HEALTH CARE REIT INC /DE/
Form DEF 14A
March 26, 2008

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

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Health Care REIT, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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HEALTH CARE REIT, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

and

PROXY STATEMENT

Meeting Date

May 1, 2008

YOUR VOTE IS IMPORTANT!

You are urged to sign, date, and return your proxy in the enclosed envelope.

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HEALTH CARE REIT, INC.
One SeaGate
Suite 1500
P.O. Box 1475
Toledo, Ohio 43603-1475

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
AND
IMPORTANT NOTICE REGARDING THE AVAILABILITY OF
PROXY MATERIALS FOR THE ANNUAL MEETING

To Be Held on May 1, 2008

To The Stockholders of Health Care REIT, Inc.:

The Annual Meeting of Stockholders of Health Care REIT, Inc. will be held on May 1, 2008 at 10:00 a.m. in the Auditorium of One SeaGate, Toledo, Ohio, for the purpose of considering and acting upon:

1. The election of three Directors for a term of three years;

2. The ratification of the appointment of Ernst & Young LLP as independent registered public accounting firm for the fiscal year 2008; and

3. The transaction of such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors of Health Care REIT, Inc. unanimously recommends that you vote for Proposals 1 and 2. Stockholders of record at the close of business on March 7, 2008 will be entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof. Information relating to the matters to be considered and voted on at the Annual Meeting is set forth in the Proxy Statement accompanying this Notice. **In addition, the Proxy Statement, Annual Report and a form of Proxy Card are available on the Internet at www.hcreit.com/proxy.**

BY ORDER OF THE BOARD OF DIRECTORS

Erin C. Ibele
Senior Vice President-Administration and
Corporate Secretary

Toledo, Ohio
March 20, 2008

PLEASE COMPLETE AND SIGN THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENVELOPE PROVIDED WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING. In lieu of mailing your Proxy Card, you may choose to submit a proxy via the Internet or by telephone by

following the procedures provided on your Proxy Card. The proxy may be revoked by you at any time, and giving your proxy will not affect your right to vote in person if you attend the Annual Meeting. If you plan to attend the Annual Meeting and require directions, please call (419) 247-2800 or write to the Senior Vice President-Administration and Corporate Secretary, Health Care REIT, Inc., One SeaGate, Suite 1500, P.O. Box 1475, Toledo, Ohio 43603-1475.

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HEALTH CARE REIT, INC.
One SeaGate
Suite 1500
P.O. Box 1475
Toledo, Ohio 43603-1475

PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS

May 1, 2008

GENERAL

This Proxy Statement is furnished to the stockholders of Health Care REIT, Inc. (the Company) by its Board of Directors in connection with the solicitation of proxies in the enclosed form to be used in voting at the Annual Meeting of Stockholders (the Annual Meeting), which is scheduled to be held on Thursday, May 1, 2008 at 10:00 a.m. as set forth in the foregoing notice. At the Annual Meeting, the stockholders will be asked to elect three Directors, ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm and transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

A share cannot be voted at the Annual Meeting unless the holder thereof is present or represented by proxy. When proxies in the accompanying form are returned properly executed and dated or the appropriate procedures for submitting a proxy via the Internet or by telephone are followed, the shares represented thereby will be voted at the Annual Meeting. If a choice is specified in the proxy, the shares represented thereby will be voted in accordance with such specification. If no specification is made, the proxy will be voted FOR the action proposed. Any stockholder giving a proxy has the right to revoke it any time before it is voted by filing a written revocation with the Senior Vice President-Administration and Corporate Secretary of the Company, by filing a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. The revocation of a proxy will not be effective until notice thereof has been received by the Senior Vice President-Administration and Corporate Secretary of the Company.

The cost of solicitation of proxies will be borne by the Company. In addition to solicitation by mail, Directors and officers of the Company may solicit proxies in writing or by telephone, electronically, by personal interview, or by other means of communication. The Company will reimburse Directors and officers for their reasonable out-of-pocket expenses in connection with such solicitation. The Company will request brokers and nominees who hold shares in their names to furnish this proxy material to the persons for whom they hold shares and will reimburse such brokers and nominees for their reasonable out-of-pocket expenses in connection therewith. The Company has hired Mellon Investor Services LLC to solicit proxies for a fee not to exceed $5,500, plus expenses and other customary charges.

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the total number of shares of voting securities outstanding on the record date shall constitute a quorum for the transaction of business by such holders at the Annual Meeting.

The executive offices of the Company are located at One SeaGate, Suite 1500, Toledo, Ohio 43604, and its mailing address is One SeaGate, Suite 1500, P.O. Box 1475, Toledo, Ohio 43603-1475. The telephone number is (419) 247-2800. The approximate date on which this material was first sent to stockholders was March 26, 2008. A COPY OF THE COMPANY S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31,

2007, INCLUDING THE FINANCIAL STATEMENTS AND THE SCHEDULES THERETO, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, IS AVAILABLE ON OUR WEBSITE AT www.hcreit.com OR MAY BE OBTAINED WITHOUT CHARGE BY WRITING TO THE SENIOR VICE PRESIDENT-ADMINISTRATION AND CORPORATE SECRETARY, HEALTH CARE REIT, INC., AT THE ABOVE MAILING ADDRESS.

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VOTING SECURITIES OUTSTANDING

As of March 7, 2008, the Company had outstanding 86,020,404 shares of common stock, $1.00 par value per share. The common stock constitutes the only class of voting securities of the Company entitled to vote at the Annual Meeting. Stockholders of record at the close of business on March 7, 2008 are entitled to notice of, and to vote at, the Annual Meeting and any adjournments thereof. Each share of common stock is entitled to one vote on all matters to come before the Annual Meeting.

PROPOSAL 1 ELECTION OF DIRECTORS

The Company s By-Laws provide that the Board of Directors shall have nine members unless changed by the Board. In January 2007, the Board increased the number of Directors from nine to ten. In January 2008, the number of Directors was increased from ten to 11 upon the appointment of Jeffrey R. Otten as a Class II Director. The Board is divided into three classes: Class I, Class II and Class III. The Directors are elected to serve for a three-year term and until the election and qualification of their respective successors.

Proxies received will be voted to elect the three Class I Directors named below to serve for a three-year term and until their respective successors are elected and qualified or until their earlier resignation or removal. If any nominee declines or is unable to accept such nomination to serve as a Director, events which the Board does not now expect, the proxies reserve the right to substitute another person as a Board nominee, or to reduce the number of Board nominees, as they shall deem advisable. The proxy solicited hereby will not be voted to elect more than three Directors.

CLASS I
Directors to be Elected

William C. Ballard, Jr., age 67. Mr. Ballard is Of Counsel to Greenebaum Doll & McDonald PLLC (law firm), a position he has held since 1992. From 1970 to 1992, Mr. Ballard was Executive Vice President, Chief Financial Officer and Director of Humana Inc. (provider of integrated health care services). Mr. Ballard also serves as a Director of UnitedHealth Group Incorporated (diversified health and well-being company). Mr. Ballard has served as a Director of the Company since 1996 and is a member of the Board s Compensation, Executive, Investment and Planning Committees.

Peter J. Grua, age 54. Mr. Grua is a Managing Partner of HLM Venture Partners (provider of venture capital), where he has held various positions since 1992. Mr. Grua also serves as a Director of The Advisory Board Company (provider of best practices research and analysis to the health care industry). Mr. Grua has served as a Director of the Company since 1999 and is a member of the Board s Executive, Investment, Nominating/Corporate Governance and Planning Committees.

R. Scott Trumbull, age 59. Mr. Trumbull is Chairman and Chief Executive Officer of Franklin Electric Co., Inc. (manufacturer of electric motors), a position he has held since January 2003. From October 2001 through December 2002, Mr. Trumbull was Executive Vice President and Chief Financial Officer of Owens-Illinois, Inc. (manufacturer of glass containers). From 1993 to October 2001, Mr. Trumbull served as Executive Vice President, International Operations & Corporate Development of Owens-Illinois, Inc. Mr. Trumbull has served as a Director of the Company since 1999 and is a member of the Board s Audit, Investment and Planning Committees.

THE BOARD OF DIRECTORS OF THE COMPANY UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THE ABOVE NOMINEES. The three nominees who receive the highest number of

votes at the Annual Meeting shall be elected as Directors.

CLASS II
Directors Whose Terms Continue (1)

Pier C. Borra, age 68. Mr. Borra is Chairman of CORA Health Services, Inc. (outpatient rehabilitation services), a position he has held since January 1998. Mr. Borra has served as a Director of the Company since 1991 and is a member of the Board s Audit, Investment, Nominating/Corporate Governance and Planning Committees.

George L. Chapman, age 60. Mr. Chapman is Chairman and Chief Executive Officer of the Company, positions he has held since October 1996, and served as President of the Company from September 1995 to May 2002. From January 1992 to September 1995, Mr. Chapman served as Executive Vice President and General Counsel of the Company. Mr. Chapman has served as a Director of the Company since 1994 and is a member of the Board s Executive, Investment and Planning Committees.

Sharon M. Oster, age 59. Ms. Oster is Professor of Management and Entrepreneurship, Yale University School of Management. Ms. Oster has served as a Director of the Company since 1994 and is a member of the Board s Compensation, Investment and Planning Committees.

Jeffrey R. Otten, age 57. Mr. Otten is the President of JRO Ventures Inc. (management consulting firm), a position he has held since 2002. From January 2004 to August 2005, Mr. Otten served as Chief Executive Officer of Stentor Corporation (provider of digital medical imaging). From 1994 to 2002, Mr. Otten served as Chief Executive Officer of Brigham and Women s Hospital, a teaching affiliate of Harvard Medical School. Mr. Otten has served as a Director of the Company since January 2008 and is a member of the Board s Investment and Planning Committees.

CLASS III
Directors Whose Terms Continue (2)

Raymond W. Braun, age 50. Mr. Braun is President of the Company, a position he has held since May 2002, and served as Chief Financial Officer of the Company from July 2000 to March 2006. Since January 1993, Mr. Braun has served in various capacities, including Chief Operating Officer, Executive Vice President, Assistant Vice President and Assistant General Counsel of the Company. Mr. Braun has served as a Director of the Company since 2007 and is a member of the Board s Investment and Planning Committees.

Thomas J. DeRosa, age 50. Mr. DeRosa is the former Vice Chairman and Chief Financial Officer of The Rouse Company (real estate development and operations), a position he held from September 2002 until November 2004 when The Rouse Company merged with General Growth Properties, Inc. From 1992 to September 2002, Mr. DeRosa held various positions at Deutsche Bank and Alex. Brown & Sons (Deutsche Bank AG), including Global Co-Head of the Health Care Investment Banking Group of Deutsche Bank and Managing Director in the Real Estate Investment Banking Group of Alex. Brown & Sons. Mr. DeRosa also serves as a Director of Dover Corporation (global provider of equipment, specialty systems and services for various industrial and commercial markets). Mr. DeRosa has served as a Director of the Company since 2004 and is a member of the Board s Audit, Investment, Nominating/Corporate Governance and Planning Committees.

Jeffrey H. Donahue, age 61. Mr. Donahue is President and Chief Executive Officer of Enterprise Community Investment, Inc. (provider of affordable housing), a position he has held since January 2003. Mr. Donahue was Executive Vice President and Chief Financial Officer of The Rouse Company (real estate development and operations) from December 1998 to September 2002. Mr. Donahue has served as a Director of the Company since 1997 and is a member of the Board s Compensation, Investment and Planning Committees.

Fred S. Klipsch, age 66. Mr. Klipsch is Vice Chairman of the Company, a position he has held since December 2006, and Chairman of the Board and Chief Executive Officer of Klipsch Group, Inc., a position he has held since 1989. Since 1990, Mr. Klipsch also has served as Chairman of the Board of Klipsch Audio Technologies and Chairman of the Board and Chief Executive Officer of Klipsch Lanham Investments. Mr. Klipsch served as Chairman of the Board and Chief Executive Officer of Windrose Medical Properties Trust from its formation in 2002 until December 2006, when Windrose Medical Properties Trust merged with the Company. Mr. Klipsch has served as a Director of the Company since December 2006 and is a member of the Board s Investment and Planning Committees.

(1) The terms of Messrs. Borra, Chapman and Otten and Ms. Oster expire in 2009.

(2) The terms of Messrs. Braun, DeRosa, Donahue and Klipsch expire in 2010.

BOARD AND COMMITTEES

Independence and Meetings

The Board has adopted Corporate Governance Guidelines that meet the listing standards adopted by the New York Stock Exchange and a Code of Business Conduct and Ethics that meets the New York Stock Exchange s listing standards and complies with the rules of the Securities and Exchange Commission. The Corporate Governance Guidelines and Code of Business Conduct and Ethics are available on our website at www.hcreit.com and from the Company upon written request sent to the Senior Vice President-Administration and Corporate Secretary, Health Care REIT, Inc., One SeaGate, Suite 1500, P.O. Box 1475, Toledo, Ohio 43603-1475.

Pursuant to the Corporate Governance Guidelines, the Board undertook a review of Director independence in January 2008. During this review, the Board considered transactions and relationships between each Director, or any member of his or her immediate family, and the Company and its subsidiaries and affiliates. The purpose of this review was to determine whether any relationships or transactions were inconsistent with a determination that a Director is independent.

The Board determined that other than Messrs. Braun, Chapman and Klipsch, all of the Directors (Ms. Oster and Messrs. Ballard, Borra, DeRosa, Donahue, Grua, Otten and Trumbull) meet the specific minimum independence requirements of the New York Stock Exchange. The Board also determined that, other than Messrs. Braun, Chapman and Klipsch, all of the Directors (Ms. Oster and Messrs. Ballard, Borra, DeRosa, Donahue, Grua, Otten and Trumbull) have no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) and are therefore independent under the general independence standards of the New York Stock Exchange and the Corporate Governance Guidelines.

In evaluating the independence of Mr. DeRosa, the Board considered Mr. DeRosa s former employment relationship with Deutsche Bank and its affiliates from 1992 to 2002 and that Mr. DeRosa received a deferred payment in 2005 from Deutsche Bank relating to services provided in the past. Although Deutsche Bank provided investment banking services to the Company during this period, and continues to provide such services, the Board determined that this prior relationship is not material to Mr. DeRosa, the Company, or Deutsche Bank because Mr. DeRosa has not been affiliated with Deutsche Bank since 2002. The Board has determined that this former relationship will not affect the ability of Mr. DeRosa to exercise independent judgment.

The Board determined that all of the members of the Audit Committee (Messrs. Borra, DeRosa and Trumbull) are independent under the general independence standards of the New York Stock Exchange and the Corporate Governance Guidelines and under the separate independence standards for audit committee members under Rule 10A-3 of the Securities Exchange Act of 1934, as amended. Additionally, the Board determined that all of the members of the Compensation Committee (Ms. Oster and Messrs. Ballard and Donahue) are independent, non-employee and outside directors, as the case may be, under the rules of the New York Stock Exchange, Securities and Exchange Commission and Internal Revenue Service. Finally, the Board determined that all of the members of the Nominating/Corporate Governance Committee (Messrs. Borra, DeRosa and Grua) are independent under the rules of the New York Stock Exchange.

The Board also determined that all three of the nominees for election at the Annual Meeting (Messrs. Ballard, Grua and Trumbull) are independent from the Company and its Management under the standards set forth in the Corporate Governance Guidelines.

The Board met four times during the year ended December 31, 2007. It is our policy to schedule a meeting of the Board on the date of the annual meeting of stockholders and all of our Directors are encouraged to attend that meeting. All of our Directors attended last year s annual meeting of stockholders.

