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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003  
COMMISSION FILE NO. 1-8923  
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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 Number)

ONE SEAGATE, SUITE 1500, TOLEDO, OHIO  
(Address of principal executive office)

43604  
(Zip Code)

(419) 247-2800  
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Common Stock, \$1.00 par value	New York Stock Exchange
7.875% Series D Cumulative Redeemable Preferred Stock, \$1.00 par value	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:  
NONE

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; and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [ ]

The aggregate market value of the shares of voting common stock held by non-affiliates of the Registrant, computed by reference to the closing sales

price of such shares on the New York Stock Exchange as of the last business day of the Registrant's most recently completed second fiscal quarter was \$1,241,737,000.

As of March 11, 2004, there were 51,098,962 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for the annual stockholders' meeting to be held May 6, 2004, are incorporated by reference into Part III.

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HEALTH CARE REIT, INC.  
2003 FORM 10-K ANNUAL REPORT

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PART I

ITEM 1. BUSINESS

GENERAL

Health Care REIT, Inc., a Delaware corporation, is a self-administered, equity real estate investment trust that invests in health care facilities, primarily skilled nursing and assisted living facilities. We also invest in specialty care facilities. As of December 31, 2003, long-term care facilities, which include skilled nursing and assisted living facilities, comprised approximately 92% of our investment portfolio. Founded in 1970, we were the first real estate investment trust to invest exclusively in health care facilities.

As of December 31, 2003, we had \$2,003,466,000 of net real estate investments, inclusive of credit enhancements, in 328 facilities located in 33 states and managed by 47 different operators. At that date, the portfolio included 219 assisted living facilities, 101 skilled nursing facilities and eight specialty care facilities.

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 from annual increases in rental and interest income and portfolio growth. To meet these objectives, we invest primarily in long-term care facilities managed by experienced operators and diversify our investment portfolio by operator and geographic location.

We anticipate investing in additional health care facilities through operating lease arrangements with, and loans for, qualified health care operators. Capital for future investments may be provided by borrowing under our lines of credit, public offerings or private placements of debt or equity or the incurrence of secured indebtedness.

References herein to "we," "us," "our" or the "Company" refer to Health Care REIT, Inc. and its subsidiaries unless specifically noted otherwise.

PORTFOLIO OF PROPERTIES

The following table summarizes our portfolio as of December 31, 2003:

TYPE OF FACILITY	INVESTMENTS (1) (IN THOUSANDS)	PERCENTAGE OF PORTFOLIO	NUMBER OF FACILITIES	NUMBER OF BEDS/UNITS	INVESTMENT PER BED/UNIT (2)	NUMBER OF OPERATORS (3)	NUMBER OF STATES (3)
Assisted Living Facilities.....	\$1,196,450	60%	219	14,193	\$ 85,391	31	31
Skilled Nursing Facilities.....	648,354	32%	101	14,256	45,479	18	20
Specialty Care Facilities.....	158,662	8%	8	1,204	131,779	6	5
Totals.....	\$2,003,466	100%	328	29,653			

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- (1) Investments include real estate investments and credit enhancements which amounted to \$2,000,271,000 and \$3,195,000, respectively.
- (2) Investment per Bed/Unit was computed by using the total investment amount of \$2,018,967,000 which includes real estate investments, credit enhancements and unfunded construction commitments for which initial funding has commenced which amounted to \$2,000,271,000, \$3,195,000 and \$15,501,000, respectively.
- (3) We have investments in properties located in 33 states and managed by 47 different operators.

ASSISTED LIVING FACILITIES

An assisted living facility is a special combination of housing, personalized supportive services and health care services designed to meet the needs -- both scheduled and unscheduled -- of those who need help with activities of daily living. Certain of our assisted living facilities include other care levels, including independent living, dementia care, and nursing services. More intensive medical needs of the resident within assisted living

facilities may be provided by home health providers. Assisted living facilities represent less costly and less institutional-like alternatives for the care of the elderly or the frail.

#### SKILLED NURSING FACILITIES

Skilled nursing facilities provide inpatient skilled nursing and personal care services as well as rehabilitative, restorative and transitional medical services. In some instances, skilled nursing facilities supplement hospital care by providing specialized care for medically complex patients whose conditions require intense medical and therapeutic services, but who are medically stable enough to have these services provided in facilities that are less expensive than acute care hospitals.

#### SPECIALTY CARE FACILITIES

Our specialty care facilities include acute care hospitals, long-term acute care hospitals and other specialty care hospitals. Acute care hospitals provide a wide range of inpatient and outpatient services including, but not limited to, surgery, rehabilitation, therapy and clinical laboratories. Long-term acute care hospitals provide inpatient services for patients with complex medical conditions that require more intensive care, monitoring or emergency support than that available in most skilled nursing facilities. Other specialty care hospitals provide specialized inpatient and outpatient services for specific illnesses or diseases including, among others, orthopedic, neurosurgical and behavioral care.

#### INVESTMENTS

We invest in health care facilities with a primary focus on long-term care facilities, which include skilled nursing and assisted living facilities. We also invest in specialty care facilities. We diversify our investment portfolio by operator and geographic location.

In determining whether to invest in a facility, we focus on the following: (a) the experience of the tenant's or borrower's management team; (b) the historical and projected financial and operational performance of the facility; (c) the credit of the tenant or borrower; (d) the security for the lease or loan; and (e) the capital committed to the facility by the tenant or borrower. We conduct market research and analysis for all potential investments. In addition, we review the value of all facilities, the interest rates and debt service coverage requirements of any debt to be assumed and the anticipated sources for repayment of any debt.

Our investments are primarily real property leased to operators under operating leases and mortgage loans. Construction financing is provided, but only as part of a long-term operating lease or mortgage loan. We typically invest in or finance up to 90% of the stabilized appraised value of a property. Economic terms normally include annual rate increases and fair market value based purchase options in operating leases. Depending upon market conditions, we believe that appropriate new investments will be available in the future with spreads over our cost of capital that will generate appropriate returns to our stockholders. Operating leases and mortgage loans are normally credit enhanced by guaranties and/or letters of credit. In addition, operating leases are typically structured as master leases and mortgage loans are generally cross-defaulted and cross-collateralized with other mortgage loans, operating leases or agreements between us and the operator and its affiliates.

At December 31, 2003, 80% of our owned real property was subject to master leases. A master lease is a lease of multiple facilities from us to one tenant entity under a single lease agreement. From time to time, we may acquire additional facilities that are then leased to the tenant under the master lease. The tenant is required to make one monthly payment that represents rent on all the properties that are subject to the master lease. Typically, the master lease

tenant can exercise its right to purchase the facilities or to renew the master lease only with respect to all leased facilities at the same time. This "bundling" feature benefits us because the tenant cannot limit the purchase or renewal to the better performing facilities and terminate the leasing arrangement with respect to the poorer performing facilities. This spreads our risk among the entire group of facilities within the master lease. The bundling feature may provide a similar advantage if the master lease tenant is in bankruptcy. Subject to certain restrictions, a debtor in bankruptcy has the right to assume or reject

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each of its leases. It is our intent that a tenant who is in bankruptcy would be required to assume or reject the master lease as a whole, rather than making the decision on a facility by facility basis.

We monitor our investments through a variety of methods determined by the type of health care facility and operator. Our monitoring process includes review of monthly financial statements for each facility, quarterly review of operator credit, annual 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 monitoring and research, we evaluate the operating environment in each facility's market to determine whether payment risk is likely to increase. When we identify unacceptable levels of payment risk, we seek to mitigate, eliminate or transfer the risk. We typically categorize the risk as operator, facility or market risk. For operator risk, we typically find a substitute operator to run the facility. For facility risk, we usually work with the operator to institute facility level management changes to address the risk. Finally, for market risk, we often encourage an operator to change its capital structure, including refinancing or raising additional equity. Through these monitoring 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.

#### OPERATING LEASES

Each facility, which includes the land, buildings, improvements and related rights, owned by us is leased to an operator pursuant to a long-term operating lease. As discussed above, most of our leased properties are subject to master leases. The leases generally have a fixed term of seven to 15 years and contain one or more five to 15-year renewal options. Each lease is a net lease requiring the tenant to pay rent and all additional charges incurred in the operation of the leased property. The tenants are required to repair, rebuild and maintain the leased properties.

The net value of our completed leased properties aggregated approximately \$1,726,836,000 at December 31, 2003. Operating lease income generally includes base rent payments plus fixed annual rent increases, which are generally recognized on a straight-line basis over the minimum lease period. This lease income is greater than the amount of cash received during the first half of the lease term. In some instances (representing approximately 21% of real property), the leases provide for additional payment of rent if the gross operating revenues from the property exceed a predetermined threshold. Revenues are not recognized until these thresholds have been met. Rents, as recognized using the straight-line method where applicable, on the original lease basis of our completed leased properties are approximately 11.5% per annum on average at December 31, 2003. Our rental yield from leases depends upon a number of factors, including the initial rent charged, up-front fees, any rental adjustments and, in some cases, facility-level revenue. The base rents for the renewal periods are generally fixed rents set at the greater of a minimum agreed upon rate of return or a spread above the Treasury yield for the corresponding period, generally with a floor of the prior year's rate of return plus the annual increaser.

We currently provide for the construction of facilities for the tenants as part of long-term operating leases. 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 balance 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. We also typically charge a transaction fee at the commencement of construction. The construction period commences upon funding and terminates upon the earlier of the completion of the applicable facility or the end of a specified period, generally 12 to 18 months. During the construction period, we advance funds to the operator in accordance with agreed upon terms and conditions which require, among other things, a site visit by a Company representative prior to the advancement of funds. During the construction period, we generally require additional credit enhancement in the form of payment and performance bonds and/or completion guaranties. At December 31, 2003, we had outstanding construction

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financings of \$14,865,000 (\$14,701,000 for leased properties and \$164,000 for construction loans) and were committed to providing additional financing of approximately \$15,501,000 to complete construction.

#### MORTGAGE LOANS

Our investments in mortgage loans are typically structured to provide us with interest income, principal amortization and transaction fees and are generally secured by a first or second mortgage lien or leasehold mortgage.

At December 31, 2003, the interest rates averaged approximately 11.1% per annum on our outstanding mortgage loan balances. Our yield on mortgage loans depends upon a number of factors, including the stated interest rate, average principal amount outstanding during the term of the loan and any interest rate adjustments.

The mortgage loans made through December 31, 2003, are generally subject to three to 20-year terms with principal amortization schedules and/or balloon payment of the outstanding principal balance at the end of the term. Generally, the mortgage loans provide three to eight years of prepayment protection.

#### WORKING CAPITAL LOANS

Working capital loans are short-term loans made to operators of facilities and are typically either secured and/or guaranteed. These instruments have terms ranging from three months to ten years. At December 31, 2003, the average interest rates (excluding any loans on non-accrual) were approximately 10.7% per annum on our outstanding working capital loan balances. At December 31, 2003, we had provided working capital loans to nine operators.

#### SUBDEBT INVESTMENTS

Subdebt investments are loans made to operators of facilities and are generally secured by the operator's leasehold rights and corporate guaranties. Generally, these instruments are for four to seven-year terms. At December 31, 2003, the average interest rates were approximately 12.0% per annum on our outstanding subdebt investment balances. At December 31, 2003, we had provided subdebt financing to five operators.

#### EQUITY INVESTMENTS

We had an investment in Atlantic Healthcare Finance L.P., a property group that specializes in the financing, through sale and leaseback transactions, of nursing and care homes located in the United Kingdom. This investment was accounted for under the equity method of accounting because we had the ability to exercise significant influence, but not control, over the company due to our 31% ownership interest. In October 2003, we sold our investment in Atlantic

Healthcare Finance L.P. generating a net gain of \$902,000.

Other equity investments, which consist of investments in private and public companies for 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.

BORROWING POLICIES

We may incur long-term indebtedness through public offerings or private placements. For short-term purposes, we may, from time to time, obtain lines of credit or other short-term borrowings from banks or others. When terms are deemed favorable, we may invest in properties subject to existing mortgage indebtedness. In addition, we may obtain financing for unleveraged properties in which we have invested or

may refinance properties acquired on a leveraged basis. Under documents pertaining to existing indebtedness, we are subject to various restrictions with respect to secured and unsecured indebtedness.

MAJOR OPERATORS

The following table summarizes certain information about our operator concentrations as of December 31, 2003 (dollars in thousands):

	NUMBER OF FACILITIES	TOTAL INVESTMENT (1)	PERCENT OF INVESTMENT (2)
	-----	-----	-----
Concentration by investment:			
Emeritus Corporation.....	30	\$ 232,018	12%
Southern Assisted Living, Inc.....	46	211,633	11%
Commonwealth Communities L.L.C.....	14	200,127	10%
Home Quality Management, Inc.....	25	143,113	7%
Life Care Centers of America, Inc.....	17	120,810	6%
Remaining Operators (42).....	196	1,095,765	54%
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Totals.....	328	\$2,003,466	100%
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	NUMBER OF FACILITIES	TOTAL REVENUES (3)	PERCENT OF REVENUE (4)
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Concentration by revenue:			
Commonwealth Communities L.L.C.....	14	\$ 26,592	13%
Home Quality Management, Inc.....	25	14,886	7%
Life Care Centers of America, Inc.....	17	14,525	7%
Merrill Gardens L.L.C.....	12	14,397	7%
Alterra Healthcare Corporation.....	45	14,293	7%
Remaining Operators (42).....	215	122,221	59%
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Totals.....	328	\$206,914	100%
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(1) Investments include real estate investments and credit enhancements which

amounted to \$2,000,271,000 and \$3,195,000, respectively.

- (2) Investments with our top five operators comprised 45% of total investments at December 31, 2002.
- (3) Revenues include gross revenues and revenues from discontinued operations for the year ended December 31, 2003.
- (4) Revenues from our top five operators were 43% and 40% for the years ended December 31, 2002 and 2001, respectively.

#### COMPETITION

We compete with other real estate investment trusts, real estate partnerships, banks, insurance companies, finance companies, government sponsored agencies, tax and tax-exempt bond funds and other investors in the acquisition, leasing and financing of health care facilities. We compete for investments based on a number of factors including rates, financings offered, underwriting criterion and reputation. The operators of our facilities compete on a local and regional basis with operators of facilities that provide comparable services. Operators compete for patients and residents based on a number of factors including quality of care, reputation, physical appearance of facilities, services offered, family preferences, physicians, staff and price.

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#### EMPLOYEES

As of December 31, 2003, we employed 34 full-time employees.

#### CERTAIN GOVERNMENT REGULATIONS

##### HEALTH LAW MATTERS -- GENERALLY

We invest in assisted living, skilled nursing and specialty care facilities, which represent approximately 60%, 32% and 8%, respectively, of our investments at December 31, 2003.

Typically, operators of assisted living facilities do not receive significant funding from governmental programs and are regulated by the states, not the federal government. Operators of skilled nursing and specialty care facilities are subject to federal and state laws that regulate the type and quality of the medical and/or nursing care provided, ancillary services (e.g., respiratory, occupational, physical and infusion therapies), qualifications of the administrative personnel and nursing staff, the adequacy of the physical plant and equipment, distribution of pharmaceuticals, reimbursement and rate setting and operating policies. In addition, as described below, some of our facility operators are subject to extensive laws and regulations pertaining to health care fraud and abuse, including kickbacks, physician self-referrals and false claims.

##### LICENSING AND CERTIFICATION

The primary regulations that affect assisted living facilities are the states' licensing laws. In granting and renewing these licenses, the regulatory authorities consider numerous factors relating to a facility's physical plant and operations including, but not limited to, admission and discharge standards and staffing and training. A decision to grant or renew a license is also affected by a facility's record with respect to consumer rights and medication guidelines and rules.

Generally, our skilled nursing and specialty care facilities are required to be licensed on an annual or bi-annual basis and to be certified for participation in the Medicare and Medicaid programs. These facilities are subject to audits and surveys by various regulatory agencies that determine compliance with federal, state and local laws. The failure of our facility operators to maintain or renew any required license or regulatory approval or

serious survey deficiencies could prevent them from continuing operations at a property. In addition, if a facility is found out of compliance with the conditions of participation in Medicare, Medicaid or other health care programs, or if a facility is otherwise excluded from those programs, the facility may be barred from participation in government reimbursement programs. Any of these occurrences may impair the ability of our operators to meet their obligations to us. If we have to replace a facility operator, our ability to replace the operator may be affected by federal and state rules and policies governing changes in control. Under current Medicare and Medicaid rules and regulations and provider contracts, a successor operator that assumes an existing provider agreement will typically be subject to certain liabilities of the previous operator, including overpayments, terms under any existing plan of correction and possibly sanctions and penalties. If a successor operator chooses to apply for a new Medicare and/or Medicaid provider agreement, the successor operator may experience interruptions and delays in reimbursement during the processing of its application for a new provider agreement or its application may not be approved. This may result in payment delays, an inability to find a replacement operator, a significant working capital commitment from us to a new operator or other difficulties.

#### REIMBURSEMENT

Assisted Living Facilities. Approximately 57% of our revenues for the year ended December 31, 2003, were attributable to assisted living facilities. The majority of the revenues received by the operators of our assisted living facilities are from private pay sources. The remaining revenue source is primarily Medicaid waiver programs. Forty-one states currently have such programs, which allow Medicaid recipients to use benefits for alternatives to skilled nursing such as assisted living and home health. The National Academy for State Health Policy reports that Medicaid waiver programs serve about 102,000 residents in assisted living or residential care settings. At December 31, 2003, 12 of our 31 assisted living operators utilized Medicaid

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waivers. For the year ended December 31, 2003, approximately 5% of the revenues at our assisted living facilities were from Medicaid reimbursement.

Rates paid by self-pay residents are set by the facilities and are largely determined by local market conditions and operating costs. Generally, facilities receive a higher payment per day for a private pay resident than for a Medicaid beneficiary who requires a comparable level of care. The level of Medicaid reimbursement varies from state to state, but rarely includes reimbursement for room and board. Thus, the revenues generated by operators of our assisted living facilities may be adversely affected by payor mix, acuity level and changes in Medicaid eligibility and reimbursement levels. Changes in revenues could in turn have a material adverse effect on an operator's ability to meet its obligation to us.

Skilled Nursing Facilities and Specialty Care Facilities. Skilled nursing and specialty care facilities typically receive most of their revenues from Medicare and Medicaid, with the balance representing private pay, including private insurance. Consequently, skilled nursing and specialty care facilities rely heavily on government reimbursement. Changes in federal or state reimbursement policies, including changes in payment rates as a result of federal or state regulatory action, or payment delays by fiscal intermediaries may also adversely affect an operator's ability to cover its expenses, including our rent or debt service. Skilled nursing and specialty care facilities are subject to periodic pre- and post-payment reviews and other audits by federal and state authorities. A review or audit of claims against a facility operator could result in recoupments, denials or delays of payments in the future, which could have a material adverse effect on the operator's ability to meet its obligations to us. Due to the significant judgments and estimates inherent in payor settlement accounting, no assurance can be given as to the adequacy of any reserves maintained by our facility operators for potential adjustments to reimbursements for payor settlements. Due to budgetary constraints, governmental payors may limit or reduce payments to skilled nursing and specialty care

facilities. As a result of government reimbursement programs being subject to such budgetary pressures and legislative and administrative actions, an operator's ability to meet its obligations to us may be significantly impaired.

Medicare Reimbursement and Skilled Nursing Facilities. For the year ended December 31, 2003, approximately 28% of the revenues at our skilled nursing facilities (which comprised 37% of our revenues for the year ended December 31, 2003) were from Medicare reimbursement. In an effort to reduce federal spending on health care, the Balanced Budget Act of 1997 ("BBA") contained extensive changes to the Medicare and Medicaid programs intended to reduce the projected payments under these programs. The BBA fundamentally altered Medicare payment methodologies for skilled nursing facilities by mandating the institution of the skilled nursing facility prospective payment system. This system differs significantly from the prior cost-based reimbursement system. Among other things, it sets per diem rates based on 1995 cost reports as adjusted by a variety of factors, including, but not limited to, costs associated with 44 resource utilization group categories ("RUGs"). The payments received under the skilled nursing facility prospective payment system cover services for Medicare patients, including all ancillary services, such as respiratory, physical, and occupational therapy and certain covered medications. The skilled nursing facility prospective payment system caused Medicare per diem reimbursement for skilled nursing facility services to decrease. The reductions in Medicare payments resulted in immediate financial difficulties for skilled nursing facilities and caused a number of operators to seek bankruptcy protection.

Since the BBA's passage in 1997, the federal government has passed legislation to lessen the negative financial impact from the prospective payment system. For example, under the Balanced Budget Refinement Act of 1999 ("BBRA") and the Benefits Improvement and Patient Protection Act of 2000 ("BIPA"), some of the mandatory reductions in Medicare payment increases were reversed or delayed, and skilled nursing facilities received temporary payment increases. BBRA included two key provisions: [i] a 20% increase for 15 of the RUGs and [ii] a 4% across-the-board increase to the federal per diem rate. The 20% increase was implemented in April 2000 and will remain in effect until the implementation of refinements in the current RUG case-mix classification system. The 4% increase was implemented in April 2000 and expired on September 30, 2002. BIPA also included two key provisions: [i] a 16.66% increase in the nursing component of the federal per diem rate and [ii] a 6.7% increase in the 14 RUG payments for rehabilitation therapy services. The 16.66% increase was implemented in April of 2001 and expired on September 30, 2002. The 6.7% increase is an adjustment to the 20% increase granted in BBRA and spreads the funds directed at three

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of those 15 RUGs to an additional 11 rehabilitation RUGs. This increase was implemented in April 2001 and will remain in effect until the implementation of refinements in the current RUG case-mix classification system. The 4% and 16.66% increases that expired on September 30, 2002 decreased annual reimbursement by roughly \$1.8 billion. Although the Centers for Medicare and Medicaid Services ("CMS") did not implement RUG refinements for fiscal year 2004, annual reimbursement will be reduced by roughly \$1.0 billion if the new case-mix system is implemented in the future. There is no assurance that the new case-mix classification will account for this reduction so that nursing facilities are not adversely affected.

Skilled nursing facilities received a 2.6% inflation basket increase in Medicare payments for federal fiscal year 2003, which resulted in roughly \$400 million in additional reimbursement. In addition, CMS did not refine the existing RUG classification system for fiscal year 2003 or fiscal year 2004, resulting in roughly \$1.0 billion of additional annual reimbursement remaining in place. For fiscal year 2004, Congress approved a 3.0% market basket increase and CMS approved a 3.26% increase to the Medicare market basket update to correct for historical errors in the inflation formula. The result of the two separate inflationary updates is an addition of over \$850 million to Medicare reimbursement in fiscal year 2004. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 imposed a moratorium on the therapy caps for Part B outpatient rehabilitation services through December 31, 2005. The therapy caps were mandated by the BBA. If ever imposed, the annual payment cap would apply

twice. A \$1,590 cap per patient applies to occupational therapy and a second \$1,590 cap applies to physical and speech therapy combined. Patients exceeding the cap would need to use private funds to pay for the cost of additional therapy.

Medicare Reimbursement and Specialty Care Facilities. For the year ended December 31, 2003, approximately 42% of the revenues at our specialty care facilities (which comprised 6% of our revenues for the year ended December 31, 2003) were from Medicare. Our specialty care facilities generally are reimbursed by Medicare under either the diagnosis related group/outpatient prospective payment system reimbursement methodology for regular hospitals, or the new prospective payment system for inpatient rehabilitation facilities. Our acute care hospitals provide a wide range of inpatient and outpatient services including, but not limited to, surgery, rehabilitation, therapy and clinical laboratories. Our long-term acute care hospitals provide inpatient services for patients with complex medical conditions that require more intensive care, monitoring or emergency support than that available in most skilled nursing facilities. Some of our other specialty care hospitals provide specialized inpatient and outpatient services for specific illnesses or diseases including, among others, orthopedic, neurosurgical and behavioral care services.

With respect to Medicare's diagnosis related group/outpatient prospective payment system methodology for regular hospitals, reimbursement for inpatient services is on the basis of a fixed, prospective rate based on the principal diagnosis of the patient. Diagnoses are grouped into more than 500 diagnosis related groups. In some cases, a hospital might be able to qualify for an outlier payment if the hospital's charges exceed a threshold. CMS has revised its outlier methodology in response to allegations that some hospitals increased their outlier reimbursement by substantially increasing charges. Under the revisions, outlier reimbursement for all hospitals is expected to decline. In addition, the government is evaluating the past practices of hospitals relating to outlier payments. If any of the operators of our specialty care facilities were found to have substantially increased charges in an attempt to increase outlier payments, there is a risk that such operators could be investigated and required to refund a portion of outlier payments received plus possible penalties.

Congress has limited increases in diagnosis related groups or outpatient prospective payment system payments. These limited increases may not be sufficient to cover specialty care facilities' increasing costs of providing care. Failure to increase reimbursement to cover increased costs, or reductions or freezes in payment rates, will have an adverse impact on operators of our specialty care facilities.

The BBA, as amended by BBRA and BIPA, also authorized the development of a prospective payment system for inpatient rehabilitation facilities, including freestanding rehabilitation hospitals and rehabilitation units of acute care hospitals. The inpatient rehabilitation facility prospective payment system methodology replaces the reasonable cost-based payment system.

Under the final regulations that implemented the inpatient rehabilitation facility prospective payment systems, rehabilitation hospitals are required to complete a patient assessment instrument upon admission and

discharge for all Medicare Part A fee-for-service patients who are already inpatients or who are admitted or discharged on or after January 1, 2002. Based on the data received from the inpatient rehabilitation facility patient assessment instrument, each patient is placed into a case-mix group. Each case-mix group is a functional-related group determined by distinguishing classes of inpatient rehabilitation facility patient discharges on the basis of impairment, age, co-morbidities, functional capability of the patient and other factors the Medicare program deems appropriate to improve the explanatory power of functional independence measure function related groups. The case mix group determines the base payment rate for the Medicare-covered Part A services furnished by the inpatient rehabilitation facility during the beneficiary's episode of care. Inpatient rehabilitation facility prospective payment system

rates encompass the inpatient capital costs and operating costs, including routine and ancillary costs, of furnishing covered rehabilitation services. Other indirect operating costs (including, among other things, bad debts, approved educational activities and non-physician anesthetist's services) are not included. Payment rates are calculated using relative weights to account for variations in resource needs in case mix groups.

Pursuant to the BBA, as amended by BBRA and BIPA, payments during fiscal years 2001 and 2002 were budget neutral with payments for fiscal year 2001 equaling 98% of the amount of payments that would have been paid if the inpatient rehabilitation facility prospective payment system had not been enacted and 100% for fiscal year 2002. For cost reporting periods beginning on or after October 1, 2002, payment is based solely on the adjusted federal prospective payment.

The ability of our operators to adjust to the shift from reasonable cost reimbursement to an inpatient rehabilitation facility prospective payment system will impact the cash flow of these facilities. Failure to control costs or manage the care provided under the inpatient rehabilitation facility prospective payment system would have an adverse impact on our operators' ability to meet their obligations to us.

Medicaid Reimbursement. Medicaid is a major payor source for residents in our skilled nursing and specialty care facilities. For the year ended December 31, 2003, approximately 54% of the revenues of our skilled nursing facilities and 38% of the revenues of our specialty care facilities were attributable to Medicaid payments. The federal government and the states share responsibility for financing Medicaid. The federal matching rate, known as the Federal Medical Assistance Percentage ("FMAP"), varies between 50% and 77% by state based on relative per capita income. Medicaid is typically the second largest item in state budgets after elementary and secondary education. On average, the Congressional Budget Office reports that Medicaid long-term care expenditures represent about three-eighths of total Medicaid expenditures. However, the percentage of Medicaid dollars used for long-term care varies dramatically from state to state due to different ratios of elderly population and eligibility requirements. States have a wide range of discretion to determine specific reimbursement methodologies. Currently, some state Medicaid programs use a cost-based reimbursement system in which the rate that a facility receives may be based on the costs it historically incurred in providing patient care. Reasonable costs typically include allowances for administrative and general costs and costs of property and equipment (e.g., depreciation and fair rental). Many Medicaid programs compute a per diem rate of reimbursement that is applied prospectively. Certain states provide for efficiency incentives, subject to cost ceilings. Many of these programs are subject to retrospective adjustment under which a facility operator might be required to refund payments that exceed incurred costs.

In most states, Medicaid does not fully reimburse the cost of providing skilled nursing services. The shortfall is due in part to the BBA, which repealed the Boren Amendment. The Boren Amendment required states to fund Medicaid expenditures in an amount that was sufficient to cover the reasonable costs of an efficient provider. Consequently, Medicaid funding is vulnerable to state balanced budget requirements. Due to declining tax revenues, some states are attempting to slow the rate of growth in Medicaid expenditures by freezing rates or restricting eligibility and benefits. States will benefit from a temporary increase in the FMAP from July 1, 2003 through September 30, 2004. The Jobs and Growth Tax Relief Reconciliation Act of 2003 included a \$10 billion increase in the FMAP for Medicaid. States in which we have skilled nursing facility investments increased their per diem Medicaid rates 4% on average for fiscal year 2004. Despite the temporary federal funding relief and the budgeted rate increases, rates for specific services and eligibility may decline if revenues are not sufficient to fund budgeted expenditures.

The reimbursement methodologies applied to health care facilities continue to evolve. Federal and state authorities have considered and may seek to

implement new or modified reimbursement methodologies that may negatively impact health care facility operations. The impact of any such change, if implemented, may result in a material adverse effect on our skilled nursing and specialty care facility operations. No assurance can be given that current revenue sources or levels will be maintained. Accordingly, there can be no assurance that payments under a government reimbursement program are currently or will, in the future, be sufficient to fully reimburse the facility operators for their operating and capital expenses. As a result, the operators' ability to meet their obligations to us could be adversely impacted.

#### OTHER RELATED LAWS

Skilled nursing and specialty care facilities (and assisted living facilities that receive Medicaid payments) are subject to federal, state and local laws and regulations (including those laws and regulations prohibiting fraud and abuse), which govern the operations and financial and other arrangements that may be entered into by health care providers. Certain of these laws prohibit direct or indirect payments of any kind for the purpose of inducing or encouraging the referral of patients for medical products or services reimbursable by governmental programs. Other laws require providers to furnish only medically necessary services and submit to the government valid and accurate statements for each service. Still other laws require providers to comply with a variety of safety, health and other requirements relating to the condition of the licensed facility and the quality of care provided. Sanctions for violation of these laws and regulations may include, but are not limited to, criminal and/or civil penalties and fines and a loss of licensure and immediate termination of governmental payments. In certain circumstances, violation of these rules (such as those prohibiting abusive and fraudulent behavior) with respect to one facility may subject other facilities under common control or ownership to sanctions, including disqualification from participation in the Medicare and Medicaid programs. In the ordinary course of its business, a facility operator is regularly subjected to inquiries, investigations and audits by federal and state agencies that oversee these laws and regulations.

Each skilled nursing and specialty care facility (and any assisted living facility that receives Medicaid payments) is subject to the federal anti-kickback statute which generally prohibits persons from offering, providing, soliciting or receiving remuneration to induce either the referral of an individual or the furnishing of a good or service, for which payment may be made under a federal health care program such as the Medicare and Medicaid programs. Skilled nursing and specialty care facilities are also subject to the federal Ethics in Patient Referral Act of 1989, commonly referred to as the Stark Law. The Stark Law generally prohibits the submission of claims to Medicare for payment if the claim results from a physician referral for certain designated services and the physician has a financial relationship with the health service provider that does not qualify under one of the exceptions for a financial relationship under the Stark Law. Similar prohibitions on physician self-referrals and submission of claims apply to state Medicaid programs. Further, skilled nursing and specialty care facilities (and assisted living facilities that receive Medicaid payments) are subject to substantial financial penalties under the Civil Monetary Penalties Act and the False Claims Act and, in particular, actions under the False Claims Act's "whistleblower" provisions. Private enforcement of health care fraud has increased due in large part to amendments to the False Claims Act that encourage private individuals to sue on behalf of the government. These whistleblower suits by private individuals, known as qui tam actions, may be filed by almost anyone, including present and former patients and nurses and other employees. Prosecutions, investigations or qui tam actions could have a material adverse effect on a facility operator's liquidity, financial condition and results of operations which could adversely affect the ability of the operator to meet its obligations to us. Finally, various state false claim and anti-kickback laws also may apply to each facility operator. Violation of any of the foregoing statutes can result in criminal and/or civil penalties that could have a material adverse effect on the ability of an operator to meet its obligations to us.

The Health Insurance Portability and Accountability Act of 1996, which became effective January 1, 1997, greatly expanded the definition of health care fraud and related offenses and broadened its scope to include private health

care plans in addition to government payors. It also greatly increased funding for the Department of Justice, Federal Bureau of Investigation and the Office of the Inspector General of the Department of Health and Human Services to audit, investigate and prosecute suspected health care fraud.

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Additionally, the administrative simplification provisions of this law provide for communication of health information through standard electronic transaction formats and for the privacy and security of health information. In order to comply with the regulations, health care providers must undergo significant operational and technical changes, and these modifications may represent significant costs for our health care providers. These additional costs may, in turn, adversely affect the ability of our operators to meet their obligations to us.

Finally, government investigation and enforcement of health care laws has increased dramatically over the past several years and is expected to continue. Some of these enforcement actions represent novel legal theories and expansions in the application of false claims laws. For example, there have been a number of complaints filed and settlements entered into by the United States Attorneys Office in the Eastern District of Pennsylvania alleging that the failure to meet certain conditions of participation renders claims for the care false on the theory that inadequate care was provided. The costs for an operator of a health care facility associated with both defending such enforcement actions and the undertakings in settlement agreements can be substantial and could have a material adverse effect on the ability of an operator to meet its obligations to us.

## TAXATION

### FEDERAL INCOME TAX CONSIDERATIONS

The following summary of the taxation of the Company and the material federal tax consequences to the holders of our stock is for general information only and is not tax advice. The tax treatment of our stockholders will depend on a stockholder's particular situation, and this summary only applies to you to the extent that you hold our stock as a capital asset. This discussion does not deal with special tax situations such as those relating to insurance companies, financial institutions or broker-dealers.

This summary does not discuss all of the aspects of U.S. federal income taxation that may be relevant to you in light of your particular investment or other circumstances. In addition, this summary does not discuss any U.S. state or local income or foreign income or other tax consequences. This summary is based on current U.S. federal income tax law. Subsequent developments in U.S. federal income tax law, including changes in law or differing interpretations, which may be applied retroactively, could have a material effect on the U.S. federal income tax consequences of purchasing, owning and disposing of our stock as set forth in this summary. Before you purchase our stock, you should consult your own tax advisor regarding the particular U.S. federal, state, local, foreign and other tax consequences of acquiring, owning and selling our stock.

#### General

We elected to be taxed as a real estate investment trust (or REIT) commencing with our first taxable year. We intend to continue to operate in such a manner as to qualify as a REIT, but there is no guaranty that we will qualify or remain qualified as a REIT for subsequent years. Qualification and taxation as a REIT depends upon our ability to meet a variety of qualification tests imposed under federal income tax law with respect to income, assets, distribution level and diversity of share ownership and discussed below under "-- Qualification as a REIT." There can be no assurance, however, that we will be owned or organized in a manner so as to qualify or remain qualified as a REIT.

In any year in which we qualify as a REIT, in general, we will not be

subject to federal income tax on that portion of our REIT taxable income or capital gain that is distributed to stockholders. We may, however, be subject to tax at normal corporate rates upon any taxable income or capital gain not distributed. If we elect to retain and pay income tax on our net long-term capital gain, stockholders are required to include their proportionate share of our undistributed long-term capital gain in income, but they will receive a refundable credit for their share of any taxes paid by us on such gain.

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Despite the REIT election, we may be subject to federal income and excise tax as follows:

- to the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be subject to tax on the undistributed amount at regular corporate tax rates;
- we may be subject to the "alternative minimum tax" on certain items of tax preference to the extent that tax exceeds our regular tax;
- if we have net income from the sale or other disposition of "foreclosure property" that is held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we will be subject to tax at the highest corporate rate on such income;
- any net income from prohibited transactions (which are, in general, sales or other dispositions of property held primarily for sale to customers in the ordinary course of business, other than dispositions of foreclosure property and dispositions of property due to an involuntary conversion) will be subject to a 100% tax;
- if we fail to satisfy either the 75% or 95% gross income tests (as discussed below), but nonetheless maintain our qualification as a REIT because certain other requirements are met, we will be subject to a 100% tax on an amount equal to (1) the gross income attributable to the greater of the amounts by which we failed the 75% or 95% test, multiplied by (2) a fraction intended to reflect our profitability;
- if we fail to distribute during each year at least the sum of (1) 85% of our REIT ordinary income for such year, (2) 95% of our REIT capital gain net income for such year (other than capital gain that we elect to retain and pay tax on) and (3) any undistributed taxable income from preceding periods, we will be subject to a 4% excise tax on the excess of such required distribution over amounts actually distributed; and
- we will also be subject to a tax of 100% on the amount of any rents from real property, deductions or excess interest paid to us by any of our "taxable REIT subsidiaries" that would be reduced through reapportionment under certain federal income tax principles in order to more clearly reflect income of the taxable REIT subsidiary. See "-- Qualification as a REIT -- Investments in Taxable REIT Subsidiaries."

If we acquire any assets from a corporation which is or has been a "C" corporation in a carryover basis transaction, we could be liable for specified liabilities that are inherited from the "C" corporation. A "C" corporation is generally defined as a corporation that is required to pay full corporate level federal income tax. If we recognize gain on the disposition of such assets during the 10-year period beginning on the date on which such assets were acquired by us, then to the extent of such assets' "built-in gain" (i.e., the excess of the fair market value of such asset over the adjusted tax basis in such asset, in each case determined as of the beginning of the 10-year period), we will be subject to tax on such gain at the highest regular corporate rate applicable. The results described in this paragraph with respect to the recognition of built-in gain assume that the built-in gain assets, at the time such built-in gain assets were subject to a conversion transaction where a "C"

corporation elected REIT status or a REIT acquired such assets from a "C" corporation, were not treated as sold to an unrelated party and that no gain was recognized.

#### Qualification as a REIT

A REIT is defined as a corporation, trust or association:

- (1) which is managed by one or more trustees or directors;
- (2) the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest;
- (3) which would be taxable as a domestic corporation but for the federal income tax law relating to REITs;

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- (4) which is neither a financial institution nor an insurance company;
- (5) the beneficial ownership of which is held by 100 or more persons in each taxable year of the REIT except for its first taxable year;
- (6) not more than 50% in value of the outstanding stock of which is owned during the last half of each taxable year, excluding its first taxable year, directly or indirectly, by or for five or fewer individuals (which includes certain entities) (the "Five or Fewer Requirement"); and
- (7) which meets certain income and asset tests described below.

Conditions (1) to (4), inclusive, must be met during the entire taxable year and condition (5) must be met during at least 335 days of a taxable year of 12 months or during a proportionate part of a taxable year of less than 12 months. For purposes of conditions (5) and (6), pension funds and certain other tax-exempt entities are treated as individuals, subject to a "look-through" exception in the case of condition (6).

Based on publicly available information, we believe we have satisfied the share ownership requirements set forth in (5) and (6) above. In addition, Article VI of our Amended and Restated By-Laws provides for restrictions regarding ownership and transfer of shares. These restrictions are intended to assist us in continuing to satisfy the share ownership requirements described in (5) and (6) above. These restrictions, however, may not ensure that we will, in all cases, be able to satisfy the share ownership requirements described in (5) and (6) above.

We have complied with, and will continue to comply with, regulatory rules to send annual letters to certain of our stockholders requesting information regarding the actual ownership of our stock. If despite sending the annual letters, we do not know, or after exercising reasonable diligence would not have known, whether we failed to meet the Five or Fewer Requirement, we will be treated as having met the Five or Fewer Requirement. If we fail to comply with these regulatory rules, we will be subject to a monetary penalty. If our failure to comply was due to intentional disregard of the requirement, the penalty would be increased. However, if our failure to comply were due to reasonable cause and not willful neglect, no penalty would be imposed.

We may own a number of properties through wholly owned subsidiaries. A corporation will qualify as a "qualified REIT subsidiary" if 100% of its stock is owned by a REIT and the REIT does not elect to treat the subsidiary as a taxable REIT subsidiary. A "qualified REIT subsidiary" will not be treated as a separate corporation, and all assets, liabilities and items of income, deductions and credits of a "qualified REIT subsidiary" will be treated as assets, liabilities and items (as the case may be) of the REIT. A "qualified REIT subsidiary" is not subject to federal income tax, and our ownership of the voting stock of a qualified REIT subsidiary will not violate the restrictions

against ownership of securities of any one issuer which constitute more than 10% of the value or total voting power of such issuer or more than 5% of the value of our total assets, as described below under "-- Asset Tests."

If we invest in a partnership, a limited liability company or a trust taxed as a partnership or as a disregarded entity, we will be deemed to own a proportionate share of the partnership's, limited liability company's or trust's assets. Likewise, we will be treated as receiving our share of the income and loss of the partnership, limited liability company or trust, and the gross income will retain the same character in our hands as it has in the hands of the partnership, limited liability company or trust. These "look-through" rules apply for purposes of the income tests and assets tests described below.

Income Tests. There are two separate percentage tests relating to our sources of gross income that we must satisfy for each taxable year.

- at least 75% of our gross income (excluding gross income from certain sales of property held primarily for sale) must be directly or indirectly derived each taxable year from "rents from real property," other income from investments relating to real property or mortgages on real property or certain income from qualified temporary investments; and

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- at least 95% of our gross income (excluding gross income from certain sales of property held primarily for sale) must be directly or indirectly derived each taxable year from any of the sources qualifying for the 75% test and from dividends (including dividends from taxable REIT subsidiaries), interest, gain from the sale or disposition of stock securities and payments to us under an interest rate swap, cap agreement, option, futures contract, forward rate agreement or any similar financial instrument entered into by us to hedge indebtedness incurred or to be incurred.

Rents received by us will qualify as "rents from real property" for purposes of satisfying the gross income tests for a REIT only if several conditions are met:

- the amount of rent must not be based in whole or in part on the income or profits of any person, although rents generally will not be excluded merely because they are based on a fixed percentage or percentages of receipts or sales;
- rents received from a tenant will not qualify as rents from real property if the REIT, or an owner of 10% or more of the REIT, also directly or constructively owns 10% or more of such tenant, unless the tenant is our taxable REIT subsidiary and certain other requirements are met with respect to the real property being rented;
- if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as "rents from real property;" and
- for rents to qualify as rents from real property, we generally must not furnish or render services to tenants, other than through a taxable REIT subsidiary or an "independent contractor" from whom we derive no income, except that we may directly provide services that are "usually or customarily rendered" in the geographic area in which the property is located in connection with the rental of real property for occupancy only, or are not otherwise considered "rendered to the occupant for his convenience."

For taxable years beginning after August 5, 1997, a REIT has been permitted to render a de minimis amount of impermissible services to tenants and still treat amounts received with respect to that property as rent from real property. The amount received or accrued by the REIT during the taxable year for the

impermissible services with respect to a property may not exceed 1% of all amounts received or accrued by the REIT directly or indirectly from the property. The amount received for any service or management operation for this purpose shall be deemed to be not less than 150% of the direct cost of the REIT in furnishing or rendering the service or providing the management or operation. Furthermore, impermissible services may be furnished to tenants by a taxable REIT subsidiary subject to certain conditions, and we may still treat rents received with respect to the property as rent from real property.

The term "interest" generally does not include any amount if the determination of such amount depends in whole or in part on the income or profits of any person, although an amount generally will not be excluded from the term "interest" solely by reason of being based on a fixed percentage of receipts or sales.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for such year if we are eligible for relief. These relief provisions will be generally available if:

- our failure to meet such tests was due to reasonable cause and not due to willful neglect;
- we attach a schedule of the sources of our income to our return; and
- any incorrect information on the schedule was not due to fraud with intent to evade tax.

It is not now possible to determine the circumstances under which we may be entitled to the benefit of these relief provisions. If these relief provisions apply, a 100% tax is imposed on an amount equal to (a) the gross income attributable to the greater of the amount by which we failed the 75% or 95% test, multiplied by (b) a fraction intended to reflect our profitability.

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Asset Tests. At the close of each quarter of our taxable year, we must also satisfy several tests relating to the nature and diversification of our assets determined in accordance with generally accepted accounting principles. At least 75% of the value of our total assets must be represented by real estate assets, cash, cash items (including receivables arising in the ordinary course of our operation), government securities and qualified temporary investments. Although the remaining 25% of our assets generally may be invested without restriction, we are prohibited from owning securities representing more than 10% of either the vote or value of the outstanding securities of any issuer other than a qualified REIT subsidiary, another REIT or a taxable REIT subsidiary (the "10% vote and value test"). Further, no more than 20% of the total assets may be represented by securities of one or more taxable REIT subsidiaries and no more than 5% of the value of our total assets may be represented by securities of any non-governmental issuer other than a qualified REIT subsidiary, another REIT or a taxable REIT subsidiary. Each of the 10% vote and value test and the 20% and 5% asset tests must be satisfied at the end of any quarter. There are special rules which provide relief if the value related tests are not satisfied due to changes in the value of the assets of a REIT.

Investments in Taxable REIT Subsidiaries. For taxable years beginning after December 31, 2000, REITs may own more than 10% of the voting power and value of securities in taxable REIT subsidiaries. We and any taxable corporate entity in which we own an interest are allowed to jointly elect to treat such entity as a "taxable REIT subsidiary."

Several of our subsidiaries have elected to be treated as taxable REIT subsidiaries. Taxable REIT subsidiaries are subject to full corporate level federal taxation on their earnings but are permitted to engage in certain types of activities which cannot be performed directly by REITs without jeopardizing their REIT status. Our taxable REIT subsidiaries will attempt to minimize the amount of such taxes, but there can be no assurance whether or the extent to which measures taken to minimize taxes will be successful. To the extent our

taxable REIT subsidiaries are required to pay federal, state or local taxes, the cash available for distribution of dividends to us from our taxable REIT subsidiaries will be reduced.

The amount of interest on related-party debt that a taxable REIT subsidiary may deduct is limited. Further, a 100% tax applies to any interest payments by a taxable REIT subsidiary to its affiliated REIT to the extent the interest rate is not commercially reasonable. A taxable REIT subsidiary is permitted to deduct interest payments to unrelated parties without any such restrictions.

The Internal Revenue Service may reallocate costs between a REIT and its taxable REIT subsidiary where there is a lack of arm's length dealing between the parties. Any deductible expenses allocated away from a taxable REIT subsidiary would increase its tax liability. Further, any amount by which a REIT understates its deductions and overstates those of its taxable REIT subsidiary will, subject to certain exceptions, be subject to a 100% tax.

Additional taxable REIT subsidiary elections may be made in the future for additional entities in which we own an interest.

**Annual Distribution Requirements.** In order to avoid being taxed as a regular corporation, we are required to make distributions (other than capital gain distributions) to our stockholders which qualify for the dividends paid deduction in an amount at least equal to (A) the sum of (i) 90% of our "REIT taxable income" (computed without regard to the dividends paid deduction and our net capital gain) and (ii) 90% of the after-tax net income, if any, from foreclosure property, minus (B) a portion of certain items of non-cash income. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for such year and if paid on or before the first regular distribution payment after such declaration. The amount distributed must not be preferential. This means that every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated otherwise than in accordance with its dividend rights as a class. To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be subject to tax on the undistributed amount at regular corporate tax rates. Finally, as discussed above, we may be subject to an excise tax if we fail

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to meet certain other distribution requirements. We intend to make timely distributions sufficient to satisfy these annual distribution requirements.

It is possible that, from time to time, we may not have sufficient cash or other liquid assets to meet the 90% distribution requirement, or to distribute such greater amount as may be necessary to avoid income and excise taxation, due to, among other things, (a) timing differences between (i) the actual receipt of income and actual payment of deductible expenses and (ii) the inclusion of such income and deduction of such expenses in arriving at our taxable income, or (b) the payment of severance benefits that may not be deductible to us. In the event that such timing differences occur, we may find it necessary to arrange for borrowings or, if possible, pay dividends in the form of taxable stock dividends in order to meet the distribution requirement.

Under certain circumstances, in the event of a deficiency determined by the Internal Revenue Service, we may be able to rectify a resulting failure to meet the distribution requirement for a year by paying "deficiency dividends" to stockholders in a later year, which may be included in our deduction for distributions paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency distributions; however, we will be required to pay applicable penalties and interest based upon the amount of any deduction taken for deficiency distributions.

Failure to Qualify as a Real Estate Investment Trust

If we fail to qualify for taxation as a REIT in any taxable year, we will be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we fail to qualify as a REIT will not be deductible nor will any particular amount of distributions be required to be made in any year. All distributions to stockholders will be taxable as ordinary income to the extent of current and accumulated earnings and profits allocable to such distributions and, subject to certain limitations, will be eligible for the dividends received deduction for corporate stockholders. Unless entitled to relief under specific statutory provisions, we also will be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances we would be entitled to such statutory relief. Failure to qualify for even one year could result in our need to incur indebtedness or liquidate investments in order to pay potentially significant resulting tax liabilities.

#### Federal Income Taxation of Stockholders

Treatment of Taxable U.S. Stockholders. The following summary applies to you only if you are a "U.S. stockholder." A "U.S. stockholder" is a stockholder of shares of stock who, for United States federal income tax purposes, is:

- a citizen or resident of the United States;
- a corporation, partnership or other entity created or organized in or under the laws of the United States or of any state thereof or in the District of Columbia, unless, in the case of a partnership, Treasury Regulations provide otherwise;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

So long as we qualify for taxation as a REIT, distributions on shares of our stock made out of the current or accumulated earnings and profits allocable thereto (and not designated as capital gain dividends) will be includable as ordinary income for federal income tax purposes. None of these distributions will be eligible for the dividends received deduction for U.S. corporate stockholders. Distributions that are designated as capital gain dividends will be taxed as long-term capital gains (to the extent they do not exceed our actual net capital

gain for the taxable year), without regard to the period for which you held our stock. However, if you are a corporation, you may be required to treat a portion of some capital gain dividends as ordinary income.

If we elect to retain and pay income tax on any net long-term capital gain, you would include in income, as long-term capital gain, your proportionate share of such net long-term capital gain. You would also receive a refundable tax credit for your proportionate share of the tax paid by us on such retained capital gains and you would have an increase in the basis of your shares of our stock in an amount equal to your includable capital gains less your share of the tax deemed paid.

You may not include in your federal income tax return any of our net operating losses or capital losses. Federal income tax rules may also require that certain minimum tax adjustments and preferences be apportioned to you. In addition, any distribution declared by us in October, November or December of any year on a specified date in any such month shall be treated as both paid by us and received by you on December 31 of such year, provided that the distribution is actually paid by us no later than January 31 of the following year.

We will be treated as having sufficient earnings and profits to treat as a dividend any distribution up to the amount required to be distributed in order to avoid imposition of the 4% excise tax discussed under "-- General" and "-- Qualification as a REIT -- Annual Distribution Requirements" above. As a result, you may be required to treat as taxable dividends certain distributions that would otherwise result in a tax-free return of capital. Moreover, any "deficiency dividend" will be treated as a dividend (an ordinary dividend or a capital gain dividend, as the case may be), regardless of our earnings and profits. Any other distributions in excess of current or accumulated earnings and profits will not be taxable to you to the extent such distributions do not exceed the adjusted tax basis of your shares of our stock. You will be required to reduce the tax basis of your shares of our stock by the amount of such distributions until such basis has been reduced to zero, after which such distributions will be taxable as capital gain, if the shares of our stock are held as a capital asset. The tax basis as so reduced will be used in computing the capital gain or loss, if any, realized upon sale of the shares of our stock. Any loss upon a sale or exchange of shares of our stock which were held for six months or less (after application of certain holding period rules) will generally be treated as a long-term capital loss to the extent you previously received capital gain distributions with respect to such shares of our stock.

Upon the sale or exchange of any shares of our stock to or with a person other than us or a sale or exchange of all shares of our stock (whether actually or constructively owned) with us, you will generally recognize capital gain or loss equal to the difference between the amount realized on such sale or exchange and your adjusted tax basis in such shares of our stock. Such gain will be capital gain if you held such shares of our stock as a capital asset.

Gain from the sale or exchange of our shares held for more than one year is taxed at a maximum long-term capital gain rate, which is currently 15%. Pursuant to Internal Revenue Service guidance, we may classify portions of our capital gain dividends as gains eligible for the long-term capital gains rate or as gain taxable to individual stockholders at a maximum rate of 25%.

Treatment of Tax-Exempt U.S. Stockholders. Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts ("Exempt Organizations"), generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income ("UBTI"). The Internal Revenue Service has issued a published revenue ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute UBTI, provided that the shares of the REIT are not otherwise used in an unrelated trade or business of the exempt employee pension trust. Based on this ruling, amounts distributed by us to Exempt Organizations generally should not constitute UBTI. However, if an Exempt Organization finances its acquisition of the shares of our stock with debt, a portion of its income from us will constitute UBTI pursuant to the "debt financed property" rules. Likewise, a portion of its income from us would constitute UBTI if we held a residual interest in a real estate mortgage investment conduit.

In addition, in certain circumstances, a pension trust that owns more than 10% of our stock is required to treat a percentage of our dividends as UBTI. This rule applies to a pension trust holding more than 10% of our

stock only if (i) the percentage of our income that is UBTI (determined as if we were a pension trust) is at least 5%, (ii) we qualify as a REIT by reason of the modification of the Five or Fewer Requirement that allows beneficiaries of the pension trust to be treated as holding shares in proportion to their actuarial interests in the pension trust, and (iii) either (a) one pension trust owns more than 25% of the value of our stock or (b) a group of pension trusts individually holding more than 10% of the value of our stock collectively own more than 50% of the value of our stock.

Backup Withholding and Information Reporting. Under certain circumstances,

you may be subject to backup withholding at applicable rates on payments made with respect to, or cash proceeds of a sale or exchange of, shares of our stock. Backup withholding will apply only if you:

- fail to furnish the person required to withhold with your taxpayer identification number ("TIN");
- furnish an incorrect TIN;
- are notified by the Internal Revenue Service that you have failed to properly report payments of interest and dividends; or
- under certain circumstances, fail to certify, under penalty or perjury, that you have furnished a correct TIN and have not been notified by the Internal Revenue Service that you are subject to backup withholding for failure to report interest and dividend payments.

Backup withholding will not apply with respect to payments made to certain exempt recipients, such as corporations and tax-exempt organizations. You should consult with a tax advisor regarding qualification for exemption from backup withholding, and the procedure for obtaining such exemption. Backup withholding is not an additional tax. Rather, the amount of any backup withholding with respect to payment to a stockholder will be allowed as a credit against such stockholder's United States federal income tax liability and may entitle such stockholder to a refund, provided that the required information is provided to the Internal Revenue Service. In addition, withholding a portion of capital gain distributions made to stockholders may be required for stockholders who fail to certify their non-foreign status.

Taxation of Foreign Stockholders. The following summary applies to you only if you are a foreign person. The federal taxation of foreign persons is a highly complex matter that may be affected by many considerations.

Distributions to you of cash generated by our real estate operations, but not by the sale or exchange of our capital assets, generally will be subject to U.S. withholding tax at a rate of 30%, unless an applicable tax treaty reduces that tax and you file with us the required form evidencing such lower rate.

In general, you will be subject to United States federal income tax on a graduated rate basis rather than withholding with respect to your investment in our stock if such investment is "effectively connected" with your conduct of a trade or business in the United States. A corporate foreign stockholder that receives income that is, or is treated as, effectively connected with a United States trade or business may also be subject to the branch profits tax, which is payable in addition to regular United States corporate income tax. The following discussion will apply to foreign stockholders whose investment in us is not so effectively connected. We expect to withhold United States income tax, as described below, on the gross amount of any distributions paid to you unless (i) you file an Internal Revenue Service Form W-8ECI with us claiming that the distribution is "effectively connected" or (ii) certain other exceptions apply.

Distributions by us that are attributable to gain from the sale or exchange of a United States real property interest will be taxed to you under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA") as if such distributions were gains "effectively connected" with a United States trade or business. Accordingly, you will be taxed at the normal capital gain rates applicable to a U.S. stockholder on such amounts, subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals. Distributions subject to FIRPTA may also be subject to a branch profits tax in the hands of a corporate foreign stockholder that is not entitled to treaty exemption.

We will be required to withhold from distributions subject to FIRPTA, and remit to the Internal Revenue Service, 35% of designated capital gain dividends, or, if greater, 35% of the amount of any distributions that could be designated

as capital gain dividends. In addition, if we designate prior distributions as capital gain dividends, subsequent distributions, up to the amount of such prior distributions not withheld against, will be treated as capital gain dividends for purposes of withholding.

Unless our shares constitute a "United States real property interest" within the meaning of FIRPTA or are effectively connected with a U.S. trade or business, a sale of such shares by you generally will not be subject to United States taxation. Our shares will not constitute a United States real property interest if we qualify as a "domestically controlled REIT." We do, and expect to continue to, qualify as a domestically controlled REIT. A domestically controlled REIT is a REIT in which at all times during a specified testing period less than 50% in value of its shares is held directly or indirectly by foreign stockholders. However, if you are a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions apply, you will be subject to a 30% tax on such capital gains. In any event, a purchaser of our shares from you will not be required under FIRPTA to withhold on the purchase price if the purchased shares are "regularly traded" on an established securities market or if we are a domestically controlled REIT. Otherwise, under FIRPTA, the purchaser may be required to withhold 10% of the purchase price and remit such amount to the Internal Revenue Service.

Backup withholding tax and information reporting will generally not apply to distributions paid to you outside the United States that are treated as (i) dividends to which the 30% or lower treaty rate withholding tax discussed above applies; (ii) capital gains dividends; or (iii) distributions attributable to gain from the sale or exchange by us of U.S. real property interests. Payment of the proceeds of a sale of stock within the United States or conducted through certain U.S. related financial intermediaries is subject to both backup withholding and information reporting unless the beneficial owner certifies under penalties of perjury that he or she is not a U.S. person (and the payor does not have actual knowledge that the beneficial owner is a U.S. person) or the stockholder otherwise established an exemption. You may obtain a refund of any amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service.

#### Potential Legislation or Other Actions Affecting Tax Consequences

Current and prospective stockholders should recognize that the present federal income tax treatment of an investment in us may be modified by legislative, judicial or administrative action at any time and that any such action may affect investments and commitments previously made. The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the Treasury Department, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. Revisions in federal tax laws and interpretations of these laws could adversely affect the tax consequences of an investment in us. Current and prospective investors should also consult their own tax advisors regarding the effect of state, local and foreign tax laws on an investment in us.

#### INTERNET ACCESS TO OUR SEC FILINGS

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as well as our proxy statements and other materials that are filed with, or furnished to, the Securities and Exchange Commission are made available, free of charge, on our Internet Web site at [www.hcreit.com](http://www.hcreit.com), as soon as reasonably practicable after they are filed with, or furnished to, the Securities and Exchange Commission.

#### SUBSIDIARIES AND AFFILIATES

We have formed subsidiaries in connection with our real estate transactions. As of March 11, 2004, our wholly-owned subsidiaries consisted of

the following entities:

NAME OF SUBSIDIARY	STATE OF ORGANIZATION AND TYPE OF ENTITY	DATE OF ORGANIZATION
HCRI Pennsylvania Properties, Inc.	Pennsylvania corporation	November 1, 1993
HCRI Overlook Green, Inc.	Pennsylvania corporation	July 9, 1996
HCRI Texas Properties, Inc.	Delaware corporation	December 27, 1996
HCRI Texas Properties, Ltd.	Texas limited partnership	December 30, 1996
HCRI Friendship, LLC	Virginia limited liability company	February 21, 1997
HCRI St. Charles, LLC	Virginia limited liability company	February 21, 1997
HCRI Satyr Hill, LLC	Virginia limited liability company	November 24, 1997
Health Care REIT International, Inc.	Delaware corporation	February 11, 1998
HCN Atlantic GP, Inc.	Delaware corporation	February 20, 1998
HCN Atlantic LP, Inc.	Delaware corporation	February 20, 1998
HCRI Nevada Properties, Inc.	Nevada corporation	March 27, 1998
HCRI Southern Investments I, Inc.	Delaware corporation	June 11, 1998
HCRI Louisiana Properties, L.P.	Delaware limited partnership	June 11, 1998
HCN BCC Holdings, Inc.	Delaware corporation	September 25, 1998
HCRI Tennessee Properties, Inc.	Delaware corporation	September 25, 1998
HCRI Limited Holdings, Inc.	Delaware corporation	September 25, 1998
Pennsylvania BCC Properties, Inc.	Pennsylvania corporation	September 25, 1998
HCRI North Carolina Properties, LLC	Delaware limited liability company	December 10, 1999
HCRI Massachusetts Properties, Inc.	Delaware corporation	March 17, 2000
HCRI Massachusetts Properties Trust	Massachusetts trust	March 30, 2000
HCRI Indiana Properties, Inc.	Delaware corporation	June 15, 2000
HCRI Indiana Properties, LLC	Indiana limited liability company	June 16, 2000
HCRI Holdings Trust	Massachusetts trust	September 9, 2000
HCRI Maryland Properties, LLC	Maryland limited liability company	July 19, 2001
HCRI Massachusetts Properties Trust II	Massachusetts trust	September 26, 2001
HCRI Beachwood, Inc.	Ohio corporation	October 11, 2001
HCRI Broadview, Inc.	Ohio corporation	October 11, 2001
HCRI Westlake, Inc.	Ohio corporation	October 11, 2001
HCRI Westmoreland, Inc.	Delaware corporation	October 16, 2001
HCRI Wisconsin Properties, LLC	Wisconsin limited liability company	December 11, 2001
HCRI North Carolina Properties I, Inc.	North Carolina corporation	January 1, 2002
HCRI North Carolina Properties II, Inc.	North Carolina corporation	January 1, 2002
HCRI North Carolina Properties III, Limited Partnership	North Carolina limited partnership	January 1, 2002
HCRI Kentucky Properties, LLC	Kentucky limited liability company	January 7, 2002
HCRI Laurel, LLC	Maryland limited liability company	January 17, 2002
HCRI Mississippi Properties, Inc.	Mississippi corporation	March 28, 2002
HCRI Illinois Properties, LLC	Delaware limited liability company	August 21, 2002
HCRI Missouri Properties, LLC	Delaware limited liability company	August 21, 2002
HCRI Surgical Properties, LLC	Ohio limited liability company	September 30, 2002
HCRI Tucson Properties, Inc.	Delaware corporation	November 14, 2002
HCRI Stonecreek Properties, LLC	Delaware limited liability company	June 25, 2003
HCRI Cold Spring Properties, LLC	Delaware limited liability company	June 25, 2003
HCRI Eddy Pond Properties Trust	Massachusetts trust	June 26, 2003

NAME OF SUBSIDIARY	STATE OF ORGANIZATION AND TYPE OF ENTITY	DATE OF ORGANIZATION
HCRI Investments, Inc.	Delaware corporation	July 30, 2003
HCRI Forest City Holdings, Inc.	North Carolina corporation	August 19, 2003
HCRI Asheboro Holdings, Inc.	North Carolina corporation	August 19, 2003
HCRI Smithfield Holdings, Inc.	North Carolina corporation	August 19, 2003
HCRI Greenville Holdings, Inc.	North Carolina corporation	August 19, 2003
HCRI Forest City Properties, LP	North Carolina limited partnership	August 19, 2003
HCRI Asheboro Properties, LP	North Carolina limited partnership	August 19, 2003
HCRI Smithfield Properties, LP	North Carolina limited partnership	August 19, 2003
HCRI Greenville Properties, LP	North Carolina limited partnership	August 19, 2003
HCRI Kirkland Properties, LLC	Delaware limited liability company	August 22, 2003
HCRI Ridgeland Pointe Properties, LLC	Delaware limited liability company	August 22, 2003
HCRI Drum Hill Properties, LLC	Delaware limited liability company	August 22, 2003
HCRI Fairmont Properties, LLC	Delaware limited liability company	August 22, 2003
HCRI Abingdon Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Gaston Place Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Gaston Manor Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Eden Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Weddington Park Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Union Park Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Concord Place Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Salisbury Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Burlington Manor Holdings, Inc.	North Carolina corporation	September 10, 2003

HCRI Skeet Club Manor Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI High Point Manor Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Hickory Manor Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Statesville Place Holdings I, Inc.	North Carolina corporation	September 10, 2003
HCRI Statesville Place Holdings II, Inc.	North Carolina corporation	September 10, 2003
HCRI Abingdon Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Gaston Place Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Gaston Manor Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Eden Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Weddington Park Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Union Park Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Concord Place Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Salisbury Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Burlington Manor Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Skeet Club Manor Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI High Point Manor Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Hickory Manor Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Statesville Place Properties I, LP	North Carolina limited partnership	September 10, 2003
HCRI Statesville Place Properties II, LP	North Carolina limited partnership	September 10, 2003
HCRI Chicago Properties, Inc.	Delaware corporation	November 18, 2003

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ITEM 2. PROPERTIES

Our headquarters are currently located at One SeaGate, Suite 1500, Toledo, Ohio 43604. The following table sets forth certain information regarding the facilities that comprise our investments as of December 31, 2003:

FACILITY LOCATION	NUMBER OF FACILITIES	NUMBER OF BEDS/UNITS	(IN THOUSANDS)	
			TOTAL INVESTMENT (1)	ANNUALIZED INCOME (2)
ASSISTED LIVING FACILITIES:				
Arizona.....	6	623	\$ 47,949	\$ 3,878
California.....	8	550	64,687	8,175
Colorado.....	1	46	4,477	587
Connecticut.....	5	474	49,696	5,716
Florida.....	20	1,570	102,387	12,440
Georgia.....	6	402	41,311	4,617
Idaho.....	4	488	33,131	3,983
Illinois.....	2	248	11,666	1,026
Indiana.....	14	799	60,739	7,285
Kentucky.....	1	80	9,194	1,099
Louisiana.....	1	124	12,906	1,865
Maryland.....	7	593	67,720	8,097
Massachusetts.....	5	388	57,585	7,160
Mississippi.....	2	158	15,133	1,823
Montana.....	2	104	9,700	1,068
Nevada.....	3	274	28,428	3,668
New Jersey.....	3	176	18,644	2,278
New Mexico.....	1	77	4,404	416
New York.....	4	232	28,134	3,522
North Carolina.....	44	2,113	205,511	20,093
Ohio.....	8	563	37,073	4,793
Oklahoma.....	16	549	21,230	3,234
Oregon.....	4	168	17,589	2,376
Pennsylvania.....	4	235	18,484	2,248
South Carolina.....	10	661	49,122	5,255
Tennessee.....	6	306	18,434	2,431
Texas.....	19	1,396	83,956	10,261
Utah.....	1	57	7,502	964
Virginia.....	5	289	31,513	3,600
Washington.....	6	422	33,929	4,092
Wisconsin.....	1	28	4,216	556
Total Assisted Living Facilities.....	219	14,193	1,196,450	138,606

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(IN THOUSANDS)

FACILITY LOCATION	NUMBER OF FACILITIES	NUMBER OF BEDS/UNITS	TOTAL INVESTMENT (1)	ANNUALIZED INCOME (2)
vSKILLED NURSING FACILITIES:				
Alabama.....	7	1,091	\$ 41,684	\$ 4,789
Arizona.....	1	163	3,426	474
California.....	1	122	4,356	654
Colorado.....	1	180	5,318	731
Florida.....	11	1,240	71,215	9,063
Georgia.....	2	375	11,909	1,368
Idaho.....	3	393	19,186	2,582
Illinois.....	4	406	23,141	2,611
Kentucky.....	4	591	23,924	2,914
Maryland.....	1	110	4,279	524
Massachusetts.....	15	2,121	139,338	18,714
Mississippi.....	8	1,127	31,760	3,669
Missouri.....	3	407	24,810	2,796
Ohio.....	5	911	61,878	6,929
Oklahoma.....	2	575	17,366	2,222
Oregon.....	1	111	4,680	639
Pennsylvania.....	5	556	23,473	3,384
Tennessee.....	15	2,122	93,284	11,573
Texas.....	10	1,339	34,385	4,046
Virginia.....	2	316	8,942	1,194
Total Skilled Nursing Facilities.....	101	14,256	648,354	80,876
SPECIALTY CARE FACILITIES:				
California.....	1	242	18,797	2,412
Florida.....	1	100	5,334	457
Illinois.....	1	72	31,683	4,343
Massachusetts.....	4	735	72,506	8,555
Ohio.....	1	55	30,342	3,902
Total Specialty Care Facilities.....	8	1,204	158,662	19,669
TOTAL ALL FACILITIES.....	328	29,653	\$2,003,466	\$239,151

(1) Investments include real estate investments and credit enhancements which amounted to \$2,000,271,000 and \$3,195,000, respectively.

(2) Reflects contract rate of annual straight-line rent or interest recognized.

### ITEM 3. LEGAL PROCEEDINGS

On November 20, 2002, Doctors Community Health Care Corporation and five subsidiaries ("Doctors") filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the District of Columbia. Doctors stated that its bankruptcy filing was due to the bankruptcy of National Century Financial Enterprises and affiliates, which halted payments to health care providers, including Doctors. We have provided mortgage financing to Doctors in the form of a loan secured by the Pacifica Hospital of the Valley in Sun Valley, CA, and the other assets of the Pacifica of the Valley Corporation, one of the debtor subsidiaries. The outstanding principal balance of the loan was approximately \$18,797,000 on December 31, 2003.

Pursuant to procedures approved by the bankruptcy court, the assets of Doctors were the subject of an auction held on December 10 through December 16, 2003. At the conclusion of that auction, the debtors' independent director declared certain members of Doctors' management the winning bidder. Their bid contemplates a reorganization of Doctors and its subsidiaries with new equity and debt capitalization. The results of this auction are subject to bankruptcy court approval, which the debtors have stated they intend to seek in connection with a hearing on the confirmation of the debtors' proposed plan of reorganization. Doctors anticipates that this hearing should occur in March or April 2004. Doctors did not make an interest payment for the twelve months ended December 31, 2003. We will not recognize any interest on the loan until payment

is received.

Alterra Healthcare Corporation ("Alterra") filed for Chapter 11 bankruptcy protection on January 23, 2003 in the United States Bankruptcy Court for the District of Delaware. We have a master lease with Alterra for 45 assisted living facilities with a depreciated book value of \$103,293,000 at December 31, 2003. A joint venture between Fortress Investment Group LLC and Emeritus Corporation was the winning bidder at a bankruptcy auction held on July 17, 2003. The bankruptcy court confirmed Alterra's plan of reorganization on November 26, 2003. In connection with confirmation of Alterra's plan, our master lease was assumed and the acquisition of Alterra by the Fortress-Emeritus joint venture was approved. This transaction has closed. Alterra remained current on rental payments throughout the bankruptcy process.

From time to time, there are other various legal proceedings pending to which we are a party or to which some of our properties are subject arising in the normal course of business. We do not believe that the ultimate resolution of these proceedings will have a material adverse effect on our consolidated financial position or results of operations.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

### PART II

#### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER REPURCHASES OF EQUITY SECURITIES

The following table sets forth, for the periods indicated, the high and low prices of our common stock on the New York Stock Exchange, as reported on the Composite Tape and dividends paid per share. There were 5,592 stockholders of record as of March 11, 2004.

	SALES PRICE		DIVIDENDS PAID
	HIGH	LOW	
2003			
First Quarter.....	\$27.92	\$24.84	\$0.585
Second Quarter.....	30.73	26.10	0.585
Third Quarter.....	31.82	29.25	0.585
Fourth Quarter.....	36.10	30.68	0.585
2002			
First Quarter.....	\$28.30	\$24.08	\$0.585
Second Quarter.....	31.82	27.41	0.585
Third Quarter.....	29.94	24.26	0.585
Fourth Quarter.....	28.65	24.27	0.585

Our Board of Directors approved a new quarterly dividend rate of \$0.60 per share of common stock per quarter, commencing with the May 2004 dividend. Our dividend policy is reviewed annually by the Board of Directors. The declaration and payment of quarterly dividends remains subject to the review and approval of the Board of Directors.

#### ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data for the five years ended December 31, 2003, are derived from our audited consolidated financial statements (in thousands, except per share data).

YEAR ENDED DECEMBER 31

	1999	2000	2001	2002	2003
<b>OPERATING DATA</b>					
Revenues(1) .....	\$ 115,989	\$ 121,513	\$ 121,061	\$ 154,928	\$ 201,031
Expenses:					
Interest expense(1).....	23,343	30,756	28,410	39,432	54,144
Provision for depreciation(1).....	13,869	18,263	25,805	36,384	51,078
Other operating expenses(2)....	8,868	9,570	10,853	13,038	17,274
Impairment of assets.....				2,298	2,792
Loss on extinguishment of debt(3).....			213	403	
Loss on investment.....		2,000			
Total expenses.....	46,080	60,589	65,281	91,555	125,288
Income from continuing operations.....	69,909	60,924	55,780	63,373	75,743
Income from discontinued operations, net(1).....	5,729	7,132	4,769	4,286	6,997
Net income.....	75,638	68,056	60,549	67,659	82,740
Preferred stock dividends.....	12,814	13,490	13,505	12,468	9,218
Preferred stock redemption charge.....					2,790
Net income available to common stockholders.....	\$ 62,824	\$ 54,566	\$ 47,044	\$ 55,191	\$ 70,732
<b>OTHER DATA</b>					
Average number of common shares outstanding:					
Basic.....	28,128	28,418	30,534	36,702	43,572
Diluted.....	28,384	28,643	31,027	37,301	44,201
<b>PER SHARE DATA</b>					
Basic:					
Income from continuing operations available to common stockholders.....	\$ 2.03	\$ 1.67	\$ 1.38	\$ 1.38	\$ 1.46
Discontinued operations, net.....	0.20	0.25	0.16	0.12	0.16
Net income available to common stockholders.....	2.23	1.92	1.54	1.50	1.62
Diluted:					
Income from continuing operations available to common stockholders.....	\$ 2.01	\$ 1.66	\$ 1.37	\$ 1.37	\$ 1.44
Discontinued operations, net.....	0.20	0.25	0.15	0.11	0.16
Net income available to common stockholders.....	2.21	1.91	1.52	1.48	1.60
Cash distributions per common share.....	\$ 2.27	\$ 2.335	\$ 2.34	\$ 2.34	\$ 2.34

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YEAR ENDED DECEMBER 31

	1999	2000	2001	2002	2003
<b>BALANCE SHEET DATA</b>					
Net real estate investments.....	\$1,241,722	\$1,121,419	\$1,213,564	\$1,524,457	\$1,992,446
Total assets.....	1,271,171	1,156,904	1,269,843	1,594,110	2,182,731
Total debt.....	538,842	439,752	491,216	676,331	1,013,184
Total liabilities.....	564,175	458,297	511,973	696,878	1,033,052
Total stockholders' equity.....	706,996	698,607	757,870	897,232	1,149,679

(1) In accordance with FASB Statement No. 144, we have reclassified the income and expenses attributable to the properties sold subsequent to January 1, 2002 to discontinued operations. See Note 16 to our audited consolidated

financial statements.

- (2) Other operating expenses include loan expense, provision for loan losses and general and administrative expenses.
- (3) Effective January 1, 2003, in accordance with FASB Statement No. 145, we reclassified the losses on extinguishments of debt in 2001 and 2002 to income from continuing operations rather than as extraordinary items as previously required under FASB Statement No. 4.

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## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### EXECUTIVE SUMMARY

Health Care REIT, Inc. is a self-administered, equity REIT that invests in health care facilities, primarily skilled nursing and assisted living facilities. We also invest in specialty care facilities. As of December 31, 2003, long-term care facilities, which include skilled nursing and assisted living facilities, comprised approximately 92% of our investment portfolio. Founded in 1970, we were the first REIT to invest exclusively in health care facilities.

As of December 31, 2003, we had \$2,003,466,000 of net real estate investments, inclusive of credit enhancements, in 328 facilities located in 33 states and managed by 47 different operators. At that date, the portfolio included 219 assisted living facilities, 101 skilled nursing facilities and eight specialty care facilities.

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 from annual increases in rental and interest income and portfolio growth. To meet these objectives, we invest primarily in long-term care facilities managed by experienced operators and diversify our investment portfolio by operator and geographic location.

Depending upon the availability and cost of external capital, we anticipate making additional investments in health care related facilities. New investments are generally funded from temporary borrowings under our lines of credit arrangements, internally generated cash and the proceeds derived from asset sales. Permanent financing for future investments, which replaces funds drawn under the 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 and dividend requirements and finance future investments.

### LIQUIDITY AND CAPITAL RESOURCES

On July 23, 2003, Moody's Investors Service upgraded its rating on our senior unsecured notes from Bal to Baa3. The credit strengths noted by Moody's included moderate financial leverage, negligible secured debt, strong portfolio management and underwriting skills and improved portfolio fundamentals in our skilled nursing and assisted living facilities.

In August and September 2003, we solicited the consents of registered holders of our senior unsecured notes to the adoption of certain amendments to the Indenture, dated as of April 17, 1997 (as amended and supplemented) (the "1997 Indenture"), with Fifth Third Bank, as trustee (the "Trustee"), and the Indenture, dated as of September 6, 2002 (as amended and supplemented) (the "2002 Indenture"), with the Trustee. After receiving the requisite number of consents, we entered into Supplemental Indenture No. 5 to the 1997 Indenture with the Trustee and Supplemental Indenture No. 2 to the 2002 Indenture with the Trustee. As amended, the supplemental indentures modify the indentures to require us to (a) limit the use of secured debt to 40% of undepreciated assets,

(b) limit total debt to 60% of undepreciated total assets, and (c) maintain total unencumbered assets at 150% of total secured debt. These amendments to all of our then outstanding \$615,000,000 of senior unsecured notes are intended to modernize the covenant package and make it consistent with other investment-grade REITs. The \$250,000,000 in senior unsecured notes issued in November 2003 have the same covenant package.

The following table summarizes our capital activity during the year ended December 31, 2003 (in thousands):

DATE	SECURITY	TYPE	GROSS PROCEEDS	NET PROCEEDS
----	-----	-----	-----	-----
March 2003.....	Senior unsecured notes	Public issuance	\$104,036	\$103,286
July 2003.....	Common stock	Private placement	48,000	48,000
July 2003.....	Preferred stock	Public issuance	100,000	96,850
September 2003.....	Common stock	Public issuance	111,320	105,763
September 2003.....	Preferred stock	Private placement	26,500	26,500
November 2003...	Senior unsecured notes	Public issuance	250,000	248,163
Various.....	Common stock	DRIP	68,860	68,860
Totals.....			\$708,716	\$697,422
			=====	=====

During the year ended December 31, 2003, the holder of our Series C Cumulative Convertible Preferred Stock converted 2,100,000 shares into 2,049,000 shares of common stock. At December 31, 2003, all of the shares of Series C Cumulative Convertible Preferred Stock had been converted into common stock.

In July 2003, we instituted our enhanced dividend reinvestment and stock purchase plan ("DRIP"). Existing stockholders, in addition to reinvesting dividends, may now purchase up to \$5,000 of common stock per month at a discount. Investors who are not stockholders of the Company may now make an initial investment in the Company through the DRIP with a minimum of a \$1,000 purchase. In some instances, we may permit investments in excess of \$5,000 per month if we approve a request for a waiver. During the year ended December 31, 2003, we issued 1,452,000 shares of common stock under the standard provisions of our DRIP, which generated net proceeds of approximately \$43,615,000. Additionally, we issued 825,000 shares of common stock under our DRIP waiver program, which generated net proceeds of approximately \$25,245,000. As of December 11, 2003 we had an effective registration statement on file with the Securities and Exchange Commission under which we may issue up to 6,314,213 shares of common stock pursuant to the DRIP. As of March 11, 2004, 5,735,402 shares of common stock remained available for issuance under this registration statement.

On July 9, 2003, we closed a public offering of 4,000,000 shares of 7.875% Series D Cumulative Redeemable Preferred Stock, which generated net proceeds of approximately \$96,850,000. The shares have a liquidation value of \$25.00 per share. The preferred stock, which has no stated maturity, may be redeemed by us at par on or after July 9, 2008. A portion of the proceeds from this offering were used to redeem all 3,000,000 shares of our 8.875% Series B Cumulative Redeemable Preferred Stock on July 15, 2003, at a redemption price of \$25.00 per share plus accrued and unpaid dividends.

On September 29, 2003, we issued 1,060,000 shares of 6% Series E Cumulative Convertible and Redeemable Preferred Stock as partial consideration for an acquisition of assets by the Company, with the shares valued at \$26,500,000 for

such purposes. The shares were issued to Southern Assisted Living, Inc. and certain of its stockholders without registration in reliance upon the federal statutory exemption of Section 4(2) of the Securities Act of 1933, as amended. The shares have a liquidation value of \$25.00 per share. The preferred stock, which has no stated maturity, may be redeemed by us at par on or after August 15, 2008. The preferred shares are convertible into common stock at a conversion price of \$32.66 per share at any time. During the year ended December 31, 2003, certain holders of our Series E Cumulative Convertible and Redeemable Preferred Stock converted 229,600 shares into 175,700 shares of common stock. At December 31, 2003, we had 830,400 shares of Series E Cumulative Convertible and Redeemable Preferred Stock outstanding.

During 2003, we invested \$378,342,000 in real property, provided permanent mortgage and loan financings of \$78,245,000, made construction advances of \$32,071,000 and funded \$27,410,000 of subdebt investments. As of December 31, 2003, we had approximately \$15,501,000 in unfunded construction commitments. Also during 2003, we sold real property generating \$65,455,000 of net proceeds and collected

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\$55,847,000 and \$1,234,000 as repayment of principal on loans receivable and subdebt investments, respectively.

As of December 31, 2003, we had stockholders' equity of \$1,149,679,000 and a total outstanding debt balance of \$1,013,184,000, which represents a debt to total capitalization ratio of 0.47 to 1.0.

In May 2003, we announced the amendment and extension of our primary unsecured revolving line of credit. The line of credit was expanded to \$225,000,000, expires in May 2006 (with the ability to extend for one year at our discretion if we are in compliance with all covenants) and currently bears interest at the lender's prime rate or LIBOR plus 1.3%, at our option. In August 2003, we further amended the line of credit to modify certain financial covenants that will enhance our financial flexibility and align our covenant package with other investment grade REITs. Finally, in December 2003 and January 2004, we expanded this line of credit to \$310,000,000.

Also in May 2003, we repaid our \$4,000,000 secured note and terminated the corresponding agreement. At the same time, we increased our \$25,000,000 unsecured line of credit to \$30,000,000. This line of credit bears interest at the lender's prime rate or 2.0% plus LIBOR, at our option, and expires in May 2004. Also, at December 31, 2003, we had a secured line of credit in the amount of \$60,000,000 bearing interest at the lender's prime rate or LIBOR plus 2.0%, at our option, with a floor of 7.0% that expired in February 2004. We do not intend to replace this secured facility. At December 31, 2003, we had no borrowings outstanding under the unsecured or secured lines of credit arrangements.

As of March 11, 2004, we had an effective shelf registration on file with the Securities and Exchange Commission under which we may issue up to \$581,794,619 of securities including debt securities, common and preferred stock and warrants. Depending upon market conditions, we anticipate issuing securities under our shelf registration to invest in additional health care facilities and to repay borrowings under our lines of credit arrangements.

#### OFF-BALANCE SHEET ARRANGEMENTS

We have guaranteed the payment of industrial revenue bonds for one assisted living facility in the event that the present owner defaults upon its obligations. In consideration for this guaranty, we receive and recognize fees annually related to this arrangement. This guaranty expires upon the repayment of the industrial revenue bonds which currently mature in 2009. At December 31, 2003, we were contingently liable for \$3,195,000 under this guaranty.

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CONTRACTUAL OBLIGATIONS

The following table summarizes our payment requirements under contractual obligations as of December 31, 2003 (in thousands):

CONTRACTUAL OBLIGATIONS	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Unsecured lines of credit obligations(1).....	\$ 340,000	\$ 30,000	\$310,000	\$ 0	\$ 0
Secured line of credit obligation(1).....	60,000	60,000			
Senior unsecured notes.....	865,000	40,000	50,000	275,000	500,000
Secured debt.....	148,184	5,828	5,225	24,588	112,543
Contractual interest obligations.....	488,016	68,938	132,091	106,891	180,096
Capital lease obligations.....					
Operating lease obligations.....	10,758	1,373	2,236	1,178	5,971
Purchase obligations.....	77,944	17,730	45,412	6,000	8,802
Other long-term liabilities.....					
Total contractual obligations.....	\$1,989,902	\$223,869	\$544,964	\$413,657	\$807,412

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

We have an unsecured credit arrangement with a consortium of eight banks providing for a revolving line of credit ("revolving credit") in the amount of \$310,000,000, which expires on May 15, 2006. The agreement specifies that borrowings under the revolving credit are subject to interest payable in periods no longer than three months on either the agent bank's prime rate of interest or 1.3% over LIBOR interest rate, at our option (2.43% at December 31, 2003). In addition, we pay a commitment fee based on an annual rate of 0.325% and an annual agent's fee of \$50,000. Principal is due upon expiration of the agreement. We have another unsecured line of credit arrangement with a bank for a total of \$30,000,000, which expires May 31, 2004. Borrowings under this line of credit are subject to interest at either the bank's prime rate of interest or 2.00% over LIBOR interest rate, at our option (4.00% at December 31, 2003) and are due on demand. We had a \$60,000,000 secured line of credit with interest at the lender's prime rate or 2.0% over LIBOR, at our option, with a floor of 7.0% (7.0% at December 31, 2003) that expired in February 2004. We do not intend to replace this secured facility. At December 31, 2003, we had no borrowings outstanding under the unsecured or secured lines of credit arrangements. As such, we had no contractual interest obligations related to unsecured or secured lines of credit at December 31, 2003.

We have \$865,000,000 of senior unsecured notes with fixed annual interest rates ranging from 6.00% to 8.17%, payable semi-annually. Contractual interest obligations on senior unsecured notes totaled \$428,644,000 at December 31, 2003. Additionally, we have 30 mortgage loans totaling \$148,184,000, collateralized by health care facilities, with fixed annual interest rates ranging from 6.18% to 12.00%, payable monthly. The carrying values of the health care properties securing the mortgage loans totaled \$219,575,000 at December 31, 2003. Contractual interest obligations on mortgage loans totaled \$59,372,000 at December 31, 2003.

At December 31, 2003, we had operating lease obligations of \$10,758,000 relating to Company office space and six assisted living facilities.

Purchase obligations are comprised of unfunded construction commitments and contingent purchase obligations. At December 31, 2003, we had outstanding construction financings of \$14,865,000 (\$14,701,000 for leased properties and \$164,000 for construction loans) and were committed to providing additional financing of approximately \$15,501,000 to complete construction. At December 31, 2003, we had contingent purchase obligations totaling \$62,443,000. These contingent purchase obligations primarily relate to deferred acquisition fundings. Deferred acquisition fundings are contingent upon an operator satisfying certain

conditions such as payment coverage and value tests. Rents due from the tenant are increased to reflect the additional investment in the property.

RESULTS OF OPERATIONS DECEMBER 31, 2003 VS. DECEMBER 31, 2002

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

	YEAR ENDED		CHANGE	
	DEC. 31, 2003	DEC. 31, 2002	\$	%
Rental income.....	\$176,504	\$125,601	\$50,903	41 %
Interest income.....	20,768	26,525	(5,757)	(22) %
Transaction fees and other income.....	3,759	2,802	957	34 %
Totals.....	\$201,031	\$154,928	\$46,103	30 %

We generated increased rental income as a result of the acquisition of properties for which we receive rent. This was partially offset by a reduction in interest income due to lower average yields on our loans receivable and non-recognition of interest income related to our mortgage loan with Doctors Community Health Care Corporation. Transaction fees and other income increased primarily as a result of the gain from the sale of our investment in Atlantic Healthcare Finance L.P.

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

	YEAR ENDED		CHANGE	
	DEC. 31, 2003	DEC. 31, 2002	\$	%
Interest expense.....	\$ 54,144	\$39,432	\$14,712	37%
Provision for depreciation.....	51,078	36,384	14,694	40%
General and administrative.....	11,483	9,665	1,818	19%
Loan expense.....	2,921	2,373	548	23%
Impairment of assets.....	2,792	2,298	494	21%
Loss on extinguishment of debt.....		403	(403)	n/a
Provision for loan losses.....	2,870	1,000	1,870	187%
Totals.....	\$125,288	\$91,555	\$33,733	37%

The increase in interest expense from 2002 to 2003 was primarily due to higher average borrowings during the year. This was partially offset by lower average interest rates and an increase in the amount of capitalized interest offsetting interest expense.

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 balance 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 year ended December 31, 2003, totaled \$1,535,000, as compared with \$170,000 for the same period in 2002.

The provision for depreciation increased primarily as a result of additional investments in properties owned directly by us.

General and administrative expenses as a percentage of revenues (including revenues from discontinued operations) for the year ended December 31, 2003, were 5.39% as compared with 5.83% for the same period in 2002.

The increase in loan expense was primarily due to the additional amortization of costs related to the unsecured lines of credit amendments and costs related to obtaining consents to modify the covenant packages of our senior unsecured notes.

During the year ended December 31, 2003, it was determined that the projected undiscounted cash flows from a property did not exceed its related net book value and an impairment charge of \$2,792,000 was recorded to reduce the property to its estimated fair market value. The estimated fair market value of the property was determined by an independent appraisal. During the year ended December 31, 2002, it was determined that the projected undiscounted cash flows from three properties did not exceed their related net book values and impairment charges of \$2,298,000 were recorded to reduce the properties to their estimated fair market values. The estimated fair market values of the properties were determined by offers to purchase received from third parties or estimated net sales proceeds.

In April 2002, we purchased \$35,000,000 of our outstanding senior unsecured notes that were due in 2003 and recorded a charge of \$403,000 in connection with this early extinguishment.

Due to increased collectibility concerns related to portions of our loan portfolio, we increased our allowance for losses on loans receivable by an additional \$1,870,000 for the year ended December 31, 2003.

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

	YEAR ENDED		CHANGE	
	DEC. 31, 2003	DEC. 31, 2002	\$	%
Gain (loss) on sales of properties.....	\$ 4,139	\$ (1,032)	\$ 5,171	(501)%
Discontinued operations, net.....	2,858	5,318	(2,460)	(46)%
Preferred dividends.....	(9,218)	(12,468)	3,250	(26)%
Preferred stock redemption charge.....	(2,790)		(2,790)	n/a
Totals.....	\$ (5,011)	\$ (8,182)	\$ 3,171	(39)%

During the years ended December 31, 2003 and 2002, we sold properties with carrying values of \$61,316,000 and \$53,311,000 for net gains of \$4,139,000 and net losses of \$1,032,000, respectively. In August 2001, the Financial Accounting Standards Board issued Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which is effective for fiscal years beginning after December 15, 2001. We adopted the standard effective January 1, 2002. In accordance with Statement No. 144, we have reclassified the income and expenses attributable to the properties sold subsequent to January 1, 2002 to discontinued operations. These properties generated \$2,858,000 and \$5,318,000 of income after deducting depreciation and interest expense from rental revenue for the years ended December 31, 2003 and 2002, respectively.

The decrease in preferred dividends is primarily due to the reduction in average outstanding preferred shares. During the year ended December 31, 2003, the holder of our Series C Cumulative Convertible Preferred Stock converted 2,100,000 shares into 2,049,000 shares of common stock, leaving no shares outstanding at December 31, 2003 as compared to 2,100,000 at December 31, 2002.

In September 2003, we issued 1,060,000 shares of 6% Series E Cumulative

Convertible and Redeemable Preferred Stock. During the three months ended December 31, 2003, certain holders of our Series E Cumulative Convertible and Redeemable Preferred Stock converted 229,600 shares into 175,700 shares of common stock, leaving 830,400 outstanding at December 31, 2003.

In July 2003, we closed a public offering of 4,000,000 shares of 7.875% Series D Cumulative Redeemable Preferred Stock. A portion of the proceeds from this offering were used to redeem all 3,000,000 shares of our 8.875% Series B Cumulative Redeemable Preferred Stock on July 15, 2003. In accordance with EITF Topic D-42, the costs to issue these securities were recorded as a non-cash, non-recurring charge of \$2,790,000, or \$0.06 per diluted share, in the third quarter of 2003 to reduce net income available to common stockholders.

As a result of the various factors mentioned above, net income available to common stockholders was \$70,732,000, or \$1.60 per diluted share, for 2003 as compared with \$55,191,000, or \$1.48 per diluted share, for 2002. Excluding the impact of the unusual and non-recurring preferred stock redemption charge, net income available to common stockholders was \$73,522,000, or \$1.66 per diluted share, for 2003.

RESULTS OF OPERATIONS DECEMBER 31, 2002 VS. DECEMBER 31, 2001

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

	YEAR ENDED		CHANGE	
	DEC. 31, 2002	DEC. 31, 2001	\$	%
Rental income.....	\$125,601	\$ 84,929	\$40,672	48 %
Interest income.....	26,525	31,294	(4,769)	(15) %
Transaction fees and other income.....	2,802	3,848	(1,046)	(27) %
Prepayment fees.....	-----	990	(990)	n/a
Totals.....	\$154,928	\$121,061	\$33,867	28 %
	=====	=====	=====	=====

We generated increased rental income as a result of the acquisition of properties for which we receive rent. This was partially offset by a reduction in interest income due to the repayment of mortgage loans. Transaction fees and other income decreased primarily as a result of the completion of construction projects.

During 2001, we received payoffs on mortgages that had significant prepayment fee requirements, generating \$990,000 in that year. During 2002, we did not receive any prepayment fees with respect to mortgage loan payoffs.

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

	YEAR ENDED		CHANGE	
	DEC. 31, 2002	DEC. 31, 2001	\$	%
Interest expense.....	\$39,432	\$28,410	\$11,022	39%
Provision for depreciation.....	36,384	25,805	10,579	41%
General and administrative.....	9,665	8,078	1,587	20%
Loan expense.....	2,373	1,775	598	34%
Impairment of assets.....	2,298	-----	2,298	n/a
Loss on extinguishment of debt.....	403	213	190	89%
Provision for loan losses.....	1,000	1,000	0	0%
Totals.....	\$91,555	\$65,281	\$26,274	40%

The increase in interest expense from 2001 to 2002 was primarily due to higher average borrowings during the year and a reduction in the amount of capitalized interest offsetting interest expense.

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 balance 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 year ended December 31, 2002, totaled \$170,000, as compared with \$841,000 for the same period in 2001.

The provision for depreciation increased primarily as a result of additional investments in properties owned directly by us.

General and administrative expenses as a percentage of revenues (including revenues from discontinued operations) for the year ended December 31, 2002, were 5.83% as compared with 6.03% for the same period in 2001.

The increase in loan expense was primarily due to the additional amortization of costs related to the unsecured line of credit renewal and the senior unsecured notes issued in 2001 and 2002.

During the year ended December 31, 2002, it was determined that the projected undiscounted cash flows from three properties did not exceed their related net book values and impairment charges of \$2,298,000 were

recorded to reduce the properties to their estimated fair market values. The estimated fair market values of the properties were determined by offers to purchase received from third parties or estimated net sales proceeds.

In April 2002, we purchased \$35,000,000 of our outstanding senior unsecured notes that were due in 2003 and recorded a charge of \$403,000 in connection with this early extinguishment. In September 2001, we purchased \$7,750,000 of our outstanding unsecured senior notes that were due in 2002 and recorded a charge of \$213,000 in connection with this early extinguishment.

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

	YEAR ENDED		CHANGE	
	DEC. 31, 2002	DEC. 31, 2001	\$	%
Gain (loss) on sales of properties.....	\$ (1,032)	\$ (1,250)	\$ 218	(17) %
Discontinued operations, net.....	5,318	6,019	(701)	(12) %
Preferred dividends.....	(12,468)	(13,505)	1,037	(8) %
Totals.....	\$ (8,182)	\$ (8,736)	\$ 554	(6) %

During the years ended December 31, 2002 and 2001, we sold properties with carrying values of \$53,311,000 and \$23,829,000 for net losses of \$1,032,000 and \$1,250,000, respectively. In August 2001, the Financial Accounting Standards Board issued Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which is effective for fiscal years beginning after December 15, 2001. We adopted the standard effective January 1, 2002. In accordance with Statement No. 144, we have reclassified the income and expenses attributable to the properties sold subsequent to January 1, 2002 to discontinued operations. These properties generated \$5,318,000 and \$6,019,000 of income after deducting depreciation and interest expense from rental revenue for the years ended

December 31, 2002 and 2001, respectively.

The decrease in preferred dividends is primarily due to the reduction in average outstanding preferred shares. During the year ended December 31, 2002, the holder of our Series C Cumulative Convertible Preferred Stock converted 900,000 shares into 878,000 shares of common stock, leaving 2,100,000 shares outstanding at December 31, 2002, as compared to 3,000,000 at December 31, 2001.

As a result of the various factors mentioned above, net income available to common stockholders was \$55,191,000, or \$1.48 per diluted share, for 2002 as compared with \$47,044,000, or \$1.52 per diluted share, for 2001.

#### CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require us to make estimates and assumptions (see Note 1 to the consolidated financial statements). We believe that of our significant accounting policies, the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

#### REVENUE RECOGNITION

Revenue is recorded in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements ("SAB 101"), as amended. SAB 101 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. Operating lease income generally includes base rent payments plus fixed annual rent increases, which are recognized on a straight-line basis over the minimum lease period subject to an evaluation of collectibility risk. This lease income is greater than the amount of cash received during the first half of the lease term. In some instances, the leases provide for additional payment of

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rent if the gross operating revenues from the property exceed a predetermined threshold. Revenues are not recognized until those thresholds have been met.

#### IMPAIRMENT OF LONG-LIVED ASSETS

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. If the undiscounted cash flows are less than the net book value, an impairment loss would be recognized to the extent that the net book value exceeds the current fair market 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. If the projections or assumptions change in the future, we may be required to record an impairment charge and reduce the net book value of the property owned.

#### ALLOWANCE FOR LOAN LOSSES

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 these 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. If such factors indicate that there is 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.

#### DEPRECIATION AND USEFUL LIVES

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. A significant portion of the acquisition cost of each property is allocated to building (usually approximately 90%). The allocation of the acquisition cost to building and the determination of the useful life of a property are based on appraisals commissioned from independent real estate appraisal firms. If we do not allocate appropriately to the building or if we incorrectly estimate the useful life of our properties, the computation of depreciation will not appropriately reflect the carrying values of the properties over future periods.

#### IMPACT OF INFLATION

During the past three years, inflation has not significantly affected our earnings because of the moderate inflation rate. Additionally, our earnings are primarily long-term investments with fixed rates of return. These investments are mainly financed with a combination of equity, senior unsecured notes and borrowings under our lines of credit arrangements. During inflationary periods, which generally are accompanied by rising interest rates, our ability to grow may be adversely affected because the yield on new investments may increase at a slower rate than new borrowing costs. Presuming the current inflation rate remains moderate and long-term interest rates do not increase significantly, we believe that inflation will not impact the availability of equity and debt financing.

#### FORWARD-LOOKING STATEMENTS AND RISK FACTORS

We have made and incorporated by reference statements in this Form 10-K that constitute "forward-looking statements" as that term is defined in the federal securities laws. These forward-looking statements concern:

- the possible expansion of our portfolio;
- the performance of our operators and properties;
- our ability to enter into agreements with new viable tenants for properties which 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; and
- our ability to access capital markets or other sources of funds.

When we use words such as "believe," "expect," "anticipate," "estimate" or similar expressions, we are making forward-looking statements. Forward-looking

statements are not guaranties of future performance and involve risks and uncertainties. Our expected results may not be achieved and actual results may differ materially from our 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;
- changes in financing terms; and
- the risks described below:

#### RISK FACTORS RELATED TO OUR OPERATORS' REVENUES AND EXPENSES

Our skilled nursing and specialty care facility operators' revenues are primarily driven by occupancy, Medicare and Medicaid reimbursement and private pay rates. Our assisted living facility operators' revenues are primarily driven by occupancy and private pay rates. Expenses for these three types of facilities are primarily driven by the costs of labor, food, utilities, taxes, insurance and rent or debt service. Revenues from government reimbursement have, and may continue, to come under pressure due to reimbursement cuts and state budget shortfalls. Liability insurance and staffing costs continue to increase for our operators. To the extent that any decrease in revenues and/or any increase in operating expenses result in a facility not generating enough cash to make payments to us, the credit of our operator and the value of other collateral would have to be relied upon.

#### RISK FACTORS RELATED TO OPERATOR BANKRUPTCIES

We are exposed to the risk that our operators may not be able to meet the rent, principal and interest or other payments due us, which may result in an operator bankruptcy or insolvency, or that an operator might become subject to bankruptcy or insolvency proceedings for other reasons. Although our operating lease agreements provide us the right to evict an operator, demand immediate payment of rent and exercise other remedies, and our mortgage loans provide us the right to terminate any funding obligation, demand immediate repayment of principal and unpaid interest, foreclose on the collateral and exercise other remedies, the bankruptcy laws afford certain rights to a party that has filed for bankruptcy or reorganization. An operator in bankruptcy may be able to limit or delay our ability to collect unpaid rent in the case of a lease or to receive unpaid principal and interest in the case of a mortgage loan, and to exercise other rights and remedies.

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The receipt of liquidation proceeds or the replacement of an operator that has defaulted on its lease or loan could be delayed by the approval process of any federal, state or local agency necessary for the transfer of the facility or the replacement of the operator licensed to manage the facility. In addition, we may be required to fund certain expenses (e.g., real estate taxes and maintenance) to preserve the value of a facility, avoid the imposition of liens on a facility and/or to transition a facility to a new operator. In some instances, we have terminated our lease with an operator and relet the facility to another operator. In some of those situations, we provided working capital loans to and limited indemnification of the new operator. If we cannot transition a leased facility to a new operator, we may take possession of that facility, which may expose us to certain successor liabilities. Should such events occur, our revenue and operating cash flow may be adversely affected.

On November 20, 2002, Doctors Community Health Care Corporation and five subsidiaries ("Doctors") filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the District of Columbia. Doctors stated that its bankruptcy filing was due to the bankruptcy of National Century Financial Enterprises and affiliates, which halted payments to health care providers, including Doctors. We have provided mortgage financing to Doctors in the form of a loan secured by the Pacifica Hospital of the Valley in Sun Valley, CA, and the

other assets of the Pacifica of the Valley Corporation, one of the debtor subsidiaries. The outstanding principal balance of the loan was approximately \$18,797,000 on December 31, 2003. Pursuant to procedures approved by the bankruptcy court, the assets of Doctors were the subject of an auction held on December 10 through December 16, 2003. At the conclusion of that auction, the debtors' independent director declared certain members of Doctors' management the winning bidder. Their bid contemplates a reorganization of Doctors and its subsidiaries with new equity and debt capitalization. The results of this auction are subject to bankruptcy court approval, which the debtors have stated they intend to seek in connection with a hearing on the confirmation of the debtors' proposed plan of reorganization. Doctors anticipates that this hearing should occur in March or April 2004. Doctors did not make an interest payment for the twelve months ended December 31, 2003. We will not recognize any interest on the loan until payment is received.

Alterra Healthcare Corporation ("Alterra") filed for Chapter 11 bankruptcy protection on January 23, 2003 in the United States Bankruptcy Court for the District of Delaware. We have a master lease with Alterra for 45 assisted living facilities with a depreciated book value of \$103,293,000 at December 31, 2003. A joint venture between Fortress Investment Group LLC and Emeritus Corporation was the winning bidder at a bankruptcy auction held on July 17, 2003. The bankruptcy court confirmed Alterra's plan of reorganization on November 26, 2003. In connection with confirmation of Alterra's plan, our master lease was assumed and the acquisition of Alterra by the Fortress-Emeritus joint venture was approved. This transaction has closed. Alterra remained current on rental payments throughout the bankruptcy process.

#### RISK FACTORS RELATED TO GOVERNMENT REGULATIONS

Our operators' businesses are affected by government reimbursement and private payor rates. To the extent that any skilled nursing or specialty care facility receives a significant portion of its revenues from governmental payors, primarily Medicare and Medicaid, such revenues may be subject to statutory and regulatory changes, retroactive rate adjustments, recovery of program overpayments or set-offs, administrative rulings, policy interpretations, payment or other delays by fiscal intermediaries, government funding restrictions (at a program level or with respect to specific facilities) and interruption or delays in payments due to any ongoing governmental investigations and audits at such facility. In recent years, governmental payors have frozen or reduced payments to health care providers due to budgetary pressures. This trend in health care reimbursement will likely continue to be of paramount importance to federal and state authorities. We cannot make any assessment as to the ultimate timing or effect any future legislative reforms may have on the financial condition of the skilled nursing industry, the specialty care industry or on the health care industry in general. There can be no assurance that adequate reimbursement levels will continue to be available for services provided by any facility operator, whether the facility receives reimbursement from Medicare, Medicaid or private payors. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on an operator's liquidity, financial condition and results of

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operations, which could adversely affect the ability of an operator to meet its obligations to us. See "Item 1 -- Business -- Certain Government Regulations -- Reimbursement" above.

#### RISK FACTORS RELATED TO LIABILITY CLAIMS AND INSURANCE COSTS

Long-term care facility operators (assisted living and skilled nursing facilities) have experienced substantial increases in both the number and size of patient care liability claims in recent years, particularly in the states of Texas and Florida. As a result, general and professional liability costs have increased and may continue to increase. Nationwide, long-term care liability insurance rates are increasing because of large jury awards in states like Texas and Florida. Over the past two years, both Texas and Florida have adopted

skilled nursing facility liability laws that modify or limit tort damages. Despite some of these reforms, the long-term care industry overall continues to experience very high general and professional liability costs. Insurance companies have responded to this claim crisis by severely restricting their capacity to write long-term care general and professional liability policies. No assurances can be given that the climate for long-term care general and professional liability insurance will improve in any of the foregoing states or any other states where the facility operators conduct business. Insurance companies may continue to reduce or stop writing general and professional liability policies for skilled nursing and assisted living facilities. Thus, general professional liability insurance coverage may be restricted or very costly, which may adversely affect the facility operators' future operations, cash flows and financial condition, and may have a material adverse effect on the facility operators' ability to meet their obligations to us.

#### RISK FACTORS RELATED TO ACQUISITIONS

We are exposed to the risk that our future acquisitions may not prove to be successful. We could encounter unanticipated difficulties and expenditures relating to any acquired properties, including contingent liabilities, and newly acquired properties might require significant management attention that would otherwise be devoted to our ongoing business. If we agree to provide construction financing to an operator and the project is not completed, we may need to take steps to ensure completion of the project or we could lose the property. Moreover, if we issue equity securities or incur additional debt, or both, to finance future acquisitions, it may reduce our per share financial results. These costs may negatively affect our results of operations.

#### RISK FACTORS RELATED TO ENVIRONMENTAL LAWS

Under various federal and state laws, owners or operators of real estate may be required to respond to the release of hazardous substances on the property and may be held liable for property damage, personal injuries or penalties that result from environmental contamination. These laws also expose us to the possibility that we become liable to reimburse the government for damages and costs it incurs in connection with the contamination. Generally, such liability attaches to a person based on the person's relationship to the property. Our lessees or borrowers are primarily responsible for the condition of the property and since we are a passive landlord, we do not "participate in the management" of any property in which we have an interest. Moreover, we review environmental site assessments of the properties that we own or encumber prior to taking an interest in them. Those assessments are designed to meet the "all appropriate inquiry" standard, which qualifies us for the innocent purchaser defense if environmental liabilities arise. Based upon such assessments, we do not believe that any of our properties are subject to material environmental contamination. However, environmental liabilities may be present in our properties and we may incur costs to remediate contamination, which could have a material adverse effect on our business or financial condition.

#### RISK FACTORS RELATED TO REINVESTMENT OF SALE PROCEEDS

From time to time, we will have cash available from (1) the proceeds of sales of shares of our securities, (2) principal payments on our loans receivable and (3) the sale of properties, including non-elective dispositions, under the terms of master leases or similar financial support arrangements. We must re-invest these proceeds, on a timely basis, in health care investments or in qualified short-term investments. We compete for real estate investments with a broad variety of potential investors. This competition for attractive

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investments may negatively affect our ability to make timely investments on terms acceptable to us. Delays in acquiring properties may negatively impact revenues and perhaps our ability to increase our distributions to stockholders.

#### RISK FACTORS RELATED TO OUR STRUCTURE

We are also subject to a number of risks on the corporate level. First, we might fail to qualify or remain qualified as a REIT. We intend to operate as a REIT under the Internal Revenue Code and believe we have and will continue to operate in such a manner. Since REIT qualification requires us to meet a number of complex requirements, it is possible that we may fail to fulfill them, and if we do, our earnings will be reduced by the amount of federal taxes owed. A reduction in our earnings would affect the amount we could distribute to our stockholders. Also, if we were not a REIT, we would not be required to make distributions to stockholders since a non-REIT is not required to pay dividends to stockholders amounting to at least 90% of its annual taxable income. See "Item 1 -- Business -- Taxation" for a discussion of the provisions of the Internal Revenue Code that apply to us and the effects of non-qualification.

Second, our Second Restated Certificate of Incorporation and Amended and Restated By-Laws contain anti-takeover provisions (staggered board provisions, restrictions on share ownership and transfer, and super majority stockholder approval requirements for business combinations) that could make it more difficult for or even prevent a third party from acquiring us without the approval of our incumbent Board of Directors. Further, we have a "poison pill" rights plan that has anti-takeover effects. The rights plan, if triggered, would cause substantial dilution to a person or group that attempts to acquire us on terms not approved by the Board of Directors. Provisions and agreements that inhibit or discourage takeover attempts could reduce the market value of our common stock.

Third, we are dependent on key personnel. Although we have entered into employment agreements with our executive officers, losing any one of them could, at least temporarily, have an adverse impact on our operations. We believe that losing more than one would have a material adverse impact on our business.

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#### ITEM 7A. 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. The following section is presented to provide a discussion of the risks associated with potential fluctuations in interest rates.

We historically borrow on our lines of credit arrangements to make acquisitions of, loans to or to construct health care facilities. Then, as market conditions dictate, we will issue equity or long-term fixed rate debt to repay the borrowings under the 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 such debt. A 1% increase in interest rates would result in a decrease in fair value of our senior unsecured notes by approximately \$31,473,000 at December 31, 2003 (\$15,145,000 at December 31, 2002). 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, with variable rate debt, with equity or by the sale of assets.

Our variable rate debt, including our unsecured and secured lines of credit arrangements, is reflected at fair value. At December 31, 2003, we did not have any borrowings outstanding on our unsecured or secured lines of credit arrangements. As such, a 1% increase in interest rates would have no effect on our annual interest expense. However, as an example, if borrowings totaled \$50,000,000, a 1% increase in interest rates would result in increased annual interest expense of \$500,000. At December 31, 2002, we had \$113,500,000 outstanding related to this variable rate debt and assuming no changes in outstanding balances, a 1% increase in interest rates would result in increased annual interest expense of \$1,135,000.

We are subject to risks associated with debt financing, including the risk that existing indebtedness may not be refinanced or that the terms of such refinancing may not be as favorable as the terms of current indebtedness. The majority of our borrowings were completed pursuant to 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.

We may or may not elect to use financial derivative instruments to hedge variable interest rate exposure. Such 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.

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## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### REPORT OF INDEPENDENT AUDITORS

Stockholders and Directors  
Health Care REIT, Inc.

We have audited the accompanying consolidated balance sheets of Health Care REIT, Inc. as of December 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. Our audits also included the financial statement schedules listed in the Index at Item 15 (a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Health Care REIT, Inc. at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 9 to the consolidated financial statements, in 2003 the Company adopted the provisions of Financial Accounting Standards Board Statement No. 123, Accounting for Stock-Based Compensation. As discussed in Note 16 to the consolidated financial statements, in 2002 the Company adopted the provisions of Financial Accounting Standards Board Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

/s/ ERNST & YOUNG LLP

Toledo, Ohio  
January 16, 2004

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## HEALTH CARE REIT, INC.

## CONSOLIDATED BALANCE SHEETS

	DECEMBER 31	
	2003	2002
	(IN THOUSANDS)	
ASSETS		
Real estate investments:		
Real property owned		
Land.....	\$ 166,408	\$ 112,044
Buildings & improvements.....	1,712,868	1,288,520
Construction in progress.....	14,701	19,833
	-----	-----
	1,893,977	1,420,397
Less accumulated depreciation.....	(152,440)	(113,579)
	-----	-----
Total real property owned.....	1,741,537	1,306,818
Loans receivable		
Real property loans.....	213,480	208,016
Subdebt investments.....	45,254	14,578
	-----	-----
	258,734	222,594
Less allowance for losses on loans receivable.....	(7,825)	(4,955)
	-----	-----
	250,909	217,639
	-----	-----
Net real estate investments.....	1,992,446	1,524,457
Other assets:		
Equity investments.....	3,299	7,494
Deferred loan expenses.....	10,331	9,291
Cash and cash equivalents.....	124,496	9,550
Receivables and other assets.....	52,159	43,318
	-----	-----
	190,285	69,653
	-----	-----
Total assets.....	\$2,182,731	\$1,594,110
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Borrowings under unsecured lines of credit obligations....	\$ 0	\$ 109,500
Senior unsecured notes.....	865,000	515,000
Secured debt.....	148,184	51,831
Accrued expenses and other liabilities.....	19,868	20,547
	-----	-----
Total liabilities.....	1,033,052	696,878
Stockholders' equity:		
Preferred stock, \$1.00 par value:.....	120,761	127,500
Authorized -- 25,000,000 shares		
Issued and outstanding -- 4,830,444 shares in 2003 and		
5,100,000 shares in 2002 at liquidation preference		
Common stock, \$1.00 par value:.....	50,298	40,086
Authorized -- 125,000,000 shares		
Issued -- 50,376,551 shares in 2003 and 40,085,827		
shares in 2002		
Outstanding -- 50,361,505 shares in 2003 and 40,085,827		
shares in 2002		
Capital in excess of par value.....	1,069,887	790,838
Treasury stock.....	(523)	
Cumulative net income.....	660,446	580,496
Cumulative dividends.....	(749,166)	(638,085)
Accumulated other comprehensive income.....	1	(170)
Other equity.....	(2,025)	(3,433)
	-----	-----
Total stockholders' equity.....	1,149,679	897,232
	-----	-----
Total liabilities and stockholders' equity.....	\$2,182,731	\$1,594,110
	=====	=====

See accompanying notes

HEALTH CARE REIT, INC.  
CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31		
	2003	2002	2001
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Revenues:			
Rental income.....	\$176,504	\$125,601	\$84,929
Interest income.....	20,768	26,525	31,294
Transaction fees and other income.....	3,759	2,802	3,848
Prepayment fees.....			990
	-----	-----	-----
	201,031	154,928	121,061
Expenses:			
Interest expense.....	54,144	39,432	28,410
Provision for depreciation.....	51,078	36,384	25,805
General and administrative.....	11,483	9,665	8,078
Loan expense.....	2,921	2,373	1,775
Impairment of assets.....	2,792	2,298	
Loss on extinguishment of debt.....		403	213
Provision for loan losses.....	2,870	1,000	1,000
	-----	-----	-----
	125,288	91,555	65,281
Income from continuing operations.....	75,743	63,373	55,780
Discontinued operations:			
Net gain (loss) on sales of properties.....	4,139	(1,032)	(1,250)
Income from discontinued operations, net.....	2,858	5,318	6,019
	-----	-----	-----
	6,997	4,286	4,769
Net income.....	82,740	67,659	60,549
Preferred stock dividends.....	9,218	12,468	13,505
Preferred stock redemption charge.....	2,790		
	-----	-----	-----
Net income available to common stockholders.....	\$ 70,732	\$ 55,191	\$47,044
	=====	=====	=====
Average number of common shares outstanding:			
Basic.....	43,572	36,702	30,534
Diluted.....	44,201	37,301	31,027
Earnings per share:			
Basic:			
Income from continuing operations available to common stockholders.....	\$ 1.46	\$ 1.38	\$ 1.38
Discontinued operations, net.....	0.16	0.12	0.16
	-----	-----	-----
Net income available to common stockholders.....	\$ 1.62	\$ 1.50	\$ 1.54
Diluted:			
Income from continuing operations and after preferred stock dividends.....	\$ 1.44	\$ 1.37	\$ 1.37
Discontinued operations, net.....	0.16	0.11	0.15
	-----	-----	-----
Net income available to common stockholders.....	\$ 1.60	\$ 1.48	\$ 1.52

See accompanying notes

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HEALTH CARE REIT, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	PREFERRED STOCK	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	TREASURY STOCK	CUMULATIVE NET INCOME
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Balances at January 1, 2001.....	\$150,000	\$28,806	\$ 528,138	\$ 0	\$452,288
Comprehensive income:					

Net income.....					60,549
Other comprehensive income:					
Unrealized loss on equity investments....					
Foreign currency translation adjustment.....					
Total comprehensive income.....					
Proceeds from issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures.....		484	10,070		
Restricted stock amortization.....					
Net proceeds from sale of common stock....		3,450	70,734		
Cash dividends:					
Common stock-\$2.335 per share.....					
Preferred stock, Series B-\$2.22 per share.....					
Preferred stock, Series C-\$2.27 per share.....					
Balances at December 31, 2001.....	150,000	32,740	608,942	0	512,837
Comprehensive income:					
Net income.....					67,659
Other comprehensive income:					
Unrealized loss on equity investments....					
Foreign currency translation adjustment.....					
Total comprehensive income.....					
Proceeds from issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures.....		1,182	25,373		
Restricted stock amortization.....					
Net proceeds from sale of common stock....		5,286	134,901		
Conversion of preferred stock.....	(22,500)	878	21,622		
Cash dividends:					
Common stock-\$2.34 per share.....					
Preferred stock, Series B-\$2.22 per share.....					
Preferred stock, Series C-\$2.28 per share.....					
Balances at December 31, 2002.....	127,500	40,086	790,838	0	580,496
Comprehensive income:					
Net income.....					82,740
Other comprehensive income:					
Unrealized loss on equity investments....					
Foreign currency translation adjustment.....					
Total comprehensive income.....					
Proceeds from issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures.....		2,725	75,649	(523)	
Restricted stock amortization.....					
Option compensation expense.....					
Proceeds from issuance of preferred stock.....	126,500		(3,150)		
Redemption of preferred stock.....	(75,000)		2,790		(2,790)
Net proceeds from sale of common stock....		5,263	147,745		
Conversion of preferred stock.....	(58,239)	2,224	56,015		
Cash dividends:					
Common stock-\$2.34 per share.....					
Preferred stock, Series B-\$2.22 per share.....					
Preferred stock, Series C-\$2.25 per share.....					
Preferred stock, Series D-\$1.97 per share.....					
Preferred stock, Series E-\$1.50 per share.....					
Balances at December 31, 2003.....	\$120,761	\$50,298	\$1,069,887	\$(523)	\$660,446

	CUMULATIVE	ACCUMULATED OTHER COMPREHENSIVE	OTHER	TOTAL
	DIVIDENDS	INCOME	EQUITY	
	-----	-----	-----	-----

(IN THOUSANDS, EXCEPT PER SHARE DATA)

Balances at January 1, 2001.....	\$ (455,676)	\$ (744)	\$ (4,205)	\$ 698,607
Comprehensive income:				
Net income.....				60,549
Other comprehensive income:				
Unrealized loss on equity investments....		(52)		(52)
Foreign currency translation adjustment.....		(127)		(127)

Total comprehensive income.....				----- 60,370 -----
Proceeds from issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures.....		(1,739)		8,815
Restricted stock amortization.....		1,164		1,164
Net proceeds from sale of common stock....				74,184
Cash dividends:				
Common stock-\$2.335 per share.....	(71,765)			(71,765)
Preferred stock, Series B-\$2.22 per share.....	(6,656)			(6,656)
Preferred stock, Series C-\$2.27 per share.....	(6,849)			(6,849)
	-----		-----	-----
Balances at December 31, 2001.....	(540,946)	(923)	(4,780)	757,870
Comprehensive income:				
Net income.....				67,659
Other comprehensive income:				
Unrealized loss on equity investments....		(66)		(66)
Foreign currency translation adjustment.....		819		819
				-----
Total comprehensive income.....				68,412 -----
Proceeds from issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures.....		(208)		26,347
Restricted stock amortization.....		1,555		1,555
Net proceeds from sale of common stock....				140,187
Conversion of preferred stock.....				0
Cash dividends:				
Common stock-\$2.34 per share.....	(84,671)			(84,671)
Preferred stock, Series B-\$2.22 per share.....	(6,656)			(6,656)
Preferred stock, Series C-\$2.28 per share.....	(5,812)			(5,812)
	-----		-----	-----
Balances at December 31, 2002.....	(638,085)	(170)	(3,433)	897,232
Comprehensive income:				
Net income.....				82,740
Other comprehensive income:				
Unrealized loss on equity investments....		(11)		(11)
Foreign currency translation adjustment.....		182		182
				-----
Total comprehensive income.....				82,911 -----
Proceeds from issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures.....		53		77,904
Restricted stock amortization.....		1,182		1,182
Option compensation expense.....		173		173
Proceeds from issuance of preferred stock.....				123,350
Redemption of preferred stock.....				(75,000)
Net proceeds from sale of common stock....				153,008
Conversion of preferred stock.....				0
Cash dividends:				
Common stock-\$2.34 per share.....	(101,863)			(101,863)
Preferred stock, Series B-\$2.22 per share.....	(3,605)			(3,605)
Preferred stock, Series C-\$2.25 per share.....	(1,439)			(1,439)
Preferred stock, Series D-\$1.97 per share.....	(3,784)			(3,784)
Preferred stock, Series E-\$1.50 per share.....	(390)			(390)
	-----		-----	-----
Balances at December 31, 2003.....	\$ (749,166)	\$ 1	\$ (2,025)	\$1,149,679
	=====	=====	=====	=====

See accompanying notes

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HEALTH CARE REIT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31		
	2003	2002	2001
	(IN THOUSANDS)		
<b>OPERATING ACTIVITIES</b>			
Net income.....	\$ 82,740	\$ 67,659	\$ 60,549
Adjustments to reconcile net income to net cash provided from operating activities:			
Provision for depreciation.....	52,870	40,350	30,464
Amortization.....	3,957	3,928	2,977
Provision for loan losses.....	2,870	1,000	1,000
Impairment of assets.....	2,792	2,298	
Transaction fees earned greater than cash received...		(1,530)	(1,039)
Rental income in excess of cash received.....	(14,928)	(9,256)	(6,614)
Equity in (earnings) losses of affiliated companies.....	(270)	(15)	(332)
(Gain) loss on sales of properties.....	(4,139)	1,032	1,250
Increase (decrease) in accrued expenses and other liabilities.....	(679)	1,320	3,249
Decrease (increase) in receivables and other assets.....	4,308	(1,419)	(2,822)
Net cash provided from (used in) operating activities.....	129,521	105,367	88,682
<b>INVESTING ACTIVITIES</b>			
Investment in real property.....	(410,413)	(409,706)	(147,081)
Investment in loans receivable and subdebt investments....	(105,655)	(88,516)	(48,284)
Other investments, net of payments.....	4,637	(228)	(913)
Principal collected on loans receivable and subdebt investments.....	57,081	92,970	94,337
Proceeds from sales of properties.....	65,455	52,279	22,579
Other.....	149	(229)	(262)
Net cash provided from (used in) investing activities.....	(388,746)	(353,430)	(79,624)
<b>FINANCING ACTIVITIES</b>			
Net increase (decrease) under unsecured lines of credit arrangements.....	(109,500)	109,500	(119,900)
Proceeds from issuance of senior unsecured notes and secured debt.....	350,000	150,000	175,000
Principal payments on senior unsecured notes.....		(47,250)	(17,750)
Principal payments on secured debt.....	(4,891)	(29,383)	(31,090)
Net proceeds from the issuance of common stock.....	231,435	166,534	82,999
Net proceeds from the issuance of preferred stock.....	96,850		
Redemption of preferred stock.....	(75,000)		
Decrease (increase) in deferred loan expense.....	(3,642)	(4,475)	(6,065)
Cash distributions to stockholders.....	(111,081)	(97,139)	(85,270)
Net cash provided from (used in) financing activities.....	374,171	247,787	(2,076)
Increase (decrease) in cash and cash equivalents.....	114,946	(276)	6,982
Cash and cash equivalents at beginning of year.....	9,550	9,826	2,844
Cash and cash equivalents at end of year.....	\$ 124,496	\$ 9,550	\$ 9,826
Supplemental cash flow information-interest paid.....	\$ 50,698	\$ 39,466	\$ 29,014

See accompanying notes

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HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES AND RELATED MATTERS

INDUSTRY

We are a self-administered, equity real estate investment trust that invests primarily in long-term care facilities, which include skilled nursing and assisted living facilities. We also invest in specialty care facilities.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and our wholly owned subsidiaries after the elimination of all significant intercompany accounts and transactions.

#### USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of all highly liquid investments with an original maturity of three months or less.

#### LOANS RECEIVABLE

Loans receivable consist of mortgage loans, construction loans, working capital loans and subdebt investments. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of collectibility risks. The mortgage loans are primarily collateralized by a first or second mortgage lien or leasehold mortgage on or assignment of partnership interest in the related facilities. The working capital loans are generally secured by interests in receivables and corporate guaranties. Subdebt investments represent debt instruments to operators of facilities that have been financed by us. These obligations are generally secured by the operator's leasehold rights and corporate guaranties.

#### REAL PROPERTY OWNED

Real property owned consists of land, buildings and improvements owned by us. The allocation of the acquisition costs of properties is based on appraisals commissioned from independent real estate appraisal firms. Substantially all of the properties owned by us are leased under operating leases and are recorded at cost. These properties are depreciated on a straight-line basis over their estimated useful lives which range from 15 to 40 years for buildings and five to 15 years for improvements. The net book value of long-lived assets is reviewed quarterly on a property by property basis to determine if facts and circumstances suggest that the assets may be impaired or that the depreciable life may need to be changed. We consider external factors relating to each asset. If these external factors and the projected undiscounted cash flows of the asset over the remaining depreciation period indicate that the asset will not be recoverable, the carrying value will be adjusted to the estimated fair market value. The leases generally extend for a minimum seven-year period and provide for payment of all taxes, insurance and maintenance by the tenants. In general, operating lease income includes base rent payments plus fixed annual rent increases, which are recognized on a straight-line basis over the minimum lease period subject to an evaluation of collectibility risks. This income is greater than the amount of cash received during the first half of the lease term.

#### HEALTH CARE REIT, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### CAPITALIZATION OF CONSTRUCTION PERIOD INTEREST

We capitalize interest costs associated with funds used to finance the construction of properties owned directly by us. The amount capitalized is based upon the balance outstanding during the construction period using the rate of interest which approximates our cost of financing.

We capitalized interest costs of \$1,535,000, \$170,000, and \$841,000, during 2003, 2002 and 2001, respectively, related to construction of real property

owned by us. Our interest expense reflected in the consolidated statements of income has been reduced by the amounts capitalized.

#### DEFERRED LOAN EXPENSES

Deferred loan expenses are costs incurred by us in connection with the issuance and amendments of short-term and long-term debt. We amortize these costs over the term of the debt using the straight-line method, which approximates the interest yield method.

#### ALLOWANCE FOR LOAN LOSSES

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 these loans, including general economic conditions and estimated collectibility of loan payments. 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. If such factors indicate that there is 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. At December 31, 2003, we had loans with outstanding balances of \$30,523,000 on non-accrual status (\$15,311,000 at December 31, 2002). A significant portion of this balance relates to our mortgage loan with Doctors Community Health Care Corporation. To the extent circumstances improve and the risk of collectibility is diminished, we will return these loans to full accrual status.

#### EQUITY INVESTMENTS

We had an investment in Atlantic Healthcare Finance L.P., a property group that specializes in the financing, through sale and leaseback transactions, of nursing and care homes located in the United Kingdom. This investment was accounted for using the equity method of accounting because we had the ability to exercise significant influence, but not control, over the investee due to our 31% ownership interest. In October 2003, we sold our investment in Atlantic Healthcare Finance L.P. generating a net gain of \$902,000.

Other equity investments, which consist of investments in private and public companies for 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.

#### FOREIGN CURRENCY TRANSLATION

For our investment in Atlantic Healthcare Finance L.P., the functional currency was the local currency. The income and expenses of the entity were translated into U.S. dollars using the average exchange rates for

#### HEALTH CARE REIT, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the reporting period to derive our equity earnings. Translation adjustments were recorded in accumulated other comprehensive income, a separate component of stockholders' equity.

## TRANSACTION FEES

Transaction fees are earned by us for our agreement to provide direct and standby financing to, and credit enhancement for, owners and operators of health care facilities. We amortize transaction fees over the initial fixed term of the lease, the loan or the construction period related to such investments.

## FEDERAL INCOME TAX

No provision has been made for federal income taxes since we have elected to be treated as a real estate investment trust under the applicable provisions of the Internal Revenue Code, and we believe that we have met the requirements for qualification as such for each taxable year. See Note 11.

## NET INCOME PER SHARE

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of shares outstanding for the period adjusted for non-vested shares of restricted stock. The computation of diluted earnings per share is similar to basic earnings per share, except that the number of shares is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued.

## ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income includes unrealized gains or losses on our equity investments (\$1,000 and \$12,000 at December 31, 2003 and 2002, respectively) and foreign currency translation adjustments (\$0 and (\$182,000) at December 31, 2003 and 2002, respectively). These items are included as components of stockholders' equity.

## NEW ACCOUNTING STANDARDS

In April 2002, the Financial Accounting Standards Board (FASB) issued Statement No. 145, Rescission of FASB Statements No. 4, 44, and 62, Amendment of FASB Statement No. 13, and Technical Corrections. Statement 145 requires gains and losses on extinguishments of debt to be classified as income or loss from continuing operations rather than as extraordinary items as previously required under Statement 4. Extraordinary treatment will be required for certain extinguishments as provided in APB Opinion No. 30. Statement 145 is effective for fiscal years beginning after December 15, 2002. We adopted the standard effective January 1, 2003.

Effective January 1, 2003, we commenced recognizing compensation expense for employee stock options in accordance with Statement 123 on a prospective basis. See Note 9.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51 (the Interpretation). The Interpretation requires the consolidation of variable interest entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. Currently, entities are generally consolidated by an enterprise that has a controlling financial interest through ownership of a majority voting interest in the entity. The Interpretation is effective for financial statements issued for the first period ending after March 15, 2004. We are currently evaluating the effects, if any, of the issuance of the Interpretation.

Financial Instruments with Characteristics of Both Liabilities and Equity. Statement 150 requires that certain financial instruments be classified as liabilities (or assets in certain circumstances) rather than as equity. Statement 150 is effective at the beginning of the first interim period beginning after June 15, 2003. We adopted the standard effective July 1, 2003 and have determined that none of our financial instruments are impacted by Statement 150.

Emerging Issues Task Force (EITF) Topic D-42, The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock, provides, among other things, that any excess of (1) the fair value of the consideration transferred to the holders of preferred stock redeemed over (2) the carrying amount of the preferred stock should be subtracted from net earnings to determine net income available to common stockholders in the calculation of earnings per share. At the July 31, 2003 meeting of the EITF, the Securities and Exchange Commission Observer clarified that for purposes of applying EITF Topic D-42, the carrying amount of the preferred stock should be reduced by the issuance costs of the preferred stock, regardless of where in the stockholders' equity section those costs were initially classified upon issuance. On July 15, 2003, we redeemed all 3,000,000 shares of our 8.875% Series B Cumulative Redeemable Preferred Stock. The costs to issue these securities were recorded as a reduction to paid-in capital, and to implement the clarified accounting pronouncement, we recorded a non-cash, non-recurring charge of \$2,790,000, or \$0.06 per diluted share, in the third quarter of 2003 to reduce net income available to common stockholders.

2. LOANS RECEIVABLE

The following is a summary of loans receivable (in thousands):

	DECEMBER 31	
	2003	2002
Mortgage loans.....	\$163,869	\$178,942
Mortgage loans to related parties.....	270	819
Construction loans.....	164	
Working capital loans.....	49,177	28,255
Subdebt investments.....	45,254	14,578
Totals.....	\$258,734	\$222,594

Loans to related parties (an entity whose ownership includes one Company director) included above are at rates comparable to other third-party borrowers equal to or greater than our net interest cost on borrowings to support such loans. The amount of interest income and commitment fees from related parties amounted to \$36,000, \$59,000, and \$108,000 for 2003, 2002 and 2001, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following is a summary of mortgage loans at December 31, 2003:

FINAL PAYMENT DUE	NUMBER OF LOANS	PAYMENT TERMS	PRINCIPAL AMOUNT AT INCEPTION	CARRYING AMOUNT
-------------------------	-----------------------	---------------	-------------------------------------	--------------------

			(IN THOUSANDS)	
2002	1	Monthly payments of \$200,971, including interest of 12.83%	\$ 21,500	\$ 18,797
2005	6	Monthly payments from \$19,396 to \$63,548, including interest from 10.50% to 13.04%	13,913	18,313
2006	11	Monthly payments from \$1,355 to \$250,000, including interest from 1.98% to 12.93%	46,429	45,248
2007	3	Monthly payments from \$50,899 to \$130,182, including interest from 10.78% to 15.21%	13,034	20,659
2008	2	Monthly payments from \$2,385 to \$95,917, including interest from 11.50% to 15.61%	7,210	7,393
2009	7	Monthly payments from \$1,466 to \$37,487, including interest from 6.50% to 10.90%	32,149	25,410
2012	1	Monthly payments of \$114,565, including interest of 10.825%	12,700	12,700
2013	1	Monthly payments of \$17,352, including interest of 12.17%	185	1,711
2015	1	Monthly payments of \$2,061, including interest of 9.00%	154	275
2016	2	Monthly payments from \$6,573 to \$28,761, including interest of 10.00%	4,045	4,240
2017	1	Monthly payments of \$23,269, including interest of 8.11%	907	3,443
2018	1	Monthly payments of \$55,077, including interest of 10.65%	7,000	5,950
Totals.....			\$159,226	\$164,139

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

3. REAL PROPERTY OWNED

The following table summarizes certain information about our real property owned as of December 31, 2003 (dollars in thousands):

	NUMBER OF FACILITIES	LAND	BUILDING & IMPROVEMENTS	TOTAL INVESTMENT	ACCUMULATED DEPRECIATION
ASSISTED LIVING FACILITIES:					
Arizona.....	6	\$ 3,684	\$ 41,900	\$ 45,584	\$ 2,243
California.....	8	8,420	53,553	61,973	3,131
Colorado.....	1	940	3,721	4,661	184
Connecticut.....	5	6,040	40,578	46,618	3,546
Florida.....	18	8,103	86,352	94,455	13,232
Georgia.....	5	4,336	28,446	32,782	4,853
Idaho.....	4	1,675	29,615	31,290	524
Illinois.....	1	670	6,780	7,450	351
Indiana.....	13	2,891	61,732	64,623	9,228
Kentucky.....	1	490	7,610	8,100	102
Louisiana.....	1	1,100	10,161	11,261	1,948
Maryland.....	7	4,600	62,950	67,550	7,429
Massachusetts.....	5	4,860	51,421	56,281	1,405
Mississippi.....	2	1,080	13,470	14,550	355
Montana.....	2	910	7,282	8,192	802
Nevada.....	3	2,086	26,235	28,321	4,386
New Jersey.....	3	2,040	16,841	18,881	2,118
New York.....	3	2,390	21,982	24,372	690
North Carolina.....	42	18,133	184,153	202,286	8,273
Ohio.....	8	3,214	35,208	38,422	4,360
Oklahoma.....	16	1,928	24,346	26,274	5,044
Oregon.....	4	1,767	16,249	18,016	1,422
Pennsylvania.....	4	1,951	17,313	19,264	2,258
South Carolina.....	8	4,972	37,919	42,891	2,179
Tennessee.....	6	2,376	17,336	19,712	1,755
Texas.....	16	9,046	61,664	70,710	8,993

Utah.....	1	1,060	6,142	7,202	487
Virginia.....	5	2,624	27,378	30,002	745
Washington.....	6	5,000	27,676	32,676	844
Wisconsin.....	1	420	4,006	4,426	210
Construction in progress...	2			14,701	
	---	-----	-----	-----	-----
Total Assisted Living Facilities.....	207	108,806	1,030,019	1,153,526	93,097

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HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	NUMBER OF FACILITIES	LAND	BUILDING & IMPROVEMENTS	TOTAL INVESTMENT	ACCUMULATED DEPRECIATION
	-----	-----	-----	-----	-----
SKILLED NURSING FACILITIES:					
Alabama.....	7	\$ 2,910	\$ 37,909	\$ 40,819	\$ 583
Arizona.....	1	180	3,989	4,169	743
California.....	1	1,460	3,942	5,402	1,046
Colorado.....	1	370	6,051	6,421	1,103
Florida.....	9	4,382	59,034	63,416	10,002
Georgia.....	2	2,190	9,392	11,582	156
Idaho.....	3	2,010	20,662	22,672	3,486
Illinois.....	4	1,110	22,346	23,456	2,247
Kentucky.....	3	1,160	15,515	16,675	700
Maryland.....	1	390	4,010	4,400	121
Massachusetts.....	15	11,438	126,568	138,006	12,257
Mississippi.....	8	1,385	29,691	31,076	612
Missouri.....	3	1,247	23,133	24,380	1,020
Ohio.....	5	4,286	62,592	66,878	5,000
Oklahoma.....	1	470	5,673	6,143	981
Oregon.....	1	300	5,316	5,616	935
Pennsylvania.....	4	869	19,174	20,043	3,906
Tennessee.....	15	6,480	82,250	88,730	4,323
Texas.....	4	2,000	25,948	27,948	951
Virginia.....	2	1,891	7,312	9,203	261
	---	-----	-----	-----	-----
Total Skilled Nursing Facilities.....	90	46,528	570,507	617,035	50,433
SPECIALTY CARE FACILITIES:					
Florida.....	1	979		979	
Illinois.....	1	3,650	12,960	16,610	233
Massachusetts.....	4	3,425	71,937	75,362	8,554
Ohio.....	1	3,020	27,445	30,465	123
	---	-----	-----	-----	-----
Total Specialty Care Facilities.....	7	11,074	112,342	123,416	8,910
	---	-----	-----	-----	-----
Total Real Property Owned.....	304	\$166,408	\$1,712,868	\$1,893,977	\$152,440
	===	=====	=====	=====	=====

At December 31, 2003, future minimum lease payments receivable under operating leases are as follows (in thousands):

2004.....	\$ 188,459
2005.....	193,010
2006.....	197,716
2007.....	202,742
2008.....	207,804
Thereafter.....	1,748,369
	-----
Totals.....	\$2,738,100
	=====

## HEALTH CARE REIT, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

We purchased \$12,433,000, \$33,972,000 and \$13,683,000 of real property that had previously been financed by the Company with loans in 2003, 2002 and 2001, respectively. We converted \$36,794,000 of completed construction projects into operating lease properties in 2003. We acquired properties which included the assumption of mortgages totaling \$101,243,000 and \$2,248,000 in 2003 and 2002, respectively. These non-cash activities are appropriately not reflected in the accompanying statements of cash flows.

During the year ended December 31, 2003, it was determined that the projected undiscounted cash flows from a property did not exceed its related net book value and an impairment charge of \$2,792,000 was recorded to reduce the property to its estimated fair market value. The estimated fair market value of the property was determined by an independent appraisal. During the year ended December 31, 2002, it was determined that the projected undiscounted cash flows from three properties did not exceed their related net book values and impairment charges of \$2,298,000 were recorded to reduce the properties to their estimated fair market values. The estimated fair market values of the properties were determined by offers to purchase received from third parties or estimated net sales proceeds.

## 4. CONCENTRATION OF RISK

As of December 31, 2003, long-term care facilities, which include skilled nursing and assisted living facilities, comprised 92% (92% at December 31, 2002) of our real estate investments and were located in 33 states. Investments in assisted living facilities comprised 60% (57% at December 31, 2002) of our real estate investments. The following table summarizes certain information about our operator concentration as of December 31, 2003 (dollars in thousands):

	NUMBER OF FACILITIES	TOTAL INVESTMENT (1)	PERCENT OF INVESTMENT (2)
	-----	-----	-----
Concentration by investment:			
Emeritus Corporation.....	30	\$ 232,018	12%
Southern Assisted Living, Inc.....	46	211,633	11%
Commonwealth Communities L.L.C.....	14	200,127	10%
Home Quality Management, Inc.....	25	143,113	7%
Life Care Centers of America, Inc.....	17	120,810	6%
Remaining Operators (42).....	196	1,095,765	54%
	---	-----	-----
Totals.....	328	\$2,003,466	100%
	===	=====	=====

	NUMBER OF FACILITIES	TOTAL REVENUES (3)	PERCENT OF REVENUE (4)
	-----	-----	-----
Concentration by revenue:			
Commonwealth Communities L.L.C.....	14	\$ 26,592	13%
Home Quality Management, Inc.....	25	14,886	7%
Life Care Centers of America, Inc.....	17	14,525	7%
Merrill Gardens L.L.C.....	12	14,397	7%
Alterra Healthcare Corporation.....	45	14,293	7%
Remaining Operators (42).....	215	122,221	59%
	---	-----	-----
Totals.....	328	\$ 206,914	100%
	===	=====	=====

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- (1) Investments include real estate investments and credit enhancements which amounted to \$2,000,271,000 and \$3,195,000, respectively.
- (2) Investments with top five operators comprised 45% of total investments at December 31, 2002.

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

- (3) Revenues include gross revenues and revenues from discontinued operations for the year ended December 31, 2003.
- (4) Revenues from top five operators were 43% and 40% for the years ended December 31, 2002 and 2001, respectively.

5. ALLOWANCE FOR LOAN LOSSES

The following is a summary of the allowance for loan losses (in thousands):

	YEAR ENDED DECEMBER 31		
	2003	2002	2001
Balance at beginning of year.....	\$4,955	\$6,861	\$5,861
Provision for loan losses.....	2,870	1,000	1,000
Charge-offs.....		(2,906)	
Balance at end of year.....	\$7,825	\$4,955	\$6,861

6. BORROWINGS UNDER LINES OF CREDIT ARRANGEMENTS AND RELATED ITEMS

We have an unsecured credit arrangement with a consortium of eight banks providing for a revolving line of credit ("revolving credit") in the amount of \$310,000,000, which expires on May 15, 2006. The agreement specifies that borrowings under the revolving credit are subject to interest payable in periods no longer than three months on either the agent bank's prime rate of interest or 1.3% over LIBOR interest rate, at our option (2.43% at December 31, 2003). In addition, we pay a commitment fee based on an annual rate of 0.325% and an annual agent's fee of \$50,000. Principal is due upon expiration of the agreement. We have another unsecured line of credit arrangement with a bank for a total of \$30,000,000, which expires May 31, 2004. Borrowings under this line of credit are subject to interest at either the bank's prime rate of interest or 2.00% over LIBOR interest rate, at our option (4.00% at December 31, 2003) and are due on demand.

The following information relates to aggregate borrowings under the unsecured lines of credit arrangements (in thousands, except percentages):

	YEAR ENDED DECEMBER 31		
	2003	2002	2001
Balance outstanding at December 31.....	\$ 0	\$109,500	\$ 0
Maximum amount outstanding at any month end.....	156,900	130,000	140,800

Average amount outstanding (total of daily principal balances divided by days in year).....	64,420	69,180	66,217
Weighted average interest rate (actual interest expense divided by average borrowings outstanding).....	4.46%	4.58%	7.67%

7. SENIOR UNSECURED NOTES AND SECURED DEBT

We have \$865,000,000 of senior unsecured notes with annual interest rates ranging from 6.00% to 8.17%.

We have 30 mortgage loans totaling \$148,184,000, collateralized by health care facilities with annual interest rates ranging from 6.18% to 12.00%. The carrying values of the health care properties securing the mortgage loans totaled \$219,575,000 at December 31, 2003.

We had a \$60,000,000 secured line of credit with interest at the lender's prime rate or 2.0% over LIBOR, at our option, with a floor of 7.0% (7.0% at December 31, 2003) that expired in February 2004. We do not intend to replace this secured facility.

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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.

At December 31, 2003, the annual principal payments on these long-term obligations are as follows (in thousands):

	SENIOR UNSECURED NOTES	SECURED LINE OF CREDIT	MORTGAGE LOANS	TOTALS
	-----	-----	-----	-----
2004.....	\$ 40,000	\$ 0	\$ 5,828	\$ 45,828
2005.....			2,522	2,522
2006.....	50,000		2,703	52,703
2007.....	175,000		14,709	189,709
2008.....	100,000		9,879	109,879
2009.....			12,938	12,938
2010.....			8,948	8,948
Thereafter.....	500,000		90,657	590,657
Totals.....	\$865,000	\$ 0	\$148,184	\$1,013,184
	=====	=====	=====	=====

8. STOCK INCENTIVE PLANS AND RETIREMENT ARRANGEMENTS

Our 1995 Stock Incentive Plan authorizes up to 4,024,673 shares of common stock to be issued at the discretion of the Board of Directors. The 1995 Plan replaced the 1985 Incentive Stock Option Plan. The options granted under the 1985 Plan continue to vest through 2005 and expire ten years from the date of grant. Our officers and key salaried employees are eligible to participate in the 1995 Plan. The 1995 Plan allows for the issuance of stock options, restricted stock grants and Dividend Equivalency Rights. There were no Dividend Equivalency Rights outstanding under the 1995 Plan for any of the years presented. In addition, we have a Stock Plan for Non-Employee Directors, which authorizes up to 432,000 shares to be issued.

The following summarizes the activity in the plans for the years ended

December 31 (shares in thousands):

STOCK OPTIONS	YEAR ENDED DECEMBER 31					
	2003		2002		2001	
	NUMBER OF SHARES	AVERAGE EXERCISE PRICE	NUMBER OF SHARES	AVERAGE EXERCISE PRICE	NUMBER OF SHARES	AVERAGE EXERCISE PRICE
Options at beginning of year.....	1,606	\$21.99	2,387	\$21.23	2,003	\$20.34
Options granted.....	340	25.82	40	27.17	515	23.89
Options exercised.....	(420)	20.95	(821)	20.54	(111)	18.63
Options terminated.....	(23)	22.35			(20)	17.73
Options at end of year.....	1,503	\$23.15	1,606	\$21.99	2,387	\$21.23
Options exercisable at end of year.....	817	\$22.69	838	\$21.98	1,161	\$21.27
Weighted average fair value of options granted during the year.....		\$ 1.74		\$ 2.10		\$ 1.43

Vesting periods for options and restricted shares range from six months for directors to five years for officers and key salaried employees. Options expire ten years from the date of grant. We granted 110,000, 8,000, and 75,750 restricted shares during 2003, 2002 and 2001, respectively, including 12,000, 8,000, and

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HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

8,000 shares for directors in 2003, 2002 and 2001, respectively. Expense, which is recognized as the shares vest based on the market value at the date of the award, totaled \$1,984,000, \$1,555,000 and \$1,164,000, in 2003, 2002 and 2001, respectively.

The following table summarizes information about stock options outstanding at December 31, 2003 (shares in thousands):

RANGE OF PER SHARE EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACT LIFE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$16-\$20.....	392	\$17.60	6.8	265	\$17.76
\$20-\$25.....	585	24.26	7.2	320	24.13
\$25-\$30.....	526	26.04	8.3	232	26.31
Totals.....	1,503	\$23.15	7.5	817	\$22.69

We have a 401(k) Profit Sharing Plan and Money Purchase Pension Plan ("the Plans") covering all eligible employees. Under the Plans, eligible employees may make contributions, and we may make matching contributions and a profit sharing contribution. Our contributions to these Plans totaled \$206,000, \$184,000 and \$175,000 in 2003, 2002 and 2001, respectively.

We have a non-qualified senior executive retirement plan designed to provide pension benefits for certain officers. Pension benefits are based on compensation and length of service and the plan is unfunded. The accrued liability for the plan was \$412,000 at December 31, 2003 (\$206,000 at December 31, 2002).

9. OTHER EQUITY

Other equity consists of the following (in thousands):

	DECEMBER 31		
	2003	2002	2001
Accumulated compensation expense related to stock options.....	\$ 173	\$ 0	\$ 0
Unamortized restricted stock.....	(2,198)	(3,433)	(4,780)
Totals.....	\$ (2,025)	\$ (3,433)	\$ (4,780)

Unamortized restricted stock represents the unamortized value of restricted stock granted to employees and directors. Expense, which is recognized as the shares vest based on the market value at the date of the award, totaled \$1,182,000, \$1,555,000 and \$1,164,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

In December 2002, the Financial Accounting Standards Board issued Statement No. 148, Accounting for Stock-Based Compensation -- Transition and Disclosure, which we are required to adopt for fiscal years beginning after December 15, 2002, with transition provisions for certain matters. Statement 148 amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, Statement 148 amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Effective January 1, 2003, we commenced recognizing compensation expense in accordance with Statement 123 on a prospective basis. Accumulated option compensation expense represents the amount of amortized compensation costs related to stock options awarded to employees and directors in 2003.

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table illustrates the effect on net income available to common stockholders if we had applied the fair value recognition provisions of Statement 123 to stock-based compensation for options granted since 1995 but prior to adoption at January 1, 2003 (in thousands, except per share data):

	YEAR ENDED DECEMBER 31		
	2003	2002	2001
Numerator:			
Net income available to common stockholders -- as reported.....	\$70,732	\$55,191	\$47,044
Deduct: Additional stock-based employee compensation expense determined under fair value based method for all awards.....	405	539	465
Net income available to common stockholders -- pro forma.....	\$70,327	\$54,652	\$46,579

	=====	=====	=====
Denominator:			
Basic weighted average shares -- as reported and pro forma.....	43,572	36,702	30,534
Effect of dilutive securities:			
Employee stock options -- pro forma.....	388	394	178
Non-vested restricted shares.....	202	162	255
	-----	-----	-----
Dilutive potential common shares.....	590	556	433
	-----	-----	-----
Diluted weighted average shares -- pro forma.....	44,162	37,258	30,967
	=====	=====	=====
Net income available to common stockholders per share -- as reported			
Basic.....	\$ 1.62	\$ 1.50	\$ 1.54
Diluted.....	1.60	1.48	1.52
Net income available to common stockholders per share -- pro forma			
Basic.....	1.61	1.49	1.53
Diluted.....	1.59	1.47	1.50

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

	2003	2002	2001
	-----	-----	-----
Dividend yield.....	9.1%	8.0%	9.3%
Expected volatility.....	25.2%	24.3%	24.3%
Risk-free interest rate.....	3.73%	3.44%	3.44%
Expected life (in years).....	7	7	7
Weighted-average fair value.....	\$1.74	\$2.10	\$1.43

#### 10. PREFERRED STOCK

In January 1999, we sold 3,000,000 shares of Series C Cumulative Convertible Preferred Stock. These shares had a liquidation value of \$25.00 per share and paid dividends equivalent to the greater of (i) the annual dividend rate of \$2.25 per share (a quarterly dividend rate of \$0.5625 per share); or (ii) the quarterly dividend then payable per common share on an as converted basis. The preferred shares were convertible into common stock at a conversion price of \$25.625 per share. We had the right to redeem the preferred shares after five years. During the year ended December 31, 2003, the holder of our Series C Cumulative Convertible

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Preferred Stock converted 2,100,000 shares into 2,049,000 shares of common stock. At December 31, 2003, the Series C Cumulative Convertible Preferred Stock has been fully converted into common stock.

In July 2003, we closed a public offering of 4,000,000 shares of 7.875% Series D Cumulative Redeemable Preferred Stock. These shares have a liquidation value of \$25.00 per share. Dividends are payable quarterly in arrears. The preferred stock, which has no stated maturity, may be redeemed by us at par plus accrued and unpaid dividends thereon to the redemption date on or after July 9, 2008. A portion of the proceeds from this offering were used to redeem all 3,000,000 shares of our 8.875% Series B Cumulative Redeemable Preferred Stock on July 15, 2003, at a redemption price of \$25.00 per share plus accrued and unpaid

dividends.

In September 2003, we issued 1,060,000 shares of 6% Series E Cumulative Convertible and Redeemable Preferred Stock as partial consideration for an acquisition of assets by the Company, with the shares valued at \$26,500,000 for such purposes. The shares were issued to Southern Assisted Living, Inc. and certain of its stockholders without registration in reliance upon the federal statutory exemption of Section 4(2) of the Securities Act of 1933, as amended. The shares have a liquidation value of \$25.00 per share. Dividends are payable quarterly in arrears. The preferred stock, which has no stated maturity, may be redeemed by us at par plus accrued and unpaid dividends thereon to the redemption date on or after August 15, 2008. The preferred shares are convertible into common stock at a conversion price of \$32.66 per share at any time. During the three months ended December 31, 2003, certain holders of our Series E Cumulative Convertible and Redeemable Preferred Stock converted 229,600 shares into 175,700 shares of common stock, leaving 830,400 outstanding at December 31, 2003.

#### 11. INCOME TAXES AND DISTRIBUTIONS

To qualify as a real estate investment trust for federal income tax purposes, 90% of taxable income (including 100% of capital gains) must be distributed to stockholders. Real estate investment trusts that do not distribute a certain amount of current year taxable income in the current year are also subject to a 4% federal excise tax. The principal reasons for the difference between undistributed net income for federal income tax purposes and financial statement purposes are the recognition of straight-line rent for reporting purposes, different useful lives and depreciation methods for real property and the provision for loan losses for reporting purposes versus bad debt expense for tax purposes. Cash distributions paid to common stockholders, for federal income tax purposes, are as follows:

	YEAR ENDED DECEMBER 31		
	2003	2002	2001
Per Share:			
Ordinary income.....	\$1.365	\$1.655	\$1.673
Return of capital.....	0.896	0.671	0.648
Capital gains.....	0.079	0.014	0.019
Totals.....	\$2.340	\$2.340	\$2.340

#### 12. COMMITMENTS AND CONTINGENCIES

We have guaranteed the payment of industrial revenue bonds for one assisted living facility, in the event that the present owner defaults upon its obligations. In consideration for this guaranty, we receive and recognize fees annually related to this arrangement. This guaranty expires upon the repayment of the industrial revenue bonds which currently mature in 2009. At December 31, 2003, we were contingently liable for \$3,195,000 under this guaranty.

At December 31, 2003, we had operating lease obligations of \$10,758,000 relating to Company office space and six assisted living facilities.

\$14,865,000 (\$14,701,000 for leased properties and \$164,000 for construction loans) and were committed to providing additional financing of approximately \$15,501,000 to complete construction. At December 31, 2003, we had contingent purchase obligations totaling \$62,443,000. These contingent purchase obligations primarily relate to deferred acquisition fundings. Deferred acquisition fundings are contingent upon an operator satisfying certain conditions such as payment coverage and value tests. Rents received from the tenant are increased to reflect the additional investment in the property.

On November 20, 2002, Doctors Community Health Care Corporation and five subsidiaries ("Doctors") filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the District of Columbia. Doctors stated that its bankruptcy filing was due to the bankruptcy of National Century Financial Enterprises and affiliates, which halted payments to health care providers, including Doctors. We have provided mortgage financing to Doctors in the form of a loan secured by the Pacifica Hospital of the Valley in Sun Valley, CA, and the other assets of the Pacifica of the Valley Corporation, one of the debtor subsidiaries. The outstanding principal balance of the loan was approximately \$18,797,000 on December 31, 2003. Pursuant to procedures approved by the bankruptcy court, the assets of Doctors were the subject of an auction held on December 10 through December 16, 2003. At the conclusion of that auction, the debtors' independent director declared certain members of Doctors' management the winning bidder. Their bid contemplates a reorganization of Doctors and its subsidiaries with new equity and debt capitalization. The results of this auction are subject to bankruptcy court approval, which the debtors have stated they intend to seek in connection with a hearing on the confirmation of the debtors' proposed plan of reorganization. Doctors anticipates that this hearing should occur in March or April 2004. Doctors did not make an interest payment for the twelve months ended December 31, 2003. We will not recognize any interest on the loan until payment is received.

Alterra Healthcare Corporation ("Alterra") filed for Chapter 11 bankruptcy protection on January 23, 2003 in the United States Bankruptcy Court for the District of Delaware. We have a master lease with Alterra for 45 assisted living facilities with a depreciated book value of \$103,293,000 at December 31, 2003. A joint venture between Fortress Investment Group LLC and Emeritus Corporation was the winning bidder at a bankruptcy auction held on July 17, 2003. The bankruptcy court confirmed Alterra's plan of reorganization on November 26, 2003. In connection with confirmation of Alterra's plan, our master lease was assumed and the acquisition of Alterra by the Fortress-Emeritus joint venture was approved. This transaction has closed. Alterra remained current on rental payments throughout the bankruptcy process.

### 13. STOCKHOLDER RIGHTS PLAN

Under the terms of a stockholder rights plan approved by our Board of Directors in July 1994, a preferred share right is attached to and automatically trades with each outstanding share of common stock.

The rights, which are redeemable, will become exercisable only in the event that any person or group becomes a holder of 15% or more of our common stock, or commences a tender or exchange offer, which, if consummated, would result in that person or group owning at least 15% of our common stock. Once the rights become exercisable, they entitle all other stockholders to purchase one one-thousandth of a share of a new series of junior participating preferred stock for an exercise price of \$48.00. The rights will expire on August 5, 2004, unless exchanged earlier or redeemed earlier by us for \$0.01 per right at any time before public disclosure that a 15% position has been acquired.

### 14. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted

earnings per share (in thousands, except per share data):

	YEAR ENDED DECEMBER 31		
	2003	2002	2001
Numerator for basic and diluted earnings per share -- net income available to common stockholders.....	\$70,732	\$55,191	\$47,044
Denominator for basic earnings per share -- weighted average shares.....	43,572	36,702	30,534
Effect of dilutive securities:			
Employee stock options.....	427	437	238
Non-vested restricted shares.....	202	162	255
Dilutive potential common shares.....	629	599	493
Denominator for diluted earnings per share -- adjusted weighted average shares.....	44,201	37,301	31,027
Basic earnings per share.....	\$ 1.62	\$ 1.50	\$ 1.54
Diluted earnings per share.....	\$ 1.60	\$ 1.48	\$ 1.52

The diluted earnings per share calculation excludes the dilutive effect of 0, 10,000 and 1,301,000 options for 2003, 2002 and 2001, respectively, because the exercise price was greater than the average market price. The Series C Cumulative Convertible Preferred Stock and Series E Cumulative Convertible and Redeemable Preferred Stock were not included in this calculation as the effect of the conversions were anti-dilutive.

#### 15. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Mortgage Loans Receivable -- The fair value of all mortgage loans receivable is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Working Capital Loans, Construction Loans and Subdebt Investments -- The carrying amount is a reasonable estimate of fair value based on the interest rates received, which approximates current market rates.

Cash and Cash Equivalents -- The carrying amount approximates fair value.

Equity Investments -- Equity investments are recorded at their fair market value.

Borrowings Under Lines of Credit Arrangements and Secured Debt -- The carrying amount of the lines of credit arrangements and secured debt approximates fair value because the borrowings are interest rate adjustable.

Senior Unsecured Notes -- The fair value of the senior unsecured notes payable was estimated by discounting the future cash flows using the current borrowing rate available to the Company for similar debt.

Mortgage Loans Payable -- Mortgage loans payable is a reasonable estimate of fair value based on the interest rates paid, which approximates current

market rates.

HEALTH CARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The carrying amounts and estimated fair values of our financial instruments are as follows (in thousands):

	DECEMBER 31, 2003		December 31, 2002	
	CARRYING AMOUNT	FAIR VALUE	Carrying Amount	Fair Value
<b>Financial Assets:</b>				
Mortgage loans receivable.....	\$164,139	\$ 167,610	\$179,761	\$192,037
Working capital loans.....	49,177	49,177	28,255	28,255
Construction loans.....	164	164		
Subdebt investments.....	45,254	45,254	14,578	14,578
Cash and cash equivalents.....	124,496	124,496	9,550	9,550
Equity investments.....	1	1	12	12
<b>Financial Liabilities:</b>				
Borrowings under lines of credit arrangements.....	\$ 0	\$ 0	\$109,500	\$109,500
Senior unsecured notes.....	865,000	1,111,712	515,000	418,179
Secured debt.....	0	0	4,000	4,000
Mortgage loans payable.....	148,184	148,184	47,831	47,831

16. DISCONTINUED OPERATIONS

In August 2001, the Financial Accounting Standards Board issued Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which is effective for fiscal years beginning after December 15, 2001. We adopted the standard effective January 1, 2002.

During the year ended December 31, 2003, we sold properties with carrying values of \$61,316,000 for net gains of \$4,139,000. In accordance with Statement No. 144, we have reclassified the income and expenses attributable to these properties 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 the properties as discontinued operations (in thousands):

	YEAR ENDED DECEMBER 31		
	2003	2002	2001
<b>Revenues:</b>			
Operating lease rents.....	\$5,883	\$11,953	\$14,059
<b>Expenses:</b>			
Interest expense.....	1,233	2,669	3,618
Provision for depreciation.....	1,792	3,966	4,422
Income from discontinued operation, net.....	\$2,858	\$ 5,318	\$ 6,019

## HEALTH CARE REIT, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 17. SUBSEQUENT EVENTS

During December 2003 and January 2004, we expanded our unsecured revolving line of credit from \$225,000,000 to \$310,000,000. The existing bank group, in conjunction with two new participants, First Tennessee Bank, N.A. and LaSalle Bank National Association, provided the additional capacity. See Note 6 for additional information regarding this arrangement.

## 18. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of our unaudited quarterly results of operations for the years ended December 31, 2003 and 2002 (in thousands, except per share data):

	YEAR ENDED DECEMBER 31, 2003			
	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER (2)
Revenues -- as reported.....	\$46,292	\$47,856	\$49,975	\$61,240
Discontinued operations.....	(2,155)	(2,164)	(13)	
Revenues -- as adjusted(1).....	44,137	45,692	49,962	61,240
Net income available to common stockholders.....	16,451	16,744	20,601	16,935
Net income available to common stockholders per share:				
Basic.....	0.41	0.41	0.47	0.34
Diluted.....	0.41	0.41	0.46	0.34

	Year Ended December 31, 2002			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter (3)
Revenues -- as reported.....	\$37,395	\$40,638	\$42,373	\$45,424
Discontinued operations.....	(3,402)	(3,219)	(2,238)	(2,044)
Revenues -- as adjusted(1).....	33,993	37,419	40,135	43,380
Net income available to common stockholders.....	12,511	13,490	16,885	12,303
Net income available to common stockholders per share:				
Basic.....	0.38	0.38	0.44	0.31
Diluted.....	0.37	0.37	0.43	0.31

- 
- (1) In accordance with FASB Statement No. 144, we have reclassified the income attributable to the properties sold subsequent to January 1, 2002 to discontinued operations. See Note 16.
  - (2) The decrease in net income and amounts per share is primarily attributable to impairment of assets recorded in fourth quarter 2003 and a common stock issuance completed in third quarter 2003.
  - (3) The decrease in net income and amounts per share is primarily attributable to impairment of assets, losses on sales of properties and a common stock issuance recorded in fourth quarter 2002.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report. No change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended) occurred during the fourth quarter of the one-year period covered by this report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated herein by reference to the information under the headings "Election of Three Directors," "Executive Officers of the Company" and "Board and Committees" in our definitive proxy statement, which will be filed with the Commission prior to April 16, 2004.

We have adopted a Code of Business Conduct & Ethics that applies to our directors, officers and employees. The code is posted on our Internet Web site at [www.hcreit.com](http://www.hcreit.com) and is available from the Company upon written request to the Vice President and Corporate Secretary, Health Care REIT, Inc., One SeaGate, Suite 1500, P.O. Box 1475, Toledo, Ohio 43603-1475. Any amendments to, or waivers from, the code that relate to any officer or director of the Company will be promptly disclosed on our Internet Web site at [www.hcreit.com](http://www.hcreit.com).

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the information under the heading "Remuneration" in our definitive proxy statement, which will be filed with the Commission prior to April 16, 2004.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated herein by reference to the information under the headings "Security Ownership of Directors and Management," "Equity Compensation Plan Information" and "Employment Agreements" in our definitive proxy statement, which will be filed with the Commission prior to April 16, 2004.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated herein by reference to the information under the heading "Certain Relationships and Related Transactions" in our definitive proxy statement, which will be filed with the Commission prior to April 16, 2004.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the information under the heading "Ratification of the Appointment of Independent Auditors" in our definitive proxy statement, which will be filed with the Commission prior to April 16, 2004.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)1. Our Consolidated Financial Statements are included in Part II, Item 8:

Report of Independent Auditors.....	43
Consolidated Balance Sheets -- December 31, 2003 and 2002...	44
Consolidated Statements of Income -- Years ended December 31, 2003, 2002 and 2001.....	45
Consolidated Statements of Stockholders' Equity -- Years ended December 31, 2003, 2002 and 2001.....	46
Consolidated Statements of Cash Flows -- Years ended December 31, 2003, 2002 and 2001.....	47
Notes to Consolidated Financial Statements.....	48

2. The following Financial Statement Schedules are included in Item 15(d):

III -- Real Estate and Accumulated Depreciation

IV -- Mortgage Loans on Real Estate

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

3. Exhibit Index:

- 3.1 Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000, and incorporated herein by reference thereto).
- 3.2 Certificate of Designation, Preferences and Rights of Junior Participating Preferred Stock, Series A, of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000, and incorporated herein by reference thereto).
- 3.3 Certificate of Designations, Preferences and Rights of Series C Cumulative Convertible Preferred Stock of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000, and incorporated herein by reference thereto).
- 3.4 Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000, and incorporated herein by reference thereto).
- 3.5 Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed June 13, 2003, and incorporated herein by reference thereto).
- 3.6 Certificate of Designation of 7 7/8% Series D Cumulative Redeemable Preferred Stock of the Company (filed with the Commission as Exhibit 2.5 to the Company's Form 8-A/A filed July 8, 2003, and incorporated herein by reference thereto).
- 3.7 Certificate of Designation of 6% Series E Cumulative Convertible and Redeemable Preferred Stock of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed October 1, 2003, and incorporated herein by reference thereto).
- 3.8 Amended and Restated By-Laws of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed

October 24, 1997, and incorporated herein by reference thereto).

- 4.1 The Company, by signing this Report, agrees to furnish the Securities and Exchange Commission upon its request a copy of any instrument that defines the rights of holders of long-term debt of the Company and authorizes a total amount of securities not in excess of 10% of the total assets of the Company.

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- 4.2 Series A Junior Participating Preferred Share Purchase Rights Agreement, dated as of July 19, 1994 (filed with the Commission as Exhibit 2 to the Company's Form 8-A filed August 3, 1994 (File No. 1-8923), and incorporated herein by reference thereto).
- 4.3 Indenture dated as of April 17, 1997 between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed April 21, 1997, and incorporated herein by reference thereto).
- 4.4 First Supplemental Indenture, dated as of April 17, 1997, to Indenture dated as of April 17, 1997, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed April 21, 1997, and incorporated herein by reference thereto).
- 4.5 Second Supplemental Indenture, dated as of March 13, 1998, to Indenture dated as of April 17, 1997, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed March 11, 1998, and incorporated herein by reference thereto).
- 4.6 Third Supplemental Indenture, dated as of March 18, 1999, to Indenture dated as of April 17, 1997, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed March 17, 1999, and incorporated herein by reference thereto).
- 4.7 Fourth Supplemental Indenture, dated as of August 10, 2001, to Indenture dated as of April 17, 1997, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed August 9, 2001, and incorporated herein by reference thereto).
- 4.8 Supplemental Indenture No. 5, dated September 10, 2003, to Indenture dated as of April 17, 1997, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed September 24, 2003, and incorporated herein by reference thereto).
- 4.9 Amendment No. 1, dated September 16, 2003, to Supplemental Indenture No. 5, dated September 10, 2003, to Indenture dated as of April 17, 1997, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.3 to the Company's Form 8-K filed September 24, 2003, and incorporated herein by reference thereto).
- 4.10 Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed September 9, 2002, and incorporated herein by reference thereto).
- 4.11 Supplemental Indenture No. 1, dated as of September 6, 2002, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 9, 2002, and incorporated herein by reference thereto).
- 4.12 Amendment No. 1, dated March 12, 2003, to Supplemental Indenture No. 1, dated as of September 6, 2002, to Indenture for Senior Debt Securities, dated as of September 6, 2002,

between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed March 14, 2003, and incorporated herein by reference thereto).

- 4.13 Supplemental Indenture No. 2, dated as of September 10, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 24, 2003, and incorporated herein by reference thereto).
- 4.14 Amendment No. 1, dated September 16, 2003, to Supplemental Indenture No. 2, dated as of September 10, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.4 to the Company's Form 8-K filed September 24, 2003, and incorporated herein by reference thereto).
  
- 4.15 Supplemental Indenture No. 3, dated as of October 29, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed October 30, 2003, and incorporated herein by reference thereto).
- 4.16 Form of Indenture for Senior Subordinated Debt Securities (filed with the Commission as Exhibit 4.9 to the Company's Form S-3 (File No. 333-73936) filed November 21, 2001, and incorporated herein by reference thereto).
- 4.17 Form of Indenture for Junior Subordinated Debt Securities (filed with the Commission as Exhibit 4.10 to the Company's Form S-3 (File No. 333-73936) filed November 21, 2001, and incorporated herein by reference thereto).
- 10.1 Amended and Restated Loan Agreement, dated August 23, 2002, by and among Health Care REIT, Inc. and its subsidiaries, the banks signatory thereto, KeyBank National Association, as administrative agent, Deutsche Bank Securities Inc., as syndication agent, and UBS Warburg LLC, as documentation agent (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed August 30, 2002, and incorporated herein by reference thereto).
- 10.2 Amendment No. 1, dated May 15, 2003, to Amended and Restated Loan Agreement, dated August 23, 2002, 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 Warburg LLC, as documentation agent (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed June 13, 2003, and incorporated herein by reference thereto).
- 10.3 Amendment No. 2, dated August 26, 2003, to Amended and Restated Loan Agreement, dated August 23, 2002, 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, as documentation agent (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed September 24, 2003, and incorporated herein by reference thereto).
- 10.4 Amendment No. 3, dated December 19, 2003, to Amended and Restated Loan Agreement, dated August 23, 2002, 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, as documentation agent.
- 10.5 Supplement, dated January 30, 2004, to Amended and Restated Loan Agreement, dated August 23, 2002, 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, as documentation agent.
- 10.6 Credit Agreement by and among Health Care REIT, Inc. and certain subsidiaries, Bank United and other lenders party thereto, dated as of February 24, 1999 (filed with the Commission as Exhibit 10.7 to the Company's Form 10-K filed March 26, 2001, and incorporated herein by reference thereto).
- 10.7 Amendment No. 1, dated April 5, 1999, to Credit Agreement by and among Health Care REIT, Inc. and certain subsidiaries, Bank United and other lenders party thereto, dated as of February 24, 1999 (filed with the Commission as Exhibit 10.10 to the Company's Form 10-K filed March 26, 2001, and incorporated herein by reference thereto).
- 10.8 Credit Agreement by and between Health Care REIT, Inc. and Fifth Third Bank, dated as of May 31, 2003 (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed June 13, 2003, and incorporated herein by reference thereto).
- 10.9 The 1985 Incentive Stock Option Plan of Health Care REIT, Inc., and the First Amendment to the 1985 Incentive Stock Option Plan (filed with the Commission as Exhibit 4(b) to the Company's Form S-8 (File No. 33-46561) filed March 20, 1992, and incorporated herein by reference thereto).\*

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- 10.10 Second Amendment to the 1985 Incentive Stock Option Plan of Health Care REIT, Inc. (filed with the Commission as Exhibit 4.3 to the Company's Form S-8 (File No. 333-01237) filed February 27, 1996, and incorporated herein by reference thereto).\*
- 10.11 Third Amendment to the 1985 Incentive Stock Option Plan of Health Care REIT, Inc. (filed with the Commission as Exhibit 4.4 to the Company's Form S-8 (File No. 333-01237) filed with the Commission February 27, 1996, and incorporated herein by reference thereto).\*
- 10.12 The 1995 Stock Incentive Plan of Health Care REIT, Inc. (filed with the Commission as Appendix II to the Company's Proxy Statement for the 1995 Annual Meeting of Stockholders, filed September 29, 1995, and incorporated herein by reference thereto).\*
- 10.13 First Amendment to the 1995 Stock Incentive Plan of Health Care REIT, Inc. (filed with the Commission as Exhibit 4.2 to the Company's Form S-8 (File No. 333-40771) filed November 21, 1997, and incorporated herein by reference thereto).\*
- 10.14 Second Amendment to the 1995 Stock Incentive Plan of Health Care REIT, Inc. (filed with the Commission as Exhibit 4.3 to the Company's Form S-8 (File No. 333-73916) filed November 21, 2001, and incorporated herein by reference thereto).\*
- 10.15 Third Amendment to the 1995 Stock Incentive Plan of Health Care REIT, Inc.\*
- 10.16 Stock Plan for Non-Employee Directors of Health Care REIT, Inc. (filed with the Commission as Exhibit 10.5 to the Company's Form 10-Q filed May 13, 1997, and incorporated herein by reference thereto).\*
- 10.17 Second Amended and Restated Employment Agreement, effective January 1, 2004, by and between Health Care REIT, Inc. and George L. Chapman.\*
- 10.18 Second Amended and Restated Employment Agreement, effective January 1, 2004, by and between Health Care REIT, Inc. and Raymond W. Braun.\*
- 10.19 Second Amended and Restated Employment Agreement, effective January 1, 2004, by and between Health Care REIT, Inc. and Erin C. Ibele.\*
- 10.20 Amended and Restated Employment Agreement, effective January 1, 2004, by and between Health Care REIT, Inc. and Charles J. Herman, Jr.\*
- 10.21 Employment Agreement, effective April 28, 2003, by and between Health Care REIT, Inc. and Scott A. Estes.\*
- 10.22 Health Care REIT, Inc. Supplemental Executive Retirement Plan, effective as of January 1, 2001 (filed with the Commission as Exhibit 10.19 to the Company's Form 10-K filed March 10, 2003, and incorporated herein by reference thereto).\*
- 10.23 Health Care REIT, Inc. Executive Loan Program, effective as of August 1999 (filed with the Commission as Exhibit 10.20 to the Company's Form 10-K filed March 10, 2003, and incorporated herein by reference thereto).\*
- 14 Code of Business Conduct & Ethics.
- 21 Subsidiaries of the Company.
- 23 Consent of Ernst & Young LLP, independent auditors.

- 24 Powers of Attorney.
- 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.

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\* Management Contract or Compensatory Plan or Arrangement.

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(b) Reports on Form 8-K filed in the fourth quarter of 2003 and afterwards:

Form 8-K filed on October 1, 2003 to announce that the Company had filed the Certificate of Designation for its 6% Series E Cumulative Convertible and Redeemable Preferred Stock.

Form 8-K filed on October 22, 2003 to announce that the Company had filed a press release announcing earnings results for the quarter ended September 30, 2003.

Form 8-K filed on October 30, 2003 to announce that the Company had entered into an Underwriting Agreement for an offering of \$250,000,000 in senior unsecured notes.

Form 8-K filed on November 7, 2003 to announce that an executive officer had entered into a second 10b5-1 trading plan effective November 3, 2003.

Form 8-K filed on November 14, 2003 to announce that an executive officer had modified a 10b5-1 trading plan effective November 12, 2003 and another executive officer had entered into a new 10b5-1 trading plan effective November 12, 2003.

Form 8-K filed on February 2, 2004 to announce that the Company had filed a press release announcing earnings results for the quarter and year ended December 31, 2003.

(c) Exhibits:

The exhibits listed in Item 15(a)(3) above are either filed with this Form 10-K or incorporated by reference in accordance with Rule 12b-32 of the Securities Exchange Act of 1934.

(d) Financial Statement Schedules:

Financial statement schedules are included in pages 72 through 80.

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEALTH CARE REIT, INC.

By: /s/ GEORGE L. CHAPMAN

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Chairman, Chief Executive Officer  
and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 12, 2004, by the following person on behalf of the Company and in the capacities indicated.

/s/ WILLIAM C. BALLARD, JR.\*

William C. Ballard, Jr., Director

/s/ BRUCE G. THOMPSON\*

Bruce G. Thompson, Director

/s/ PIER C. BORRA\*

Pier C. Borra, Director

/s/ R. SCOTT TRUMBULL\*

R. Scott Trumbull, Director

/s/ THOMAS J. DEROSA\*

Thomas J. DeRosa, Director

/s/ GEORGE L. CHAPMAN

George L. Chapman, Chairman,  
Chief Executive Officer and Director  
(Principal Executive Officer)

/s/ JEFFREY H. DONAHUE\*

Jeffrey H. Donahue, Director

/s/ RAYMOND W. BRAUN\*

Raymond W. Braun, President  
and Chief Financial Officer  
(Principal Financial Officer)

/s/ PETER J. GRUA\*

Peter J. Grua, Director

/s/ MICHAEL A. CRABTREE\*

Michael A. Crabtree, Treasurer  
(Principal Accounting Officer)

/s/ SHARON M. OSTER\*

Sharon M. Oster, Director

\*By: /s/ GEORGE L. CHAPMAN

George L. Chapman, Attorney-in-Fact

HEALTH CARE REIT, INC.  
SCHEDULE III

REAL ESTATE AND ACCUMULATED DEPRECIATION  
DECEMBER 31, 2003

(DOLLARS IN THOUSANDS)	INITIAL COST TO COMPANY				GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
	ENCUMBRANCES	LAND	BUILDINGS & IMPROVEMENTS	COST CAPITALIZED SUBSEQUENT TO ACQUISITION	LAND	BUILDINGS & IMPROVEMENTS	ACCUMULATED DEPRECIATION
ASSISTED LIVING FACILITIES:							
Alhambra, CA.....	\$ 0	\$ 420	\$ 2,534	\$ 0	\$ 420	\$ 2,534	\$ 196
Anderson, SC.....		710	6,290		710	6,290	45
Asheboro, NC(3).....	3,745	290	5,032	13	290	5,045	36
Asheville, NC.....		204	3,489		204	3,489	486
Asheville, NC.....		280	1,955	26	280	1,981	16
Atlanta, GA.....		2,059	14,914		2,059	14,914	2,518
Auburn, IN.....		145	3,511	1,855	145	5,366	850
Auburn, MA(1).....	4,977	1,050	7,950		1,050	7,950	107
Austin, TX.....		880	9,520		880	9,520	1,330
Avon, IN.....		170	3,504	2,025	170	5,529	895
Azusa, CA.....		570	3,141		570	3,141	254
Baltimore, MD.....		510	4,515		510	4,515	97
Bartlesville, OK.....		100	1,380		100	1,380	313
Bellingham, WA.....		300	3,200		300	3,200	22
Bluffton, SC.....		700	5,598	3,066	700	8,664	521
Boonville, IN.....		190	5,510		190	5,510	258
Bradenton, FL.....		252	3,298		252	3,298	763
Bradenton, FL.....		100	1,700	788	100	2,488	356
Brandon, FL.....		860	7,140		860	7,140	47
Brick, NJ.....		1,300	9,394		1,300	9,394	1,731
Burlington, NC.....		280	4,297	21	280	4,318	30
Burlington, NC(3).....	2,923	460	5,501	5	460	5,506	39
Butte, MT.....		550	3,957	43	550	4,000	333
Canton, OH.....		300	2,098		300	2,098	305
Cape Coral, FL.....		530	3,281		530	3,281	161
Cary, NC.....		1,500	4,350	857	1,500	5,207	670
Cedar Hill, TX.....		171	1,490		171	1,490	303
Chapel Hill, NC.....		354	2,646	729	354	3,375	98
Chelmsford, MA(2).....	9,695	1,040	10,960		1,040	10,960	73
Chickasha, OK.....		85	1,395		85	1,395	309

Chubbuck, ID.....	125	5,375		125	5,375	38
Claremore, OK.....	155	1,428		155	1,428	292
Clarksville, TN.....	330	2,292		330	2,292	330
Clermont, FL.....	350	5,232	449	350	5,681	915
Coeur D' Alene, ID.....	530	7,570		530	7,570	52
Columbia, SC.....	2,120	4,860		2,120	4,860	109
Columbia, TN.....	341	2,295		341	2,295	317
Columbus, IN.....	530	5,170		530	5,170	245
Concord, NC(3).....	4,993	3,921	30	550	3,951	31
Corpus Christi, TX.....	155	2,935		155	2,935	566
Corpus Christi, TX.....	420	4,796		420	4,796	1,444
Danville, VA.....	410	3,954	12	410	3,966	29
Dayton, OH.....	690	2,970		690	2,970	
Desoto, TX.....	205	1,383		205	1,383	274
Douglasville, GA.....	90	217		90	217	4
Duncan, OK.....	103	1,347		103	1,347	291
Durham, NC.....	1,476	10,659	765	1,476	11,424	2,439
Easley, SC.....	250	3,266		250	3,266	70
Eden, NC(3).....	3,248	5,039	2	390	5,041	35
Edmond, OK.....	175	1,564		175	1,564	331
Elizabeth City, NC.....	200	2,760	1,971	200	4,731	405
Ellicott City, MD.....	1,320	13,641	1,621	1,320	15,262	3,122
Encinitas, CA.....	1,460	7,721		1,460	7,721	726
Enid, OK.....	90	1,390		90	1,390	315
Eugene, OR.....	600	5,150		600	5,150	247
Everett, WA.....	1,400	5,476		1,400	5,476	703
Fairfield, CA.....	1,460	14,040		1,460	14,040	702
Fayetteville, NY.....	410	3,962		410	3,962	220

(DOLLARS IN THOUSANDS)

DESCRIPTION	YEAR ACQUIRED	YEAR BUILT
ASSISTED LIVING FACILITIES:		
Alhambra, CA.....	1999	1999
Anderson, SC.....	2003	1986
Asheboro, NC(3).....	2003	1998
Asheville, NC.....	1999	1999
Asheville, NC.....	2003	1992
Atlanta, GA.....	1997	1999
Auburn, IN.....	1998	1999
Auburn, MA(1).....	2003	1997
Austin, TX.....	1999	1998
Avon, IN.....	1998	1999
Azusa, CA.....	1998	1988
Baltimore, MD.....	2003	1999
Bartlesville, OK.....	1996	1995
Bellingham, WA.....	2003	1994
Bluffton, SC.....	1999	2000
Boonville, IN.....	2002	2000
Bradenton, FL.....	1996	1995
Bradenton, FL.....	1999	1996
Brandon, FL.....	2003	1990
Brick, NJ.....	1999	2000
Burlington, NC.....	2003	2000
Burlington, NC(3).....	2003	1997
Butte, MT.....	1998	1999
Canton, OH.....	1998	1998
Cape Coral, FL.....	2002	2000
Cary, NC.....	1998	1996
Cedar Hill, TX.....	1997	1996
Chapel Hill, NC.....	2002	1997
Chelmsford, MA(2).....	2003	1997
Chickasha, OK.....	1996	1996
Chubbuck, ID.....	2003	1996
Claremore, OK.....	1996	1996
Clarksville, TN.....	1998	1998
Clermont, FL.....	1996	1997
Coeur D' Alene, ID.....	2003	1997
Columbia, SC.....	2003	2000
Columbia, TN.....	1999	1999
Columbus, IN.....	2002	2001
Concord, NC(3).....	2003	1997
Corpus Christi, TX.....	1997	1996
Corpus Christi, TX.....	1996	1997
Danville, VA.....	2003	1998
Dayton, OH.....	2003	1994
Desoto, TX.....	1996	1996
Douglasville, GA.....	2003	1985
Duncan, OK.....	1995	1996
Durham, NC.....	1997	1999
Easley, SC.....	2003	1999
Eden, NC(3).....	2003	1998
Edmond, OK.....	1995	1996
Elizabeth City, NC.....	1998	1999
Ellicott City, MD.....	1997	1999
Encinitas, CA.....	2000	2000
Enid, OK.....	1995	1995
Eugene, OR.....	2002	2000
Everett, WA.....	1999	1999
Fairfield, CA.....	2002	1998
Fayetteville, NY.....	2001	1997

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HEALTH CARE REIT, INC.

SCHEDULE III -- (CONTINUED)

(DOLLARS IN THOUSANDS)	ENCUMBRANCES	INITIAL COST TO COMPANY			GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
		LAND	BUILDINGS & IMPROVEMENTS	COST CAPITALIZED SUBSEQUENT TO ACQUISITION	LAND	BUILDINGS & IMPROVEMENTS	ACCUMULATED DEPRECIATION
Federal Way, WA.....	\$ 0	\$ 540	\$ 3,960	\$ 0	\$ 540	\$ 3,960	\$ 27

Findlay, OH.....		200	1,800		200	1,800	338
Flagstaff, AZ.....		540	4,460		540	4,460	31
Florence, NJ.....		300	2,978		300	2,978	145
Forest City, NC(3).....	3,317	320	4,576	3	320	4,579	33
Fort Myers, FL.....		440	2,560		440	2,560	18
Fort Worth, TX.....		210	3,790	(146)	64	3,790	845
Gaffney, SC.....		200	1,892		200	1,892	46
Gardnerville, NV.....		1,326	12,549		1,326	12,549	2,788
Gastonia, NC(3).....	4,414	470	6,129		470	6,129	43
Gastonia, NC(3).....	2,039	310	3,096		310	3,096	23
Gastonia, NC(3).....	4,044	400	5,029		400	5,029	36
Georgetown, TX.....		200	2,100		200	2,100	383
Greensboro, NC.....		330	2,970	5	330	2,975	22
Greensboro, NC.....		560	5,507		560	5,507	41
Greenville, NC(3).....	3,841	290	4,393	2	290	4,395	31
Hagerstown, MD.....		360	4,640		360	4,640	34
Haines City, FL.....		80	1,937	162	80	2,099	345
Hamden, CT.....		1,470	4,530		1,470	4,530	233
Hamilton, NJ.....		440	4,469		440	4,469	242
Hanover, MD.....			3,000	4,768		7,768	713
Harlingen, TX.....		92	2,057		92	2,057	394
Hattiesburg, MS.....		560	5,790		560	5,790	303
Henderson, NV.....		380	9,220	65	380	9,285	1,237
Henderson, NV.....		380	4,360	41	380	4,401	361
Hendersonville, NC.....		2,270	11,771	279	2,270	12,050	1,761
Hickory, NC.....		290	987		290	987	11
High Point, NC.....		560	4,443	1	560	4,444	33
High Point, NC.....		370	2,185		370	2,185	17
High Point, NC(3).....	2,822	330	3,395	2	330	3,397	25
High Point, NC(3).....	3,184	430	4,147	2	430	4,149	30
Highlands Ranch, CO.....		940	3,721		940	3,721	184
Hilton Head Island, SC.....		510	6,037	2,327	510	8,364	747
Houston, TX.....		550	10,751		550	10,751	2,295
Houston, TX.....		360	2,640		360	2,640	80
Houston, TX.....		360	2,640		360	2,640	79
Houston, TX.....		4,790	7,100		4,790	7,100	92
Jackson, TN.....		540	1,633	46	540	1,679	42
Jonesboro, GA.....		460	1,304		460	1,304	19
Kalispell, MT.....		360	3,282		360	3,282	469
Kenner, LA.....		1,100	10,036	125	1,100	10,161	1,948
Kirkland, WA(2).....	5,307	1,880	4,320		1,880	4,320	30
Knoxville, TN.....		314	2,756	131	315	2,886	79
Kokomo, IN.....		195	3,709	1,251	195	4,960	853
Lake Havasu City, AZ.....		450	4,223		450	4,223	523
Lake Havasu City, AZ.....		110	2,244	136	110	2,380	330
Lake Wales, FL.....		80	1,939	167	80	2,106	345
Lakeland, FL.....		520	4,580		520	4,580	32
Lakewood, NY.....		470	8,530		470	8,530	57
LaPorte, IN.....		165	3,674	1,244	165	4,918	846
Laurel, MD.....		1,060	8,045	2	1,060	8,047	808
Lawton, OK.....		144	1,456		144	1,456	311
Lebanon, PA.....		400	3,799	34	400	3,833	474
Lee, MA.....		290	18,135	606	290	18,741	872
Leesburg, FL.....		70	1,170	227	70	1,397	270
Leesburg, VA.....		950	7,553	49	950	7,602	607
Lenoir, NC.....		190	3,748		190	3,748	27
Lexington, NC.....		200	3,900	927	200	4,827	138
Litchfield, CT.....		660	9,652	106	660	9,758	2,357
Louisville, KY(1).....	3,700	490	7,610		490	7,610	102
Lubbock, TX.....		280	6,220		280	6,220	42

(DOLLARS IN THOUSANDS)

DESCRIPTION	YEAR ACQUIRED	YEAR BUILT
Federal Way, WA.....		
Findlay, OH.....	2003	1978
Flagstaff, AZ.....	1997	1997
Florence, NJ.....	2003	1999
Florence, NJ.....	2002	1999
Forest City, NC(3).....	2003	1999
Fort Myers, FL.....	2003	1980
Fort Worth, TX.....	1996	1984
Gaffney, SC.....	2003	1999
Gardnerville, NV.....	1998	1999
Gastonia, NC(3).....	2003	1998
Gastonia, NC(3).....	2003	1994
Gastonia, NC(3).....	2003	1996
Georgetown, TX.....	1997	1997
Greensboro, NC.....	2003	1996
Greensboro, NC.....	2003	1997
Greenville, NC(3).....	2003	1998
Hagerstown, MD.....	2003	1999
Haines City, FL.....	1999	1999
Hamden, CT.....	2002	1998
Hamilton, NJ.....	2001	1998
Hanover, MD.....	2001	1998
Harlingen, TX.....	1997	1989
Hattiesburg, MS.....	2002	1998
Henderson, NV.....	1998	1998
Henderson, NV.....	1999	2000
Hendersonville, NC.....	1998	1998
Hickory, NC.....	2003	1994
High Point, NC.....	2003	2000
High Point, NC.....	2003	1999
High Point, NC(3).....	2003	1994
High Point, NC(3).....	2003	1998
Highlands Ranch, CO.....	2002	1999
Hilton Head Island, SC.....	1998	1999
Houston, TX.....	1999	1999
Houston, TX.....	2002	1999
Houston, TX.....	2002	1999
Houston, TX.....	2003	1974
Jackson, TN.....	2003	1998
Jonesboro, GA.....	2003	1992
Kalispell, MT.....	1998	1998
Kenner, LA.....	1998	2000
Kirkland, WA(2).....	2003	1996
Knoxville, TN.....	2002	1998
Kokomo, IN.....	1997	1999
Lake Havasu City, AZ.....	1998	1999
Lake Havasu City, AZ.....	1998	1994
Lake Wales, FL.....	1999	1999
Lakeland, FL.....	2003	1991
Lakewood, NY.....	2003	1999

LaPorte, IN.....	1998	1999
Laurel, MD.....	2002	1996
Lawton, OK.....	1995	1996
Lebanon, PA.....	1998	1999
Lee, MA.....	2002	1998
Leesburg, FL.....	1999	1954
Leesburg, VA.....	2002	1993
Lenoir, NC.....	2003	1998
Lexington, NC.....	2002	1997
Litchfield, CT.....	1997	1998
Louisville, KY(1).....	2003	1997
Lubbock, TX.....	2003	1996

HEALTH CARE REIT, INC.

SCHEDULE III -- (CONTINUED)

(DOLLARS IN THOUSANDS)	ENCUMBRANCES	INITIAL COST TO COMPANY		COST CAPITALIZED SUBSEQUENT TO ACQUISITION	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
		LAND	BUILDINGS & IMPROVEMENTS		LAND	BUILDINGS & IMPROVEMENTS	ACCUMULATED DEPRECIATION
Manassas, VA(2).....	\$ 4,039	\$ 750	\$ 7,450	\$ 0	\$ 750	\$ 7,450	\$ 50
Margate, FL.....		500	7,303	2,459	500	9,762	2,173
Marion, IN.....		175	3,504	898	175	4,402	852
Martinsville, NC.....		349			349		
Marysville, CA.....		450	4,172	44	450	4,216	353
Marysville, WA.....		620	4,780		620	4,780	21
Matthews, NC(3).....	4,060	560	4,869		560	4,869	35
Merrillville, IN.....		643	7,084	476	643	7,560	1,667
Mesa, AZ.....		950	9,087		950	9,087	802
Middleton, WI.....		420	4,006		420	4,006	210
Midwest City, OK.....		95	1,385		95	1,385	314
Monroe, NC.....		470	3,681	7	470	3,688	28
Monroe, NC.....		310	4,799	5	310	4,804	34
Monroe, NC(3).....	3,466	450	4,021	11	450	4,032	30
Morehead City, NC.....		200	3,104	1,602	200	4,706	391
Morristown, TN.....		400	3,808	155	400	3,963	480
Moses Lake, WA.....		260	5,940		260	5,940	41
Naples, FL.....		1,716	17,306		1,716	17,306	4,563
Newark, OH.....		410	5,711		410	5,711	923
Newburyport, MA.....		960	8,290		960	8,290	317
Norman, OK.....		55	1,484		55	1,484	380
North Augusta, SC.....		332	2,558		332	2,558	348
North Miami Beach, FL.....		300	5,709	2,006	300	7,715	1,589
North Oklahoma City, OK.....		87	1,508		87	1,508	303
Oak Ridge, TN.....		450	4,066	155	450	4,221	507
Oklahoma City, OK.....		130	1,350		130	1,350	297
Oklahoma City, OK.....		220	2,943		220	2,943	324
Ontario, OR.....		90	2,110		90	2,110	14
Orange City, FL.....		80	2,239	265	80	2,504	454
Ossining, NY.....		1,510	9,490		1,510	9,490	413
Owasso, OK.....		215	1,380		215	1,380	280
Palestine, TX.....		173	1,410		173	1,410	289
Parkville, MD.....		730	8,770	2,809	730	11,579	1,360
Paso Robles, CA.....		1,770	8,630		1,770	8,630	429
Phoenix, AZ.....		1,000	6,500		1,000	6,500	46
Pinehurst, NC.....		290	2,690		290	2,690	21
Piqua, OH.....		204	1,885		204	1,885	304
Pocatello, ID.....		470	1,930		470	1,930	15
Ponca City, OK.....		114	1,536		114	1,536	352
Portland, OR.....		628	3,585	232	628	3,817	467
Reidsville, NC.....		170	3,830	805	170	4,635	136
Ridgeland, MS(2).....	5,130	520	7,680		520	7,680	52
Rocky Hill, CT.....		1,460	7,040		1,460	7,040	328
Rocky Hill, CT(1).....	5,101	1,090	6,710		1,090	6,710	91
Roswell, GA.....		1,107	9,627		1,107	9,627	2,209
Roswell, GA.....		620	2,200	184	620	2,384	103
Sagamore Hills, OH.....		470	7,881	68	470	7,949	716
Salem, OR.....		449	5,172		449	5,172	694
Salisbury, NC(3).....	3,755	370	5,697	27	370	5,724	40
Salt Lake City, UT.....		1,060	6,142		1,060	6,142	487
San Juan Capistrano, CA.....		1,390	6,942		1,390	6,942	409
Sarasota, FL.....		475	3,175		475	3,175	735
Sarasota, FL.....		1,190	4,810		1,190	4,810	35
Saxonburg, PA.....		677	4,669	44	677	4,713	664
Seven Fields, PA.....		484	4,663		484	4,663	634
Shawnee, OK.....		80	1,400		80	1,400	315
Shelbyville, IN.....		165	3,497	1,139	165	4,636	947
Smithfield, NC(3).....	3,777	290	5,777		290	5,777	40
Statesville, NC.....	3,037	150	1,447		150	1,447	11
Statesville, NC(3).....	3,037	310	6,183		310	6,183	42
Statesville, NC(3).....	2,657	140	3,798	20	140	3,818	26

(DOLLARS IN THOUSANDS)	YEAR ACQUIRED	YEAR BUILT
Manassas, VA(2).....	2003	1996
Margate, FL.....	1998	1972
Marion, IN.....	1999	1999
Martinsville, NC.....	2003	
Marysville, CA.....	1998	1999
Marysville, WA.....	2003	1998
Matthews, NC(3).....	2003	1998
Merrillville, IN.....	1997	1999
Mesa, AZ.....	1999	2000
Middleton, WI.....	2001	1991
Midwest City, OK.....	1996	1995
Monroe, NC.....	2003	2001
Monroe, NC.....	2003	2000
Monroe, NC(3).....	2003	1997
Morehead City, NC.....	1999	1999
Morristown, TN.....	1998	1999

Moses Lake, WA.....	2003	1986
Naples, FL.....	1997	1999
Newark, OH.....	1998	1987
Newburyport, MA.....	2002	1999
Norman, OK.....	1995	1995
North Augusta, SC.....	1999	1998
North Miami Beach, FL.....	1998	1987
North Oklahoma City, OK.....	1996	1996
Oak Ridge, TN.....	1998	1999
Oklahoma City, OK.....	1995	1996
Oklahoma City, OK.....	1999	1999
Ontario, OR.....	2003	1985
Orange City, FL.....	1999	1998
Ossining, NY.....	2002	1967
Owasso, OK.....	1996	1996
Palestine, TX.....	1996	1996
Parkville, MD.....	1997	1999
Paso Robles, CA.....	2002	1998
Phoenix, AZ.....	2003	1999
Pinehurst, NC.....	2003	1998
Piqua, OH.....	1997	1997
Pocatello, ID.....	2003	1991
Ponca City, OK.....	1995	1995
Portland, OR.....	1998	1999
Reidsville, NC.....	2002	1998
Ridgeland, MS(2).....	2003	1997
Rocky Hill, CT.....	2002	1998
Rocky Hill, CT(1).....	2003	1996
Roswell, GA.....	1997	1999
Roswell, GA.....	2002	1997
Sagamore Hills, OH.....	1998	2000
Salem, OR.....	1999	1998
Salisbury, NC(3).....	2003	1997
Salt Lake City, UT.....	1999	1986
San Juan Capistrano, CA.....	2000	2001
Sarasota, FL.....	1996	1995
Sarasota, FL.....	2003	1988
Saxonburg, PA.....	1999	1994
Seven Fields, PA.....	1999	1999
Shawnee, OK.....	1996	1995
Shelbyville, IN.....	1998	1999
Smithfield, NC(3).....	2003	1998
Statesville, NC.....	2003	1990
Statesville, NC(3).....	2003	1996
Statesville, NC(3).....	2003	1999

HEALTH CARE REIT, INC.

SCHEDULE III -- (CONTINUED)

(DOLLARS IN THOUSANDS)	ENCUMBRANCES	INITIAL COST TO COMPANY		COST CAPITALIZED SUBSEQUENT TO ACQUISITION	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
		LAND	BUILDINGS & IMPROVEMENTS		LAND	BUILDINGS & IMPROVEMENTS	ACCUMULATED DEPRECIATION
Staunton, VA.....	\$ 0	\$ 140	\$ 8,360	\$ 0	\$ 140	\$ 8,360	\$ 59
Stillwater, OK.....		80	1,400		80	1,400	317
Terre Haute, IN.....		175	3,499	1,096	175	4,595	862
Tewksbury, MA.....		1,520	5,480		1,520	5,480	36
Texarkana, TX.....		192	1,403		192	1,403	285
Troy, OH.....		200	2,000		200	2,000	367
Tucson, AZ.....	3,500		1,373	14,511	634	15,250	511
Twin Falls, ID.....		550	14,740		550	14,740	419
Urbana, IL.....		670	6,780		670	6,780	351
Vacaville, CA.....		900	6,329		900	6,329	62
Valparaiso, IN.....		112	2,558		112	2,558	174
Valparaiso, IN.....		108	2,962		108	2,962	198
Vero Beach, FL.....		263	3,187		263	3,187	212
Vero Beach, FL.....		297	3,263		297	3,263	219
Vincennes, IN.....		118	2,893	673	118	3,566	581
Wake Forest, NC.....		200	3,003	1,703	200	4,706	467
Waldorf, MD.....		620	8,380	2,759	620	11,139	1,295
Walterboro, SC.....		150	1,838	187	150	2,025	293
Waterford, CT.....		1,360	12,540		1,360	12,540	537
Waxahachie, TX.....		154	1,429		154	1,429	292
Westerville, OH.....		740	8,287	2,508	740	10,795	1,407
Williamsburg, VA.....		374			374		
Williamsport, PA.....		390	4,068	36	390	4,104	486
Wilmington, NC.....		210	2,991		210	2,991	397
Winston-Salem, NC.....		360	2,514	4	360	2,518	19
TOTAL ASSISTED LIVING FACILITIES.....	100,771	108,027	967,070	63,728	108,806	1,030,019	93,097
SKILLED NURSING FACILITIES:							
Agawam, MA.....		880	16,112	1,901	880	18,013	509
Baytown, TX.....		450	6,150		450	6,150	230
Beachwood, OH.....	19,602	1,260	23,478		1,260	23,478	1,306
Birmingham, AL.....		390	4,902		390	4,902	77
Birmingham, AL.....		340	5,734		340	5,734	59
Bloomsburg, PA.....			3,918	32		3,950	470
Boise, ID.....		810	5,401		810	5,401	1,000
Boise, ID.....		600	7,383		600	7,383	1,209
Braintree, MA.....		170	7,157	1,109	170	8,266	2,181
Braintree, MA.....		80	4,849	669	80	5,518	1,289
Brandon, MS.....		115	9,549		115	9,549	143
Broadview Heights, OH.....	9,239	920	12,400		920	12,400	691
Canton, MA.....		820	8,201	160	820	8,361	306
Cheswick, PA.....		384	6,041	1,293	384	7,334	1,174
Cleveland, MS.....			1,850			1,850	62
Cleveland, TN.....		350	5,000		350	5,000	311
Coeur d'Alene, ID.....		600	7,878		600	7,878	1,277
Columbia, TN.....		590	3,787		590	3,787	24
Dedham, MA.....		1,790	12,936		1,790	12,936	623
Denton, MD.....		390	4,010		390	4,010	121
Douglasville, GA.....		1,350	7,471		1,350	7,471	119
Easton, PA.....		285	6,315		285	6,315	2,262
Eight Mile, AL.....		410	6,110		410	6,110	101

Elizabethton, TN.....	310	4,604	40	310	4,644	364
Erin, TN.....	440	8,060		440	8,060	480
Eugene, OR.....	300	5,316		300	5,316	935
Fairfield, AL.....	530	9,134		530	9,134	137
Fall River, MA.....	620	5,829	4,836	620	10,665	1,432
Falmouth, MA.....	670	3,145	97	670	3,242	726
Florence, AL.....	320	3,975		320	3,975	71
Fort Myers, FL.....	636	6,026		636	6,026	1,260
Granite City, IL.....	610	7,143		610	7,143	1,099
Granite City, IL.....	400	4,303		400	4,303	615

(DOLLARS IN THOUSANDS)

DESCRIPTION	YEAR ACQUIRED	YEAR BUILT
Staunton, VA.....	2003	1999
Stillwater, OK.....	1995	1995
Terre Haute, IN.....	1999	1999
Tewksbury, MA.....	2003	1989
Texarkana, TX.....	1996	1996
Troy, OH.....	1997	1997
Tucson, AZ.....	2002	2001
Twin Falls, ID.....	2002	1991
Urbana, IL.....	2002	1998
Vacaville, CA.....	2002	2001
Valparaiso, IN.....	2001	1998
Valparaiso, IN.....	2001	1999
Vero Beach, FL.....	2001	1999
Vero Beach, FL.....	2001	1996
Vincennes, IN.....	1998	1985
Wake Forest, NC.....	1998	1999
Waldorf, MD.....	1997	1998
Walterboro, SC.....	1999	1992
Waterford, CT.....	2002	2000
Waxahachie, TX.....	1996	1996
Westerville, OH.....	1998	2001
Williamsburg, VA.....	2003	
Williamsport, PA.....	1998	1999
Wilmington, NC.....	1999	1999
Winston-Salem, NC.....	2003	1996

TOTAL ASSISTED LIVING

DESCRIPTION	YEAR ACQUIRED	YEAR BUILT
FACILITIES.....		
SKILLED NURSING FACILITIES:		
Agawam, MA.....	2002	1993
Baytown, TX.....	2002	2000
Beachwood, OH.....	2001	1990
Birmingham, AL.....	2003	1977
Birmingham, AL.....	2003	1974
Bloomsburg, PA.....	1999	1996
Boise, ID.....	1998	1966
Boise, ID.....	1998	1997
Braintree, MA.....	1997	1968
Braintree, MA.....	1997	1973
Brandon, MS.....	2003	1963
Broadview Heights, OH.....	2001	1984
Canton, MA.....	2002	1993
Cheswick, PA.....	1998	1933
Cleveland, MS.....	2003	1977
Cleveland, TN.....	2001	1987
Coeur d'Alene, ID.....	1998	1996
Columbia, TN.....	2003	1974
Dedham, MA.....	2002	1996
Denton, MD.....	2003	1982
Douglasville, GA.....	2003	1975
Easton, PA.....	1993	1959
Eight Mile, AL.....	2003	1973
Elizabethton, TN.....	2001	1980
Erin, TN.....	2001	1981
Eugene, OR.....	1998	1972
Fairfield, AL.....	2003	1965
Fall River, MA.....	1996	1973
Falmouth, MA.....	1999	1966
Florence, AL.....	2003	1972
Fort Myers, FL.....	1998	1984
Granite City, IL.....	1998	1973
Granite City, IL.....	1999	1964

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HEALTH CARE REIT, INC.

SCHEDULE III -- (CONTINUED)

(DOLLARS IN THOUSANDS)	ENCUMBRANCES	INITIAL COST TO COMPANY		COST CAPITALIZED SUBSEQUENT TO ACQUISITION	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
		LAND	BUILDINGS & IMPROVEMENTS		LAND	BUILDINGS & IMPROVEMENTS	ACCUMULATED DEPRECIATION
Hardin, IL.....	\$ 0	\$ 50	\$ 5,350	\$ 0	\$ 50	\$ 5,350	\$ 259
Harriman, TN.....		590	8,060		590	8,060	512
Herculanum, MO.....		127	10,373		127	10,373	487
Hilliard, FL.....		150	6,990		150	6,990	1,026
Houston, TX.....		630	5,970	573	630	6,543	223
Jackson, MS.....		410	1,814		410	1,814	33
Jackson, MS.....			4,400			4,400	147
Jackson, MS.....			2,150			2,150	72
Jefferson City, MO.....		370	6,730		370	6,730	315
Jonesboro, GA.....		840	1,921		840	1,921	37
Kent, OH.....		215	3,367		215	3,367	1,040
Lakeland, FL.....		696	4,843		696	4,843	1,024
Littleton, MA.....		1,240	2,910		1,240	2,910	131
Louisville, KY.....		430	7,135		430	7,135	407
Louisville, KY.....		350	4,675		350	4,675	273
McComb, MS.....		120	5,786		120	5,786	85
Memphis, TN.....		970	4,246		970	4,246	72

Memphis, TN.....	480	5,656		480	5,656	89	
Midwest City, OK.....	470	5,673		470	5,673	981	
Mobile, AL.....	440	3,625		440	3,625	62	
Monteagle, TN.....	310	3,318		310	3,318	19	
Morgantown, KY.....	380	3,705		380	3,705	20	
Mountain City, TN.....	220	5,896	317	220	6,213	474	
Needham, MA.....	1,610	13,715		1,610	13,715	670	
New Port Richey, FL.....	624	7,307		624	7,307	1,515	
Ormond Beach, FL.....		2,739			2,739	230	
Payson, AZ.....	180	3,989		180	3,989	743	
Pigeon Forge, TN.....	320	4,180		320	4,180	279	
Pleasant Grove, AL.....	480	4,429		480	4,429	76	
Pueblo, CO.....	370	6,051		370	6,051	1,103	
Rheems, PA.....	200	1,575		200	1,575		
Richmond, VA.....	1,211	2,889		1,211	2,889	87	
Ridgely, TN.....	300	5,700		300	5,700	348	
Rochdale, MA.....	675	11,847	33	675	11,880	400	
Rockledge, FL.....	360	4,117		360	4,117	383	
Rockwood, TN.....	500	7,116	410	500	7,526	549	
Rogersville, TN.....	350	3,278		350	3,278	19	
Ruleville, MS.....		50			50	2	
San Antonio, TX.....	560	7,315		560	7,315	275	
Santa Rosa, CA.....	1,460	3,880	62	1,460	3,942	1,046	
Sarasota, FL.....	560	8,474		560	8,474	922	
South Boston, MA.....	385	2,002	5,137	385	7,139	1,023	
Spring City, TN.....	420	6,085	2,170	420	8,255	524	
St. Louis, MO.....	750	6,030		750	6,030	218	
Tupelo, MS.....	740	4,092		740	4,092	68	
Vero Beach, FL.....	660	9,040	1,461	660	10,501	1,982	
Wareham, MA.....	875	10,313	1,134	875	11,447	354	
Webster, MA.....	234	3,580	441	234	4,021	830	
Webster, MA.....	336	5,922		336	5,922	1,201	
Webster, TX.....	360	5,940		360	5,940	223	
West Palm Beach, FL.....	696	8,037		696	8,037	1,660	
Westlake, OH.....	15,731	1,320	17,936	1,320	17,936	1,013	
Westlake, OH.....		571	5,411	571	5,411	950	
Westmoreland, TN.....	2,217	330	1,822	330	4,327	259	
White Hall, IL.....		50	5,550	50	5,550	274	
Woodbridge, VA.....		680	4,423	680	4,423	174	
Worcester, MA.....		1,053	2,265	1,053	2,533	582	
TOTAL SKILLED NURSING FACILITIES.....	46,789	46,528	545,859	24,648	46,528	570,507	50,433

(DOLLARS IN THOUSANDS)

DESCRIPTION	YEAR ACQUIRED	YEAR BUILT
Hardin, IL.....	2002	1996
Harriman, TN.....	2001	1987
Herculanum, MO.....	2002	1984
Hilliard, FL.....	1999	1990
Houston, TX.....	2002	1995
Jackson, MS.....	2003	1968
Jackson, MS.....	2003	1980
Jackson, MS.....	2003	1970
Jefferson City, MO.....	2002	1982
Jonesboro, GA.....	2003	1992
Kent, OH.....	1989	1983
Lakeland, FL.....	1998	1984
Littleton, MA.....	1996	1975
Louisville, KY.....	2002	1974
Louisville, KY.....	2002	1975
McComb, MS.....	2003	1973
Memphis, TN.....	2003	1981
Memphis, TN.....	2003	1982
Midwest City, OK.....	1998	1958
Mobile, AL.....	2003	1982
Monteagle, TN.....	2003	1980
Morgantown, KY.....	2003	1965
Mountain City, TN.....	2001	1976
Needham, MA.....	2002	1994
New Port Richey, FL.....	1998	1984
Ormond Beach, FL.....	2002	1983
Payson, AZ.....	1998	1985
Pigeon Forge, TN.....	2001	1986
Pleasant Grove, AL.....	2003	1964
Pueblo, CO.....	1998	1989
Rheems, PA.....	2003	1996
Richmond, VA.....	2003	1995
Ridgely, TN.....	2001	1990
Rochdale, MA.....	2002	1995
Rockledge, FL.....	2001	1970
Rockwood, TN.....	2001	1979
Rogersville, TN.....	2003	1979
Ruleville, MS.....	2003	1978
San Antonio, TX.....	2002	2000
Santa Rosa, CA.....	1998	1968
Sarasota, FL.....	1999	2000
South Boston, MA.....	1995	1961
Spring City, TN.....	2001	1987
St. Louis, MO.....	1995	1994
Tupelo, MS.....	2003	1980
Vero Beach, FL.....	1998	1984
Wareham, MA.....	2002	1989
Webster, MA.....	1995	1986
Webster, MA.....	1995	1982
Webster, TX.....	2002	2000
West Palm Beach, FL.....	1998	1984
Westlake, OH.....	2001	1985
Westlake, OH.....	1998	1957
Westmoreland, TN.....	2001	1994
White Hall, IL.....	2002	1971
Woodbridge, VA.....	2002	1977
Worcester, MA.....	1997	1961
TOTAL SKILLED NURSING FACILITIES.....		

SCHEDULE III -- (CONTINUED)

(DOLLARS IN THOUSANDS)	ENCUMBRANCES	INITIAL COST TO COMPANY			GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
		LAND	BUILDINGS & IMPROVEMENTS	COST CAPITALIZED SUBSEQUENT TO ACQUISITION	LAND	BUILDINGS & IMPROVEMENTS	ACCUMULATED DEPRECIATION
SPECIALTY CARE FACILITIES:							
Braintree, MA.....	\$ 0	\$ 350	\$ 9,304	\$ 3,949	\$ 350	\$ 13,253	\$ 1,795
Chicago, IL.....		3,650	7,505	5,455	3,650	12,960	233
Clearwater, FL.....		950		29		979	
New Albany, OH.....		3,020	27,445		3,020	27,445	123
Springfield, MA.....		2,100	14,978	7,709	2,100	22,687	2,180
Stoughton, MA.....		975	20,021	3,430	975	23,451	2,738
Waltham, MA.....			9,339	3,207		12,546	1,841
TOTAL SPECIALTY CARE FACILITIES.....	0	11,045	88,592	23,779	11,074	112,342	8,910
CONSTRUCTION IN PROGRESS...			14,701			14,701	
TOTAL INVESTMENT IN REAL PROPERTY OWNED.....	\$147,560	\$165,600	\$1,616,222	\$112,155	\$166,408	\$1,727,569	\$152,440

(DOLLARS IN THOUSANDS)	YEAR ACQUIRED	YEAR BUILT
SPECIALTY CARE FACILITIES:		
Braintree, MA.....	1998	1918
Chicago, IL.....	2002	1979
Clearwater, FL.....	1997	1975
New Albany, OH.....	2002	2003
Springfield, MA.....	1996	1952
Stoughton, MA.....	1996	1958
Waltham, MA.....	1998	1932
TOTAL SPECIALTY CARE FACILITIES.....		
CONSTRUCTION IN PROGRESS...		
TOTAL INVESTMENT IN REAL PROPERTY OWNED.....		

- (1) In June 2003, three wholly-owned subsidiaries of the Company completed the acquisitions of three assisted living facilities from Emeritus Corporation. The properties were subject to existing mortgage debt of \$13,981,000. The three wholly-owned subsidiaries are included in the Company's consolidated financial statements. Notwithstanding consolidation for financial statement purposes, it is the Company's intention that the subsidiaries be separate legal entities wherein the assets and liabilities are not available to pay other debts or obligations of the consolidated Company.
- (2) In September 2003, four wholly-owned subsidiaries of the Company completed the acquisitions of four assisted living facilities from Emeritus Corporation. The properties were subject to existing mortgage debt of \$24,291,000. The four wholly-owned subsidiaries are included in the Company's consolidated financial statements. Notwithstanding consolidation for financial statement purposes, it is the Company's intention that the subsidiaries be separate legal entities wherein the assets and liabilities are not available to pay other debts or obligations of the consolidated Company.
- (3) In September 2003, 17 wholly-owned subsidiaries of the Company completed the acquisitions of 17 assisted living facilities from Southern Assisted Living, Inc. The properties were subject to existing mortgage debt of \$59,471,000. The 17 wholly-owned subsidiaries are included in the Company's consolidated financial statements. Notwithstanding consolidation for financial statement purposes, it is the Company's intention that the subsidiaries be separate legal entities wherein the assets and liabilities are not available to pay other debts or obligations of the consolidated Company.

YEAR ENDED DECEMBER 31

	2003	2002	2001
	(IN THOUSANDS)		
Investment in real estate:			
Balance at beginning of year.....	\$1,420,397	\$1,037,395	\$ 856,955
Additions:			
Acquisitions.....	385,942	294,627	181,420
Improvements.....	52,079	115,079	10,863
Conversions from loans receivable.....	12,433	33,972	13,683
Other(1).....	101,243	2,248	954
Total additions.....	551,697	445,926	206,920
Deductions:			
Cost of real estate sold.....	(75,325)	(60,626)	(26,480)
Impairment of assets.....	(2,792)	(2,298)	
Total deductions.....	(78,117)	(62,924)	(26,480)
Balance at end of year(2).....	\$1,893,977	\$1,420,397	\$1,037,395
Accumulated depreciation:			
Balance at beginning of year.....	\$ 113,579	\$ 80,544	\$ 52,968
Additions:			
Depreciation expense.....	52,870	40,350	30,227
Deductions:			
Sale of properties.....	(14,009)	(7,315)	(2,651)
Balance at end of year.....	\$ 152,440	\$ 113,579	\$ 80,544

(1) Represents assumed mortgages in 2003 and 2002 and land reclassified from other assets in 2001.

(2) The aggregate cost for tax purposes for real property equals \$1,896,472,000 at December 31, 2003.

HEALTH CARE REIT, INC.

SCHEDULE IV -- MORTGAGE LOANS ON REAL ESTATE  
DECEMBER 31, 2003

DESCRIPTION	INTEREST RATE	FINAL MATURITY DATE	PERIODIC PAYMENT TERMS	PRIOR LIENS	FACE AMOUNT OF MORTGAGES	CARRYING AMOUNT OF MORTGAGES	PRINCIPAL AMOUNT OF LOANS SUBJECT TO DELINQUENT PRINCIPAL OR INTEREST
Sun Valley, CA (Specialty care facility)	12.830%	12/31/02	Monthly Payments \$200,971		\$ 21,500	\$ 18,797	\$18,797
Chicago, IL (Specialty care facility)	15.210%	01/01/07	Monthly Payments \$130,182		15,900	15,306	None
Lauderhill, FL (Skilled nursing facility)	10.825%	09/01/12	Monthly Payments \$114,565		12,700	12,700	None
Oklahoma City, OK (Skilled nursing facility)	10.280%	07/01/06	Monthly Payments \$104,548		12,204	12,204	None
Charlotte, NC (Assisted living facility)	5.000%	10/01/06	Monthly Payments \$43,291		10,390	10,390	None
Five skilled nursing facilities in Texas	10.780%	03/31/07	Monthly Payments \$115,355		12,198	7,388	None
Bala, PA (Skilled nursing facility)	15.610%	07/01/08	Monthly Payments \$62,516		7,400	7,145	None
Home Quality Management, Inc. (8 skilled nursing facilities and 3 assisted living facilities)	12.930%	08/01/06	Monthly Payments \$250,000		8,702	6,534	None
Owensboro, KY (Skilled nursing facility)	10.650%	08/01/18	Monthly Payments \$55,077		7,000	5,950	None
Morningside Holdings, L.L.C. (6 assisted living facilities)	11.410%	07/01/07	Monthly Payments \$50,900		5,000	5,353	None
Lecanto, FL (Skilled nursing facility)	12.080%	08/01/05	Monthly Payments \$56,918		5,410	5,048	None
Carrollton, GA (Assisted living facility)	9.000%	09/01/09	Monthly Payments \$37,487		4,998	4,998	None
25 mortgage loans relating to 37 skilled nursing	From 1.980% to	From 01/01/05 to	Monthly Payments from \$1,355		61,717	52,326	None

facilities, 43 assisted living facilities and 2 specialty care facilities

13.040% 01/01/17 to \$116,982

Totals.....

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\$185,119	\$164,139	\$18,797
=====	=====	=====

HEALTH CARE REIT, INC.

SCHEDULE IV -- (CONTINUED)

	YEAR ENDED DECEMBER 31		
	2003	2002	2001
	(IN THOUSANDS)		
Reconciliation of mortgage loans:			
Balance at beginning of year.....	\$179,761	\$212,543	\$280,601
Additions:			
New mortgage loans.....	48,117	85,006	17,791
	-----	-----	-----
	227,878	297,549	298,392
Deductions:			
Collections of principal(1).....	47,971	70,104	72,166
Conversions to real property.....	10,133	33,972	13,683
Charge-offs.....		2,554	
Other(2).....	5,635	11,158	
	-----	-----	-----
Balance at end of year.....	\$164,139	\$179,761	\$212,543
	=====	=====	=====

(1) Includes collection of negative principal amortization.

(2) Includes mortgage loans that were reclassified to working capital loans during the periods indicated.

EXHIBIT INDEX

- 3.1 Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000, and incorporated herein by reference thereto).
- 3.2 Certificate of Designation, Preferences and Rights of Junior Participating Preferred Stock, Series A, of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000, and incorporated herein by reference thereto).
- 3.3 Certificate of Designations, Preferences and Rights of Series C Cumulative Convertible Preferred Stock of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000, and incorporated herein by reference thereto).
- 3.4 Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 10-K filed March 20, 2000, and incorporated herein by reference thereto).
- 3.5 Certificate of Amendment of Second Restated Certificate of Incorporation of the Company (filed with the Commission as

- Exhibit 3.1 to the Company's Form 8-K filed June 13, 2003, and incorporated herein by reference thereto).
- 3.6 Certificate of Designation of 7 7/8% Series D Cumulative Redeemable Preferred Stock of the Company (filed with the Commission as Exhibit 2.5 to the Company's Form 8-A/A filed July 8, 2003, and incorporated herein by reference thereto).
- 3.7 Certificate of Designation of 6% Series E Cumulative Convertible and Redeemable Preferred Stock of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed October 1, 2003, and incorporated herein by reference thereto).
- 3.8 Amended and Restated By-Laws of the Company (filed with the Commission as Exhibit 3.1 to the Company's Form 8-K filed October 24, 1997, and incorporated herein by reference thereto).
- 4.1 The Company, by signing this Report, agrees to furnish the Securities and Exchange Commission upon its request a copy of any instrument that defines the rights of holders of long-term debt of the Company and authorizes a total amount of securities not in excess of 10% of the total assets of the Company.
- 4.2 Series A Junior Participating Preferred Share Purchase Rights Agreement, dated as of July 19, 1994 (filed with the Commission as Exhibit 2 to the Company's Form 8-A filed August 3, 1994 (File No. 1-8923), and incorporated herein by reference thereto).
- 4.3 Indenture dated as of April 17, 1997 between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed April 21, 1997, and incorporated herein by reference thereto).
- 4.4 First Supplemental Indenture, dated as of April 17, 1997, to Indenture dated as of April 17, 1997, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed April 21, 1997, and incorporated herein by reference thereto).
- 4.5 Second Supplemental Indenture, dated as of March 13, 1998, to Indenture dated as of April 17, 1997, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed March 11, 1998, and incorporated herein by reference thereto).
- 4.6 Third Supplemental Indenture, dated as of March 18, 1999, to Indenture dated as of April 17, 1997, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed March 17, 1999, and incorporated herein by reference thereto).
- 4.7 Fourth Supplemental Indenture, dated as of August 10, 2001, to Indenture dated as of April 17, 1997, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed August 9, 2001, and incorporated herein by reference thereto).
- 4.8 Supplemental Indenture No. 5, dated September 10, 2003, to Indenture dated as of April 17, 1997, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed September 24, 2003, and incorporated herein by reference thereto).

- 4.9 Amendment No. 1, dated September 16, 2003, to Supplemental Indenture No. 5, dated September 10, 2003, to Indenture dated as of April 17, 1997, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.3 to the Company's Form 8-K filed September 24, 2003, and incorporated herein by reference thereto).
- 4.10 Indenture for Senior Debt Securities, dated as of September

- 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed September 9, 2002, and incorporated herein by reference thereto).
- 4.11 Supplemental Indenture No. 1, dated as of September 6, 2002, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 9, 2002, and incorporated herein by reference thereto).
- 4.12 Amendment No. 1, dated March 12, 2003, to Supplemental Indenture No. 1, dated as of September 6, 2002, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed March 14, 2003, and incorporated herein by reference thereto).
- 4.13 Supplemental Indenture No. 2, dated as of September 10, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.2 to the Company's Form 8-K filed September 24, 2003, and incorporated herein by reference thereto).
- 4.14 Amendment No. 1, dated September 16, 2003, to Supplemental Indenture No. 2, dated as of September 10, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.4 to the Company's Form 8-K filed September 24, 2003, and incorporated herein by reference thereto).
- 4.15 Supplemental Indenture No. 3, dated as of October 29, 2003, to Indenture for Senior Debt Securities, dated as of September 6, 2002, between the Company and Fifth Third Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed October 30, 2003, and incorporated herein by reference thereto).
- 4.16 Form of Indenture for Senior Subordinated Debt Securities (filed with the Commission as Exhibit 4.9 to the Company's Form S-3 (File No. 333-73936) filed November 21, 2001, and incorporated herein by reference thereto).
- 4.17 Form of Indenture for Junior Subordinated Debt Securities (filed with the Commission as Exhibit 4.10 to the Company's Form S-3 (File No. 333-73936) filed November 21, 2001, and incorporated herein by reference thereto).
- 10.1 Amended and Restated Loan Agreement, dated August 23, 2002, by and among Health Care REIT, Inc. and its subsidiaries, the banks signatory thereto, KeyBank National Association, as administrative agent, Deutsche Bank Securities Inc., as syndication agent, and UBS Warburg LLC, as documentation agent (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed August 30, 2002, and incorporated herein by reference thereto).
- 10.2 Amendment No. 1, dated May 15, 2003, to Amended and Restated Loan Agreement, dated August 23, 2002, 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 Warburg LLC, as documentation agent (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed June 13, 2003, and incorporated herein by reference thereto).
- 10.3 Amendment No. 2, dated August 26, 2003, to Amended and Restated Loan Agreement, dated August 23, 2002, 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, as documentation agent (filed with the Commission as Exhibit 10.1 to the

Company's Form 8-K filed September 24, 2003, and incorporated herein by reference thereto).

- 10.4 Amendment No. 3, dated December 19, 2003, to Amended and Restated Loan Agreement, dated August 23, 2002, 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, as documentation agent.

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- 10.5 Supplement, dated January 30, 2004, to Amended and Restated Loan Agreement, dated August 23, 2002, 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, as documentation agent.
- 10.6 Credit Agreement by and among Health Care REIT, Inc. and certain subsidiaries, Bank United and other lenders party thereto, dated as of February 24, 1999 (filed with the Commission as Exhibit 10.7 to the Company's Form 10-K filed March 26, 2001, and incorporated herein by reference thereto).
- 10.7 Amendment No. 1, dated April 5, 1999, to Credit Agreement by and among Health Care REIT, Inc. and certain subsidiaries, Bank United and other lenders party thereto, dated as of February 24, 1999 (filed with the Commission as Exhibit 10.10 to the Company's Form 10-K filed March 26, 2001, and incorporated herein by reference thereto).
- 10.8 Credit Agreement by and between Health Care REIT, Inc. and Fifth Third Bank, dated as of May 31, 2003 (filed with the Commission as Exhibit 10.1 to the Company's Form 8-K filed June 13, 2003, and incorporated herein by reference thereto).
- 10.9 The 1985 Incentive Stock Option Plan of Health Care REIT, Inc., and the First Amendment to the 1985 Incentive Stock Option Plan (filed with the Commission as Exhibit 4(b) to the Company's Form S-8 (File No. 33-46561) filed March 20, 1992, and incorporated herein by reference thereto).\*
- 10.10 Second Amendment to the 1985 Incentive Stock Option Plan of Health Care REIT, Inc. (filed with the Commission as Exhibit 4.3 to the Company's Form S-8 (File No. 333-01237) filed February 27, 1996, and incorporated herein by reference thereto).\*
- 10.11 Third Amendment to the 1985 Incentive Stock Option Plan of Health Care REIT, Inc. (filed with the Commission as Exhibit 4.4 to the Company's Form S-8 (File No. 333-01237) filed with the Commission February 27, 1996, and incorporated herein by reference thereto).\*
- 10.12 The 1995 Stock Incentive Plan of Health Care REIT, Inc. (filed with the Commission as Appendix II to the Company's Proxy Statement for the 1995 Annual Meeting of Stockholders, filed September 29, 1995, and incorporated herein by reference thereto).\*
- 10.13 First Amendment to the 1995 Stock Incentive Plan of Health Care REIT, Inc. (filed with the Commission as Exhibit 4.2 to the Company's Form S-8 (File No. 333-40771) filed November 21, 1997, and incorporated herein by reference thereto).\*
- 10.14 Second Amendment to the 1995 Stock Incentive Plan of Health Care REIT, Inc. (filed with the Commission as Exhibit 4.3 to the Company's Form S-8 (File No. 333-73916) filed November 21, 2001, and incorporated herein by reference thereto).\*
- 10.15 Third Amendment to the 1995 Stock Incentive Plan of Health

- Care REIT, Inc.\*
- 10.16 Stock Plan for Non-Employee Directors of Health Care REIT, Inc. (filed with the Commission as Exhibit 10.5 to the Company's Form 10-Q filed May 13, 1997, and incorporated herein by reference thereto).\*
- 10.17 Second Amended and Restated Employment Agreement, effective January 1, 2004 by and between Health Care REIT, Inc. and George L. Chapman.\*
- 10.18 Second Amended and Restated Employment Agreement, effective January 1, 2004, by and between Health Care REIT, Inc. and Raymond W. Braun.\*
- 10.19 Second Amended and Restated Employment Agreement, effective January 1, 2004, by and between Health Care REIT, Inc. and Erin C. Ibele.\*
- 10.20 Amended and Restated Employment Agreement, effective January 1, 2004, by and between Health Care REIT, Inc. and Charles J. Herman, Jr.\*
- 10.21 Employment Agreement, effective April 28, 2003, by and between Health Care REIT, Inc. and Scott A. Estes.\*
- 10.22 Health Care REIT, Inc. Supplemental Executive Retirement Plan, effective as of January 1, 2001 (filed with the Commission as Exhibit 10.19 to the Company's Form 10-K filed March 10, 2003, and incorporated herein by reference thereto).\*

- 10.23 Health Care REIT, Inc. Executive Loan Program, effective as of August 1999 (filed with the Commission as Exhibit 10.20 to the Company's Form 10-K filed March 10, 2003, and incorporated herein by reference thereto).\*
- 14 Code of Business Conduct & Ethics.
- 21 Subsidiaries of the Company.
- 23 Consent of Ernst & Young LLP, independent auditors.
- 24 Powers of Attorney.
- 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.

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\* Management Contract or Compensatory Plan or Arrangement.

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AMENDMENT NO. 3 TO  
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,  
AS DOCUMENTATION AGENT

DECEMBER 19, 2003

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

AMENDMENT NO. 3 TO AMENDED AND RESTATED LOAN AGREEMENT

AGREEMENT (this "AMENDMENT NO. 3"), made as of the 19th day of  
December, 2003, 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");

W I T N E S S E T H:

WHEREAS:

(A) The Borrowers, the Agent, Deutsche Bank Securities Inc., as  
Syndication Agent, UBS Securities LLC, as Documentation Agent and the banks  
signatory thereto (the "EXISTING BANKS") entered into a certain Amended and  
Restated Loan Agreement dated August 23, 2002 (as amended through the date  
hereof, the "ORIGINAL LOAN AGREEMENT"; the Original Loan Agreement, as amended  
hereby, and as it may hereafter be further amended, modified or supplemented, is  
hereinafter referred to as the "LOAN AGREEMENT");

(B) Pursuant to subsection 7.8(b) of the Original Loan Agreement, HCRI is required to cause each newly-created Subsidiary to become a party to the Loan Agreement and in connection therewith, the Original Borrowers desire that each such newly-created Subsidiary designated on Exhibit 1 as an "ADDITIONAL BORROWER" be added as a "Borrower" under the Loan Agreement;

(C) The Borrowers wish to amend the Original Loan Agreement to, among other things, increase the Total Revolving Credit Commitment, and the Banks and the Agent are willing to amend the Original Loan Agreement on the terms and conditions hereinafter set forth;

(D) Each of the Banks desire to increase their respective Revolving Credit Commitment to the amount set forth opposite their name on their respective signature page hereto and the Borrowers desire to accept such increased Revolving Credit Commitments;

(E) Simultaneously with the execution and delivery hereof, First Tennessee Bank, N.A. (the "NEW BANK") has agreed to make loans to the Borrowers in the amount set forth opposite its name on the signature page hereto and the Borrower desires to accept the Revolving Credit Commitment of the New Bank and to cause the New Bank to be added as a "Bank" to the Original Loan Agreement as amended hereby, and the Agent and the Banks are agreeable to the addition of the New Bank; and

(F) All capitalized terms used herein which are not otherwise defined herein shall have the respective meanings ascribed thereto in the Original Loan Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1. CHANGE IN REVOLVING CREDIT COMMITMENTS; ADDITIONAL BORROWERS.

SECTION 1.1 REVOLVING CREDIT COMMITMENTS. From and after the date hereof, for purposes of the Loan Agreement, the Revolving Credit Commitment of each Bank shall be the amount set forth opposite such Bank's name on the signature pages hereto under the caption "Revolving Credit Commitment" as such amount may be increased or reduced pursuant to the terms of the Loan Agreement, and such amount (if changed) shall supersede and be deemed to amend the amount of its respective Revolving Credit Commitment as set forth opposite its name on the signature pages to the Original Loan Agreement.

SECTION 1.2 ASSUMPTION BY ADDITIONAL BORROWERS. The Additional Borrowers hereby: (i) agree to be a party to the Original Loan Agreement as amended hereby; (ii) assume, on a joint and several basis with the Original Borrowers, all of the Obligations of a "Borrower" under the Loan Agreement; (iii) agree to be bound as a "Borrower" by all of the terms of the Loan Agreement and to perform and discharge all of the obligations of a Borrower contained in or arising under the terms of the Loan Agreement; and (iv) agree that the terms "Borrower(s)" and "Loan Party(ies)" are deemed to include each of the Additional Borrowers.

SECTION 1.3 New Bank. The New Bank agrees with the Borrowers, the Banks and the Agent that (i) it will abide by the terms of the Original Loan Agreement as amended hereby, and (ii) the Loan Agreement shall be binding upon, inure to the benefit of, and be enforceable by and against it.

SECTION 1.4 ADJUSTMENT OF OUTSTANDING LOANS. If any Loans are outstanding under the Original Loan Agreement on the date hereof, the Banks shall on the date hereof, at the direction of the Agent, make appropriate adjustments among themselves in order to insure that the amount (and type) of the Loans outstanding to the Borrowers from each Bank under the Loan Agreement (as of the date hereof) are proportionate to the aggregate amount of all of the Revolving Credit Commitments, after giving effect to the increased amount of the Revolving Credit Commitments of each of the Banks hereunder and to the additional Revolving Credit Commitments of the New Bank. The Borrowers agree and

consent to the terms of this Section 1.3.

ARTICLE 2. AMENDMENTS TO ORIGINAL LOAN AGREEMENT; SECOND SUBSTITUTED NOTES.

SECTION 2.1 The Original Loan Agreement is hereby amended as follows:

(a) The recital appearing on page one of the Original Loan Agreement is amended by deleting the amount "Two Hundred Twenty-Five Million (\$225,000,000) Dollars " appearing therein and substituting therefor the amount "Two Hundred Eighty-Five Million (\$285,000,000) Dollars".

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(b) The phrase "the aggregate amount set forth opposite such Bank's name on the signature pages hereof under the caption 'Revolving Credit Commitment'" appearing in the definition of the term "Revolving Credit Commitment" in Article 1 shall be deemed to refer to the amount set forth opposite each Bank's name on the signature pages hereto.

(c) The definition of "Total Revolving Credit Commitment" appearing in Article 1 is deleted in its entirety and the following is substituted therefor:

"'Total Revolving Credit Commitment' - the aggregate obligation of the Banks to make Loans hereunder up to the aggregate amount of Two Hundred Eighty-Five Million (\$285,000,000) Dollars".

(d) Subsection 2.4(a) is deleted in its entirety and the following is substituted therefor:

"(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 annexed to Amendment No. 3 to Amended and Restated Loan Agreement dated as of December 19, 2003 ("AMENDMENT NO. 3") by and among the Borrowers, the Agent and the Banks party thereto (each, a "SECOND SUBSTITUTED NOTE" and, collectively, the "SECOND SUBSTITUTED NOTES"). Each Second Substituted Note shall be dated the date of Amendment No. 3, shall be payable to the order of such Bank in a principal amount equal to such Bank's Revolving Credit Commitment as in effect on the date of Amendment No. 3, and shall otherwise be duly completed. The Second Substituted Notes shall be payable as provided in Sections 2.1 and 2.5 hereof."

(e) Section 2.24 is deleted in its entirety and the following is substituted therefor:

"SECTION 2.24 INCREASE IN TOTAL REVOLVING CREDIT COMMITMENT.

(a) The Borrowers may one time from and after effective date of Amendment No. 3, at their sole expense and effort and after consulting with the Agent, request: (i) one or more Banks acceptable to the Agent to increase (in the sole and absolute discretion of each such Bank) the amount of their respective Revolving Credit Commitments, and/or (ii) one or more other lending institutions acceptable to the Agent (each, a "NEW LENDER") to become "Banks" and extend Revolving Credit Commitments hereunder (each such existing Bank and each New Lender being referred to as a "PROPOSED LENDER"). To request an increase pursuant to this Section 2.24 (the "COMMITMENT INCREASE"), the Borrowers shall submit to the Agent a written increase request signed by the Borrowers and in form approved by the Agent (the "INCREASE REQUEST"), which shall specify, as the case may be: (A) each such existing Bank and the amount of the proposed increase to its Revolving Credit Commitment, or (B) the proposed Revolving Credit Commitment for each New Lender. Promptly

following receipt of the Increase Request, the Agent shall advise each Proposed Lender of the details thereof.

(b) If one or more Proposed Lender(s) shall have unconditionally agreed to such Increase Request in a writing delivered to the Borrowers and the Agent at any time prior to the 30th day following the date of the delivery to such Proposed Lenders(s) of the Increase Request (each such Proposed Lender being hereinafter referred to as an "INCREMENTAL LENDER"), then: (x) each such Incremental Lender which shall then be an existing Bank shall have its Revolving Credit Commitment increased by the amount set forth in the Increase Request, and (y) each such Incremental Lender which shall then be a New Lender shall be and become a "Bank" hereunder having a Revolving Credit Commitment equal to the amount set forth in such Increase Request, provided, however, that (1) immediately before and after giving effect thereto, no Default shall or would exist, (2) each such Incremental Lender shall have executed and delivered to the Agent a supplement to this Agreement providing for its increased Revolving Credit Commitment or its Revolving Credit Commitment, as applicable, in form approved by the Agent, (3) immediately after giving effect thereto, the aggregate amount of the Total Revolving Credit Commitment shall not exceed \$325,000,000, (4) the increase of the Total Revolving Credit Commitment specified in the Increase Request shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000, (5) the Revolving Credit Commitment extended by each Incremental Lender which is a New Lender shall be in a minimum amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof, and (6) the Commitment Increase shall not be permitted hereunder unless consummated on or prior to January 30, 2004.

(c) Simultaneously with the Commitment Increase under this Section 2.24, each Incremental Lender shall, to the extent necessary, purchase from each other existing Bank, and each other existing Bank shall sell to each Incremental Lender, in each case at par and without representation, warranty, or recourse (in accordance with and subject to the restrictions contained in Section 10.13), such principal amount of Loans of such other existing Bank(s), together with all accrued and unpaid interest thereon, as will result, after giving effect to such transaction, in each Bank's pro rata share of Loans outstanding being equal to such Lender's pro rata share of the Total Revolving Credit Commitment, provided that each such assignor Bank shall have received (to the extent of the interests, rights and obligations assigned) payment then due and owing of the outstanding principal amount of its Loans, accrued interest thereon, accrued fees, commissions and all other amounts payable to it under the Loan Documents from the applicable assignee Banks (to the extent of such outstanding principal and accrued interest, fees and commissions) or the Borrowers (in the case of all other amounts)."

SECTION 2.2 In order to evidence the Loans, as amended hereby, the Borrowers shall execute and deliver to each Bank, simultaneously with the execution and delivery hereof, a substituted promissory note payable to the order of such Bank in substantially the form of Exhibit A annexed hereto (each a "SECOND SUBSTITUTED NOTE" and collectively the "SECOND

SUBSTITUTED NOTES"). Each of the Banks shall, upon the execution and delivery by the Borrowers of its applicable Second Substituted Note as herein provided, mark the Note delivered to it in connection with the Original Loan Agreement "Replaced by Second Substituted Note" and return it to the Borrowers.

SECTION 2.3 (a) All references in the Original Loan Agreement

or any other Loan Document to the "Revolving Credit Commitment(s)", the "Note(s)" and the "Loan Documents" shall be deemed to refer respectively, to the Revolving Credit Commitment(s) as amended hereby, the Second Substituted Note(s) and the Loan Documents as defined in the Original Loan Agreement together with, and as amended by this Amendment No. 3, the Second Substituted Notes and all agreements, documents and instruments delivered pursuant thereto or in connection therewith.

(b) All references in the Original Loan Agreement and the other Loan Documents to the "Loan Agreement", and also in the case of the Original Loan Agreement to "this Agreement", shall be deemed to refer to the Original Loan Agreement, as amended hereby.

(c) The Original Loan Agreement and the other Loan Documents shall each be deemed amended and supplemented hereby to the extent necessary, if any, to give effect to the provisions of this Agreement.

#### ARTICLE 3. REPRESENTATIONS AND WARRANTIES.

(a) (i) The Borrowers hereby confirm, reaffirm and restate to each of the Banks and the Agent all of the representations and warranties set forth in Article 3 of the Original Loan Agreement as if such representations and warranties were made as of the date hereof, except for changes in the ordinary course of business which, either singly or in the aggregate, would not have a Material Adverse Effect.

(ii) Schedule 3.1 to the Original Loan Agreement is hereby amended as set forth in the Addendum to Schedule 3.1 annexed hereto.

(b) (i) The execution, delivery and performance by each Borrower of this Amendment No. 3 and the Second Substituted Notes are within its organizational powers and have been duly authorized by all necessary action (corporate or otherwise) on the part of each Borrower, (ii) this Amendment No. 3 and the Second Substituted Notes are the legal, valid and binding obligation of each Borrower, enforceable against each Borrower in accordance with its respective terms, and (iii) the execution, delivery and performance by each Borrower of this Amendment No. 3 and the Second Substituted Notes do not: (A) contravene the terms of any Borrower's organizational documents, (B) conflict with or result in a breach or contravention of, or the creation of any lien under, any document evidencing any contractual obligation to which any Borrower is a party or any order, injunction, writ or decree to which any Borrower or its property is subject, or (C) violate any requirement of law.

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#### ARTICLE 4. CONDITIONS TO EFFECTIVENESS OF THIS AGREEMENT.

This Amendment No. 3 shall become effective on the date of the fulfillment (to the satisfaction of the Agent) of the following conditions precedent:

(a) This Amendment No. 3 shall have been executed and delivered to the Agent by a duly authorized representative of the Borrowers, the Agent and each Bank.

(b) The Borrowers shall have executed and delivered to each of the Banks its Second Substituted Note.

(c) The Borrowers shall pay to the Agents (i) all fees payable to the Banks in connection with this Amendment No. 3, and (ii) all other fees provided for in the fee letter dated November 13, 2003.

(d) The Agent shall have received a Compliance Certificate from the Borrowers dated the date hereof and the matters certified therein, including, without limitation, that after giving effect to the terms and conditions of this Amendment No. 3, no Default or Event of Default shall

exist, shall be true.

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

(i) Copies of all action, corporate or otherwise, taken by each of the Additional Borrowers to authorize the execution, delivery and performance of this Amendment No. 3, the Second Substituted Notes and the transactions contemplated hereby, certified by its Secretary;

(ii) The organizational documents of the Additional Borrowers, certified by the Secretary of State of their respective states of organization;

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

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

(f) All legal matters incident hereto shall be satisfactory to the Agent and its counsel.

#### ARTICLE 5. MISCELLANEOUS.

SECTION 5.1 ARTICLE 10 OF THE ORIGINAL LOAN AGREEMENT. The miscellaneous provisions under Article 10 of the Original Loan Agreement, together with the definition of all terms used therein, and all other sections of the Original Loan Agreement to which Article 10 refers are hereby incorporated by reference as if the provisions thereof were set forth in full herein, except that (i) the terms "Loan Agreement" and "Note(s)" shall be deemed to refer, respectively, to the Original Loan Agreement, as amended by this Amendment No. 3 and the

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Second Substituted Note(s), (ii) the term "this Agreement" shall be deemed to refer to this Amendment No. 3; and (iii) the terms "hereunder" and "hereto" shall be deemed to refer to this Amendment No. 3.

SECTION 5.2 CONTINUED EFFECTIVENESS. Except as amended hereby, the Original Loan Agreement and the other Loan Documents are hereby ratified and confirmed in all respects and shall remain in full force and effect in accordance with their respective terms.

SECTION 5.3 COUNTERPARTS. This Amendment No. 3 may be executed by the parties hereto in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same agreement.

[SIGNATURE PAGES TO FOLLOW]

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 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 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 SATYR HILL, LLC  
BY HEALTH CARE REIT, INC., AS THE MEMBER OF  
HCRI MARYLAND PROPERTIES, LLC  
ITS MEMBER  
HCRI FRIENDSHIP, LLC  
BY HEALTH CARE REIT, INC., AS THE MEMBER OF  
HCRI MARYLAND PROPERTIES, LLC  
ITS MEMBER  
HCRI ST. CHARLES, LLC  
BY HEALTH CARE REIT, INC., AS THE MEMBER OF  
HCRI MARYLAND PROPERTIES, LLC  
ITS MEMBER

[BORROWERS CONTINUED ON FOLLOWING PAGE]

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HCRI MARYLAND PROPERTIES, LLC  
BY HEALTH CARE REIT, INC.  
ITS MEMBER  
HCRI LAUREL, LLC  
BY HEALTH CARE REIT, INC., AS THE MEMBER OF  
HCRI MARYLAND PROPERTIES, LLC  
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.

BY /s/ GEORGE L. CHAPMAN

-----  
CHIEF EXECUTIVE OFFICER

GEORGE L. CHAPMAN, as Chief Executive Officer of all of the  
aforementioned entities, has executed this Amendment No. 3 to 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 Amendment  
No. 3 to Amended and Restated Loan Agreement separately for each of the above  
named entities.

Health Care REIT, Inc.  
Signature Page to Amendment No. 3 to Amended and Restated Loan Agreement  
Dated as of December 19, 2003

REVOLVING CREDIT COMMITMENT:

\$57,500,000

KEYBANK NATIONAL ASSOCIATION  
(SUCCESSOR TO KEY CORPORATE CAPITAL INC.),  
AS A BANK

By: /s/ F. Donald Kelly III

-----  
Name: F. Donald Kelly III  
Title: Vice President

KEYBANK NATIONAL ASSOCIATION,  
AS ADMINISTRATIVE AGENT

By: /s/ F. Donald Kelly III

-----  
Name: F. Donald Kelly III  
Title: Vice President

Lending Office for Base Rate Loans  
and LIBOR Loans:

KeyBank National Association  
127 Public Square, 8th Floor  
Cleveland, Ohio 44114  
Attention: Diane D'Aquila

Address for Notices:

KeyBank National Association  
127 Public Square, MC:OH-01-27-0848  
Cleveland, Ohio 44114  
Attention: Mr. F. Donald Kelly III

Telecopier: (216) 689-5970

Health Care REIT, Inc.  
Signature Page to Amendment No. 3 to Amended and Restated Loan Agreement  
Dated as of December 19, 2003

REVOLVING CREDIT COMMITMENT:

\$57,500,000

DEUTSCHE BANK TRUST COMPANY  
AMERICAS

By: /s/ Scottye Lindsey

-----  
Name: Scottye Lindsey  
Title: Vice President

Lending Office for Base Rate Loans  
and LIBOR Loans:

Deutsche Bank Trust Company Americas  
60 Wall Street  
New York, New York 10005  
Attention: Diane F. Rolfe  
Vice President

Address for Notices:  
Deutsche Bank Trust Company Americas  
90 Hudson Street  
Jersey City, New Jersey 07302  
Attention: Helaine Griffin-Williams

Telecopier: (201) 593-2310

Health Care REIT, Inc.  
Signature Page to Amendment No. 3 to Amended and Restated Loan Agreement  
Dated as of December 19, 2003

REVOLVING CREDIT COMMITMENT:

\$52,500,000

BANK OF AMERICA, N.A.

By: /s/ Kevin Wagley

-----  
Name: Kevin Wagley  
Title: Principal

Lending Office for Base Rate Loans  
and LIBOR Loans:

Bank of America, N.A.  
1850 Gateway Boulevard  
CA4-706-05-11  
Concord, California 94520-32282  
Ref: Credit Services, Health Care REIT  
Attention: Lynne Famularcano

Address for Notices:

Bank of America, N.A.  
1850 Gateway Boulevard  
CA4-706-05-11  
Concord, California 94520-32282  
Ref: Credit Services, Health Care REIT  
Attention: Lynne Famularcano

Telecopier: (888) 969-9232

Health Care REIT, Inc.  
Signature Page to Amendment No. 3 to Amended and Restated Loan Agreement  
Dated as of December 19, 2003

REVOLVING CREDIT COMMITMENT:

\$35,000,000

BANK ONE, N.A.

By: /s/ Jan E. Petrik

-----  
Name: Jan E. Petrik  
Title: First Vice President

Lending Office for Base Rate Loans  
and LIBOR Loans:

Bank One, N.A.  
600 Superior  
Cleveland, Ohio 44114  
Attention: Commercial Loan Operations

Address for Notices:

Bank One, N.A.  
Commercial Banking  
600 Superior  
Cleveland, Ohio 44114  
Attention: Ms. Jan Petrik

Telecopier: (216) 781-4567

Health Care REIT, Inc.  
Signature Page to Amendment No. 3 to Amended and Restated Loan Agreement  
Dated as of December 19, 2003

REVOLVING CREDIT COMMITMENT:

\$52,500,000

UBS LOAN FINANCE LLC

By: /s/ Patricia O'Kicki

-----  
Name: Patricia O'Kicki  
Title: Director

By: /s/ Wilfred V. Saint

-----  
Name: Wilfred V. Saint  
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: Sailoz Sikka

Address for Notices:  
UBS Loan Finance LLC  
677 Washington Boulevard  
Stamford, Connecticut 06901  
Attention: Sailoz Sikka

Telecopier: (203) 719-4176

Health Care REIT, Inc.  
Signature Page to Amendment No. 3 to Amended and Restated Loan Agreement

Dated as of December 19, 2003

REVOLVING CREDIT COMMITMENT:

\$20,000,000

COMERICA BANK

By: /s/ Dawn M. Morgulec

-----  
Name: Dawn M. Morgulec  
Title: Account Officer

Lending Office for Base Rate Loans  
and LIBOR Loans:

Comerica Bank  
Comerica Tower at Detroit Center  
500 Woodward Avenue  
Detroit, Michigan 48226  
Attention: Dawn Morgulec

Address for Notices:

Comerica Bank  
Comerica Tower at Detroit Center  
500 Woodward Avenue  
Detroit, Michigan 48226  
Attention: Dawn Morgulec

Telecopier: (313) 222-3420

Health Care REIT, Inc.

Signature Page to Amendment No. 3 to Amended and Restated Loan Agreement  
Dated as of December 19, 2003

REVOLVING CREDIT COMMITMENT:

\$10,000,000

FIRST TENNESSEE BANK, N.A.

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, N.A.  
701 Market Street, 3rd Floor  
Chattanooga, TN 37402  
Attention: Laura Posey

Address for Notices:

First Tennessee Bank, N.A.  
701 Market Street, 3rd Floor  
Chattanooga, TN 37402  
Attention: Jean M. Brennan

Telecopier: (423) 757-4040

Health Care REIT, Inc.

Signature Page to Amendment No. 3 to Amended and Restated Loan Agreement  
Dated as of December 19, 2003

EXHIBIT 1  
TO AMENDMENT NO. 3 TO 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 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 Satyr Hill, LLC	Virginia
HCRI Friendship, LLC	Virginia
HCRI St. Charles, LLC	Virginia
HCRI Maryland Properties, LLC	Maryland
HCRI Laurel, 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. (*Additional Borrower)	Delaware
HCRI Chicago Properties, Inc. (*Additional Borrower)	Delaware

ADDENDUM TO SCHEDULE 3.1 TO  
AMENDMENT NO. 3 TO 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 AGENT

STATES OF ORGANIZATION AND QUALIFICATION,  
AND CAPITALIZATION OF ADDITIONAL BORROWERS

HCRI INVESTMENTS, INC.

- (i) State of Organization: Delaware
- (ii) Capitalization: Authorized Common Stock - 1,000 shares  
Issued Common Stock - 100 shares
- (iii) Business: Investments in health care facilities

(iv) States of Qualification: None

(v) Subsidiaries: None

HCRI CHICAGO PROPERTIES, INC.

(i) State of Organization: Delaware

(ii) Capitalization: Authorized Common Stock - 1,000 shares  
Issued Common Stock - 100 shares

(iii) Business: Investments in health care facilities

(iv) States of Qualification: None

(v) Subsidiaries: None

EXHIBIT A  
TO AMENDMENT NO. 3 TO 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 AGENT

FORM OF SECOND SUBSTITUTED NOTE

\$ \_\_\_\_\_

DATED: DECEMBER 19, 2003

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 Second Substituted Note shall bear interest (computed in the same manner as interest on this Second Substituted 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 Second Substituted 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 Second Substituted Note is one of the Second Substituted Notes referred to in, and is entitled to the benefits of, the Amended and Restated Loan Agreement dated August 23, 2002, as amended by Amendment No. 1 to Amended and Restated Loan Agreement dated of May 15, 2003 by and among the Borrowers, the Banks signatory thereto (including the Bank) and the Agent, by Amendment No. 2 to Amended and Restated Loan Agreement dated as of August 26, 2003 by and among the Borrowers, the Banks signatory thereto (including the Bank) and the Agent, and by Amendment No. 3 to Amended and Restated Loan Agreement dated as of the date hereof by and among the Borrowers, the Banks signatory thereto (including the Bank) and the Agent (as so amended and as it may be further amended, modified or supplemented from time to time, the "AGREEMENT"). This Second Substituted Note supersedes and is given in substitution for the Note dated May 15, 2003 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 Second Substituted 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 Second Substituted 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 Second Substituted Note may be declared due and payable in the manner and with the effect provided in the Loan 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 Second Substituted Note.

THIS SECOND SUBSTITUTED 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.

[Signatures on Following Page]

2

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 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 SATYR HILL, LLC  
BY HEALTH CARE REIT, INC., AS THE MEMBER OF  
HCRI MARYLAND PROPERTIES, LLC  
ITS MEMBER  
HCRI FRIENDSHIP, LLC  
BY HEALTH CARE REIT, INC., AS THE MEMBER OF  
HCRI MARYLAND PROPERTIES, LLC  
ITS MEMBER  
HCRI ST. CHARLES, LLC  
BY HEALTH CARE REIT, INC., AS THE MEMBER OF  
HCRI MARYLAND PROPERTIES, LLC  
ITS MEMBER

[BORROWERS CONTINUED ON FOLLOWING PAGE]

3

HCRI MARYLAND PROPERTIES, LLC  
BY HEALTH CARE REIT, INC.  
ITS MEMBER  
HCRI LAUREL, LLC  
BY HEALTH CARE REIT, INC., AS THE MEMBER OF  
HCRI MARYLAND PROPERTIES, LLC  
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.

BY \_\_\_\_\_  
CHIEF EXECUTIVE OFFICER



=====

SUPPLEMENT TO  
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,  
AS DOCUMENTATION AGENT

JANUARY 30, 2004

=====

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

SUPPLEMENT TO AMENDED AND RESTATED LOAN AGREEMENT

SUPPLEMENT (this "SUPPLEMENT"), made as of the 30th day of January, 2004, 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");

LASALLE BANK NATIONAL ASSOCIATION, a national banking association ("NEW BANK"); 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");

W I T N E S S E T H:

WHEREAS:

(A) The Borrowers, the Agent, Deutsche Bank Securities Inc., as Syndication Agent, UBS Securities LLC, as Documentation Agent and the banks signatory thereto (the "EXISTING BANKS") entered into a certain Amended and Restated Loan Agreement dated August 23, 2002 (as amended through the date hereof, the "ORIGINAL LOAN AGREEMENT"; the Original Loan Agreement, as supplemented hereby, and as it may hereafter be further amended, modified or supplemented, is hereinafter referred to as the "LOAN AGREEMENT");

(B) Simultaneously with the execution and delivery hereof, the New Bank has agreed to make loans to the Borrowers in the amount set forth opposite its name on the signature page hereto and the Borrowers desire to accept the Revolving Credit Commitment of the New Bank and to cause the New Bank to be added as a "Bank" to the Original Loan Agreement as supplemented hereby, pursuant to Section 2.24 of the Original Loan Agreement; and

(C) All capitalized terms used herein which are not otherwise defined herein shall have the respective meanings ascribed thereto in the Original Loan Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1. ADDITIONAL BANK.

SECTION 1.1 NEW BANK. The New Bank agrees with the Borrowers, the Banks and the Agent that (i) it will abide by the terms of the Original Loan Agreement as amended hereby, and (ii) the Loan Agreement shall be binding upon, inure to the benefit of, and be enforceable by and against it.

SECTION 1.2 ADJUSTMENT OF OUTSTANDING LOANS. If any Loans are outstanding under the Original Loan Agreement on the date hereof, the Banks shall on the date hereof, at the direction of the Agent, make appropriate adjustments among themselves in order to insure that

the amount (and type) of the Loans outstanding to the Borrowers from each Bank under the Loan Agreement (as of the date hereof) are proportionate to the aggregate amount of all of the Revolving Credit Commitments, after giving effect to the additional Revolving Credit Commitments of the New Bank. The Borrowers agree and consent to the terms of this Section 1.2.

SECTION 1.3 ISSUANCE OF NOTE. In order to evidence the Loans to be made by the New Bank, the Borrowers shall execute and deliver to the New Bank, simultaneously with the execution and delivery hereof, a promissory note payable to the order of the New Bank in substantially the form of Exhibit A annexed hereto (the "LASALLE NOTE").

SECTION 1.4 GENERAL. (a) All references in the Original Loan Agreement or any other Loan Document to the "Revolving Credit Commitment(s)", the "Note(s)", the "Second Substituted Note(s)" and the "Loan Documents" shall be deemed to include, respectively, the Revolving Credit Commitment of the New Bank, the LaSalle Note and the Loan Documents as defined in the Original Loan Agreement together with, and as supplemented by, this Supplement, the LaSalle Note and all agreements, documents and instruments delivered pursuant thereto or in connection therewith.

(b) All references in the Original Loan Agreement and the other Loan Documents to the "Loan Agreement", and also in the case of the Original Loan Agreement to "this Agreement", shall be deemed to refer to the Original Loan Agreement, as supplemented hereby.

(c) The Original Loan Agreement and the other Loan Documents shall each be deemed amended and supplemented hereby to the extent necessary, if any, to give effect to the provisions of this Supplement.

ARTICLE 2. REPRESENTATIONS AND WARRANTIES.

(a) The Borrowers hereby confirm, reaffirm and restate to the New Bank and the Agent all of the representations and warranties set forth in Article 3 of the Original Loan Agreement as if such representations and warranties were made as of the date hereof, except for changes in the ordinary course of business which, either singly or in the aggregate, would not have a Material Adverse Effect.

(b) The execution, delivery and performance by each Borrower of this Supplement and the LaSalle Note are within its organizational

powers and have been duly authorized by all necessary action (corporate or otherwise) on the part of each Borrower, (ii) this Supplement and the LaSalle Note are the legal, valid and binding obligation of each Borrower, enforceable against each Borrower in accordance with its respective terms, and (iii) the execution, delivery and performance by each Borrower of this Supplement and the LaSalle Note do not: (A) contravene the terms of any Borrower's organizational documents, (B) conflict with or result in a breach or contravention of, or the creation of any lien under, any document evidencing any contractual obligation to which any Borrower is a party or any order, injunction, writ or decree to which any Borrower or its property is subject, or (C) violate any requirement of law.

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#### ARTICLE 3. CONDITIONS TO EFFECTIVENESS OF THIS SUPPLEMENT.

This Supplement shall become effective on the date of the fulfillment (to the satisfaction of the Agent) of the following conditions precedent:

(a) This Supplement shall have been executed and delivered to the Agent by a duly authorized representative of the Borrowers, the Agent and the New Bank.

(b) The Borrowers shall have executed and delivered to the New Bank the LaSalle Note.

(c) The Borrowers shall pay to the Agents all fees payable to the New Bank in connection with this Supplement.

(d) The Agent shall have received a Compliance Certificate from the Borrowers dated the date hereof and the matters certified therein, including, without limitation, that after giving effect to the terms and conditions of this Supplement, no Default or Event of Default shall exist, shall be true.

(e) All legal matters incident hereto shall be satisfactory to the Agent and its counsel.

#### ARTICLE 4. MISCELLANEOUS.

SECTION 4.1 ARTICLE 10 OF THE ORIGINAL LOAN AGREEMENT. The miscellaneous provisions under Article 10 of the Original Loan Agreement, together with the definition of all terms used therein, and all other sections of the Original Loan Agreement to which Article 10 refers are hereby incorporated by reference as if the provisions thereof were set forth in full herein, except that (i) the term "Loan Agreement" shall be deemed to refer to the Original Loan Agreement, as supplemented by this Supplement, (ii) the terms "Note(s)" and "Second Substituted Note(s)" shall be deemed to refer to and include the LaSalle Note, (iii) the term "this Agreement" shall be deemed to refer to this Supplement; and (iv) the terms "hereunder" and "hereto" shall be deemed to refer to this Supplement.

SECTION 4.2 CONTINUED EFFECTIVENESS. Except as amended or supplemented hereby, the Original Loan Agreement and the other Loan Documents are hereby ratified and confirmed in all respects and shall remain in full force and effect in accordance with their respective terms.

SECTION 4.3 COUNTERPARTS. This Supplement may be executed by the parties hereto in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same agreement.

[SIGNATURE PAGES TO FOLLOW]

3

IN WITNESS WHEREOF, the parties hereto have caused this Supplement 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 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 SATYR HILL, LLC  
BY HEALTH CARE REIT, INC., AS THE MEMBER OF  
HCRI MARYLAND PROPERTIES, LLC  
ITS MEMBER  
HCRI FRIENDSHIP, LLC  
BY HEALTH CARE REIT, INC., AS THE MEMBER OF  
HCRI MARYLAND PROPERTIES, LLC  
ITS MEMBER  
HCRI ST. CHARLES, LLC  
BY HEALTH CARE REIT, INC., AS THE MEMBER OF  
HCRI MARYLAND PROPERTIES, LLC  
ITS MEMBER

[BORROWERS CONTINUED ON FOLLOWING PAGE]

HCRI MARYLAND PROPERTIES, LLC  
BY HEALTH CARE REIT, INC.  
ITS MEMBER  
HCRI LAUREL, LLC  
BY HEALTH CARE REIT, INC., AS THE MEMBER OF  
HCRI MARYLAND PROPERTIES, LLC  
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.

BY /s/ GEORGE L. CHAPMAN

-----  
CHIEF EXECUTIVE OFFICER

GEORGE L. CHAPMAN, as Chief Executive Officer of all of the  
aforementioned entities, has executed this Supplement to 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 Supplement to Amended  
and Restated Loan Agreement separately for each of the above named entities.

Health Care REIT, Inc.  
Signature Page to Supplement to Amended and Restated Loan Agreement  
Dated as of January 30, 2004

KEYBANK NATIONAL ASSOCIATION,  
AS ADMINISTRATIVE AGENT

By: /s/ F. Donald Kelly III

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Name: F. Donald Kelly III  
Title: Vice President

Health Care REIT, Inc.  
Signature Page to Supplement to Amended and Restated Loan Agreement  
Dated as of January 30, 2004

REVOLVING CREDIT COMMITMENT:

\$25,000,000

LASALLE BANK NATIONAL ASSOCIATION

By: /s/ Robert E. Goeckel

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Name: Robert E. Goeckel  
Title: AVP

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

Health Care REIT, Inc.  
Signature Page to Supplement to Amended and Restated Loan Agreement  
Dated as of January 30, 2004

EXHIBIT 1  
TO SUPPLEMENT TO 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 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 Satyr Hill, LLC	Virginia
HCRI Friendship, LLC	Virginia
HCRI St. Charles, LLC	Virginia
HCRI Maryland Properties, LLC	Maryland
HCRI Laurel, 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

EXHIBIT A  
TO SUPPLEMENT TO 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 AGENT

FORM OF LASALLE NOTE

\$25,000,000.00

DATED: JANUARY 30, 2004

FOR VALUE RECEIVED, each of the undersigned (collectively, the "BORROWERS"), hereby jointly and severally promises to pay to the order of LASALLE BANK NATIONAL ASSOCIATION (the "BANK") on the Revolving Credit Commitment Termination Date, the principal sum of TWENTY-FIVE MILLION (\$25,000,000.00) 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 Second Substituted Note shall bear interest (computed in the same manner as interest on this Second Substituted 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 Second Substituted 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 Second Substituted Note is one of the Second Substituted Notes referred to in, and is entitled to the benefits of, the Amended and Restated Loan Agreement dated August 23, 2002, as amended by Amendment No. 1 to Amended and Restated Loan Agreement dated of May 15, 2003 by and among the Borrowers, the Banks signatory thereto and the Agent, by Amendment No. 2 to Amended and Restated Loan Agreement dated as of August 26, 2003 by and among the Borrowers, the Banks signatory thereto and the Agent, and by Amendment No. 3 to Amended and Restated Loan Agreement dated as of December 19, 2003 by and among the Borrowers, the Banks signatory thereto and the Agent and as supplemented by Supplement to Amended and Restated Loan Agreement dated as of January 30, 2004 by and among the Borrowers, the Bank and the Agent (as so amended and supplemented, and as it may be further amended, modified or supplemented from time to time, the "AGREEMENT"). 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 Second Substituted 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 Second Substituted 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 Second Substituted Note may be declared due and payable in the manner and with the effect provided in the Loan 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 Second Substituted Note.

THIS SECOND SUBSTITUTED 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.

[Signatures on Following Page]

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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 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 SATYR HILL, LLC  
BY HEALTH CARE REIT, INC., AS THE MEMBER OF  
HCRI MARYLAND PROPERTIES, LLC  
ITS MEMBER  
HCRI FRIENDSHIP, LLC  
BY HEALTH CARE REIT, INC., AS THE MEMBER OF  
HCRI MARYLAND PROPERTIES, LLC  
ITS MEMBER  
HCRI ST. CHARLES, LLC  
BY HEALTH CARE REIT, INC., AS THE MEMBER OF  
HCRI MARYLAND PROPERTIES, LLC



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THIRD AMENDMENT TO THE  
HEALTH CARE REIT, INC.  
1995 STOCK INCENTIVE PLAN

Health Care REIT, Inc., a Delaware corporation (THE "COMPANY"), hereby amends the Health Care REIT, Inc. 1995 Stock Incentive Plan (THE "PLAN") in the manner set forth in the terms of this Third Amendment (THE "AMENDMENT"). Capitalized terms used in this Amendment and not otherwise defined shall have the definitions set forth in the Plan.

1. Purpose of the Amendment. The purpose of this Amendment is (i) to eliminate the authority of the Company's Compensation Committee to reprice, directly or indirectly, future and existing outstanding stock options granted under the Plan and (ii) to expressly permit participating employees to satisfy their tax withholding obligations under the Plan by delivering shares of the Company's common stock to the Company in kind.

2. Authority for the Amendment. Paragraph 12.1 of the Plan provides that, to the extent permitted by law, the Board of Directors of the Company may at any time, and from time to time, amend the Plan in such respects as it shall deem advisable.

3. Amendment to Section 3.1. Paragraph (b) of Section 3.1 of the Plan shall be amended and restated in its entirety, to read as follows:

(b) The Committee shall have the authority, in its sole discretion, from time to time: (i) to grant Options, SARs, Dividend Equivalent Rights, shares of Restricted Stock or Performance Shares to officers and key employees, as provided for in this Plan; (ii) to prescribe such limitations, restrictions and conditions upon any such awards as the Committee shall deem appropriate; (iii) to determine the periods during which Options may be exercised and to accelerate the exercisability of outstanding Options or SARs, or the vesting of Restricted Stock, as it may deem appropriate; (iv) to modify, cancel, or replace any prior Options or other awards and to amend the relevant Option Agreements or Restricted Stock Agreements with the consent of the affected Participants, including amending such agreements to amend vesting schedules, or extend exercise periods as it may deem necessary (provided that, the Committee shall not have the authority, unless shareholder approval is obtained, to reprice Options currently outstanding and Options that may be outstanding in the future, either directly, by lowering the Option Price for a previously granted Option award, or indirectly, by canceling outstanding Options and subsequently replacing or regrating such Options with a lower Option Price); and (v) to interpret the Plan, to adopt, amend and rescind rules and regulations relating to the Plan, and to make all other determinations and to take all other action necessary or advisable for the implementation and administration of the Plan. A majority of the Committee shall constitute a quorum, and the action of a majority of members of the Committee present at any meeting at which a quorum is present, or acts unanimously adopted in writing without the holding of a meeting, shall be the acts of the Committee.

4. Amendment to Section 11.3. Paragraph (c) of Section 11.3 of the Plan shall be amended and restated in its entirety, to read as follows:

(c) Amounts to which the Corporation is entitled pursuant to Section 11.3(a) or (b), may be paid to the Corporation, at the election of the Participant and with the approval of the Committee, through one or any combination of the following methods: (i) payment in

cash, (ii) withholding from the Participant's salary or other compensation payable by the Corporation, including cash payments made under this Plan, (iii) withholding from the shares of Common Stock otherwise issuable to the Participant upon exercise of an Option or SAR, that have a Fair Market Value on the date on which the amount of tax to be withheld is determined (the "Tax Date") not greater than the minimum amount of tax the Corporation is required to withhold, or (iv) the Participant's delivery to the Corporation of shares of Common Stock already held by the Participant (including newly vested shares of Restricted Stock issued to the Participant under this Plan) that have a Fair Market Value on the Tax Date not greater than the minimum amount of tax the Corporation is required to withhold, or (v) in any other form mutually satisfactory to the Committee and the Participant, provided that such method of satisfying the Participant's obligation does not violate any federal or state law. A Participant's election to have shares of Common Stock withheld that are otherwise issuable shall be in writing, shall be irrevocable upon approval by the Committee, and shall be delivered to the Corporation prior to the Tax Date with respect to the exercise of an Option or SAR.

5. Stockholder Approval Not Required. Stockholder approval is not required and the effectiveness of the Amendment is not conditioned upon approval by the Company's stockholders since approval of this Amendment is not currently required under the New York Stock Exchange Listing Rules, the Amendment will not increase the aggregate number of shares of Common Stock that may be issued under this Plan, it does not extend the term of this Plan, nor does it extend the period during which an Option may be exercised.

6. Ratification of the Plan. In all other respects, the Plan, as amended to date, is hereby ratified, approved and confirmed.

IN WITNESS WHEREOF, the undersigned, being a duly authorized officer of the Company, hereby executes this Third Amendment to the Plan on behalf of the Company, as directed and approved by the Board of Directors of Health Care REIT, Inc. on this 1st day of May, 2003.

HEALTH CARE REIT, INC.

By: /s/ Erin C. Ibele

-----  
Name: Erin C. Ibele

Its: Vice President and Corporate Secretary

SECOND AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT

THIS SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT, dated this 5th day of March, 2004, but effective as of January 1, 2004 (the "Agreement"), is entered into by and between HEALTH CARE REIT, INC., a Delaware corporation, (the "Corporation"), and GEORGE L. CHAPMAN (the "Executive").

WHEREAS, the Corporation and the Executive entered into an Employment Agreement, effective as of January 1, 1997;

WHEREAS, the Corporation and the Executive entered into an Amended and Restated Employment Agreement, effective as of January 1, 2000;

WHEREAS, the Compensation Committee of the Corporation's Board of Directors has approved certain modifications to the terms of such Amended and Restated Employment Agreement; and

WHEREAS, the Corporation wishes to assure itself of the services of the Executive for the period provided in this Agreement and the Executive is willing to serve in the employ of the Corporation for such period upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties, intending to be legally bound, hereby agree as follows:

1. EMPLOYMENT

The Corporation hereby agrees to employ the Executive as the Corporation's Chairman and Chief Executive Officer, upon the terms and conditions herein contained, and the Executive hereby agrees to accept such employment and to serve as the Corporation's Chairman and Chief Executive Officer, and to perform the duties and functions customarily performed by the Chairman and Chief Executive Officer of a publicly traded corporation during the term of this Agreement. In such capacity, the Executive shall report only to the Corporation's Board of Directors, and shall have the powers and responsibilities set forth in Article IV of the Corporation's By-Laws as well as such additional powers and responsibilities consistent with his position as the Board of Directors may assign to him.

Throughout the term of this Agreement, the Executive shall devote his best efforts and all of his business time and services to the business and affairs of the Corporation.

2. TERM OF AGREEMENT

The current term of employment under this Agreement shall expire on January 31, 2006. Upon the expiration of such term, the term of employment hereunder shall automatically be extended without further action by the parties for successive three (3) year renewal terms, unless

either party shall give at least six (6) months advance written notice to the other of his or its intention that this Agreement shall terminate upon the expiration of the current term or the then current renewal term, as the case may be.

Notwithstanding the foregoing, the Corporation shall be entitled to terminate this Agreement immediately, subject to a continuing obligation to make any payments required under Section 5 below, if the Executive (i) becomes disabled as described in Section 5(b), (ii) is terminated for Cause, as defined in Section 5(c), or (iii) voluntarily terminates his employment before the current term of this Agreement expires, as described in Section 5(d).

3. SALARY AND BONUS

The Executive shall receive a base salary during the term of this Agreement at a rate of not less than \$496,350 per annum for 2004, and at a rate of not less than \$496,350 per annum for subsequent years, payable in substantially equal semi-monthly installments. The Compensation Committee of the Board shall consult with the Executive and review the Executive's base salary at annual intervals, and may adjust the Executive's annual base salary from time to time as the Committee deems to be appropriate.

The Executive shall also be eligible to receive a bonus from the Corporation each year during the term of this Agreement, with the actual amount of such bonus to be determined by the Compensation Committee of the Corporation's Board, using such performance measures as the Committee deems to be appropriate.

4. ADDITIONAL COMPENSATION AND BENEFITS

The Executive shall receive the following additional compensation and welfare and fringe benefits:

(a) Stock Options and Other Long-Term Incentives. The Executive has been granted nonstatutory stock options and shares of restricted stock pursuant to the terms of the Corporation's 1995 Stock Incentive Plan. During the remaining term of the Agreement, any additional stock options, restricted stock or other awards under the 1995 Stock Incentive Plan shall be at the discretion of the Compensation Committee of the Corporation's Board.

(b) Disability Insurance. During the term of this Agreement, the Corporation shall maintain a disability insurance policy on the Executive with the maximum aggregate annual benefit commercially available to the Corporation, up to a maximum of sixty percent (60%) of his annual base salary. The Corporation shall provide at its expense all supplemental disability coverage needed to provide this aggregate benefit. The Executive will submit to such medical examination and supply such information as is necessary for the Corporation to obtain such insurance coverage.

(c) Health Insurance. The Corporation shall provide the Executive and his dependents with health insurance coverage no less favorable than that from time to time made available to other key employees.

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(d) Business Clubs. The Corporation shall pay all initiation fees and dues charged by up to two (2) dining clubs, country clubs, athletic clubs, or similar organizations of which the Executive is a member or desires to become a member.

(e) Conferences. The Corporation shall pay for the Executive and his wife to attend up to three (3) business-related conferences, conventions or seminars within the continental United States each year during the term of this Agreement, including registration fees, travel expenses and reasonable hotel and meal allowances.

(f) Vacation. The Executive shall be entitled to up to five (5) weeks of vacation during each year during the term of this Agreement and any extensions thereof, prorated for partial years.

(g) Medical Examinations. The Corporation shall pay or reimburse the Executive for the cost of a physical examination by a physician acceptable to the Executive in alternate years.

(h) Business Expenses. The Corporation shall reimburse the Executive for all reasonable expenses he incurs in promoting the Corporation's business, including expenses for travel and similar items, upon presentation by the Executive from time to time of an itemized account of such expenditures.

In addition to the benefits provided pursuant to the preceding paragraphs of this Section 4, the Executive shall be eligible to participate in such other executive compensation and retirement plans of the Corporation as are applicable generally to other officers, and in such welfare benefit plans, programs, practices and policies of the Corporation as are generally applicable to other key employees, unless such participation would duplicate, directly or indirectly, benefits already accorded to the Executive.

5. PAYMENTS UPON TERMINATION

(a) Involuntary Termination. If the Executive's employment is terminated by the Corporation during the term of this Agreement, the Executive shall be entitled to receive his base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to fiscal years or other periods preceding the termination date. The Executive shall also receive any nonforfeitable benefits payable to him under the terms of any deferred compensation, incentive or other benefit plans maintained by the Corporation, payable in accordance with the terms of the applicable plan.

If the termination is not a termination for Cause, as described in paragraph (c), a voluntary termination by the Executive as described in paragraph (d), or a result of the Executive's death or disability, then the Corporation shall also be obligated to make a series of monthly severance payments to the Executive for each month during the remaining term of this Agreement, but not less than twenty-four (24) months. Each monthly payment shall be equal to one-twelfth (1/12th) of the sum of (i) the Executive's annual base salary, as in effect on the date of termination,

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and (ii) the greater of (A) the average of the annual bonuses paid to the Executive for the last two (2) fiscal years preceding the termination date or (B) a minimum bonus equal to sixty percent (60%) of his annual base salary. If the Executive obtains a replacement position with any new employer (including a position as an officer, employee, consultant, or agent, or self-employment as a partner or sole proprietor), the payments shall be reduced by all amounts the Executive receives as compensation for services performed during such period. The Executive shall be under no duty to mitigate the amounts owed to him under this paragraph (a) by seeking such a replacement position.

In addition, if the termination is not a termination for Cause as described in paragraph (c), a voluntary termination by the Executive as described in paragraph (d), or a result of the Executive's death or disability, then:

(i) Any stock options, restricted stock or other awards granted to the Executive under the Corporation's 1995 Stock Incentive Plan shall become fully vested and, in the case of stock options, exercisable in full;

(ii) The Executive shall be provided continued coverage at the Corporation's expense under any life, health and disability insurance programs maintained by the Corporation in which the Executive participated at the time of his termination for the remaining term of the Agreement (but not less than twelve (12) months), or until, if earlier, the date the Executive obtains comparable coverage under benefit plans maintained by a new employer; and

(iii) The Executive may elect, by delivering written notice to the Corporation within thirty (30) days following such termination of his employment, to receive from the Corporation a lump sum severance payment in lieu of the monthly severance payments described in the preceding paragraph in an amount equal to the present value of such payments. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in the Wall Street Journal (or similar publication) for the date the election is received by the Corporation. The Corporation shall deliver the payment to the Executive, in the form of a bank cashier's check, within ten (10) business days following the date on which the Corporation receives written notice of the Executive's election.

(b) Disability. The Corporation shall be entitled to terminate this Agreement, if the Board determines that the Executive has been unable to attend to his duties for at least ninety (90) days because of a medically diagnosable physical or mental condition, and has received a written opinion from a physician acceptable to the Board that such condition prevents the Executive from resuming full performance of his duties and is likely to continue for an indefinite period. Upon such termination, the Executive shall be entitled to receive his base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to fiscal years or other periods preceding the termination date. In addition, the Corporation shall make a series of monthly disability payments to Executive, each equal to one-twelfth (1/12th) of the sum of (i) his annual base salary, as in effect at the time Executive became permanently disabled, and (ii) the greater of (A) the average of the annual bonuses paid to the Executive for the last two (2) fiscal years preceding the date of disability or (B) a minimum bonus

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equal to sixty percent (60%) of the Executive's annual base salary. Payment of such disability benefit shall commence with the month following the date of the termination by reason of permanent disability and continue each month for the remaining current term of this Agreement (but not less than twenty-four (24) months), but shall terminate at an earlier date if the Executive returns to active employment, either with the Corporation or otherwise. Any amounts payable under this Section 5(b) shall be reduced by any amounts paid to the Executive under any long-term disability plan or other disability program or insurance policies maintained or provided by the Corporation.

(c) Termination for Cause. If the Executive's employment is terminated by the Corporation for Cause, the amount the Executive shall be entitled to receive from the Corporation shall be limited to his base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to the fiscal year of the Corporation most recently ended, and any nonforfeitable benefits payable to the Executive under the terms of deferred compensation, incentive or other benefit plans maintained by the Corporation.

For purposes of this Agreement, the term "Cause" shall be limited to (i) action by the Executive involving willful disloyalty to the Corporation, such as embezzlement, fraud, misappropriation of corporate assets or a breach of the covenants set forth in Sections 9 and 10 below; or (ii) the Executive being convicted of a felony; or (iii) the Executive being convicted of any lesser crime or offense committed in connection with the performance of his duties hereunder or involving moral turpitude; or (iv) the intentional and willful failure by the Executive to substantially perform his duties hereunder as directed by the Board (other than any such failure resulting from the Executive's incapacity due to physical or mental disability) after a demand for substantial performance is made on the Executive by the Board of Directors.

(d) Voluntary Termination by the Executive. If the Executive resigns or otherwise voluntarily terminates his employment before the end of the current term of this Agreement (other than in connection with a

Change in Corporate Control as described in Section 6), the amount the Executive shall be entitled to receive from the Corporation shall be limited to his base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to any fiscal years or other periods preceding the termination date, and any nonforfeitable benefits payable to the Executive under the terms of any deferred compensation, incentive or other benefit plans of the Corporation.

For purposes of this paragraph, a resignation by the Executive shall not be deemed to be voluntary if the Executive is (1) assigned to a position other than the Chairman and Chief Executive Officer of the Corporation (other than for Cause or by reason of permanent disability), (2) assigned duties materially inconsistent with such position, or (3) directed to report to anyone other than the Corporation's Board of Directors.

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6. EFFECT OF CHANGE IN CORPORATE CONTROL

(a) In the event of a Change in Corporate Control, the vesting of any stock options, restricted stock or other awards granted to the Executive under the terms of the Corporation's 1995 Stock Incentive Plan shall be accelerated (to the extent permitted by the terms of such Plan) and such awards shall become immediately vested in full and, in the case of stock options, exercisable in full.

(b) If, at any time during the period of twelve (12) consecutive months following the occurrence of a Change in Corporate Control, and during the term of this Agreement, the Executive is involuntarily terminated (other than for Cause) or elects to voluntarily resign his employment, the Executive shall be entitled to receive, in lieu of the monthly payments described in Section 5(a) above, monthly severance payments for thirty-six (36) months. Each monthly payment shall be equal to one-twelfth (1/12th) of the sum of (i) the Executive's annual base salary, as in effect at the time of the Change in Corporate Control, and (ii) the greater of (A) the average of the annual bonuses paid to the Executive for the last two (2) fiscal years of the Corporation ending prior to the Change in Corporate Control or (B) a minimum bonus equal to sixty percent (60%) of the Executive's annual base salary.

(c) If the Executive is involuntarily terminated (other than for Cause) or elects to voluntarily resign his employment within twelve (12) months after a Change in Corporate Control, he may elect, by delivering written notice to the Corporation within thirty (30) days following such termination of his employment, to receive from the Corporation a lump sum severance payment in lieu of the monthly payments described in the preceding paragraph. The amount of this payment shall be equal to the present value of the monthly payments described in the preceding paragraph. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in the Wall Street Journal (or similar publication) for the date the election is received by the Corporation. The Corporation shall deliver the payment to the Executive, in the form of a bank cashier's check, within ten (10) business days following the date on which the Corporation receives written notice of the Executive's election.

In addition, if the Executive is involuntarily terminated (other than for Cause) or elects to voluntarily resign his employment within twelve (12) months after a Change in Corporate Control, he shall be entitled to continued coverage at the Corporation's expense under any life, health and disability insurance programs maintained by the Corporation in which the Executive participated at the time of his termination, which coverage shall be continued until the expiration of the current term of the Agreement (but not less than twelve (12) months) or until, if earlier, the date the Executive obtains comparable coverage under benefit plans maintained by a new employer.

(d) For purposes of this Agreement, a "Change in Corporate Control" shall include any of the following events:

(1) The acquisition in one or more transactions of more than twenty percent (20%) of the Corporation's outstanding Common Stock (or the equivalent in voting power of any class or classes of securities of the Corporation entitled to vote in elections of directors) by any corporation, or other person or group (within the meaning of Section 14(d)(3) of the

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Securities Exchange Act of 1934, as amended);

(2) Any transfer or sale of substantially all of the assets of the Corporation, or any merger or consolidation of the Corporation into or with another corporation in which the Corporation is not the surviving entity, or any merger or consolidation of the Corporation into or with another corporation in which the Corporation is the surviving entity and, in connection with such merger or consolidation, all or part of the outstanding shares of Common Stock shall be changed into or exchanged for other stock or securities of the Corporation or any other person, or cash, or any other property.

(3) Any election of persons to the Board of Directors which causes a majority of the Board of Directors to consist of persons other than "Continuing Directors". For this purpose, those persons who were members of the Board of Directors on May 1, 1995, shall be "Continuing Directors". Any person who is nominated for election as a member of the Board after May 1, 1995, shall also be considered a "Continuing Director" for this purpose if, and only if, his or her nomination for election to the Board of Directors is approved or recommended by a majority of the members of the Board (or of the relevant Nominating Committee) and at least five (5) members of the Board are themselves Continuing Directors at the time of such nomination; or

(4) Any person, or group of persons, announces a tender offer for at least twenty percent (20%) of the Corporation's Common Stock.

(e) Notwithstanding anything else in this Agreement, if any payment, accelerated vesting or other benefit provided by the Corporation to the Executive in connection with a Change in Corporate Control, whether paid or payable pursuant to the terms of this Agreement or otherwise (a "Parachute Payment") is determined to be a parachute payment subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (such excise tax, together with any interest and penalties incurred by the Executive with respect to such excise tax, are referred to as the "Excise Tax"), the Corporation shall make an additional payment (the "Gross-Up Payment") to the Executive in an amount such that the net amount of the Gross-Up Payment the Executive retains, after payment by the Executive of all taxes imposed upon the Gross-Up Payment, including, without limitation, the Excise Tax and any federal, state or local income taxes (and any interest and penalties imposed with respect thereto) on the Gross-Up Payment, will be equal to the Excise Tax liability imposed upon the Executive with respect to all Parachute Payments (other than the Gross-Up Payment).

(f) If any dispute arises between the Corporation (or any successor) and the Executive regarding Executive's right to severance payments under Section 5 or Section 6, the Executive shall be entitled to recover his attorneys fees and costs incurred in connection with such dispute.

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## 7. DEATH

If the Executive dies during the term of this Agreement, the Corporation shall pay to the Executive's estate a lump sum payment equal to the

sum of the Executive's base salary accrued through the date of death, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to fiscal years or other periods preceding the date of death. In addition, the Corporation shall pay to the Executive's surviving spouse (or such other beneficiary as the Executive may designate in writing) a lump sum payment equal to the present value of a series of monthly payments for each month during the remaining term of the Agreement (but not less than twenty-four (24) months), each in an amount equal to one-twelfth (1/12th) of the sum of (i) the Executive's annual base salary, as in effect on the date of death, and (ii) the greater of (A) the average of the annual bonuses paid to the Executive for the last two (2) fiscal years preceding the date of death or (B) a minimum bonus equal to sixty percent (60%) of the Executive's annual base salary. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in the Wall Street Journal (or similar publication) for the date of death. In addition, the death benefits payable by reason of the Executive's death under any retirement, deferred compensation, life insurance or other employee benefit plan maintained by the Corporation shall be paid to the beneficiary designated by the Executive, and the stock options, restricted stock or other awards held by the Executive under the Corporation's stock plans shall become fully vested, and, in the case of stock options, exercisable in full, in accordance with the terms of the applicable plan or plans.

8. WITHHOLDING

The Corporation shall, to the extent permitted by law, have the right to withhold and deduct from any payment hereunder any federal, state or local taxes of any kind required by law to be withheld with respect to any such payment.

9. PROTECTION OF CONFIDENTIAL INFORMATION

The Executive agrees that he will keep all confidential and proprietary information of the Corporation or relating to its business confidential, and that he will not (except with the Corporation's prior written consent), while in the employ of the Corporation or thereafter, disclose any such confidential information to any person, firm, corporation, association or other entity, other than in furtherance of his duties hereunder, and then only to those with a "need to know." The Executive shall not make use of any such confidential information for his own purposes or for the benefit of any person, firm, corporation, association or other entity (except the Corporation) under any circumstances during or after the term of his employment. The foregoing shall not apply to any information which is already in the public domain, or is generally disclosed by the Corporation or is otherwise in the public domain at the time of disclosure.

The Executive recognizes that because his work for the Corporation may bring him into contact with confidential and proprietary information of the Corporation, the restrictions of this Section 9 are required for the reasonable protection of the Corporation and its investments and for the Corporation's reliance on and confidence in the Executive.

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10. COVENANT NOT TO COMPETE

The Executive hereby agrees that he will not, either during the employment term or during the period of one (1) year from the time the Executive's employment under this Agreement is terminated by him voluntarily or by the Corporation for Cause, engage in any business activities on behalf of any enterprise which competes with the Corporation in the business of the passive ownership of health care facilities, or passive investing in or lending to health care-related enterprises. The Executive will be deemed to be engaged in such competitive business activities if he participates in such a business enterprise as an employee, officer, director, consultant, agent, partner, proprietor, or other participant; provided that the ownership of no more than

two percent (2%) of the stock of a publicly traded corporation engaged in a competitive business shall not be deemed to be engaging in competitive business activities.

The Executive agrees that he shall not, for a period of one year from the time his employment under this Agreement ceases (for whatever reason), or, if later, during any period in which he is receiving monthly severance payments under Section 5 or Section 6 of this Agreement, solicit any employee or full-time consultant of the Corporation for the purposes of hiring or retaining such employee or consultant. For this purpose, the Executive shall be considered to be receiving monthly severance payments under Section 5 or Section 6 of this Agreement during any period for which he would have received such severance payments had he not elected to receive a lump sum severance payment or had such payments not been offset by compensation received from a successor employer.

11. INJUNCTIVE RELIEF

The Executive acknowledges and agrees that it would be difficult to fully compensate the Corporation for damages resulting from the breach or threatened breach of the covenants set forth in Sections 9 and 10 of this Agreement and accordingly agrees that the Corporation shall be entitled to temporary and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, to enforce such provisions in any action or proceeding instituted in the United States District Court for the Northern District of Ohio or in any court in the State of Ohio having subject matter jurisdiction. This provision with respect to injunctive relief shall not, however, diminish the Corporation's right to claim and recover damages.

It is expressly understood and agreed that although the parties consider the restrictions contained in this Agreement to be reasonable, if a court determines that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction on the activities of the Executive, no such provision of this Agreement shall be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such extent as such court may judicially determine or indicate to be reasonable.

12. NOTICES

All notices or communications hereunder shall be in writing and sent certified or registered mail, return receipt requested, postage prepaid, addressed as follows (or to such other address as such party may designate in writing from time to time):

IF TO THE CORPORATION:

Health Care REIT, Inc.  
One SeaGate, Suite 1500  
Toledo, OH 43604  
Attention: Corporate Secretary

IF TO THE EXECUTIVE:

George L. Chapman  
2604 Riverview Dr.  
Maumee, OH 43537

The actual date of receipt, as shown by the receipt therefor, shall determine the time at which notice was given.

13. SEPARABILITY

If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or

unenforceability shall not affect the remaining provisions hereof which shall remain in full force and effect.

14. ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Executive and the assigns and successors of the Corporation, but neither this Agreement nor any rights hereunder shall be assignable or otherwise subject to hypothecation by the Executive.

15. ENTIRE AGREEMENT

This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Corporation and the Executive. The Agreement may be amended at any time by mutual written agreement of the parties hereto.

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16. GOVERNING LAW

This Agreement shall be construed, interpreted, and governed in accordance with the laws of the State of Ohio, other than the conflict of laws provisions of such laws.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be duly executed, and the Executive has hereunto set his hand, as of the day and year first above written.

ATTEST:

HEALTH CARE REIT, INC.

/s/ Erin C. Ibele

By /s/ Raymond W. Braun

-----  
Corporate Secretary

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President and  
Chief Financial Officer

WITNESS:

EXECUTIVE:

/s/ Rita J. Rogge

/s/ George L. Chapman

-----  
George L. Chapman

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SECOND AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT

THIS SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT, dated this 5th day of March, 2004, but effective as of January 1, 2004 (the "Agreement"), is entered into by and between HEALTH CARE REIT, INC., a Delaware corporation, (the "Corporation"), and RAYMOND W. BRAUN (the "Executive").

WHEREAS, the Corporation and the Executive entered into an Employment Agreement, effective as of January 1, 1997;

WHEREAS, the Corporation and the Executive entered into an Amended and Restated Employment Agreement, effective as of January 1, 2000;

WHEREAS, the Compensation Committee of the Corporation's Board of Directors has approved certain modifications to the terms of such Amended and Restated Employment Agreement; and

WHEREAS, the Corporation wishes to assure itself of the services of the Executive for the period provided in this Agreement and the Executive is willing to serve in the employ of the Corporation for such period upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties, intending to be legally bound, hereby agree as follows:

1. EMPLOYMENT

The Corporation hereby agrees to employ the Executive as the Corporation's President and Chief Financial Officer, upon the terms and conditions herein contained, and the Executive hereby agrees to accept such employment and to serve as the Corporation's President and Chief Financial Officer, and to perform the duties and functions customarily performed by the President and Chief Financial Officer of a publicly traded corporation during the term of this Agreement. In such capacity, the Executive shall report only to the Corporation's Chief Executive Officer ("CEO"), and shall have the powers and responsibilities set forth in Article IV of the Corporation's By-Laws as well as such additional powers and responsibilities consistent with his position as the CEO may assign to him.

Throughout the term of this Agreement, the Executive shall devote his best efforts and all of his business time and services to the business and affairs of the Corporation.

2. TERM OF AGREEMENT

The current term of employment under this Agreement shall expire on January 31, 2005. Upon the expiration of such term, the term of employment hereunder shall automatically be extended without further action by the parties for successive two (2) year renewal terms, unless

either party shall give at least six (6) months advance written notice to the other of his or its intention that this Agreement shall terminate upon the expiration of the current term or the then current renewal term, as the case may be.

Notwithstanding the foregoing, the Corporation shall be entitled to terminate this Agreement immediately, subject to a continuing obligation to make any payments required under Section 5 below, if the Executive (i) becomes disabled as described in Section 5(b), (ii) is terminated for Cause, as defined in Section 5(c), or (iii) voluntarily terminates his employment before the current term of this Agreement expires, as described in Section 5(d).

3. SALARY AND BONUS

The Executive shall receive a base salary during the term of this Agreement at a rate of not less than \$285,402 per annum for 2004, and at a rate of not less than \$285,402 per annum for subsequent years, payable in substantially equal semi-monthly installments. The Compensation Committee of the Board shall consult with the CEO and review the Executive's base salary at annual intervals, and may adjust the Executive's annual base salary from time to time as the Committee deems to be appropriate.

The Executive shall also be eligible to receive a bonus from the Corporation each year during the term of this Agreement, with the actual amount of such bonus to be determined by the Compensation Committee of the Corporation's Board, using such performance measures as the Committee deems to be appropriate.

4. ADDITIONAL COMPENSATION AND BENEFITS

The Executive shall receive the following additional compensation and welfare and fringe benefits:

(a) Stock Options and Other Long-Term Incentives. The Executive has been granted incentive stock options, nonstatutory stock options and shares of restricted stock pursuant to the terms of the Corporation's 1995 Stock Incentive Plan. During the remaining term of the Agreement, any additional stock options, restricted stock or other awards under the 1995 Stock Incentive Plan shall be at the discretion of the Compensation Committee of the Corporation's Board.

(b) Health Insurance. The Corporation shall provide the Executive and his dependents with health insurance, life insurance and disability coverage on terms no less favorable than that from time to time made available to other key employees.

(c) Vacation. The Executive shall be entitled to up to three (3) weeks of vacation during each year during the term of this Agreement and any extensions thereof, prorated for partial years.

(d) Business Expenses. The Corporation shall reimburse the Executive for all reasonable expenses he incurs in promoting the Corporation's business, including expenses

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for travel and similar items, upon presentation by the Executive from time to time of an itemized account of such expenditures.

(e) Business Clubs. The Corporation shall pay all initiation fees and dues charged by up to one (1) dining club, country club, athletic club, or similar organization of which the Executive is a member or desires to become a member.

In addition to the benefits provided pursuant to the preceding paragraphs of this Section 4, the Executive shall be eligible to participate in such other executive compensation and retirement plans of the Corporation as are applicable generally to other officers, and in such welfare benefit plans, programs, practices and policies of the Corporation as are generally applicable to other key employees, unless such participation would duplicate, directly or indirectly, benefits already accorded to the Executive.

5. PAYMENTS UPON TERMINATION

(a) Involuntary Termination. If the Executive's employment is terminated by the Corporation during the term of this Agreement, the Executive shall be entitled to receive his base salary accrued through the date of

termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to fiscal years or other periods preceding the termination date. The Executive shall also receive any nonforfeitable benefits payable to him under the terms of any deferred compensation, incentive or other benefit plans maintained by the Corporation, payable in accordance with the terms of the applicable plan.

If the termination is not a termination for Cause, as described in paragraph (c), a voluntary termination by the Executive as described in paragraph (d), or a result of the Executive's death or disability, then the Corporation shall also be obligated to make a series of monthly severance payments to the Executive for each month during the remaining term of this Agreement, but not less than twelve (12) months. Each monthly payment shall be equal to one-twelfth (1/12th) of the sum of (i) the Executive's annual base salary, as in effect on the date of termination, and (ii) the greater of (A) the annual bonus paid to the Executive for the last fiscal year preceding the termination date or (B) a minimum bonus equal to fifty-five percent (55%) of his annual base salary. If the Executive obtains a replacement position with any new employer (including a position as an officer, employee, consultant, or agent, or self-employment as a partner or sole proprietor), the payments shall be reduced by all amounts the Executive receives as compensation for services performed during such period. The Executive shall be under no duty to mitigate the amounts owed to him under this paragraph (a) by seeking such a replacement position.

In addition, if the termination is not a termination for Cause as described in paragraph (c), a voluntary termination by the Executive as described in paragraph (d), or a result of the Executive's death or disability, then:

(i) Any stock options, restricted stock or other awards granted to the Executive under the Corporation's 1995 Stock Incentive Plan shall become fully vested and, in the case of stock options, exercisable in full;

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(ii) The Executive shall be provided continued coverage at the Corporation's expense under any life, health and disability insurance programs maintained by the Corporation in which the Executive participated at the time of his termination for the remaining term of the Agreement (but not less than six (6) months), or until, if earlier, the date the Executive obtains comparable coverage under benefit plans maintained by a new employer; and

(iii) The Executive may elect, by delivering written notice to the Corporation within thirty (30) days following such termination of his employment, to receive from the Corporation a lump sum severance payment in lieu of the monthly severance payments described in the preceding paragraph in an amount equal to the present value of such payments. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in the Wall Street Journal (or similar publication) for the date the election is received by the Corporation. The Corporation shall deliver the payment to the Executive, in the form of a bank cashier's check, within ten (10) business days following the date on which the Corporation receives written notice of the Executive's election.

(b) Disability. The Corporation shall be entitled to terminate this Agreement, if the Board determines that the Executive has been unable to attend to his duties for at least ninety (90) days because of a medically diagnosable physical or mental condition, and has received a written opinion from a physician acceptable to the Board that such condition prevents the Executive from resuming full performance of his duties and is likely to continue for an indefinite period. Upon such termination, the Executive shall be entitled to receive his base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect

to fiscal years or other periods preceding the termination date. In addition, the Corporation shall make a series of monthly disability payments to Executive, each equal to one-twelfth (1/12th) of the sum of (i) his annual base salary, as in effect at the time Executive became permanently disabled, and (ii) the greater of (A) the annual bonus paid to the Executive for the last fiscal year preceding the date of disability or (B) a minimum bonus equal to fifty-five percent (55%) of the Executive's annual base salary. Payment of such disability benefit shall commence with the month following the date of the termination by reason of permanent disability and continue each month for the remaining current term of this Agreement (but not less than twelve (12) months), but shall terminate at an earlier date if the Executive returns to active employment, either with the Corporation or otherwise. Any amounts payable under this Section 5(b) shall be reduced by any amounts paid to the Executive under any long-term disability plan or other disability program or insurance policies maintained or provided by the Corporation.

(c) Termination for Cause. If the Executive's employment is terminated by the Corporation for Cause, the amount the Executive shall be entitled to receive from the Corporation shall be limited to his base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to the fiscal year of the Corporation most recently ended, and any nonforfeitable benefits payable to the Executive under the terms of any deferred compensation, incentive or other benefit plans maintained by the Corporation.

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For purposes of this Agreement, the term "Cause" shall be limited to (i) action by the Executive involving willful disloyalty to the Corporation, such as embezzlement, fraud, misappropriation of corporate assets or a breach of the covenants set forth in Sections 9 and 10 below; or (ii) the Executive being convicted of a felony; or (iii) the Executive being convicted of any lesser crime or offense committed in connection with the performance of his duties hereunder or involving moral turpitude; or (iv) the intentional and willful failure by the Executive to substantially perform his duties hereunder as directed by the Corporation's CEO (other than any such failure resulting from the Executive's incapacity due to physical or mental disability) after a demand for substantial performance is made on the Executive by the Board of Directors.

(d) Voluntary Termination by the Executive. If the Executive resigns or otherwise voluntarily terminates his employment before the end of the current term of this Agreement (other than in connection with a Change in Corporate Control, as described in Section 6), the amount the Executive shall be entitled to receive from the Corporation shall be limited to his base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to any fiscal years or other periods preceding the termination date, and any nonforfeitable benefits payable to the Executive under the terms of any deferred compensation, incentive or other benefit plans of the Corporation.

For purposes of this paragraph, a resignation by the Executive shall not be deemed to be voluntary if the Executive is (1) assigned to a position other than the President or Chief Financial Officer of the Corporation (other than for Cause or by reason of permanent disability), (2) assigned duties materially inconsistent with such position, or (3) directed to report to anyone other than the Corporation's CEO.

## 6. EFFECT OF CHANGE IN CORPORATE CONTROL

(a) In the event of a Change in Corporate Control, the vesting of any stock options, restricted stock or other awards granted to the Executive under the terms of the Corporation's 1995 Stock Incentive Plan shall be accelerated (to the extent permitted by the terms of such Plan) and such awards shall become immediately vested in full and, in the case of stock options, exercisable in full.

(b) If, at any time during the period of twelve (12) consecutive months following the occurrence of a Change in Corporate Control, and during the term of this Agreement, the Executive is involuntarily terminated (other than for Cause) or elects to voluntarily resign his employment, the Executive shall be entitled to receive monthly severance payments for twenty-four (24) months. Each monthly payment shall be equal to one-twelfth (1/12th) of the sum of (i) the Executive's annual base salary, as in effect at the time of the Change in Corporate Control, and (ii) the greater of (A) the annual bonus paid to the Executive for the last fiscal year of the Corporation ending prior to the Change in Corporate Control or (B) a minimum bonus equal to fifty-five percent (55%) of his annual base salary.

(c) If the Executive is involuntarily terminated (other than for Cause) or elects to voluntarily resign his employment within twelve (12) months after a Change in Corporate Control, he may elect, by delivering written notice to the Corporation within thirty (30) days following such

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termination of his employment, to receive from the Corporation a lump sum severance payment in lieu of the monthly payments described in the preceding paragraph. The amount of this payment shall be equal to the present value of the monthly payments described in the preceding paragraph. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in the Wall Street Journal (or similar publication) for the date the election is received by the Corporation. The Corporation shall deliver the payment to the Executive, in the form of a bank cashier's check, within ten (10) business days following the date on which the Corporation receives written notice of the Executive's election.

In addition, if the Executive is involuntarily terminated (other than for Cause) or elects to voluntarily resign his employment within twelve (12) months after a Change in Corporate Control, he shall be entitled to continued coverage at the Corporation's expense under any life, health and disability insurance programs maintained by the Corporation in which the Executive participated at the time of his termination, which coverage shall be continued until the expiration of the current term of the Agreement (but not less than six (6) months) or until, if earlier, the date the Executive obtains comparable coverage under benefit plans maintained by a new employer.

(d) For purposes of this Agreement, a "Change in Corporate Control" shall include any of the following events:

(1) The acquisition in one or more transactions of more than twenty percent (20%) of the Corporation's outstanding Common Stock (or the equivalent in voting power of any class or classes of securities of the Corporation entitled to vote in elections of directors) by any corporation, or other person or group (within the meaning of Section 14(d)(3) of the Securities Exchange Act of 1934, as amended);

(2) Any transfer or sale of substantially all of the assets of the Corporation, or any merger or consolidation of the Corporation into or with another corporation in which the Corporation is not the surviving entity;

(3) Any election of persons to the Board of Directors which causes a majority of the Board of Directors to consist of persons other than "Continuing Directors". For this purpose, those persons who were members of the Board of Directors on May 1, 1995, shall be "Continuing Directors". Any person who is nominated for election as a member of the Board after May 1, 1995, shall also be considered a "Continuing Director" for this purpose if, and only if, his or her nomination for election to the Board of Directors is approved or recommended by a majority of the members of the Board (or of the relevant Nominating Committee) and at least five (5) members of the Board are themselves Continuing Directors at the time of such nomination; or

(4) Any person, or group of persons, announces a tender offer for at least twenty percent (20%) of the Corporation's Common Stock, and the Board of Directors appoints a special committee of the Board to consider the Corporation's response to such tender offer.

(e) Notwithstanding anything else in this Agreement, if any payment, accelerated vesting or other benefit provided by the Corporation to the Executive in connection

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with a Change in Corporate Control, whether paid or payable pursuant to the terms of this Agreement or otherwise (a "Parachute Payment") is determined to be a parachute payment subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (such excise tax, together with any interest and penalties incurred by the Executive with respect to such excise tax, are referred to as the "Excise Tax"), the Corporation shall make an additional payment (the "Gross-Up Payment") to the Executive in an amount such that the net amount of the Gross-Up Payment the Executive retains, after payment by the Executive of all taxes imposed upon the Gross-Up Payment, including, without limitation, the Excise Tax and any federal, state or local income taxes (and any interest and penalties imposed with respect thereto) on the Gross-Up Payment, will be equal to the Excise Tax liability imposed upon the Executive with respect to all Parachute Payments (other than the Gross-Up Payment).

#### 7. DEATH

If the Executive dies during the term of this Agreement, the Corporation shall pay to the Executive's estate a lump sum payment equal to the sum of the Executive's base salary accrued through the date of death, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to fiscal years or other periods preceding the date of death. In addition, the Corporation shall pay to the Executive's surviving spouse (or such other beneficiary as the Executive may designate in writing) a lump sum payment equal to the present value of a series of monthly payments for each month during the remaining term of the Agreement (but not less than twelve (12) months), each in an amount equal to one-twelfth (1/12th) of the sum of (i) the Executive's annual base salary, as in effect on the date of death, and (ii) the greater of (A) the annual bonus paid to the Executive for the last fiscal year preceding the date of death or (B) a minimum bonus equal to fifty-five percent (55%) of the Executive's annual base salary. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in the Wall Street Journal (or similar publication) for the date of death. In addition, the death benefits payable by reason of the Executive's death under any retirement, deferred compensation, life insurance or other employee benefit plan maintained by the Corporation shall be paid to the beneficiary designated by the Executive, and the stock options, restricted stock or other awards held by the Executive under the Corporation's stock plans shall become fully vested, and, in the case of stock options, exercisable in full, in accordance with the terms of the applicable plan or plans.

#### 8. WITHHOLDING

The Corporation shall, to the extent permitted by law, have the right to withhold and deduct from any payment hereunder any federal, state or local taxes of any kind required by law to be withheld with respect to any such payment.

#### 9. PROTECTION OF CONFIDENTIAL INFORMATION

The Executive agrees that he will keep all confidential and proprietary information of the Corporation or relating to its business confidential, and that he will not (except with the Corporation's prior written consent), while in the employ of the Corporation or thereafter, disclose any such confidential information to any person, firm, corporation, association or

other entity, other than in furtherance of his duties hereunder, and then only to those with a "need to know." The

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Executive shall not make use of any such confidential information for his own purposes or for the benefit of any person, firm, corporation, association or other entity (except the Corporation) under any circumstances during or after the term of his employment. The foregoing shall not apply to any information which is already in the public domain, or is generally disclosed by the Corporation or is otherwise in the public domain at the time of disclosure.

The Executive recognizes that because his work for the Corporation may bring him into contact with confidential and proprietary information of the Corporation, the restrictions of this Section 9 are required for the reasonable protection of the Corporation and its investments and for the Corporation's reliance on and confidence in the Executive.

10. COVENANT NOT TO COMPETE

The Executive hereby agrees that he will not, either during the employment term or during the period of one (1) year from the time the Executive's employment under this Agreement is terminated by him voluntarily, by the Corporation for Cause, or because the Executive chooses not to extend the term of this Agreement, engage in any business activities on behalf of any enterprise which competes with the Corporation in the business of the passive ownership of health care facilities, or passive investing in or lending to health care-related enterprises. The Executive will be deemed to be engaged in such competitive business activities if he participates in such a business enterprise as an employee, officer, director, consultant, agent, partner, proprietor, or other participant; provided that the ownership of no more than two percent (2%) of the stock of a publicly traded corporation engaged in a competitive business shall not be deemed to be engaging in competitive business activities.

The Executive agrees that he shall not, for a period of one year from the time his employment under this Agreement ceases (for whatever reason), or, if later, during any period in which he is receiving monthly severance payments under Section 5 or Section 6 of this Agreement, solicit any employee or full-time consultant of the Corporation for the purposes of hiring or retaining such employee or consultant. For this purpose, the Executive shall be considered to be receiving monthly severance payments under Section 5 or Section 6 of this Agreement during any period for which he would have received such severance payments had he not elected to receive a lump sum severance payment or had such payments not been offset by compensation received from a successor employer.

11. INJUNCTIVE RELIEF

The Executive acknowledges and agrees that it would be difficult to fully compensate the Corporation for damages resulting from the breach or threatened breach of the covenants set forth in Sections 9 and 10 of this Agreement and accordingly agrees that the Corporation shall be entitled to temporary and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, to enforce such provisions in any action or proceeding instituted in the United States District Court for the Northern District of Ohio or in any court in the State of Ohio having subject matter jurisdiction. This provision with respect to injunctive relief shall not, however, diminish the Corporation's right to claim and recover damages.

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It is expressly understood and agreed that although the parties consider the restrictions contained in this Agreement to be reasonable,

if a court determines that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction on the activities of the Executive, no such provision of this Agreement shall be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such extent as such court may judicially determine or indicate to be reasonable.

12. NOTICES

All notices or communications hereunder shall be in writing and sent certified or registered mail, return receipt requested, postage prepaid, addressed as follows (or to such other address as such party may designate in writing from time to time):

IF TO THE CORPORATION:

Health Care REIT, Inc.  
One SeaGate, Suite 1500  
Toledo, OH 43604  
Attention: Corporate Secretary

IF TO THE EXECUTIVE:

Raymond W. Braun  
543 Troon Rd.  
Holland, OH 43528

The actual date of receipt, as shown by the receipt therefor, shall determine the time at which notice was given.

13. SEPARABILITY

If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof which shall remain in full force and effect.

14. ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Executive and the assigns and successors of the Corporation, but neither this Agreement nor any rights hereunder shall be assignable or otherwise subject to hypothecation by the Executive.

15. ENTIRE AGREEMENT

This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Corporation and the

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Executive. The Agreement may be amended at any time by mutual written agreement of the parties hereto.

16. GOVERNING LAW

This Agreement shall be construed, interpreted, and governed in accordance with the laws of the State of Ohio, other than the conflict of laws provisions of such laws.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be duly executed, and the Executive has hereunto set his hand, as of the day and year first above written.

ATTEST:

HEALTH CARE REIT, INC.

/s/ Erin C. Ibele

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Corporate Secretary

WITNESS:

/s/ Rita J. Rogge

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By /s/ George L. Chapman

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Chief Executive Officer

EXECUTIVE:

/s/ Raymond W. Braun

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Raymond W. Braun

SECOND AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT

THIS SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT, dated this 5th day of March, 2004, but effective as of January 1, 2004 (the "Agreement"), is entered into by and between HEALTH CARE REIT, INC., a Delaware corporation, (the "Corporation"), and ERIN C. IBELE (the "Executive").

WHEREAS, the Corporation and the Executive entered into an Employment Agreement, effective as of January 1, 1997;

WHEREAS, the Corporation and the Executive entered into an Amended and Restated Employment Agreement, effective as of January 1, 2000;

WHEREAS, the Compensation Committee of the Corporation's Board of Directors has approved certain modifications to the terms of such Amended and Restated Employment Agreement; and

WHEREAS, the Corporation wishes to assure itself of the services of the Executive for the period provided in this Agreement and the Executive is willing to serve in the employ of the Corporation for such period upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties, intending to be legally bound, hereby agree as follows:

1. EMPLOYMENT

The Corporation hereby agrees to employ the Executive as the Corporation's Vice President and Corporate Secretary, upon the terms and conditions herein contained, and the Executive hereby agrees to accept such employment and to serve in such positions, and to perform the duties and functions customarily performed by the Vice President and Corporate Secretary of a publicly traded corporation during the term of this Agreement. In such capacity, the Executive shall report only to the Corporation's Chief Executive Officer ("CEO"), and shall have the powers and responsibilities set forth in Article IV of the Corporation's By-Laws as well as such additional powers and responsibilities consistent with her position as the CEO may assign to her.

Throughout the term of this Agreement, the Executive shall devote her best efforts and all of her business time and services to the business and affairs of the Corporation.

2. TERM OF AGREEMENT

The current term of employment under this Agreement shall expire on January 31, 2005. Upon the expiration of such term, the term of employment hereunder shall automatically be extended without further action by the parties for successive two (2) year renewal terms, unless either party shall give at least six (6) months advance written notice to the other of her or its

intention that this Agreement shall terminate upon the expiration of the current term or the then current renewal term, as the case may be.

Notwithstanding the foregoing, the Corporation shall be entitled to terminate this Agreement immediately, subject to a continuing obligation to make any payments required under Section 5 below, if the Executive (i) becomes disabled as described in Section 5(b), (ii) is terminated for Cause, as defined in Section 5(c), or (iii) voluntarily terminates her employment before the current term of this Agreement expires, as described in Section 5(d).

3. SALARY AND BONUS

The Executive shall receive a base salary during the term of this Agreement at a rate of not less than \$128,418 per annum for 2004, and at a rate of not less than \$128,418 per annum for subsequent years, payable in substantially equal semi-monthly installments. The Compensation Committee of the Board shall consult with the CEO and review the Executive's base salary at annual intervals, and may adjust the Executive's annual base salary from time to time as the Committee deems to be appropriate.

The Executive shall also be eligible to receive a bonus from the Corporation each year during the term of this Agreement, with the actual amount of such bonus to be determined by the Compensation Committee of the Corporation's Board, using such performance measures as the Committee deems to be appropriate.

4. ADDITIONAL COMPENSATION AND BENEFITS

The Executive shall receive the following additional compensation and welfare and fringe benefits:

(a) Stock Options and Other Long-Term Incentives. The Executive has been granted incentive stock options, nonstatutory stock options, and shares of restricted stock pursuant to the terms of the Corporation's 1995 Stock Incentive Plan. During the remaining term of the Agreement, any additional stock options, restricted stock or other awards under the 1995 Stock Incentive Plan shall be at the discretion of the Compensation Committee of the Corporation's Board.

(b) Health Insurance. The Corporation shall provide the Executive and her dependents with health insurance, life insurance and disability coverage on terms no less favorable than that from time to time made available to other key employees.

(c) Vacation. The Executive shall be entitled to up to three (3) weeks of vacation during each year during the term of this Agreement and any extensions thereof, prorated for partial years.

(d) Business Expenses. The Corporation shall reimburse the Executive for all reasonable expenses she incurs in promoting the Corporation's business, including expenses

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for travel and similar items, upon presentation by the Executive from time to time of an itemized account of such expenditures.

In addition to the benefits provided pursuant to the preceding paragraphs of this Section 4, the Executive shall be eligible to participate in such other executive compensation and retirement plans of the Corporation as are applicable generally to other officers, and in such welfare benefit plans, programs, practices and policies of the Corporation as are generally applicable to other key employees, unless such participation would duplicate, directly or indirectly, benefits already accorded to the Executive.

5. PAYMENTS UPON TERMINATION

(a) Involuntary Termination. If the Executive's employment is terminated by the Corporation during the term of this Agreement, the Executive shall be entitled to receive her base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to fiscal years or other periods preceding the termination date. The Executive shall also receive any nonforfeitable benefits payable to her under the terms of any deferred compensation, incentive or other benefit plan maintained by the Corporation, payable in accordance with the terms of the applicable plan.

If the termination is not a termination for Cause, as described in paragraph (c), a voluntary termination by the Executive as described in paragraph (d), or a result of the Executive's death or disability, then the Corporation shall also be obligated to make a series of monthly severance payments to the Executive for each month during the remaining term of this Agreement, but not less than twelve (12) months. Each monthly payment shall be equal to one-twelfth (1/12th) of the sum of (i) the Executive's annual base salary, as in effect on the date of termination, and (ii) the greater of (A) the annual bonus paid to the Executive for the last fiscal year preceding the termination date or (B) a minimum bonus equal to thirty percent (30%) of her annual base salary. If the Executive obtains a replacement position with any new employer (including a position as an officer, employee, consultant, or agent, or self-employment as a partner or sole proprietor), the payments shall be reduced by all amounts the Executive receives as compensation for services performed during such period. The Executive shall be under no duty to mitigate the amounts owed to her under this paragraph (a) by seeking such a replacement position.

In addition, if the termination is not a termination for Cause as described in paragraph (c), a voluntary termination by the Executive as described in paragraph (d), or a result of the Executive's death or disability, then:

(i) Any stock options, restricted stock or other awards granted to the Executive under the Corporation's 1995 Stock Incentive Plan shall become fully vested and, in the case of stock options, exercisable in full;

(ii) The Executive shall be provided continued coverage at the Corporation's expense under any life, health and disability insurance programs maintained by the Corporation in which the Executive participated at the time of her termination for the remaining term of the Agreement (but not less than six (6) months), or until, if earlier, the

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date the Executive obtains comparable coverage under benefit plans maintained by a new employer; and

(iii) The Executive may elect, by delivering written notice to the Corporation within thirty (30) days following such termination of her employment, to receive from the Corporation a lump sum severance payment in lieu of the monthly severance payments described in the preceding paragraph in an amount equal to the present value of such payments. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in the Wall Street Journal (or similar publication) for the date the election is received by the Corporation. The Corporation shall deliver the payment to the Executive, in the form of a bank cashier's check, within ten (10) business days following the date on which the Corporation receives written notice of the Executive's election.

(b) Disability. The Corporation shall be entitled to terminate this Agreement, if the Board determines that the Executive has been unable to attend to her duties for at least ninety (90) days because of a medically diagnosable physical or mental condition, and has received a written opinion from a physician acceptable to the Board that such condition prevents the Executive from resuming full performance of her duties and is likely to continue for an indefinite period. Upon such termination, the Executive shall be entitled to receive her base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to fiscal years or other periods preceding the termination date. In addition, the Corporation shall make a series of monthly disability payments to Executive, each equal to one-twelfth (1/12th) of the sum of (i) her annual base salary, as in effect at the time Executive became permanently disabled, and (ii) the greater of (A) the annual bonus paid to the Executive for the last fiscal year

preceding the date of disability or (B) a minimum bonus equal to thirty percent (30%) of the Executive's annual base salary. Payment of such disability benefit shall commence with the month following the date of the termination by reason of permanent disability and continue each month for the remaining current term of this Agreement (but not less than twelve (12) months), but shall terminate at an earlier date if the Executive returns to active employment, either with the Corporation or otherwise. Any amounts payable under this Section 5(b) shall be reduced by any amounts paid to the Executive under any long-term disability plan or other disability program or insurance policies maintained or provided by the Corporation.

(c) Termination for Cause. If the Executive's employment is terminated by the Corporation for Cause, the amount the Executive shall be entitled to receive from the Corporation shall be limited to her base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to the fiscal year of the Corporation most recently ended, and any nonforfeitable benefits payable to the Executive under the terms of deferred compensation, incentive or other benefit plans maintained by the Corporation.

For purposes of this Agreement, the term "Cause" shall be limited to (i) action by the Executive involving willful disloyalty to the Corporation, such as embezzlement, fraud, misappropriation of corporate assets or a breach of the covenants set forth in Sections 9 and 10 below; or (ii) the Executive being convicted of a felony; or (iii) the Executive being convicted of any lesser crime or offense committed in connection with the performance of her duties hereunder

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or involving moral turpitude; or (iv) the intentional and willful failure by the Executive to substantially perform her duties hereunder as directed by the Corporation's CEO (other than any such failure resulting from the Executive's incapacity due to physical or mental disability) after a demand for substantial performance is made on the Executive by the Board of Directors.

(d) Voluntary Termination by the Executive. If the Executive resigns or otherwise voluntarily terminates her employment before the end of the current term of this Agreement (other than in connection with a Change in Corporate Control, as described in Section 6), the amount the Executive shall be entitled to receive from the Corporation shall be limited to her base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to any fiscal years or other periods preceding the termination date, and any nonforfeitable benefits payable to the Executive under the terms of any deferred compensation, incentive or other benefit plans of the Corporation.

For purposes of this paragraph, a resignation by the Executive shall not be deemed to be voluntary if the Executive is (1) assigned to a position other than the Vice President or Corporate Secretary of the Corporation (other than for Cause or by reason of permanent disability), (2) assigned duties materially inconsistent with such position, or (3) directed to report to anyone other than the Corporation's CEO.

## 6. EFFECT OF CHANGE IN CORPORATE CONTROL

(a) In the event of a Change in Corporate Control, the vesting of any stock options, restricted stock or other awards granted to the Executive under the terms of the Corporation's 1995 Stock Incentive Plan shall be accelerated (to the extent permitted by the terms of such Plan) and such awards shall become immediately vested in full and, in the case of stock options, exercisable in full.

(b) If, at any time during the period of twelve (12) consecutive months following the occurrence of a Change in Corporate Control, and during the term of this Agreement, the Executive is involuntarily terminated

(other than for Cause) or elects to voluntarily resign her employment, the Executive shall be entitled to receive monthly severance payments for twenty-four months (24) months. Each monthly payment shall be equal to one-twelfth (1/12th) of the sum of (i) the Executive's annual base salary, as in effect at the time of the Change in Corporate Control, and (ii) the greater of (A) the annual bonus paid to the Executive for the last fiscal year of the Corporation ending prior to the Change in Corporate Control or (B) a minimum bonus equal to thirty percent (30%) of her annual base salary.

(c) If the Executive is involuntarily terminated (other than for Cause) or elects to voluntarily resign her employment within twelve (12) months after a Change in Corporate Control, she may elect, by delivering written notice to the Corporation within thirty (30) days following such termination of her employment, to receive from the Corporation a lump sum severance payment in lieu of the monthly payments described in the preceding paragraph. The amount of this payment shall be equal to the present value of the monthly payments described in the preceding paragraph. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in the Wall Street Journal (or similar publication)

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for the date the election is received by the Corporation. The Corporation shall deliver the payment to the Executive, in the form of a bank cashier's check, within ten (10) business days following the date on which the Corporation receives written notice of the Executive's election.

In addition, if the Executive is involuntarily terminated (other than for Cause) or elects to voluntarily resign her employment within twelve (12) months after a Change in Corporate Control, she shall be entitled to continued coverage at the Corporation's expense under any life, health and disability insurance programs maintained by the Corporation in which the Executive participated at the time of her termination, which coverage shall be continued until the expiration of the current term of the Agreement (but not less than six (6) months) or until, if earlier, the date the Executive obtains comparable coverage under benefit plans maintained by a new employer.

(d) For purposes of this Agreement, a "Change in Corporate Control" shall include any of the following events:

(1) The acquisition in one or more transactions of more than twenty percent (20%) of the Corporation's outstanding Common Stock (or the equivalent in voting power of any class or classes of securities of the Corporation entitled to vote in elections of directors) by any corporation, or other person or group (within the meaning of Section 14(d)(3) of the Securities Exchange Act of 1934, as amended);

(2) Any transfer or sale of substantially all of the assets of the Corporation, or any merger or consolidation of the Corporation into or with another corporation in which the Corporation is not the surviving entity;

(3) Any election of persons to the Board of Directors which causes a majority of the Board of Directors to consist of persons other than "Continuing Directors". For this purpose, those persons who were members of the Board of Directors on May 1, 1995, shall be "Continuing Directors". Any person who is nominated for election as a member of the Board after May 1, 1995, shall also be considered a "Continuing Director" for this purpose if, and only if, his or her nomination for election to the Board of Directors is approved or recommended by a majority of the members of the Board (or of the relevant Nominating Committee) and at least five (5) members of the Board are themselves Continuing Directors at the time of such nomination; or

(4) Any person, or group of persons, announces a tender offer for at least twenty percent (20%) of the Corporation's Common Stock, and

the Board of Directors appoints a special committee of the Board to consider the Corporation's response to such tender offer.

(e) Notwithstanding anything else in this Agreement, if any payment, accelerated vesting or other benefit provided by the Corporation to the Executive in connection with a Change in Corporate Control, whether paid or payable pursuant to the terms of this Agreement or otherwise (a "Parachute Payment") is determined to be a parachute payment subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (such excise tax, together with any interest and penalties incurred by the Executive with respect to such excise tax, are referred to as the "Excise Tax"), the Corporation shall make an additional payment (the

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"Gross-Up Payment") to the Executive in an amount such that the net amount of the Gross-Up Payment the Executive retains, after payment by the Executive of all taxes imposed upon the Gross-Up Payment, including, without limitation, the Excise Tax and any federal, state or local income taxes (and any interest and penalties imposed with respect thereto) on the Gross-Up Payment, will be equal to the Excise Tax liability imposed upon the Executive with respect to all Parachute Payments (other than the Gross-Up Payment).

7. DEATH

If the Executive dies during the term of this Agreement, the Corporation shall pay to the Executive's estate a lump sum payment equal to the sum of the Executive's base salary accrued through the date of death, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to fiscal years or other periods preceding the date of death. In addition, the Corporation shall pay to the Executive's surviving spouse (or such other beneficiary as the Executive may designate in writing) a lump sum payment equal to the present value of a series of monthly payments for each month during the remaining term of the Agreement (but not less than twelve (12) months), each in an amount equal to one-twelfth (1/12th) of the sum of (i) the Executive's annual base salary, as in effect on the date of death, and (ii) the greater of (A) the annual bonus paid to the Executive for the last fiscal year preceding the date of death or (B) a minimum bonus equal to thirty percent (30%) of the Executive's annual base salary. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in the Wall Street Journal (or similar publication) for the date of death. In addition, the death benefits payable by reason of the Executive's death under any retirement, deferred compensation, life insurance or other employee benefit plan maintained by the Corporation shall be paid to the beneficiary designated by the Executive, and the stock options, restricted stock or other awards held by the Executive under the Corporation's stock plans shall become fully vested, and, in the case of stock options, exercisable in full, in accordance with the terms of the applicable plan or plans.

8. WITHHOLDING

The Corporation shall, to the extent permitted by law, have the right to withhold and deduct from any payment hereunder any federal, state or local taxes of any kind required by law to be withheld with respect to any such payment.

9. PROTECTION OF CONFIDENTIAL INFORMATION

The Executive agrees that she will keep all confidential and proprietary information of the Corporation or relating to its business confidential, and that she will not (except with the Corporation's prior written consent), while in the employ of the Corporation or thereafter, disclose any such confidential information to any person, firm, corporation, association or other entity, other than in furtherance of her duties hereunder, and then only to those with a "need to know." The Executive shall not make use of any such confidential information for her own purposes or for the benefit of any person,

firm, corporation, association or other entity (except the Corporation) under any circumstances during or after the term of her employment. The foregoing shall not apply to any

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information which is already in the public domain, or is generally disclosed by the Corporation or is otherwise in the public domain at the time of disclosure.

The Executive recognizes that because her work for the Corporation may bring her into contact with confidential and proprietary information of the Corporation, the restrictions of this Section 9 are required for the reasonable protection of the Corporation and its investments and for the Corporation's reliance on and confidence in the Executive.

10. COVENANT NOT TO COMPETE

The Executive hereby agrees that she will not, either during the employment term or during the period of one (1) year from the time the Executive's employment under this Agreement is terminated by her voluntarily, by the Corporation for Cause, or because the Executive chooses not to extend the term of this Agreement, engage in any business activities on behalf of any enterprise which competes with the Corporation in the business of the passive ownership of health care facilities, or passive investing in or lending to health care-related enterprises. The Executive will be deemed to be engaged in such competitive business activities if she participates in such a business enterprise as an employee, officer, director, consultant, agent, partner, proprietor, or other participant; provided that the ownership of no more than two percent (2%) of the stock of a publicly traded corporation engaged in a competitive business shall not be deemed to be engaging in competitive business activities.

The Executive agrees that she shall not, for a period of one year from the time her employment under this Agreement ceases (for whatever reason), or, if later, during any period in which she is receiving monthly severance payments under Section 5 or Section 6 of this Agreement, solicit any employee or full-time consultant of the Corporation for the purposes of hiring or retaining such employee or consultant. For this purpose, the Executive shall be considered to be receiving monthly severance payments under Section 5 or Section 6 of this Agreement during any period for which she would have received such severance payments had she not elected to receive a lump sum severance payment or had such payments not been offset by compensation received from a successor employer.

11. INJUNCTIVE RELIEF

The Executive acknowledges and agrees that it would be difficult to fully compensate the Corporation for damages resulting from the breach or threatened breach of the covenants set forth in Sections 9 and 10 of this Agreement and accordingly agrees that the Corporation shall be entitled to temporary and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, to enforce such provisions in any action or proceeding instituted in the United States District Court for the Northern District of Ohio or in any court in the State of Ohio having subject matter jurisdiction. This provision with respect to injunctive relief shall not, however, diminish the Corporation's right to claim and recover damages.

It is expressly understood and agreed that although the parties consider the restrictions contained in this Agreement to be reasonable, if a court determines that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction on the

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activities of the Executive, no such provision of this Agreement shall be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such extent as such court may judicially determine or indicate to be reasonable.

12. NOTICES

All notices or communications hereunder shall be in writing and sent certified or registered mail, return receipt requested, postage prepaid, addressed as follows (or to such other address as such party may designate in writing from time to time):

IF TO THE CORPORATION:

Health Care REIT, Inc.  
One SeaGate, Suite 1500  
Toledo, OH 43604  
Attention: Chief Executive Officer

IF TO THE EXECUTIVE:

Erin C. Ibele  
5347 Fox Run  
Toledo, OH 43623

The actual date of receipt, as shown by the receipt therefor, shall determine the time at which notice was given.

13. SEPARABILITY

If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof which shall remain in full force and effect.

14. ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Executive and the assigns and successors of the Corporation, but neither this Agreement nor any rights hereunder shall be assignable or otherwise subject to hypothecation by the Executive.

15. ENTIRE AGREEMENT

This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Corporation and the Executive. The Agreement may be amended at any time by mutual written agreement of the parties hereto.

16. GOVERNING LAW

This Agreement shall be construed, interpreted, and governed in accordance with the laws of the State of Ohio, other than the conflict of laws provisions of such laws.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be duly executed, and the Executive has hereunto set her hand, as of the day and year first above written.

ATTEST:

HEALTH CARE REIT, INC.

/s/ Raymond W. Braun

By /s/ George L. Chapman

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President and

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Chief Executive Officer

Chief Financial Officer

WITNESS:

/s/ Rita J. Rogge

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EXECUTIVE:

/s/ Erin C. Ibele

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Erin C. Ibele

AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT, dated this 5th day of March, 2004, but effective as of January 1, 2004 (the "Agreement"), is entered into by and between HEALTH CARE REIT, INC., a Delaware corporation, (the "Corporation"), and CHARLES J. HERMAN, Jr. (the "Executive").

WHEREAS, the Corporation and the Executive entered into an Employment Agreement, effective as of August 1, 2000;

WHEREAS, the Compensation Committee of the Corporation's Board of Directors has approved certain modifications to the terms of such Employment Agreement; and

WHEREAS, the Corporation wishes to assure itself of the services of the Executive for the period provided in this Agreement and the Executive is willing to serve in the employ of the Corporation for such period upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties, intending to be legally bound, hereby agree as follows:

1. EMPLOYMENT

The Corporation hereby agrees to employ the Executive as the Corporation's Vice President of Operations, upon the terms and conditions herein contained, and the Executive hereby agrees to accept such employment and to serve in such position, and to be responsible for originating new transactions, underwriting, monitoring, research and such related duties that are customarily performed by a Vice President of Operations of a publicly traded corporation during the term of this Agreement. In such capacity, the Executive shall report only to the Corporation's Chief Executive Officer ("CEO") and President and Chief Financial Officer ("CFO"), and shall have the powers and responsibilities set forth in Article IV of the Corporation's By-Laws (if specified) as well as such additional powers and responsibilities consistent with his position as the CEO and CFO may assign to him.

Throughout the term of this Agreement, the Executive shall devote his best efforts and all of his business time and services to the business and affairs of the Corporation.

2. TERM OF AGREEMENT

The current term of employment under this Agreement shall expire on January 31, 2005. Upon the expiration of such term, the term of employment hereunder shall automatically be extended without further action by the parties for successive two (2) year renewal terms, unless either party shall give at least six (6) months advance written notice to the other of his or its intention that this Agreement shall terminate upon the expiration of the current term or the then current renewal term, as the case may be.

Notwithstanding the foregoing, the Corporation shall be entitled to terminate this Agreement immediately, subject to a continuing obligation to make any payments required under Section 5 below, if the Executive (i) becomes disabled as described in Section 5(b), (ii) is terminated for Cause, as defined in Section 5(c), or (iii) voluntarily terminates his employment before the current term of this Agreement expires, as described in Section 5(d).

3. SALARY AND BONUS

The Executive shall receive a base salary during the term of

this Agreement at a rate of not less than \$218,545 per annum for 2004, and at a rate of not less than \$218,545 for subsequent years, payable in substantially equal semi-monthly installments. The Compensation Committee of the Board shall consult with the CEO and review the Executive's base salary at annual intervals, and may adjust the Executive's annual base salary from time to time as the Committee deems to be appropriate.

The Executive shall also be eligible to receive a bonus from the Corporation each year during the term of this Agreement, with the actual amount of such bonus to be determined by the Compensation Committee of the Corporation's Board, using such performance measures as the Committee deems to be appropriate.

#### 4. ADDITIONAL COMPENSATION AND BENEFITS

The Executive shall receive the following additional compensation and welfare and fringe benefits:

(a) Stock Options and Other Long-Term Incentives. The Executive has been granted incentive stock options, nonstatutory stock options, and shares of restricted stock pursuant to the terms of the Corporation's 1995 Stock Incentive Plan. During the remaining term of the Agreement, any additional stock options, restricted stock or other awards under the 1995 Stock Incentive Plan shall be at the discretion of the Compensation Committee of the Corporation's Board.

(b) Health Insurance. The Corporation shall provide the Executive and his dependents with health insurance, life insurance, and disability coverage on terms no less favorable than that from time to time made available to other key employees.

(c) Vacation. The Executive shall be entitled to up to three (3) weeks of vacation during each year during the term of this Agreement and any extensions thereof, all prorated for partial years.

(d) Business Expenses. The Corporation shall reimburse the Executive for all reasonable expenses he incurs in promoting the Corporation's business, including expenses for travel and similar items, upon presentation by the Executive from time to time of an itemized account of such expenditures.

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In addition to the benefits provided pursuant to the preceding paragraphs of this Section 4, the Executive shall be eligible to participate in such other executive compensation and retirement plans (if eligible) of the Corporation as are applicable generally to other officers, and in such welfare benefit plans, programs, practices and policies of the Corporation as are generally applicable to other key employees, unless such participation would duplicate, directly or indirectly, benefits already accorded to the Executive.

#### 5. PAYMENTS UPON TERMINATION

(a) Involuntary Termination. If the Executive's employment is terminated by the Corporation during the term of this Agreement, the Executive shall be entitled to receive his base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to fiscal years or other periods preceding the termination date. The Executive shall also receive any nonforfeitable benefits payable to him under the terms of any deferred compensation, incentive or other benefit plan maintained by the Corporation, payable in accordance with the terms of the applicable plan.

If the termination is not a termination for Cause, as described in paragraph (c), a voluntary termination by the Executive as described in paragraph (d), or a result of the Executive's death or disability,

then the Corporation shall also be obligated to make a series of monthly severance payments to the Executive for each month during the remaining term of this Agreement, but not less than twelve (12) months. Each monthly payment shall be equal to one-twelfth (1/12th) of the sum of (i) the Executive's annual base salary, as in effect on the date of termination, and (ii) the greater of (A) the annual bonus paid to the Executive for the last fiscal year preceding the termination date or (B) a minimum bonus equal to thirty percent (30%) of his annual base salary. If the Executive obtains a replacement position with any new employer (including a position as an officer, employee, consultant, or agent, or self-employment as a partner or sole proprietor), the payments shall be reduced by all amounts the Executive receives as compensation for services performed during such period. The Executive shall be under no duty to mitigate the amounts owed to him under this paragraph (a) by seeking such a replacement position.

In addition, if the termination is not a termination for Cause as described in paragraph (c), a voluntary termination by the Executive as described in paragraph (d), or a result of the Executive's death or disability, then:

(i) Any stock options, restricted stock or other awards granted to the Executive under the Corporation's 1995 Stock Incentive Plan shall become fully vested and, in the case of stock options, exercisable in full;

(ii) The Executive shall be provided continued coverage at the Corporation's expense under any life, health and disability insurance programs maintained by the Corporation in which the Executive participated at the time of his termination for the remaining term of the Agreement (but not less than six (6) months), or until, if earlier, the date the Executive obtains comparable coverage under benefit plans maintained by a new employer; and

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(iii) The Executive may elect, by delivering written notice to the Corporation within thirty (30) days following such termination of his employment, to receive from the Corporation a lump sum severance payment in lieu of the monthly severance payments described in the preceding paragraph in an amount equal to the present value of such payments. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in the Wall Street Journal (or similar publication) for the date the election is received by the Corporation. The Corporation shall deliver the payment to the Executive, in the form of a bank cashier's check, within ten (10) business days following the date on which the Corporation receives written notice of the Executive's election.

(b) Disability. The Corporation shall be entitled to terminate this Agreement, if the Board determines that the Executive has been unable to attend to his duties for at least ninety (90) days because of a medically diagnosable physical or mental condition, and has received a written opinion from a physician acceptable to the Board that such condition prevents the Executive from resuming full performance of his duties and is likely to continue for an indefinite period. Upon such termination, the Executive shall be entitled to receive his base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to fiscal years or other periods preceding the termination date. In addition, the Corporation shall make a series of monthly disability payments to Executive, each equal to one-twelfth (1/12th) of the sum of (i) his annual base salary, as in effect at the time Executive became permanently disabled, and (ii) the greater of (A) the annual bonus paid to the Executive for the last fiscal year preceding the date of disability or (B) a minimum bonus equal to thirty percent (30%) of the Executive's annual base salary. Payment of such disability benefit shall commence with the month following the date of the termination by reason of permanent disability and continue each month for the remaining current term of this Agreement (but not less than twelve (12) months), but shall terminate at an

earlier date if the Executive returns to active employment, either with the Corporation or otherwise. Any amounts payable under this Section 5(b) shall be reduced by any amounts paid to the Executive under any long-term disability plan or other disability program or insurance policies maintained or provided by the Corporation.

(c) Termination for Cause. If the Executive's employment is terminated by the Corporation for Cause, the amount the Executive shall be entitled to receive from the Corporation shall be limited to his base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to the fiscal year of the Corporation most recently ended, and any nonforfeitable benefits payable to the Executive under the terms of deferred compensation, incentive or other benefit plans maintained by the Corporation.

For purposes of this Agreement, the term "Cause" shall be limited to (i) action by the Executive involving willful disloyalty to the Corporation, such as embezzlement, fraud, misappropriation of corporate assets or a breach of the covenants set forth in Sections 9 and 10 below; or (ii) the Executive being convicted of a felony; or (iii) the Executive being convicted of any lesser crime or offense committed in connection with the performance of his duties hereunder or involving moral turpitude; or (iv) the intentional and willful failure by the Executive to substantially perform his duties hereunder as directed by the Corporation's CEO (other than any

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such failure resulting from the Executive's incapacity due to physical or mental disability) after a demand for substantial performance is made on the Executive by the Board of Directors.

(d) Voluntary Termination by the Executive. If the Executive resigns or otherwise voluntarily terminates his employment before the end of the current term of this Agreement (other than in connection with a Change in Corporate Control, as described in Section 6), the amount the Executive shall be entitled to receive from the Corporation shall be limited to his base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to any fiscal years or other periods preceding the termination date, and any nonforfeitable benefits payable to the Executive under the terms of any deferred compensation, incentive or other benefit plans of the Corporation.

For purposes of this paragraph, a resignation by the Executive shall not be deemed to be voluntary if the Executive is (1) assigned to a position other than the Vice President of Operations of the Corporation (other than for Cause or by reason of permanent disability), (2) assigned duties materially inconsistent with such position, or (3) directed to report to anyone other than the Corporation's CEO or CFO.

#### 6. EFFECT OF CHANGE IN CORPORATE CONTROL

(a) In the event of a Change in Corporate Control, the vesting of any stock options, restricted stock or other awards granted to the Executive under the terms of the Corporation's 1995 Stock Incentive Plan shall be accelerated (to the extent permitted by the terms of such Plan) and such awards shall become immediately vested in full and, in the case of stock options, exercisable in full.

(b) If, at any time during the period of twelve (12) consecutive months following the occurrence of a Change in Corporate Control, and during the term of this Agreement, the Executive is involuntarily terminated (other than for Cause) or elects to voluntarily resign his employment, the Executive shall be entitled to receive monthly severance payments for twenty-four (24) months. Each monthly payment shall be equal to one-twelfth (1/12th) of the sum of (i) the Executive's annual base salary, as in effect at the time of the Change in Corporate Control, and (ii) the greater of (A) the

annual bonus paid to the Executive for the last fiscal year of the Corporation ending prior to the Change in Corporate Control or (B) a minimum bonus equal to thirty percent (30%) of his annual base salary.

(c) If the Executive is involuntarily terminated (other than for Cause) or elects to voluntarily resign his employment within twelve (12) months after a Change in Corporate Control, he may elect, by delivering written notice to the Corporation within thirty (30) days following such termination of his employment, to receive from the Corporation a lump sum severance payment in lieu of the monthly payments described in the preceding paragraph. The amount of this payment shall be equal to the present value of the monthly payments described in the preceding paragraph. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in the Wall Street Journal (or similar publication) for the date the election is received by the Corporation. The Corporation shall deliver the payment

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to the Executive, in the form of a bank cashier's check, within ten (10) business days following the date on which the Corporation receives written notice of the Executive's election.

In addition, if the Executive is involuntarily terminated (other than for Cause) or elects to voluntarily resign his employment within twelve (12) months after a Change in Corporate Control, he shall be entitled to continued coverage at the Corporation's expense under any life, health and disability insurance programs maintained by the Corporation in which the Executive participated at the time of his termination, which coverage shall be continued until the expiration of the current term of the Agreement (but not less than six (6) months) or until, if earlier, the date the Executive obtains comparable coverage under benefit plans maintained by a new employer.

(d) For purposes of this Agreement, a "Change in Corporate Control" shall include any of the following events:

(1) The acquisition in one or more transactions of more than twenty percent (20%) of the Corporation's outstanding Common Stock (or the equivalent in voting power of any class or classes of securities of the Corporation entitled to vote in elections of directors) by any corporation, or other person or group (within the meaning of Section 14(d)(3) of the Securities Exchange Act of 1934, as amended);

(2) Any transfer or sale of substantially all of the assets of the Corporation, or any merger or consolidation of the Corporation into or with another corporation in which the Corporation is not the surviving entity;

(3) Any election of persons to the Board of Directors which causes a majority of the Board of Directors to consist of persons other than "Continuing Directors". For this purpose, those persons who were members of the Board of Directors on May 1, 1995, shall be "Continuing Directors". Any person who is nominated for election as a member of the Board after May 1, 1995, shall also be considered a "Continuing Director" for this purpose if, and only if, his or her nomination for election to the Board of Directors is approved or recommended by a majority of the members of the Board (or of the relevant Nominating Committee) and at least five (5) members of the Board are themselves Continuing Directors at the time of such nomination; or

(4) Any person, or group of persons, announces a tender offer for at least twenty percent (20%) of the Corporation's Common Stock, and the Board of Directors appoints a special committee of the Board to consider the Corporation's response to such tender offer.

(e) Notwithstanding anything else in this Agreement, if

any payment, accelerated vesting or other benefit provided by the Corporation to the Executive in connection with a Change in Corporate Control, whether paid or payable pursuant to the terms of this Agreement or otherwise (a "Parachute Payment") is determined to be a parachute payment subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (such excise tax, together with any interest and penalties incurred by the Executive with respect to such excise tax, are referred to as the "Excise Tax"), the Corporation shall make an additional payment (the "Gross-Up Payment") to the Executive in an amount such that the net amount of the Gross-Up

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Payment the Executive retains, after payment by the Executive of all taxes imposed upon the Gross-Up Payment, including, without limitation, the Excise Tax and any federal, state or local income taxes (and any interest and penalties imposed with respect thereto) on the Gross-Up Payment, will be equal to the Excise Tax liability imposed upon the Executive with respect to all Parachute Payments (other than the Gross-Up Payment).

7. DEATH

If the Executive dies during the term of this Agreement, the Corporation shall pay to the Executive's estate a lump sum payment equal to the sum of the Executive's base salary accrued through the date of death, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to fiscal years or other periods preceding the date of death. In addition, the Corporation shall pay to the Executive's surviving spouse (or such other beneficiary as the Executive may designate in writing) a lump sum payment equal to the present value of a series of monthly payments for each month during the remaining term of the Agreement (but not less than twelve (12) months), each in an amount equal to one-twelfth (1/12th) of the sum of (i) the Executive's annual base salary, as in effect on the date of death, and (ii) the greater of (A) the annual bonus paid to the Executive for the last fiscal year preceding the date of death or (B) a minimum bonus equal to thirty percent (30%) of the Executive's annual base salary. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in the Wall Street Journal (or similar publication) for the date of death. In addition, the death benefits payable by reason of the Executive's death under any retirement, deferred compensation, life insurance or other employee benefit plan maintained by the Corporation shall be paid to the beneficiary designated by the Executive, and the stock options, restricted stock or other awards held by the Executive under the Corporation's stock plans shall become fully vested, and, in the case of stock options, exercisable in full, in accordance with the terms of the applicable plan or plans.

8. WITHHOLDING

The Corporation shall, to the extent permitted by law, have the right to withhold and deduct from any payment hereunder any federal, state or local taxes of any kind required by law to be withheld with respect to any such payment.

9. PROTECTION OF CONFIDENTIAL INFORMATION

The Executive agrees that he will keep all confidential and proprietary information of the Corporation or relating to its business confidential, and that he will not (except with the Corporation's prior written consent), while in the employ of the Corporation or thereafter, disclose any such confidential information to any person, firm, corporation, association or other entity, other than in furtherance of his duties hereunder, and then only to those with a "need to know." The Executive shall not make use of any such confidential information for his own purposes or for the benefit of any person, firm, corporation, association or other entity (except the Corporation) under any circumstances during or after the term of his employment. The foregoing shall not apply to any information which is already in the public domain, or is generally disclosed by the Corporation or is otherwise in the public domain at

the time of disclosure.

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The Executive recognizes that because his work for the Corporation may bring him into contact with confidential and proprietary information of the Corporation, the restrictions of this Section 9 are required for the reasonable protection of the Corporation and its investments and for the Corporation's reliance on and confidence in the Executive.

10. COVENANT NOT TO COMPETE

The Executive hereby agrees that he will not, either during the employment term or during the period of one (1) year from the time the Executive's employment under this Agreement is terminated by him voluntarily, by the Corporation for Cause, or because the Executive chooses not to extend the term of this Agreement, engage in any business activities on behalf of any enterprise which competes with the Corporation in the business of the passive ownership of health care facilities, or passive investing in or lending to health care-related enterprises. The Executive will be deemed to be engaged in such competitive business activities if he participates in such a business enterprise as an employee, officer, director, consultant, agent, partner, proprietor, or other participant; provided that the ownership of no more than two percent (2%) of the stock of a publicly traded corporation engaged in a competitive business shall not be deemed to be engaging in competitive business activities.

The Executive agrees that he shall not, for a period of one year from the time his employment under this Agreement ceases (for whatever reason), or, if later, during any period in which he is receiving monthly severance payments under Section 5 or Section 6 of this Agreement, solicit any employee or full-time consultant of the Corporation for the purposes of hiring or retaining such employee or consultant. For this purpose, the Executive shall be considered to be receiving monthly severance payments under Section 5 or Section 6 of this Agreement during any period for which he would have received such severance payments had he not elected to receive a lump sum severance payment or had such payments not been offset by compensation received from a successor employer.

11. INJUNCTIVE RELIEF

The Executive acknowledges and agrees that it would be difficult to fully compensate the Corporation for damages resulting from the breach or threatened breach of the covenants set forth in Sections 9 and 10 of this Agreement and accordingly agrees that the Corporation shall be entitled to temporary and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, to enforce such provisions in any action or proceeding instituted in the United States District Court for the Northern District of Ohio or in any court in the State of Ohio having subject matter jurisdiction. This provision with respect to injunctive relief shall not, however, diminish the Corporation's right to claim and recover damages.

It is expressly understood and agreed that although the parties consider the restrictions contained in this Agreement to be reasonable, if a court determines that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction on the activities of the Executive, no such provision of this Agreement shall be rendered void but shall be

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deemed amended to apply as to such maximum time and territory and to such extent as such court may judicially determine or indicate to be reasonable.

12. NOTICES

All notices or communications hereunder shall be in writing and sent certified or registered mail, return receipt requested, postage prepaid, addressed as follows (or to such other address as such party may designate in writing from time to time):

IF TO THE CORPORATION:

Health Care REIT, Inc.  
One SeaGate, Suite 1500  
Toledo, OH 43604  
Attention: Chief Executive Officer

IF TO THE EXECUTIVE:

Charles J. Herman, Jr.  
2924 Secretariat Road  
Toledo, Ohio 43615

The actual date of receipt, as shown by the receipt therefor, shall determine the time at which notice was given.

13. SEPARABILITY

If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof which shall remain in full force and effect.

14. ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Executive and the assigns and successors of the Corporation, but neither this Agreement nor any rights hereunder shall be assignable or otherwise subject to hypothecation by the Executive.

15. ENTIRE AGREEMENT

This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Corporation and the Executive. The Agreement may be amended at any time by mutual written agreement of the parties hereto.

16. GOVERNING LAW

This Agreement shall be construed, interpreted, and governed in accordance with the laws of the State of Ohio, other than the conflict of laws provisions of such laws.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be duly executed, and the Executive has hereunto set his hand, as of the day and year first above written.

ATTEST:

HEALTH CARE REIT, INC.

/s/ Erin C. Ibele

By /s/ George L. Chapman

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Corporate Secretary

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Chief Executive Officer

WITNESS:

EXECUTIVE:

/s/ Rita J. Rogge

/s/ Charles J. Herman, Jr.

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## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, dated this 5th day of March, 2004, but effective as of April 28, 2003 (the "Agreement"), is entered into by and between HEALTH CARE REIT, INC., a Delaware corporation, (the "Corporation"), and SCOTT A. ESTES (the "Executive").

WHEREAS, the Corporation wishes to assure itself of the services of the Executive for the period provided in this Agreement and the Executive is willing to serve in the employ of the Corporation for such period upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties, intending to be legally bound, hereby agree as follows:

## 1. EMPLOYMENT

The Corporation hereby agrees to employ the Executive as the Corporation's Vice President of Finance, upon the terms and conditions herein contained, and the Executive hereby agrees to accept such employment and to serve in such positions, and to perform the duties and functions customarily performed by the Vice President of Finance of a publicly traded corporation during the term of this Agreement. In such capacity, the Executive shall report only to the Corporation's Chief Executive Officer ("CEO") and President and Chief Financial Officer ("CFO"), and shall have the powers and responsibilities set forth in Article IV of the Corporation's By-Laws as well as such additional powers and responsibilities consistent with his position as the CEO and CFO may assign to him.

Throughout the term of this Agreement, the Executive shall devote his best efforts and all of his business time and services to the business and affairs of the Corporation.

## 2. TERM OF AGREEMENT

The term of employment under this Agreement shall expire on January 31, 2005. Upon the expiration of such term, the term of employment hereunder shall automatically be extended without further action by the parties for successive two (2) year renewal terms, unless either party shall give at least six (6) months advance written notice to the other of his or its intention that this Agreement shall terminate upon the expiration of the current term or the then current renewal term, as the case may be.

Notwithstanding the foregoing, the Corporation shall be entitled to terminate this Agreement immediately, subject to a continuing obligation to make any payments required under Section 5 below, if the Executive (i) becomes disabled as described in Section 5(b), (ii) is terminated for Cause, as defined in Section 5(c), or (iii) voluntarily terminates his employment before the current term of this Agreement expires, as described in Section 5(d).

## 3. SALARY AND BONUS

The Executive shall receive a base salary during the term of this Agreement at a rate of not less than \$141,750 per annum for 2004, and at a rate of not less than \$141,750 per annum for subsequent years, payable in substantially equal semi-monthly installments. The Compensation Committee of the Board shall consult with the CEO and review the Executive's base salary at annual intervals, and may adjust the Executive's annual base salary from time to time as the Committee deems to be appropriate.

The Executive shall also be eligible to receive a bonus from the Corporation each year during the term of this Agreement, with the actual

amount of such bonus to be determined by the Compensation Committee of the Corporation's Board, using such performance measures as the Committee deems to be appropriate. Notwithstanding the previous sentence, for the year 2003, the bonus shall be \$100,000 of which \$50,000 was paid on or about the effective date of this Agreement and the remaining \$50,000 shall be paid on or about February 2004, provided that Executive is in good standing with the Corporation on December 31, 2003. The maximum bonus for the year 2004 shall not exceed fifty percent (50%) of the Executive's base salary.

4. ADDITIONAL COMPENSATION AND BENEFITS

The Executive shall receive the following additional compensation and welfare and fringe benefits:

(a) Stock Options and Other Long-Term Incentives. Assuming satisfactory performance of the Executive's duties hereunder, management of the Corporation intends to recommend to the Compensation Committee of the Corporation's Board that the Executive's participation in the Corporation's 1995 Stock Incentive Plan commence at the end of calendar year 2003. Any allocations of stock options, restricted stock or other awards under the 1995 Stock Incentive Plan shall be at the discretion of the Compensation Committee of the Corporation's Board.

(b) Health Insurance. The Corporation shall provide the Executive and his dependents with health insurance, life insurance and disability coverage on terms no less favorable than that from time to time made available to other key employees.

(c) Vacation. The Executive shall be entitled to up to two (2) weeks of vacation during 2003 and up to three (3) weeks of vacation during each year during the remainder of the term of this Agreement and any extensions thereof, prorated for partial years.

(d) Business Expenses. The Corporation shall reimburse the Executive for all reasonable expenses he incurs in promoting the Corporation's business, including expenses for travel and similar items, upon presentation by the Executive from time to time of an itemized account of such expenditures.

(e) Moving Expenses. The Corporation shall reimburse the Executive for the reasonable moving expenses that have been approved by the Corporation's CEO or CFO.

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(f) Temporary Housing and Transportation. The Corporation shall reimburse the Executive for mutually agreed upon temporary housing and rental car expenses.

(g) Travel. The Corporation shall reimburse the Executive for reasonable travel expenses of Executive and his spouse that have been approved by the Corporation's CEO or CFO during the period from the effective date of this Agreement through the date Executive's family moves to the Toledo area.

In addition to the benefits provided pursuant to the preceding paragraphs of this Section 4, the Executive shall be eligible to participate in such other executive compensation and retirement plans of the Corporation as are applicable generally to other officers, and in such welfare benefit plans, programs, practices and policies of the Corporation as are generally applicable to other key employees, unless such participation would duplicate, directly or indirectly, benefits already accorded to the Executive.

5. PAYMENTS UPON TERMINATION

(a) Involuntary Termination. If the Executive's

employment is terminated by the Corporation during the term of this Agreement, the Executive shall be entitled to receive his base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to fiscal years or other periods preceding the termination date. The Executive shall also receive any nonforfeitable benefits payable to him under the terms of any deferred compensation, incentive or other benefit plan maintained by the Corporation, payable in accordance with the terms of the applicable plan.

If the termination is not a termination for Cause, as described in paragraph (c), a voluntary termination by the Executive as described in paragraph (d), or a result of the Executive's death or disability, then the Corporation shall also be obligated to make a series of monthly severance payments to the Executive for each month during the remaining term of this Agreement, but not less than twelve (12) months. Each monthly payment shall be equal to one-twelfth (1/12th) of the sum of (i) the Executive's annual base salary, as in effect on the date of termination, and (ii) the greater of (A) the annual bonus paid to the Executive for the last fiscal year preceding the termination date or (B) a minimum bonus equal to thirty percent (30%) of his annual base salary. If the Executive obtains a replacement position with any new employer (including a position as an officer, employee, consultant, or agent, or self-employment as a partner or sole proprietor), the payments shall be reduced by all amounts the Executive receives as compensation for services performed during such period. The Executive shall be under no duty to mitigate the amounts owed to him under this paragraph (a) by seeking such a replacement position.

In addition, if the termination is not a termination for Cause as described in paragraph (c), a voluntary termination by the Executive as described in paragraph (d), or a result of the Executive's death or disability, then:

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(i) Any stock options, restricted stock or other awards granted to the Executive under the Corporation's 1995 Stock Incentive Plan shall become fully vested and, in the case of stock options, exercisable in full;

(ii) The Executive shall be provided continued coverage at the Corporation's expense under any life, health and disability insurance programs maintained by the Corporation in which the Executive participated at the time of his termination for the remaining term of the Agreement (but not less than six (6) months), or until, if earlier, the date the Executive obtains comparable coverage under benefit plans maintained by a new employer; and

(iii) The Executive may elect, by delivering written notice to the Corporation within thirty (30) days following such termination of his employment, to receive from the Corporation a lump sum severance payment in lieu of the monthly severance payments described in the preceding paragraph in an amount equal to the present value of such payments. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in the Wall Street Journal (or similar publication) for the date the election is received by the Corporation. The Corporation shall deliver the payment to the Executive, in the form of a bank cashier's check, within ten (10) business days following the date on which the Corporation receives written notice of the Executive's election.

(b) Disability. The Corporation shall be entitled to terminate this Agreement, if the Board determines that the Executive has been unable to attend to his duties for at least ninety (90) days because of a medically diagnosable physical or mental condition, and has received a written opinion from a physician acceptable to the Board that such condition prevents the Executive from resuming full performance of his duties and is likely to continue for an indefinite period. Upon such termination, the Executive shall be

entitled to receive his base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to fiscal years or other periods preceding the termination date. In addition, the Corporation shall make a series of monthly disability payments to Executive, each equal to one-twelfth (1/12th) of the sum of (i) his annual base salary, as in effect at the time Executive became permanently disabled, and (ii) the greater of (A) the annual bonus paid to the Executive for the last fiscal year preceding the date of disability or (B) a minimum bonus equal to thirty percent (30%) of the Executive's annual base salary. Payment of such disability benefit shall commence with the month following the date of the termination by reason of permanent disability and continue each month for the remaining current term of this Agreement (but not less than twelve (12) months), but shall terminate at an earlier date if the Executive returns to active employment, either with the Corporation or otherwise. Any amounts payable under this Section 5(b) shall be reduced by any amounts paid to the Executive under any long-term disability plan or other disability program or insurance policies maintained or provided by the Corporation.

(c) Termination for Cause. If the Executive's employment is terminated by the Corporation for Cause, the amount the Executive shall be entitled to receive from the Corporation shall be limited to his base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to the fiscal year of the Corporation

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most recently ended, and any nonforfeitable benefits payable to the Executive under the terms of deferred compensation, incentive or other benefit plans maintained by the Corporation.

For purposes of this Agreement, the term "Cause" shall be limited to (i) action by the Executive involving willful disloyalty to the Corporation, such as embezzlement, fraud, misappropriation of corporate assets or a breach of the covenants set forth in Sections 9 and 10 below; or (ii) the Executive being convicted of a felony; or (iii) the Executive being convicted of any lesser crime or offense committed in connection with the performance of his duties hereunder or involving moral turpitude; or (iv) the intentional and willful failure by the Executive to substantially perform his duties hereunder as directed by the Corporation's CEO or CFO (other than any such failure resulting from the Executive's incapacity due to physical or mental disability) after a demand for substantial performance is made on the Executive by the Board of Directors.

(d) Voluntary Termination by the Executive. If the Executive resigns or otherwise voluntarily terminates his employment before the end of the current term of this Agreement (other than in connection with a Change in Corporate Control, as described in Section 6), the amount the Executive shall be entitled to receive from the Corporation shall be limited to his base salary accrued through the date of termination, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to any fiscal years or other periods preceding the termination date, and any nonforfeitable benefits payable to the Executive under the terms of any deferred compensation, incentive or other benefit plans of the Corporation.

For purposes of this paragraph, a resignation by the Executive shall not be deemed to be voluntary if the Executive is (1) assigned to a position other than the Vice President of Finance of the Corporation (other than for Cause or by reason of permanent disability), (2) assigned duties materially inconsistent with such position, or (3) directed to report to anyone other than the Corporation's CEO or CFO.

## 6. EFFECT OF CHANGE IN CORPORATE CONTROL

(a) In the event of a Change in Corporate Control, the vesting of any stock options, restricted stock or other awards granted to the

Executive under the terms of the Corporation's 1995 Stock Incentive Plan shall be accelerated (to the extent permitted by the terms of such Plan) and such awards shall become immediately vested in full and, in the case of stock options, exercisable in full.

(b) If, at any time during the period of twelve (12) consecutive months following the occurrence of a Change in Corporate Control, and during the term of this Agreement, the Executive is involuntarily terminated (other than for Cause) or elects to voluntarily resign his employment, the Executive shall be entitled to receive monthly severance payments for twenty-four months (24) months. Each monthly payment shall be equal to one-twelfth (1/12th) of the sum of (i) the Executive's annual base salary, as in effect at the time of the Change in Corporate Control, and (ii) the greater of (A) the annual bonus paid to the Executive for the last fiscal year of the Corporation ending prior to the Change in Corporate Control or (B) a minimum bonus equal to thirty percent (30%) of his annual base salary.

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(c) If the Executive is involuntarily terminated (other than for Cause) or elects to voluntarily resign his employment within twelve (12) months after a Change in Corporate Control, he may elect, by delivering written notice to the Corporation within thirty (30) days following such termination of his employment, to receive from the Corporation a lump sum severance payment in lieu of the monthly payments described in the preceding paragraph. The amount of this payment shall be equal to the present value of the monthly payments described in the preceding paragraph. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in the Wall Street Journal (or similar publication) for the date the election is received by the Corporation. The Corporation shall deliver the payment to the Executive, in the form of a bank cashier's check, within ten (10) business days following the date on which the Corporation receives written notice of the Executive's election.

In addition, if the Executive is involuntarily terminated (other than for Cause) or elects to voluntarily resign his employment within twelve (12) months after a Change in Corporate Control, he shall be entitled to continued coverage at the Corporation's expense under any life, health and disability insurance programs maintained by the Corporation in which the Executive participated at the time of his termination, which coverage shall be continued until the expiration of the current term of the Agreement (but not less than six (6) months) or until, if earlier, the date the Executive obtains comparable coverage under benefit plans maintained by a new employer.

(d) For purposes of this Agreement, a "Change in Corporate Control" shall include any of the following events:

(1) The acquisition in one or more transactions of more than twenty percent (20%) of the Corporation's outstanding Common Stock (or the equivalent in voting power of any class or classes of securities of the Corporation entitled to vote in elections of directors) by any corporation, or other person or group (within the meaning of Section 14(d)(3) of the Securities Exchange Act of 1934, as amended);

(2) Any transfer or sale of substantially all of the assets of the Corporation, or any merger or consolidation of the Corporation into or with another corporation in which the Corporation is not the surviving entity;

(3) Any election of persons to the Board of Directors which causes a majority of the Board of Directors to consist of persons other than "Continuing Directors". For this purpose, those persons who were members of the Board of Directors on May 1, 1995, shall be "Continuing Directors". Any person who is nominated for election as a member of the Board after May 1, 1995, shall also be considered a "Continuing Director" for this purpose if, and only if, his or her nomination for

election to the Board of Directors is approved or recommended by a majority of the members of the Board (or of the relevant Nominating Committee) and at least five (5) members of the Board are themselves Continuing Directors at the time of such nomination; or

(4) Any person, or group of persons, announces a tender offer for at least twenty percent (20%) of the Corporation's Common Stock, and the Board of Directors appoints a special committee of the Board to consider the Corporation's response to such tender offer.

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(e) Notwithstanding anything else in this Agreement, if any payment, accelerated vesting or other benefit provided by the Corporation to the Executive in connection with a Change in Corporate Control, whether paid or payable pursuant to the terms of this Agreement or otherwise (a "Parachute Payment") is determined to be a parachute payment subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (such excise tax, together with any interest and penalties incurred by the Executive with respect to such excise tax, are referred to as the "Excise Tax"), the Corporation shall make an additional payment (the "Gross-Up Payment") to the Executive in an amount such that the net amount of the Gross-Up Payment the Executive retains, after payment by the Executive of all taxes imposed upon the Gross-Up Payment, including, without limitation, the Excise Tax and any federal, state or local income taxes (and any interest and penalties imposed with respect thereto) on the Gross-Up Payment, will be equal to the Excise Tax liability imposed upon the Executive with respect to all Parachute Payments (other than the Gross-Up Payment).

7. DEATH

If the Executive dies during the term of this Agreement, the Corporation shall pay to the Executive's estate a lump sum payment equal to the sum of the Executive's base salary accrued through the date of death, any accrued but unpaid vacation pay, plus any bonuses earned but unpaid with respect to fiscal years or other periods preceding the date of death. In addition, the Corporation shall pay to the Executive's surviving spouse (or such other beneficiary as the Executive may designate in writing) a lump sum payment equal to the present value of a series of monthly payments for each month during the remaining term of the Agreement (but not less than twelve (12) months), each in an amount equal to one-twelfth (1/12th) of the sum of (i) the Executive's annual base salary, as in effect on the date of death, and (ii) the greater of (A) the annual bonus paid to the Executive for the last fiscal year preceding the date of death or (B) a minimum bonus equal to thirty percent (30%) of the Executive's annual base salary. Such present value shall be calculated using a discount rate equal to the interest rate on 90-day Treasury bills, as reported in the Wall Street Journal (or similar publication) for the date of death. In addition, the death benefits payable by reason of the Executive's death under any retirement, deferred compensation, life insurance or other employee benefit plan maintained by the Corporation shall be paid to the beneficiary designated by the Executive, and the stock options, restricted stock or other awards held by the Executive under the Corporation's stock plans shall become fully vested, and, in the case of stock options, exercisable in full, in accordance with the terms of the applicable plan or plans.

8. WITHHOLDING

The Corporation shall, to the extent permitted by law, have the right to withhold and deduct from any payment hereunder any federal, state or local taxes of any kind required by law to be withheld with respect to any such payment.

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9. PROTECTION OF CONFIDENTIAL INFORMATION

The Executive agrees that he will keep all confidential and proprietary information of the Corporation or relating to its business confidential, and that he will not (except with the Corporation's prior written consent), while in the employ of the Corporation or thereafter, disclose any such confidential information to any person, firm, corporation, association or other entity, other than in furtherance of his duties hereunder, and then only to those with a "need to know." The Executive shall not make use of any such confidential information for his own purposes or for the benefit of any person, firm, corporation, association or other entity (except the Corporation) under any circumstances during or after the term of his employment. The foregoing shall not apply to any information which is already in the public domain, or is generally disclosed by the Corporation or is otherwise in the public domain at the time of disclosure.

The Executive recognizes that because his work for the Corporation may bring him into contact with confidential and proprietary information of the Corporation, the restrictions of this Section 9 are required for the reasonable protection of the Corporation and its investments and for the Corporation's reliance on and confidence in the Executive.

10. COVENANT NOT TO COMPETE

The Executive hereby agrees that he will not, either during the employment term or during the period of one (1) year from the time the Executive's employment under this Agreement is terminated by him voluntarily, by the Corporation for Cause, or because the Executive chooses not to extend the term of this Agreement, engage in any business activities on behalf of any enterprise which competes with the Corporation in the business of the passive ownership of health care facilities, or passive investing in or lending to health care-related enterprises. The Executive will be deemed to be engaged in such competitive business activities if he participates in such a business enterprise as an employee, officer, director, consultant, agent, partner, proprietor, or other participant; provided that the ownership of no more than two percent (2%) of the stock of a publicly traded corporation engaged in a competitive business shall not be deemed to be engaging in competitive business activities.

The Executive agrees that he shall not, for a period of one year from the time his employment under this Agreement ceases (for whatever reason), or, if later, during any period in which he is receiving monthly severance payments under Section 5 or Section 6 of this Agreement, solicit any employee or full-time consultant of the Corporation for the purposes of hiring or retaining such employee or consultant. For this purpose, the Executive shall be considered to be receiving monthly severance payments under Section 5 or Section 6 of this Agreement during any period for which he would have received such severance payments had he not elected to receive a lump sum severance payment or had such payments not been offset by compensation received from a successor employer.

11. INJUNCTIVE RELIEF

The Executive acknowledges and agrees that it would be difficult to fully compensate the Corporation for damages resulting from the breach or threatened breach of the

covenants set forth in Sections 9 and 10 of this Agreement and accordingly agrees that the Corporation shall be entitled to temporary and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, to enforce such provisions in any action or proceeding instituted in the United States District Court for the Northern District of Ohio or in any court in the State of Ohio having subject matter jurisdiction. This provision with respect to injunctive relief shall not, however, diminish the Corporation's right to claim and recover damages.

It is expressly understood and agreed that although the parties consider the restrictions contained in this Agreement to be reasonable, if a court determines that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction on the activities of the Executive, no such provision of this Agreement shall be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such extent as such court may judicially determine or indicate to be reasonable.

12. NOTICES

All notices or communications hereunder shall be in writing and sent certified or registered mail, return receipt requested, postage prepaid, addressed as follows (or to such other address as such party may designate in writing from time to time):

IF TO THE CORPORATION:

Health Care REIT, Inc.  
One SeaGate, Suite 1500  
Toledo, OH 43604  
Attention: Corporate Secretary

IF TO THE EXECUTIVE:

Scott A. Estes  
5026 W. Dauber Dr.  
Toledo, OH 43615

The actual date of receipt, as shown by the receipt therefor, shall determine the time at which notice was given.

13. SEPARABILITY

If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof which shall remain in full force and effect.

14. ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Executive and the assigns and successors of the Corporation, but neither this

Agreement nor any rights hereunder shall be assignable or otherwise subject to hypothecation by the Executive.

15. ENTIRE AGREEMENT

This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Corporation and the Executive. The Agreement may be amended at any time by mutual written agreement of the parties hereto.

16. GOVERNING LAW

This Agreement shall be construed, interpreted, and governed in accordance with the laws of the State of Ohio, other than the conflict of laws provisions of such laws.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be duly executed, and the Executive has hereunto set his hand, as of the day and year first above written.

ATTEST:

/s/ Erin C. Ibele

-----  
Corporate Secretary

WITNESS:

/s/ Rita J. Rogge

-----

HEALTH CARE REIT, INC.

By /s/ George L. Chapman

-----  
Chief Executive Officer

EXECUTIVE:

/s/ Scott A. Estes

-----  
Scott A. Estes

## HEALTH CARE REIT, INC.

## CODE OF BUSINESS CONDUCT &amp; ETHICS

## OVERVIEW

The following principles support and guide our leadership in establishing the strategic direction of Health Care REIT, Inc. ("HCN"). Our Directors, officers and employees are expected to conduct their business in accordance with these ethical principles. We must do more than be compliant with laws, regulations and policies: we must work according to our ethical principles and endeavor to conduct ourselves in a manner beyond reproach. Any employee who ignores or violates any of HCN's ethical standards, or who penalizes a subordinate for trying to follow these ethical standards, will be subject to corrective action, including possible dismissal. However, it is not the threat of discipline that should govern your actions. Our reputation is based on the personal integrity of each of our employees and those with whom we do business. A dedicated commitment to ethical behavior is the right thing to do, is good business, and is the surest way for us to remain a business leader, an employer of choice and a good corporate citizen.

## ETHICS

HCN, and each of its Directors, officers and employees, wherever they may be located, must conduct their affairs with uncompromising honesty and integrity. Business ethics are no different than personal ethics. The same high standard applies to both. As an HCN employee, you are required to adhere to the highest ethical standard.

HCN personnel are expected to be honest and ethical in dealing with each other, with customers, vendors and all other third parties. Doing the right thing means doing it right every time.

You must also respect the rights of your fellow employees and third parties. Your actions must be free from discrimination, libel, slander or harassment. Each person must be treated with dignity and respect and accorded equal opportunity, regardless of age, race, sex, sexual preference, color, creed, religion, national origin, marital status, veteran's status, handicap or disability.

Misconduct cannot be excused because it was directed or requested by another. In this regard, you are expected to alert Management whenever an illegal, dishonest or unethical act is discovered or suspected. You will not be penalized for reporting your discoveries or suspicions.

HCN conducts its affairs consistent with the applicable laws and regulations of the United States and the states in which it does business. As an HCN employee, you are expected to comply with all such applicable laws and regulations.

The following statements concern frequently raised ethical concerns. A violation of the standards contained in this Code of Business Conduct & Ethics will result in corrective action, including possible dismissal.

## CONFLICTS OF INTEREST

You must avoid any personal activity, investment or association that could appear to interfere with good judgment concerning HCN's best interests. You may not exploit your position or relationship with HCN for personal gain. You should avoid even the appearance of such a conflict. Therefore, if you are related in any way to a vendor, customer or other provider, you should not be the one to decide whether HCN will do business with that person.

For example, there is a likely conflict of interest if you:

- Cause HCN to engage in business transactions with you or your relatives or friends or entities controlled by you or them.
- Use nonpublic HCN, customer or vendor information for personal gain by you, relatives or friends (including securities transactions based on such information).
- Have more than a modest financial interest in HCN's vendors, customers or competitors.
- Receive any loan, or guarantee of obligations, from HCN or a third party as a result of your position at HCN after July 30, 2002.
- Compete, or prepare to compete, with HCN while still employed by HCN.

There are other situations in which a conflict of interest may arise. If you have concerns about any situation, follow the steps outlined in the section on "Reporting Possible Violations."

To ensure that material transactions and relationships involving a potential conflict of interest for any officer or Director are in the best interests of HCN, the Board must approve in advance all transactions and relationships in which an officer or a Director, or any member of any such person's family, may have a personal interest or other potential conflict of interest. No Director, officer or employee may, on behalf of HCN, authorize or approve any transaction or relationship, or enter into any agreement, in which any Director, officer or any member of his or her immediate family, may have a personal interest without Board approval.

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#### GIFTS, BRIBES AND KICKBACKS

Other than for modest gifts given or received in the normal course of business (including travel or entertainment), neither you nor your relatives may give gifts to, or receive gifts from, HCN's customers and vendors. Other gifts may be given or accepted only with prior approval of Management. In no event should you put HCN or yourself in a position that would be embarrassing if the gift were made public.

Dealing with government employees is often different than dealing with private persons. Many governmental bodies strictly prohibit the receipt of any gratuities by their employees, including meals and entertainment. You must be aware of and strictly follow these prohibitions.

Any HCN Director, officer, or employee who pays or receives bribes or kickbacks will be immediately terminated and reported, as warranted, to the appropriate authorities. A kickback or bribe includes any item intended to improperly obtain favorable treatment.

#### IMPROPER USE OR THEFT OF HCN PROPERTY

Every employee must safeguard HCN property from loss or theft, and may not take such property for personal use. HCN property includes physical resources and property, as well as its proprietary and confidential information, software, computers, office equipment and supplies. You must appropriately secure all HCN property within your control to prevent its unauthorized use.

Our offices, equipment, supplies and other resources may not be used for activities that are not related to your employment with HCN, except for any activities that have been approved in writing in advance by Management, or for personal use that is minor in amount and reasonable.

Use of HCN's electronic communications systems must conform to HCN's corporate philosophy and policies as stated in the HCN Employee Handbook ("HCN Handbook"). In addition, you should not use HCN's computer systems to access or post material that is pornographic, obscene, sexually-related, profane or otherwise offensive or that is intimidating or hostile or violates HCN policies or any laws or regulations. Employees may make limited non-business use of HCN's electronic communications systems, provided that such use is occasional, does not interfere with the employee's professional responsibilities, does not diminish productivity and does not violate this policy or the policies set forth in the HCN Handbook.

#### MAINTAINING ACCURATE AND COMPLETE COMPANY RECORDS AND COVERING UP MISTAKES

In order to provide an adequate system of internal accounting and controls, HCN is required under U.S. federal securities laws and generally accepted accounting principles to keep books, records and accounts that accurately reflect all transactions. Also, HCN is required to provide full, fair, accurate, timely and understandable disclosure in reports and documents that it files with, or furnishes to, the Securities and Exchange Commission (the "Commission") and in all of its other public communications. HCN expects all personnel to ensure that those portions

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of its books, records and accounts for which they have responsibility are valid, complete, accurate and supported by appropriate documentation in verifiable form. Similarly, HCN expects all personnel to ensure that all reports and documents filed with the Commission and all other public communications for which they are responsible, provide full, fair, accurate and understandable disclosure and that the same are filed on a timely basis.

All employees who exercise supervisory duties over HCN assets or records are expected to establish and implement appropriate internal controls over all areas of their responsibility. This will help ensure the safeguarding of HCN's assets and the accuracy of its financial records and reports. HCN has adopted various types of internal controls and procedures as required to meet internal needs and applicable laws and regulations. We expect all personnel to follow these controls and procedures to assure the complete and accurate recording of all transactions.

Any accounting entries or adjustments that materially depart from generally accepted accounting principles must be approved by the Audit Committee of the Board of Directors and reported to the independent auditors. No one may interfere with or seek to improperly influence (directly or indirectly) the review or auditing of our financial records by HCN's independent auditors.

If a Director, officer or employee becomes aware of any questionable transaction or accounting practice concerning HCN or its assets, or undisclosed material off-balance-sheet transactions, arrangements and obligations, contingent or otherwise, and other HCN relationships with unconsolidated entities or other persons, any of which may have either a current or future material effect on our financial condition or results of operations, HCN expects the matter to be reported immediately to HCN's legal counsel or to a member of the Audit Committee.

Mistakes should never be covered up. They should be immediately and fully disclosed and corrected. Falsification of any HCN, client or third party record is prohibited.

#### PROTECTION OF HCN, CUSTOMER AND VENDOR INFORMATION

No one may use for his or her personal benefit, or reveal to others for their personal benefit, confidential or proprietary information of HCN, its customers and vendors. Additionally, all personnel must take appropriate steps, including securing documents, limiting access to computers and electronic media, and proper disposal methods, to prevent unauthorized access to such information.

Proprietary and/or confidential information, among other things, includes: the database, investment criteria, business methods, pricing and marketing data, strategy, computer code, forms, and information about, or received from, HCN's current, former and prospective customers, vendors and employees.

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#### COMPETITIVE INFORMATION, DEFAMATION AND MISREPRESENTATION

No one may accept, use or disclose to others the confidential information of HCN's competitors. When obtaining competitive information, HCN personnel must not violate our competitors' rights. Particular care must be taken when dealing with competitors' customers, former customers and ex-employees. Never ask for confidential or proprietary information. Never ask a person to violate a non-compete or a non-disclosure agreement. Aggressive sales and marketing should not include misstatements, innuendo or rumors about HCN's competitors or their products or financial condition. Do not make unsupportable promises concerning HCN.

#### USE OF HCN AND THIRD PARTY SOFTWARE

HCN and third party software may be distributed and disclosed only to employees authorized to use it, and to customers in accordance with the terms of an HCN agreement. HCN and third party software may not be copied without specific authorization and may only be used to perform assigned responsibilities.

#### FAIR COMPETITION AND ANTITRUST LAWS

HCN must comply with all applicable fair competition and antitrust laws. These laws attempt to ensure that businesses compete fairly and honestly and prohibit conduct seeking to reduce or restrain competition. If you are uncertain whether a contemplated action raises unfair competition or antitrust issues, HCN's legal counsel can assist you.

#### SECURITIES TRADING

It is illegal to buy or sell securities using material information not available to the public. Persons who give such undisclosed "inside" information to others may be as liable as the persons who trade securities while possessing such information. Securities laws may be violated if a Director, officer or employee, or any of their relatives or friends trade in securities of HCN, or any of its customers or vendors, while possessing "inside" information. Please refer to HCN's Insider Trading Policy. For a copy of that policy, please request one from any officer or the Corporate Administrator.

#### POLITICAL CONTRIBUTIONS

No HCN funds may be given directly to political candidates. Directors, officers and employees may, however, engage in political activity with their own resources on their own time.

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#### RETENTION OF BUSINESS RECORDS

HCN's business records must be maintained for the periods in accordance with HCN's document retention policies. Records may be destroyed only at the expiration of the pertinent period. In no case may documents involved in a pending or threatened litigation or government inquiry or under subpoena or other information request, be discarded or destroyed, regardless of the periods specified in the applicable policy. In addition, no one should ever destroy, alter, or conceal, with an improper purpose, any record or otherwise impede any official proceeding, either personally, in conjunction with, or by attempting to influence, another person.

## A HEALTHY AND SAFE WORKPLACE AND NO HARASSMENT

When HCN protects the health and safety of its employees, the community, and the environment, HCN demonstrates respect and contributes to a positive work environment. Without respect for health, safety, and the environment, HCN would put its personnel, customers and the public at risk.

HCN is committed to protecting the health and safety of its employees, the public, its customers, suppliers and visitors. HCN's policy is to maintain a secure workplace where all employees are attentive to hazard prevention and the avoidance of accidents and injuries. Posted safety regulations, statistics, and warnings are guides to help everyone stay out of harm's way: observed accidents, injuries, or hazards should be immediately reported to any officer or the Corporate Administrator.

HCN does not tolerate harassment of its employees. HCN does not tolerate any retaliation against a person reporting harassment. Please refer to the section in the HCN Handbook titled "Harassment." If you need an additional copy of the HCN Handbook, please request one from any officer or the Corporate Administrator.

## WAIVERS

The Code of Business Conduct & Ethics applies to all HCN officers and employees and the members of its Board of Directors. There will be no waiver of any part of the Code for any officer or Director except by a vote of the Board, which will ascertain whether a waiver is appropriate and ensure that the waiver is accompanied by appropriate controls designed to protect HCN. Waivers of any part of the Code for any other employee may be granted by the Chairman, the Chief Executive Officer, the President, or the Chief Financial Officer.

If a waiver is granted for any officer or Director, the waiver will be promptly disclosed as required by applicable law and securities exchange rules, thereby allowing HCN's stockholders to evaluate the merits of the particular waiver.

## REPORTING POSSIBLE VIOLATIONS

All HCN Directors, officers and employees are required to report, or cause to be reported, information known to them, and assist in any investigation by any regulatory or law enforcement agency, elected officials or others responsible for such matters, concerning the following:

- Violation of any federal, state or local laws, regulations or rules by any HCN Director, officer, employee or agent in connection with HCN or its business.
- Questionable accounting, internal controls and auditing matters concerning HCN.
- The conduct of any HCN Director, officer, employee or agent in connection with HCN or its business that is not honest and ethical.
- Conflicts of interest that have not been reported as required by this Code.
- Disclosures in HCN's reports to the Commission and other public disclosures that are not full, fair, accurate, timely and understandable.
- Violations of this Code.

An employee should report the violation to his or her direct supervisor. If an employee is still concerned after speaking with his or her

supervisor or feels uncomfortable speaking with the supervisor (for whatever reason), he or she may speak with, or send a detailed note, with relevant documents to the Audit Committee of HCN's Board of Directors, or HCN's legal counsel, as follows:

AUDIT COMMITTEE

CONFIDENTIAL  
ATTN: CHAIRMAN, AUDIT COMMITTEE  
HEALTH CARE REIT, INC  
ONE SEAGATE, SUITE 1500  
P.O. BOX 1475  
TOLEDO, OHIO 43603-1475  
419-247-2800

LEGAL COUNSEL

MARY ELLEN PISANELLI  
SHUMAKER, LOOP & KENDRICK, LLP  
1000 JACKSON STREET  
TOLEDO, OHIO 43624  
419-321-1313

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NO RETALIATION AND CONFIDENTIALITY

Part of your job at HCN is "to do the right thing." HCN will not take any action against someone who reports or otherwise tries to stop suspected wrongdoing. More specifically, HCN will not, and no officer or employee may, retaliate against anyone who provides, or causes to be provided, information, or who files, causes to be filed, testifies, participates in, or otherwise assists in a proceeding regarding any matter covered in the preceding section entitled "Reporting Possible Violations." The anonymity of a reporting person and the confidentiality of the information that is reported will be maintained if such person so requests; however, the identity of the person and the information reported may be disclosed to the extent necessary to conduct an effective investigation. Any person who believes that he or she has been subject to retaliation by HCN, or any officer or employee, as a result of a report, testimony, assistance in a proceeding or otherwise, should report such retaliation to a member of the Board's Audit Committee. The Audit Committee will conduct an appropriate investigation and take such action as it determines necessary to effect compliance with this Code and applicable law.

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SUBSIDIARIES OF THE REGISTRANT

NAME OF SUBSIDIARY -----	STATE OF ORGANIZATION AND TYPE OF ENTITY -----	DATE OF ORGANIZATION -----
HCRI Pennsylvania Properties, Inc.	Pennsylvania corporation	November 1, 1993
HCRI Overlook Green, Inc.	Pennsylvania corporation	July 9, 1996
HCRI Texas Properties, Inc.	Delaware corporation	December 27, 1996
HCRI Texas Properties, Ltd.	Texas limited partnership	December 30, 1996
HCRI Friendship, LLC	Virginia limited liability company	February 21, 1997
HCRI St. Charles, LLC	Virginia limited liability company	February 21, 1997
HCRI Satyr Hill, LLC	Virginia limited liability company	November 24, 1997
Health Care REIT International, Inc.	Delaware corporation	February 11, 1998
HCN Atlantic GP, Inc.	Delaware corporation	February 20, 1998
HCN Atlantic LP, Inc.	Delaware corporation	February 20, 1998
HCRI Nevada Properties, Inc.	Nevada corporation	March 27, 1998
HCRI Southern Investments I, Inc.	Delaware corporation	June 11, 1998
HCRI Louisiana Properties, L.P.	Delaware limited partnership	June 11, 1998
HCN BCC Holdings, Inc.	Delaware corporation	September 25, 1998
HCRI Tennessee Properties, Inc.	Delaware corporation	September 25, 1998
HCRI Limited Holdings, Inc.		
	Delaware corporation	September 25, 1998
Pennsylvania BCC Properties, Inc.	Pennsylvania corporation	September 25, 1998
HCRI North Carolina Properties, LLC	Delaware limited liability company	December 10, 1999
HCRI Massachusetts Properties, Inc.	Delaware corporation	March 17, 2000
HCRI Massachusetts Properties Trust	Massachusetts trust	March 30, 2000
HCRI Indiana Properties, Inc.	Delaware corporation	June 15, 2000
HCRI Indiana Properties, LLC	Indiana limited liability company	June 16, 2000
HCRI Holdings Trust	Massachusetts trust	September 9, 2000
HCRI Maryland Properties, LLC	Maryland limited liability company	July 19, 2001
HCRI Massachusetts Properties Trust II	Massachusetts trust	September 26, 2001
HCRI Beachwood, Inc.	Ohio corporation	October 11, 2001
HCRI Broadview, Inc.	Ohio corporation	October 11, 2001
HCRI Westlake, Inc.	Ohio corporation	October 11, 2001
HCRI Westmoreland, Inc.	Delaware corporation	October 16, 2001
HCRI Wisconsin Properties, LLC	Wisconsin limited liability company	December 11, 2001
HCRI North Carolina Properties I, Inc.	North Carolina corporation	January 1, 2002
HCRI North Carolina Properties II, Inc.	North Carolina corporation	January 1, 2002
HCRI North Carolina Properties III, Limited Partnership	North Carolina limited partnership	January 1, 2002
HCRI Kentucky Properties, LLC	Kentucky limited liability company	January 7, 2002
HCRI Laurel, LLC	Maryland limited liability company	January 17, 2002
HCRI Mississippi Properties, Inc.	Mississippi corporation	March 28, 2002
HCRI Illinois Properties, LLC	Delaware limited liability company	August 21, 2002
HCRI Missouri Properties, LLC	Delaware limited liability company	August 21, 2002
HCRI Surgical Properties, LLC	Ohio limited liability company	September 30, 2002
HCRI Tucson Properties, Inc.	Delaware corporation	November 14, 2002
HCRI Stonecreek Properties, LLC	Delaware limited liability company	June 25, 2003
HCRI Cold Spring Properties, LLC	Delaware limited liability company	June 25, 2003
HCRI Eddy Pond Properties Trust	Massachusetts trust	June 26, 2003

NAME OF SUBSIDIARY -----	STATE OF ORGANIZATION AND TYPE OF ENTITY -----	DATE OF ORGANIZATION -----
HCRI Investments, Inc.	Delaware corporation	July 30, 2003
HCRI Forest City Holdings, Inc.	North Carolina corporation	August 19, 2003
HCRI Asheboro Holdings, Inc.	North Carolina corporation	August 19, 2003
HCRI Smithfield Holdings, Inc.	North Carolina corporation	August 19, 2003
HCRI Greenville Holdings, Inc.	North Carolina corporation	August 19, 2003
HCRI Forest City Properties, LP	North Carolina limited partnership	August 19, 2003
HCRI Asheboro Properties, LP	North Carolina limited partnership	August 19, 2003
HCRI Smithfield Properties, LP	North Carolina limited partnership	August 19, 2003
HCRI Greenville Properties, LP	North Carolina limited partnership	August 19, 2003
HCRI Kirkland Properties, LLC	Delaware limited liability company	August 22, 2003
HCRI Ridgeland Pointe Properties, LLC	Delaware limited liability company	August 22, 2003
HCRI Drum Hill Properties, LLC	Delaware limited liability company	August 22, 2003
HCRI Fairmont Properties, LLC	Delaware limited liability company	August 22, 2003

HCRI Abingdon Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Gaston Place Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Gaston Manor Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Eden Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Weddington Park Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Union Park Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Concord Place Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Salisbury Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Burlington Manor Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Skeet Club Manor Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI High Point Manor Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Hickory Manor Holdings, Inc.	North Carolina corporation	September 10, 2003
HCRI Statesville Place Holdings I, Inc.	North Carolina corporation	September 10, 2003
HCRI Statesville Place Holdings II, Inc.	North Carolina corporation	September 10, 2003
HCRI Abingdon Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Gaston Place Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Gaston Manor Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Eden Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Weddington Park Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Union Park Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Concord Place Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Salisbury Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Burlington Manor Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Skeet Club Manor Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI High Point Manor Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Hickory Manor Properties, LP	North Carolina limited partnership	September 10, 2003
HCRI Statesville Place Properties I, LP	North Carolina limited partnership	September 10, 2003
HCRI Statesville Place Properties II, LP	North Carolina limited partnership	September 10, 2003
HCRI Chicago Properties, Inc.	Delaware corporation	November 18, 2003

## CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-46561) dated March 20, 1992 pertaining to The 1985 Incentive Stock Option Plan of Health Care REIT, Inc., the Registration Statement (Form S-8 No. 333-1237) dated February 27, 1996 pertaining to The 1985 Incentive Stock Option Plan of Health Care REIT, Inc., the Registration Statement (Form S-8 No. 333-01239) dated February 27, 1996 pertaining to the Health Care REIT, Inc. 1995 Stock Incentive Plan, the Registration Statement (Form S-8 No. 333-40769) dated November 21, 1997 pertaining to the Health Care REIT, Inc. Stock Plan for Non-Employee Directors of Health Care REIT, Inc., the Registration Statement (Form S-8 No. 333-40771) dated November 21, 1997 pertaining to the Health Care REIT, Inc. 1995 Stock Incentive Plan, the Registration Statement (Form S-3 No. 333-107280) dated July 23, 2003, as amended on August 1, 2003, and the Registration Statement (Form S-3 No. 333-110902) dated December 3, 2003, as amended on December 11, 2003 of Health Care REIT, Inc. of our report dated January 16, 2004 with respect to the consolidated financial statements and schedules of Health Care REIT, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2003.

Toledo, Ohio  
March 8, 2004

/s/ ERNST & YOUNG LLP

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, a director of Health Care REIT, Inc. (the "Company"), a Delaware corporation that is about to file with the Securities and Exchange Commission, Washington, D.C. 20549, under the provisions of the Securities Exchange Act of 1934, as amended, a Form 10-K Annual Report for the year ended December 31, 2003, hereby constitutes and appoints GEORGE L. CHAPMAN his true and lawful attorney-in-fact and agent, with full power to act, his true and lawful attorney-in-fact and agent, for him and in his name, place and stead, in the capacity as director, to sign such Form 10-K which is about to be filed, and any and all amendments to such Form 10-K, and to file such Form 10-K and each such amendment so signed, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned hereunto set his hand this 26th day of January, 2004.

/S/ WILLIAM C. BALLARD, JR.

-----  
William C. Ballard, Jr., Director

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, a director of Health Care REIT, Inc. (the "Company"), a Delaware corporation that is about to file with the Securities and Exchange Commission, Washington, D.C. 20549, under the provisions of the Securities Exchange Act of 1934, as amended, a Form 10-K Annual Report for the year ended December 31, 2003, hereby constitutes and appoints GEORGE L. CHAPMAN his true and lawful attorney-in-fact and agent, with full power to act, his true and lawful attorney-in-fact and agent, for him and in his name, place and stead, in the capacity as director, to sign such Form 10-K which is about to be filed, and any and all amendments to such Form 10-K, and to file such Form 10-K and each such amendment so signed, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned hereunto set his hand this 26th day of January, 2004.

/S/ PIER C. BORRA

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Pier C. Borra, Director

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, a director of Health Care REIT, Inc. (the "Company"), a Delaware corporation that is about to file with the Securities and Exchange Commission, Washington, D.C. 20549, under the provisions of the Securities Exchange Act of 1934, as amended, a Form 10-K Annual Report for the year ended December 31, 2003, hereby constitutes and appoints GEORGE L. CHAPMAN his true and lawful attorney-in-fact and agent, with full power to act, his true and lawful attorney-in-fact and agent, for him and in his name, place and stead, in the capacity as director, to sign such Form 10-K which is about to be filed, and any and all amendments to such Form 10-K, and to file such Form 10-K and each such amendment so signed, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned hereunto set his hand this 26th day of January, 2004.

/S/ THOMAS J. DEROSA

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Thomas J. DeRosa, Director

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, a director of Health Care REIT, Inc. (the "Company"), a Delaware corporation that is about to file with the Securities and Exchange Commission, Washington, D.C. 20549, under the provisions of the Securities Exchange Act of 1934, as amended, a Form 10-K Annual Report for the year ended December 31, 2003, hereby constitutes and appoints GEORGE L. CHAPMAN his true and lawful attorney-in-fact and agent, with full power to act, his true and lawful attorney-in-fact and agent, for him and in his name, place and stead, in the capacity of director, to sign such Form 10-K which is about to be filed, and any and all amendments to such Form 10-K, and to file such Form 10-K and each such amendment so signed, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned hereunto set his hand this 26th day of January, 2004.

/S/ JEFFREY H. DONAHUE

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Jeffrey H. Donahue, Director

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, a director of Health Care REIT, Inc. (the "Company"), a Delaware corporation that is about to file with the Securities and Exchange Commission, Washington, D.C. 20549, under the provisions of the Securities Exchange Act of 1934, as amended, a Form 10-K Annual Report for the year ended December 31, 2003, hereby constitutes and appoints GEORGE L. CHAPMAN his true and lawful attorney-in-fact and agent, with

full power to act, his true and lawful attorney-in-fact and agent, for him and in his name, place and stead, in the capacity of director, to sign such Form 10-K which is about to be filed, and any and all amendments to such Form 10-K, and to file such Form 10-K and each such amendment so signed, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned hereunto set his hand this 26th day of January, 2004.

/S/ PETER J. GRUA

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Peter J. Grua, Director

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, a director of Health Care REIT, Inc. (the "Company"), a Delaware corporation that is about to file with the Securities and Exchange Commission, Washington, D.C. 20549, under the provisions of the Securities Exchange Act of 1934, as amended, a Form 10-K Annual Report for the year ended December 31, 2003, hereby constitutes and appoints GEORGE L. CHAPMAN her true and lawful attorney-in-fact and agent, with full power to act, her true and lawful attorney-in-fact and agent, for her and in her name, place and stead, in the capacity as director, to sign such Form 10-K which is about to be filed, and any and all amendments to such Form 10-K, and to file such Form 10-K and each such amendment so signed, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as she might do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned hereunto set her hand this 26th day of January, 2004.

/S/ SHARON M. OSTER

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Sharon M. Oster, Director

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, a director of Health Care REIT, Inc. (the "Company"), a Delaware corporation that is about to file with the Securities and Exchange Commission, Washington, D.C. 20549, under the provisions of the Securities Exchange Act of 1934, as amended, a Form 10-K Annual Report for the year ended December 31, 2003, hereby constitutes and appoints GEORGE L. CHAPMAN his true and lawful attorney-in-fact and agent, with full power to act, his true and lawful attorney-in-fact and agent, for him and in his name, place and stead, in the capacity of director, to sign such Form 10-K which is about to be filed, and any and all amendments to such Form 10-K, and to file such Form 10-K and each such amendment so signed, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact

and agent, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned hereunto set his hand this 26th day of January, 2004.

/S/ BRUCE G. THOMPSON

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Bruce G. Thompson, Director

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, a director of Health Care REIT, Inc. (the "Company"), a Delaware corporation that is about to file with the Securities and Exchange Commission, Washington, D.C. 20549, under the provisions of the Securities Exchange Act of 1934, as amended, a Form 10-K Annual Report for the year ended December 31, 2003, hereby constitutes and appoints GEORGE L. CHAPMAN his true and lawful attorney-in-fact and agent, with full power to act, his true and lawful attorney-in-fact and agent, for him and in his name, place and stead, in the capacity of director, to sign such Form 10-K which is about to be filed, and any and all amendments to such Form 10-K, and to file such Form 10-K and each such amendment so signed, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned hereunto set his hand this 26th day of January, 2004.

/S/ R. SCOTT TRUMBULL

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R. Scott Trumbull, Director

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, a director and the Chairman of the Board and Principal Executive Officer of Health Care REIT, Inc. (the "Company"), a Delaware corporation that is about to file with the Securities and Exchange Commission, Washington, D.C. 20549, under the provisions of the Securities Exchange Act of 1934, as amended, a Form 10-K Annual Report for the year ended December 31, 2003, hereby constitutes and appoints RAYMOND W. BRAUN, his true and lawful attorney-in-fact and agent, with full power to act, his true and lawful attorney-in-fact and agent, for him and in his name, place and stead, in the capacities as director and Chairman of the Board and Principal Executive Officer, to sign such Form 10-K which is about to be filed, and any and all amendments to such Form 10-K, and to file such Form 10-K and each such amendment so signed, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned hereunto set his hand this 26th day of January, 2004.

/S/ GEORGE L. CHAPMAN

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George L. Chapman, Director,  
Chairman of the Board and  
Principal Executive Officer

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, the Principal Financial Officer of Health Care REIT, Inc. (the "Company"), a Delaware corporation that is about to file with the Securities and Exchange Commission, Washington, D.C. 20549, under the provisions of the Securities Exchange Act of 1934, as amended, a Form 10-K Annual Report for the year ended December 31, 2003, hereby constitutes and appoints GEORGE L. CHAPMAN his true and lawful attorney-in-fact and agent, with full power to act, his true and lawful attorney-in-fact and agent, for him and in his name, place and stead, in the capacity as the Principal Financial Officer, to sign such Form 10-K which is about to be filed, and any and all amendments to such Form 10-K, and to file such Form 10-K and each such amendment so signed, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned hereunto set his hand this 26th day of January, 2004.

/S/ RAYMOND W. BRAUN

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Raymond W. Braun, President and  
Principal Financial Officer

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned, the Principal Accounting Officer of Health Care REIT, Inc. (the "Company"), a Delaware corporation that is about to file with the Securities and Exchange Commission, Washington, D.C. 20549, under the provisions of the Securities Exchange Act of 1934, as amended, a Form 10-K Annual Report for the year ended December 31, 2003, hereby constitutes and appoints GEORGE L. CHAPMAN his true and lawful attorney-in-fact and agent, with full power to act, his true and lawful attorney-in-fact and agent, for him and in his name, place and stead, in the capacity as Principal Accounting Officer, to sign such Form 10-K which is about to be filed, and any and all amendments to such Form 10-K, and to file such Form 10-K and each such amendment so signed, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned hereunto set his hand this 26th day  
of January, 2004.

/S/ MICHAEL A. CRABTREE

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Michael A. Crabtree, Treasurer and  
Principal Accounting Officer

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, GEORGE L. CHAPMAN, certify that:

1. I have reviewed this annual report on Form 10-K 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)) 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) [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];
  - (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: March 12, 2004

/s/ GEORGE L. CHAPMAN

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George L. Chapman,  
Chief Executive Officer

## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, RAYMOND W. BRAUN, certify that:

1. I have reviewed this annual report on Form 10-K 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)) 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) [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];
  - (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: March 12, 2004

/s/ RAYMOND W. BRAUN

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Raymond W. Braun,  
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 that (i) the Annual Report on Form 10-K for the Company for the year ended December 31, 2003 (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

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George L. Chapman  
Chief Executive Officer  
Dated: March 12, 2004

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

I, Raymond W. Braun, the Chief Financial Officer of Health Care REIT, Inc. (the "Company"), certify that (i) the Annual Report on Form 10-K for the Company for the year ended December 31, 2003 (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/ RAYMOND W. BRAUN

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Raymond W. Braun  
Chief Financial Officer  
Dated: March 12, 2004