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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 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  
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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 OCTOBER 31, 1998
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Common stock, \$.25 par value	67,848,837 shares

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1 of 23

VENTAS, INC.  
FORM 10-Q  
INDEX

PAGE  
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements:

Condensed Consolidated Statements of Income--for the quarter and five months ended September 30, 1998.....	3
Condensed Consolidated Balance Sheet--September 30, 1998.....	4
Condensed Consolidated Statement of Cash Flows--for the five months ended September 30, 1998.....	5
Notes to Condensed Consolidated Financial Statements.....	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	14
Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	21

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.....	21
Item 6. Exhibits and Reports on Form 8-K.....	22

VENTAS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
FOR THE QUARTER AND FIVE MONTHS ENDED SEPTEMBER 30, 1998  
(UNAUDITED)  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	QUARTER	FIVE MONTHS
	-----	-----
Rental income.....	\$56,168	\$93,524
	-----	-----
General and administrative.....	1,889	3,508
Depreciation.....	10,729	17,864
Interest expense.....	22,649	38,028
	-----	-----
	35,267	59,400
	-----	-----
Income before income taxes.....	20,901	34,124
Provision for income taxes.....	7,943	12,968
	-----	-----
Income from operations.....	12,958	21,156
Extraordinary loss on extinguishment of debt, net of income tax benefit of \$50 for the quarter and \$4,935 for the five months..	(81)	(8,051)
	-----	-----
Net income.....	\$12,877	\$13,105
	=====	=====
Earnings per common share:		
Basic:		
Income from operations.....	\$ 0.19	\$ 0.31
Extraordinary loss on extinguishment of debt.....	-	(0.12)
	-----	-----
Net income.....	\$ 0.19	\$ 0.19
	=====	=====
Diluted:		
Income from operations.....	\$ 0.19	\$ 0.31
Extraordinary loss on extinguishment of debt.....	-	(0.12)
	-----	-----
Net income.....	\$ 0.19	\$ 0.19
	=====	=====

Funds from operations.....	\$23,687	\$39,020
Funds from operations per common share:		
Basic.....	\$ 0.35	\$ 0.58
Diluted.....	0.35	0.58
Shares used in computing earnings and funds from operations per common share:		
Basic.....	67,822	67,802
Diluted.....	67,853	67,848

See accompanying notes.

3

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

ASSETS

Real estate properties:	
Land.....	\$ 120,890
Buildings and improvements.....	1,071,501
	-----
	1,192,391
Accumulated depreciation.....	(250,631)
	-----
	941,760
Cash and cash equivalents.....	2,373
Deferred financing costs.....	10,138
Advances to employees.....	3,890
Due from Vencor, Inc.....	1,592
Other.....	250
	-----
	\$ 960,003
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Liabilities:	
Bank credit facility and other debt.....	\$ 961,549
Accrued salaries, wages and other compensation.....	355
Accrued interest.....	4,024
Income taxes payable.....	1,525
Other accrued liabilities.....	1,022
Deferred income taxes.....	15,700
	-----
	984,175
Commitments and contingencies	
Stockholders' equity (deficit):	
Common stock, \$0.25 par value; authorized 180,000 shares; issued 73,608 shares..	18,402
Capital in excess of par value.....	140,078
Unearned compensation on restricted stock.....	(2,101)
Accumulated deficit.....	(24,660)
	-----
	131,719
Treasury stock; 5,759 shares.....	(155,891)
	-----
	(24,172)
	-----
	\$ 960,003
	=====

See accompanying notes.

VENTAS, INC.  
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE FIVE MONTHS ENDED SEPTEMBER 30, 1998  
 (UNAUDITED)  
 (IN THOUSANDS)

FIVE MONTHS  
 ENDED  
 SEPTEMBER 30, 1998  
 -----

Cash flows from operating activities:	
Net income.....	\$ 13,105
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation.....	17,864
Extraordinary loss on extinguishment of debt.....	12,986
Provision for deferred income taxes.....	(207)
Increase in other assets.....	(250)
Increase in accounts payable and accrued liabilities.....	5,358
Increase in income taxes payable.....	1,525
Increase in amount due from Vencor, Inc.....	(75)
Amortization of deferred financing costs.....	2,004
Other.....	230
	-----
Net cash provided by operating activities.....	52,540
	-----
Cash flows from investing activities:	
Purchase of real estate properties.....	(7,403)
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.....	6,407
	-----
Cash flows from financing activities:	
Net change in borrowings under revolving line of credit.....	35,000
Issuance of long-term debt.....	950,000
Repayment of long-term debt.....	(29,540)
Repayment of long-term debt in connection with the reorganization transactions.....	(1,000,171)
Payment of deferred financing costs.....	(12,017)
Issuances of common stock.....	154
	-----
Net cash used in financing activities.....	(56,574)
	-----
Change in cash and cash equivalents.....	2,373
Cash and cash equivalents at beginning of period.....	-
	-----
Cash and cash equivalents at end of period.....	\$ 2,373
	=====
Supplemental information:	
Interest payments.....	\$ 32,074
Income tax payments.....	6,714

See accompanying notes.

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 219 nursing centers, 46 hospitals and eight personal care facilities in 36 states as of October 15, 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 connection with the spin off of 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 \$304,000 of one-time public company application expenses, all such adjustments are of a normal and recurring nature.

Beginning in May 1998, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 130 ("SFAS 130"), "Reporting Comprehensive Income," which established new rules for the reporting of comprehensive income and its components. SFAS 130 requires, among other things, unrealized gains or losses on available-for-sale securities to be disclosed as other comprehensive income. The adoption of SFAS 130 had no impact on the Company's net income or stockholders' equity for the five months ended September 30, 1998.

In June 1997, the Financial Accounting Standards Board (the "FASB") 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 determined that the Company operates in a single business segment. Accordingly, the adoption of SFAS 131 will have no effect on the consolidated financial statement disclosures.

In June 1998, the FASB issued SFAS No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," which is required to be adopted in years beginning after June 15, 1999. SFAS 133 permits early adoption as of the beginning of any fiscal quarter after its issuance. The Company expects to adopt SFAS 133 effective January 1, 2000. SFAS 133 will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be recognized immediately in earnings. Based on the Company's derivative positions and their related fair values at September 30, 1998, the Company estimates that upon adoption it will report a reduction in other comprehensive income of \$52.4 million (assuming that the Company has qualified as a REIT for Federal income tax purposes).

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

#### NOTE 3--EARNINGS PER SHARE

A computation of earnings per common share for the quarter and five months ended September 30, 1998 follows (in thousands, except per share amounts):

	QUARTER -----	FIVE MONTHS -----
Income from operations.....	\$12,958	\$21,156
Extraordinary loss on extinguishment of debt.....	(81)	(8,051)
	-----	-----

Net income.....	\$12,877	\$13,105
	=====	=====
Shares used in the computation:		
Weighted average shares outstanding--basic		
computation.....	67,822	67,802
Dilutive effect of outstanding stock options.....	31	46
	-----	-----
Adjusted weighted average shares outstanding--diluted		
computation.....	67,853	67,848
	=====	=====
Earnings per common share:		
Basic:		
Income from operations.....	\$ 0.19	\$ 0.31
Extraordinary loss on extinguishment of debt.....	-	(0.12)
	-----	-----
Net income.....	\$ 0.19	\$ 0.19
	=====	=====
Diluted:		
Income from operations.....	\$ 0.19	\$ 0.31
Extraordinary loss on extinguishment of debt.....	-	(0.12)
	-----	-----
Net income.....	\$ 0.19	\$ 0.19
	=====	=====

#### NOTE 4--LONG-TERM DEBT

In connection with the Reorganization Transactions, the Company refinanced substantially all of its long-term debt. As a result, the Company incurred an after tax extraordinary loss on extinguishment of debt of \$8.1 million for the five months ended September 30, 1998.

On April 30, 1998, the Company consummated a \$1.2 billion bank credit agreement (the "Bank Credit Agreement") and retained approximately \$6.0 million of prior debt obligations. The Bank Credit Agreement comprises (i) a three year \$250 million revolving credit facility (the "Revolving Credit Facility") priced at the London Interbank Offered Rate ("LIBOR") plus 2 to 2 1/2%, (ii) a \$200 million Term A Loan (the "Term A Loan") payable in various installments over three years priced at LIBOR plus 2 1/4 to 2 1/2%, (iii) a \$350 million Term B Loan (the "Term B Loan") payable in various installments over five years priced at LIBOR plus 2 3/4 to 3%, and (iv) a \$400 million loan due October 30, 1999 and priced at LIBOR plus 2 3/4 to 3%.

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 the Company to pay a fixed rate at 5.985% and receive LIBOR (floating rate). The fair value of the swap agreement is not recognized in the condensed consolidated financial statements. See Note 2.

#### 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:

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

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

##### 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 leased 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.

Except as noted below, upon the occurrence of an event of default under a Master Lease, the Company may, at its option, exercise the remedies under the Master Lease on all facilities included within that Master Lease. The remedies which may be exercised under the Master Lease by the Company, at its option, include, without limitation, the following: (1) After not less than ten (10) days' notice to Vencor, terminate the Master Lease, repossess the leased property and relet the leased property to a third party. If the Company pursues this remedy, Vencor and/or any other tenant or sublessee or assignee under the Master Lease (collectively, the "Tenant") must pay to the Company, as liquidated damages, the net present value of the rent for the balance of the term, discounted at the prime rate; (2) without terminating the Master Lease, repossess the leased property and relet the leased property with the Tenant remaining liable under the Master Lease for all obligations to be performed by the Tenant thereunder, including the difference, if any, between the rent under the Master Lease and the rent payable as a result of the reletting of the leased property; (3) demand that the Tenant purchase either the leased property which is the subject of the default or all of the leased properties included within that Master Lease, at the Company's option, for the higher of the fair market value or the minimum repurchase price, both as defined in the Master Lease; and (4) any and all other rights and remedies available at law or in equity.

The remedies under the Master Lease may be exercised only with respect to the facility that is the subject of the default upon the occurrence of any one of the following events of default: (1) the occurrence of a final non-appealable revocation of the Tenant's license to operate a facility; (2) the revocation of certification of a facility for reimbursement under Medicare; or (3) the Tenant becomes subject to regulatory sanctions at a facility and Tenant fails to cure such regulatory sanctions within the applicable cure period. Upon the occurrence of the fifth such event of default under a Master Lease, the Company is permitted, at its option, to exercise the rights and remedies under the Master Lease on all facilities included within that Master Lease.

The occurrence of any one of the following events of default constitute an event of default under all Master Leases permitting the Company, at its option, to exercise the rights and remedies under the Master Leases simultaneously: (1) the occurrence of an event of default under the Agreement of Indemnity--Third Party Leases, (2) the liquidation or dissolution of the Tenant, (3) if the Tenant files a petition of bankruptcy or a petition for reorganization or arrangement under the Federal bankruptcy laws, and (4) a petition is filed against the Tenant under Federal bankruptcy laws and same is not dismissed within ninety (90) days of its institution.

NOTE 5--TRANSACTIONS WITH VENCOR (CONTINUED)

MASTER LEASE AGREEMENTS (CONTINUED)

Any notice of the occurrence of an event of default under the Master Lease which the Company sends to the Tenant must be sent simultaneously to Tenant's leasehold mortgagee (the "Leasehold Mortgagee"). Prior to terminating a Master

Lease for all or any part of the leased property covered thereunder, the Company must give the Leasehold Mortgagee thirty (30) days prior written notice.

The Tenant may, with the prior written approval of the Company, sell, assign or sublet its interest in all or any portion of the leased property under a Master Lease. The Company may not unreasonably withhold its approval to any such transfer provided (1) the assignee is creditworthy, (2) the assignee has at least four years of operational experience, (3) the assignee has a favorable business and operational reputation, (4) the assignee assumes the Master Lease in writing, (5) the sublease is subject and subordinate to the terms of the Master Lease and (6) the Tenant and any guarantor remains primarily liable under the Master Lease.

The Master Leases are structured as triple-net leases. In addition to the base annual rent of approximately \$222.1 million, plus 2% per annum if certain lessee revenue parameters are obtained, the Tenant is required to pay all insurance, taxes, utilities and maintenance related to the leased properties.

#### 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 (10%) 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. As of September 30, 1998, the Company had acquired one skilled nursing center under the Development Agreement for \$6.2 million.

#### 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.

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

##### 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.

#### AGREEMENT OF INDEMNITY--THIRD PARTY LEASES

In connection with the Reorganization Transactions, the Company assigned its former third party lease obligations to Vencor. The Company remains primarily liable on substantially all of the third party lease obligations assigned to Vencor. Under the terms of the Agreement of Indemnity--Third Party Leases, Vencor and its subsidiaries have agreed to indemnify and hold the Company harmless from and against all claims against the Company arising out of the third party lease obligations assigned by the Company to Vencor. If Vencor is unable to satisfy the obligations under any third party lease assigned by the Company to Vencor, then the Company will be liable for the payment and performance of the obligations under any such third party lease. These leases have remaining terms ranging from 1 to 29 years. The total aggregate remaining minimum rental payments under these leases are approximately \$201 million.

#### NOTE 6--RELATED PARTY TRANSACTIONS

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.

#### NOTE 7--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 various legal proceedings and other actions. The nursing centers which are the subject of the legal proceedings and actions described below are now operated by Vencor.

On April 7, 1998, the Circuit Court of the Thirteenth Judicial Circuit for Hillsborough County, Florida, issued a temporary injunction order against the nursing center in Tampa, Florida, previously operated by the Company, 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

#### NOTE 7--LITIGATION (CONTINUED)

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") imposed a fine of \$113,000. The Company appealed both the AHCA and HCFA fines and has settled both appeals. The Company promptly submitted an acceptable plan of correction at the Tampa nursing center and has been informed by AHCA that "immediate jeopardy" no longer existed. Threatened termination of the Tampa nursing center's Medicare provider agreement was 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 received notice in June 1998 that the State of Georgia found regulatory violations with respect to patient discharges, among other things, at the nursing center in Savannah, Georgia, previously operated by the Company. The state recommended a Federal fine for these violations of approximately \$510,000 which HCFA has imposed. The Company has appealed this fine.

The HCFA Administrator of the Medicare and Medicaid programs indicated in April 1998 that facilities previously operated by the Company 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 Vencor and, consequently, 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 nursing center in Tampa, Florida, previously operated by the Company, and other residents in the nursing centers nationwide which were previously operated by the Company. 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 is defending 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 current and former 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 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 is defending this action vigorously.

NOTE 7--LITIGATION (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., 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 acquired an interest in AXR when The Hillhaven Corporation was merged into the Company in September 1995 and purchased the remaining interest in AXR in February 1996. The suit alleges that AXR submitted false claims to the 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.

NOTE 7--LITIGATION (CONTINUED)

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 added as a defendant to a previously pending qui tam lawsuit against the other partners related to the partnership's former Medicare billing practices. The Company intends to defend vigorously the action.

The Company's former subsidiary, TheraTx, Incorporated ("TheraTx"), is a defendant and counterclaimant in an action pending in state court in Jacksonville, Florida entitled Highland Pines Nursing Center, Inc., et al. v. TheraTx, Incorporated, et al. The plaintiffs claim that they are entitled to up to \$40 million in earnout compensation from TheraTx's purchase of several businesses from the plaintiffs in 1995 and to damages from related tort claims. TheraTx has asserted fraud counterclaims against the plaintiffs relating to the original purchase. The trial for this case is scheduled to begin in March 1999. TheraTx is defending the action vigorously.

The Company has been informed by the U.S. Department of Justice that it is the subject of ongoing investigations into various aspects of its Medicare billing practices associated with the Company's former healthcare operations. The Company is cooperating fully in the investigations.

13

## 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 219 nursing centers, 46 hospitals and eight personal care facilities in 36 states as of October 15, 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 connection with the spin off of 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 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.

### RESULTS OF OPERATIONS

Rental income for the quarter was \$56.2 million, of which \$55.5 million resulted from leases with Vencor. Income from operations was \$13.0 million, or \$0.19 per diluted share. The Company incurred an extraordinary loss for the third quarter of \$81,000, net of income taxes, related to the extinguishment of debt during the period. Net income for the quarter was \$12.9 million, or \$0.19 per share.

Funds from operations ("FFO") for the quarter totaled \$23.7 million, or \$0.35 per diluted share. FFO was computed by adding back depreciation on real estate assets (\$10.7 million) to income from operations. FFO is calculated pursuant to the definition generally described by the National Association of Real Estate Investment Trusts.

Rental income for the five month period was \$93.5 million, of which \$92.4 million was received from Vencor. Income from operations was \$21.2 million, or \$0.31 per diluted share. The Company incurred an extraordinary loss for the period of \$8.1 million, net of income taxes, primarily related to the extinguishment of debt in connection with the Reorganization Transactions. Net income for the period was \$13.1 million, or \$0.19 per share. FFO for the period totaled \$39.0 million, or \$0.58 per diluted share.

For the five month period, the Company incurred \$304,000 for 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 quarter would have totaled \$31.6 million, or \$0.47 per diluted share. Pro forma income from operations would have been \$20.9 million, or \$0.31 per diluted share. Pro forma net income would have been \$20.8 million, or \$0.31 per diluted share. For the five month period, pro forma FFO would have totaled \$52.0 million, or \$0.77 per diluted share. Pro forma income from operations would have been \$34.1 million, or \$0.50 per diluted share. Pro forma net income would have been \$21.1 million, or \$0.31 per diluted share. Rental income would not have changed on a pro forma basis for either the quarter or five month period.

#### LIQUIDITY

Cash provided by operations totaled \$52.5 million for the five months ended September 30, 1998.

In connection with the Reorganization Transactions, the Company refinanced 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 \$6.0 million of prior debt obligations. The Bank Credit Agreement comprises (i) a three year \$250 million Revolving Credit Facility priced at LIBOR plus 2 to 2 1/2%, (ii) a \$200 million Term A Loan payable in various installments over three years priced at LIBOR plus 2 1/4 to 2 1/2%, (iii) a

14

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

##### LIQUIDITY (CONTINUED)

\$350 million Term B Loan payable in various installments over five years priced at LIBOR plus 2 3/4 to 3%, and (iv) a \$400 million loan due on October 30, 1999 priced at LIBOR plus 2 3/4 to 3%. The Company intends to refinance the \$400 million loan due October 30, 1999, prior to its maturity. For the five months ended September 30, 1998, the Company paid \$12.0 million in financing fees related to establishing the Bank Credit Agreement.

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 for 1998. Management expects to refinance the \$400 million loan due October 30, 1999 through cash flows from operations, available borrowings under the Revolving Credit Facility, the issuance of public or private debt or equity and asset sales, or a combination of the foregoing. Outstanding debt aggregated \$961.5 million at September 30, 1998, of which \$27.7 million is payable within the next twelve months. These payments will be paid primarily from operating cash flows and/or borrowings on the Revolving Credit Facility. Since the Reorganization Transactions, the Company has repaid approximately \$41 million of debt, primarily from operating cash flows. At September 30, 1998, available borrowings under the Revolving Credit Facility approximated \$215 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 the Company to pay a fixed rate at 5.985% and receive LIBOR (floating rate). The fair value of the swap agreement is not recognized in the condensed consolidated financial statements. See Note 2 of the Notes to 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. 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. Vencor has contractually indemnified the Company for these leases. See Note 5 of the Notes to Condensed Consolidated Financial Statements.

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.

15

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

CAPITAL RESOURCES

Capital expenditures to maintain and improve the leased properties generally will 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, the Company's liquidity may be affected adversely.

The Company has invested \$14.5 million through October 15, 1998 to acquire healthcare-related properties. The properties purchased include two skilled nursing centers and eight personal care facilities. One of the properties acquired was a skilled nursing facility purchased from Vencor under the Development Agreement for \$6.2 million in the third quarter of 1998.