The Board has standing Audit, Executive, Compensation, Investment, Nominating/Corporate Governance and Planning Committees. In 2007, all incumbent Directors attended at least 75% of the aggregate of the meetings of the Board and the committees on which they served.

Executive sessions of non-employee Directors are held after regularly scheduled meetings of the Board and an executive session of independent Directors is held at least once each year. The presiding Director of these executive sessions is the Chair of the Nominating/Corporate Governance Committee, currently Mr. Grua.

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Audit Committee

The Audit Committee has the authority and responsibility to engage and discharge the independent registered public accounting firm, pre-approve all audit and non-audit services to be provided by such firm, review the plan and results of the auditing engagement, review Management s evaluation of the adequacy of the Company s system of internal control over financial reporting, direct and supervise investigations into matters within the scope of its duties, and perform the duties set forth in its written charter and such other duties as are required by applicable laws or securities exchange rules. From January 2007 through April 2007, Ms. Oster was the Audit Committee Chair and Messrs. DeRosa and Trumbull were Committee members. In May 2007, Mr. Borra replaced Ms. Oster on the Committee and Mr. DeRosa became the Committee Chair. Accordingly, the current members of the Committee are Messrs. Borra, DeRosa and Trumbull, with Mr. DeRosa serving as Chair. The Audit Committee met eight times during the year ended December 31, 2007.

The Audit Committee is comprised solely of Directors who are not officers or employees of the Company and who the Board has determined have the requisite financial literacy to serve on the Audit Committee. Additionally, the Board determined that no member of the Committee has any material relationship with the Company that might interfere with the exercise of the member s independent judgment and that each member meets the standards of independence established by the Securities and Exchange Commission and the New York Stock Exchange. See Independence and Meetings above for a discussion of independence determinations.

The Board, after reviewing all of the relevant facts and circumstances, has determined that Messrs. Borra, DeRosa and Trumbull are audit committee financial experts.

The Audit Committee is governed by a written charter approved by the Board of Directors. The charter is available on the Company s website at www.hcreit.com and from the Company upon written request sent to the Senior Vice President-Administration and Corporate Secretary, Health Care REIT, Inc., One SeaGate, Suite 1500, P.O. Box 1475, Toledo, Ohio 43603-1475.

Compensation Committee

The Compensation Committee is responsible for determining the nature and amount of compensation for Executive Officers. From January 2007 through April 2007, Mr. Borra was the Compensation Committee Chair and Messrs. Ballard and Donahue were Committee members. In May 2007, Ms. Oster replaced Mr. Borra on the Committee and Mr. Donahue became the Committee Chair. Accordingly, the current members of the Compensation Committee are Ms. Oster and Messrs. Ballard and Donahue, with Mr. Donahue serving as Chair. The Compensation Committee met six times during the year ended December 31, 2007. The Compensation Committee is governed by a written charter approved by the Board of Directors. The charter is available on the Company s website at www.hcreit.com and from the Company upon written request sent to the Senior Vice President-Administration and Corporate Secretary, Health Care REIT, Inc., One SeaGate, Suite 1500, P.O. Box 1475, Toledo, Ohio 43603-1475. See Executive Compensation Compensation Discussion and Analysis for additional information regarding the Compensation Committee.

Executive Committee

The function of the Executive Committee is to exercise all the powers of the Board (except any powers specifically reserved to the Board) between meetings of the Board. The Executive Committee is also responsible for reviewing and approving the Company s investments between meetings of the Investment Committee. The members of the Executive Committee are Messrs. Ballard, Chapman and Grua. The Executive Committee met once during the year ended December 31, 2007.

Investment Committee

The function of the Investment Committee is to review and approve the Company s investments in health care and senior housing properties. During the year ended December 31, 2007, the Investment Committee met four times. Each member of the Board is a member of the Investment Committee. The Executive Committee is responsible for reviewing and approving the Company s investments between meetings of the Investment Committee.

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Nominating/Corporate Governance Committee

Responsibilities and Members. The Nominating/Corporate Governance Committee is responsible for reviewing and interviewing qualified candidates to serve on the Board, to make nominations to fill vacancies on the Board and to select the nominees for the Directors to be elected by our stockholders at each annual meeting. In addition, the Committee is responsible for evaluating, implementing and overseeing the standards and guidelines for the governance of the Company, including monitoring compliance with those standards and guidelines, as well as evaluating the performance of the Board. From January 2007 through April 2007, Mr. Ballard was the Nominating/Corporate Governance Committee Chair and Messrs. DeRosa and Grua were Committee members. In May 2007, Mr. Borra replaced Mr. Ballard on the Committee and Mr. Grua became the Committee Chair. Accordingly, the current members of the Nominating/Corporate Governance Committee are Messrs. Borra, DeRosa and Grua, with Mr. Grua serving as Chair. The Nominating/Corporate Governance Committee met seven times during the year ended December 31, 2007.

The Committee is comprised solely of Directors who are not officers or employees of the Company. The Board has determined that no member of the Committee has any material relationship with the Company that might interfere with the member s exercise of his independent judgment and that each member meets the standards of independence established by the New York Stock Exchange.

The Nominating/Corporate Governance Committee is governed by a written charter approved by the Board of Directors. The charter is available on the Company s website at www.hcreit.com and from the Company upon written request sent to the Senior Vice President-Administration and Corporate Secretary, Health Care REIT, Inc., One SeaGate, Suite 1500, P.O. Box 1475, Toledo, Ohio 43603-1475.

Consideration of Director Nominees. The Board believes that a nominee for Director should be or have been a senior manager, chief operating officer, chief financial officer or chief executive officer of a complex organization such as a corporation, university, foundation or governmental entity or unit or, if in a professional capacity, be accustomed to dealing with complex problems, or otherwise have obtained and excelled in a position of leadership. In addition, Directors and nominees for Director should have the education, experience, intelligence, independence, fairness, reasoning ability, practical wisdom and vision to exercise sound business judgment and should have high personal and professional ethics, strength of character, integrity and values. Also, Directors and nominees for Director should be available and willing to attend regularly scheduled meetings of the Board and its committees and otherwise able to contribute a reasonable amount of time to our affairs, with participation on other boards of directors encouraged to provide breadth of experience to the Board. The age at the time of election of any nominee for Director should be such to assure a minimum of three years of service as a Director.

In identifying and evaluating nominees for Director, the Committee first looks at the overall size and structure of the Board each year to determine the need to add or remove Directors. Second, taking into consideration the characteristics mentioned above, the Committee determines if there are any specific qualities or skills that would complement the existing strengths of the Board.

The Committee uses multiple sources for identifying and evaluating nominees for Directors, including referrals from current Directors and Management, and may seek input from third party executive search firms retained at the Company s expense. If the Committee retains one or more search firms, such firms may be asked to identify possible nominees, interview and screen such nominees and act as a liaison between the Committee and each nominee during the screening and evaluation process. The Committee will review the résumé and qualifications of each candidate and determine whether the candidate would add value to the Board. With respect to candidates that are determined by the Committee to be potential nominees, the Committee will obtain such background and reference checks as it deems necessary, and the Chair of the Committee and the Chairman of the Board will interview qualified candidates. Once it

is determined that a candidate is a good prospect, the candidate will be invited to meet the other members of the Committee. If the candidate is approved by the Committee, the candidate will have an opportunity to meet with the remaining Directors and Management. At the end of this process, if the Committee determines that the candidate will be able to add value to the Board and the candidate expresses his or her interest in serving on the Board, the Committee will then recommend to the Board that the candidate stand for election by the stockholders or fill a vacancy or newly created position on the Board.

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The Committee will consider qualified nominees recommended by stockholders who may submit recommendations to the Committee in care of the Senior Vice President-Administration and Corporate Secretary, Health Care REIT, Inc., One SeaGate, Suite 1500, P.O. Box 1475, Toledo, Ohio 43603-1475. To be considered by the Committee for inclusion in the Company s proxy materials for the 2008 Annual Meeting, stockholder nominations must be submitted by November 20, 2008 and must be accompanied by: (1) the name, age, business address and, if known, residence address of the nominee; (2) the principal occupation or employment of the nominee for at least the last five years and a description of the qualifications of the nominee; (3) the class or series and number of shares of our stock that are owned beneficially or of record by the nominee; and (4) any other information relating to the nominee that is required to be disclosed in solicitations for proxies for election of Directors under Regulation 14A of the Securities Exchange Act of 1934, as amended, together with a written statement from the nominee that he or she is willing to be nominated and desires to serve, if elected. Also, the stockholder making the nomination should include: (1) his or her name and record address, together with the name and address of any other stockholder known to be supporting the nominee; and (2) the class or series and number of shares of our stock that are owned beneficially or of record by the stockholder making the nomination and by any other supporting stockholders. Nominees for Director who are recommended by stockholders will be evaluated in the same manner as any other nominee for Director.

In addition, the By-Laws provide that a stockholder entitled to vote for the election of Directors may make nominations of persons for election to the Board at a meeting of stockholders by complying with required notice procedures. Those procedures include, but are not limited to, making the nomination by written notice and delivering it to our Senior Vice President-Administration and Corporate Secretary not more than 120 days prior to the meeting and not less than 45 days before the date on which the Company first mailed or otherwise gave notice for the prior year s annual meeting of stockholders.

We may require that the proposed nominee furnish other information as we may reasonably request to assist in determining the eligibility of the proposed nominee to serve as a Director. At any meeting of stockholders, the Chairman of the Board may disregard the purported nomination of any person not made in compliance with these procedures.

Planning Committee

The function of the Planning Committee is to assist Management with identifying strategic opportunities for the Company. The Planning Committee met once during the year ended December 31, 2007. Each member of the Board is a member of the Planning Committee.

COMMUNICATIONS WITH THE BOARD

Stockholders and other parties interested in communicating with the Board of Directors or any specific Directors, including the presiding Director of executive sessions, or the non-employee Directors as a group, may do so by writing to the Board of Directors, Health Care REIT, Inc., One SeaGate, Suite 1500, P.O. Box 1475, Toledo, Ohio 43603-1475. The Nominating/Corporate Governance Committee has approved a process for handling letters received by the Company and addressed to members of the Board. Under that process, the Senior Vice President-Administration and Corporate Secretary of the Company reviews all such correspondence and regularly forwards to the Board a summary of the correspondence (with copies of the correspondence attached) that, in the opinion of the Senior Vice President-Administration and Corporate Secretary, relates to the functions of the Board or committees thereof or that she otherwise determines requires their attention (for example, if the communication received relates to questions, concerns or complaints regarding accounting, internal control over financial reporting and auditing matters, it will be summarized and forwarded to the Chair of the Audit Committee for review). Directors may at any time review a log of all correspondence received by the Company that is addressed to members of the Board and request copies of any such correspondence.

EXECUTIVE OFFICERS

The following information is furnished as to the Executive Officers of the Company:

George L. Chapman, age 60. Mr. Chapman has served as Chairman and Chief Executive Officer of the Company since October 1996 and served as President of the Company from September 1995 to May 2002. As described above, since 1992, Mr. Chapman has served in various executive capacities with the Company.

Fred S. Klipsch, age 66. Mr. Klipsch has served as Vice Chairman of the Company since December 2006. As described above, Mr. Klipsch also serves in various capacities for Klipsch Group, Inc., Klipsch Audio Technologies and Klipsch Lanham Investments and served as Chairman of the Board and Chief Executive Officer of Windrose Medical Properties Trust until December 2006.

Raymond W. Braun, age 50. Mr. Braun has served as President of the Company since May 2002 and served as Chief Financial Officer of the Company from July 2000 to March 2006. As described above, since January 1993, Mr. Braun has served in various capacities, including Chief Operating Officer, Executive Vice President, Assistant Vice President and Assistant General Counsel of the Company.

Frederick L. Farrar, age 51. Mr. Farrar has served as Executive Vice President of the Company since December 2006. Since 2000, Mr. Farrar has served as President of Klipsch Lanham Investments. Mr. Farrar served as President, Chief Operating Officer and Treasurer of Windrose Medical Properties Trust from March 2002 until December 2006, when Windrose Medical Properties Trust merged with the Company. Mr. Farrar served as Chief Financial Officer of Hospital Affiliates Development Corporation, formerly a subsidiary of Windrose Medical Properties Trust and now a subsidiary of the Company (now known as HCN Development Services Group, Inc.), from 1990 until March 2002.

Charles J. Herman, Jr., age 42. Mr. Herman has served as Executive Vice President and Chief Investment Officer of the Company since March 2006. Mr. Herman served as Vice President and Chief Investment Officer of the Company from May 2004 to March 2006 and served as Vice President of Operations from August 2000 to May 2004. From 1998 to August 2000, Mr. Herman was a founding member and President of Herman/Turner Group, LLC, a health care consulting company. Prior to that date, Mr. Herman was a founder and Chief Operating Officer of Capital Valuation Group, a health care consulting firm founded in 1991.

Jeffrey H. Miller, age 48. Mr. Miller has served as Executive Vice President and General Counsel of the Company since March 2006 and served as Vice President and General Counsel of the Company from July 2004 to March 2006. From 1996 to June 2004, Mr. Miller was a partner in the real estate practice group of the law firm of Shumaker, Loop & Kendrick, LLP.

Scott A. Estes, age 37. Mr. Estes has served as Senior Vice President and Chief Financial Officer of the Company since March 2006 and served as Vice President of Finance of the Company from April 2003 to March 2006. From January 2000 to April 2003, Mr. Estes served as a Senior Research Analyst and Vice President with Deutsche Bank Securities.

Erin C. Ibele, age 46. Ms. Ibele has served as Senior Vice President-Administration and Corporate Secretary of the Company since March 2006 and served as Vice President-Administration and Corporate Secretary of the Company from January 1993 to March 2006. Since 1986, Ms. Ibele has served in various capacities with the Company.

Daniel R. Loftus, age 57. Mr. Loftus has served as Senior Vice President of the Company since December 2006. Mr. Loftus served as Secretary and General Counsel of Windrose Medical Properties Trust from March 2002 until

December 2006, when Windrose Medical Properties Trust merged with the Company. Mr. Loftus was Of Counsel to Bone McAllester Norton PLLC during 2002 and Wyatt, Tarrant & Combs, LLP in Nashville, Tennessee from late 1997 to March 2002.

Michael A. Crabtree, age 51. Mr. Crabtree has served as Vice President and Treasurer of the Company since March 2006 and served as Treasurer from July 2000 to March 2006. Mr. Crabtree served as Controller of the Company from 1996 to September 2002. From July 1993 to July 1996, Mr. Crabtree was Chief Financial Officer of Westhaven Services Co., a provider of pharmaceutical services to nursing homes.

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SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The table below sets forth, as of March 7, 2008, unless otherwise specified, certain information with respect to the beneficial ownership of the Company s shares of common stock by each person who is a Director of the Company, each Named Executive Officer (as defined below in the section Executive Compensation), and the Directors and Executive Officers of the Company as a group. Unless noted below, each person has sole voting and investment power regarding the Company s shares. Also, unless noted below, the beneficial ownership of each person represents less than 1% of the outstanding shares of common stock of the Company.

