

=====

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_.

COMMISSION FILE NUMBER 1-10989

VENTAS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction  
of incorporation or organization)

61-1055020  
(I.R.S. Employer  
Identification No.)

3300 AEGON CENTER  
400 WEST MARKET STREET  
LOUISVILLE, KY  
(Address of principal executive offices)

40202  
(Zip Code)

(502) 596-2000  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO  
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS OF COMMON STOCK	OUTSTANDING AT JULY 31, 1998
----- Common stock, \$.25 par value	----- 67,821,837 shares

=====

1 of 19

VENTAS, INC.  
FORM 10-Q  
INDEX

PAGE  
-----

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements:

Condensed Consolidated Statement of Income for the two months ended June 30, 1998.....	3
Condensed Consolidated Balance Sheet June 30, 1998.....	4
Condensed Consolidated Statement of Cash Flows for the two months ended June 30, 1998.....	5
Notes to Condensed Consolidated Financial Statements.....	6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	12
--	----

Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	15
---	----

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.....	15
Item 4. Submission of Matters to a Vote of Security Holders.....	16
Item 5. Other Information.....	17
Item 6. Exhibits and Reports on Form 8-K.....	17

VENTAS, INC.  
 CONDENSED CONSOLIDATED STATEMENT OF INCOME  
 FOR THE TWO MONTHS ENDED JUNE 30, 1998  
 (UNAUDITED)  
 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Rental income.....	\$37,356
	-----
General and administrative.....	1,619
Depreciation.....	7,135
Interest expense.....	15,379
	-----
	24,133
	-----
Income before income taxes.....	13,223
Provision for income taxes.....	5,025
	-----
Income from operations.....	8,198
Extraordinary loss on extinguishment of debt, net of income tax benefit.....	(7,970)
	-----
Net income.....	\$ 228
	=====
Earnings per common share:	
Basic:	
Income from operations.....	\$ 0.12
Extraordinary loss on extinguishment of debt.....	(0.12)
	-----
Net income.....	\$ -
	=====
Diluted:	
Income from operations.....	\$ 0.12
Extraordinary loss on extinguishment of debt.....	(0.12)
	-----
Net income.....	\$ -
	=====

Funds from operations.....	\$15,333
Funds from operations per common share:	
Basic.....	\$ 0.23
Diluted.....	0.23
Shares used in computing earnings and funds from operations per common share:	
Basic.....	67,772
Diluted.....	68,021

See accompanying notes.

3

VENTAS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEET  
JUNE 30, 1998  
(UNAUDITED)  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

ASSETS

Real estate properties:	
Land.....	\$ 120,765
Buildings and improvements.....	1,064,676
	-----
	1,185,441
Accumulated depreciation.....	(239,899)
	-----
	945,542
Deferred financing costs.....	11,339
Other.....	4,308
	-----
	\$ 961,189
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Liabilities:	
Bank credit facility and other debt.....	\$ 978,330
Accounts payable.....	800
Accrued salaries, wages and other compensation.....	177
Accrued interest.....	3,765
Other accrued liabilities.....	2,576
Deferred income taxes.....	14,957
	-----
	1,000,605
Stockholders' equity (deficit):	
Common stock, \$0.25 par value; authorized 180,000 shares; issued 73,599 shares..	18,400
Capital in excess of par value.....	138,185
Accumulated deficit.....	(39,772)
	-----
	116,813
Treasury stock; 5,786 shares.....	(156,229)
	-----
	(39,416)
	-----
	\$ 961,189
	=====

See accompanying notes.

4

VENTAS, INC.  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE TWO MONTHS ENDED JUNE 30, 1998

(UNAUDITED)  
(IN THOUSANDS)

Cash flows from operating activities:	
Net income.....	\$ 228
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation.....	7,135
Extraordinary loss on extinguishment of debt.....	12,855
Increase in other assets.....	(419)
Increase in accounts payable and accrued liabilities.....	5,006
Other.....	882
	-----
Net cash provided by operating activities.....	25,687
	-----
Cash flows from investing activities:	
Purchase of real estate properties.....	(1,184)
Advances to employees.....	(3,890)
Sale of Vencor, Inc. preferred stock in connection with the reorganization transactions..	17,700
	-----
Net cash provided by investing activities.....	12,626
	-----
Cash flows from financing activities:	
Net change in borrowings under revolving line of credit.....	27,400
Issuance of long-term debt.....	950,000
Repayment of long-term debt.....	(5,034)
Repayment of long-term debt in connection with the reorganization transactions.....	(1,000,171)
Payment of deferred financing costs.....	(10,657)
Issuances of common stock.....	149
	-----
Net cash used in financing activities.....	(38,313)
	-----
Change in cash and cash equivalents.....	-
Cash and cash equivalents at beginning of period.....	-
	-----
Cash and cash equivalents at end of period.....	\$ -
	=====
Supplemental information:	
Interest payments.....	\$ 9,290
Income tax payments.....	-

See accompanying notes.

5

VENTAS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

NOTE 1 -- REPORTING ENTITY

Ventas, Inc. (the "Company"), formerly named Vencor, Inc., is a real estate company which owns 218 nursing centers and 46 hospitals in 36 states as of June 30, 1998. The Company anticipates that it will qualify as a real estate investment trust ("REIT") for Federal income tax purposes on January 1, 1999.

On April 30, 1998, the Company changed its name to Ventas, Inc. and refinanced substantially all of its long-term debt in anticipation of spinning off its healthcare operations through the distribution of the common stock of a new entity (which assumed its former name), Vencor, Inc. ("Vencor") to stockholders of record as of April 27, 1998 (the "Reorganization Transactions"). The distribution was effected on May 1, 1998 (the "Distribution Date"). For financial reporting periods subsequent to the Distribution Date, the historical financial statements of the Company were assumed by Vencor and the Company is deemed to have commenced operations on May 1, 1998. Accordingly, the Company does not have comparable financial results for prior periods.

NOTE 2 -- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have

been prepared in accordance with generally accepted accounting principles and include amounts based upon the estimates and judgments of management. Actual amounts may differ from these estimates. Management believes that the financial information included herein reflects all adjustments necessary for a fair presentation of interim results, and except for the costs described in Note 4 and approximately \$310,000 of one-time public company application expenses, all such adjustments are of a normal and recurring nature.

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131 ("SFAS 131"), "Disclosures about Segments of an Enterprise and Related Information," which will become effective in December 1998 and requires interim disclosures beginning in 1999. SFAS 131 requires public companies to report certain information about operating segments, products and services, the geographic areas in which they operate and major customers. The operating segments are to be based on the structure of the enterprise's internal organization whose operating results are regularly reviewed by senior management. Management has not yet determined the effect, if any, of SFAS 131 on the consolidated financial statement disclosures.

NOTE 3 -- EARNINGS PER SHARE

A computation of earnings per common share for the two months ended June 30, 1998 follows (in thousands, except per share amounts):

Income from operations.....	\$ 8,198
Extraordinary loss on extinguishment of debt.....	(7,970)
	-----
Net income.....	\$ 228
	=====

Shares used in the computation:

Weighted average shares outstanding-basic computation.....	67,772
Dilutive effect of outstanding stock options.....	249
	-----
Adjusted weighted average shares outstanding-diluted computation.....	68,021
	=====

Earnings per common share:

Basic:	
Income from operations.....	\$ 0.12
Extraordinary loss on extinguishment of debt.....	(0.12)
	-----
Net income.....	\$ -
	=====

Diluted:	
Income from operations.....	\$ 0.12
Extraordinary loss on extinguishment of debt.....	(0.12)
	-----
Net income.....	\$ -
	=====

NOTE 4 -- LONG-TERM DEBT

In connection with the Reorganization Transactions, the Company was required to refinance substantially all of its long-term debt. As a result, the Company incurred an after tax extraordinary loss on extinguishment of debt of \$8.0 million for the two months ended June 30, 1998.

On April 30, 1998, the Company consummated a \$1.2 billion bank credit agreement (the "Bank Credit Agreement") and retained approximately \$6 million of prior debt obligations. The Bank Credit Agreement comprises (i) a three year \$250 million revolving credit facility, (ii) a \$200 million Term A Loan payable in various installments over three years, (iii) a \$350 million Term B Loan payable in various installments over five years and (iv) a \$400 million Bridge Loan due in eighteen months.

In connection with the Reorganization Transactions, the Company entered into an interest rate swap agreement to eliminate the impact of changes in interest rates on \$1 billion of floating rate debt. The agreement expires in varying amounts through December 2006 and provides for fixed rates at 5.985% plus 2 to 3%. The fair value of the swap agreement is not recognized in the condensed consolidated financial statements.

#### NOTE 5 -- TRANSACTIONS WITH VENCOR

For the purpose of governing certain of the ongoing relationships between the Company and Vencor after the Reorganization Transactions and to provide mechanisms for an orderly transition, the Company and Vencor have entered into various agreements. The Company believes that the agreements contain terms which generally are comparable to those which would have been reached in arm's length negotiations with unaffiliated parties. The most significant agreements are as follows:

##### MASTER LEASE AGREEMENTS

The Company retained substantially all of its real property, buildings and other improvements (primarily long-term care hospitals and nursing centers) and leases these to Vencor under four master lease agreements which set forth the material terms governing each of the leased properties (individually, a "Master Lease" and collectively, the "Master Leases").

The leased properties include land, buildings, structures, easements, improvements on the land and permanently affixed equipment, machinery and other fixtures relating to the operation of the facilities.

There are multiple bundles of leased properties under each Master Lease with each bundle containing seven to twelve leased properties. All leased properties within a bundle have the same base terms, ranging from 10 to 15 years. At the option of Vencor, all, but not less than all, of the leased properties in a bundle may be extended for one five-year renewal term beyond the base term at the then existing rental rate plus 2% per annum if certain lessee revenue parameters are obtained. At the option of Vencor, all, but not less than all, of the leased properties in a bundle may be extended for two additional five-year renewal terms thereafter at the then fair market value rental rate. The base and renewal terms of each leased property are subject to termination upon default by either party and certain other conditions described in the Master Leases.

The Master Leases are structured as triple-net leases. In addition to the base annual rent of approximately \$221.5 million, plus 2% annum if certain lessee revenue parameters are obtained, Vencor is required to pay all insurance, taxes, utilities and maintenance related to the leased properties.

#### VENTAS, INC.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

#### NOTE 5 -- TRANSACTIONS WITH VENCOR (CONTINUED)

##### DEVELOPMENT AGREEMENT

Under the terms of the Development Agreement, Vencor, if it so desires, will complete the construction of certain development properties substantially in accordance with the existing plans and specifications for each such property. Upon completion of each such development property, the Company has the option to purchase the development property from Vencor at a purchase price equal to the amount of Vencor's actual costs in acquiring, developing and improving such development property prior to the purchase date. If the Company purchases the development property, Vencor will lease the development property from the

Company. The annual base rent under such a lease will be ten percent of the actual costs incurred by Vencor in acquiring and developing the development property. The other terms of the lease for the development property will be substantially similar to those set forth in the Master Leases.

#### PARTICIPATION AGREEMENT

Under the terms and conditions of the Participation Agreement, Vencor has a right of first offer to become the lessee of any real property acquired or developed by the Company which is to be operated as a hospital, nursing center or other healthcare facility, provided that Vencor and the Company negotiate a mutually satisfactory lease arrangement.

The Participation Agreement also provides, subject to certain terms, that the Company has a right of first offer to purchase or finance any healthcare related real property that Vencor determines to sell or mortgage to a third party, provided that Vencor and the Company negotiate mutually satisfactory terms for such purchase or mortgage.

The Participation Agreement has a three year term. The Company and Vencor each have the right to terminate the Participation Agreement in the event of a change of control.

#### TRANSITION SERVICES AGREEMENT

The Transition Services Agreement provides that Vencor will provide the Company with transitional administrative and support services, including but not limited to finance and accounting, human resources, risk management, legal, and information systems support through December 31, 1998. The Company pays Vencor \$200,000 per month for services provided under the Transition Services Agreement.

#### TAX ALLOCATION AGREEMENT

The Tax Allocation Agreement provides that the Company will be liable for taxes of the Company's consolidated group attributable to periods prior to the Distribution Date with respect to the portion of such taxes attributable to the property held by the Company after the Distribution Date and Vencor will be liable for such pre-distribution taxes with respect to the portion of such taxes attributable to the property held by Vencor after the Distribution Date. The Tax Allocation Agreement further provides that the Company will be liable for any taxes attributable to the Reorganization Transactions except that Vencor will be liable for any such taxes to the extent that Vencor derives certain future tax benefits as a result of the payment of such taxes. The Company and its subsidiaries are liable for taxes payable with respect to periods after the Reorganization Transactions that are attributable to the Company's operations and Vencor and its subsidiaries are liable for taxes payable with respect to periods after the Reorganization Transactions that are attributable to Vencor's operations. If, in connection with a tax audit or filing of an amended return, a taxing authority adjusts the Company's or Vencor's tax liability with respect to taxes for which the other party was liable under the Tax Allocation Agreement, such other party would be liable for the resulting tax assessment or would be entitled to the resulting tax refund.

#### VENTAS, INC.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

#### NOTE 6 -- LITIGATION

The following litigation and other matters arose from the Company's operations prior to the Reorganization Transactions. In connection with the Reorganization Transactions, Vencor agreed to indemnify the Company against any losses, including any costs or expenses, it may incur arising out of or in connection with such legal proceedings and other actions. The indemnification provided by Vencor also covers losses, including costs and expenses, which may arise from any future claims asserted against the Company based on the Company's former healthcare operations. There can be no assurances, however, that Vencor will have sufficient assets, income and access to financing to enable it to satisfy its obligations incurred in connection with the Reorganization Transactions. In connection with its indemnification obligation, Vencor has assumed the defense

of the following legal proceedings and other actions.

On April 7, 1998, the Circuit Court of the Thirteenth Judicial Circuit for Hillsborough County, Florida, issued a temporary injunction order against the Company's former nursing center in Tampa, Florida which ordered the nursing center to cease notifying and requiring the discharge of any resident. The Company discontinued requiring the discharge of any resident from its Tampa nursing center on April 7, 1998. Following the conduct of a complaint survey at the facility, the State of Florida Agency for Health Care Administration ("AHCA") imposed a fine of \$270,000 for related regulatory violations. In addition, the Health Care Financing Administration ("HCFA") has imposed a fine of \$113,000. The Company has appealed both the AHCA and HCFA fines. The Company submitted an acceptable plan of correction at the Tampa nursing center and has been informed by AHCA that "immediate jeopardy" no longer exists and the threatened termination of the Tampa nursing center's Medicare provider agreement has been reversed.

The Tampa Prosecuting Attorney's office has indicated to the Company that it is conducting an independent criminal investigation into the circumstances surrounding the Tampa resident discharges. The Company is cooperating fully with this investigation.

The Company has received notice that the State of Georgia has found regulatory violations with respect to patient discharges, among other things, at one of the Company's former nursing centers in Savannah, Georgia. The state recommended a Federal fine of approximately \$510,000 for these violations, and HCFA has imposed that fine. The Company has yet to determine whether it will appeal this fine.

The HCFA Administrator of the Medicare and Medicaid programs has indicated that the Company's former facilities in other states also are being monitored. There can be no assurance that HCFA or other regulators in other jurisdictions will not initiate investigations relating to these matters or other circumstances, and there can be no assurance that the results of any such investigation would not have a material adverse effect on the Company.

On April 9, 1998, a class action lawsuit captioned Mongiovi et al. v. Vencor, Inc., et al., Case No. 98-769-CIV-T24E, was filed in the United States District Court for the Middle District of Florida on behalf of a purported class consisting of certain residents of the Tampa nursing center and other residents in the Company's former nursing centers nationwide. The complaint alleges various breaches of contract, and statutory and regulatory violations including violations of Federal and state RICO statutes. The original complaint has been amended to delineate several purported subclasses. The plaintiffs seek class certification, unspecified damages, attorneys' fees and costs. The Company intends to defend this action vigorously.

A class action lawsuit entitled A. Carl Helwig v. Vencor, Inc., et al., was filed on December 24, 1997 in the United States District Court for the Western District of Kentucky (Civil Action No. 3-97CV-8354). The class action claims were brought by an alleged stockholder of the Company against the Company and certain executive officers and directors of the Company. The complaint alleges that the Company and certain executive officers of the Company during a specified time frame violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), by, among other things, issuing to the investing public a series of false and

VENTAS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(UNAUDITED)

NOTE 6 -- LITIGATION (CONTINUED)

misleading statements concerning the Company's current operations and the inherent value of the Company's common stock. The complaint further alleges that as a result of these purported false and misleading statements concerning the Company's revenues and successful acquisitions, the price of the Company's common stock was artificially inflated. In particular, the complaint alleges that the Company issued false and misleading financial statements during the first, second and third calendar quarters of 1997 which misrepresented and understated the impact that changes in Medicare reimbursement policies would

have on the Company's core services and profitability. The complaint further alleges that the Company issued a series of materially false statements concerning the purportedly successful integration of its recent acquisitions and prospective earnings per share for 1997 and 1998 which the Company knew lacked any reasonable basis and were not being achieved. The suit seeks damages in an amount to be proven at trial, pre-judgment and post-judgment interest, reasonable attorneys' fees, expert witness fees and other costs, and any extraordinary equitable and/or injunctive relief permitted by law or equity to assure that the plaintiff has an effective remedy. The Company believes that the allegations in the complaint are without merit and intends to defend this action vigorously.

A shareholder derivative suit entitled Thomas G. White on behalf of Vencor, Inc. and Ventas, Inc. v. W. Bruce Lunsford, et al., Case No. 98CI03669 was filed in June 1998 in the Jefferson County, Kentucky, Circuit Court. The suit was brought on behalf of the Company and Vencor against certain current and former executive officers and directors of the Company and Vencor. The complaint alleges that the defendants damaged the Company and Vencor by engaging in violations of the securities laws, engaging in insider trading, fraud and securities fraud and damaging the reputation of the Company and Vencor. The plaintiff asserts that such actions were taken deliberately, in bad faith and constitute breaches of the defendants' duties of loyalty and due care. The complaint is based on substantially similar assertions to those made in the class action lawsuit entitled A. Carl Helwig v. Vencor, Inc., et al. discussed above. The suit seeks unspecified damages, interest, punitive damages, reasonable attorneys' fees, expert witness fees and other costs, and any extraordinary equitable and/or injunctive relief permitted by law or equity to assure that the Company and Vencor have an effective remedy. The Company believes that the allegations in the complaint are without merit and intends to defend this action vigorously.

As previously reported in the Company's Form 10-K, a class action lawsuit was filed on June 19, 1997 in the United States District Court for the District of Nevada on behalf of a class consisting of all persons who sold shares of Transitional Hospitals Corporation ("Transitional") common stock during the period from February 26, 1997 through May 4, 1997, inclusive. The complaint alleges that Transitional purchased shares of its common stock from members of the investing public after it had received a written offer to acquire all of Transitional's common stock and without disclosing that such an offer had been made. The complaint further alleges that defendants disclosed that there were "expressions of interest" in acquiring Transitional when, in fact, at that time, the negotiations had reached an advanced stage with actual firm offers at substantial premiums to the trading price of Transitional's stock having been made which were actively being considered by Transitional's Board of Directors. The complaint asserts claims pursuant to Sections 10(b), 14(e) and 20(a) of the Exchange Act and common law principles of negligent misrepresentation and names as defendants Transitional as well as certain former senior executives and directors of Transitional. The plaintiff seeks class certification, unspecified damages, attorneys' fees and costs. On June 18, 1998, the court granted the Company's motion to dismiss with leave to amend the Section 10(b) claim and the state law claims for misrepresentation. The court denied the Company's motion to dismiss the Section 14(e) and Section 20(a) claims. The Company has filed a motion for reconsideration and intends to defend vigorously this action.

The Company's former subsidiary, American X-Rays, Inc. ("AXR"), is the defendant in a qui tam lawsuit which was filed in the United States District Court for the Eastern District of Arkansas and served on the Company on July 7, 1997. The United States Department of Justice has intervened in the suit which was brought under the Federal Civil False Claims Act. AXR provided portable X-ray services to nursing facilities (including those operated by the Company) and other healthcare providers. The Company's interest in AXR was acquired when The Hillhaven Corporation was merged into the Company in September 1995 and purchased the remaining interest in

Medicare and Medicaid programs. The suit seeks damages in an amount of not less than \$1,000,000, treble damages and civil penalties. In conjunction with the qui tam action, the United States Attorney's Office for the Eastern District of Arkansas also is conducting a criminal investigation into the allegations contained in the qui tam complaint and has indicted four former employees of AXR. AXR has been informed that it is not a target of the investigation. The Company is cooperating fully in the investigation.

On June 6, 1997, Transitional announced that it had been advised that it was the target of a Federal grand jury investigation being conducted by the United States Attorney's Office for the District of Massachusetts (the "USAO") arising from activities of Transitional's formerly owned dialysis business. The investigation involves an alleged illegal arrangement in the form of a partnership which existed from June 1987 to June 1992 between Damon Corporation and Transitional. Transitional spun off its dialysis business, now called Vivra Incorporated, on September 1, 1989. In January 1998, the Company was informed that no criminal charges would be filed against the Company. The Company has been informed that the USAO intends to file a civil action against Transitional relating to the partnership's former Medicare billing practices. If such a suit is filed, the Company will vigorously defend the action.

11

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### BACKGROUND INFORMATION

The Company is a real estate company which owns 218 nursing centers and 46 hospitals in 36 states as of June 30, 1998. The Company anticipates that it will qualify as a REIT for Federal income tax purposes on January 1, 1999.

On April 30, 1998, the Company changed its name to Ventas, Inc. and refinanced substantially all of its long-term debt in anticipation of spinning off its healthcare operations through the distribution of the common stock of a new entity named Vencor in the Reorganization Transactions. The distribution was effected on May 1, 1998. For financial reporting periods subsequent to the Reorganization Transactions, the historical financial statements of the Company will be assumed by Vencor and the Company is deemed to have commenced operations on May 1, 1998. Accordingly, the Company does not have comparable financial results for prior periods.

### RESULTS OF OPERATIONS

Rental income for the two month period ended June 30, 1998 was \$37.4 million, of which \$36.9 million was received from Vencor. Income from operations was \$8.2 million or \$0.12 per diluted share. The Company incurred an extraordinary loss, net of income taxes, of \$8.0 million or \$0.12 per diluted share, related to the extinguishment of debt in connection with the Reorganization Transactions. Net income was \$228,000.

Funds from operations ("FFO") for the period totaled \$15.3 million or \$0.23 per diluted share. FFO was computed by adding back depreciation on real estate assets (\$7.1 million) to income from operations. The Company defines FFO in accordance with the definition prescribed by the National Association of Real Estate Investment Trusts.

For the two month period, the Company incurred approximately \$310,000 of one-time expenses related to initial application fees as a public company.

On a pro forma basis, excluding the provision for income taxes based upon the assumption that the Company qualified to be taxed as a REIT on May 1, 1998, FFO for the period would have totaled \$20.4 million or \$0.30 per diluted share. Pro forma income from operations would have been \$13.2 million or \$0.20 per diluted share. The extraordinary loss would have been \$12.9 million or \$0.19 per diluted share on a pro forma basis. Pro forma net income would have been \$368,000 or \$0.01 per diluted share. Rental income would not have changed on a pro forma basis.

### LIQUIDITY

Cash provided by operations totaled \$25.7 million for the two months ended

June 30, 1998.

In connection with the Reorganization Transactions, the Company was required to refinance substantially all of its long-term debt. In connection with the refinancing arrangements, the Company consummated the \$1.2 billion Bank Credit Agreement and retained approximately \$6 million of prior debt obligations. The Bank Credit Agreement comprises (i) a three year \$250 million revolving credit facility with interest payable at LIBOR plus 2 to 2 1/2%, (ii) a \$200 million Term A Loan payable in various installments over three years with interest payable at LIBOR plus 2 1/4 to 2 1/2%, (iii) a \$350 million Term B Loan payable in various installments over five years with interest payable at LIBOR plus 2 3/4 to 3%, and (iv) a \$400 million Bridge Loan due in eighteen months with interest payable at LIBOR plus 2 3/4 to 3%. The Company will refinance the Bridge Loan in 1999. For the two months ended June 30, 1998, the Company paid \$10.7 million in financing fees related to establishing the Bank Credit Agreement.

12

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

LIQUIDITY (CONTINUED)

Management believes that cash flows from operations and available borrowings under the revolving credit facility are sufficient to meet the expected liquidity needs of the Company in 1998. Outstanding debt aggregated \$978.3 million at June 30, 1998, of which \$47.8 million is payable within the next twelve months. These payments will be financed primarily with borrowings on the Company's revolving credit facility. Since the Reorganization Transactions, the Company has repaid approximately \$24 million of debt, primarily from operating cash flows. At June 30, 1998, available borrowings under the Bank Credit Agreement approximated \$223 million.

In connection with the Reorganization Transactions, the Company entered into an interest rate swap agreement to eliminate the impact of changes in interest rates on \$1 billion of floating rate debt. The agreement expires in varying amounts through December 2006 and provides for fixed rates at 5.985% plus 2 to 3%. The fair value of the swap agreement is not recognized in the condensed consolidated financial statements.

In connection with the Reorganization Transactions, the Company sought to obtain necessary consents to assign its former third party lease obligations to Vencor. As of July 31, 1998, the Company has not and does not expect to receive consents for assignments on one long-term care hospital and 16 nursing centers. The Company remains primarily liable on substantially all lease obligations assigned to Vencor.

The Company loaned, with interest provisions, approximately \$3.9 million to certain executive officers of the Company to finance the income taxes payable by them as a result of the Reorganization Transactions. The loans are payable over a ten year period.

In connection with the Reorganization Transactions, the Company received newly issued Vencor Series A Non-Voting Convertible Preferred Stock. In connection with the Reorganization Transactions, the Company sold the preferred stock to its employees for \$17.7 million and used the proceeds to refinance long-term debt.

In order to qualify as a REIT, the Company must make annual distributions to its stockholders of at least 95% of its taxable income. Under certain circumstances, the Company may be required to make distributions in excess of FFO in order to meet such distribution requirements. In such event, the Company presently would expect to borrow funds, or to sell assets for cash, to the extent necessary to obtain cash sufficient to make the distributions required to retain its qualification as a REIT for Federal income tax purposes. Although the Company is currently expected to qualify as a REIT on January 1, 1999, it is possible that future economic, market, legal, tax or other considerations may cause the Company to fail to qualify as a REIT.

CAPITAL RESOURCES

Capital expenditures related to the maintenance and improvement to the leased

properties will generally be incurred by the tenants. Accordingly, the Company does not believe that it will incur any major expenditures in connection with the leased properties. After the terms of the leases expire, or in the event that the tenants are unable to meet their obligations under the leases, the Company anticipates that any expenditures for which it may become responsible to maintain the leased properties will be funded by cash flows from operations and, in the case of major expenditures, through additional borrowings or issuances of equity. To the extent that unanticipated expenditures or significant borrowings are required, liquidity of the Company may be adversely affected.

The Company anticipates acquiring two properties for approximately \$25 million in 1998 from Vencor under the terms of the Development Agreement. Other than these properties, the Company has no significant commitments with respect to capital expenditures as of June 30, 1998.

13

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

CAPITAL RESOURCES (CONTINUED)

Available sources of capital to finance future growth will include available borrowings under the Bank Credit Agreement, public or private debt and equity. Availability and terms of any such issuance will depend upon the market for such securities and other conditions at such time. There can be no assurance that such additional financing or capital will be available on terms acceptable to the Company. The Company may, under certain circumstances, borrow additional amounts in connection with the acquisition of additional properties, and as necessary to meet certain distribution requirements imposed on REITs under the Internal Revenue Code. The Company's liquidity requirements with respect to future acquisitions may be reduced to the extent that it uses equity as consideration for such purchases.

OTHER INFORMATION

The Company has outsourced its information systems support to Vencor under the Transition Services Agreement through December 31, 1998. Vencor is preparing its information systems for the year 2000. An external professional organization has been engaged to assist in the management and implementation of this program. There will be no incremental cost to the Company for this program. After 1998, the Company may continue these information systems services or may convert to an information system platform that is or will be in compliance with year 2000 operating requirements.

Various lawsuits and claims arising in the ordinary course of the Company's prior healthcare business are pending against the Company. Resolution of litigation and other loss contingencies are not expected to have a material adverse effect on the Company's liquidity, financial position or results of operations. See Note 6 of the Notes to Condensed Consolidated Financial Statements.

The Bank Credit Agreement contains customary covenants which require, among other things, maintenance of certain financial ratios and limit amounts of additional debt and repurchases of common stock. The Company was in compliance with all such covenants at June 30, 1998.

Disclosures set forth in this Item 2 include forward-looking statements. The Company cautions investors that any forward-looking statements made by the Company are not guarantees of future performance. Numerous factors exist which, in some cases have affected, and in the future could cause results to differ materially from these expectations. These statements involve risks and uncertainties concerning the implementation and interpretation of the healthcare reform legislation and other factors as detailed from time to time in the Company's filings with the Securities and Exchange Commission.

14

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following litigation and other matters arose from the Company's operations prior to the Reorganization Transactions. In connection with the Reorganization Transactions, Vencor agreed to indemnify the Company against any losses, including any costs or expenses, it may incur arising out of or in connection with such legal proceedings and other actions. The indemnification provided by Vencor also covers losses, including costs and expenses, which may arise from any future claims asserted against the Company based on the Company's former healthcare operations. There can be no assurances, however, that Vencor will have sufficient assets, income and access to financing to enable it to satisfy its obligations incurred in connection with the Reorganization Transactions. In connection with its indemnification obligation, Vencor has assumed the defense of the following legal proceedings and other actions.

On April 7, 1998, the Circuit Court of the Thirteenth Judicial Circuit for Hillsborough County, Florida, issued a temporary injunction order against the Company's former nursing center in Tampa, Florida which ordered the nursing center to cease notifying and requiring the discharge of any resident. The Company discontinued requiring the discharge of any resident from its Tampa nursing center on April 7, 1998. Following the conduct of a complaint survey at the facility, AHCA imposed a fine of \$270,000 for related regulatory violations. In addition, HCFA has imposed a fine of \$113,000. The Company has appealed both the AHCA and HCFA fines. The Company submitted an acceptable plan of correction at the Tampa nursing center and has been informed by AHCA that "immediate jeopardy" no longer exists and the threatened termination of the Tampa nursing center's Medicare provider agreement has been reversed.

The Tampa Prosecuting Attorney's office has indicated to the Company that it is conducting an independent criminal investigation into the circumstances surrounding the Tampa resident discharges. The Company is cooperating fully with this investigation.

The Company has received notice that the State of Georgia has found regulatory violations with respect to patient discharges, among other things, at one of the Company's former nursing centers in Savannah, Georgia. The state recommended a Federal fine of approximately \$510,000 for these violations, and HCFA has imposed that fine. The Company has yet to determine whether it will appeal this fine.

The HCFA Administrator of the Medicare and Medicaid programs has indicated that the Company's former facilities in other states also are being monitored. There can be no assurance that HCFA or other regulators in other jurisdictions will not initiate investigations relating to these matters or other circumstances, and there can be no assurance that the results of any such investigation would not have a material adverse effect on the Company.

On April 9, 1998, a class action lawsuit captioned Mongiovi et al. v. Vencor, Inc., et al., Case No. 98-769-CIV-T24E, was filed in the United States District Court for the Middle District of Florida on behalf of a purported class consisting of certain residents of the Tampa nursing center and other residents in the Company's former nursing centers nationwide. The complaint alleges various breaches of contract, and statutory and regulatory violations including violations of Federal and state RICO statutes. The original complaint has been amended to delineate several purported subclasses. The plaintiffs seek class certification, unspecified damages, attorneys' fees and costs. The Company intends to defend this action vigorously.

PART II. OTHER INFORMATION (CONTINUED)

ITEM 1. LEGAL PROCEEDINGS (CONTINUED)

A shareholder derivative suit entitled Thomas G. White on behalf of Vencor, Inc. and Ventas, Inc. v. W. Bruce Lunsford, et al., Case No. 98CI03669 was filed in June 1998 in the Jefferson County, Kentucky, Circuit Court. The suit was brought on behalf of the Company and Vencor against certain current and former executive officers and directors of the Company and Vencor. The complaint

alleges that the defendants damaged the Company and Vencor by engaging in violations of the securities laws, engaging in insider trading, fraud and securities fraud and damaging the reputation of the Company and Vencor. The plaintiff asserts that such actions were taken deliberately, in bad faith and constitute breaches of the defendants' duties of loyalty and due care. The complaint is based on substantially similar assertions to those made in the class action lawsuit entitled A. Carl Helwig v. Vencor, Inc., et al. previously reported in the Company's Form 10-K for the year ended December 31, 1997. The suit seeks unspecified damages, interest, punitive damages, reasonable attorneys' fees, expert witness fees and other costs, and any extraordinary equitable and/or injunctive relief permitted by law or equity to assure that the Company and Vencor have an effective remedy. The Company believes that the allegations in the complaint are without merit and intends to defend this action vigorously.

As previously reported in the Company's Form 10-K, a class action lawsuit was filed on June 19, 1997 in the United States District Court for the District of Nevada on behalf of a class consisting of all persons who sold shares of Transitional common stock during the period from February 26, 1997 through May 4, 1997, inclusive. The complaint alleges that Transitional purchased shares of its common stock from members of the investing public after it had received a written offer to acquire all of Transitional's common stock and without disclosing that such an offer had been made. The complaint further alleges that defendants disclosed that there were "expressions of interest" in acquiring Transitional when, in fact, at that time, the negotiations had reached an advanced stage with actual firm offers at substantial premiums to the trading price of Transitional's stock having been made which were actively being considered by Transitional's Board of Directors. The complaint asserts claims pursuant to Sections 10(b), 14(e) and 20(a) of the Exchange Act and common law principles of negligent misrepresentation and names as defendants Transitional as well as certain former senior executives and directors of Transitional. The plaintiff seeks class certification, unspecified damages, attorneys' fees and costs. On June 18, 1998, the court granted the Company's motion to dismiss with leave to amend the Section 10(b) claim and the state law claims for misrepresentation. The court denied the Company's motion to dismiss the Section 14(e) and Section 20(a) claims. The Company has filed a motion for reconsideration and intends to defend vigorously this action.

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

The Company's Annual Meeting of Stockholders was held on April 27, 1998 in Louisville, Kentucky. At the meeting, stockholders elected a board of ten directors pursuant to the following votes:

DIRECTOR -----	VOTES IN FAVOR -----	VOTES WITHHELD -----
Michael R. Barr.....	62,426,321	229,552
Walter F. Beran.....	62,435,961	219,912
Ulysses L. Bridgeman, Jr...	62,437,679	218,194
Elaine L. Chao.....	62,329,934	325,939
Donna R. Ecton.....	62,439,282	216,591
Greg D. Hudson.....	62,439,591	216,282
William H. Lomicka.....	62,441,190	214,683
W. Bruce Lunsford.....	62,434,714	221,159
W. Earl Reed, III.....	62,443,719	212,154
R. Gene Smith.....	62,438,438	217,435

In connection with the Reorganization Transactions, Mr. Barr, Mr. Bridgeman, Ms. Chao, Ms. Ecton, Mr. Lomicka and Mr. Reed resigned from the Board of Directors. The Board of Directors appointed Mr. Ronald G. Geary and Mr. Thomas T. Ladts to fill the vacancies created by such resignations. Accordingly, the Company's Board of Directors, as of June 30, 1998, consists of: Mr. Beran, Mr. Geary, Mr. Hudson, Mr. Ladts, Mr. Lunsford and Mr. Smith.

PART II. OTHER INFORMATION (CONTINUED)

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS (CONTINUED)

In addition to electing directors, the stockholders of the Company approved the following actions:

- (a) The Agreement and Plan of Reorganization which provided for the Reorganization Transactions by the vote of 54,269,960 in favor, 196,135 against and 177,287 abstentions.
- (b) The distribution of the Company of all of the outstanding stock of Vencor, Inc. by the vote of 54,297,943 in favor, 175,716 against and 169,724 abstentions.
- (c) The amendment to the Company's Certificate of Incorporation (the "Company Charter") to add certain transfer restrictions preventing transfers that would result in the transferee (other than certain stockholders) beneficially holding in excess of 9.0% of the common stock or 9.9% of the preferred stock of the Company and other related provisions with respect to the Company's capital stock desirable to protect its ability to qualify as a REIT for Federal income tax purposes by the vote of 53,730,341 in favor, 767,049 against and 145,993 abstentions.
- (d) The amendment to the Company Charter to change the name of the Company to "Ventas, Inc." by the vote of 54,149,002 in favor, 344,418 against and 149,963 abstentions.
- (e) The amendment to the Company Charter to increase the number of authorized shares of preferred stock, par value \$1.00 per share, of the Company from 1,000,000 shares to 10,000,000 shares by the vote of 49,437,441 in favor, 5,007,970 against and 197,972 abstentions.

ITEM 5. OTHER INFORMATION

In connection with the 1999 annual meeting to stockholders of the Company, if the proponent of a stockholder proposal fails to notify the Company of such proposal, in conformity with the requirements of the Company's bylaws, before March 14, 1999, but no earlier than February 12, 1999, then management proxies will be allowed to use their discretionary voting authority on the proposal if raised at the annual meeting even though there is no discussion of the proposal in the proxy statement.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS:

- 3.1 Certificate of Amendment to Certificate of Incorporation of Vencor, Inc.
- 10.1 Credit Agreement dated as of April 29, 1998, among the Ventas Realty, Limited Partnership, NationsBank, N.A., as Administrative Agent, Morgan Guaranty Trust Company of New York, as Documentation Agent, the Senior Managing Agents, the Managing Agents and Co-Agents party thereto, the Banks listed therein, and JP Morgan Securities, Inc. and NationsBanc Montgomery Securities LLC, as Co-Arrangers.
- 10.2 Guaranty of Payment dated as of April 29, 1998 between the Company and its subsidiaries as guarantors and Morgan Guaranty Trust Company of New York.
- 10.3 Form of Ventas, Inc. Promissory Note.
- 10.4 Agreement and Plan of Reorganization between the Company and Vencor, Inc. Exhibit 10.1 to the Form 10 of Vencor, Inc., as amended, dated April 27, 1998 (Comm. File No. 001-14057) is hereby incorporated by reference.
- 10.5 Distribution Agreement between Vencor, Inc. and the Company. Exhibit 10.2 to the Form 10 of Vencor, Inc., as amended, dated April 27, 1998 (Comm. File No. 001-14057) is hereby incorporated by reference.
- 10.6 Form of Master Lease Agreement between Vencor, Inc. and the Company. Exhibit 10.3 to the Form 10 of Vencor, Inc., as amended, dated April 27, 1998 (Comm. File No. 001-14057) is hereby incorporated by reference.

## PART II. OTHER INFORMATION (CONTINUED)

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K (CONTINUED)

## (a) EXHIBITS:

- 10.7 Development Agreement between Vencor, Inc. and the Company. Exhibit 10.4 to the Form 10 of Vencor, Inc., as amended, dated April 27, 1998 (Comm. File No. 001-14057) is hereby incorporated by reference.
- 10.8 Participation Agreement between Vencor, Inc. and the Company. Exhibit 10.5 to the Form 10 of Vencor, Inc., as amended, dated April 27, 1998 (Comm. File No. 001-14057) is hereby incorporated by reference.
- 10.9 Tax Allocation Agreement dated as of April 30, 1998 by and between the Company and Vencor, Inc.
- 10.10 Transition Services Agreement dated April 30, 1998 by and between the Company and Vencor, Inc.
- 10.11 Agreement of Indemnity - Third Party Leases dated April 30, 1998 by and between Vencor, Inc. and its subsidiaries and the Company.
- 10.12 Agreement of Indemnity - Third Party Contracts dated April 30, 1998 by and between Vencor, Inc. and its subsidiaries and the Company.
- 10.13 Amendment to the Company's 1987 Incentive Compensation Program dated April 30, 1998.
- 10.14 Amendment to the Company's 1987 Stock Option Plan for Non-Employee Directors dated April 30, 1998.
- 10.15 Amendment to the Company's 1997 Incentive Compensation Plan dated April 30, 1998.
- 10.16 Amendment to the Company's 1997 Stock Option Plan for Non-Employee Directors dated April 30, 1998.
- 27 Financial Data Schedule (included only in filings submitted under the Electronic Data Gathering, Analysis, and Retrieval system).

## (b) REPORTS ON FORM 8-K:

The Company filed a Current Report on Form 8-K on May 8, 1998 reporting the completion of the Reorganization Transactions and the spin-off of Vencor. The Form 8-K also reported the change in the Company's name to Ventas, Inc.

## SIGNATURES

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

VENTAS, INC.

Date: August 13, 1998  
-----

/s/ W. BRUCE LUNSFORD  
-----  
W. Bruce Lunsford  
Chairman of the Board

and Chief Executive Officer

Date: August 13, 1998

/s/ THOMAS T. LADT

-----  
Thomas T. Ladt  
President and Chief Operating Officer \*

\* The Company does not currently employ an officer designated as its principal financial or chief accounting officer. In the interim, Mr. Ladt's overall responsibilities include the functions of the principal financial officer on behalf of the Company.

CERTIFICATE OF AMENDMENT  
OF  
CERTIFICATE OF INCORPORATION  
OF  
VENCOR, INC.

Vencor, Inc., a Delaware corporation (the "Corporation"), hereby certifies as follows:

FIRST: The Board of Directors of the Corporation duly adopted a resolution setting forth and declaring advisable the amendment and restatement of Article I of the certificate of incorporation of said corporation as follows:

"ARTICLE I

NAME  
----

The name of the Corporation is Ventas, Inc."

SECOND: The Board of Directors of the Corporation duly adopted a resolution setting forth and declaring advisable the amendment and restatement of the first paragraph of Article IV of the certificate of incorporation of said corporation as follows:

"ARTICLE IV

CAPITAL STOCK  
-----

The total number of shares of stock that the Corporation shall have authority to issue is 190,000,000 shares, of which 180,000,000 shall be shares of common stock, having a par value of twenty-five cents per share (the "Common Shares"), and 10,000,000 shares of preferred stock, having a par value of one dollar per share (the "Preferred Shares"). The designations, voting powers and relative rights and preferences of the two classes of shares of stock shall be as set forth below."

THIRD: The Board of Directors of the Corporation duly adopted a resolution setting forth and declaring advisable the amendment of the certificate of incorporation of said corporation to add an Article XII as follows:

"ARTICLE XII

RESTRICTIONS ON OWNERSHIP AND TRANSFER;  
-----  
DESIGNATION OF EXCESS SHARES  
-----

A. (1) Definitions. For the purposes of this Article XII, the following  
-----  
terms shall have the following meanings:

"Adoption Date" shall mean the date upon which the Corporation files the Certificate of Amendment to the Certificate of Incorporation of the Corporation adding this Article XII with the Secretary of State of the State of Delaware.

"Beneficial Ownership" shall mean ownership of Shares by a Person who (i) would be treated as an owner of such Shares either directly or constructively through the application of Section 544 of the Code, as modified by Section 856(h) of the Code or (ii) would be treated as an owner of such Shares either directly or constructively through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms "Beneficial Owner," "Beneficially Own," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

"Beneficiary" shall mean an organization or organizations described in Sections 170(b)(1)(A) and 170(c) of the Code and identified by the Board of Directors as the beneficiary or beneficiaries of the Trust.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Common Shares" shall mean outstanding Common Shares of the Corporation as may be authorized and issued from time to time pursuant to Article IV.

"Excess Shares" shall mean Shares resulting from an event described in Section 3 of this Article XII.

"Excess Common Shares" shall mean Common Shares that are designated as Excess Shares.

"Excess Preferred Shares" shall mean Preferred Shares that are designated as Excess Shares.

"Existing Holder" shall mean any Person who is the Beneficial Owner of Common Shares in excess of the Ownership Limit on the Adoption Date, so long as, but only so long as, such Person Beneficially Owns shares of Common Shares in excess of the Ownership Limit.

1. "Existing Holder Limit" for any Existing Holder shall mean, initially, the percentage of the outstanding Common Shares Beneficially Owned by such Existing Holder on the Adoption Date, and after any adjustment pursuant to Section A.(9) of this Article XII shall mean the percentage of the outstanding Common Shares as so adjusted; provided, however, that the

-----  
Existing Holder Limit shall be 9.9% in number of shares or value of the outstanding Common Shares of the Corporation unless, from the Adoption Date until the Ownership Limitation Termination Date, each Existing Holder does not Beneficially Own more than 9.9%, in number of shares or value, of the outstanding shares of any class or series of capital stock of one or more

-2-

Tenants (other than Vencor, Inc., a Delaware corporation formerly known as Vencor Healthcare, Inc.) if the failure of rents received or accrued, directly or indirectly, by the Corporation from such Tenant(s) to qualify as "rents from real property" for purposes of Section 856(d) of the Code, would in the judgment of the Board of Directors, cause the Corporation to fail to qualify as a REIT for Federal income tax purposes.

"Market Price" shall mean the last reported sales price reported on the New York Stock Exchange of Shares of the relevant class on the trading day immediately preceding the relevant date, or if the Shares of the relevant class are not then traded on the New York Stock Exchange, the last reported sales price of Shares of the relevant class on the trading day immediately preceding the relevant date as reported on any exchange or quotation system over which the Shares of the relevant class may be traded, or if the Shares of the relevant class are not then traded over any exchange or quotation system, then the market price of the Shares of the relevant class on the relevant date as determined in good faith by the Board of Directors of the Corporation.