Available sources of capital to finance future growth will include available borrowings under the Revolving Credit Facility, 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.

YEAR 2000

The year 2000 ("Y2K") issue is a result of computer programs and embedded computer chips using two digits rather than four digits to define the applicable year. Without corrective action, computer programs and embedded chips could potentially recognize the date ending in "00" as the year 1900 rather than 2000, causing many computer applications to fail or to create erroneous results. Certain of Vencor's information technology systems ("IT") being used by the Company and non-IT systems such as building infrastructure components (e.g. alarm systems, HVAC, computer equipment and phone systems) are affected by the Y2K issue.

The Company currently outsources all of its information systems support to Vencor under its Transition Services Agreement through December 31, 1998. Discussed in detail below is the Y2K program being implemented by Vencor. There will be no incremental costs to the Company for this program. After 1998, the

Company may continue to outsource its information systems services to Vencor or may convert to an information system platform that is or will be in compliance with the Y2K operating requirements. Under the terms of its Master Lease Agreement, Vencor is responsible for upgrading all building infrastructure components to be Y2K compliant.

The following discussion describes the Y2K program instituted by Vencor. The Company has not verified independently the activities of Vencor and there can be no assurance that Vencor has provided the Company with complete and accurate information in all instances.

In response to the Y2K issue, Vencor established five teams to address Y2K issues in the following specific areas: (i) IT software and hardware; (ii) third party relationships; (iii) facility components; (iv) medical equipment; and (v) telephone systems. Each team is responsible for all phases of Vencor's Y2K compliance program for both IT and non-IT systems in its designated area.

16

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

YEAR 2000 (CONTINUED)

Vencor's Y2K compliance program consists of five phases: (i) business assessment; (ii) inventory and assessment; (iii) remediation and testing; (iv) implementation and rollout and (v) post-implementation. The business assessment phase identified potential Y2K issues confronting Vencor. The inventory and assessment phase consists of a company-wide assessment of all facility systems, medical devices, and IT software and hardware. During the remediation and testing phase, Vencor is repairing, upgrading or replacing any non-compliant IT and non-IT systems. Additionally, Vencor is performing verification and validation testing of IT and non-IT systems that have been remediated and those Vencor believes are Y2K compliant. For IT and non-IT systems that are internally developed, Vencor verifies compliance status directly with the development staff and performs validation testing to confirm its status. For IT and non-IT systems that are purchased from third party vendors, Vencor is requesting written assurances of compliance directly from the vendors. When a non-compliant system is identified, Vencor will either replace, upgrade or remediate the system. The implementation and rollout phase involves the installation of systems and hardware that have been tested and remediated to Vencor's corporate office and its facilities. The final phase, post-implementation, involves finalizing the documentation of the Y2K program and any corrective efforts surrounding date issues associated with the year 2000 being a leap year. Vencor has employed and will continue to employ external consultants to assist it through each of the phases.

Vencor has indicated that all phases of the compliance program are on schedule to meet target completion dates. The following chart depicts Vencor's target completion dates and the status of each phase as of September 30, 1998:

PHASE	TARGET COMPLETION DATE	APPROXIMATE PERCENTAGE COMPLETED
Business Assessment	May 1998	100%
Inventory and Assessment	December 1998	65%
Remediation and Testing	June 1999	30%
Implementation and Rollout	November 1999	20%
Post-implementation	April 2000	0%

Vencor's implementation and rollout phase will involve the installation of Vencor's new financial information and patient accounting systems beginning in the first quarter of 1999. Substantially all of Vencor's current systems are being remediated in the event of unanticipated delays in the implementation of the new systems.

The following chart depicts, by designated area, the percentage of Vencor's IT and non-IT systems that have been tested and verified Y2K compliant as of September 30, 1998:

DESIGNATED AREA	APPROXIMATE PERCENTAGES TESTED Y2K COMPLIANT
IT Software and Hardware	40%
Third Party Relationships	Assessment in process
Facility Components	Assessment in process
Medical Equipment	40%
Telephone Systems	75%

For Y2K issues involving third parties, Vencor has separated these issues between significant business partners (e.g. financial intermediaries and insurance companies) and Vencor's significant suppliers and vendors (e.g. medical supplies, utilities, food, etc.). Vencor anticipates that its assessment of third party compliance will be completed by year end. Vencor also is developing guidelines for facilities to determine the Y2K compliance status of local business partners and suppliers.

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

### YEAR 2000 (CONTINUED)

Vencor has identified three critical risks caused by the Y2K issue: (i) unanticipated delays in the implementation and rollout of the new financial information and patient accounting systems; (ii) unanticipated system failures by third party reimbursement sources including government payers and intermediaries; and (iii) unanticipated system failures by third party suppliers and vendors which could affect patient care.

The failure by Vencor to achieve the target completion dates of its compliance program could cause a business interruption in its financial information and patient accounting systems. Vencor has instituted a plan to replace substantially all of its financial information and patient accounting systems before the year 2000. The new systems configuration and development efforts are scheduled to be completed during the first quarter of 1999. At that point, Vencor will begin installing the new systems in its facilities and plans to complete the installation by November 1999. If the rollout of the new systems experiences unanticipated delays, Vencor plans to deploy additional implementation teams to accelerate the process through the use of internal and, if necessary, external personnel.

Vencor derives a substantial portion of its revenue from the Medicare and Medicaid programs. Vencor relies on these entities for accurate and timely reimbursement of claims, often through the use of electronic data interfaces. Vencor is contacting all of its significant reimbursement sources to determine their Y2K compliance status in order to make a determination of this potential risk. Vencor has not received assurance that systems used by Medicare and Medicaid will be Y2K compliant. The failure of information systems of Federal and state governmental agencies and other third party payors could impact negatively Vencor's cash flows, liquidity and financial condition which could impair its ability to meet the rental payments under the Master Leases.

Vencor also has initiated communications with its critical suppliers and vendors. Vencor is evaluating information provided by third party vendors and is conducting independent testing of critical systems and applications. In most cases, Vencor is relying on information being provided to it by such third



parties. While Vencor is attempting to evaluate the information provided, there can be no assurance that in all instances accurate information is being provided.

Vencor is developing contingency plans to address the most critical risks raised by the Y2K issue. These contingency plans will cover all IT and non-IT systems for each of the five designated areas. Substantially all critical financial information and patient accounting systems currently in place are being remediated to be Y2K compliant in the event of an unanticipated delay in the implementation of Vencor's new systems. As Vencor contacts third party reimbursement sources, it is developing contingency plans to receive temporary reimbursement in the event of system failures by these entities.

Vencor has indicated that its contingency plans also cover failures by suppliers and vendors. Vencor's data network employs a variety of techniques such as alternative routing, redundant equipment and dual backup to avoid system failures. Each Vencor facility has a facility-specific emergency preparedness manual to handle emergency situations such as a loss of utility services or supplies. Local emergency plans also are being updated as Y2K related risks associated with the facilities are identified.

As previously noted, the Company does not expect to incur any incremental costs as a result of Vencor's Y2K program. The Company estimates the total cost it will incur to install a new financial system once the Transition Services Agreement is terminated is less than \$100,000.

18

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

YEAR 2000 (CONTINUED)

Management's analysis of the Y2K issues affecting the Company is based on information currently available and information provided from Vencor. Due to the inherent uncertainties related to Y2K compliance, there can be no assurance that the Company has accurately or timely assessed all Y2K issues or that the estimated costs to remediate the Y2K issues will not be exceeded. If Vencor is unable to meet its Y2K compliance schedules or incurs costs substantially higher than its current expectations, Vencor's ability to make rental payments under the Master Leases could be impaired thereby impacting negatively the Company's liquidity and results of operations. These and other unforeseen factors could have a material adverse effect on the Company's financial condition and results of operations.

OTHER INFORMATION

Various lawsuits and claims arising in the ordinary course of the Company's prior healthcare business are pending against the Company. In connection with the Reorganization Transactions, Vencor agreed to indemnify the Company against any losses from such lawsuits and claims. 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 7 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 September 30, 1998.

Beginning in May 1998, the Company adopted the provisions of SFAS 130 which established new rules for the reporting of comprehensive income and its components. SFAS 130 requires, among other things, unrealized gains or losses on available-for-sale securities to be disclosed as other comprehensive income. The adoption of SFAS 130 had no impact on the Company's net income or stockholders' equity for the five months ended September 30, 1998.

In June 1997, the FASB issued SFAS 131 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 reviewed regularly by senior management. Management has determined that the Company operates in a single business segment. Accordingly, the adoption of SFAS 131 will have no effect on the consolidated financial statement disclosures.

In June 1998, the FASB issued SFAS 133 which is required to be adopted in years beginning after June 15, 1999. SFAS 133 permits early adoption as of the beginning of any fiscal quarter after its issuance. The Company expects to adopt SFAS 133 effective January 1, 2000. SFAS 133 will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives either will be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be recognized immediately in earnings. Based on the Company's derivative positions and their related fair values at September 30, 1998, the Company estimates that upon adoption it will report a reduction in other comprehensive income of \$52.4 million (assuming that the Company has qualified as a REIT for Federal income tax purposes).

19

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

OTHER INFORMATION (CONTINUED)

Certain statements contained in this Form 10-Q, including, without limitation, statements containing the words "believes," "anticipates," "estimates," "expects," "will," "may," "might," and words of similar import, and statements regarding business strategy and plans constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on management's current expectations and involve known and unknown risks, uncertainties and other factors, many of which the Company is unable to predict or control, that may cause the Company's actual results or performance to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions; existing laws and governmental regulations and changes in laws and governmental regulations; legislative proposals for healthcare reform; changes in Medicare and Medicaid payment levels for its primary tenant; liability and other claims asserted against the Company; competition; the Company's ability to implement its business strategy and development plans; the ability to attract or retain qualified personnel; the Company's significant indebtedness including, without limitation, its ability to refinance such indebtedness; the Company's ability to qualify as a REIT for Federal income tax purposes; the availability of suitable acquisition opportunities and the length of time it takes to accomplish acquisitions; the availability and terms of capital to fund the expansion of the Company's business, including the acquisition of additional facilities; the impact of Y2K issues; and other factors referenced in the Company's other filings with the Securities and Exchange Commission. The Company cautions investors that any forward-looking statements made by the Company are not guarantees of future performance. The Company disclaims any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

20

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 various legal proceedings and other actions. The nursing centers which are the subject of the legal proceedings and actions described below are now operated by Vencor.

As previously reported, the Circuit Court of the Thirteenth Judicial Circuit for Hillsborough County, Florida, issued a temporary injunction order on April 7, 1998 against the nursing center in Tampa, Florida previously operated by the Company 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 imposed a fine of \$113,000. The Company appealed both the AHCA and HCFA fines and has settled both appeals. The Company promptly submitted an acceptable plan of correction at the Tampa nursing center and has been informed by AHCA that "immediate jeopardy" no longer existed. Threatened termination of the Tampa nursing center's Medicare provider agreement was reversed.

As previously reported, Transitional announced that it had been advised that it was the target of a Federal grand jury investigation being conducted by the USAO arising from activities of Transitional's formerly owned dialysis business on June 6, 1997. 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 added as a defendant to a previously pending qui tam lawsuit against the other partners related to the partnership's former Medicare billing practices. The Company intends to defend vigorously the action.

The Company's former subsidiary, TheraTx, is a defendant and counterclaimant in an action pending in state court in Jacksonville, Florida entitled Highland Pines Nursing Center, Inc., et al. v. TheraTx, Incorporated, et al. The plaintiffs claim that they are entitled to up to \$40 million in earnout compensation from TheraTx's purchase of several businesses from the plaintiffs in 1995 and to damages from related tort claims. TheraTx has asserted fraud counterclaims against the plaintiffs relating to the original purchase. The trial for this case is scheduled to begin in March 1999. TheraTx is defending the action vigorously.

The Company has been informed by the U.S. Department of Justice that it is the subject of ongoing investigations into various aspects of its Medicare billing practices associated with the Company's former healthcare operations. The Company is cooperating fully in the investigations.

## PART II. OTHER INFORMATION (CONTINUED)

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

#### (a) EXHIBITS:

- 10.1 Credit Agreement dated as of April 29, 1998 (including exhibits), 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 Form of Employment Agreement dated as of July 31, 1998 between Ventas, Inc. and each of W. Bruce Lunsford and Thomas T. Ladt.
- 10.3 Employment Agreement dated as of September 21, 1998 between Ventas, Inc. and Steven T. Downey.
- 10.4 Employment Agreement dated as of July 31, 1998 between Ventas, Inc. and T. Richard Riney.
- 27 Financial Data Schedule (included only in filings submitted under the Electronic Data Gathering, Analysis, and Retrieval system).

(b) REPORTS ON FORM 8-K:

No reports on Form 8-K were filed during the quarter ended September 30, 1998.

22

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: November 13, 1998

- - - - -

/s/ W. BRUCE LUNSFORD

- - - - -

W. Bruce Lunsford  
Chairman of the Board  
and Chief Executive Officer

Date: November 13, 1998

- - - - -

/s/ STEVEN T. DOWNEY

- - - - -

Steven T. Downey  
Vice President and Chief  
Financial Officer (Principal  
Financial Officer)

23

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

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 Administrative 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 :  
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The parties hereto agree as follows:

## ARTICLE I

### DEFINITIONS

Section 1.1 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 Debt Ratio greater than 50%.
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Applicable Base Rate	Tranche A: 1.75%	Tranche A: 1.75%	Tranche A: 2.00%
Margin	Tranche B: 1.00%	Tranche B: 1.25%	Tranche B: 1.50%
	Tranche C: 1.25%	Tranche C: 1.25%	Tranche C: 1.50%
	Tranche D: 1.75%	Tranche D: 1.75%	Tranche D: 2.00%
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Applicable	Tranche A: 2.75%	Tranche A: 2.75%	Tranche A: 3.00%
Euro-Dollar Margin	Tranche B: 2.00%	Tranche B: 2.25%	Tranche B: 2.50%
	Tranche C: 2.25%	Tranche C: 2.25%	Tranche C: 2.50%
	Tranche D: 2.75%	Tranche D: 2.75%	Tranche D: 3.00%
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"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 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. Government 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 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 Guar-

antor'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 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 di-

rectly 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 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.

"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 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 accounting profession, which are applicable to the circumstances as of the date of determination.

"Governmental Authority" means any Federal, state or local government or any other political subdivision thereof or agency exercising executive, legislative, ju-

dicial, 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;

(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.

"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, properties 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 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, any 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.

"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 obli-

gee 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.

"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, 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 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 my 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

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 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.

"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.

"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 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.

"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.



"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.

"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 be-

tween 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).

"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 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 1.2 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 1.3 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 II

### THE CREDITS

#### Section 2.1. 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 Milli on 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 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 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 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, 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 2.2. Notice of Borrowing. 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

(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 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 2.4. 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 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 2.5. 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.

(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 to this Agreement.

Section 2.6. Maturity of Loans. Each Loan shall mature, and the principal amount thereof shall be due and payable, on the Maturity Date applicable thereto.

#### Section 2.7. 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 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 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 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 2.8. 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:

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

to or less than 50%

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 2.9. 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 2.10. 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 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 2.11. 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 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 (18th) 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 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 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 2.12. 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 2.13. 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 2.14. 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 2.15. 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 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 2.16. 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 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.

(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 willful 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 willful 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 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 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 2.17. 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 willful misconduct of the Administrative Agent, the Fronting Bank or such Bank) or any other Person, whether in connection with the Loan Documents, the transactions 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 willful 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 willful 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 willful misconduct of the Fronting Bank.

### ARTICLE III

#### CONDITIONS

Section 3.1. 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 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 notice shall be conclusive and binding on all parties hereto.

Section 3.2. 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 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 3.3. 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 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 recom-

mended 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 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 IV

##### 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 4.1. 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 4.2. 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, 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 4.3. 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 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 4.4. 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 4.5. 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 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 4.6. 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 4.7. 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 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 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 4.8. 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 4.9. 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 4.10. 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.

Section 4.11. 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 4.12. 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 4.13. 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 4.14. 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 4.15. 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 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 4.16. 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 4.17. 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 4.18. 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.

Section 4.19. 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 4.20. 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 4.21. 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 4.22. 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 4.23. 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 4.24. "Year 2000" Compliance. The Borrower and Guarantor have (i) initiated a review and assessment of all areas within their and each of their 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 4.25. 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 V

### 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 5.1. 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 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 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) within five (5) days after the president, chief financial officer, treasurer, controller or other executive officer of the Borrower obtains 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;

(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 na-

ture 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;

(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 5.2. 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.

#### Section 5.3. 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 5.4. 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 5.5. 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.

Section 5.6. 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 5.7. 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, trade names, 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 5.8. 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.

(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%;

(ii) As of the last day of each calendar quarter thereafter, for the period beginning with the fifth (5th) 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 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 5.9. Restriction on Fundamental Changes; Operation and Control.

(a) 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 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 5.10. 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 5.11. 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 5.12. 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 5.13. 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 5.14. 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 5.15. 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 5.16. 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 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 5.17. 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 5.18. 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 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 5.19. 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 5.20. 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 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 5.21. 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 5.22. 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 5.23. 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 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 miti-

gate 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; 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 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 5.24. 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 security interest in the Borrower's interest in such New Subsidiary.

Section 5.25. 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 VI

### DEFAULTS

Section 6.1. 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) 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;

(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 it-

self 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 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) 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 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 6.2. 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 appraisal, 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 appraisal, diligence, presentment, and notice of intent to demand or accelerate), all of which are hereby expressly waived by the Borrower.

Section 6.3. 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 6.4. Actions in Respect of Letters of Credit. (a) 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.

(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 de-

fault 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 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 VII

#### THE AGENTS

Section 7.1. 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 7.2. 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 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 7.3. 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 7.4. 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 7.5. 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 writing) believed by it in good faith to be genuine or to be signed by the proper party or parties.

Section 7.6. 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 7.7. 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 7.8. 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 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 VIII

### CHANGE IN CIRCUMSTANCES

Section 8.1. 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 such date, such Borrowing shall instead be made as a Base Rate Borrowing.

Section 8.2. 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.

### Section 8.3. 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 Percentage)), 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 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.



Section 8.4. 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 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 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 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 8.5. 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 8.6. 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 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 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 IX

##### MISCELLANEOUS

Section 9.1. 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 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 9.2 No Waivers. No failure or delay by the Administrative Agent, Documentation Agent or any Bank in exercising any right, power or privilege here-

under 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 9.3. 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 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

ing 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 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 9.4. 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 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 counterclaim 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 9.5. 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 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 9.6. 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 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 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 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 9.7. 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 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 9.8. 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 9.9. 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 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 9.10. 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 9.11. 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 9.12. 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 9.13. 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.

Section 9.14. 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: /s/ Thomas T. Ladt

-----  
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  
Tranche B: \$18,750,000  
Tranche C: \$15,000,000  
Tranche D: \$258,125,000.00

NATIONSBANK, N.A., as a Bank,  
Administrative Agent, and as  
Swing Lender

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

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 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.

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

LOANS AND PAYMENTS OF PRINCIPAL

[illegible]

, 19

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.

Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

By: Ventas, Inc., its general partner

Note (cont'd)

[illegible]

EXHIBIT B TO CREDIT AGREEMENT

UNENCUMBERED PROPERTY-NURSING HOMES

FAC.	FACILITY				
NO.	NAME	ADDRESS	CITY	STATE	ZIP
111	Rolling Hills Health Care Center	36255 St. Joseph Road	New Albany	IN	47150
112	Royal Oaks Healthcare & Rehab Ctr.	3500 Maple Avenue	Terre Haute	IN	47804
113	Southwood Health & Rehab Center	2222 Margaret Avenue	Terre Haute	IN	47802
114	Arden Rehabilitation & Healthcare Ctr.	16357 Aurora Avenue North	Seattle	WA	98133
116	Pettigrew Rehab. & Healthcare Ctr.	1515 West Pettigrew Street	Durham	NC	27705
117	East Manor Medical Care Center	1524 East Avenue South	Sarasota	FL	34239
124	Healthcare & Rehab Ctr of Sanford	950 Mellonville Avenue	Sanford	FL	32771
125	Titusville Rehab. & Nursing Center	1705 Jess Parrish Court	Titusville	FL	32796
127	Northwest Continuum Care Center	128 Beacon Hill Drive	Longview	WA	98632
132	Madison Healthcare & Rehab Center	431 Larkin Springs Road	Madison	TN	37115
136	LaSalle Healthcare Center	411 South LaSalle Street	Durham	NC	27705
137	Sunnybrook Alzheimer's & HC Spec.	25 Sunnybrook Road	Raleigh	NC	27610
138	Blue Ridge Rehab. & Healthcare Ctr.	91 Victoria Road	Asheville	NC	28801
140	Wasatch Care Center	3430 Harrison Boulevard	Ogden	UT	84403
143	Raleigh Rehab. & Healthcare Center	616 Wade Avenue	Raleigh	NC	27605
146	Rose Manor Health Care Center	4230 North Roxboro Road	Durham	NC	27704
150	Nob Hill Healthcare Center	1359 Pine Street	San Francisco	CA	94109
155	Savannah Rehab. & Nursing Center	815 East 63rd Street	Savannah	GA	31405
158	Bellingham Health Care & Rehab Svc	1200 Birchwood Avenue	Bellingham	WA	98225
165	Rainier Vista Care Center	920 12th Ave., S.E.	Puyallup	WA	98372
167	Canyonwood Nursing & Rehab. Ctr.	2120 Benton Drive	Redding	CA	96003
168	Lakewood Healthcare Center	11411 Bridgeport Way S.W.	Lakewood	WA	98499
180	Vencor of Vancouver HC & Rehab	400 East 33rd Street	Vancouver	WA	98663
182	Cordova Rehab. & Nursing Center	955 Germantown Parkway	Cordova	TN	38018
185	Heritage Health & Rehab. Center	3605 Y Street	Vancouver	WA	98663
188	Cypress Pointe Rehab & HC Center	2006 South 16th Street	Wilmington	NC	28401
190	Winston-Salem Rehab & HC Center	1900 West First Street	Winston-Salem	NC	27104
191	Silas Creek Manor	3350 Silas Creek Parkway	Winston-Salem	NC	27103
209	Valley View Health Care Center	333 West Mishawaka Road	Elkhart	IN	46517
210	Californian Care Center	2211 Mt. Vernon Avenue	Bakersfield	CA	93306
213	Wildwood Healthcare Center	7301 East 16th Street	Indianapolis	IN	46219
216	Hillcrest Rehab. Care Center	1001 S. Hilton	Boise	ID	83705
218	Cascade Care Center	2814 S. Indiana Avenue South	Caldwell	ID	83605
219	Emmett Rehabilitation and Healthcare	714 North Butte Avenue	Emmett	ID	83617
221	Lewiston Rehabilitation and Care Center	3315 8th Street	Lewiston	ID	83501
222	Nampa Care Center	404 Horton	Nampa	ID	83651
223	Weiser Rehabilitation and Care Center	331 East Park	Weiser	ID	83672
225	Moscow Care Center	420 Rowe Road	Moscow	ID	83843
230	Crossland Rehab. & Health Care Center	575 East 11000 South	Sandy	UT	84070
245	Bay Pointe Nursing Pavilion	4201 31st Street South	St. Petersburg	FL	33712
247	St. George Care and Rehab. Center	1032 East 100th South	St. George	UT	84770

268	Colonial Oaks Rehab. Ctr-Ft. Myers	3250 Winkler Avenue Exten	Ft. Myers	FL	33916
269	Meadowvale Health & Rehab. Center	1529 West Lancaster Street	Bluffton	IN	46714
277	Rosewood Health Care Center	550 High Street	Bowling Green	KY	42101
278	Oakview Nursing & Rehab. Center	10456 U.S. Highway 62	Calvert City	KY	42029

Page 1

FAC.	FACILITY				
NO.	NAME	ADDRESS	CITY	STATE	ZIP
279	Cedars of Lebanon Nursing Center	337 South Harrison Street	Lebanon	KY	40033
280	Winchester Centre for Health/Rehab.	200 Glenway Road	Winchester	KY	40391
281	Riverside Manor Health Care	Highway 136 - Box 39	Calhoun	KY	42327
282	Maple Manor Healthcare Center	515 Greene Drive	Greenville	KY	42345
286	Columbia Healthcare Facility	621 West Columbia Street	Evansville	IN	47710
289	San Luis Medical & Rehab Center	2305 San Luis Place	Green Bay	WI	54204
290	Bremen Health Care Center	316 Woodies Lane	Bremen	IN	46506
294	Windsor Estates Health & Rehab. Ctr.	429 West Lincoln Road	Kokomo	IN	46902
297	Marigarde-Sylvania Nursing Home		Toledo	OH	
	(Owned facility leased to third party)				
302	Birchwood Care Center		Marne	MI	
	(Owned facility leased to third party)				
307	Lincoln Nursing Center	1410 East Gaston Street	Lincolnton	NC	28092
	(Improvements owned under ground lease)				
320	Magnolia Gardens Care Center	1609 Trousdale Drive	Burlingame	CA	94010
327	Laurel Ridge Rehab. & Nursing Center	174 Forrest Hill Street	Jamaica Plain	MA	02130
335	Lawton Healthcare Center	1575 - 7th Avenue	San Francisco	CA	94122
350	Valley Gardens Healthcare & Rehab.	1517 East Knickerbocker Drive	Stockton	CA	95210
372	Carrollwood Care Center	15002 Hutchinson Road	Tampa	FL	33625
406	Muncie Health Care & Rehab.	4301 North Walnut	Muncie	IN	47305
407	Parkwood Health Care Center	1001 North Grant Street	Lebanon	IN	46052
409	Mountain Valley Care and Rehab.	601 West Cameron Avenue	Kellogg	ID	83837
411	Alta Vista Healthcare Center	9020 Garfield Avenue	Riverside	CA	92503
416	Park Place Health Care Center	1500 32nd Street South	Great Falls	MT	59403
420	Maywood Acres Healthcare Center	2641 South C. Street	Oxnard	CA	93033
433	Parkview Acres Care & Rehab Center	200 Oregon Street	Dillon	MT	59725
436	Valley Healthcare & Rehab. Center	5545 East Lee Street	Tucson	AZ	85712
441	Mountain Towers Healthcare & Rehab.	3128 Boxeider Drive	Cheyenne	WY	82001
452	Sunnyside Care Center	4515 Sunnyside Road, S.E.	Salem	OR	97302
453	Medford Rehab. & Healthcare Center	625 Stevens Street	Medford	OR	97504
461	Edmonds Rehab. & Healthcare Center	21008 76th Avenue West	Edmonds	WA	98026
462	Queen Anne Healthcare	2717 Dexter Avenue North	Seattle	WA	98109
481	South Central Wyoming Healthcare & Rehab	542 - 16th Street	Rawlins	WY	82301
482	Wind River Healthcare & Rehab. Center	1002 Forest Drive	Riverton	WY	82501
483	Sage View Care Center	1325 Sage Street	Rock Springs	WY	82901
501	Blue Hills Alzheimer's Care Center	1044 Park Street	Stoughton	MA	02072
503	Brigham Manor Nursing & Rehab. Center	77 High Street	Newburyport	MA	01950
506	Presentation Nursing & Rehab. Center	10 Bellamy Street	Brighton	MA	02135
507	Country Manor Rehab. & Nursing Center	180 Low Street	Newburyport	MA	01950
508	Crawford Skilled Nursing & Rehab. Center	273 Oak Grove Avenue	Fall River	MA	02723
513	Hallmark Nursing & Rehab. Center	1123 Rockdale Avenue	New Bedford	MA	02740
514	Sachem Nursing & Rehab. Center	66 Central Street	East Bridgewater	MA	02333
516	Hammersmith House Nursing Care Center	73 Chestnut Street	Saugus	MA	01906
517	Oakwood Rehab. & Nursing Center	11 Pontiac Avenue	Webster	MA	01570
518	Timberlyn Heights Nursing & Alz. Center	320 Maple Avenue	Great Barrington	MA	01230

523	Star of David Nursing & Rehab/Alz Center	1100 VFW Parkway	West Roxbury	MA	02132
525	La Veta Healthcare Center	920 West La Veta	Orange	CA	92868
(improvements owned under ground lease)					

Page 2

FAC.	FACILITY				
NO.	NAME	ADDRESS	CITY	STATE	ZIP
526	Brittany Healthcare Center	168 West Central Street	Natick	MA	01760
527	Briarwood Health Care Nursing Center	150 Lincoln Street	Needham	MA	02192
528	Westridge Healthcare Center	121 Northboro Road	Marlborough	MA	01752
529	Bolton Manor Nursing Home	400 Bolton Street	Marlborough	MA	01752
532	Hillcrest Nursing Home	94 Summer Street	Fitchburg	MA	01420
534	Country Gardens Sk. Nursing & Rehab.	2045 Grand Army Highway	Swansea	MA	02777
537	Qunicy Rehab. & Nursing Center	11 McGrath Highway	Quincy	MA	02169
538	West Roxbury Manor	5060 Washington Street	West Roxbury	MA	02132
539	Newton and Wellesley Alzheimer Center	694 Worcester Street	Wellesley	MA	02181
542	Den-Mar Rehab. & Nursing Center	44 South Street	Rockport	MA	01966
(improvements owned under ground lease)					
544	Augusta Rehabilitation Center	187 Eastern Avenue	Augusta	ME	04330
545	Eastside Rehab. and Living Center	516 Mount Hope Avenue	Bangor	ME	04401
546	Winship Green Nursing Center	51 Winship Street	Bath	ME	04530
547	Brewer Rehabilitation & Living Center	74 Parkway South	Brewer	ME	04412
549	Kennebunk Nursing Center	158 Ross Road	Kennebunk	ME	04043
550	Norway Rehabilitation & Living Center	24 Marion Avenue	Norway	ME	04268
552	Shore Village Rehab. & Nursing Center	201 Camden Street	Rockland	ME	04841
554	Westgate Manor	750 Union Street	Bangor	ME	04401
555	Brentwood Rehab. & Nursing Center	122 Portland Street	Yarmouth	ME	04096
558	Fieldcrest Manor Nursing Home	126 Depot Street	Waldoboro	ME	04572
559	Birchwood Terrace Healthcare	43 Starr Farm Road	Burlington	VT	05401
(Improvements owned under ground lease)					
560	Franklin Woods Health Care Center	2770 Clime Road	Columbus	OH	42332
562	Andrew House Healthcare	66 Clinic Drive	New Britain	CT	06051
563	Camelot Nursing & Rehab. Center	89 Viets Street	New London	CT	06320
565	Hamilton Rehab. & Healthcare Center	50 Palmer Street	Norwich	CT	06360
566	Windsor Rehab. & Healthcare Center	581 Poquonock Avenue	Windsor	CT	06095
567	Nutmeg Pavilion Healthcare	78 Viets Street Extension	New London	CT	06320
568	Parkway Pavilion Healthcare	1157 Enfield Street	Enfield	CT	06082
569	Chillicothe Nursing & Rehab. Center	60 Marietta Road	Chillecothe	OH	45601
570	Pickerington Nursing & Rehab. Center	1300 Hill Road North	Pickerington	OH	43147
571	Logan Health Care Center	300 Arlington Avenue	Logan	OH	43138
572	Winchester Place Nsg. & Rehab. Center	36 Lehman Drive	Canal Winchester	OH	43110
573	Eagle Pond Rehab. & Living Center	One Love Lane	South Dennis	MA	02660
577	Minerva Park Nursing & Rehab. Center	5460 Cleveland Avenue	Columbus	OH	43231
578	West Lafayette Rehab & Nursing Center	620 East Main Street	West Lafayette	OH	43845
581	Blueberry Hill Healthcare	75 Brimbal Avenue	Beverly	MA	01915
582	Colony House Nursing & Rehab. Center	277 Washington Street	Abington	MA	02351
583	Embassy House Sk. Nursing & Rehab.	2 Beaumont Avenue	Brockton	MA	02402
584	Franklin Sk. Nursing & Rehab. Center	130 Chestnut Street	Franklin	MA	02038
585	Great Barrington Rehab. & Nursing Ctr.	148 Maple Avenue	Great Barrington	MA	01230
587	River Terrace	1675 Main Street	Lancaster	MA	01523
588	Walden Rehab. & Nursing Center	785 Main Street	Concord	MA	01742

591	Dover Rehab. & Living Center	307 Plaza Drive	Dover	NH	03820
592	Greenbriar Terrace Healthcare	55 Harris Road	Nashua	NH	03062
(Improvements owned under ground lease)					

Page 3

FAC.	FACILITY				
NO.	NAME	ADDRESS	CITY	STATE	ZIP
593	Hanover Terrace Healthcare	53 Lyme Road	Hanover	NH	03755
634	Cambridge Health & Rehab. Center	1471 Wills Creek Valley Drive	Cambridge	OH	43725
635	Coshocton Health & Rehab. Center	100 South Whitewoman Street	Coshocton	OH	43812
637	Evergreen Woods Health & Rehab.	7045 Evergreen Woods Tr.	Springhill	FL	34608
640	Las Vegas Healthcare & Rehab. Center	2832 South Maryland Parkway	Las Vegas	NV	89109
641	Torrey Pines Care Center	1701 South Torrey Pines Drive	Las Vegas	NV	89012
642	Hillhaven Convalescent Center		Las Vegas	NV	
(Owned facility leased to third party)					
645	Specialty Care of Marietta	26 Tower Road	Marietta	GA	30060
655	Federal Heights Rehab. & Nsg. Center	41 South Ninth Street	Salt Lake City	UT	84102
660	Savannah Specialty Care Center	11800 Abercom Street	Savannah	GA	31419
690	Wasatch Valley Rehabilitation	2200 East 3300 South	Salt Lake City	UT	84109
694	Wedgewood Healthcare Center	101 Potters Lane	Clarksville	IN	47129
695	Grayling Health Care Center		Grayling	MI	
(Owned facility leased to third party)					
704	Guardian Care of Roanoke Rapids	305 Fourteenth Street	Roanoke Rapids	NC	27870
706	Guardian Care of Henderson	280 South Beckford Drive	Henderson	NC	27536
707	Rehab. & Nursing Center of Monroe	1212 Sunset Drive East	Monroe	NC	28112
711	Guardian Care of Kinston	907 Cunningham Road	Kinston	NC	28501
713	Guardian Care of Zebulon	509 West Gannon Avenue	Zebulon	NC	27597
723	Guardian Care of Rocky Mount	160 Winstead Avenue	Rocky Mount	NC	27804
(Improvements owned under ground lease)					
724	Rehab. & Health Care of Gastonia	416 North Highland Avenue	Gastonia	NC	28052
726	Guardian Care of Elizabeth City	901 Halstead Boulevard	Elizabeth City	NC	17909
738	Bay View Nursing & Rehab. Center	516 Willow Street	Alameda	CA	94501
742	Sonoran Rehab. & Care Center	4202 North 20th Avenue	Phoenix	AZ	85015
743	Desert Life Rehab. & Care Center	1919 W. Medical Street	Tucson	AZ	85704
744	Cherry Hills Health Care Center	3575 South Washington Street	Englewood	CO	80110
745	Aurora Care Center	10201 East Third Avenue	Aurora	CO	80010
746	Homestead Health Care & Rehab. Center	4735 South 54th Street	Lincoln	NE	68516
LEASED FACILITY					
764	Woodside Convalescent Center	501 8th Avenue Southeast	Rochester	MN	55904
(Owned property leased to thrid party)					
765	Eastview Mecial & Rehab. Center	729 Park Street	Antigo	WI	54409
766	Colonial Manor Medical & Rehab Center	1010 East Wausau Avenue	Wausau	WI	54403
767	Colony Oaks Care Center	601 Briarcliff Drive	Appleton	WI	54915
769	North Ridge Med. & Rehab. Center	1445 North 7th Street	Manitowoc	WI	54220
770	Vallhaven Care Center	125 Byrd Avenue	Neenah	WI	54956
771	Kennedy Park Medical & Rehab. Center	6001 Alderson Street	Schofield	WI	54476
772	Family Heritage Med. & Rehab. Center	130 Strawberry Lane	Wisconsin Rapid	WI	54494
773	Mt. Carmel Medical & Rehab. Center	677 East State Street	Burlington	WI	53105
774	Mt. Carmel Health & Rehab. Center	5700 West Layton Avenue	Milwaukee	WI	53220

775	Sheridan Medical Complex	8400 Sheridan Road	Kenosha	WI	53140
776	Woodstock Health & Rehab. Center	3415 Sheridan Road	Kenosha	WI	53140

Page 4

FAC.	FACILITY				
NO.	NAME	ADDRESS	CITY	STATE	ZIP
777	Clara Barton Terrace		Flint	MI	
	(Owned facility leased to third party)				
778	Mary Avenue Care Center		Lansing	MI	
	(Owned facility leased to third party)				
779	Westview Nursing & Rehab. Center	1510 Clinic Drive	Bedford	IN	47421
780	Columbus Health & Rehab. Center	2100 Midway	Columbus	IN	47201
782	Danville Centre for Health & Rehab.	642 North 3rd Street	Danville	KY	40422
783	Lexington Centre for Health & Rehab.	353 Waller Avenue	Lexington	KY	40504
784	North Centre for Health & Rehab.	6000 Hunting Road	Louisville	KY	40222
785	Hillcrest Health Care Center	3740 Old Hartford Road	Owensboro	KY	42303
787	Woodland Terrace Health Care Fac.	1117 Woodland Drive	Elizabethtown	KY	42701
791	Rehab. & Healthcare Ctr. of Huntsville	105 Teakwood Drive	Huntsville	AL	35801
796	Hacienda Rehab. & Care Center	660 S. Coronado Drive	Sierra Vista	AZ	85635
	LEASED FACILITY WITH HUD MORTGAGE BEING DEFEASED				
802	Bridgepark Ctr. for Rehab. & Nsg. Sv.	145 Olive Street	Akron	OH	44310
804	Rehab. & Healthc. Ctr. of Birmingham	2728 Tenth Avenue South	Birmingham	AL	35205
	(improvements owned under ground lease)				
806	Chapel Hill Rehab. & Healthcare Ctr.	1602 East Franklin Street	Chapel Hill	NC	27514
822	Primacy Healthcare & Rehab. Ctr.	6025 Primacy Parkway	Memphis	TN	38119
824	Rehab. & Healthcare Ctr. of Mobile	1758 Spring Hill Avenue	Mobile	AL	36607
	(Improvements owned under ground lease)				
825	Nansemond Pointe Rehab. & HC Ctr.	200 West Constance Road	Suffolk	VA	23434
826	Harbour Pointe Med. & Rehab. Centre	1005 Hampton Boulevard	Norfolk	VA	23507
829	River Pointe Rehab. & Healthcare Center	4142 Bonney Road	Virginia Beach	VA	23452
836	Rehab. & Healthcare Ctr. of Tampa	4411 North Habana Avenue	Tampa	FL	33614
837	Rehab. & Health Ctr. of Cape Coral	2629 Del Prado Boulevard	Cape Coral	FL	33904
842	Bay Pointe Medical & Rehab. Centre	1148 First Colonial Road	Virginia Beach	VA	23454
851	Villa Campana Health Center	6651 East Carondelet Drive	Tucson	AZ	85710
853	Kachina Point Health Care & Rehab.	505 Jacks Canyon Road	Sedona	AZ	86351
859	Castle Garden Care Center	401 Malley Drive	Northglenn	CO	80233
864	Harrodsburg Health Care Center	853 Lexington Road	Harrodsburg	KY	40330
868	Lebanon Country Manor	700 Monroe Road	Lebanon	OH	45036
873	Brighton Care Center	2025 East Egbert Street	Brighton	CO	80601
884	Masters Health Care Center	278 Dry Valley Road	Algood	TN	38506
922	Windsor Woods Convalescent Ctr.	13719 Dallas Drive	Hudson	FL	34667
982	Village Square Nsg. & Rehab. Center	1586 West San Marcos Boulevard	San Marcos	CA	92069
920	Marietta Convalescent Center		Marietta	OH	
	(3636) (Owned facility leased to third party)				
985	Harrington House Nsg. & Rehab. Center	160 Main Street	Walpole	MA	02081
1217	Casa Mora Rehab. & Extended Care	1902 49th Street West	Bradenton	FL	34209
	(Improvements owned under ground lease)				
421	North Broward Rehab. & Nsg. Center	402 East Sample Road	Pompano Beach	FL	33064
	(1218)				