	Common Stock		
Name of Beneficial Owner	**Shares Held of Record(1)**	**Options Exercisable Within 60 Days**	**Total Shares Beneficially Owned(2)(3)(4)**
William C. Ballard, Jr.	25,788	0	25,788(5)
Pier C. Borra	65,799	0	65,799
Raymond W. Braun	169,220	46,363	215,583(6)
George L. Chapman	298,823	132,281	431,104(7)
Thomas J. DeRosa	6,397	10,000	16,397
Jeffrey H. Donahue	18,547	0	18,547
Scott A. Estes	30,584	11,336	41,920
Peter J. Grua	18,797	1,666	20,463
Charles J. Herman, Jr.	51,020	19,870	70,890
Fred S. Klipsch	103,571	0	103,571
Sharon M. Oster	13,797	0	13,797
Jeffrey R. Otten	0	0	0(8)
R. Scott Trumbull	40,736	0	40,736
All Directors and Executive Officers as a group (18 persons)	1,049,213	302,210	1,351,423(9)

(1) Includes all restricted shares granted under the Company s 1995 Stock Incentive Plan, Stock Plan for Non-Employee Directors or 2005 Long-Term Incentive Plan beneficially owned by such Directors and Named Executive Officers and all Directors and Executive Officers as a group as of March 7, 2008.

(2) Does not include 639 deferred stock units granted to each non-employee Director in 2006 that have not yet been converted into shares of common stock. These deferred stock units will be converted into shares of common stock on the anniversary of the date of grant.

(3) Does not include 1,020 deferred stock units granted to each non-employee Director in 2007 that have not yet been converted into shares of common stock. These deferred stock units will be converted into shares of common stock in two equal installments on the next two anniversaries of the date of grant.

(4)

Does not include 1,715 deferred stock units granted to each non-employee Director (other than Mr. Otten) in 2008. These deferred stock units will be converted into shares of common stock in three equal installments on the next three anniversaries of the date of grant.

(5) Mr. Ballard s total shares beneficially owned include 5,000 shares owned by his spouse.

(6) Mr. Braun s total shares beneficially owned include 37,698 shares owned by his spouse s revocable trust.

(7) Mr. Chapman s total shares beneficially owned include 4,080 shares held in a son s name.

(8) Does not include 2,499 deferred stock units granted to Mr. Otten on March 6, 2008. These deferred stock units will be converted into shares of common stock in three equal installments on the next three anniversaries of the date of grant.

(9) Total beneficial ownership represents 1.57% of the outstanding shares of common stock of the Company.

Based upon filings made with the Securities and Exchange Commission in 2008, the only stockholders known to the Company to be the beneficial owners of more than 5% of the Company s common stock at March 7, 2008 are as follows:

Beneficial Owner	Common Stock Beneficially Owned	Percent of Outstanding Common Stock(3)
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	5,039,305(1)	5.86%
Cohen & Steers Capital Management, Inc. 280 Park Avenue, 10th Floor New York, NY 10017	4,383,785(2)	5.10%

(1) Includes 36,660 shares beneficially owned by Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc. In the aggregate, The Vanguard Group, Inc. and Vanguard Fiduciary Trust Company have sole voting power over 31,843 shares and sole dispositive power over 5,039,305 shares.

(2) Includes 4,354,356 shares over which Cohen & Steers Capital Management, Inc., a wholly-owned subsidiary of Cohen & Steers, Inc., has sole voting power and 4,383,785 shares over which it has sole dispositive power. Cohen & Steers Capital Management, Inc. and Cohen & Steers, Inc. made a joint filing with the Securities and Exchange Commission.

(3) The percentages set forth in the filings of these beneficial owners have been revised to reflect their percentage ownership as of March 7, 2008.

Section 16(a) Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company s Directors and Executive Officers, and persons who own beneficially more than 10% of the shares of common stock of the Company, to file reports of ownership and changes of ownership with the Securities and Exchange Commission and the New York Stock Exchange. Copies of all filed reports are required to be furnished to the Company pursuant to Section 16(a). Based solely on the reports received by the Company and on written representations from reporting persons, the Company believes that the Directors and Executive Officers complied with all applicable filing requirements during the fiscal year ended December 31, 2007.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Compensation Program Objectives

Our compensation programs are designed to achieve the following objectives:

Attract and retain top Management talent. Our executive compensation programs are structured to provide market-competitive compensation opportunities for our executives. Our compensation philosophy is to position target total compensation at the median of our competitive market. We believe targeting the market median is necessary to attract and retain talented executives who have the necessary experience and skills to do their jobs successfully. We may deviate from this median philosophy if, in the Compensation Committee s judgment, it is necessary to attract and/or retain a particular executive. We also achieve our retention objectives through multi-year vesting of our long-term incentive compensation, described in more detail below.

Link compensation realized to the achievement of the Company s short and long-term financial and strategic goals. A majority of each executive s total direct compensation opportunity is in the form of annual and long-term incentive compensation. As previously mentioned, we generally structure our compensation programs to provide median compensation levels for target performance. However, actual compensation

may be above or below the targeted level, depending on achievement relative to pre-established performance goals, at both the corporate and individual levels, that are set to support our short and long-term business plans.

Align Management and stockholder interests by encouraging long-term stockholder value creation. The long-term incentive component of compensation is granted in the form of Company equity, which aligns Management s interests with those of our stockholders. The value realized by the executive from equity compensation is directly linked to the value created for our stockholders.

Compensation Committee Procedures

The Compensation Committee of the Board is responsible for determining the nature and amount of compensation for the Company s ten Executive Officers, including the Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated Executive Officers of the Company who were serving at the end of 2007 (collectively, the Named Executive Officers). The Committee consists of three non-employee Directors. From January 2007 through April 2007, Pier C. Borra was the Compensation Committee Chair and William C. Ballard, Jr. and Jeffrey H. Donahue were Committee members. From May 2007 through December 2007, Mr. Donahue was the Compensation Committee Chair and Mr. Ballard and Sharon M. Oster were Committee members.

Compensation Consultant

The Compensation Committee engages Frederic W. Cook & Co. as its independent compensation consultant to advise the Committee on compensation program design, the components of the Company s executive compensation programs and the amounts the Company should pay to its executives. Frederic W. Cook & Co. also provides the Committee with information on executive compensation trends and best practices and advice for potential improvements to the executive compensation programs. Frederic W. Cook & Co. also advises the Committee on the design and amount of compensation for non-employee Directors. While the Committee values the advice of its independent consultant, the Committee, for various reasons, retains the latitude to deviate from the approach recommended by the consultant.

Frederic W. Cook & Co. does no work for Management unless requested by the Compensation Committee Chair, receives no compensation from the Company other than for its work in advising the Committee and maintains no other economic relationships with the Company. The consultant generally attends meetings of the Committee, and the Chair of the Committee frequently interacts with the consultant between meetings to define the nature of work to be conducted, to review materials to be presented at Committee meetings and to obtain the consultant s opinion and perspective on proposals prepared by Management. As part of the process of assessing the effectiveness of the Company s compensation programs and assisting with implementation, the consultant also interacts with members of Management. The consultant s primary contacts with Management are the Senior Vice President and Chief Financial Officer and the Senior Vice President-Administration and Corporate Secretary.

Input of Executive Officers on Compensation

The Compensation Committee receives input from executives on a variety of issues related to compensation.

The Chairman and Chief Executive Officer and the President each provide an assessment of the individual performance achievement of the executives who report to them. This individual performance assessment determines a portion of each executive s annual and long-term incentive compensation. In addition, the Chairman and Chief Executive Officer and the President provide input on salary increases and increases to incentive compensation opportunities for the executives (other than themselves). The Committee takes these recommendations into consideration when determining earned incentive compensation and when setting compensation opportunities for the coming year.

Each year, Management establishes an annual plan for the Board s review, which includes financial budgets and key strategic objectives for the Company. The Committee has designed the compensation programs to reward the achievement of certain financial and strategic objectives included in the annual plan. Because members of Management prepare the initial plan, they do have input into the performance measures and goals used in the incentive programs.

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The Company s Senior Vice President and Chief Financial Officer assists the Compensation Committee in assessing the financial impact of compensation decisions.

The Company s Senior Vice President-Administration and Corporate Secretary assists the Committee in administering the compensation programs, including the Company s 2005 Long-Term Incentive Plan, and ensuring that all relevant documentation and disclosures are completed (e.g., filings with the Securities and Exchange Commission, legal documents, etc.).

Annual Review of Executive Compensation

September Meeting. Each year, with the assistance of its independent consultant, the Compensation Committee conducts a comprehensive review of the executive compensation programs in terms of program design and compensation levels. This year, the results of the competitive review were presented and discussed at the Committee meeting held on September 10, 2007.

This review for 2007 included a competitive analysis of our compensation practices versus those of our peers. The comparative peer group used in 2007 included four REITs in the health care sector and ten other REITs of similar size to the Company in terms of market and total capitalization. These REITs were:

Alexandria Real Estate Equities, Inc.
Brandywine Realty Trust
BRE Properties, Inc.
Camden Property Trust
Federal Realty Investment Trust
HCP, Inc.
Healthcare Realty Trust Incorporated
Liberty Property Trust
Mack-Cali Realty Corporation
Nationwide Health Properties, Inc.
Regency Centers Corporation
Taubman Centers, Inc.
Ventas, Inc.
Weingarten Realty Investors

The comprehensive review included a competitive benchmarking analysis for the Company s ten Executive Officers, including the five Named Executive Officers. The competitive benchmarking included all components of pay: base salary, annual incentive compensation, total annual compensation (base salary plus annual incentive compensation), long-term incentive compensation, total direct compensation (total annual compensation plus long-term incentive compensation), other compensation (perquisites, change in pension values and nonqualified deferred compensation, etc.) and total compensation. In addition, the review included a competitive analysis of peer company aggregate long-term incentive practices, including annual share usage and fair value transfer from long-term incentive compensation, and potential share dilution from equity compensation plans. Finally, the Committee reviewed a five-year history of each compensation component individually and annualized compensation in total, as a form of tally sheet to track compensation earned over time. This annual comprehensive review enables the Committee to identify those executives whose target compensation levels deviate from our desired median competitive positioning and to plan compensation adjustments accordingly. The Committee uses the benchmarking data and the tally sheet in assessing internal pay relationships among executives and in making decisions regarding adjustments to each executive s compensation opportunities.

Discussions October through January. Based on the results of the competitive review discussed at the September meeting, the Compensation Committee engaged in a dialogue over the next several months to discuss preliminary recommendations for changes to the programs for the upcoming year. These changes included potential adjustments to base salaries and annual and long-term incentive opportunity ranges; changes to the performance measures and weightings (if any) for the annual and long-term incentive programs; and changes (if any) to the long-term incentive

grant types.

January Meeting. At the January 21, 2008 meeting, the Committee reviewed the Company s performance for 2007 against the pre-established performance measures and goals and approved the dollar amount of annual and long-term incentive compensation earned for each Executive Officer. Long-term incentive grants for 2007 performance were approved by the Committee and made on January 21, 2008. Cash bonuses for the Executive Officers for 2007 performance were approved by the Committee on January 21, 2008 and paid on January 25, 2008.

At the January meeting, the Committee also reviewed and approved adjustments to base salaries and changes to the annual and long-term incentive earnings opportunities for 2008 for each of the Executive Officers. The

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Committee considered the input of the Chairman and Chief Executive Officer and the President when determining these adjustments for the other Executive Officers. These changes are discussed in detail in the discussion of Compensation Elements below.

Compensation Elements

Our compensation programs have the following elements:

- Base salary
- Annual incentives (cash bonuses)
- Long-term incentives
- Benefits and perquisites

Base Salary

We pay base salaries because some minimum level of fixed compensation is necessary to attract and retain executive talent. Our base salaries are generally targeted to the competitive market median, but may deviate from this competitive position based on the scope of the individual s role in the organization, his or her level of experience in the current position and individual performance. Base salaries are reviewed annually and may be adjusted to better match market competitive levels and/or to recognize an individual s growth and development in his or her position. The base salaries for the Named Executive Officers are as follows:

Executive	**2007**	**2008**	**% Increase**
George L. Chapman	$ 570,000	$ 624,720	9.6%
Scott A. Estes	270,000	297,000	10.0%
Raymond W. Braun	405,600	444,538	9.6%
Fred S. Klipsch	350,000(1)	250,000(1)	N/A
Charles J. Herman, Jr.	286,000	297,440	4.0%

(1) Represents the base consulting fees for 2007 and 2008 under the consulting agreement with Mr. Klipsch.

Annual Incentives

In 2007, all of the Named Executive Officers participated in our annual incentive program, which provides rewards for the achievement of certain performance objectives tied to our annual business plan, as well as achievement of individual performance objectives. Under this program, a range of earnings opportunity is established for each executive at the beginning of the performance period, expressed as percentages of base salary and corresponding to three levels of performance (threshold, target and high performance levels). Annual incentives are paid in cash in the first quarter of the year following the performance year (e.g., 2007 bonuses were paid in the first quarter of 2008).

The corporate performance measures and weightings set by the Compensation Committee for 2007 under the annual incentive program, as well as our achievement for each goal, were as follows:

2007 Annual Incentive Corporate Performance Measures

Measure	Weighting	Threshold	Target	High	Actual
FFO per Share(1)	65%	$3.007	$3.100	$3.193	$3.12
Net Real Estate Investments	25%	$800 Million	$900 Million	$1 Billion	$1.064 Billion
Maintain Credit Rating(2)	10%	N/A	Maintain One	Maintain Both	Maintained Both

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(1) Funds from operations (FFO), as defined by NAREIT, means net income, computed in accordance with U.S. GAAP, excluding gains (or losses) from sales of real estate, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO per share has been adjusted for unusual and non-recurring items. If the Company achieves such level of FFO per share as a result of inappropriate amounts of leverage, the Committee may determine that bonuses should not be paid for this goal.

(2) Refers to the Company s credit ratings by Moody s Investors Service and Standard & Poor s Ratings Services.

For Messrs. Chapman and Braun, 80% of the bonus is determined by corporate performance, as defined above, and 20% by individual performance. The corporate component was set at 80% because the Committee believes that almost all of the Chief Executive Officer s and the President s annual incentive compensation should be based on overall corporate performance given their high levels of responsibility for our performance. For Messrs. Estes and Klipsch, 60% of the bonus is determined by corporate performance and 40% by individual performance. The Committee believes that overall corporate performance should be the primary basis for determining annual incentives for these executives, but gave individual performance a heavier weighting (as compared to Messrs. Chapman and Braun) to reflect the importance of several strategic initiatives for which the executive is primarily responsible. For Mr. Herman, 30% of the bonus is determined by corporate performance, 30% is based on his direct contribution to the investment activity of the Company, and 40% is based on individual performance. Mr. Herman s bonus is tied in part to his contribution to investment performance because he bears a high degree of responsibility for that part of our business.

Factors considered in the assessment of individual performance include: implementation of targeted investment strategies, professional development of and succession planning for Management, successful integration of our Windrose Medical Properties Trust (Windrose), Paramount Real Estate Services, Inc., Rendina Companies, and other acquisitions, and effective capital raising and communication with investors. The Chairman and Chief Executive Officer and the President each provide recommendations for individual performance scores for the executives who report to them, based on their assessment of performance versus the individual factors. The Committee assesses the Chairman and Chief Executive Officer s performance against his individual factors to determine his individual performance score. For 2007, the Committee determined that each of Messrs. Chapman, Estes, Braun, Klipsch and Herman achieved the high level of individual performance.

The table below illustrates each executive s total annual incentive earnings opportunity, taking into consideration both corporate and individual performance, under the annual incentive program and the actual bonuses for 2007 performance that were approved at the Committee s January 21, 2008 meeting.

	2007 Annual Incentive Opportunity (as a % of Base Salary)			2007 Bonus Earned	
	Threshold	Target	High	% of Base Salary	Amount
Chapman	50%	100%	150%	129.6%	$ 738,671
Estes	35%	70%	105%	94.3%	254,571
Braun	50%	90%	130%	113.7%	461,058
Klipsch(1)	60%	90%	120%	110.8%	387,856
Herman	40%	80%	120%	96.2%	275,000

(1) Annual incentive opportunities and bonuses earned are as a percentage of base consulting fee.

