HEALTH CARE REIT INC /DE/
Form 8-K
November 13, 2002

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of The
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): November 12, 2002

HEALTH CARE REIT, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	1-8923	34-1096634
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

One SeaGate, Suite 1500, Toledo, Ohio	43604
(Address of principal executive office)	(Zip Code)

(419) 247-2800
(Registrant's telephone number, including area code)

ITEM 5. OTHER EVENTS

In connection with the Company's Registration Statement on Form S-3 (File No. 333-73936), declared effective December 7, 2001, the Company has entered into a Purchase Agreement for the purchase and sale of 930,000 shares of the Common Stock, $1.00 par value per share, of the Company.

Pursuant to SFAS No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS, certain assets of the Company are now classified as discontinued operations due to their sale during the nine months ended September 30, 2002. As a result, the Company is reclassifying in this Report its operations, including rental income, interest expense and provision for depreciation related to those assets for prior periods. In so doing, the Company is amending Items 6, 7 and 8 of its Form 10-K for the year ended December 31, 2001 and those amended items are set forth in their entirety in this Report. Additionally, the Company is including, for informational purposes, Financial Statement Schedules III and IV which are unchanged from Item 14 of its Form 10-K for the year ended December 31, 2001. The application of SFAS No. 144 had no effect on income available to stockholders.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Business Acquired.

None.

(b) Pro Forma Financial Information.

None.

(c) Exhibits.

5 Opinion re legality

10.1 Purchase Agreement

23 Consent of Independent Auditors

99.1 Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer

99.2 Certification pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer

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ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data for the five years ended December 31, 2001, are derived from the audited consolidated financial statements of the Company.

	Year ende		
	(In thousands, except		
	2001	2000	19
OPERATING DATA			
Revenues	$ 129,838	$ 129,949	$ 123
Expenses:			
Interest expense	30,492	32,995	25
Provision for depreciation	28,831	21,310	16
General and administrative and other expenses(1)	10,853	9,570	8
Loss on investment		2,000	
Total expenses	70,176	65,875	50

Income from continuing operations before extraordinary item	59,662	64,074	72
Income from discontinued operations, net	1,100	3,982	3
Income before extraordinary item	60,762	68,056	75
Extraordinary loss on extinguishment of debt	(213)		
Net income	60,549	68,056	75
Preferred stock dividends	13,505	13,490	12
Net income available to common stockholders	$ 47,044	$ 54,566	$ 62
OTHER DATA			
Average number of common shares outstanding:			
Basic	30,534	28,418	28
Diluted	31,027	28,643	28
PER SHARE DATA			
Basic:			
Income from continuing operations and after preferred stock dividends	$ 1.51	$ 1.78	$
Discontinued operations, net	0.04	0.14	
Extraordinary item	(0.01)		
Net income available to common stockholders	1.54	1.92	
Diluted:			
Income from continuing operations and after preferred stock dividends	1.49	1.77	
Discontinued operations, net	0.04	0.14	
Extraordinary item	(0.01)		
Net income available to common stockholders	1.52	1.91	
Cash distributions per common share	2.34	2.335	

			Year ende
			(In t
	2001	2000	19
BALANCE SHEET DATA			
Net real estate investments	$1,213,564	$1,121,419	$1,241
Total assets	1,269,843	1,156,904	1,271
Total debt	491,216	439,752	538
Total liabilities	511,973	458,297	564
Total stockholders' equity	757,870	698,607	706

(1) General and administrative and other expenses include loan expense, provision for loan losses, and other operating expenses.

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

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2001, the Company's net real estate investments totaled approximately $1,213,564,000, that included 150 assisted living facilities, 57 skilled nursing facilities and seven specialty care facilities. Depending upon the availability and cost of external capital, the Company anticipates making additional investments in health care related facilities. New investments are funded from temporary borrowings under the Company's line of credit arrangements, internally generated cash and the proceeds derived from asset sales. Permanent financing for future investments, which replaces funds drawn under the line of credit arrangements, is expected to be provided through a combination of private and public offerings of debt and equity securities, and the assumption of secured debt. The Company believes its liquidity and various sources of available capital are sufficient to fund operations, meet debt service and dividend requirements, and finance future investments.

During the previous two years, the underperformance of publicly owned skilled nursing and assisted living companies, combined with the much publicized shift in equity funds flow from income-oriented investments to high-growth opportunities, impaired the stock valuations in the health care REIT sector. In 2001, certain events took place that improved the access to capital for the health care REIT sector. First, several of the publicly owned skilled nursing companies that had previously filed for bankruptcy protection, settled their claims and emerged from bankruptcy. Assisted living construction declined significantly, allowing more of the existing projects to improve their occupancy and stabilize operations. Finally, the broad stock market decline and the drop in interest rates generated renewed interest in income-oriented investments such as REITs. As a result of these factors, the Company was able to access the capital markets during 2001.

In June 2001, the Company issued 3,450,000 shares of common stock, generating net proceeds of $74,184,000.

In August 2001, the Company issued $175 million of senior notes, due in 2007 at an effective yield of 7.78%.

During 2001, the Company invested $181,420,000 in real property, provided permanent mortgage and loan financings of $18,639,000, made construction advances of $17,075,000 and funded $4,084,000 of subdebt investments. As of December 31, 2001, the Company had approximately $35,000,000 in unfunded commitments.

As of December 31, 2001, the Company had stockholders' equity of $757,870,000 and a total outstanding debt balance of $491,216,000, which represents a debt to total capitalization ratio of 0.39 to 1.0.

In January 2001, the Company extended its primary revolving line of credit through March 31, 2003. Under the terms of the extension, the total commitment was reduced from $175 million to $150 million and the effective interest rate was adjusted to the lender's prime rate or LIBOR plus 1.50%. As of December 31, 2001, the Company had no borrowings outstanding under the Company's revolving lines of credit. The Company also had a $25 million unsecured line of credit with no borrowings at December 31, 2001, and a $60 million secured line of credit, with $33 million outstanding at December 31, 2001.

In February 2002, the Company issued 906,125 shares of common stock, generating net proceeds of $23,619,000.

As of February 28, 2002, the Company had an effective shelf registration on file with the Securities and Exchange Commission under which the Company may issue up to $652,000,000 of securities including debt securities, common and preferred stock and warrants. Depending upon market conditions, the Company anticipates issuing securities under its shelf registration to invest in additional health care facilities and to repay borrowings under the Company's line of credit arrangements.

The following table summarizes our payments under contractual obligations as of December 31, 2001:

	Payments Due by Period		
	Total	2002	2003-2004
Senior notes	$ 412,250	$ 12,250	$ 75,000
Mortgages	45,966	368	875
Total contractual obligations	$ 458,216	$ 12,618	$ 75,875

The following table summarizes our other commercial commitments as of December 31, 2001:

	Amount of Commitment Expirati		
	Total	2002	2003-2004
Unsecured lines of credit	$ 175,000	$ 25,000	$ 150,000
Secured lines of credit	60,000		60,000
Credit enhancements	11,425	3,500	
Total commercial commitments	$ 246,425	$ 28,500	$ 210,000

Credit enhancements include letters of credit provided by the Company and agreements to purchase facilities in the event that the present owners default upon their obligations.

RESULTS OF OPERATIONS DECEMBER 31, 2001 VS. DECEMBER 31, 2000

Revenues were comprised of the following:

	Year ended		Change	
	Dec. 31, 2001	Dec. 31, 2000	$	%
(in thousands)				
Rental income	$ 93,706	$ 82,991	$ 10,715	13%
Interest income	31,294	41,064	(9,770)	-24%
Commitment fees and other income	3,848	5,837	(1,989)	-34%
Prepayment fees	990	57	933	1637%
Totals	$129,838	$129,949	$ (111)	0%

The Company generated increased rental income as a result of the completion of real property construction projects for which the Company began receiving rent and the purchase of properties previously financed by the Company. This was offset by a reduction in interest income due to the repayment of mortgage loans and the purchase of properties previously financed by the Company.

The reduction in commitment fees and other income is due primarily to the significant reduction in construction and investing activity.

During 2001, the Company received payoffs on mortgages that had significant prepayment fee requirements, generating the large increase over the prior year.

Expenses were comprised of the following:

	Year ended		Change	
	Dec. 31, 2001	Dec. 31, 2000	$	%
(in thousands)				
Interest expense	$ 30,492	$ 32,995	$ (2,503)	-8%
Provision for depreciation	28,831	21,310	7,521	35%
Loss on investment		2,000	(2,000)	n/a
General and administrative expenses	8,078	7,405	673	9%
Loan expense	1,775	1,165	610	52%
Provision for losses	1,000	1,000		0%
Totals	$ 70,176	$ 65,875	$ 4,301	7%

The decrease in interest expense from 2000 to 2001 was primarily due to lower average borrowings during the year, offset by a reduction in the amount of capitalized interest offsetting interest expense.