511	Highland Pines Rehab. Center	111 South Highland Avenue	Clearwater	FL	34616
(1220)					
1221	Courtland Gardens Health Center, Inc.	53 Courtland Avenue	Stamford	CT	06902

Page 5

FAC.	FACILITY				
NO.	NAME	ADDRESS	CITY	STATE	ZIP
1224	Health Havens Nursing & Rehab. Center	100 Wampanoag Trail	E. Providence	RI	02915
1226	Homestead Health Care	160 Glenbrook Road	Stamford	CT	06902
422	Lafayette Nursing & Rehab. Center	110 Brandywine Boulevard	Fayetteville	GA	30214
(1228)					
1231	Oak Hill Nursing & Rehab. Center	544 Pleasant Street	Pawtucket	RI	02860
423	Pompano Rehab/Nursing Center	51 West Sample Road	Pompano Beach	FL	33064
(1232)					
424	Abbey Rehab. & Nursing Center	7101 9th Street, North	St. Petersburg	FL	33702
(1233)					
425	San Pedro Manor	515 W. Ashby Place	San Antonio	TX	78212
(1234)					
426	Wyomissing Nursing & Rehab. Center	1000 E. Wyomissing Boulevard	Reading	PA	19611
(1237)					
1238	Tucker Nursing Center	2165 Idlewood Road	Tucker	GA	30084
UNENCUMBERED PROPERTY - HOSPITALS					
647	Vencor Hospital - Las Vegas	5100 West Sahara Avenue	Las Vegas	NV	89102
641	Vencor Hospital Las Vegas West	1701 South Torrey Pines	Las Vegas	NV	89102
644	THC - Orange County	875 North Brea Boulevard	Brea	CA	92821
664	Vencor Hospital - Albuquerque	700 High Street, N.W.	Albuquerque	NM	87102
	(Own Improvements Underground Lease)				
617	Vencor Hospital - Arlington, VA	601 South Carlin Springs Road	Arlington	VA	22204
688	Vencor Hospital - Boston	1515 Commonwealth Avenue	Boston	MA	02135
673	Vencor Hospital - Boston Northshore	15 King Street	Peabody	MA	01960
674	Vencor Hospital - Central Tampa	4801 North Howard Avenue	Tampa	FL	33603
628	Vencor Hospital - Chattanooga	709 Walnut Street	Chattanooga	TN	37402
637	Vencor Hospital - Chicago North	2544 West Montrose Avenue	Chicago	IL	60618
602	Vencor Hospital - Coral Gables	5190 Southwest 8th Street	Coral Gables	FL	33134
665	Vencor Hospital - Denver	1920 High Street	Denver	CO	80218
675	Vencor Hospital - Detroit	26400 West Outer Drive	Lincoln Park	MI	48146
653	Vencor Hospital - Ft. Worth Southwest	7800 Oakmont Boulevard	Ft. Worth	TX	76132
668	Vencor Hospital - Ft. Worth West	815 Eighth Avenue	Ft. Worth	TX	76104
645	Vencor Hospital - Ft. Lauderdale	1516 East Las Olas Boulevard	Ft. Lauderdale	FL	33301
662	Vencor Hospital - Greensboro	2401 Southside Boulevard	Greensboro	NC	02746
676	Vencor Hospital - Hollywood	1859 Van Buren Street	Hollywood	FL	33020
685	Vencor Hospital - Houston	6441 Main Street	Houston	TX	77030
	(Own Improvements Underground Lease)				
654	Vencor Hospital - Houston Northwest	11297 Fallbrook Drive	Houston	TX	77065
638	Vencor Hospital - Indianapolis	1700 West 10th Street	Indianapolis	IN	46222
612	Vencor Hospital - Kansas City	8701 Troost	Kansas City	MO	64131
620	Vencor Hospital - LaGrange	207 North Towline Road	LaGrange	IN	46761
633	Vencor Hospital - Louisville	1313 St. Anthony Place	Louisville	KY	40204
660	Vencor Hospital - Mansfield	1802 Hwy. 157 North	Mansfield	TX	76063

677	Vencor Hospital - Metro Detroit	700 M.L. King, Jr. Boulevard	Detroit	MI	48208
659	Vencor Hospital - Minneapolis	4101 Golden Valley Road	Golden Valley	MN	55422
631	Vencor Hospital - Mt. Carmel	5700 West Layton Avenue	Milwaukee	WI	53220

Page 6

FAC.	FACILITY				
NO.	NAME	ADDRESS	CITY	STATE	ZIP
666	Vencor Hospital - New Orleans	3601 Coliseum Street	New Orleans	LA	70115
656	Vencor Hospital - Phoenix	40 East Indianola Avenue	Phoenix	AZ	85012
658	Vencor Hospital - Tucson	355 North Wilmot Road	Tucson	AZ	85711
607	Vencor Hospital - Ontario	550 North Monterey Avenue	Ontario	CA	91764
622	Vencor Hospital - San Leandro	2600 Benedict Drive	San Leandro	CA	94577
642	Vencor Hospital - Orange County	200 Hospital Circle	Westminster	CA	92683
648	Vencor Hospital - San Diego	1940 El Cajon Boulevard	San Diego	CA	92104
611	Vencor Hospital - St. Petersburg	303 Sixth Street	St. Petersburg	FL	33705
652	Vencor Hospital - North Florida	801 Oak Street	Green Cove Spr.	FL	32043
615	Vencor Hospital - Sycamore	225 Edward Street	Sycamore	IL	60178
690	Vencor Hospital - Northlake	365 East North Avenue	Northlake	IL	60164
680	Vencor Hospital - St. Louis	4930 Lindell Boulevard	St. Louis	MO	63108
618	Vencor Hospital - Oklahoma City	1407 North Robinson Avenue	Oklahoma City	OK	73103
614	Vencor Hospital - Philadelphia	6129 Palemotto Street	Philadelphia	PA	19111
619	Vencor Hospital - Pittsburgh	7777 Steubenville Pike	Oakdale	PA	15071
635	Vencor Hospital - San Antonio	3636 Medical Drive	San Antonio	TX	78229
693	Recovery Inn of Menlo Park	570 Willow Road	Menlo Park	CA	94025
671	Vencor Lakeshore	6130 North Sheridan Road	Chicago	IL	60660

Page 7

EXHIBIT C TO CREDIT AGREEMENT  
PRE-APPROVED DEVELOPMENT PROPERTIES

HOSPITALS

LOCATION	ANTICIPATED COSTS	ANNUAL RENT
Cincinnati, OH	\$14,300,000	\$1,430,000
Milwaukee, WI	13,550,000	1,355,000
San Antonio, TX	11,894,000	1,189,400
Burbank, CA	15,650,000	1,565,000

COMBINATION HOSPITALS AND NURSING CENTERS

LOCATION	ANTICIPATED COSTS	ANNUAL RENT
Dallas, TX	\$14,700,000	\$1,470,000
Las Vegas, NV	18,517,000	1,851,700
East Mesa, AZ	15,800,000	1,580,000

NURSING CENTERS

LOCATION	ANTICIPATED COSTS	ANNUAL RENT
Corydon, IN	\$ 7,025,000	\$ 702,500

Indianapolis, IN	4,410,000	441,000
Sellersburg, IN	7,238,000	723,800
San Antonio, TX	9,044,000	904,400
Grapevine, TX	8,537,000	853,700
Richardson, TX	9,029,000	902,900
Arlington, TX	8,600,000	860,000
Evansville, IN	4,410,000	441,000
Tucson, AZ	9,611,000	961,100
Las Vegas, NV	9,326,000	932,600
Ft. Collins, CO	9,400,000	940,000
West Palm Beach, FL	9,155,000	915,500
Tucson, AZ	8,840,000	884,000
Pittsburgh, PA	7,615,000	761,500
Fontana, CA	8,550,000	855,000

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.

1

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 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

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/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.

2

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.

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:

4

VENTAS REALTY, LIMITED PARTNERSHIP

By: Ventas, Inc., its general partner

By: \_\_\_\_\_  
Name:  
Title:

5

#### SCHEDULE 3.1

##### EXCEPTIONS TO SECTION 3.1

1. Hillhaven 10 1/8% Senior Subordinated Notes due 2001.

6

#### SCHEDULE 4.3

##### EXCEPTIONS TO SECTION 4.3

1. Hillhaven 10 1/8% Senior Subordinated Notes due 2001.

#### SCHEDULE 4.5

##### LITIGATION

#### Certain Legal Proceedings and Other Actions

The following is a description of the material legal proceedings and other actions of Predecessor Company as of April 27, 1998. It is expected that pursuant to the Reorganization Agreement, any liability arising from such legal proceedings and such other actions would be assumed by the Guarantor and that the Guarantor would indemnify Predecessor Company against any losses it may incur arising out of or in connection with such 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 Predecessor Company's nursing center in Tampa, Florida which ordered the nursing center to cease notifying and requiring the discharge of any resident.

Predecessor 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 \$10,000 per day, effective from March 30, 1998 and continuing until the facility removes any "immediate jeopardy" to patients, has terminated the nursing center's Medicare provider agreement effective May 7, 1998 and has indicated that it will notify AHCA to terminate Predecessor Company's Medicaid provider agreement. Predecessor Company instituted a plan of correction at the Tampa nursing center to respond to the findings of AHCA and HCFA and has been orally informed by AHCA that "immediate jeopardy" no longer exists at the nursing center. AHCA also has changed the rating of the nursing center's license to conditional. Predecessor Company has not yet determined whether it will appeal these regulatory sanctions. Predecessor Company believes that it has submitted an acceptable plan of correction which will terminate the running of per day fines and reverse the termination of the Tampa nursing center's Medicare provider agreement. Predecessor Company is awaiting decisions from HCFA and AHCA and no assurance can be given that the plan will be accepted.

The Florida Attorney General's office and the Tampa Prosecuting Attorney's office have indicated to Predecessor Company that they are conducting independent civil and criminal investigations into the circumstances surrounding the Tampa resident discharges. Predecessor Company is cooperating fully with the ongoing investigations.

In addition to its action with the nursing center in Tampa, Florida, the HCFA Administrator of the Medicare and Medicaid programs recently indicated that Predecessor Company facilities in other states also are being monitored. Predecessor Company has not received notice that any other state has instituted an investigation into any similar issues at another Predecessor Company facility. However, there can be no assurance that HCFA or other

regulators in other jurisdictions will not initiate investigations relating to this matter or other circumstances, and there can be no assurance that results of any such investigations would not have a material effect on the Company. See "-Healthcare Industry Risks."

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 Predecessor Company's nursing centers nationwide. The complaint alleges various breaches of contract, and statutory and regulatory violations including violations of Federal and state RICO statutes. The plaintiffs seek class certification, unspecified damages, attorneys' fees and costs. Predecessor Company intends to defend vigorously this action.

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 Predecessor Company against Predecessor Company and certain executive officers and directors of Predecessor Company, namely W. Bruce Lunsford, W. Earl Reed, III, Michael R. Barr, Thomas T. Ladit, Jill L. Force and James H. Gillenwater, Jr. The complaint alleges that Predecessor Company and certain executive officers of Predecessor Company during a specified time frame violated Sections 10(b) and 20(a) of the Exchange Act, by, among other things, issuing to the investing public a series of false and misleading statements concerning Predecessor Company's current operations and the inherent value of Predecessor Company common stock. The complaint further alleges that as a result of these purported false and misleading statements concerning Predecessor Company's revenues and successful acquisitions, the price of Predecessor Company common stock was artificially inflated. In particular, the complaint alleges that Predecessor 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 Predecessor Company's core services and profitability. The complaint further alleges that Predecessor 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 Predecessor 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. Predecessor Company believes that the allegations in the complaint are without merit and intends to defend vigorously this action.

On June 19, 1997, a class action lawsuit was filed 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) and 20(a) of the Exchange Act and common law principles of negligent misrepresentation and names as defendants Transitional as well as certain senior executives and directors of Transitional. The plaintiff seeks class certification, unspecified damages, attorneys' fees and costs. Predecessor Company has filed a motion to dismiss and is awaiting the court's decision. Predecessor Company is vigorously defending this action.

Predecessor Company's 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 Predecessor Company on July 7, 1997. The United States Department of Justice 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 Predecessor Company) and other healthcare providers. Predecessor Company acquired an interest in AXR when Hillhaven was merged into Predecessor Company in September 1995 and purchased the remaining interest in AXR in February 1996. The suit alleges that AXR submitted false claims to the Medicare and Medicaid programs. 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. The suit seeks damages in an amount of not less than \$1,000,000, treble damages and civil penalties. Predecessor Company is cooperating fully in the investigation.

On June 6, 1997, Transitional announced that it had been advised that it is a 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, Predecessor Company was informed that no criminal charges would be filed against Predecessor Company. Predecessor Company has been informed that the USAO intends to file a civil action against Transitional relating to the partnership's former business. If such a suit is filed, Predecessor Company will vigorously defend the action.

As is typical in the healthcare industry, Predecessor Company is subject to claims and legal actions by patients and other in the ordinary course of business; and Predecessor Company believes that all such claims and legal actions currently pending against it either are adequately covered by insurance or would not have a material adverse effect on Predecessor Company if decided in a manner unfavorable to Predecessor Company. In addition, Predecessor Company is subject regularly to inquiries, investigations and audits by Federal and state agencies that oversee various healthcare regulations and laws.

#### 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)

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SCHEDULE 4.22 TO CREDIT AGREEMENT  
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OWNER OF FACILITY ON CLOSING DATE - NURSING HOMES  
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FAC.	FACILITY				
NO.	NAME	ADDRESS	CITY	STATE	ZIP
-----					
111	Rolling Hills Health Care Center	36255 St. Joseph Road	New Albany	IN	47150
-----					
112	Royal Oaks Healthcare & Rehab Ctr.	3500 Maple Avenue	Terre Haute	IN	47804
-----					
113	Southwood Health & Rehab Center	2222 Margaret Avenue	Terre Haute	IN	47802
-----					
114	Arden Rehabilitation & Healthcare Ctr.	16357 Aurora Avenue North	Seattle	WA	98133
-----					
116	Pettigrew Rehab. & Healthcare Ctr.	1515 West Pettigrew Street	Durham	NC	27705
-----					
117	East Manor Medical Care Center	1524 East Avenue South	Sarasota	FL	34239
-----					
124	Healthcare & Rehab Ctr of Sanford	950 Mellonville Avenue	Sanford	FL	32771
-----					
125	Titusville Rehab. & Nursing Center	1705 Jess Parrish Court	Titusville	FL	32796
-----					
127	Northwest Continuum Care Center	128 Beacon Hill Drive	Longview	WA	98632
-----					
132	Madison Healthcare & Rehab Center	431 Larkin Springs Road	Madison	TN	37115
-----					
136	LaSalle Healthcare Center	411 South LaSalle Street	Durham	NC	27705
-----					
137	Sunnybrook Alzheimer's & HC Spec.	25 Sunnybrook Road	Raleigh	NC	27610
-----					
138	Blue Ridge Rehab. & Healthcare Ctr.	91 Victoria Road	Asheville	NC	28801
-----					
140	Wasatch Care Center	3430 Harrison Boulevard	Ogden	UT	84403
-----					
143	Raleigh Rehab. & Healthcare Center	616 Wade Avenue	Raleigh	NC	27605
-----					
146	Rose Manor Health Care Center	4230 North Roxboro Road	Durham	NC	27704
-----					
150	Nob Hill Healthcare Center	1359 Pine Street	San Francisco	CA	94109
-----					
155	Savannah Rehab. & Nursing Center	815 East 63rd Street	Savannah	GA	31405
-----					
158	Bellingham Health Care & Rehab Svc	1200 Birchwood Avenue	Bellingham	WA	98225
-----					
165	Rainier Vista Care Center	920 12th Ave., S.E.	Puyallup	WA	98372
-----					
167	Canyonwood Nursing & Rehab. Ctr.	2120 Benton Drive	Redding	CA	96003
-----					
168	Lakewood Healthcare Center	11411 Bridgeport Way S.W.	Lakewood	WA	98499
-----					
180	Vencor of Vancouver HC & Rehab	400 East 33rd Street	Vancouver	WA	98663
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182	Cordova Rehab. & Nursing Center	955 Germantown Parkway	Cordova	TN	38018
185	Heritage Health & Rehab. Center	3605 Y Street	Vancouver	WA	98663
188	Cypress Pointe Rehab & HC Center	2006 South 16th Street	Wilmington	NC	28401
190	Winston-Salem Rehab & HC Center	1900 West First Street	Winston-Salem	NC	27104
191	Silas Creek Manor	3350 Silas Creek Parkway	Winston-Salem	NC	27103
209	Valley View Health Care Center	333 West Mishawaka Road	Elkhart	IN	46517
210	Californian Care Center	2211 Mt. Vernon Avenue	Bakersfield	CA	93306
213	Wildwood Healthcare Center	7301 East 16th Street	Indianapolis	IN	46219

FAC.	FACILITY	
NO.	NAME	Owner
111	Rolling Hills Health Care Center	Hillhaven/Indiana Partnership
112	Royal Oaks Healthcare & Rehab Ctr.	Hillhaven/Indiana Partnership
113	Southwood Health & Rehab Center	Hillhaven/Indiana Partnership
114	Arden Rehabilitation & Healthcare Ctr.	First Healthcare Corporation
116	Pettigrew Rehab. & Healthcare Ctr.	First Healthcare Corporation
117	East Manor Medical Care Center	First Healthcare Corporation
124	Healthcare & Rehab Ctr of Sanford	First Healthcare Corporation
125	Titusville Rehab. & Nursing Center	First Healthcare Corporation
127	Northwest Continuum Care Center	First Healthcare Corporation
132	Madison Healthcare & Rehab Center	First Healthcare Corporation
136	LaSalle Healthcare Center	First Healthcare Corporation
137	Sunnybrook Alzheimer's & HC Spec.	First Healthcare Corporation
138	Blue Ridge Rehab. & Healthcare Ctr.	First Healthcare Corporation
140	Wasatch Care Center	First Healthcare Corporation
143	Raleigh Rehab. & Healthcare Center	First Healthcare Corporation
146	Rose Manor Health Care Center	First Healthcare Corporation
150	Nob Hill Healthcare Center	First Healthcare Corporation
155	Savannah Rehab. & Nursing Center	First Healthcare Corporation
158	Bellingham Health Care & Rehab Svc	First Healthcare Corporation
165	Rainier Vista Care Center	First Healthcare Corporation
167	Canyonwood Nursing & Rehab. Ctr.	First Healthcare Corporation
168	Lakewood Healthcare Center	First Healthcare Corporation
180	Vencor of Vancouver HC & Rehab	First Healthcare Corporation
182	Cordova Rehab. & Nursing Center	First Healthcare Corporation
185	Heritage Health & Rehab. Center	First Healthcare Corporation
188	Cypress Pointe Rehab & HC Center	First Healthcare Corporation
190	Winston-Salem Rehab & HC Center	First Healthcare Corporation
191	Silas Creek Manor	First Healthcare Corporation
209	Valley View Health Care Center	Hillhaven/Indiana Partnership
210	Californian Care Center	First Healthcare Corporation
213	Wildwood Healthcare Center	Hillhaven/Indiana Partnership