For 2008, the Company is using the same corporate performance measures and weightings. The specific goals for threshold, target and high performance levels for 2008 for FFO per share and net real estate investments have not yet been determined, but we expect they will correspond to the Company s internal budgetary goals and that the target levels will be within the ranges publicly disclosed as investor guidance for 2008. At the January 21, 2008 meeting, the Committee approved the 2008 annual incentive earnings opportunities for the Named Executive Officers, which are determined using the same percentage of base salary (or in the case of Mr. Klipsch, the same percentage of base consulting fee) as was used for 2007.

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Long-Term Incentives

In 2007, Messrs. Chapman, Estes, Braun and Herman participated in the Company s long-term incentive program. Under the terms of his consulting agreement with the Company, Mr. Klipsch does not participate in the long-term incentive program. Our long-term incentive program is used to promote long-term corporate goals, provide our executives with an opportunity to acquire equity interests in the Company and assist us in attracting and retaining key executives. Similar to the annual incentive program, long-term incentive awards for the Named Executive Officers (other than Mr. Klipsch) are based on the achievement of pre-established corporate and individual goals for the performance year. For each executive, a range of earnings opportunity, expressed in dollar values, is established at the beginning of the performance period corresponding to three levels of performance (threshold, target, and high performance levels) for long-term incentive compensation.

For each executive participating in the program, 75% of the value of the long-term incentive compensation award is based on corporate performance goals set by the Compensation Committee and 25% is based on individual performance. The corporate performance goals for 2007, as well as our achievement for each goal, were as follows:

2007 Long-Term Incentive Corporate Performance Measures

	Weighting	Threshold	Target	High	Actual
Three-Year Total Stockholder Return vs. NAREIT Index(1)	10%	Index – 4% (5.5%)	At Index (9.5%)	Index + 4% (13.5%)	12.6%
One-Year Total Stockholder Return vs. LTIP Peer Group(1)(2)	15%	Peer Group – 4% (–.6%)	Peer Group (3.4%)	Peer Group + 4% (7.4%)	9.5%
Net Real Estate Investments	25%	$800 Million	$900 Million	$1 Billion	$1.064 Billion
Dividend Payout Ratio(3)	25%	87.1%	84.5%	82.1%	84.0%

(1) If absolute total stockholder return is at least 8% on a compound annualized basis, participants receive the threshold payout for these measures. Total stockholder return represents share price appreciation over the specified period plus dividends (assuming reinvestment of dividends in additional shares).

(2) LTIP peer group included HCP, Inc., Healthcare Realty Trust Incorporated, Nationwide Health Properties, Inc., Senior Housing Properties Trust and Ventas, Inc.

(3) Represents common dividends per share divided by FFO per diluted share.

Each of Messrs. Chapman, Estes, Braun and Herman achieved the high level of individual performance. The assessment of individual performance was based on the same factors as used to determine individual performance in the annual incentive program.

Long-term incentive amounts earned are delivered through equity grants from the 2005 Long-Term Incentive Plan (the Plan). The Committee determined that 75% of the value of long-term incentive compensation earned for 2007 should be granted in the form of shares of restricted stock, 12.5% should be granted as stock options with dividend

equivalent rights (DERs) and 12.5% should be granted as stock options without DERs (plain vanilla stock options). This mix of long-term incentives was also used for 2006.

Our long-term incentive mix is heavily weighted toward restricted stock because we believe that restricted stock provides a strong incentive to create and preserve long-term stockholder value.

We use stock options to add share price performance leverage into the program. Options with DERs entitle the optionholder to receive a cash payment equal to the dividend paid on a share of the Company s common stock. We use options with DERs because it is a vehicle that rewards total stockholder return, in the form of both share price appreciation and dividends. As a REIT, we have a high dividend distribution requirement, so a significant portion of our stockholder return is provided in the form of dividends.

Generally, equity grants made on an annual basis vest ratably over five years. Cash payments attributable to DERs will accrue and be paid out only when the corresponding option has vested. This multi-year vesting creates a retention mechanism for our executives and subjects them to the same share price risk over a long-term period as other investors, thereby aligning their interests with those of our stockholders.

The table below outlines the long-term incentive earnings opportunities for 2007 and the amounts that were approved at the Committee s January 21, 2008 meeting.

	2007 Long-Term Incentive (LTI) Opportunities				2007 LTI Earned Number of Shares/Options(1)		
	Threshold	Target	High	Grant Date Fair Value	Restricted Shares	Stock Options without DERs(2)	Stock Options with DERs(3)
Chapman	$ 600,000	$ 1,200,000	$ 2,000,000	$ 1,825,489	33,532	60,688	12,341
Estes	150,000	300,000	500,000	456,372	8,383	15,172	3,085
Braun	400,000	800,000	1,300,000	1,190,931	21,876	39,592	8,051
Herman	200,000	400,000	700,000	634,558	11,656	21,096	4,290

(1) Based on a per share grant price of $40.83, the closing price of the Company s common stock on January 18, 2008, the last trading day prior to the date of grant. The date of grant was January 21, 2008, which was a holiday, and therefore not a trading day.

(2) The grant date fair value of each option without DERs was $3.76, calculated using the Black-Scholes option valuation methodology and the following assumptions: exercise price and current price of $40.83, 20.52% volatility, 6.5-year expected term, 6.47% dividend yield and 3.42% risk-free interest rate.

(3) The grant date fair value of each option with DERs was $18.49, based on the same Black-Scholes valuation and assumptions described above plus the net present value of projected future dividend payments over the expected life of the option discounted at the dividend yield rate.

The 2007 long-term incentive earnings opportunities are reflected in the Grants of Plan-Based Awards Table below as dollar amounts.

For 2008, the Company is using the same corporate performance measures and weightings for the long-term incentive program. The goals for the total stockholder return metrics will be the same as those used in 2007. The specific goals for threshold, target and high performance levels for 2008 for net real estate investments and for dividend payout ratio have not yet been determined, but we expect that they will correspond to the Company s internal budgetary goals and that the target levels will be within the ranges publicly disclosed as investor guidance for 2008.

At the January 21, 2008 meeting, the Committee approved the 2008 long-term incentive earnings opportunities for Messrs. Chapman, Estes, Braun and Herman. For Messrs. Chapman, Braun and Herman, the long-term incentive earnings opportunities are the same as they were for 2007. For Mr. Estes, threshold, target and high levels of performance were increased to $175,000, $350,000 and $600,000, respectively.

Timing of Awards

Under our equity granting policy, grants to our Named Executive Officers are approved by the Compensation Committee on the date of our January Board meeting, or if later, as soon as possible following the calculation of the corporate performance measures and the completion of annual reviews of the Named Executive Officers and review and consideration of compensation recommendations. Grant values are converted to shares based on the closing price of the Company s common stock on the date of grant. The exercise price of stock options is the closing price of the Company s common stock on the date of grant.

Windrose Merger Compensation

In connection with our merger with Windrose, Mr. Klipsch received the following awards on January 2, 2007:

Retention bonus of $975,538 in cash and $929,962 in shares of the Company s common stock. Mr. Klipsch was prohibited from selling any of these shares until after the first anniversary of the grant date and can sell no more than 50% of these shares between the first and second anniversaries of the grant date.

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Cash payment of $1,680,000 in lieu of amounts payable under his change in control severance agreement with Windrose.

Excise tax indemnification payment of $2,238,385 (gross-up payment).

Tax payment of $799,625 to cover the value of the units of Windrose s operating partnership that were converted into shares of the Company s common stock. On July 18, 2007, Mr. Klipsch received an additional tax payment of $35,481 to cover the difference between the projected taxes and the actual taxes owed by Mr. Klipsch.

Special Retention and Incentive Awards to the Chairman and Chief Executive Officer and President

On January 22, 2007, the Committee approved an amended employment agreement for Mr. Chapman (see Employment and Consulting Agreements below) along with a special retention and incentive award of 120,000 shares. This award was granted to retain Mr. Chapman as Chairman and Chief Executive Officer and to provide him with an incentive to achieve certain strategic objectives. Half of the shares are in the form of restricted stock that will vest on January 31, 2010, subject to Mr. Chapman s continued employment. The other 60,000 shares are in the form of performance awards with DERs that will vest on January 31, 2010, based on Mr. Chapman s continued employment and the Board s determination that the Company, under Mr. Chapman s leadership, has successfully achieved its strategic initiatives. The 60,000 restricted shares would become vested in the event of a change in corporate control, or upon Mr. Chapman s death, disability or termination without cause. With respect to the performance awards, in the event of a change in corporate control, or upon Mr. Chapman s death or disability, all 60,000 of the performance awards would become earned and payable. In the event of a termination without cause, 30,000 of the performance awards would become earned and payable and the remaining 30,000 would be earned and payable if the Board determines that the strategic objectives have been attained. Dividends are paid on the 60,000 restricted shares on a current basis. With respect to 30,000 of the performance awards, Mr. Chapman receives DER payments on a current basis. For the other 30,000 performance awards, DER payments accumulate and are deemed reinvested in additional shares, and are only paid out if the underlying shares are earned.

Also on January 22, 2007, the Committee approved a special retention and incentive award of 50,000 shares of restricted stock to Mr. Braun. Half of these shares vest on January 31, 2010, subject to Mr. Braun s continued employment. The remaining 25,000 shares will vest on either: (1) January 31, 2010, if Mr. Braun remains employed through January 31, 2010 and Mr. Chapman does not serve as Chairman and Chief Executive Officer until January 31, 2011, or (2) January 31, 2011, if Mr. Braun remains employed through January 31, 2011 and Mr. Chapman serves as Chairman and Chief Executive Officer until January 31, 2011. Dividends are paid on a current basis on these shares. Vesting of the shares accelerates in the event of Mr. Braun s death, disability, involuntary termination without cause or upon a change in corporate control.

Special Windrose Transaction Bonuses

Also on January 22, 2007, the Committee approved special awards to certain executives and other employees for their contribution to the success of the merger with Windrose. Messrs. Braun and Estes were among the recipients of special awards. The awards were provided in the form of restricted shares that vest ratably over five years, consistent with the vesting schedule of our annual equity compensation grants. The per share grant price was $45.73, the closing price on January 22, 2007. The table below illustrates the dollar value and number of shares granted to Messrs. Braun and Estes with respect to these special awards.

	Windrose Bonuses (Restricted Shares)	
	No. Shares	Grant Value
Braun	7,199	$ 329,210
Estes	2,795	127,815

Benefits and Perquisites

The Named Executive Officers (other than Mr. Klipsch) participate in the same benefits programs as all other Company employees, including health and dental insurance, group life insurance, short-term and long-term

disability coverage, payment of health club/gym membership fees and participation in the Company s tax-qualified 401(k) plan. In addition, Messrs. Chapman and Braun are entitled to certain perquisites, including:

- Membership dues for two dining/country clubs for Mr. Chapman and one club for Mr. Braun these memberships are frequently used by the executives for business purposes
- Term life insurance policies these policies provide financial security to the executive s family in the event of the executive s death
- Supplemental Executive Retirement Plan (SERP) the SERP provides long-term financial security and retirement savings for the executives (see 2007 Pension Benefits Table for additional information)

The Committee reviews the Company s policies with respect to perquisites on a regular basis. See Note 8 to the Summary Compensation Table for additional information regarding perquisites, including the dollar values of the perquisites provided by the Company in 2007.

Supplemental Executive Retirement Plan

The SERP is a non-qualified defined benefit pension plan adopted by the Compensation Committee on January 1, 2001. Messrs. Chapman and Braun are the only two participants in the SERP. The SERP benefit is designed to provide a benefit payable at retirement at age 65 or older equal to 35% of the participant s average compensation at retirement, offset by the actuarial equivalent of the benefit provided by the Company s tax-qualified retirement plan and trust (the 401(k) Plan). Since the SERP benefit accrues over the career of the participant, if the participant retires before his 65th birthday, the benefit will be subject to a reduction for proration of length of participation and a further reduction based upon the number of months the participant s retirement occurs prior to his or her 65th birthday. Average compensation is defined under the SERP to mean the average of the three highest years of salary and bonus compensation considering all years completed prior to the date of retirement. The actuarial equivalent of the benefit provided by the Company s 401(k) Plan represents the value of Company contributions to the participant s plan accounts projected to age 65 and expressed as a monthly benefit payable for life. The projected value of Company contributions is determined by using all contributions made on behalf of the participant for plan years completed prior to the date of retirement and a 7.5% interest rate compounded annually.

In the event of a change in corporate control of the Company, if Mr. Chapman s employment is terminated, either voluntarily or involuntarily for any reason, he will be entitled to receive the full retirement benefit, unreduced by the proration for length of participation or the early retirement reduction. If Mr. Braun s employment is terminated after a change in corporate control, either voluntarily or involuntarily for any reason, he will be entitled to receive his early retirement benefits as of the date of termination calculated by adding an additional five years of participation (up to but not beyond age 65) to the length of his participation proration, but with no reduction for early retirement.

Executive Loan Program

In 1999, the Company instituted an Executive Loan Program, pursuant to which the Company made six recourse loans to each of four Executive Officers, including Messrs. Chapman and Braun. The purpose of these loans was to assist the executives with paying taxes related to the vesting of restricted stock awards made under the 1995 Stock Incentive Plan. Each loan was evidenced by a promissory note, was secured by a pledge of the shares of the common stock of the Company that vested and gave rise to the tax liability with respect to which the loan was made to the Executive Officers, and bore interest at the mid-term applicable federal rate established by the Internal Revenue Service at the time of the loan. The interest rates for the six loans ranged from 3.94% to 6.21% and interest was payable annually. Each note became due and payable five years after the date of the note; however, on each anniversary date of each

note, if the executive continued to be employed by the Company, one-fifth of the original principal amount due under the note was forgiven.

The highest amount due during 2007 from each of Messrs. Chapman and Braun were $9,853 and $4,927, respectively. On January 15, 2007, $9,853 and $4,927 were forgiven pursuant to the terms of Mr. Chapman s and Mr. Braun s existing loans, respectively. The Executive Loan Program was discontinued on July 30, 2002 as a result

of the passage of the Sarbanes-Oxley Act of 2002. As of March 7, 2008, there were no loans outstanding for any executive and no additional loans will be made to the executives.

Ownership Guidelines

We require our executives to own shares of our common stock with a fair market value of at least three times their base salary (five times for the Chief Executive Officer). Our non-employee Directors are required to own shares of our common stock with a fair market value of at least $150,000. Shares owned directly and indirectly, restricted shares, and deferred stock units count towards the ownership requirement, while unexercised stock options do not. Executives and non-employee Directors have five years from their date of hire or appointment, as applicable, to achieve the required ownership level. As of December 31, 2007, each of the Named Executive Officers and each of our non-employee Directors were in compliance with the ownership requirement.