The Company capitalizes certain interest costs associated with funds used to finance the construction of properties owned directly by the Company. The amount capitalized is based upon the borrowings outstanding during the construction period using the rate of interest that approximates the Company's cost of financing. The Company's interest expense is reduced by the amount capitalized. Capitalized interest for the year ended December 31, 2001, totaled $841,000, as compared with $3,079,000 for the same period in 2000.

The provision for depreciation increased primarily as a result of additional investment in properties owned directly by the Company.

In 2000, the Company restructured its investments with Summerville Health Care. As part of the restructuring agreement, Summerville agreed to permit the Company to re-lease 10 of its 11 facilities to new operators and repaid substantially all of the Company's subdebt investment. As part of Summerville's recapitalization, the Company's $2,000,000 non-yielding preferred stock investment was substantially diluted. Accordingly, the Company wrote off its investment in 2000, resulting in a $2,000,000 charge.

Other items:	Year ended		Change	
	Dec. 31, 2001	Dec. 31, 2000	$	%
(in thousands)				
Gain (loss) on sales of properties	$ (1,250)	$ 1,684	$ (2,934)	-174%
Discontinued operations	2,350	2,298	52	2%
Loss on extinguishment of debt	(213)		(213)	n/a
Preferred dividends	(13,505)	(13,490)	(15)	0%
Totals	$(12,618)	$ (9,508)	$ (3,110)	33%

As a result of the various factors mentioned above, net income available to common stockholders was $47,044,000, or $1.52 per diluted share, for 2001 as compared with $54,566,000, or $1.91 per diluted share, for 2000.

RESULTS OF OPERATIONS DECEMBER 31, 2000 VS. DECEMBER 31, 1999

Revenues were comprised of the following:

Year ended	Change

(in thousands)	Dec. 31, 2000	Dec. 31, 1999	$	%
Rental income	$ 82,991	$ 67,407	$ 15,584	23%
Interest income	41,064	48,076	(7,012)	-15%
Commitment fees and other income	5,837	6,263	(426)	-7%
Prepayment fees	57	1,565	(1,508)	-96%
Totals	$129,949	$123,311	$ 6,638	5%

The Company generated increased rental income as a result of the completion of real property construction projects for which the Company began receiving rent and the purchase of properties previously financed by the Company. This was partially offset by a reduction in interest income due to the repayment of mortgage loans and the purchase of properties previously financed by the Company.

Expenses were comprised of the following:

	Year ended		Change	
(in thousands)	Dec. 31, 2000	Dec. 31, 1999	$	%
Interest expense	$32,995	$25,586	$ 7,409	29%
Provision for depreciation	21,310	16,519	4,791	29%
Loss on investment	2,000		2,000	n/a
General and administrative expenses	7,405	7,359	46	1%
Loan expense	1,165	909	256	28%
Provision for losses	1,000	600	400	67%
Totals	$65,875	$50,973	$14,902	29%

The increase in interest expense from 1999 to 2000 was due to higher average interest rates on the Company's line of credit and secured debt and a reduction in the amount of capitalized interest offsetting interest expense.

The Company capitalizes certain interest costs associated with funds used to finance the construction of properties owned directly by the Company. The amount capitalized is based upon the borrowings outstanding during the construction period using the rate of interest which approximates the Company's cost of financing. The Company's interest expense is reduced by the amount capitalized. Capitalized interest for the year ended December 31, 2000, totaled $3,079,000, as compared with $8,578,000 for the same period in 1999.

The provision for depreciation increased as a result of additional investment in properties owned directly by the Company.

In 2000, the Company restructured its investments with Summerville Health Care. As part of the restructuring agreement, Summerville agreed to permit the Company to re-lease 10 of its 11 facilities to new operators and repaid substantially all of the Company's subdebt investment. As part of Summerville's recapitalization, the Company's $2,000,000 non-yielding preferred stock investment was substantially diluted. Accordingly, the Company wrote off its investment in 2000, resulting in a $2,000,000 charge.

Other items:	Year ended		Change	
	Dec. 31, 2000	Dec. 31, 1999	$	%
(in thousands)				
Gain (loss) on sales of properties	$ 1,684	$ 703	$ 981	140%
Discontinued operations	2,298	2,597	(299)	-12%
Loss on extinguishment of debt				
Preferred dividends	(13,490)	(12,814)	(676)	5%
Totals	$ (9,508)	$ (9,514)	$ 6	0%

As a result of the various factors mentioned above, net income available to common stockholders was $54,566,000, or $1.91 per diluted share, for 2000 as compared with $62,824,000, or $2.21 per diluted share, for 1999.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the U.S., which require the Company to make estimates and assumptions (see Note 1 to the consolidated financial statements). The Company believes that of its significant accounting policies, the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

IMPAIRMENT OF LONG-LIVED ASSETS

The net book value of long-lived assets is reviewed quarterly on a property by property basis to determine if there are indicators of impairment. These indicators may include anticipated operating losses at the property level, the tenant's inability to make rent payments, and changes in the market that may permanently reduce the value of the property. If indicators of impairment exist, then the undiscounted future cash flows from the most likely use of the property are compared to the current net book value. If the undiscounted cash flows are less than the net book value, an impairment loss would be recognized to the extent that the net book value exceeds the current fair market value. This analysis requires the Company to determine if indicators of impairment exist and to estimate the most likely stream of cash flows to be generated from the property during the period the property is expected to be held. If the projections or assumptions change in the future, the Company may be required to record an impairment charge and reduce the net book value of the property owned.

ALLOWANCE FOR LOAN LOSSES

The Company regularly evaluates the collectibility of its loans receivables based on a combination of factors. These factors include current economic conditions, historical loan charge-offs, financial strength of the borrower and guarantors, and value of the underlying property. If such factors indicate that there is greater risk of loan charge-offs, additional allowances may be required.

POTENTIAL RISKS FROM BANKRUPTCIES

The Company is exposed to the risk that its operators may not be able to meet the rent or principal and interest payments due the Company, which may result in an operator bankruptcy or insolvency. Although the Company's operating lease agreements provide the Company the right to evict an operator, demand immediate payment of rent and exercise other remedies, and the Company's mortgage loans provide the Company the right to terminate an investment, demand immediate payment of principal and unpaid interest and foreclose on the collateral, the bankruptcy laws afford certain rights to a party that has filed for bankruptcy or reorganization. An operator in bankruptcy may be able to restrict or delay the Company's ability to collect unpaid rent in the case of a lease or to receive unpaid principal or interest in the case of a mortgage loan.

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

IMPACT OF INFLATION

During the past three years, inflation has not significantly affected the earnings of the Company because of the moderate inflation rate. Additionally, earnings of the Company are primarily long-term investments with fixed interest rates. These investments are mainly financed with a combination of equity, senior notes and borrowings under the revolving lines of credit. During inflationary periods, that generally are accompanied by rising interest rates, the Company's ability to grow may be adversely affected because the yield on new investments may increase at a slower rate than new borrowing costs. Presuming the current inflation rate remains moderate and

long-term interest rates do not increase significantly, the Company believes that inflation will not impact the availability of equity and debt financing.

OTHER INFORMATION

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

- The possible expansion of our portfolio;
- The performance of our operators and properties;
- Our ability to obtain new viable tenants for properties which we take back from financially troubled tenants, if any;
- Our ability to make distributions;
- Our policies and plans regarding investments, financings and other matters;
- Our tax status as a real estate investment trust;
- Our ability to appropriately balance the use of debt and equity; and
- Our ability to access capital markets or other sources of funds.

When we use words such as "believes," "expects," "anticipates," "estimates" or similar expressions, we are making forward-looking statements. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Our expected results may not be achieved and actual results may differ materially from our expectations. This may be a result of various factors, including:

- The status of the economy;
- The status of capital markets, including prevailing interest rates;
- Compliance with and changes to regulations and payment policies within the health care industry;
- Changes in financing terms;
- Competition within the health care and senior housing industries; and
- Changes in federal, state and local legislation.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

REPORT OF INDEPENDENT AUDITORS

Stockholders and Directors
Health Care REIT, Inc.