PAGE 1

FAC.	FACILITY					
NO.	NAME	ADDRESS	CITY	STATE	ZIP	

216	Hillcrest Rehab. Care Center	1001 S. Hilton	Boise	ID	83705
218	Cascade Care Center	2814 S. Indiana Avenue South	Caldwell	ID	83605
219	Emmett Rehabilitation and Healthcare	714 North Butte Avenue	Emmett	ID	83617
221	Lewiston Rehabilitation and Care Center	3315 8th Street	Lewiston	ID	83501
222	Nampa Care Center	404 Horton	Nampa	ID	83651
223	Weiser Rehabilitation and Care Center	331 East Park	Weiser	ID	83672
225	Moscow Care Center	420 Rowe Road	Moscow	ID	83843
230	Crossland Rehab. & Health Care Center	575 East 11000 South	Sandy	UT	84070
245	Bay Pointe Nursing Pavilion	4201 31st Street South	St. Petersburg	FL	33712
247	St. George Care and Rehab. Center	1032 East 100th South	St. George	UT	84770
268	Colonial Oaks Rehab. Ctr-Ft. Myers	3250 Winkler Avenue Exten	Ft. Myers	FL	33916
269	Meadowvale Health & Rehab. Center	1529 West Lancaster Street	Bluffton	IN	46714
277	Rosewood Health Care Center	550 High Street	Bowling Green	KY	42101
278	Oakview Nursing & Rehab. Center	10456 U.S. Highway 62	Calvert City	KY	42029
279	Cedars of Lebanon Nursing Center	337 South Harrison Street	Lebanon	KY	40033
280	Winchester Centre for Health/Rehab.	200 Glenway Road	Winchester	KY	40391
281	Riverside Manor Health Care	Highway 136 - Box 39	Calhoun	KY	42327
282	Maple Manor Healthcare Center	515 Greene Drive	Greenville	KY	42345
286	Columbia Healthcare Facility	621 West Columbia Street	Evansville	IN	47710
289	San Luis Medical & Rehab Center	2305 San Luis Place	Green Bay	WI	54204
290	Bremen Health Care Center	316 Woodies Lane	Bremen	IN	46506
294	Windsor Estates Health & Rehab. Ctr.	429 West Lincoln Road	Kokomo	IN	46902
297	Marigarde-Sylvania Nursing Home		Toledo	OH	
302	Birchwood Care Center		Marne	MI	
307	Lincoln Nursing Center	1410 East Gaston Street	Lincolnton	NC	28092
320	Magnolia Gardens Care Center	1609 Trousdale Drive	Burlingame	CA	94010
327	Laurel Ridge Rehab. & Nursing Center	174 Forrest Hill Street	Jamaica Plain	MA	02130
335	Lawton Healthcare Center	1575 - 7th Avenue	San Francisco	CA	94122
350	Valley Gardens Healthcare & Rehab.	1517 East Knickerbocker Drive	Stockton	CA	95210
372	Carrollwood Care Center	15002 Hutchinson Road	Tampa	FL	33625
406	Muncie Health Care & Rehab.	4301 North Walnut	Muncie	IN	47305
407	Parkwood Health Care Center	1001 North Grant Street	Lebanon	IN	46052
409	Mountain Valley Care and Rehab.	601 West Cameron Avenue	Kellogg	ID	83837

FAC.	FACILITY	
NO.	NAME	Owner
216	Hillcrest Rehab. Care Center	Northwest Health Care, Inc.
218	Cascade Care Center	Northwest Health Care, Inc.
219	Emmett Rehabilitation and Healthcare	Northwest Health Care, Inc.
221	Lewiston Rehabilitation and Care Center	Northwest Health Care, Inc.
222	Nampa Care Center	Northwest Health Care, Inc.
223	Weiser Rehabilitation and Care Center	Northwest Health Care, Inc.
225	Moscow Care Center	Northwest Health Care, Inc.
230	Crossland Rehab. & Health Care Center	First Healthcare Corporation
245	Bay Pointe Nursing Pavilion	First Healthcare Corporation
247	St. George Care and Rehab. Center	St. George Nsg. Hm Ltd Part.
268	Colonial Oaks Rehab. Ctr-Ft. Myers	Hillhaven/Indiana Partnership
269	Meadowvale Health & Rehab. Center	Hillhaven/Indiana Partnership
277	Rosewood Health Care Center	First Healthcare Corporation
278	Oakview Nursing & Rehab. Center	First Healthcare Corporation
279	Cedars of Lebanon Nursing Center	First Healthcare Corporation

280	Winchester Centre for Health/Rehab.	First Healthcare Corporation
281	Riverside Manor Health Care	First Healthcare Corporation
282	Maple Manor Healthcare Center	First Healthcare Corporation
286	Columbia Healthcare Facility	Hillhaven/Indiana Partnership
289	San Luis Medical & Rehab Center	First Healthcare Corporation
290	Bremen Health Care Center	Hillhaven/Indiana Partnership
294	Windsor Estates Health & Rehab. Ctr.	Hillhaven/Indiana Partnership
297	Marigarde-Sylvania Nursing Home	First Healthcare Corporation
302	Birchwood Care Center	First Healthcare Corporation
307	Lincoln Nursing Center	First Healthcare Corporation
320	Magnolia Gardens Care Center	First Healthcare Corporation
327	Laurel Ridge Rehab. & Nursing Center	First Healthcare Corporation
335	Lawton Healthcare Center	First Healthcare Corporation
350	Valley Gardens Healthcare & Rehab.	First Healthcare Corporation
372	Carrollwood Care Center	Carrollwood Care Center
406	Muncie Health Care & Rehab.	Hillhaven/Indiana Partnership
407	Parkwood Health Care Center	Hillhaven/Indiana Partnership
409	Mountain Valley Care and Rehab.	First Healthcare Corporation

PAGE 2

FAC.	FACILITY				
NO.	NAME	ADDRESS	CITY	STATE	ZIP
411	Alta Vista Healthcare Center	9020 Garfield Avenue	Riverside	CA	92503
416	Park Place Health Care Center	1500 32nd Street South	Great Falls	MT	59403
420	Maywood Acres Healthcare Center	2641 South C. Street	Oxnard	CA	93033
433	Parkview Acres Care & Rehab Center	200 Oregon Street	Dillon	MT	59725
436	Valley Healthcare & Rehab. Center	5545 East Lee Street	Tucson	AZ	85712
441	Mountain Towers Healthcare & Rehab.	3128 Boxeider Drive	Cheyenne	WY	82001
452	Sunnyside Care Center	4515 Sunnyside Road, S.E.	Salem	OR	97302
453	Medford Rehab. & Healthcare Center	625 Stevens Street	Medford	OR	97504
461	Edmonds Rehab. & Healthcare Center	21008 76th Avenue West	Edmonds	WA	98026
462	Queen Anne Healthcare	2717 Dexter Avenue North	Seattle	WA	98109
481	South Central Wyoming Healthcare & Rehab	542 - 16th Street	Rawlins	WY	82301
482	Wind River Healthcare & Rehab. Center	1002 Forest Drive	Riverton	WY	82501
483	Sage View Care Center	1325 Sage Street	Rock Springs	WY	82901
501	Blue Hills Alzheimer's Care Center	1044 Park Street	Stoughton	MA	02072
503	Brigham Manor Nursing & Rehab. Center	77 High Street	Newburyport	MA	01950
506	Presentation Nursing & Rehab. Center	10 Bellamy Street	Brighton	MA	02135
507	Country Manor Rehab. & Nursing Center	180 Low Street	Newburyport	MA	01950
508	Crawford Skilled Nursing & Rehab. Center	273 Oak Grove Avenue	Fall River	MA	02723
513	Hallmark Nursing & Rehab. Center	1123 Rockdale Avenue	New Bedford	MA	02740
514	Sachem Nursing & Rehab. Center	66 Central Street	East Bridgewater	MA	02333
516	Hammersmith House Nursing Care Center	73 Chestnut Street	Saugus	MA	01906
517	Oakwood Rehab. & Nursing Center	11 Pontiac Avenue	Webster	MA	01570
518	Timberlyn Heights Nursing & Alz. Center	320 Maple Avenue	Great Barrington	MA	01230
523	Star of David Nursing & Rehab/Alz Center	1100 VFW Parkway	West Roxbury	MA	02132
525	La Veta Healthcare Center	920 West La Veta	Orange	CA	92868

(improvements owned under ground lease)					
526	Brittany Healthcare Center	168 West Central Street	Natick	MA	01760
527	Briarwood Health Care Nursing Center	150 Lincoln Street	Needham	MA	02192
528	Westridge Healthcare Center	121 Northboro Road	Marlborough	MA	01752
529	Bolton Manor Nursing Home	400 Bolton Street	Marborough	MA	07152
532	Hillcrest Nursing Home	94 Summer Street	Fitchburg	MA	01420
534	Country Gardens Sk. Nursing & Rehab.	2045 Grand Army Highway	Swansea	MA	02777
537	Quincy Rehab. & Nursing Center	11 McGrath Highway	Quincy	MA	02169

FAC.	FACILITY	
NO.	NAME	Owner
411	Alta Vista Healthcare Center	First Healthcare Corporation
416	Park Place Health Care Center	First Healthcare Corporation
420	Maywood Acres Healthcare Center	First Healthcare Corporation
433	Parkview Acres Care & Rehab Center	First Healthcare Corporation
436	Valley Healthcare & Rehab. Center	First Healthcare Corporation
441	Mountain Towers Healthcare & Rehab.	First Healthcare Corporation
452	Sunnyside Care Center	First Healthcare Corporation
453	Medford Rehab. & Healthcare Center	First Healthcare Corporation
461	Edmonds Rehab. & Healthcare Center	First Healthcare Corporation
462	Queen Anne Healthcare	First Healthcare Corporation
481	South Central Wyoming Healthcare & Rehab	First Healthcare Corporation
482	Wind River Healthcare & Rehab. Center	First Healthcare Corporation
483	Sage View Care Center	First Healthcare Corporation
501	Blue Hills Alzheimer's Care Center	First Healthcare Corporation
503	Brigham Manor Nursing & Rehab. Center	First Healthcare Corporation
506	Presentation Nursing & Rehab. Center	First Healthcare Corporation
507	Country Manor Rehab. & Nursing Center	First Healthcare Corporation
508	Crawford Skilled Nursing & Rehab. Center	First Healthcare Corporation
513	Hallmark Nursing & Rehab. Center	First Healthcare Corporation
514	Sachem Nursing & Rehab. Center	First Healthcare Corporation
516	Hammersmith House Nursing Care Center	First Healthcare Corporation
517	Oakwood Rehab. & Nursing Center	First Healthcare Corporation
518	Timberlyn Heights Nursing & Alz. Center	First Healthcare Corporation
523	Star of David Nursing & Rehab/Alz Center	First Healthcare Corporation
525	La Veta Healthcare Center	First Healthcare Corporation
(improvements owned under ground lease)		
526	Brittany Healthcare Center	First Healthcare Corporation
527	Briarwood Health Care Nursing Center	First Healthcare Corporation
528	Westridge Healthcare Center	First Healthcare Corporation
529	Bolton Manor Nursing Home	First Healthcare Corporation
532	Hillcrest Nursing Home	First Healthcare Corporation
534	Country Gardens Sk. Nursing & Rehab.	First Healthcare Corporation
537	Quincy Rehab. & Nursing Center	First Healthcare Corporation

FAC.	FACILITY				
NO.	NAME	ADDRESS	CITY	STATE	ZIP
538	West Roxbury Manor	5060 Washington Street	West Roxbury	MA	02132
539	Newton and Wellesley Alzheimer Center	694 Worcester Street	Wellesley	MA	02181
542	Den-Mar Rehab. & Nursing Center	44 South Street	Rockport	MA	01966
	(improvements owned under ground lease)				
544	Augusta Rehabilitation Center	187 Eastern Avenue	Augusta	ME	04330
545	Eastside Rehab. and Living Center	516 Mount Hope Avenue	Bangor	ME	04401
546	Winship Green Nursing Center	51 Winship Street	Bath	ME	04530
547	Brewer Rehabilitation & Living Center	74 Parkway South	Brewer	ME	04412
549	Kennebunk Nursing Center	158 Ross Road	Kennebunk	ME	04043
550	Norway Rehabilitation & Living Center	24 Marion Avenue	Norway	ME	04268
552	Shore Village Rehab. & Nursing Center	201 Camden Street	Rockland	ME	04841
554	Westgate Manor	750 Union Street	Bangor	ME	04401
555	Brentwood Rehab. & Nursing Center	122 Portland Street	Yarmouth	ME	04096
558	Fieldcrest Manor Nursing Home	126 Depot Street	Waldoboro	ME	04572
559	Birchwood Terrace Healthcare	43 Starr Farm Road	Burlington	VT	05401
	(Improvements owned under ground lease)				
560	Franklin Woods Health Care Center	2770 Clime Road	Columbus	OH	42332
562	Andrew House Healthcare	66 Clinic Drive	New Britain	CT	06051
563	Camelot Nursing & Rehab. Center	89 Viets Street	New London	CT	06320
565	Hamilton Rehab. & Healthcare Center	50 Palmer Street	Norwich	CT	06360
566	Windsor Rehab. & Healthcare Center	581 Poquonock Avenue	Windsor	CT	06095
567	Nutmeg Pavilion Healthcare	78 Viets Street Extension	New London	CT	06320
568	Parkway Pavilion Healthcare	1157 Enfield Street	Enfield	CT	06082
569	Chillicothe Nursing & Rehab. Center	60 Marietta Road	Chillecothe	OH	45601
570	Pickerington Nursing & Rehab. Center	1300 Hill Road North	Pickerington	OH	43147
571	Logan Health Care Center	300 Arlington Avenue	Logan	OH	43138
572	Winchester Place Nsg. & Rehab. Center	36 Lehman Drive	Canal Winchester	OH	43110
573	Eagle Pond Rehab. & Living Center	One Love Lane	South Dennis	MA	02660
577	Minerva Park Nursing & Rehab. Center	5460 Cleveland Avenue	Columbus	OH	43231
578	West Lafayette Rehab & Nursing Center	620 East Main Street	West Lafayette	OH	43845
581	Blueberry Hill Healthcare	75 Brimbal Avenue	Beverly	MA	01915
582	Colony House Nursing & Rehab. Center	277 Washington Street	Abington	MA	02351
583	Embassy House Sk. Nursing & Rehab.	2 Beaumont Avenue	Brockton	MA	02402

FAC.	FACILITY	
NO.	NAME	Owner
538	West Roxbury Manor	First Healthcare Corporation
539	Newton and Wellesley Alzheimer Center	First Healthcare Corporation
542	Den-Mar Rehab. & Nursing Center	First Healthcare Corporation
	(improvements owned under ground lease)	
544	Augusta Rehabilitation Center	First Healthcare Corporation
545	Eastside Rehab. and Living Center	First Healthcare Corporation
546	Winship Green Nursing Center	First Healthcare Corporation
547	Brewer Rehabilitation & Living Center	First Healthcare Corporation
549	Kennebunk Nursing Center	First Healthcare Corporation
550	Norway Rehabilitation & Living Center	First Healthcare Corporation
552	Shore Village Rehab. & Nursing Center	First Healthcare Corporation
554	Westgate Manor	First Healthcare Corporation

555	Brentwood Rehab. & Nursing Center	First Healthcare Corporation
558	Fieldcrest Manor Nursing Home	First Healthcare Corporation
559	Birchwood Terrace Healthcare	First Healthcare Corporation
(Improvements owned under ground lease)		
560	Franklin Woods Health Care Center	First Healthcare Corporation
562	Andrew House Healthcare	First Healthcare Corporation
563	Camelot Nursing & Rehab. Center	First Healthcare Corporation
565	Hamilton Rehab. & Healthcare Center	First Healthcare Corporation
566	Windsor Rehab. & Healthcare Center	First Healthcare Corporation
567	Nutmeg Pavilion Healthcare	First Healthcare Corporation
568	Parkway Pavilion Healthcare	First Healthcare Corporation
569	Chillicothe Nursing & Rehab. Center	First Healthcare Corporation
570	Pickerington Nursing & Rehab. Center	First Healthcare Corporation
571	Logan Health Care Center	First Healthcare Corporation
572	Winchester Place Nsg. & Rehab. Center	First Healthcare Corporation
573	Eagle Pond Rehab. & Living Center	First Healthcare Corporation
577	Minerva Park Nursing & Rehab. Center	First Healthcare Corporation
578	West Lafayette Rehab & Nursing Center	First Healthcare Corporation
581	Blueberry Hill Healthcare	First Healthcare Corporation
582	Colony House Nursing & Rehab. Center	First Healthcare Corporation
583	Embassy House Sk. Nursing & Rehab.	First Healthcare Corporation

PAGE 4

FAC.	FACILITY				
NO.	NAME	ADDRESS	CITY	STATE	ZIP
584	Franklin Sk. Nursing & Rehab. Center	130 Chestnut Street	Franklin	MA	02038
585	Great Barrington Rehab. & Nursing Ctr.	148 Maple Avenue	Great Barrington	MA	01230
587	River Terrace	1675 Main Street	Lancaster	MA	01523
588	Walden Rehab. & Nursing Center	785 Main Street	Concord	MA	01742
591	Dover Rehab. & Living Center	307 Plaza Drive	Dover	NH	03820
592	Greenbriar Terrace Healthcare	55 Harris Road	Nashua	NH	03062
(Improvements owned under ground lease)					
593	Hanover Terrace Healthcare	53 Lyme Road	Hanover	NH	03755
634	Cambridge Health & Rehab. Center	1471 Wills Creek Valley Drive	Cambridge	OH	43725
635	Coshocton Health & Rehab. Center	100 South Whitewoman Street	Coshocton	OH	43812
637	Evergreen Woods Health & Rehab.	7045 Evergreen Woods Tr.	Springhill	FL	34608
640	Las Vegas Healthcare & Rehab. Center	2832 South Maryland Parkway	Las Vegas	NV	89109
641	Torrey Pines Care Center	1701 South Torrey Pines Drive	Las Vegas	NV	89012
642	Hillhaven Convalescent Center		Las Vegas	NV	
645	Specialty Care of Marietta	26 Tower Road	Marietta	GA	30060
655	Federal Heights Rehab. & Nsg. Center	41 South Ninth Street	Salt Lake City	UT	84102
660	Savannah Specialty Care Center	11800 Abercom Street	Savannah	GA	31419
690	Wasatch Valley Rehabilitation	2200 East 3300 South	Salt Lake City	UT	84109
694	Wedgewood Healthcare Center	101 Potters Lane	Clarksville	IN	47129
695	Grayling Health Care Center		Grayling	MI	
704	Guardian Care of Roanoke Rapids	305 Fourteenth Street	Roanoke Rapids	NC	27870
706	Guardian Care of Henderson	280 South Beckford Drive	Henderson	NC	27536

707	Rehab. & Nursing Center of Monroe	1212 Sunset Drive East	Monroe	NC	28112
711	Guardian Care of Kinston	907 Cunningham Road	Kinston	NC	28501
713	Guardian Care of Zebulon	509 West Gannon Avenue	Zebulon	NC	27597
723	Guardian Care of Rocky Mount	160 Winstead Avenue	Rocky Mount	NC	27804
(Improvements owned under ground lease)					
724	Rehab. & Health Care of Gastonia	416 North Highland Avenue	Gastonia	NC	28052
726	Guardian Care of Elizabeth City	901 Halstead Boulevard	Elizabeth City	NC	17909
738	Bay View Nursing & Rehab. Center	516 Willow Street	Alameda	CA	94501
742	Sonoran Rehab. & Care Center	4202 North 20th Avenue	Phoenix	AZ	85015
743	Desert Life Rehab. & Care Center	1919 W. Medical Street	Tucson	AZ	85704
744	Cherry Hills Health Care Center	3575 South Washington Street	Englewood	CO	80110

FAC.	FACILITY	
NO.	NAME	Owner
584	Franklin Sk. Nursing & Rehab. Center	First Healthcare Corporation
585	Great Barrington Rehab. & Nursing Ctr.	First Healthcare Corporation
587	River Terrace	First Healthcare Corporation
588	Walden Rehab. & Nursing Center	First Healthcare Corporation
591	Dover Rehab. & Living Center	First Healthcare Corporation
592	Greenbriar Terrace Healthcare	First Healthcare Corporation
(Improvements owned under ground lease)		
593	Hanover Terrace Healthcare	First Healthcare Corporation
634	Cambridge Health & Rehab. Center	Nationwide Care, Inc.
635	Coshocton Health & Rehab. Center	Nationwide Care, Inc.
637	Evergreen Woods Health & Rehab.	Nationwide Care, Inc.
640	Las Vegas Healthcare & Rehab. Center	First Healthcare Corporation
641	Torrey Pines Care Center	First Healthcare Corporation
642	Hillhaven Convalescent Center	First Healthcare Corporation
645	Specialty Care of Marietta	First Healthcare Corporation
655	Federal Heights Rehab. & Nsg. Center	First Healthcare Corporation
660	Savannah Specialty Care Center	First Healthcare Corporation
690	Wasatch Valley Rehabilitation	First Healthcare Corporation
694	Wedgewood Healthcare Center	First Healthcare Corporation
695	Grayling Health Care Center	First Healthcare Corporation
704	Guardian Care of Roanoke Rapids	First Healthcare Corporation
706	Guardian Care of Henderson	First Healthcare Corporation
707	Rehab. & Nursing Center of Monroe	First Healthcare Corporation
711	Guardian Care of Kinston	First Healthcare Corporation
713	Guardian Care of Zebulon	First Healthcare Corporation
723	Guardian Care of Rocky Mount	First Healthcare Corporation
(Improvements owned under ground lease)		
724	Rehab. & Health Care of Gastonia	First Healthcare Corporation
726	Guardian Care of Elizabeth City	First Healthcare Corporation
738	Bay View Nursing & Rehab. Center	First Healthcare Corporation
742	Sonoran Rehab. & Care Center	First Healthcare Corporation
743	Desert Life Rehab. & Care Center	First Healthcare Corporation
744	Cherry Hills Health Care Center	First Healthcare Corporation

FAC.	FACILITY				
NO.	NAME	ADDRESS	CITY	STATE	ZIP
745	Aurora Care Center	10201 East Third Avenue	Aurora	CO	80010
746	Homestead Health Care & Rehab. Center	4735 South 54th Street	Lincoln	NE	68516
764	Woodside Convalescent Center	501 8th Avenue Southeast	Rochester	MN	55904
765	Eastview Mecial & Rehab. Center	729 Park Street	Antigo	WI	54409
766	Colonial Manor Medical & Rehab Center	1010 East Wausau Avenue	Wausau	WI	54403
767	Colony Oaks Care Center	601 Briarcliff Drive	Appleton	WI	54915
769	North Ridge Med. & Rehab. Center	1445 North 7th Street	Manitowoc	WI	54220
770	Vallhaven Care Center	125 Byrd Avenue	Neenah	WI	54956
771	Kennedy Park Medical & Rehab. Center	6001 Alderson Street	Schofield	WI	54476
772	Family Heritage Med. & Rehab. Center	130 Strawberry Lane	Wisconsin Rapid	WI	54494
773	Mt. Carmel Medical & Rehab. Center	677 East State Street	Burlington	WI	53105
774	Mt. Carmel Health & Rehab. Center	5700 West Layton Avenue	Milwaukee	WI	53220
775	Sheridan Medical Complex	8400 Sheridan Road	Kenosha	WI	53140
776	Woodstock Health & Rehab. Center	3415 Sheridan Road	Kenosha	WI	53140
777	Clara Barton Terrace		Flint	MI	
778	Mary Avenue Care Center		Lansing	MI	
779	Westview Nursing & Rehab. Center	1510 Clinic Drive	Bedford	IN	47421
780	Columbus Health & Rehab. Center	2100 Midway	Columbus	IN	47201
782	Danville Centre for Health & Rehab.	642 North 3rd Street	Danville	KY	40422
783	Lexington Centre for Health & Rehab.	353 Waller Avenue	Lexington	KY	40504
784	North Centre for Health & Rehab.	6000 Hunting Road	Louisville	KY	40222
785	Hillcrest Health Care Center	3740 Old Hartford Road	Owensboro	KY	42303

FAC.	FACILITY	
NO.	NAME	Owner
745	Aurora Care Center	First Healthcare Corporation
746	Homestead Health Care & Rehab. Center	First Healthcare Corporation
764	Woodside Convalescent Center	First Healthcare Corporation
765	Eastview Mecial & Rehab. Center	First Healthcare Corporation
766	Colonial Manor Medical & Rehab Center	First Healthcare Corporation
767	Colony Oaks Care Center	First Healthcare Corporation
769	North Ridge Med. & Rehab. Center	First Healthcare Corporation
770	Vallhaven Care Center	First Healthcare Corporation
771	Kennedy Park Medical & Rehab. Center	First Healthcare Corporation
772	Family Heritage Med. & Rehab. Center	First Healthcare Corporation
773	Mt. Carmel Medical & Rehab. Center	First Healthcare Corporation
774	Mt. Carmel Health & Rehab. Center	First Healthcare Corporation
775	Sheridan Medical Complex	First Healthcare Corporation
776	Woodstock Health & Rehab. Center	First Healthcare Corporation
777	Clara Barton Terrace	First Healthcare Corporation
778	Mary Avenue Care Center	First Healthcare Corporation
779	Westview Nursing & Rehab. Center	Hillhaven/Indiana Partnership
780	Columbus Health & Rehab. Center	Hillhaven/Indiana Partnership
782	Danville Centre for Health & Rehab.	First Healthcare Corporation
783	Lexington Centre for Health & Rehab.	First Healthcare Corporation



784	North Centre for Health & Rehab.	First Healthcare Corporation
785	Hillcrest Health Care Center	First Healthcare Corporation

PAGE 6

FAC.	FACILITY				
NO.	NAME	ADDRESS	CITY	STATE	ZIP
787	Woodland Terrace Health Care Fac.	1117 Woodland Drive	Elizabethtown	KY	42701
791	Rehab. & Healthcare Ctr. of Huntsville	105 Teakwood Drive	Huntsville	AL	35801
796	Hacienda Rehab. & Care Center	660 S. Coronado Drive	Sierra Vista	AZ	85635
802	Bridgepark Ctr. for Rehab. & Nsg. Sv.	145 Olive Street	Akron	OH	44310
804	Rehab. & Healthc. Ctr. of Birmingham	2728 Tenth Avenue South	Birmingham	AL	35205
	(improvements owned under ground lease)				
806	Chapel Hill Rehab. & Healthcare Ctr.	1602 East Franklin Street	Chapel Hill	NC	27514
822	Primacy Healthcare & Rehab. Ctr.	6025 Primacy Parkway	Memphis	TN	38119
824	Rehab. & Healthcare Ctr. of Mobile	1758 Spring Hill Avenue	Mobile	AL	36607
	(Improvements owned under ground lease)				
825	Nansemond Pointe Rehab. & HC Ctr.	200 West Constance Road	Suffolk	VA	23434
826	Harbour Pointe Med. & Rehab. Centre	1005 Hampton Boulevard	Norfolk	VA	23507
829	River Pointe Rehab. & Healthcare Center	4142 Bonney Road	Virginia Beach	VA	23452
836	Rehab. & Healthcare Ctr. of Tampa	4411 North Habana Avenue	Tampa	FL	33614
837	Rehab. & Health Ctr. of Cape Coral	2629 Del Prado Boulevard	Cape Coral	FL	33904
842	Bay Pointe Medical & Rehab. Centre	1148 First Colonial Road	Virginia Beach	VA	23454
851	Villa Campana Health Center	6651 East Carondelet Drive	Tucson	AZ	85710
853	Kachina Point Health Care & Rehab.	505 Jacks Canyon Road	Sedona	AZ	86351
859	Castle Garden Care Center	401 Malley Drive	Northglenn	CO	80233
864	Harrodsburg Health Care Center	853 Lexington Road	Harrodsburg	KY	40330
868	Lebanon Country Manor	700 Monroe Road	Lebanon	OH	45036
873	Brighton Care Center	2025 East Egbert Street	Brighton	CO	80601
884	Masters Health Care Center	278 Dry Valley Road	Algood	TN	38506
922	Windsor Woods Convalescent Ctr.	13719 Dallas Drive	Hudson	FL	34667
982	Village Square Nsg. & Rehab. Center	1586 West San Marcos Boulevard	San Marcos	CA	92069
920	Marietta Convalescent Center		Marietta	OH	
(3636)					
985	Harrington House Nsg. & Rehab. Center	160 Main Street	Walpole	MA	02081
1217	Casa Mora Rehab. & Extended Care	1902 49th Street West	Bradenton	FL	34209
	(Improvements owned under ground lease)				
421	North Broward Rehab. & Nsg. Center	402 East Sample Road	Pompano Beach	FL	33064
(1218)					
511	Highland Pines Rehab. Center	111 South Highland Avenue	Clearwater	FL	34616

FAC.	FACILITY	
NO.	NAME	Owner
787	Woodland Terrace Health Care Fac.	First Healthcare Corporation
791	Rehab. & Healthcare Ctr. of Huntsville	First Healthcare Corporation
796	Hacienda Rehab. & Care Center	First Healthcare Corporation
802	Bridgepark Ctr. for Rehab. & Nsg. Sv.	First Healthcare Corporation

804	Rehab. & Healthc. Ctr. of Birmingham	First Healthcare Corporation
	(improvements owned under ground lease)	
806	Chapel Hill Rehab. & Healthcare Ctr.	First Healthcare Corporation
822	Primacy Healthcare & Rehab. Ctr.	First Healthcare Corporation
824	Rehab. & Healthcare Ctr. of Mobile	First Healthcare Corporation
	(Improvements owned under ground lease)	
825	Nansemond Pointe Rehab. & HC Ctr.	First Healthcare Corporation
826	Harbour Pointe Med. & Rehab. Centre	First Healthcare Corporation
829	River Pointe Rehab. & Healthcare Center	First Healthcare Corporation
836	Rehab. & Healthcare Ctr. of Tampa	First Healthcare Corporation
837	Rehab. & Health Ctr. of Cape Coral	First Healthcare Corporation
842	Bay Pointe Medical & Rehab. Centre	First Healthcare Corporation
851	Villa Campana Health Center	First Healthcare Corporation
853	Kachina Point Health Care & Rehab.	First Healthcare Corporation
859	Castle Garden Care Center	First Healthcare Corporation
864	Harrodsburg Health Care Center	First Healthcare Corporation
868	Lebanon Country Manor	First Healthcare Corporation
873	Brighton Care Center	First Healthcare Corporation
884	Masters Health Care Center	First Healthcare Corporation
922	Windsor Woods Convalescent Ctr.	WindsorWoods Nsg.Hm.Ptnrs.
982	Village Square Nsg. & Rehab. Center	San Macros Nsg. Hm. Ptnrsh.
920	Marietta Convalescent Center	Nationwide Care, Inc.
(3636)		
985	Harrington House Nsg. & Rehab. Center	New Pond Village Associates
1217	Casa Mora Rehab. & Extended Care	Ventas, Inc.
	(Improvements owned under ground lease)	
421	North Broward Rehab. & Nsg. Center	Ventas, Inc.
(1218)		
511	Highland Pines Rehab. Center	Ventas, Inc.

PAGE 7

FAC.	FACILITY				
NO.	NAME	ADDRESS	CITY	STATE	ZIP
(1220)					
1221	Courtland Gardens Health Center, Inc.	53 Courtland Avenue	Stamford	CT	06902
1224	Health Havens Nursing & Rehab. Center	100 Wampanoag Trail	E. Providence	RI	02915
1226	Homestead Health Care	160 Glenbrook Road	Stamford	CT	06902
422	Lafayette Nursing & Rehab. Center	110 Brandywine Boulevard	Fayetteville	GA	30214
(1228)					
1231	Oak Hill Nursing & Rehab. Center	544 Pleasant Street	Pawtucket	RI	02860
423	Pompano Rehab/Nursing Center	51 West Sample Road	Pompano Beach	FL	33064
(1232)					
424	Abbey Rehab. & Nursing Center	7101 9th Street, North	St. Petersburg	FL	33702
(1233)					
425	San Pedro Manor	515 W. Ashby Place	San Antonio	TX	78212
(1234)					
426	Wyomissing Nursing & Rehab. Center	1000 E. Wyomissing Boulevard	Reading	PA	19611

(1237)

1238	Tucker Nursing Center	2165 Idlewood Road	Tucker	GA	30084
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FAC.	FACILITY	
NO.	NAME	Owner

(1220)

1221	Courtland Gardens Health Center, Inc.	Ventas, Inc.
1224	Health Havens Nursing & Rehab. Center	Health Haven Associates, L.P.
1226	Homestead Health Care	Ventas, Inc.
422	Lafayette Nursing & Rehab. Center	Ventas, Inc.

(1228)

1231	Oak Hill Nursing & Rehab. Center	Oak Hill Nursing Ass., L.P.
423	Pompano Rehab/Nursing Center	Ventas, Inc.

(1232)

424	Abbey Rehab. & Nursing Center	Ventas, Inc.
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(1233)

425	San Pedro Manor	Ventas, Inc.
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(1234)

426	Wyomissing Nursing & Rehab. Center	Ventas, Inc.
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(1237)

1238	Tucker Nursing Center	Ventas, Inc.
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PAGE 8

SCHEDULE 4.25 TO CREDIT AGREEMENT

OWNER OF FACILITY ON CLOSING DATE - HOSPITALS

Facility. No.	Facility Name	Address	City	ST	Zip	Owner
647	Vencor Hospital. Las Vegas	5100 West Sahara Avenue	Las Vegas	NV	89102	Ventas, Inc.
641	Vencor Hospital. Las Vegas West (Hospital located within Torrey Pines Care Center)	1701 South Torrey Pines	Las Vegas	NV	89102	First Healthcare Corporation
644	THC . Orange County	875 North Brea Blvd.	Brea	CA	92821	Ventas, Inc.
664	Vencor Hospital .Albuquerque (OWN IMPROVEMENTS UNDERGROUND LEASE)	700 High Street, N.W.	Albuquerque	NM	87102	Ventas, Inc.
617	Vencor Hospital. Arlington, VA	601 South Carlin Springs Road	Arlington	VA	22204	Vencor Hospitals East, Inc.
688	Vencor Hospital. Boston	1515 Commonwealth Avenue	Boston	MA	2135	Hahnemann Hospital, Inc.
673	Vencor Hospital. Boston Northshore	15 King Street	Peabody	MA	1960	Ventas, Inc.
674	Vencor Hospital. Central Tampa	4801 North Howard Avenue	Tampa	FL	33603	Ventas, Inc.
628	Vencor Hospital. Chattanooga	709 Walnut Street	Chattanooga	TN	37402	Ventas, Inc.
0637	Vencor Hospital. Chicago North	2544 West Montrose Avenue	Chicago	IL	60618	Vencor Hospitals Illinois, Inc.
602	Vencor Hospital. Coral Gables	5190 Southwest 8th Street	Coral Gables	FL	33134	Ventas, Inc.

665	Vencor Hospital. Denver	1920 High Street	Denver	CO	80218	Ventas, Inc.
675	Vencor Hospital. Detroit	26400 West Outer Drive	Lincoln Park	MI	48146	Ventas, Inc.
653	Vencor Hospital. Ft. Worth Southwest	7800 Oakmont Blvd.	Ft. Worth	TX	76132	Ventas, Inc.
668	Vencor Hospital. Ft. Worth West	815 Eighth Avenue	Ft. Worth	TX	76104	Ventas, Inc.
645	Vencor Hospital. Ft. Lauderdale	1516 East Las Olas Blvd.	Ft. Lauderdale	FL	33301	Ventas, inc.
662	Vencor Hospital. Greensboro	2401 Southside Blvd.	Greensboro	NC	2746	Vencor Hospitals East, Inc.
676	Vencor Hospital. Hollywood	1859 Van Buren Street	Hollywood	FL	33020	Ventas, Inc.
685	Vencor Hospital. Houston (OWN IMPROVEMENTS UNDERGROUND LEASE)	6441 Main Street	Houston	TX	77030	Ventas, Inc.
654	Vencor Hospital. Houston Northwest	11297 Fallbrook Drive	Houston	TX	77065	Ventas, Inc.
638	Vencor Hospital. Indianapolis	1700 West 10th Street	Indianapolis	IN	46222	Ventas, Inc.
612	Vencor Hospital. Kansas City	8701 Troost	Kansas City	MO	64131	Ventas, Inc.
620	Vencor Hospital. LaGrange	207 North Towline Road	LaGrange	IN	46761	Ventas, Inc.
633	Vencor Hospital. Louisville	1313 St. Anthony Place	Louisville	KY	40204	Ventas, Inc.
660	Vencor Hospital. Mansfield	1802 Hwy. 157 North	Mansfield	TX	76063	Ventas, Inc.
677	Vencor Hospital. Metro Detroit	700 M.L. King, Jr. Blvd.	Detroit	MI	48208	Ventas, Inc.
659	Vencor Hospital. Minneapolis	4101 Golden Valley Road	Golden Valley	MN	55422	Ventas, Inc.
631	Vencor Hospital. Mt. Carmel	5700 West Layton Avenue	Milwaukee	WI	53220	Vencor Hospitals East, Inc.
666	Vencor Hospital. New Orleans	3601 Coliseum Street	New Orleans	LA	70115	Ventas, Inc.
656	Vencor Hospital. Phoenix	40 East Indianola Avenue	Phoenix	AZ	85012	Ventas, Inc.
658	Vencor Hospital. Tucson	355 North Wilmot Road	Tucson	AZ	85711	Ventas, Inc.
607	Vencor Hospital. Ontario	550 North Monterey Avenue	Ontario	CA	91764	Ventas, Inc.
622	Vencor Hospital. San Leandro	2800 Benedict Drive	San Leandro	CA	94577	Ventas, Inc.
642	Vencor Hospital. Orange County	200 Hospital Circle	Westminster	CA	92683	Ventas, Inc.
648	Vencor Hospital. San Diego	1940 El Cajon Blvd.	San Diego	CA	92104	Ventas, Inc.
611	Vencor Hospital. St. Petersburg	303 Sixth Street	St. Petersburg	FL	33705	Ventas, Inc.
652	Vencor Hospital. North Florida	801 Oak Street	Green Cove Spring	FL	32043	Ventas, Inc.
615	Vencor Hospital. Sycamore	225 Edward Street	Sycamore	IL	60178	Vencor Hospitals Illinois, Inc.
690	Vencor Hospital. Northlake	365 East North Avenue	Northlake	IL	60164	Vencor Hospitals Illinois, Inc.
680	Vencor Hospital. St. Louis	4930 Lindell Blvd.	St. Louis	MO	63108	Ventas, Inc.
618	Vencor Hospital. Oklahoma City	1407 North Robinson Avenue	Oklahoma City	OK	73103	Ventas, Inc.
614	Vencor Hospital. Philadelphia	6129 Palmetto Street	Philadelphia	PA	19111	Vencor Hospitals East, Inc.
619	Vencor Hospital.	7777 Steubenville Pike	Oakdale	PA	15071	Vencor Hospitals

	Pittsburgh					East, Inc.
635	Vencor Hospital. San Antonio	3636 Medical Drive	San Antonio	TX	78229	Ventas, Inc.
693	Recovery Inn of Menlo Park	570 Willow Road	Menlo Park	CA	94025	Ventas, Inc.
671	Vencor . Lakeshore	6130 North Sheridan Road	Chicago	IL	60660	Ventas, Inc.

#### 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

- Amended and Restated Guarantee Reimbursement Agreement dated as of April 29, 1998, among Vencor, Inc., Vencor Healthcare Inc. and Tenet Healthcare Corporation, Inc.
- 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

- 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).
- 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).

1. Agreement dated as of August 22, 1995, among Vencor (as successor by merger to The Hillhaven Corporation), Vencor and Tenet Healthcare Corporation.

# 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

i

	Page
-----	----
Section 4.1.	Existence and Power
	62
Section 4.2.	Power and Authority
	62
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;	

ii

		Page
		----
	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
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
--------------	-------------------------	-----

iii

		Page
		----
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

iv

		Page
		----
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



EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT is made as of the 31st day of July, 1998 (the "Effective Date"), by and between Ventas, Inc., a Delaware corporation (the "Company"), and \_\_\_\_\_ (the "Executive").

W I T N E S S E T H:

WHEREAS, the Executive is employed by the Company and the parties hereto desire to provide for Executive's continued employment by the Company; and

WHEREAS, the Board of Directors of the Company (the "Board") have determined that it is in the best interests of the Company to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and the respective covenants and agreements contained herein, and intending to be legally bound hereby, the Company and Executive agree as follows:

1. EMPLOYMENT. The Company hereby agrees to employ Executive and Executive hereby agrees to be employed by the Company on the terms and conditions herein set forth. The initial term of this Agreement shall be for a one-year period commencing on the Effective Date. The Term shall be automatically extended by one additional day for each day beyond the Effective Date that the Executive remains employed by the Company until such time as the Company elects to cease such extension by giving written notice of such election to the Executive. In such event, the Agreement shall terminate on the first anniversary of the effective date of such election notice.

2. DUTIES. Executive is engaged by the Company in an executive capacity.

3. EXTENT OF SERVICES. Executive, subject to the direction and control of the Board, shall have the power and authority commensurate with his executive status and necessary to perform his duties hereunder. During the term, Executive shall devote his working time, attention, labor, skill and energies to the business of the Company, and shall not, without the consent of the Company, be actively engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage, except for Executive's responsibilities as Chairman of the Board, Chief Executive Officer and President of Vencor, Inc.

4. COMPENSATION. As compensation for services hereunder rendered, Executive shall receive during the Term:

(a) A base salary ("Base Salary") of not less than [See Annex A] per year payable in equal installments in accordance with the Company's normal payroll procedures. Executive may receive increases in his Base Salary from time to time, as approved by the Board.

(b) In addition to Base Salary, Executive may be eligible to receive such other bonuses or incentive compensation as the Board may approve from time to time.

5. BENEFITS.

(a) Executive shall be entitled to participate in any and all Executive pension benefit, welfare benefit (including, without limitation, medical, dental, disability and group life insurance coverages) and fringe benefit plans from time to time in effect for Executives of the Company and its affiliates.

(b) Executive shall be entitled to participate in such bonus, stock option, or other incentive compensation plans of the Company and its affiliates in effect from time to time for executives of the Company.

(c) Executive shall be entitled to four weeks of paid vacation each year. The Executive shall schedule the timing of such vacations in a

reasonable manner. The Executive may also be entitled to such other leave, with or without compensation, as shall be mutually agreed by the Company and Executive.

(d) Executive may incur reasonable expenses for promoting the Company's business, including expenses for entertainment, travel and similar items. The Company shall reimburse Executive for all such reasonable expenses in accordance with the Company's reimbursement policies and procedures.

#### 6. TERMINATION OF EMPLOYMENT.

(a) DEATH OR DISABILITY. Executive's employment shall terminate automatically upon Executive's death during the Term. If the Company determines in good faith that the Disability of Executive has occurred during the Term (pursuant to the definition of Disability set forth below), it may give to Executive written notice of its intention to terminate Executive's employment. In such event, Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, Executive shall not have returned to full-time performance of Executive's duties. For purposes of this Agreement, "Disability" shall mean Executive's absence from his full-time duties hereunder for a period of 90 days.

(b) CAUSE. The Company may terminate Executive's employment during the Term for Cause. For purposes of this Agreement, "Cause" shall mean the Executive's (i) conviction of or plea of nolo contendere to a crime involving moral turpitude; or (ii) willful and material breach by Executive of his duties and responsibilities, which is committed in bad faith or without reasonable belief that such breaching conduct is in the best interests of the Company and its affiliates, but with respect to (ii) only if the Board adopts a resolution by a vote of at least 75% of its members so finding after giving the Executive and his attorney an opportunity to be heard by the Board. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company.

(c) GOOD REASON. Executive's employment may be terminated by Executive for

2

Good Reason. "Good Reason" shall exist upon the occurrence, without Executive's express written consent, of any of the following events:

(i) the Company shall assign to Executive duties of a substantially non-executive or non-managerial nature;

(ii) an adverse change in Executive's status or position as an executive officer of the Company, including, without limitation, an adverse change in Executive's status or position as a result of a diminution in Executive's duties and responsibilities (other than any such change directly attributable to the fact that the Company is no longer publicly owned);

(iii) the Company shall (A) materially reduce the Base Salary or bonus opportunity of Executive, or (B) materially reduce his benefits and perquisites (other than pursuant to a uniform reduction applicable to all similarly situated executives of the Company);

(iv) the Company shall require Executive to relocate Executive's principal business office more than 30 miles from its location on the Effective Date; or

(v) the failure of the Company to obtain the assumption of this Agreement as contemplated by Section 11(c).

For purposes of this Agreement, "Good Reason" shall not exist until after Executive has given the Company notice of the applicable event within 90 days of such event and which is not remedied within 30 days after receipt of written notice from Executive specifically delineating such claimed

event and setting forth Executive's intention to terminate employment if not remedied; provided, that if the specified event cannot reasonably be remedied within such 30-day period and the Company commences reasonable steps within such 30-day period to remedy such event and diligently continues such steps thereafter until a remedy is effected, such event shall not constitute "Good Reason" provided that such event is remedied within 60 days after receipt of such written notice.

(d) NOTICE OF TERMINATION. Any termination by the Company for Cause, or by Executive for Good Reason, shall be communicated by Notice of Termination given in accordance with this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, and (iii) specifies the intended termination date (which date, in the case of a termination for Good Reason, shall be not more than thirty days after the giving of such notice). The failure by Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of Executive or the Company, respectively, hereunder or preclude Executive or the Company, respectively, from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

(e) DATE OF TERMINATION. "Date of Termination" means (i) if Executive's

3

employment is terminated by the Company for Cause, or by Executive for Good Reason, the later of the date specified in the Notice of Termination or the date that is one day after the last day of any applicable cure period, (ii) if Executive's employment is terminated by the Company other than for Cause or Disability, or Executive resigns without Good Reason, the Date of Termination shall be the date on which the Company or Executive notified Executive or the Company, respectively, of such termination and (iii) if Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of Executive or the Disability Effective Date, as the case may be.

7. OBLIGATIONS OF THE COMPANY UPON TERMINATION. Following any termination of Executive's employment hereunder, the Company shall pay Executive his Base Salary through the Date of Termination and any amounts owed to Executive pursuant to the terms and conditions of the Executive benefit plans and programs of the Company at the time such payments are due. In addition, subject to Executive's execution of a general release of claims in form satisfactory to the Company, Executive shall be entitled to the following additional payments:

(a) DEATH OR DISABILITY. If, during the Term, Executive's employment shall terminate by reason of Executive's death or Disability, the Company shall pay to Executive (or his designated beneficiary or estate, as the case may be) the prorated portion of any Target Bonus (as defined below) Executive would have received for the year of termination of employment. Such amount shall be paid within 30 days of the date when such amounts would otherwise have been payable to the Executive if Executive's employment had not terminated.

(b) GOOD REASON; OTHER THAN FOR CAUSE. If, during the Term, the Company shall terminate Executive's employment other than for Cause (but not for Disability), or the Executive shall terminate his employment for Good Reason:

(1) Within fourteen (14) days of Executive's Date of Termination, the Company shall pay to Executive (i) the prorated portion of the Target Bonus for Executive for the year in which the Date of Termination occurs, plus (ii) an amount equal to two (2) times the Executive's Base Salary and Target Bonus as of the Date of Termination.

For purposes of this Agreement: "Target Bonus" shall mean the full amount of bonuses and/or performance compensation (other than Base Salary and awards under the Company's 1997 Incentive Compensation

Plan) that would be payable to the Executive, assuming all performance criteria on which such bonus and/or performance compensation are based were deemed to be satisfied, in respect of services for the calendar year in which the date in question occurs.

(2) For a period of two (2) years following the Date of Termination, the Executive shall be treated as if he or she had continued to be an Executive for all purposes under the Company's Health Insurance Plan and Dental Insurance Plan; or if the Company has not yet established its own Health Insurance Plan and/or Dental Plan or the Executive is prohibited from participating in such plan, the

4

Company shall, at its sole cost and expense, provide health and dental insurance coverage for Executive which is equivalent to the coverage provided to Executive as of the Date of Termination. Following this continuation period, the Executive shall be entitled to receive continuation coverage under Part 6 of Title I or ERISA ("COBRA Benefits") treating the end of this period as a termination of the Executive's employment if allowed by law.

(3) For a period of two (2) years following the Date of Termination, Company shall maintain in force, at its expense, the Executive's life insurance being provided by the Company as of the Date of Termination.

(4) For a period of two (2) years following the Executive's Date of Termination, the Company shall provide short-term and long-term disability insurance benefits to Executive equivalent to the coverage that the Executive would have had he remained employed under the disability insurance plans applicable to Executive on the Date of Termination. Should Executive become disabled during such period, Executive shall be entitled to receive such benefits, and for such duration, as the applicable plan provides.

(5) To the extent not already vested pursuant to the terms of such plan, the Executive's interests under the Vencor, Inc. Retirement Savings Plan and any Retirement Savings Plan of the Company shall be automatically fully (i.e., 100%) vested, without regard to otherwise applicable percentages for the vesting of employer matching contributions based upon the Executive's years of service with the Company.

(6) The Company shall adopt such amendments to its Executive benefit plans, if any, as are necessary to effectuate the provisions of this Agreement.

(7) The Company shall take such action as is required to cause the promissory note (the "Tax Loan") entered into in respect of the loan to Executive, dated in June of 1998 in an original principal amount of \$3,750,000 (the "Tax Loan") to be amended to provide that if the Company shall terminate Executive's employment other than for Cause or the Executive shall terminate his employment for Good Reason, the Tax Loan and any payments scheduled to be made in respect thereof shall continue to be paid in equal annual installments with a final maturity date of ten (10) years from the date of the Tax Loan, and interest thereon shall be forgiven annually.

(8) Executive shall be credited with an additional two (2) years of vesting for purposes of all restricted stock awards and Executive will have an additional two (2) years in which to exercise all outstanding stock option awards.

(c) CAUSE; OTHER THAN FOR GOOD REASON. If Executive's employment shall be terminated for Cause or Executive terminates employment without Good Reason (and other than due to such Executive's death) during the Term, this Agreement shall terminate without further additional obligations to Executive under this Agreement.

5

(d) DEATH AFTER TERMINATION. In the event of the death of Executive

during the period Executive is receiving payments pursuant to this Agreement, Executive's designated beneficiary shall be entitled to receive the balance of the payments; or in the event of no designated beneficiary, the remaining payments shall be made to Executive's estate.

8. DISPUTES. Any dispute or controversy arising under, out of, or in connection with this Agreement shall, at the election and upon written demand of either party, be finally determined and settled by binding arbitration in the City of Louisville, Kentucky, in accordance with the Labor Arbitration rules and procedures of the American Arbitration Association, and judgment upon the award may be entered in any court having jurisdiction thereof. The Company shall pay all costs of the arbitration and all reasonable attorneys' and accountants' fees of the Executive in connection therewith, including any litigation to enforce any arbitration award.

9. SUCCESSORS.

(a) This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, or any business of the Company for which Executive's services are principally performed, to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. OTHER SEVERANCE BENEFITS. Executive hereby agrees that in consideration for the payments to be received under this Agreement, Executive waives any and all rights to any payments or benefits under any plans, programs, contracts or arrangements of the Company or their respective affiliates that provide for severance payments or benefits upon a termination of employment, other than the Change in Control Severance Agreement between the Company and Executive (the "Severance Agreement"); provided that any payments payable to Executive hereunder shall be offset by any payments payable under the Severance Agreement.

11. WITHHOLDING. All payments to be made to Executive hereunder will be subject to all applicable required withholding of taxes.

12. NO MITIGATION. Executive shall have no duty to mitigate his damages by seeking other employment and, should Executive actually receive compensation from any such other employment, the payments required hereunder shall not be reduced or offset by any such

6

compensation. Further, the Company's obligations to make any payments hereunder shall not be subject to or affected by any setoff, counterclaims or defenses which the Company may have against Executive or others.

13. NOTICES. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given when delivered or sent by telephone facsimile transmission, personal or overnight couriers, or registered mail with confirmation of receipt, addressed as follows:

If to Executive:

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If to Company:

Ventas, Inc.  
400 West Market Street, Suite 3300  
Louisville, KY 40202  
Attn: General Counsel

14. WAIVER OF BREACH AND SEVERABILITY. The waiver by either party of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by either party. In the event any provision of this Agreement is found to be invalid or unenforceable, it may be severed from the Agreement and the remaining provisions of the Agreement shall continue to be binding and effective.

15. ENTIRE AGREEMENT; AMENDMENT. This instrument contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral, with respect to the subject matter hereof. No provisions of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is agreed to in writing signed by Executive and such officer of the Company specifically designated by the Board.

16. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware.

17. HEADINGS. The headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

18. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

7

VENTAS, INC.

By:  
Title:

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Executive

8

ANNEX A

W. Bruce Lunsford    \$350,000  
Thomas T. Ladt        \$335,000

9

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT is made as of the 21st day of September, 1998 (the "Effective Date"), by and between Ventas, Inc., a Delaware corporation (the "Company"), and STEVEN T. DOWNEY (the "Executive").

W I T N E S S E T H:

WHEREAS, the Executive is employed by the Company and the parties hereto desire to provide for Executive's continued employment by the Company; and

WHEREAS, the Board of Directors of the Company (the "Board") have determined that it is in the best interests of the Company to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and the respective covenants and agreements contained herein, and intending to be legally bound hereby, the Company and Executive agree as follows:

1. EMPLOYMENT. The Company hereby agrees to employ Executive and Executive hereby agrees to be employed by the Company on the terms and conditions herein set forth. The initial term of this Agreement shall be for a one-year period commencing on the Effective Date. The Term shall be automatically extended by one additional day for each day beyond the Effective Date that the Executive remains employed by the Company until such time as the Company elects to cease such extension by giving written notice of such election to the Executive. In such event, the Agreement shall terminate on the first anniversary of the effective date of such election notice.

2. DUTIES. Executive is engaged by the Company in an executive capacity.

3. EXTENT OF SERVICES. Executive, subject to the direction and control of the Board, shall have the power and authority commensurate with his executive status and necessary to perform his duties hereunder. During the term, Executive shall devote his entire working time, attention, labor, skill and energies to the business of the Company, and shall not, without the consent of the Company, be actively engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage.

4. COMPENSATION. As compensation for services hereunder rendered, Executive shall receive during the Term:

(a) A base salary ("Base Salary") of not less than \$200,000 per year payable in equal installments in accordance with the Company's normal payroll procedures. Executive may receive increases in his Base Salary from time to time, as approved by the Board.

(b) In addition to Base Salary, Executive may be eligible to receive such other incentive compensation as the Board may approve from time to time.

5. BENEFITS.

(a) Executive shall be entitled to participate in any and all Executive pension benefit, welfare benefit (including, without limitation, medical, dental, disability and group life insurance coverages) and fringe benefit plans from time to time in effect for Executives of the Company and its affiliates.

(b) Executive shall be entitled to participate in such bonus, stock option, or other incentive compensation plans of the Company and its affiliates in effect from time to time for executives of the Company.

(c) Executive shall be entitled to four weeks of paid vacation each

year. The Executive shall schedule the timing of such vacation in a reasonable manner. The Executive may also be entitled to such other leave, with or without compensation, as shall be mutually agreed by the Company and Executive.

(d) Executive may incur reasonable expenses for promoting the Company's business, including expenses for entertainment, travel and similar items. The Company shall reimburse Executive for all such reasonable expenses in accordance with the Company's reimbursement policies and procedures.

#### 6. TERMINATION OF EMPLOYMENT.

(a) DEATH OR DISABILITY. Executive's employment shall terminate automatically upon Executive's death during the Term. If the Company determines in good faith that the Disability of Executive has occurred during the Term (pursuant to the definition of Disability set forth below), it may give to Executive written notice of its intention to terminate Executive's employment. In such event, Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, Executive shall not have returned to full-time performance of Executive's duties. For purposes of this Agreement, "Disability" shall mean Executive's absence from his full-time duties hereunder for a period of 90 days.

(b) CAUSE. The Company may terminate Executive's employment during the Term for Cause. For purposes of this Agreement, "Cause" shall mean the Executive's (i) conviction of or plea of nolo contendere to a crime involving moral turpitude; or (ii) willful and material breach by Executive of his duties and responsibilities, which is committed in bad faith or without reasonable belief that such breaching conduct is in the best interests of the Company and its affiliates, but with respect to (ii) only if the Board adopts a resolution by a vote of at least 75% of its members so finding after giving the Executive and his attorney an opportunity to be heard by the Board. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company.

2

(c) GOOD REASON. Executive's employment may be terminated by Executive for Good Reason. "Good Reason" shall exist upon the occurrence, without Executive's express written consent, of any of the following events:

(i) the Company shall assign to Executive duties of a substantially nonexecutive or nonmanagerial nature;

(ii) an adverse change in Executive's status or position as an executive officer of the Company, including, without limitation, an adverse change in Executive's status or position as a result of a diminution in Executive's duties and responsibilities (other than any such change directly attributable to the fact that the Company is no longer publicly owned);

(iii) the Company shall (A) materially reduce the Base Salary or bonus opportunity of Executive, or (B) materially reduce his benefits and perquisites (other than pursuant to a uniform reduction applicable to all similarly situated executives of the Company);

(iv) the Company shall require Executive to relocate Executive's principal business office more than 30 miles from its location on the Effective Date; or

(v) the failure of the Company to obtain the assumption of this Agreement as contemplated by Section 11(c).

For purposes of this Agreement, "Good Reason" shall not exist until after Executive has given the Company notice of the applicable event within 90 days of such event and which is not remedied within 30 days after receipt of written notice from Executive specifically delineating such claimed event and setting forth Executive's intention to terminate employment if



not remedied; provided that if the specified event cannot reasonably be remedied within such 30-day period and the Company commences reasonable steps within such 30-day period to remedy such event and diligently continues such steps thereafter until a remedy is effected, such event shall not constitute "Good Reason" provided that such event is remedied within 60 days after receipt of such written notice.

(d) NOTICE OF TERMINATION. Any termination by the Company for Cause, or by Executive for Good Reason, shall be communicated by Notice of Termination given in accordance with this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated and (iii) specifies the intended termination date (which date, in the case of a termination for Good Reason, shall be not more than thirty days after the giving of such notice). The failure by Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of Executive or the Company, respectively, hereunder or preclude Executive or the Company, respectively, from asserting such fact

3

or circumstance in enforcing Executive's or the Company's rights hereunder.