"Ownership Limit" shall mean, with respect to the Common Shares for any Person other than an Existing Holder, the Beneficial Ownership of nine percent (9.0%), in number of shares or value, of the outstanding Common Shares of the Corporation, and, with respect to the Preferred Shares for any Person, the Beneficial Ownership of nine and nine-tenths percent (9.9%), in number of shares or value, of the outstanding shares of any class or series of Preferred Shares of the Corporation. The value of any outstanding Common Shares or shares of any class or series of Preferred Shares of the Corporation shall be determined by the Board of Directors of the Corporation in good faith which determination shall be conclusive for all purposes hereof.

"Ownership Limitation Termination Date" shall mean the first day after the date on which the Board of Directors determines that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT.

"Person" shall mean an individual, corporation, partnership, limited liability company, estate, trust (including a trust qualified under Section

401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity or any government or agency or political subdivision thereof and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended. "Person" does not include an underwriter which participates in a public offering of Shares for a period of 25 days following the purchase by such underwriter of those Shares.

"Preferred Shares" shall mean outstanding preferred shares of the Corporation as may be authorized and issued from time to time pursuant to Article IV.

"Purported Beneficial Transferee" shall mean, with respect to any purported Transfer which results in Excess Shares, the purported beneficial transferee for whom the Purported Record Transferee would have acquired Shares, if such Transfer had been valid under Section A.(2) of this Article XII.

"Purported Record Transferee" shall mean, with respect to any purported Transfer which results in Excess Shares, the record holder of the Shares if such Transfer had been valid under Section A.(2) of this Article XII.

-3-

"REIT" shall mean a real estate investment trust under Section 856 of the Code.

"REIT Election Date" shall mean January 1, 1999 or such other date on which the Corporation elects to be taxed as a REIT under the Code.

"Shares" shall mean the shares of the Corporation as may be authorized and issued from time to time pursuant to Article IV.

"Tenant" shall mean any Person that leases (or subleases) real property from the Corporation.

"Transfer" shall mean any sale, transfer, gift, assignment, devise or other disposition of Shares (including (a) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Shares or (b) the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Shares), whether voluntary or involuntary, whether of record or beneficially and whether by operation of law or otherwise.

"Trust" shall mean the trust created pursuant to Section C.(1) of this Article XII.

"Trustee" shall mean a Person, who shall be unaffiliated with the Corporation, any Purported Beneficial Transferee and any Purported Record Transferee, identified by the Board of Directors as the trustee of the Trust.

(2) Restrictions on Ownership and Transfer.

-----

(a) Except as provided in Section A.(12) of this Article XII, from the Adoption Date and prior to the Ownership Limitation Termination Date, no Person (other than, in the case of Common Shares, an Existing Holder) shall Beneficially Own Shares of any class in excess of the Ownership Limit for such class of Shares and no Existing Holder shall Beneficially Own Common Shares in excess of the Existing Holder Limit for such Existing Holder.

(b) Except as provided in Section A.(12) of this Article XII, from the Adoption Date and prior to the Ownership Limitation Termination Date, any Transfer that, if effective, would result in any Person (other than, in the case of a Transfer of Common Shares, an Existing Holder) Beneficially Owning Shares of any class in excess of the Ownership Limit with respect to Shares of such class shall be void ab initio as to the Transfer of such Shares which would be  
-- -----  
otherwise Beneficially Owned by such Person in excess of such Ownership Limit; and the intended transferee shall acquire no rights to such Shares.

(c) Except as provided in Section A.(12) of this Article XII, from the Adoption Date and prior to the Ownership Limitation Termination Date, any Transfer that, if effective, would result in any Existing Holder Beneficially

Owning Common Shares in excess of the applicable Existing Holder Limit shall be void ab initio as to the Transfer of such Common Shares which would be otherwise

Beneficially Owned by such Existing Holder in excess of the applicable Existing Holder Limit; and such Existing Holder shall acquire no rights to such Common Shares.

(d) From the Adoption Date and prior to the Ownership Limitation Termination Date, any Transfer that, if effective, would result in Shares being Beneficially Owned by less than 100 Persons (determined without referring to any rules of attribution) shall be void ab initio as to the Transfer of such

-4-

Shares which would be otherwise Beneficially Owned by the transferee; and the intended transferee shall acquire no rights in such Shares.

(e) From the Adoption Date and prior to the Ownership Limitation Termination Date, any Transfer that, if effective, would result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code shall be void ab initio as to the Transfer of the Shares which would cause

the Corporation to be "closely held" within the meaning of Section 856(h) of the Code; and the intended transferee shall acquire no rights in such Shares.

(3) Designation of Excess Shares.

(a) If, notwithstanding the other provisions contained in this Article XII, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, there is a purported Transfer such that any Person (other than, in the case of Common Shares, an Existing Holder) would Beneficially Own Shares of any class in excess of the applicable Ownership Limit with respect to such class, then, except as otherwise provided in Section A.(12) of this Article XII, such number of Shares in excess of such Ownership Limit (rounded up to the nearest whole Share) shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the purported Transfer.

(b) If, notwithstanding the other provisions contained in this Article XII, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, there is a purported Transfer such that an Existing Holder would Beneficially Own Common Shares in excess of the applicable Existing Holder Limit, then, except as otherwise provided in Section A.(12) of this Article XII, such number of Common Shares in excess of such Existing Holder Limit (rounded up to the nearest whole Share) shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the purported Transfer.

(c) If, notwithstanding the other provisions contained in this Article XII, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, there is a purported Transfer which, if effective, would cause the Corporation to become "closely held" within the meaning of Section 856(h) of the Code, then the Shares being Transferred which would cause the Corporation to be "closely held" within the meaning of Section 856(h) of the Code (rounded up to the nearest whole Share) shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the purported Transfer.

(d) If, notwithstanding the other provisions contained in this Article XII, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, any Person other than, with respect to Common Shares, an Existing Holder (the "Purchaser") purchases or otherwise acquires an interest in a Person which Beneficially Owns Shares (the "Purchase") and, as a result, the Purchaser would Beneficially Own Shares of any class in excess of the applicable Ownership Limit with respect to such class, then, except as provided in Section A.(12) of this Article XII, such number of Shares in excess of such Ownership Limit (rounded up to the nearest whole Share) shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the Purchase. In determining which Shares are designated as Excess Shares, Shares of the relevant class Beneficially Owned by the Purchaser prior to the Purchase shall be

treated as designated as Excess Shares before any Shares Beneficially Owned by the Person an interest in which is being so purchased or acquired are so treated.

(e) If, notwithstanding the other provisions contained in this Article XII, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, an Existing Holder purchases or otherwise acquires an interest in a Person which Beneficially Owns Shares (the "Purchase") and, as a result, such Existing Holder would Beneficially Own Common Shares in excess of the applicable Existing Holder Limit, then, except as provided in Section A.(12) of this Article XII, such number of Common Shares in excess of such Existing Holder Limit (rounded up to the nearest whole Share) shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the Purchase. In determining which Common Shares are exchanged, Common Shares Beneficially Owned by the purchasing Existing Holder prior to the Purchase shall be treated as designated as Excess Shares before any Common Shares Beneficially Owned by the Person an interest in which is being so purchased or acquired are so treated.

(f) If, notwithstanding the other provisions contained in this Article XII, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, there is a redemption, repurchase, restructuring or similar transaction with respect to a Person that Beneficially Owns Shares (the "Entity") and, as a result, a Person (other than, in the case of Common Shares, an Existing Holder) holding an interest in the Entity would Beneficially Own Shares in excess of the applicable Ownership Limit with respect to such class, then except as provided in Section A.(12) of this Article XII, such number of Shares in excess of such Ownership Limit (rounded up to the nearest whole Share) shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the redemption, repurchase, restructuring or similar transaction. In determining which Shares are designated as Excess Shares, Shares of the relevant class Beneficially Owned by the Entity shall be treated as designated as Excess Shares before any Shares Beneficially Owned by the Person holding an interest in the Entity (independently of such Person's interest in the Entity) are so treated.

(g) If, notwithstanding the other provisions contained in this Article XII, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, there is a redemption, repurchase, restructuring or similar transaction with respect to a Person that Beneficially Owns shares of Common Shares (the "Entity") and, as a result, an Existing Holder would Beneficially Own Common Shares in excess of the applicable Existing Holder Limit, then, except as provided in Section A.(12) of this Article XII, such number of Common Shares in excess of such Existing Holder Limit (rounded up to the nearest whole Share) shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the transfer. In determining which Common Shares are designated as Excess Shares, Common Shares Beneficially Owned by the Entity shall be treated as so designated before any Common Shares Beneficially Owned by the Existing Holder (independently of such Existing Holder's interest in the Entity) are so treated.

(h) If, notwithstanding the other provisions contained in this Article XII, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, an event, other than an event described in Sections A.(3)(a) through (g) of this Article XII, occurs which would, if effective, results in any Person (other than, in the case of Common Shares, an Existing Holder) Beneficially Owning Shares in excess of the applicable Ownership Limit, then, except as provided in Section A.(12) of this Article XII, the smallest number of Shares Beneficially Owned by such Person which, if designated as

Excess Shares, would result in such Person's Beneficial Ownership of Shares not being in excess of such Ownership Limit, shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the relevant event.

(i) If, notwithstanding the other provisions contained in this Article XII, at any time from the Adoption Date and prior to the Ownership Limitation Termination Date, an event, other than an event described in Section A.(3)(a)

through (g) of this Article XII, occurs which would, if effective, result in any Existing Holder Beneficially Owning Common Shares in excess of the applicable Existing Holder Limit, then, except as provided in Section A.(12) of this Article XII, the smallest number of Common Shares Beneficially Owned by such Existing Holder which, if designated as Excess Shares, would result in such Existing Holder's Beneficial Ownership of Common Shares not being in excess of such Existing Holder Limit, shall be automatically designated as Excess Shares. Such designation shall be effective as of the close of business on the business day prior to the date of the relevant event.

(j) In addition, if a Person (the "nonreporting Person") does not provide all of the information required by Section A.(6) of this Article XII and, as a result, the Corporation, but for the provisions of this paragraph, would not qualify as a REIT, then, as of the day prior to the date on which such aggregate ownership would have caused the Corporation to fail to qualify as a REIT, Shares Beneficially Owned by such Person shall be automatically designated as Excess Shares to the extent necessary to prevent the Corporation from failing to qualify as a REIT.

(4) Remedies For Breach. If the Board of Directors or its designees shall  
-----

at any time determine in good faith that a Transfer has taken place in violation of Section A.(2) of this Article XII or that a Person intends to acquire or has attempted to acquire Beneficial Ownership of any Shares in violation of Section A.(2) of this Article XII, the Board of Directors shall take such action as it deems advisable to refuse to give effect or to prevent such Transfer (or any Transfer related to such intent), including, but not limited to, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer; provided, however, that any Transfers or attempted Transfers in violation of Sections A.(2)(a) through (c) of this Article XII or Section A.(2)(e) of this Article XII shall automatically result in the designation of Excess Shares described in Section A.(3) of this Article XII, irrespective of any action (or non-action) by the Board of Directors.

(5) Notice of Ownership or Attempted Ownership in Violation of Section  
-----

A.(2). Any Person who acquires or attempts to acquire Beneficial Ownership of  
-----  
Shares in violation of Section A.(2) shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such acquisition or attempted acquisition on the Corporation's status (or, if prior to the REIT Election Date, expected status) as a REIT.

(6) Owners Required to Provide Information.  
-----

From the Adoption Date and prior to the Ownership Limitation Termination Date:

(a) every Beneficial Owner of more than 5.0% (or such other lower percentages as required pursuant to regulations under the Code) of the outstanding number or value of any class or series of Shares shall, within 30 days after January 1 of each year, give written notice to the Corporation stating the name and address of such Beneficial Owner, the number of Shares Beneficially Owned, and a

description of how such Shares are held. Each such Beneficial Owner shall provide to the Corporation such additional information as the Corporation may request in order to determine the effect, if any, of such Beneficial Ownership on the Corporation's status (or, if prior to the REIT Election Date, expected status) as a REIT.

(b) each Person who is a Beneficial Owner of Shares and each Person (including the shareholder of record) who is holding Shares for a Beneficial Owner shall provide to the Corporation such information as the Corporation may request, in good faith, in order to determine the Corporation's status (or, if prior to the REIT Election Date, expected status) as a REIT or to comply with regulations promulgated under the REIT provisions of the Code.

(7) Remedies Not Limited. Except as provided in Section E. of this

-----  
Article XII, nothing contained in this Article XII shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders by preservation of the Corporation's status (or, if prior to the REIT Election Date, expected status) as a REIT.

(8) Ambiguity. In the case of an ambiguity in the application of any of -----  
the provisions of this Article XII, including any definition contained in Section A.(1) of this Article XII and any ambiguity with respect to which Shares are to be designated as Excess Shares in a given situation, the Board of Directors shall have the power to determine the application of the provisions of this Article XII with respect to any situation based on the facts known to it.

(9) Modification of Existing Holder Limit. The Existing Holder Limit for -----  
any Existing Holder will be reduced after any transfer permitted in this Section A or any other event that reduces the percentage of the outstanding Common Shares Beneficially Owned by any Existing Holder of this Article XII by such Existing Holder to a Person other than an Existing Holder by the amount of Shares Transferred; but in no event shall such Existing Holder Limit be reduced to less than the Ownership Limit for Common Shares.

(10) Modifications of Ownership Limit. Subject to the limitations -----  
provided in Section A.(11) of this Article XII, the Board of Directors may from time to time increase or decrease the Ownership Limit with respect to a class of Shares.

(11) Limitations on Modifications. -----  
(a) Neither the Ownership Limit with respect to a class of Shares nor any Existing Holder Limit may be increased (nor may any additional Existing Holder Limit be created) if, after giving effect to such increase (or creation), five Beneficial Owners of Shares (including all of the then-existing Existing Holders) could Beneficially Own, in the aggregate, more than 49.9% of the outstanding Shares of the class of Shares to which such Ownership Limit or Existing Holder Limit relates.

(b) Prior to the modification of any Existing Holder Limit or Ownership Limit pursuant to Section A.(9) or Section A.(10) of this Article XII, the Board of Directors may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure the Corporation's status (or, if prior to the REIT Election Date, expected status) as a REIT.

-8-

(c) The Ownership Limit with respect to a class of Shares may not be increased to a percentage which is greater than 9.9%.

(12) Exceptions. The Board of Directors, with a ruling from the Internal -----  
Revenue Service or an opinion of counsel that such exemption will not cause the Corporation to fail to qualify as a REIT or such other evidence or documents as the Board of Directors deems appropriate, may exempt a Person from the Ownership Limit with respect to a class of Shares or an Existing Holder Limit, as the case may be, if the Board of Directors obtains such representations and undertakings from such Persons as the Board of Directors determines are reasonably necessary, and such Person agrees that any violation or attempted violation of such representations or undertakings will result in, to the extent necessary, the designation of Shares held by such Person as Excess Shares in accordance with Section A.(3) of this Article XII.

B. Legend. (1) Each certificate for Common Shares shall bear the -----  
following legend:

"The Common Shares represented by this certificate are subject to restrictions on ownership and transfer for the purpose of the Corporation's maintenance of its status (or, if prior to the REIT Election Date, expected status) as a real estate investment trust

under the Internal Revenue Code of 1986, as amended (the "Code"). No Person may Beneficially Own Common Shares in excess of 9.0% (or such greater percentage as may be determined by the Board of Directors) of the outstanding Common Shares of the Corporation (unless such Person is an Existing Holder). Any Person who attempts to Beneficially Own Common Shares in excess of the above limitation must immediately notify the Corporation. All capitalized terms used in this Legend have the meanings set forth in the Certificate of Incorporation of the Corporation, as amended, a copy of which, including the restrictions on ownership and transfer, will be sent without charge to each stockholder who so requests. If the restrictions on ownership and transfer are violated, the Common Shares represented hereby will be automatically designated as Excess Shares which will be held in trust by the Trustee for the benefit of the Beneficiary."

Instead of the foregoing legend, the certificate may state that the Corporation will furnish a full statement about certain restrictions on transferability to a stockholder on request and without charge.

(2) Each certificate for Preferred Shares shall bear the following legend:

"The Preferred Shares represented by this certificate are subject to restrictions on ownership and transfer for the purpose of the Corporation's maintenance of its status (or, if prior to the REIT Election Date, expected status) as a real estate investment trust under the Internal Revenue Code of 1986, as amended (the "Code"). No Person may Beneficially Own Preferred Shares of any class in excess of 9.9% of the outstanding Preferred Shares of such class. Any Person who attempts to Beneficially Own Shares in excess of the above limitations must immediately notify the Corporation. All capitalized terms used in this legend have the meanings set forth in the Certificate of Incorporation of the Corporation, a copy of which, including the restrictions on ownership and transfer, will be sent without charge to each stockholder who so requests. If the restrictions on ownership and transfer are violated, the Preferred Shares represented hereby will be automatically designated as Excess Shares which will be held in trust by the Trustee for the benefit of the Beneficiary."

-9-

Instead of the foregoing legend, the certificate may state that the Corporation will furnish a full statement about certain restrictions on transferability to a stockholder on request and without charge.

C. Excess Shares.

-----

(1) Ownership in Trust. Upon any purported Transfer or other event that

-----

results in the designation of Shares as Excess Shares pursuant to Section A.(3) of this Article XII, such Excess Shares shall be deemed to have been transferred to the Trustee, as trustee of the Trust for the exclusive benefit of the Beneficiary. The Trust shall name a Beneficiary if one does not already exist, within five days of the discovery of any designation of any Excess Shares; provided, however, that the failure to so name a Beneficiary shall not affect the designation of Shares as Excess Shares or the transfer thereof to the Trustee. Excess Shares so held in trust shall be issued and outstanding stock of the Corporation. The Purported Record Transferee shall have no rights in such Excess Shares except as provided in Section C.(5) of this Article XII.

(2) Dividend Rights. Any dividends (whether taxable as a dividend,

-----

return of capital or otherwise) on Excess Shares shall be paid to the Trust for the benefit of the Beneficiary. Upon liquidation, dissolution or winding up, the Purported Record Transferee shall receive, for each Excess Share, the lesser of (a) the amount per share of any distribution made upon liquidation, dissolution or winding up or (b) the price paid by the Purported Record Transferee for the Excess Shares, or if the Purported Record Transferee did not give value for the Excess Shares, the Market Price of the Excess Shares on the day of the event causing the Excess Shares to be in held in trust. Any such dividend paid or distribution paid to the Purported Record Transferee in excess of the amount provided in the preceding sentence prior to the discovery by the Trust that the Shares with respect to which the dividend or distribution was made had been designated as Excess Shares shall be repaid, upon demand, to the Trust for the

benefit of the Beneficiary.

(3) Rights Upon Liquidation. In the event of any voluntary or involuntary

-----  
liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation, (a) subject to the preferential rights of the Preferred Shares, if any, as may be determined by the Board of Directors of the Corporation and the preferential rights of the Excess Preferred Shares, if any, each holder of Excess Common Shares shall be entitled to receive, ratably with each other holder of Common Shares and Excess Common Shares, that portion of the assets of the Corporation available for distribution to the holders of Common Shares or Excess Common Shares which bears the same relation to the total amount of such assets of the Corporation as the number of Excess Common Shares held by such holder bears to the total number of Common Shares and Excess Common Shares then outstanding, and (b) each holder of Excess Preferred Shares shall be entitled to receive that portion of the assets of the Corporation which a holder of the Preferred Shares that was exchanged for such Excess Preferred Shares would have been entitled to receive had such Preferred Shares remained outstanding. The Corporation, as holder of the Excess Shares in trust shall distribute ratably to the Beneficiaries of the Trust, when determined, any such assets received in respect of the Excess Shares in any liquidation, dissolution or winding up of, or any distribution of the assets of the Corporation.

(4) Voting Rights. The Trustee shall be entitled to vote the Excess

-----  
Shares on behalf of the Beneficiary on any matter. Subject to Delaware law, any vote cast by a Purported Record Transferee with respect to the Excess Shares prior to the discovery by the Corporation that the Excess Shares were held

-10-

in trust will be rescinded ab initio; provided, however, that if the Corporation

-----  
has already taken irreversible action with respect to a merger, reorganization, sale of all or substantially all of the assets, dissolution of the Corporation or other action by the Corporation, then the vote cast by the Purported Record Transferee shall not be rescinded. The owner of the Excess Shares will be deemed to have given an irrevocable proxy to the Trustee to vote the Excess Shares for the benefit of the Beneficiary.

Notwithstanding the provisions of this Article XII, until the Corporation has received notification that Excess Shares have been transferred into a Trust, the Corporation shall be entitled to rely on its share transfer and other stockholder records for purposes of preparing lists of stockholders entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes of stockholders.

(5) Restrictions on Transfer. Excess Shares shall be transferable only

-----  
as provided in this Section C.(5) of Article XII. At the direction of the Board of Directors, the Trustee shall transfer the Shares held in the Trust to a Person or Persons whose ownership of such Shares will not violate the Ownership Limit. If such a transfer is made to such a Person or Persons, the interest of the Beneficiary shall terminate and proceeds of the sale shall be payable to the Purported Record Transferee and to the Beneficiary. The Purported Record Transferee shall receive the lesser of (a) the price paid by the Purported Record Transferee for the Shares or, if the Purported Record Transferee did not give value for the Shares, the Market Price of the Shares on the day of the event causing the Shares to be held in trust, or (b) the price received by the Trust from the sale or other disposition of the Shares. Any proceeds in excess of the amount payable to the Purported Record Transferee will be paid to the Beneficiary. The Trustee shall be under no obligation to obtain the highest possible price for the Excess Shares. Prior to any transfer of any Excess Shares by the Trustee, the Corporation must have waived in writing its purchase rights under Section C.(6) of this Article XII. It is expressly understood that the Purported Record Transferee may enforce the provisions of this Section against the Beneficiary.

If any of the foregoing restrictions on transfer of Excess Shares is determined to be void, invalid or unenforceable by any court of competent jurisdiction, then the Purported Record Transferee may be deemed, at the option of the Corporation, to have acted as an agent of the Corporation in acquiring such Excess Shares in trust and to hold such Excess Shares on behalf of the Corporation.

(6) Purchase Right in Excess Shares. Excess Shares shall be deemed to

-----  
have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that created such Excess Shares (or, in the case of a devise, gift or other transaction in which no value was given for such Excess Shares, the Market Price at the time of such devise, gift or other transaction) and (ii) the Market Price on the date the Corporation, or its designee accepts such offer (the "Redemption Price"). The Trust shall have the right to accept such offer for a period of ninety days after the later of (i) the date of the purported Transfer or other event which resulted in the designation of the Shares as Excess Shares and (ii) the date the Board of Directors determines in good faith that a purported Transfer or other event resulting in the designation of Excess Shares has occurred, if the Corporation does not receive a notice of any such Transfer pursuant to Section A.(5) of this Article XII. Unless the Board of Directors determines that it is in the interests of the Corporation to make earlier payments of all of the amounts determined as the Redemption Price per Share in accordance with the preceding sentence, the Redemption Price may be payable at the option of the Board of Directors at any time up to but not later than five years after the date the Corporation accepts the offer to purchase the

-11-

Excess Shares. In no event shall the Corporation have an obligation to pay interest to the Purported Record Transferee.

D. Severability. If any provision of this Article XII or any

-----  
application of any such provision is determined to be invalid by any Federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

E. New York Stock Exchange Transactions. Nothing in this Article XII

-----  
shall preclude the settlement of any transaction entered into through the facilities of the New York Stock Exchange. The fact that the settlement of any transaction occurs or takes place shall not negate the effect of any other provision of this Article XII and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article XII.

F. Amendment of Article XII. This Article XII may not be amended,

-----  
modified or repealed except by the affirmative vote of not less than two-thirds (2/3) of the votes entitled to be cast by the holders of all Shares of the Corporation entitled to vote generally in the election of Directors voting together as one class."

FOURTH: The foregoing amendment has been duly adopted by the favorable vote of the holders of a majority of the outstanding stock of the Corporation entitled to vote thereon in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, Vencor, Inc. has caused this certificate to be signed by Joseph L. Landenwich, its Secretary, on the 30th day of April, 1998.

VENCOR, INC.

By:

-----  
Joseph L. Landenwich  
Secretary

-12-

CREDIT AGREEMENT  
dated as of April 29, 1998

among

VENTAS REALTY, LIMITED PARTNERSHIP,

NATIONSBANK, N.A.,  
as a Bank and as Administrative Agent for the Banks,

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,  
as a Bank and as Documentation Agent for the Banks,

BANQUE PARIBAS,  
THE BANK OF NOVA SCOTIA,  
CREDIT LYONNAIS NEW YORK BRANCH,  
CREDIT SUISSE FIRST BOSTON,  
FLEET NATIONAL BANK,  
THE INDUSTRIAL BANK OF JAPAN, LIMITED, NEW YORK BRANCH,  
PNC BANK, NATIONAL ASSOCIATION,  
SOCIETE GENERALE,  
THE TORONTO-DOMINION BANK,  
WACHOVIA BANK, N.A.,  
each as a Bank and as a Senior Managing Agent,

ABN AMRO BANK N.V.,  
BANK ONE, KENTUCKY, N.A.,  
COMERICA BANK,  
DEUTSCHE BANK AG, NEW YORK BRANCH  
AND/OR CAYMAN ISLANDS BRANCH,  
NATIONAL CITY BANK OF KENTUCKY,  
each as a Bank and as a Managing Agent,

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,  
THE BANK OF NEW YORK,  
THE FIRST NATIONAL BANK OF CHICAGO,  
U.S. BANK,  
UNION BANK OF CALIFORNIA,  
each as a Bank and as a Co-Agent

and

THE BANKS LISTED HEREIN,

and

JP MORGAN SECURITIES INC.  
AND  
NATIONSBANC MONTGOMERY SECURITIES LLC,  
as Co-Arrangers

TABLE OF CONTENTS

	Page
ARTICLE I	
DEFINITIONS.....	1
Section 1.1. Definitions.....	1

Section 1.2.	Accounting Terms and Determinations.....	27
Section 1.3.	Types of Borrowings.....	27
ARTICLE II THE CREDITS.....		28
Section 2.1.	Commitments to Lend.....	28
Section 2.2.	Notice of Borrowing.....	32
Section 2.3.	Intentionally Omitted.....	34
Section 2.4.	Notice to Banks; Funding of Loans.....	35
Section 2.5.	Notes.....	36
Section 2.6.	Maturity of Loans.....	37
Section 2.7.	Interest Rates.....	37
Section 2.8.	Fees.....	40
Section 2.9.	Mandatory Termination.....	41
Section 2.10.	Mandatory Prepayment.....	42
Section 2.11.	Optional Prepayments.....	43
Section 2.12.	General Provisions as to Payments.....	46
Section 2.13.	Funding Losses.....	47
Section 2.14.	Computation of Interest and Fees.....	48
Section 2.15.	Method of Electing Interest Rates.....	48
Section 2.16.	Letters of Credit.....	50
Section 2.17.	Letter of Credit Usage Absolute.....	54
ARTICLE III CONDITIONS.....		55
Section 3.1.	Closing.....	55
Section 3.2.	Borrowings.....	58
Section 3.3.	Additional Real Property Assets.....	60
ARTICLE IV REPRESENTATIONS AND WARRANTIES.....		62
Section 4.1.	Existence and Power.....	62
Section 4.2.	Power and Authority.....	62
i		
		Page
		----
Section 4.3.	No Violation; Government Approvals; Licenses.....	63
Section 4.4.	Financial Information.....	64
Section 4.5.	Litigation.....	64
Section 4.6.	Compliance with ERISA.....	65
Section 4.7.	Environmental Compliance.....	65
Section 4.8.	Taxes.....	67
Section 4.9.	Full Disclosure.....	67
Section 4.10.	Solvency.....	67
Section 4.11.	Use of Proceeds; Margin Regulations.....	67
Section 4.12.	Investment Company Act; Public Utility Holding Company Act.....	68
Section 4.13.	Closing Date Transactions.....	68
Section 4.14.	Representations and Warranties in Loan Documents.....	68
Section 4.15.	Patents, Trademarks, etc.....	68
Section 4.16.	No Default.....	69
Section 4.17.	Compliance With Law.....	69
Section 4.18.	Brokers' Fees.....	69
Section 4.19.	Labor Matters.....	69
Section 4.20.	Organizational Documents.....	70
Section 4.21.	Principal Offices.....	70
Section 4.22.	Ownership of Property.....	70
Section 4.23.	Insurance.....	70
Section 4.24.	"Year 2000" Compliance.....	70
Section 4.25.	REIT Status.....	71
ARTICLE V AFFIRMATIVE AND NEGATIVE COVENANTS.....		71
Section 5.1.	Information.....	71
Section 5.2.	Payment of Obligations.....	76
Section 5.3.	Maintenance of Property; Insurance.....	76
Section 5.4.	Conduct of Business.....	77

Section 5.5.	Compliance with Laws.....	77
Section 5.6.	Inspection of Property, Books and Records.....	77
Section 5.7.	Existence.....	78
Section 5.8.	Financial Covenants.....	78
Section 5.9.	Restriction on Fundamental Changes; Operation and Control.....	80
Section 5.10.	Fiscal Year; Fiscal Quarter.....	81
Section 5.11.	Margin Stock.....	82
Section 5.12.	Development Activities.....	82
Section 5.13.	Interest Rate Protection.....	82
Section 5.14.	Investments in Non-Healthcare Related Assets.....	82
Section 5.15.	Investments in Minority Holdings.....	83

		Page
		----
Section 5.16.	Use of Proceeds.....	83
Section 5.17.	Sale of Unencumbered Asset Pool Properties.....	84
Section 5.18.	Limitations On Subsidiary Debt.....	84
Section 5.19.	Restrictions on Pledge.....	84
Section 5.20.	Release of Properties.....	85
Section 5.21.	REIT Status.....	85
Section 5.22.	Affiliate Transactions.....	86
Section 5.23.	Leases.....	86
Section 5.24.	New Subsidiaries.....	89
Section 5.25.	Borrower's Restructuring.....	89

ARTICLE VI

DEFAULTS.....	90
---------------	----

Section 6.1.	Events of Default.....	90
Section 6.2.	Rights and Remedies.....	94
Section 6.3.	Notice of Default.....	94
Section 6.4.	Actions in Respect of Letters of Credit.....	95

ARTICLE VII

THE AGENTS.....	98
-----------------	----

Section 7.1.	Appointment and Authorization.....	98
Section 7.2.	Agent and Affiliates.....	98
Section 7.3.	Action by Agents.....	98
Section 7.4.	Consultation with Experts.....	98
Section 7.5.	Liability of Agents.....	99
Section 7.6.	Indemnification.....	99
Section 7.7.	Credit Decision.....	99
Section 7.8.	Successor Agents.....	100

ARTICLE VIII

CHANGE IN CIRCUMSTANCES.....	101
------------------------------	-----

Section 8.1.	Basis for Determining Interest Rate Inadequate or Unfair.....	101
Section 8.2.	Illegality.....	101
Section 8.3.	Increased Cost and Reduced Return.....	102
Section 8.4.	Taxes.....	104
Section 8.5.	Base Rate Loans Substituted for Affected Euro-Dollar Loans.....	107
Section 8.6.	Substitution of Banks.....	108

ARTICLE IX

MISCELLANEOUS.....	110
--------------------	-----

Section 9.1.	Notices.....	110
Section 9.2.	No Waivers.....	110
Section 9.3.	Expenses; Indemnification.....	111
Section 9.4.	Sharing of Set-Offs.....	112

Section 9.5. Amendments and Waivers.....114  
Section 9.6. Successors and Assigns.....115  
Section 9.7. Governing Law; Submission to Jurisdiction.....118  
Section 9.8. Marshaling; Recapture.....119  
Section 9.9. Counterparts; Integration; Effectiveness.....119  
Section 9.10. WAIVER OF JURY TRIAL.....119  
Section 9.11. Survival.....119  
Section 9.12. Domicile of Loans.....120  
Section 9.13. Limitation of Liability.....120

Exhibit A-1 Form of Note.....A-1  
Exhibit A-2 Form of Swing Note.....A-1  
Exhibit B Unencumbered Asset Pool Properties.....B-1  
Exhibit C Preapproved Development Properties.....C-1  
Exhibit D Assignment and Assumption Agreement.....D-1

Schedule 3.1 - Exceptions to Section 3.1  
Schedule 4.3 - Exceptions to Section 4.3  
Schedule 4.5 - Litigation  
Schedule 4.19 - Labor Matters  
Schedule 4.22 - Real Property Assets  
Schedule 5.8 - Indemnified Contingent Obligations  
Schedule 5.22 - Existing Affiliate Agreements

CREDIT AGREEMENT

CREDIT AGREEMENT dated as of April 29, 1998, among VENTAS REALTY, LIMITED PARTNERSHIP (the "Borrower"), NATIONSBANK, N.A., as a Bank and as

-----  
Administration Agent for the Banks, MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as a Bank and as Documentation Agent for the Banks, the SENIOR MANAGING AGENTS listed on the cover page hereof, the MANAGING AGENTS listed on the cover page hereof, the CO-AGENTS listed on the cover page hereof, the BANKS listed on the signature pages hereof (the "Banks"), and JP MORGAN SECURITIES INC. and

-----  
NATIONSBANC MONTGOMERY SECURITIES LLC as Co-Arrangers.

W I T N E S S E T H:  
-----

The parties hereto agree as follows:

ARTICLE II

DEFINITIONS

Section 2.2 Definitions. The following terms, as used herein, have the following meanings:

"Administrative Agent" means NationsBank, N.A. in its capacity as  
-----

Administrative Agent for the Banks hereunder, and its successors in such capacity.

"Administrative Questionnaire" means, with respect to each Bank, an  
-----

administrative questionnaire in the form prepared by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Borrower) duly completed by such Bank.

"Affiliate" means any Person (other than a Subsidiary) directly or  
-----

indirectly controlling, controlled by or under common control with Borrower; provided, however, that during the period following the spin-off of Vencor, Inc., common share ownership between Guarantor and Vencor, Inc. shall not be deemed to make either entity an Affiliate of the other. As used in this definition, the term "control" means possession, directly or indirectly, of the

power to vote 10% or more of any class of voting securities of a Person or to direct or

cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agents" means the Administrative Agent and the Documentation Agent.  
-----

"Agreement" means this Credit Agreement as the same may from time to time hereafter be modified, supplemented or amended.  
-----

"Annual EBITDA" means, measured as of the last day of each calendar quarter, an amount equal to (i) total revenues relating to the Guarantor and its Consolidated Subsidiaries for the previous four consecutive calendar quarters including the quarter then ended, on an accrual basis with adjustments to remove the effect of the straight-lining of rents, plus (ii) interest and other income of the Guarantor and its Consolidated Subsidiaries, including, without limitation, real estate service revenues, for such period, less (iii) total operating expenses and other expenses relating to Real Property Assets for such period (other than interest, taxes, depreciation, amortization, and other non-cash items), less (iv) total corporate operating expenses (including general overhead expenses) and other expenses of the Guarantor and its Consolidated Subsidiaries (other than interest, taxes, depreciation, amortization and other non-cash items), for such period.  
-----

"Applicable Interest Rate" means the lesser of (x) the rate at which the interest rate applicable to any floating rate Debt could be fixed, at the time of calculation, by the Borrower entering into an interest rate swap agreement, and (y) the rate at which the interest rate applicable to such floating rate Debt is actually capped, at the time of calculation, if the Borrower has entered into an interest rate cap agreement with respect thereto or if the documentation for such Debt contains a cap.  
-----

"Applicable Lending Office" means, with respect to any Bank, (i) in the case of its Base Rate Loans, its Domestic Lending Office, and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.  
-----

"Applicable Margin" means, with respect to each Euro-Dollar Loan and each Base Rate Loan, the respective percentages per annum determined, at any time, based on the range into which the Maximum Total Debt Ratio then falls, in accordance with the table set forth below. Any change in the Maximum Total Debt Ratio shall occur on the date on which the Guarantor delivers, or was required to have delivered, the certificate pursuant to Section 5.1(e) hereof, whichever is earlier, and shall be effective as of the date on which the Maximum Total Debt Ratio is calculated.  
-----

	Maximum Total Debt Ratio less than 40%.	Maximum Total Debt Ratio equal to or greater than 40% but less than or equal to 50%.	Maximum Total Debit Ratio greater than 50%.
-----			
Applicable Base Rate Margin	Tranche A: 1.75% Tranche B: 1.00% Tranche C: 1.25% Tranche D: 1.75%	Tranche A: 1.75% Tranche B: 1.25% Tranche C: 1.25% Tranche D: 1.75%	Tranche A: 2.00% Tranche B: 1.50% Tranche C: 1.50% Tranche D: 2.00%
-----			
Applicable Euro-Dollar Margin	Tranche A: 2.75% Tranche B: 2.00% Tranche C: 2.25%	Tranche A: 2.75% Tranche B: 2.25% Tranche C: 2.25%	Tranche A: 3.00% Tranche B: 2.50% Tranche C: 2.50%

=====  
"Assignee" has the meaning set forth in Section 9.6(c).  
-----

"Bank" means each bank listed on the signature pages hereof, each  
----  
Assignee which becomes a Bank pursuant to Section 9.6(c), and their respective  
successors.

"Bankruptcy Code" means Title 11 of the United States Code, entitled  
-----  
"Bankruptcy", as amended from time to time, and any successor statute or  
statutes.

"Base Rate" means, for any day, a rate per annum equal to the higher  
-----  
of (i) the Prime Rate for such day and (ii) the sum of the Federal Funds Rate  
plus .50%.

"Base Rate Borrowing" means a Borrowing comprised of Base Rate Loans.  
-----

"Base Rate Loan" means a Loan to be made by a Bank as a Base Rate Loan  
-----  
in accordance with the

3

applicable Notice of Borrowing, Notice of Interest Rate Election or pursuant to  
Article VIII.

"Benefit Arrangement" means at any time an employee benefit plan  
-----  
within the meaning of Section 3(3) of ERISA which is not a Plan or a  
Multiemployer Plan and which is maintained or otherwise contributed to by any  
member of the ERISA Group.

"Borrower" means Ventas Realty, Limited Partnership, a Delaware  
-----  
limited partnership, and its successors.

"Borrowing" has the meaning set forth in Section 1.3.  
-----

"Cash or Cash Equivalents" means (i) cash, (ii) direct obligations of  
-----  
the United States Government, including, without limitation, treasury bills,  
notes and bonds, (iii) interest bearing or discounted obligations of Federal  
agencies and Government sponsored entities or pools of such instruments offered  
by banks rated AA or better by S&P or Aa2 by Moody's and dealers, including,  
without limitation, Federal Home Loan Mortgage Corporation participation sale  
certificates, Government National Mortgage Association modified pass-through  
certificates, Federal National Mortgage Association bonds and notes, Federal  
Farm Credit System securities, (iv) time deposits, domestic and Eurodollar  
certificates of deposit, bankers acceptances, commercial paper rated at least  
A-1 by S&P and P-1 by Moody's, and/or guaranteed by an entity having an Aa  
rating by Moody's, an AA rating by S&P, or better rated credit, floating rate  
notes, other money market instruments and letters of credit each issued by banks  
which have a long-term debt rating of at least AA by S&P or Aa2 by Moody's, (v)  
obligations of domestic corporations, including, without limitation, commercial  
paper, bonds, debentures, and loan participations, each of which is rated at  
least AA by S&P, and/or Aa2 by Moody's, and/or unconditionally guaranteed by an  
AA rating by S&P, an Aa2 rating by Moody's, or better rated credit, (vi)  
obligations issued by states and local governments or their agencies, rated at  
least MIG-1 by Moody's and/or SP-1 by S&P and/or guaranteed by an irrevocable  
letter of credit of a bank with a long-term debt rating of at least AA by S&P or  
Aa2 by Moody's, (vii) repurchase agreements with major banks and primary  
government securities dealers fully secured by U.S. Govern-

4

ment or agency collateral equal to or exceeding the principal amount on a daily basis and held in safekeeping, (viii) real estate loan pool participations, guaranteed by an entity with an AA rating given by S&P or an Aa2 rating given by Moody's, or better rated credit, and (ix) shares of any mutual fund that has its assets primarily invested in the types of investments referred to in clauses (i) through (viii).

"Closing Date" means the date on which the Documentation Agent shall  
-----  
have received the documents specified in or pursuant to Section 3.1.

"Commitment" means, with respect to each Bank, the amount committed by  
-----  
such Bank pursuant to this Agreement with respect to any Loans as set forth on the signature pages hereof, as such amount may be reduced from time to time pursuant to Sections 2.9 and 2.10.

"Consolidated Subsidiary" means at any date any Subsidiary or other  
-----  
entity which is consolidated with the Guarantor or Borrower, as applicable, in accordance with GAAP.

"Consolidated Tangible Net Worth" means at any date the consolidated  
-----  
stockholders' equity of the Guarantor (determined on a book basis) less its consolidated Intangible Assets, all determined as of such date. For purposes of this definition "Intangible Assets" means with respect to any such intangible  
-----  
assets, the amount (to the extent reflected in determining such consolidated stockholders' equity) of (i) all write-ups subsequent to the Closing Date in the book value of any asset owned by the Borrower or a Consolidated Subsidiary and (ii) goodwill, patents, trademarks, service marks, trade names, anticipated future benefit of tax loss carry forwards, copyrights, organization or developmental expenses and other intangible assets.

"Contingent Obligation" as to any Person means, without duplication,  
-----  
(i) any contingent obligation of such Person required to be shown on such Person's balance sheet in accordance with GAAP, and (ii) any obligation required to be disclosed in the footnotes to such Person's financial statements, guaranteeing partially or in whole any non-recourse Debt, dividend or other obligation, exclusive of contractual indemnities (including, without limitation, any indemnity or price-adjustment

5

provision relating to the purchase or sale of securities or other assets) and guarantees of non-monetary obligations (other than guarantees of completion) which have not yet been called on or quantified, of such Person or of any other Person. "Contingent Obligations" shall not include those Contingent Obligations set forth on Schedule 5.8 hereof for which there exists an indemnification by a  
-----  
third party in favor of Guarantor.

"Debt" of any Person means, without duplication, (A) as shown on such  
-----  
Person's consolidated balance sheet (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property and, (ii) all indebtedness of such Person evidenced by a note, bond, debenture or similar instrument (whether or not disbursed in full in the case of a construction loan), (B) the face amount of all letters of credit issued for the account of such Person and, without duplication, all unreimbursed amounts drawn thereunder, (C) all Contingent Obligations of such Person, and (D) all payment obligations of such Person under any interest rate protection agreement (including, without limitation, any interest rate swaps, caps, floors, collars and similar agreements) and currency swaps and similar agreements which were not entered into specifically in connection with Debt set forth in clauses (A), (B) or (C) hereof. For purposes of this Agreement, Debt (other than Contingent Obligations) of the Borrower or Guarantor shall be deemed to include only the Borrower's or Guarantor's pro rata share (such share being based upon the Borrower's or Guarantor's percentage ownership interest as shown on the Borrower's or Guarantor's annual audited financial statements) of the Debt of any Person in which the Borrower or Guarantor, directly or indirectly, owns an

interest, provided that such Debt is nonrecourse, both directly and indirectly, to the Borrower or Guarantor, as applicable. Notwithstanding anything contained herein to the contrary, in no event shall "Debt" be deemed to include debt evidenced by bonds issued by Guarantor to tenants of residential units of New Pond Village in Walpole, Massachusetts evidencing the obligation to repay at the end of their tenancies amounts paid by them at the beginning of their tenancies, provided that the aggregate outstanding principal amount of all

-----  
bonds referred to in this clause shall not at any time exceed \$35,000,000.

"Default" means any condition or event which constitutes an Event of  
-----  
Default or which with the giving

6

of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Documentation Agent" means Morgan Guaranty Trust Company of New York,  
-----  
in its capacity as Documentation Agent for the Banks hereunder, and its successors in such capacity.

"Domestic Business Day" means any day except a Saturday, Sunday or  
-----  
other day on which commercial banks in New York City and Los Angeles are authorized by law to close.

"Domestic Lending Office" means, as to each Bank, its office located  
-----  
within the United States at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office within the United States as such Bank may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Administrative Agent; provided that no Bank shall be permitted to change its Domestic Lending Office if at the time of such change either (i) pursuant to the provisions of Section 8.1 or Section 8.2, Borrower would be unable to maintain any Loans as Euro-Dollar Loans; or (ii) Borrower would be required to make any payment to such Bank pursuant to the provisions of Section 8.3 or Section 8.4.

"Environmental Affiliate" means any partnership, or joint venture,  
-----  
trust or corporation in which either a controlling equity interest is owned by the Borrower, either directly or indirectly or an equity interest is owned by the Borrower either directly or indirectly, of such a nature that the Borrower could be found to be liable under applicable Environmental Laws.

"Environmental Approvals" means any permit, license, approval, ruling,  
-----  
variance, exemption or other authorization required under applicable Environmental Laws.

"Environmental Claim" means, with respect to any Person, any notice,  
-----  
claim, demand or similar communication (written or oral) by any other Person alleging potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damage, property damage, personal injuries, fines or

7

penalties arising out of, based on or resulting from (i) the presence, or release into the environment, of any Material of Environmental Concern at any location, whether or not owned by such Person or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law, in each case as to which could reasonably be expected to have a Material Adverse Effect.