We have audited the accompanying consolidated balance sheets of Health Care REIT, Inc. as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedules listed in the Index at Item 14 (a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Health Care REIT, Inc. at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/S/ ERNST & YOUNG LLP

Toledo, Ohio
January 22, 2002,
except for Note 15, as to which the date is
November 11, 2002

HEALTH CARE REIT, INC.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31 2001	20
	(IN THOUSANDS)	
ASSETS		
Real estate investments:		
Real property owned		
Land	$ 89,601	$ 7
Buildings & improvements	947,794	77
Construction in progress		1
	1,037,395	85
Less accumulated depreciation	(80,544)	(5
Total real property owned	956,851	80
Loans receivable		
Real property loans	240,126	30
Subdebt investments	23,448	2

	263,574	32
Less allowance for loan losses	(6,861)	(
Net real estate investments	1,213,564	1,12
Other assets:		
Equity investments	6,498	
Deferred loan expenses	7,190	
Cash and cash equivalents	9,826	
Receivables and other assets	32,765	2
	56,279	3
Total assets	$ 1,269,843	$ 1,15
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Senior unsecured notes	$ 412,250	$ 25
Borrowings under line of credit arrangements		11
Secured debt	78,966	6
Accrued expenses and other liabilities	20,757	1
Total liabilities	511,973	45
Stockholders' equity:		
Preferred Stock, $1.00 par value:		
Authorized - 10,000,000 shares		
Issued and outstanding - 6,000,000 shares in 2001 and 2000 at liquidation preference	150,000	15
Common Stock, $1.00 par value:		
Authorized - 75,000,000 shares		
Issued and outstanding - 32,739,826 shares in 2001 and 28,806,151 shares in 2000	32,740	2
Capital in excess of par value	608,942	52
Cumulative net income	512,837	45
Cumulative dividends	(540,946)	(45
Accumulated other comprehensive loss	(923)	
Unamortized restricted stock	(4,780)	(
Total stockholders' equity	$ 757,870	$ 69
Total liabilities and stockholders' equity	$ 1,269,843	$ 1,15

See accompanying notes

HEALTH CARE REIT, INC.
CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31 2001	2000	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Revenues:			
Rental income	$ 93,706	$ 82,991	$ 67,407
Interest income	31,294	41,064	48,076
Commitment fees and other income	3,848	5,837	6,263
Prepayment fees	990	57	1,565
	129,838	129,949	123,311
Expenses:			
Interest expense	30,492	32,995	25,586
Provision for depreciation	28,831	21,310	16,519
Loss on investment		2,000	
General and administrative	8,078	7,405	7,359
Loan expense	1,775	1,165	909
Provision for loan losses	1,000	1,000	600
	70,176	65,875	50,973
Income from continuing operations before extraordinary item	59,662	64,074	72,338
Discontinued operations:			
Net gain (loss) on sales of properties	(1,250)	1,684	703
Income from discontinued operations, net	2,350	2,298	2,597
	1,100	3,982	3,300
Income before extraordinary item	60,762	68,056	75,638
Extraordinary loss on extinguishment of debt	(213)		
Net income	60,549	68,056	75,638
Preferred stock dividends	13,505	13,490	12,814
Net income available to common stockholders	$ 47,044	$ 54,566	$ 62,824
Average number of common shares outstanding:			
Basic	30,534	28,418	28,128
Diluted	31,027	28,643	28,384
Earnings per share:			
Basic:			

Income from continuing operations and after preferred stock dividends	$ 1.51	$ 1.78	$ 2.11
Discontinued operations, net	0.04	0.14	0.12
Extraordinary item	(0.01)		
Net income available to common stockholders	$ 1.54	$ 1.92	$ 2.23
Diluted:			
Income from continuing operations and after preferred stock dividends	$ 1.49	$ 1.77	$ 2.09
Discontinued operations, net	0.04	0.14	0.12
Extraordinary item	(0.01)		
Net income available to common stockholders	$ 1.52	$ 1.91	$ 2.21

See accompanying notes

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

	PREFERRED STOCK	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	CUMULATI NET INCO
	(In thousands, except per share			
Balances at January 1, 1999	$ 75,000	$28,240	$520,692	$ 308,59
Comprehensive income:				
Net income				75,63
Other comprehensive income:				
Unrealized loss on marketable securities				
Foreign currency translation adjustment				
Total comprehensive income				
Proceeds from issuance of common stock from dividend reinvestment and stock incentive plans		292	5,967	
Amortization of restricted stock grants				
Net proceeds from sale of preferred stock	75,000		(2,455)	
Cash dividends:				
Common stock -- $2.27 per share				
Preferred stock, Series B -- $2.22 per share				
Preferred stock, Series C -- $2.19 per share				
Balances at December 31, 1999	150,000	28,532	524,204	384,23
Comprehensive income:				
Net income				68,05
Other comprehensive income:				

Unrealized loss on marketable securities				
Foreign currency translation adjustment				
Total comprehensive income				
Proceeds from issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		274	3,934	
Amortization of restricted stock grants				
Cash dividends:				
Common stock -- $2.335 per share				
Preferred stock, Series B--$2.22 per share				
Preferred stock, Series C--$2.27 per share				
Balances at December 31, 2000	150,000	28,806	528,138	452,28
Comprehensive income:				
Net income				60,54
Other comprehensive income:				
Unrealized loss on marketable securities				
Foreign currency translation adjustment				
Total comprehensive income				
Proceeds from issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		484	10,070	
Net proceeds from sale of common stock		3,450	70,734	
Amortization of restricted stock grants				
Cash dividends:				
Common stock -- $2.34 per share				
Preferred stock, Series B--$2.22 per share				
Preferred stock, Series C--$2.28 per share				
BALANCES AT DECEMBER 31, 2001	$ 150,000	$32,740	$ 608,942	$ 512,83

	ACCUMULATED OTHER COMPREHENSIVE LOSS	UNAMORTIZED RESTRICTED STOCK	TOTAL
	(In thousands, except per share data)		
Balances at January 1, 1999	$ 3,982	$ (4,589)	$ 633,759
Comprehensive income:			
Net income			75,638
Other comprehensive income:			
Unrealized loss on marketable securities	(3,242)		(3,242)
Foreign currency translation adjustment	(147)		(147)
Total comprehensive income			72,249
Proceeds from issuance of common stock from dividend reinvestment and stock incentive plans		(1,707)	4,552
Amortization of restricted stock grants		1,080	1,080
Net proceeds from sale of preferred stock			72,545

Cash dividends:			
Common stock -- $2.27 per share			(64,375)
Preferred stock, Series B -- $2.22 per share			(6,656)
Preferred stock, Series C -- $2.19 per share			(6,158)
Balances at December 31, 1999	593	(5,216)	706,996
Comprehensive income:			
Net income			68,056
Other comprehensive income:			
Unrealized loss on marketable securities	(733)		(733)
Foreign currency translation adjustment	(604)		(604)
Total comprehensive income			66,719
Proceeds from issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		(79)	4,129
Amortization of restricted stock grants		1,090	1,090
Cash dividends:			
Common stock -- $2.335 per share			(66,837)
Preferred stock, Series B--$2.22 per share			(6,656)
Preferred stock, Series C--$2.27 per share			(6,834)
Balances at December 31, 2000	(744)	(4,205)	698,607
Comprehensive income:			
Net income			60,549
Other comprehensive income:			
Unrealized loss on marketable securities	(52)		(52)
Foreign currency translation adjustment	(127)		(127)
Total comprehensive income			60,370
Proceeds from issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		(1,739)	8,815
Net proceeds from sale of common stock			74,184
Amortization of restricted stock grants		1,164	1,164
Cash dividends:			
Common stock -- $2.34 per share			(71,765)
Preferred stock, Series B--$2.22 per share			(6,656)
Preferred stock, Series C--$2.28 per share			(6,849)
BALANCES AT DECEMBER 31, 2001	$ (923)	$ (4,780)	$ 757,870

See accompanying notes

HEALTH CARE REIT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31		
	2001	2000	199
		(IN THOUSANDS)	
OPERATING ACTIVITIES			
Net income	$ 60,549	$ 68,056	$ 75
Adjustments to reconcile net income to net cash provided from operating activities:			
Provision for depreciation	30,464	22,961	18
Amortization	2,977	2,255	1
Provision for losses	1,000	1,000	
Loss on investment		2,000	
Commitment fees earned greater than cash received	(1,039)	(1,960)	
Rental income in excess of cash received	(6,614)	(6,732)	(6
Equity in earnings of affiliated companies	(332)	(318)	
(Gain) loss on sales of properties	1,250	(1,684)	
Increase (decrease) in accrued expenses and other liabilities	3,249	(4,827)	5
Decrease (increase) in receivables and other assets	(2,822)	264	1
Net cash provided from operating activities	88,682	81,015	95
INVESTING ACTIVITIES			
Investment in real property	(147,081)	(46,449)	(215
Investment in loans receivable	(48,284)	(34,631)	(56
Other investments, net of payments	(913)	(1,828)	(2
Principal collected on loans	94,337	70,567	42
Proceeds from sale of properties	22,579	108,866	18
Other	(262)	(742)	
Net cash provided by (used in) investing activities	(79,624)	95,783	(212
FINANCING ACTIVITIES			
Net increase (decrease) under line of credit arrangements	(119,900)	(57,600)	5
Proceeds from issuance of senior notes and secured debt	175,000		114
Principal payments on senior notes and secured debt	(48,840)	(41,491)	
Net proceeds from the issuance of Common Stock	82,999	4,129	4
Net proceeds from the issuance of Preferred Stock			72
Increase in deferred loan expense	(6,065)	(794)	(1
Cash distributions to stockholders	(85,270)	(80,327)	(77
Net cash provided from (used by) financing activities	(2,076)	(176,083)	117
Increase in cash and cash equivalents	6,982	715	
Cash and cash equivalents at beginning of year	2,844	2,129	1
Cash and cash equivalents at end of year	$ 9,826	$ 2,844	$ 2

Supplemental Cash Flow Information-interest paid	$ 29,014	$ 39,638	$ 32
	=========	=========	=====

See accompanying notes

Health Care REIT, Inc.
Notes to Consolidated Financial Statements

1. ACCOUNTING POLICIES AND RELATED MATTERS

INDUSTRY

The Company is a self-administered real estate investment trust that invests primarily in long-term care facilities, which include skilled nursing and assisted living facilities. The Company also invests in specialty care facilities.