Tax Deductibility of Executive Compensation

The Compensation Committee has considered the anticipated tax treatment to the Company regarding the compensation and benefits paid to the Named Executive Officers under Section 162(m) of the Internal Revenue Code of 1986, as amended. Although the Company does not pay corporate income taxes because it is a real estate investment trust, the Compensation Committee will strive to provide executives with attractive, well-designed compensation packages that will generally preserve the deductibility of such payments for the Company. Certain types of compensation payments and their deductibility depend upon the timing of an Executive Officer s vesting or exercise of previously granted rights. Moreover, interpretations of any changes in the tax laws and other factors beyond the Compensation Committee s control may affect the deductibility of certain compensation payments. As mentioned above, however, since the Company does not pay corporate income taxes, the loss of this deduction would not have adverse consequences for the Company. If deductibility becomes an issue, the Compensation Committee will consider various alternatives to preserve the deductibility of compensation payments to Executive Officers and benefits to the extent reasonably practical and to the extent consistent with its other compensation objectives, but reserves the right to make incentive-based awards not exempt from these limits where such awards are appropriate and will not have a material impact on stockholder value.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis of the Company with Management. Based on the review and discussions, the Compensation Committee recommended to the Board of Directors, and the Board has approved, that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee

Jeffrey H. Donahue, Compensation Committee Chair
William C. Ballard, Jr., Compensation Committee Member
Sharon M. Oster, Compensation Committee Member

Summary Compensation Table

The table below presents the total compensation awarded to, earned by, or paid to the Named Executive Officers.

osition	Year	Salary ($)	Bonus ($)	Stock Awards ($)(4)	Option Awards ($)(6)	Non-Equity Incentive Plan Compensation ($)	Changes in Pension Value & Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)(8)	Co
	2007	$ 570,000	$ 0(2)	$ 2,525,642	$ 556,482	$ 738,671	$ 370,745(7)	$ 51,566	$
nd tive	2006	536,852	0	1,659,889	503,835	639,928	301,532	106,880	
es	2007	270,000	0(2)	216,216	42,943	254,571	0	29,500	
d cial	2006	217,106	0	150,044	31,990	142,144	0	28,848	
/. Braun	2007	405,600	0(2)	1,255,695	111,858	461,058	0(7)	41,372	
	2006	338,000	0	440,862	121,656	352,872	0	67,837	
sch	2007	350,000(1)	1,200,000(3)	0	0	387,856	0	35,481	
nan	2006	10,769	0	929,962(5)	0	0	0	5,693,548	
erman, ice d Chief Officer	2007	286,000	0(2)	246,935	76,492	275,000	0	29,500	

(1) Mr. Klipsch joined the Company as Vice Chairman in December 2006. His base salary for 2006 was $350,000. His base consulting fee was $350,000 for 2007 and is $250,000 for 2008.

(2) The cash annual incentive awards are included in Non-Equity Incentive Plan Compensation because the performance goals were established and communicated at the beginning of the year.

(3) Represents a one-time finder s fee paid to Mr. Klipsch in connection with the completion of the acquisition of 17 medical office buildings and Paramount Real Estate Services from affiliates of Rendina Companies.

(4) Amounts set forth in this column represent the FAS 123(R) stock-based compensation expense recognized in 2007 for restricted stock grants to the Named Executive Officer and are based on the share prices on the respective dates of grant, which were $25.82, $37.00, $34.88, $36.50 and $45.73 for grants on January 27, 2003,

January 26, 2004, January 24, 2005, January 23, 2006 and January 22, 2007, respectively. With respect to the 7,000 and 5,299 shares granted to Mr. Estes on May 19, 2003 and March 23, 2006, respectively, the share prices on the dates of grant were $29.25 and $37.75, respectively, with respect to the 3,808 shares granted to Mr. Herman on July 1, 2005, the share price on the date of grant was $38.08.

(5) Represents the special retention award made in connection with the Windrose merger. The per share grant price was $41.00, the closing price of the Company s shares on December 19, 2006, which was the effective date of the Windrose merger under the terms of the consulting agreement between Mr. Klipsch and the Company.

(6) Amounts set forth in this column represent the FAS 123(R) stock-based compensation expense recognized in 2007 for stock option grants to the Named Executive Officer. The Black-Scholes option valuation methodology was used based on estimates as of the grant date. In using such methodology, the following assumptions were used:

Grant Date	**Exercise Price (Share Price at Grant Date)**	**Expected Term (Years)**	**Estimated Volatility**	**Dividend Yield**	**Risk-Free Rate**
1/27/03	$ 25.82	7	24.60%	8.66%	4.06%
1/26/04	37.00	7	22.40%	6.32%	4.34%
1/24/05	34.88	7	22.82%	6.88%	4.25%
1/23/06	36.50	5	20.30%	6.79%	4.35%
1/22/07	45.73	5	19.90%	5.60%	4.74%

The fair value of options with DERs also includes the net present value of projected future dividend payments over the expected life of the option discounted at the dividend yield rate.

(7) Amount represents the change in lump-sum present value of the SERP benefit, offset by the actuarial equivalent of the benefit provided by the Company s 401(k) Plan.

(8) All Other Compensation includes the following:

Name	Company Contribution to 401(k) Plan	Term Life Insurance Premiums(a)	Loan Forgiveness(a)	Club Membership Dues	OP Unit Indemnification(b)	Total
Chapman	$ 29,500	$ 5,100	$ 9,853	$ 7,113	$ 0	$ 51,566
Estes	29,500	0	0	0	0	29,500
Braun	29,500	2,260	4,927	4,685	0	41,372
Klipsch	0	0	0	0	35,481	35,481
Herman	29,500	0	0	0	0	29,500

(a) See Executive Compensation Compensation Discussion and Analysis Compensation Elements Benefits and Perquisites and Executive Loan Program for additional information regarding the term life insurance premiums paid by the Company on behalf of Messrs. Chapman and Braun and the amounts forgiven in 2007 pursuant to the Company s Executive Loan Program.

(b) See Executive Compensation Compensation Discussion and Analysis Compensation Elements Windrose Merger Consideration for additional information regarding the tax payment made to Mr. Klipsch to cover the value of the units of Windrose s operating partnership that were converted into shares of the Company s common stock.

2007 Grants of Plan-Based Awards Table

The table below provides information regarding grants of awards to the Named Executive Officers under the Company s long-term incentive plans.

me	Grant Date	Estimated Future Payments Under Non-Equity Incentive Plan Awards			Estimated Future Payments Under Equity Incentive Plan Awards			All Other Stock Awards: # of Shares of Stock	Grant Date Fai Value of Stock and Option Awards
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)		($)
orge L. apman	1/22/07(1)	$ 285,000	$ 570,000	$ 855,000					
	1/22/07(2)				$ 600,000	$ 1,200,000	$ 2,000,000		
	1/22/07(3)					60,000		60,000	$ 2,743,8
ott A. es	1/22/07(1)	94,500	189,000	283,500					
	1/22/07(2)				$ 150,000	$ 300,000	$ 500,000		

	1/22/07(4)							2,795	127,81
ymond Braun	1/22/07(1)	202,800	365,040	527,280					
	1/22/07(2)				$ 400,000	$ 800,000	$ 1,300,000		
	1/22/07(3)							50,000	2,286,50
	1/22/07(4)							7,199	329,21
d S. psch	1/22/07(1)	210,000	315,000	420,000					
arles J. rman,									
	1/22/07(1)	114,400	228,800	343,200					
	1/22/07(2)				$ 200,000	$ 400,000	$ 700,000		

(1) Represents annual incentive program earnings opportunity. The actual amounts earned by each of the Named Executive Officers under the annual incentive program in 2007 is shown in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

(2) Represents long-term incentive earnings opportunity for 2007. Based on 2007 performance, actual awards were granted January 21, 2008 in a combination of restricted shares and options with and without DERs, according to the table on page 16.

(3) Represents the special retention and incentive awards granted to Messrs. Chapman and Braun on January 22, 2007. The per share grant price was $45.73, the closing price on January 22, 2007. See Employment and Consulting Agreements below for additional information.

(4) Represents a special grant of restricted stock to reward certain executives for their contribution to the success of the merger with Windrose. The awards were provided in the form of restricted shares that vest ratably over five years, consistent with the vesting schedule of our annual equity compensation grants. The per share grant price was $45.73, the closing price on January 22, 2007.

Employment and Consulting Agreements

We have employment agreements with each of Messrs. Chapman, Estes, Braun and Herman and we have a consulting agreement with Mr. Klipsch.

George L. Chapman Employment Agreement

On January 22, 2007, the Company entered into an employment agreement with George L. Chapman, Chairman and Chief Executive Officer of the Company. The agreement expires on January 31, 2010; however, Mr. Chapman has the option to extend the term for an additional year. Mr. Chapman receives an annual base salary of not less than $570,000 and he is eligible to receive discretionary annual bonuses and equity awards under the Company s long-term incentive plans. In addition, the Company pays the initiation fees and membership dues for two dining/country clubs, costs relating to up to three business-related conferences, conventions or seminars attended by Mr. Chapman and his spouse each year and the costs required to maintain a disability insurance policy on Mr. Chapman. The Company also provides Mr. Chapman with health insurance, paid vacation and reimbursement for the costs of physical examinations. For a description of the provisions of the agreement regarding compensation and benefits payable to Mr. Chapman upon his termination or a change in control, see Potential Payments Upon Termination or Change in Corporate Control below.

Special Retention and Incentive Award. Upon execution of the agreement, Mr. Chapman received a grant of 60,000 shares of restricted stock as a special retention and incentive award. The restrictions on these shares will lapse if Mr. Chapman remains employed by the Company through January 31, 2010. Mr. Chapman also received a grant of 60,000 shares in performance awards with DERs, which will be paid in shares of common stock if Mr. Chapman remains employed by the Company through January 31, 2010 and the Company meets certain strategic objectives. Mr. Chapman receives DER payments with respect to 30,000 of the performance awards as dividends are paid on shares of common stock, and DER payments on the remaining 30,000 performance awards will be paid if the underlying shares of common stock are earned by Mr. Chapman.

Scott A. Estes Employment Agreement

The Company has entered into an employment agreement with Scott A. Estes, Senior Vice President and Chief Financial Officer of the Company, that expires January 31, 2009, and provides for optional successive two-year renewal terms. Mr. Estes receives an annual base salary of not less than $225,000 and he is eligible to receive discretionary annual bonuses and equity awards under the Company s long-term incentive plans. In addition, the Company provides Mr. Estes with health insurance and paid vacation. For a description of the provisions of the agreement regarding compensation and benefits payable to Mr. Estes upon his termination or a change in control, see Potential Payments Upon Termination or Change in Corporate Control below.

Raymond W. Braun Employment Agreement

The Company has entered into an employment agreement with Raymond W. Braun, President of the Company, that expires January 31, 2009, and provides for optional successive two-year renewal terms. Mr. Braun receives an annual base salary of not less than $285,402 and he is eligible to receive discretionary annual bonuses and equity awards under the Company s long-term incentive plans. In addition, the Company pays the initiation fees and membership dues for one dining/country club and provides Mr. Braun with health insurance and paid vacation. For a description of the provisions of the agreement regarding compensation and benefits payable to Mr. Braun upon his termination or a change in control, see Potential Payments Upon Termination or Change in Corporate Control below.

Special Retention and Incentive Award. On January 22, 2007, Mr. Braun received a grant of 50,000 shares of restricted stock as a special retention and incentive award. The restrictions on 25,000 of these shares will lapse if Mr. Braun remains employed by the Company through January 31, 2010. The restrictions on the remaining 25,000 shares will lapse: (1) on January 31, 2010, if Mr. Braun remains employed by the Company through January 31, 2010 and Mr. Chapman does not serve as Chairman and Chief Executive Officer of the Company during the period from February 1, 2010 until January 31, 2011, or (2) on January 31, 2011, if Mr. Braun remains employed

by the Company through January 31, 2011 and Mr. Chapman serves as Chairman and Chief Executive Officer of the Company until January 31, 2011.

Charles J. Herman, Jr. Employment Agreement

The Company has entered into an employment agreement with Charles J. Herman, Jr., Executive Vice President and Chief Investment Officer of the Company, that expires January 31, 2009, and provides for optional successive two-year renewal terms. Mr. Herman receives an annual base salary of not less than $218,545 and he is eligible to receive discretionary annual bonuses and equity awards under the Company s long-term incentive plans. In addition, the Company provides Mr. Herman with health insurance and paid vacation. For a description of the provisions of the agreement regarding compensation and benefits payable to Mr. Herman upon his termination or a change in control, see Potential Payments Upon Termination or Change in Corporate Control below.

Fred S. Klipsch Consulting Agreement

The Company has entered into a consulting agreement with Fred S. Klipsch, Vice Chairman of the Company, that expires December 20, 2008. Mr. Klipsch received a base consulting fee of $350,000 in 2007 and will receive $250,000 in 2008. Each year during the term of the agreement, Mr. Klipsch will be eligible to receive a performance bonus based on the achievement of performance measures to be determined by the Compensation Committee, with the targeted amount of such bonus being 60% to 120% of his base consulting fee. For a description of the provisions of the agreement regarding compensation and benefits payable to Mr. Klipsch upon his termination or a change in control, see Potential Payments Upon Termination or Change in Corporate Control below.

Bonus Payments. A retention bonus of $975,538 in cash and $929,962 in common stock was paid to Mr. Klipsch on January 2, 2007. Mr. Klipsch agreed not to sell any of these shares until after the first anniversary of the grant date and can sell no more than 50% of these shares between the first and second anniversaries of the grant date. He also received a payment of $1,680,000 in cash in lieu of amounts payable to him upon a change in control under a change in control severance agreement and an employment agreement between Mr. Klipsch, Windrose and Windrose s operating partnership.

Indemnification by the Company. The Company will indemnify Mr. Klipsch for any excise taxes assessed against him under Section 4999 of the Code as a result of payments or benefits provided under the agreement or any other plan, agreement or arrangement with the Company, Windrose, Windrose s operating partnership or their affiliates. The Company also will indemnify Mr. Klipsch for any liability with respect to the guarantees executed by Mr. Klipsch in favor of Wells Fargo, as trustee, regarding the loan on the Mount Vernon, Georgia facility.

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2007 Outstanding Equity Awards at Fiscal Year-End Table

The table below provides information regarding outstanding equity-based awards granted to the Named Executive Officers under the Company s long-term incentive plans.

	Option Awards				Stock Awards			
Name	# of Securities Underlying Unexercised Options Exercisable	# of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price ($)	Option Expiration Date	# of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: # of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
George L. Chapman	0	10,727	$ 45.73	1/22/17(1)				
	0	31,756	45.73	1/22/17(2)				
	2,223	8,888	36.50	1/23/16(1)				
	9,175	36,697	36.50	1/23/16(2)				
	9,280	13,918	34.88	1/24/15(1)				
	25,358	16,904	37.00	1/26/14(1)				
	14,879	20,879	25.82	1/27/13(2)				
	17,500	0	24.42	12/12/11(2)				
					135,307	$ 6,046,870(3)		
							60,000	$ 2,681,400(3)
Scott A. Estes	0	1,718	$ 45.73	1/22/17(1)				
	0	5,087	45.73	1/22/17(2)				
	320	1,277	36.50	1/23/16(1)				
	1,319	5,275	36.50	1/23/16(2)				
	1,256	1,883	34.88	1/24/15(1)				
	3,609	2,406	37.00	1/26/14(1)				
					18,427	823,503(3)		
Raymond W. Braun	0	4,651	$ 45.73	1/22/17(1)				
	0	13,770	45.73	1/22/17(2)				

	973	3,888	36.50	1/23/16(1)		
	4,014	16,055	36.50	1/23/16(2)		
	4,000	6,000	34.88	1/24/15(1)		
	10,913	7,274	37.00	1/26/14(1)		
	0	12,155	25.82	1/27/13(2)		
					90,591	4,048,512(3)
Fred S. Klipsch						
Charles J.			$ 45.73			
Herman,						
Jr.	0	2,848		1/22/17(1)		
	0	8,431	45.73	1/22/17(2)		
	417	1,666	36.50	1/23/16(1)		
	1,721	6,880	36.50	1/23/16(2)		
	1,424	2,137	34.88	1/24/15(1)		
	3,993	2,660	37.00	1/26/14(1)		
	0	5,879	25.82	1/27/13(2)		
					21,415	957,036(3)

(1) Represents options with DERs. Cash payments attributable to DERs will accrue and be paid out only when the corresponding option has vested. These options vest ratably over five years on the first five anniversaries of the date of grant and expire on the tenth anniversary of the date of grant.

(2) Represents options without DERs. These options vest ratably over five years on the first five anniversaries of the date of grant and expire on the tenth anniversary of the date of grant.

(3) Based on a share price of $44.69, the closing price of the Company s common stock on December 31, 2007, the last trading day of 2007.

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2007 Option Exercises and Stock Vested Table

The table below provides information regarding the dollar amounts realized pursuant to the vesting or exercise of equity-based awards during 2007 for the Named Executive Officers.

	Option Awards		Stock Awards	
Name	# of Shares Acquired on Exercise	Value Realized Upon Exercise ($)	# of Shares Acquired on Vesting	Value Realized on Vesting ($)
George L. Chapman	23,500	$ 453,735	26,085	$ 1,168,347
Scott A. Estes	0	0	4,556	204,784
Raymond W. Braun	31,406	630,139	12,278	549,932
Fred S. Klipsch	93,333	1,317,233	0	0
Charles J. Herman, Jr.	16,379	313,202	5,613	248,031

2007 Pension Benefits Table

The table below provides information regarding the SERP adopted by the Compensation Committee of the Board of Directors effective January 1, 2001. The SERP is a non-qualified defined benefit pension plan that provides certain executives selected by the Compensation Committee with supplemental deferred retirement benefits. The SERP provides an opportunity for participants to receive retirement benefits that cannot be paid under the Company s 401(k) Plan because of the restrictions imposed by ERISA and the Internal Revenue Code of 1986, as amended. The Compensation Committee has selected George L. Chapman and Raymond W. Braun to participate in the SERP.

Name	Plan Name	Number of Years of Credited Service(1)	Present Value of Accumulated Benefit ($)(2)	Payments During Last Fiscal Year
George L. Chapman	SERP	7	$ 1,326,071	0
Raymond W. Braun	SERP	7	0	0

(1) Represents the number of years of employment after January 1, 2001.

(2) Calculated by discounting the currently accumulated benefit payable at normal retirement age under the elected optional form of a single lump sum distribution. This discounting uses a 6.0% discount rate.

The SERP benefit is designed to provide a benefit payable at retirement at age 65 or older equal to 35% of the participant s average compensation at retirement, offset by the actuarial equivalent of the benefit provided by the Company s 401(k) Plan. Since the SERP benefit accrues over the career of the participant, if the participant retires before his or her 65th birthday, the benefit will be subject to a reduction for proration of length of participation and a further reduction based upon the number of months the participant s retirement occurs prior to his or her 65th birthday.

Average compensation is defined under the SERP to mean the average of the three highest years of salary and bonus compensation considering all years completed prior to the date of retirement.

The actuarial equivalent of the benefit provided by the Company s 401(k) Plan represents the value of Company contributions to the participant s plan accounts projected to age 65 and expressed as a monthly benefit payable for life. The projected value of Company contributions is determined by using all contributions made on behalf of the participant for plan years completed prior to the date of retirement and a 7.5% interest rate compounded annually.

The SERP is unfunded and all benefits will be paid from the general assets of the Company. Eligibility is limited to a select group of Management or highly compensated employees whose qualified plan benefits are limited by ERISA and the Internal Revenue Code of 1986, as amended. See Executive Compensation - Compensation Discussion and Analysis Compensation Elements Supplemental Executive Retirement Plan above for more information regarding the SERP.

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2007 Non-Qualified Deferred Compensation Table

As a result of the merger with Windrose Medical Properties Trust, the Company assumed Windrose s obligations under the Windrose Medical Properties Trust Deferred Compensation Plan (the Windrose Plan). Fred S. Klipsch is the only Named Executive Officer who participated in the Windrose Plan, which became effective on January 1, 2006 and was terminated in connection with the merger. The table below provides information regarding the amounts paid to Mr. Klipsch by the Company in 2007.

Name	Executive Contributions in Last Fiscal Year ($)	Company Contributions in Last Fiscal Year ($)	Aggregate Earnings in Last Fiscal Year ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last Fiscal Year End ($)
Fred S. Klipsch	$ 0	$ 0	$ 0	$ 75,434	$ 0

Following completion of the merger, Mr. Klipsch received a single payment of $75,434, which was the balance of his deferred compensation account under the Windrose Plan.

Potential Payments Upon Termination or Change in Corporate Control

Pursuant to their respective employment or consulting agreements, each of the Named Executive Officers would be entitled to the following benefits upon termination or change in corporate control.

George L. Chapman

Severance Payments and Benefits. If Mr. Chapman is terminated without cause, he would receive severance pay for the remaining term of the agreement or for 24 months, whichever is greater. If Mr. Chapman resigns during the 12 months following a change in corporate control (as defined in the agreement), he would receive severance pay for 36 months. These severance benefits would be made in a series of monthly payments, in an amount equal to one-twelfth of the sum of his annual base salary and the greater of the average of his annual bonuses for the two fiscal years immediately preceding the termination or change in corporate control or a minimum bonus equal to 100% of his annual base salary. At Mr. Chapman s election, the Company may instead be required to make an immediate lump sum payment equal to the present value of such monthly payments, calculated using a discount rate equal to the interest rate on 90-day Treasury Bills reported at the date the election is received by the Company. Mr. Chapman also would be entitled to continued benefits under any life, health and disability insurance programs maintained by the Company for the remaining term of the agreement, or six months, whichever is greater, or until the date he obtains comparable coverage from a new employer. If Mr. Chapman is terminated without cause and he obtains a replacement position with a new employer, the severance payments described above will be reduced by all amounts Mr. Chapman receives as compensation for services performed during such period. If it is determined that any payment by the Company to Mr. Chapman in connection with a change in corporate control would be a golden parachute subject to excise tax, the amount of the payments to him would be increased to cover such excise tax.

In the event of Mr. Chapman s death, his beneficiary would receive a lump sum payment equal to the present value of a series of monthly payments for each month during the remainder of the term of the agreement (but not less than

24 months), each in an amount equal to one-twelfth of the sum of his annual base salary and the greater of the average of his annual bonuses for the two fiscal years immediately preceding the date of death or a minimum bonus equal to 100% of his annual base salary. In addition, the death benefits payable under any retirement, deferred compensation, life insurance or other employee benefit maintained by the Company will be paid to the beneficiary designated by Mr. Chapman.

In the event of Mr. Chapman s termination as a result of disability, Mr. Chapman would receive monthly payments for each month during the remainder of the term of the agreement (but not less than 24 months), each in an amount equal to one-twelfth of the sum of his annual base salary and the greater of the average of his annual bonuses for the two fiscal years immediately preceding the date of disability or a minimum bonus equal to 100% of his annual base salary. These payments would terminate if Mr. Chapman returns to active employment, either with the Company or otherwise. In addition, these payments would be reduced by any amounts paid to Mr. Chapman under any long-term disability plan or other disability program or insurance policies maintained by the Company.

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If Mr. Chapman voluntarily terminates his employment or is terminated for cause, Mr. Chapman only would be entitled to accrued but unpaid base salary and vacation pay, any bonuses earned but unpaid and any nonforfeitable benefits under the Company s deferred compensation, incentive and other benefit plans.

Vesting of Incentive Awards. Mr. Chapman s stock option and restricted stock awards granted under the Company s incentive plans (including the 60,000 shares of restricted stock granted in connection with the agreement) would become vested and immediately exercisable in the event of a change in corporate control, or upon his death, disability or termination without cause. With respect to the performance awards granted in connection with the agreement, in the event of a change in corporate control, or upon his death or disability, all 60,000 of the performance awards would become earned and payable. In the event of a termination without cause, 30,000 of the performance awards would become earned and payable and the remaining 30,000 may be earned and payable if the Board determines that the strategic objectives described in the agreement have been attained.

Non-Competition and Non-Solicitation. Upon the termination of the agreement for any reason, Mr. Chapman will be subject to a non-solicitation agreement for one year from the later of the termination of the agreement or when severance payments under the agreement cease (or would have ceased if Mr. Chapman had not elected to receive a lump sum payment or had such payments not been offset by compensation received from a new employer). In the event of a voluntary termination by Mr. Chapman or termination for cause by the Company, Mr. Chapman also would be subject to a one-year non-competition agreement.

Scott A. Estes

Severance Payments and Benefits. If Mr. Estes is terminated without cause, he would receive severance pay for the remaining term of the agreement or for 12 months, whichever is greater. If Mr. Estes resigns during the 12 months following a change in corporate control (as defined in the agreement), he would receive severance pay for 24 months. These severance benefits would be made in a series of monthly payments, in an amount equal to one-twelfth of the sum of his annual base salary and the greater of the annual bonus for the fiscal year immediately preceding the termination or change in corporate control or a minimum bonus equal to 35% of his annual base salary. At Mr. Estes election, the Company may instead be required to make an immediate lump sum payment equal to the present value of such monthly payments, calculated using a discount rate equal to the interest rate on 90-day Treasury Bills reported at the date the election is received by the Company. Mr. Estes also would be entitled to continued benefits under any life, health and disability insurance programs maintained by the Company for the remaining term of the agreement, or six months, whichever is greater, or until the date he obtains comparable coverage from a new employer. If Mr. Estes is terminated without cause and he obtains a replacement position with a new employer, the severance payments described above will be reduced by all amounts Mr. Estes receives as compensation for services performed during such period. If it is determined that any payment by the Company to Mr. Estes in connection with a change in corporate control would be a golden parachute subject to excise tax, the amount of the payments to him would be increased to cover such excise tax.

In the event of Mr. Estes death, his beneficiary would receive a lump sum payment equal to the present value of a series of monthly payments for each month during the remainder of the term of the agreement (but not less than 12 months), each in an amount equal to one-twelfth of the sum of his annual base salary and the greater of the annual bonus for the fiscal year immediately preceding the date of death or a minimum bonus equal to 35% of his annual base salary. In addition, the death benefits payable under any retirement, deferred compensation, life insurance or other employee benefit maintained by the Company will be paid to the beneficiary designated by Mr. Estes.

In the event of Mr. Estes termination as a result of disability, Mr. Estes would receive monthly payments for each month during the remainder of the term of the agreement (but not less than 12 months), each in an amount equal to one-twelfth of the sum of his annual base salary and the greater of the annual bonus for the fiscal year immediately

preceding the date of disability or a minimum bonus equal to 35% of his annual base salary. These payments would terminate if Mr. Estes returns to active employment, either with the Company or otherwise. In addition, these payments would be reduced by any amounts paid to Mr. Estes under any long-term disability plan or other disability program or insurance policies maintained by the Company.

If Mr. Estes voluntarily terminates his employment or is terminated for cause, Mr. Estes only would be entitled to accrued but unpaid base salary and vacation pay, any bonuses earned but unpaid and any nonforfeitable benefits under the Company s deferred compensation, incentive and other benefit plans.

Vesting of Incentive Awards. Mr. Estes stock option and restricted stock awards granted under the Company s incentive plans would become vested and immediately exercisable in the event of a change in corporate control, or upon his death, disability or termination without cause.

Non-Competition and Non-Solicitation. Upon the termination of the agreement for any reason, Mr. Estes will be subject to a non-solicitation agreement for one year from the later of the termination of the agreement or when severance payments under the agreement cease (or would have ceased if Mr. Estes had not elected to receive a lump sum payment or had such payments not been offset by compensation received from a new employer). In the event of a voluntary termination by Mr. Estes, the election by Mr. Estes not to extend the term of the agreement or a termination for cause by the Company, Mr. Estes also would be subject to a one-year non-competition agreement.

Raymond W. Braun

Severance Payments and Benefits. If Mr. Braun is terminated without cause, he would receive severance pay for the remaining term of the agreement or for 12 months, whichever is greater. If Mr. Braun resigns during the 12 months following a change in corporate control (as defined in the agreement), he would receive severance pay for 24 months. These severance benefits would be made in a series of monthly payments, in an amount equal to one-twelfth of the sum of his annual base salary and the greater of the annual bonus for the fiscal year immediately preceding the termination or change in corporate control or a minimum bonus equal to 55% of his annual base salary. At Mr. Braun s election, the Company may instead be required to make an immediate lump sum payment equal to the present value of such monthly payments, calculated using a discount rate equal to the interest rate on 90-day Treasury Bills reported at the date the election is received by the Company. Mr. Braun also would be entitled to continued benefits under any life, health and disability insurance programs maintained by the Company for the remaining term of the agreement, or six months, whichever is greater, or until the date he obtains comparable coverage from a new employer. If Mr. Braun is terminated without cause and he obtains a replacement position with a new employer, the severance payments described above will be reduced by all amounts Mr. Braun receives as compensation for services performed during such period. If it is determined that any payment by the Company to Mr. Braun in connection with a change in corporate control would be a golden parachute subject to excise tax, the amount of the payments to him would be increased to cover such excise tax.

In the event of Mr. Braun s death, his beneficiary would receive a lump sum payment equal to the present value of a series of monthly payments for each month during the remainder of the term of the agreement (but not less than 12 months), each in an amount equal to one-twelfth of the sum of his annual base salary and the greater of the annual bonus for the fiscal year immediately preceding the date of death or a minimum bonus equal to 55% of his annual base salary. In addition, the death benefits payable under any retirement, deferred compensation, life insurance or other employee benefit maintained by the Company will be paid to the beneficiary designated by Mr. Braun.

In the event of Mr. Braun s termination as a result of disability, Mr. Braun would receive monthly payments for each month during the remainder of the term of the agreement (but not less than 12 months), each in an amount equal to one-twelfth of the sum of his annual base salary and the greater of the annual bonus for the fiscal year immediately preceding the date of disability or a minimum bonus equal to 55% of his annual base salary. These payments would terminate if Mr. Braun returns to active employment, either with the Company or otherwise. In addition, these payments would be reduced by any amounts paid to Mr. Braun under any long-term disability plan or other disability program or insurance policies maintained by the Company.

If Mr. Braun voluntarily terminates his employment or is terminated for cause, Mr. Braun only would be entitled to accrued but unpaid base salary and vacation pay, any bonuses earned but unpaid and any nonforfeitable benefits under the Company s deferred compensation, incentive and other benefit plans.

Vesting of Incentive Awards. Mr. Braun s stock option and restricted stock awards granted under the Company s incentive plans (including the 50,000 shares of restricted stock granted as a special retention and

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incentive award) would become vested and immediately exercisable in the event of a change in corporate control, or upon his death, disability or termination without cause.

Non-Competition and Non-Solicitation. Upon the termination of the agreement for any reason, Mr. Braun will be subject to a non-solicitation agreement for one year from the later of the termination of the agreement or when severance payments under the agreement cease (or would have ceased if Mr. Braun had not elected to receive a lump sum payment or had such payments not been offset by compensation received from a new employer). In the event of a voluntary termination by Mr. Braun, the election by Mr. Braun not to extend the term of the agreement or a termination for cause by the Company, Mr. Braun also would be subject to a one-year non-competition agreement.

Charles J. Herman, Jr.

Severance Payments and Benefits. If Mr. Herman is terminated without cause, he would receive severance pay for the remaining term of the agreement or for 12 months, whichever is greater. If Mr. Herman resigns during the 12 months following a change in corporate control (as defined in the agreement), he would receive severance pay for 24 months. These severance benefits would be made in a series of monthly payments, in an amount equal to one-twelfth of the sum of his annual base salary and the greater of the annual bonus for the fiscal year immediately preceding the termination or change in corporate control or a minimum bonus equal to 30% of his annual base salary. At Mr. Herman s election, the Company may instead be required to make an immediate lump sum payment equal to the present value of such monthly payments, calculated using a discount rate equal to the interest rate on 90-day Treasury Bills reported at the date the election is received by the Company. Mr. Herman also would be entitled to continued benefits under any life, health and disability insurance programs maintained by the Company for the remaining term of the agreement, or six months, whichever is greater, or until the date he obtains comparable coverage from a new employer. If Mr. Herman is terminated without cause and he obtains a replacement position with a new employer, the severance payments described above will be reduced by all amounts Mr. Herman receives as compensation for services performed during such period. If it is determined that any payment by the Company to Mr. Herman in connection with a change in corporate control would be a golden parachute subject to excise tax, the amount of the payments to him would be increased to cover such excise tax.

In the event of Mr. Herman s death, his beneficiary would receive a lump sum payment equal to the present value of a series of monthly payments for each month during the remainder of the term of the agreement (but not less than 12 months), each in an amount equal to one-twelfth of the sum of his annual base salary and the greater of the annual bonus for the fiscal year immediately preceding the date of death or a minimum bonus equal to 30% of his annual base salary. In addition, the death benefits payable under any retirement, deferred compensation, life insurance or other employee benefit maintained by the Company will be paid to the beneficiary designated by Mr. Herman.

In the event of Mr. Herman s termination as a result of disability, Mr. Herman would receive monthly payments for each month during the remainder of the term of the agreement (but not less than 12 months), each in an amount equal to one-twelfth of the sum of his annual base salary and the greater of the annual bonus for the fiscal year immediately preceding the date of disability or a minimum bonus equal to 30% of his annual base salary. These payments would terminate if Mr. Herman returns to active employment, either with the Company or otherwise. In addition, these payments would be reduced by any amounts paid to Mr. Herman under any long-term disability plan or other disability program or insurance policies maintained by the Company.

If Mr. Herman voluntarily terminates his employment or is terminated for cause, Mr. Herman only would be entitled to accrued but unpaid base salary and vacation pay, any bonuses earned but unpaid and any nonforfeitable benefits under the Company s deferred compensation, incentive and other benefit plans.

Vesting of Incentive Awards. Mr. Herman s stock option and restricted stock awards granted under the Company s incentive plans would become vested and immediately exercisable in the event of a change in corporate control, or upon his death, disability or termination without cause.

Non-Competition and Non-Solicitation. Upon the termination of the agreement for any reason, Mr. Herman will be subject to a non-solicitation agreement for one year from the later of the termination of the agreement or when severance payments under the agreement cease (or would have ceased if Mr. Herman had not elected to

receive a lump sum payment or had such payments not been offset by compensation received from a new employer). In the event of a voluntary termination by Mr. Herman, the election of Mr. Herman not to extend the term of the agreement or a termination for cause by the Company, Mr. Herman also would be subject to a one-year non-competition agreement.

Fred S. Klipsch

Severance Payments and Benefits. If Mr. Klipsch s service is terminated by him or the Company before the end of the two-year term for any reason, he will be entitled to receive his base consulting fee and performance bonus amounts accrued or earned but unpaid as of such date. He also will be entitled to receive a monthly severance payment (or, in the case of termination for disability, monthly disability payments) equal to his monthly base consulting fee for the remainder of the term (or, in the case of termination for disability, until he returns to active service to the Company, if applicable). In the event of disability, Mr. Klipsch may be entitled to additional payments under the Company s disability plans and policies, and any such payments will reduce the payments due under the agreement. In addition, in exchange for not competing with the Company for the two-year period following the termination of Mr. Klipsch s service for any reason, Mr. Klipsch will receive $600,000, payable in eight quarterly payments of $75,000. If Mr. Klipsch s service terminates due to his death, his surviving spouse or other designated beneficiary will be entitled to receive a lump sum payment equal to the present value of the amounts which would have been payable to Mr. Klipsch as a result of the termination of his service and for not competing with the Company.

Vesting of Incentive Awards. Mr. Klipsch s stock option and restricted stock awards granted under the Company s incentive plans would become vested and immediately exercisable in the event of his death.

Non-Competition and Non-Solicitation. Upon the termination of the agreement for any reason, Mr. Klipsch will be subject to a two-year non-competition and non-solicitation agreement, except that Mr. Klipsch may solicit or hire Daniel R. Loftus, in his capacity as an attorney, at any time, and may solicit or hire either Mr. Loftus or Paula Conroy at any time after they cease to be employed by the Company.

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Quantification of Benefits

The table below reflects estimates of the amounts of compensation that would be paid to the Named Executive Officers in the event of their termination. The amounts assume that such termination was effective as of December 31, 2007. The actual amounts to be paid to an executive can only be determined at the time of such executive s separation from the Company.

Name/ Type of Termination	Cash Severance(1)	Continued Benefits(2)	Accelerated Vesting of Unvested Equity Compensation(3)	Incremental Pension Benefit(4)	Non-Compete Payments(5)	Excise Tax Gross-Up(6)	Total
George L. Chapman							
For Cause/Resignation without Good Reason	$ 0	$ 0	$ 0	$ 0	$ 0	n/a	**$ 0**
Death, Disability, Involuntary Termination without Cause, Resignation for Good Reason	2,434,326	9,955	10,176,666	0	0	n/a	**12,620,946**
Involuntary Termination without Cause or Resignation following a Change in Corporate Control	3,592,761	9,955	10,176,666	1,994,449	0	0	**15,773,830**
Scott A. Estes							
For Cause/Resignation without Good Reason	0	0	0	0	0	n/a	**0**
Death, Disability, Involuntary Termination without Cause, Resignation for Good Reason	557,527	12,040	963,160	0	0	n/a	**1,532,727**
Involuntary Termination without Cause or Resignation following a Change in Corporate Control	1,014,026	12,040	963,160	0	0	484,345	**2,473,571**
Raymond W. Braun							
For Cause/Resignation without Good Reason	0	0	0	0	0	n/a	**0**
Death, Disability, Involuntary Termination without Cause, Resignation for Good Reason	921,105	12,040	4,705,463	0	0	n/a	**5,638,608**

Involuntary Termination without Cause or Resignation following a Change in Corporate Control	1,675,300	12,040	4,705,463	709,533	0	0	**7,102,336**
Fred S. Klipsch							
Any termination	245,601	0	0	0	578,523	0	**824,124**
Charles J. Herman, Jr.							
For Cause/Resignation without Good Reason	0	0	0	0	0	n/a	**0**
Death, Disability, Involuntary Termination without Cause, Resignation for Good Reason	596,244	12,040	1,237,482	0	0	n/a	**1,845,766**
Involuntary Termination without Cause or Resignation following a Change in Corporate Control	1,084,445	12,040	1,237,482	0	0	0	**2,333,967**

(1) Cash Severance

Chapman, Estes, Braun and Herman. Under the employment agreements for Messrs. Chapman, Estes, Braun and Herman, these executives are entitled to cash severance payable in a series of monthly severance payments upon certain termination events. For Mr. Chapman, each monthly payment is equal to 1/12 of the sum of his base salary plus the greater of (a) the average annual bonus paid during the last two years or (b) a minimum bonus as a percent of his base salary, as specified in the employment agreement. The average annual bonuses paid during the past two years have been in excess of the minimums specified in the agreement; thus the average annual bonuses are used to calculate potential severance. For Messrs. Estes, Braun and Herman, each monthly payment is equal to 1/12 of the sum of the executive s base salary plus the greater of (a) the annual bonus paid during the last year or (b) a minimum bonus as a percent of base salary, as specified for each executive in the employment agreement. The annual bonuses paid during the last year have been in excess of the minimums

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specified in the agreement; thus the annual bonuses are used to calculate potential severance. For Messrs. Chapman, Estes, Braun and Herman, the number of months for which the severance will be paid varies depending on the termination scenario:

If the termination is for cause by the Company or without good reason by the executive, no severance would be paid.

Upon involuntary termination without cause by the Company or voluntary termination by the executive for good reason, not related to a change in corporate control, payments will be made for each month during the remaining agreement term, but not for less than 24 months for Mr. Chapman and not for less than 12 months for Messrs. Estes, Braun and Herman. As of December 31, 2007, the remaining terms of the agreements of Messrs. Chapman, Estes, Braun and Herman were 13 months. Therefore, the figures in the above table assume payments would be provided for 24 months for Mr. Chapman and for 13 months for Messrs. Estes, Braun and Herman.

Upon involuntary termination without cause by the Company or voluntary termination by the executive for any reason within 12 months of a change in corporate control, payments will be made for 36 months for Mr. Chapman and for 24 months for Messrs. Estes, Braun and Herman.

The executive may elect to receive these payments in a lump sum, with the lump sum equal to the present value of the monthly payments calculated using a discount rate equal to the 90-day treasury rate. The amounts reflected in the table above represent the discounted present value of the monthly payments assuming a 3.29% annual discount rate (the 90-day treasury rate as of December 31, 2007, the assumed date of termination).

Klipsch. Under the consulting agreement for Mr. Klipsch, upon termination for any reason, Mr. Klipsch is entitled to receive monthly severance equal to his base consulting fee for the balance of the agreement term. Assuming a termination occurred December 31, 2007, the balance of the agreement term would be 12 months. Mr. Klipsch s annual base fee for the remaining year of the agreement term is $250,000. The figures in the table above represent the present value of these monthly payments using the same 3.29% discount rate (90-day treasury rate as of December 31, 2007). Note, however, that Mr. Klipsch may only receive these payments in a lump sum upon termination due to death. Otherwise, he will receive monthly payments.

(2) Continued Benefits

Chapman, Estes, Braun and Herman. Under the employment agreements for Messrs. Chapman, Estes, Braun and Herman, these executives are entitled to continued coverage at the Company s expense under life, health and disability insurance programs in which the executive participated at the time of termination for the remaining term of the agreement, but not less than 12 months for Mr. Chapman and not less than six months for Messrs. Estes, Braun and Herman. As of December 31, 2007, the remaining term of each of these executives agreements was 13 months. Therefore, the figures in the above table assume continued benefits would be provided for 13 months for each executive. The monthly cost of such benefits is estimated to be the 2007 monthly costs, increased by 2%, assuming such benefits are provided through COBRA.

Klipsch. The consulting agreement for Mr. Klipsch does not provide continued benefits under any termination scenario.

(3) Accelerated Vesting of Unvested Equity Compensation

Under the employment agreements for Messrs. Chapman, Estes, Braun and Herman, upon involuntary termination without cause by the Company or voluntary termination for good reason by the executive, all unvested stock awards will become fully vested. No provision for vesting acceleration is provided in Mr. Klipsch s agreement because it is currently expected that he will not participate in the Company s equity compensation programs. The numbers in this column represent the in-the-money value of unvested stock options and the full value of unvested restricted stock awards as of December 31, 2007 (the assumed termination date) where vesting would be accelerated upon termination under these scenarios. Note that these amounts are different than the Company s compensation expense for granting these awards. The assumed share price upon each termination scenario is $44.69, which was the closing price as of December 31, 2007, the last trading day of the year. As of December 31, 2007, Mr. Klipsch did not have any unvested equity compensation awards.

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(4) Incremental Pension Benefit

Messrs. Chapman and Braun participate in the SERP. In the event of a change in corporate control of the Company, if Mr. Chapman s employment is terminated, either voluntarily or involuntarily for any reason, he will be entitled to receive the full retirement benefit, unreduced by the proration for length of participation or the early retirement reduction. If Mr. Braun s employment is terminated after a change in corporate control, either voluntarily or involuntarily for any reason, he will be entitled to receive his early retirement benefits as of the date of termination calculated by adding an additional five years of participation (up to but not beyond age 65) to the length of his participation proration, but with no reduction for early retirement. The amounts shown in the above table represent the present value of the enhanced benefit to each executive upon termination related to a change in corporate control.

(5) Non-Compete Payments

Under the consulting agreement for Mr. Klipsch, at the expiration of the two-year consulting term, or earlier upon termination for any other reason, he will receive quarterly payments of $75,000 for a two-year period in exchange for an agreement not to compete with the Company and not to solicit certain Company employees. The numbers in the above table represent the present value of these payments discounted by 3.29%, the 90-day treasury rate as of December 31, 2007. Note, however, that Mr. Klipsch may only receive these payments in a lump sum upon termination due to death. Otherwise, he will receive quarterly payments.

(6) Excise Tax Gross-Up

Under the employment agreements for Messrs. Chapman, Estes, Braun and Herman and the consulting agreement for Mr. Klipsch, if any payments constitute excess parachute payments under Section 280G of the Internal Revenue Code (the Code) such that the executive or consultant incurs an excise tax under Section 4999 of the Code, the Company will provide an excise tax gross-up payment in an amount such that after payment of the excise tax and all income and excise taxes applicable to the gross-up payment, the executive would receive the same amount of severance had the excise tax not applied. If a change in corporate control had occurred December 31, 2007 and each of the Named Executive Officers was terminated as a result, none of the Named Executive Officers (except for Mr. Estes) would have been subject to excise tax. The Company would have been required to provide an excise-tax gross-up payment for Mr. Estes only. In arriving at this conclusion, the following assumptions were used:

Each officer s base amount was calculated by taking the average W-2 income (box 1) from the past five years (2003-2007).

The stock award parachute calculations for purposes of Code Section 280G were based on Black-Scholes valuation methodology using the most recent GAAP FAS 123(R) option valuation assumptions (volatility 20.5%, risk-free interest rate 3.42%, dividend yield 6.47%, expected remaining term of 90 days). Under the Code Section 280G rules, the cost included in the parachute for the accelerated vesting of stock options, restricted shares and unvested dividend equivalent rights is the sum of (1) the excess of the aggregate accelerated benefit over the present value of the accelerated benefit and (2) the lapse of service obligation (1% times the number of months of vesting accelerated times the aggregate accelerated benefit).

The non-compete payments to Mr. Klipsch were not included in the parachute calculation because they are considered reasonable compensation for services after a change in corporate control.

The total parachute for each Named Executive Officer (except for Mr. Estes) did not exceed the Code Section 280G safe harbor, which is three times the base amount minus $1. As a result, the Named Executive Officers (except for Mr. Estes) would not have incurred any excise tax.

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DIRECTOR COMPENSATION

The following table summarizes the compensation paid to our non-employee Directors with respect to 2007. Our Directors who are also employees do not receive additional compensation for being members of our Board.

2007 Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(8)	Total ($)
William C. Ballard, Jr.	$ 55,500(1)(2)	$ 93,347	$ 148,847
Pier C. Borra	57,333(1)(3)	93,347	150,680
Thomas J. DeRosa	56,667(4)	93,347	150,014
Jeffrey H. Donahue	61,667(1)(5)	93,347	155,014
Peter J. Grua	53,000(6)	93,347	146,347
Sharon M. Oster	48,333(7)	93,347	141,680
R. Scott Trumbull	48,000	93,347	141,347

(1) Includes fees relating to Compensation Committee meetings held in 2006 but paid in 2007.

(2) Includes $2,500 additional retainer for serving as Nominating/Corporate Governance Committee Chair from January through April.

(3) Includes $3,333 additional retainer for serving as Compensation Committee Chair from January through April.

(4) Includes $6,667 additional retainer for serving as Audit Committee Chair from May through December.

(5) Includes $6,667 additional retainer for serving as Compensation Committee Chair from May through December.

(6) Includes $5,000 additional retainer for serving as Nominating/Corporate Governance Committee Chair from May through December.