"Environmental Laws" means any and all federal, state, local and  
-----  
foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating

to the environment, the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, Material of Environmental Concern or hazardous wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Material of Environmental Concern or hazardous wastes or the clean-up or other remediation thereof.

"Environmental Report" has the meaning set forth in Section 4.7.  
-----

"ERISA" means the Employee Retirement Income Security Act of 1974, as  
-----  
amended, or any successor statute.

"ERISA Group" means the Borrower, the Guarantor, any Subsidiary and  
-----  
all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

"Euro-Dollar Borrowing" has the meaning set forth in Section 1.3.  
-----

"Euro-Dollar Business Day" means any Domestic Business Day on which  
-----  
commercial banks are open for international business (including dealings in dollar deposits) in London.

8

"Euro-Dollar Lending Office" means, as to each Bank, its office,  
-----  
branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent; provided that no Bank shall be permitted to change its Euro-Dollar Lending Office if at the time of such change either (i) pursuant to the provisions of Section 8.1 or Section 8.2, Borrower would be unable to maintain any Loans as Euro-Dollar Loans; or (ii) Borrower would be required make any payment to such Bank pursuant to the provisions of Sections 8.3 or Section 8.4.

"Euro-Dollar Loan" means a Loan to be made by a Bank as a Euro-Dollar  
-----  
Loan in accordance with the applicable Notice of Borrowing or notice pursuant to Section 2.2(b) or Notice of Interest Rate Election.

"Euro-Dollar Reserve Percentage" has the meaning set forth in Section  
-----  
2.7(b).

"Event of Default" has the meaning set forth in Section 6.1.  
-----

"Existing Affiliate Agreements" means those agreements between the  
-----  
Guarantor and its Affiliates listed on Schedule 5.22 hereof.

"Existing Credit Agreements" means credit agreements relating to (A)  
-----  
10-1/8% Senior Subordinate Hillhaven Notes in the remaining amount of \$3,300,000, (B) BGM Enterprises mortgage loan in amount of \$1.2 million, (C) Versnick mortgage in amount of \$60,000, and (D) the Pro Data unsecured loan in amount of \$1,500,000.

"Federal Funds Rate" means, for any day, the rate per annum (rounded  
-----  
upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as

published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day; provided that (i) if such day is not a Domestic

Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on

9

the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

"FFO" means "funds from operations," defined to mean net income (or loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructurings and sales of properties, plus depreciation and amortization.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System as constituted from time to time.

"FMV Cap Rate" means 10.75%.

"Fronting Bank" shall mean NationsBank, N.A., PNC Bank, National Association, National City Bank of Kentucky, Bank of America National Trust & Savings Association and Bank of Nova Scotia or such other Bank which Borrower, such Bank and the Administrative Agent agree may be a Fronting Bank and which is designated by Borrower in its Notice of Borrowing as the Bank which shall issue a Letter of Credit with respect to such Notice of Borrowing.

"G&A Percentage" means the percentage equal to the percentage that general overhead and administrative expenses of the Guarantor and its Consolidated Subsidiaries bears to the total revenues of Guarantor and its Consolidated Subsidiaries, which initially shall be deemed to be 5%, and from and after September 30, 1999 shall be calculated based upon the preceding four (4) fiscal quarters.

"GAAP" means generally accepted accounting principles recognized as such in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and Board or in such other statements by such other entity as may be approved by a significant segment of the accountant profession, which are applicable to the circumstances as of the date of determination.

10

"Governmental Authority" means any Federal, state or local government or any other political subdivision thereof or agency exercising executive, legislative, judicial, regulatory or administrative functions having jurisdiction over the Borrower or the Guarantor.

"Group of Loans" means, at any time, a group of Loans consisting of (i) all Loans which are Base Rate Loans at such time, or (ii) all Loans which are Euro-Dollar Loans having the same Interest Period at such time; provided that, if a Loan of any particular Bank is converted to or made as a Base Rate Loan pursuant to Section 8.2 or 8.4, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been in if it had not been so converted or made.

"Guarantor" means Ventas, Inc., a Delaware corporation and the sole general partner of the Borrower, and its successors.

"Guaranty" means the Guaranty of Payment, dated as of even date

-----  
herewith, by the Guarantor and the Vencor Subsidiaries for the benefit of the Documentation Agent on behalf of the Banks.

"Indemnatee" has the meaning set forth in Section 9.3(b).  
-----

"Interest Period" means: (1) with respect to each Euro-Dollar  
-----  
Borrowing, the period commencing on the date of such Borrowing or the date of any conversion or continuation as specified in any Notice of Interest Election with respect to such Borrowing and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable Notice of Borrowing or Notice of Interest Election; provided that:  
-----

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

11

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period that would otherwise end after the Maturity Date shall end on the Maturity Date.

In addition, if, within thirty (30) days of the date on which an Interest Period ends, there is a Required Amortization Payment or Tranche D Amortization Payment due hereunder, then Borrower may elect for that portion of such Euro-Dollar Loan that will be paid down by such Required Amortization Payment or Tranche D Amortization Payment, in the applicable Notice of Interest Election, an Interest Period shorter than one month but in no case less than seven (7) days.

(ii) with respect to each Base Rate Borrowing, the period commencing on the date of such Borrowing or Notice of Interest Rate Election and ending on the date on which another Notice of Interest Rate Election is delivered with respect thereto.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as  
-----  
amended, or any successor statute.

"Investment Grade Rating" means a rating for a Person's senior long-  
-----  
term unsecured debt of BBB- or better from S&P, and a rating of Baa3 or better from Moody's, if ratings from both Rating Agencies are obtained.

"Letter(s) of Credit" has the meaning provided in Section 2.2(c).  
-----

"Letter of Credit Collateral" has the meaning provided in Section 6.4.  
-----

"Letter of Credit Collateral Account" has the meaning provided in  
-----  
Section 6.4.

"Letter of Credit Documents" has the meaning provided in Section 2.17.  
-----

12

"Letter of Credit Usage" means at any time the sum of (i) the  
-----

aggregate maximum amount available to be drawn under the Letters of Credit then outstanding, assuming compliance with all requirements for drawing referred to therein, and (ii) the aggregate amount of the Borrower's unpaid reimbursement obligations under this Agreement in respect of the Letters of Credit.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind. For the purposes of this Agreement, each of the Borrower and any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan" means a loan made by a Bank pursuant to Section 2.1; provided that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate Election, the term "Loan" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

"Loan Documents" means this Agreement, the Notes, the Guaranty, the Pledge, the Letter(s) of Credit, the Letter of Credit Documents, any Subsidiary guaranty or pledge executed pursuant to Section 5.24 hereof and any related documents.

"London Interbank Offered Rate" has the meaning set forth in Section 2.7(b).

"Margin Stock" shall have the meaning provided such term in Regulation U of the Federal Reserve Board.

"Master Lease" has the meaning set forth in Section 5.23 hereof.

"Material Adverse Effect" means a material adverse effect upon (i) the business, operations, proper ties or assets of the Borrower, the Guarantor and their Subsidiaries taken as a whole or (ii) the ability of the Borrower, the Guarantor and their Subsidiaries

13

taken as a whole to perform their obligations hereunder or under the Guaranty in all material respects, including to pay interest and principal.

"Material Lease" means, with respect to any Real Property Asset, lease entered into by Borrower or any Subsidiary with a third party for more than 15,000 square feet of space affecting such Real Property Asset.

"Material of Environmental Concern" means and includes pollutants, contaminants, hazardous wastes, and toxic, radioactive, caustic or otherwise hazardous substances, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

"Material Plan" means at any time a Plan having aggregate Unfunded Liabilities in excess of \$5,000,000.

"Maturity Date" has the meaning set forth in Section 2.9.

"Maximum Total Debt Ratio" means the ratio, as of the date of determination, of (i) the Debt of the Borrower, the Guarantor and their Consolidated Subsidiaries to (ii) Tangible FMV.

"Minority Holdings" means partnerships, limited liability companies

-----  
and corporations held or owned by the Borrower which are not consolidated with the Borrower on its financial statements.

"Moody's" means Moody's Investors Service, Inc. or any successor  
-----  
thereto.

"Morgan" means Morgan Guaranty Trust Company of New York, in its  
-----  
individual capacity.

"Multiemployer Plan" means at any time an employee pension benefit  
-----  
plan within the meaning of Section 4001(a) (3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

14

"NationsBank" means NationsBank, N.A., in its individual capacity.  
-----

"Net Offering Proceeds" means all cash received by the Borrower or the  
-----  
Guarantor as a result of the sale of common shares of beneficial interest, preferred shares of beneficial interest, partnership interests, limited liability company interests, or other ownership or equity interests in the Borrower or the Guarantor (or evidence of indebtedness of the Borrower or the Guarantor convertible into any of the foregoing) less customary costs and  
-----  
discounts of issuance paid by the Borrower or the Guarantor.

"Net Operating Cash Flow" means, as of any date of determination with  
-----  
respect to all Real Property Assets, Property Income with respect thereto for the previous four (4) consecutive quarters, including the quarter then ended, but less (x) Property Expenses with respect thereto for the previous four (4) consecutive quarters, including the quarter then ended.

"New Subsidiary" has the meaning set forth in Section 5.24.  
-----

"Non-Recourse Debt" means Debt of the Borrower, the Guarantor or any  
-----  
of their Subsidiaries on a consolidated basis for which the right of recovery of the obligee thereof is limited to recourse against the Real Property Assets securing such Debt (subject to such limited exceptions to the non-recourse nature of such Debt such as fraud, misappropriation, misapplication and environmental indemnities, as are usual and customary in like transactions at the time of the incurrence of such Debt).

"Notes" means, collectively, the promissory notes of the Borrower  
-----  
evidencing the obligation of the Borrower to repay the Tranche A Loan, the Tranche B Loans, the Tranche C Loan, and the Tranche D Loan (each substantially in the form of Exhibit A-1 attached hereto, and in the case of Swing Loans, the  
-----  
promissory note of the Borrower evidencing the obligation of the Borrower to repay the Swing Loans (substantially in the form of Exhibit A-2 hereto), and  
-----

"Note" means any one of such promissory notes issued hereunder.  
-----

15

"Notice of Borrowing" has the meaning set forth in Section 2.2.  
-----

"Notice of Interest Election" has the meaning set forth in Section  
-----

2.15(a).

"Obligations" means all obligations, liabilities and indebtedness of  
-----  
every nature of the Borrower from time to time owing to any Bank under or in  
connection with this Agreement or any other Loan Document, including, without  
limitation, (i) the outstanding principal amount of the Loans at such time,  
plus (ii) the Letter of Credit Usage at such time.

"Outstanding Balance" means the sum of (i) the aggregate outstanding  
-----  
and unpaid principal balance of all Loans and (ii) the Letter of Credit Usage.

"Parent" means, with respect to any Bank, any Person controlling such  
-----  
Bank.

"Participant" has the meaning set forth in Section 9.6(b).  
-----

"PBGC" means the Pension Benefit Guaranty Corporation or any entity  
-----  
succeeding to any or all of its functions under ERISA.

"Permitted Liens" means (a) Liens to secure the performance of  
-----  
statutory obligations, surety or appeal bonds, performance bonds, completion  
bonds, government contracts or other obligations of a like nature, including  
Liens in connection with workers' compensation, unemployment insurance and other  
types of statutory obligations or to secure the performance of tenders, bids,  
leases, contracts (other than for the repayment of Debt) and other similar  
obligations incurred in the ordinary course of business; (b) Liens for taxes,  
assessments or governmental charges or claims that are not yet delinquent or  
that are being contested in good faith by appropriate proceedings promptly  
instituted and diligently concluded; provided, that any reserve or other  
appropriate provision as shall be required in conformity with GAAP shall have  
been made therefor; (c) Liens on property of the Borrower or any Subsidiary  
thereof in favor of the Federal or any state government to secure certain  
payments pursuant to any contract, statute or regulation; (d) easements  
(including, without limitation,

16

reciprocal easement agreements and utility agreements), rights of way,  
covenants, consents, reservations, encroachments, variations and zoning and  
other restrictions, charges or encumbrances (whether or not recorded), which do  
not interfere materially with the ordinary conduct of the business of the  
Borrower or any Subsidiary thereof or any lessee under a Material Lease and  
which do not materially detract from the value of the property to which they  
attach or materially impair the use thereof by the Borrower or any Subsidiary  
thereof or any lessee under a Material Lease; (e) statutory Liens of carriers,  
warehousemen, mechanics, suppliers, materialmen, repairmen or other Liens  
imposed by law and arising in the ordinary course of business, for sums not then  
due and payable (or which, if due and payable, are being contested in good  
faith and with respect to which adequate reserves are being maintained to the  
extent required by GAAP); and (f) the interests of lessees and lessors under  
leases of real or personal property made in the ordinary course of business  
which would not have a Material Adverse Effect.

"Person" means an individual, a corporation, a partnership, a limited  
-----  
liability company, an association, a trust or any other entity or organization,  
including a government or political subdivision or an agency or instrumentality  
thereof.

"Plan" means at any time an employee pension benefit plan (other than  
-----  
a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the  
minimum funding standards under Section 412 of the Internal Revenue Code and  
either (i) is maintained, or contributed to, by any member of the ERISA Group  
for employees of any member of the ERISA Group or (ii) has at any time within  
the preceding five years been maintained, or contributed to, by any Person which  
was at such time a member of the ERISA Group for employees of any Person which  
was at such time a member of the ERISA Group.

"Pledge" means that certain Pledge and Security Agreement dated as of  
-----  
the date hereof by the Guarantor and the Borrower in favor of the Documentation  
Agent.

"Prime Rate" means the rate of interest per annum established from  
-----  
time to time by NationsBank in Charlotte, North Carolina as its prime rate,  
which rate

17

may not be the lowest rate of interest charged by NationsBank to its customers.

"Pro Forma Debt Service" means, for any period, the amount determined  
-----  
by applying a twenty-five (25) year mortgage amortization schedule to the amount  
of Loans outstanding under any tranche during the applicable measuring period,  
using an assumed annual interest rate equal to the greater of (x) the then-  
applicable interest rate for such Loans, or (y) the then-applicable Treasury  
Rate plus 2.50%, determined on an annualized basis for the applicable measuring  
period.

"Property Expenses" means, when used with respect to any Real Property  
-----  
Asset, the costs of maintaining such Real Property Asset which are the  
responsibility of the owner thereof and that are not paid directly by the  
tenant thereof, including, without limitation, taxes, insurance, repairs and  
maintenance, but provided that if such tenant is more than 90 days in arrears in  
the payment of base or fixed rent, then such costs will also constitute  
"Property Expenses", but excluding depreciation, amortization and interest  
costs.

"Property Income" means, when used with respect to any Real Property  
-----  
Asset, cash rents and other cash revenues received in the ordinary course  
therefrom, including, without limitation, revenues from any parking leases and  
lease termination fees amortized over the remaining term of the lease for which  
such termination fee was received (other than the paid rents and revenues and  
security deposits except to the extent applied in satisfaction of tenants'  
obligations for rent).

"Proxy Statement" means that certain proxy statement of Guarantor  
-----  
filed with the Securities and Exchange Commission on March 25, 1998.

"Purchasing Banks" has the meaning set forth in Section 8.6 hereof.  
-----

"Qualified Development Property Leases" means leases by Borrower or  
-----  
any of its Consolidated Subsidiaries to Vencor Operating, Inc. or any of its  
Subsidiaries covering the Real Property Assets listed on Exhibit C attached  
-----  
hereto and made a part hereof, which Real Property Assets Borrower or any of  
its Consolidated Subsidiaries will have purchased for no more than 115% of the

18

purchase price for each such Real Property Asset set forth on Exhibit C, and  
-----  
which leases provide for (i) a minimum term of at least 12 years, (ii) an annual  
rental not less than 90% of the annual rentals set forth on Exhibit C with  
-----  
respect to the applicable Real Property Assets, (iii) "triple net" lease terms  
with respect to all property related expenses, and (iv) liquidated dam ages  
equal to the net present value (discounted at a factor no greater than the Prime  
Rate) of the remaining rent thereunder through the stated maturity date (without  
any stated obligation on the part of the landlord to mitigate damages) in the  
event of a termination of the lease.

"Real Property Assets" means as of any time, the real property assets

-----  
owned directly or indirectly by the Guarantor, the Borrower or their Consolidated Subsidiaries at such time.

"Recourse Debt" shall mean Debt of the Borrower, the Guarantor or any  
-----  
Subsidiary that is not Non-Recourse Debt.

"Reference Bank" means the principal London offices of NationsBank.  
-----

"Refunded Swing Loan" has the meaning set forth in Section 2.1(e) (ii).  
-----

"Regulation U" means Regulation U of the Board of Governors of the  
-----  
Federal Reserve System, as in effect from time to time.

"Release" means any release, spill, emission, leaking, pumping,  
-----  
pouring, dumping, emptying, deposit, discharge, leaching or migration.

"Required Amortization Payment" has the meaning set forth in Section  
-----  
2.10(b) hereof.

"Required Banks" means, at any time, Banks having at least fifty-one  
-----  
percent (51%) of the aggregate amount of the Commitments or, if the Commitments shall have been terminated, holding Notes evidencing at least fifty-one percent (51%) of the aggregate unpaid principal amount of the Loans.

19

"Requirements" means all present and future laws, statutes, codes,  
-----  
ordinances, orders, judgments, decrees, injunctions, rules, regulations and requirements of every Governmental Authority having jurisdiction over any Real Property Asset and all restrictive covenants applicable to any Real Property Asset.

"Secured Debt" means Debt of a Person which is secured by a Lien.  
-----

"Selling Bank" has the meaning set forth in Section 8.6 hereof.  
-----

"Senior Officer" means, with respect to the Guarantor, such entity's  
-----  
president, vice president, chief financial officer, chief accounting officer, secretary or treasurer.

"Solvent" means, with respect to any Person, that the fair saleable  
-----  
value of such Person's assets exceeds the Debts of such Person.

"Subsidiary" means any corporation or other entity of which securities  
-----  
or other ownership interests representing either (i) ordinary voting power to elect a majority of the board of directors or other persons performing similar functions or (ii) a majority of the economic interest therein, are at the time directly or indirectly owned by the Borrower or Guarantor, as applicable.

"Super-Majority Banks" means, at any time, Banks having at least  
-----  
seventy-five percent (75%) of the aggregate amount of the Commitments or, if the Commitments shall have been terminated, holding Notes evidencing at least seventy-five percent (75%) of the aggregate unpaid principal amount of the Loans.

"Swing Lender" means NationsBank, N.A., in its capacity as the Swing  
-----  
Lender under the Swing Loan facility described in Section 2.1(e), and its successors in such capacity.

"Swing Loan" means a Loan made by the Swing Lender pursuant to Section  
-----  
2.1(e).

"Swing Loan Commitment" means the lesser of (a) \$5,000,000 and (b) the  
-----  
aggregate amount of the unused

20

Tranche B Commitments, as such amount may be reduced from time to time pursuant  
to Section 2.11.

"Swing Loan Refund Amount" has the meaning set forth in Section  
-----  
2.1(e)(ii).

"S&P" means Standard & Poor's Ratings Services, a division of The  
----  
McGraw-Hill Companies, Inc., or any successor thereof.

"Tangible FMV" means the sum of (x) (A) initially, the aggregate  
-----  
value of the Real Property Assets of the Borrower, Guarantor and their  
Consolidated Subsidiaries, as determined by Cushman & Wakefield pursuant to  
the valuations thereof dated March 13, 1998, and (B) commencing as of June 30,  
1998 through June 30, 1999, the lesser of (1) the sum of (x) the aggregate value  
of the Real Property Assets owned by the Borrower, Guarantor and their  
Consolidated Subsidiaries as of the Closing Date, as determined by Cushman &  
Wakefield pursuant to the valuations thereof dated March 13, 1998, and (y) with  
respect to all Real Property Assets acquired by the Borrower, Guarantor and  
their Consolidated Subsidiaries after the Closing Date, the quotient of (i) the  
Net Operating Cash Flow with respect thereto on an annualized basis, less an  
amount equal to the product of the G&A Percentage and such Net Operating Cash  
Flow, and (ii) the FMV Cap Rate, and (2) the quotient of Annual EBITDA from the  
period commencing on the Closing Date through the date of determination, on an  
annualized basis, and the FMV Cap Rate, and (C) commencing as of September 30,  
1999, with respect to the sum of (i) those Real Property Assets owned by the  
Borrower, Guarantor and their consolidated Subsidiaries for a period of not  
less than four (4) fiscal quarters, the quotient of the Annual EBITDA with  
respect thereto, and the FMV Cap Rate, and (ii) with respect to those Real  
Property Assets owned by the Borrower, Guarantor and their Consolidated  
Subsidiaries for a period of less than four (4) fiscal quarters, an amount equal  
to the quotient of (1) the Net Operating Cash Flow with respect thereto, on an  
annualized basis, less an amount equal to the product of the G&A Percentage and  
such Net Operating Cash Flow, and (2) the FMV Cap Rate, and (y) Cash or Cash  
Equivalents of Borrower, Guarantor and their Consolidated Subsidiaries as of the  
date of determination.

21

"Term" has the meaning set forth in Section 2.9.  
----

"Title Company" means a title insurance company of recognized national  
-----  
standing.

"Title Commitment" means, for each Unencumbered Asset Pool Property,  
-----  
an ALTA fee or leasehold title commitment or title policy issued by the Title  
Company at the time of acquisition by the Borrower, the Guarantor or, if  
applicable, a Subsidiary of either.

"Total Debt Service" means, as of the last day of each calendar  
-----  
quarter, an amount equal to interest (whether accrued, paid or capitalized)  
actually payable by Guarantor, Borrower or its Consolidated Subsidiaries on its  
Debt for the previous four consecutive quarters including the quarter then ended  
(or determined on an annualized basis in the case of Debt outstanding for less  
than four quarters).

"Tranche A Bank" means any Bank that has committed to fund a portion  
-----  
of the Tranche A Loan.

"Tranche A Loan Commitment" means, with respect to each Bank, the  
-----  
amount committed by such Bank pursuant to this Agreement with respect to the  
Tranche A Loan as set forth on the signature pages hereto, as such amount may be  
reduced from time to time pursuant to Sections 2.10 and 2.11.

"Tranche A Loan" means the bridge loan to be made to Borrower for the  
-----  
purposes set forth in Section 5.16 hereof.

"Tranche A Loan Amount" has the meaning set forth in Section 2.1.  
-----

"Tranche A Notes" means the promissory notes of Borrower, each  
-----  
substantially in the form of Exhibit A-1 hereto, evidencing the obligation of  
-----  
Borrower to repay the Tranche A Loan, and "Tranche A Note" means any one of such  
-----  
promissory notes issued hereunder.

"Tranche B Bank" means any Bank that has committed to fund a portion  
-----  
of the Tranche B Loan.

22

"Tranche B Loan Commitment" means, with respect to each Bank, the  
-----  
amount committed by such Bank pursuant to this Agreement with respect to the  
Tranche B Loan as set forth on the signature pages hereto, as such amount may be  
reduced from time to time pursuant to Sections 2.10 and 2.11.

"Tranche B Loan" means the revolving credit loan or loans to be made  
-----  
to Borrower for the purposes set forth in Section 5.16 hereof.

"Tranche B Loan Amount" has the meaning set forth in Section 2.1.  
-----

"Tranche B Notes" means the promissory notes of Borrower, each  
-----  
substantially in the form of Exhibit A-1 hereto, evidencing the obligation of  
-----  
Borrower to repay the Tranche B Loan, and "Tranche B Note" means any one of such  
-----  
promissory notes issued hereunder.

"Tranche C Bank" means any Bank that has committed to fund a portion  
-----  
of the Tranche C Loan.

"Tranche C Loan Commitment" means, with respect to each Bank, the  
-----  
amount committed by such Bank pursuant to this Agreement with respect to the  
Tranche C Loan as set forth on the signature pages hereto, as such amount may be  
reduced from time to time pursuant to Sections 2.10 and 2.11.

"Tranche C Loan" means the term loan to be made to Borrower for the  
-----  
purposes set forth in Section 5.16 hereof.

"Tranche C Loan Amount" has the meaning set forth in Section 2.1.  
-----

"Tranche C Notes" means the promissory notes of Borrower, each  
-----  
substantially in the form of Exhibit A-1 hereto, evidencing the obligation of  
-----  
Borrower to repay the Tranche C Loan, and "Tranche C Note" means any one of such

promissory notes issued hereunder.

"Tranche D Amortization Payment" has the meaning set forth in Section 2.10(c).

"Tranche D Bank" means any Bank that has committed to fund a portion of the Tranche D Loan.

23

"Tranche D Loan Commitment" means, with respect to each Bank, the amount committed by such Bank pursuant to this Agreement with respect to the Tranche D Loan as set forth on the signature pages hereto, as such amount may be reduced from time to time pursuant to Sections 2.10 and 2.11.

"Tranche D Loan" means the term loan to be made to Borrower for the purposes set forth in Section 5.16 hereof.

"Tranche D Loan Amount" has the meaning set forth in Section 2.1.

"Tranche D Notes" means the promissory notes of Borrower, each substantially in the form of Exhibit A-1 hereto, evidencing the obligation of Borrower to repay the Tranche D Loan, and "Tranche D Note" means any one of such promissory notes issued hereunder.

"Treasury Rate" means, as of any date, a rate equal to the annual yield to maturity on the U.S. Treasury Constant Maturity Series with a ten (10) year maturity, as such yield is reported in Federal Reserve Statistical Release H.15 -- Selected Interest Rates, published most recently prior to the date the applicable Treasury Rate is being determined. Such yield shall be determined by straight line linear interpolation between the yields reported in Release H.15, if necessary. In the event Release H.15 is no longer published, the Administrative Agent shall select, in its reasonable discretion, an alternate basis for the determination of Treasury yield for U.S. Treasury Constant Maturity Series with ten (10) year maturities.

"Unencumbered Asset Pool Net Operating Cash Flow" means, as of any date of determination with respect to the Unencumbered Asset Pool Properties, Property Income with respect thereto for the previous four (4) consecutive quarters, including the quarter then ended, but less (x) Property Expenses with respect thereto for the previous four (4) consecutive quarters, including the quarter then ended (determined on an annualized basis for the applicable measuring period in the case of Unencumbered Asset Pool Properties owned by the Borrower or Guarantor or any of their Consolidated Subsidiaries for less than four (4) consecutive quarters).

24

"Unencumbered Asset Pool Properties" means, as of any date, the Real Property Assets listed in Exhibit B attached hereto and made a part hereof, each of which is open for business and operating and each of which is 100% owned in fee (or leasehold in the case of assets listed as such on Exhibit B) by the Borrower or Guarantor or any of their Consolidated Subsidiaries and each of which is not subject to any Lien (other than Permitted Liens), subject to adjustment as set forth herein, together with all Real Property Assets which have become part of the Unencumbered Asset Pool Properties as of such date in accordance herewith.

"Unencumbered Asset Pool Properties Value" means:

-----  
(i) as of the Closing Date, an amount equal to the aggregate value thereof, as determined by Cushman & Wakefield pursuant to the valuations thereof, dated March 13, 1998;

(ii) for the period commencing as of June 30, 1998 and ending as of June 30, 1999, an amount equal to the sum of (I) with respect to those Unencumbered Asset Pool Properties set forth on Exhibit B hereto, an

-----  
amount equal to the lesser of (x) the aggregate value thereof, as determined by Cushman & Wakefield pursuant to the valuations thereof, dated March 13, 1998, and (y) an amount equal to the quotient of (A) Net Operating Cash Flow with respect to each Unencumbered Asset Pool Property, less an amount equal to the product of the G&A Percentage and such Net Operating Cash Flow, and (B) the FMV Cap Rate, and (II) with respect to those Unencumbered Asset Pool Properties acquired by the Borrower or Guarantor and their Consolidated Subsidiaries after the Closing Date, an amount equal to the quotient of (A) Net Operating Cash Flow with respect to each Unencumbered Asset Pool Property, less an amount equal to the product of the G&A Percentage and such Net Operating Cash Flow, and (B) the FMV Cap Rate; and

(iii) thereafter, (A) with respect to the Unencumbered Asset Pool Properties owned by the Borrower or Guarantor or any of their Consolidated Subsidiaries for a period of at least four (4) fiscal quarters, the quotient of (x) the

25

Unencumbered Asset Pool Net Operating Cash Flow with respect to each Unencumbered Asset Pool Property less an amount equal to the product of the G&A Percentage and such Unencumbered Asset Pool Net Operating Cash Flow and (y) the FMV Cap Rate, and (B) with respect to Unencumbered Asset Pool Properties owned by the Borrower or Guarantor or any of their Consolidated Subsidiaries for a period of less than four (4) fiscal quarters, the quotient of (x) Unencumbered Asset Pool Net Operating Cash Flow with respect to each Unencumbered Asset Pool Property, on an annualized basis based upon the Unencumbered Asset Pool Net Operating Cash Flow for the period of such Person's ownership of the Unencumbered Asset Pool Property in question less an amount equal to the product of the G&A Percentage and such Unencumbered Asset Pool Net Operating Cash Flow, and (y) the FMV Cap Rate.

"Unencumbered Debt Service Coverage Ratio" means, as of any date of  
-----  
determination, the ratio of Unencumbered Asset Pool Net Operating Cash Flow to Pro Forma Debt Service.

"Unfunded Liabilities" means, with respect to any Plan at any time,  
-----  
the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"United States" means the United States of America, including the  
-----  
States and the District of Columbia, but excluding its territories and possessions.

"Unsecured Debt" means Debt not secured by a Lien on any Real Property  
-----  
Asset.

"Unsecured Debt Ratio" means, as of any date of determination, the  
-----  
ratio of the aggregate amount of Unsecured Debt of the Borrower, the Guarantor and their

Consolidated Subsidiaries outstanding as of such date of determination, to the Unencumbered Asset Pool Properties Value as of the date of determination.

"Vencor Subsidiaries" means First Healthcare Corporation, Nationwide

-----  
Care, Inc., Vencor Hospitals Illinois, Inc., Vencor Hospitals East, Inc., Personacare of Rhode Island, Inc., Care Venture Partners, L.P., Health Haven Associates, L.P., Oak Hill Nursing Associates, L.P., Hillhaven/Indiana Partnership, San Marcos Nursing Home Partnership, St. George Nursing Home L.P., New Pond Village Associates, Hahnemann Hospital, Inc., and Northwest Healthcare, Inc. and "Vencor Subsidiary" means any one of the foregoing entities.  
-----

Section 2.2 Accounting Terms and Determinations. Unless otherwise

-----  
specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of the Borrower or Guarantor delivered to the Administrative Agent and the Banks; provided that, if the Borrower notifies the

-----  
Administrative Agent and the Banks that the Borrower wishes to amend any covenant in Article V to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Banks wish to amend Article V for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Banks.

Section 2.3 Types of Borrowings. The term "Borrowing" denotes the

-----  
aggregation of Loans of one or more Banks to be made to the Borrower pursuant to Article II (or a Swing Loan made solely by the Swing Lender) on the same date, all of which Loans are of the same type (subject to Article VIII) and, except in the case of Base Rate Loans, have the same Interest Period. Borrowings are classified for purposes of this Agreement either by reference to the pricing of Loans comprising such Borrowing (e.g., a "Euro-Dollar Borrowing" is a Borrowing  
-----

-----  
comprised of Euro-Dollar Loans) or by reference to the provisions of Article II under which participation therein is determined (i.e., a "Borrowing" is a

-----  
Borrowing under Section 2.1 in which all Banks participate in proportion to their Commitments, and a Borrowing is a Swing Borrowing if such Loans are Swing Loans).

ARTICLE IV

THE CREDITS

Section 4.1 Commitments to Lend.  
-----

(a) Tranche A Loan. Each Tranche A Bank severally agrees, on the

-----  
terms and conditions set forth in this Agreement, to make the Tranche A Loan on the Closing Date to Borrower in an amount such that the aggregate principal amount of the Tranche A Loan by such Bank at any one time outstanding shall not exceed the amount of its Tranche A Loan Commitment. The aggregate amount of the Tranche A Loan to be made hereunder shall not exceed Four Hundred Million Dollars (\$400,000,000) (the "Tranche A Loan Amount");  
-----

(b) Tranche B Loans. Each Tranche B Bank severally agrees, on the  
-----

terms and conditions set forth in this Agreement, to make Tranche B Loans to Borrower and participate in Letters of Credit issued by the Fronting Bank on behalf of Borrower pursuant to this Section 2.1(b) from time to time during the Term in amounts such that the aggregate principal amount of Tranche B Loans by such Bank at any one time outstanding together with such Bank's pro rata share

of Letter of Credit Usage with respect to Borrower shall not exceed the amount of its Tranche B Commitment. The aggregate amount of Tranche B Loans to be made hereunder together with the Letter of Credit Usage with respect to Borrower shall not exceed at any one time Two Hundred Fifty Million Dollars (\$250,000,000) (the "Tranche B Loan Amount"). Each Euro-Dollar Borrowing under

this subsection (b) shall be in an aggregate principal amount of at least \$5,000,000, or an integral multiple of \$1,000,000 in excess thereof, and each Base Rate Borrowing under this subsection (b) shall be in an aggregate principal amount of at least \$1,000,000, or an integral multiple of \$100,000 in excess thereof, and in each case shall be made from the several Banks ratably in

28

proportion to their respective Tranche B Commitments. Subject to the limitations set forth herein, any Tranche B Loan amounts repaid may be reborrowed.

(c) Tranche C Loan. Each Tranche C Bank severally agrees, on the

terms and conditions set forth in this Agreement, to make the Tranche C Loan on the Closing Date to Borrower in an amount such that the aggregate principal amount of the Tranche C Loan by such Bank at any one time outstanding shall not exceed the amount of its Tranche C Commitment. The aggregate amount of Tranche C Loans to be made hereunder shall not exceed Two Hundred Million Dollars (\$200,000,000) (the "Tranche C Loan Amount").

(d) Tranche D Loan. Each Tranche D Bank severally agrees, on the

terms and conditions set forth in this Agreement, to make the Tranche D Loan on the Closing Date to Borrower during the Term in an amount such that the aggregate principal amount of Tranche D Loans by such Bank at any one time outstanding shall not exceed the amount of its Tranche D Commitment. The aggregate amount of Tranche D Loans to be made hereunder shall not exceed Three Hundred Fifty Million Dollars (\$350,000,000) (the "Tranche D Loan Amount").

(e) Swing Loans. (i) Subject to the satisfaction of the conditions

precedent set forth in Section 3.2 hereof, during the Term, the Swing Lender agrees, on the terms and conditions set forth in this Agreement, to make loans to the Borrower pursuant to this Section 2.1(e) (i) from time to time in amounts such that the aggregate principal amount of Swing Loans does not at any time exceed the Swing Loan Commitment. Each Borrowing under this Section 2.1(e) (i) shall be in an aggregate principal amount of \$1,000,000 or any larger multiple of \$100,000 (except that any such Borrowing may be in the aggregate available amount of Swing Loans determined in accordance with the immediately preceding sentence). Within the foregoing limits, the Borrower may borrow under this Section 2.1(e) (i), repay or, to the extent permitted by Section 2.11, prepay Swing Loans and reborrow at any time during the Term under this Section 2.1(e) (i).

(ii) Conversion of Swing Loans to Tranche B Loans. The Swing Lender

shall, on behalf of the Borrower (which hereby irrevocably directs the Swing Lender to act

29

on its behalf), on notice given by the Swing Lender no later than 1:00 P.M. (Eastern time), on the Domestic Business Day immediately following the funding of any Swing Loan, request each Tranche B Bank to make, and each Tranche B Bank hereby agrees to make, a Base Rate Loan, in an amount (with respect to each Tranche B Bank, its "Swing Loan Refund Amount") equal to such Tranche B Bank's

ratable share of the aggregate Tranche B Commitments with respect to the

aggregate principal amount of the Swing Loans (the "Refunded Swing Loans")

-----  
outstanding on the date of such notice, to repay the Swing Lender. Unless any of the events described in clause (f) or (g) of Section 6.1 with respect to the Borrower shall have occurred and be continuing (in which case the procedures of Section 2.1(e)(iii) shall apply), each Tranche B Bank shall make such Base Rate Loan available to the Administrative Agent at its address specified in or pursuant to Section 9.1 in immediately available funds, not later than 1:00 P.M. (Eastern time), on the Domestic Business Day immediately following the date of such notice. The Administrative Agent shall pay the proceeds of such Base Rate Loans to the Swing Lender, which shall immediately apply such proceeds to repay Refunded Swing Loans. Effective on the day such Base Rate Loans are made, the portion of the Swing Loans so paid shall no longer be outstanding as Swing Loans, shall no longer be due as Swing Loans under the Note held by the Swing Lender, and shall be due as Base Rate Loans under the respective Notes issued to the Tranche B Banks (including the Swing Lender) in accordance with their ratable share of the aggregate Commitments. The Borrower authorizes the Swing Lender to charge the Borrower's accounts with the Administrative Agent (up to the amount available in each such account) in order to immediately pay the amount of such Refunded Swing Loans to the extent amounts received from the Tranche B Banks are not sufficient to repay in full such Refunded Swing Loans.

(iii) Purchase of Participations in Swing Loans. If, prior to the

-----  
time Loans would have otherwise been made pursuant to Section 2.1(e)(ii), one of the events described in clause (f) or (g) of Section 6.1 with respect to the Borrower shall have occurred and be continuing, each Tranche B Bank shall, on the date such Loans were to have been made pursuant to the notice referred to in Section 2.1(a)(ii) (the "Refunding Date"), purchase an undivided participating

-----  
interest in the Swing Loans in an amount equal to such Tranche B Bank's Swing Loan Refund Amount. On the Refunding Date, each Tranche B Bank shall transfer to the Swing Lender, in immediately available funds, such Tranche B Bank's Swing

30

Loan Refund Amount, and upon receipt thereof the Swing Lender shall deliver to such Tranche B Bank a Swing Loan participation certificate dated the date of the Swing Lender's receipt of such funds and in the Swing Loan Refund Amount of such Tranche B Bank.

(iv) Payments on Participated Swing Loans. Whenever, at any time after

-----  
the Swing Lender has received from any Tranche B Bank such Tranche B Bank's Swing Loan Refund Amount pursuant to Section 2.1(a)(iii), the Swing Lender receives any payment on account of the Swing Loans in which the Tranche B Banks have purchased participations pursuant to Section 2.1(a)(iii), the Swing Lender will promptly distribute to each such Tranche B Bank its ratable share (determined on the basis of the Swing Loan Refund Amounts of all of the Tranche B Banks) of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Tranche B Bank's participating interest was outstanding and funded); provided, however, that in

-----  
the event that such payment received by the Swing Lender is required to be returned, such Tranche B Bank will return to the Swing Lender any portion thereof previously distributed to it by the Swing Lender.

(v) Obligations to Refund or Purchase Participations in Swing Loans

-----  
Absolute. Each Tranche B Bank's obligation to transfer the amount of a Loan to

-----  
the Swing Lender as provided in Section 2.1(a)(ii) or to purchase a participating interest pursuant to Section 2.1(a)(iii) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Tranche B Bank, the Borrower or any other Person may have against the Swing Lender or any other Person, other than the Swing Lender's gross negligence or willful misconduct in connection with making any such Swing Loan, (ii) the occurrence or continuance of a Default or an Event of Default at the time of such transfer or purchase or the termination or reduction of the Tranche B Commitments, provided, however, that if the Swing Lender has knowledge

-----  
of the continuance of a Default or Event of Default pursuant to receiving a notice of the occurrence thereof pursuant to Section 6.3 hereof at the time the

Swing Lender makes the Swing Loan,

31

then no Tranche B Bank shall be obligated to transfer the amount of a Loan to the Swing Lender as provided in Section 2.1(a)(ii) or to purchase a participating interest pursuant to Section 2.1(a)(iii), (iii) any adverse change in the condition (financial or otherwise) of the Borrower or any other Person, (iv) any breach of this Agreement by the Borrower, any other Tranche B Bank or any other Person, or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

Section 4.2 Notice of Borrowing. (a) With respect to Tranche B

Loans, the Borrower shall give the Administrative Agent notice (a "Notice of Borrowing") not later than (A) 12:00 Noon (Eastern Time) (x) on the date of each Base Rate Borrowing or (y) the third Euro-Dollar Business Day before each Euro-Dollar Borrowing, or (B) 2:00 P.M. (Eastern Time) on the date of each Borrowing of a Swing Loan, specifying:

- (1) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Domestic Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,
- (2) the aggregate amount of such Borrowing,
- (3) whether the Loans comprising such Borrowing are to be Base Rate Loans, Swing Loans, or Euro-Dollar Loans,
- (4) whether the Loans comprising the Borrowing are to be project loans and/or acquisition loans,
- (5) in the case of a Euro-Dollar Borrowing, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period,
- (6) the portion of such Borrowing that is intended to be used for working capital purposes, together with the aggregate amount of Borrowings to date that have been used for working capital purposes, and

32

(7) that both before and after giving effect to the proposed Borrowing, no Default or Event of Default has occurred or is continuing.

(b) The Borrower shall give the Administrative Agent notice not later than 12:00 Noon (Eastern Time) (x) one Domestic Business Day before the Closing Date or (y) the third Euro-Dollar Business Day before the Closing Date, specifying:

- (1) whether the Loans comprising the Tranche A Borrowing, the Tranche C Borrowing and the Tranche D Borrowing are to be Base Rate Loans or Euro-Dollar Loans,
- (2) whether the Loans comprising the Tranche A Borrowing, the Tranche C Borrowing and the Tranche D Borrowing are to be project loans and/or acquisition loans,
- (3) in the case of a Euro-Dollar Borrowing, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period, and
- (4) that no Default or Event of Default has occurred or is continuing.

(c) Borrower shall give the Administrative Agent, and the designated Fronting Bank, written notice in the event that it desires to have Letters of Credit (each, a "Letter of Credit") issued hereunder no later than 10:00 a.m., Eastern Time, at least four (4) Domestic Business Days prior to the date of such issuance. Each such notice shall specify (i) the designated Fronting Bank, (ii)

the aggregate amount of the requested Letters of Credit, (iii) the individual amount of each requested Letter of Credit and the number of Letters of Credit to be issued, (iv) the date of such issuance (which shall be a Domestic Business Day), (v) the name and address of the beneficiary, (vi) the expiration date of the Letter of Credit (which in no event shall be later than twelve (12) months after the issuance of such Letter of Credit or five Domestic Business Days prior to the Maturity Date of the Tranche B Loan, whichever is earlier), (vii) the purpose and circumstances for which such Letter of Credit is being issued, (viii) the terms upon which each such Letter of Credit may be drawn down (which terms shall not

33

leave any discretion to Fronting Bank) and (ix) the aggregate amount of all Letters of Credit then outstanding. Each such notice may be revoked telephonically by the Borrower to the applicable Fronting Bank and the Administrative Agent any time prior to the date of issuance of the Letter of Credit by the applicable Fronting Bank, provided such revocation is confirmed in writing by the Borrower to the Fronting Bank and the Administrative Agent within one (1) Domestic Business Day by facsimile. No later than 10:00 a.m., Eastern Time, on the date that is four (4) Domestic Business Days prior to the date of issuance, the Borrower shall specify a precise description of the documents and the verbatim text of any certificate to be presented by the beneficiary of such Letter of Credit, which if presented by such beneficiary prior to the expiration date of the Letter of Credit would require the Fronting Bank to make a payment under the Letter of Credit; provided, that the Fronting Bank may, in its

-----  
reasonable judgment, require changes in any such documents and certificates only in conformity with changes in customary and commercially reasonable practice or law and, provided further, that no Letter of Credit shall require payment

-----  
against a conforming draft to be made thereunder on the following Domestic Business Day that such draft is presented if such presentation is made later than 10:00 A.M. Eastern Time (except that if the beneficiary of any Letter of Credit requests at the time of the issuance of its Letter of Credit that payment be made on the same Domestic Business Day against a conforming draft, such beneficiary shall be entitled to such a same day draw, provided such draft is presented to the applicable Fronting Bank no later than 10:00 A.M. Eastern Time and provided further the Borrower shall have requested to the Fronting Bank and the Administrative Agent that such beneficiary shall be entitled to a same day draw). In determining whether to pay on such Letter of Credit, the Fronting Bank shall be responsible only to determine that the documents and certificates required to be delivered under the Letter of Credit have been delivered and that they comply on their face with the requirements of that Letter of Credit.

Section 4.3 Intentionally Omitted.  
-----

34

Section 4.4 Notice to Banks; Funding of Loans.  
-----

(a) Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's share of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Not later than (i) 2:00 P.M. (Eastern Time) on the date of each Base Rate Borrowing (including, without limitation, each Swing Borrowing) and (ii) 1:00 P.M. (Eastern Time) on the date of each Euro-Dollar Borrowing, each Bank (or, in the case of a Swing Loan, the Swing Lender) shall make available its share of such Borrowing, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.1. The Administrative Agent will make the funds so received from the Banks available to the Borrower at the Administrative Agent's aforesaid address. If the Borrower has requested the issuance of a Letter of Credit, no later than 12:00 Noon (Eastern Time) on the date of such issuance as indicated in the notice delivered pursuant to Section 2.2(b), the Fronting Bank shall issue such Letter of Credit in the amount so requested and deliver the same to the Borrower with a copy thereof to the Administrative Agent. Immediately upon the issuance of each Letter of Credit by the Fronting Bank, such Fronting Bank shall be deemed to have sold and transferred to each other

Bank, and each such other Bank shall be deemed, and hereby agrees, to have irrevocably and unconditionally purchased and received from the Fronting Bank, without recourse or warranty, an undivided interest and a participation in such Letter of Credit, any drawing thereunder, and the obligations of the Borrower hereunder with respect thereto, and any security therefor or guaranty pertaining thereto, in an amount equal to such Bank's ratable share thereof (based upon the ratio its Tranche B Commitment bears to the aggregate of all Tranche B Commitments). Upon any change in any of the Commitments in accordance herewith, there shall be an automatic adjustment to such participations to reflect such changed shares. The Fronting Bank shall have the primary obligation to fund any and all draws made with respect to such Letter of Credit notwithstanding any failure of a participating Bank to fund its ratable share of any such draw. The

35

Administrative Agent will instruct the Fronting Bank to make such Letter of Credit available to the Borrower and the Fronting Bank shall make such Letter of Credit available to the Borrower at the Borrower's aforesaid address or at such address in the United States as Borrower shall request on the date of the Borrowing.

(c) Unless the Administrative Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Administrative Agent such Bank's share of such Borrowing, the Administrative Agent may assume that such Bank has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section 2.4 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Administrative Agent, such Bank and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, (provided, however, that in the case of any Swing Loan Borrowing, with respect to the Borrower only, interest thereon shall commence to accrue only from the date which is one (1) Domestic Business Day after the date on which the Administrative Agent shall inform the Borrower that any such Tranche B Bank shall have failed to fund its Swing Loan Refund Amount) at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.7 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Tranche B Loan included in such Borrowing for purposes of this Agreement.

Section 4.5 Notes.  
-----

(a) The Loans shall be evidenced by the Notes, each of which shall be payable to the order of each Bank for the account of its Applicable Lending Office in an amount equal to each such Bank's Commitments.

36

(b) Each Bank may, by notice to the Borrower and the Administrative Agent, request that its Loans of a particular type, including Swing Loans, be evidenced by a separate Note in an amount equal to the aggregate unpaid principal amount of such Loans. Each such Note shall be in substantially the form of Exhibit A-1 hereto, as applicable, and with respect to the Swing Lender,

-----  
in the form of Exhibit A-2 hereto, with appropriate modifications to reflect

-----  
the fact that it evidences solely Loans of the relevant type. Each reference in this Agreement to the "Note" of such Bank shall be deemed to refer to and

----  
include any or all of such Notes, as the context may require.

(c) Upon receipt of each Bank's Note, the Administrative Agent shall forward such Note to such Bank. Each Bank shall record the date, amount, type and maturity of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and may, if such Bank so elects in connection with any transfer or enforcement of its Note, endorse on the schedule forming a part thereof appropriate notations to evidence the

foregoing information with respect to each such Loan then outstanding; provided  
-----  
that the failure of any Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required.

(d) There shall be no more than fifteen (15) Euro-Dollar Borrowings outstanding at any one time pursuant ant to this Agreement.

Section 4.6 Maturity of Loans. Each Loan shall mature, and the  
-----  
principal amount thereof shall be due and payable, on the Maturity Date applicable thereto.

Section 4.7 Interest Rates.  
-----

(a) Each Base Rate Loan with respect to each Tranche A Borrowing, Tranche B Borrowing, Tranche C Borrowing or Tranche D Borrowing, as applicable, shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it is repaid, at a rate per annum equal to the sum

37

of the Applicable Margin plus the Base Rate for such day. Such interest shall be payable for each Interest Period on the last day of each calendar month during such Interest Period.

(b) Each Swing Loan shall bear interest on the outstanding principal amount thereof at the rate applicable to Base Rate Loans, and in the case of any amount of overdue Swing Loan, overdue interest thereon at a rate per annum for each day equal to the sum of two percent (2%) plus the rate applicable to Base Rate Loans for such day and shall be payable on the last day of each calendar month.

(c) Each Euro-Dollar Loan with respect to each Tranche A Borrowing, Tranche B Borrowing, Tranche C Borrowing or Tranche D Borrowing, as applicable, shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the sum of the Applicable Margin plus the London Interbank Offered Rate for such day. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof.

"London Interbank Offered Rate" means, with respect to any Euro-Dollar  
-----  
Loan for the Interest Period applicable thereto, the rate of interest per annum (rounded upwards, if necessary to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Telerate Page 3750, the applicable rate shall be the arithmetic mean of all such rates. If, for any reason, such rate is not available, the term "London Interbank Offered Rate" shall mean, with respect to any Euro-Dollar Loan for the Interest Period applicable thereto, the rate of interest per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on

38

Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates.

(d) For so long as any Bank maintains reserves against "Eurocurrency liabilities" (or any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any

category of extensions of credit or other assets which includes loans by a non-United States office of such Bank to United States residents), and as a result the cost to such Bank (or its Euro-Dollar Lending Office) of making or maintaining its Euro-Dollar Loans is increased, then such Bank may require Borrower to pay, contemporaneously with each payment of interest on the Euro-Dollar Loans, additional interest on the related Euro-Dollar Loan of such Bank at a rate per annum up to but not exceeding the amount by which (x) (A) the applicable London Interbank Offered Rate divided by (B) one minus the Euro-Dollar Reserve Percentage exceeds (y) the applicable London Interbank Offered Rate. Any Bank wishing to require payment of such additional interest (i) shall so notify Borrower and the Administrative Agent, in which case such additional interest on the Euro-Dollar Loans of such Bank shall be payable to such Bank at the place indicated in such notice with respect to each Interest Period commencing at least three Euro-Dollar Business Days after such notice is given and (ii) shall furnish to Borrower, at least five (5) Euro-Dollar Business Days prior to each date on which interest is payable on the Euro-Dollar Loans, an officer's certificate setting forth the amount to which such Bank is then entitled under this Section.

"Euro-Dollar Reserve Percentage" means for any day that percentage

-----  
(expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). The London Interbank Offered Rate shall be adjusted automatically on and as of the

39

effective date of any change in the Euro-Dollar Reserve Percentage.

(e) In the event that, and for so long as, any Event of Default shall have occurred and be continuing, the outstanding principal amount of the Loans, and, to the extent permitted by law, overdue interest in respect of all Loans as well as other amounts not paid when due hereunder, shall bear interest at the annual rate equal to the sum of two percent (2%) plus the rate applicable to Base Rate Loans payable on demand; provided, however, that if an Event of

-----  
Default is waived by the applicable Banks in accordance with the terms of this Credit Agreement then the provisions of this subsection (e) shall be deemed waived as well.

(f) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(g) The Reference Bank agrees to use its best efforts to furnish quotations to the Administrative Agent as contemplated by this Section. If the Reference Bank does not furnish a timely quotation, the provisions of Section 8.1 shall apply.

#### Section 4.8 Fees.

----

(a) Commitment Fee. During the Term, the Borrower shall pay to the

-----  
Administrative Agent for the account of the Tranche B Banks ratably in proportion to their respective Tranche B Commitments, in arrears on each March 31, June 30, September 30 and December 31 during the Term and on the date any such commitment is terminated, a commitment fee on the daily average undrawn and uncanceled Tranche B Commitments less an amount equal to the daily average outstanding Letter of Credit Usage in any given quarter at the respective percentages per annum based upon the range into which the Maximum Total Debt Ratio then falls in accordance with the following table:

40

Maximum Total Debt Ratio	Applicable Commitment Fee (% per annum)
less than 40%	0.30%
equal to or greater than 40% but equal to or less than 50%	0.375%
greater than 50%	0.50%

(b) Letter of Credit Fee. During the Term, the Borrower shall pay to  
the Administrative Agent, for the account of the Tranche B Banks in proportion  
to their interests in respective undrawn issued Letters of Credit, a fee (a

"Letter of Credit Fee") in an amount, provided that no Event of Default shall  
have occurred and be continuing, equal to a rate per annum equal to the  
Applicable Margin with respect to Tranche B Euro-Dollar Loans on the daily  
average of such issued and undrawn Letters of Credit, which fee shall be  
payable, in arrears, on each December 31, March 31, June 30 and September 30  
during the Term. From the occurrence, and during the continuance, of an Event  
of Default, such fee shall be increased to be equal to two percent (2%) per  
annum plus the Applicable Margin on the daily average of such issued and undrawn  
Letters of Credit; provided, however, that if an Event of Default is waived by  
the applicable Banks in accordance with the terms of this Credit Agreement then  
the provisions of this subsection (b) permitting an increase in the Letter of  
Credit Fee shall be deemed waived as well.

(c) Fronting Bank Fee. The Borrower shall pay any Fronting Bank, for  
its own account, a fee (a "Fronting Bank Fee") at a rate per annum to be agreed  
upon with the applicable Fronting Bank, which fee shall be in addition to and  
not in lieu of, the Letter of Credit Fee. The Fronting Bank Fee shall be payable  
in arrears on each March 31, June 30, September 30 and December 31 during the  
Term.

(d) Fees Non-Refundable. All fees set forth in this Section 2.8 shall  
be non-refundable. The obligation of the Borrower to pay such fees in  
accordance with the provisions hereof shall be binding upon the Borrower and  
shall inure to the benefit of the Administrative Agent, the Fronting Bank and  
the Tranche B Banks regardless of whether any Loans are actually made.

Section 4.9 Mandatory Termination. The term (the "Term") of the  
Commitments and the Swing Loan Commitment and Loans hereunder shall terminate  
and expire, and the Borrower shall return or cause to be returned all  
Letters of Credit to the Fronting Bank and repay all Loans hereunder, as follows  
(in each case, the "Maturity Date"):

Loan	Maturity Date
Tranche A Loan	October 30, 1999
Tranche B Loans/ Letters of Credit/ Swing Loans	April 30, 2001
Tranche C Loan	April 30, 2001
Tranche D Loan	April 30, 2003

Section 4.10 Mandatory Prepayment. (a) In the event that an  
Unencumbered Asset Pool Property is sold, transferred or released from the  
restrictions of Section 5.17 hereof, the Borrower shall, simultaneously with  
such sale or transfer, prepay the Loans in such amount as shall be required for

the Borrower to remain in compliance with this Agreement. Notwithstanding the foregoing, a simultaneous like-kind exchange under Section 1031 of the Internal Revenue Code will not be subject to the provisions of this Section 2.10(a), provided that the exchanged property has qualified as an Unencumbered Asset Pool Property. Sale of an Unencumbered Asset Pool Property in violation of this Section 2.10(a) shall constitute an Event of Default. Prepayments made under this Section 2.10(a) shall be applied to the amounts outstanding under the Tranche B Loan and, in the event there are no amounts outstanding thereunder, then such prepayments shall be applied pro rata to amounts outstanding under the Tranche A Loan, the Tranche C Loan and the Tranche D Loan.

(b) In addition to the payments of interest required to be made hereunder for each Tranche C Loan and Tranche D Loan, Borrower shall pay to the Administrative Agent for the benefit of the Tranche C Banks and the Tranche D Banks, an amount equal to (1) \$5,000,000 on June 30, 1998, (2) \$20,000,000 on September 30, 1998, and (3) \$25,000,000 on December 31, 1998 (each, a "Required Amortization Payment") in partial prepayment of the Tranche C Loan and the Tranche D Loan. The Required Amortization Payments shall be applied pro rata to

42

prepayment of the amounts outstanding under each of the Tranche C Loan and the Tranche D Loan. Any individual Tranche D Bank may waive application of its pro rata share of the Required Amortization Payment to the Tranche D Loan by notifying the Administrative Agent at least thirty (30) days prior to the date of such Required Amortization Payment, in which event, any such payment shall be applied by the Administrative Agent to prepayment, pro rata, of amounts outstanding under the Tranche C Loan.

(c) Commencing January 1, 1999, in addition to the payments of interest required to be made hereunder with respect to the Tranche D Loan and the payments required under Section 2.10(b), Borrower shall pay annually to the Administrative Agent for the benefit of the Tranche D Banks, an amount equal to one percent (1%) of the original principal amount of the Tranche D Loan Amount (each, a "Tranche D Amortization Payment"), payment of which amount shall be made in equal quarterly amounts, on the first Business Day of each calendar quarter, on each January 1, April 1, July 1 and October 1 during the Term, in partial prepayment of the Tranche D Loan.

(d) In the event the Borrower issues commercial mortgage backed securities as described in the Proxy Statement with respect to those Real Property Assets demised under that certain Master Lease identified on Schedule 5.23 hereof, the proceeds of such transaction shall be applied to amounts outstanding under the Tranche A Loan as of the date of the closing of such transaction. In the event further prepayments are required under Section 2.10(a) as a result of such transaction, then such prepayments shall be applied as set forth in Section 2.10(a) hereof.

Section 4.11 Optional Prepayments.

(a) The Borrower may, upon notice to the Administrative Agent or Swing Lender, as applicable, not later than 12:00 Noon (Eastern Time) on the date of prepayment (which notice shall specify whether the Loans so being prepaid constitute a part of a Tranche A Borrowing, a Tranche B Borrowing, a Tranche C Borrowing or a Tranche D Borrowing and whether such Loans are acquisition and/or project Loans), prepay to the Administrative Agent for the account of the applicable

43

Banks, or the Swing Lender, as applicable, any Base Rate Borrowing or Swing Loan Borrowing in whole at any time, or from time to time in part in amounts aggregating One Million Dollars (\$1,000,000), or an integral multiple of One Hundred Thousand Dollars (\$100,000) in excess thereof or, if less, the outstanding principal balance, by paying the principal amount to be prepaid together with (except in the case of Base Rate Loans and Swing Loans which shall be paid in accordance with Section 2.7(a)) accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay

ratably the Loans of the applicable several Banks included in such Borrowing.

(b) Except as provided in Section 8.2, the Borrower may not prepay all or any portion of the principal amount of any Euro-Dollar Loan prior to the maturity thereof unless the Borrower shall also pay any applicable expenses pursuant to Section 2.13. Any such prepayment shall be upon at least three (3) Euro-Dollar Business Days' notice to the Administrative Agent. Any notice of prepayment delivered pursuant to this Section 2.11(b) shall set forth the amount of such prepayment which is applicable to any Loan made for working capital purposes, as well as whether the Loans so being prepaid constitute a part of a Tranche A Borrowing, a Tranche B Borrowing, a Tranche C Borrowing or a Tranche D Borrowing). Each such optional prepayment shall be in amounts aggregating Five Million Dollars (\$5,000,000), or an integral multiple of One Million Dollars (\$1,000,000) in excess thereof, or, if less, the outstanding principal balance. Each such optional prepayment shall be applied to prepay ratably the Loans of the applicable Banks included.

(c) In the event that any Loans being prepaid in accordance with Section 2.11(a) or (b) above constitute a Tranche D Loan, then any such prepayment (i) during the period from the Closing Date through the first anniversary thereof, shall be in an amount which is equal to 102% of the amount of such Tranche D Loan being prepaid, in addition to any other amounts which may then be owing, including pursuant to Section 2.13, (ii) during the period after the first anniversary of the Closing Date through the date which is the eighteenth (18/th/) month anniversary of the Closing Date, shall be in an amount which is equal to 101% of the amount of such Tranche D Loan being prepaid, in addition to any other amounts

44

which may then be owing, including pursuant to Section 2.13, and (iii) during the period from the date which is the eighteen (18) month anniversary of the Closing Date and thereafter, shall be in an amount which is equal to 100% of the amount of such Tranche D Loan being repaid, in addition to any other amounts which may then be owing, including pursuant to Section 2.13. Notwithstanding anything contained herein to the contrary, Borrower may, in accordance with the notice provisions set forth in subparagraphs (a) and (b) above, prepay any Tranche D Loans in whole, or in part, in the event that Borrower has requested from the Super-Majority Banks and has been denied a waiver from the restrictions contained in Section 5.14 hereof.

(d) The Borrower may at any time return any undrawn Letter of Credit to the Fronting Bank in whole, but not in part, and the Fronting Bank shall give the Administrative Agent and each of the Banks notice of such return.

(e) The Borrower may at any time and from time to time cancel all or any part of the Tranche B Commitments in amounts aggregating Ten Million Dollars (\$10,000,000), or an integral multiple of One Million Dollars (\$1,000,000) in excess thereof, or Swing Loan Commitments in amounts aggregating \$1,000,000, or an integral multiple of \$1,000,000 in excess thereof, by the delivery to the Administrative Agent and the Banks of a notice of cancellation upon at least three (3) Domestic Business Days' notice to Administrative Agent, the Banks and the Swing Lender, whereupon, all or such portion of the Tranche B Commitments shall terminate as to the Banks, pro rata on the date set forth in

-----  
such notice of cancellation (or, in the case of the Swing Loan Commitment, all or such portion of the Swing Loan Commitment shall terminate as to the Swing Lender on the date set forth in such notice of cancellation), and, if there are any Loans or Swing Loans then outstanding in an aggregate amount which exceeds the aggregate Commitments or Swing Loan Commitment (after giving effect to any such reduction), the Borrower shall prepay to the Administrative Agent, for the account of the Banks or the Swing Lender, as applicable, all or such portion of the Tranche B Loans or Swing Loans outstanding on such date in accordance with the requirements of Sections 2.11(a) and (b). In no event shall the Borrower be permitted to cancel Tranche B Commitments for which a Letter of Credit

45

has been issued and is outstanding unless the Borrower returns (or causes to be returned) such Letter of Credit to the Fronting Bank. The Borrower shall be permitted to designate in its notice of cancellation which Loans, if any, are to be prepaid.

(f) Upon receipt of a notice of prepayment or cancellation or a return of a Letter of Credit pursuant to this Section, the Administrative Agent shall promptly, and in any event within one (1) Domestic Business Day, notify each Bank of the contents thereof and of such Bank's ratable share (if any) of such prepayment or cancellation and such notice shall not thereafter be revocable by the Borrower.

(g) Any amounts so prepaid pursuant to this Section 2.11 and attributable to Tranche B Loans may be reborrowed subject to the other terms of this Agreement. In the event that the Borrower elects to cancel all or any portion of the Tranche B Commitments pursuant to Section 2.11(f) hereof, such amounts may not be reborrowed. Any amounts so prepaid pursuant to this Section 2.11 and attributable to Tranche A Loans, Tranche C Loans or Tranche D Loans may not be reborrowed.

Section 4.12 General Provisions as to Payments.  
-----

(a) The Borrower shall make each payment of principal of, and interest on, the Loans and of fees hereunder, not later than 1:00 p.m. (Eastern Time) on the date when due, without regard to any rights of setoff or counterclaim, recoupment or other deduction, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.1. The Administrative Agent will distribute to each Bank its ratable share of each such payment received by the Administrative Agent and attributable to such Bank's Loans for the account of the Banks on the same day as received by the Administrative Agent if received by the Administrative Agent by 2:00 p.m. (Eastern Time), or, if received by the Administrative Agent after 2:00 p.m. (Eastern Time), on the immediately following Domestic Business Day. If the Administrative Agent shall fail to distribute to a Bank its ratable share of a payment on the same day it is received or the immediately following Domestic Business Day, as applicable in accordance with the immediately

preceding sentence, the Administrative Agent shall pay to such Bank the interest accrued on such payment at the Federal Funds Rate, commencing on the day the Administrative Agent should have made the payment to such Bank and ending on the day prior to the date payment is actually made. Whenever any payment of principal of, or interest on, the Base Rate Loans or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment, each Bank shall repay to the Administrative Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Administrative Agent, at the Federal Funds Rate.

Section 4.13 Funding Losses. (a) If the Borrower makes any payment of  
-----

principal with respect to any Euro-Dollar Loan (pursuant to Article II, VI or VIII or otherwise, and specifically including any payments made pursuant to Sections 2.10 or 2.11) on any day other than the last day of the Interest Period applicable thereto, or if the Borrower fails to borrow, prepay, convert or continue any Euro-Dollar Loans, after notice has been given to any Bank in accordance with Section

2.4(a), the Borrower shall reimburse each applicable Bank for any resulting loss or expense incurred by it (or by an existing Participant in the related Loan; provided that no Participant shall be entitled to receive more than the Bank with respect to which such Participant is a Participant would be entitled to receive under this Section 2.13), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or failure to borrow, convert or prepay.

(b) Each Bank wishing to demand compensation pursuant to this Section shall, within fifteen Domestic Business Days after the relevant payment or conversion or failure to borrow, prepay, convert or continue occurs, notify the Administrative Agent that it demands such compensation and deliver to the Administrative Agent a certificate as to the amount of compensation which such Bank is entitled to receive pursuant to subsection (a) of this Section, showing the calculation thereof in reasonable detail. Such certificate shall be conclusive in the absence of manifest error. Promptly after the end of such period of fifteen Domestic Business Days, the Administrative Agent shall notify Borrower of all demands for such compensation received by it during such period and deliver to Borrower copies of the supporting certificates received by it from the Banks. Within 15 days thereafter, Borrower shall pay to the Administrative Agent the aggregate amount properly demanded by the Banks pursuant to this Section and, upon receipt thereof, the Administrative Agent shall distribute such amount to the Banks entitled thereto.

Section 4.14 Computation of Interest and Fees. Interest based on the  
-----

Prime Rate and all commitment fees hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and Letter of Credit Fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

Section 4.15 Method of Electing Interest Rates.  
-----

(a) The Loans included in each Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Borrowing or notice delivered pursuant to Section 2.2(b). Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Group of Loans (subject in each case to the provisions of Article VIII and except for any Swing Loans), as follows:

(i) if such Loans are Base Rate Loans, the Borrower may elect to convert such Loans to Euro-Dollar Loans as of any Euro-Dollar Business Day;

(ii) if such Loans are Euro-Dollar Loans, the Borrower may elect to convert such Loans to Base Rate Loans or elect to continue such Loans as Euro-Dollar Loans for an additional Interest Period, in each case effective on the last day of the then current Interest Period applicable to such Loans.

Each such election shall be made by delivering a notice (a "Notice of Interest  
-----

Rate Election") to the Administrative Agent not later than 12:00 Noon (Eastern  
-----

Time) at least three (3) Euro-Dollar Business Days before the conversion or continuation selected in such notice is to be effective (unless the relevant Loans are to be continued as Base Rate Loans, in which case such notice shall be delivered to the Administrative Agent no later than 12:00 Noon (Eastern Time) on the Domestic Business Day on which such continuation is to be effective). A Notice of Interest Rate Election may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans;

provided that (i) such portion is allocated ratably among the Loans comprising  
-----

such Group, (ii) the portion to which such notice applies, and the remaining portion to which it does not apply, are each \$5,000,000 or any larger multiple

of \$1,000,000 (if such portion is comprised of Euro-Dollar Loans) or at least \$1,000,000 or any larger multiple of \$100,000 (if such portion is comprised on Base Rate Loans), (iii) there shall be no more than fifteen (15) Borrowings comprised of Euro-Dollar Loans outstanding at any time under this Agreement, (iv) no Loan may be continued as, or converted into, a Euro-Dollar Loan when

49

any Event of Default has occurred and is continuing, and (v) no Interest Period shall extend beyond the applicable Maturity Date.

(b) Each Notice of Interest Rate Election shall specify:

(i) the Group of Loans (or portion thereof) to which such notice applies;

(ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of subsection (a) above;

(iii) if the Loans comprising such Group are to be converted, the new type of Loans and, if such new Loans are Euro-Dollar Loans, the duration of the initial Interest Period applicable thereto; and

(iv) if such Loans are to be continued as Euro-Dollar Loans for an additional Interest Period, the duration of such additional Interest Period.

Each Interest Period specified in a Notice of Interest Rate Election shall comply with the provisions of the definition of Interest Period.

(c) Upon receipt of a Notice of Interest Rate Election from the Borrower pursuant to subsection (a) above, the Administrative Agent shall notify each Bank on the same day as it receives such Notice of Interest Rate Election of the contents thereof and such notice shall not thereafter be revocable by the Borrower. If the Borrower fails to deliver a timely Notice of Interest Rate Election to the Administrative Agent for any Group of Euro-Dollar Loans, such Loans shall be converted into Base Rate Loans on the last day of the then current Interest Period applicable thereto.

Section 4.16 Letters of Credit. (a) Subject to the terms contained

-----  
in this Agreement and the other Loan Documents, upon the receipt of a notice in accordance with Section 2.2(c) requesting the issuance of a Letter of Credit, the Fronting Bank shall issue a Letter of Credit or Letters of Credit in such form as is reasonably acceptable to the Borrower and in an amount or

50

amounts equal to the amount or amounts requested by the Borrower.

(b) The Letter of Credit Usage shall be no more than Twenty-Five Million Dollars (\$25,000,000) at any one time.

(c) In the event of any request for a drawing under any Letter of Credit by the beneficiary thereunder, the Fronting Bank shall endeavor to notify the Borrower and the Administrative Agent (and the Administrative Agent shall endeavor to notify each Bank thereof) on or before the date on which the Fronting Bank intends to honor such drawing, and, except as provided in this subsection (c), the Borrower shall reimburse the Fronting Bank, in an amount equal to the amount of such drawing, in immediately available funds, before 3:00 P.M. (Eastern Time) (x) if such Fronting Bank notifies Borrower of such drawing before 11:00 A.M. (Eastern Time) on such date or (y) on the date such notice is given, if such notice is given after the date of such drawing; provided that any notice given to Borrower after 11:00 A.M. (Eastern Time) on any day shall be deemed for purposes of the foregoing clause (y) to have been given on the next succeeding Domestic Business Day. Notwithstanding anything contained herein to the contrary, however, unless the Borrower shall have notified the Administrative Agent, and the Fronting Bank prior to 11:00 a.m. (Eastern Time) on the Domestic Business Day immediately prior to the date of such drawing that the Borrower intends to reimburse the Fronting Bank for the amount of such drawing with funds other than the proceeds of the Loans, the Borrower shall be deemed to have timely given a Notice of Borrowing pursuant to Section 2.2 to

the Administrative Agent, requesting a Borrowing of Base Rate Loans on the date on which such drawing is honored and in an amount equal to the amount of such drawing. Each Bank (other than the Fronting Bank) shall, in accordance with Section 2.4(b), make available its share of such Borrowing to the Administrative Agent, the proceeds of which shall be applied directly by the Administrative Agent to reimburse the Fronting Bank for the amount of such draw. In the event that any such Bank fails to make available to the Fronting Bank the amount of such Bank's participation on the date of a drawing, the Fronting Bank shall be entitled to recover such amount on demand from such Bank together with interest at the Federal Funds Rate commencing on the date such drawing is honored.

51

(d) If, after the date hereof, any change in any law or regulation or in the interpretation thereof by any court or administrative or governmental authority charged with the administration thereof shall either (i) impose, modify or deem applicable any reserve, special deposit or similar requirement against letters of credit issued by, or assets held by, or deposits in or for the account of, or participations in any letter of credit, upon any Bank (including the Fronting Bank) or (ii) impose on any Bank any other condition regarding this Agreement or such Bank (including the Fronting Bank) as it pertains to the Letters of Credit or any participation therein and the result of any event referred to in the preceding clause (i) or (ii) shall be to increase, by an amount deemed by the Fronting Bank or such Bank to be material, the cost to the Fronting Bank or any Bank of issuing or maintaining any Letter of Credit or participating therein then the Borrower shall pay to the Fronting Bank or such Bank, within 15 days after written demand by such Bank (with a copy to the Administrative Agent), which demand shall be accompanied by a certificate showing, in reasonable detail, the calculation of such amount or amounts, such additional amounts as shall be required to compensate the Fronting Bank or such Bank for such increased costs or reduction in amounts received or receivable hereunder.

(e) The Borrower hereby agrees to protect, indemnify, pay and save the Fronting Bank and the Banks harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees and disbursements) which the Fronting Bank or the Banks may incur or be subject to as a result of (i) the issuance of the Letters of Credit, other than as a result of the gross negligence or wilful misconduct of the Fronting Bank or (ii) the failure of the Fronting Bank to honor a drawing under any Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or

Governmental Authority (collectively, "Governmental Acts"), other than as a

result of the gross negligence or wilful misconduct of the Fronting Bank. As between the Borrower, the Fronting Bank and the Banks, the Borrower assumes all risks of the acts and omissions of, or misuses of, the Letters of Credit issued by the Fronting Bank, by the beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, the Fronting Bank shall not

52

be responsible (i) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of such Letters of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) for the validity or insufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) for failure of the beneficiary of any such Letter of Credit to comply fully with conditions required in order to draw upon such Letter of Credit; (iv) for errors, omissions, interruptions or delays in transmission or delivery of any message, by mail, cable, telegraph, telex, facsimile transmission, or otherwise; (v) for errors in interpretation of any technical terms; (vi) for any loss or delay in the transmission or otherwise of any documents required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vii) for the misapplication by the beneficiary of any such Letter of Credit of the proceeds of such Letter of Credit; and (viii) for any consequence arising from causes beyond the control of the Fronting Bank, including any Government Acts, in each case other than as a result of the gross negligence or willful

misconduct of the Fronting Bank. None of the above shall affect, impair or prevent the vesting of the Fronting Bank's rights and powers hereunder.

(f) If the Fronting Bank or the Administrative Agent is required at any time, pursuant to any bankruptcy, insolvency, liquidation or reorganization law or otherwise, to return to the Borrower any reimbursement by the Borrower of any drawing under any Letter of Credit, each Bank shall pay to the Fronting Bank or the Administrative Agent, as the case may be, its share of such payment, but without interest thereon unless the Fronting Bank or the Administrative Agent is required to pay interest on such amounts to the person recovering such payment, in which case with interest thereon, computed at the same rate, and on the same basis, as the interest that the Fronting Bank or the Administrative Agent is required to pay.

(g) The Fronting Bank shall furnish to the Administrative Agent upon request such information as the

53

Administrative Agent shall reasonably request in order to calculate (i) Letter of Credit Usage existing from time to time and (ii) the amount of any fee payable for the account of the Banks under Section 2.08(b).

Section 4.17. Letter of Credit Usage Absolute. The obligations of the

-----  
Borrower under this Agreement in respect of any Letter of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement (as the same may be amended from time to time) and any Letter of Credit Documents (as hereinafter defined) under all circumstances, including, without limitation, to the extent permitted by law, the following circumstances:

(a) any lack of validity or enforceability of any Letter of Credit or any other agreement or instrument relating thereto (collectively, the "Letter of Credit Documents") or any Loan Document;  
-----

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of the Borrower in respect of the Letters of Credit or any other amendment or waiver of or any consent by the Borrower to departure from all or any of the Letter of Credit Documents or any Loan Document; provided, that the Fronting Bank shall not consent to any such change or amendment unless previously consented to in writing by the Borrower;

(c) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the obligations of the Borrower in respect of the Letters of Credit;

(d) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), the Administrative Agent, the Fronting Bank or any Bank (other than a defense based on the gross negligence or wilful misconduct of the Administrative Agent, the Fronting Bank or such Bank) or any other Person, whether in connection with the Loan Documents, the transactions

54

contemplated hereby or by the Letters of Credit Documents or any unrelated transaction;

(e) any draft or any other document presented under or in connection with any Letter of Credit or other Loan Document proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; provided, that payment by the Fronting Bank under such Letter of Credit against presentation of such draft or document shall not have constituted gross negligence or wilful misconduct of the Fronting Bank;

(f) payment by the Fronting Bank against presentation of a draft or certificate that does not comply with the terms of the Letter of Credit; provided, that such payment shall not have constituted gross negligence or ----- wilful misconduct of the Fronting Bank; and

(g) any other circumstance or happening whatsoever other than the payment in full of all obligations hereunder in respect of any Letter of Credit or any agreement or instrument relating to any Letter of Credit, whether or not similar to any of the foregoing, that might otherwise constitute a defense available to, or a discharge of, the Borrower; provided, that such other ----- circumstance or happening shall not have been the result of gross negligence or wilful misconduct of the Fronting Bank.

ARTICLE VI

CONDITIONS

Section 6.1. Closing. The closing hereunder shall occur on the date ----- (the "Closing Date") when each of the following conditions is satisfied, each ----- document to be dated the Closing Date unless otherwise indicated:

(a) the Borrower shall have executed and delivered to the Documentation Agent a Tranche A Note for the account of each Tranche A Bank dated on or before the Closing Date complying with the provisions of Section 2.5;

(b) the Borrower shall have executed and delivered to the Documentation Agent a Tranche B Note for

55

the account of each Tranche B Bank dated on or before the Closing Date complying with the provisions of Section 2.5;

(c) the Borrower shall have executed and delivered to the Documentation Agent a Tranche C Note for the account of each Tranche C Bank dated on or before the Closing Date complying with the provisions of Section 2.5;

(d) the Borrower shall have executed and delivered to the Documentation Agent a Tranche D Note for the account of each Tranche D Bank dated on or before the Closing Date complying with the provisions of Section 2.5;

(e) the Borrower shall have executed and delivered to the Documentation Agent a duly executed original of this Agreement;

(f) the Guarantor and all parties named in the Guaranty shall have executed and delivered to the Documentation Agent a duly executed original of the Guaranty;

(g) The Guarantor and the Borrower shall have executed and delivered to the Documentation Agent a duly executed original of the Pledge;

(h) the Documentation Agent shall have received an opinion of Sullivan & Cromwell, counsel for the Borrower acceptable to the Administrative Agent, the Banks and their counsel;

(i) the Documentation Agent shall have received all documents the Documentation Agent may reasonably request relating to the existence of the Borrower and the Guarantor, the authority for and the validity of this Agreement and the other Loan Documents, and any other matters relevant hereto, all in form and substance reasonably satisfactory to the Documentation Agent. Such documentation shall include, without limitation, the articles of incorporation and by-laws of the Borrower, as amended, modified or supplemented to the Closing Date, each certified to be true, correct and complete by a senior officer of the Guarantor as of a date not more than forty-five (45) days prior to the Closing Date, together with a good standing certificate

from the Secretary of State (or the equivalent thereof) of the State of Delaware with respect to the Borrower and the State of Delaware with respect to the Guarantor, and a good standing certificate from the Secretary of State (or the equivalent thereof) of each other State in which the Borrower or the Guarantor is required to be qualified to transact business and where failure to be so qualified could be reasonably expected to have a Material Adverse Effect, each to be dated not more than forty-five (45) days prior to the Closing Date;

(j) the Documentation Agent shall have received all certificates, agreements and other documents and papers referred to in this Section 3.1 and Section 3.2, unless otherwise specified, in sufficient counterparts, satisfactory in form and substance to the Documentation Agent in its sole discretion;

(k) the Borrower and the Guarantor each shall have taken all actions required to authorize the execution and delivery of this Agreement and the other Loan Documents and the performance thereof by the Borrower;

(l) the Documentation Agent shall have received the Proxy Statement, which such Proxy Statement shall include an unaudited pro forma consolidated balance sheet and income statement of the Guarantor and its Consolidated Subsidiaries for the fiscal year ended December 31, 1997;

(m) the Documentation Agent shall have received wire transfer instructions in connection with the Loans to be made on the Closing Date;

(n) the Documentation Agent shall have received, for its and any other Bank's account, all fees due and payable pursuant to Section 2.8 hereof on or before the Closing Date;

(o) except for those consents, licenses and approvals more particularly described on Schedule 3.1 hereto, the Documentation Agent shall  
-----  
have received copies of all consents, licenses and approvals, if any, required in connection with the execution, delivery and performance by the Borrower and the Guarantor, and the validity and enforceability against the Borrower, of the Loan Documents, or in connection with any of the

transactions contemplated thereby to occur on or prior to the Closing Date and such consents, licenses and approvals shall be in full force and effect;

(p) the Documentation Agent shall have received certified copies of each Material Lease and all guaranties executed in connection therewith, in form and substance satisfactory to the Banks;

(q) the representations and warranties of the Borrower contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date both before and after giving effect to the making of any Loans;

(r) receipt by the Documentation Agent and the Banks of a certificate of a Senior Officer of the Borrower certifying that the Borrower is in compliance with all covenants of the Borrower contained in this Agreement, which certificate shall include pro forma calculations, as of the Closing Date, indicating compliance with the covenants set forth Section 5.8;

(s) all credit agreements of the Borrower and the Guarantor for borrowed money other than the Existing Credit Agreements shall have been terminated and all amounts outstanding thereunder repaid in full;

(t) the Documentation Agent (i) shall have completed all due diligence investigations and examinations, including review of the Master Leases and verification of the representations and warranties contained herein, (ii) shall be satisfied with the terms of the spin-off of Vencor, Inc., and (iii) shall have confirmed the successful tender of the Guarantor's 8 5/8% senior subordinated notes; and

(u) all conditions set forth in Section 3.1 of the \$1,000,000,000 Credit Agreement dated of even date herewith among Vencor Operating, Inc.,

Vencor, Inc., the Lenders, Swingline Bank, LC Issuing Banks, Senior Managing Agents, Managing Agents and Co-Agents named therein, the Documentation Agent and the Administrative Agent shall have been satisfied or waived.

The Documentation Agent shall promptly notify the Borrower and the Banks of the Closing Date, and such

58

notice shall be conclusive and binding on all parties hereto.

Section 6.2. Borrowings. The obligation of any Bank to make a Loan,  
-----

other than a Refunded Swing Loan, on the occasion of any Borrowing or to participate in any Letter of Credit issued by the Fronting Bank and the obligation of the Fronting Bank to issue, extend or renew a Letter of Credit is subject to the satisfaction of the following conditions:

(a) the Closing Date shall have occurred on or prior to May 15, 1998;

(b) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.2, 2.4 or 2.5;

(c) immediately after such Borrowing or issuance, extension or renewal of any Letter of Credit, the Outstanding Balance will not exceed the aggregate amount of the Commitments and with respect to each Bank, such Bank's pro rata portion of the Loans and Letter of Credit Usage will not exceed such  
-----

Bank's Commitment;

(d) immediately before and after such Borrowing or issuance, extension or renewal of any Letter of Credit, no Default or Event of Default shall have occurred and be continuing both before and after giving effect to the making of such Loans or issuing, extending or renewing any Letter of Credit;

(e) the representations and warranties of the Borrower, the Guarantor and their Subsidiaries contained in this Agreement and the other Loan Documents (other than representations and warranties which speak as of a specific date, which representations and warranties shall have been true as of such date) shall be true and correct in all material respects on and as of the date of such Borrowing or issuance, extension or renewal of any Letter of Credit, both before and after giving effect to the making of such Loans or issuing, extending or renewing any Letter of Credit;

(f) no law or regulation shall have been adopted, no order, judgment or decree of any governmental authority shall have been issued, and no litigation shall be pending or threatened, which does or, with respect to

59

any threatened litigation, seeks to enjoin, prohibit or restrain, the making or repayment of the Loans, the issuance of any Letter of Credit or any participations therein or the consummation of the transactions contemplated hereby; and

(g) no event, act or condition shall have occurred after the Closing Date which, in the reasonable judgment of the Required Banks of Tranche B, has had or is likely to have a Material Adverse Effect.

Each Borrowing or issuance, extension or renewal of any Letter of Credit hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing or issuance, extension or renewal of any Letter of Credit, as to the facts specified in clauses (c) through (g) of this Section (except that with respect to clause (f), such representation and warranty shall be deemed to be limited to laws, regulations, orders, judgments, decrees and litigation affecting the Borrower and not solely the Banks).

Section 6.3 Additional Real Property Assets.  
-----

(a) Any Real Property Asset other than those set forth on Exhibits B  
-----  
and C hereto desired by the Borrower to be included as an Unencumbered Asset

Pool Property will require the approval of the Super-Majority Banks. The Borrower shall submit to the Administrative Agent the materials set forth below (the "Due Diligence Package") relating to each Real Property Asset that the

-----  
Borrower desires to be added to the Unencumbered Asset Pool Properties. The Due Diligence Package shall include (i) a description of the Real Property Asset, (ii) two (2) years of historical cash flow operating statements, if available, (iii) five (5) years of cash flow projections of the Borrower's interest in the Real Property Asset (including capital expenditures), (iv) a map and site plan, if available, (v) to the extent obtained by the Borrower, the Guarantor or, as applicable, a Subsidiary of either, evidence of zoning compliance (which evidence can include a "lawyer's letter" from a local counsel engaged by Borrower, the Guarantor or, as applicable, a Subsidiary of either at the time of acquisition), (vi) a copy of any engineer's inspection report obtained by the Borrower, the Guarantor or, if applicable, a Subsidiary of either in connection with the Real Property Asset, (vii) a copy of the Title

60

Commitment obtained by the Borrower, the Guarantor or, if applicable, a Subsidiary that owns or leases (or will own or lease) such Real Property Asset, (viii) a copy of an environmental report for such Real Property Asset indicating that such Real Property Asset and the use thereof each complies in all material respects with all applicable Environmental Laws and is free from contamination by any Material of Environmental Concern or, if the environmental report indicates that any remediation or other environmental work is recommended or required, and, in the case of asbestos containing materials, such materials are friable or are not otherwise encapsulated, the Borrower shall either (A) obtain a guaranty as to the completion of such remediation or work from a Person (other than the Borrower, the Guarantor and their Affiliates) having an Investment Grade Rating or, if such a rating is unavailable, having a regional or national reputation, or (B) furnish to the Documentation Agent Cash or Cash Equivalents (or other security satisfactory to the Administrative Agent) in an amount equal to 100% of the reasonably estimated cost of completing such remediation or other work, (ix) copies of the lease agreements for each of the tenants of such Real Property Asset, together with an abstract or summary of each lease for any tenant which occupies more than 15% of such Real Property Asset or accounts for more than 15% of the base rentals of such Real Property Asset and (x) such additional information with respect to each Real Property Asset, the tenants of such Real Property Asset and, if applicable, the Subsidiary that owns or leases such Real Property Asset, as the Documentation Agent or any Bank shall reasonably request.

(b) The Borrower shall distribute a copy of each item constituting the Due Diligence Package by overnight mail to the Administrative Agent, with sufficient copies for each of the Banks for review and approval by the Super-Majority Banks, which approval shall not be unreasonably withheld. Failure to respond to the Administrative Agent in writing by any Bank within ten (10) Domestic Business Days after receipt of the Due Diligence Package, shall be deemed to be an approval by such Bank of such Real Property Asset for inclusion as a Unencumbered Asset Pool Property.

(c) The Borrower and the Guarantor shall permit (and shall cause their respective Subsidiaries to permit) the Documentation Agent at all reasonable times

61

and upon reasonable prior notice to the Guarantor and its Subsidiaries and the operator of the facility to make an inspection of any Real Property Asset.

#### ARTICLE VIII

##### REPRESENTATIONS AND WARRANTIES

In order to induce the Administrative Agent and each of the other Banks which are or may become a party to this Agreement to make the Loans, the Borrower makes the following representations and warranties as of the date hereof. Such representations and warranties shall survive the effectiveness of this Agreement, the execution and delivery of the other Loan Documents and the making of the Loans.

Section 8.1. Existence and Power. Each of the Borrower and the

-----  
Guarantor is duly organized, validly existing and in good standing as a limited partnership or corporation, as applicable, under the laws of the State of Delaware and has all powers and all material governmental licenses, authorizations, consents and approvals required to own its property and assets and carry on its business as now conducted or as it presently proposes to conduct and has been duly qualified and is in good standing in every jurisdiction in which the failure to be so qualified and/or in good standing is likely to have a Material Adverse Effect.

Section 8.2. Power and Authority. Each of the Borrower, the Guarantor

-----  
and their Subsidiaries has the partnership or corporate power and authority, as applicable, to execute, deliver and carry out the terms and provisions of each of the Loan Documents to which it is a party and has taken all necessary action to authorize the execution and delivery on behalf of the Borrower, the Guarantor or such Subsidiary and the performance by the Borrower, the Guarantor and their Subsidiaries of such Loan Documents. Each of the Borrower, the Guarantor and their Subsidiaries has duly executed and delivered each Loan Document to which it is a party, and each such Loan Document constitutes the legal, valid and binding obligation of the Borrower, the Guarantor and their Subsidiaries a party thereto, enforceable in accordance with its terms, except as enforceability may be limited by applicable insolvency,

62

bankruptcy or other laws affecting creditors rights generally, or general principles of equity, whether such enforceability is considered in a proceeding in equity or at law.

Section 8.3. No Violation; Government Approvals; Licenses. Except as

-----  
set forth on Schedule 4.3 hereof, neither the execution, delivery or performance

-----  
by or on behalf of the Borrower, the Guarantor or any Subsidiary of either of the Loan Documents, nor compliance by the Borrower, the Guarantor or any of their Subsidiaries with the terms and provisions thereof nor the consummation of the transactions contemplated by the Loan Documents, (i) will contravene any applicable provision of any law, statute, rule, regulation, order, writ, injunction or decree of any court or governmental instrumentality applicable to Borrower, Guarantor or any of their Subsidiaries, (ii) will conflict with or result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of the Borrower, the Guarantor or any of their Subsidiaries pursuant to the terms of any material indenture, mortgage, deed of trust, or other agreement or other instrument to which the Borrower, the Guarantor or any of their Subsidiaries (or of any partnership of which the Borrower, the Guarantor or any of their Subsidiaries is a partner) is a party or by which it or any of its property or assets is bound or to which it is subject, (iii) will cause a default by the Borrower or the Guarantor under any organizational document of either of them or any of their Subsidiaries, or (iv) will require any order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority, or any subdivision thereof, to authorize delivery and performance of any Loan Document or the consummation of any of the transactions contemplated thereby other than those that have already been duly made or obtained and remain in full force and effect. The Borrower, the Guarantor and each of their Subsidiaries has obtained and holds in full force and effect, all franchises, licenses, permits, certificates, including certificates of need, authorizations, qualifications, accreditations, easements, rights of way and other consents and approvals which are necessary for the operation of its businesses

63

as presently conducted, the absence of which is likely (to the extent that the Borrower, the Guarantor and each Subsidiary can now reasonably foresee) to have a Material Adverse Effect.

Section 8.4 Financial Information.

-----

(a) The unaudited pro forma consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of December 31, 1997, as delivered in the Proxy Statement fairly present, in conformity with GAAP, the consolidated pro forma financial position of the Guarantor and its Consolidated Subsidiaries as of such date and their pro forma consolidated results of operations for such fiscal year.

(b) Since December 31, 1997, on a pro forma basis (i) there has been no material adverse change in the business, financial position or results of operations of the Guarantor and its Consolidated Subsidiaries and (ii) except as previously disclosed to the Documentation Agent and each Bank, the Guarantor and its Consolidated Subsidiaries have not incurred any material indebtedness or guaranty.

Section 8.5. Litigation.  
-----

(a) Except as identified on Schedule 4.5, there is no action, suit or proceeding pending against, or to the knowledge of the Borrower or the Guarantor, threatened against or affecting, (i) the Borrower, the Guarantor or any of their Subsidiaries, (ii) the Loan Documents or any of the transactions contemplated by the Loan Documents or (iii) any of their assets, in any case before any court or arbitrator or any governmental body, agency or official which could reasonably be expected to have a Material Adverse Effect or which in any manner draws into question the validity of this Agreement or the other Loan Documents.

(b) There are no final nonappealable judgments or decrees in an aggregate amount of Five Million Dollars (\$5,000,000) or more entered by a court or courts of competent jurisdiction against the Borrower, the Guarantor or any of their Subsidiaries holding Unencumbered Asset Pool Properties which remain unpaid and there are no final nonappealable judgments or decrees against any Subsidiaries other than those holding

64

Unencumbered Asset Pool Properties which would have a Material Adverse Effect (in each case, other than any judgment as to which, and only to the extent, a reputable insurance company has acknowledged coverage of such claim in writing).

Section 8.6 Compliance with ERISA.  
-----

(a) Except as previously disclosed to the Documentation Agent in writing, each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

(b) Except for each "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) that is maintained, or contributed to, by one or more members of the ERISA Group, no member of the ERISA Group is a "party in interest" (as such term is defined in Section 3(14) of ERISA or a "disqualified person" (as such term is defined in Section 4975(e)(2) of the Internal Revenue Code) with respect to any funded employee benefit plan and none of the assets of any such plans have been invested in a manner that would cause the transactions contemplated by the Loan Documents to constitute a nonexempt prohibited transaction (as such term is defined in Section 4975 of the Internal Revenue Code or Section 406 of ERISA).

Section 8.7. Environmental Compliance. To the best of Borrower's knowledge, (i) there are in effect all Environmental Approvals which are

required to be obtained under all Environmental Laws with respect to the Property, except for such Environmental Approvals the

65

absence of which would not have a Material Adverse Effect, (ii) the Borrower and each Subsidiary is in compliance in all material respects with the terms and conditions of all such Environmental Approvals, and is also in compliance in all material respects with all other Environmental Laws or any plan, order, decree, judgment, injunction, notice or demand letter issued, entered or approved thereunder, except to the extent failure to comply would not have a Material Adverse Effect.

Except as set forth in the Environmental Reports or otherwise disclosed to the Documentation Agent as of the Closing Date, to Borrower's actual knowledge:

(i) There are no Environmental Claims or investigations pending or threatened by any Governmental Authority with respect to any alleged failure by the Borrower or its Subsidiaries to have any Environmental Approval required in connection with the conduct of the business of the Borrower or its Subsidiaries on any of the Unencumbered Asset Pool Properties, or with respect to any generation, treatment, storage, recycling, transportation, Release or disposal of any Material of Environmental Concern generated by the Borrower or its Subsidiaries or any lessee on any of the Unencumbered Asset Pool Properties;

(ii) No Material of Environmental Concern has been Released at the Property to an extent that it may reasonably be expected to have a Material Adverse Effect;

(iii) No Environmental Claims have been filed with a Governmental Authority with respect to any of the Unencumbered Asset Pool Properties, and none of the Unencumbered Asset Pool Properties is listed or proposed for listing on the National Priority List promulgated pursuant to CERCLA, on CERCLIS or on any similar state list of sites requiring investigation or clean-up;

(iv) There are no Liens arising under or pursuant to any Environmental Laws on any of the Unencumbered Asset Pool Properties, and no government actions have been taken or are in process

66

which could subject any of the Unencumbered Asset Pool Properties to such Liens; and

(v) There have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by, or which are in the possession of, the Borrower or its Subsidiaries in relation to any of the Unencumbered Asset Pool Properties which have not been made available to the Documentation Agent at the Guarantor's principal place of business.

Section 8.8. Taxes. The initial tax year of the Borrower for federal  
-----  
income tax purposes is 1998. The Borrower, the Guarantor and their Subsidiaries have filed all United States Federal income tax returns or extensions thereto and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower, the Guarantor or any of their Subsidiaries except those being contested in good faith. The charges, accruals and reserves on the books of the Borrower, the Guarantor and their Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Borrower, adequate.

Section 8.9. Full Disclosure. All information heretofore furnished by  
-----  
the Borrower or the Guarantor to the Documentation Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is true and accurate in all material respects on the date as of which such information is stated or certified. The Borrower and the Guarantor have disclosed to the Banks in writing any and all facts known to the Borrower or the Guarantor which materially and adversely affect or are likely to materially and adversely affect (to the extent the Borrower or the Guarantor can now reasonably

foresee), the business, operations or financial condition of the Borrower, the Guarantor and their Subsidiaries considered as one enterprise or the ability of the Borrower, the Guarantor and their Subsidiaries to perform its obligations under this Agreement or the other Loan Documents.

Section 8.10. Solvency. On the Closing Date and after giving effect

to the transactions contemplated by the Loan Documents occurring on the Closing Date, the Borrower is Solvent.

67

Section 8.11. Use of Proceeds; Margin Regulations. All proceeds of

the Loans will be used by the Borrower only in accordance with the provisions hereof. No part of the proceeds of any Loan will be used by the Borrower or any Subsidiaries to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock. Neither the making of any Loan nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulations T, U or X of the Federal Reserve Board.

Section 8.12. Investment Company Act; Public Utility Holding Company

Act. Neither the Borrower, the Guarantor nor any of their Subsidiaries are (x)

an "investment company" or a company "controlled" by an "investment company",

within the meaning of the Investment Company Act of 1940, as amended, (y) a "holding company" or a "subsidiary company" of a "holding company" or an

"affiliate" of either a "holding company" or a "subsidiary company" within the

meaning of the Public Utility Holding Company Act of 1935, as amended, or (z) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money.

Section 8.13. Closing Date Transactions. On the Closing Date and

immediately prior to or concurrently with the making of the Loans, the transactions (other than the making of the Loans) intended to be consummated on the Closing Date pursuant to this Agreement and described in the Proxy Statement will have been consummated in accordance with all applicable laws.

Section 8.14. Representations and Warranties in Loan Documents. All

representations and warranties made by the Borrower, the Guarantor and their Subsidiaries in the Loan Documents are true and correct in all material respects.

Section 8.15. Patents, Trademarks, etc. The Borrower and each of its

Subsidiaries has obtained and holds in full force and effect all patents, trademarks, service marks, trade names, copyrights and other such rights, free from burdensome restrictions, which are necessary for the operation of its business as presently conducted, the impairment of which is likely to have a Material Adverse Effect. To the Borrower's knowledge, no

68

material product, process, method, substance, part or other material presently sold by or employed by the Borrower in connection with such business infringes any patent, trademark, service mark, trade name, copyright, license or other such right owned by any other Person. There is not pending or, to the Borrower's knowledge, threatened any claim or litigation against or affecting the Borrower or any of its Subsidiaries contesting its right to sell or use any such product, process, method, substance, part or other material.

Section 8.16. No Default. No Default or Event of Default exists under

or with respect to any Loan Document. The Borrower is not in default in any material respect beyond any applicable grace period under or with respect to any other material agreement, instrument or undertaking to which it is a party or by which it or any of its property is bound in any respect, the existence of which

default is likely (to the extent that the Borrower can now reasonably foresee) to result in a Material Adverse Effect.

Section 8.17. Compliance With Law. The Borrower, the Guarantor and  
-----  
their Subsidiaries are in compliance with all laws, rules, regulations, orders, judgments, writs and decrees, including, without limitation, all building and zoning ordinances and codes, the failure to comply with which is likely (to the extent that the Borrower can now reasonably foresee) to have a Material Adverse Effect.

Section 8.18. Brokers' Fees. Except as otherwise disclosed in the  
-----  
Proxy Statement, the Borrower has not dealt with any broker or finder with respect to the transactions contemplated by the Loan Documents (except with respect to the acquisition or disposition of Real Property Assets) or otherwise in connection with this Agreement, and the Borrower has not done any acts, had any negotiations or conversation, or made any agreements or promises which will in any way create or give rise to any obligation or liability for the payment by the Borrower of any brokerage fee, charge, commission or other compensation to any party with respect to the transactions contemplated by the Loan Documents (except with respect to the acquisition or disposition of Real Property Assets), other than the fees payable hereunder.

69

Section 8.19. Labor Matters. Except as set forth on Schedule 4.19  
-----  
attached hereto and made a part hereof, there are no collective bargaining agreements or Multiemployer Plans covering the employees of the Borrower and the Borrower has not suffered any strikes, walkouts, work stoppages or other material labor difficulty within the last five (5) years.

Section 8.20. Organizational Documents. The documents delivered  
-----  
pursuant to Section 3.1(i) constitute, as of the Closing Date, all of the organizational documents (together with all amendments and modifications thereof) of the Borrower. The Borrower represents that it has delivered to the Documentation Agent true, correct and complete copies of each of the documents set forth in this Section 4.20.

Section 8.21. Principal Offices. The principal office, chief  
-----  
executive office and principal place of business of the Borrower is 3300 Aegon Center, 400 West Market Street, Louisville, Kentucky 40202.

Section 8.22. Ownership of Property. The Borrower owns, directly or  
-----  
indirectly, fee simple title (or leasehold title if so designated on Schedule  
-----  
4.22 hereto) to each of the Real Property Assets, as more particularly set forth  
-----  
on Schedule 4.22 hereto, which schedule also sets forth the owner/lessee of each  
-----  
Real Property Asset.

Section 8.23. Insurance. The Borrower currently maintains, or causes  
-----  
to be maintained pursuant to the provisions of each Material Lease, insurance at 100% replacement cost insurance coverage in respect of each of the Real Property Assets, as well as comprehensive general liability insurance against claims for personal, and bodily injury and/or death, to one or more persons, or property damage, as well as workers' compensation insurance, in each case with respect to the Real Property Assets with insurers having an A.M. Best policyholders' rating of not less than A-V, or an S&P rating of A or the equivalent thereto, in amounts that prudent owner of assets such as the Real Property Assets would maintain.

Section 8.24. "Year 2000" Compliance. The Borrower and Guarantor have  
-----  
(i) initiated a review and assessment of all areas within their and each of their

70

Subsidiaries' business and operations (including those affected by suppliers and vendors) that could be adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by the Borrower or Guarantor or any of their Subsidiaries (or their suppliers and vendors) may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999), (ii) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis, and (iii) to date, implemented that plan in accordance with that timetable. The Borrower and Guarantor reasonably believe that all computer applications (including those of their suppliers and vendors) that are material to their or any of their Subsidiaries' business and operations will, on a timely basis, be able to perform properly date-sensitive functions for all dates before and after January 1, 2000 (that is, be "Year 2000 compliant"), except to the extent that a failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 8.25. REIT Status. From and after January 1, 1999, the

-----  
Guarantor will qualify and intends to continue thereafter to qualify as a real estate investment trust under the Internal Revenue Code.

## ARTICLE X

### AFFIRMATIVE AND NEGATIVE COVENANTS

The Borrower covenants and agrees that, so long as any Bank has any Commitment hereunder or any Obligations remain unpaid:

Section 10.1. Information. The Borrower will, subject to the final

-----  
paragraph of this Section 5.1, deliver to the Administrative Agent sufficient copies for each of the Banks (if requested by the Administrative Agent) of the following information which the Administrative Agent shall promptly forward to the Banks:

(a) as soon as available and in any event within 90 days after the end of each fiscal year of the Guarantor and its Consolidated Subsidiaries, an audited consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of cash flow

71

and operations for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, if available, audited by Ernst & Young LLP or other independent public accountants of similar standing;

(b) to the extent prepared by Borrower, and in such event within 90 days after the end of each fiscal year of the Borrower, an audited consolidated balance sheet of the Borrower (or unaudited, if no audited balance sheet is prepared) as of the end of such fiscal year and the related consolidated statements of cash flow and operations for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, if available, audited by Ernst & Young LLP or other independent public accountants of similar standing;

(c) as soon as available and in any event within 45 days after the end of each quarter of each fiscal year (other than the last quarter in any fiscal year) of the Guarantor and its Consolidated Subsidiaries a statement of the Guarantor and its Consolidated Subsidiaries prepared in accordance with GAAP setting forth the operating income and operating expenses of the Guarantor and its Consolidated Subsidiaries, as well as the related statements of cash flow and operations for such quarter, and a balance sheet relating to such quarter, all in sufficient detail so as to calculate Unencumbered Asset Pool Net Operating Cash Flow of the Guarantor and its Consolidated Subsidiaries for the immediately preceding quarter;

(d) commencing June 30, 1998 and thereafter as soon as available and in any event within 90 days after the end of each quarter of each fiscal year (other than the last quarter in any fiscal year) of the Borrower, a statement of the Borrower, prepared in accordance with GAAP, setting forth the operating income and operating expenses of the Borrower and a consolidated balance sheet of the Borrower as of the end of such fiscal quarter and the related

consolidated statements of cash flow and operations for such fiscal quarter;

(e) simultaneously with the delivery of each set of financial statements referred to in clauses (a), (b), (c) and (d) above, a certificate of a Senior Officer of the Guarantor (i) setting forth in reasonable detail

72

the calculations required to establish whether the Borrower was in compliance with the requirements of Section 5.8 on the date of such financial statements; (ii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto; and (iii) certifying (x) that such financial statements fairly present the financial condition and the results of operations of the Guarantor and its Consolidated Subsidiaries as of the dates and for the periods indicated, in accordance with GAAP, subject, in the case of interim financial statements, to normal year-end adjustments, and (y) that such officer has reviewed the terms of the Loan Documents and has made, or caused to be made under his or her supervision, a review in reasonable detail of the business and condition of the Borrower during the period beginning on the date through which the last such review was made pursuant to this Section 5.1(c) and ending on a date not more than ten (10) Domestic Business Days prior to the date of such delivery and that on the basis of such review of the Loan Documents and the business and condition of the Borrower, to the best knowledge of such officer, no Default or Event of Default under any other provision of Section 6.1 occurred or, if any such Default or Event of Default has occurred, specifying the nature and extent thereof and, if continuing, the action the Borrower proposes to take in respect thereof;

(f) simultaneously with the delivery of each set of financial statements referred to in clause (a) above, a letter from the firm of independent public accountants that reported on such statements stating (i) whether anything has come to their attention in the course of their normal audit procedures to cause them to believe that any Default or Event of Default existed on the date of such financial statements and (ii) whether in their opinion the calculations set forth in the officer's certificate delivered pursuant to clause (e) above, to the extent derived from data contained in the accounting records of Guarantor and its Consolidated Subsidiaries, have been determined in accordance with the relevant provisions of this Agreement;

(g) (i) within five (5) days after the president, chief financial officer, treasurer, controller or other executive officer of the Borrower obtains

73

knowledge of any Default, if such Default is then continuing, a certificate of the chief financial officer or the president of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto; (ii) promptly and in any event within ten (10) days after the Borrower obtains knowledge thereof, notice of (x) any litigation or governmental proceeding pending or threatened against the Borrower which is likely to individually or in the aggregate, result in a Material Adverse Effect, and (y) any other event, act or condition which is likely to result in a Material Adverse Effect;

(h) if and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such

notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take;

74

(i) promptly and in any event within five (5) Domestic Business Days after the Borrower obtains actual knowledge of any of the following events, a certificate of the Borrower executed by an officer of the Borrower specifying the nature of such condition and the Borrower's, if the Borrower has actual knowledge thereof, or the Environmental Affiliate's proposed initial response thereto: (i) the receipt by the Borrower, or, if the Borrower has actual knowledge thereof, any of the Environmental Affiliates, of any communication (written or oral), whether from a governmental authority, citizens group, employee or otherwise, that alleges that the Borrower, or, if the Borrower has actual knowledge thereof, any of the Environmental Affiliates, is not in compliance with applicable Environmental Laws, and such noncompliance is likely to have a Material Adverse Effect, (ii) the Borrower shall obtain actual knowledge that there exists any Environmental Claim which is likely to have a Material Adverse Effect pending or threatened against the Borrower or any Environmental Affiliate or (iii) the Borrower obtains actual knowledge of any release, emission, discharge or disposal of any Material of Environmental Concern that is likely to form the basis of any Environmental Claim against the Borrower or any Environmental Affiliate, and such Environmental Claim is likely to have a Material Adverse Effect;

(j) promptly and in any event within five (5) Domestic Business Days after receipt of any material notices or correspondence from any company or agent for any company providing insurance coverage to the Borrower relating to any material loss or loss of the Borrower with respect to any of the Unencumbered Asset Pool Properties, copies of such notices and correspondence; and

(k) promptly upon the mailing thereof to the shareholders of the Guarantor, copies of all financial statements, reports and proxy statement so mailed;

(l) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the Borrower or the Guarantor shall have filed with the Securities and Exchange Commission;

75

(m) immediately upon knowledge thereof, notice of any material default by the tenant under any Material Lease;

(n) simultaneously with delivery of the information required by Sections 5.1(a) and (b), a statement of Unencumbered Asset Pool Net Operating Cash Flow with respect to each Unencumbered Asset Pool Property or each group thereof and a list of all Unencumbered Asset Pool Properties; and

(o) from time to time such additional information regarding the financial position or business of the Borrower as the Administrative Agent, at the request of any Bank, may reasonably request.

Information required to be delivered pursuant to clauses (a), (b), (c) or (d) of this Section shall be deemed to have been delivered on the date on which Borrower provides notice to the Administrative Agent (which the Administrative Agent shall promptly forward to the Banks) that such information has been posted on Borrower's website on the Internet at the website address listed on the signature pages hereof, at [sec.gov/edaux/searches.htm](http://sec.gov/edaux/searches.htm) or at another website identified in such notice and accessible by the Banks without charge; provided that (i) such notice may be included in a certificate delivered pursuant to subsection (e) hereof and (ii) Borrower shall deliver paper copies of the information referred to in subsection (a), (b), (c) and (d) of this Section to any Bank which requests such delivery.

Section 10.2. Payment of Obligations. The Borrower will, and shall

-----  
cause its Subsidiaries to, pay and discharge, at or before maturity, all its material obligations and liabilities including, without limitation, any obligation pursuant to any agreement by which it or any of its properties is bound and any tax liabilities, in any case, where failure to do so will likely result in a Material Adverse Effect except (i) such tax liabilities may be contested in good faith by appropriate proceedings, and will maintain in accordance with GAAP, appropriate reserves for the accrual of any of the same; or (ii) such obligation or liability as may be contested in good faith by appropriate proceedings.

76

Section 10.3. Maintenance of Property; Insurance.

-----  
(a) The Borrower will, and will cause its Subsidiaries to, keep, or cause to be kept, each of its Real Property Assets in good repair, working order and condition, subject to ordinary wear and tear.

(b) The Borrower shall, and will cause its Subsidiaries to, (a) maintain, or cause to be maintained, insurance as specified in Section 4.23 hereof with insurers meeting the qualifications described therein, which insurance shall in any event not provide for materially less coverage than the insurance in effect on the Closing Date, and (b) furnish to the Administrative Agent from time to time, upon written request, copies of the policies under which such insurance is issued, certificates of insurance and such other information relating to such insurance as such Bank may reasonably request. The Borrower will, and will cause its Subsidiaries to, deliver to the Banks (i) upon request of any Bank through the Administrative Agent from time to time, full information as to the insurance carried, (ii) within five (5) days of receipt of notice from any insurer, a copy of any notice of cancellation or material change in coverage from that existing on the date of this Agreement and (iii) forthwith, notice of any cancellation or nonrenewal of coverage by the Borrower or any Subsidiary.

Section 10.4. Conduct of Business. The Borrower's primary business

-----  
will continue to be acquiring, owning, developing (to the extent permitted in this Agreement), and leasing healthcare related properties.

Section 10.5. Compliance with Laws. Except with respect to those

-----  
matters set forth on Schedule 4.3, the Borrower will, and will cause its  
-----  
Subsidiaries to, comply in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws, all zoning and building codes and ERISA and the rules and regulations thereunder) except where the necessity of compliance therewith is contested in good faith by appropriate proceedings.

77

Section 10.6. Inspection of Property, Books and Records. The Borrower

-----  
will, and will cause its Subsidiaries to, keep proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and will permit representatives of any Bank at such Bank's expense to visit and inspect any of its properties to examine and make abstracts from any of its books and records and to discuss its affairs, finances and accounts with its officers and employees, all at such reasonable times, upon reasonable notice, and as often as may reasonably be desired.

Section 10.7. Existence.

-----  
(a) The Borrower shall, and shall cause its Subsidiaries holding Unencumbered Asset Pool Properties to, do or cause to be done all things necessary to preserve and keep in full force and effect its partnership or

corporate existence, as applicable.

(b) The Borrower shall, and shall cause its Subsidiaries to, do or cause to be done all things necessary to preserve and keep in full force and effect its patents, trademarks, servicemarks, tradenames, copyrights, franchises, licenses, permits, certificates, including certificates of need, authorizations, qualifications, accreditations, easements, rights of way and other rights, consents and approvals the nonexistence of which is likely to have a Material Adverse Effect.

Section 10.8 Financial Covenants.  
-----

(a) Total Debt to Tangible FMV. As of June 30, 1998 and the last day  
-----  
of each of the four (4) full calendar quarters following the Closing Date, the Maximum Total Debt Ratio will not be greater than 55%. As of the last day of each calendar quarter thereafter, the Maximum Total Debt Ratio will not be greater than 50%

(b) EBITDA Interest Coverage. As of the last day of each calendar  
-----  
quarter, the ratio of (i) Annual EBITDA to (ii) Total Debt Service, will not be less than 2.25:1.

78

(c) EBITDA Debt Service Coverage. As of June 30, 1998 and the last  
-----  
day of each of the four (4) full calendar quarters following the Closing Date, the ratio of (x) Annual EBITDA (on an annualized basis in the case of the Closing Date and the first three such calendar quarters), to (y) the sum of (i) Total Debt Service on an annualized basis, (ii) scheduled payments of principal on any Debt (as described in clause (A) of the definition thereof) of the Guarantor, the Borrower or any Consolidated Subsidiary, whether or not paid by the Guarantor, Borrower or any such Consolidated Subsidiary (excluding balloon payments) on an annualized basis, provided, however, that in the case of scheduled payments of principal pursuant to this Agreement, the actual principal amounts scheduled to be paid hereunder, rather than annualized amounts shall be included for purposes of this clause, for the previous four consecutive quarters including the quarter then ended, plus the Borrower's pro rata share of scheduled payments of principal on any Debt of any Minority Holding, whether or not paid by the Borrower (excluding balloon payments) for the previous four consecutive quarters including the quarter then ended, and (iii) dividends or other payments payable by the Guarantor with respect to any preferred stock issued by the Guarantor and distributions or other payments payable by the Borrower with respect to any preferred partnership units of the Borrower, will not be less than 1.50:1. As of the last day of each calendar quarter thereafter, such ratio will be not less than 2.00:1.

(d) Unencumbered Debt Service Coverage Ratio. As of June 30, 1998 and  
-----  
the last day of the each of the four (4) full calendar quarters following the Closing Date, the Unencumbered Debt Service Coverage Ratio will not be less than 2.15:1. Thereafter, the Unencumbered Debt Service Coverage Ratio, as of the last day of each calendar quarter, shall not be less than 2.20:1.

(e) Unsecured Debt Ratio.  
-----

(i) As of June 30, 1998, the last day of each of the four (4) full calendar quarters following the Closing Date, the Unsecured Debt Ratio, expressed as a percentage, shall not exceed 55%;

79

(ii) As of the last day of each calendar quarter thereafter, for the period beginning with the fifth (5/th/) full calendar quarter from the Closing Date and ending on the last day of the last calendar quarter in 1999, the Unsecured Debt Ratio expressed as a percentage shall not exceed 50%; and

(iii) Thereafter, as of the last day of each calendar quarter, the Unsecured Debt Ratio expressed as a percentage shall not exceed 45%.

(f) Limitation on Secured Debt. Secured Debt of the Borrower and its

-----  
Consolidated Subsidiaries shall at no time exceed twenty-five percent (25%) of Tangible FMV.

(g) Dividends. The Borrower will not, as determined on an aggregate

-----  
basis for each fiscal year, make any distributions in excess of 90% of its consolidated FFO for such year, except to the extent required so that the Guarantor shall have sufficient cash so as to permit it to pay such dividends as shall be required to maintain its status as a real estate investment trust. Upon the occurrence and during the continuance of an Event of Default, the Borrower will not make any distributions except as shall be required to maintain its status as a real estate investment trust.

(h) Minimum Consolidated Tangible Net Worth. The Consolidated

-----  
Tangible Net Worth will at no time be less than the sum of (i) (\$110,000,000) plus (ii) 90% of all Net Offering Proceeds.

(i) Limitation on Recourse Debt. Neither the Borrower, the Guarantor

-----  
nor any Subsidiary of either shall, at any time, create, incur, assume, guaranty, suffer to exist or otherwise become or remain directly or indirectly liable with respect to any Recourse Debt (other than the Obligations) exclusive of (A) Interest Rate Hedges with respect to floating rate Debt (as set forth in clause (A) of the definition thereof) of the Borrower, (B) intercompany Debt between Guarantor or the Borrower and their Consolidated Subsidiaries, (C) secured Recourse Debt existing with respect to any Real Property Assets at the time of acquisition by any Subsidiary of Borrower provided that such Recourse Debt shall be

80

nonrecourse with respect to the Borrower and the Guarantor and not incurred in contemplation of any such acquisition, (D) Recourse Debt incurred in connection with equipment leasing provided that the annual aggregate rent payments thereunder shall not exceed \$500,000, (E) Debt outstanding under the Existing Credit Agreements, and (F) Contingent Obligations as set forth on Schedule 5.8

-----  
hereof.

Section 10.9. Restriction on Fundamental Changes; Operation and

-----  
Control. Guarantor shall carry on its business operations through Borrower and

-----  
its Subsidiaries. Neither the Guarantor, the Borrower nor any Subsidiary of either holding Unencumbered Asset Pool Properties shall enter into any merger or consolidation, unless the Guarantor or the Borrower or another Subsidiary of either Borrower or Guarantor which holds Unencumbered Asset Pool Properties, as the case may be, is the surviving entity, or liquidate, wind-up or dissolve (or suffer any liquidation or dissolution), discontinue its business or convey, lease, sell, transfer or otherwise dispose of, in one transaction or series of transactions, all or any substantial part of its business or property, whether now or hereafter acquired, hold an interest in any subsidiary which is not controlled by Borrower or Guarantor, without the prior written consent of the Required Banks, except for joint ventures in which Borrower's aggregate ownership interest shall be less than 15% of the fair market value of the Real Property Assets owned by Borrower as of the date hereof. For purposes hereof, "fair market value" shall mean the quotient of (x) Net Operating Cash Flow with respect to the Real Property Assets as of the date hereof (on an annualized basis in the case of Real Property Assets that have been owned by Borrower or Guarantor or their Consolidated Subsidiaries for a period of less than four (4) fiscal quarters) less an amount equal to the product of the G&A Percentage and such Net Operating Income, and (y) the FMV Cap Rate.

(b) The Borrower shall not amend its articles of limited partnership in any material respect, without the consent of the Required Banks, which shall not be unreasonably withheld or delayed; provided, however, that the Borrower may amend its agreement of limited partnership in connection with the admission of

81

additional limited partners in connection with the acquisition of additional Real Property Assets without the prior consent of the Required Banks. The failure of any Bank to respond to any request for consent as set forth above within ten (10) Domestic Business Days after receipt of the request for such consent, shall be deemed to be an approval by such Bank of such amendment to the Borrower's articles of limited partnership.

Section 10.10. Fiscal Year; Fiscal Quarter. The Borrower shall not, -----  
nor shall it permit any Subsidiary to, change its fiscal year or any of its fiscal quarters without the consent of the Required Banks, which shall not be unreasonably withheld or delayed.

Section 10.11. Margin Stock. None of the proceeds of the Loan will be -----  
used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any Margin Stock.

Section 10.12. Development Activities. The Borrower shall not, nor -----  
shall it permit any Subsidiary to, engage in any development activities except for development in connection with the expansion and/or repositioning or restoration following a casualty or condemnation of existing improvements on Real Property Assets. Notwithstanding the foregoing, the Borrower may, and may allow its Subsidiaries to, engage in all other development activities where there is construction completion risk provided that in no event shall the value at completion (determined in accordance with the book value thereof, in accordance with GAAP) of the Real Property Assets under such other type of development exceed ten percent (10%) of the Tangible FMV.

Section 10.13. Interest Rate Protection. The Borrower shall maintain -----  
Interest Rate Hedges on a notional amount of the Debt referred to in clause (A) (i) and (ii) of the definition of "Debt", of the Borrower and its Subsidiaries which, when added to the aggregate principal amount of the Debt of the Borrower and its Subsidiaries which bears interest at a fixed rate, equals or exceeds 75% of the aggregate principal amount of all Debt referred to in clause (A) (i) of the definition of

such term, of the Borrower and its Subsidiaries. "Interest Rate Hedges" shall -----  
mean interest rate exchange, collar, cap, swap, adjustable strike cap, adjustable strike corridor or similar agreements having terms, conditions and tenors reasonably acceptable to the Documentation Agent entered into by the Borrower and/or its Subsidiaries in order to provide protection to, or minimize the impact upon, the Borrower and/or its Subsidiaries of increasing floating rates of interest applicable to Debt.

Section 10.14. Investments in Non-Healthcare Related Assets. The -----  
aggregate amount of the investments of the Borrower and its Consolidated Subsidiaries in any non-healthcare related assets will at no time exceed five percent (5%) of the Tangible FMV.

Section 10.15. Investments in Minority Holdings. The quotient of the -----  
Net Operating Cash Flow attributable to the Borrower's interest in all Minority Holdings, and the FMV Cap Rate, will at no time exceed \$25,000,000.

Section 10.16. Use of Proceeds. (a) The Borrower shall use the -----  
proceeds of the Loans for the purposes of financing acquisitions of additional Real Property Assets or equity interests in entities owning Real Property Assets, refinancing outstanding Debt in connection with such other acquisitions and/or refinancing Debt incurred for any of the foregoing purposes and for other general corporate purposes of the Borrower and its Subsidiaries (including acquiring mortgages on Real Property Assets which are healthcare facilities), and for their working capital requirements (including payment of distributions), provided, however, that the aggregate amount of the Loans that may be used for working capital purposes shall not exceed \$50,000,000 in the aggregate.

(b) Provided that the Borrower shall have given the Administrative Agent notice at the time of a Tranche B Loan prepayment pursuant to Section 2.11(a) hereof, that the Borrower intends to reborrow all or a portion of the amount so prepaid by the end of the quarter during which such prepayment was made in order to make distributions to its partners, the Borrower shall be

83

permitted to reborrow such amounts prior to the end of the next succeeding quarter for the purpose of making distributions relating to such quarter without the same being deemed to be an advance for working capital purposes. If the Borrower fails to reborrow such amounts prior to the end of the quarter following which the Borrower made such prepayments, the Borrower shall not have the right to reborrow such funds for the purpose of making distributions without it being deemed for working capital purposes.

(c) Until such time as all Unencumbered Asset Pool Properties set forth on Exhibit B hereto are owned in fee (or leasehold in the case of the

-----  
Unencumbered Asset Pool Properties described as such in Exhibit B) by the

-----  
Borrower, the Borrower may loan or distribute proceeds of the Loans to Guarantor or any Vencor Subsidiary for use by such entities as set forth in subsection (a) above.

Section 10.17. Sale of Unencumbered Asset Pool Properties. Prior to

-----  
the sale or transfer of any Unencumbered Asset Pool Property, the Borrower shall (i) deliver prior written notice to the Administrative Agent and the Banks, (ii) deliver to the Administrative Agent and the Banks a certificate from a Senior Officer certifying that at the time of such sale or other disposal (based on pro-forma calculations for the previous period assuming that such Unencumbered Asset Pool Property was not an Unencumbered Asset Pool Property for the relevant period) all of the covenants contained in Sections 5.8 through 5.14 and 5.16 through 5.21 are and after giving effect to the transaction shall continue to be true and accurate in all respects, and (iii) pay to the Administrative Agent an amount equal to that required pursuant to Section 2.10(a).

Section 10.18. Limitations On Subsidiary Debt. Any Subsidiary which

-----  
owns any of the Real Property Assets in the Unencumbered Asset Pool shall not at any time incur any Debt, and except as contemplated hereby, the Borrower shall not pledge its interest in such Subsidiary nor shall the Borrower or such Subsidiary enter into any negative pledge with respect thereto. Notwithstanding the foregoing, any such Subsidiary may (i) incur Debt from either the Borrower or Guarantor, provided that such

84

intercompany Debt is, by its terms, subordinate in right of payment to repayment of the Obligations, and (ii) incur Debt and enter into negative pledges in connection with equipment leasing to the extent otherwise permitted hereunder provided that the annual aggregate rent payments thereunder shall not exceed \$500,000 and the negative pledge applies only to the equipment leased.

Section 10.19. Restrictions on Pledge. The Borrower will not, nor

-----  
will it permit any of its Subsidiaries or the Guarantor to, enter into any agreement (other than this Agreement and the other Loan Documents) prohibiting the creation or assumption of any Lien upon their properties or interests under the Master Leases (other than with respect to any mortgage on a particular property), revenues or assets, whether now owned or hereafter acquired, or restricting the ability of the Borrower to amend or modify this Agreement or any other Loan Document. In addition, the Borrower will not, nor will it permit any of its Subsidiaries or the Guarantor to (other than this Agreement and the other Loan Documents) enter into any agreement prohibiting an agreement prohibiting the creation or assumption of any Lien upon their properties (other than with respect to any mortgage on a particular property), revenues or assets, whether now owned or hereafter acquired, or restricting the ability of the Borrower to amend or modify this Agreement or any other Loan Document. The restrictions of this Section 5.19 shall not apply to a pledge by the Borrower, Guarantor or any Subsidiary of either thereof entered into in connection with the issuance of commercial mortgage backed securities as contemplated and more particularly

described in the Proxy Statement or in connection with the secured purchase money financing of personal property.

Section 10.20. Release of Properties. Borrower or Guarantor or their  
-----

Consolidated Subsidiaries may obtain a release of any Unencumbered Asset Pool Property from the terms of this Agreement provided that prior to or simultaneously with such release (i) the Borrower shall deliver to the Administrative Agent and the Banks a certificate from a Senior Officer certifying that at the time of such release (based on pro-forma calculations for the previous period assuming that such Unencumbered Asset Pool Property was not an Unencumbered

85

Asset Pool Property for the relevant period) all of the covenants contained in Sections 5.8 through 5.14 and 5.16 through 5.21 are and after giving effect to the release shall continue to be true and accurate in all respects, (ii) the Borrower or Guarantor or their Consolidated Subsidiaries shall pay to the Administrative Agent any amounts due pursuant to Section 2.10, and (iii) no Default or Event of Default has occurred and is then continuing or will occur as a result thereof.

Section 10.21. REIT Status. (i) The Guarantor shall elect status as a  
-----

self-directed and self-administered real estate investment trust under the Internal Revenue Code as of January 1, 1999, and (ii) at all times thereafter, Guarantor shall (x) maintain its status as a self-directed and self-administered real estate investment trust under the Internal Revenue Code, and (y) remain a publicly traded company listed on the New York Stock Exchange.

Section 10.22. Affiliate Transactions. The Borrower will not, nor  
-----

will it permit any Subsidiary to, enter into any transaction with or make any payment to any Affiliates. Notwithstanding the foregoing, the Borrower or any Subsidiary may enter into transactions with Affiliates (other than purchases or sales of real property, or loan transactions) which involve (i) underwriting or placement agent agreements as to which no amounts are payable by the Borrower other than expenses payable to third parties or indemnity obligations, in each case not less favorable to the Borrower or any Subsidiary than those which are generally available in the market, (ii) collective insurance agreements, (iii) investments in Minority Holdings (subject to Section 5.15 hereof), (iv) customary employment and compensation agreements, (v) the Existing Affiliate Agreements, and (vi) any other contract which contains terms that are not less favorable to the Borrower or Guarantor or any of their Subsidiaries than those which are generally available in the market.

Section 10.23. Leases. (a) Except for the Master Leases and Qualified  
-----

Development Property Leases, the Borrower shall not, nor shall the Borrower permit any Subsidiary to, enter into any lease, management agreement, or guaranty of either thereof, or option or

86

participation agreements relating to any Unencumbered Asset Pool Property which does not provide for (i) a minimum term of at least twelve (12) years, (ii) a market rate rent, (iii) "triple net" terms with respect to all property related expenses, and (iv) liquidated damages equal to the net present value (discounted at a factor no greater than the Prime Rate) of the remaining rent thereunder through the stated maturity date (without any stated obligation on the part of the landlord to mitigate damages) in the event of a termination of the lease, without the prior consent of the Administrative Agent and Documentation Agent, which consent shall be given in such Agents' sole discretion.

(b) Except as permitted in subsection (c) below, the Borrower shall not, nor shall the Borrower permit any Subsidiary to, amend, modify or supplement any lease of any Unencumbered Asset Pool Properties, including, without limitation, the four (4) leases existing as of the date hereof (each, a "Master Lease") and the Qualified Development Property Leases, management

-----  
agreement, or guaranty relating to either thereof, where such amendment, modification or supplement (i) substitutes or deletes the description of Real

Property Asset(s) subject to such lease or management agreement (other than to add a parcel thereto) which are Unencumbered Asset Pool Properties (provided that Borrower or Guarantor may, and may permit their Subsidiaries to, without the requirement for consent under this Section 5.23(b), exchange, replace or substitute Real Property Assets subject to any lease or management agreement which are Unencumbered Asset Pool Properties, provided, however, that (A) in the

-----  
case of adding Unencumbered Asset Pool Properties to a lease, such Unencumbered Asset Pool Properties are being transferred from any Vencor Subsidiaries to Borrower and are set forth on Exhibit B hereto, and (B) in all cases other than

-----  
as set forth in the preceding clause (A), Borrower or such Subsidiary complies with the provisions of Section 3.3 hereof), or (ii) materially adversely affects the provisions for rent or other fees or charges payable thereunder, timing provisions, the term, assignment and subletting provisions, triple net provisions, personal property buy-back provisions, and license transfer provisions, without the prior consent of the Administrative Agent and the Documentation Agent;

87

provided, however that where any of the foregoing restrictions contained in

-----  
clause (i) above relate to a Master Lease or Qualified Development Property Lease, the prior consent required hereunder shall be that of 100% of the Banks, not to be unreasonably withheld, and provided, further, that where any of the

-----  
foregoing restrictions contained in clause (ii) above relate to a Master Lease or Qualified Development Property Lease, the prior consent required hereunder shall be that of the Super-Majority Banks, not to be unreasonably withheld. The Borrower shall not, nor permit any party thereto, to terminate any Master Lease covering any Unencumbered Asset Pool Property (including in the case of a default thereunder) without the prior consent of 100% of the Banks. Any deviation from the provisions of this Section 5.23 shall require the consent of the Super-Majority Banks except where such deviation concerns a matter hereunder requiring the consent of 100% of the Banks in which event such deviation shall require the consent of 100% of the Banks.

(c) Prior to the date of the issuance of commercial mortgage backed securities as contemplated by and more particularly described in the Proxy Statement, Unencumbered Asset Pool Properties with an aggregate value of at least Forty Million Dollars (\$40,000,000), as determined by Cushman & Wakefield pursuant to the valuations thereof, dated March 13, 1998, shall be (or shall have been) released from the Master Lease with the underlying Real Property Assets that are subject to the mortgage loans that are so securitized, and the other three Master Leases shall be amended to demise such Real Property Assets, provided, that (i) at least Twenty Million Dollars (\$20,000,000) in value, as

-----  
calculated above, of such Real Property Assets shall consist of nursing home properties, (ii) such Real Property Assets shall be approved by the Administrative Agent and the Documentation Agent, and (iii) the determination of which of such Real Property Assets shall be demised under which of the three (3) Master Leases shall be approved by the Administrative Agent and the Documentation Agent.

(d) The Borrower shall only enter into a transaction involving the issuance of commercial mortgage backed securities with respect to those Real Property Assets demised under that certain Master Lease identified

88

on Schedule 5.23 hereof and no other Master Lease without the prior consent of  
-----  
100% of the Banks.

(e) If the consent of the Borrower, Guarantor or any Vencor Subsidiary is required under either Section 25.1 or Section 22.6 of any Master Lease with respect to any assignment (whether in connection with a foreclosure of a leasehold mortgage, assignment or transfer in lieu thereof, or an assignment by the tenant thereunder, including as a result of a change of control) of such Master Lease or subletting of any portion of the premises demised under such Master Lease, the Borrower shall not consent thereto without the prior consent of 100% of the Banks hereunder, which consent shall not be

unreasonably withheld provided that the proposed assignee or sublessee, as applicable, meets the criteria set forth in Section 22.6(b) or Section 25.1.2 of the Master Lease, as applicable.

Section 10.24. New Subsidiaries. Borrower covenants and agrees that

-----  
upon the formation of any corporation, partnership or other entity that is a Subsidiary of the Borrower, or upon the acquisition of any stock, partnership or other equity interests in any corporation, partnership or other entity, as applicable, which would render such entity a Subsidiary of the Borrower, which in either case owns or leases Unencumbered Asset Pool Properties or upon the acquisition, or upon the acquisition or leasing by any existing Subsidiary of any Unencumbered Asset Pool Properties (in each case, a "New Subsidiary"), then

-----  
Borrower shall promptly deliver to the Documentation Agent (i) a duly executed pledge of Borrower's interest in such New Subsidiary in form substantially similar to the Pledge, but providing for the release of such New Subsidiary from the terms of such pledge in the event such New Subsidiary no longer owns or leases any Unencumbered Asset Pool Properties, (ii) a duly executed guaranty by such Subsidiary in form substantially similar to the Guaranty, (iii) if such New Subsidiary is a corporation, the original stock certificates accompanied by stock powers duly executed in blank, and (iv) an opinion of counsel of the Borrower with respect to the due authorization and execution of the guaranty and the pledge agreement and the creation of a valid, perfected

89

security interest in the Borrower's interest in such New Subsidiary.