PRINCIPLES OF CONSOLIDATION

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

USE OF ESTIMATES

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

LOANS RECEIVABLE

Loans receivable consist of long-term mortgage loans, construction-period loans maturing in two years or less, working capital loans and subdebt investments. Interest income on loans is recognized as earned based upon the principal amount outstanding. The mortgage and construction loans are primarily collateralized by a first mortgage on or assignment of partnership interest in the related facilities, which consist of skilled nursing, assisted living and specialty care facilities. The working capital loans are generally secured by second mortgages or interests in receivables. Subdebt investments represent debt instruments to operators of facilities that have been financed by the Company. These obligations are generally secured by the operator's leasehold rights and corporate guaranties.

REAL PROPERTY OWNED

Substantially all of the properties owned by the Company are leased under operating leases and are recorded at cost. These properties are depreciated on a straight-line basis over their estimated useful lives which range from fifteen to forty years for buildings and five to twelve years for fixtures. The net book value of long-lived assets is reviewed quarterly on a property by property basis to determine if facts and circumstances suggest that the assets may be impaired or that the depreciable life may need to be changed. The Company considers external factors relating to each asset. If these external factors and the projected undiscounted cash flows of the asset over the remaining amortization period indicate that the asset will not be recoverable, the carrying value will be adjusted to the estimated fair value. The leases generally extend for a minimum 10-year period and provide for payment of all taxes, insurance and maintenance by the lessees. In general, operating lease income includes base rent payments plus fixed annual rent increases, which are recognized on a straight-line basis over the minimum lease period. This income is greater than the amount of cash received during the first half of the lease term.

CAPITALIZATION OF CONSTRUCTION PERIOD INTEREST

The Company capitalizes interest costs associated with funds used to finance the construction of properties owned directly by the Company. The amount capitalized is based upon the borrowings outstanding during the construction period using the rate of interest which approximates the Company's cost of financing.

The Company capitalized interest costs of $841,000, $3,079,000, and $8,578,000, during 2001, 2000 and 1999, respectively, related to construction of real property owned by the Company. The Company's interest expense reflected in the statement of income has been reduced by the amounts capitalized.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is maintained at a level believed adequate to absorb potential losses in the Company's loans receivable. The determination of the allowance is based on a quarterly evaluation of these loans, including general economic conditions and estimated collectibility of loan payments.

1. ACCOUNTING POLICIES AND RELATED MATTERS (CONTINUED)

DEFERRED LOAN EXPENSES

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

CASH AND CASH EQUIVALENTS

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

EQUITY INVESTMENTS

Management determines the appropriate classification of an equity investment at the time of acquisition and reevaluates such designation as of each balance sheet date. Included in equity investments are the common stock of a corporation, valued at historical cost, and ownership representing a 31% interest in Atlantic Healthcare Finance L.P., a property investment group that specializes in the financing, through sale and leaseback transactions, of nursing and care homes located in the United Kingdom. The ownership interest is accounted for under the equity method.

Marketable securities available for sale are stated at market value with unrealized gains and losses reported in a separate component of stockholders' equity. Marketable securities reflect the market value of the common stock of two publicly owned corporations, which were obtained by the Company at no cost.

COMMITMENT FEES

Commitment fees are earned by the Company for its agreement to provide direct and standby financing to, and credit enhancement for, owners and operators of health care facilities. The Company amortizes commitment fees over the initial fixed term of the lease, the mortgage or the construction period related to such investments.

FEDERAL INCOME TAX

No provision has been made for federal income taxes since the Company has elected to be treated as a real estate investment trust under the applicable provisions of the Internal Revenue Code, and the Company believes that it has met the requirements for qualification as such for each taxable year. See Note 10.

NET INCOME PER SHARE

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

COMPREHENSIVE INCOME

Comprehensive income includes unrealized gains or losses on the Company's marketable securities ($78,000 and $130,000 at December 31, 2001 and 2000, respectively) and foreign currency translation adjustments (($1,001,000) and ($874,000) at December 31, 2001 and 2000, respectively). These items are included as components of stockholders' equity.

NEW ACCOUNTING STANDARD

In August 2001, the FASB issued Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, that the Company is required to adopt beginning January 1, 2002 with transition provisions for certain matters. The new rules on asset impairment supersede Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of (FAS 121), and provide a single accounting model for long-lived assets to be disposed of. The Company does not expect the adoption of this statement to have a material impact on the consolidated financial statements.

2. LOANS RECEIVABLE

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

	DECEMBER 31 2001	
Mortgage loans	$ 211,722	$
Construction loans		
Working capital	27,583	
Mortgage loans to related parties	821	
Subdebt investments	23,448	
TOTALS	$ 263,574	$

Loans to related parties (an entity whose ownership includes one Company director) included above are at rates comparable to other third-party borrowers equal to or greater than the Company's net interest cost on borrowings to support such loans. The amount of interest income and commitment fees from related parties amounted to $108,000, $152,000, and $914,000 for 2001, 2000 and 1999, respectively.

The following is a summary of mortgage loans at December 31, 2001 (in thousands):

Final Payment Due	Number of Loans	Payment Terms	Principal Amount at Inception
2002	16	Monthly payments from $20,400 to $100,715, including interest from 10.00% to 15.00%	$ 73,127
2003	1	Monthly payment at $27,884, including interest at 9.00%	3,718
2004	2	Monthly payments from $30,680 to $32,325, including interest from 10.00% to 12.93%	7,108
2006	7	Monthly payments from $3,958 to $98,446, including interest from 8.11% to 14.61%	27,537
2007	5	Monthly payments from $9,541 to $77,173, including interest from 8.72% to 12.42%	25,933
2008	1	Monthly payment at $3,105, including interest at 12.17%	175
2009	2	Monthly payments from $8,207 to $72,741, including interest from 11.71% to 12.00%	8,635

2010	2	Monthly payments from $34,356 to $42,628, including interest from 11.64% to 12.17%	7,663
2015	2	Monthly payments from $3,580 to $55,331, including interest from 11.15% to 11.63%	5,795
2016	2	Monthly payments from $75,341 to $127,891, including interest from 11.26% to 12.45%	20,810
2017	3	Monthly payments from $40,056 to $229,682, including interest from 11.73% to 12.83%	31,875
2018	1	Monthly payment at $168,359, including interest at 10.09%	21,000
		TOTALS	$ 233,376

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3. REAL PROPERTY OWNED

The following table summarizes certain information about the Company's real property owned as of December 31, 2001 (in thousands):

	Number of Facilities	Land	Building & Improvement
SKILLED NURSING FACILITIES:			
Arizona	1	$ 180	$ 3,988
California	1	1,460	3,880
Colorado	1	370	6,051
Florida	8	4,382	56,296
Idaho	3	2,010	20,662
Illinois	2	1,010	11,446
Kentucky	1	130	4,870
Massachusetts	7	3,548	42,151
Ohio	5	4,286	62,592
Oklahoma	1	470	5,673
Oregon	1	300	5,316
Pennsylvania	3	669	17,567
Tennessee	10	3,450	56,853
Texas	1	663	12,588
	45	22,928	309,933
ASSISTED LIVING FACILITIES:			
Arizona	3	1,510	15,554
California	5	4,290	24,554
Connecticut	1	660	9,652
Florida	19	8,608	73,733
Georgia	2	3,166	24,541
Indiana	11	2,171	40,785
Louisiana	1	1,100	10,161
Maryland	4	2,670	33,791

Massachusetts	1	810	10,500
Minnesota	1	322	6,345
Montana	2	910	7,282
Nevada	3	2,086	26,170
New Jersey	3	5,037	28,096
New York	2	810	14,490
North Carolina	9	7,269	52,893
Ohio	8	4,253	39,934
Oklahoma	17	2,078	25,778
Oregon	2	1,077	8,757
Pennsylvania	4	1,951	17,199
South Carolina	5	2,072	19,072
Tennessee	4	1,521	12,461
Texas	17	5,048	64,587
Utah	1	1,059	6,141
Washington	1	1,400	5,476
Wisconsin	1	420	4,007
	127	62,298	581,959
SPECIALTY CARE:			
Florida	1	950	950
Massachusetts	4	3,425	55,902
	5	4,375	55,902
TOTAL REAL PROPERTY OWNED	177	$ 89,601	$ 947,794

3. REAL PROPERTY OWNED (CONTINUED)

At December 31, 2001, future minimum lease payments receivable under operating leases are as follows (in thousands):

2002	$ 102,636
2003	104,240
2004	103,362
2005	105,486
2006	107,273
Thereafter	812,595
TOTAL	$ 1,335,592

The Company converted $13,683,000, $60,648,000, and $16,309,000 of mortgage loans into operating lease properties in 2001, 2000 and 1999, respectively. In 2001, the Company acquired properties which included the assumption of mortgages totaling $45,202,000. These noncash activities are appropriately not reflected in the accompanying statements of cash flows.