(e) DATE OF TERMINATION. "Date of Termination" means (i) if Executive's employment is terminated by the Company for Cause, or by Executive for Good Reason, the later of the date specified in the Notice of Termination or the date that is one day after the last day of any applicable cure period, (ii) if Executive's employment is terminated by the Company other than for Cause or Disability, or Executive resigns without Good Reason, the Date of Termination shall be the date on which the Company or Executive notified Executive or the Company, respectively, of such termination, and (iii) if Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of Executive or the Disability Effective Date, as the case may be.

7. OBLIGATIONS OF THE COMPANY UPON TERMINATION. Following any termination of Executive's employment hereunder, the Company shall pay Executive his Base Salary through the Date of Termination and any amounts owed to Executive pursuant to the terms and conditions of the Executive benefit plans and programs of the Company at the time such payments are due. In addition, subject to Executive's execution of a general release of claims in form satisfactory to the Company, Executive shall be entitled to the following additional payments:

(a) DEATH OR DISABILITY. If, during the Term, Executive's employment shall terminate by reason of Executive's death or Disability, the Company shall pay to Executive (or his designated beneficiary or estate, as the case may be) the prorated portion of any Target Bonus (as defined below) Executive would have received for the year of termination of employment. Such amount shall be paid within 30 days of the date when such amounts would otherwise have been payable to the Executive if Executive's employment had not terminated.

(b) GOOD REASON; OTHER THAN FOR CAUSE. If, during the Term, the Company shall terminate Executive's employment other than for Cause (but not for Disability), or the Executive shall terminate his employment for Good Reason:

(1) Within fourteen (14) days of Executive's Date of Termination, the Company shall pay to Executive (i) the prorated portion of the Target Bonus for Executive for the year in which the Date of Termination occurs, plus (ii) an amount equal to the Executive's Base Salary and Target Bonus as of the Date of Termination.

For purposes of this Agreement: "Target Bonus" shall mean the full amount of bonuses and/or performance compensation (other than Base Salary and awards under the Company's 1997 Incentive Compensation Plan) that would be payable to the Executive, assuming all performance criteria on which such bonus and/or performance compensation are based were deemed to be satisfied, in respect of services for the calendar

year in which the date in question occurs.

4

(2) For a period of one year following the Date of Termination, the Executive shall be treated as if he or she had continued to be an Executive for all purposes under the Company's Health Insurance Plan and Dental Insurance Plan; or if the Company has not yet established its own Health Insurance Plan and/or Dental Plan or the Executive is prohibited from participating in such plan, the Company shall, at its sole cost and expense, provide health and dental insurance coverage for Executive which is equivalent to the coverage provided to Executive as of the Date of Termination. Following this continuation period, the Executive shall be entitled to receive continuation coverage under Part 6 of Title I or ERISA ("COBRA Benefits") treating the end of this period as a termination of the Executive's employment if allowed by law.

(3) For a period of one year following the Date of Termination, Company shall maintain in force, at its expense, the Executive's life insurance being provided by the Company as of the Date of Termination.

(4) For a period of one year following the Executive's Date of Termination, the Company shall provide short-term and long-term disability insurance benefits to Executive equivalent to the coverage that the Executive would have had he remained employed under the disability insurance plans applicable to Executive on the Date of Termination. Should Executive become disabled during such period, Executive shall be entitled to receive such benefits, and for such duration, as the applicable plan provides.

(5) To the extent not already vested pursuant to the terms of such plan, the Executive's interests under the Retirement Savings Plan and any Retirement Savings Plan of the Company shall be automatically fully (i.e., 100%) vested, without regard to otherwise applicable percentages for the vesting of employer matching contributions based upon the Executive's years of service with the Company.

(6) The Company shall adopt such amendments to its Executive benefit plans, if any, as are necessary to effectuate the provisions of this Agreement.

(7) Executive shall be credited with an additional one year of vesting for purposes of all restricted stock awards and Executive will have an additional one year in which to exercise all outstanding stock option awards.

(c) CAUSE; OTHER THAN FOR GOOD REASON. If Executive's employment shall be terminated for Cause or Executive terminates employment without Good Reason (and other than due to such Executive's death) during the Term, this Agreement shall terminate without further additional obligations to Executive under this Agreement.

(d) DEATH AFTER TERMINATION. In the event of the death of Executive during the period Executive is receiving payments pursuant to this Agreement, Executive's designated beneficiary shall be entitled to receive the balance of the payments; or in the

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event of no designated beneficiary, the remaining payments shall be made to Executive's estate.

8. DISPUTES. Any dispute or controversy arising under, out of, or in connection with this Agreement shall, at the election and upon written demand of either party, be finally determined and settled by binding arbitration in the City of Louisville, Kentucky, in accordance with the Labor Arbitration rules and procedures of the American Arbitration Association, and judgment upon the award may be entered in any court having jurisdiction thereof. The Company shall pay all costs of the arbitration and all reasonable attorneys' and accountants' fees of the Executive in connection therewith, including any litigation to enforce any arbitration award.

9. SUCCESSORS.

(a) This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, or any business of the Company for which Executive's services are principally performed, to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. OTHER SEVERANCE BENEFITS. Executive hereby agrees that in consideration for the payments to be received under this Agreement, Executive waives any and all rights to any payments or benefits under any plans, programs, contracts or arrangements of the Company or their respective affiliates that provide for severance payments or benefits upon a termination of employment, other than the Change in Control Severance Agreement between the Company and Executive (the "Severance Agreement"); provided that any payments payable to Executive hereunder shall be offset by any payments payable under the Severance Agreement.

11. WITHHOLDING. All payments to be made to Executive hereunder will be subject to all applicable required withholding of taxes.

12. NO MITIGATION. Executive shall have no duty to mitigate his damages by seeking other employment and, should Executive actually receive compensation from any such other employment, the payments required hereunder shall not be reduced or offset by any such compensation. Further, the Company's obligations to make any payments hereunder shall not be

6

subject to or affected by any setoff, counterclaims or defenses which the Company may have against Executive or others.

13. NOTICES. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given when delivered or sent by telephone facsimile transmission, personal or overnight couriers, or registered mail with confirmation of receipt, addressed as follows:

If to Executive:  
Steven T. Downey

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Louisville, KY

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If to Company:  
Ventas, Inc.  
400 West Market Street, Suite 3300  
Louisville, KY 40202  
Attn: President

14. WAIVER OF BREACH AND SEVERABILITY. The waiver by either party of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by either party. In the event any provision of this Agreement is found to be invalid or unenforceable, it may be severed from the Agreement and the remaining provisions of the Agreement shall continue to be binding and effective.

15. ENTIRE AGREEMENT; AMENDMENT. This instrument contains the entire agreement of the parties with respect to the subject matter hereof and

supersedes all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral, with respect to the subject matter hereof. No provisions of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is agreed to in writing signed by Executive and such officer of the Company specifically designated by the Board.

16. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware.

17. HEADINGS. The headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

18. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

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VENTAS, INC.

By: /s/ Thomas T. Ladt  
Thomas T. Ladt  
President and Chief Operating Officer

/s/ Steven T. Downey  
Steven T. Downey

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EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT is made as of the 31st day of July, 1998 (the "Effective Date"), by and between Ventas, Inc., a Delaware corporation (the "Company"), and T. RICHARD RINEY (the "Executive").

W I T N E S S E T H:

WHEREAS, the Executive is employed by the Company and the parties hereto desire to provide for Executive's continued employment by the Company; and

WHEREAS, the Board of Directors of the Company (the "Board") have determined that it is in the best interests of the Company to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and the respective covenants and agreements contained herein, and intending to be legally bound hereby, the Company and Executive agree as follows:

1. EMPLOYMENT. The Company hereby agrees to employ Executive and Executive hereby agrees to be employed by the Company on the terms and conditions herein set forth. The initial term of this Agreement shall be for a one-year period commencing on the Effective Date. The Term shall be automatically extended by one additional day for each day beyond the Effective Date that the Executive remains employed by the Company until such time as the Company elects to cease such extension by giving written notice of such election to the Executive. In such event, the Agreement shall terminate on the first anniversary of the effective date of such election notice.

2. DUTIES. Executive is engaged by the Company in an executive capacity.

3. EXTENT OF SERVICES. Executive, subject to the direction and control of the Board, shall have the power and authority commensurate with his executive status and necessary to perform his duties hereunder. During the term, Executive shall devote his entire working time, attention, labor, skill and energies to the business of the Company, and shall not, without the consent of the Company, be actively engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage.

4. COMPENSATION. As compensation for services hereunder rendered, Executive shall receive during the Term:

(a) A base salary ("Base Salary") of not less than \$137,000 per year payable in equal installments in accordance with the Company's normal payroll procedures. Executive may receive increases in his Base Salary from time to time, as approved by the Board.

(b) In addition to Base Salary, Executive may be eligible to receive such other bonuses or incentive compensation as the Board may approve from time to time.

5. BENEFITS.

(a) Executive shall be entitled to participate in any and all Executive pension benefit, welfare benefit (including, without limitation, medical, dental, disability and group life insurance coverages) and fringe benefit plans from time to time in effect for

Executives of the Company and its affiliates.

(b) Executive shall be entitled to participate in such bonus, stock option, or other incentive compensation plans of the Company and its affiliates in effect from time to time for executives of the Company.

(c) Executive shall be entitled to four weeks of paid vacation each year. The Executive shall schedule the timing of such vacation in a

reasonable manner. The Executive may also be entitled to such other leave, with or without compensation, as shall be mutually agreed by the Company and Executive.

(d) Executive may incur reasonable expenses for promoting the Company's business, including expenses for entertainment, travel and similar items. The Company shall reimburse Executive for all such reasonable expenses in accordance with the Company's reimbursement policies and procedures.

#### 6. TERMINATION OF EMPLOYMENT.

(a) DEATH OR DISABILITY. Executive's employment shall terminate automatically upon Executive's death during the Term. If the Company determines in good faith that the Disability of Executive has occurred during the Term (pursuant to the definition of Disability set forth below), it may give to Executive written notice of its intention to terminate Executive's employment. In such event, Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, Executive shall not have returned to full-time performance of Executive's duties. For purposes of this Agreement, "Disability" shall mean Executive's absence from his full-time duties hereunder for a period of 90 days.

(b) CAUSE. The Company may terminate Executive's employment during the Term for Cause. For purposes of this Agreement, "Cause" shall mean the Executive's (i) conviction of or plea of nolo contendere to a crime involving moral turpitude; or (ii) willful and material breach by Executive of his duties and responsibilities, which is committed in bad faith or without reasonable belief that such breaching conduct is in the best interests of the Company and its affiliates, but with respect to (ii) only if the Board adopts a resolution by a vote of at least 75% of its members so finding after giving the Executive and his attorney an opportunity to be heard by the Board. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company.

(c) GOOD REASON. Executive's employment may be terminated by Executive for Good Reason. "Good Reason" shall exist upon the occurrence, without Executive's express written consent, of any of the following events:

(i) the Company shall assign to Executive duties of a substantially nonexecutive or nonmanagerial nature;

2

(ii) an adverse change in Executive's status or position as an executive officer of the Company, including, without limitation, an adverse change in Executive's status or position as a result of a diminution in Executive's duties and responsibilities (other than any such change directly attributable to the fact that the Company is no longer publicly owned);

(iii) the Company shall (A) materially reduce the Base Salary or bonus opportunity of Executive, or (B) materially reduce his benefits and perquisites (other than pursuant to a uniform reduction applicable to all similarly situated executives of the Company);

(iv) the Company shall require Executive to relocate Executive's principal business office more than 30 miles from its location on the Effective Date; or

(v) the failure of the Company to obtain the assumption of this Agreement as contemplated by Section 11(c).

For purposes of this Agreement, "Good Reason" shall not exist until after Executive has given the Company notice of the applicable event within 90 days of such event and which is not remedied within 30 days after receipt of written notice from Executive specifically delineating such claimed event and setting forth Executive's intention to terminate employment if not remedied; provided that if the specified event cannot reasonably be

remedied within such 30-day period and the Company commences reasonable steps within such 30-day period to remedy such event and diligently continues such steps thereafter until a remedy is effected, such event shall not constitute "Good Reason" provided that such event is remedied within 60 days after receipt of such written notice.

(d) NOTICE OF TERMINATION. Any termination by the Company for Cause, or by Executive for Good Reason, shall be communicated by Notice of Termination given in accordance with this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated and (iii) specifies the intended termination date (which date, in the case of a termination for Good Reason, shall be not more than thirty days after the giving of such notice). The failure by Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of Executive or the Company, respectively, hereunder or preclude Executive or the Company, respectively, from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

(e) DATE OF TERMINATION. "Date of Termination" means (i) if Executive's employment is terminated by the Company for Cause, or by Executive for Good Reason, the later of the date specified in the Notice of Termination or the date that is one day after the last day of any applicable cure period, (ii) if Executive's employment is terminated by the Company other than for Cause or Disability, or Executive resigns without Good Reason, the Date of Termination shall be the date on which the Company or Executive notified Executive or the Company, respectively, of such termination, and (iii) if Executive's employment is terminated by reason of death or Disability, the Date of

3

Termination shall be the date of death of Executive or the Disability Effective Date, as the case may be.

7. OBLIGATIONS OF THE COMPANY UPON TERMINATION. Following any termination of Executive's employment hereunder, the Company shall pay Executive his Base Salary through the Date of Termination and any amounts owed to Executive pursuant to the terms and conditions of the Executive benefit plans and programs of the Company at the time such payments are due. In addition, subject to Executive's execution of a general release of claims in form satisfactory to the Company, Executive shall be entitled to the following additional payments:

(a) DEATH OR DISABILITY. If, during the Term, Executive's employment shall terminate by reason of Executive's death or Disability, the Company shall pay to Executive (or his designated beneficiary or estate, as the case may be) the prorated portion of any Target Bonus (as defined below) Executive would have received for the year of termination of employment. Such amount shall be paid within 30 days of the date when such amounts would otherwise have been payable to the Executive if Executive's employment had not terminated.

(b) GOOD REASON; OTHER THAN FOR CAUSE. If, during the Term, the Company shall terminate Executive's employment other than for Cause (but not for Disability), or the Executive shall terminate his employment for Good Reason:

(1) Within fourteen (14) days of Executive's Date of Termination, the Company shall pay to Executive (i) the prorated portion of the Target Bonus for Executive for the year in which the Date of Termination occurs, plus (ii) an amount equal to the Executive's Base Salary and Target Bonus as of the Date of Termination.

For purposes of this Agreement: "Target Bonus" shall mean the full amount of bonuses and/or performance compensation (other than Base Salary and awards under the Company's 1997 Incentive Compensation Plan) that would be payable to the Executive, assuming all performance criteria on which such bonus and/or performance compensation are based were deemed to be satisfied, in respect of services for the calendar

year in which the date in question occurs.

(2) For a period of one year following the Date of Termination, the Executive shall be treated as if he or she had continued to be an Executive for all purposes under the Company's Health Insurance Plan and Dental Insurance Plan; or if the Company has not yet established its own Health Insurance Plan and/or Dental Plan or the Executive is prohibited from participating in such plan, the Company shall, at its sole cost and expense, provide health and dental insurance coverage for Executive which is equivalent to the coverage provided to Executive as of the Date of Termination. Following this continuation period, the Executive shall be entitled to receive continuation coverage under Part 6 of Title I or ERISA ("COBRA Benefits") treating the end of this period as a termination of the Executive's employment if allowed by law.

(3) For a period of one year following the Date of Termination, Company

4

shall maintain in force, at its expense, the Executive's life insurance being provided by the Company as of the Date of Termination.

(4) For a period of one year following the Executive's Date of Termination, the Company shall provide short-term and long-term disability insurance benefits to Executive equivalent to the coverage that the Executive would have had he remained employed under the disability insurance plans applicable to Executive on the Date of Termination. Should Executive become disabled during such period, Executive shall be entitled to receive such benefits, and for such duration, as the applicable plan provides.

(5) To the extent not already vested pursuant to the terms of such plan, the Executive's interests under the Vencor, Inc. Retirement Savings Plan and any Retirement Savings Plan of the Company shall be automatically fully (i.e., 100%) vested, without regard to otherwise applicable percentages for the vesting of employer matching contributions based upon the Executive's years of service with the Company.

(6) The Company shall adopt such amendments to its Executive benefit plans, if any, as are necessary to effectuate the provisions of this Agreement.

(7) Executive shall be credited with an additional one year of vesting for purposes of all restricted stock awards and Executive will have an additional one year in which to exercise all outstanding stock option awards.

(c) CAUSE; OTHER THAN FOR GOOD REASON. If Executive's employment shall be terminated for Cause or Executive terminates employment without Good Reason (and other than due to such Executive's death) during the Term, this Agreement shall terminate without further additional obligations to Executive under this Agreement.

(d) DEATH AFTER TERMINATION. In the event of the death of Executive during the period Executive is receiving payments pursuant to this Agreement, Executive's designated beneficiary shall be entitled to receive the balance of the payments; or in the event of no designated beneficiary, the remaining payments shall be made to Executive's estate.

8. DISPUTES. Any dispute or controversy arising under, out of, or in connection with this Agreement shall, at the election and upon written demand of either party, be finally determined and settled by binding arbitration in the City of Louisville, Kentucky, in accordance with the Labor Arbitration rules and procedures of the American Arbitration Association, and judgment upon the award may be entered in any court having jurisdiction thereof. The Company shall pay all costs of the arbitration and all reasonable attorneys' and accountants' fees of the Executive in connection therewith, including any litigation to enforce any arbitration award.

9. SUCCESSORS.



(a) This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable

5

by Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, or any business of the Company for which Executive's services are principally performed, to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. OTHER SEVERANCE BENEFITS. Executive hereby agrees that in consideration for the payments to be received under this Agreement, Executive waives any and all rights to any payments or benefits under any plans, programs, contracts or arrangements of the Company or their respective affiliates that provide for severance payments or benefits upon a termination of employment, other than the Change in Control Severance Agreement between the Company and Executive (the "Severance Agreement"); provided that any payments payable to Executive hereunder shall be offset by any payments payable under the Severance Agreement.

11. WITHHOLDING. All payments to be made to Executive hereunder will be subject to all applicable required withholding of taxes.

12. NO MITIGATION. Executive shall have no duty to mitigate his damages by seeking other employment and, should Executive actually receive compensation from any such other employment, the payments required hereunder shall not be reduced or offset by any such compensation. Further, the Company's obligations to make any payments hereunder shall not be subject to or affected by any setoff, counterclaims or defenses which the Company may have against Executive or others.

13. NOTICES. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given when delivered or sent by telephone facsimile transmission, personal or overnight couriers, or registered mail with confirmation of receipt, addressed as follows:

If to Executive:  
T. Richard Riney

If to Company:  
Ventas, Inc.  
400 West Market Street, Suite 3300  
Louisville, KY 40202  
Attn: President

6

14. WAIVER OF BREACH AND SEVERABILITY. The waiver by either party of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by either party. In the event any provision of this Agreement is found to be invalid or unenforceable, it may be severed from the Agreement and the remaining provisions of the Agreement shall continue to be binding and effective.

15. ENTIRE AGREEMENT; AMENDMENT. This instrument contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral, with respect to the subject matter hereof. No provisions of this Agreement may be modified, waived or discharged unless such modification, waiver

or discharge is agreed to in writing signed by Executive and such officer of the Company specifically designated by the Board.

16. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware.

17. HEADINGS. The headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

18. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

VENTAS, INC.

By: /s/ Thomas T. Ladt  
Thomas T. Ladt  
President and Chief Operating Officer

/s/ T. Richard Riney  
T. Richard Riney

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM VENTAS, INC.'S  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIVE MONTHS ENDED SEPTEMBER  
30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH STATEMENTS.

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