate proceedings and that, to the extent required by GAAP, proper and adequate book reserves relating thereto are established by HCRI or any Subsidiary, and then only to the extent that a bond is filed in cases where the filing of a bond is necessary to avoid the creation of a Lien against any of its properties.

SECTION 6.7 NOTICE OF LITIGATION.

Promptly notify the Agent in writing of any litigation, legal proceeding or dispute, other than disputes in the ordinary course of business or, whether or not in the ordinary course of business, involving amounts in excess of Two Million Five Hundred Thousand (\$2,500,000) Dollars, affecting HCRI or any Subsidiary whether or not fully covered by insurance, and regardless of the subject matter thereof (excluding, however, any actions relating to workers' compensation claims or negligence claims relating to use of motor vehicles, if fully covered by insurance, subject to deductibles).

SECTION 6.8 INSURANCE.

(a) (i) Maintain or cause to maintain with responsible insurance companies reasonably acceptable to the Agent such insurance on the properties of HCRI or any Subsidiary, in such amounts and against such risks as is customarily maintained by similar businesses and cause each Operator to do so; (ii) file with the Agent upon its request a detailed list of the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, the dates of the expiration thereof and the properties and risks covered thereby; and (iii) within ten (10) days after notice in writing from the Agent, obtain such additional insurance as the Agent may reasonably request; and

(b) Carry all insurance available through the PBGC or any private insurance companies covering its obligations to the PBGC.

SECTION 6.9 FINANCIAL COVENANTS.

Have or maintain, with respect to HCRI, on a consolidated basis, as at the last day of each fiscal quarter of HCRI:

(a) a ratio of Funded Indebtedness to the sum of (x) Tangible Net Worth, plus (y) Funded Indebtedness (the "LEVERAGE RATIO") of not more than 0.60:1.00.

(b) Tangible Net Worth of not less than \$1,000,000,000, plus 100% of the Net Issuance Proceeds received by HCRI (or any of its Subsidiaries) in connection with the issuance of any equity interest in HCRI (or any of its Subsidiaries) other than any such equity interests issued in connection with any dividend reinvestment program(s).

(c) a Fixed Charge Coverage of not less than 175%.

(d) a ratio of Unencumbered Assets to unsecured Indebtedness of not less than 1.95 to 1.00.

SECTION 6.10 NOTICE OF CERTAIN EVENTS.

(a) Promptly notify the Agent in writing of the occurrence of any Reportable Event, as defined in Section 4043 of ERISA, if a notice of such Reportable Event is required under ERISA to be delivered to the PBGC within 30 days after the occurrence thereof, together with a description of such Reportable Event and a statement of the action the Borrower(s) or the ERISA Affiliate intends to take with respect thereto, together with a copy of the notice thereof given to the PBGC.

(b) Promptly notify the Agent in writing if the Borrower(s) or ERISA Affiliate receives an assessment of withdrawal liability in connection with a complete or partial withdrawal with respect to any Multiemployer Plan, together with a statement of the action that such Borrower(s) or ERISA Affiliate intends to take with respect thereto.

(c) Promptly notify the Agent in writing if any Borrower receives: (i) any notice of any violation or administrative or judicial complaint or order having been filed or about to be filed against such Borrower alleging violations of any Environmental Law and Regulation, or (ii) any notice from any governmental body or any other Person alleging that such Borrower is or may be subject to any Environmental Liability; and promptly upon receipt thereof, provide the Agent with a copy of such notice together with a statement of the action such Borrower intends to take with respect thereto.

SECTION 6.11 COMPLY WITH ERISA.

Materially comply with all applicable provisions of ERISA and the Code now or hereafter in effect.

SECTION 6.12 ENVIRONMENTAL COMPLIANCE.

Operate or cause to operate all property owned, operated or leased by it in compliance with all Environmental Laws and Regulations, such that no Environmental Liability arises under any Environmental Laws and Regulations, which would result in a Lien on any property of any Borrower.

SECTION 6.13 MAINTENANCE OF REIT STATUS.

Maintain its REIT Status.

ARTICLE 7. NEGATIVE COVENANTS.

While the Revolving Credit Commitments are outstanding, and, in the event any Loan remains outstanding, so long as any Borrower is indebted to the Banks or the Agent and until payment in full of the Notes and full and complete performance of all of its other Obligations arising hereunder, HCRI shall not and shall not permit any of its Subsidiaries to do, agree to do, or permit to be done, any of the following:

SECTION 7.1 INDEBTEDNESS.

Create, incur, permit to exist or have outstanding any Indebtedness, except:

(a) Indebtedness of the Borrowers to the Banks and the Agent and under this Agreement and the Notes;

(b) Taxes, assessments and governmental charges, non-interest bearing accounts payable and accrued liabilities, in any case not more than 90 days past due from the original due date thereof (unless the failure to satisfy such obligations is pursuant to the good faith contest by appropriate dispute or other proceedings as set forth in Section 6.6 hereof), and non-interest bearing deferred liabilities other than for borrowed money (e.g., deferred compensation and deferred taxes), in each case incurred and continuing in the ordinary course of business;

(c) Indebtedness secured by the security interests referred to in subsection 7.2(b) hereof;

(d) Indebtedness consisting of contingent obligations permitted by Section 7.3 hereof;

(e) Unsecured Indebtedness;

(f) In addition to the Indebtedness otherwise permitted under this Section 7.1, Indebtedness secured by Liens provided that (x) no Default or Event of Default then exists, and (y) immediately after giving effect to the incurrence of such Indebtedness, (i) no Default or Event of Default will occur, and (ii) the total outstanding amount of such Indebtedness of HCRI, on a consolidated basis, plus the total outstanding amount of Indebtedness permitted under subsection 7.1(c), does not exceed thirty (30%) percent of Consolidated Total Assets as of any date of determination thereof; and

(g) As set forth on Schedule 7.1 hereto.

SECTION 7.2 LIENS.

Create, or assume or permit to exist, any Lien on any of the properties or assets of the Borrower or any of its Subsidiaries, whether now owned or hereafter acquired, except:

(a) Permitted Liens;

(b) Purchase money Liens on property acquired or held by HCRI or its Subsidiaries in the ordinary course of business, securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such property; provided, that (i) any such Lien attaches to such property concurrently with or within twenty (20) days after the acquisition thereof, (ii) such Lien attaches solely to the property so acquired in such transaction, (iii) the principal amount of the debt secured thereby does not exceed 100% of the cost of such property, and (iv) the aggregate amount of all such Indebtedness on a consolidated basis for HCRI and its Subsidiaries shall not at any time exceed \$1,000,000.00;

(c) Liens securing Indebtedness created after the date hereof and permitted under subsection 7.1(f) hereof; and

(d) As set forth on Schedule 7.2 hereto.

SECTION 7.3 GUARANTIES.

Assume, endorse, be or become liable for, or guarantee, the obligations of any Person, except (i) by the endorsement of negotiable instruments for deposit or collection in the ordinary course of business, (ii) guarantees in support of Facilities if, after giving effect to the proposed guarantee, the aggregate amount of all such obligations guaranteed by the Borrowers, or any of them (exclusive of the guarantees referred to in subsection 7.3(iii) hereof), would not exceed Seventy Five Million (\$75,000,000) Dollars, and (iii) as set forth on Schedule 7.1 hereof. For the purposes hereof, the term "guarantee" shall include any agreement, whether such

agreement is on a contingency or otherwise, to purchase, repurchase or otherwise acquire Indebtedness of any other Person, or to purchase, sell or lease, as lessee or lessor, property or services, in any such case primarily for the purpose of enabling another person to make payment of Indebtedness, or to make any payment (whether as an advance, capital contribution, purchase of an equity interest or otherwise) to assure a minimum equity, asset base, working capital or other balance sheet or financial condition, in connection with the Indebtedness of another Person, or to supply funds to or in any manner invest in another Person in connection with such Person's Indebtedness.

SECTION 7.4 MERGERS, ACQUISITIONS.

Merge or consolidate with any Person, or, acquire all or substantially all of the assets or any of the capital stock or other equity interests of any Person unless (a) a Borrower is the surviving entity, (b) no Default or Event of Default exists or will occur after giving effect thereto, and (c) the consideration paid in connection with any such merger or acquisition does not exceed an amount equal to twenty (20%) percent of Consolidated Total Assets as at the date of the consummation of such transaction, prior to giving effect to such transaction.

SECTION 7.5 DISTRIBUTIONS.

Declare or pay any dividends or make any distribution of any kind on HCRI's outstanding stock, or set aside any sum for any such purpose, except that:

(a) HCRI may declare and make dividend payments or other distributions payable solely in its common stock;

(b) HCRI may declare and pay cash dividends if, and only if: (x) at the time of such payment and after giving effect thereto, no Event of Default shall exist hereunder, and (y) after giving effect to such dividend payment, the aggregate amount of all dividends declared and paid during the fiscal year of HCRI in which such payment is proposed to be made would not exceed an amount equal to ninety-five (95%) percent of EBITDA (as shown on the Compliance Certificate delivered following the close of such fiscal year in accordance with Section 5.4 hereof); and

(c) if a Default or an Event of Default exists or will occur as a result of the dividend payment, HCRI may declare and pay dividends to the minimum extent necessary (taking into account any dividends or distributions otherwise made including under subsection 7.5(b)) to generate the minimum deduction for dividends paid during each year that would be required to satisfy Code Section 857(a)(1).

SECTION 7.6 CHANGES IN STRUCTURE.

Amend, supplement or modify the certificate of incorporation or by-laws (or other applicable organizational documents) of any Borrower in a manner which would be reasonably likely to cause a Material Adverse Effect.

SECTION 7.7 DISPOSITION OF ASSETS.

Make any Disposition of Property, or enter into any agreement to do so, unless (a) the Disposition is at fair market value, and (b) at the time of the Disposition and after giving effect thereto, no Default or Event of Default exists; provided if such a Disposition constitutes the sale of all or substantially all of the assets of a Borrower or the sale of all of the equity interest in a Borrower, upon written notice to the Agent, such Borrower shall be released as a Borrower under this Agreement and shall be discharged from all of the Obligations of a Borrower under this Agreement except only those, if any, that are specified in this Agreement as surviving any such payment, provided further, any such release of a Borrower shall have no effect on the joint and several obligations of the remaining Borrowers under this Agreement and notwithstanding the foregoing, HCRI shall at all times remain a Borrower hereunder.

SECTION 7.8 INVESTMENTS.

Make, or suffer to exist, any Investment in any Person, including, without limitation, any shareholder, director, officer or employee of HCRI or any of its Subsidiaries, except:

(a) Investments in:

(i) obligations issued or guaranteed by the United States of America;

(ii) certificates of deposit, bankers acceptances and other "money market instruments" issued by any bank or trust company organized under the laws of the United States of America or any State thereof and having capital and surplus in an aggregate amount of not less than \$100,000,000;

(iii) open market commercial paper bearing the highest credit rating issued by S&P or by another nationally recognized credit rating agency;

(iv) repurchase agreements entered into with any bank or trust company organized under the laws of the United States of America or any State thereof and having capital and surplus in an aggregate amount of not less than \$100,000,000 relating to United States of America government obligations; and

(v) shares of "money market funds", each having net assets of not less than \$100,000,000;

in each case maturing or being due or payable in full not more than 180 days after the Borrowers' acquisition thereof.