4. CONCENTRATION OF RISK

As of December 31, 2001, long-term care facilities, which include skilled nursing and assisted living facilities, comprised 93% (92% at December 31, 2000) of the Company's real estate investments and were located in 33 states. Investments in assisted living facilities comprised 63% (66% at December 31, 2000) of the Company's real estate investments. The Company's investments with the three largest operators totaled approximately 28% (27% at December 31, 2000). No single operator has a real estate investment balance, which exceeds 12% (11% at December 31, 2000) of total real estate investments, including credit enhancements.

5. ALLOWANCE FOR LOAN LOSSES

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

	2001	2000
Balance at beginning of year	$ 5,861	$ 5,587
Provision for loan losses	1,000	1,000
Charge-offs		(726)
Balance at end of year	$ 6,861	$ 5,861

In addition, the Company recorded a $2,000,000 loss during 2000 related to an investment in the preferred stock of a private corporation that became substantially diluted as a result of a recapitalization of that corporation.

6. BORROWINGS UNDER LINE OF CREDIT ARRANGEMENTS AND RELATED ITEMS

The Company has an unsecured credit arrangement with a consortium of nine banks providing for a revolving line of credit ("revolving credit") in the amount of $150,000,000, which expires on March 31, 2003. The agreement specifies that borrowings under the revolving credit are subject to interest payable in periods no longer than three months on either the agent bank's base rate of interest or 1.5% over LIBOR interest rate (based at the Company's option). In addition, the Company pays a commitment fee ranging from an annual rate of 0.20% to 0.375% and an annual agent's fee of $50,000. Principal is due upon expiration of the agreement. The Company has another unsecured line of credit with a bank for a total of $25,000,000, which expires April 30, 2002. Borrowings under this line of credit are subject to interest at the bank's prime rate of interest (4.75% at December 31, 2001) and are due on demand. At December 31, 2001, there were no borrowings under either of the unsecured lines of credit.

6. BORROWINGS UNDER LINE OF CREDIT ARRANGEMENTS AND RELATED ITEMS (CONTINUED)

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

	YEAR ENDED DECEMBER 31 2001	2000
Balance outstanding at December 31	$	$ 119,900
Maximum amount outstanding at any month end	140,800	185,000
Average amount outstanding (total of daily principal balances divided by days in year)	66,217	140,981
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)	7.67%	7.77%

7. SENIOR NOTES AND OTHER LONG-TERM OBLIGATIONS

The Company has $412,250,000 of Unsecured Senior Notes with interest ranging from 7.39% to 8.34%.

During the year ended December 31, 2001, the Company repurchased $7,750,000 of Unsecured Senior Notes due March 2002. The Company incurred expenses of $213,000 related to this repurchase, which was recorded as an extraordinary item.

The Company has five mortgage notes payable, collateralized by health care facilities with interest ranging from 7.69% to 12.00%.

The Company has a $60,000,000 secured line of credit, collateralized by 16 health care facilities, with interest at 2% over LIBOR, with a floor of 7% (7.00% at December 31, 2001). The Company had $33,000,000 in borrowings outstanding at December 31, 2001.

The carrying values of the health care properties securing the mortgages and secured debt totaled $204,603,000 at December 31, 2001.

At December 31, 2001, the annual principal payments on these long-term obligations are as follows (in thousands):

	SENIOR NOTES	SECURED LINE OF CREDIT	MORTGAGES
2002	$ 12,250	$	$ 368
2003	35,000		400
2004	40,000	33,000	475
2005			860
2006	50,000		398
2007	175,000		430
2008	100,000		464
Thereafter			42,571

Totals	$ 412,250	$ 33,000	$ 45,966
	=========	=========	=========

8. STOCK INCENTIVE PLANS AND RETIREMENT ARRANGEMENTS

The Company's 1995 Stock Incentive Plan authorizes up to 3,464,000 shares of Common Stock to be issued at the discretion of the Board of Directors. The 1995 Plan replaced the 1985 Incentive Stock Option Plan. The options granted under the 1985 Plan continue to vest through 2005 and expire ten years from the date of grant. Officers and key salaried employees of the Company are eligible to participate in the 1995 Plan. The 1995 Plan allows for the issuance of stock options, restricted stock grants and Dividend Equivalency Rights. In addition, the Company has a Stock Plan for Non-Employee Directors, which authorizes up to 336,000 shares to be issued.

8. STOCK INCENTIVE PLANS AND RETIREMENT ARRANGEMENTS (CONTINUED)

The following summarizes the activity in the Plans for the years ended December 31 (shares in thousands):

	2001		2000		
	SHARES	AVERAGE EXERCISE PRICE	Shares	Average Exercise Price	S
STOCK OPTIONS					
Options at beginning of year	1,953	$20.34	1,813	$21.62	1
Options granted	515	23.89	507	16.79	
Options exercised	(111)	18.63			
Options terminated	(20)	17.73	(367)	21.76	
	2,337	$21.23	1,953	$20.34	1
At end of year:					
Options exercisable	1,161	$21.27	949	$21.32	
Weighted average fair value of options granted during the year		$ 1.43		$ .63	

The stock options generally vest over a five-year period and expire ten years from the date of grant. The Company issued 77,275, 77,250, and 86,250 restricted shares during 2001, 2000 and 1999, respectively, including 8,000, 8,000, and 9,000 shares for directors in 2001, 2000 and 1999, respectively. Vesting periods range from six months for directors to five years for officers and key salaried employees. Expense, which is recognized as the shares vest based on the market value at the date of the award, totaled $1,164,000, $1,090,000, and $1,080,000, in 2001, 2000 and 1999, respectively.

The following table summarizes information about stock options outstanding at

December 31, 2001 (shares in thousands):

	Options Outstanding			Options Ex
Range of Per Share Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contract Life	Number Exercisable
$16-$20	1,086	$ 18.44	8.3	536
$20-$25	1,101	23.10	8.0	498
$25-$30	150	26.07	7.2	127
	2,337	$ 21.23	8.0	1,161

The Company has elected to follow APB Opinion No. 25, Accounting for Stock Issued to Employees in accounting for its employee stock options as permitted under FASB Statement No. 123 ("FASB 123"), Accounting for Stock-Based Compensation, and, accordingly, recognizes no compensation expense for the stock option grants when the market price on the underlying stock on the date of grant equals the exercise price of the Company's employee stock option.

Pro forma information has been determined as if the Company had accounted for its employee stock options and restricted shares under the fair value method. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following range of assumptions: risk-free interest rates from 3.44% to 7.60%, dividend yields of 8% to 12%, expected lives of seven years, and expected volatility of .18% to .244%. Had compensation cost for the stock-based compensation plans been determined in accordance with FASB 123, net income would have been reduced by $465,000, $267,000, and $621,000, in 2001, 2000 and 1999, respectively, and net income per common share would have been lower by $.01, $.01 and $.02, in 2001, 2000 and 1999, respectively.

The Company has a 401(k) Profit Sharing Plan and Money Purchase Pension Plan ("the Plans") covering all eligible employees. Under the Plans, eligible employees may make contributions, and the Company may make matching contributions and a profit sharing contribution. Company contributions to these Plans totaled $175,000, $171,000, and $144,000, in 2001, 2000 and 1999, respectively.

The Company has a non-qualified senior executive retirement plan designed to provide pension benefits for certain officers. Pension benefits are based on compensation and length of service and the plan is unfunded. The accrued liability for the plan was $41,000 at December 31, 2001.

9. PREFERRED STOCK

In January 1999, the Company sold 3,000,000 shares of Series C Cumulative Convertible Preferred Stock. These shares have a liquidation value of $25.00 per share and will pay dividends equivalent to the greater of (i) the annual dividend rate of $2.25 per share (a quarterly dividend rate of $0.5625 per share); or (ii) the quarterly dividend then payable per common share on an as converted basis. The preferred shares are convertible into common stock at a conversion price of $25.625 per share. The Company has the right to redeem the preferred shares after five years.

The Company has 3,000,000 shares of 8.875% Series B Cumulative Redeemable Non-Voting Preferred Stock with a liquidation preference of $25.00 per share. Dividends are payable quarterly in arrears. On and after May 1, 2003, the Preferred Stock may be redeemed for cash at the option of the Company, in whole or in part, at $25.00 per share, plus accrued and unpaid dividends thereon to the redemption date.