Section 10.25. Borrower's Restructuring. The Borrower and the

-----  
Guarantor will exercise all reasonable efforts to cause the Vencor Subsidiaries to obtain all necessary governmental and other consents and to be merged or consolidated in accordance with applicable statutory provisions therefor into or with Guarantor and immediately thereafter to transfer all Real Property Assets owned by such entities to the Borrower (or, in the case of leased Real Property Assets, the leases therefor to be assigned to the Borrower) by July 1, 1998, except to the extent that failures to obtain such consents and approvals could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

ARTICLE XII

DEFAULTS

Section 12.1. Events of Default. Each of the following shall

-----  
constitute an event of default under this Agreement (an "Event of Default"):

-----  
(a) the Borrower shall fail to pay when due any principal of any Loan, or shall fail to reimburse the Fronting Bank for a drawing under a Letter of Credit for which Borrower has, pursuant to Section 2.16(c) hereof, notified the Administrative Agent and the Fronting Bank that it intends to reimburse the Fronting Bank, or the Borrower shall fail to pay within three (3) Domestic Business Days after the same is due any interest on any Loan or any fees or other amounts payable hereunder;

(b) the Borrower shall fail to observe or perform any covenant contained in Sections 5.8 to 5.23, inclusive, subject to any applicable grace periods set forth therein;

(c) the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause (a) or (b)

90

above) for 30 days after written notice thereof has been given to the Borrower by the Administrative Agent;

(d) any representation, warranty, certification or statement made by

the Borrower or the Guarantor in this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement, or by the Guarantor in the Guaranty, shall prove to have been incorrect in any material respect when made (or deemed made);

(e) the Borrower, the Guarantor or any Subsidiary of either owning Unencumbered Asset Pool Properties shall default in the payment when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) of any amount owing in respect of any Debt or Debt guaranteed by the Borrower, the Guarantor, or any Subsidiary owning Unencumbered Asset Pool Properties (other than the Obligations) individually or in aggregate in an outstanding principal amount in excess of \$10,000,000, or with respect to any Secured Debt of any Subsidiary other than one owning Unencumbered Asset Pool Properties in excess of \$25,000,000, and such default shall continue beyond the giving of any required notice and the expiration of any applicable grace period (as the same may be extended by the applicable lender) and such default shall not be waived by the applicable lender (which waiver shall serve to reinstate the applicable loan), or the Borrower or Guarantor shall default in the performance or observance of any obligation or condition with respect to any such Debt or any other event shall occur or condition exist beyond the giving of any required notice and the expiration of any applicable grace period (as the same may be extended by the applicable lender), if in any such case as a result of such default, event or condition, the lender thereof shall accelerate the maturity of any such Debt or shall permit (without any further requirement of notice or lapse of time) the holder or holders thereof, or any trustee or agent for such holders, to accelerate the maturity of any such Debt and such default shall not be waived by the applicable lender (which waiver shall serve to reinstate the applicable loan), or any such Debt shall become or be declared to be due and payable prior to its stated maturity other than as a result of a regularly scheduled payment;

91

(f) the Borrower, the Guarantor or any Subsidiary of either that owns any Unencumbered Asset Pool Properties shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(g) an involuntary case or other proceeding shall be commenced against the Borrower, the Guarantor or any Subsidiary of either that owns any Unencumbered Asset Pool Properties, seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower, the Guarantor or any Subsidiary of either that owns any Unencumbered Asset Pool Properties, under the federal bankruptcy laws as now or hereafter in effect;

(h) the Borrower shall default in its obligations under any Loan Document other than this Agreement beyond any applicable notice and grace periods;

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of \$1,000,000 which it shall have become liable to pay under Title IV of ERISA, or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing, or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for

92

premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan, or a condition shall exist by reason

of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated, or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of \$1,000,000;

(j) one or more final nonappealable judgments or decrees in an aggregate amount exceeding Five Million Dollars (\$5,000,000) shall be entered by a court or courts of competent jurisdiction against the Borrower or the Guarantor (other than any judgment as to which, and only to the extent, a reputable insurance company has acknowledged coverage of such claim in writing or related to those obligations identified on Schedule 5.8 hereof as to which Vencor, Inc. has assumed liability as primary obligor and as to which it has indemnified the Borrower) and (i) any such judgments or decrees shall not be stayed, discharged, paid, bonded or vacated within thirty (30) days (or bonded, vacated or satisfied within thirty (30) after any stay is lifted) or (ii) enforcement proceedings shall be commenced by any creditor on any such judgments or decrees;

(k) (i) any Environmental Claim shall have been asserted against the Borrower or any Environmental Affiliate and the same shall have been found to be accurate, if such Environmental Claim is contested by Borrower or any Environmental Affiliate, (ii) any release, emission, discharge or disposal of any Material of Environmental Concern shall have occurred, and such event is reasonably likely to form the basis of an Environmental Claim against the Borrower or any Environmental Affiliate, or (iii) the Borrower or the Environmental Affiliates shall have failed to obtain any Environmental Approval necessary for the ownership, or operation of its business, property or assets or any such Environmental Approval shall be revoked, terminated, or otherwise cease to be in full force and effect, in the case of clauses (i), (ii) or (iii) above, if the

93

existence of such condition has had or is reasonably likely to have a Material Adverse Effect;

(l) a Person or an Affiliated group of Persons shall acquire fifteen percent (15%) or more of any class of the voting stock of the Guarantor and the Borrower shall not have repaid the Loans in full, returned any outstanding Letters of Credit and terminated this Agreement within forty-five (45) days after such Person or group of Persons shall have acquired such percentage of such stock;

(m) the Guarantor shall cease to be the sole general partner of the Borrower or shall cease to own 90% or more of the equity interests in the Borrower;

(n) an "Event of Default" (as defined in the Pledge) shall occur under the Pledge;

(o) any representation, warranty, certification or statement made by the Guarantor or any party identified as a guarantor under the Guaranty shall prove to have been incorrect in any material respect when made (or deemed made); and

(p) at any time, for any reason the Borrower, the Guarantor or any Subsidiary seeks to repudiate its obligations under any Loan Document.

Section 12.2. Rights and Remedies. Upon the occurrence of any Event

-----  
of Default described in Sections 6.1(f) or (g), the unpaid principal amount of, and any and all accrued interest on, the Loans and any and all accrued fees and other Obligations hereunder shall automatically become immediately due and payable, with all additional interest from time to time accrued thereon and without presentation, demand, or protest or other requirements of any kind (including, without limitation, valuation and appraisalment, diligence, presentment, notice of intent to demand or accelerate and notice of acceleration), all of which are hereby expressly waived by the Borrower and Guarantor; and upon the occurrence and during the continuance of any other Event of Default, the Documentation Agent may (and, upon the instructions of the Required Banks, shall) exercise any of its rights and remedies hereunder and by written notice to the

Borrower, terminate the Tranche B Commitments, declare the unpaid principal amount of and any and all accrued and unpaid interest on the Loans and any and all accrued fees and other Obligations hereunder to be, and the same shall thereupon be, immediately due and payable with all additional interest from time to time accrued thereon and without presentation, demand, or protest or other requirements of any kind other than as provided in the Loan Documents (including, without limitation, valuation and appraisalment, diligence, presentment, and notice of intent to demand or accelerate), all of which are hereby expressly waived by the Borrower.

Section 12.3. Notice of Default. Upon the occurrence of a Default or -----

an Event of Default, the Documentation Agent shall promptly give notice thereof to the Banks and the Swing Lender. If the Documentation Agent shall not already have given any notice to the Borrower under Section 6.1, the Documentation Agent shall give notice to the Borrower under Section 6.1 promptly upon being requested to do so by the Required Banks and shall thereupon notify all the Banks thereof.

Section 12.4. Actions in Respect of Letters of Credit. If, at any -----

time and from time to time, any Letter of Credit shall have been issued hereunder and an Event of Default shall have occurred and be continuing, then, upon the occurrence and during the continuation thereof, the Documentation Agent may, whether in addition to the taking by the Documentation Agent of any of the actions described in this Article or otherwise, make a demand upon the Borrower to, and forthwith upon such demand (but in any event within ten (10) days after such demand) the Borrower shall, pay to the Documentation Agent, on behalf of the Banks, in same day funds at the Documentation Agent's office designated in such demand, for deposit in a special cash collateral account (the "Letter of -----

Credit Collateral Account") to be maintained in the name of the Documentation -----

Agent (on behalf of the Banks) and under its sole dominion and control at such place as shall be designated by the Documentation Agent, an amount equal to the amount of the Letter of Credit Usage under the Letters of Credit. Interest shall accrue on the Letter of Credit Collateral Account at a rate equal to the rate on overnight funds.

(b) The Borrower hereby pledges, assigns and grants to the Documentation Agent, as agent for its benefit and the ratable benefit of the Banks a lien on and a security interest in, the following collateral (the "Letter of Credit Collateral"):  
-----

(i) the Letter of Credit Collateral Account, all cash deposited therein and all certificates and instruments, if any, from time to time representing or evidencing the Letter of Credit Collateral Account;

(ii) all notes, certificates of deposit and other instruments from time to time hereafter delivered to or otherwise possessed by the Administrative Agent or the Documentation Agent for or on behalf of the Borrower in substitution for or in respect of any or all of the then existing Letter of Credit Collateral;

(iii) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the then existing Letter of Credit Collateral; and

(iv) to the extent not covered by the above clauses, all proceeds of any or all of the foregoing Letter of Credit Collateral.

The lien and security interest granted hereby secures the payment of all obligations of the Borrower now or hereafter existing hereunder and under any other Loan Document.

(c) The Borrower hereby authorizes the Documentation Agent for the

ratable benefit of the Banks to apply, from time to time after funds are deposited in the Letter of Credit Collateral Account, funds then held in the Letter of Credit Collateral Account to the payment of any amounts, in such order as the Documentation Agent may elect, as shall have become due and payable by the Borrower to the Banks in respect of the Letters of Credit.

96

(d) Neither the Borrower nor any Person claiming or acting on behalf of or through the Borrower shall have any right to withdraw any of the funds held in the Letter of Credit Collateral Account, except as provided in Section 6.4(h) hereof.

(e) The Borrower agrees that it will not (i) sell or otherwise dispose of any interest in the Letter of Credit Collateral or (ii) create or permit to exist any lien, security interest or other charge or encumbrance upon or with respect to any of the Letter of Credit Collateral, except for the security interest created by this Section 6.4.

(f) If any Event of Default shall have occurred and be continuing:

(i) The Documentation Agent may, in its sole discretion, without notice to the Borrower except as required by law and at any time from time to time, charge, set off or otherwise apply all or any part of first, (x)

-----  
amounts previously drawn on any Letter of Credit that have not been reimbursed by the Borrower and (y) any Letter of Credit Usage described in clause (ii) of the definition thereof that are then due and payable and second, any other unpaid Obligations then due and payable against the

-----  
Letter of Credit Collateral Account or any part thereof, in such order as the Documentation Agent shall elect. The rights of the Documentation Agent under this Section 6.4 are in addition to any rights and remedies which any Bank may have.

(ii) The Documentation Agent may also exercise, in its sole discretion, in respect of the Letter of Credit Collateral Account, in addition to the other rights and remedies provided herein or otherwise available to it, all the rights and remedies of a secured party upon default under the Uniform Commercial Code in effect in the State of New York at that time.

(g) The Documentation Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Letter of Credit Collateral if the Letter of Credit Collateral is accorded treatment

97

substantially equal to that which the Documentation Agent accords its own property, it being understood that, assuming such treatment, the Documentation Agent shall not have any responsibility or liability with respect thereto.

(h) At such time as all Events of Default have been cured or waived in writing, all amounts remaining in the Letter of Credit Collateral Account shall be promptly returned to the Borrower. Absent such cure or written waiver, any surplus of the funds held in the Letter of Credit Collateral Account and remaining after payment in full of all of the Obligations of the Borrower hereunder and under any other Loan Document after the Maturity Date shall be paid to the Borrower or to whomsoever may be lawfully entitled to receive such surplus.

#### ARTICLE XIV

##### THE AGENTS

Section 14.1. Appointment and Authorization. (a) Each Bank

-----  
irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Administrative Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

(b) Each Bank irrevocably appoints and authorizes the Documentation Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Documentation Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

Section 14.2. Agent and Affiliates. NationsBank and Morgan shall have

-----  
the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not the Administrative Agent or Documentation Agent, respectively, and NationsBank and Morgan and their affiliates may accept deposits from, lend money to, and

98

generally engage in any kind of business with the Borrower or any subsidiary or affiliate of the Borrower as if it were not the Administrative Agent or Documentation Agent, respectively, hereunder, and the term "Bank" and "Banks" shall include each of NationsBank and Morgan in their individual capacity.

Section 14.3 Action by Agents. The obligations of the Agents

-----  
hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Agents shall not be required to take any action with respect to any Default, except as expressly provided in Article VI.

Section 14.4. Consultation with Experts. The Agents may consult with

-----  
legal counsel (who may be counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 14.5. Liability of Agents. Neither the Agents nor any of

-----  
their affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Banks or, where required by the terms of this Agreement, all of the Banks, or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Agents nor any of their directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Borrower; (iii) the satisfaction of any condition specified in Article III, except receipt of items required to be delivered to the Agents; or (iv) the validity, effectiveness or genuineness of this Agreement, the other Loan Documents or any other instrument or writing furnished in connection herewith. The Agents shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex or similar

99

writing) believed by it in good faith to be genuine or to be signed by the proper party or parties.

Section 14.6. Indemnification. Each Bank shall, ratably in accordance

-----  
with its Commitment (or, if the Commitments have expired, in accordance with such Bank's outstanding Loans), indemnify each Agent, its affiliates and its directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitee's gross negligence or willful misconduct) that such indemnitees may suffer or incur in connection with this Agreement, the other Loan Documents or any action taken or omitted by such indemnitees hereunder.

Section 14.7. Credit Decision. Each Bank acknowledges that it has,

-----  
independently and without reliance upon the Agents or any other Bank, and based on such documents and information as it has deemed appropriate, made its own

credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agents or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

Section 14.8. Successor Agents. The Agents may resign at any time

-----  
upon thirty (30) days prior written notice by giving notice thereof to the Banks and the Borrower. Upon any such resignation, the Required Banks shall have the right to appoint successor Agents with the consent of the Borrower provided that no Event of Default shall have occurred and be continuing. If no successor Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Agent gives notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$50,000,000. Upon the acceptance of its appointment as an Agent hereunder by a successor Agent, such successor

100

Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder first accruing or arising after the effective date of such retirement. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Agent.

#### ARTICLE XVI

##### CHANGE IN CIRCUMSTANCES

Section 16.1. Basis for Determining Interest Rate Inadequate or

-----  
Unfair. If on or prior to the first day of any Interest Period for any Euro-  
-----  
Dollar Borrowing:

(a) the Administrative Agent is advised by the Reference Bank that deposits in dollars (in the applicable amounts) are not being offered to the Reference Bank in the relevant market for such Interest Period, or

(b) Banks having 50% or more of the aggregate amount of the affected Loans advise the Administrative Agent that the London Interbank Offered Rate as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Banks of funding their Euro-Dollar Loans for such Interest Period, the Administrative Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks to make Euro-Dollar Loans, or to continue or convert outstanding Loans as or into Euro-Dollar Loans, as the case may be, shall be suspended, and each outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least two (2) Domestic Business Days before the date of any Euro-Dollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on

101

such date, such Borrowing shall instead be made as a Base Rate Borrowing.

Section 16.2 Illegality. If, after the date of this Agreement, the

-----  
adoption of any applicable law, rule or regulation, or any change in any existing applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law)

of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans or to participate in any Letter of Credit issued by the Fronting Bank, or, with respect to the Fronting Bank, to issue any Letter of Credit, and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Borrower, whereupon until such Bank notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make or convert Euro-Dollar Loans or to participate in any Letter of Credit issued by the Fronting Bank or, with respect to the Fronting Bank, to issue any Letter of Credit, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such Bank shall determine that it may not lawfully continue to maintain and fund any of its outstanding Euro-Dollar Loans to maturity and shall so specify in such notice, the Borrower shall immediately prepay in full the then outstanding principal amount of each such Euro-Dollar Loan, together with accrued interest thereon. Concurrently with prepaying each such Euro-Dollar Loan, the Borrower shall borrow a Base Rate Loan in an equal principal amount from such Bank (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Banks), and such Bank shall make such a Base Rate Loan.

102

Section 16.3 Increased Cost and Reduced Return.

-----

(a) If, after the date hereof, in the case of any Loan or any obligation to make Loans the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System (but excluding with respect to any Euro-Dollar Loan any such requirement reflected in an applicable Euro-Dollar Reserve Percent age)), special deposit, insurance assessment or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or on the London interbank market any other condition affecting its Euro-Dollar Loans, its Note, or its obligation to make Euro-Dollar Loans, and the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making or maintaining any Euro-Dollar Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under its Note with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Administrative Agent), which demand shall be accompanied by a certificate showing, in reasonable detail, the calculation of such amount or amounts, the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by

103

any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an

amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank (with a copy to the Administrative Agent), which demand shall be accompanied by a certificate showing, in reasonable detail, the calculation of such amount or amounts, the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction; provided that Borrower shall not be liable to any Bank in respect of any such increased cost or reduction with respect to any period of time more than three (3) months before Borrower receives the notice required by the first sentence of Section 8.3(c) or more than six months before Borrower receives the relevant certificate referred to in the second sentence of Section 8.3(c).

(c) Each Bank will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Bank to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

104

Section 16.4 Taxes.

-----

(a) Any and all payments by the Borrower to or for the account of any Bank or the Administrative Agent hereunder or under any other Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank

-----

and the Administrative Agent, taxes imposed on its net income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Bank or the Administrative Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Bank, taxes imposed on its income, and franchise or similar taxes imposed on it, by the jurisdiction of such Bank's Applicable Lending Office or any political subdivision thereof (and, if different from the jurisdiction of such Bank's Applicable Lending Office, the jurisdiction of the domicile of its Loans either established by the Bank pursuant to Section 9.12 or determined by the applicable taxing authorities) (all such non-excluded taxes, duties, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the

-----

Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note or Letter of Credit or participation therein to any Bank or the Administrative Agent, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 8.4) such Bank, the Fronting Bank or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Administrative Agent, at its address referred to in Section 9.1, the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, or charges or similar

105

levies which arise from any payment made hereunder or under any Note or Letter of Credit or participation therein or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note or Letter of Credit or participation therein (hereinafter referred to as "Other Taxes").

-----

(c) The Borrower agrees to indemnify each Bank, the Fronting Bank and the Administrative Agent for the full amount of Taxes or Other Taxes (including,

without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 8.4) paid by such Bank, the Fronting Bank or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Any payment required under this indemnification shall be made within 15 days from the date such Bank, the Fronting Bank or the Administrative Agent (as the case may be) makes demand therefor.

(d) Each Bank organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank listed on the signature pages hereof and on or prior to the date on which it becomes a Bank in the case of each other Bank, and from time to time thereafter if requested in writing by the Borrower (but only so long as such Bank remains lawfully able to do so), shall provide the Borrower with (i) Internal Revenue Service form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Bank is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest under the Loan Documents or certifying that the income receivable pursuant to the Loan Documents is effectively connected with the conduct of a trade or business in the United States or (ii) if such Bank is not a "bank" within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code, Internal Revenue Service form W-8 or any successor form prescribed by the Internal Revenue Service claiming complete exemption from, or a reduced rate of, withholding tax on payments of interest under the Loan Documents. If the form provided by a Bank at the time

106

such Bank first became a party to this Agreement or at any time thereafter (other than solely by reason of a change in United States law or a change in the terms of any treaty to which the United States is a party after the date hereof) indicates a United States interest withholding tax rate in excess of zero (or would have indicated such a withholding tax rate if such form had been submitted and completed accurately and completely and either was not submitted or was not completed accurately and completely), or if a Bank otherwise is subject to United States interest withholding tax at a rate in excess of zero at any time for any reason (other than solely by reason of a change in United States law or regulation or a change in any treaty to which the United States is a party after the date hereof), withholding tax at such rate shall be considered excluded from "Taxes" as defined in Section 8.4(a). In addition, any amount that otherwise would be considered "Taxes" or "Other Taxes" for purposes of this Section 8.4 shall be excluded therefrom if the Bank either has transferred the domicile of its Loans pursuant to Section 9.12 or changed the Applicable Lending Office with respect to such Loans and such amount would not have been incurred had such transfer or change not been made.

(e) For any period with respect to which a Bank has failed to provide the Borrower with the appropriate form pursuant to Section 8.4(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which a form originally was required to be provided), such Bank shall not be entitled to indemnification under Section 8.4(a) with respect to Taxes imposed by the United States; provided, however, that should a Bank, which  
-----  
is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(f) If the Borrower is required to pay additional amounts to or for the account of any Bank pursuant to this Section 8.4, then such Bank will change the jurisdiction of its Applicable Lending Office so as to eliminate or reduce any such additional payment which

107

may thereafter accrue if such change, in the judgment of such Bank, is not otherwise disadvantageous to such Bank.

(g) Without prejudice to the survival of any other agreement of Borrower hereunder, the agreements and obligations of Borrower contained in this Section 8.04 shall survive the payment in full of the principal of and interest on the Loans.

Section 16.5 Base Rate Loans Substituted for Affected Euro-Dollar

Loans. (a) If (i) the obligation of any Bank to make, or convert outstanding  
-----  
Loans to, Euro-Dollar Loans has been suspended pursuant to Sections 8.1 or 8.2  
or (ii) any Bank has demanded compensation under Section 8.3 or 8.4 with respect  
to its Euro-Dollar Loans and the Borrower shall, by at least five Euro-Dollar  
Business Days' prior notice to such Bank through the Administrative Agent, have  
elected that the provisions of this Section shall apply to such Bank, then,  
unless and until such Bank notifies the Borrower that the circumstances giving  
rise to such suspension or demand for compensation no longer exist, all Loans  
which would otherwise be made by such Bank as Euro-Dollar Loans shall be made  
instead as Base Rate Loans (on which interest and principal shall be payable  
contemporaneously with the related Euro-Dollar Loans of the other Banks), and  
after each of its Euro-Dollar Loans has been repaid, all payments of principal  
which would otherwise be applied to repay such Euro-Dollar Loans shall be  
applied to repay its Base Rate Loans instead.

(b) If any Bank notifies Borrower that the circumstances giving rise  
to the notice referred to in paragraph (a) above no longer apply, the principal  
amount of each such Base Rate Loan shall be converted into a Euro-Dollar Loan on  
the first day of the next succeeding Interest Period applicable to the related  
Euro-Dollar Loans of the other Banks.

Section 16.6 Substitution of Banks. (a) If any Bank (a "Selling

Bank") gives notice pursuant to Section 8.2 that it is unlawful or impossible  
-----  
for such Bank to make, maintain or fund its Euro-Dollar Loans or demands  
compensation under Section 8.3 or 8.4, Borrower shall have the right, with the  
assistance of the Documentation Agent and the Administrative Agent, to seek

108

one or more banks or other institutions (collectively, the "Purchasing Banks")  
willing to purchase the outstanding Loans of the Selling Bank and its  
participation in any outstanding Letters of Credit and to assume the Selling  
Bank's Commitment and its participation in any outstanding Letters of Credit  
on the terms specified in this Section 8.6; provided that any such purchase and

-----  
assumption by a Purchasing Bank that is not already a Bank shall be subject to  
the consent of the Administrative Agent and each Fronting Bank (which consents  
shall not be unreasonably withheld). The Selling Bank shall be obligated to  
sell its outstanding Loans and its participation in any outstanding Letters of  
Credit to such Purchasing Bank or Banks (which may include one or more of the  
Banks) within fifteen (15) days after receiving notice from Borrower requiring  
it to do so, at an aggregate price equal to the outstanding principal amount  
thereof plus unpaid interest accrued thereon up to but excluding the date of  
sale.

(b) In connection with any such sale, and as a condition thereof,  
Borrower shall pay to the Selling Bank all facility fees and letter of credit  
fees accrued for its account hereunder to but excluding the date of such sale,  
plus, if demanded by the Selling Bank at least two (2) Domestic Business Days  
prior to such sale, (i) the amount of any compensation which would be due to the  
Selling Bank under Section 2.13 if Borrower had prepaid the outstanding Euro-  
Dollar Loans of the Selling Bank on the date of such sale and (ii) any  
additional compensation accrued for its account under Section 2.13 to but  
excluding said date.

(c) Upon any such sale, the Purchasing Bank or Banks shall assume the  
Selling Bank's Commitment and its participation in any outstanding Letters of  
Credit, and the Selling Bank shall be released from its obligations hereunder to  
a corresponding extent. The Selling Bank, as assignor, such Purchasing Bank, as  
assignee, the Administrative Agent and each Fronting Bank shall enter into an  
appropriate assignment and assumption agreement, whereupon (x) if such  
Purchasing Bank is already one of the Banks, its Commitment shall be increased  
by an amount equal to its ratable share of the Selling Bank's Commitment and  
its participations in the outstanding Letters of Credit shall be increased by  
its ratable share

109

of the Selling Bank's participations therein or (y) if such Purchasing Bank is not already one of the Banks, it shall become a Bank party to this Agreement, shall be deemed to be an Assignee hereunder and shall have all the rights and obligations of a Bank with a Commitment equal to its ratable share of the Selling Bank's Commitment and with a participation in the outstanding Letters of Credit equal to its ratable share of the Selling Bank's participation in such Letters of Credit.

(d) Upon the consummation of any sale pursuant to this Section 8.6, the Selling Bank, the Administrative Agent and Borrower shall make appropriate arrangements so that, if required, each Purchasing Bank receives new Notes complying with the provisions of Section 2.5 hereof.

## ARTICLE XVIII

### MISCELLANEOUS

#### Section 18.1 Notices. All notices, requests and other communications

-----  
to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Borrower or the Administrative Agent, at its address or telecopy number set forth on the signature pages hereof, together with copies thereof, in the case of the Borrower, to Sullivan & Cromwell, 125 Broad Street, New York, New York 10004; Attention: Erik Lindauer, Esq.; Telephone: (212) 558-3548, Telecopy: (212) 58-3588, and in the case of the Administrative Agent, to Skadden, Arps, Slate, Meagher & Flom LLP, 919 Third Avenue, New York, New York 10022, Attention: Martha Feltenstein, Esq., Telephone: (212) 735-2272, Telecopy: (212) 735-2000, (y) in the case of any Bank, at its address or telecopy number set forth on the signature pages hereof or in its Administrative Questionnaire or (z) in the case of any party, such other address or telecopy number as such party may hereafter specify for the purpose by notice to the Administrative Agent, the Banks and the Borrower. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section, (ii) if

110

given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this Section; provided

-----  
that notices to the Administrative Agent under Article II or Article VIII shall not be effective until received.

#### Section 18.2 No Waivers. No failure or delay by the Administrative

-----  
Agent, Documentation Agent or any Bank in exercising any right, power or privilege hereunder or under any Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

#### Section 18.3 Expenses; Indemnification.

-----  
(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses of the Administrative Agent and the Documentation Agent (including, without limitation, reasonable fees and disbursements of special counsel Skadden, Arps, Slate, Meagher & Flom LLP), in connection with the preparation and administration of this Agreement, the Loan Documents and the documents and instruments referred to therein, the syndication of the Loans, any waiver or consent hereunder or any amendment or modification hereof or any Default or alleged Default hereunder and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Administrative Agent, the Documentation Agent and each Bank, including, without limitation, reasonable fees and disbursements of counsel (including, without limitation, the allocated costs and expenses of internal counsel) for the Administrative Agent and the Documentation Agent, in connection with the enforcement (including any "workout") of the Loan Documents and the instruments referred to therein and such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Borrower agrees to indemnify the Administrative Agent, the Documentation Agent and each

111

Bank, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee

-----  
harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel and settlements and settlement costs, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) that may at any time (including, without limitation, at any time following the payment of the Obligations) be imposed on, asserted against or incurred by any Indemnitee as a result of, or arising out of, or in any way related to or by reason of, (i) any of the transactions contemplated by the Loan Documents or the execution, delivery or performance of any Loan Document (including, without limitation, the Borrower's actual or proposed use of proceeds of the Loans, whether or not in compliance with the provisions hereof), (ii) any violation by the Borrower or the Environmental Affiliates of any applicable Environmental Law, (iii) any Environmental Claim arising out of the management, use, control, ownership or operation of property or assets by the Borrower or any of the Environmental Affiliates, including, without limitation, all on-site and off-site activities involving Material of Environmental Concern, (iv) the breach of any environmental representation or warranty set forth herein, (v) the grant to the Administrative Agent, the Documentation Agent and the Banks of any Lien in any property or assets of the Borrower or any stock or other equity interest in the Borrower, and (vi) the exercise by the Administrative Agent, the Documentation Agent and the Banks of their rights and remedies (including, without limitation, foreclosure) under any agreements creating any such Lien (but excluding, as to any Indemnitee, any such losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements incurred solely by reason of (i) the gross negligence or willful misconduct of such Indemnitee as finally determined by a court of competent jurisdiction or (ii) any investigative, administrative or judicial proceeding imposed or asserted against any Indemnitee by any bank regulatory agency or by any equity holder of such Indemnitee). The Borrower's obligations

112

under this Section shall survive the termination of this Agreement and the payment of the Obligations.

(c) The Borrower shall pay, and hold the Administrative Agent, the Documentation Agent and each of the Banks harmless from and against, any and all present and future U.S. stamp, recording, transfer and other similar foreclosure related taxes with respect to the foregoing matters and hold the Administrative Agent, the Documentation Agent and each Bank harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to such Bank) to pay such taxes.

Section 18.4 Sharing of Set-Offs. In addition to any rights now or

-----  
hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default, each Bank is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special, time or demand, provisional or final), other than deposits held for the benefit of third parties, and any other indebtedness at any time held or owing by such Bank (including, without limitation, by branches and agencies of such Bank wherever located) to or for the credit or the account of the Borrower against and on account of the Obligations of the Borrower then due and payable to such Bank under this Agreement or under any of the other Loan Documents, including, without limitation, all interests in Obligations purchased by such Bank. Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Note held by it or Letter of Credit participated in by it, or, in the case of the Fronting Bank,

Letter of Credit issued by it, which is greater than the proportion received by any other Bank or Letter of Credit issued or participated in by such other Bank, in respect of the aggregate amount of principal and interest due with respect to any Note held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such

113

participations in the Notes held by the other Banks or Letter of Credit issued or participated in by such other Bank, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Notes held by the Banks or Letter of Credit issued or participate in by such other Banks shall be shared by the Banks pro rata; provided that nothing in this Section shall impair the right of any Bank to

-----  
exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness under the Notes or the Letters of Credit. The Borrower agrees, to the fullest extent that it may effectively do so under applicable law, that any holder of a participation in a Note, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counter claim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation.

Section 18.5 Amendments and Waivers. Any provision of this Agreement

-----  
(including any of the financial covenants given by the Borrower pursuant to Section 5.8), the Notes, the Letters of Credit or other Loan Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Banks (and, if the rights or duties of the Administrative Agent are affected thereby, by the Administrative Agent); provided that if such amendment or waiver affects only the Banks of any single

-----  
tranche, then only the Required Banks within that tranche shall be required to sign such amendment or waiver; provided, further that no such amendment or

-----  
waiver shall (i) increase or decrease the Commitment of any Bank (except for a ratable decrease in the Commitments of all Banks) or subject any Bank to any additional obligation, without the prior written consent of each Bank affected thereby, (ii) reduce the principal of or rate of interest on any Loan or any fees specified herein without the prior written consent of each Bank affected thereby, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or any fees hereunder or for any reduction or termination of any Commitment, without the prior written consent of each

114

Bank affected thereby, (iv) increase any of the Tranche A Loan Amount, the Tranche B Loan Amount, the Tranche C Loan Amount or the Tranche D Loan Amount unless signed by all the Banks in the affected tranche, (v) release the Guarantor or any Subsidiary a party to the Guaranty from its obligations under the Guaranty or otherwise release any other collateral unless signed by all the Banks, (vi) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks which shall be required for the Banks or any of them to take any action under this Section or any other provisions of this Agreement, (vii) amend or modify the provisions of Section 5.23 hereof or this Section 9.5, or (viii) amend the definition of "Required Banks" or "Super-Majority Banks", unless signed by all the Banks. In addition, no such amendment or waiver shall, unless signed by the Swing Lender and each other Bank affected thereby, increase the Swing Loan Commitment, postpone the date fixed for the termination of the Swing Loan Commitment or otherwise affect any of its rights or obligations hereunder relating to the Swing Loan Commitment or the Swing Loans.

Section 18.6 Successors and Assigns.

-----  
(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement or the other Loan Documents without the prior written consent of all Banks. Any purported or attempted assignment or transfer

in contravention of the preceding sentence shall be null and void.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or

-----  
any or all of its Loans. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice to the Borrower and the Administrative Agent, such Bank shall remain responsible for the performance of its obligations hereunder, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this

115

Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation

-----  
agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (i), (ii), (iii) or (iv) of Section 9.5 without the consent of the Participant. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article VIII with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank may at any time assign to one or more banks or other institutions (each an "Assignee") all, or a proportionate part of all (in the

-----  
case of each Assignee, equivalent to an initial Commitment of not less than Five Million Dollars (\$5,000,000) or such lesser amount as shall equal any Bank's entire Commitment), of its rights and obligations under this Agreement as they relate to any one or more tranches, the Notes and the other Loan Documents, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit D

-----  
attached hereto executed by such Assignee and such transferor Bank, with (and subject to) the subscribed consent of the Documentation Agent and the Administrative Agent, which consent shall not be unreasonably withheld, and, provided no Event of Default shall have occurred and be continuing, the Borrower, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, however, no consent shall be required in connection with any assignment of rights and obligations hereunder as they relate to any one or more tranches to a Person that is already a Bank hereunder, to an affiliate of the assignor. Upon execution, delivery and recordation in the Register of such instrument and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such

116

transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment relating to the tranche under which Assignee's Commitment was assigned as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder as they relate to the assigned tranche to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor Bank, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, a new Note or Notes are issued to the Assignee. In connection with any such assignment, the transferor Bank shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of \$2,500. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall deliver to the Borrower and the Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 8.4.

(d) The Administrative Agent (acting, for this purpose only, as agent for the Borrower) shall maintain at its address at which notices are to be given

to it pursuant to the terms of Section 9.1 hereof a copy of each instrument of assignment delivered to it pursuant to subsection (c) of this Section and a register for the recordation of the names and addresses of the Banks, their respective Commitments and principal amounts of their respective Loans outstanding from time to time (the "Register"). The entries in the Register

-----

shall be conclusive, in the absence of manifest error, and the Borrower, the Guarantor, the Agents and the Banks may treat each person whose name is recorded in the Register as a Bank for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(e) Any Bank may at any time assign all or any portion of its Loans or its Note as security to a Federal Reserve Bank. Any Tranche C Bank or Tranche D Bank may pledge any of its Tranche C Loans or Tranche D Loans, as

117

applicable, or its Note to any trustee with respect to a pool of collateralized loan obligations which includes such Tranche C Loans or Tranche D Loans; provided that any foreclosure or similar action by such trustee shall be subject

- -----

to the provisions of this Section concerning assignments and shall be void unless it complies with such provisions. No such assignment or pledge shall release the transferor Bank from its obligations hereunder.

(f) Any Bank may at any time assign all or any portion of its rights under this Agreement and its Note and the Letter(s) of Credit participated in by such Bank or, in the case of the Fronting Bank, issued by it, to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder.

(g) No Assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 8.3 or 8.4 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Borrower's prior written consent or by reason of the provisions of Section 8.2, 8.3 or 8.4 requiring such Bank to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

Section 18.7 Governing Law; Submission to Jurisdiction.

-----

(a) THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICTS OF LAW).

(b) Any legal action or proceeding with respect to this Agreement or any other Loan Document and any action for enforcement of any judgment in respect thereof may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York, and, by execution and delivery of this Agreement, the Borrower hereby accepts for itself

118

and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts and appellate courts from any thereof. The Borrower irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the hand delivery, or mailing of copies thereof by registered or certified mail, postage prepaid, to the Borrower at its address set forth below. The Borrower hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement or any other Loan Document brought in the courts referred to above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum. Nothing herein shall affect the right of the Administrative Agent, any Bank or any holder of a Note to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Borrower in any other jurisdiction.

Section 18.8 Marshaling; Recapture. Neither the Administrative Agent

-----  
nor any Bank shall be under any obligation to marshal any assets in favor of the Borrower or any other party or against or in payment of any or all of the Obligations. To the extent any Bank receives any payment by or on behalf of the Borrower, which payment or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to the Borrower or its estate, trustee, receiver, custodian or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such payment or repayment, the Obligation or part thereof which has been paid, reduced or satisfied by the amount so repaid shall be reinstated by the amount so repaid and shall be included within the liabilities of the Borrower to such Bank as of the date such initial payment, reduction or satisfaction occurred.

Section 18.9 Counterparts; Integration; Effectiveness. This Agreement

-----  
may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures

119

thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective upon receipt by the Documentation Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Documentation Agent in form satisfactory to it of telegraphic, telex or other written confirmation from such party of execution of a counterpart hereof by such party).

Section 18.10 WAIVER OF JURY TRIAL. EACH OF THE BORROWER, THE

-----  
ADMINISTRATIVE AGENT AND THE BANKS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 18.11 Survival. All indemnities set forth herein shall

-----  
survive the execution and delivery of this Agreement and the other Loan Documents and the making and repayment of the Loans hereunder.

Section 18.12 Domicile of Loans. Subject to the provisions of Article

-----  
VIII, each Bank may transfer and carry its Loans at, to or for the account of any domestic or foreign branch office, subsidiary or affiliate of such Bank.

Section 18.13 Limitation of Liability. No claim may be made by the

-----  
Borrower or any other Person against the Administrative Agent, the Documentation Agent or any Bank or the affiliates, directors, officers, employees, attorneys or agent of any of them for any consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement or by the other Loan Documents, or any act, omission or event occurring in connection therewith; and the Borrower hereby waives, releases and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

120

Section 18.14 Confidentiality. Each Bank agrees to keep the

-----  
information contained herein and any other non-public information delivered or made available by Borrower to it confidential and to use such information only for the purpose of evaluating, approving, structuring and administering the Loans and Letters of Credit; provided that nothing herein shall prevent any Bank from disclosing such information (i) to persons employed or retained by such Bank who are engaged or expected to be engaged in evaluating, approving, structuring or administering the Loans and Letters of Credit, (ii) to any other person if reasonably incidental to the administration of the Loans or Letters of Credit, (iii) to any other Bank, (iv) pursuant to any subpoena or express

direction of any court or other authorized government agency or as otherwise required by law, (v) upon the request or demand of any bank regulatory agency, bank examiner or comparable authority, (vi) which has theretofore been publicly disclosed or is otherwise available to such Bank on a non-confidential basis from a source that is not, to its knowledge, subject to a confidentiality agreement with Borrower, (vii) in connection with any litigation to which any Bank or its subsidiaries or Parent may be a party, (viii) to the extent necessary in connection with the exercise of any remedy hereunder, (ix) to such Bank's affiliates, legal counsel and independent auditors and (x) to any actual or proposed Participant or Assignee that has signed a written agreement containing provisions substantially similar to this Section 9.14. Any Bank that discloses confidential information to other Persons as contemplated by clause (i), (ii) or (ix) of the foregoing proviso shall inform such other Persons of the confidential nature of such information and shall instruct them to keep such information confidential (except for disclosures permitted by the foregoing proviso). Before any Bank discloses confidential information pursuant to clause (iv) or (vii) of the foregoing proviso, such Bank shall use its best efforts, to the extent permitted by law, to advise Borrower of such proposed disclosure so that Borrower may, in its discretion, and at its sole expense, seek an appropriate protective order.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

VENTAS REALTY, LIMITED  
PARTNERSHIP, a Delaware limited  
partnership

By: Ventas, Inc., a Delaware  
corporation, its general  
partner

By: \_\_\_\_\_  
Name: Thomas T. Ladt  
Title: President

Commitments

\$(specify Tranches] MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, as a Bank and as  
Documentation Agent

By: \_\_\_\_\_  
Name:  
Title:

Tranche A: \$30,000,000 NATIONSBANK, N.A., as a Bank,  
Tranche B: \$18,750,000 Administrative Agent, and as  
Tranche C: \$15,000,000 Swing Lender  
Tranche D: \$258,125,000.00

By: \_\_\_\_\_  
Name:  
Title:

Domestic and Euro-Currency Lending Office:  
NationsBank, N.A.  
101 North Tryon Street  
NC1-001-15-04  
Charlotte, NC 28255  
Attention: Carol Lindsay  
Telephone number: (704) 386-9372  
Telecopy number: (704) 386-9923

EXHIBIT A-1

TRANCHE \_\_\_\_ NOTE

\$ \_\_\_\_\_ New York, New York \_\_\_\_\_, 19\_\_

For value received, VENTAS REALTY, LIMITED PARTNERSHIP, a Delaware limited partnership (the "Borrower") promises to pay to the order of \_\_\_\_\_ (the "Bank"), for the account of its Applicable Lending Office,

the unpaid principal amount of each Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the Maturity Date. The Borrower promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Administrative Agent under the Credit Agreement (as defined below).

All Loans made by the Bank, the respective types and maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This Note is one of the Notes referred to in the Credit Agreement, dated as of April \_\_, 1998, among the Borrower, the Banks party thereto, Morgan Guaranty Trust Company of New York, as Documentation Agent, NationsBank, N.A., as Administrative Agent, the Senior Managing Agents identified therein, the Managing Agents identified therein, and the Co-Agents identified therein (as the same may be amended from time to time, the "Credit Agreement"). Terms

125

defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

VENTAS REALTY, LIMITED PARTNERSHIP, a Delaware limited partnership

By: Ventas, Inc., its general partner

By: \_\_\_\_\_ Name: Title:

126

Note (cont'd)

LOANS AND PAYMENTS OF PRINCIPAL

Table with 6 columns: Date, Amount of Loan, Type of Loan, Amount of Principal Repaid, Maturity Date, Notation Made By





-----  
UNENCUMBERED ASSET POOL PROPERTIES

131

EXHIBIT C  
-----

PREAPPROVED DEVELOPMENT PROPERTIES

C-1

EXHIBIT D  
-----

FORM OF ASSIGNMENT AND ASSUMPTION

ASSIGNMENT AND ASSUMPTION AGREEMENT  
-----

AGREEMENT dated as of \_\_\_\_\_, 199\_ among [ASSIGNOR] (the "Assignor"), [ASSIGNEE] (the "Assignee"), VENTAS REALTY, LIMITED PARTNERSHIP (the "Borrower") and NATIONSBANK, N.A., as Administrative Agent (the "Agent").

W I T N E S S E T H  
-----

WHEREAS, this Assignment and Assumption Agreement (the "Assignment") relates to the Credit Agreement dated as of \_\_\_\_\_, 199\_ (the "Loan Agreement") among the Borrower, Ventas, Inc., the Assignor and the other Banks party thereto, as Banks, and the Agent;

WHEREAS, as provided under the Loan Agreement, the Assignor has a Commitment to make [Tranche A Loans/Tranche B Loans/Tranche C Loans/Tranche D Loans] to the Borrower in an aggregate principal amount at any time outstanding not to exceed \$\_\_\_\_\_;

WHEREAS, [Tranche A Loans/Tranche B Loans/Tranche C Loans/Tranche D Loans] made to the Borrower by the Assignor under the Loan Agreement in the aggregate principal amount of \$\_\_\_\_\_ are outstanding at the date hereof; and

WHEREAS, the Assignor proposes to assign to the Assignee all of the rights of the Assignor under the Loan Agreement in respect of a portion of its [Tranche A/Tranche B/Tranche C/Tranche D] Commitment thereunder in an amount equal to \$\_\_\_\_\_ (the "Assigned Amount"), together with a corresponding portion of its outstanding [Tranche A Loans/Tranche B Loans/Tranche C Loans/Tranche D Loans], and the Assignee proposes to accept assignment of such rights and assume the corresponding obligations from the Assignor on such terms;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. Definitions. All capitalized terms not otherwise defined  
-----  
herein shall have the respective meanings set forth in the Loan Agreement.

SECTION 2. Assignment. The Assignor hereby assigns and sells to the  
-----  
Assignee all of the rights of the Assignor under the Loan Agreement to the extent of the Assigned Amount, and the Assignee hereby accepts such assignment from the Assignor and assumes all of the obligations of the Assignor under the Loan Agreement to the extent of the Assigned Amount, including the purchase from

the Assignor of the corresponding portion of the principal amount of the Loans made by the Assignor or Letters of Credit participated in by Assignor outstanding at the date hereof. Upon the execution and delivery hereof by the Assignor, the Assignee, the Borrower and the Agent and the payment of the amounts specified in Section 3 required to be paid on the date hereof (i) the Assignee shall, as of the date hereof, succeed to the rights and be obligated to perform the obligations of a Bank under the Loan Agreement with a [Tranche A/Tranche B/Tranche C/Tranche D] Commitment in an amount equal to the Assigned Amount, and (ii) the [Tranche A/Tranche B/Tranche C/Tranche D] Commitment of the Assignor shall, as of the date hereof, be reduced by a like amount and the Assignor released from its obligations under the Loan Agreement to the extent such obligations have been assumed by the Assignee. The assignment provided for herein shall be without recourse to the Assignor.

SECTION 3. Payments. As consideration for the assignment and sale  
-----

contemplated in Section 2 hereof, the Assignee shall pay to the Assignor on the date hereof in Federal funds the amount heretofore agreed between them./1/ It is understood that Commitment Fees accrued to the date hereof are for the account of the Assignor and such fees accruing from and including the date hereof are for the account of the Assignee. Each of the Assignor and the Assignee hereby agrees that if it receives any amount under the Loan Agreement which is for the

---

/1/ The amount should combine principal together with accrued interest and breakage compensation, if any, to be paid by the Assignee, net of any portion of any upfront fee to be paid by the Assignor to the Assignee. It may be preferable in an appropriate case to specify these amounts generically or by formula rather than as a fixed sum.

D-2

account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

SECTION 4. Consent of the Borrower and the Agent. This Agreement is  
-----

conditioned upon the written consent of the Borrower and the consent of the Agent pursuant to section 9.6(c) of the Loan Agreement. The execution of this Agreement by the Borrower and the Agent is evidence of the required consents. Pursuant to Section 9.6(c) the Borrower agrees to execute and deliver a Note payable to the order of the Assignee to evidence the assignment and assumption provided for herein.

SECTION 5. Non-Reliance on Assignor. The Assignor makes no  
-----

representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of the Borrower, or the validity and enforceability of the obligations of the Borrower in respect of the Loan Agreement or any Note. The Assignee acknowledges that it has, independently and without reliance on the Assignor, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the business, affairs and financial condition of the Borrower.

SECTION 6. Governing Law. This Agreement shall be governed by and  
-----  
construed in accordance with the external laws of the State of New York

SECTION 7. Counterparts. This Agreement may be signed in any number  
-----  
of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

D-3

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

[ASSIGNOR]

By: \_\_\_\_\_  
Name:  
Title:

[ASSIGNEE]

By: \_\_\_\_\_  
Name:  
Title:

CONSENTED TO:

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, as Documentation Agent

By: \_\_\_\_\_  
Name:  
Title:

NATIONSBANK, N.A., as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

VENTAS REALTY, LIMITED PARTNERSHIP

By: Ventas, Inc., its general partner

By: \_\_\_\_\_  
Name:  
Title:

D-4

SCHEDULE 3.1  
-----

EXCEPTIONS TO SECTION 3.1

1. Hillhaven 10 1/8% Senior Subordinated Notes due 2001.

SCHEDULE 4.3  
-----

EXCEPTIONS TO SECTION 4.3

1. Hillhaven 10 1/8% Senior Subordinated Notes due 2001.

SCHEDULE 4.5

-----  
LITIGATION

SCHEDULE 4.19  
-----

LABOR MATTERS

1. Country Gardens Nursing Home/District 1199, N.E. Health Care Employees Union
2. Andrew House Healthcare/District 1199, N.E. Health Care Employees Union
3. Windsor Rehab & Healthcare Center/District 1199, N.E. Healthcare Employees Union
4. Country Manor Rehabilitation and Nursing Center/SEIU, Local 285
5. East Bridgewater/SEIU, Local 285
6. Woodridge House Nursing and Rehab Center/SEIU
7. Winship Groen/International Association of Machinists, District Lodge 99
8. Vencor Hospital Detroit/SEIU, Local 79
9. Master Agreement/Hospital and Institutional Workers' Union Local 22, Health Care Worker's Union, Local 250, and SEIU, Local 399 (7 Facilities)
10. Mountain Valley Care & Rehab Center/United Steelworkers of America, Local 9052
11. Las Vegas Healthcare and Rehab Center/Textile Processors Local 311
12. THC-Seattle/Washington State Nurses Association
13. Pasatiempo/Health Care Workers' Union, Local 250, SEIU (2 Facilities)
14. Hacienda/Health Care Workers' Union, Local 250, SEIU (1 Facility)
15. Santa Cruz/Health Care Workers' Union, Local 250, SEIU
16. California Multiple/Health Care Workers' Union, Local 250, SEIU (1 Facility)
17. San Leandro Hospital/International Union of Operating Engineers, Local 39
18. San Leandro Hospital/Local 250, SEIU
19. Talbot Healthcare Center/SEIU, Local 6
20. Omro Care Center/SEIU, Local 150
21. Eastview Medical and Rehab Center/SEIU, Local 150
22. Colonial Manor/SEIU, Local 150
23. Colony Oaks Care Center/SEIU, Local 150
24. North Ridge/SEIU, Local 150
25. Family Heritage/SEIU, Local 150
26. Mount Carmel Health and Rehab Center/SEIU, Local 150
27. THC-Chicago/International Union of Operating Engineers of Chicago, Local 399

Totals      4 Hospitals      29 Nursing Centers      (plus two Centers where  
we have lost elections  
and appeals are pending)

SCHEDULE 4.22  
-----

REAL PROPERTY ASSETS

SCHEDULE 5.8  
-----

INDEMNIFIED CONTINGENT OBLIGATIONS

Obligation -----	Amount ----- (\$ in millions)	Indemnity From: -----
949 - Ledgewood Health Care	1.8	Vencor Operating, Inc.
983 - Clark House	3.3	Vencor Operating, Inc.
995 - Starr Farm	2.1	Vencor Operating, Inc.
920 - Jackson Browne	0.8	

227 - leased IRB	0.4	Vencor Operating, Inc.
3440/7188 - New Pond Village	34	Atria Communities, Inc.
Omega Healthcare	0.3	Vencor Operating, Inc.
Tenet Guarantee Reimb. Agmt	-	Vencor Operating, Inc.
390 - Carmel Mountain	5.4	Sun Healthcare Group, Inc.

SCHEDULE 5.22

EXISTING AFFILIATE AGREEMENTS

1. Amended and Restated Guarantee Reimbursement Agreement dated as of April 29, 1998, among Vencor, Inc., Vencor Healthcare Inc. and Tenet Healthcare Corporation, Inc.
2. Management Agreements dated as of January 31, 1990 between Tenet Healthcare Corporation (formerly named National Medical Enterprises, Inc.) and Vencor (as successor by merger to The Hillhaven Corporation) relating to the following facilities:

Fac. No.	Facility Name
902	Alvarado Convalescent, San Diego, California
974	J.D. French Center, Los Alamitos, California
169	Menorah House, Palm Beach, Florida
815	Del Ray Beach, Del Ray Beach, Florida
98	Northshore Living Center, Slidell, Louisiana
993	Brookhaven Nursing Center, Carrollton, Texas
990	Jo Ellen Smith, New Orleans, Louisiana

3. Tax Sharing Agreement dated as of January 31, 1990 between Tenet Healthcare Corporation (formerly named National Medical Enterprises, Inc.) and Vencor (as successor by merger to The Hillhaven Corporation).
4. Insurance Agreement dated as of January 31, 1990 between Tenet Healthcare Corporation (formerly named National Medical Enterprises, Inc.) and Vencor (as successor by merger to The Hillhaven Corporation).
5. Agreement dated as of August 22, 1995, among Vencor (as successor by merger to The Hillhaven Corporation), Vencor and Tenet Healthcare Corporation.

GUARANTY OF PAYMENT

GUARANTY OF PAYMENT (this "Guaranty"), made as of April 29, 1998, between

VENTAS, INC., a Delaware corporation, having an address at 3300 Aegon Center, 400 West Market Street, Louisville, Kentucky 40202, FIRST HEALTHCARE CORPORATION, a Delaware corporation, NATIONWIDE CARE, INC., an Indiana corporation, VENCOR HOSPITALS ILLINOIS, INC., a Delaware corporation, VENCOR HOSPITALS EAST, INC., a Delaware corporation, PERSONACARE OF RHODE ISLAND, INC., a Rhode Island corporation, CARE VENTURE PARTNERS, L.P., a Rhode Island limited partnership, HEALTH HAVEN ASSOCIATES, L.P., a Rhode Island limited partnership, OAK HILL NURSING ASSOCIATES, L.P., a Rhode Island limited partnership, HILLHAVEN/INDIANA PARTNERSHIP, a Washington general partnership, SAN MARCOS NURSING HOME PARTNERSHIP, a California general partnership, ST. GEORGE NURSING HOME L.P., a Oregon limited partnership, NEW POND VILLAGE ASSOCIATES, a Massachusetts general partnership, HAHNEMANN HOSPITAL, INC., a Delaware corporation, and NORTHWEST HEALTHCARE, INC., an Idaho corporation, each having an address at c/o Vencor, Inc., 3300 Ageon Center, 400 West Market Street, Louisville, Kentucky 40202 (each of the foregoing entities individually a "Guarantor" and collectively, the "Guarantors"), and MORGAN GUARANTY TRUST

COMPANY OF NEW YORK, having an office at 60 Wall Street, New York, New York 10260, as documentation agent ("Agent") for the banks (the "Banks") listed on

the signature pages of the Credit Agreement (as the same may be amended, modified, supplemented or restated, the "Credit Agreement"), dated as of the

date hereof, among Ventas Realty, Limited Partnership, L.P., a Delaware limited partnership ("Borrower"), the Banks, the Agent, and NationsBank, N.A., as

Administrative Agent.

W I T N E S S E T H:

WHEREAS, the Banks have agreed to make loans to Borrower in the aggregate principal amount not to exceed One Billion Two Hundred Million Dollars (\$1,200,000,000) (hereinafter collectively referred to as the "Loans");

WHEREAS, the Loans will be evidenced by promissory notes (the "Notes") of Borrower made to each of the Banks in accordance with the terms of the Credit Agreement;

WHEREAS, the Credit Agreement and the Notes and any other documents executed in connection therewith are hereinafter collectively referred to as the "Loan Documents";

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings ascribed there-to in the Credit Agreement;

WHEREAS, Ventas, Inc. is the sole general partner of Borrower and owns, directly or indirectly, 100% of Borrower;

WHEREAS, Ventas, Inc. owns, directly or indirectly, 100% of each of First Healthcare Corporation, Nationwide Care, Inc., Vencor Hospitals Illinois, Inc., Vencor Hospitals East, Inc., Personacare of Rhode Island, Inc., Care Venture Partners, L.P., Health Haven Associates, L.P., Oak Hill Nursing Associates, L.P., Hillhaven/Indiana Partnership, San Marcos Nursing Home Partnership, St. George Nursing Home L.P., New Pond Village Associates, Hahnemann Hospital, Inc., and Northwest Healthcare, Inc.; and

WHEREAS, in order further to induce the Agent and the Banks to enter into the Loan Documents, the Guarantors have agreed to enter into this Guaranty.

NOW, THEREFORE, for good and valuable consideration, the receipt and

sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Each Guarantor, jointly and severally, on behalf of itself and its successors and assigns, hereby irrevocably, absolutely and unconditionally guarantees the full and punctual payment when due, whether at stated maturity or otherwise, of all Obligations of Borrower now or hereafter existing under the Notes and the Credit Agreement, for principal and/or interest as well as any and all other amounts due thereunder, including, without limitation, all indemnity obligations of Borrower thereunder, and any and all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by the Agent or the Banks in enforcing its rights under this Guaranty (all of the

foregoing obligations being the "Guaranteed Obligations"); provided, however,

-----  
that each Guarantor shall be deemed to only have guaranteed the Guaranteed Obligations hereunder insofar as shall not render any such Guarantor insolvent under any state or federal bankruptcy, fraudulent conveyance, preferential transfer or similar statutes.

2.  
3. It is agreed that the Guaranteed Obligations of the Guarantors hereunder are primary and this Guaranty shall be enforceable against the Guarantors and their successors and assigns without the necessity for any suit or proceeding of any kind or nature whatsoever brought by the Agent against Borrower or its respective successors or assigns or any other party or against any security for the payment and performance of the Guaranteed Obligations and without the necessity of any notice of non-payment or non-observance or of any notice of acceptance of this Guaranty or of any notice or demand to which the Guarantors might otherwise be entitled (including, without limitation, diligence, presentment, notice of maturity, extension of time, change in nature or form of the Guaranteed Obligations, acceptance of further security, release of further security, imposition or agreement arrived at as to the amount of or the terms of the Guaranteed Obligations, notice of adverse change in Borrower's financial condition and any other fact which might materially increase the risk to the Guarantors), all of which the Guarantors hereby expressly waive; and the Guarantors hereby expressly agree that the validity of this Guaranty and the obligations of the Guarantors hereunder shall in no way be terminated, affected, diminished, modified or impaired by reason of the assertion of or the failure to assert by the Agent against Borrower or its respective successors or assigns, any of the rights or remedies reserved to the Agent pursuant to the provisions of the Loan Documents. The Guarantors agree that any notice or directive given at any time to the Agent which is inconsistent with the waiver in the immediately preceding sentence shall be void and may be ignored by the Agent, and, in addition, may not be pleaded or introduced as evidence in any litigation relating to this Guaranty for the reason that such pleading or introduction would be at variance with the written terms of this Guaranty, unless the Agent has specifically agreed otherwise in a writing, signed by a duly authorized officer.

The Guarantors specifically acknowledge and agree that the foregoing waivers are of the essence of this transaction and that, but for this Guaranty and such waivers, the Agent would decline to execute the Loan Documents.

4.  
5. The Guarantors waive, and covenant and agree that they will not at any time insist upon, plead or in any manner whatsoever claim or take the benefit or advantage of, any and all appraisal, valuation, stay, extension, marshalling-of-assets or redemption laws, or right of homestead or exemption, whether now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance by the Guarantors of their obligations under, or the enforcement by the Agent of, this Guaranty. The Guarantors further covenant and agree not to set up or claim any defense, counterclaim, offset, set-off or other objection of any kind to any action, suit or proceeding in law, equity or otherwise, or to any demand or claim that may be instituted or made by the Agent other than the defense of the actual timely payment and performance by Borrower of the Guaranteed Obligations; provided, however, that the foregoing shall not be

-----  
deemed a waiver of the Guarantors' right to assert any compulsory counterclaim, if such counterclaim is compelled under local law or rule of procedure, nor shall the foregoing be deemed a waiver of the Guarantors' right to assert any claim which would constitute a defense, setoff, counterclaim or crossclaim of any nature whatsoever against Agent or any Bank in any separate action or proceeding. The Guarantors represent, warrant and agree that, as of the date

hereof, their obligations under this Guaranty are not subject to any counterclaims, offsets or defenses against the Agent of any kind.

6.

7. The provisions of this Guaranty are for the benefit of the Agent and the Banks and their successors and permitted assigns, and nothing herein contained shall impair as between Borrower and the Agent and the Banks the obligations of Borrower under the Loan Documents.

8.

9. This Guaranty shall be a continuing, unconditional and absolute guaranty and the liability of the Guarantors hereunder shall in no way be terminated, affected, modified, impaired or diminished by reason of the happening, from time to time, of any of the following,

although without notice or the further consent of the Guarantors:

(a) any assignment, amendment, modification or waiver of or change in any of the terms, covenants, conditions or provisions of any of the Guaranteed Obligations or the Loan Documents or the invalidity or unenforceability of any of the foregoing; or

(a) any extension of time that may be granted by the Agent and/or any Bank to Borrower, any guarantor, or their respective successors or assigns, heirs, executors, administrators or personal representatives; or

(a) any action which the Agent may take or fail to take under or in respect of any of the Loan Documents or by reason of any waiver or, or failure to enforce any of the rights, remedies, powers or privileges available to the Agent under this Guaranty or available to the Agent at law, equity or otherwise, or any action on the part of the Agent granting indulgence or extension in any form whatsoever; or

(a) any sale, exchange, release, or other disposition of any property pledged, mortgaged or conveyed, or any property in which the Agent and/or the Banks have been granted a lien or security interest to secure any indebtedness of Borrower to the Agent and/or the Banks; or

(a) any release of any Person who may be liable in any manner for the payment and collection of any amounts owed by Borrower to the Agent and/or the Banks; or

(a) the application of any sums by whomsoever paid or however realized to any amounts owing by Borrower to the Agent and/or the Banks under the Loan Documents in such manner as the Agent shall determine in its sole discretion; or

(a) Borrower's or any Guarantor's voluntary or involuntary liquidation, dissolution, sale of all or substantially all of their respective assets and liabilities, appointment of a trustee, receiver, liq-

uidator, sequestrator or conservator for all or any part of Borrower's or any Guarantor's assets, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment, or the commencement of other similar proceedings affecting Borrower or any Guarantor or any of the assets of any of them, including, without limitation, (i) the release or discharge of Borrower or any Guarantor from the payment and performance of their respective obligations under any of the Loan Documents by operation of law, or (ii) the impairment, limitation or modification of the liability of Borrower or any Guarantor in bankruptcy, or of any remedy for the enforcement of the Guaranteed Obligations under any of the Loan Documents, or any Guarantor's liability under this Guaranty, resulting from the operation of any present or future provisions of the Bankruptcy Code or other present or future federal, state or applicable statute or law or from the decision in any court; or

(a) any improper disposition by Borrower of the proceeds of the Loans, it being acknowledged by the Guarantors that the Agent or any Bank shall be entitled to honor any request made by Borrower for a disbursement of such proceeds and that neither the Agent nor any Bank shall have any obligation to see the proper disposition by Borrower of such proceeds.

1. The Guarantors agree that if at any time all or any part of any payment at any time received by the Agent and/or any Bank from Borrower or any Guarantor under or with respect to this Guaranty is or must be rescinded or returned by the Agent or any Bank for any reason whatsoever (including, without limitation, the insolvency, bankruptcy or reorganization of Borrower or any Guarantor), then the Guarantors' obligations hereunder shall, to the extent of the payment rescinded or returned, be deemed to have continued in existence notwithstanding such previous receipt by such party, and the Guarantors' obligations hereunder shall continue to be effective or reinstated, as the case may be, as to such payment, as though such previous payment had never been made.

2.

3. Ventas, Inc. agrees to comply with all of the covenants contained in Article V of the Credit Agreement which are applicable to it.

4.

5. Until this Guaranty is terminated pursuant to the terms hereof, the Guarantors (i) shall have no right of subrogation against Borrower or any entity comprising same by reason of any payments or acts of performance by the Guarantors in compliance with the obligations of the Guarantors hereunder; (ii) waive any right to enforce any remedy which the Guarantors now or hereafter shall have against Borrower or any entity comprising same by reason of any one or more payment or acts of performance in compliance with the obligations of the Guarantors hereunder and (iii) from and after an Event of Default (as defined in the Credit Agreement), subordinates any liability or indebtedness of Borrower or any entity comprising same now or hereafter held by the Guarantors or any affiliate of the Guarantors to the obligations of Borrower under the Loan Documents.

6.

7. Each Guarantor, as to itself, represents and warrants to the Agent and the Banks with the knowledge that the Agent and the Banks are relying upon the same, as follows:

8. (a) as of the date hereof, Ventas, Inc. is the sole general partner of Borrower and owns, directly or indirectly, 100% of Borrower;

(a) as of the date hereof, Ventas, Inc. owns, directly or indirectly, 100% of each of First Healthcare Corporation, Nationwide Care, Inc., Vencor Hospitals Illinois, Inc., Vencor Hospitals East, Inc., Personacare of Rhode Island, Inc., Care Venture Partners, L.P., Health Haven Associates, L.P., Oak Hill Nursing Associates, L.P., Hillhaven/Indiana Partnership, San Marcos Nursing Home Partnership, St. George Nursing Home L.P., New Pond Village Associates, Hahnemann Hospital, Inc. and Northwest Healthcare, Inc.;

(a) based upon such relationships, the Guarantor has determined that it is in its best interests to enter into this Guaranty;

(a) this Guaranty is necessary and convenient to the conduct, promotion and attainment of Guarantor's business, and is in furtherance of Guarantor's business purposes;

(a) the benefits to be derived by the Guarantor from Borrower's access to funds made possible by the Loan Documents are at least equal to the obligations undertaken pursuant to this Guaranty;

(a) The Guarantor is Solvent and has full power and legal right to enter into this Guaranty and to perform its obligations under the terms hereof and (i) the Guarantor is organized and validly existing under the laws of the State in which it is organized, (ii) the Guarantor has complied with all provisions of applicable law in connection with all aspects of this Guaranty, and (iii) the persons executing this Guaranty have all the requisite power and authority to execute and deliver this Guaranty;

(a) to the best of the Guarantor's knowledge, there is no action, suit, proceeding, or investigation pending or threatened against or affecting the Guarantor at law, in equity, in admiralty or before any arbitrator or any Governmental Authority (domestic or foreign) which is likely to materially and adversely impair the ability of the Guarantor to perform its obligations under this Guaranty;

(a) the execution and delivery of and the performance by the Guarantor of its obligations under this Guaranty have been duly

authorized by all necessary action on the part of the Guarantor and do not (i) violate any provision of any law, rule, regulation (including, without limitation, Regulation U or X of the Board of Governors of the Federal Reserve System of the United States), order, writ, judgment, decree, determination or award presently in effect having applicability to the Guarantor or the organizational documents of the Guarantor the consequences of which violation are likely to materially and adversely impair the ability of the Guarantor to perform its obligations under this Guaranty or (ii) violate or conflict with, result in a breach of or constitute (with due notice or lapse of time or

both) a default under any indenture, agreement or other instrument to which the Guarantor is a party, or by which the Guarantor or any of its property is bound the consequences of which violation, conflict, breach or default are likely to materially and adversely impair the ability of the Guarantor to perform its obligations under this Guaranty;

(a) this Guaranty has been duly executed by the Guarantor and constitutes the legal, valid and binding obligation of the Guarantor, enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable insolvency, bankruptcy or other laws affecting creditors' rights generally or general principles of equity, whether such enforceability is considered in a proceeding in equity or at law;

(a) no authorization, consent, approval, license or formal exemption from, nor any filing, declaration or registration with, any Governmental Authority is required in connection with the making and performance by the Guarantor of this Guaranty, except those which have already been obtained and are in full force and effect; and

(a) the Guarantor is not an "investment company" as that term is defined in, nor is it otherwise subject to regulation under, the Investment Company Act of 1940, as amended.

1. The Guarantors and the Agent each acknowledge and agree that this Guaranty is a guarantee of payment and performance and not of collection and enforcement in respect of any obligations which may accrue to the Agent and/or the Banks from Borrower under the provisions of any Loan Document.

2.  
3. Subject to the terms and conditions of the Credit Agreement, and in conjunction therewith, the Agent or any Bank may assign any or all of its rights under this Guaranty. In the event of any such assignment, the Agent shall give the Guarantors prompt notice of same. If the Agent and/or any Bank elects to sell all the Loans or participations in the Loans and the Loan Documents, including this Guaranty, the Agent or any Bank may for-

ward to each purchaser and participant and prospective purchaser and participant all documents and information relating to this Guaranty or to the Guarantors, whether furnished by Borrower or the Guarantors or otherwise, subject to the terms and conditions of the Credit Agreement.

4. The Guarantors agree, upon the written request of the Agent, to execute and deliver to the Agent, from time to time, any modification or amendment hereto or any additional instruments or documents reasonably considered necessary by the Agent or its counsel to cause this Guaranty to be, become or remain valid and effective in accordance with its terms, provided, that, any such modification, amendment, additional instrument or document shall not increase the Guarantors' obligation's or diminish its rights hereunder and shall be reasonably satisfactory as to form to Guarantor and to the Guarantors' counsel.

5.  
6. The representations and warranties of each Guarantor set forth in this Guaranty shall survive until this Guaranty shall terminate in accordance with the terms hereof.

7.  
8. This Guaranty contains the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements relating to such subject matter and may not be modified, amended, supplemented or discharged except by a written agreement signed by the Guarantors and the Agent.

9.  
10. If all or any portion of any provision contained in this Guaranty

shall be determined to be invalid, illegal or unenforceable in any respect for any reason, such provision or portion thereof shall be deemed stricken and severed from this Guaranty and the remaining provisions and portions thereof shall continue in full force and effect.

11.

12. This Guaranty may be executed in counterparts which together shall constitute the same instrument.

13.

14. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission followed by telephonic confirmation or similar writing) and shall

be addressed to such party at the address set forth below or to such other address as may be identified by any party in a written notice to the others:

If to Guarantors: c/o Vencor, Inc.  
3300 Aegon Center  
400 West Market Street  
Louisville, KY 40202  
Attn:

With Copies of  
Notices to  
Guarantors to: Sullivan & Cromwell  
125 Broad Street  
New York, NY 10004  
Attn: Erik Lindauer, Esq.

If to the Agent: Morgan Guaranty Trust Company  
of New York  
60 Wall Street  
New York, NY 10260  
Attn: Richard Dugoff

and

Skadden, Arps, Slate,  
Meagher & Flom LLP  
919 Third Avenue  
New York, New York 10022  
Facsimile No.: (212) 735-2000  
Attn: Martha Feltenstein, Esq.

Each such notice, request or other communication shall be effective (i) if given by telex or facsimile transmission, when such telex or facsimile is transmitted to the telex number or facsimile number specified in this Section and the appropriate answerback or facsimile confirmation is received, (ii) if given by certified registered mail, return receipt requested, with first class postage prepaid, addressed as aforesaid, upon receipt or refusal to accept delivery, (iii) if given by a nationally recognized overnight carrier, 24 hours after such communication is deposited with such carrier with postage prepaid for next day delivery, or (iv) if given by any other means, when delivered at the address specified in this Section.

1. Any acknowledgment or new promise, whether by payment of principal or interest or otherwise by Borrower or the Guarantors, with respect to the Guaranteed Obligations shall, if the statute of limitations in favor of the Guarantors against the Agent shall have commenced to run, toll the running of such statute of limitations, and if the period of such statute of limitations shall have expired, prevent the operation of such statute of limitations.

2.

3. This Guaranty shall be binding upon each Guarantor and its successors and assigns and shall inure to the benefit of the Agent and the Banks and their successors and permitted assigns.

4.

5. The failure of the Agent to enforce any right or remedy hereunder, or promptly to enforce any such right or remedy, shall not constitute a waiver thereof, nor give rise to any estoppel against the Agent, nor excuse any Guarantor from its obligations hereunder. Any waiver of any such right or remedy to be enforceable against the Agent must be expressly set forth in a writing signed by the Agent.

6.

(a) THIS GUARANTY AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER

SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICTS OF LAW).

(b)

(c) Any legal action or proceeding with respect to this Guaranty and any action for enforcement of any judgment in respect thereof may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York and, by execution and delivery of this Guaranty, each Guarantor hereby accepts for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts and appellate courts from any thereof. Each Guarantor irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to each Guarantor at its address for notices set forth herein. Each Guarantor hereby irrevocably waives

any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Guaranty brought in the courts referred to above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum. Nothing herein shall affect the right of the Agent to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against each Guarantor in any other jurisdiction.

(d)

(e) EACH GUARANTOR HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY AND ALL CLAIMS OR CAUSES OF ACTION BASED UPON OR ARISING OUT OF THIS GUARANTY. IT IS HEREBY ACKNOWLEDGED BY EACH GUARANTOR THAT THE WAIVER OF A JURY TRIAL IS A MATERIAL INDUCEMENT FOR THE AGENT TO ACCEPT THIS GUARANTY AND THAT THE LOANS MADE BY THE BANKS ARE MADE IN RELIANCE UPON SUCH WAIVER. EACH GUARANTOR FURTHER WARRANTS AND REPRESENTS THAT SUCH WAIVER HAS BEEN KNOWINGLY AND VOLUNTARILY MADE, FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS GUARANTY MAY BE FILED BY THE AGENT IN COURT AS A WRITTEN CONSENT TO A NON-JURY TRIAL.

(f)

(g) The Guarantors do hereby further covenant and agree to and with the Agent that the Guarantors may be joined in any action against Borrower in connection with the Loan Documents and that recovery may be had against Guarantor in such action or in any independent action against the Guarantors (with respect to the Guaranteed Obligations), without the Agent first pursuing or exhausting any remedy or claim against Borrower or its successors or assigns. The Guarantors also agree that, in an action brought with respect to the Guaranteed Obligations in any jurisdiction, it shall be conclusively bound by the judgment in any such action by the Agent (wherever brought) against Borrower or its successors or assigns, as if the Guarantors were a party to such action, even though the Guarantors were not joined as parties in such action.

(h)

(i) The Guarantors agree to pay all reasonable expenses (including, without limitation, attorneys' fees and disbursements) which may be incurred by the Agent or the Banks in connection with the enforcement of their

rights under this Guaranty, whether or not suit is initiated.

(j)

7. Notwithstanding anything to the contrary contained herein, this Guaranty shall terminate and be of no further force or effect upon the full performance and payment of the Guaranteed Obligations hereunder. Upon termination of this Guaranty in accordance with the terms of this Guaranty, the Agent promptly shall deliver to Guarantor such documents as the Guarantors or Guarantors' counsel reasonably may request in order to evidence such termination.

8.

9. All of the Agent's rights and remedies under each of the Loan Documents or under this Guaranty are intended to be distinct, separate and cumulative and no such right or remedy therein or herein mentioned is intended to be in exclusion of or a waiver of any other right or remedy available to the Agent.

10.

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

GUARANTORS:

VENTAS, INC., a Delaware corporation

By: \_\_\_\_\_  
Name: Thomas T. Ladt  
Title: President

FIRST HEALTHCARE CORPORATION, a Delaware corporation

By: \_\_\_\_\_  
Name: Thomas T. Ladt  
Title: President

NATIONWIDE CARE, INC., an Indiana corporation

By: \_\_\_\_\_  
Name: Thomas T. Ladt  
Title: President

VENCOR HOSPITALS ILLINOIS, INC., a Delaware corporation

By: \_\_\_\_\_  
Name: Thomas T. Ladt  
Title: President

VENCOR HOSPITALS EAST, INC., a Delaware corporation

By: \_\_\_\_\_  
Name: Thomas T. Ladt  
Title: President

PERSONACARE OF RHODE ISLAND, INC., a Rhode Island corporation

By: \_\_\_\_\_  
Name: Thomas T. Ladt  
Title: President

CARE VENTURE PARTNERS, L.P., a Rhode Island limited partnership

By: Personacare of Rhode Island, Inc., its  
general partner

By: \_\_\_\_\_  
Name: Thomas T. Ladt  
Title: President

HEALTH HAVEN ASSOCIATES, L.P., a Rhode Island limited partnership

By: Personacare of Rhode Island, Inc., its  
general partner

By:

-----  
Name: Thomas T. Ladt  
Title: President

OAK HILL NURSING ASSOCIATES, L.P., a Rhode Island  
limited partnership

By: Personacare of Rhode Island, Inc., its  
general partner

By:

-----  
Name: Thomas T. Ladt  
Title: President

HILLHAVEN/INDIANA PARTNERSHIP, a Washington general  
partnership

By: First Healthcare Corporation, its general partner

By:

-----  
Name: Thomas T. Ladt  
Title: President

SAN MARCOS NURSING HOME PARTNERSHIP, a California  
general partnership

By: First Healthcare Corporation, its general partner

By:

-----  
Name: Thomas T. Ladt  
Title: President

ST. GEORGE NURSING HOME L.P., an Oregon limited partnership

By: Nationwide Care, Inc., its general partner

By:

-----  
Name:  
Title:

NEW POND VILLAGE ASSOCIATES, a Massachusetts general  
partnership

By: First Healthcare Corporation, its general partner

By:

Name: Thomas T. Ladt  
Title: President

NORTHWEST HEALTHCARE, INC., an Idaho corporation

By:

-----  
Name: Thomas T. Ladt

Title: President

HAHNEMANN HOSPITAL, INC., a Delaware corporation

By: \_\_\_\_\_

Name: Thomas T. Ladt  
Title: President

ACCEPTED:

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, Documentation Agent

By: \_\_\_\_\_

Name: Richard Dugoff  
Title: Vice President

PROMISSORY NOTE  
-----

\$\_\_\_\_\_ .00

Louisville, Kentucky  
June 15, 1998

FOR VALUE RECEIVED, the undersigned \_\_\_\_\_ hereinafter referred to as "Maker"), hereby promises and agrees to pay to the order of VENTAS REALTY LIMITED PARTNERSHIP (hereinafter referred to as "Payee"), with an address of 3300 Aegon Center, Louisville, Kentucky, the aggregate principal sum of \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_), together with interest thereon as hereinafter provided, in lawful money of the United States of America, in the manner set forth herein, on or before June 15, 2008 (the "Maturity Date").

Principal of this note (the "Note") shall bear interest on the unpaid balance thereof at a rate of five and seventy-seven one hundredths percent (5.77%) per annum. All interest on this Note shall be computed daily on the basis of the actual number of days elapsed over a year assumed to consist of three hundred sixty (360) days.

Principal on this Note shall be paid in ten (10) equal annual installment of \$375,000 each, commencing on the 15th day of June 1999, and continuing on the 15th day of June of each successive year thereafter until the 15th day of June 2008, on which date all of the remaining unpaid principal of this Note shall be paid. Notwithstanding the above, upon a Change in Control (as defined in the 1997 Incentive Compensation Plan of Ventas, Inc. (the "Company")) of the Company, any and all unpaid principal and interest on this Note shall be forgiven and this Note shall be extinguished.

All accrued and unpaid interest shall be paid quarterly commencing on the 15th day of September, 1998, and continuing on the 15th day of each successive quarter thereafter, and on the Maturity Date and any other date that the principal balance of this Note is paid in full. Notwithstanding the above, each quarterly interest payment due and owing shall be forgiven as long as Maker is employed by Ventas, Inc. on the date such quarterly interest payment is due.

All payments of principal and interest and any other sums due under this Note shall be made to Payee at the address written above or to such other person or at such other address as may be designated in writing by the holder of this Note. All payments on this Note shall be applied first to the payment of any expenses or charges payable hereunder, and next to accrued interest and then to the principal balance hereof, or in such other order as Payee may elect in Payee's sole discretion.

The occurrence of any one or more of the following events shall constitute a default under this Note: [i] the failure of Maker to pay principal or interest of this Note as and when due, or within five (5) days thereafter; or [ii] the insolvency of, the appointment of a custodian or trustee for, or an assignment for the benefit of creditors by or the filing of a petition under bankruptcy, insolvency or debtor's relief law by or against, Maker.

Whenever there is a default under this Note the entire principal balance of and all accrued interest on this Note, shall, at the option of the holder hereof, become forthwith due and payable, without presentment, notice, protest or demand of any kind (all of which are expressly waived by Maker). Upon the occurrence of any such default, in addition, the rate of interest

applicable to the entire unpaid principal balance of this Note shall be increased by an increment of an additional two percent (2%) per annum, unless such increase would exceed the increment permitted under applicable law, in which case the rate of interest applicable hereunder shall be increased by such lesser increment as is the maximum permitted by law.

This Note is hereby expressly limited so that in no contingency or event

whatsoever, whether by reason of acceleration of the maturity hereof, or otherwise, shall the amount paid or agreed to be paid to Payee for the use, forbearance or detention of the money loaned hereunder, or advanced for the performance or payment of any covenant or obligation contained herein or in any other document evidencing, securing or pertaining to the indebtedness evidenced hereby, exceed the maximum amount permissible under applicable law. If from any circumstances whatsoever fulfillment of any provision hereof or of any such other document, at the time performance of such provisions shall be due, shall involve transcending the limit of validity prescribed by law, then ipso facto the obligation to be fulfilled shall be reduced to the limit of such validity, and if from such circumstance the holder hereof shall ever receive anything of value deemed by applicable law to be interest in any amount that would exceed the highest lawful rate payable hereunder, an amount equal to any excessive interest shall be applied to the reduction of the principal amount owing hereunder and not to the payment of interest, and if the amount that would be excessive interest exceeds the principal balance then owing, such excess shall be refunded to the party paying same.

Failure of the holder of this Note to exercise any of such holder's rights and remedies shall not constitute a waiver of the right to exercise the same at that or any other time. All rights and remedies of the holder for default under this Note shall be cumulative to the greatest extent permitted by law. Time shall be of the essence in the payment of all accrued interest and principal on this Note and the performance of Maker's other obligations under this Note.

If there is any default under this Note, and this Note is placed in the hands of an attorney for collection, or is collected through any court, including any bankruptcy court, Maker promises to pay to the holder hereof such holder's reasonable attorneys' fees and court costs incurred in collecting or attempting to collect or securing or attempting to secure this Note or enforcing the holder's rights in any collateral securing this Note, provided the same is legally allowed by the laws of the Commonwealth of Kentucky or any state where the collateral or any part thereof is situated.

This Note has been delivered in, and shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky without reference to its conflict of laws rules. This Note has substantial contacts with the Commonwealth of Kentucky. All actions, suits or other proceedings with respect to this Note shall be brought only in a court of competent jurisdiction in Jefferson County, Kentucky. In any such action, suit or proceeding, such court shall have personal jurisdiction over all of the parties hereto, and service of process upon them under any applicable statutes, laws and rules shall be deemed valid and good.

Maker and any other party who is or may become primarily or secondarily liable for any of the obligations of Maker hereunder hereby waive presentment, demand, notice of dishonor, protest, notice of protest and nonpayment, and further waive all exemptions to which they may now or hereafter be entitled under the laws of this or any other state or of the United States, and further agree that the holder of this Note shall have the right without notice, to deal in any way, at any time, with Maker, or any guarantor of this Note or with any other party who may become primarily or secondarily liable for any of the obligations of Maker under this Note without waiving any rights the holder of this Note may have hereunder or by virtue of the laws of the state of Kentucky or any other state of the United States.

-----  
COMMONWEALTH OF KENTUCKY )  
                                  : SS  
COUNTY OF JEFFERSON      )

The foregoing instrument was acknowledged before me this 15th day of June, 1998, by \_\_\_\_\_.

My commission expires: \_\_\_\_\_.

-----

Notary Public

[Affix Notary Seal]

TAX ALLOCATION AGREEMENT

TAX ALLOCATION AGREEMENT (the "Agreement") dated as of April 30, 1998, by and between VENCOR, INC., a Delaware corporation ("Vencor"), and VENCOR HEALTHCARE, INC., a Delaware corporation and a wholly-owned subsidiary of Vencor("Healthcare Company").

RECITALS

WHEREAS, the Board of Directors of Vencor has determined that is appropriate and desirable to (a) pursuant to an Agreement and Plan of Reorganization, dated as of the date hereof, between Vencor and Healthcare Company (the "Reorganization Agreement"), separate Vencor and its subsidiaries

into two publicly owned companies so that (i) the assets and liabilities relating to substantially all of the Vencor-owned land, buildings and other improvements and real estate related assets are allocated to Vencor (the "Real Estate Business"), which will change its name to "Ventas, Inc." immediately

prior to the Distribution (as defined herein), and (ii) the other assets and liabilities relating to the historical operations of Vencor, including certain real property under development or to be developed by Vencor, are allocated to Healthcare Company (the "Healthcare Business"), which will change its name to

"Vencor, Inc." immediately prior to the Distribution; and (b) pursuant to a Distribution Agreement, dated as of the date hereof, between Vencor and Healthcare Company (the "Distribution Agreement") distribute (the

"Distribution"), following such reorganization, as a dividend to the holders of the issued and outstanding shares of common stock, par value \$.25 per share, of Vencor ("Vencor Common Stock") all of the issued and outstanding shares of

common stock, par value \$.25 per share, of Healthcare Company ("Healthcare Company Common Stock") on the basis of one share of Healthcare Company Common

Stock for each share of Vencor Common Stock; and

WHEREAS, Vencor and Healthcare Company desire on behalf of themselves, their Subsidiaries and their successors to set forth their rights and obligations with respect to Taxes (as defined herein) due for periods before and after the Distribution.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein, and subject to and on the terms and conditions herein set forth, the parties hereto agree as follows:

Article I
Definitions

For the purposes of this Agreement,

1.01 "Agreement" shall have the meaning set forth in the Preamble.

1.02 "Allocation Schedule" shall have the meaning set forth in Section 3.02.

1.03 "Business Day" shall mean a day other than a Saturday, Sunday or a day on which the banks in New York City or Louisville, Kentucky are authorized or obligated by law or executive order to close.

1.04 "Code" shall mean the Internal Revenue Code of 1986, as amended.  
-----

1.05 "Corporate Restructuring Transactions" shall have the meaning  
-----  
set forth in the Reorganization Agreement.

1.06 "Date of Distribution" shall mean the end of the day on which  
-----  
Healthcare Company ceases, on account of the distribution of the shares of  
Healthcare Company Common Stock to the holders of Vencor Common Stock, to be a  
member of the affiliated group of which Vencor is the common parent.

1.07 "Distribution" shall have the meaning set forth in the  
-----  
Recitals.

1.08 "Distribution Agreement" shall have the meaning set forth in the  
-----  
Recitals.

1.09 "Final Determination" shall mean with respect to any issue (a) a  
-----  
decision, judgment, decree or other order by any court of competent  
jurisdiction, which decision, judgment, decree or other order has become final  
and not subject to further appeal, (b) a closing agreement whether or not  
entered into under Section 7121 of the Code or any other binding settlement  
agreement (whether or not with the Internal Revenue Service) entered into in  
connection with or in contemplation of an administrative or judicial proceeding,  
or (c) the completion of the highest level of administrative proceedings if a  
judicial contest is not or is no longer available.

1.10 "Healthcare Company" shall have the meaning set forth in the  
-----  
Preamble.

-2-

1.11 "Healthcare Company Common Stock" shall have the meaning set  
-----  
forth in the Recitals.

1.12 "Healthcare Company Group" shall mean, for any period,  
-----  
Healthcare Company and its then Subsidiaries.

1.13 "Indemnitor" shall have the meaning set forth in Section 5.02.  
-----

1.14 "Period After Distribution" shall mean any taxable year or other  
-----  
taxable period beginning after the Date of Distribution and, in the case of any  
taxable year or other taxable period that begins before and ends after the Date  
of Distribution, that part of the taxable year or other taxable period that  
begins after the Date of Distribution.

1.15 "Period Before Distribution" shall mean any taxable year or  
-----  
other taxable period that ends on or before the Date of Distribution and, in the  
case of any taxable year or other taxable period that begins before and ends  
after the Date of Distribution, that part of the taxable year or other taxable  
period through the Date of Distribution.

1.16 "Reorganization Agreement" shall have the meaning set forth in  
-----  
the Recitals.

1.17 "Restructuring Taxes" shall mean any Taxes to the extent  
-----  
resulting from the Corporate Restructuring Transactions or the Distribution.

1.18 "Subsidiary" shall mean any corporation or other organization

-----  
whether incorporated or unincorporated (i) of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such party and/or by any one or more of its Subsidiaries or (ii) of which a party or any one or more of its Subsidiaries is the general partner or managing member.

1.19 "Tax" or "Taxes" shall mean all federal, state or local taxes,  
-----  
whether domestic or foreign, including income, gross receipts, windfall profits, franchise, sales, transfer, use, duty, excise, license, employment, property, value-added, severance, production, withholding or similar taxes, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties.

-3-

1.20 "Tax Benefit" shall mean an increase in the Tax basis of an  
-----  
asset that may be depreciated or amortized for United States Federal income Tax purposes.

1.21 "Tax Returns" shall mean all reports and returns required to be  
-----  
filed with respect to Taxes.

1.22 "Taxing Authority" shall mean any nation, locality,  
-----  
municipality, government, state, federation, or other governmental body authorized to impose Taxes.

1.23 "Vencor" shall have the meaning set forth in the Preamble.  
-----

1.24 "Vencor Common Stock" shall have the meaning set forth in the  
-----  
Recitals.

1.25 "Vencor Group" shall mean, for any period, Vencor and its then  
-----  
Subsidiaries.

Article II  
Tax Liabilities and Tax Sharing Obligations  
-----

2.01 Tax Liability of Healthcare Company. Healthcare Company shall  
-----  
be liable for, and shall hold the Vencor Group harmless from and against, (i) any Tax liability of the Healthcare Company Group for any Period After Distribution, (ii) any Tax liability of the Vencor Group or Healthcare Company Group in respect of the Period Before Distribution (other than any Restructuring Taxes) with respect to the portion of such Taxes attributable to assets owned by the Healthcare Company Group immediately after the completion of the Corporate Restructuring Transactions and (iii) any Restructuring Taxes to the extent Healthcare Company derives a Tax Benefit as a result of the payment of such Taxes. Healthcare Company shall be entitled to any refund or credit in respect of Taxes owed or paid by Healthcare Company under this Section 2.01. Any liability for Taxes under this Section 2.01 with respect to Taxes imposed on the Vencor Group shall be measured by the Vencor Group's actual liability for Taxes after applying Tax benefits otherwise available to the Vencor Group other than Tax benefits that the Vencor Group in good faith determines would actually offset Tax liabilities of the Vencor Group in other taxable years or periods. Any right to a refund under this Section 2.01(a) shall be measured by the actual refund or credit of the Vencor Group attributable to the adjustment without regard to offsetting Tax attributes of the Vencor Group.

-4-

2.02 Tax Liability of Vencor. Vencor shall be liable for, and shall

-----  
hold the Healthcare Company Group harmless against, any Taxes imposed on the Vencor Group or the Healthcare Company Group other than Taxes for which the Healthcare Company Group is liable under Section 2.01. Vencor shall be entitled to any refund or credit in respect of Taxes owed or paid by Vencor under this Section 2.02. Any liability for Taxes under this Section 2.02 with respect to Taxes imposed on the Healthcare Company Group shall be measured by the Healthcare Company Group's actual liability for Taxes after applying Tax benefits otherwise available to the Healthcare Company Group other than Tax benefits that the Healthcare Company Group in good faith determines would actually offset Tax liabilities of the Healthcare Company Group in other taxable years or periods. Any right to a refund under this Section 2.02 shall be measured by the actual refund or credit of the Healthcare Company Group attributable to the adjustment without regard to offsetting Tax attributes of the Healthcare Company Group.

2.03 Refunds. The amount of any refund, credit or reimbursement in

-----  
respect of Taxes paid by Vencor Group in respect of taxable years ending prior to the Date of Distribution shall be allocated to Healthcare Company and Vencor in the manner set forth in Sections 2.01 and 2.02.

2.04 Prior Agreements. Except as set forth in this Article II and in

-----  
consideration of the mutual indemnities and other obligations of this Agreement, any and all prior Tax sharing agreements or practices between any member of the Vencor Group and any member of the Healthcare Company Group shall be terminated with respect to the Healthcare Company Group as of the Date of Distribution.

2.05 Period that Includes the Date of Distribution. (a) To the

-----  
extent permitted by law or administrative practice, the taxable year of the Healthcare Company Group shall be treated as closing on the Date of Distribution.

(b) If it is necessary for purposes of this Agreement to determine the income Tax liability of any member of the Healthcare Company Group or Vencor Group for a taxable year that begins on or before and ends after the Date of the Distribution, the determination shall be made by assuming that such member of the Healthcare Company Group or Vencor Group had a taxable year that ended on the Date of the Distribution, except that exemptions, allowances or deductions that are calculated on an annual basis shall be apportioned on a time basis.

2.06 Indemnified Tax Liabilities. Notwithstanding anything contained

-----  
herein, no party shall have an indemnification claim under this Agreement for a Tax liability to the extent that such party may bring an indemnification claim against a third party for such Tax liability.

Article III

Tax Returns

3.01 Preparation and Filing of Tax Returns. Healthcare Company

-----  
shall prepare, and Vencor shall timely file or cause to be filed, all Tax Returns with respect to taxable years or periods that begin before the Date of Distribution and end on or after the Date of Distribution that are filed on a consolidated, combined or unitary basis and that include a member of the Vencor Group and a member of the Healthcare Company Group. Healthcare Company shall prepare and timely file or cause to be filed any other Tax Return with respect to the Healthcare Company Group and Vencor shall prepare and timely file or cause to be filed any other Tax Return with respect to the Vencor Group.

3.02 Review of Tax Returns. Vencor and Healthcare Company, as the

-----  
case may be, shall submit to the other party for its review and approval any Tax Return it is required to file under Section 3.01, if such other party may be liable under this Agreement for any Taxes shown on such Tax Return, at least 30 days prior the due date (including extensions) for filing such Tax Return. The

party preparing any such Tax Return shall also prepare, and submit to the other party for its review and approval along with such Tax Return, a schedule allocating the Tax liability shown on such Tax Return between Vencor and Healthcare Company in accordance with the terms of this Agreement (the "Allocation Schedule"). If Vencor and Healthcare Company cannot agree on the

-----  
calculations contained in such Tax Return or Allocation Schedule at least 20 days prior to the due date (including extensions) for the filing of such Tax Return, such calculation shall be made by an internationally recognized independent accounting firm in the manner described in Article VIII.

3.03 Payment. Vencor and Healthcare Company shall each remit or

-----  
cause to be remitted any Taxes due in respect of any Tax Return it is required to file under this Section 3.01 and shall be entitled to reimbursement only to the extent provided in this Agreement.

Article IV  
Payments  
-----

4.01 Taxable Year of Distribution. Healthcare Company or Vencor, as

-----  
the case may be, shall pay the amount owed to the other party under this Agreement for the taxable year or period that begins before and ends on or after the Date of Distribution within 30 calendar days after the filing of the Tax Returns that include that year or period.

4.02 Other Payments. Other payments due to a party under this

-----  
Agreement shall be due not later than 20 Business Days after the receipt or crediting of a refund or the receipt of notice of a Final Determination that the indemnified party is liable for an indemnified cost.

4.03 Notice. Vencor and Healthcare Company shall give each other

-----  
prompt notice of any payment that may be due to the other under this Agreement.

Article V  
Tax Audits  
-----

5.01 General. Except as provided in Section 5.02, each of Healthcare

-----  
Company and Vencor shall have sole responsibility for all audits or other proceedings with respect to Tax Returns that it is required to file under Section 3.01.

5.02 Indemnified Claims. Vencor or Healthcare Company shall promptly

-----  
notify the other in writing prior to the issuance of an actual notice of assessment by the relevant Taxing Authority (for example, if by the Internal Revenue Service, prior to the issuance of a Form 5701 Notice of Proposed Adjustment) of any proposed adjustment to a return that may result in liability of the other party (the "Indemnitor") under this Agreement. The Indemnitor

-----  
shall have the sole right to contest the proposed adjustment and to employ counsel of its choice at its expense; provided, however, that if the proposed

-----  
adjustment involves a Tax Return for which the other party is responsible and cannot be separated from the Tax Return under applicable law, the Indemnitor shall not settle the proposed adjustment without the consent of the other party, which consent shall not be unreasonably withheld. The Indemnitor shall provide the other party with information about the nature and amounts of the proposed adjustments and, in the sole discretion of the Indemnitor, may permit the other party to participate in the proceeding.

Article VI  
Cooperation  
-----

Vencor and Healthcare Company shall cooperate with each other in the filing of any Tax Returns and the conduct of any audit or other proceeding and each shall execute and deliver such powers of attorney and make available such other documents as are necessary to carry out the intent of this Agreement. Each party shall use its best efforts to obtain any refund or credit for Taxes to which the other party is entitled pursuant to this Agreement. Each party agrees to notify the other party of any audit adjustments which do not result in Tax liability but can be reasonably expected to affect Tax Returns of the other party, or any of its Subsidiaries, for a Period After Distribution.

Article VII  
Retention of Records; Access  
-----

In addition to any obligation imposed by the Reorganization Agreement, the Vencor Group and the Healthcare Company Group shall (a) in accordance with their then current record retention policy, retain records, documents, accounting data and other information (including computer data) necessary for the preparation and filing of all returns in respect of Taxes of the Vencor Group or the Healthcare Company Group or for the audit of such returns; and (b) give to the other reasonable access to such records, documents, accounting data and other information (including computer data) and to its personnel (insuring their cooperation) and premises, for the purpose of the review or audit of such returns to the extent relevant to an obligation or liability of a party under this Agreement. At any time after the Date of Distribution that the Healthcare Company Group or Vencor Group proposes to destroy such material or information, they shall first notify the other and the other shall be entitled to receive such materials or information proposed to be destroyed.

Article VIII  
Disputes  
-----

If Vencor and Healthcare Company cannot agree on any calculation of any liabilities under this Agreement, such calculation shall be made by any internationally recognized independent public accounting firm acceptable to both Vencor and Healthcare Company. The decision of such firm shall be final and binding. The fees and expenses incurred in connection with such calculation shall be borne equally by Vencor and Healthcare Company.

-8-

Article IX  
Termination of Liabilities  
-----

Notwithstanding any other provision in this Agreement, any liabilities determined under this Agreement shall not terminate any earlier than the expiration of the applicable statute of limitation for such liability. All other covenants under this Agreement shall survive indefinitely.

Article X  
Waiver of Ownership Limit  
-----

Healthcare Company shall not increase the Ownership Limit under Section 10 of Article Tenth of the Restated Certificate of Incorporation in a manner applicable to Tenet Healthcare Corporation or exempt Tenet Healthcare Corporation from the Ownership Limit under Section 12 of Article Tenth of the Restated Certificate of Incorporation without obtaining the consent of Vencor with respect to such increase or exemption; provided, however, that Vencor shall

not withhold such consent if Healthcare Company provides Vencor with an opinion of counsel that such increase or exemption would not create a material risk that Vencor would not qualify as a REIT. Vencor agrees to provide Healthcare Company and its counsel with such information and officer's certificates as may be necessary or advisable in connection with the delivery of such an opinion of counsel. The foregoing limitation shall terminate on the date that Tenet Healthcare Corporation owns 9.9% or less of the outstanding common stock of

Vencor.

Article XI  
Miscellaneous Provisions  
-----

10.01 Notices and Governing Law. All notices required or permitted  
-----

to be given pursuant to this Agreement shall be given in accordance with the applicable provisions of the Reorganization Agreement. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky (other than the laws regarding choice of laws and conflicts of laws) as to all matters, including matters of validity, construction, effect, performance and remedies.

10.02 Binding Effect; No Assignment; Third Party Beneficiaries. This  
-----

Agreement shall be binding on, and shall inure to the benefit of, the parties and their respective successors and assigns. Vencor and Healthcare Company hereby guarantee the performance of all actions, agreements, covenants and obligations provided for under

-9-

this Agreement of each member of the Vencor Group and the Healthcare Company Group, respectively. Vencor and Healthcare Company shall, upon the written request of the other, cause any of their respective Subsidiaries to execute this Agreement. Neither Vencor nor Healthcare Company shall assign any of their respective rights or delegate any of their respective duties under this Agreement without the prior written consent of the other party (which consent shall not be unreasonably withheld). No person (including, without limitation, any employee of a party or any stockholder of a party) shall be, or shall be deemed to be, a third party beneficiary of this Agreement.

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

VENCOR, INC.

By \_\_\_\_\_  
Name:  
Title:

VENCOR HEALTHCARE, INC.

By \_\_\_\_\_  
Name:  
Title:

-10-

TRANSITION SERVICES AGREEMENT  
-----

THIS TRANSITION SERVICES AGREEMENT (this "Agreement") is made and entered into as of the 30/th/ day of April, 1998, by and between Vencor, Inc., a Delaware corporation ("Vencor"), and Vencor Healthcare, Inc., a Delaware corporation ("Healthcare Company").

RECITALS  
-----

WHEREAS, Vencor and Healthcare Company are parties to an Agreement and Plan of Reorganization, dated as of the date hereof (the "Reorganization Agreement"), which provides for certain reorganization transactions (the "Reorganization Transactions"), including but not limited to, certain internal mergers and stock and asset transfers that (a) allocate the assets and liabilities relating to substantially all of the Vencor-owned land, buildings and other improvements and real estate related assets (the "Real Estate Business") to Vencor, which will change its name to "Ventas, Inc." immediately prior to the Distribution (as defined herein), and (b) allocate the other assets and liabilities relating to the historical operations of Vencor (the "Healthcare Business") to Healthcare Company, which will change its name to "Vencor, Inc." immediately prior to the Distribution;

WHEREAS, Vencor and Healthcare Company are parties to a Distribution Agreement, dated as of the date hereof (the "Distribution Agreement"), which provides for the distribution (the "Distribution") by Vencor to the holders of common stock, par value \$.25 per share, of Vencor ("Vencor Common Stock") of all the outstanding shares of common stock, par value \$.25 per share, of Healthcare Company ("Healthcare Company Common Stock") on the basis of one share of Healthcare Company Common Stock for every share of Vencor Common Stock;

WHEREAS, pursuant to the Reorganization Agreement substantially all of the assets and employees that provided certain administrative and support services to Vencor prior to the Distribution will be transferred to Healthcare Company in connection with the Reorganization Transactions; and

WHEREAS, Vencor desires to receive from Healthcare Company and the Healthcare Company subsidiaries following the Reorganization Transactions and the Distribution (collectively, the "Healthcare Company Group"), and Healthcare Company has agreed to cause the Healthcare Company Group to provide to Vencor, for a transitional period of time following the Reorganization Transactions and the Distribution such administrative and support services on the terms set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein, and subject to and on the terms and conditions herein set forth, the parties hereto agree as follows:

Section 1. Services. Healthcare Company shall cause the Healthcare Company Group to provide those administrative and support services set forth in

Exhibit 1 to this Agreement (the "Services") to Vencor or any subsidiary of  
-----

Vencor (including any limited partnerships) designated by Vencor to receive such Services. Additional administrative and support services may be provided to Vencor by the Healthcare Company Group if such arrangement is agreed to in writing and executed by both Vencor and Healthcare Company on behalf of the Healthcare Company Group. The Healthcare Company Group will provide each Service to Vencor for the full-time equivalents ("FTEs") per month set forth in  
-----

Exhibit 1. If Vencor requests additional FTEs per month for any Service, Vencor  
-----  
and Healthcare Company will negotiate in good faith a modification to this Agreement with respect to the provision of additional FTEs for such Service.

Section 2. Payments. Vencor shall pay \$200,000 (the "Monthly Fee") to  
-----  
Healthcare Company on or prior to the first day of each month as payment for the Services to be rendered by the Healthcare Company Group to Vencor during such month. For any period for which Services are to be provided by the Healthcare Company Group to Vencor on less than a full-month basis, Vencor shall pay Healthcare Company the pro rata amount of the Monthly Fee equal to such portion of the month for which Services are to be provided.

Section 3. Representations and Warranties.  
-----

(a) Healthcare Company hereby represents and warrants to Vencor that:

- (1) Healthcare Company is a corporation duly organized and validly existing and in good standing under the laws of its jurisdiction of incorporation;
- (2) Healthcare Company has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby; and
- (3) this Agreement constitutes a valid and legally binding obligation of Healthcare Company, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization and similar laws of general

-2-

applicability relating to or affecting creditors' rights and to general equity principles.

(b) Vencor hereby represents and warrants to Healthcare Company that:

- (1) Vencor is a corporation duly organized and validly existing and in good standing under the laws of its jurisdiction of incorporation;
- (2) Vencor has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby; and
- (3) this Agreement constitutes a valid and legally binding obligation of Vencor, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

Section 4. Limitation of Liability. No member of the Healthcare  
-----  
Company Group, nor any officer, director, employee or agent of any member of the Healthcare Company Group (each, a "Representative"), shall be liable to Vencor  
-----  
for any error of judgment or for any Loss (as defined herein) incurred by Vencor in connection with the matters to which this Agreement relates, except for Losses resulting from the willful misconduct or fraud on the part of the Healthcare Company Group or any of its Representatives.

Section 5. Indemnity. Vencor shall indemnify and hold harmless the

-----  
Healthcare Company Group and all of its Representatives from and against any and all losses, liabilities, claims, damages, costs and expenses (including reasonable attorneys' fees and other expenses of litigation) ("Losses") to which

-----  
the Healthcare Company Group or any of its Representatives may become subject arising out of the provision hereunder by Healthcare Company Group, its Representatives or any third party of Services to Vencor, except for Losses resulting from the willful misconduct or fraud of the Healthcare Company Group or any of its Representatives.

Section 6. Term. This Agreement shall be continuously in effect until

-----  
the earlier of (i) December 31, 1998 or (ii) its termination upon 45 days' prior written notice by Vencor. Notwithstanding anything herein to the contrary, if there is a change of control (as defined below) of Vencor at any time prior to the end of the Term, Healthcare Company may terminate this Agreement upon not less than 30 days' prior written notice

-3-

to Vencor. A "change of control" of Vencor shall include, without limitation,

-----  
(a) a change in the composition of the board of directors of Vencor such that at the end of any period of twelve (12) consecutive months the persons constituting a majority of such board of directors are not the same as the persons constituting a majority at the start of such period (or persons appointed by such majority), (b) the sale or other disposition by Vencor of (i) any part of its interest in Vencor or (ii) all or substantially all of the assets of Vencor (other than a bona fide pledge in connection with a financing), or (c) a merger or consolidation involving Vencor, which results in the stockholders of Vencor immediately prior to such event owning less than 50% of the capital stock of the surviving entity.

Section 7. Miscellaneous.

-----  
(a) This Agreement may be modified or amended from time to time only by a written instrument executed by the parties hereto.

(b) Vencor shall not have any obligation to refer any resident or patients to the Healthcare Company Group for the provision of any service or item of any kind. Vencor and Healthcare Company hereby acknowledge that the compensation for Services provided for in this Agreement is set in advance, is consistent with the fair market value of such Services and reflects arms' length negotiations between the parties hereto and is not determined in a manner that takes into account in any way any volume or value of referrals or business generated between the parties.

(c) If Healthcare Company or Vencor shall determine upon advice of counsel that the continuation of this Agreement will likely be deemed to be a violation of any applicable federal or state law regarding fraud and abuse, referral prohibitions, or any similar matter, either party upon receiving such advice may at any time give the other party written notice of such advice and if, after consultation, the parties have not determined to their reasonable satisfaction that no such violation exists and the parties have not amended this Agreement to remove the risk of such violation to the other party's reasonable satisfaction, then either party may terminate this Agreement effective as of the date sixty (60) days after its initial written notice to the other party.

(d) Captions contained in this Agreement are inserted only as a matter of convenience and reference, and in no way define, limit, extend or describe the scope of this Agreement, or the intent of any provision hereof. All references to sections herein shall refer to sections of this Agreement unless the context clearly requires otherwise.

(e) This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

-4-

(f) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF KENTUCKY, WITHOUT REGARD TO ITS CONFLICTS

OF LAW RULES. ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST ANY PARTY ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE INSTITUTED IN ANY FEDERAL OR COMMONWEALTH COURT IN THE COMMONWEALTH OF KENTUCKY. EACH PARTY HEREBY (I) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, AND (II) IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING.

(g) This Agreement embodies the entire understanding between the parties hereto with respect to the matters covered herein and supersedes any prior agreement or understanding between the parties with respect to such matters.

(h) This Agreement may be executed in counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one Agreement.

(i) Neither party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the other party.

-5-

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year first above written.

VENCOR, INC.

By: \_\_\_\_\_  
 Name:  
 Title:

HEALTHCARE COMPANY, INC.

By: \_\_\_\_\_  
 Name:  
 Title:

-6-

EXHIBIT 1

Services To Be Provided By Healthcare Company Group To Vencor  
 -----

Services -----	Full Time Equivalents -----
Staff Accounting	.75
Fixed Assets	.50
Accounts Payable	.25
Payroll	.50
H/R and Benefits	.50
Risk Management/Insurance	.25
Tax	1.00
Legal	1.00
SEC Reporting	.50

Treasury Support	.25
Market Planning	.25
Development	.50
MIS Personnel	1.00

AGREEMENT OF INDEMNITY - THIRD PARTY LEASES  
-----

THIS AGREEMENT OF INDEMNITY, made as of the 30th day of April, 1998 (the "Agreement of Indemnity"), by and between Vencor Healthcare, Inc. (which will change its name to "Vencor, Inc.") a Delaware corporation, Vencor Operating, Inc., a Delaware corporation, Vencor Nursing Centers East, LLC, a Delaware limited liability company, Vencor Nursing Centers West, LLC, a Delaware limited liability company, Vencor Nevada, LLC, a Delaware limited liability company, New Vencor Hospitals East, LLC, a Delaware limited liability company, Vencor Hospitals West, LLC, a Delaware limited liability company, Vencor Hospitals Limited Partnership, a Delaware limited partnership, Vencor Nursing Centers Limited Partnership, a Delaware limited partnership, each having an address at 400 West Market Street, Suite 3300, Aegon Center, Louisville, Kentucky 40202 (each individually, an "Indemnitor"), Vencor, Inc. (which will change its name to "Ventas, Inc."), a Delaware corporation, having an office at 400 West Market Street, Suite 3300, Aegon Center, Louisville, Kentucky 40202, First Healthcare Corporation, Hillhaven/Indiana Partnership, Nationwide Care, Inc., and Pasatiempo Development Corporation ("Indemnitee").

W I T N E S S E T H:  
-----

WHEREAS, Indemnitee is executing and delivering to Vencor Healthcare, Inc. and Vencor Operating, Inc. an Assignment and Assumption of Lease (collectively, "Assignments") with respect to certain real property (collectively the "Properties") leased by Indemnitee from various third party lessors (collectively, the "Lessors") pursuant to the various leases described in, Exhibit A attached hereto (collectively the "Leases"); and

WHEREAS, the Lessors have not released Indemnitee from Indemnitee's obligations under the Leases; and

WHEREAS, it is a condition to Indemnitee executing and delivering the Assignments that Indemnitor execute and deliver to Indemnitee an agreement of indemnity containing the terms set forth herein.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Indemnitor shall indemnify, defend and hold harmless Indemnitee, its direct and indirect shareholders, subsidiaries, partners and affiliates and their respective

officers, directors, agents, representatives, successors and assigns (collectively, the "Indemnified Parties" and each individually, an "Indemnified Party") from and against any and all Claims (as defined in Paragraph 2 hereof) incurred by, imposed upon, commenced or asserted against the Indemnified Parties, or any one or more of them, on or after the date hereof by reason of, caused by, arising out of, in connection with or resulting from the Leases.

2. For the purposes of this Agreement of Indemnity, the term "Claims" shall mean all liabilities (statutory or otherwise), obligations, claims, damages, penalties, causes of action, costs and expenses, losses and injuries of every kind and nature whatsoever, including all costs reasonably incurred by Indemnitee in connection with the enforcement of any provision of this Agreement of Indemnity, including without limitation attorney's and legal assistant fees and expenses, court costs and fees and consultant fees and expenses.

3. If at any time Indemnitee shall receive written notice of a Claim, Indemnitee shall give reasonably prompt written notice of such Claim to Indemnitor; provided that (i) Indemnitee shall have no liability for a failure  
-----  
to give notice of any Claim of which Indemnitor has otherwise been notified or has knowledge and (ii) the failure of Indemnitee to give such a notice to Indemnitor shall not limit the rights of any Indemnified Party or the obligations of Indemnitor with respect to such Claim except to the extent that Indemnitor incurs actual expenses or suffers actual monetary loss as a result of such failure. Indemnitor shall have the right to control the defense or settlement of any Claim, provided that (A) Indemnitor shall first confirm in writing to the Indemnified Parties that such Claim is within the scope of this Agreement of Indemnity and that Indemnitor shall pay any and all amounts required to be paid in respect of such Claim and (B) if the compromise or settlement of any such Claim shall not result in the complete release of all Indemnified Parties from the Claim so compromised or settled, the compromise or settlement shall require the prior written approval of the Indemnified Parties not being completely released. The Indemnified Parties, at their election and at their sole cost and expense, shall have the right, but not the obligation, to participate in the defense of any Claim. In addition to such right to participate, Indemnitee (or its designee) shall have the right, by written notice given to Indemnitor at any time, to assume exclusive control of the defense of any Claim insofar as the Indemnified Parties are concerned, but, subject to the next succeeding sentence, such a notice shall result in Indemnitor being relieved of its obligations in respect of such Claim under this Agreement of Indemnity. If at any time during the pendency of a Claim Indemnitor shall not confirm in writing its obligation under (A) above and pay the claim or it shall

-2-

disaffirm its responsibility for such Claim, Indemnitee (or its designee) shall have the right, but not the obligation, to assume the exclusive control of the defense and settlement of such Claim insofar as the Indemnified Parties are concerned, and all costs and expenses of such defense shall be paid by Indemnitor if such Claim is within the scope of this Agreement of Indemnity. If Indemnitee pays any Claim, the Indemnitor will immediately reimburse Indemnitee for such amounts with interest from payment date at the Prime Rate plus two percent (2%).

4. This Agreement of Indemnity shall be governed by and construed in accordance with the laws of the State of New York. Any legal suit, action or proceeding against any party arising out of or relating to this Agreement shall

---  
be instituted in any Federal or Commonwealth court in the Commonwealth of Kentucky. Each party hereby (i) irrevocably waives, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum, and (ii) irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding.

5. This Agreement of Indemnity shall be binding upon and shall inure to the benefit of Indemnitor and Indemnitee and their respective successors and assigns. In addition, each of the Indemnified Parties (other than Indemnitee) is intended to be, and is hereby expressly made, a third party beneficiary of Indemnitor's obligations hereunder.

6. This Agreement of Indemnity constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and may not be modified or amended except pursuant to the terms of an instrument signed by both Indemnitor or Indemnitee.

7. Every notice, demand, request, consent, approval or other communication (herein without distinction sometimes referred to as "notices") which either party hereto is required or desires to give or make or communicate shall be in writing and shall be given or made or communicated by personal delivery, telecopy or by mailing the same by registered or certified mail, return receipt requested, postage prepaid, to the following address:

If to Indemnitor: Vencor Healthcare, Inc.  
Attention: Chief Financial Officer

-3-

400 West Market Street  
Suite 3300  
Aegon Center  
Louisville, Kentucky 40202

with a copy to: Vencor Healthcare, Inc.  
Attention: General Counsel  
400 West Market Street  
Suite 3300  
Aegon Center  
Louisville, Kentucky 40202

and Vencor Operating, Inc.  
Attention: General Counsel  
400 West Market Street  
Suite 3300  
Aegon Center  
Louisville, Kentucky 40202

If to Indemnitee: Ventas, Inc.  
Attention: President  
400 West Market Street  
Suite 3300  
Aegon Center  
Louisville, Kentucky 40202

with a copy to: Ventas, Inc.  
Attention: General Counsel  
400 West Market Street  
Suite 3300  
Aegon Center  
Louisville, Kentucky 40202

or at such other address or addresses as any party hereto may designate from time to time by notice given as herein provided. All notices so sent shall be deemed to have been delivered, effective, made or communicated, as the case may be, three (3) days after the date so mailed.

-4-

8. (a) To the extent that any party hereto or any of its property has, or may hereafter acquire, directly or indirectly, any right of immunity from the jurisdiction of any court or from any legal process (including immunity from attachment prior to judgment) on the grounds of diplomatic status, sovereignty or any other claims for immunity, each party hereby irrevocably waives any such right or immunity in respect of its obligations arising under or in connection with this Agreement of Indemnity. Each party represents and warrants to the other that it is not now entitled, directly or indirectly, to any such diplomatic or sovereign immunity or any other form of immunity and that it is not owned or controlled by any foreign governmental entity or agency and agrees that, should any party bring any suit, action or proceeding in the Commonwealth of Kentucky, or any other jurisdiction to enforce any obligation or liability of any other party arising under or in connection with this Agreement of Indemnity, no such immunity will be claimed by or on behalf of such party.

(b) All disputes arising out of or relating to this Agreement of Indemnity and all actions to enforce this Agreement of Indemnity shall be adjudicated in the state courts of the Commonwealth of Kentucky or the federal courts sitting in the Commonwealth of Kentucky and each party hereby irrevocably submits to the jurisdiction of such courts in any suit, action or proceeding arising out of or relating to this Agreement of Indemnity or in any action to enforce this Agreement of Indemnity. So far as is permitted under applicable law, this consent to personal jurisdiction shall be self-operative and no further instrument or action, other than service of process in one of the manners specified in this Paragraph 8, or as otherwise permitted by law, shall be necessary in order to confer jurisdiction upon the person of any party hereto in any such court.

(c) Provided that service of process is effected upon a party hereto in one of the manners hereafter specified or as otherwise permitted by law, such party irrevocably waives, to the fullest extent permitted by law, and agrees not to assert, by way of motion, as a defense or otherwise (i) any objection which it may have or may hereafter have to the laying of the venue of

any such suit, action or proceeding brought in such a court as is mentioned in Paragraph 8(b) or (ii) any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. Provided that service of process is effected upon any party hereto in one of the manners specified in this Paragraph 8 or as otherwise permitted by law, each party hereto agrees that any final judgment from which such party has not or may not appeal or further appeal in any such suit, action or proceeding brought in such a court shall be conclusive and binding upon such party and may, so far as is permitted under applicable law, be enforced in any

-5-

domestic or foreign courts to the jurisdiction of which such party is subject.

(d) Each party hereto hereby consents to process being served in any suit, action or proceeding relating to this Agreement of Indemnity either by (i) the mailing of a copy thereof by registered or certified mail, postage prepaid, return receipt requested, to such party at the address set forth in Paragraph 7 hereof, (ii) personal delivery of a copy thereof to such position of an individual as a senior officer of such party or, in the case of an individual, to such individual or (iii) in any manner permitted by law in the jurisdiction where service of process is effected on a Business Day (as hereinafter defined) at the address set forth in Paragraph 7 hereof. The term "Business Day" means a day of the year on which banks are open for business and not required or authorized to close in New York City.

(e) Each party shall execute and deliver to the other all such further instruments as may be necessary to make effective any provision of this Paragraph 8.

(f) Nothing in this Paragraph 8 shall affect the right of any party to serve process in any manner permitted by law or limit the right of any party pursuant to applicable law to bring proceedings against another party in the courts of any jurisdiction or jurisdictions.

9. If Indemnitor consists of more than one party, the parties comprising Indemnitor shall be jointly and severally liable for all of the obligations of Indemnitor hereunder.

-6-

IN WITNESS WHEREOF, the undersigned have executed this Agreement of Indemnity as of the date first hereinabove written.

VENCOR, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name:  
Title:

FIRST HEALTHCARE CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

HILLHAVEN/INDIANA PARTNERSHIP

By: \_\_\_\_\_, General  
Partner

By: \_\_\_\_\_  
Name:  
Title:

NATIONWIDE CARE, INC.

-7-

By: \_\_\_\_\_  
Name:  
Title:

PASATIEMPO DEVELOPMENT CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

VENCOR HEALTHCARE, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name:  
Title:

VENCOR OPERATING, INC., a Delaware  
corporation

By: \_\_\_\_\_  
Name:  
Title:

VENCOR NURSING CENTERS EAST, LLC, a  
Delaware limited liability company

By: VENCOR OPERATING, INC.,  
its Managing Member

-8-

By: \_\_\_\_\_  
Name:  
Title:

VENCOR NURSING CENTERS WEST, LLC, a  
Delaware limited liability company

By: VENCOR OPERATING, INC.,  
its Managing Member

By: \_\_\_\_\_  
Name:  
Title:

VENCOR NEVADA, LLC, a Delaware limited  
liability company

By: VENCOR OPERATING, INC.,  
its Managing Member

By: \_\_\_\_\_  
Name:

Title:

NEW VENCOR HOSPITALS EAST, LLC, a Delaware limited liability company

By: VENCOR OPERATING, INC., its Managing Member

By:

-----  
Name:  
Title:

-9-

VENCOR HOSPITALS WEST, LLC, a Delaware limited liability company

By: VENCOR OPERATING, INC., its Managing Member

By:

-----  
Name:  
Title:

VENCOR HOSPITALS LIMITED PARTNERSHIP, a Delaware limited partnership

By: VENCOR OPERATING, INC., its General Partner

By:

-----  
Name:  
Title:

VENCOR NURSING CENTERS LIMITED PARTNERSHIP, a Delaware limited partnership

By: VENCOR OPERATING, INC., its General Partner

By:

-----  
Name:  
Title:

-10-

SCHEDULE A

-----

AGREEMENTS

-----



AGREEMENT OF INDEMNITY - THIRD PARTY CONTRACTS  
-----

THIS AGREEMENT OF INDEMNITY, made as of the 30th day of April, 1998 (the "Agreement of Indemnity"), by and between Vencor Healthcare, Inc. (which will change its name to "Vencor, Inc.") a Delaware corporation, Vencor Operating, Inc., a Delaware corporation, Vencor Nursing Centers East, LLC, a Delaware limited liability company, Vencor Nursing Centers West, LLC, a Delaware limited liability company, Vencor Nevada, LLC, a Delaware limited liability company, New Vencor Hospitals East, LLC, a Delaware limited liability company, Vencor Hospitals West, LLC, a Delaware limited liability company, Vencor Hospitals Limited Partnership, a Delaware limited partnership, Vencor Nursing Centers Limited Partnership, a Delaware limited partnership, each having an address at 400 West Market Street, Suite 3300, Aegon Center, Louisville, Kentucky 40202 (each individually, an "Indemnitor"), Vencor, Inc. (which will change its name to ("Ventas, Inc."), a Delaware corporation, having an office at 400 West Market Street, Suite 3300, Aegon Center, Louisville, Kentucky 40202 and First Healthcare Corporation ("Indemnitee").

W I T N E S S E T H:  
-----

WHEREAS, Indemnitee has entered into those certain agreements listed in Schedule A (the "Third Party Agreements") with various third parties (the "Obligees")

WHEREAS, on the date hereof, Indemnitor and Indemnitee will effectuate certain internal mergers and stock and asset transfers allocating certain assets and liabilities to each other as part of an overall reorganization (collectively, the "Distribution Transactions");

WHEREAS, as part of the Distribution Transactions, Indemnitee and Indemnitor will enter into the several Assignment and Assumption Agreements dated as of April 30, 1998 among the various Indemnitors and Indemnitees, dated as of the date hereof, and pursuant thereto, Indemnitee will assign and Indemnitor will assume, the liabilities, duties, interests, guarantees and all other rights and obligations of Indemnitee under the "Third Party Agreements"; and

WHEREAS, the Obligees have not released Indemnitee from Indemnitee's obligations under the Third Party Agreements listed in Schedule A; and

WHEREAS, it is a condition to Indemnitee entering into and consummating the Distribution Transactions that Indemnitor execute and deliver to Indemnitee an agreement of indemnity containing the terms set forth herein.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Indemnitor shall indemnify, defend and hold harmless Indemnitee, its direct and indirect shareholders, subsidiaries, partners and affiliates and their respective officers, directors, agents, representatives, successors and assigns (collectively, the "Indemnified Parties" and each individually, an "Indemnified Party") from and against any and all Claims (as defined in Paragraph 2 hereof) incurred by, imposed upon, commenced or asserted against the Indemnified Parties, or any one or more of them, on or after the date hereof by reason of, caused by, arising out of, in connection with or resulting from the Third Party Agreements.

2. For the purposes of this Agreement of Indemnity, the term "Claims" shall mean all liabilities (statutory or otherwise), obligations, claims, damages, penalties, causes of action, costs and expenses, losses and injuries of every kind and nature whatsoever, including all costs reasonably incurred by Indemnitee in connection with the enforcement of any provision of this Agreement

of Indemnity, including without limitation attorney's and legal assistant fees and expenses, court costs and fees and consultant fees and expenses.

3. If at any time Indemnitee shall receive written notice of a Claim, Indemnitee shall give reasonably prompt written notice of such Claim to Indemnitor; provided that (i) Indemnitee shall have no liability for a failure  
-----  
to give notice of any Claim of which Indemnitor has otherwise been notified or has knowledge and (ii) the failure of Indemnitee to give such a notice to Indemnitor shall not limit the rights of any Indemnified Party or the obligations of Indemnitor with respect to such Claim except to the extent that Indemnitor incurs actual expenses or suffers actual monetary loss as a result of such failure. Indemnitor shall have the right to control the defense or settlement of any Claim, provided that (A) Indemnitor shall first confirm in writing to the Indemnified Parties that such Claim is within the scope of this Agreement of Indemnity and that Indemnitor shall pay any and all amounts required to be paid in respect of such Claim and (B) if the compromise or settlement of any such Claim shall not result in the complete release of all Indemnified Parties from the Claim so compromised or settled, the compromise or settlement shall require the prior written approval of the Indemnified Parties not being completely released. The Indemnified Parties, at their election and at their sole cost and expense, shall have the right, but not the obligation, to participate in the defense of any Claim. In addition to such right to participate, Indemnitee (or its designee) shall have the right, by written notice given to Indemnitor at any time, to assume exclusive control of the defense of any Claim insofar as the Indemnified Parties are concerned, but, subject to the next succeeding sentence, such a notice shall result in Indemnitor being relieved of its obligations in respect of such Claim under this

-2-

Agreement of Indemnity. If at any time during the pendency of a Claim Indemnitor shall not confirm in writing its obligations under (A) above and pay the claim or it shall disaffirm its responsibility for such Claim, Indemnitee (or its designee) shall have the right, but not the obligation, to assume the exclusive control of the defense and settlement of such Claim insofar as the Indemnified Parties are concerned, and all costs and expenses of such defense shall be paid by Indemnitor if such Claim is within the scope of this Agreement of Indemnity. If Indemnitee is required to pay any claim the Indemnitor will immediately reimburse Indemnitee for such amounts with interest from payment date at the Prime Rate plus two percent (2%).

4. This Agreement of Indemnity shall be governed by and construed in accordance with the laws of the State of New York. Any legal suit, action or proceeding against any party arising out of or relating to this Agreement shall

---  
be instituted in any Federal or Commonwealth court in the Commonwealth of Kentucky. Each party hereby (i) irrevocably waives, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum, and (ii) irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding.

5. This Agreement of Indemnity shall be binding upon and shall inure to the benefit of Indemnitor and Indemnitee and their respective successors and assigns. In addition, each of the Indemnified Parties (other than Indemnitee) is intended to be, and is hereby expressly made, a third party beneficiary of Indemnitor's obligations hereunder.

6. This Agreement of Indemnity constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and may not be modified or amended except pursuant to the terms of an instrument signed by both Indemnitor or Indemnitee.

7. Every notice, demand, request, consent, approval or other communication (herein without distinction sometimes referred to as "notices") which either party hereto is required or desires to give or make or communicate shall be in writing and shall be given or made or communicated by personal delivery, teletype or by mailing the same by registered or certified mail, return receipt requested, postage prepaid, to the following address:

-3-

If to Indemnitor: Vencor Healthcare, Inc.  
Attention: Chief Financial Officer  
400 West Market Street  
Suite 3300  
Aegon Center  
Louisville, Kentucky 40202

with a copy to: Vencor Healthcare, Inc.  
Attention: General Counsel  
400 West Market Street  
Suite 3300  
Aegon Center  
Louisville, Kentucky 40202

and Vencor Operating, Inc.  
Attention: General Counsel  
400 West Market Street  
Suite 3300  
Aegon Center  
Louisville, Kentucky 40202

If to Indemnitee: Ventas, Inc.  
Attention: President  
400 West Market Street  
Suite 3300  
Aegon Center  
Louisville, Kentucky 40202

with a copy to: Ventas, Inc.  
Attention: General Counsel  
400 West Market Street  
Suite 3300  
Aegon Center  
Louisville, Kentucky 40202

or at such other address or addresses as any party hereto may designate from time to time by notice given as herein provided. All notices so sent shall be deemed to have been delivered, effective, made or communicated, as the case may be, three (3) days after the date so mailed.

8. (a) To the extent that any party hereto or any of its property has, or may hereafter acquire, directly or indirectly, any right of immunity from the jurisdiction

-4-

of any court or from any legal process (including immunity from attachment prior to judgment) on the grounds of diplomatic status, sovereignty or any other claims for immunity, each party hereby irrevocably waives any such right or immunity in respect of its obligations arising under or in connection with this Agreement of Indemnity. Each party represents and warrants to the other that it is not now entitled, directly or indirectly, to any such diplomatic or sovereign immunity or any other form of immunity and that it is not owned or controlled by any foreign governmental entity or agency and agrees that, should any party bring any suit, action or proceeding in the Commonwealth of Kentucky, or any other jurisdiction to enforce any obligation or liability of any other party arising under or in connection with this Agreement of Indemnity, no such immunity will be claimed by or on behalf of such party.

(b) All disputes arising out of or relating to this Agreement of Indemnity and all actions to enforce this Agreement of Indemnity shall be adjudicated in the state courts of the Commonwealth of Kentucky or the federal courts sitting in the Commonwealth of Kentucky and each party hereby irrevocably submits to the jurisdiction of such courts in any suit, action or proceeding arising out of or relating to this Agreement of Indemnity or in any action to enforce this Agreement of Indemnity. So far as is permitted under applicable law, this consent to personal jurisdiction shall be self-operative and no further instrument or action, other than service of process in one of the manners specified in this Paragraph 8, or as otherwise permitted by law, shall be necessary in order to confer jurisdiction upon the person of any party hereto in any such court.

(c) Provided that service of process is effected upon a party hereto

in one of the manners hereafter specified or as otherwise permitted by law, such party irrevocably waives, to the fullest extent permitted by law, and agrees not to assert, by way of motion, as a defense or otherwise (i) any objection which it may have or may hereafter have to the laying of the venue of any such suit, action or proceeding brought in such a court as is mentioned in Paragraph 8(b) or (ii) any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. Provided that service of process is effected upon any party hereto in one of the manners specified in this Paragraph 8 or as otherwise permitted by law, each party hereto agrees that any final judgment from which such party has not or may not appeal or further appeal in any such suit, action or proceeding brought in such a court shall be conclusive and binding upon such party and may, so far as is permitted under applicable law, be enforced in any domestic or foreign courts to the jurisdiction of which such party is subject.

(d) Each party hereto hereby consents to process being served in any suit, action or proceeding relating to this Agreement of Indemnity either by (i) the mailing of a copy thereof by registered or certified mail, postage prepaid, return receipt requested, to such party at the address set forth in Paragraph 7 hereof, (ii) personal delivery of a copy

-5-

thereof to such position of an individual as a senior officer of such party or, in the case of an individual, to such individual or (iii) in any manner permitted by law in the jurisdiction where service of process is effected on a Business Day (as hereinafter defined) at the address set forth in Paragraph 7 hereof. The term "Business Day" means a day of the year on which banks are open for business and not required or authorized to close in New York City.

(e) Each party shall execute and deliver to the other all such further instruments as may be necessary to make effective any provision of this Paragraph 8.

(f) Nothing in this Paragraph 8 shall affect the right of any party to serve process in any manner permitted by law or limit the right of any party pursuant to applicable law to bring proceedings against another party in the courts of any jurisdiction or jurisdictions.

9. If Indemnitor consists of more than one party, the parties comprising Indemnitor shall be jointly and severally liable for all of the obligations of Indemnitor hereunder.

-6-

IN WITNESS WHEREOF, the undersigned have executed this Agreement of Indemnity as of the date first herein above written.

VENCOR, INC., a Delaware corporation

By: \_\_\_\_\_  
Name:  
Title:

FIRST HEALTHCARE CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

VENCOR HEALTHCARE, INC., a Delaware corporation

By: \_\_\_\_\_  
Name:

Title:

VENCOR OPERATING, INC., a Delaware corporation

By: \_\_\_\_\_  
Name:  
Title:

-7-

VENCOR NURSING CENTERS EAST, LLC, a Delaware limited liability company

By: VENCOR OPERATING, INC.,  
its Managing Member

By: \_\_\_\_\_  
Name:  
Title:

VENCOR NURSING CENTERS WEST, LLC, a Delaware limited liability company

By: VENCOR OPERATING, INC.,  
its Managing Member

By: \_\_\_\_\_  
Name:  
Title:

VENCOR NEVADA, LLC, a Delaware limited liability company

By: VENCOR OPERATING, INC.,  
its Managing Member

By: \_\_\_\_\_  
Name:  
Title:

-8-

NEW VENCOR HOSPITALS EAST, LLC, a Delaware limited liability company

By: VENCOR OPERATING, INC.,  
its Managing Member

By: \_\_\_\_\_  
Name:  
Title:

VENCOR HOSPITALS WEST, LLC, a Delaware limited liability company

By: VENCOR OPERATING, INC.,  
its Managing Member

By: \_\_\_\_\_  
Name:

Title:

VENCOR HOSPITALS LIMITED  
PARTNERSHIP, a Delaware limited partnership

By: VENCOR OPERATING, INC.,  
its General Partner

By: \_\_\_\_\_

Name:  
Title:

VENCOR NURSING CENTERS LIMITED  
PARTNERSHIP, a Delaware limited partnership

By: VENCOR OPERATING, INC.,  
its General Partner

By: \_\_\_\_\_

Name:  
Title:

-9-

SCHEDULE A  
-----

AGREEMENTS  
-----

1. Guaranty Agreement, dated as of December, 1992, jointly and severally by MGH Health Services Corporation and Brim of Massachusetts, Inc., as trustees of Fox Hill Village Trust under Declaration of Trust, dated November 25, 1986.
2. Guaranty Agreement, dated as of November 1, 1997, by and between Vencor, Massachusetts, Industrial Finance Authority and State Street Bank and Trust Company.
3. Guaranty Agreement, between Vencor and Howard Bank, N.A., dated as of November 17, 1995.
4. Guaranty Reimbursement Agreement, by and between Vencor (as successor to The Hillhaven Corporation) and Starr Farm Partnership, dated as of April 7, 1993, as amended by the First Amendment to the Guaranty Reimbursement Agreement, dated as of November 17, 1995.
5. Assumption, Amendment and Restatement of Guaranty Agreement, between First Healthcare Corporation and Nationsbank (as successor to Citizens and Southern National Bank).
6. Parent Guaranty Agreement, between The Hillhaven Corporation and Nationsbank (as successor to Citizens and Southern National Bank).
7. Amended and Restated Guarantee Reimbursement Agreement, dated as of April 29, 1998, by and among Vencor, Inc., Vencor Healthcare, Inc. and Tenet Healthcare Corporation.
8. Agreement for Sale and Purchase of Mortgages, dated September 26, 1996, by and between Omega Healthcare Investors, Inc., Vencor, Inc. and First Healthcare Corporation.

-10-

AMENDMENT  
TO THE  
VENCOR, INC.  
1987 INCENTIVE COMPENSATION PROGRAM

April 30, 1998

Section 11.6 of the Program is amended by adding the following at the end thereof:

The consummation of the transactions contemplated by the spin-off of Vencor Healthcare, Inc. and the distribution of shares of Vencor Healthcare, Inc. to the shareholders of the Company shall not result in a Participant's termination of employment under the Plan until such Participant terminates employment from Vencor Healthcare, Inc.

VENCOR, INC.

BY:/s/ W. Bruce Lunsford

-----  
W. Bruce Lunsford  
Chairman of the Board,  
President and CEO

AMENDMENT  
TO THE  
VENCOR, INC.  
1987 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

April 30, 1998

Article 7 of the Plan is amended by adding the following at the end thereof:

The consummation of the transactions contemplated by the spin-off of Vencor Healthcare, Inc. and the distribution of shares of Vencor Healthcare, Inc. to the shareholders of the Company shall not result in a Participant's cessation of services as a Non-Employee Director under the Plan until such Participant ceases to be a director of Vencor Healthcare, Inc .

VENCOR, INC.

BY:/s/ W. Bruce Lunsford  
-----  
W. Bruce Lunsford  
Chairman of the Board,  
President and CEO

AMENDMENT  
TO THE  
VENCOR, INC.  
1997 INCENTIVE COMPENSATION PLAN

April 30, 1998

Section 4.2 of the Plan is amended by adding the following at the end thereof:

The consummation of the transactions contemplated by the spin-off of Vencor Healthcare, Inc. and the distribution of shares of Vencor Healthcare, Inc. to the shareholders of the Company shall not result in a Participant's termination of employment under the Plan until such Participant terminates employment from Vencor Healthcare, Inc.

VENCOR, INC.

BY:/s/ W. Bruce Lunsford  
-----  
W. Bruce Lunsford  
Chairman of the Board,  
President and CEO

AMENDMENT  
TO THE  
VENCOR, INC.  
1997 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

April 30, 1998

Article 6 of the Plan is amended by adding the following at the end thereof:

The consummation of the transactions contemplated by the spin-off of Vencor Healthcare, Inc. and the distribution of shares of Vencor Healthcare, Inc. to the shareholders of the Company shall not result in a Participant's cessation of services as a Non-Employee Director under the Plan until such Participant ceases to be a director of Vencor Healthcare, Inc .

VENCOR, INC.

BY:/s/ W. Bruce Lunsford

-----

W. Bruce Lunsford  
Chairman of the Board,  
President and CEO

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM VENTAS, INC.'S  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE TWO MONTHS ENDED JUNE 30,  
1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

<PERIOD-TYPE>	2-MOS	
<FISCAL-YEAR-END>		DEC-31-1998
<PERIOD-END>		JUN-30-1998
<CASH>		0
<SECURITIES>		0
<RECEIVABLES>		79
<ALLOWANCES>		0
<INVENTORY>		0
<CURRENT-ASSETS>		340
<PP&E>		1,185,441
<DEPRECIATION>		(239,899)
<TOTAL-ASSETS>		961,189
<CURRENT-LIABILITIES>		55,152
<BONDS>		930,496
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		18,400
<OTHER-SE>		(57,816)
<TOTAL-LIABILITY-AND-EQUITY>		961,189
<SALES>		0
<TOTAL-REVENUES>		37,356
<CGS>		0
<TOTAL-COSTS>		359
<OTHER-EXPENSES>		1,260
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		15,379
<INCOME-PRETAX>		13,223
<INCOME-TAX>		5,025
<INCOME-CONTINUING>		8,198
<DISCONTINUED>		0
<EXTRAORDINARY>		(7,970)
<CHANGES>		0
<NET-INCOME>		228
<EPS-PRIMARY>		0
<EPS-DILUTED>		0