(7) Includes $3,333 additional retainer for serving as Audit Committee Chair from January through April.

(8) Amounts set forth in this column represent the FAS 123(R) stock-based compensation expense recognized in 2007 for awards granted to the non-employee Directors and are based on the share prices on the respective dates of grant, which were $34.88, $36.50 and $45.73 for grants on January 24, 2005, January 23, 2006 and January 22, 2007, respectively.

Our compensation program for non-employee Directors for the 2007 calendar year consisted of:

Cash Compensation

$45,000 annual cash retainer, payable in equal quarterly installments

Additional Committee Chair retainers of $10,000 per year for the Chairs of the Audit and Compensation Committees and $7,500 for the Chair of the Nominating/Corporate Governance Committee

If the Board of Directors holds more than four meetings per year, each Director will receive $1,500 for each meeting attended in excess of four per year

If any of the Audit, Compensation, Nominating/Corporate Governance, or Executive Committees holds more than four meetings in a year, each member will receive $1,000 for each meeting attended in excess of four meetings

Equity Compensation

Each year, $70,000 worth of deferred stock units are granted to each non-employee Director under the 2005 Long-Term Incentive Plan. The deferred stock units are fully vested at grant, but are converted into shares of

common stock in three equal installments on the first three anniversaries of the date of grant. Recipients of the deferred stock units also are entitled to DERs.

Non-employee Directors who are appointed or elected to the Board of Directors for the first time will receive a grant of $100,000 worth of deferred stock units following their appointment or election. This grant includes the $70,000 annual grant plus an additional $30,000 initial grant. Similar to the annual grants, the deferred stock units will convert into shares of common stock in three equal installments on the first three anniversaries of the date of grant and recipients will be entitled to DERs. Jeffrey R. Otten was appointed to the Board of Directors in January 2008. Pursuant to the foregoing policy, Mr. Otten received a grant of $100,000 worth of deferred stock units following his appointment. Mr. Otten is not included in the 2007 Director Compensation Table because he did not receive any compensation from the Company in 2007.

For the 2008 calendar year, the presiding Director of executive sessions of non-employee Directors will receive an additional retainer of $2,500.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Policies and Procedures for Review, Approval or Ratification of Related Party Transactions

The Company has a written policy requiring all material transactions with related parties to be approved or ratified by the Nominating/Corporate Governance Committee. The policy covers any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (1) the aggregate amount involved will or may be expected to exceed $100,000 in any calendar year, (2) the Company is a participant, and (3) any related party has or will have a direct or indirect interest (other than solely as a result of being a Director or a less than 10% beneficial owner of another entity).

In determining whether to approve or ratify a transaction, the Committee will take into account, among other factors it deems appropriate, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party s interest in the transaction. The Board has determined that transactions that involve any employment by the Company of an Executive Officer of the Company shall be deemed to be pre-approved if the related compensation is required to be reported in the Company s proxy statement under Item 402 of Regulation S-K because the person is a Named Executive Officer, or if the Executive Officer is not a Named Executive Officer and the compensation would have been reported in the Company s proxy statement if the Executive Officer had been a Named Executive Officer (and the Company s Compensation Committee approved or recommended that the Board approve such compensation). The Board also has pre-approved certain transactions that involve any compensation paid to a Director if the compensation is required to be reported in the Company s proxy statement under Item 402 of Regulation S-K, certain charitable contributions by the Company if the related party is an employee or a director of the charitable institution, and any transaction where the related party s interest arises solely from the ownership of the Company s common stock and all holders of the Company s common stock receive the same benefit on a pro rata basis.

Agreements Regarding Office Space

The Company, through one of its subsidiaries, has an overhead sharing agreement with Klipsch Audio, Inc. Fred S. Klipsch, who is a Director of the Company and the Vice Chairman of the Company, also serves as Chairman of the Board of Klipsch Audio, Inc. The Company s Executive Vice President, Frederick L. Farrar, is Executive Vice President of Klipsch Audio, Inc. Messrs. Klipsch and Farrar have an ownership interest in Klipsch Audio, Inc. Under this agreement, Klipsch Audio, Inc. provides the Company with executive office space and certain office support services for $8,500 per month. The agreement is terminable by either party on 30 days notice.

The Company also has a lease agreement with Woodview, LLC, a limited liability company, for approximately 7,000 square feet of office space. Messrs. Klipsch and Farrar are two of the three managing members of Woodview, LLC and have an ownership interest in it. The Company currently pays $10,967 per month to Woodview, LLC for use of this office space. The agreement expires on January 31, 2011 and is cancellable in part upon the occurrence of certain specified events.

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EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information, as of December 31, 2007, concerning shares of common stock authorized for issuance under all of the Company s equity compensation plans:

	(a) Number of Securities to be Issued Upon Exercise of Options	(b) Weighted Average Exercise Price of Outstanding Options	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders	637,332(1)	$ 35.54	1,605,318(2)
Equity compensation plans not approved by stockholders	None	N/A	None
Totals	637,332(1)	$ 35.54	1,605,318(2)

(1) This number reflects the options granted under the 1995 Stock Incentive Plan, as amended, the Stock Plan for Non-Employee Directors, as amended, and the 2005 Long-Term Incentive Plan.

(2) This number reflects the 2,200,000 shares of common stock initially reserved for future issuance under the 2005 Long-Term Incentive Plan, as reduced by awards issued under the 2005 Long-Term Incentive Plan, and as increased by shares withheld to satisfy tax liabilities arising from vesting of awards under the 1995 Stock Incentive Plan that are available for future issuance under the 2005 Long-Term Incentive Plan.

PROPOSAL 2 RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The firm of Ernst & Young LLP served as the Company s independent registered public accounting firm for the year ended December 31, 2007 and has been selected by the Company to serve in such capacity for the year ending December 31, 2008. Ernst & Young LLP has served as the Company s independent registered public accounting firm since the Company s inception in 1970. Although the submission of this matter for approval by stockholders is not legally required, the Board believes that such submission follows sound business practice and is in the best interests of the stockholders. If this appointment is not ratified by the holders of a majority of the shares of voting securities present in person or by proxy at the Annual Meeting, the Directors will consider the selection of another accounting firm. If such a selection were made, it may not become effective until 2009 because of the difficulty and expense of making a substitution. Representatives of the firm of Ernst & Young LLP are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Fees for professional services provided by Ernst & Young LLP in each of the last two fiscal years, in each of the following categories, are as follows:

	Year Ended December 31,	
	2007	**2006**
Audit Fees	$ 1,245,540	$ 879,250
Audit-Related Fees	1,601	21,601
Tax Fees:		
Tax Compliance	238,155	287,619
Tax Planning and Tax Advice	19,865	10,343
All Other Fees	0	0
Totals	$ 1,505,161	$ 1,198,813

Audit fees include fees associated with the annual audit, the review of the Company s quarterly reports on Form 10-Q and services that generally only the independent registered public accounting firm can provide such as comfort letters, consents and assistance with review of documents to be filed with or furnished to the Securities and

Exchange Commission. Audit-related fees include fees associated with assurance and related services that are traditionally performed by an independent accountant, including access to research databases and due diligence and consultations concerning financial accounting and reporting standards. Tax fees include fees for tax compliance and tax planning and tax advice services. Tax compliance involves the preparation of original and amended tax returns, claims for refund and tax payment-planning services. Tax planning and tax advice encompass a diverse range of services, including assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from taxing authorities. None of the foregoing fees were paid for services, the sole business purpose of which was tax avoidance, or the tax treatment of which would not be supported by the Internal Revenue Code and related regulations.

THE BOARD OF DIRECTORS OF THE COMPANY UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF ERNST & YOUNG LLP. The affirmative vote of a majority of the shares of voting securities present in person or by proxy at the Annual Meeting will be required for such ratification.

PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has developed policies and procedures concerning its pre-approval of the performance of audit and non-audit services for the Company by Ernst & Young LLP. At its annual January meeting, the Audit Committee gives its prior approval for particular audit and non-audit services within the following categories of services that it desires the independent registered public accounting firm to undertake: audit services, audit-related services, tax compliance services and tax planning and tax advice services. Prior to giving its approval, the Committee reviews the written descriptions of these services provided by Ernst & Young LLP and the estimated fees for these services. All other non-audit services must be pre-approved on an individual engagement basis. If there is any question as to whether a proposed service has been pre-approved, Management and the independent registered public accounting firm together must contact the Audit Committee to obtain clarification or, if necessary, pre-approval.

All of the audit services, audit-related services, tax compliance services and tax planning and tax advice services provided to the Company by Ernst & Young LLP during the year ended December 31, 2007 were pre-approved by the Audit Committee.

Where specific Audit Committee approval of non-audit services is required, the Chair of the Audit Committee may pre-approve the engagement subject to a presentation to the full Audit Committee at its next regularly scheduled meeting.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees the Company s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. In fulfilling its oversight responsibilities this past year, the Committee reviewed the audited financial statements with Management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Committee reviewed with the independent registered public accounting firm, which is responsible for expressing an opinion on the conformity of the audited financial statements with generally accepted accounting principles, its judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed with the Committee under generally accepted auditing standards (including Statement on Auditing Standards No. 61, as amended by Statement on Auditing Standards Nos. 89 and 90). In addition, the Committee has discussed with the independent registered public accounting firm such firm s independence from

Management and the Company, including the matters in the written disclosures required by the Independence Standards Board (including Independence Standards Board Standard No. 1), and considered the compatibility of non-audit services with such firm s independence.

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The Committee discussed with the Company s independent registered public accounting firm the overall scope and plans for its audit. The Committee met with such firm, with and without Management present, to discuss the results of its examinations, its evaluations of the Company s internal controls, and the overall quality of the Company s financial reporting. The Committee held eight meetings during the year ended December 31, 2007.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2007 for filing with the Securities and Exchange Commission. The Committee and the Board have also recommended, subject to stockholder ratification, the selection of Ernst & Young LLP as the Company s independent registered public accounting firm.

Submitted by the Audit Committee

Thomas J. DeRosa, Audit Committee Chair
Pier C. Borra, Audit Committee Member
R. Scott Trumbull, Audit Committee Member

VOTING PROCEDURES

All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Abstentions will be counted as present or represented for purposes of determining the presence or absence of a quorum for the Annual Meeting and will be included in vote totals. Accordingly, abstentions will have the same effect as negative votes. A broker non-vote occurs when a broker or other nominee holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the broker does not have discretionary voting power for the other proposal and has not received instructions from the beneficial owner. Broker non-votes will be counted as present or represented for purposes of determining the presence or absence of a quorum for the Annual Meeting, but will not be counted for purposes of determining the number of shares entitled to vote with respect to any proposal for which the broker lacks discretionary authority.

OTHER MATTERS

Management is not aware of any matters to be presented for action at the Annual Meeting other than the matters set forth above. If any other matters do properly come before the meeting or any adjournment thereof, it is intended that the persons named in the proxy will vote in accordance with their judgment on such matters.

STOCKHOLDERS SHARING THE SAME ADDRESS

In accordance with a notice sent to stockholders who share a single address, we are sending only one Annual Report and one Notice of Meeting and Proxy Statement to that address unless we receive contrary instructions from any stockholder at that address. This procedure, known as householding, is designed to reduce printing costs, mailing costs and fees.

Stockholders residing at such an address who wish to receive separate copies of the Annual Report or Proxy Statement in the future and stockholders who are receiving multiple copies of these materials now and wish to receive just one set of materials in the future, should write to the Senior Vice President-Administration and Corporate Secretary, Health Care REIT, Inc., One SeaGate, Suite 1500, P.O. Box 1475, Toledo, Ohio, 43603-1475 or call (419) 247-2800 to request a change. The Annual Report and Proxy Statement are also available on the Company s website at www.hcreit.com/proxy.

STOCKHOLDER PROPOSALS FOR PRESENTATION AT THE 2009 ANNUAL MEETING

The Board of Directors requests that any stockholder proposals intended for inclusion in the Company s proxy materials for the 2009 Annual Meeting be submitted to Erin C. Ibele, Senior Vice President-Administration and Corporate Secretary of the Company, in writing no later than November 20, 2008. Unless the Company has been given written notice by February 9, 2009 of a stockholder proposal to be presented at the 2009 Annual Meeting other than by means of inclusion in the Company s proxy materials for the Meeting, persons named in the proxies solicited by the Board of Directors for the Meeting may use their discretionary voting authority to vote against the proposal.

BY ORDER OF THE BOARD OF DIRECTORS

Erin C. Ibele
Senior Vice President-Administration and
Corporate Secretary

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DIRECTORS OF THE COMPANY UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR ALL OF THE FOLLOWI

1. Election of three Directors for a term of three years:
   01 William C. Ballard, Jr.,
   02 Peter J. Grua, and
   03 R. Scott Trumbull.

FOR ALL	WITHHOLD FOR ALL
C	C

To withhold authority to vote for any individual nominee, please write the person s name in the following space:

	FOR	AGAINST	ABSTAIN
2. Ratification of the appointment of Ernst & Young LLP as Independent Registered Public Accounting Firm for the fiscal year 2008.	C	C	C

3. With discretionary authority on any other business that may properly come before the meeting or any adjournment thereof.

Please sign exactly as your name appears herein. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. Corporate or partnership proxies should be signed by an authorized person with the person s title indicated.

Dated: , 2008

Signature

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE. PLEASE MARK YOUR CHOICE LIKE THIS X IN BLUE OR BLACK INK.

Signature if Held Jointly

5 **FOLD AND DETACH HERE** 5

WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING, BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.

Internet and telephone voting is available through 11:59 PM Eastern Time the day prior to annual meeting day.

Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

INTERNET		**TELEPHONE**
http://www.proxyvoting.com/hcn		**1-866-540-5760**
Use the Internet to vote your proxy. Have your proxy card in hand when you access the website.	**OR**	Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.

If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card.
To vote by mail, mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.
Choose **MLink**SM for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect**® at www.bnymellon.com/shareowner/isd where step-by-step instructions will prompt you through enrollment.

The proxy materials for Health Care REIT, Inc. also are available at www.hcreit.com/proxy.

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PROXY FOR COMMON STOCK

HEALTH CARE REIT, INC.

PROXY SOLICITED BY THE BOARD OF DIRECTORS

The undersigned hereby appoints George L. Chapman and Peter J. Grua, and each of them, as proxies for the undersigned, with full power of substitution, to vote all shares of common stock, $1.00 par value per share, of Health Care REIT, Inc. (the Company), that the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Company to be held on Thursday, May 1, 2008, or any adjournments thereof.

YOU MAY REVOKE THIS PROXY AT ANY TIME PRIOR TO THE TAKING OF A VOTE ON THE MATTERS HEREIN.

Returned proxy cards will be voted: (1) as specified on the matters listed; (2) in accordance with the Directors recommendations where a choice is not specified; and (3) in accordance with the judgment of the proxies on any other matters that may properly come before the meeting.

(Over)

Address Change/Comments (Mark the corresponding box on the reverse side)

5 **FOLD AND DETACH HERE** 5

You can now access your HEALTH CARE REIT, INC. account online.

Access your Health Care REIT, Inc. stockholder account online via Investor ServiceDirect® (ISD).

The transfer agent for Health Care REIT, Inc. now makes it easy and convenient to get current information on your stockholder account.

View account status	View payment history for dividends
View certificate history	Make address changes
View book-entry information	Obtain a duplicate 1099 tax form
	Establish/change your PIN

Visit us on the Internet at http://www.bnymellon.com/shareowner/isd

For Technical Assistance Call 1-877-978-7778 between 9:00 AM and 7:00 PM Eastern Time Monday-Friday

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