10. INCOME TAXES AND DISTRIBUTIONS

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

	YEAR ENDED DECEMBER 31		
	2001	2000	1999
Per Share:			
Ordinary income	$ 1.673	$ 2.330	$ 2.217
Return of capital	.648	.000	.000
Capital gains	.019	.005	.053
TOTALS	$ 2.340	$ 2.335	$ 2.270

11. COMMITMENTS AND CONTINGENCIES

The Company has agreements to purchase two health care facilities, or the loans with respect thereto, in the event that the present owners default upon their obligations. In consideration for these agreements, the Company receives and recognizes fees annually related to these agreements. Although the terms of these agreements vary, the purchase prices are equal to the amount of the outstanding obligations financing the facility. These agreements expire through the year 2005. In addition, the Company has an outstanding letter of credit relating to one assisted living project. At December 31, 2001, obligations under these agreements for which the Company was contingently liable aggregated approximately $11,425,000.

12. STOCKHOLDER RIGHTS PLAN

Under the terms of a Stockholder Rights Plan approved by the Board of Directors in July 1994, a Preferred Share Right ("Right") is attached to and automatically trades with each outstanding share of Common Stock.

The Rights, which are redeemable, will become exercisable only in the event that any person or group becomes a holder of 15% or more of the Common Stock, or commences a tender or exchange offer, which, if consummated, would result in that person or group owning at least 15% of the Common Stock. Once the Rights become exercisable, they entitle all other stockholders to purchase one one-thousandth of a share of a new series of junior participating preferred stock for an exercise price of $48.00. The Rights will expire on August 5, 2004, unless exchanged earlier or redeemed earlier by the Company for $.01 per Right at any time before public disclosure that a 15% position has been acquired.

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13. EARNINGS PER SHARE

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

	2001	2000	1999
Numerator for basic and diluted earnings per share - income available to common stockholders	$ 47,044	$ 54,566	$ 62,824
Denominator for basic earnings per share - weighted average shares	30,534	28,418	28,128
Effect of dilutive securities:			
Employee stock options	238		15
Nonvested restricted shares	255	225	241
Dilutive potential common shares	493	225	256
Denominator for diluted earnings per share - adjusted weighted average shares	31,027	28,643	28,384
Basic earnings per share	$ 1.54	$ 1.92	$ 2.23
Diluted earnings per share	$ 1.52	$ 1.91	$ 2.21

The diluted earnings per share calculation excludes the dilutive effect of 1,301,000, 1,954,000, and 1,813,000 options for 2001, 2000 and 1999, respectively, because the exercise price was greater than the average market price. The Series C Cumulative Convertible Preferred Stock was not included in this calculation as the effect of the conversion was anti-dilutive.

14. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

Marketable Securities--Marketable securities are recorded at their fair market value.

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

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

Mortgage Notes Payable--Mortgage notes payable is a reasonable estimate of fair value based on the interest rates paid, which approximates current market rates.

The carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2001 and 2000, are as follows (in thousands):

	DECEMBER 31, 2001		D
	CARRYING AMOUNT	FAIR VALUE	Carryi Amoun
Financial Assets:			
Real property loans	$ 212,543	$ 229,422	$276,
Working capital loans	27,583	27,583	20,
Construction loans			4,
Subdebt investments	23,448	23,448	21,
Cash and cash equivalents	9,826	9,826	2,
Marketable securities	78	78	
Financial Liabilities:			
Borrowings under line of credit arrangements			119,
Senior unsecured notes	412,250	418,179	255,
Secured debt	33,000	33,000	64,
Mortgage notes payable	45,966	45,966	

15. DISCONTINUED OPERATIONS

During the nine months ended September 30, 2002, the Company sold seven assisted living facilities and one parcel of land with carrying values of $48,935,000. The rental income, provision for depreciation and allocated interest expense, along with the net gain (loss) on sales, related to these properties for the years ended December 31, 2001, 2000 and 1999 have been reflected as discontinued operations in the accompanying Consolidated Statements of Income.

16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations of the Company for the years ended December 31, 2001 and 2000 (in thousands, except per share data):

	YEAR ENDED DECEMBER 31, 2001		
	1ST QUARTER	2ND QUARTER	3RD QUARTER
Revenues	$ 31,256	$ 31,445	$ 33,513
Net Income Available to Common Stockholders	11,827	11,747	13,591
Net Income Available to Common Stockholders Per Share:			
Basic	.41	.41	.42
Diluted	.41	.40	.41

	Year ended December 31, 2000		
	1st Quarter	2nd Quarter	3rd Quarter
Revenues	$ 33,497	$ 32,597	$ 32,021
Net Income Available to Common Stockholders	14,758	14,587	13,786
Net Income Available to Common Stockholders Per Share:			
Basic	.52	.52	.48
Diluted	.52	.51	.48

HEALTH CARE REIT, INC.
SCHEDULE III

REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2001

		Initial Cost to Company		
Description	Encumbrances	Land	Buildings & Improvements	S
ASSISTED LIVING FACILITIES:				

Lake Havasu, AZ	$	$ 110	$ 2,244
Lake Havasu, AZ		450	4,223
Mesa, AZ		950	9,087
Alhambra, CA		420	2,534
Azusa, CA		570	3,141
Encinitas, CA		1,460	7,721
Marysville, CA		450	4,172
San Juan Capistrano, CA		1,390	6,942
Litchfield, CT		660	9,652
Bradenton, FL		251	3,298
Bradenton, FL		25	450
Bradenton, FL		25	400
Bradenton, FL		50	850
Bradenton, FL		50	850
Clermont, FL		350	5,232
Ft. Myers, FL		1,230	13,098
Haines City, FL		80	1,937
Lake Wales, FL		80	1,939
Lauderhill, FL		20	1,535
Leesburg, FL		70	1,170
Margate, FL		500	7,303
Naples, FL		1,716	17,306
North Miami Beach, FL		300	5,708
Orange City, FL		80	2,239
Plantation, FL		2,746	0
Sarasota, FL		475	3,175
Vero Beach, FL		263	3,187
Vero Beach, FL		297	3,263
Atlanta, GA		2,059	14,914
Roswell, GA		1,107	9,627
Auburn, IN		145	3,511
Avon, IN		170	3,504
Kokomo, IN		195	3,709
Laporte, IN		165	3,674
Marion, IN		175	3,504
Merrilville, IN		643	7,084
Shelbyville, IN		165	3,497
Terre Haute, IN		175	3,499

Description		Gross Amount at Which Carried at Close of Period: Land	Buildings & Improvements	Accumulated Depreciation	Year Acquired
ASSISTED LIVING FACILITIES:					
Lake Havasu, AZ	x	$ 110	$ 2,244	$ 199	1998
Lake Havasu, AZ		450	4,223	288	1999
Mesa, AZ		950	9,087	282	2000
Alhambra, CA		420	2,534	53	2001
Azusa, CA		570	3,141	69	2001
Encinitas, CA		1,460	7,721	263	2000
Marysville, CA		450	4,216	117	2000
San Juan Capistrano, CA		1,390	6,942	0	2001
Litchfield, CT		660	9,652	1,256	1998
Bradenton, FL		251	3,298	572	1996
Bradenton, FL		25	450	50	1997

Bradenton, FL	25	400	45	1997
Bradenton, FL	50	850	95	1997
Bradenton, FL	50	850	95	1997
Clermont, FL	350	5,432	602	1997
Ft. Myers, FL	1,230	13,098	1,069	1999
Haines City, FL	80	1,937	146	1999
Lake Wales, FL	80	1,939	147	1999
Lauderhill, FL	20	1,535	1,155	1998
Leesburg, FL	70	1,207	133	1998
Margate, FL	500	7,549	1,073	1998
Naples, FL	1,716	17,306	2,067	1999
North Miami Beach, FL	300	6,018	785	1998
Orange City, FL	80	2,239	224	1998
Plantation, FL	2,746	0	0	1999
Sarasota, FL	475	3,175	550	1996
Vero Beach, FL	263	3,187	35	2001
Vero Beach, FL	297	3,263	36	2001
Atlanta, GA	2,059	14,914	1,253	1999
Roswell, GA	1,107	9,627	1,145	1999
Auburn, IN	145	3,511	362	1999
Avon, IN	170	3,504	286	1999
Kokomo, IN	195	3,709	382	1999
Laporte, IN	165	3,674	378	1999
Marion, IN	175	3,504	263	1999
Merrilville, IN	643	7,474	844	1999
Shelbyville, IN	165	3,497	314	1999
Terre Haute, IN	175	3,499	263	1999