(b) Investments by HCRI in any Subsidiary, and by any Subsidiary in HCRI or another Subsidiary, provided, not less than thirty (30) days after the end of each fiscal quarter, HCRI shall cause each Subsidiary, formed or acquired during such immediately preceding fiscal quarter, to become a party to this Agreement and a signatory to the Notes (other than with respect to any newly acquired Subsidiary if any

Debt Instrument to which such Subsidiary is a party prohibits it from becoming a party to this Agreement), with the effect that each such new Subsidiary shall be deemed to become a "Borrower" for the purposes of this Agreement and in connection therewith, there shall be delivered to the Agent with respect to such Subsidiary those certificates and documents described in subsection 4.1(e) hereof and all legal matters incident to the addition of such Subsidiary as a "Borrower" hereunder shall be satisfactory to counsel to the Agent.

(c) The acquisition by HCRI and its Subsidiaries, on a consolidated basis, of Facilities and Mortgages and any real estate, whether developed or undeveloped, that the Borrowers intend to principally use for a Facility, and subject to subsection 7.8(d) below, Investments in Operators in the ordinary course of business.

(d) Investments in any Person provided that the aggregate Cash portion of all such Investments does not exceed an amount equal to twenty (20%) percent of Consolidated Total Assets as at any date of determination thereof, prior to giving effect to any such Investment.

For purposes of subsection 7.8(a)-(d) and Section 7.14 hereof, "Investments" shall mean, by any Person:

(i) the amount paid or committed to be paid, or the value of property or services contributed or committed to be contributed, by such Person for or in connection with the acquisition by such Person of any stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person; and

(ii) the amount of any advance, loan or extension of credit by such Person, to any other Person, or guaranty or other similar obligation of such Person with respect to any Indebtedness of such other Person, and (without duplication) any amount committed to be advanced, loaned, or extended by such Person to any other Person, or any amount the payment of which is committed to be assured by a guaranty or similar obligation by such Person for the benefit of, such other Person.

SECTION 7.9 FISCAL YEAR.

Change its fiscal year.

SECTION 7.10 ERISA OBLIGATIONS.

Permit the establishment of any Employee Benefit Plan or amend any Employee Benefit Plan which establishment or amendment could result in liability to any Loan Party or increase the obligation for post-retirement welfare benefits of any Loan Party which liability or increase, individually or together with all similar liabilities and increases, has a Material Adverse Effect on any Loan Party.

SECTION 7.11 INTENTIONALLY OMITTED.

SECTION 7.12 INTENTIONALLY OMITTED.

SECTION 7.13 USE OF CASH.

Use, or permit to be used, in any manner or to any extent, each Borrower's Cash from operations for the benefit of any Person, except: (a) in connection with the payment or prepayment of expenses (other than Capital Expenditures) directly incurred for the benefit of each Borrower in the maintenance and operation of its business, in each case only in the ordinary course of its business, (b) for the payment of required payments of principal and interest on Indebtedness of each Borrower permitted to exist hereunder, and (c) for uses that are otherwise specifically permitted by this Agreement.

SECTION 7.14 TRANSACTIONS WITH AFFILIATES.

Except as expressly permitted by this Agreement, directly or indirectly: (a) make any Investment in an Affiliate; (b) transfer, sell, lease, assign or otherwise dispose of any assets to an Affiliate; (c) merge into or consolidate with or purchase or acquire assets from an Affiliate; or (d) enter into any other transaction directly or indirectly with or for the benefit of any Affiliate (including, without limitation, guarantees and assumptions of obligations of an Affiliate); provided, however, that: (i) payments on Investments expressly permitted by Section 7.8 hereof may be made, (ii) any Affiliate who is a natural person may serve as an employee or director of HCRI or any Subsidiary and receive reasonable compensation for his services in such capacity, and (iii) HCRI or any Subsidiary may enter into any transaction with an Affiliate providing for the leasing of property, the rendering or receipt of services or the purchase or sale of product, inventory and other assets in the ordinary course of business if the monetary or business consideration arising therefrom would be substantially as advantageous to HCRI or a Subsidiary as the monetary or business consideration that would obtain in a comparable arm's length transaction with a Person not an Affiliate.

SECTION 7.15 HAZARDOUS MATERIAL.

Cause or permit: (i) any Hazardous Material to be placed, held, located or disposed of, on, under or at any Facility or any part thereof, except for such Hazardous Materials that are necessary for HCRI's or any Subsidiary's or any Operator's operation of its business thereon and which shall be used, stored, treated and disposed of in compliance with all applicable Environmental Laws and Regulations or (ii) such Facility or any part thereof to be used as a collection, storage, treatment or disposal site for any Hazardous Material. HCRI and each Subsidiary acknowledges and agrees that the Agent and the Banks shall have no liability or responsibility for either:

(i) damage, loss or injury to human health, the environment or natural resources caused by the presence, disposal, release or threatened release of Hazardous Materials on any part of such Facility; or

(ii) abatement and/or clean-up required under any applicable Environmental Laws and Regulations for a release, threatened release or disposal of any

Hazardous Materials located at any Facility or used by or in connection with HCRI's or any Subsidiary's or any Operator's business.

SECTION 7.16 CONSTRUCTION INVESTMENTS.

Permit the outstanding principal amount, accrued interest on and related fees in connection with its Construction Investments to exceed an amount equal to twenty (20%) percent of Consolidated Total Assets; provided, the Borrowers shall not make a Construction Investment for a Facility unless (i) there is included in the terms thereof an agreement for the conversion of the Borrower(s) interests in the Facility upon the completion thereof into full ownership or a mortgage interest, and (ii) if a mortgage interest, the Borrower(s) shall retain a first Lien on such Facility.

ARTICLE 8. EVENTS OF DEFAULT.

If any one or more of the following events ("EVENTS OF DEFAULT") shall occur and be continuing, the Revolving Credit Commitments shall terminate and the entire unpaid balance of the principal of and interest on the Notes outstanding and all other obligations and Indebtedness of each of the Borrowers to the Banks and the Agent arising hereunder and under the other Loan Documents shall immediately become due and payable upon written notice to that effect given to the Borrowers by the Agent (except that in the case of the occurrence of any Event of Default described in Section 8.6 no such notice shall be required), without presentment or demand for payment, notice of non-payment, protest or further notice or demand of any kind, all of which are expressly waived by each Borrower:

SECTION 8.1 PAYMENTS.

Failure by any Borrower to make any payment or mandatory repayment of principal or interest upon any Note or to make any payment of any Fee when due; or

SECTION 8.2 CERTAIN COVENANTS.

Failure by any Borrower to perform or observe any of the agreements of a Borrower contained in Section 5.11, Section 6.9 or Article 7 hereof; or

SECTION 8.3 OTHER COVENANTS.

Failure by any Borrower to perform or observe any other term, condition or covenant of this Agreement or of any of the other Loan Documents to which it is a party, which shall remain unremedied for a period of thirty (30) days after notice thereof shall have been given to such Borrower by the Agent; or

SECTION 8.4 OTHER DEFAULTS.

(a) Failure by any Borrower to perform or observe any term, condition or covenant of any bond, note, debenture, loan agreement, indenture, guaranty, trust agreement, mortgage or similar instrument to which it is a party or by which it is bound, or by which any of its properties or assets may be affected (a "DEBT INSTRUMENT"), so that, as a result of any such

failure to perform, the Indebtedness included therein or secured or covered thereby may be declared due and payable prior to the date on which such Indebtedness would otherwise become due and payable; or

(b) Any event or condition referred to in any Debt Instrument shall occur or fail to occur, so that, as a result thereof, the Indebtedness included therein or secured or covered thereby may be declared due and payable prior to the date on which such Indebtedness would otherwise become due and payable; or

(c) Failure to pay any Indebtedness for borrowed money due at final maturity or pursuant to demand under any Debt Instrument;

provided, however, that the provisions of this Section 8.4 shall not be applicable to any Debt Instrument that on the date this Section 8.4 would otherwise be applicable thereto, relates to or evidences Indebtedness in a principal amount of less than \$1,500,000; or

SECTION 8.5 REPRESENTATIONS AND WARRANTIES.

Any representation or warranty made in writing to the Banks or the Agent in any of the Loan Documents or in connection with the making of the Loans, or any certificate, statement or report made or delivered in compliance with this Agreement, shall have been false or misleading in any material respect when made or delivered; or

SECTION 8.6 BANKRUPTCY.

(a) Any Borrower shall make an assignment for the benefit of creditors, file a petition in bankruptcy, be adjudicated insolvent, petition or apply to any tribunal for the appointment of a receiver, custodian, or any trustee for it or a substantial part of its assets, or shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or any Borrower shall take any corporate action to authorize any of the foregoing actions; or there shall have been filed any such petition or application, or any such proceeding shall have been commenced against it, that remains undismissed for a period of sixty (60) days or more; or any order for relief shall be entered in any such proceeding; or any Borrower by any act or omission shall indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or the appointment of a custodian, receiver or any trustee for it or any substantial part of its properties, or shall suffer any custodianship, receivership or trusteeship to continue undischarged for a period of thirty (30) days or more; or

(b) Any Borrower shall generally not pay its debts as such debts become due; or

(c) Any Borrower shall have concealed, removed, or permitted to be concealed or removed, any part of its property, with intent to hinder, delay or defraud its creditors or any of them or made or suffered a transfer of any of its property that may be fraudulent under any bankruptcy, fraudulent conveyance or similar law; or shall have made any transfer of its property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid; or shall have suffered or permitted, while insolvent, any creditor to

obtain a Lien upon any of its property through legal proceedings or distraint that is not vacated within thirty (30) days from the date thereof; or

SECTION 8.7 JUDGMENTS.

Any judgment against any Borrower or any attachment, levy or execution against any of its properties for any amount in excess of One Million Five Hundred Thousand (\$1,500,000) Dollars shall remain unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of thirty (30) days or more; or

SECTION 8.8 ERISA.

(a) The termination of any Plan or the institution by the PBGC of proceedings for the involuntary termination of any Plan, in either case, by reason of, or that results or could result in, a "material accumulated funding deficiency" under Section 412 of the Code; or

(b) Failure by any Borrower to make required contributions, in accordance with the applicable provisions of ERISA, to each of the Plans hereafter established or assumed by it; or

SECTION 8.9 MATERIAL ADVERSE EFFECT.

There shall occur a Material Adverse Effect; or

SECTION 8.10 OWNERSHIP.

(i) Any Person, or a group of related Persons, shall acquire (a) beneficial ownership in excess of 25% of the outstanding stock of HCRI or other voting interest having ordinary voting powers to elect a majority of the directors, managers or trustees of HCRI (irrespective of whether at such time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency), or (b) all or substantially all of the Investments of HCRI, or (ii) a majority of the Board of Directors of HCRI, at any time, shall be composed of Persons other than (a) Persons who were members of the Board of Directors on the date of this Agreement, or (b) Persons who subsequently become members of the Board of Directors and who either (x) are appointed or recommended for election with the affirmative vote of a majority of the directors in office as of the date of this Agreement, or (y) are appointed or recommended for election with the affirmative vote of a majority of the Board of Directors of HCRI then in office; or

SECTION 8.11 REIT STATUS, ETC.

HCRI shall at any time fail to maintain its REIT Status, or HCRI or any Subsidiary shall lose, through suspension, termination, impoundment, revocation, failure to renew or otherwise, any material license or permit; or

SECTION 8.12 ENVIRONMENTAL.

Any of the Borrowers or any of their respective Facilities shall become subject to one or more Liens for costs or damages in excess of One Million (\$1,000,000) Dollars individually or in the aggregate under any Environmental Laws and Regulations, such Liens shall remain in place for thirty (30) days after the creation thereof and such Liens are reasonably likely to cause a Material Adverse Effect; or

SECTION 8.13 DEFAULT BY OPERATOR.

Thirty (30) days after the acceleration by any Borrower of the obligations of an Operator as a result of any default in the payment of amounts which are due and owing under any lease, note, mortgage or related security documents in connection with any Facility of such Operator (such Facility, herein referred to as the "DEFAULTED FACILITY"), in the event the Lease Rental Expense and/or Mortgage Expense arising from the Defaulted Facility accounts for 20% or more of the aggregate amount of all Lease Rental Expense and/or Mortgage Expense owing to the Borrowers from all Operators during the immediately preceding four (4) calendar quarters.

ARTICLE 9. THE AGENT.

SECTION 9.1 APPOINTMENT, POWERS AND IMMUNITIES.

Each Bank hereby irrevocably appoints and authorizes the Agent to act as its agent hereunder and the other Loan Documents with such powers as are specifically delegated to the Agent by the terms of this Agreement and the other Loan Documents together with such other powers as are reasonably incidental thereto. The Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the other Loan Documents and shall not be a trustee for any Bank. The Agent shall not be responsible to the Banks for any recitals, statements, representations or warranties contained in this Agreement or the other Loan Documents in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement or the other Loan Documents, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the other Loan Documents or any other document referred to or provided for herein or therein or for the collectibility of the Loans or for any failure by any Borrower to perform any of its obligations hereunder or under the other Loan Documents. The Agent may employ agents and attorneys-in-fact and shall not be answerable, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither the Agent nor any of its directors, officers, employees or agents shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder or the other Loan Documents or in connection herewith or therewith, except for its or their own gross negligence or willful misconduct.

SECTION 9.2 RELIANCE BY AGENT.

The Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper person or persons, and upon advice and statements of legal counsel, independent accountants and other

experts selected by the Agent. As to any matters not expressly provided for by this Agreement or the other Loan Documents, the Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or the other Loan Documents in accordance with instructions signed by the Required Banks, and such instructions of the Required Banks and any action taken or failure to act pursuant thereto shall be binding on all of the Banks.

SECTION 9.3 EVENTS OF DEFAULT.

The Agent shall not be deemed to have knowledge of the occurrence of a Default (other than the non-payment of principal of or interest on Loans) unless the Agent has received notice from a Bank or the Borrower specifying such Default and stating that such notice is a "Notice of Default". In the event that the Agent receives such a notice of the occurrence of a Default, the Agent shall give notice thereof to the Banks (and shall give each Bank notice of each such non-payment). The Agent shall (subject to Section 9.7 hereof) take such action with respect to such Default as shall be directed in writing by the Required Banks (or all of the Banks, if required by the terms of this Agreement).

SECTION 9.4 RIGHTS AS A BANK.

With respect to its Revolving Credit Commitment and the Loans made by it, the Agent in its capacity as a Bank hereunder shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not acting as the Agent, and the term "Bank" or "Banks" shall, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent and its Affiliates may (without having to account therefor to any Bank) accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with each Borrower or its Affiliates, as if it were not acting as the Agent, and the Agent may accept fees and other consideration from each Borrower or its Affiliates, for services in connection with this Agreement or any of the other Loan Documents or otherwise without having to account for the same to the Banks.

SECTION 9.5 INDEMNIFICATION.

The Banks shall indemnify the Agent (to the extent not reimbursed by each Borrower under Sections 10.1 and 10.2 hereof), ratably in accordance with the aggregate principal amount of the Loans made by the Banks (or, if no Loans are at the time outstanding, ratably in accordance with their respective Revolving Credit Commitments), for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any of the other Loan Documents or any other documents contemplated by or referred to herein or therein or the transactions contemplated by or referred to herein or therein or the transactions contemplated hereby and thereby (including, without limitation, the costs and expenses that each Borrower is obligated to pay under Sections 10.1 and 10.2 hereof, but excluding normal administrative costs and expenses incident to the performance of its agency duties hereunder) or the enforcement of any of the terms hereof or of any such other documents, provided that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified.

SECTION 9.6 NON-RELIANCE ON AGENT AND OTHER BANKS.

Each Bank agrees that it has, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis of each Borrower and decision to enter into this Agreement and that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or the other Loan Documents. The Agent shall not be required to keep itself informed as to the performance or observance by each Borrower of this Agreement or the other Loan Documents or any other document referred to or provided for herein or therein or to inspect the properties or books of each Borrower. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Agent hereunder or the other Loan Documents, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition or business of each Borrower, that may come into the possession of the Agent or any of its Affiliates.

SECTION 9.7 FAILURE TO ACT.

Except for action expressly required of the Agent hereunder, the Agent shall in all cases be fully justified in failing or refusing to act hereunder or thereunder unless it shall be indemnified to its satisfaction by the Banks against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action.

SECTION 9.8 RESIGNATION OR REMOVAL OF AGENT.

Subject to the appointment and acceptance of a successor Agent as provided below, the Agent may resign at any time by giving not less than 10 days' prior written notice thereof to the Banks and each Borrower and the Agent may be removed at any time with or without cause by the Required Banks. Upon any such resignation or removal, the Required Banks shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Banks and shall have accepted such appointment within 30 days after the retiring Agent's giving of notice of resignation or the Required Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, after consultation with the Borrowers, appoint a successor Agent which shall be a bank with a combined capital and surplus of at least \$100,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article 9 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Agent.

SECTION 9.9 SHARING OF PAYMENTS.

(a) Prior to any acceleration by the Agent and the Banks of the Obligations:

(i) in the event that any Bank shall obtain payment in respect of a Note, or interest thereon, whether voluntarily or involuntarily, and whether through the exercise of a right of banker's lien, set-off or counterclaim against each Borrower or otherwise, in a greater proportion than any such payment obtained by any other Bank in respect of the corresponding Note held by it, then the Bank so receiving such greater proportionate payment shall purchase for cash from the other Bank or Banks such portion of each such other Bank's or Banks' Loan as shall be necessary to cause such Bank receiving the proportionate overpayment to share the excess payment with each Bank; and

(ii) in the event that any Bank shall obtain payment in respect of any Interest Rate Contract to which such Bank is a party, whether voluntarily or involuntarily, and whether through the exercise of a right of banker's lien, set-off or counterclaim against each Borrower or otherwise, such Bank shall be permitted to retain the full amount of such payment and shall not be required to share such payment with any other Bank.

(b) Upon or following any acceleration by the Agent and the Banks of the Obligations, in the event that any Bank shall obtain payment in respect of a Note, or interest or Fees thereon, or in respect of an Interest Rate Contract to which such Bank is a party, whether voluntarily or involuntarily, and whether through the exercise of a right of banker's lien, set-off or counterclaim against each Borrower or otherwise, in a greater proportion than any such payment obtained by any other Bank in respect of the aggregate amount of the corresponding Note held by such Bank and any Interest Rate Contract to which such Bank is a party, then the Bank so receiving such greater proportionate payment shall purchase for cash from the other Bank or Banks such portion of each such other Bank's or Banks' Loan as shall be necessary to cause such Bank receiving the proportionate overpayment to share the excess payment with each Bank. For the purposes of this subsection 9.9(b), payments on Notes received by each Bank shall be in the same proportion as the proportion of: (A) the sum of: (x) the Obligations owing to such Bank in respect of the Note held by such Bank, plus (y) the Obligations owing to such Bank in respect of Interest Rate Contracts to which such Bank is party, if any, to (B) the sum of: (x) the Obligations owing to all of the Banks in respect of all of the Notes, plus (y) the Obligations owing to all of the Banks in respect of all Interest Rate Contracts to which any Bank is a party; provided, however, that, with respect to subsections 9.9(a)(i) and (b) above, if all or any portion of such excess payment or benefits is thereafter recovered from the Bank that received the proportionate overpayment, such purchase of Loans or payment of benefits, as the case may be, shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

ARTICLE 10. MISCELLANEOUS PROVISIONS.

SECTION 10.1 FEES AND EXPENSES; INDEMNITY.

(a) The Borrowers will promptly pay all costs of the Agent in preparing the Loan Documents and all costs and expenses of the issue of the Notes and of each Borrower's performance of and compliance with all agreements and conditions contained herein on its part to be performed or complied with and the reasonable fees and expenses and

disbursements of counsel to the Agent in connection with the preparation, execution and delivery, administration, interpretation and enforcement of this Agreement, the other Loan Documents and all other agreements, instruments and documents relating to this transaction, the consummation of the transactions contemplated by all such documents, the preservation of all rights of the Banks and the Agent, the negotiation, preparation, execution and delivery of any amendment, modification or supplement of or to, or any consent or waiver under, any such document (or any such instrument that is proposed but not executed and delivered) and with any claim or action threatened, made or brought against any of the Banks or the Agent arising out of or relating to any extent to this Agreement, the other Loan Documents or the transactions contemplated hereby or thereby (other than a claim or action resulting from the gross negligence, willful misconduct, or intentional violation of law by the Agent and or the Banks).

(b) In addition, the Borrowers will promptly pay all costs and expenses (including, without limitation, reasonable fees and disbursements of counsel) suffered or incurred by each Bank in connection with its enforcement of the payment of the Notes held by it or any other sum due to it under this Agreement or any of the other Loan Documents or any of its other rights hereunder or thereunder. In addition to the foregoing, the Borrowers shall indemnify each Bank and the Agent and each of their respective directors, officers, employees, attorneys, agents and Affiliates against, and hold each of them harmless from, any loss, liabilities, damages, penalties, claims, costs and expenses (including reasonable attorneys' fees and disbursements) suffered or incurred by any of them arising out of, resulting from or in any manner connected with, the execution, delivery and performance of each of the Loan Documents, the Loans and any and all transactions related to or consummated in connection with the Loans (other than as a result of the gross negligence, willful misconduct or intentional violation of law by the party seeking indemnification), including, without limitation, losses, liabilities, damages, penalties, claims, costs and expenses suffered or incurred by any Bank or the Agent or any of their respective directors, officers, employees, attorneys, agents or Affiliates arising out of or related to any Environmental Liability or Environmental Proceeding, or in investigating, preparing for, defending against, or providing evidence, producing documents or taking any other action in respect of any commenced or threatened litigation, administrative proceeding or investigation under any federal securities law or any other statute of any jurisdiction, or any regulation, or at common law or otherwise against the Agent, the Banks or any of their officers, directors, affiliates, agents or Affiliates, that is alleged to arise out of or is based upon: (i) any untrue statement or alleged untrue statement of any material fact of any Borrower and its affiliates in any document or schedule filed with the Securities and Exchange Commission or any other governmental body; (ii) any omission or alleged omission to state any material fact required to be stated in such document or schedule, or necessary to make the statements made therein, in light of the circumstances under which made, not misleading; (iii) any acts, practices or omission or alleged acts, practices or omissions of any Borrower or its agents related to the making of any acquisition, purchase of shares or assets pursuant thereto, financing of such purchases or the consummation of any other transactions contemplated by any such acquisitions that are alleged to be in violation of any federal securities law or of any other statute, regulation or other law of any jurisdiction applicable to the making of any such acquisition, the purchase of shares or assets pursuant thereto, the financing of such purchases or the consummation of the other transactions contemplated by any such acquisition; or (iv) any withdrawals, termination or cancellation of any such proposed acquisition for any reason whatsoever. The indemnity set forth herein shall be in addition to any other obligations or

liabilities of any Borrower to the Agent and the Banks hereunder, at common law or otherwise. The provisions of this Section 10.1 shall survive the payment of the Notes and the termination of this Agreement.

SECTION 10.2 TAXES.

If, under any law in effect on the date of the closing of any Loan hereunder, or under any retroactive provision of any law subsequently enacted, it shall be determined that any Federal, state or local tax is payable in respect of the issuance of any Note, or in connection with the filing or recording of any assignments, mortgages, financing statements, or other documents (whether measured by the amount of Indebtedness secured or otherwise) as contemplated by this Agreement, then each Borrower will pay any such tax and all interest and penalties, if any, and will indemnify the Banks and the Agent against and save each of them harmless from any loss or damage resulting from or arising out of the nonpayment or delay in payment of any such tax. If any such tax or taxes shall be assessed or levied against any Bank or any other holder of a Note, such Bank, or such other holder, as the case may be, may notify each Borrower and make immediate payment thereof, together with interest or penalties in connection therewith, and shall thereupon be entitled to and shall receive immediate reimbursement therefor from each Borrower. Notwithstanding any other provision contained in this Agreement, the covenants and agreements of the Borrowers in this Section 10.2 shall survive payment of the Notes and the termination of this Agreement.

SECTION 10.3 PAYMENTS.

As set forth in Article 2 hereof, all payments by each Borrower on account of principal, interest, fees and other charges (including any indemnities) shall be made to the Agent at the Principal Office of the Agent, in lawful money of the United States of America in immediately available funds, by wire transfer or otherwise, not later than 11:00 A.M. Cleveland, Ohio time on the date such payment is due. Any such payment made on such date but after such time shall, if the amount paid bears interest, be deemed to have been made on, and interest shall continue to accrue and be payable thereon until, the next succeeding Business Day. If any payment of principal or interest becomes due on a day other than a Business Day, such payment may be made on the next succeeding Business Day and such extension shall be included in computing interest in connection with such payment. All payments hereunder and under the Notes shall be made without set-off or counterclaim and in such amounts as may be necessary in order that all such payments shall not be less than the amounts otherwise specified to be paid under this Agreement and the Notes (after withholding for or on account of: (i) any present or future taxes, levies, imposts, duties or other similar charges of whatever nature imposed by any government or any political subdivision or taxing authority thereof, other than any tax (except those referred to in clause (ii) below) on or measured by the net income of the Bank to which any such payment is due pursuant to applicable federal, state and local income tax laws, and (ii) deduction of amounts equal to the taxes on or measured by the net income of such Bank payable by such Bank with respect to the amount by which the payments required to be made under this sentence exceed the amounts otherwise specified to be paid in this Agreement and the Notes). Upon payment in full of any Note, the Bank holding such Note shall mark the Note "Paid" and return it to the Borrowers.

SECTION 10.4 SURVIVAL OF AGREEMENTS AND REPRESENTATIONS; CONSTRUCTION.

All agreements, representations and warranties made herein shall survive the delivery of this Agreement and the Notes. The headings used in this Agreement and the table of contents are for convenience only and shall not be deemed to constitute a part hereof. All uses herein of the masculine gender or of singular or plural terms shall be deemed to include uses of the feminine or neuter gender, or plural or singular terms, as the context may require.

SECTION 10.5 LIEN ON AND SET-OFF OF DEPOSITS.

As security for the due payment and performance of all the Obligations, each Borrower hereby grants to Agent for the ratable benefit of the Banks a Lien on any and all deposits or other sums at any time credited by or due from the Agent or any Bank to the Borrower, whether in regular or special depository accounts or otherwise, and any and all monies, securities and other property of the Borrower, and the proceeds thereof, now or hereafter held or received by or in transit to any Bank or the Agent from or for such Borrower, whether for safekeeping, custody, pledge, transmission, collection or otherwise, and any such deposits, sums, monies, securities and other property, may at any time after the occurrence and during the continuance of any Event of Default be set-off, appropriated and applied by any Bank or the Agent against any of the Obligations, whether or not any of such Obligations is then due or is secured by any collateral.

SECTION 10.6 MODIFICATIONS, CONSENTS AND WAIVERS; ENTIRE AGREEMENT.

No modification, amendment or waiver of or with respect to any provision of this Agreement, any Notes, or any of the other Loan Documents and all other agreements, instruments and documents delivered pursuant hereto or thereto, nor consent to any departure by any Borrower from any of the terms or conditions thereof, shall in any event be effective unless it shall be in writing and signed by the Agent and each Bank except that: (i) any modification or amendment of, or waiver or consent with respect to, Article 4 shall be required to be signed only by the Agent and the Required Banks, and (ii) any modification or amendment of, or waiver or consent with respect to, Articles 1 (other than the definition of "Required Banks" or any other defined term which is used in the application of any of the provisions of Article 2), 5, 6, 7, 8 (other than Section 8.1 and Section 8.4 hereof) and 10 (other than this Section 10.6) may be signed only by the Agent and the Required Banks. Any such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No consent to or demand on any Borrower in any case shall, of itself, entitle it to any other or further notice or demand in similar or other circumstances. This Agreement and the other Loan Documents embody the entire agreement and understanding among the Banks, the Agent and the Borrowers and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 10.7 REMEDIES CUMULATIVE; COUNTERCLAIMS.

Each and every right granted to the Agent and the Banks hereunder or under any other document delivered hereunder or in connection herewith, or allowed it by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of the Agent or any Bank or the holder of any Note to exercise, and no delay in exercising, any right shall

operate as a waiver thereof, nor shall any single or partial exercise of any right preclude any other or future exercise thereof or the exercise of any other right. The due payment and performance of the Obligations shall be without regard to any counterclaim, right of offset or any other claim whatsoever that any Borrower may have against any Bank or the Agent and without regard to any other obligation of any nature whatsoever that any Bank or the Agent may have to any Borrower, and no such counterclaim or offset shall be asserted by any Borrower (unless such counter-claim or offset would, under applicable law, be permanently and irrevocably lost if not brought in such action) in any action, suit or proceeding instituted by any Bank or the Agent for payment or performance of the Obligations.

SECTION 10.8 FURTHER ASSURANCES.

At any time and from time to time, upon the request of the Agent, each Borrower shall execute, deliver and acknowledge or cause to be executed, delivered and acknowledged, such further documents and instruments and do such other acts and things as the Agent may reasonably request in order to fully effect the purposes of this Agreement, the other Loan Documents and any other agreements, instruments and documents delivered pursuant hereto or in connection with the Loans.

SECTION 10.9 NOTICES.

All notices, requests, reports and other communications pursuant to this Agreement shall be in writing, either by letter (delivered by hand or commercial messenger service or sent by certified mail, return receipt requested, except for routine reports delivered in compliance with Article 5 hereof which may be sent by ordinary first-class mail) or telecopy, addressed as follows:

(a) If to the Borrowers:

Health Care REIT, Inc.
One SeaGate/Suite 1500
Toledo, Ohio 43603-1475
Attention: Mr. George L. Chapman
Chairman of the Board and
Chief Executive Officer
Telecopier No: (419) 247-2826

with a copy to:

Shumaker, Loop & Kendrick, LLP
North Courthouse Square
1000 Jackson
Toledo, Ohio 43624-1573
Attention: Mary Ellen Pisanelli, Esq.
Telecopier No.: (419) 241-6894

(b) If to any Bank:

To its address set forth below its name on the signature pages hereof, with a copy to the Agent; and

(c) If to the Agent:

KeyBank National Association, as Administrative Agent
127 Public Square
Cleveland, Ohio 44114-1306
Attention: Laura Conway
Vice President
Telecopier No.: (216) 689-5970

with a copy (other than in the case of Borrowing Notices and reports and other documents delivered in compliance with Article 5 hereof) to:

Emmet, Marvin & Martin, LLP
120 Broadway
New York, New York 10271
Attention: Richard S. Talesnick, Esq.
Telecopier No.: (212) 238-3100

Any notice, request, demand or other communication hereunder shall be deemed to have been given on: (x) the day on which it is telecopied to such party at its telecopier number specified above (provided such notice shall be effective only if followed by one of the other methods of delivery set forth herein) or delivered by receipted hand or such commercial messenger service to such party at its address specified above, or (y) on the third Business Day after the day deposited in the mail, postage prepaid, if sent by mail. Any party hereto may change the Person, address or telecopier number to whom or which notices are to be given hereunder, by notice duly given hereunder; provided, however, that any such notice shall be deemed to have been given hereunder only when actually received by the party to which it is addressed.

SECTION 10.10 COUNTERPARTS.

This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 10.11 SEVERABILITY.

The provisions of this Agreement are severable, and if any clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision in this Agreement in any jurisdiction. Each of the covenants,

agreements and conditions contained in this Agreement is independent and compliance by the Borrower with any of them shall not excuse non-compliance by the Borrower with any other. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

SECTION 10.12 BINDING EFFECT; NO ASSIGNMENT OR DELEGATION BY BORROWERS.

This Agreement shall be binding upon and inure to the benefit of each of the Borrowers and their respective successors and to the benefit of the Banks and the Agent and their respective successors and assigns. The rights and obligations of each Borrower under this Agreement shall not be assigned or delegated without the prior written consent of the Agent and the Required Banks, and any purported assignment or delegation without such consent shall be void.

SECTION 10.13 ASSIGNMENTS AND PARTICIPATIONS BY BANKS.

(a) Each Bank may assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Revolving Credit Commitment, the Loans owing to it, and the Note held by it); provided, however, that: (i) the Borrowers and the Agent must give prior written consent to such assignment (unless such assignment is to an Affiliate of such Bank or to another Bank), which consent shall not be unreasonably withheld, (ii) the parties to each such assignment shall execute and deliver to the Agent an Assignment and Acceptance, and a processing fee of \$3,500.00, (iii) each such assignment shall be of a constant, and not a varying, percentage of all of the assigning Bank's rights and obligations under this Agreement, (iv) the amount of the Revolving Credit Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 and shall be an integral multiple of \$1,000,000, and (v) each such assignment shall be to an Eligible Assignee. Upon such execution, delivery and acceptance, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof: (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder, and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto). Notwithstanding anything to the contrary in clause (a)(i) above, no consent of the Borrowers shall be required for an assignment if an Event of Default has occurred and is continuing.

(b) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and

Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of each Borrower or the performance or observance by each Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee representing that it is an Eligible Assignee, together with any Note subject to such assignment, the Agent shall: (i) accept such Assignment and Acceptance, and (ii) give prompt notice thereof to the Borrowers. Within five (5) Business Days after its receipt of such notice, the Borrowers, at their own expense, shall execute and deliver to the Agent in exchange for the surrendered Note a new Note to the order of such Eligible Assignee in an amount equal to the Revolving Credit Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Bank has retained a Revolving Credit Commitment hereunder, a new Note to the order of the assigning Bank in an amount equal to the Revolving Credit Commitment retained by it hereunder. Such new Note shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A hereto.

(d) Each Bank may, without the prior consent of the Agent, the other Banks or the Borrowers, sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Revolving Credit Commitment, the Loans owing to it, and the Note held by it); provided, however, that: (i) such Bank's obligations under this Agreement (including, without limitation, its Revolving Credit Commitment hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of any such Note for all purposes of this Agreement, and the Borrowers, the Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement.

(e) Any Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.13, disclose to the assignee or participant or proposed assignee or participant, any information relating to any Borrower furnished to such Bank by or on behalf of such Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to such Borrower received by it from such Bank.

(f) Anything in this Section 10.13 to the contrary notwithstanding, any Bank may assign and pledge all or any portion of its Loans and its Note to any Federal Reserve Bank (and its transferees) as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Bank from its obligations hereunder.

SECTION 10.14 DELIVERY OF TAX FORMS.

Each Bank that is not organized under the laws of the United States or a state thereof shall:

(a) deliver to the Borrowers and the Agent, on or prior to the date of the execution and delivery of this Agreement or the date on which it becomes a Bank hereunder, two accurate and duly completed executed copies of United States IRS Form W-8BEN or W-8ECI, as appropriate, or successor applicable form, as the case may be;

(b) deliver to the Borrowers and the Agent two further accurate and complete executed copies of any such form or certification on or before the date that any such form or certification expires or becomes obsolete and after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrowers; and

(c) obtain such extensions of time for filing and completing such forms or certifications as may reasonably be requested by the Borrowers or the Agent; unless in any such case under clause (b) above an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing and delivering any such form with respect to it and such Bank so advises the Borrower and the Agent. Such Bank shall certify with respect to Form W-8BEN or W8ECI, as appropriate that (i) it is entitled to receive payments under this Agreement without deduction or withholding of any United States Federal income taxes; (ii) to the extent legally entitled to do so, that it is entitled to receive payments under this Agreement without, or at a reduced rate of, deduction or withholding of any United States Federal income taxes; or (iii) that it is entitled to an exemption from United States backup withholding tax. Each Person not organized under the laws of the United States or a state thereof that is an assignee hereunder shall, prior to the effectiveness of the related transfer, be required to provide all of the forms and statements required pursuant to this Section 10.14.

SECTION 10.15 GOVERNING LAW; CONSENT TO JURISDICTION; WAIVER OF TRIAL BY JURY.

(a) THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND ALL OTHER DOCUMENTS AND INSTRUMENTS EXECUTED AND DELIVERED IN CONNECTION HERewith AND THEREWITH, SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ITS RULES PERTAINING TO CONFLICTS OF LAWS.

(b) EACH BORROWER IRREVOCABLY CONSENTS THAT ANY LEGAL ACTION OR PROCEEDING AGAINST IT UNDER, ARISING OUT OF OR IN ANY MANNER RELATING TO THIS AGREEMENT, AND EACH OTHER LOAN DOCUMENT MAY BE BROUGHT IN ANY COURT OF THE STATE OF NEW YORK, COUNTY OF NEW YORK, OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. EACH BORROWER, BY THE EXECUTION AND DELIVERY OF THIS AGREEMENT, EXPRESSLY AND IRREVOCABLY ASSENTS AND SUBMITS TO THE NONEXCLUSIVE PERSONAL JURISDICTION OF ANY OF SUCH COURTS IN ANY SUCH ACTION OR PROCEEDING. EACH BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF ANY COMPLAINT, SUMMONS, NOTICE OR OTHER PROCESS RELATING TO ANY SUCH ACTION OR PROCEEDING BY DELIVERY THEREOF TO IT BY HAND OR BY MAIL IN THE MANNER PROVIDED FOR IN SECTION 10.9 HEREOF. EACH BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES ANY CLAIM OR DEFENSE IN ANY SUCH ACTION OR PROCEEDING BASED ON ANY ALLEGED LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS OR ANY SIMILAR BASIS. EACH BORROWER SHALL NOT BE ENTITLED IN ANY SUCH ACTION OR PROCEEDING TO ASSERT ANY DEFENSE GIVEN OR ALLOWED UNDER THE LAWS OF ANY STATE OTHER THAN THE STATE OF NEW YORK UNLESS SUCH DEFENSE IS ALSO GIVEN OR ALLOWED BY THE LAWS OF THE STATE OF NEW YORK. NOTHING IN THIS SECTION 10.15 SHALL AFFECT OR IMPAIR IN ANY MANNER OR TO ANY EXTENT THE RIGHT OF THE AGENT OR ANY BANK TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY BORROWER IN THE COURTS OF ANY OTHER JURISDICTION OR THE RIGHT, IN CONNECTION WITH ANY LEGAL ACTION OR PROCEEDING WHATSOEVER, TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(c) EACH BORROWER, THE BANKS AND THE AGENT WAIVE TRIAL BY JURY IN ANY LITIGATION IN ANY COURT WITH RESPECT TO, IN CONNECTION WITH, OR ARISING OUT OF, THIS AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS, OR ANY INSTRUMENT OR DOCUMENT DELIVERED PURSUANT TO THIS AGREEMENT, OR THE VALIDITY, INTERPRETATION, COLLECTION OR ENFORCEMENT THEREOF.

SECTION 10.16 CONFIDENTIALITY.

Each of the Agent and the Banks agree to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory or self-regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) with the consent of the Borrowers, or (g) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section, or (ii) becomes available to the Agent or any Bank on a nonconfidential basis from a source other than the Borrowers. For the purposes of this Section, "INFORMATION" means all information received from Borrower relating to Borrower or its business, other than any such information that is available to the Agent or any Lender on a nonconfidential basis prior to disclosure by Borrower; provided, that, in the case of information received from Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 10.17 USA PATRIOT ACT NOTICE; ANTI-MONEY LAUNDERING.

(a) The Agent and each Bank hereby notifies each Borrower that, pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "PATRIOT ACT"), it is required to obtain, verify and record information that identifies the Borrowers, which information includes the name and address of the Borrowers and other information that will allow the Agent and such Banks to identify the Borrowers in accordance with the Patriot Act.

(b) The Borrowers shall, following a request by the Agent or any Bank, provide all documentation and other information that the Agent or such Bank reasonably requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act.

(c) Each Borrower confirms that it is the beneficiary (within the meaning of the German Act on the Improvement of the Suppression of Money Laundering and Combating the Financing of Terrorism of August 8, 2002 (Gesetz über das Aufspüren von Gewinnen aus schweren Straftaten (Geldwaschegesetz)) for the credit made available to it under this Agreement. It will promptly inform the Agent (by written notice) if it is not, or ceases to be, the beneficiary and will then set down in writing the name and the address of the beneficiary.

SECTION 10.18 SYNDICATION AGENT AND DOCUMENTATION AGENTS.

The parties hereto acknowledge that DBSI has acted as "syndication agent" and UBS Securities LLC, Bank of America, N.A. and JPMorgan Chase Bank, N.A. have acted as "documentation agents" in connection with the consummation of the transactions contemplated by this Second Amended and Restated Loan Agreement. Neither DBSI nor UBS Securities LLC, Bank of America, N.A. or JPMorgan Chase Bank, N.A. has obligations or liabilities hereunder in such capacity.

[SIGNATURES PAGES TO FOLLOW]

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

HEALTH CARE REIT, INC.
HCRI PENNSYLVANIA PROPERTIES, INC.
HCRI TEXAS PROPERTIES, INC.
HCRI TEXAS PROPERTIES, LTD.
BY HEALTH CARE REIT, INC.,
ITS GENERAL PARTNER
HCRI NEVADA PROPERTIES, INC.
HCRI LOUISIANA PROPERTIES, L.P.
BY HCRI SOUTHERN INVESTMENTS I, INC.,
ITS GENERAL PARTNER
HEALTH CARE REIT INTERNATIONAL, INC.
HCN ATLANTIC GP, INC.
HCN ATLANTIC LP, INC.
HCN BCC HOLDINGS, INC.
HCRI INDIANA PROPERTIES, INC.
HCRI INDIANA PROPERTIES, LLC
BY HEALTH CARE REIT, INC.,
ITS MEMBER
HCRI LIMITED HOLDINGS, INC.
HCRI MASSACHUSETTS PROPERTIES, INC.
HCRI MASSACHUSETTS PROPERTIES TRUST
BY HCRI MASSACHUSETTS PROPERTIES,
INC.
ITS TRUSTEE
HCRI HOLDINGS TRUST
BY HCRI MASSACHUSETTS PROPERTIES,
INC.
ITS TRUSTEE
HCRI NORTH CAROLINA PROPERTIES, LLC
BY HCRI NORTH CAROLINA PROPERTIES I,
INC.
ITS MEMBER
HCRI SOUTHERN INVESTMENTS I, INC.
HCRI TENNESSEE PROPERTIES, INC.
PENNSYLVANIA BCC PROPERTIES, INC.
HCRI KENTUCKY PROPERTIES, LLC
BY HEALTH CARE REIT, INC.
ITS MEMBER
HCRI MASSACHUSETTS PROPERTIES TRUST II
BY HCRI MASSACHUSETTS PROPERTIES,
INC.
ITS TRUSTEE
HCRI MARYLAND PROPERTIES, LLC
BY HEALTH CARE REIT, INC.
ITS MEMBER
HCRI NORTH CAROLINA PROPERTIES I, INC.
HCRI NORTH CAROLINA PROPERTIES III,
LIMITED PARTNERSHIP
BY HCRI NORTH CAROLINA PROPERTIES II,
INC.
ITS GENERAL PARTNER
HCRI NORTH CAROLINA PROPERTIES II, INC.
HCRI WISCONSIN PROPERTIES, LLC
BY HEALTH CARE REIT, INC.
ITS MEMBER
HCRI MISSISSIPPI PROPERTIES, INC.

[BORROWERS CONTINUED ON FOLLOWING PAGE]

HCRI ILLINOIS PROPERTIES, LLC
BY HEALTH CARE REIT, INC.
ITS MEMBER
HCRI MISSOURI PROPERTIES, LLC
BY HEALTH CARE REIT, INC.
ITS MEMBER
HCRI SURGICAL PROPERTIES, LLC
BY HEALTH CARE REIT, INC.
ITS MEMBER
HCRI TUCSON PROPERTIES, INC.
HCRI INVESTMENTS, INC.
HCRI CHICAGO PROPERTIES, INC.
HCRI GENERAL PROPERTIES, INC.
HCRI KANSAS PROPERTIES, LLC
BY HEALTH CARE REIT, INC.
ITS MEMBER
HCRI TENNESSEE PROPERTIES, LLC
BY HCRI TENNESSEE PROPERTIES, INC.
ITS MEMBER
HH FLORIDA, LLC
BY LIMITED HOLDINGS, INC.
ITS MEMBER
HCRI NEW HAMPSHIRE PROPERTIES, LLC
BY HEALTH CARE REIT, INC.
ITS MEMBER
HCRI PROVIDER PROPERTIES, LLC
BY HEALTH CARE REIT, INC.
ITS MEMBER
1920 CLEVELAND ROAD WEST, LLC
BY HEALTH CARE REIT, INC., AS THE
MEMBER OF HCRI PROVIDER PROPERTIES,
LLC
ITS MEMBER
721 HICKORY STREET, LLC
BY HEALTH CARE REIT, INC., AS THE
MEMBER OF HCRI PROVIDER PROPERTIES,
LLC
ITS MEMBER
111 LAZELLE ROAD EAST, LLC
BY HEALTH CARE REIT, INC., AS THE
MEMBER OF HCRI PROVIDER PROPERTIES,
LLC
ITS MEMBER
5166 SPANSON DRIVE SE, LLC
BY HEALTH CARE REIT, INC., AS THE
MEMBER OF HCRI PROVIDER PROPERTIES,
LLC
ITS MEMBER
1425 YORKLAND ROAD, LLC
BY HEALTH CARE REIT, INC., AS THE
MEMBER OF HCRI PROVIDER PROPERTIES,
LLC
ITS MEMBER

[BORROWERS CONTINUED ON FOLLOWING PAGE]

222 EAST BEECH STREET - JEFFERSON,
L.L.C.

BY HEALTH CARE REIT, INC., AS THE
MEMBER OF HCRI PROVIDER PROPERTIES,
LLC

ITS MEMBER
HCRI SENIOR HOUSING PROPERTIES, INC.
209 MERRIMAN ROAD, L.L.C.

BY HEALTH CARE REIT, INC., AS THE
MEMBER OF HCRI PROVIDER PROPERTIES,
LLC

ITS MEMBER
HCRI FINANCING, INC.

BY /S/ GEORGE L. CHAPMAN

CHIEF EXECUTIVE OFFICER

GEORGE L. CHAPMAN, as Chief Executive Officer of all of the aforementioned entities, has executed this Third Amended and Restated Loan Agreement and intending that all entities above named are bound and are to be bound by the one signature as if he had executed this Third Amended and Restated Loan Agreement separately for each of the above named entities.

Health Care REIT, Inc. Third Amended and Restated Loan Agreement Signature Page

REVOLVING CREDIT COMMITMENT:
\$75,000,000

KEYBANK NATIONAL ASSOCIATION,
AS ADMINISTRATIVE AGENT AND AS A BANK

PRO RATA SHARE OF AGGREGATE
REVOLVING CREDIT COMMITMENTS:
10.7143%

By: /s/ Laura Conway

Name: Laura Conway
Title: Vice President

Lending Office for Base Rate Loans
and LIBOR Loans:

KeyBank National Association
127 Public Square, MC:OH-01-27-0605
Cleveland, Ohio 44114
Attention: Healthcare Administrative
Assistant

Address for Notices:

KeyBank National Association
127 Public Square, MC:OH-01-27-0605
Cleveland, Ohio 44114
Attention: Laura Conway
Telecopier: (216) 216-689-5970

REVOLVING CREDIT COMMITMENT:
\$75,000,000

DEUTSCHE BANK AG NEW YORK BRANCH

PRO RATA SHARE OF AGGREGATE
REVOLVING CREDIT COMMITMENTS:
10.7143%

By: /s/ Frederick W. Laird

Name: Frederick W. Laird
Title: Managing Director

By: /s/ Ming K. Chu

Name: Ming K. Chu
Title: Vice President

Lending Office for Base Rate Loans
and LIBOR Loans:

Deutsche Bank AG New York Branch
90 Hudson Street
Jersey City, New Jersey 07302
Attention: Linda Hill

Address for Notices:

Deutsche Bank
60 Wall Street
MS NYC60-1104
New York, New York 10005
Attention: Diane F. Rolfe
Vice President

Deutsche Bank
60 Wall Street
MS NYC60-1104
New York, New York 10005
Attention: Ming K. Chu
Vice President

REVOLVING CREDIT COMMITMENT:
\$65,000,000

BANK OF AMERICA, N.A.

PRO RATA SHARE OF AGGREGATE
REVOLVING CREDIT COMMITMENTS:
9.2857%

By: /s/ Peter D. Griffith

Name: Peter D. Griffith
Title: Senior Vice President

Lending Office for Base Rate Loans
and LIBOR Loans:

Bank of America, N.A.
2001 Clayton Road
Concord, California 94520
Ref: Credit Services, Health Care REIT
Attention: Lynne Famularcano

Address for Notices:

Bank of America, N.A.
101 North Tryon Street
Charlotte, North Carolina 28255
Attention: Arnie Edwards

Telecopier: (704) 388-6002

REVOLVING CREDIT COMMITMENT:
\$70,000,000

JPMORGAN CHASE BANK, N.A.

PRO RATA SHARE OF AGGREGATE
REVOLVING CREDIT COMMITMENTS:
10.0000%

By: /s/ Jan E. Petrik

Name: Jan E. Petrik
Title: Senior Vice President

Lending Office for Base Rate Loans
and LIBOR Loans:

JPMorgan Chase Bank, N.A.
1300 East Ninth Street
Cleveland, Ohio 44114
Attention: Commercial Loan Operations

Address for Notices:

JPMorgan Chase Bank, N.A.
1300 East Ninth Street
Mail Code: OH2-5444
Cleveland, Ohio 44114
Attention: Ms. Jan E. Petrik

Telecopier: (216) 781-4567

REVOLVING CREDIT COMMITMENT:
\$75,000,000

UBS LOAN FINANCE LLC

PRO RATA SHARE OF AGGREGATE
REVOLVING CREDIT COMMITMENTS:
10.7143%

By: /s/ Richard L. Tavrow

Name: Richard L. Tavrow
Title: Director, Banking Products
Services, US

By: /s/ Irja R. Otsa

Name: Irja R. Otsa
Title: Associate Director, Banking
Products Services, US

Lending Office for Base Rate Loans
and LIBOR Loans:

UBS Loan Finance LLC
677 Washington Boulevard
Stamford, Connecticut 06901
Attention: James Gabal

Address for Notices:

UBS Loan Finance LLC
677 Washington Boulevard
Stamford, Connecticut 06901
Attention: James Gabal

Telecopier: (203) 719-4176

REVOLVING CREDIT COMMITMENT:
\$40,000,000

COMERICA BANK

PRO RATA SHARE OF AGGREGATE
REVOLVING CREDIT COMMITMENTS:
5.7143%

By: /s/ Dawn M. Morgulec

Name: Dawn M. Morgulec
Title: Assistant Vice President

Lending Office for Base Rate Loans
and LIBOR Loans:

Comerica Bank
Comerica Tower at Detroit Center
500 Woodward Avenue
9th Floor, MC 3266
Detroit, Michigan 48226
Attention: Dawn M. Morgulec

Address for Notices:

Comerica Bank
Comerica Tower at Detroit Center
500 Woodward Avenue
9th Floor, MC 3266
Detroit, Michigan 48226
Attention: Dawn M. Morgulec

Telecopier: (313) 222-3420

REVOLVING CREDIT COMMITMENT:
\$15,000,000

FIRST TENNESSEE BANK NATIONAL
ASSOCIATION

PRO RATA SHARE OF AGGREGATE
REVOLVING CREDIT COMMITMENTS:
2.1429%

By: /s/ Jean M. Brennan

Name: Jean M. Brennan
Title: Senior Vice President

Lending Office for Base Rate Loans
and LIBOR Loans:

First Tennessee Bank National
Association
701 Market Street, 3rd Floor
Chattanooga, TN 37402
Attention: Laura Posey

Address for Notices:

First Tennessee Bank National
Association
701 Market Street, 3rd Floor
Chattanooga, TN 37402
Attention: Jean M. Brennan
Telecopier: (423) 757-4040

REVOLVING CREDIT COMMITMENT:
\$60,000,000

LASALLE BANK NATIONAL ASSOCIATION

PRO RATA SHARE OF AGGREGATE
REVOLVING CREDIT COMMITMENTS:
8.5714%

By: /s/ Robert E. Goeckel

Name: Robert E. Goeckel
Title: Vice President

Lending Office for Base Rate Loans
and LIBOR Loans:

LaSalle Bank National Association
135 S. LaSalle Street
Suite 1225
Chicago, Illinois 60603
Attention: Candy Danckaert

Address for Notices:

LaSalle Bank National Association
135 S. LaSalle Street
Suite 1225
Chicago, Illinois 60603
Attention: Robert Goeckel

Telecopier: (312) 904-6691

REVOLVING CREDIT COMMITMENT:
\$60,000,000

CALYON NEW YORK BRANCH

PRO RATA SHARE OF AGGREGATE
REVOLVING CREDIT COMMITMENTS:
8.5714%

By: /s/ Thomas Randolph

Name: Thomas Randolph
Title: Managing Director

By: /s/ Douglas Weir

Name: Douglas Weir
Title: Director

Lending Office for Base Rate Loans
and LIBOR Loans:

Calyon New York Branch
1301 Avenue of the Americas
New York, New York 10019
Attention: Mykelle Williams

Address for Notices:

Calyon New York Branch
1301 Avenue of the Americas
New York, New York 10019
Attention: Tom Randolph

Telecopier: (212) 261-3440

REVOLVING CREDIT COMMITMENT:
\$55,000,000

EMIGRANT SAVINGS BANK

PRO RATA SHARE OF AGGREGATE
REVOLVING CREDIT COMMITMENTS:
7.8571%

By: /s/ Patricia Goldstein

Name: Patricia Goldstein
Title: Sr. EVP & Chief Credit Officer

Lending Office for Base Rate Loans
and LIBOR Loans:

Emigrant Savings Bank
5 East 42nd Street
New York, New York 10017
Attention: Mazel Adams

Address for Notices:

Emigrant Savings Bank
335 Madison Avenue
New York, New York 10017
Attention: Patricia Goldstein

Telecopier: (212) 350-2371

REVOLVING CREDIT COMMITMENT:
\$60,000,000

WACHOVIA BANK, NATIONAL ASSOCIATION

PRO RATA SHARE OF AGGREGATE
REVOLVING CREDIT COMMITMENTS:
8.5714%

By: /s/ Jeanette A. Griffin

Name: Jeanette A. Griffin
Title: Director

Lending Office for Base Rate Loans
and LIBOR Loans:

Wachovia Bank, National Association
201 S. College Street, CP-9
NC1183
Charlotte, North Carolina 28210
Attention: Phillip Wentz

Address for Notices:

Wachovia Bank, National Association
One South Broad Street, PA 4152
Philadelphia, Pennsylvania 19107
Attention: Jeanette Griffin

Telecopier: (267) 321-6702

REVOLVING CREDIT COMMITMENT:
\$50,000,000

HSH NORDBANK AG, NEW YORK BRANCH

PRO RATA SHARE OF AGGREGATE
REVOLVING CREDIT COMMITMENTS:
7.1429%

By: /s/ Aldo M. Cicilia

Name: Aldo M. Cicilia
Title: Vice President

By: /s/ Jack V. Confusione

Name: Jack V. Confusione
Title: Senior Vice President
Deputy Head of Real Estate

Lending Office for Base Rate Loans
and LIBOR Loans:

HSH Nordbank AG, New York Branch
230 Park Avenue
New York, New York 10169
Attention: Aldo M. Cicilia

Address for Notices:

HSH Nordbank AG, New York Branch
230 Park Avenue
New York, New York 10169
Attention: Aldo M. Cicilia
Telecopier: (212) 407-6833

with a copy to:

HSH Nordbank AG, New York Branch
230 Park Avenue
New York, New York 10169
Attention: General Counsel

Telecopier: (212) 407-6801

EXHIBITS AND SCHEDULES
TO THIRD AMENDED AND RESTATED LOAN AGREEMENT
BY AND AMONG
HEALTH CARE REIT, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
KEYBANK NATIONAL ASSOCIATION, AS ADMINISTRATIVE AGENT

EXHIBITS

- 1 List of Borrowers
- A Form of Note
- B Form of Assignment and Acceptance
- C Form of Compliance Certificate

SCHEDULES

- 3.1 States of Incorporation and Qualification, and Capitalization of Borrowers and Subsidiaries
- 3.2 Consents, Waivers, Approvals; Violation of Agreements
- 3.6 Judgments, Actions, Proceedings
- 3.7 Defaults; Compliance with Laws, Regulations, Agreements
- 3.8 Burdensome Documents
- 3.13 Name Changes, Mergers, Acquisitions
- 3.16 Employee Benefit Plans
- 5.8 Form of Quarterly Facility Report
- 7.1 Permitted Indebtedness and Guarantees
- 7.2 Permitted Security Interests, Liens and Encumbrances

EXHIBIT 1
TO THIRD AMENDED AND RESTATED LOAN AGREEMENT
BY AND AMONG
HEALTH CARE REIT, INC. AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
KEYBANK NATIONAL ASSOCIATION, AS ADMINISTRATIVE AGENT

LIST OF BORROWERS

NAME OF BORROWER -----	STATE OF ORGANIZATION -----
Health Care REIT, Inc.	Delaware
HCRI Pennsylvania Properties, Inc.	Pennsylvania
HCRI Texas Properties, Inc.	Delaware
HCRI Texas Properties, Ltd.	Texas
HCRI Nevada Properties, Inc.	Nevada
HCRI Louisiana Properties, L.P.	Delaware
Health Care REIT International, Inc.	Delaware
HCN Atlantic GP, Inc.	Delaware
HCN Atlantic LP, Inc.	Delaware
HCN BCC Holdings, Inc.	Delaware
HCRI Indiana Properties, Inc.	Delaware
HCRI Indiana Properties, LLC	Indiana
HCRI Limited Holdings, Inc.	Delaware
HCRI Massachusetts Properties Trust	Massachusetts
HCRI Massachusetts Properties, Inc.	Delaware
HCRI Holdings Trust	Massachusetts
HCRI North Carolina Properties, LLC	Delaware
HCRI Southern Investments I, Inc.	Delaware
HCRI Tennessee Properties, Inc.	Delaware
Pennsylvania BCC Properties, Inc.	Pennsylvania
HCRI Kentucky Properties, LLC	Kentucky
HCRI Massachusetts Properties Trust II	Massachusetts
HCRI Maryland Properties, LLC	Maryland
HCRI North Carolina Properties I, Inc.	North Carolina
HCRI North Carolina Properties III, Limited Partnership	North Carolina
HCRI North Carolina Properties II, Inc.	North Carolina
HCRI Wisconsin Properties, LLC	Wisconsin
HCRI Mississippi Properties, Inc.	Mississippi
HCRI Illinois Properties, LLC	Delaware
HCRI Missouri Properties, LLC	Delaware
HCRI Surgical Properties, LLC	Ohio
HCRI Tucson Properties, Inc.	Delaware
HCRI Investments, Inc.	Delaware
HCRI Chicago Properties, Inc.	Delaware
HCRI General Properties, Inc.	Delaware
HCRI Kansas Properties, LLC	Delaware
HCRI Tennessee Properties, LLC	Delaware
HH Florida, LLC	Delaware
HCRI New Hampshire Properties, LLC	Delaware
HCRI Provider Properties, LLC	Delaware
1920 Cleveland Road West, LLC	Delaware
721 Hickory Street, LLC	Delaware
111 Lazelle Road East, LLC	Delaware
5166 Spanson Drive SE, LLC	Delaware
1425 Yorkland Road, LLC	Delaware
222 East Beech Street - Jefferson, L.L.C.	Delaware
HCRI Senior Housing Properties, Inc.	Delaware
209 Merriman Road, L.L.C.	Delaware
HCRI Financing, Inc.	Delaware

EXHIBIT A
TO THIRD AMENDED AND RESTATED LOAN AGREEMENT
BY AND AMONG
HEALTH CARE REIT, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
KEYBANK NATIONAL ASSOCIATION, AS ADMINISTRATIVE AGENT

FORM OF NOTE

\$ _____

DATED: JULY 26, 2006

FOR VALUE RECEIVED, each of the undersigned (collectively, the "BORROWERS"), hereby jointly and severally promises to pay to the order of _____ (the "BANK") on the Revolving Credit Commitment Termination Date, the principal sum of _____ Dollars (\$ _____), or such lesser amount as shall be equal to the aggregate unpaid principal amount of the Loans outstanding on the close of business on the Revolving Credit Commitment Termination Date made by the Bank to the Borrowers; and to pay interest on the unpaid principal amount of each Loan from the date thereof at the rates per annum and for the periods set forth in or established by the Agreement and calculated as provided therein.

All indebtedness outstanding under this Note shall bear interest (computed in the same manner as interest on this Note prior to the relevant due date) at the applicable Post-Default Rate for all periods when an Event of Default has occurred and is continuing, commencing on the occurrence of such Event of Default until such Event of Default has been cured or waived as acknowledged in writing by the Agent, and all of such interest shall be payable on demand.

Anything herein to the contrary notwithstanding, the obligation of the Borrowers to make payments of interest shall be subject to the limitation that payments of interest shall not be required to be made to the Bank to the extent that the Bank's receipt thereof would not be permissible under the law or laws applicable to the Bank limiting rates of interest which may be charged or collected by the Bank. Any such payments of interest which are not made as a result of the limitation referred to in the preceding sentence shall be made by the Borrowers to the Bank on the earliest interest payment date or dates on which the receipt thereof would be permissible under the laws applicable to the Bank limiting rates of interest which may be charged or collected by the Bank.

Payments of both principal and interest on this Note are to be made to the office of KeyBank National Association, as Agent, at 127 Public Square, Cleveland, Ohio 44114-1306 or such other place as the holder hereof shall designate to the Borrowers in writing, in lawful money of the United States of America in immediately available funds.

This Note is one of the Notes referred to in, and is entitled to the benefits of, the Third Amended and Restated Loan Agreement dated of even date herewith by and among the Borrowers, the Banks signatory thereto (including the Bank) and the Agent (as amended, modified or supplemented from time to time, the "AGREEMENT"). [This Note supersedes and is given in replacement of the Note dated June 22, 2005 made by the Borrowers to the order of the Bank in the original principal amount of \$_____ but does not constitute a novation, extinguishment or termination of the obligations evidenced thereby.] Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Agreement.

The Bank is hereby authorized by the Borrowers to record on the schedule to this Note (or on a supplemental schedule thereto) the amount of each Loan made by the Bank to the Borrowers and the amount of each payment or repayment of principal of such Loans received by the Bank, it being understood, however, that failure to make any such notation shall not affect the rights of the Bank or the obligations of the Borrowers hereunder in respect of this Note. The Bank may, at its option, record such matters in its internal records rather than on such schedule.

Upon the occurrence of any Event of Default, the principal amount and accrued interest on this Note may be declared due and payable in the manner and with the effect provided in the Agreement.

The Borrowers shall pay costs and expenses of collection, including, without limitation, attorneys' fees and disbursements in the event that any action, suit or proceeding is brought by the holder hereof to collect this Note.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ITS RULES PERTAINING TO CONFLICTS OF LAWS.

HEALTH CARE REIT, INC.
HCRI PENNSYLVANIA PROPERTIES, INC.
HCRI TEXAS PROPERTIES, INC.
HCRI TEXAS PROPERTIES, LTD.
BY HEALTH CARE REIT, INC.,
ITS GENERAL PARTNER
HCRI NEVADA PROPERTIES, INC.
HCRI LOUISIANA PROPERTIES, L.P.
BY HCRI SOUTHERN INVESTMENTS I, INC.,
ITS GENERAL PARTNER
HEALTH CARE REIT INTERNATIONAL, INC.
HCN ATLANTIC GP, INC.
HCN ATLANTIC LP, INC.
HCN BCC HOLDINGS, INC.
HCRI INDIANA PROPERTIES, INC.
HCRI INDIANA PROPERTIES, LLC
BY HEALTH CARE REIT, INC.,
ITS MEMBER
HCRI LIMITED HOLDINGS, INC.
HCRI MASSACHUSETTS PROPERTIES, INC.
HCRI MASSACHUSETTS PROPERTIES TRUST
BY HCRI MASSACHUSETTS PROPERTIES, INC.
ITS TRUSTEE
HCRI HOLDINGS TRUST
BY HCRI MASSACHUSETTS PROPERTIES, INC.
ITS TRUSTEE
HCRI NORTH CAROLINA PROPERTIES, LLC
BY HCRI NORTH CAROLINA PROPERTIES I, INC.
ITS MEMBER
HCRI SOUTHERN INVESTMENTS I, INC.
HCRI TENNESSEE PROPERTIES, INC.

[BORROWERS CONTINUED ON FOLLOWING PAGE]

PENNSYLVANIA BCC PROPERTIES, INC.
 HCRI KENTUCKY PROPERTIES, LLC
 BY HEALTH CARE REIT, INC.
 ITS MEMBER
 HCRI MASSACHUSETTS PROPERTIES TRUST II
 BY HCRI MASSACHUSETTS PROPERTIES, INC.
 ITS TRUSTEE
 HCRI MARYLAND PROPERTIES, LLC
 BY HEALTH CARE REIT, INC.
 ITS MEMBER
 HCRI NORTH CAROLINA PROPERTIES I, INC.
 HCRI NORTH CAROLINA PROPERTIES III, LIMITED
 PARTNERSHIP
 BY HCRI NORTH CAROLINA PROPERTIES II, INC.
 ITS GENERAL PARTNER
 HCRI NORTH CAROLINA PROPERTIES II, INC.
 HCRI WISCONSIN PROPERTIES, LLC
 BY HEALTH CARE REIT, INC.
 ITS MEMBER
 HCRI MISSISSIPPI PROPERTIES, INC.
 HCRI ILLINOIS PROPERTIES, LLC
 BY HEALTH CARE REIT, INC.
 ITS MEMBER
 HCRI MISSOURI PROPERTIES, LLC
 BY HEALTH CARE REIT, INC.
 ITS MEMBER
 HCRI SURGICAL PROPERTIES, LLC
 BY HEALTH CARE REIT, INC.
 ITS MEMBER
 HCRI TUCSON PROPERTIES, INC.
 HCRI INVESTMENTS, INC.
 HCRI CHICAGO PROPERTIES, INC.
 HCRI GENERAL PROPERTIES, INC.
 HCRI KANSAS PROPERTIES, LLC
 BY HEALTH CARE REIT, INC.
 ITS MEMBER
 HCRI TENNESSEE PROPERTIES, LLC
 BY HCRI TENNESSEE PROPERTIES, INC.
 ITS MEMBER
 HH FLORIDA, LLC
 BY LIMITED HOLDINGS, INC.
 ITS MEMBER
 HCRI NEW HAMPSHIRE PROPERTIES, LLC
 BY HEALTH CARE REIT, INC.
 ITS MEMBER
 HCRI PROVIDER PROPERTIES, LLC
 BY HEALTH CARE REIT, INC.
 ITS MEMBER
 1920 CLEVELAND ROAD WEST, LLC
 BY HEALTH CARE REIT, INC., AS THE MEMBER OF
 HCRI PROVIDER PROPERTIES, LLC
 ITS MEMBER
 721 HICKORY STREET, LLC
 BY HEALTH CARE REIT, INC., AS THE MEMBER OF
 HCRI PROVIDER PROPERTIES, LLC
 ITS MEMBER
 111 LAZELLE ROAD EAST, LLC
 BY HEALTH CARE REIT, INC., AS THE MEMBER OF
 HCRI PROVIDER PROPERTIES, LLC
 ITS MEMBER
 5166 SPANSON DRIVE SE, LLC
 BY HEALTH CARE REIT, INC., AS THE MEMBER OF
 HCRI PROVIDER PROPERTIES, LLC
 ITS MEMBER

[BORROWERS CONTINUED ON FOLLOWING PAGE]

1425 YORKLAND ROAD, LLC
BY HEALTH CARE REIT, INC., AS THE MEMBER OF
HCRI PROVIDER PROPERTIES, LLC
ITS MEMBER
222 EAST BEECH STREET - JEFFERSON, L.L.C.
BY HEALTH CARE REIT, INC., AS THE MEMBER OF
HCRI PROVIDER PROPERTIES, LLC
ITS MEMBER
HCRI SENIOR HOUSING PROPERTIES, INC.
209 MERRIMAN ROAD, L.L.C.
BY HEALTH CARE REIT, INC., AS THE MEMBER OF
HCRI PROVIDER PROPERTIES, LLC
ITS MEMBER
HCRI FINANCING, INC.

BY -----

GEORGE L. CHAPMAN, as Chief Executive Officer of all of the aforementioned entities, has executed this Note intending that all entities above named are bound and are to be bound by the one signature as if he had executed this Note separately for each of the above named entities.

SCHEDULE A

PRINCIPAL PAYMENTS

Note dated July 26, 2006

payable to the order of

Date	Principal Amount of Loan	Interest Period (if other than a Base Rate Loan) and Interest Rate	Amount of Principal Repaid	Unpaid Principal Balance	Notation Made By
-----	-----	-----	-----	-----	-----

EXHIBIT B
TO THIRD AMENDED AND RESTATED LOAN AGREEMENT
BY AND AMONG
HEALTH CARE REIT, INC.
AND CERTAIN OF ITS SUBSIDIARIES,
THE BANKS SIGNATORY HERETO
AND
KEYBANK NATIONAL ASSOCIATION, AS ADMINISTRATIVE AGENT

FORM OF ASSIGNMENT AND ACCEPTANCE

Dated _____

Reference is hereby made to the Third Amended and Restated Loan Agreement dated July 26, 2006 (the "LOAN AGREEMENT") by and among Health Care REIT, Inc. and certain of its Subsidiaries (collectively, the "BORROWERS"), the Banks signatory thereto (collectively, the "BANKS") and KeyBank National Association in its capacity as Administrative Agent for the Banks (in such capacity, the "AGENT"). Capitalized terms used herein that are defined in the Loan Agreement that are not otherwise defined herein shall have the respective meanings ascribed thereto in the Loan Agreement.

_____, a _____ (the "ASSIGNOR") and
_____, a _____, (the "ASSIGNEE")
agree as follows:

1. The Assignor hereby sells and assigns to the Assignee without recourse, representation or warranty of any kind except as expressly stated herein, and the Assignee hereby purchases and assumes from the Assignor, a ___ % interest in and to all of the Assignor's rights and obligations under the Loan Agreement as of the Effective Date (as defined below) (including, without limitation, such percentage interest in the Assignor's Revolving Credit Commitment as in effect on the Effective Date, and the Loans owing to the Assignor on the Effective Date, and the Note(s) held by the Assignor).

2. The Assignor: (i) represents and warrants that as of the date hereof its Revolving Credit Commitment (without giving effect to assignments thereof that have not yet become effective) is \$_____ and the aggregate outstanding principal amount of Loans owing to it (without giving effect to assignments thereof that have not yet become effective) is \$_____; (ii) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder, and that such interest is free and clear of any adverse claim; (iii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or any other instrument or document furnished pursuant thereto; and (iv) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the

Borrowers or any other Loan Party or the performance or observance by the Borrowers or any other Loan Party of any of their respective obligations under the Loan Agreement or any other instrument or document furnished pursuant thereto; and (v) attaches the Note(s) referred to in paragraph 1 above and requests that the Agent exchange such Note(s) for new Note(s) as follows: a Note dated the Effective Date (as such term is defined below) in the principal amount of \$_____ payable to the order of the Assignee and a Note dated the Effective Date in the principal amount of \$_____ payable to the order of the Assignor.

3. The Assignee: (i) confirms that it has received a copy of the Loan Agreement, together with copies of such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Agent to take such action as its agent on its behalf and to exercise such powers under the Loan Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Agreement are required to be performed by it as a Bank; and (vi) specifies as its addresses for Base Rate Loans and LIBOR Loans (and address for notices) the offices set forth beneath its name on the signature pages hereof.

4. The effective date for this Assignment and Acceptance shall be _____ (the "EFFECTIVE DATE"). Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance by the Agent, together with a processing fee of \$3,500.

5. Upon such acceptance, as of the Effective Date: (i) the Assignee shall be a party to the Loan Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Bank thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Agreement.

6. Upon such acceptance, from and after the Effective Date, the Agent shall make all payments under the Loan Agreement and the Note(s) in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and commitment fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Loan Agreement and the Note(s) for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

[NAME OF ASSIGNOR]

BY: _____
TITLE: _____

[NAME OF ASSIGNEE]

BY: _____
TITLE: _____

LENDING OFFICE FOR BASE RATE LOANS:

LENDING OFFICE FOR LIBOR LOANS:

ATTENTION: _____

ADDRESS FOR NOTICES: _____

ATTENTION: _____

TELEPHONE NO.: _____

TELECOPIER NO.: _____

ACCEPTED THIS ____ DAY
OF _____, 20__

KEYBANK NATIONAL ASSOCIATION,
AS ADMINISTRATIVE AGENT

BY _____
TITLE _____

EXHIBIT C
TO THIRD AMENDED AND RESTATED LOAN AGREEMENT
BY AND AMONG
HEALTH CARE REIT, INC.
AND CERTAIN OF ITS SUBSIDIARIES
THE BANKS SIGNATORY HERETO
AND
KEYBANK NATIONAL ASSOCIATION, AS ADMINISTRATIVE AGENT

FORM OF COMPLIANCE CERTIFICATE

OFFICER'S CERTIFICATE

I hereby certify that:

(A) Health Care REIT, Inc., on a consolidated basis is in compliance with the financial covenants as set forth in the annexed Compliance Certificate pursuant to Section 6.9 of the Third Amended and Restated Loan Agreement dated July 26, 2006 (the "LOAN AGREEMENT") among Health Care REIT, Inc. and certain of its subsidiaries, the banks party thereto (the "BANKS") and KeyBank National Association, as Administrative Agent for itself and the Banks (in such capacity, the "AGENT"), and that all the computations of the financial covenants are correct and complete as of the close of business on [DATE] and are in conformity with the terms and conditions of the Loan Agreement.

(B) The representations and warranties contained in Article 3 of the Loan Agreement are true and correct and with the same effect as though such representations and warranties were made on the date of the Compliance Certificate (provided Section 3.6 of the Loan Agreement relates only to claims in excess of \$1,500,000 as of the date hereof), except for changes in the ordinary course of business, none of which either singly or in the aggregate, have a Material Adverse Effect (as defined in the Loan Agreement).

(C) No Event of Default and no Default (as defined in the Loan Agreement) has occurred and is continuing.

HEALTH CARE REIT, INC.

DATE: _____

BY: _____

TITLE

Section 6.9 (Financial Covenants): Health Care REIT, Inc. Third Amended and Restated Loan Agreement COMPLIANCE CERTIFICATE: QUARTER ENDED (DATE)

a) Maximum Funded Indebtedness to the sum of (x) Tangible Net Worth, plus (y) Funded Indebtedness of Not Greater Than .60: 1.0:

As of: (date) in thousands		
Funded Indebtedness	\$	_____
Shareholders' Equity	\$	_____
less: Goodwill and Noncompete Agreements		_____
Unamortized Deferred Costs		_____
Treasury Stock		_____
Tangible Net Worth	\$	_____
Sum of Tangible Net Worth and Funded Indebtedness	\$	_____
Ratio		_____ (%) COMPLIANCE

b) Minimum Tangible Net Worth of Not Less Than \$1,000,000,000 plus 100% of Net Issuance Proceeds:

As of: (date) in thousands		
Tangible Net Worth	\$	_____
plus: Net Equity Proceeds (excluding DRIP)		_____
Total Tangible Net Worth	\$	_____ COMPLIANCE

c) Minimum EBITDA/Fixed Charges of Not Less than 175% (rolling four quarters basis):

HCRI:	
Last Four Quarters EBITDA:	
March 31, 200_	\$ _____
December 31, 200_	\$ _____
September 30, 200_	\$ _____
June 30, 200_	\$ _____
Rolling Four Quarter EBITDA	\$ _____

divided by the sum of (a), (b) and (c):

Last Four Quarters Interest Expense on All Indebtedness:	
March 31, 200_	\$ _____
December 31, 200_	\$ _____
September 30, 200_	\$ _____
June 30, 200_	\$ _____
(a) Rolling Four Quarter Interest	\$ _____

Last Four Quarters scheduled principal payments on Funded Indebtedness:	
March 31, 200_	\$ _____
December 31, 200_	\$ _____
September 30, 200_	\$ _____
June 30, 200_	\$ _____
(b) Rolling Four Quarter Principal Payments	\$ _____

Last Four Quarters dividends/distributions re Preferred Stock:	
March 31, 200_	\$ _____
December 31, 200_	\$ _____
September 30, 200_	\$ _____
June 30, 200_	\$ _____
(c) Rolling Four Quarter Preferred Stock Distributions	\$ _____
Ratio	_____ (%) COMPLIANCE

d) Unencumbered Assets/unsecured Indebtedness of Not Less Than 1.95:1.00

As of: (date) in thousands

Net real estate investments (valued at book)

\$ _____

Loan loss reserves

\$ _____

Depreciation

\$ _____

Cash

\$ _____

Less: encumbered assets

(\$ _____)

Unencumbered Assets:

\$ _____

Unsecured Indebtedness:

\$ _____

Ratio

_____ (%) COMPLIANCE

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, **George L. Chapman**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Health Care REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2006

/s/ GEORGE L. CHAPMAN

George L. Chapman,
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, **Scott A. Estes**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Health Care REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2006

/s/ SCOTT A. ESTES

Scott A. Estes,
Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

I, George L. Chapman, the Chief Executive Officer of Health Care REIT, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended June 30, 2006 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GEORGE L. CHAPMAN

George L. Chapman,
Chief Executive Officer

Date: July 28, 2006

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

I, Scott A. Estes, the Chief Financial Officer of Health Care REIT, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended June 30, 2006 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SCOTT A. ESTES

Scott A. Estes,
Chief Financial Officer

Date: July 28, 2006

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.