SCHEDULE III - Continued

Description	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Buildings & Improvements	S
Valparaiso, IN	$	$ 112	$ 2,558	
Valparaiso, IN		108	2,962	
Vincennes, IN		118	2,893	
Kenner, LA		1,100	10,036	
Attleboro, MA		810	10,500	
Ellicott City, MD		1,320	13,641	
Harmans, MD		0	3,000	
Satyr Hill, MD		730	8,770	
St. Charles, MD		620	8,380	
Rochester, MN		322	6,345	
Butte, MT		550	3,957	
Kalispell, MT		360	3,282	
Asheville, NC		204	3,489	
Cary, NC		1,500	4,350	
Durham, NC		1,476	10,659	
Elizabeth City, NC		200	2,760	

Hendersonville, NC	2,270	11,771
Morehead City, NC	200	3,104
Pineville, NC	1,009	10,554
Wake Forest, NC	200	3,003
Wilmington, NC	210	2,991
Brick, NJ	1,300	9,394
Cranford, NJ	3,297	14,233
Hamilton , NJ	440	4,469
Gardnerville, NV	1,326	12,549
Henderson, NV	380	4,360
Henderson, NV	380	9,220
Albany, NY	400	10,528
Manlius, NY	410	3,962
Canton, OH	300	2,098
Cincinnati, OH	1,728	10,272
Findlay, OH	200	1,800
Newark, OH	410	5,711
Piqua, OH	204	1,885
Sagamore Hills, OH	470	7,881
Troy, OH	200	2,000
Westerville, OH	741	8,287
Bartlesville, OK	100	1,380
Chickasha, OK	85	1,395
Claremore, OK	155	1,428
Duncan, OK	103	1,347
Edmond, OK	175	1,564
Enid, OK	90	1,390
Lawton, OK	144	1,456

	Gross Amount at Which Carried at Close of Period		
Description	Land	Buildings & Improvements	Accumulated Depreciation
Valparaiso, IN	$ 112	$ 2,558	$ 28
Valparaiso, IN	108	2,962	32
Vincennes, IN	118	2,893	243
Kenner, LA	1,100	10,161	851
Attleboro, MA	810	10,500	1,055
Ellicott City, MD	1,320	13,641	1,553
Harmans, MD	0	3,000	63
Satyr Hill, MD	730	8,770	199
St. Charles, MD	620	8,380	189
Rochester, MN	322	6,345	497
Butte, MT	550	3,957	110
Kalispell, MT	360	3,325	290
Asheville, NC	204	3,489	279
Cary, NC	1,500	4,350	424
Durham, NC	1,476	10,792	1,252
Elizabeth City, NC	200	2,760	221
Hendersonville, NC	2,270	11,771	1,120
Morehead City, NC	200	3,104	190
Pineville, NC	1,009	10,633	1,241
Wake Forest, NC	200	3,003	273
Wilmington, NC	210	2,991	222
Brick, NJ	1,300	9,394	690
Cranford, NJ	3,297	14,233	1,905
Hamilton , NJ	440	4,469	0

Gardnerville, NV	1,326	12,549	1,392
Henderson, NV	380	4,401	120
Henderson, NV	380	9,220	753
Albany, NY	400	10,528	1,220
Manlius, NY	410	3,962	0
Canton, OH	300	2,098	186
Cincinnati, OH	1,728	10,272	1,400
Findlay, OH	200	1,800	237
Newark, OH	410	5,711	544
Piqua, OH	204	1,885	199
Sagamore Hills, OH	470	7,881	365
Troy, OH	200	2,000	256
Westerville, OH	741	8,287	375
Bartlesville, OK	100	1,380	233
Chickasha, OK	85	1,395	229
Claremore, OK	155	1,428	210
Duncan, OK	103	1,347	213
Edmond, OK	175	1,564	243
Enid, OK	90	1,390	235
Lawton, OK	144	1,456	228

SCHEDULE III - Continued

		Initial Cost to Company		
Description	Encumbrances	Land	Buildings & Improvements	S
Midwest City, OK	$	$ 95	$ 1,385	
Muskogee, OK		150	1,432	
Norman, OK		55	1,484	
N. Oklahoma City, OK		87	1,508	
Oklahoma City, OK		130	1,350	
Oklahoma City, OK		220	2,943	
Owasso, OK		215	1,380	
Ponca City, OK		114	1,536	
Shawnee, OK		80	1,400	
Stillwater, OK		80	1,400	
Portland OR		628	3,585	
Salem, OR		449	5,172	
Lebanon, PA		400	3,799	
Saxonburg, PA		677	4,669	
Seven Fields, PA		484	4,663	
Williamsport, PA		390	4,068	
Bluffton, SC		700	5,598	
Florence, SC		380	2,881	
Hilton Head, SC		510	6,037	
N Augusta, SC		332	2,558	
Walterboro, SC		150	1,838	
Clarksville, TN		330	2,292	
Columbia, TN		341	2,295	
Morristown, TN		400	3,808	
Oakridge, TN		450	4,066	
Austin, TX		880	9,520	

Cedar Hill, TX	171	1,490
Corpus Christi, TX	420	4,796
Corpus Christi, TX	155	2,935
Desoto, TX	205	1,383
Ft. Worth, TX	210	3,790
Georgetown, TX	200	2,100
Grand Prairie, TX	400	5,160
Harlingen, TX	92	2,057
Houston, TX	550	10,751
Houston, TX	261	3,139
Kingwood, TX	300	3,309
N Richland Hills, TX	330	5,355
Palestine, TX	173	1,410
San Marcos, TX	355	4,560
Texarkana, TX	192	1,403
Waxahachie, TX	154	1,429
Salt Lake City, UT	1,059	6,141
Everett, WA	1,400	5,476

	Gross Amount at Which Carried at Close of Period		
Description	Land	Buildings & Improvements	Accumulated Depreciation
Midwest City, OK	$ 95	$ 1,385	$ 234
Muskogee, OK	150	1,432	211
Norman, OK	55	1,484	278
N. Oklahoma City, OK	87	1,508	217
Oklahoma City, OK	130	1,350	220
Oklahoma City, OK	220	2,943	145
Owasso, OK	215	1,380	201
Ponca City, OK	114	1,536	267
Shawnee, OK	80	1,400	235
Stillwater, OK	80	1,400	236
Portland OR	628	3,585	258
Salem, OR	449	5,172	399
Lebanon, PA	400	3,799	248
Saxonburg, PA	677	4,669	386
Seven Fields, PA	484	4,663	365
Williamsport, PA	390	4,068	254
Bluffton, SC	700	5,598	185
Florence, SC	380	2,881	218
Hilton Head, SC	510	6,037	391
N Augusta, SC	332	2,558	200
Walterboro, SC	150	1,998	169
Clarksville, TN	330	2,292	201
Columbia, TN	341	2,295	182
Morristown, TN	400	3,808	248
Oakridge, TN	450	4,066	263
Austin, TX	880	9,520	785
Cedar Hill, TX	171	1,490	213
Corpus Christi, TX	420	4,796	818
Corpus Christi, TX	155	2,935	355
Desoto, TX	205	1,383	195
Ft. Worth, TX	210	3,790	594
Georgetown, TX	200	2,100	267
Grand Prairie, TX	400	5,160	470
Harlingen, TX	92	2,057	247

Houston, TX	550	10,751	1,117
Houston, TX	261	3,139	472
Kingwood, TX	300	3,309	244
N Richland Hills, TX	330	5,355	439
Palestine, TX	173	1,410	208
San Marcos, TX	355	4,560	413
Texarkana, TX	192	1,403	204
Waxahachie, TX	154	1,429	210
Salt Lake City, UT	1,059	6,141	131
Everett, WA	1,400	5,476	399

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SCHEDULE III - Continued

		Initial Cost to Company		S
Description	Encumbrances	Land	Buildings & Improvements	
Middleton, WI	$	$ 420	$ 4,007	
TOTAL ASSISTED LIVING FACILITIES:		$62,298	$ 580,151	
SKILLED NURSING FACILITIES:				
Payson, AZ		180	3,988	
Santa Rosa, CA		1,460	3,880	
Pueblo, CO		370	6,051	
Brevard, FL		360	4,117	
Hilliard, FL		150	6,990	
Lakeland, FL		696	4,843	
New Port Richey, FL		624	7,307	
North Fort Myers, FL		636	6,027	
Sarasota, FL		560	8,474	
Vero Beach, FL		660	9,040	
West Palm Beach, FL		696	8,037	
Boise, ID		600	7,383	
Boise, ID		810	5,401	
Coeur D'Alene, ID		600	7,878	
Granite City, IL		610	7,143	
Granite City, IL		400	4,303	
Owensboro, KY		130	4,870	
Braintree, MA		170	7,157	
Braintree, MA		80	4,849	
Fall River, MA		620	5,829	
Falmouth, MA		670	3,145	
South Boston, MA		385	2,002	
Webster, MA		570	9,639	
Worcester, MA		1,053	2,266	
Beachwood, OH	19,880	1,260	23,478	
Broadview Heights, OH	9,370	920	12,400	
Kent, OH		215	3,367	
Westlake, OH		571	5,411	

Westlake, OH	15,952	1,320	17,936
Midwest City, OK		470	5,673

Description	Gross Amount at Which Carried at Close of Period		
	Land	Buildings & Improvements	Accumulated Depreciation
Middleton, WI	$ 420	$ 4,007	$ 0
TOTAL ASSISTED LIVING FACILITIES:	$62,298	$ 581,959	$ 52,453
SKILLED NURSING FACILITIES:			
Payson, AZ	180	3,988	475
Santa Rosa, CA	1,460	3,880	562
Pueblo, CO	370	6,051	705
Brevard, FL	360	4,117	96
Hilliard, FL	150	6,990	605
Lakeland, FL	696	4,843	513
New Port Richey, FL	624	7,307	757
North Fort Myers, FL	636	6,027	630
Sarasota, FL	560	8,474	413
Vero Beach, FL	660	10,501	845
West Palm Beach, FL	696	8,037	830
Boise, ID	600	7,383	773
Boise, ID	810	5,401	640
Coeur D'Alene, ID	600	7,878	816
Granite City, IL	610	7,143	614
Granite City, IL	400	4,303	311
Owensboro, KY	130	4,870	999
Braintree, MA	170	7,990	1,254
Braintree, MA	80	5,473	758
Fall River, MA	620	7,105	861
Falmouth, MA	670	3,145	516
South Boston, MA	385	6,091	652
Webster, MA	570	9,869	1,422
Worcester, MA	1,053	2,478	393
Beachwood, OH	1,260	23,478	0
Broadview Heights, OH	920	12,400	0
Kent, OH	215	3,367	827
Westlake, OH	571	5,411	607
Westlake, OH	1,320	17,936	0
Midwest City, OK	470	5,673	598

SCHEDULE III - Continued

Initial Cost to Company

Description	Encumbrances	Land	Buildings & Improvements	S
Eugene, OR	$	$ 300	$ 5,316	
Bloomsburg, PA		0	3,918	
Cheswick, PA		384	6,041	
Easton, PA		285	6,315	
Cleveland, TN		350	5,000	
Elizabethton, TN		310	4,604	
Erin, TN		440	8,060	
Harriman, TN		590	8,060	
Mountain City, TN		220	5,896	
Pigeon Forge, TN		320	4,180	
Ridgely, TN		300	5,700	
Rockwood, TN		500	7,116	
Spring City, TN		420	6,085	
Westmoreland, TN		0	2,152	
San Antonio, TX		663	12,588	
TOTAL SKILLED NURSING FACILITIES:	$ 45,202	$ 22,928	$ 299,915	
SPECIALTY CARE FACILITIES:				
Clearwater, FL		950	0	
Braintree ,MA		350	9,304	
Springfield, MA		2,100	14,978	
Stoughton, MA		975	20,021	
Waltham, MA		0	9,339	
TOTAL SPECIALTY CARE FACILITIES		$ 4,375	$ 54,637	
TOTAL INVESTMENT IN PROPERTIES	$ 45,202	$ 89,601	$ 934,703	

Description	Gross Amount at Which Carried at Close of Period		
	Land	Buildings & Improvements	Accumulated Depreciation
Eugene, OR	$ 300	$ 5,316	$ 598
Bloomsburg, PA	0	3,918	273
Cheswick, PA	384	7,334	754
Easton, PA	285	6,315	1,859
Cleveland, TN	350	5,000	12
Elizabethton, TN	310	4,604	90
Erin, TN	440	8,060	19
Harriman, TN	590	8,060	20
Mountain City, TN	220	5,896	116
Pigeon Forge, TN	320	4,180	11
Ridgely, TN	300	5,700	14
Rockwood, TN	500	7,116	134
Spring City, TN	420	6,085	115

Westmoreland, TN	0	2,152	4
San Antonio, TX	663	12,588	3,067
TOTAL SKILLED NURSING FACILITIES:	$ 22,928	$ 309,933	$ 25,558
SPECIALTY CARE FACILITIES:			
Clearwater, FL	950	0	0
Braintree ,MA	350	9,596	559
Springfield, MA	2,100	15,973	500
Stoughton, MA	975	20,994	944
Waltham, MA	0	9,339	530
TOTAL SPECIALTY CARE FACILITIES	$ 4,375	$ 55,902	$ 2,533
TOTAL INVESTMENT IN PROPERTIES	$ 89,601	$ 947,794	$ 80,544

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SCHEDULE III - Continued

	Year ended December 31		
	2001	2000	1999
Investment in Real Estate:			
Balance at Beginning of year	$ 856,955	$ 862,525	$ 639,613
Additions:			
Acquisitions	181,420	0	81,109
Improvements	10,863	46,449	138,694
Other (1)	14,637	60,648	16,309
Total Additions	206,920	107,097	236,112
Deductions:			
Cost of real estate sold	(26,480)	(112,667)	(13,200)
Other			
Total deductions	(26,480)	(112,667)	(13,200)
Balance at end of year	$ 1,037,395	$ 856,955	$ 862,525

Accumulated depreciation:

Balance at beginning of year	$ 52,968	$ 35,746	$ 19,624
Additions:			
Depreciation expense	30,227	22,707	17,885
Deductions:			
Sale of properties	(2,651)	(5,485)	(1,763)
Balance at end of year	$ 80,544	$ 52,968	$ 35,746

(1) Represents mortgage loans converted to operating leases and $954,000 of land reclassed from other assets in 2001.

(2) The aggregate cost for tax purposes for real property equals $1,035,650,000 at December 31, 2001.

SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE
HEALTH CARE REIT, INC.
DECEMBER 31, 2001

DESCRIPTION	INTEREST RATE	FINAL MATURITY DATE	PERIODIC PAYMENT TERMS
Sun Valley, CA (Specialty Care Facility)	12.83%	01/01/17	Monthly Payments $229,682
Briarcliff, NY (Assisted Living Facility)	11.26%	08/01/16	Monthly Payments $127,891
New York City, NY (Assisted Living Facility)	10.09%	03/01/18	Monthly Payments $168,359
Oklahoma City, OK (Nursing Home)	9.88%	06/01/06	Monthly Payments $98,446
Five nursing homes in Texas	10.78%	12/01/07	Monthly Payments $77,173
Bala, PA (Nursing Home)	14.61%	1/01/06	Monthly Payments $86,987
St. Louis, MO (Nursing Home)	11.71%	6/01/09	Monthly Payments $72,741
Chestnut Ridge, NY	12.45%	12/01/16	Monthly

(Assisted Living Facility)			Payments $75,341
Tucson, AZ (Assisted Living Facility)	15.00%	3/1/02	Monthly Payments $100,715
35 mortgage loans relating to 4 nursing homes, 29 assisted living facilities and 2 specialty care facilities	From 8.11% to 12.93%	From 3/01/02- 12/01/17	

DESCRIPTION	PRIOR LIENS	FACE AMOUNT OF MORTGAGES (IN THOUSANDS)	CARRYING AMOUNT OF MORTGAGES (IN THOUSANDS)
Sun Valley, CA (Specialty Care Facility)		21,500	18,797
Briarcliff, NY (Assisted Living Facility)		12,810	12,471
New York City, NY (Assisted Living Facility)		21,000	17,879
Oklahoma City, OK (Nursing Home)		12,204	12,204
Five nursing homes in Texas		12,198	7,733
Bala, PA (Nursing Home)		7,400	7,145
St. Louis, MO (Nursing Home)		7,072	6,771
Chestnut Ridge, NY (Assisted Living Facility)		8,000	6,652
Tucson, AZ (Assisted Living Facility)		8,057	8,057
35 mortgage loans relating to 4 nursing homes, 29 assisted living facilities and 2 specialty care facilities		123,135	114,834
	TOTALS	$233,376	$212,543

	(in thousands) YEAR ENDED DECEMBER 31	
	2001	2000
Reconciliation of mortgage loans:		
Balance at beginning of period	$ 280,601	$384,298
Additions during period:		
New mortgage loans	17,791	28,244
	$ 298,392	412,542
Deductions during period:		
Collections of principal (1)	72,166	70,567
Charge-offs		726
Other (2)	$ 13,683	60,648
Balance at end of period	$ 212,543	$280,601

(1) Includes collection of negative principal amortization.

(2) Includes properties originally financed with mortgage loans that were purchased during the periods indicated.

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SIGNATURE

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

HEALTH CARE REIT, INC.

By: /s/ George L. Chapman

George L. Chapman

Its: Chairman of the Board and Chief Executive Officer

Dated: November 12, 2002

EXHIBIT INDEX

Exhibit No.	Designation Number Under Item 601 of Regulation S-K	Description
5	5	Opinion re Legality
10.1	10	Purchase Agreement
23	23	Consent of Independent Auditors
99.1	99	Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer
99.2	99	Certification pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer