

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2007-08-03** | Period of Report: **2007-06-30**  
SEC Accession No. **0000950152-07-006337**

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### FILER

#### MANOR CARE INC

CIK: **878736** | IRS No.: **341687107** | State of Incorpor.: **DE** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-10858** | Film No.: **071022295**  
SIC: **8051** Skilled nursing care facilities

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

FORM 10-Q

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended June 30, 2007

OR

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number: 1-10858

**Manor Care, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**34-1687107**

(IRS Employer  
Identification No.)

**333 N. Summit Street, Toledo, Ohio**

(Address of principal executive offices)

**43604-2617**

(Zip Code)

**Registrant's telephone number, including area code: (419) 252-5500**

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of business on July 31, 2007.

Common stock, \$0.01 par value - 73,281,931 shares

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**Manor Care, Inc.**  
**Form 10-Q**  
**Table of Contents**

	<u>Page Number</u>
<b><u>Part I. Financial Information</u></b>	
<u>Item 1. Financial Statements (Unaudited)</u>	
<u>Consolidated Balance Sheets - June 30, 2007 and December 31, 2006</u>	3
<u>Consolidated Statements of Income - Three and six months ended June 30, 2007 and 2006</u>	4
<u>Consolidated Statements of Cash Flows - Six months ended June 30, 2007 and 2006</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
<u>Item 2. Management' s Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	21
<u>Item 4. Controls and Procedures</u>	22
<b><u>Part II. Other Information</u></b>	
<u>Item 1. Legal Proceedings</u>	22
<u>Item 1A. Risk Factors</u>	22
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	23
<u>Item 3. Defaults Upon Senior Securities</u>	23
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	23
<u>Item 5. Other Information</u>	23
<u>Item 6. Exhibits</u>	24
<b><u>Signatures</u></b>	25
<b><u>Exhibit Index</u></b>	26
<u>EX-4.1</u>	
<u>EX-10.1</u>	
<u>EX-10.2</u>	
<u>EX-10.3</u>	
<u>EX-10.4</u>	
<u>EX-10.5</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	

**Part I. Financial Information**Item 1. Financial Statements.**Manor Care, Inc.**

## Consolidated Balance Sheets

	June 30, 2007 (Unaudited) (In thousands, except share and per share data)	December 31, 2006 (Note 1)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 87,436	\$ 17,658
Receivables, less allowances for doubtful accounts of \$84,131 and \$74,644, respectively	550,004	565,831
Prepaid expenses and other assets	35,419	34,924
Deferred income taxes	3,289	781
<b>Total current assets</b>	<b>676,148</b>	<b>619,194</b>
Property and equipment, net of accumulated depreciation of \$917,381 and \$844,471, respectively	1,478,898	1,493,576
Goodwill	134,621	132,997
Intangible assets, net of amortization of \$2,236 and \$1,862, respectively	5,408	5,782
Other assets	132,797	146,928
<b>Total assets</b>	<b>\$ 2,427,872</b>	<b>\$ 2,398,477</b>
<b>Liabilities And Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 109,602	\$ 120,621
Employee compensation and benefits	169,549	165,001
Accrued insurance liabilities	109,066	109,538
Income tax payable	29,465	10,118
Other accrued liabilities	59,015	79,904
Long-term debt due within one year	383,762	38,447
<b>Total current liabilities</b>	<b>860,459</b>	<b>523,629</b>
Long-term debt	567,813	955,211
Deferred income taxes	65,358	78,741
Other liabilities	284,578	267,703
Shareholders' equity:		
Preferred stock, \$.01 par value, 5 million shares authorized		
Common stock, \$.01 par value, 300 million shares authorized, 111.0 million shares issued	1,110	1,110
Capital in excess of par value	419,766	407,506
Retained earnings	1,485,352	1,437,145
Accumulated other comprehensive loss	(12,757 )	(29,217 )
	1,893,471	1,816,544
Less treasury stock, at cost (37.8 and 38.3 million shares, respectively)	(1,243,807)	(1,243,351)
<b>Total shareholders' equity</b>	<b>649,664</b>	<b>573,193</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,427,872</b>	<b>\$ 2,398,477</b>

See notes to consolidated financial statements.



**Manor Care, Inc.**Consolidated Statements of Income  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(In thousands, except per share amounts)			
Revenues	\$957,780	\$894,214	\$1,916,846	\$1,763,509
Expenses:				
Operating	790,310	736,106	1,580,434	1,459,016
General and administrative	53,372	43,792	126,875	95,897
Depreciation and amortization	37,852	36,146	74,839	72,088
Asset impairment				11,082
	<u>881,534</u>	<u>816,044</u>	<u>1,782,148</u>	<u>1,638,083</u>
Income before other income (expenses) and income taxes	76,246	78,170	134,698	125,426
Other income (expenses):				
Interest expense	(8,550 )	(7,779 )	(17,220 )	(14,919 )
Loss on sale of assets	(361 )	(217 )	(5,132 )	(159 )
Equity in earnings of affiliated companies	525	2,001	984	3,587
Interest income and other	1,272	393	1,138	1,228
Total other expenses, net	<u>(7,114 )</u>	<u>(5,602 )</u>	<u>(20,230 )</u>	<u>(10,263 )</u>
Income before income taxes	69,132	72,568	114,468	115,163
Income taxes	<u>25,488</u>	<u>27,017</u>	<u>40,965</u>	<u>42,607</u>
Income before cumulative effect	43,644	45,551	73,503	72,556
Cumulative effect of change in accounting principle, net of tax				<u>(2,476 )</u>
Net income	<u>\$43,644</u>	<u>\$45,551</u>	<u>\$73,503</u>	<u>\$70,080</u>
Earnings per share – basic:				
Income before cumulative effect	\$ .60	\$ .60	\$ 1.00	\$ .94
Cumulative effect				<u>(.03 )</u>
Net income	<u>\$ .60</u>	<u>\$ .60</u>	<u>\$ 1.00</u>	<u>\$ .90 (a)</u>
Earnings per share – diluted:				
Income before cumulative effect	\$ .54	\$ .58	\$ .93	\$ .91
Cumulative effect				<u>(.03 )</u>
Net income	<u>\$ .54</u>	<u>\$ .58</u>	<u>\$ .93</u>	<u>\$ .88</u>
Weighted-average shares:				
Basic	73,231	76,277	73,138	77,593
Diluted	80,595	78,489	78,748	79,658
Cash dividends declared per common share	\$ .17	\$ .16	\$ .34	\$ .32

(a) Doesn't add due to rounding

See notes to consolidated financial statements.

**Manor Care, Inc.**Consolidated Statements of Cash Flows  
(Unaudited)

	Six Months Ended June 30,	
	2007	2006
	(In thousands)	
<b>Operating Activities</b>		
Net income	\$73,503	\$70,080
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,839	72,088
Asset impairment and other non-cash charges	24,936	15,050
Stock option and restricted stock compensation	9,576	11,338
Provision for bad debts	28,335	27,658
Deferred income taxes	(15,891)	(16,949)
Net loss on sale of assets	5,132	159
Equity in earnings of affiliated companies	(984)	(3,587)
Changes in assets and liabilities, excluding sold facilities and acquisitions:		
Receivables	(40,103)	(51,868)
Prepaid expenses and other assets	9,543	2,686
Liabilities	(7,122)	21,866
Total adjustments	88,261	78,441
Net cash provided by operating activities	161,764	148,521
<b>Investing Activities</b>		
Investment in property and equipment	(53,408)	(69,287)
Investment in systems development	(4,709)	(1,424)
Investment in partnership		(6,185)
Acquisitions	(2,695)	(19,298)
Net change in restricted cash and cash equivalents	(7,428)	
Proceeds from sale of assets	33,952	40
Net cash used in investing activities	(34,288)	(96,154)
<b>Financing Activities</b>		
Net repayments under revolving credit facility	(36,000)	(16,800)
Proceeds from issuance of senior notes		250,000
Principal payments of long-term debt	(8,534)	(1,032)
Payment of financing costs		(5,547)
Purchase of common stock for treasury		(270,634)
Dividends paid	(24,871)	(25,268)
Proceeds from exercise of stock options	5,049	7,651
Excess tax benefits from share-based payment arrangements	6,658	9,227
Net cash used in financing activities	(57,698)	(52,403)
Net increase (decrease) in cash and cash equivalents	69,778	(36)
Cash and cash equivalents at beginning of period	17,658	12,293
Cash and cash equivalents at end of period	\$87,436	\$12,257

See notes to consolidated financial statements.



**Manor Care, Inc.**

Notes To Consolidated Financial Statements  
(Unaudited)

**Note 1 - Accounting Policies**

**Basis of Presentation**

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management of Manor Care, Inc. (the Company), all adjustments considered necessary for a fair presentation are included. Operating results for the six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in Manor Care, Inc.'s annual report on Form 10-K for the year ended December 31, 2006.

At June 30, 2007, the Company operated 280 skilled nursing facilities, 65 assisted living facilities, 122 hospice and home health offices, and 85 outpatient therapy clinics.

**Comprehensive Income**

Comprehensive income represents the sum of net income plus other comprehensive income (loss). Comprehensive income was \$44.2 million for the second quarter of 2007, which included net income of \$43.6 million and other comprehensive income of \$0.6 million. Comprehensive income was \$90.0 million for the first half of 2007, which included net income of \$73.5 million and other comprehensive income of \$16.5 million. The other comprehensive income primarily represented the remaining amortization of unrecognized pension costs related to the Company's terminated pension plan. Comprehensive income was \$45.6 million and \$70.1 million for the second quarter and first half of 2006, respectively, which represented net income.

**Goodwill**

During the first quarter of 2007, the Company reorganized its reporting structure by combining its rehabilitation operating segment with its long-term care operating segment. The Company refers to this new segment as long-term care and rehabilitation. Prior to the reorganization, rehabilitation was included in the Other category. See Note 9 for further discussion of segments.

## [Table of Contents](#)

The changes in the carrying amount of goodwill by segment after the reorganization are as follows:

	Long-Term Care and Rehabilitation	Hospice and Home Health	Other	Total
	(In thousands)			
Balance at January 1, 2006	\$ 66,522	\$ 36,384	\$451	\$103,357
Goodwill from acquisitions	10,290	19,350		29,640
Balance at December 31, 2006	76,812	55,734	451	132,997
Goodwill from acquisitions	1,624			1,624
Balance at June 30, 2007	\$ 78,436	\$ 55,734	\$451	\$134,621

### **Insurance Liabilities**

At June 30, 2007 and December 31, 2006, the workers' compensation liability consisted of short-term reserves of \$20.8 million and \$21.0 million, respectively, which were included in accrued insurance liabilities, and long-term reserves of \$37.0 million at each date, which were included in other long-term liabilities. The expense for workers' compensation was \$5.7 million and \$11.5 million for the three and six months ended June 30, 2007, respectively, and \$6.7 million and \$13.0 million for the three and six months ended June 30, 2006, respectively. Although management believes that the Company's liability reserves are adequate, there can be no assurance that these reserves will not require material adjustment in future periods. See Note 5 for discussion of the Company's general and professional liability.

### **New Accounting Standards**

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 157, "Fair Value Measurements" (Statement 157), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. Statement 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements. Statement 157 is effective for fiscal years beginning after November 15, 2007. Management is in the process of evaluating the impact of adopting Statement 157.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (Statement 159), which permits entities to voluntarily choose to measure many financial instruments and certain other items at fair value at specified election dates. Such election, which may be applied on an instrument-by-instrument basis, is typically irrevocable. If the fair value option is elected for an instrument, Statement 159 specifies that all subsequent changes in fair value for that instrument shall be reported in earnings. Statement 159

## [Table of Contents](#)

is effective for fiscal years beginning after November 15, 2007. Management is in the process of evaluating the impact of adopting Statement 159.

### **Note 2 - Divestitures**

The Company had a 20 percent ownership and voting interest in two hospitals, with affiliates of Health Management Associates, Inc. holding the remaining interest. In the first quarter of 2007, the Company entered into an agreement to sell these investments, resulting in a net loss of \$4.7 million. The transaction closed in April 2007, and the Company received \$32.0 million from the sale of these investments.

### **Note 3 - Debt**

During the second quarter of 2007, the holders of \$5.3 million principal amount of New Notes due 2023 elected to convert their notes. The holders received the principal value in cash and 90,751 shares of the Company's common stock for the excess value.

The holders of the \$6.6 million of Old Notes due 2023, \$88.2 million of New Notes due 2023, \$400 million of Convertible Senior Notes due 2035, and \$250 million of Convertible Senior Notes due 2036 could convert their notes at June 30, 2007, because the Company's average stock price for the prior 20 trading days exceeded the conversion price of \$37.34, \$37.34, \$53.70 and \$64.68, respectively, for each of the notes. The \$6.6 million par value of Old Notes is only convertible into the Company's common stock and would not utilize current assets for payment. The remaining notes totaling \$738.2 million are required to be classified as a current liability, except when the Company has the ability and intent to finance the notes with long-term debt, such as its \$400 million revolving credit facility, which matures June 22, 2011. As of June 30, 2007, there were no loans outstanding under the revolving credit facility, and after consideration of usage for letters of credit, \$355.2 million was available for future borrowing. As a result, the Company classified \$355.2 million of these notes as long-term and the remaining \$383.0 million as current.

### **Note 4 - Income Taxes**

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of adopting FIN 48, the Company reduced retained earnings by \$0.3 million. As of the date of adoption, the total amount of unrecognized tax benefits was \$11.1 million. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$4.6 million.

## [Table of Contents](#)

Upon adoption of FIN 48, the Company elected to make a change in accounting principle concerning the financial statement presentation of interest and penalties related to income taxes. Such interest and penalties are now classified in the income statement as income taxes. Prior to the change, interest expense was classified as interest expense, interest income was classified as interest income and other, and penalties were classified as operating expenses. Prior to adoption, accrued interest and penalties were \$0.2 million. Upon adoption, the Company increased its accrued interest and penalties to \$0.6 million.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and in most states. With few exceptions, the Company is no longer subject to U.S. federal, state or local income tax examinations for years before 2003. The Internal Revenue Service has recently completed an examination of the Company's 2002 through 2004 U.S. income tax returns, and all issues raised for those years have been resolved.

Except for the effect of the first-quarter settlement discussed below, the Company has not identified any positions for which it is reasonably possible that the total amount of unrecognized tax benefit will materially increase or decrease in the next 12 months. During the first quarter of 2007, the Company reduced its unrecognized tax benefit balance by approximately \$2.0 million related to the resolution of a dispute involving availability of tax credits in a local tax jurisdiction. This amount reduced the effective tax rate by \$1.3 million.

### **Note 5 - Contingencies**

One or more subsidiaries or affiliates of the Company have been identified as potentially responsible parties (PRPs) in a variety of actions (the Actions) relating to waste disposal sites which allegedly are subject to remedial action under the Comprehensive Environmental Response Compensation Liability Act, as amended, 42 U.S.C. Sections 9601 et seq. (CERCLA) and similar state laws. CERCLA imposes retroactive, strict joint and several liability on PRPs for the costs of hazardous waste clean-up. The Actions arise out of the alleged activities of Cenco, Incorporated and its subsidiary and affiliated companies (Cenco). Cenco was acquired in 1981 by a wholly owned subsidiary of the Company. The Actions allege that Cenco transported and/or generated hazardous substances that came to be located at the sites in question. Environmental proceedings such as the Actions may involve owners and/or operators of the hazardous waste site, multiple waste generators, and multiple waste transportation disposal companies. Such proceedings involve efforts by governmental entities and/or private parties to allocate or recover site investigation and clean-up costs, which costs may be substantial. The potential liability exposure for currently pending environmental claims and litigation, without regard to insurance coverage, cannot be quantified with precision, because of the inherent uncertainties of litigation in the Actions and the fact that the ultimate cost of the remedial actions for some of the waste disposal sites where subsidiaries or affiliates of the Company are alleged to be a potentially responsible party has not yet been quantified. At June 30, 2007 and December 31, 2006, the Company had \$4.8 million accrued in other long-term liabilities, based

## [Table of Contents](#)

on its current assessment of the likely outcome of the Actions. The amount of the Company's reserve is based on management's continual monitoring of the litigation activity, estimated clean-up costs and the portion of the liability for which the Company is responsible. At June 30, 2007 and December 31, 2006, there were no receivables related to insurance recoveries.

The Company is party to various other legal matters arising in the ordinary course of business including patient care-related claims and litigation. At June 30, 2007 and December 31, 2006, the general and professional liability consisted of short-term reserves of \$62.0 million and \$61.7 million, respectively, which were included in accrued insurance liabilities, and long-term reserves of \$104.0 million and \$109.0 million, respectively, which were included in other long-term liabilities. The expense for general and professional liability claims, premiums and administrative fees was \$13.1 million and \$28.4 million for the three and six months ended June 30, 2007, respectively, and \$17.9 million and \$35.9 million for the three and six months ended June 30, 2006, respectively, which was included in operating expenses. Although management believes that the Company's liability reserves are adequate, there can be no assurance that such provision and liability will not require material adjustment in future periods.

### **Note 6 - Stock-Based Compensation**

During the first quarter of 2006, the Company recorded the cumulative effect of the change in accounting for stock appreciation rights, or SARs, of \$4.0 million (\$2.5 million after tax, or \$.03 per share) as a result of the adoption of FASB Statement No. 123R, "Share-Based Payment" (Statement 123R). The Company was required to change the measurement method for its SARs liability from intrinsic value to fair value on January 1, 2006.

Stock-based compensation expense, related to stock options, time- and performance-vested restricted stock, restricted stock units and stock appreciation rights, was \$21.7 million and \$19.1 million for the first halves of 2007 and 2006, respectively, excluding the cumulative effect discussed previously. During the first half of 2007, the following awards were granted: 345,000 stock options with an exercise price of \$53.21 and a weighted-average grant-date fair value of \$13.68, which cliff vest in three years, and 191,800 restricted stock units with a grant-date fair value of \$53.21, which cliff vest in three years. For performance-vested restricted stock related to 2007, there are target awards of 113,267 shares, with a weighted-average grant-date fair value of \$44.53. Depending on the Company's actual performance, the actual shares awarded could range from zero to 225 percent of the target shares. The Company accrues the expense based on the number of awards that are probable of vesting.

Shares delivered by employees to the Company to cover the payment of the option price and tax withholdings related to option exercises or vesting of stock had a value of \$28.8 million and \$35.6 million for the first halves of 2007 and 2006, respectively.

## [Table of Contents](#)

### Note 7 – Earnings Per Share

The calculation of earnings per share (EPS) is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
(In thousands, except earnings per share)				
<b>Numerator:</b>				
Numerator for basic EPS - income before cumulative effect	\$43,644	\$45,551	\$73,503	\$72,556
After-tax amount of interest expense on Convertible Senior Notes (Old Notes)	27	27	55	54
Numerator for diluted EPS	<u>\$43,671</u>	<u>\$45,578</u>	<u>\$73,558</u>	<u>\$72,610</u>
<b>Denominator:</b>				
Denominator for basic EPS - weighted-average shares	73,231	76,277	73,138	77,593
Effect of dilutive securities:				
Stock options	914	968	846	959
Restricted stock or units	148	53	122	36
Convertible Senior Notes	<u>6,302</u>	<u>1,191</u>	<u>4,642</u>	<u>1,070</u>
Denominator for diluted EPS - adjusted for weighted-average shares and assumed conversions	<u>80,595</u>	<u>78,489</u>	<u>78,748</u>	<u>79,658</u>
<b>EPS – Income before cumulative effect:</b>				
Basic	\$ .60	\$ .60	\$ 1.00	\$ .94
Diluted	\$ .54	\$ .58	\$ .93	\$ .91

Options to purchase 0.2 million shares of the Company's common stock in the first half of 2007 were not included in the computation of diluted EPS, because the options' average exercise price of \$53 was greater than the average market price of the common shares.

The Company's warrants related to its \$400 million Convertible Senior Notes due in 2035 were not included in the computation of diluted EPS prior to the second quarter of 2007, because the warrants' current conversion price of \$59.55 was greater than the average market price of the common shares. The dilutive effect of the Convertible Senior Notes increased significantly in the second quarter of 2007 as a result of the increase in the Company's stock price.

**Note 8 - Employee Benefit Plans**

The Company has two qualified and two non-qualified defined benefit pension plans included in the table below. Effective December 31, 2006, the Company elected to terminate its qualified, overfunded, defined benefit pension plan. This plan, with frozen benefits prior to 1997, covers certain non-union employees. In the first quarter of 2007, the Company made either lump-sum distributions to participants or transferred account balances to a licensed insurance company for all remaining vested participants, based on the option elected by the participants. The Company was relieved of its obligation with respect to this plan, which resulted in a full settlement of the plan in the first quarter of 2007. The Company recorded a non-cash pretax charge of \$24.9 million (\$15.6 million after tax, or \$.20 per share) in the first quarter of 2007 related to the terminated plan, with a \$0.1 million adjustment in the second quarter of 2007.

The components of net pension cost are as follows:

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2007	2006	2007	2006
	(In thousands)			
Service cost	\$679	\$484	\$1,357	\$1,592
Interest cost	452	1,170	1,174	2,205
Expected return on plan assets	(47 )	(1,180 )	(441 )	(2,225 )
Amortization of unrecognized transition asset	(12 )	(12 )	(24 )	(24 )
Amortization of prior service cost	482	679	970	1,169
Amortization of net loss	22	356	242	605
Settlement loss (adjustment)	(103 )		24,701	
Net pension cost	<u>\$1,473</u>	<u>\$1,497</u>	<u>\$27,979</u>	<u>\$3,322</u>

**Note 9 - Segment Information**

The Company provides a range of health care services. During the first quarter of 2007, the Company reorganized its reporting structure by combining its rehabilitation operating segment with its long-term care operating segment. The Company refers to this new segment as long-term care and rehabilitation. Prior to the reorganization, rehabilitation was included in the Other category. The Company changed its prior-year segment disclosures to conform with the new reporting structure. The Company has two reportable operating segments - long-term care and rehabilitation, which operates skilled nursing and assisted living facilities and provides rehabilitation services, and hospice and home health. The Other category includes the non-reportable segments and corporate items. The revenues in the Other category include other health care services and prior to 2007, medical transcription revenues. Asset information, including capital expenditures, is not reported by segment by the Company. Operating performance represents revenues less operating expenses and does not include general and

## [Table of Contents](#)

administrative expenses, depreciation and amortization, asset impairment, other income and expense items, income taxes, and cumulative effect.

	Long-Term Care and Rehabilitation	Hospice and Home Health	Other	Total
	(In thousands)			
<b>Three months ended June 30, 2007</b>				
Revenues from external customers	\$ 817,166	\$ 135,421	\$ 5,193	\$ 957,780
Depreciation and amortization	36,481	1,122	249	37,852
Operating margin	149,842	18,778	(1,150)	167,470
<b>Three months ended June 30, 2006</b>				
Revenues from external customers	\$ 771,073	\$ 115,345	\$ 7,796	\$ 894,214
Intersegment revenues			1,057	1,057
Depreciation and amortization	34,959	791	396	36,146
Operating margin	139,224	18,517	367	158,108
<b>Six months ended June 30, 2007</b>				
Revenues from external customers	\$ 1,638,835	\$ 268,038	\$ 9,973	\$ 1,916,846
Depreciation and amortization	72,196	2,077	566	74,839
Operating margin	305,572	32,924	(2,084)	336,412
<b>Six months ended June 30, 2006</b>				
Revenues from external customers	\$ 1,527,863	\$ 220,145	\$ 15,501	\$ 1,763,509
Intersegment revenues			2,032	2,032
Depreciation and amortization	69,365	1,500	1,223	72,088
Operating margin	269,348	34,881	264	304,493

### **Note 10 - Subsequent Event**

The Company announced that it had entered into an Agreement and Plan of Merger, dated as of July 2, 2007 (the Merger Agreement), with MCHCR-CP Merger Sub Inc. (MergerCo). MergerCo is indirectly owned and controlled by The Carlyle Group.

The Merger Agreement contemplates that MergerCo will be merged with and into the Company (the Merger), with the Company continuing as the surviving corporation in the Merger and each outstanding share of common stock of the Company being converted in the Merger into the right to receive \$67.00 per share in cash, without interest.

The Company has made customary representations and warranties in the Merger Agreement and agreed to certain customary covenants, including covenants regarding operation of the business



## [Table of Contents](#)

of the Company and its subsidiaries prior to the closing and covenants prohibiting the Company from soliciting, or providing information or entering into discussions concerning, proposals relating to alternative business combination transactions, except in limited circumstances to permit the board of directors of the Company to comply with its fiduciary duties.

Consummation of the Merger is subject to customary conditions, including adoption of the Merger Agreement by the Company's stockholders, the absence of certain legal impediments to consummation of the Merger, receipt of certain regulatory consents and approvals, and the expiration or termination of the required waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

MergerCo has obtained equity and debt financing commitments to finance the transactions contemplated by the Merger Agreement, including the payment of the merger consideration, cashout of options and other equity awards, repayment of indebtedness, and payment of all related fees and expenses. The obligations of MergerCo are not conditioned on the receipt of this financing. MergerCo, however, is not required to consummate the Merger until after the completion of a marketing period (the Marketing Period). Subject to certain exceptions, the Marketing Period is the first period of 30 consecutive days (subject to tolling and extension under certain circumstances) following the date of the Merger Agreement throughout which MergerCo shall have certain financial information with respect to the Company required to consummate the debt financing, the Company's independent public accountants shall not have withdrawn any relevant audit opinion and the conditions to closing (other than conditions that by their nature may be satisfied only at closing and certain conditions relating to governmental approvals and financing-related restructuring) shall have been satisfied.

The Company and MergerCo may terminate the Merger Agreement under certain circumstances. The Merger Agreement provides that, upon the termination of the Merger Agreement under specified circumstances, the Company may be required to pay MergerCo a termination fee equal to \$175.0 million and, in some cases, expenses up to a cap of \$15.0 million (which amounts reduce any applicable termination fee). The Merger Agreement further provides that, in the event that the Company terminates the Merger Agreement because MergerCo has not received the proceeds of debt financing necessary to consummate the Merger at the end of the Marketing Period, and the Company is not otherwise in breach of its obligations under the Merger Agreement, then MergerCo is required to pay a termination fee in an aggregate amount equal to \$175.0 million, and such fee represents the Company's sole and exclusive remedy. The Company, on the one hand, and MergerCo, on the other hand, are also subject to an overall cap on damages of \$250.0 million for breaches of the Merger Agreement.

In connection with the Merger and the required stockholder approval, the Company will file a proxy statement with the Securities and Exchange Commission.

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

**Critical Accounting Policies**

*General and Professional Liability.* Our general and professional reserves include amounts for patient care-related claims and incurred but not reported claims. The amount of our reserves is determined based on an estimation process that uses information obtained from both Company-specific and industry data. The estimation process requires us to continuously monitor and evaluate the life cycle of the claims. Using data obtained from this monitoring and our assumptions about emerging trends, we estimate the ultimate size of claims based on our historical experience and other available industry information. The most significant assumptions used in the estimation process include determining the trend in costs, the expected cost of claims incurred but not reported, and the expected costs to settle unpaid claims. Our assumptions take into consideration our internal efforts to contain our costs by reviewing our risk management programs, our operational and clinical initiatives, and other industry changes affecting the long-term care market. In comparing the first half of 2007 with the same period in 2006, the number of new claims and our average settlement cost per claim have decreased. Our accrual for current claims is \$4.3 million per month. Although we believe our liability reserves are adequate and appropriate, we can give no assurance that these reserves will not require material adjustment in future periods.

*Workers' Compensation Liability.* Our workers' compensation reserves are determined based on an estimation process that uses Company-specific and industry data. We continuously monitor the claims and develop information about the ultimate cost of the claims based on our historical experience. In comparing the first half of 2007 with the same period in 2006, the number of new claims was similar. Our workers' compensation expense decreased \$1.5 million for the first half of 2007 in comparison to the prior-year period. Although we believe our liability reserves are adequate and appropriate, we can give no assurance that these reserves will not require material adjustment in future periods.

**Results of Operations -  
Quarter and Year-To-Date June 30, 2007 Compared with June 30, 2006**

*Overview.* During the second quarter of 2007, there were unusual items totaling \$.11 per share as follows:

Our stock-based compensation expense of \$11.6 million and deferred compensation expense of \$4.5 million were higher than expected. The expense for the quarter was higher than expected by \$10.3 million, or \$.08 per share, primarily because of our stock price increase of over 20 percent for the quarter. Of the stock-based compensation and deferred compensation expense, we recorded approximately 15 percent in operating expenses and the remaining amount in general and administrative expenses.

## [Table of Contents](#)

- ◆ We recorded expenses of \$2.8 million, or \$.02 per share, for transaction costs related to our evaluation of strategic alternatives. See Note 10 to our consolidated financial statements for a discussion of the sale of the Company.
- ◆ We recorded expenses of \$1.1 million, or about \$.01 per share, related to separation and other expenses for former officers.

During the first half of 2007, there were unusual items totaling \$.39 per share as follows:

- ◆ We recorded a non-cash charge of \$24.8 million, or \$.20 per share, as a result of the termination and full settlement of an overfunded defined benefit pension plan, as discussed in Note 8 to our consolidated financial statements.  
  
Our stock-based compensation expense of \$21.7 million and deferred compensation expense of \$7.9 million were higher than expected. The expense for the first half was higher than expected by \$18.0 million, or \$.14 per share, primarily because of our stock price increase of over 39 percent for the first half of 2007. Of the stock-based compensation and deferred compensation expense, we recorded approximately 20 percent in operating expenses and the remaining amount in general and administrative expenses.
- ◆ We recorded a loss of \$4.7 million, \$.04 per share, related to the sale of our investment in two hospitals, as discussed in Note 2 to our consolidated financial statements.
- ◆ We recorded expenses of \$2.8 million, or \$.02 per share, for transaction costs as discussed above.
- ◆ We recorded expenses of \$1.1 million, or about \$.01 per share, related to separation and other expenses for former officers.
- ◆ The items above were partially offset by a tax benefit of \$1.4 million, or \$.02 per share, related primarily to tax credits from prior periods.

During the first half of 2006, there were unusual items totaling \$.21 per share as follows:

- ◆ Our stock-based compensation expense of \$19.1 million and deferred compensation expense of \$4.0 million were higher than expected. The expense for the first half was higher than expected by \$11.3 million, or \$.09 per share, primarily because of our stock price increase of 18 percent for the first half, stock option grants that vested immediately as a result of an option reload feature, and executive retirements that accelerated the amortization of restricted stock expense. Of the stock-based compensation and deferred compensation expense, we recorded approximately 20 percent in operating expenses and the remaining amount in general and administrative expenses.  
  
The cumulative effect of the change in accounting for SARs of \$4.0 million (\$2.5 million after tax, or \$.03 per share) was a result of the adoption of Statement 123R, as reported on a separate line item in our income statement. We were required to change the measurement method for our SARs liability from intrinsic value to fair value on January 1, 2006.
- ◆ We recorded a charge of \$11.1 million, or \$.09 per share, related to the write-down of our transcription business, which we sold in the fourth quarter of 2006. We reported the charge on a separate line item in our income statement.

## [Table of Contents](#)

*Revenues - Quarter.* Our revenues increased \$63.6 million, or 7 percent, from the second quarter of 2006. As discussed in Note 9 to our consolidated financial statements, we reorganized our reporting structure by combining our rehabilitation services with skilled nursing and assisted living services. Revenues from our long-term care and rehabilitation segment increased \$46.1 million, or 6 percent, due to increases in rates/patient mix of \$50.7 million and capacity of \$1.8 million that were partially offset by a decrease in occupancy of \$6.4 million. Our revenues from the hospice and home health segment increased \$20.1 million, or 17 percent, primarily from an increase in the number of patients utilizing our hospice services.

*Revenues - First Half.* Our revenues in the first half of 2007 increased \$153.3 million, or 9 percent, compared with the first half of 2006. Revenues from our long-term care and rehabilitation segment increased \$111.0 million, or 7 percent, due to increases in rates/patient mix of \$116.4 million and capacity of \$6.6 million that were partially offset by a decrease in occupancy of \$12.0 million. Our revenues from the hospice and home health segment increased \$47.9 million, or 22 percent, primarily from an increase in the number of patients utilizing our hospice services.

*Revenue Factors - Quarter and First Half.* Our average rates per day for the long-term care and rehabilitation segment were as follows:

	Second Quarter			First Half		
	2007	2006	Increase	2007	2006	Increase
Medicare	\$ 412.46	\$ 382.31	8%	\$ 409.46	\$ 378.95	8%
Medicaid	\$ 158.84	\$ 151.52	5%	\$ 158.78	\$ 151.15	5%
Private and other (skilled only)	\$ 240.25	\$ 228.00	5%	\$ 239.35	\$ 225.89	6%

Our average Medicare rate increased 3.1 percent due to the market basket increase effective October 1, 2006. The remaining increase was a result of our continued shift to higher-acuity and higher-rate-category patients compared with the first half of 2006. Our average Medicaid rate in the table above excluded prior-period revenues. When taking into account the increase in state provider assessments, the net Medicaid rate increased approximately 4 percent for the first half of 2007 compared with the prior-year period.

Our occupancy levels were as follows:

	Second Quarter		First Half	
	2007	2006	2007	2006
Total	89%	89%	89%	90%
Skilled nursing facilities	89%	90%	89%	90%

The quality mix of revenues from Medicare, private pay and insured patients that related to our long-term care and rehabilitation segment increased from 72 percent for the second quarter and first half of 2006 to 73 percent for the second quarter and first half of 2007.

## [Table of Contents](#)

We increased our bed capacity between the first halves of 2006 and 2007, primarily by opening four skilled nursing facilities between November 2006 and April 2007.

*Operating Expenses - Quarter.* Our operating expenses in the second quarter of 2007 increased \$54.2 million, or 7 percent, compared with the second quarter of 2006.

Operating expenses from our long-term care and rehabilitation segment increased \$35.5 million, or 6 percent, between the second quarters of 2006 and 2007. The largest portion of the operating expense increase related to labor costs of \$25.2 million and ancillary costs, excluding internal labor, of \$9.8 million. Our average wage rate increased 5 percent compared with the second quarter of 2006. Ancillary costs, which include various types of therapies, medical supplies and prescription drugs, increased as a result of our more medically complex patients. Our general and professional liability costs decreased \$5.0 million.

Our operating expenses from our hospice and home health segment increased \$19.8 million, or 20 percent, between the second quarters of 2006 and 2007. The increase related to labor costs of \$12.6 million, ancillary costs, including pharmaceuticals, of \$2.5 million, and other nursing care costs, including medical equipment and supplies, of \$1.5 million. Our operating margin percentage in 2007 was lower than 2006 primarily because of additional costs associated with the start-up of new offices and inpatient facilities.

*Operating Expenses - First Half.* Our operating expenses in the first half of 2007 increased \$121.4 million, or 8 percent, compared with the first half of 2006.

Operating expenses from our long-term care and rehabilitation segment increased \$74.7 million, or 6 percent, between the first halves of 2006 and 2007. The largest portion of the operating expense increase of \$44.0 million related to labor costs. The other significant operating expense increases included ancillary costs, excluding internal labor, of \$19.8 million and provider assessments of \$8.5 million. General and professional liability expense decreased \$7.7 million.

Our operating expenses from our hospice and home health segment increased \$49.9 million, or 27 percent. The increase related to labor costs of \$30.2 million, ancillary costs, including pharmaceuticals, of \$6.2 million, and other nursing care costs, including medical equipment and supplies, of \$5.1 million.

*General and Administrative Expenses.* Our general and administrative expenses increased \$9.6 million and \$31.0 million from the second quarters and first halves of 2006 and 2007, respectively. Our expense in the first half of 2007 included \$24.8 million related to the non-cash charge as a result of terminating one of our pension plans, as discussed in Note 8 to our consolidated financial statements. Our expense in the second quarter and first half of 2007 included

## [Table of Contents](#)

\$2.8 million of transaction expenses, as discussed in the overview. Excluding these charges in 2007, the increase in general and administrative expenses primarily related to an increase in costs associated with our stock-based and deferred compensation. Our stock price increased 18 percent in the first half of 2006 and 39 percent in the first half of 2007. In addition, our stock-based compensation in 2006 included stock option grants that vested immediately as a result of an option reload feature, and executive retirements that accelerated the amortization of restricted stock expense.

*Interest Expense.* Interest expense increased \$0.8 million and \$2.3 million between the second quarters and first halves of 2006 and 2007, respectively, because of higher debt levels partially offset by lower interest rates. In May 2006, we issued \$250 million principal amount of 2.0% Convertible Senior Notes due in 2036.

*Equity in Earnings of Affiliated Companies.* Our equity earnings declined in 2007 primarily due to the sale of our ownership interest in two hospitals, as discussed in Note 2 to our consolidated financial statements.

*Income Taxes.* Our effective tax rate was 35.8 percent in the first half of 2007 compared with 37.0 percent in the first half of 2006. Our effective tax rate in 2007 was lower than expected, primarily due to tax credits from prior years recorded in the first quarter.

### **Financial Condition - June 30, 2007 and December 31, 2006**

There was a reclassification between long-term debt due within one year and long-term debt, because the holders of our \$400 million and \$250 million Convertible Senior Notes could convert their notes at June 30, 2007, as discussed further in Note 3 to our consolidated financial statements.

### **Liquidity and Capital Resources**

*Cash Flows.* During the first half of 2007, we satisfied our cash requirements primarily with cash generated from operating activities. We used the cash principally for capital expenditures, the paydown of debt, and the payment of dividends. Cash flows from operating activities were \$161.8 million for the first half of 2007, an increase of \$13.2 million from the first half of 2006. The additional operating cash flows were primarily due to an increase in net income, excluding non-cash charges.

*Investing Activities.* Our expenditures for property and equipment of \$53.4 million in the first half of 2007 included \$14.1 million to construct new facilities and expand existing facilities. In 2007, we opened one skilled nursing facility in January and one in April. The proceeds from sale of assets primarily related to the sale of our investment in two hospitals, as discussed further in Note 2 to our consolidated financial statements.

## [Table of Contents](#)

*Debt Agreements.* As of June 30, 2007, there were no loans outstanding under our \$400 million revolving credit facility, with an uncommitted option available to increase the facility by up to an additional \$100 million (accordion feature). After consideration of usage for letters of credit, \$355.2 million, plus the accordion feature, was available for future borrowings.

During the second quarter of 2007, the holders of \$5.3 million principal amount of New Notes due 2023 elected to convert their notes. The holders received the principal value in cash and 90,751 shares of our common stock for the excess value.

The holders of our \$94.7 million Convertible Senior Notes due 2023, \$400 million Convertible Senior Notes due 2035 and \$250 million Convertible Senior Notes due 2036 have the ability to convert their notes when the average of the last reported stock price for 20 trading days immediately prior to conversion is greater than or equal to \$37.34, \$53.70 and \$64.68, respectively, which it was as of June 30, 2007. The holders of \$6.6 million principal amount of the Old Notes due 2023 can convert their notes into shares of our common stock. The holders of \$88.2 million principal amount of the New Notes due 2023, \$400 million principal amount of Convertible Senior Notes due 2035 and \$250 million principal amount of Convertible Senior Notes due 2036 can convert their notes into cash for the principal value and into shares of our common stock for the excess value, if any.

In addition, the holders of the \$88.2 million principal amount of New Notes, the \$400 million principal amount of 2.125% Convertible Senior Notes, and the \$250 million principal amount of 2.0% Convertible Senior Notes may require us to convert or repurchase their notes upon the occurrence of certain events. We are required to satisfy the principal value in cash upon conversion or repurchase.

*Stock Purchase.* At December 31, 2006, we had remaining authority to purchase \$112.1 million of our common stock. We repurchased no shares during the first half of 2007. We may use shares repurchased for internal stock option and 401(k) match programs and for other uses, such as possible acquisitions.

*Cash Dividends.* On July 26, 2007, we announced that the Company will pay a quarterly cash dividend of 17 cents per share to shareholders of record on August 13, 2007. This dividend will approximate \$12.5 million and is payable August 27, 2007. Although we intend to declare and pay regular quarterly cash dividends, there can be no assurance that any dividends will be declared, paid or increased in the future.

We believe that our cash flow from operations will be sufficient to cover operating needs, future capital expenditure requirements, scheduled debt payments of miscellaneous small borrowing arrangements and capitalized leases, cash dividends and some share repurchases. Because of our

## [Table of Contents](#)

significant annual cash flow, we believe that we will be able to refinance the major pieces of our debt as they mature. It is likely that we will pursue growth from acquisitions, partnerships and other ventures that we would fund from excess cash from operations, credit available under our revolving credit facility, and other financing arrangements that are normally available in the marketplace.

### **Cautionary Statement Concerning Forward-Looking Statements**

This report may include forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. We identify forward-looking statements in this report by using words or phrases such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may be,” “objective,” “plan,” “predict,” “project,” “will be” and similar words or phrases, or the negative thereof.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by us in those statements include, among others: changes in the health care industry because of political and economic influences; changes in Medicare, Medicaid and certain private payors’ reimbursement levels or coverage requirements; existing government regulations, including applicable health care, tax and health and safety regulations, and changes in, or the failure to comply with, governmental regulations or the interpretations thereof; legislative proposals for health care reform; general economic and business conditions; conditions in financial markets; competition; our ability to maintain or increase our revenues and control our operating costs; the ability to attract and retain qualified personnel; changes in current trends in the cost and volume of patient care-related claims and workers’ compensation claims and in insurance costs related to such claims; and other litigation.

Although we believe the expectations reflected in our forward-looking statements are based upon reasonable assumptions, we can give no assurance that we will attain these expectations or that any deviations will not be material. Except as otherwise required by the federal securities laws, we disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained in this report to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

See the discussion of our market risk in our Form 10-K for the year ended December 31, 2006. During the second quarter of 2007, the holders of \$5.3 million principal amount of New Notes due 2023 elected to convert their notes. The holders received the principal value in cash and 90,751



## [Table of Contents](#)

shares of our common stock for the excess value. As of December 31, 2006, the carrying amount of our fixed-rate debt was \$950.0 million with a fair value of \$1,069.0 million. As of June 30, 2007, the carrying amount of our fixed-rate debt was \$944.7 million with a fair value of \$1,331.4 million.

### Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including the chief executive officer, or CEO, and chief financial officer, or CFO, of the effectiveness of the design and operation of our disclosure procedures. Based on that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of June 30, 2007. There were no changes in our internal control over financial reporting in the second quarter of 2007 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Part II. Other Information**

### Item 1. Legal Proceedings

As of August 3, 2007, we were aware of one lawsuit that was filed by an alleged stockholder of the Company relating to our proposed transaction with The Carlyle Group. The lawsuit was filed in the Circuit Court of Lucas County, Ohio. It names the Company, the Company's directors, and The Carlyle Group as defendants. The plaintiff seeks to represent a putative class of all public holders of the Company's common stock. The lawsuit alleges, among other things, that the Company's directors breached their fiduciary duties to our stockholders by approving the proposed transaction. Specifically, the directors were alleged to have breached their fiduciary duties of loyalty, care, independence, good faith, and fair dealing by approving a transaction for inadequate consideration. The lawsuit seeks preliminary and permanent injunctive relief prohibiting consummation of the merger, unspecified damages, attorneys' fees, and other relief. The Company believes that the lawsuit is without merit and intends to contest it vigorously.

See Note 5 - Contingencies in the notes to the consolidated financial statements for a discussion of litigation related to environmental matters and patient care-related claims.

### Item 1A. Risk Factors

There were no material changes in our risk factors included in our Form 10-K for the year ended December 31, 2006.

## [Table of Contents](#)

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

We did not repurchase any of our common stock during the second quarter of 2007. On May 10, 2006, Manor Care announced that its Board of Directors authorized management to spend \$300 million to purchase common stock through December 31, 2007. As of June 30, 2007, we had \$112.1 million remaining authority.

### Item 3. Defaults Upon Senior Securities.

None

### Item 4. Submission of Matters to a Vote of Security Holders.

At the Company's Annual Meeting of Stockholders held on May 8, 2007, the stockholders voted to elect the following directors: a) Mary Taylor Behrens, b) Joseph F. Damico, c) Stephen L. Guillard, d) William H. Longfield, e) Paul A. Ormond, f) John T. Schwieters, g) Richard C. Tuttle, h) Gail R. Wilensky and i) Thomas L. Young. All directors were approved. The votes were as follows:

Item	For	Against	Abstain
a	67,712,743	419,547	447,333
b	65,685,506	2,445,088	449,028
c	68,054,729	74,897	449,995
d	66,451,587	1,658,383	469,652
e	67,422,935	690,659	466,029
f	66,376,793	1,721,975	480,855
g	66,705,870	1,393,893	479,859
h	67,623,160	475,747	480,718
i	63,863,319	4,206,990	509,311

### Item 5. Other Information.

None

## Table of Contents

### Item 6. Exhibits.

S-K Item

601 No.

2.1	Agreement and Plan of Merger, dated as of July 2, 2007, between MCHCR-CP Merger Sub Inc. and Manor Care, Inc. (filed as Exhibit 2.1 to Manor Care, Inc.' s Form 8-K filed on July 2, 2007 and incorporated herein by reference)
4.1*	Supplemental Indenture for 2.125% Convertible Senior Notes due 2035, dated as of May 17, 2006, among Manor Care, Inc., the subsidiary guarantors as named therein and U.S. Bank National Association (as successor to Wachovia Bank, National Association), as Trustee
10.1*	Employment Agreement dated as of June 13, 2007, between Manor Care, Inc. and Paul A. Ormond
10.2*	Employment Agreement dated as of June 13, 2007, between Manor Care, Inc. and Stephen L. Guillard
10.3*	Employment Agreement dated as of June 13, 2007, between Manor Care, Inc. and Steven M. Cavanaugh
10.4*	Employment Agreement dated as of June 13, 2007, between Manor Care, Inc. and Richard A. Parr II
10.5*	Amendment to the HCR Manor Care Senior Executive Retirement Plan, dated as of June 18, 2007
31.1*	Chief Executive Officer Certification
31.2*	Chief Financial Officer Certification
32.1*	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\* Filed herewith.

**Signatures**

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

Manor Care, Inc.  
(Registrant)

Date August 3, 2007

By /s/ Steven M. Cavanaugh  
Steven M. Cavanaugh, Vice President and  
Chief Financial Officer

**Exhibit Index**

<u>Exhibit</u>	
4.1	Supplemental Indenture for 2.125% Convertible Senior Notes due 2035, dated as of May 17, 2006, among Manor Care, Inc., the subsidiary guarantors as named therein and U.S. Bank National Association (as successor to Wachovia Bank, National Association), as Trustee
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32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002



SUPPLEMENTAL INDENTURE

This Supplemental Indenture, dated as of May 17, 2006 (this "Supplemental Indenture" or "Guarantee"), among the subsidiary guarantors named in Annex A hereto (the "Guarantors"), Manor Care, Inc. (together with its successors and assigns, the "Company"), each other then existing Subsidiary Guarantor under the Indenture referred to below, and U.S. Bank National Association (as successor to Wachovia Bank, National Association), as Trustee under the Indenture referred to below.

W I T N E S S E T H:

WHEREAS, the Company, the Subsidiary Guarantors and the Trustee have heretofore executed and delivered an Indenture, dated as of August 1, 2005 (as amended, supplemented, waived or otherwise modified, the "Indenture"), providing for the issuance of an aggregate principal amount of \$400.0 million of 2.125% Convertible Senior Notes due 2035 of the Company (the "Securities");

WHEREAS, Section 3.3 of the Indenture provides that the Company is required to cause each Subsidiary (other than a Subsidiary that does not Guarantee obligations under the Senior Credit Obligations, the 2006 Notes, the 2008 Notes, the 2013 Notes or the 2023 Notes) created or acquired by the Company or one or more of its Subsidiaries or any Subsidiary that Guarantees the payment of Debt of the Company to execute and deliver to the Trustee a supplemental indenture pursuant to which such Subsidiary will unconditionally Guarantee, on a joint and several basis with the other Subsidiary Guarantors, the full and prompt payment of the principal of and interest and Additional Interest, if any, on the Securities on a senior basis; and

WHEREAS, pursuant to Section 9.1 of the Indenture, the Trustee and the Company are authorized to execute and deliver this Supplemental Indenture to amend the Indenture, without the consent of any Securityholder, to add to the covenants of the Company for the benefit of the Holders and to add Guarantees with respect to the Securities;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guarantor, the Company, the other Subsidiary Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Securities as follows:

ARTICLE I

Definitions

SECTION 1.1. Defined Terms. As used in this Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined, except that the term "Holders" in this Guarantee shall refer to the term "Holders" as defined in the Indenture and the Trustee acting on behalf or for the benefit of such Holders. The words "herein," "hereof" and "hereby" and other words of similar import used in this Supplemental Indenture refer to this Supplemental Indenture as a whole and not to any particular section hereof.

## ARTICLE II

### Amendments to Indenture

SECTION 2.1. Agreement to be Bound. The Guarantor hereby becomes a party to the Indenture as a Subsidiary Guarantor and as such will have all of the rights and be subject to all of the obligations and agreements of a Subsidiary Guarantor under the Indenture. The Guarantor agrees to be bound by all of the provisions of the Indenture applicable to a Subsidiary Guarantor and to perform all of the obligations and agreements of a Subsidiary Guarantor under the Indenture.

SECTION 2.2. Guarantee. The Guarantor fully, unconditionally and irrevocably Guarantees to each Holder of the Securities and the Trustee the Obligations pursuant to Article X of the Indenture on a senior basis.

SECTION 2.3. Amendment. Section 12.2(f) of the Indenture is hereby amended by inserting the phrase “(but without giving effect to the Fundamental Change 105% Exception)” immediately following the word “Change” in the third line thereof.

## ARTICLE III

### Miscellaneous

SECTION 3.1. Notices. All notices and other communications to the Guarantor shall be given as provided in the Indenture to the Guarantor, at its address set forth below, with a copy to the Company as provided in the Indenture for notices to the Company.

SECTION 3.2. Parties. Nothing expressed or mentioned herein is intended or shall be construed to give any Person, firm or corporation, other than the Holders and the Trustee, any legal or equitable right, remedy or claim under or in respect of this Supplemental Indenture or the Indenture or any provision herein or therein contained.

SECTION 3.3. Governing Law. This Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 3.4. Severability Clause. In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and such provision shall be ineffective only to the extent of such invalidity, illegality or unenforceability.

SECTION 3.5. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Securities heretofore or hereafter authenticated and delivered shall be bound hereby. The Trustee makes no representation or warranty as to the validity or sufficiency of this Supplemental Indenture.



SECTION 3.6. Counterparts. The parties hereto may sign one or more copies of this Supplemental Indenture in counterparts, all of which together shall constitute one and the same agreement.

SECTION 3.7. Headings. The headings of the Articles and the sections in this Guarantee are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

AMERICAN REHABILITATION GROUP, INC.  
COMMONWEALTH PHYSICAL THERAPY AND  
REHABILITATION, INC.  
MANOR CARE OF FLORIDA, INC.,  
as Guarantors

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

U.S. BANK NATIONAL ASSOCIATION, as Trustee

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

MANOR CARE, INC.

By: \_\_\_\_\_  
Name: Richard A. Parr  
Title: Vice President and General Counsel

Each SUBSIDIARY GUARANTOR named in Annex B hereto

By: \_\_\_\_\_  
Name: Richard A. Parr  
Title: Attorney-in-Fact

AMERICAN REHABILITATION GROUP, INC.  
COMMONWEALTH PHYSICAL THERAPY AND REHABILITATION, INC.  
MANOR CARE OF FLORIDA, INC.

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AMERICAN HOSPITAL BUILDING CORPORATION  
AMERICANA HEALTHCARE CENTER OF PALOS TOWNSHIP, INC.  
AMERICANA HEALTHCARE CORPORATION OF GEORGIA  
ANCILLARY SERVICES MANAGEMENT, INC.  
ANCILLARY SERVICES, LLC  
ANNANDALE ARDEN, LLC  
BAILY NURSING HOME, INC.  
BAINBRIDGE ARDEN, LLC  
BATH ARDEN, LLC  
BINGHAM FARMS ARDEN, LLC  
BIRCHWOOD MANOR, INC.  
BOOTH LIMITED PARTNERSHIP  
CANTERBURY VILLAGE, INC.  
CHARLES MANOR, INC.  
CHESAPEAKE MANOR, INC.  
CLAIRE BRIDGE OF ANDERSON, LLC  
CLAIRE BRIDGE OF AUSTIN, LLC  
CLAIRE BRIDGE OF KENWOOD, LLC  
CLAIRE BRIDGE OF SAN ANTONIO, LLC  
CLAIRE BRIDGE OF SUSQUEHANNA, LLC  
CLAIRE BRIDGE OF WARMINSTER, LLC  
COLEWOOD LIMITED PARTNERSHIP  
COLONIE ARDEN, LLC  
CRESTVIEW HILLS ARDEN, LLC  
DEKALB HEALTHCARE CORPORATION  
DEVON MANOR CORPORATION  
DISTCO, INC.  
DIVERSIFIED REHABILITATION SERVICES, INC.  
DONAHOE MANOR, INC.  
EAST MICHIGAN CARE CORPORATION  
EXECUTIVE ADVERTISING, INC.  
EYE-Q NETWORK, INC.  
FIRST LOUISVILLE ARDEN, LLC  
FOUR SEASONS NURSING CENTERS, INC.  
FRESNO ARDEN, LLC  
GENEVA ARDEN, LLC  
GEORGIAN BLOOMFIELD, INC.  
GREENVIEW MANOR, INC.  
HANOVER ARDEN, LLC  
HCR HOME HEALTH CARE AND HOSPICE, INC.  
HCR INFORMATION CORPORATION  
HCR MANOR CARE SERVICES, INC. (f/k/a Heartland Care Partners, Inc.)  
HCR MANORCARE MEDICAL SERVICES OF FLORIDA, INC.  
HCR PHYSICIAN MANAGEMENT SERVICES, INC.  
HCR REHABILITATION CORP.

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HCRA OF TEXAS, INC.  
HCRC INC.  
HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA  
HEARTLAND CARE, LLC  
HEARTLAND EMPLOYMENT SERVICES, LLC  
HEARTLAND HOME CARE, INC.  
HEARTLAND HOME HEALTH CARE SERVICES, INC.  
HEARTLAND HOSPICE SERVICES, INC.  
HEARTLAND INFORMATION SERVICES, INC. (f/k/a Heartland Medical Information Services, Inc.)  
HEARTLAND MANAGEMENT SERVICES, INC.  
HEARTLAND REHABILITATION SERVICES OF FLORIDA, INC.  
HEARTLAND REHABILITATION SERVICES OF NEW JERSEY, INC.  
HEARTLAND REHABILITATION SERVICES OF VIRGINIA, INC.  
HEARTLAND REHABILITATION SERVICES, INC.  
HEARTLAND SERVICES CORP.  
HEARTLAND THERAPY PROVIDER NETWORK, INC.  
HGCC OF ALLENTOWN, INC.  
IN HOME HEALTH, INC.  
INDUSTRIAL WASTES, INC.  
IONIA MANOR, INC.  
JACKSONVILLE HEALTHCARE CORPORATION  
JEFFERSON ARDEN, LLC  
KENWOOD ARDEN, LLC  
KNOLLVIEW MANOR, INC.  
LEADER NURSING AND REHABILITATION CENTER OF BETHEL PARK, INC.  
LEADER NURSING AND REHABILITATION CENTER OF GLOUCESTER, INC.  
LEADER NURSING AND REHABILITATION CENTER OF SCOTT TOWNSHIP, INC.  
LEADER NURSING AND REHABILITATION CENTER OF VIRGINIA INC.  
LINCOLN HEALTH CARE, INC.  
LIVONIA ARDEN, LLC  
MANOR CARE AVIATION, INC.  
MANOR CARE OF AKRON, INC.  
MANOR CARE OF AMERICA, INC  
MANOR CARE OF ARIZONA, INC.  
MANOR CARE OF ARLINGTON, INC.  
MANOR CARE OF CANTON, INC.  
MANOR CARE OF CHARLESTON, INC.  
MANOR CARE OF CINCINNATI, INC.  
MANOR CARE OF COLUMBIA, INC.  
MANOR CARE OF DARIEN, INC.  
MANOR CARE OF DELAWARE COUNTY, INC.  
MANOR CARE OF HINSDALE, INC.  
MANOR CARE OF KANSAS, INC.  
MANOR CARE OF KINGSTON COURT, INC.  
MANOR CARE OF LARGO, INC.

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MANOR CARE OF LEXINGTON, INC.  
MANOR CARE OF MEADOW PARK, INC.  
MANOR CARE OF MIAMISBURG, INC  
MANOR CARE OF NORTH OLMSTED, INC.  
MANOR CARE OF PINEHURST, INC.  
MANOR CARE OF ROLLING MEADOWS, INC.  
MANOR CARE OF ROSSVILLE, INC.  
MANOR CARE OF WILLOUGHBY, INC.  
MANOR CARE OF WILMINGTON, INC.  
MANOR CARE OF YORK (NORTH), INC.  
MANOR CARE OF YORK (SOUTH), INC.  
MANOR CARE SUPPLY COMPANY  
MANORCARE HEALTH SERVICES OF NORTHHAMPTON COUNTY, INC.  
MANORCARE HEALTH SERVICES OF OKLAHOMA, INC.  
MANORCARE HEALTH SERVICES OF VIRGINIA, INC.  
MANORCARE HEALTH SERVICES, INC.  
MARINA VIEW MANOR, INC.  
MEDI-SPEECH SERVICE, INC.  
MEMPHIS ARDEN, LLC  
MILESTONE HEALTH SYSTEMS, INC.  
MILESTONE HEALTHCARE, INC.  
MILESTONE REHABILITATION SERVICES, INC.  
MILESTONE STAFFING SERVICES, INC.  
MILESTONE THERAPY SERVICES, INC.  
MNR FINANCE CORP.  
NAPA ARDEN, LLC  
PEAK REHABILITATION, INC.  
PERRYSBURG PHYSICAL THERAPY, INC  
PNEUMATIC CONCRETE, INC.  
PORTFOLIO ONE, INC.  
REHABILITATION ADMINISTRATION CORPORATION  
REINBOLT & BURKAM, INC.  
RICHARDS HEALTHCARE, INC.  
RIDGEVIEW MANOR, INC.  
ROANOKE ARDEN, LLC  
ROLAND PARK NURSING CENTER, INC.  
RVA MANAGEMENT SERVICES, INC.  
SAN ANTONIO ARDEN, LLC  
SILVER SPRING – WHEATON NURSING HOME, INC.  
SILVER SPRING ARDEN, LLC  
SPRINGHILL MANOR, INC.  
STEWALL CORPORATION  
STRATFORD MANOR, INC.  
STUTEX CORP.  
SUN VALLEY MANOR, INC.  
SUSQUEHANNA ARDEN LLC

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TAMPA ARDEN, LLC  
THE NIGHTINGALE NURSING HOME, INC.  
THERASPORT PHYSICAL THERAPY, INC.  
THREE RIVERS MANOR, INC.  
TOTALCARE CLINICAL LABORATORIES, INC.  
TUSCAWILLA ARDEN, LLC  
WALL ARDEN, LLC  
WARMINSTER ARDEN LLC  
WASHTENAW HILLS MANOR, INC.  
WHITEHALL MANOR, INC.  
WILLIAMSVILLE ARDEN, LLC



**EMPLOYMENT AGREEMENT** (this "Agreement") dated as of June 13, 2007, between MANOR CARE, INC., a Delaware corporation (the "Company"), and PAUL A. ORMOND (the "Executive").

WHEREAS the Executive is a skilled and dedicated employee of the Company who has important management responsibilities and talents that benefit the Company; and

WHEREAS the Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board") considers it essential to the best interests of the Company and its stockholders to assure that the Company and its subsidiaries will have the continued dedication of the Executive;

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

SECTION 1. Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

(a) "Affiliate(s)" means, with respect to any specified Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

(b) "Annual Incentive Plan" means the Company's Annual Incentive Plan as in effect from time to time.

(c) "Cause" means the occurrence of any one of the following:

(i) the Executive is convicted of, or pleads guilty or nolo contendere to, any felony;

(ii) the Executive commits one or more acts constituting wilful financial dishonesty or fraud in connection with the performance of his duties; or

(iii) the Executive continually and wilfully fails, for at least 14 days following written notice from the Company, to perform substantially the Executive's employment duties (other than as a result of incapacity due to physical or mental illness or after delivery by the Executive of a Notice of Termination for Good Reason).

For purposes of this provision, no act or failure to act on the part of the Executive shall be considered "wilful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or

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omission was in the best interests of the Company. The termination of employment of the Executive for Cause shall not be effective unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the Board (excluding the Executive) at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that in the good faith opinion of the Board, the Executive is guilty of the conduct described in clause (i), (ii) or (iii) above and specifying the particulars thereof in detail.

(d) “Change in Control” means the occurrence of any of the following:

(i) during any period of twelve consecutive months, the individuals who, as of the beginning of such period, were members of the Board (the “Incumbent Directors”) cease for any reason, prior to the end of such period, to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the beginning of such period whose appointment or election, or nomination for election, by the Company’s stockholders was approved by a vote of at least a majority of the Incumbent Directors shall be considered as though such individual were an Incumbent Director, but excluding, for purposes of this proviso, any such individual whose assumption of office after the beginning of such period occurs as a result of an actual or threatened proxy contest with respect to election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a “person” (as such term is used in Section 13(d) of the Exchange Act) (each, a “Person”) other than the Board or the Company;

(ii) the consummation of (A) a merger, consolidation, statutory share exchange, reorganization or similar form of corporate transaction (including as a part of a series of other transactions) involving (x) the Company or (y) any of its Subsidiaries, but in the case of this clause (y) only if Company Voting Securities (as defined below) are issued or issuable or (B) a sale or other disposition of all or substantially all the assets of the Company (any such event, a “Reorganization”), unless, immediately following such Reorganization, (1) all or substantially all the individuals and entities who were the “beneficial owners” (as such term is defined in Rule 13d-3 under the Exchange Act (or a successor rule thereto)) of shares of the Company’s common stock or other securities eligible to vote for the election of the Board outstanding immediately prior to the consummation of such Reorganization (such securities, the “Company Voting Securities”) beneficially own, directly or indirectly, more than 65% of the combined voting power of the then outstanding voting securities of the corporation or other entity resulting from such Reorganization (including a corporation or other entity that, as a result of such transaction, owns the Company or all or substantially all the Company’s assets either directly or through one or more subsidiaries) (the “Continuing Entity”) in substantially the same proportions as their ownership, immediately prior to the consummation of such Reorganization, of the outstanding Company Voting Securities (excluding any outstanding voting securities of the Continuing

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Entity that such beneficial owners hold immediately following the consummation of the Reorganization as a result of their ownership prior to such consummation of voting securities of any corporation or other entity involved in or forming part of such Reorganization other than the Company or a Subsidiary), (2) no Person (excluding any employee benefit plan (or related trust) sponsored or maintained by the Continuing Entity or any corporation or other entity controlled by the Continuing Entity) beneficially owns, directly or indirectly, 15% or more of the combined voting power of the then outstanding voting securities of the Continuing Entity and (3) at least a majority of the members of the board of directors or other governing body of the Continuing Entity immediately after the Reorganization are Incumbent Directors;

(iii) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company; or

(iv) any Person, corporation or other entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) becomes the beneficial owner, directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of the Company Voting Securities; provided, however, that for purposes of this subparagraph (iv), the following acquisitions shall not constitute a Change in Control: (A) any acquisition by the Company or any Subsidiary, (B) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (C) any acquisition by an underwriter temporarily holding such Company Voting Securities pursuant to an offering of such securities or (D) any acquisition pursuant to a Reorganization that does not constitute a Change in Control.

(e) “Change in Control Date” means the date on which a Change in Control occurs (if any).

(f) “Code” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

(g) “Competing Business” shall mean any person, corporation or other entity engaged in the United States of America in providing skilled nursing, assisted living, home health, hospice or rehabilitation services or providing or attempting to provide any other product or service which is the same as or similar to products or services sold or provided by the Company or any of its subsidiaries within the two-year period prior to the Termination Date.

(h) “Disability” means that either (i) the Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months or (ii) the Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months,

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receiving income replacement benefits for a period of not less than three months under an accident and health plan covering the Company's employees.

(i) "Employee Benefits" means the perquisites and benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which the Executive is entitled to participate at any time of determination, including any stock option, stock purchase, stock appreciation, savings, pension, supplemental employee retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical, hospital or other insurance (whether funded by actual insurance or self-insured by the Company), disability, salary continuation, expense reimbursement and other employee benefit policies.

(j) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute thereto.

(k) "Excise Tax" means the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such tax.

(l) "Good Reason" means, without the Executive's express written consent, the occurrence of any one or more of the following:

(i) the failure to elect or reelect or otherwise to maintain Executive in the office(s) or position(s) with the Company set forth in Section 3 and any other office(s) or position(s) that Executive held immediately prior to the Change in Control Date, or the removal of Executive as a member of the Board or Chairman of the Board;

(ii) the occurrence of any of the following which is not remedied within ten days after written notice to the Board from Executive:

(A) a significant adverse change, whether involving a reduction or expansion, in the nature or scope of the authorities, positions, powers, functions, responsibilities or duties attached to the office(s) and position(s) with the Company set forth in Section 3 and any other office(s) or position(s) that Executive held immediately prior to the Change in Control Date, including any change in the reporting lines, offices and positions to which Executive reported or which reported to the Executive immediately prior to the Change in Control Date and any change due to the Company no longer being a reporting company under the Exchange Act;

(B) a reduction in Executive's annual base salary as in effect immediately prior to the Change in Control Date;

(C) a material reduction in the scope or value of Employee Benefits as in effect immediately prior to the Change in Control Date;

(D) any material breach of this Agreement by the Company; or

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(E) the continuation or repetition of harassing or denigrating treatment of Executive which is inconsistent with Executive's position with the Company;

(iii) the failure of the Company to comply with and satisfy the requirements of Section 14(c); or

(iv) the Company (A) relocates its principal executive offices, or requires Executive to have his principal place of employment changed, to any location which increases by more than 25 miles Executive's commuting distance as compared to his commuting distance immediately prior to the Change in Control Date or (B) requires Executive to travel away from his principal place of employment in the course of discharging his responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar year or in any two consecutive calendar quarters when annualized for purposes of comparison to any prior year) than the average of such time that was required of Executive in the three full years immediately prior to the Change in Control Date.

The Executive's right to terminate employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. A termination of employment by the Executive for Good Reason for purposes of this Agreement shall be effectuated by giving the Company written notice ("Notice of Termination for Good Reason") of the termination setting forth in reasonable detail the specific conduct of the Company that constitutes Good Reason and the specific provisions of this Agreement on which the Executive relied. A termination of employment by the Executive for Good Reason shall be effective on the 30th day following the date when the Notice of Termination for Good Reason is given, unless the Company elects to treat such termination as effective as of an earlier date. If the Executive continues to provide services to the Company after one of the events giving rise to Good Reason has occurred, the Executive shall not be deemed to have consented to such event or to have waived the Executive's right to terminate his or her employment for Good Reason in connection with such event.

(m) "Incentive Amount" means the sum of (i) the amount payable on a full-year basis to the Executive under his Performance Award Plan award for the award period ending in the year in which the Change in Control Date occurs (if any) determined on the basis of maximum performance achievement and (ii) the amount payable on a full-year basis to the Executive under his Annual Incentive Plan award for the award period ending in the year in which the Change in Control Date occurs determined on the basis of maximum award level achievement.

(n) "Payment" means any payment, benefit or distribution (or combination thereof) by the Company, any of its Affiliates or any trust established by the Company or its Affiliates, to or for the benefit of the Executive, whether paid, payable, distributed, distributable or provided pursuant to this Agreement or otherwise, including any payment, benefit or other right that constitutes a "parachute payment" within the meaning of Section 280G of the Code.

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(o) "Performance Award Plan" means the Company's Performance Award Plan as in effect from time to time.

(p) "Person" shall have the meaning set forth in Section 1(d)(i).

(q) "Protection Period" means the period commencing on the Change in Control Date and ending on the third anniversary thereof.

(r) "Qualifying Termination" means any termination of the Executive's employment (i) by the Company, other than for Cause, death or Disability, that is effective (or with respect to which the Executive is given written notice) during the period beginning on the date that is 60 days prior to the first public announcement by the Company of the potential occurrence of an event that would constitute a Change in Control and ending on the expiration of the Protection Period, (ii) by the Executive for Good Reason that is effective (or with respect to which the Executive has given Notice of Termination for Good Reason) during the Protection Period, or (iii) by the Executive, whether or not for Good Reason, during the 180-day period beginning on the first anniversary of the Change in Control Date.

(s) "Specified Performance Level" means (i) in the case of any Performance Share (as defined in Section 7), performance achievement (expressed as a percentage) relative to the applicable performance goals established by the Company for each applicable year for Performance Shares generally (provided that, in the case of any such year for which more than one actual performance level was determined, the actual performance level for such year shall be deemed to be the average of all such levels for such year), equal to the greatest of, as applicable, (A) the average actual aggregate award level or levels of the Company (as approved by the Committee and expressed as a percentage) for each of the three full years prior to the year in which the Change in Control Date occurs, (B) if the Change in Control Date occurs after June 30 in any year, the average actual aggregate award level or levels of the Company (as approved by the Committee and expressed as a percentage) for each of the two full years prior to the year in which the Change in Control Date occurs and the partial year in which the Change in Control Date occurs, utilizing, in the case of such partial year, the aggregate award level of the Company for such year as determined by the Committee prior to the Change in Control Date and expressed as a percentage based on the Committee's review of year-to-date financial performance of the Company for such year, and (C) such other performance achievement level as may be determined by the Committee prior to the Change in Control Date (expressed as a percentage) based on the Committee's review of Company performance, in comparison to actual award levels approved by the Committee, for the multi-year period commencing in 2005 with respect to which various awards of Performance Shares were made and such other factors as the Committee determines are relevant to determining an appropriate performance achievement level, (ii) in the case of any Annual Incentive Plan award, award level achievement (expressed as a percentage) equal to the greater of (A) the average actual award level achievement of the Executive (as approved by the Committee and expressed as a percentage) for each of the three full years prior to the year in which the Change in Control Date occurs (or such lesser number of years for which the Executive was employed by the Company) relative to the

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applicable performance goals established by the Company for each of such full years and (B) such other award level achievement as may be determined by the Committee prior to the Change in Control Date (expressed as a percentage) based on the Committee's review of year-to-date performance of the Company and the Executive for the year in which the Change in Control Date occurs and such other factors as the Committee determines are relevant to determining an appropriate performance achievement level and (iii) in the case of any Performance Award Plan award, performance achievement (expressed as a percentage) relative to the applicable performance goals established by the Company for each applicable year for Performance Award Plan awards generally (provided that, in the case of any such year for which more than one actual performance level was determined, the actual performance level for such year shall be deemed to be the average of all such levels for such year), equal to the greatest of, as applicable, (A) the average actual performance achievement level of the Company (as approved by the Committee and expressed as a percentage) for each of the three full years prior to the year in which the Change in Control Date occurs, (B) if the Change in Control Date occurs after June 30 in any year, the average actual performance achievement level of the Company (as approved by the Committee and expressed as a percentage) for each of the two full years prior to the year in which the Change in Control Date occurs and the partial year in which the Change in Control Date occurs, utilizing, in the case of such partial year, the performance achievement level of the Company for such year as determined by the Committee prior to the Change in Control Date and expressed as a percentage based on the Committee's review of year-to-date financial performance of the Company for such year, and (C) such other performance achievement level as may be determined by the Committee prior to the Change in Control Date (expressed as a percentage) based on the Committee's review of Company performance, in comparison to actual performance achievement levels approved by the Committee, for the multi-year period commencing in 2005 with respect to which various awards under the Performance Achievement Plan were made and such other factors as the Committee determines are relevant to determining an appropriate performance achievement level.

(t) "Subsidiary" means any entity in which the Company, directly or indirectly, possesses 50% or more of the total combined voting power of all classes of its stock.

(u) "Termination Date" means the date (if any) on which the termination of the Executive's employment, in accordance with the terms of this Agreement, is effective.

SECTION 2. Effectiveness; Effect on Prior Agreement. (a) This Agreement and Executive's employment hereunder shall become effective as of the date hereof (the "Effective Date"). This Agreement and Executive's employment hereunder shall remain in effect until the third anniversary of the Effective Date, except that, beginning on the second anniversary of the Effective Date and on each anniversary thereafter (i.e., one year prior to the scheduled expiration of the term hereof), the term of this Agreement and Executive's employment hereunder shall be automatically extended for an additional one-year period, unless, prior to the occurrence of a Change in Control, the Company or Executive provides the other party with 90 days' prior written notice

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before the applicable anniversary that the term of this Agreement and Executive's employment hereunder shall not be so extended (the last day of such period, giving effect to all such extensions, the "Normal Expiration Date"), provided that upon the occurrence of a Change in Control prior to the Normal Expiration Date, (A) the term of this Agreement shall not expire or terminate, (B) the Company shall have no further right to amend, modify or terminate this Agreement or the term thereof without the Executive's written consent in accordance with Section 18, (C) the Employment Term (as defined in Section 3) shall not expire unless expressly terminated by the Company or Executive in accordance with Section 4 and (D) any purported termination of this Agreement or the term thereof by the Company (other than in connection with a termination of Executive's employment for any reason other than Cause, death or Disability) shall be deemed to be a termination of Executive's employment by the Company other than for Cause; provided, however, that Sections 6, 7 and 8 of this Agreement shall only be effective with respect to the first Change in Control that occurs during the term of this Agreement.

(b) Effective as of the Effective Date, this Agreement shall replace and supersede in its entirety the Severance Agreement dated as of August 20, 1999 among the Executive, the Company and the other parties thereto (the "Prior Agreement"), which shall have no further force or effect. In addition, the receipt of severance benefits under Section 5 or 6 shall be conditioned on the waiver of any other cash severance benefits otherwise payable to the Executive under any severance plan or policy available generally to Company employees.

SECTION 3. Terms and Conditions of Employment. (a) The Company hereby agrees to continue to employ the Executive, and the Executive hereby agrees to continue to be employed by the Company, as its Chairman, President and Chief Executive Officer on the terms and conditions set forth herein for the period commencing on the Effective Date and ending on the earlier of (i) the termination of the Executive's employment for any reason and (ii) the termination of this Agreement in accordance with its terms (such period of employment, the "Employment Term").

(b) During the Employment Term, the Executive shall have authorities, powers, functions, responsibilities and duties consistent with those held by the Executive immediately prior to the Effective Date and shall devote substantially all the Executive's business time to the performance of such responsibilities and duties.

(c) During the Employment Term, the Executive shall report directly to the Board.

(d) During the Employment Term, the Executive's principal place of employment shall be at the Company's current principal executive offices in Toledo, Ohio. The Executive acknowledges that his responsibilities and duties shall require him to travel on business to the extent necessary to fully perform such responsibilities and duties.

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(e) During the Employment Term, the Executive shall, without limitation to Sections 3 and 4, be entitled to the following compensation and benefits:

(i) Annual base salary at a rate no less than the rate in effect immediately prior to the Effective Date, subject to such subsequent upward adjustments as may be determined by the Board from time to time, which shall be payable on the Company's normal payroll schedule;

(ii) Such annual, short-term and long-term incentive and equity compensation awards as may be determined by the Board; and

(iii) Participation in the employee benefit, welfare, retirement, perquisite and other plans, programs and policies provided to other similarly situated employees or provided to other senior executives of the Company, as determined by the Board from time to time, and subject to the terms and conditions of such arrangements as in effect from time to time.

(f) Exhibit A of this Agreement sets forth, as of the date of this Agreement:

(i) With respect to Performance Shares, (A) the Executive's outstanding awards, including the applicable performance goals and target and maximum award levels, and (B) the actual aggregate award levels of the Company (as approved by the Committee and expressed as a percentage) for each of 2005 and 2006 relative to the applicable performance goals established by the Company for each of such years for Performance Shares generally.

(ii) With respect to the Annual Incentive Plan, (A) the Executive's target and maximum award levels, and (B) the Executive's actual award level (expressed as a percentage) under the Annual Incentive Plan with respect to each of 2004, 2005 and 2006 (or such lesser number of years for which the Executive was employed by the Company).

(iii) With respect to the Performance Award Plan, (A) the Executive's outstanding awards, including the applicable performance goals and payout levels, and (B) the actual payout levels of the Company (as approved by the Committee and expressed as a percentage) for each of 2004, 2005 and 2006 relative to the applicable performance goals established by the Company for each of such years for Performance Award Plan awards generally.

(g) The Company hereby agrees to amend the Executive's benefit accrual formula under the Company's Senior Executive Retirement Plan in the manner described in the minutes to the May 8, 2007 meeting of the Committee in order to reflect the Company's decision to cease granting awards under the Performance Award Plan for performance periods beginning in 2007 and thereafter.

SECTION 4. Termination of Employment. (a) The Executive's employment hereunder may be terminated by the Company or the Executive at any time and for any reason, subject to the terms and conditions of this Agreement.

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(b) Except as otherwise provided herein, each party hereto shall give the other party at least 30 days prior written notice of any termination of the Executive's employment by such party. Notwithstanding the foregoing, the Executive's employment shall automatically terminate without notice in the event of the Executive's death.

(c) In the event of any termination of the Executive's employment hereunder, the Executive shall be entitled to receive promptly (i) any annual base salary, annual bonus or other amounts earned and payable, but not yet paid as of the Termination Date, under the terms of the applicable benefit plan, practice, policy or program, (ii) reimbursement of any unreimbursed business expenses incurred through the Termination Date, (iii) any other payments explicitly set forth in any benefit plans, practices, policies and programs in which the Executive participates and (iv) as otherwise required by applicable law (the rights to such payments, the "Accrued Rights").

(d) In addition to the Accrued Rights, the Executive may be entitled to additional payments and benefits under Section 5 or 6. In the event that payments and benefits under Section 6 become payable, the Executive shall not be entitled to receive any payments or benefits under Section 5.

**SECTION 5. Severance Prior to a Change in Control.** (a) Upon any voluntary termination of the Executive's employment, whether or not for Good Reason, the Executive shall not be entitled to any additional payments or benefits under this Section 5 other than the Accrued Rights.

(b) Upon the termination of Executive's employment by the Company for Cause, the Executive shall not be entitled to any additional payments or benefits under this Section 5 other than the Accrued Rights.

(c) Upon the termination of Executive's employment by the Company for any reason other than for Cause, death or Disability, the Company shall, in addition to payment of the Accrued Rights, continue payment of Executive's then-current annual base salary, on the Company's normal payroll schedule, for a period of three years after the Termination Date.

(d) Upon the termination of Executive's employment as a result of death prior to the Change in Control Date, the Company shall, in addition to payment of the Accrued Rights, continue payment of Executive's then-current annual base salary on the Company's normal payroll schedule for a period of three years after the Termination Date; provided, however, that such payments shall be offset by any survivor benefits, excluding life insurance proceeds, received by Executive's spouse or other designated beneficiary under the Company's plans, programs and policies.

(e) Upon the termination of Executive's employment as a result of his Disability prior to the Change in Control Date, the Company shall, in addition to payment of the Accrued Rights, continue payment of Executive's then-current annual base salary on Company's normal payroll schedule for a period of three years after the Termination Date; provided, however, that such payments shall be offset by any disability benefits

received by Executive, or his legal guardian, under the Company's plans, programs and policies.

**SECTION 6. Severance after a Change in Control.** (a) In the event of a Qualifying Termination, the Executive shall be entitled to the following payments and benefits in lieu of any payments or benefits otherwise payable under Section 5:

(i) The Company shall pay the Executive an amount equal to three times the sum of (A) the Executive's annual base salary as in effect immediately prior to the Termination Date (without regard to any reduction giving rise to Good Reason) and (B) the Executive's Incentive Amount, in a lump-sum payment payable no later than the tenth business day after the Termination Date.

(ii) The Company shall, at the Company's expense, continue to provide for a period of three years after such Qualifying Termination (the "Continuation Period") group medical, dental and vision benefits substantially similar to those which the Executive was receiving or entitled to receive immediately prior to the Change in Control Date.

(iii) During the Continuation Period, the Company shall provide the Executive the use of office space, furnishings and secretarial support services substantially similar to those provided to the Executive immediately prior to Change in Control Date.

(iv) The Company shall take whatever action is necessary to fund completely any split-dollar life insurance arrangement maintained by the Company for the benefit of the Executive, effective as of the Termination Date, and based on the assumption that the Executive's service with the Company continues through the end of the Continuation Period.

(v) Effective as of the Termination Date, Executive shall be credited with an additional 36 months of service with the Company for the purpose of determining service credits and benefits due to Executive under the Company's tax-qualified and non-qualified pension, retirement and savings plans in which the Executive, his dependents or his beneficiaries participated immediately prior to the Change in Control Date, provided that such credits and benefits with respect to tax-qualified plans shall be provided under a non-qualified plan to the extent necessary under applicable law and plan terms.

(vi) The Executive shall be entitled to receive the Accrued Rights.

(b) Non-Qualifying Termination. In the event of any termination of Executive's employment other than a Qualifying Termination (including a termination of employment as a result of death or Disability) on or after the Change in Control Date, the Executive shall not be entitled to any payments or benefits from the Company under this Section 6. Notwithstanding the foregoing, the Executive shall be entitled to payment of the Accrued Rights and may be entitled to payments and benefits under Section 5.

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**SECTION 7. Impact of a Change in Control on Equity Compensation and Other Incentive Awards.** Effective as of the Change in Control Date, notwithstanding any provision to the contrary in the Company's Equity Incentive Plan, as amended and restated, Annual Incentive Plan or Performance Award Plan or any award agreements thereunder, (a) all outstanding (i) stock options and stock appreciation rights, (ii) restricted shares subject to service, but not performance, based vesting requirements (including any such shares delivered in connection with the vesting of Performance Shares (as defined below)) and (iii) restricted stock units, in each case then held by the Executive that are unexercisable or otherwise unvested, shall automatically become fully vested and unrestricted and immediately exercisable, as the case may be, and all such vested restricted stock units shall be settled on the first business day of the calendar year that begins after the Change in Control Date, (b) all outstanding restricted share awards that are subject to performance-based vesting or delivery requirements ("Performance Shares") then held by the Executive that are unvested shall automatically become vested on the basis that (i) all service based requirements have been satisfied and (ii) all performance-based requirements have been satisfied at the Specified Performance Level for Performance Shares for all relevant periods, (c) the Executive's outstanding Annual Incentive Plan award for the year in which the Change in Control Date occurs shall become irrevocably payable, without regard to any term or condition applicable to such award except as specified herein, at the same time as similar Annual Incentive Plan awards would generally otherwise be payable based on the terms thereof as in effect immediately prior to the Change in Control Date (or, if earlier, upon the Executive's termination of employment for any reason), in an amount equal to the greater of (i) the amount payable to the Executive under such award determined on the basis of target performance achievement and (ii) the amount payable to the Executive under such award determined on the basis of achieving a Specified Performance Level for such award, and (d) each of the Executive's Performance Award Plan awards (if any) outstanding in the year in which the Change in Control Date occurs shall become irrevocably payable, without regard to any term or condition applicable to such award except as specified herein, at the same time or times as similar Performance Award Plan awards would generally otherwise be payable based on the terms thereof as in effect immediately prior to the Change in Control Date (or, if earlier, upon the Executive's termination of employment for any reason), in an amount equal to the greater of (i) the amount payable to the Executive under such award determined on the basis of target performance achievement and (ii) the amount payable to the Executive under such award determined on the basis of achieving a Specified Performance Level for such award.

**SECTION 8. Certain Additional Payments by the Company.** (a) Notwithstanding anything in this Agreement to the contrary and except as set forth below, in the event it shall be determined that any Payment that is paid or payable to or for the benefit of the Executive during the term of this Agreement would be subject to the Excise Tax, the Executive shall be entitled to receive an additional payment (a "280G Gross-Up Payment") in an amount such that, after payment by the Executive of all taxes (and any interest or penalties imposed with respect to such taxes), including any income and employment taxes and Excise Taxes imposed upon the 280G Gross-Up Payment, the Executive retains an amount of the 280G Gross-Up Payment equal to the Excise Tax imposed upon such Payments. The Company's obligation to make 280G Gross-Up

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Payments under this Section 8 shall not be conditioned upon the Executive' s termination of employment and shall survive and apply after the Executive' s termination of employment.

(b) Subject to the provisions of Section 8(c), all determinations required to be made under this Section 8, including whether and when a 280G Gross-Up Payment is required, the amount of such 280G Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made in accordance with the terms of this Section 8 by a nationally recognized certified public accounting firm that shall be designated by the Company (the "Accounting Firm"). The Accounting Firm shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment or such earlier time as is requested by the Company or the Executive. For purposes of determining the amount of any 280G Gross-Up Payment, the Executive shall be deemed to pay Federal income tax at the highest marginal rate applicable to individuals in the calendar year in which any such 280G Gross-Up Payment is to be made and deemed to pay state and local income taxes at the highest marginal rates applicable to individuals in the state or locality of the Executive' s residence or place of employment in the calendar year in which any such 280G Gross-Up Payment is to be made, net of the maximum reduction in Federal income taxes that can be obtained from deduction of state and local taxes, taking into account limitations applicable to individuals subject to Federal income tax at the highest marginal rate. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any 280G Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to the Executive within five business days of the receipt of the Accounting Firm' s determination, provided that, in no event, shall such payment be made later than the last day of the calendar year after the calendar year in which the applicable Excise Tax is paid. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall so indicate to the Executive in writing. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of the Excise Tax, at the time of the initial determination by the Accounting Firm hereunder, it is possible that the amount of the 280G Gross-Up Payment determined by the Accounting Firm to be due to the Executive, consistent with the calculations required to be made hereunder, will be lower than the amount actually due (an "Underpayment"). In the event the Company exhausts its remedies pursuant to Section 8(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment (which, for the avoidance of doubt, shall be calculated on an after-tax basis consistent with this Section 8) shall be paid by the Company to the Executive within five business days of the receipt of the Accounting Firm' s determination.

(c) The Executive shall notify the Company in writing of any written claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a 280G Gross-Up Payment. Such notification shall be given as soon as practicable, but no later than ten business days after the Executive is informed in writing of such claim. Failure to give timely notice shall not prejudice the Executive' s right to 280G Gross-Up Payments and rights of indemnity under this Section 8. The Executive

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shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that the Company desires to contest such claim, the Executive shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order effectively to contest such claim and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional income taxes, interest and penalties) incurred in connection with such contest, and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest or penalties) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8(c), the Company shall control all proceedings taken in connection with such contest, and, at its sole discretion, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the applicable taxing authority in respect of such claim and may, at its sole discretion, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that (A) if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties) imposed with respect to such advance or with respect to any imputed income in connection with such advance and (B) if such contest results in any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due, such extension must be limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which the 280G Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 8(c)) promptly pay to the Company the amount of such refund received (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive

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in writing of its intent to contest such denial of refund prior to the expiration of the 30-day period after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of 280G Gross-Up Payment required to be paid.

SECTION 9. Section 409A. It is the intention of the Company and the Executive that the provisions of this Agreement comply with Section 409A of the Code and the final regulations promulgated thereunder (including the transition rules thereof), and all provisions of this Agreement shall be construed and interpreted in a manner consistent with Section 409A of the Code and such final regulations. To the extent necessary to avoid imposition of any additional tax or interest penalties under Section 409A (such tax and interest penalties, a “Section 409A Tax”), notwithstanding the timing of payment provided in any other Section of this Agreement, the timing of any payment, distribution or benefit pursuant to this Agreement shall be subject to a six-month delay in a manner consistent with Section 409A(a)(2)(B)(i) of the Code, provided that (a) the Executive shall be credited with interest in respect of such payment, distribution or benefit during such six-month period at the rate set forth in Section 16 and (b) if the Executive dies during such six-month period, any such delayed payments shall not be further delayed, and shall be immediately payable to the Executive’s devisee, legatee or other designee or, should there be no such designee, to the Executive’s estate in accordance with the applicable provisions of this Agreement. From and after the Effective Date and for the remainder of the term of this Agreement, (i) the Company shall administer and operate this Agreement in compliance with Section 409A of the Code and the final regulations promulgated thereunder and any other applicable rules, regulations or other guidance promulgated thereunder as in effect from time to time, (ii) in the event that the Company determines, after conducting a reasonable review, that any provision of this Agreement does not comply with Section 409A of the Code or any such rules, regulations or guidance and that the Executive may become subject to a Section 409A Tax, the Company and the Executive shall negotiate in good faith to amend or modify such provision to avoid the application of such Section 409A Tax, provided that such amendment or modification shall not (and the Executive shall not be obligated to consent to any such amendment or modification that would) reduce the economic value to the Executive of such provision, and (iii) in the event that, notwithstanding the foregoing, the Executive is subject to a Section 409A Tax with respect to any such provision, then except to the extent such Section 409A Tax is attributable to the Executive’s breach of the Executive’s obligations under the immediately preceding clause (ii), the Executive shall be entitled to receive an additional payment from the Company (a “409A Gross-Up Payment”) in an amount such that, after payment by the Executive of all taxes (and any interest or penalties imposed with respect to such taxes), including any income and employment taxes (and any interest and penalties imposed with respect thereto) and any Section 409A Tax imposed upon the 409A Gross-Up Payment, the Executive retains an amount of the 409A Gross-Up Payment equal to the Section 409A Tax imposed with respect to such provision. The provisions of Sections 8(c) and (d) shall apply mutatis mutandis to any claim by the Internal Revenue Service that, if successful, would give rise to a 409A Gross-Up Payment by the Company.

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SECTION 10. Non-Competition/Non-Solicitation and Confidentiality. (a) Executive covenants and agrees that during Executive' s employment with the Company and for a period of two years following the termination of Executive' s employment, including termination by the Company for Cause or without Cause, Executive shall not, in the United States of America, engage, directly or indirectly, whether as principal or as agent, officer, director, employee, consultant, shareholder or otherwise, alone or in association with any other person, corporation or other entity, in any Competing Business. Notwithstanding the foregoing, Executive may own, directly or indirectly, up to 1% of the outstanding equity of any business which may be a Competing Business without violating the provisions of this Section 10(a).

(b) Executive agrees that during his employment with the Company he shall not, directly or indirectly, solicit the business of, or do business with, any customer or prospective customer of the Company or any of its subsidiaries for any business purpose other than for the benefit of the Company or any of its subsidiaries. Executive further agrees that for two years following termination of his employment with the Company, including termination by the Company for Cause or without Cause, Executive shall not, directly or indirectly, solicit the business of, or do business with, any customers or prospective customers of the Company or any of its subsidiaries; provided, however, that this provision shall not apply to soliciting to provide or providing any services which the Company or any of its subsidiaries does not provide, or has not traditionally sought to provide.

(c) Executive agrees that, during his employment with the Company and for two years following termination of Executive' s employment with the Company, including termination by the Company for Cause or without Cause, Executive shall not, directly or indirectly, solicit or induce, or attempt to solicit or induce, any employee of the Company to leave the employment of the Company for any reason whatsoever, or hire or engage any employee of the Company except into the employment of the Company, provided that the foregoing shall not apply to any employee hired through a general hiring process without any direct or indirect involvement by Executive in recruiting such person for hire.

(d) The Executive acknowledges that the confidential information and trade secrets of the Company obtained by the Executive while employed by the Company are the property of the Company. Therefore, the Executive agrees that the Executive shall not disclose to any unauthorized Person or use for the Executive' s own purposes any such information or trade secrets without the prior written consent of the Company, unless and to the extent that the aforementioned matters (i) become generally known to and available for use by the public other than as a result of the Executive' s acts or omissions in violation of this Agreement, (ii) were within the Executive' s possession prior to its being obtained by the Executive in the course of the Executive' s employment with the Company or (iii) are required to be disclosed pursuant to applicable law.

SECTION 11. No Mitigation or Offset; Enforcement of this Agreement. (a) Except as expressly provided in Sections 5(d) and (e), the Company' s obligation to make the payments provided for in this Agreement and otherwise to perform its

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obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as otherwise expressly provided for in this Agreement, such amounts shall not be reduced whether or not the Executive obtains other employment.

(b) The Company shall reimburse the Executive for, promptly upon the Executive's demand, any and all reasonable legal fees and expenses that the Executive may incur during the period from the Effective Date until the expiration of this Agreement in accordance with its terms, as a result of any contest, dispute or proceeding (regardless of whether formal legal proceedings are ever commenced and regardless of the outcome thereof and including all stages of any contest, dispute or proceeding) by the Company, the Executive or any other Person with respect to the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest by the Executive regarding the amount of any payment owed pursuant to this Agreement).

SECTION 12. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, practice, policy or program provided by the Company or a Subsidiary for which the Executive may qualify, nor shall anything in this Agreement limit or otherwise affect any rights the Executive may have under any plan, contract or agreement with the Company or a Subsidiary (other than the Prior Agreement). Vested benefits and other amounts that the Executive is otherwise entitled to receive under any incentive compensation (including any equity award agreement), deferred compensation, retirement, pension or other plan, practice, policy or program of, or any contract or agreement with, the Company or a Subsidiary (other than the Prior Agreement) shall be payable in accordance with the terms of each such plan, practice, policy, program, contract or agreement, as the case may be, except as explicitly modified by this Agreement.

SECTION 13. Withholding. The Company may deduct and withhold from any amounts payable under this Agreement such Federal, state, local, foreign or other taxes as are required to be withheld pursuant to any applicable law or regulation.

SECTION 14. Assignment. (a) This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution, and any assignment in violation of this Agreement shall be void.

(b) Notwithstanding the foregoing Section 14(a), this Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to him or her hereunder if he or she had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of

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this Agreement to the Executive' s devisee, legatee or other designee or, should there be no such designee, to the Executive' s estate.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company (a "Successor") to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in this Agreement (except for purposes of Section 10), (i) the term "Company" shall mean the Company as hereinbefore defined and any Successor and any permitted assignee to which this Agreement is assigned and (ii) the term "Board" shall mean the Board as hereinbefore defined and the board of directors or equivalent governing body of any Successor and any permitted assignee to which this Agreement is assigned.

SECTION 15. Dispute Resolution. (a) Except as otherwise specifically provided herein, the Executive and the Company each hereby irrevocably submit to the exclusive jurisdiction of any Federal court located within the State of Ohio over any dispute arising out of or relating to this Agreement. Except as otherwise specifically provided in this Agreement, the parties undertake not to commence any suit, action or proceeding arising out of or relating to this Agreement in a forum other than a forum described in this Section 15(a); provided, however, that nothing herein shall preclude the Company or the Executive from bringing any suit, action or proceeding in any other court for the purposes of enforcing the provisions of this Section 15 or enforcing any judgment obtained by the Company or the Executive.

(b) The agreement of the parties to the forum described in Section 15(a) is independent of the law that may be applied in any suit, action or proceeding and the parties agree to such forum even if such forum may under applicable law choose to apply non-forum law. The parties hereby waive, to the fullest extent permitted by applicable law, any objection that they now or hereafter have to personal jurisdiction or to the laying of venue of any such suit, action or proceeding brought in an applicable court described in Section 15(a), and the parties agree that they shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court. The parties agree that, to the fullest extent permitted by applicable law, a final and non-appealable judgment in any suit, action or proceeding brought in any applicable court described in Section 15(a) shall be conclusive and binding upon the parties and may be enforced in any other jurisdiction.

(c) The parties hereto irrevocably consent to the service of any and all process in any suit, action or proceeding arising out of or relating to this Agreement by the mailing of copies of such process to such party' s address specified in Section 22.

SECTION 16. Default in Payment. Any payment not made within ten business days after it is due in accordance with this Agreement shall thereafter bear interest, compounded annually, at the prime rate in effect from time to time at Citibank, N.A., or any successor thereto.

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**SECTION 17. GOVERNING LAW. THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN THE STATE OF DELAWARE AND THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT IN ALL RESPECTS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAW.**

SECTION 18. Amendment; No Waiver. No provision of this Agreement may be amended, modified, waived or discharged except by a written document signed by the Executive and a duly authorized officer of the Company. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. No failure or delay by either party in exercising any right or power hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment of any steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party, which are not set forth expressly in this Agreement.

SECTION 19. Severability. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any applicable law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party. Upon any such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

SECTION 20. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and, except as specifically set forth herein, supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, Executive or representative of any party hereto. None of the parties shall be liable or bound to any other party in any manner by any representations and warranties or covenants relating to such subject matter except as specifically set forth herein.

SECTION 21. Survival. The rights and obligations of the parties under the provisions of this Agreement, including Sections 2, 8, 9, 10 and 11, shall survive and remain binding and enforceable, notwithstanding the expiration of the Protection Period or the term of this Agreement, the termination of the Executive's employment with the Company for any reason or any settlement of the financial rights and obligations arising

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from the Executive' s employment hereunder, to the extent necessary to preserve the intended benefits of such provisions.

SECTION 22. Notices. All notices or other communications required or permitted by this Agreement will be made in writing and all such notices or communications will be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company:                   Manor Care, Inc.  
   333 N. Summit St.  
   Toledo, Ohio 43604  
   Attention: General Counsel  
   Fax: (419) 252-5599

If to the Executive:                 At the address for the Executive most recently on file with the Company

or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

SECTION 23. Headings and References. The headings of this Agreement are inserted for convenience only and neither constitute a part of this Agreement nor affect in any way the meaning or interpretation of this Agreement. When a reference in this Agreement is made to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated.

SECTION 24. Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

SECTION 25. Interpretation. For purposes of this Agreement, the words "include" and "including", and variations thereof, shall not be deemed to be terms of limitation but rather shall be deemed to be followed by the words "without limitation". The term "or" is not exclusive. The word "extent" in the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply "if".

**IN WITNESS WHEREOF**, this Agreement has been executed by the parties as of the date first written above.

**MANOR CARE, INC.**

By: /s/ Richard A. Parr II

Richard A. Parr II  
Vice President and Secretary

/s/ Paul A. Ormond

Paul A. Ormond



**EMPLOYMENT AGREEMENT** (this "Agreement") dated as of June 13, 2007, between MANOR CARE, INC., a Delaware corporation (the "Company"), and STEPHEN L. GUILLARD (the "Executive").

WHEREAS the Executive is a skilled and dedicated employee of the Company who has important management responsibilities and talents that benefit the Company; and

WHEREAS the Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board") considers it essential to the best interests of the Company and its stockholders to assure that the Company and its subsidiaries will have the continued dedication of the Executive;

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

SECTION 1. Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

(a) "Affiliate(s)" means, with respect to any specified Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

(b) "Annual Incentive Plan" means the Company' s Annual Incentive Plan as in effect from time to time.

(c) "Cause" means the occurrence of any one of the following:

(i) the Executive is convicted of, or pleads guilty or nolo contendere to, any felony;

(ii) the Executive commits one or more acts constituting wilful financial dishonesty or fraud in connection with the performance of his duties; or

(iii) the Executive continually and wilfully fails, for at least 14 days following written notice from the Company, to perform substantially the Executive' s employment duties (other than as a result of incapacity due to physical or mental illness or after delivery by the Executive of a Notice of Termination for Good Reason).

For purposes of this provision, no act or failure to act on the part of the Executive shall be considered "wilful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive' s action or

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omission was in the best interests of the Company. The termination of employment of the Executive for Cause shall not be effective unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the Board (excluding the Executive) at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that in the good faith opinion of the Board, the Executive is guilty of the conduct described in clause (i), (ii) or (iii) above and specifying the particulars thereof in detail.

(d) “Change in Control” means the occurrence of any of the following:

(i) during any period of twelve consecutive months, the individuals who, as of the beginning of such period, were members of the Board (the “Incumbent Directors”) cease for any reason, prior to the end of such period, to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the beginning of such period whose appointment or election, or nomination for election, by the Company’s stockholders was approved by a vote of at least a majority of the Incumbent Directors shall be considered as though such individual were an Incumbent Director, but excluding, for purposes of this proviso, any such individual whose assumption of office after the beginning of such period occurs as a result of an actual or threatened proxy contest with respect to election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a “person” (as such term is used in Section 13(d) of the Exchange Act) (each, a “Person”) other than the Board or the Company;

(ii) the consummation of (A) a merger, consolidation, statutory share exchange, reorganization or similar form of corporate transaction (including as a part of a series of other transactions) involving (x) the Company or (y) any of its Subsidiaries, but in the case of this clause (y) only if Company Voting Securities (as defined below) are issued or issuable or (B) a sale or other disposition of all or substantially all the assets of the Company (any such event, a “Reorganization”), unless, immediately following such Reorganization, (1) all or substantially all the individuals and entities who were the “beneficial owners” (as such term is defined in Rule 13d-3 under the Exchange Act (or a successor rule thereto)) of shares of the Company’s common stock or other securities eligible to vote for the election of the Board outstanding immediately prior to the consummation of such Reorganization (such securities, the “Company Voting Securities”) beneficially own, directly or indirectly, more than 65% of the combined voting power of the then outstanding voting securities of the corporation or other entity resulting from such Reorganization (including a corporation or other entity that, as a result of such transaction, owns the Company or all or substantially all the Company’s assets either directly or through one or more subsidiaries) (the “Continuing Entity”) in substantially the same proportions as their ownership, immediately prior to the consummation of such Reorganization, of the outstanding Company Voting Securities (excluding any outstanding voting securities of the Continuing

Entity that such beneficial owners hold immediately following the consummation of the Reorganization as a result of their ownership prior to such consummation of voting securities of any corporation or other entity involved in or forming part of such Reorganization other than the Company or a Subsidiary), (2) no Person (excluding any employee benefit plan (or related trust) sponsored or maintained by the Continuing Entity or any corporation or other entity controlled by the Continuing Entity) beneficially owns, directly or indirectly, 15% or more of the combined voting power of the then outstanding voting securities of the Continuing Entity and (3) at least a majority of the members of the board of directors or other governing body of the Continuing Entity immediately after the Reorganization are Incumbent Directors;

(iii) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company; or

(iv) any Person, corporation or other entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) becomes the beneficial owner, directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of the Company Voting Securities; provided, however, that for purposes of this subparagraph (iv), the following acquisitions shall not constitute a Change in Control: (A) any acquisition by the Company or any Subsidiary, (B) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (C) any acquisition by an underwriter temporarily holding such Company Voting Securities pursuant to an offering of such securities or (D) any acquisition pursuant to a Reorganization that does not constitute a Change in Control.

(e) "Change in Control Date" means the date on which a Change in Control occurs (if any).

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

(g) "Competing Business" shall mean any person, corporation or other entity engaged in the United States of America in providing skilled nursing, assisted living, home health, hospice or rehabilitation services or providing or attempting to provide any other product or service which is the same as or similar to products or services sold or provided by the Company or any of its subsidiaries within the two-year period prior to the Termination Date.

(h) "Disability" means that either (i) the Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months or (ii) the Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months,



receiving income replacement benefits for a period of not less than three months under an accident and health plan covering the Company's employees.

(i) "Employee Benefits" means the perquisites and benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which the Executive is entitled to participate at any time of determination, including any stock option, stock purchase, stock appreciation, savings, pension, supplemental employee retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical, hospital or other insurance (whether funded by actual insurance or self-insured by the Company), disability, salary continuation, expense reimbursement and other employee benefit policies.

(j) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute thereto.

(k) "Excise Tax" means the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such tax.

(l) "Good Reason" means, without the Executive's express written consent, the occurrence of any one or more of the following:

(i) the failure to elect or reelect or otherwise to maintain Executive in the office(s) or position(s) with the Company set forth in Section 3 and any other office(s) or position(s) that Executive held immediately prior to the Change in Control Date;

(ii) the occurrence of any of the following which is not remedied within ten days after written notice to the Board from Executive:

(A) a significant adverse change, whether involving a reduction or expansion, in the nature or scope of the authorities, positions, powers, functions, responsibilities or duties attached to the office(s) and position(s) with the Company set forth in Section 3 and any other office(s) or position(s) that Executive held immediately prior to the Change in Control Date, including ceasing to report to the Company's Chief Executive Officer and any other change in the reporting lines, offices and positions to which Executive reported or which reported to the Executive immediately prior to the Change in Control Date and any change due to the Company no longer being a reporting company under the Exchange Act;

(B) a reduction in Executive's annual base salary as in effect immediately prior to the Change in Control Date;

(C) a material reduction in the scope or value of Employee Benefits as in effect immediately prior to the Change in Control Date;

(D) any material breach of this Agreement by the Company; or

(E) the continuation or repetition of harassing or denigrating treatment of Executive which is inconsistent with Executive's position with the Company;

(iii) the failure of the Company to comply with and satisfy the requirements of Section 14(c); or

(iv) the Company (A) relocates its principal executive offices, or requires Executive to have his principal place of employment changed, to any location which increases by more than 25 miles Executive's commuting distance as compared to his commuting distance immediately prior to the Change in Control Date or (B) requires Executive to travel away from his principal place of employment in the course of discharging his responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar year or in any two consecutive calendar quarters when annualized for purposes of comparison to any prior year) than the average of such time that was required of Executive in the three full years immediately prior to the Change in Control Date (or such lesser number of years for which the Executive was employed by the Company).

The Executive's right to terminate employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. A termination of employment by the Executive for Good Reason for purposes of this Agreement shall be effectuated by giving the Company written notice ("Notice of Termination for Good Reason") of the termination setting forth in reasonable detail the specific conduct of the Company that constitutes Good Reason and the specific provisions of this Agreement on which the Executive relied. A termination of employment by the Executive for Good Reason shall be effective on the 30th day following the date when the Notice of Termination for Good Reason is given, unless the Company elects to treat such termination as effective as of an earlier date. If the Executive continues to provide services to the Company after one of the events giving rise to Good Reason has occurred, the Executive shall not be deemed to have consented to such event or to have waived the Executive's right to terminate his or her employment for Good Reason in connection with such event.

(m) "Incentive Amount" means the sum of (i) the amount payable on a full-year basis to the Executive under his Performance Award Plan award for the award period ending in the year in which the Change in Control Date occurs (if any) determined on the basis of maximum performance achievement and (ii) the amount payable on a full-year basis to the Executive under his Annual Incentive Plan award for the award period ending in the year in which the Change in Control Date occurs determined on the basis of maximum award level achievement.

(n) "Payment" means any payment, benefit or distribution (or combination thereof) by the Company, any of its Affiliates or any trust established by the Company or its Affiliates, to or for the benefit of the Executive, whether paid, payable, distributed,

distributable or provided pursuant to this Agreement or otherwise, including any payment, benefit or other right that constitutes a “parachute payment” within the meaning of Section 280G of the Code.

(o) “Performance Award Plan” means the Company’s Performance Award Plan as in effect from time to time.

(p) “Person” shall have the meaning set forth in Section 1(d)(i).

(q) “Protection Period” means the period commencing on the Change in Control Date and ending on the second anniversary thereof.

(r) “Qualifying Termination” means any termination of the Executive’s employment (i) by the Company, other than for Cause, death or Disability, that is effective (or with respect to which the Executive is given written notice) during the Protection Period or (ii) by the Executive for Good Reason that is effective (or with respect to which the Executive has given Notice of Termination for Good Reason) during the Protection Period.

(s) “Specified Performance Level” means (i) in the case of any Performance Share (as defined in Section 7), performance achievement (expressed as a percentage) relative to the applicable performance goals established by the Company for each applicable year for Performance Shares generally (provided that, in the case of any such year for which more than one actual performance level was determined, the actual performance level for such year shall be deemed to be the average of all such levels for such year), equal to the greatest of, as applicable, (A) the average actual aggregate award level or levels of the Company (as approved by the Committee and expressed as a percentage) for each of the three full years prior to the year in which the Change in Control Date occurs, (B) if the Change in Control Date occurs after June 30 in any year, the average actual aggregate award level or levels of the Company (as approved by the Committee and expressed as a percentage) for each of the two full years prior to the year in which the Change in Control Date occurs and the partial year in which the Change in Control Date occurs, utilizing, in the case of such partial year, the aggregate award level of the Company for such year as determined by the Committee prior to the Change in Control Date and expressed as a percentage based on the Committee’s review of year-to-date financial performance of the Company for such year, and (C) such other performance achievement level as may be determined by the Committee prior to the Change in Control Date (expressed as a percentage) based on the Committee’s review of Company performance, in comparison to actual award levels approved by the Committee, for the multi-year period commencing in 2005 with respect to which various awards of Performance Shares were made and such other factors as the Committee determines are relevant to determining an appropriate performance achievement level, (ii) in the case of any Annual Incentive Plan award, award level achievement (expressed as a percentage) equal to the greater of (A) the average actual award level achievement of the Executive (as approved by the Committee and expressed as a percentage) for each of the three full years prior to the year in which the Change in Control Date occurs (or such lesser number of years for which the Executive was employed by the Company) relative to the

applicable performance goals established by the Company for each of such full years and (B) such other award level achievement as may be determined by the Committee prior to the Change in Control Date (expressed as a percentage) based on the Committee's review of year-to-date performance of the Company and the Executive for the year in which the Change in Control Date occurs and such other factors as the Committee determines are relevant to determining an appropriate performance achievement level and (iii) in the case of any Performance Award Plan award, performance achievement (expressed as a percentage) relative to the applicable performance goals established by the Company for each applicable year for Performance Award Plan awards generally (provided that, in the case of any such year for which more than one actual performance level was determined, the actual performance level for such year shall be deemed to be the average of all such levels for such year), equal to the greatest of, as applicable, (A) the average actual performance achievement level of the Company (as approved by the Committee and expressed as a percentage) for each of the three full years prior to the year in which the Change in Control Date occurs, (B) if the Change in Control Date occurs after June 30 in any year, the average actual performance achievement level of the Company (as approved by the Committee and expressed as a percentage) for each of the two full years prior to the year in which the Change in Control Date occurs and the partial year in which the Change in Control Date occurs, utilizing, in the case of such partial year, the performance achievement level of the Company for such year as determined by the Committee prior to the Change in Control Date and expressed as a percentage based on the Committee's review of year-to-date financial performance of the Company for such year, and (C) such other performance achievement level as may be determined by the Committee prior to the Change in Control Date (expressed as a percentage) based on the Committee's review of Company performance, in comparison to actual performance achievement levels approved by the Committee, for the multi-year period commencing in 2005 with respect to which various awards under the Performance Achievement Plan were made and such other factors as the Committee determines are relevant to determining an appropriate performance achievement level.

(t) "Subsidiary" means any entity in which the Company, directly or indirectly, possesses 50% or more of the total combined voting power of all classes of its stock.

(u) "Termination Date" means the date (if any) on which the termination of the Executive's employment, in accordance with the terms of this Agreement, is effective.

SECTION 2. Effectiveness; Effect on Prior Agreement. (a) This Agreement and Executive's employment hereunder shall become effective as of the date hereof (the "Effective Date"). This Agreement and Executive's employment hereunder shall remain in effect until the second anniversary of the Effective Date, except that, beginning on the first anniversary of the Effective Date and on each anniversary thereafter (i.e., one year prior to the scheduled expiration of the term hereof), the term of this Agreement and Executive's employment hereunder shall be automatically extended for an additional one-year period, unless, prior to the occurrence of a Change in Control, the Company or Executive provides the other party with 90 days' prior written notice

before the applicable anniversary that the term of this Agreement and Executive's employment hereunder shall not be so extended (the last day of such period, giving effect to all such extensions, the "Normal Expiration Date"), provided that upon the occurrence of a Change in Control prior to the Normal Expiration Date, (A) the term of this Agreement shall not expire or terminate, (B) the Company shall have no further right to amend, modify or terminate this Agreement or the term thereof without the Executive's written consent in accordance with Section 18, (C) the Employment Term (as defined in Section 3) shall not expire unless expressly terminated by the Company or Executive in accordance with Section 4 and (D) any purported termination of this Agreement or the term thereof by the Company (other than in connection with a termination of Executive's employment for any reason other than Cause, death or Disability) shall be deemed to be a termination of Executive's employment by the Company other than for Cause; provided, however, that Sections 6, 7 and 8 of this Agreement shall only be effective with respect to the first Change in Control that occurs during the term of this Agreement.

(b) Effective as of the Effective Date, this Agreement shall replace and supersede in its entirety the Employment Agreement dated as of May 16, 2005 among the Executive, the Company and the other parties thereto (the "Prior Agreement"), which shall have no further force or effect. In addition, the receipt of severance benefits under Section 5 or 6 shall be conditioned on the waiver of any other cash severance benefits otherwise payable to the Executive under any severance plan or policy available generally to Company employees.

**SECTION 3. Terms and Conditions of Employment.** (a) The Company hereby agrees to continue to employ the Executive, and the Executive hereby agrees to continue to be employed by the Company, as its Executive Vice President and Chief Operating Officer on the terms and conditions set forth herein for the period commencing on the Effective Date and ending on the earlier of (i) the termination of the Executive's employment for any reason and (ii) the termination of this Agreement in accordance with its terms (such period of employment, the "Employment Term").

(b) During the Employment Term, the Executive shall have authorities, powers, functions, responsibilities and duties consistent with those held by the Executive immediately prior to the Effective Date and shall devote substantially all the Executive's business time to the performance of such responsibilities and duties.

(c) During the Employment Term, the Executive shall report directly to the Chief Executive Officer of the Company.

(d) During the Employment Term, the Executive's principal place of employment shall be at the Company's current principal executive offices in Toledo, Ohio. The Executive acknowledges that his responsibilities and duties shall require him to travel on business to the extent necessary to fully perform such responsibilities and duties.

(e) During the Employment Term, the Executive shall, without limitation to Sections 3 and 4, be entitled to the following compensation and benefits:

(i) Annual base salary at a rate no less than the rate in effect immediately prior to the Effective Date, subject to such subsequent upward adjustments as may be determined by the Board from time to time, which shall be payable on the Company's normal payroll schedule;

(ii) Such annual, short-term and long-term incentive and equity compensation awards as may be determined by the Board; and

(iii) Participation in the employee benefit, welfare, retirement, perquisite and other plans, programs and policies provided to other similarly situated employees or provided to other senior executives of the Company, as determined by the Board from time to time, and subject to the terms and conditions of such arrangements as in effect from time to time.

(f) Exhibit A of this Agreement sets forth, as of the date of this Agreement:

(i) With respect to Performance Shares, (A) the Executive's outstanding awards, including the applicable performance goals and target and maximum award levels, and (B) the actual aggregate award levels of the Company (as approved by the Committee and expressed as a percentage) for each of 2005 and 2006 relative to the applicable performance goals established by the Company for each of such years for Performance Shares generally.

(ii) With respect to the Annual Incentive Plan, (A) the Executive's target and maximum award levels, and (B) the Executive's actual award level (expressed as a percentage) under the Annual Incentive Plan with respect to each of 2004, 2005 and 2006 (or such lesser number of years for which the Executive was employed by the Company).

(iii) With respect to the Performance Award Plan, (A) the Executive's outstanding awards, including the applicable performance goals and payout levels, and (B) the actual payout levels of the Company (as approved by the Committee and expressed as a percentage) for each of 2004, 2005 and 2006 relative to the applicable performance goals established by the Company for each of such years for Performance Award Plan awards generally.

**SECTION 4. Termination of Employment.** (a) The Executive's employment hereunder may be terminated by the Company or the Executive at any time and for any reason, subject to the terms and conditions of this Agreement.

(b) Except as otherwise provided herein, each party hereto shall give the other party at least 30 days prior written notice of any termination of the Executive's employment by such party. Notwithstanding the foregoing, the Executive's employment shall automatically terminate without notice in the event of the Executive's death.

(c) In the event of any termination of the Executive's employment hereunder, the Executive shall be entitled to receive promptly (i) any annual base salary, annual bonus or other amounts earned and payable, but not yet paid as of the Termination Date,

under the terms of the applicable benefit plan, practice, policy or program, (ii) reimbursement of any unreimbursed business expenses incurred through the Termination Date, (iii) any other payments explicitly set forth in any benefit plans, practices, policies and programs in which the Executive participates and (iv) as otherwise required by applicable law (the rights to such payments, the “Accrued Rights”).

(d) In addition to the Accrued Rights, the Executive may be entitled to additional payments and benefits under Section 5 or 6. In the event that payments and benefits under Section 6 become payable, the Executive shall not be entitled to receive any payments or benefits under Section 5.

**SECTION 5. Severance Prior to a Change in Control.** (a) Upon any voluntary termination of the Executive’s employment, whether or not for Good Reason, the Executive shall not be entitled to any additional payments or benefits under this Section 5 other than the Accrued Rights.

(b) Upon the termination of Executive’s employment by the Company for Cause, the Executive shall not be entitled to any additional payments or benefits under this Section 5 other than the Accrued Rights.

(c) Upon the termination of Executive’s employment by the Company for any reason other than for Cause, death or Disability, the Company shall, in addition to payment of the Accrued Rights, continue payment of Executive’s then-current annual base salary, on the Company’s normal payroll schedule, for a period of three years after the Termination Date.

(d) Upon the termination of Executive’s employment as a result of death prior to the Change in Control Date, the Company shall, in addition to payment of the Accrued Rights, continue payment of Executive’s then-current annual base salary on the Company’s normal payroll schedule for a period of three years after the Termination Date; provided, however, that such payments shall be offset by any survivor benefits, excluding life insurance proceeds, received by Executive’s spouse or other designated beneficiary under the Company’s plans, programs and policies.

(e) Upon the termination of Executive’s employment as a result of his Disability prior to the Change in Control Date, the Company shall, in addition to payment of the Accrued Rights, continue payment of Executive’s then-current annual base salary on Company’s normal payroll schedule for a period of three years after the Termination Date; provided, however, that such payments shall be offset by any disability benefits received by Executive, or his legal guardian, under the Company’s plans, programs and policies.

**SECTION 6. Severance after a Change in Control.** (a) In the event of a Qualifying Termination, the Executive shall be entitled to the following payments and benefits in lieu of any payments or benefits otherwise payable under Section 5:

(i) The Company shall pay the Executive an amount equal to three times the sum of (A) the Executive’s annual base salary as in effect immediately prior to

the Termination Date (without regard to any reduction giving rise to Good Reason) and (B) the Executive's Incentive Amount, in a lump-sum payment payable no later than the tenth business day after the Termination Date.

(ii) The Company shall, at the Company's expense, continue to provide for a period of three years after such Qualifying Termination (the "Continuation Period") group medical, dental and vision benefits substantially similar to those which the Executive was receiving or entitled to receive immediately prior to the Change in Control Date.

(iii) Effective as of the Termination Date, Executive shall be credited with an additional 36 months of service with the Company for the purpose of determining service credits and benefits due to Executive under the Company's tax-qualified and non-qualified pension, retirement and savings plans in which the Executive, his dependents or his beneficiaries participated immediately prior to the Change in Control Date, provided that such credits and benefits with respect to tax-qualified plans shall be provided under a non-qualified plan to the extent necessary under applicable law and plan terms.

(iv) The Executive shall be entitled to receive the Accrued Rights.

(b) Non-Qualifying Termination. In the event of any termination of Executive's employment other than a Qualifying Termination (including a termination of employment as a result of death or Disability) on or after the Change in Control Date, the Executive shall not be entitled to any payments or benefits from the Company under this Section 6. Notwithstanding the foregoing, the Executive shall be entitled to payment of the Accrued Rights and may be entitled to payments and benefits under Section 5.

SECTION 7. Impact of a Change in Control on Equity Compensation and Other Incentive Awards. Effective as of the Change in Control Date, notwithstanding any provision to the contrary in the Company's Equity Incentive Plan, as amended and restated, Annual Incentive Plan or Performance Award Plan or any award agreements thereunder, (a) all outstanding (i) stock options and stock appreciation rights, (ii) restricted shares subject to service, but not performance, based vesting requirements (including any such shares delivered in connection with the vesting of Performance Shares (as defined below)) and (iii) restricted stock units, in each case then held by the Executive that are unexercisable or otherwise unvested, shall automatically become fully vested and unrestricted and immediately exercisable, as the case may be, (b) all outstanding restricted share awards that are subject to performance-based vesting or delivery requirements ("Performance Shares") then held by the Executive that are unvested shall automatically become vested on the basis that (i) all service based requirements have been satisfied and (ii) all performance-based requirements have been satisfied at the Specified Performance Level for Performance Shares for all relevant periods, (c) the Executive's outstanding Annual Incentive Plan award for the year in which the Change in Control Date occurs shall become irrevocably payable, without regard to any term or condition applicable to such award except as specified herein, at the same time as similar Annual Incentive Plan awards would generally otherwise be payable

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based on the terms thereof as in effect immediately prior to the Change in Control Date (or, if earlier, upon the Executive's termination of employment for any reason), in an amount equal to the greater of (i) the amount payable to the Executive under such award determined on the basis of target performance achievement and (ii) the amount payable to the Executive under such award determined on the basis of achieving a Specified Performance Level for such award, and (d) each of the Executive's Performance Award Plan awards (if any) outstanding in the year in which the Change in Control Date occurs shall become irrevocably payable, without regard to any term or condition applicable to such award except as specified herein, at the same time or times as similar Performance Award Plan awards would generally otherwise be payable based on the terms thereof as in effect immediately prior to the Change in Control Date (or, if earlier, upon the Executive's termination of employment for any reason), in an amount equal to the greater of (i) the amount payable to the Executive under such award determined on the basis of target performance achievement and (ii) the amount payable to the Executive under such award determined on the basis of achieving a Specified Performance Level for such award.

SECTION 8. Certain Additional Payments by the Company. (a) Notwithstanding anything in this Agreement to the contrary and except as set forth below, in the event it shall be determined that any Payment that is paid or payable to or for the benefit of the Executive during the term of this Agreement would be subject to the Excise Tax, the Executive shall be entitled to receive an additional payment (a "280G Gross-Up Payment") in an amount such that, after payment by the Executive of all taxes (and any interest or penalties imposed with respect to such taxes), including any income and employment taxes and Excise Taxes imposed upon the 280G Gross-Up Payment, the Executive retains an amount of the 280G Gross-Up Payment equal to the Excise Tax imposed upon such Payments. The Company's obligation to make 280G Gross-Up Payments under this Section 8 shall not be conditioned upon the Executive's termination of employment and shall survive and apply after the Executive's termination of employment.

(b) Subject to the provisions of Section 8(c), all determinations required to be made under this Section 8, including whether and when a 280G Gross-Up Payment is required, the amount of such 280G Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made in accordance with the terms of this Section 8 by a nationally recognized certified public accounting firm that shall be designated by the Company (the "Accounting Firm"). The Accounting Firm shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment or such earlier time as is requested by the Company or the Executive. For purposes of determining the amount of any 280G Gross-Up Payment, the Executive shall be deemed to pay Federal income tax at the highest marginal rate applicable to individuals in the calendar year in which any such 280G Gross-Up Payment is to be made and deemed to pay state and local income taxes at the highest marginal rates applicable to individuals in the state or locality of the Executive's residence or place of employment in the calendar year in which any such 280G Gross-Up Payment is to be made, net of the maximum reduction in Federal income taxes that can be obtained from deduction of state

and local taxes, taking into account limitations applicable to individuals subject to Federal income tax at the highest marginal rate. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any 280G Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to the Executive within five business days of the receipt of the Accounting Firm's determination, provided that, in no event, shall such payment be made later than the last day of the calendar year after the calendar year in which the applicable Excise Tax is paid. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall so indicate to the Executive in writing. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of the Excise Tax, at the time of the initial determination by the Accounting Firm hereunder, it is possible that the amount of the 280G Gross-Up Payment determined by the Accounting Firm to be due to the Executive, consistent with the calculations required to be made hereunder, will be lower than the amount actually due (an "Underpayment"). In the event the Company exhausts its remedies pursuant to Section 8(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment (which, for the avoidance of doubt, shall be calculated on an after-tax basis consistent with this Section 8) shall be paid by the Company to the Executive within five business days of the receipt of the Accounting Firm's determination.

(c) The Executive shall notify the Company in writing of any written claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a 280G Gross-Up Payment. Such notification shall be given as soon as practicable, but no later than ten business days after the Executive is informed in writing of such claim. Failure to give timely notice shall not prejudice the Executive's right to 280G Gross-Up Payments and rights of indemnity under this Section 8. The Executive shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that the Company desires to contest such claim, the Executive shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order effectively to contest such claim and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional income taxes, interest and penalties) incurred in connection with such contest, and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest or penalties) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8(c), the Company shall control all proceedings taken in connection with such contest, and, at its sole discretion, may pursue or forgo any and all administrative appeals, proceedings,

hearings and conferences with the applicable taxing authority in respect of such claim and may, at its sole discretion, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that (A) if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties) imposed with respect to such advance or with respect to any imputed income in connection with such advance and (B) if such contest results in any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due, such extension must be limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which the 280G Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 8(c)) promptly pay to the Company the amount of such refund received (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of the 30-day period after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of 280G Gross-Up Payment required to be paid.

SECTION 9. Section 409A. It is the intention of the Company and the Executive that the provisions of this Agreement comply with Section 409A of the Code and the final regulations promulgated thereunder (including the transition rules thereof), and all provisions of this Agreement shall be construed and interpreted in a manner consistent with Section 409A of the Code and such final regulations. To the extent necessary to avoid imposition of any additional tax or interest penalties under Section 409A (such tax and interest penalties, a "Section 409A Tax"), notwithstanding the timing of payment provided in any other Section of this Agreement, the timing of any payment, distribution or benefit pursuant to this Agreement shall be subject to a six-month delay in a manner consistent with Section 409A(a)(2)(B)(i) of the Code, provided that (a) the Executive shall be credited with interest in respect of such payment, distribution or benefit during such six-month period at the rate set forth in Section 16 and (b) if the Executive dies during such six-month period, any such delayed payments shall not be further delayed, and shall be immediately payable to the Executive's devisee, legatee or other designee or, should there be no such designee, to the Executive's estate in

accordance with the applicable provisions of this Agreement. From and after the Effective Date and for the remainder of the term of this Agreement, (i) the Company shall administer and operate this Agreement in compliance with Section 409A of the Code and the final regulations promulgated thereunder and any other applicable rules, regulations or other guidance promulgated thereunder as in effect from time to time, (ii) in the event that the Company determines, after conducting a reasonable review, that any provision of this Agreement does not comply with Section 409A of the Code or any such rules, regulations or guidance and that the Executive may become subject to a Section 409A Tax, the Company and the Executive shall negotiate in good faith to amend or modify such provision to avoid the application of such Section 409A Tax, provided that such amendment or modification shall not (and the Executive shall not be obligated to consent to any such amendment or modification that would) reduce the economic value to the Executive of such provision, and (iii) in the event that, notwithstanding the foregoing, the Executive is subject to a Section 409A Tax with respect to any such provision, then except to the extent such Section 409A Tax is attributable to the Executive's breach of the Executive's obligations under the immediately preceding clause (ii), the Executive shall be entitled to receive an additional payment from the Company (a "409A Gross-Up Payment") in an amount such that, after payment by the Executive of all taxes (and any interest or penalties imposed with respect to such taxes), including any income and employment taxes (and any interest and penalties imposed with respect thereto) and any Section 409A Tax imposed upon the 409A Gross-Up Payment, the Executive retains an amount of the 409A Gross-Up Payment equal to the Section 409A Tax imposed with respect to such provision. The provisions of Sections 8(c) and (d) shall apply mutatis mutandis to any claim by the Internal Revenue Service that, if successful, would give rise to a 409A Gross-Up Payment by the Company.

SECTION 10. Non-Competition/Non-Solicitation and Confidentiality. (a) Executive covenants and agrees that during Executive's employment with the Company and for a period of three years following the termination of Executive's employment, including termination by the Company for Cause or without Cause, Executive shall not, in the United States of America, engage, directly or indirectly, whether as principal or as agent, officer, director, employee, consultant, shareholder or otherwise, alone or in association with any other person, corporation or other entity, in any Competing Business. Notwithstanding the foregoing, Executive may own, directly or indirectly, up to 1% of the outstanding equity of any business which may be a Competing Business without violating the provisions of this Section 10(a).

(b) Executive agrees that during his employment with the Company he shall not, directly or indirectly, solicit the business of, or do business with, any customer or prospective customer of the Company or any of its subsidiaries for any business purpose other than for the benefit of the Company or any of its subsidiaries. Executive further agrees that for three years following termination of his employment with the Company, including termination by the Company for Cause or without Cause, Executive shall not, directly or indirectly, solicit the business of, or do business with, any customers or prospective customers of the Company or any of its subsidiaries; provided, however, that this provision shall not apply to soliciting to provide or providing any services which the

Company or any of its subsidiaries does not provide, or has not traditionally sought to provide.

(c) Executive agrees that, during his employment with the Company and for three years following termination of Executive's employment with the Company, including termination by the Company for Cause or without Cause, Executive shall not, directly or indirectly, solicit or induce, or attempt to solicit or induce, any employee of the Company to leave the employment of the Company for any reason whatsoever, or hire or engage any employee of the Company except into the employment of the Company, provided that the foregoing shall not apply to any employee hired through a general hiring process without any direct or indirect involvement by Executive in recruiting such person for hire.

(d) The Executive acknowledges that the confidential information and trade secrets of the Company obtained by the Executive while employed by the Company are the property of the Company. Therefore, the Executive agrees that the Executive shall not disclose to any unauthorized Person or use for the Executive's own purposes any such information or trade secrets without the prior written consent of the Company, unless and to the extent that the aforementioned matters (i) become generally known to and available for use by the public other than as a result of the Executive's acts or omissions in violation of this Agreement, (ii) were within the Executive's possession prior to its being obtained by the Executive in the course of the Executive's employment with the Company or (iii) are required to be disclosed pursuant to applicable law.

SECTION 11. No Mitigation or Offset; Enforcement of this Agreement. (a) Except as expressly provided in Sections 5(d) and (e), the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as otherwise expressly provided for in this Agreement, such amounts shall not be reduced whether or not the Executive obtains other employment.

(b) The Company shall reimburse the Executive for, promptly upon the Executive's demand, any and all reasonable legal fees and expenses that the Executive may incur during the period from the Effective Date until the expiration of this Agreement in accordance with its terms, as a result of any contest, dispute or proceeding (regardless of whether formal legal proceedings are ever commenced and regardless of the outcome thereof and including all stages of any contest, dispute or proceeding) by the Company, the Executive or any other Person with respect to the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest by the Executive regarding the amount of any payment owed pursuant to this Agreement).

SECTION 12. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, practice, policy or program provided by the Company or a Subsidiary for which the Executive may qualify, nor shall anything in this Agreement limit or otherwise affect any rights the Executive may have under any plan, contract or agreement with the Company or a Subsidiary (other than the Prior Agreement). Vested benefits and other amounts that the Executive is otherwise entitled to receive under any incentive compensation (including any equity award agreement), deferred compensation, retirement, pension or other plan, practice, policy or program of, or any contract or agreement with, the Company or a Subsidiary (other than the Prior Agreement) shall be payable in accordance with the terms of each such plan, practice, policy, program, contract or agreement, as the case may be, except as explicitly modified by this Agreement.

SECTION 13. Withholding. The Company may deduct and withhold from any amounts payable under this Agreement such Federal, state, local, foreign or other taxes as are required to be withheld pursuant to any applicable law or regulation.

SECTION 14. Assignment. (a) This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution, and any assignment in violation of this Agreement shall be void.

(b) Notwithstanding the foregoing Section 14(a), this Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to him or her hereunder if he or she had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee or other designee or, should there be no such designee, to the Executive's estate.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company (a "Successor") to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in this Agreement (except for purposes of Section 10), (i) the term "Company" shall mean the Company as hereinbefore defined and any Successor and any permitted assignee to which this Agreement is assigned and (ii) the term "Board" shall mean the Board as hereinbefore defined and the board of directors or equivalent governing body of any Successor and any permitted assignee to which this Agreement is assigned.

SECTION 15. Dispute Resolution. (a) Except as otherwise specifically provided herein, the Executive and the Company each hereby irrevocably submit to the exclusive jurisdiction of any Federal court located within the State of Ohio over any dispute arising out of or relating to this Agreement. Except as otherwise specifically provided in this Agreement, the parties undertake not to commence any suit, action or

proceeding arising out of or relating to this Agreement in a forum other than a forum described in this Section 15(a); provided, however, that nothing herein shall preclude the Company or the Executive from bringing any suit, action or proceeding in any other court for the purposes of enforcing the provisions of this Section 15 or enforcing any judgment obtained by the Company or the Executive.

(b) The agreement of the parties to the forum described in Section 15(a) is independent of the law that may be applied in any suit, action or proceeding and the parties agree to such forum even if such forum may under applicable law choose to apply non-forum law. The parties hereby waive, to the fullest extent permitted by applicable law, any objection that they now or hereafter have to personal jurisdiction or to the laying of venue of any such suit, action or proceeding brought in an applicable court described in Section 15(a), and the parties agree that they shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court. The parties agree that, to the fullest extent permitted by applicable law, a final and non-appealable judgment in any suit, action or proceeding brought in any applicable court described in Section 15(a) shall be conclusive and binding upon the parties and may be enforced in any other jurisdiction.

(c) The parties hereto irrevocably consent to the service of any and all process in any suit, action or proceeding arising out of or relating to this Agreement by the mailing of copies of such process to such party at such party's address specified in Section 22.

SECTION 16. Default in Payment. Any payment not made within ten business days after it is due in accordance with this Agreement shall thereafter bear interest, compounded annually, at the prime rate in effect from time to time at Citibank, N.A., or any successor thereto.

**SECTION 17. GOVERNING LAW. THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN THE STATE OF DELAWARE AND THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT IN ALL RESPECTS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAW.**

SECTION 18. Amendment; No Waiver. No provision of this Agreement may be amended, modified, waived or discharged except by a written document signed by the Executive and a duly authorized officer of the Company. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. No failure or delay by either party in exercising any right or power hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment of any steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter

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hereof have been made by either party, which are not set forth expressly in this Agreement.

SECTION 19. Severability. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any applicable law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party. Upon any such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

SECTION 20. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and, except as specifically set forth herein, supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, Executive or representative of any party hereto. None of the parties shall be liable or bound to any other party in any manner by any representations and warranties or covenants relating to such subject matter except as specifically set forth herein.

SECTION 21. Survival. The rights and obligations of the parties under the provisions of this Agreement, including Sections 2, 8, 9, 10 and 11, shall survive and remain binding and enforceable, notwithstanding the expiration of the Protection Period or the term of this Agreement, the termination of the Executive' s employment with the Company for any reason or any settlement of the financial rights and obligations arising from the Executive' s employment hereunder, to the extent necessary to preserve the intended benefits of such provisions.

SECTION 22. Notices. All notices or other communications required or permitted by this Agreement will be made in writing and all such notices or communications will be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company:                   Manor Care, Inc.  
   333 N. Summit St.  
   Toledo, Ohio 43604  
   Attention: General Counsel  
   Fax: (419) 252-5599

If to the Executive:                   At the address for the Executive most recently on file with the Company



or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

SECTION 23. Headings and References. The headings of this Agreement are inserted for convenience only and neither constitute a part of this Agreement nor affect in any way the meaning or interpretation of this Agreement. When a reference in this Agreement is made to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated.

SECTION 24. Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

SECTION 25. Interpretation. For purposes of this Agreement, the words “include” and “including”, and variations thereof, shall not be deemed to be terms of limitation but rather shall be deemed to be followed by the words “without limitation”. The term “or” is not exclusive. The word “extent” in the phrase “to the extent” shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply “if”.

**IN WITNESS WHEREOF**, this Agreement has been executed by the parties as of the date first written above.

**MANOR CARE, INC.**

By: /s/ Paul A. Ormond

Paul A. Ormond  
Chairman, President and  
Chief Executive Officer

/s/ Stephen L. Guillard

Stephen L. Guillard



**EMPLOYMENT AGREEMENT** (this "Agreement") dated as of June 13, 2007, between MANOR CARE, INC., a Delaware corporation (the "Company"), and STEVEN M. CAVANAUGH (the "Executive").

WHEREAS the Executive is a skilled and dedicated employee of the Company who has important management responsibilities and talents that benefit the Company; and

WHEREAS the Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board") considers it essential to the best interests of the Company and its stockholders to assure that the Company and its subsidiaries will have the continued dedication of the Executive;

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

SECTION 1. Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

(a) "Affiliate(s)" means, with respect to any specified Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

(b) "Annual Incentive Plan" means the Company's Annual Incentive Plan as in effect from time to time.

(c) "Cause" means the occurrence of any one of the following:

(i) the Executive is convicted of, or pleads guilty or nolo contendere to, any felony;

(ii) the Executive commits one or more acts constituting wilful financial dishonesty or fraud in connection with the performance of his duties; or

(iii) the Executive continually and wilfully fails, for at least 14 days following written notice from the Company, to perform substantially the Executive's employment duties (other than as a result of incapacity due to physical or mental illness or after delivery by the Executive of a Notice of Termination for Good Reason).

For purposes of this provision, no act or failure to act on the part of the Executive shall be considered "wilful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or

omission was in the best interests of the Company. The termination of employment of the Executive for Cause shall not be effective unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the Board (excluding the Executive) at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that in the good faith opinion of the Board, the Executive is guilty of the conduct described in clause (i), (ii) or (iii) above and specifying the particulars thereof in detail.

(d) “Change in Control” means the occurrence of any of the following:

(i) during any period of twelve consecutive months, the individuals who, as of the beginning of such period, were members of the Board (the “Incumbent Directors”) cease for any reason, prior to the end of such period, to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the beginning of such period whose appointment or election, or nomination for election, by the Company’s stockholders was approved by a vote of at least a majority of the Incumbent Directors shall be considered as though such individual were an Incumbent Director, but excluding, for purposes of this proviso, any such individual whose assumption of office after the beginning of such period occurs as a result of an actual or threatened proxy contest with respect to election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a “person” (as such term is used in Section 13(d) of the Exchange Act) (each, a “Person”) other than the Board or the Company;

(ii) the consummation of (A) a merger, consolidation, statutory share exchange, reorganization or similar form of corporate transaction (including as a part of a series of other transactions) involving (x) the Company or (y) any of its Subsidiaries, but in the case of this clause (y) only if Company Voting Securities (as defined below) are issued or issuable or (B) a sale or other disposition of all or substantially all the assets of the Company (any such event, a “Reorganization”), unless, immediately following such Reorganization, (1) all or substantially all the individuals and entities who were the “beneficial owners” (as such term is defined in Rule 13d-3 under the Exchange Act (or a successor rule thereto)) of shares of the Company’s common stock or other securities eligible to vote for the election of the Board outstanding immediately prior to the consummation of such Reorganization (such securities, the “Company Voting Securities”) beneficially own, directly or indirectly, more than 65% of the combined voting power of the then outstanding voting securities of the corporation or other entity resulting from such Reorganization (including a corporation or other entity that, as a result of such transaction, owns the Company or all or substantially all the Company’s assets either directly or through one or more subsidiaries) (the “Continuing Entity”) in substantially the same proportions as their ownership, immediately prior to the consummation of such Reorganization, of the outstanding Company Voting Securities (excluding any outstanding voting securities of the Continuing

Entity that such beneficial owners hold immediately following the consummation of the Reorganization as a result of their ownership prior to such consummation of voting securities of any corporation or other entity involved in or forming part of such Reorganization other than the Company or a Subsidiary), (2) no Person (excluding any employee benefit plan (or related trust) sponsored or maintained by the Continuing Entity or any corporation or other entity controlled by the Continuing Entity) beneficially owns, directly or indirectly, 15% or more of the combined voting power of the then outstanding voting securities of the Continuing Entity and (3) at least a majority of the members of the board of directors or other governing body of the Continuing Entity immediately after the Reorganization are Incumbent Directors;

(iii) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company; or

(iv) any Person, corporation or other entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) becomes the beneficial owner, directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of the Company Voting Securities; provided, however, that for purposes of this subparagraph (iv), the following acquisitions shall not constitute a Change in Control: (A) any acquisition by the Company or any Subsidiary, (B) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (C) any acquisition by an underwriter temporarily holding such Company Voting Securities pursuant to an offering of such securities or (D) any acquisition pursuant to a Reorganization that does not constitute a Change in Control.

(e) "Change in Control Date" means the date on which a Change in Control occurs (if any).

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

(g) "Competing Business" shall mean any person, corporation or other entity engaged in the United States of America in providing skilled nursing, assisted living, home health, hospice or rehabilitation services or providing or attempting to provide any other product or service which is the same as or similar to products or services sold or provided by the Company or any of its subsidiaries within the two-year period prior to the Termination Date.

(h) "Disability" means that either (i) the Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months or (ii) the Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months,

receiving income replacement benefits for a period of not less than three months under an accident and health plan covering the Company's employees.

(i) "Employee Benefits" means the perquisites and benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which the Executive is entitled to participate at any time of determination, including any stock option, stock purchase, stock appreciation, savings, pension, supplemental employee retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical, hospital or other insurance (whether funded by actual insurance or self-insured by the Company), disability, salary continuation, expense reimbursement and other employee benefit policies.

(j) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute thereto.

(k) "Excise Tax" means the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such tax.

(l) "Good Reason" means, without the Executive's express written consent, the occurrence of any one or more of the following:

(i) the failure to elect or reelect or otherwise to maintain Executive in the office(s) or position(s) with the Company set forth in Section 3 and any other office(s) or position(s) that Executive held immediately prior to the Change in Control Date;

(ii) the occurrence of any of the following which is not remedied within ten days after written notice to the Board from Executive:

(A) a significant adverse change, whether involving a reduction or expansion, in the nature or scope of the authorities, positions, powers, functions, responsibilities or duties attached to the office(s) and position(s) with the Company set forth in Section 3 and any other office(s) or position(s) that Executive held immediately prior to the Change in Control Date, including ceasing to report to the Company's Chief Executive Officer and any other change in the reporting lines, offices and positions to which Executive reported or which reported to the Executive immediately prior to the Change in Control Date and any change due to the Company no longer being a reporting company under the Exchange Act;

(B) a reduction in Executive's annual base salary as in effect immediately prior to the Change in Control Date;

(C) a material reduction in the scope or value of Employee Benefits as in effect immediately prior to the Change in Control Date;

(D) any material breach of this Agreement by the Company; or

(E) the continuation or repetition of harassing or denigrating treatment of Executive which is inconsistent with Executive's position with the Company;

(iii) the failure of the Company to comply with and satisfy the requirements of Section 14(c); or

(iv) the Company (A) relocates its principal executive offices, or requires Executive to have his principal place of employment changed, to any location which increases by more than 25 miles Executive's commuting distance as compared to his commuting distance immediately prior to the Change in Control Date or (B) requires Executive to travel away from his principal place of employment in the course of discharging his responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar year or in any two consecutive calendar quarters when annualized for purposes of comparison to any prior year) than the average of such time that was required of Executive in the three full years immediately prior to the Change in Control Date.

The Executive's right to terminate employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. A termination of employment by the Executive for Good Reason for purposes of this Agreement shall be effectuated by giving the Company written notice ("Notice of Termination for Good Reason") of the termination setting forth in reasonable detail the specific conduct of the Company that constitutes Good Reason and the specific provisions of this Agreement on which the Executive relied. A termination of employment by the Executive for Good Reason shall be effective on the 30th day following the date when the Notice of Termination for Good Reason is given, unless the Company elects to treat such termination as effective as of an earlier date. If the Executive continues to provide services to the Company after one of the events giving rise to Good Reason has occurred, the Executive shall not be deemed to have consented to such event or to have waived the Executive's right to terminate his or her employment for Good Reason in connection with such event.

(m) "Incentive Amount" means the greater of (i) the amount payable to the Executive under his Annual Incentive Plan award for the award period ending in the year in which the Change in Control Date occurs determined on the basis of target award level achievement and (ii) the amount payable to the Executive under his Annual Incentive Plan award for the award period ending in the year in which the Change in Control Date occurs on the basis of award level achievement (expressed as a percentage) equal to the average of the actual award levels (expressed as a percentage) achieved by the Executive under the Annual Incentive Plan with respect to each of the three full years prior to the year in which the Change in Control Date occurs (or such lesser number of years for which the Executive was employed by the Company).

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(n) "Payment" means any payment, benefit or distribution (or combination thereof) by the Company, any of its Affiliates or any trust established by the Company or its Affiliates, to or for the benefit of the Executive, whether paid, payable, distributed, distributable or provided pursuant to this Agreement or otherwise, including any payment, benefit or other right that constitutes a "parachute payment" within the meaning of Section 280G of the Code.

(o) "Performance Award Plan" means the Company's Performance Award Plan as in effect from time to time.

(p) "Person" shall have the meaning set forth in Section 1(d)(i).

(q) "Protection Period" means the period commencing on the Change in Control Date and ending on the second anniversary thereof.

(r) "Qualifying Termination" means any termination of the Executive's employment (i) by the Company, other than for Cause, death or Disability, that is effective (or with respect to which the Executive is given written notice) during the Protection Period or (ii) by the Executive for Good Reason that is effective (or with respect to which the Executive has given Notice of Termination for Good Reason) during the Protection Period.

(s) "Specified Performance Level" means (i) in the case of any Performance Share (as defined in Section 7), performance achievement (expressed as a percentage) relative to the applicable performance goals established by the Company for each applicable year for Performance Shares generally (provided that, in the case of any such year for which more than one actual performance level was determined, the actual performance level for such year shall be deemed to be the average of all such levels for such year), equal to the greatest of, as applicable, (A) the average actual aggregate award level or levels of the Company (as approved by the Committee and expressed as a percentage) for each of the three full years prior to the year in which the Change in Control Date occurs, (B) if the Change in Control Date occurs after June 30 in any year, the average actual aggregate award level or levels of the Company (as approved by the Committee and expressed as a percentage) for each of the two full years prior to the year in which the Change in Control Date occurs and the partial year in which the Change in Control Date occurs, utilizing, in the case of such partial year, the aggregate award level of the Company for such year as determined by the Committee prior to the Change in Control Date and expressed as a percentage based on the Committee's review of year-to-date financial performance of the Company for such year, and (C) such other performance achievement level as may be determined by the Committee prior to the Change in Control Date (expressed as a percentage) based on the Committee's review of Company performance, in comparison to actual award levels approved by the Committee, for the multi-year period commencing in 2005 with respect to which various awards of Performance Shares were made and such other factors as the Committee determines are relevant to determining an appropriate performance achievement level, (ii) in the case of any Annual Incentive Plan award, award level achievement (expressed as a percentage) equal to the greater of (A) the average actual award level achievement of the Executive



(as approved by the Committee and expressed as a percentage) for each of the three full years prior to the year in which the Change in Control Date occurs (or such lesser number of years for which the Executive was employed by the Company) relative to the applicable performance goals established by the Company for each of such full years and (B) such other award level achievement as may be determined by the Committee prior to the Change in Control Date (expressed as a percentage) based on the Committee's review of year-to-date performance of the Company and the Executive for the year in which the Change in Control Date occurs and such other factors as the Committee determines are relevant to determining an appropriate performance achievement level and (iii) in the case of any Performance Award Plan award, performance achievement (expressed as a percentage) relative to the applicable performance goals established by the Company for each applicable year for Performance Award Plan awards generally (provided that, in the case of any such year for which more than one actual performance level was determined, the actual performance level for such year shall be deemed to be the average of all such levels for such year), equal to the greatest of, as applicable, (A) the average actual performance achievement level of the Company (as approved by the Committee and expressed as a percentage) for each of the three full years prior to the year in which the Change in Control Date occurs, (B) if the Change in Control Date occurs after June 30 in any year, the average actual performance achievement level of the Company (as approved by the Committee and expressed as a percentage) for each of the two full years prior to the year in which the Change in Control Date occurs and the partial year in which the Change in Control Date occurs, utilizing, in the case of such partial year, the performance achievement level of the Company for such year as determined by the Committee prior to the Change in Control Date and expressed as a percentage based on the Committee's review of year-to-date financial performance of the Company for such year, and (C) such other performance achievement level as may be determined by the Committee prior to the Change in Control Date (expressed as a percentage) based on the Committee's review of Company performance, in comparison to actual performance achievement levels approved by the Committee, for the multi-year period commencing in 2005 with respect to which various awards under the Performance Achievement Plan were made and such other factors as the Committee determines are relevant to determining an appropriate performance achievement level.

(t) "Subsidiary" means any entity in which the Company, directly or indirectly, possesses 50% or more of the total combined voting power of all classes of its stock.

(u) "Termination Date" means the date (if any) on which the termination of the Executive's employment, in accordance with the terms of this Agreement, is effective.

SECTION 2. Effectiveness; Effect on Prior Agreement. (a) This Agreement and Executive's employment hereunder shall become effective as of the date hereof (the "Effective Date"). This Agreement and Executive's employment hereunder shall remain in effect until the second anniversary of the Effective Date, except that, beginning on the first anniversary of the Effective Date and on each anniversary thereafter (i.e., one year prior to the scheduled expiration of the term hereof), the term of

this Agreement and Executive' s employment hereunder shall be automatically extended for an additional one-year period, unless, prior to the occurrence of a Change in Control, the Company or Executive provides the other party with 90 days' prior written notice before the applicable anniversary that the term of this Agreement and Executive' s employment hereunder shall not be so extended (the last day of such period, giving effect to all such extensions, the "Normal Expiration Date"), provided that upon the occurrence of a Change in Control prior to the Normal Expiration Date, (A) the term of this Agreement shall not expire or terminate, (B) the Company shall have no further right to amend, modify or terminate this Agreement or the term thereof without the Executive' s written consent in accordance with Section 18, (C) the Employment Term (as defined in Section 3) shall not expire unless expressly terminated by the Company or Executive in accordance with Section 4 and (D) any purported termination of this Agreement or the term thereof by the Company (other than in connection with a termination of Executive' s employment for any reason other than Cause, death or Disability) shall be deemed to be a termination of Executive' s employment by the Company other than for Cause; provided, however, that Sections 6, 7 and 8 of this Agreement shall only be effective with respect to the first Change in Control that occurs during the term of this Agreement.

(b) Effective as of the Effective Date, this Agreement shall replace and supersede in its entirety the Employment Agreement dated as of May 6, 2006 among the Executive, the Company and the other parties thereto (the "Prior Agreement"), which shall have no further force or effect. In addition, the receipt of severance benefits under Section 5 or 6 shall be conditioned on the waiver of any other cash severance benefits otherwise payable to the Executive under any severance plan or policy available generally to Company employees.

SECTION 3. Terms and Conditions of Employment. (a) The Company hereby agrees to continue to employ the Executive, and the Executive hereby agrees to continue to be employed by the Company, as its Vice President, Chief Financial Officer and Assistant Secretary on the terms and conditions set forth herein for the period commencing on the Effective Date and ending on the earlier of (i) the termination of the Executive' s employment for any reason and (ii) the termination of this Agreement in accordance with its terms (such period of employment, the "Employment Term").

(b) During the Employment Term, the Executive shall have authorities, powers, functions, responsibilities and duties consistent with those held by the Executive immediately prior to the Effective Date and shall devote substantially all the Executive' s business time to the performance of such responsibilities and duties.

(c) During the Employment Term, the Executive shall report directly to the Chief Executive Officer of the Company.

(d) During the Employment Term, the Executive' s principal place of employment shall be at the Company' s current principal executive offices in Toledo, Ohio. The Executive acknowledges that his responsibilities and duties shall require him to travel on business to the extent necessary to fully perform such responsibilities and duties.

(e) During the Employment Term, the Executive shall, without limitation to Sections 3 and 4, be entitled to the following compensation and benefits:

(i) Annual base salary at a rate no less than the rate in effect immediately prior to the Effective Date, subject to such subsequent upward adjustments as may be determined by the Board from time to time, which shall be payable on the Company's normal payroll schedule;

(ii) Such annual, short-term and long-term incentive and equity compensation awards as may be determined by the Board; and

(iii) Participation in the employee benefit, welfare, retirement, perquisite and other plans, programs and policies provided to other similarly situated employees or provided to other senior executives of the Company, as determined by the Board from time to time, and subject to the terms and conditions of such arrangements as in effect from time to time.

(f) Exhibit A of this Agreement sets forth, as of the date of this Agreement:

(i) With respect to Performance Shares, (A) the Executive's outstanding awards, including the applicable performance goals and target and maximum award levels, and (B) the actual aggregate award levels of the Company (as approved by the Committee and expressed as a percentage) for each of 2005 and 2006 relative to the applicable performance goals established by the Company for each of such years for Performance Shares generally.

(ii) With respect to the Annual Incentive Plan, (A) the Executive's target and maximum award levels, and (B) the Executive's actual award level (expressed as a percentage) under the Annual Incentive Plan with respect to each of 2004, 2005 and 2006 (or such lesser number of years for which the Executive was employed by the Company).

(iii) With respect to the Performance Award Plan, (A) the Executive's outstanding awards, including the applicable performance goals and payout levels, and (B) the actual payout levels of the Company (as approved by the Committee and expressed as a percentage) for each of 2004, 2005 and 2006 relative to the applicable performance goals established by the Company for each of such years for Performance Award Plan awards generally.

SECTION 4. Termination of Employment. (a) The Executive's employment hereunder may be terminated by the Company or the Executive at any time and for any reason, subject to the terms and conditions of this Agreement.

(b) Except as otherwise provided herein, each party hereto shall give the other party at least 30 days prior written notice of any termination of the Executive's employment by such party. Notwithstanding the foregoing, the Executive's employment shall automatically terminate without notice in the event of the Executive's death.

(c) In the event of any termination of the Executive's employment hereunder, the Executive shall be entitled to receive promptly (i) any annual base salary, annual bonus or other amounts earned and payable, but not yet paid as of the Termination Date, under the terms of the applicable benefit plan, practice, policy or program, (ii) reimbursement of any unreimbursed business expenses incurred through the Termination Date, (iii) any other payments explicitly set forth in any benefit plans, practices, policies and programs in which the Executive participates and (iv) as otherwise required by applicable law (the rights to such payments, the "Accrued Rights").

(d) In addition to the Accrued Rights, the Executive may be entitled to additional payments and benefits under Section 5 or 6. In the event that payments and benefits under Section 6 become payable, the Executive shall not be entitled to receive any payments or benefits under Section 5.

**SECTION 5. Severance Prior to a Change in Control.** (a) Upon any voluntary termination of the Executive's employment, whether or not for Good Reason, the Executive shall not be entitled to any additional payments or benefits under this Section 5 other than the Accrued Rights.

(b) Upon the termination of Executive's employment by the Company for Cause, the Executive shall not be entitled to any additional payments or benefits under this Section 5 other than the Accrued Rights.

(c) Upon the termination of Executive's employment by the Company for any reason other than for Cause, death or Disability, the Company shall, in addition to payment of the Accrued Rights, continue payment of Executive's then-current annual base salary, on the Company's normal payroll schedule, for a period of two years after the Termination Date.

(d) Upon the termination of Executive's employment as a result of death prior to the Change in Control Date, the Company shall, in addition to payment of the Accrued Rights, continue payment of Executive's then-current annual base salary on the Company's normal payroll schedule for a period of two years after the Termination Date; provided, however, that such payments shall be offset by any survivor benefits, excluding life insurance proceeds, received by Executive's spouse or other designated beneficiary under the Company's plans, programs and policies.

(e) Upon the termination of Executive's employment as a result of his Disability prior to the Change in Control Date, the Company shall, in addition to payment of the Accrued Rights, continue payment of Executive's then-current annual base salary on Company's normal payroll schedule for a period of two years after the Termination Date; provided, however, that such payments shall be offset by any disability benefits received by Executive, or his legal guardian, under the Company's plans, programs and policies.

SECTION 6. Severance after a Change in Control. (a) In the event of a Qualifying Termination, the Executive shall be entitled to the following payments and benefits in lieu of any payments or benefits otherwise payable under Section 5:

(i) The Company shall pay the Executive an amount equal to three times the sum of (A) the Executive's annual base salary as in effect immediately prior to the Termination Date (without regard to any reduction giving rise to Good Reason) and (B) the Executive's Incentive Amount, in a lump-sum payment payable no later than the tenth business day after the Termination Date.

(ii) The Company shall, at the Company's expense, continue to provide for a period of three years after such Qualifying Termination (the "Continuation Period") group medical, dental and vision benefits substantially similar to those which the Executive was receiving or entitled to receive immediately prior to the Change in Control Date.

(iii) The Company shall take whatever action is necessary to fund completely any split-dollar life insurance arrangement maintained by the Company for the benefit of the Executive, effective as of the Termination Date, and based on the assumption that the Executive's service with the Company continues through the end of the Continuation Period.

(iv) Effective as of the Termination Date, Executive shall be credited with an additional 36 months of service with the Company for the purpose of determining service credits and benefits due to Executive under the Company's tax-qualified and non-qualified pension, retirement and savings plans in which the Executive, his dependents or his beneficiaries participated immediately prior to the Change in Control Date, provided that such credits and benefits with respect to tax-qualified plans shall be provided under a non-qualified plan to the extent necessary under applicable law and plan terms.

(v) The Executive shall be entitled to receive the Accrued Rights.

(b) Non-Qualifying Termination. In the event of any termination of Executive's employment other than a Qualifying Termination (including a termination of employment as a result of death or Disability) on or after the Change in Control Date, the Executive shall not be entitled to any payments or benefits from the Company under this Section 6. Notwithstanding the foregoing, the Executive shall be entitled to payment of the Accrued Rights and may be entitled to payments and benefits under Section 5.

SECTION 7. Impact of a Change in Control on Equity Compensation and Other Incentive Awards. Effective as of the Change in Control Date, notwithstanding any provision to the contrary in the Company's Equity Incentive Plan, as amended and restated, Annual Incentive Plan or Performance Award Plan or any award agreements thereunder, (a) all outstanding (i) stock options and stock appreciation rights, (ii) restricted shares subject to service, but not performance, based vesting requirements (including any such shares delivered in connection with the vesting of Performance

Shares (as defined below)) and (iii) restricted stock units, in each case then held by the Executive that are unexercisable or otherwise unvested, shall automatically become fully vested and unrestricted and immediately exercisable, as the case may be, (b) all outstanding restricted share awards that are subject to performance-based vesting or delivery requirements (“Performance Shares”) then held by the Executive that are unvested shall automatically become vested on the basis that (i) all service based requirements have been satisfied and (ii) all performance-based requirements have been satisfied at the Specified Performance Level for Performance Shares for all relevant periods, (c) the Executive’s outstanding Annual Incentive Plan award for the year in which the Change in Control Date occurs shall become irrevocably payable, without regard to any term or condition applicable to such award except as specified herein, at the same time as similar Annual Incentive Plan awards would generally otherwise be payable based on the terms thereof as in effect immediately prior to the Change in Control Date (or, if earlier, upon the Executive’s termination of employment for any reason), in an amount equal to the greater of (i) the amount payable to the Executive under such award determined on the basis of target performance achievement and (ii) the amount payable to the Executive under such award determined on the basis of achieving a Specified Performance Level for such award, and (d) each of the Executive’s Performance Award Plan awards (if any) outstanding in the year in which the Change in Control Date occurs shall become irrevocably payable, without regard to any term or condition applicable to such award except as specified herein, at the same time or times as similar Performance Award Plan awards would generally otherwise be payable based on the terms thereof as in effect immediately prior to the Change in Control Date (or, if earlier, upon the Executive’s termination of employment for any reason), in an amount equal to the greater of (i) the amount payable to the Executive under such award determined on the basis of target performance achievement and (ii) the amount payable to the Executive under such award determined on the basis of achieving a Specified Performance Level for such award.

SECTION 8. Certain Additional Payments by the Company. (a) Notwithstanding anything in this Agreement to the contrary and except as set forth below, in the event it shall be determined that any Payment that is paid or payable to or for the benefit of the Executive during the term of this Agreement would be subject to the Excise Tax, the Executive shall be entitled to receive an additional payment (a “280G Gross-Up Payment”) in an amount such that, after payment by the Executive of all taxes (and any interest or penalties imposed with respect to such taxes), including any income and employment taxes and Excise Taxes imposed upon the 280G Gross-Up Payment, the Executive retains an amount of the 280G Gross-Up Payment equal to the Excise Tax imposed upon such Payments. The Company’s obligation to make 280G Gross-Up Payments under this Section 8 shall not be conditioned upon the Executive’s termination of employment and shall survive and apply after the Executive’s termination of employment.

(b) Subject to the provisions of Section 8(c), all determinations required to be made under this Section 8, including whether and when a 280G Gross-Up Payment is required, the amount of such 280G Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made in accordance with the terms of this

Section 8 by a nationally recognized certified public accounting firm that shall be designated by the Company (the “Accounting Firm”). The Accounting Firm shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment or such earlier time as is requested by the Company or the Executive. For purposes of determining the amount of any 280G Gross-Up Payment, the Executive shall be deemed to pay Federal income tax at the highest marginal rate applicable to individuals in the calendar year in which any such 280G Gross-Up Payment is to be made and deemed to pay state and local income taxes at the highest marginal rates applicable to individuals in the state or locality of the Executive’s residence or place of employment in the calendar year in which any such 280G Gross-Up Payment is to be made, net of the maximum reduction in Federal income taxes that can be obtained from deduction of state and local taxes, taking into account limitations applicable to individuals subject to Federal income tax at the highest marginal rate. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any 280G Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to the Executive within five business days of the receipt of the Accounting Firm’s determination, provided that, in no event, shall such payment be made later than the last day of the calendar year after the calendar year in which the applicable Excise Tax is paid. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall so indicate to the Executive in writing. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of the Excise Tax, at the time of the initial determination by the Accounting Firm hereunder, it is possible that the amount of the 280G Gross-Up Payment determined by the Accounting Firm to be due to the Executive, consistent with the calculations required to be made hereunder, will be lower than the amount actually due (an “Underpayment”). In the event the Company exhausts its remedies pursuant to Section 8(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment (which, for the avoidance of doubt, shall be calculated on an after-tax basis consistent with this Section 8) shall be paid by the Company to the Executive within five business days of the receipt of the Accounting Firm’s determination.

(c) The Executive shall notify the Company in writing of any written claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a 280G Gross-Up Payment. Such notification shall be given as soon as practicable, but no later than ten business days after the Executive is informed in writing of such claim. Failure to give timely notice shall not prejudice the Executive’s right to 280G Gross-Up Payments and rights of indemnity under this Section 8. The Executive shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that the Company desires to contest such claim, the Executive shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such

claim as the Company shall reasonably request in writing from time to time, including accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order effectively to contest such claim and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional income taxes, interest and penalties) incurred in connection with such contest, and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest or penalties) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8(c), the Company shall control all proceedings taken in connection with such contest, and, at its sole discretion, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the applicable taxing authority in respect of such claim and may, at its sole discretion, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that (A) if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties) imposed with respect to such advance or with respect to any imputed income in connection with such advance and (B) if such contest results in any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due, such extension must be limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which the 280G Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 8(c)) promptly pay to the Company the amount of such refund received (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of the 30-day period after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of 280G Gross-Up Payment required to be paid.

SECTION 9. Section 409A. It is the intention of the Company and the Executive that the provisions of this Agreement comply with Section 409A of the Code and the final regulations promulgated thereunder (including the transition rules thereof),



and all provisions of this Agreement shall be construed and interpreted in a manner consistent with Section 409A of the Code and such final regulations. To the extent necessary to avoid imposition of any additional tax or interest penalties under Section 409A (such tax and interest penalties, a “Section 409A Tax”), notwithstanding the timing of payment provided in any other Section of this Agreement, the timing of any payment, distribution or benefit pursuant to this Agreement shall be subject to a six-month delay in a manner consistent with Section 409A(a)(2)(B)(i) of the Code, provided that (a) the Executive shall be credited with interest in respect of such payment, distribution or benefit during such six-month period at the rate set forth in Section 16 and (b) if the Executive dies during such six-month period, any such delayed payments shall not be further delayed, and shall be immediately payable to the Executive’s devisee, legatee or other designee or, should there be no such designee, to the Executive’s estate in accordance with the applicable provisions of this Agreement. From and after the Effective Date and for the remainder of the term of this Agreement, (i) the Company shall administer and operate this Agreement in compliance with Section 409A of the Code and the final regulations promulgated thereunder and any other applicable rules, regulations or other guidance promulgated thereunder as in effect from time to time, (ii) in the event that the Company determines, after conducting a reasonable review, that any provision of this Agreement does not comply with Section 409A of the Code or any such rules, regulations or guidance and that the Executive may become subject to a Section 409A Tax, the Company and the Executive shall negotiate in good faith to amend or modify such provision to avoid the application of such Section 409A Tax, provided that such amendment or modification shall not (and the Executive shall not be obligated to consent to any such amendment or modification that would) reduce the economic value to the Executive of such provision, and (iii) in the event that, notwithstanding the foregoing, the Executive is subject to a Section 409A Tax with respect to any such provision, then except to the extent such Section 409A Tax is attributable to the Executive’s breach of the Executive’s obligations under the immediately preceding clause (ii), the Executive shall be entitled to receive an additional payment from the Company (a “409A Gross-Up Payment”) in an amount such that, after payment by the Executive of all taxes (and any interest or penalties imposed with respect to such taxes), including any income and employment taxes (and any interest and penalties imposed with respect thereto) and any Section 409A Tax imposed upon the 409A Gross-Up Payment, the Executive retains an amount of the 409A Gross-Up Payment equal to the Section 409A Tax imposed with respect to such provision. The provisions of Sections 8(c) and (d) shall apply mutatis mutandis to any claim by the Internal Revenue Service that, if successful, would give rise to a 409A Gross-Up Payment by the Company.

SECTION 10. Non-Competition/Non-Solicitation and Confidentiality. (a) Executive covenants and agrees that during Executive’s employment with the Company and for a period of two years following the termination of Executive’s employment, including termination by the Company for Cause or without Cause, Executive shall not, in the United States of America, engage, directly or indirectly, whether as principal or as agent, officer, director, employee, consultant, shareholder or otherwise, alone or in association with any other person, corporation or other entity, in any Competing Business. Notwithstanding the foregoing, Executive may own, directly

or indirectly, up to 1% of the outstanding equity of any business which may be a Competing Business without violating the provisions of this Section 10(a).

(b) Executive agrees that during his employment with the Company he shall not, directly or indirectly, solicit the business of, or do business with, any customer or prospective customer of the Company or its subsidiaries for any business purpose other than for the benefit of the Company or any of its subsidiaries. Executive further agrees that for two years following termination of his employment with the Company, including termination by the Company for Cause or without Cause, Executive shall not, directly or indirectly, solicit the business of, or do business with, any customers or prospective customers of the Company or any of its subsidiaries; provided, however, that this provision shall not apply to soliciting to provide or providing any services which the Company or any of its subsidiaries does not provide, or has not traditionally sought to provide.

(c) Executive agrees that, during his employment with the Company and for two years following termination of Executive's employment with the Company, including termination by the Company for Cause or without Cause, Executive shall not, directly or indirectly, solicit or induce, or attempt to solicit or induce, any employee of the Company to leave the employment of the Company for any reason whatsoever, or hire or engage any employee of the Company except into the employment of the Company, provided that the foregoing shall not apply to any employee hired through a general hiring process without any direct or indirect involvement by the Executive in recruiting such person for hire.

(d) The Executive acknowledges that the confidential information and trade secrets of the Company obtained by the Executive while employed by the Company are the property of the Company. Therefore, the Executive agrees that the Executive shall not disclose to any unauthorized Person or use for the Executive's own purposes any such information or trade secrets without the prior written consent of the Company, unless and to the extent that the aforementioned matters (i) become generally known to and available for use by the public other than as a result of the Executive's acts or omissions in violation of this Agreement, (ii) were within the Executive's possession prior to its being obtained by the Executive in the course of the Executive's employment with the Company or (iii) are required to be disclosed pursuant to applicable law.

SECTION 11. No Mitigation or Offset; Enforcement of this Agreement. (a) Except as expressly provided in Section 5(d) and (e), the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as otherwise expressly provided for in this Agreement, such amounts shall not be reduced whether or not the Executive obtains other employment.

(b) The Company shall reimburse the Executive for, promptly upon the Executive's demand, any and all reasonable legal fees and expenses that the Executive may incur during the period from the Effective Date until the expiration of this Agreement in accordance with its terms, as a result of any contest, dispute or proceeding (regardless of whether formal legal proceedings are ever commenced and regardless of the outcome thereof and including all stages of any contest, dispute or proceeding) by the Company, the Executive or any other Person with respect to the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest by the Executive regarding the amount of any payment owed pursuant to this Agreement).

SECTION 12. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, practice, policy or program provided by the Company or a Subsidiary for which the Executive may qualify, nor shall anything in this Agreement limit or otherwise affect any rights the Executive may have under any plan, contract or agreement with the Company or a Subsidiary (other than the Prior Agreement). Vested benefits and other amounts that the Executive is otherwise entitled to receive under any incentive compensation (including any equity award agreement), deferred compensation, retirement, pension or other plan, practice, policy or program of, or any contract or agreement with, the Company or a Subsidiary (other than the Prior Agreement) shall be payable in accordance with the terms of each such plan, practice, policy, program, contract or agreement, as the case may be, except as explicitly modified by this Agreement.

SECTION 13. Withholding. The Company may deduct and withhold from any amounts payable under this Agreement such Federal, state, local, foreign or other taxes as are required to be withheld pursuant to any applicable law or regulation.

SECTION 14. Assignment. (a) This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution, and any assignment in violation of this Agreement shall be void.

(b) Notwithstanding the foregoing Section 14(a), this Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to him or her hereunder if he or she had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee or other designee or, should there be no such designee, to the Executive's estate.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company (a "Successor") to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in this Agreement (except for

purposes of Section 10), (i) the term “Company” shall mean the Company as hereinbefore defined and any Successor and any permitted assignee to which this Agreement is assigned and (ii) the term “Board” shall mean the Board as hereinbefore defined and the board of directors or equivalent governing body of any Successor and any permitted assignee to which this Agreement is assigned.

SECTION 15. Dispute Resolution. (a) Except as otherwise specifically provided herein, the Executive and the Company each hereby irrevocably submit to the exclusive jurisdiction of any Federal court located within the State of Ohio over any dispute arising out of or relating to this Agreement. Except as otherwise specifically provided in this Agreement, the parties undertake not to commence any suit, action or proceeding arising out of or relating to this Agreement in a forum other than a forum described in this Section 15(a); provided, however, that nothing herein shall preclude the Company or the Executive from bringing any suit, action or proceeding in any other court for the purposes of enforcing the provisions of this Section 15 or enforcing any judgment obtained by the Company or the Executive.

(b) The agreement of the parties to the forum described in Section 15(a) is independent of the law that may be applied in any suit, action or proceeding and the parties agree to such forum even if such forum may under applicable law choose to apply non-forum law. The parties hereby waive, to the fullest extent permitted by applicable law, any objection that they now or hereafter have to personal jurisdiction or to the laying of venue of any such suit, action or proceeding brought in an applicable court described in Section 15(a), and the parties agree that they shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court. The parties agree that, to the fullest extent permitted by applicable law, a final and non-appealable judgment in any suit, action or proceeding brought in any applicable court described in Section 15(a) shall be conclusive and binding upon the parties and may be enforced in any other jurisdiction.

(c) The parties hereto irrevocably consent to the service of any and all process in any suit, action or proceeding arising out of or relating to this Agreement by the mailing of copies of such process to such party’s address specified in Section 22.

SECTION 16. Default in Payment. Any payment not made within ten business days after it is due in accordance with this Agreement shall thereafter bear interest, compounded annually, at the prime rate in effect from time to time at Citibank, N.A., or any successor thereto.

**SECTION 17. GOVERNING LAW. THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN THE STATE OF DELAWARE AND THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT IN ALL RESPECTS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAW.**

SECTION 18. Amendment; No Waiver. No provision of this Agreement may be amended, modified, waived or discharged except by a written document signed by the Executive and a duly authorized officer of the Company. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party' s rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. No failure or delay by either party in exercising any right or power hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment of any steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party, which are not set forth expressly in this Agreement.

SECTION 19. Severability. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any applicable law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party. Upon any such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

SECTION 20. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and, except as specifically set forth herein, supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, Executive or representative of any party hereto. None of the parties shall be liable or bound to any other party in any manner by any representations and warranties or covenants relating to such subject matter except as specifically set forth herein.

SECTION 21. Survival. The rights and obligations of the parties under the provisions of this Agreement, including Sections 2, 8, 9, 10 and 11, shall survive and remain binding and enforceable, notwithstanding the expiration of the Protection Period or the term of this Agreement, the termination of the Executive' s employment with the Company for any reason or any settlement of the financial rights and obligations arising from the Executive' s employment hereunder, to the extent necessary to preserve the intended benefits of such provisions.

SECTION 22. Notices. All notices or other communications required or permitted by this Agreement will be made in writing and all such notices or communications will be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company: Manor Care, Inc.  
 333 N. Summit St.  
 Toledo, OH 43604  
 Attention: General Counsel  
 Fax: (419) 252-5599

If to the Executive: At the address for the Executive most recently on file with the Company

or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

SECTION 23. Headings and References. The headings of this Agreement are inserted for convenience only and neither constitute a part of this Agreement nor affect in any way the meaning or interpretation of this Agreement. When a reference in this Agreement is made to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated.

SECTION 24. Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

SECTION 25. Interpretation. For purposes of this Agreement, the words "include" and "including", and variations thereof, shall not be deemed to be terms of limitation but rather shall be deemed to be followed by the words "without limitation". The term "or" is not exclusive. The word "extent" in the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply "if".

**IN WITNESS WHEREOF**, this Agreement has been executed by the parties as of the date first written above.

**MANOR CARE, INC.**

By: /s/ Paul A. Ormond

Paul A. Ormond  
 Chairman, President and  
 Chief Executive Officer

/s/ Steven M. Cavanaugh

Steven M. Cavanaugh



**EMPLOYMENT AGREEMENT** (this "Agreement") dated as of June 13, 2007, between MANOR CARE, INC. , a Delaware corporation (the "Company"), and RICHARD A. PARR II (the "Executive").

WHEREAS the Executive is a skilled and dedicated employee of the Company who has important management responsibilities and talents that benefit the Company; and

WHEREAS the Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board") considers it essential to the best interests of the Company and its stockholders to assure that the Company and its subsidiaries will have the continued dedication of the Executive;

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

SECTION 1. Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

(a) "Affiliate(s)" means, with respect to any specified Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

(b) "Annual Incentive Plan" means the Company' s Annual Incentive Plan as in effect from time to time.

(c) "Cause" means the occurrence of any one of the following:

(i) the Executive is convicted of, or pleads guilty or nolo contendere to, any felony;

(ii) the Executive commits one or more acts constituting wilful financial dishonesty or fraud in connection with the performance of his duties; or

(iii) the Executive continually and wilfully fails, for at least 14 days following written notice from the Company, to perform substantially the Executive' s employment duties (other than as a result of incapacity due to physical or mental illness or after delivery by the Executive of a Notice of Termination for Good Reason).

For purposes of this provision, no act or failure to act on the part of the Executive shall be considered "wilful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive' s action or

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omission was in the best interests of the Company. The termination of employment of the Executive for Cause shall not be effective unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the Board (excluding the Executive) at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that in the good faith opinion of the Board, the Executive is guilty of the conduct described in clause (i), (ii) or (iii) above and specifying the particulars thereof in detail.

(d) “Change in Control” means the occurrence of any of the following:

(i) during any period of twelve consecutive months, the individuals who, as of the beginning of such period, were members of the Board (the “Incumbent Directors”) cease for any reason, prior to the end of such period, to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the beginning of such period whose appointment or election, or nomination for election, by the Company’s stockholders was approved by a vote of at least a majority of the Incumbent Directors shall be considered as though such individual were an Incumbent Director, but excluding, for purposes of this proviso, any such individual whose assumption of office after the beginning of such period occurs as a result of an actual or threatened proxy contest with respect to election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a “person” (as such term is used in Section 13(d) of the Exchange Act) (each, a “Person”) other than the Board or the Company;

(ii) the consummation of (A) a merger, consolidation, statutory share exchange, reorganization or similar form of corporate transaction (including as a part of a series of other transactions) involving (x) the Company or (y) any of its Subsidiaries, but in the case of this clause (y) only if Company Voting Securities (as defined below) are issued or issuable or (B) a sale or other disposition of all or substantially all the assets of the Company (any such event, a “Reorganization”), unless, immediately following such Reorganization, (1) all or substantially all the individuals and entities who were the “beneficial owners” (as such term is defined in Rule 13d-3 under the Exchange Act (or a successor rule thereto)) of shares of the Company’s common stock or other securities eligible to vote for the election of the Board outstanding immediately prior to the consummation of such Reorganization (such securities, the “Company Voting Securities”) beneficially own, directly or indirectly, more than 65% of the combined voting power of the then outstanding voting securities of the corporation or other entity resulting from such Reorganization (including a corporation or other entity that, as a result of such transaction, owns the Company or all or substantially all the Company’s assets either directly or through one or more subsidiaries) (the “Continuing Entity”) in substantially the same proportions as their ownership, immediately prior to the consummation of such Reorganization, of the outstanding Company Voting Securities (excluding any outstanding voting securities of the Continuing

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Entity that such beneficial owners hold immediately following the consummation of the Reorganization as a result of their ownership prior to such consummation of voting securities of any corporation or other entity involved in or forming part of such Reorganization other than the Company or a Subsidiary), (2) no Person (excluding any employee benefit plan (or related trust) sponsored or maintained by the Continuing Entity or any corporation or other entity controlled by the Continuing Entity) beneficially owns, directly or indirectly, 15% or more of the combined voting power of the then outstanding voting securities of the Continuing Entity and (3) at least a majority of the members of the board of directors or other governing body of the Continuing Entity immediately after the Reorganization are Incumbent Directors;

(iii) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company; or

(iv) any Person, corporation or other entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) becomes the beneficial owner, directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of the Company Voting Securities; provided, however, that for purposes of this subparagraph (iv), the following acquisitions shall not constitute a Change in Control: (A) any acquisition by the Company or any Subsidiary, (B) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (C) any acquisition by an underwriter temporarily holding such Company Voting Securities pursuant to an offering of such securities or (D) any acquisition pursuant to a Reorganization that does not constitute a Change in Control.

(e) "Change in Control Date" means the date on which a Change in Control occurs (if any).

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

(g) "Competing Business" shall mean any person, corporation or other entity engaged in the United States of America in providing skilled nursing, assisted living, home health, hospice or rehabilitation services or providing or attempting to provide any other product or service which is the same as or similar to products or services sold or provided by the Company or any of its subsidiaries within the two-year period prior to the Termination Date.

(h) "Disability" means that either (i) the Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months or (ii) the Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months,

receiving income replacement benefits for a period of not less than three months under an accident and health plan covering the Company's employees.

(i) "Employee Benefits" means the perquisites and benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which the Executive is entitled to participate at any time of determination, including any stock option, stock purchase, stock appreciation, savings, pension, supplemental employee retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical, hospital or other insurance (whether funded by actual insurance or self-insured by the Company), disability, salary continuation, expense reimbursement and other employee benefit policies.

(j) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute thereto.

(k) "Excise Tax" means the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such tax.

(l) "Good Reason" means, without the Executive's express written consent, the occurrence of any one or more of the following:

(i) the failure to elect or reelect or otherwise to maintain Executive in the office(s) or position(s) with the Company set forth in Section 3 and any other office(s) or position(s) that Executive held immediately prior to the Change in Control Date;

(ii) the occurrence of any of the following which is not remedied within ten days after written notice to the Board from Executive:

(A) a significant adverse change, whether involving a reduction or expansion, in the nature or scope of the authorities, positions, powers, functions, responsibilities or duties attached to the office(s) and position(s) with the Company set forth in Section 3 and any other office(s) or position(s) that Executive held immediately prior to the Change in Control Date, including ceasing to report to the Company's Chief Executive Officer and any other change in the reporting lines, offices and positions to which Executive reported or which reported to the Executive immediately prior to the Change in Control Date and any change due to the Company no longer being a reporting company under the Exchange Act;

(B) a reduction in Executive's annual base salary as in effect immediately prior to the Change in Control Date;

(C) a material reduction in the scope or value of Employee Benefits as in effect immediately prior to the Change in Control Date;

(D) any material breach of this Agreement by the Company; or

(E) the continuation or repetition of harassing or denigrating treatment of Executive which is inconsistent with Executive's position with the Company;

(iii) the failure of the Company to comply with and satisfy the requirements of Section 14(c); or

(iv) the Company (A) relocates its principal executive offices, or requires Executive to have his principal place of employment changed, to any location which increases by more than 25 miles Executive's commuting distance as compared to his commuting distance immediately prior to the Change in Control Date or (B) requires Executive to travel away from his principal place of employment in the course of discharging his responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar year or in any two consecutive calendar quarters when annualized for purposes of comparison to any prior year) than the average of such time that was required of Executive in the three full years immediately prior to the Change in Control Date (or such lesser number of years for which the Executive was employed by the Company).

The Executive's right to terminate employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. A termination of employment by the Executive for Good Reason for purposes of this Agreement shall be effectuated by giving the Company written notice ("Notice of Termination for Good Reason") of the termination setting forth in reasonable detail the specific conduct of the Company that constitutes Good Reason and the specific provisions of this Agreement on which the Executive relied. A termination of employment by the Executive for Good Reason shall be effective on the 30th day following the date when the Notice of Termination for Good Reason is given, unless the Company elects to treat such termination as effective as of an earlier date. If the Executive continues to provide services to the Company after one of the events giving rise to Good Reason has occurred, the Executive shall not be deemed to have consented to such event or to have waived the Executive's right to terminate his or her employment for Good Reason in connection with such event.

(m) "Incentive Amount" means the greater of (i) the amount payable to the Executive under his Annual Incentive Plan award for the award period ending in the year in which the Change in Control Date occurs determined on the basis of target award level achievement and (ii) the amount payable to the Executive under his Annual Incentive Plan award for the award period ending in the year in which the Change in Control Date occurs on the basis of award level achievement (expressed as a percentage) equal to the average of the actual award levels (expressed as a percentage) achieved by the Executive under the Annual Incentive Plan with respect to each of the three full years prior to the year in which the Change in Control Date occurs (or such lesser number of years for which the Executive was employed by the Company).

(n) "Payment" means any payment, benefit or distribution (or combination thereof) by the Company, any of its Affiliates or any trust established by the Company or its Affiliates, to or for the benefit of the Executive, whether paid, payable, distributed, distributable or provided pursuant to this Agreement or otherwise, including any payment, benefit or other right that constitutes a "parachute payment" within the meaning of Section 280G of the Code.

(o) "Performance Award Plan" means the Company's Performance Award Plan as in effect from time to time.

(p) "Person" shall have the meaning set forth in Section 1(d)(i).

(q) "Protection Period" means the period commencing on the Change in Control Date and ending on the second anniversary thereof.

(r) "Qualifying Termination" means any termination of the Executive's employment (i) by the Company, other than for Cause, death or Disability, that is effective (or with respect to which the Executive is given written notice) during the Protection Period or (ii) by the Executive for Good Reason that is effective (or with respect to which the Executive has given Notice of Termination for Good Reason) during the Protection Period.

(s) "Specified Performance Level" means (i) in the case of any Performance Share (as defined in Section 7), performance achievement (expressed as a percentage) relative to the applicable performance goals established by the Company for each applicable year for Performance Shares generally (provided that, in the case of any such year for which more than one actual performance level was determined, the actual performance level for such year shall be deemed to be the average of all such levels for such year), equal to the greatest of, as applicable, (A) the average actual aggregate award level or levels of the Company (as approved by the Committee and expressed as a percentage) for each of the three full years prior to the year in which the Change in Control Date occurs, (B) if the Change in Control Date occurs after June 30 in any year, the average actual aggregate award level or levels of the Company (as approved by the Committee and expressed as a percentage) for each of the two full years prior to the year in which the Change in Control Date occurs and the partial year in which the Change in Control Date occurs, utilizing, in the case of such partial year, the aggregate award level of the Company for such year as determined by the Committee prior to the Change in Control Date and expressed as a percentage based on the Committee's review of year-to-date financial performance of the Company for such year, and (C) such other performance achievement level as may be determined by the Committee prior to the Change in Control Date (expressed as a percentage) based on the Committee's review of Company performance, in comparison to actual award levels approved by the Committee, for the multi-year period commencing in 2005 with respect to which various awards of Performance Shares were made and such other factors as the Committee determines are relevant to determining an appropriate performance achievement level, (ii) in the case of any Annual Incentive Plan award, award level achievement (expressed as a percentage) equal to the greater of (A) the average actual award level achievement of the Executive

(as approved by the Committee and expressed as a percentage) for each of the three full years prior to the year in which the Change in Control Date occurs (or such lesser number of years for which the Executive was employed by the Company) relative to the applicable performance goals established by the Company for each of such full years and (B) such other award level achievement as may be determined by the Committee prior to the Change in Control Date (expressed as a percentage) based on the Committee's review of year-to-date performance of the Company and the Executive for the year in which the Change in Control Date occurs and such other factors as the Committee determines are relevant to determining an appropriate performance achievement level and (iii) in the case of any Performance Award Plan award, performance achievement (expressed as a percentage) relative to the applicable performance goals established by the Company for each applicable year for Performance Award Plan awards generally (provided that, in the case of any such year for which more than one actual performance level was determined, the actual performance level for such year shall be deemed to be the average of all such levels for such year), equal to the greatest of, as applicable, (A) the average actual performance achievement level of the Company (as approved by the Committee and expressed as a percentage) for each of the three full years prior to the year in which the Change in Control Date occurs, (B) if the Change in Control Date occurs after June 30 in any year, the average actual performance achievement level of the Company (as approved by the Committee and expressed as a percentage) for each of the two full years prior to the year in which the Change in Control Date occurs and the partial year in which the Change in Control Date occurs, utilizing, in the case of such partial year, the performance achievement level of the Company for such year as determined by the Committee prior to the Change in Control Date and expressed as a percentage based on the Committee's review of year-to-date financial performance of the Company for such year, and (C) such other performance achievement level as may be determined by the Committee prior to the Change in Control Date (expressed as a percentage) based on the Committee's review of Company performance, in comparison to actual performance achievement levels approved by the Committee, for the multi-year period commencing in 2005 with respect to which various awards under the Performance Achievement Plan were made and such other factors as the Committee determines are relevant to determining an appropriate performance achievement level.

(t) "Subsidiary" means any entity in which the Company, directly or indirectly, possesses 50% or more of the total combined voting power of all classes of its stock.

(u) "Termination Date" means the date (if any) on which the termination of the Executive's employment, in accordance with the terms of this Agreement, is effective.

SECTION 2. Effectiveness; Effect on Prior Agreement. (a) This Agreement and Executive's employment hereunder shall become effective as of the date hereof (the "Effective Date"). This Agreement and Executive's employment hereunder shall remain in effect until the second anniversary of the Effective Date, except that, beginning on the first anniversary of the Effective Date and on each anniversary thereafter (i.e., one year prior to the scheduled expiration of the term hereof), the term of

this Agreement and Executive' s employment hereunder shall be automatically extended for an additional one-year period, unless, prior to the occurrence of a Change in Control, the Company or Executive provides the other party with 90 days' prior written notice before the applicable anniversary that the term of this Agreement and Executive' s employment hereunder shall not be so extended (the last day of such period, giving effect to all such extensions, the "Normal Expiration Date"), provided that upon the occurrence of a Change in Control prior to the Normal Expiration Date, (A) the term of this Agreement shall not expire or terminate, (B) the Company shall have no further right to amend, modify or terminate this Agreement or the term thereof without the Executive' s written consent in accordance with Section 18, (C) the Employment Term (as defined in Section 3) shall not expire unless expressly terminated by the Company or Executive in accordance with Section 4 and (D) any purported termination of this Agreement or the term thereof by the Company (other than in connection with a termination of Executive' s employment for any reason other than Cause, death or Disability) shall be deemed to be a termination of Executive' s employment by the Company other than for Cause; provided, however, that Sections 6, 7 and 8 of this Agreement shall only be effective with respect to the first Change in Control that occurs during the term of this Agreement.

(b) Effective as of the Effective Date, this Agreement shall replace and supersede in its entirety the Employment Agreement dated as of May 1, 2006 among the Executive, the Company and the other parties thereto (the "Prior Agreement"), which shall have no further force or effect. In addition, the receipt of severance benefits under Section 5 or 6 shall be conditioned on the waiver of any other cash severance benefits otherwise payable to the Executive under any severance plan or policy available generally to Company employees.

**SECTION 3. Terms and Conditions of Employment.** (a) The Company hereby agrees to continue to employ the Executive, and the Executive hereby agrees to continue to be employed by the Company, as its Vice President, General Counsel and Secretary on the terms and conditions set forth herein for the period commencing on the Effective Date and ending on the earlier of (i) the termination of the Executive' s employment for any reason and (ii) the termination of this Agreement in accordance with its terms (such period of employment, the "Employment Term").

(b) During the Employment Term, the Executive shall have authorities, powers, functions, responsibilities and duties consistent with those held by the Executive immediately prior to the Effective Date and shall devote substantially all the Executive' s business time to the performance of such responsibilities and duties.

(c) During the Employment Term, the Executive shall report directly to the Chief Executive Officer of the Company.

(d) During the Employment Term, the Executive' s principal place of employment shall be at the Company' s current principal executive offices in Toledo, Ohio. The Executive acknowledges that his responsibilities and duties shall require him to travel on business to the extent necessary to fully perform such responsibilities and duties.

(e) During the Employment Term, the Executive shall, without limitation to Sections 3 and 4, be entitled to the following compensation and benefits:

(i) Annual base salary at a rate no less than the rate in effect immediately prior to the Effective Date, subject to such subsequent upward adjustments as may be determined by the Board from time to time, which shall be payable on the Company's normal payroll schedule;

(ii) Such annual, short-term and long-term incentive and equity compensation awards as may be determined by the Board; and

(iii) Participation in the employee benefit, welfare, retirement, perquisite and other plans, programs and policies provided to other similarly situated employees or provided to other senior executives of the Company, as determined by the Board from time to time, and subject to the terms and conditions of such arrangements as in effect from time to time.

(f) Exhibit A of this Agreement sets forth, as of the date of this Agreement:

(i) With respect to Performance Shares, (A) the Executive's outstanding awards, including the applicable performance goals and target and maximum award levels, and (B) the actual aggregate award levels of the Company (as approved by the Committee and expressed as a percentage) for each of 2005 and 2006 relative to the applicable performance goals established by the Company for each of such years for Performance Shares generally.

(ii) With respect to the Annual Incentive Plan, (A) the Executive's target and maximum award levels, and (B) the Executive's actual award level (expressed as a percentage) under the Annual Incentive Plan with respect to each of 2004, 2005 and 2006 (or such lesser number of years for which the Executive was employed by the Company).

**SECTION 4. Termination of Employment.** (a) The Executive's employment hereunder may be terminated by the Company or the Executive at any time and for any reason, subject to the terms and conditions of this Agreement.

(b) Except as otherwise provided herein, each party hereto shall give the other party at least 30 days prior written notice of any termination of the Executive's employment by such party. Notwithstanding the foregoing, the Executive's employment shall automatically terminate without notice in the event of the Executive's death.

(c) In the event of any termination of the Executive's employment hereunder, the Executive shall be entitled to receive promptly (i) any annual base salary, annual bonus or other amounts earned and payable, but not yet paid as of the Termination Date, under the terms of the applicable benefit plan, practice, policy or program, (ii) reimbursement of any unreimbursed business expenses incurred through the Termination Date, (iii) any other payments explicitly set forth in any benefit plans,



practices, policies and programs in which the Executive participates and (iv) as otherwise required by applicable law (the rights to such payments, the “Accrued Rights”).

(d) In addition to the Accrued Rights, the Executive may be entitled to additional payments and benefits under Section 5 or 6. In the event that payments and benefits under Section 6 become payable, the Executive shall not be entitled to receive any payments or benefits under Section 5.

**SECTION 5. Severance Prior to a Change in Control.** (a) Upon any voluntary termination of the Executive’s employment, whether or not for Good Reason, the Executive shall not be entitled to any additional payments or benefits under this Section 5 other than the Accrued Rights.

(b) Upon the termination of Executive’s employment by the Company for Cause, the Executive shall not be entitled to any additional payments or benefits under this Section 5 other than the Accrued Rights.

(c) Upon the termination of Executive’s employment by the Company for any reason other than for Cause, death or Disability, the Company shall, in addition to payment of the Accrued Rights, continue payment of Executive’s then-current annual base salary, on the Company’s normal payroll schedule, for a period of two years after the Termination Date.

(d) Upon the termination of Executive’s employment as a result of death prior to the Change in Control Date, the Company shall, in addition to payment of the Accrued Rights, continue payment of Executive’s then-current annual base salary on the Company’s normal payroll schedule for a period of two years after the Termination Date; provided, however, that such payments shall be offset by any survivor benefits, excluding life insurance proceeds, received by Executive’s spouse or other designated beneficiary under the Company’s plans, programs and policies.

(e) Upon the termination of Executive’s employment as a result of his Disability prior to the Change in Control Date, the Company shall, in addition to payment of the Accrued Rights, continue payment of Executive’s then-current annual base salary on Company’s normal payroll schedule for a period of two years after the Termination Date; provided, however, that such payments shall be offset by any disability benefits received by Executive, or his legal guardian, under the Company’s plans, programs and policies.

**SECTION 6. Severance after a Change in Control.** (a) In the event of a Qualifying Termination, the Executive shall be entitled to the following payments and benefits in lieu of any payments or benefits otherwise payable under Section 5:

(i) The Company shall pay the Executive an amount equal to three times the sum of (A) the Executive’s annual base salary as in effect immediately prior to the Termination Date (without regard to any reduction giving rise to Good Reason) and (B) the Executive’s Incentive Amount, in a lump-sum payment payable no later than the tenth business day after the Termination Date.

(ii) The Company shall, at the Company's expense, continue to provide for a period of three years after such Qualifying Termination (the "Continuation Period") group medical, dental and vision benefits substantially similar to those which the Executive was receiving or entitled to receive immediately prior to the Change in Control Date.

(iii) Effective as of the Termination Date, Executive shall be credited with an additional 36 months of service with the Company for the purpose of determining service credits and benefits due to Executive under the Company's tax-qualified and non-qualified pension, retirement and savings plans in which the Executive, his dependents or his beneficiaries participated immediately prior to the Change in Control Date, provided that such credits and benefits with respect to tax-qualified plans shall be provided under a non-qualified plan to the extent necessary under applicable law and plan terms.

(iv) The Executive shall be entitled to receive the Accrued Rights.

(b) Non-Qualifying Termination. In the event of any termination of Executive's employment other than a Qualifying Termination (including a termination of employment as a result of death or Disability) on or after the Change in Control Date, the Executive shall not be entitled to any payments or benefits from the Company under this Section 6. Notwithstanding the foregoing, the Executive shall be entitled to payment of the Accrued Rights and may be entitled to payments and benefits under Section 5.

SECTION 7. Impact of a Change in Control on Equity Compensation and Other Incentive Awards. Effective as of the Change in Control Date, notwithstanding any provision to the contrary in the Company's Equity Incentive Plan, as amended and restated, Annual Incentive Plan or Performance Award Plan or any award agreements thereunder, (a) all outstanding (i) stock options and stock appreciation rights, (ii) restricted shares subject to service, but not performance, based vesting requirements (including any such shares delivered in connection with the vesting of Performance Shares (as defined below)) and (iii) restricted stock units, in each case then held by the Executive that are unexercisable or otherwise unvested, shall automatically become fully vested and unrestricted and immediately exercisable, as the case may be, (b) all outstanding restricted share awards that are subject to performance-based vesting or delivery requirements ("Performance Shares") then held by the Executive that are unvested shall automatically become vested on the basis that (i) all service based requirements have been satisfied and (ii) all performance-based requirements have been satisfied at the Specified Performance Level for Performance Shares for all relevant periods, (c) the Executive's outstanding Annual Incentive Plan award for the year in which the Change in Control Date occurs shall become irrevocably payable, without regard to any term or condition applicable to such award except as specified herein, at the same time as similar Annual Incentive Plan awards would generally otherwise be payable based on the terms thereof as in effect immediately prior to the Change in Control Date (or, if earlier, upon the Executive's termination of employment for any reason), in an amount equal to the greater of (i) the amount payable to the Executive under such award determined on the basis of target performance achievement and (ii) the amount payable to

the Executive under such award determined on the basis of achieving a Specified Performance Level for such award, and (d) each of the Executive's Performance Award Plan awards (if any) outstanding in the year in which the Change in Control Date occurs shall become irrevocably payable, without regard to any term or condition applicable to such award except as specified herein, at the same time or times as similar Performance Award Plan awards would generally otherwise be payable based on the terms thereof as in effect immediately prior to the Change in Control Date (or, if earlier, upon the Executive's termination of employment for any reason), in an amount equal to the greater of (i) the amount payable to the Executive under such award determined on the basis of target performance achievement and (ii) the amount payable to the Executive under such award determined on the basis of achieving a Specified Performance Level for such award.

**SECTION 8. Certain Additional Payments by the Company.** (a) Notwithstanding anything in this Agreement to the contrary and except as set forth below, in the event it shall be determined that any Payment that is paid or payable to or for the benefit of the Executive during the term of this Agreement would be subject to the Excise Tax, the Executive shall be entitled to receive an additional payment (a "280G Gross-Up Payment") in an amount such that, after payment by the Executive of all taxes (and any interest or penalties imposed with respect to such taxes), including any income and employment taxes and Excise Taxes imposed upon the 280G Gross-Up Payment, the Executive retains an amount of the 280G Gross-Up Payment equal to the Excise Tax imposed upon such Payments. The Company's obligation to make 280G Gross-Up Payments under this Section 8 shall not be conditioned upon the Executive's termination of employment and shall survive and apply after the Executive's termination of employment.

(b) Subject to the provisions of Section 8(c), all determinations required to be made under this Section 8, including whether and when a 280G Gross-Up Payment is required, the amount of such 280G Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made in accordance with the terms of this Section 8 by a nationally recognized certified public accounting firm that shall be designated by the Company (the "Accounting Firm"). The Accounting Firm shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment or such earlier time as is requested by the Company or the Executive. For purposes of determining the amount of any 280G Gross-Up Payment, the Executive shall be deemed to pay Federal income tax at the highest marginal rate applicable to individuals in the calendar year in which any such 280G Gross-Up Payment is to be made and deemed to pay state and local income taxes at the highest marginal rates applicable to individuals in the state or locality of the Executive's residence or place of employment in the calendar year in which any such 280G Gross-Up Payment is to be made, net of the maximum reduction in Federal income taxes that can be obtained from deduction of state and local taxes, taking into account limitations applicable to individuals subject to Federal income tax at the highest marginal rate. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any 280G Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to the Executive

within five business days of the receipt of the Accounting Firm's determination, provided that, in no event, shall such payment be made later than the last day of the calendar year after the calendar year in which the applicable Excise Tax is paid. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall so indicate to the Executive in writing. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of the Excise Tax, at the time of the initial determination by the Accounting Firm hereunder, it is possible that the amount of the 280G Gross-Up Payment determined by the Accounting Firm to be due to the Executive, consistent with the calculations required to be made hereunder, will be lower than the amount actually due (an "Underpayment"). In the event the Company exhausts its remedies pursuant to Section 8(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment (which, for the avoidance of doubt, shall be calculated on an after-tax basis consistent with this Section 8) shall be paid by the Company to the Executive within five business days of the receipt of the Accounting Firm's determination.

(c) The Executive shall notify the Company in writing of any written claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a 280G Gross-Up Payment. Such notification shall be given as soon as practicable, but no later than ten business days after the Executive is informed in writing of such claim. Failure to give timely notice shall not prejudice the Executive's right to 280G Gross-Up Payments and rights of indemnity under this Section 8. The Executive shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that the Company desires to contest such claim, the Executive shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order effectively to contest such claim and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional income taxes, interest and penalties) incurred in connection with such contest, and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest or penalties) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8(c), the Company shall control all proceedings taken in connection with such contest, and, at its sole discretion, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the applicable taxing authority in respect of such claim and may, at its sole discretion, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of

initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that (A) if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties) imposed with respect to such advance or with respect to any imputed income in connection with such advance and (B) if such contest results in any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due, such extension must be limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which the 280G Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 8(c)) promptly pay to the Company the amount of such refund received (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of the 30-day period after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of 280G Gross-Up Payment required to be paid.

SECTION 9. Section 409A. It is the intention of the Company and the Executive that the provisions of this Agreement comply with Section 409A of the Code and the final regulations promulgated thereunder (including the transition rules thereof), and all provisions of this Agreement shall be construed and interpreted in a manner consistent with Section 409A of the Code and such final regulations. To the extent necessary to avoid imposition of any additional tax or interest penalties under Section 409A (such tax and interest penalties, a "Section 409A Tax"), notwithstanding the timing of payment provided in any other Section of this Agreement, the timing of any payment, distribution or benefit pursuant to this Agreement shall be subject to a six-month delay in a manner consistent with Section 409A(a)(2)(B)(i) of the Code, provided that (a) the Executive shall be credited with interest in respect of such payment, distribution or benefit during such six-month period at the rate set forth in Section 16 and (b) if the Executive dies during such six-month period, any such delayed payments shall not be further delayed, and shall be immediately payable to the Executive's devisee, legatee or other designee or, should there be no such designee, to the Executive's estate in accordance with the applicable provisions of this Agreement. From and after the Effective Date and for the remainder of the term of this Agreement, (i) the Company shall administer and operate this Agreement in compliance with Section 409A of the Code and the final regulations promulgated thereunder and any other applicable rules, regulations

or other guidance promulgated thereunder as in effect from time to time, (ii) in the event that the Company determines, after conducting a reasonable review, that any provision of this Agreement does not comply with Section 409A of the Code or any such rules, regulations or guidance and that the Executive may become subject to a Section 409A Tax, the Company and the Executive shall negotiate in good faith to amend or modify such provision to avoid the application of such Section 409A Tax, provided that such amendment or modification shall not (and the Executive shall not be obligated to consent to any such amendment or modification that would) reduce the economic value to the Executive of such provision, and (iii) in the event that, notwithstanding the foregoing, the Executive is subject to a Section 409A Tax with respect to any such provision, then except to the extent such Section 409A Tax is attributable to the Executive's breach of the Executive's obligations under the immediately preceding clause (ii), the Executive shall be entitled to receive an additional payment from the Company (a "409A Gross-Up Payment") in an amount such that, after payment by the Executive of all taxes (and any interest or penalties imposed with respect to such taxes), including any income and employment taxes (and any interest and penalties imposed with respect thereto) and any Section 409A Tax imposed upon the 409A Gross-Up Payment, the Executive retains an amount of the 409A Gross-Up Payment equal to the Section 409A Tax imposed with respect to such provision. The provisions of Sections 8(c) and (d) shall apply mutatis mutandis to any claim by the Internal Revenue Service that, if successful, would give rise to a 409A Gross-Up Payment by the Company.

SECTION 10. Non-Competition/Non-Solicitation and Confidentiality. (a) Executive covenants and agrees that during Executive's employment with the Company and for a period of two years following the termination of Executive's employment, including termination by the Company for Cause or without Cause, Executive shall not, in the United States of America, engage, directly or indirectly, whether as principal or as agent, officer, director, employee, consultant, shareholder or otherwise, alone or in association with any other person, corporation or other entity, in any Competing Business. Notwithstanding the foregoing, Executive may own, directly or indirectly, up to 1% of the outstanding equity of any business which may be a Competing Business without violating the provisions of this Section 10(a).

(b) Executive agrees that during his employment with the Company he shall not, directly or indirectly, solicit the business of, or do business with, any customer or prospective customer of the Company or any of its subsidiaries for any business purpose other than for the benefit of the Company or its subsidiaries. Executive further agrees that for two years following termination of his employment with the Company, including termination by the Company for Cause or without Cause, Executive shall not, directly or indirectly, solicit the business of, or do business with, any customers or prospective customers of the Company or any of its subsidiaries; provided, however, that this provision shall not apply to soliciting to provide or providing any services which the Company or any of its subsidiaries does not provide, or has not traditionally sought to provide.

(c) Executive agrees that, during his employment with the Company and for two years following termination of Executive's employment with the Company,

including termination by the Company for Cause or without Cause, Executive shall not, directly or indirectly, solicit or induce, or attempt to solicit or induce, any employee of the Company to leave the employment of the Company for any reason whatsoever, or hire or engage any employee of the Company except into the employment of the Company, provided that the foregoing shall not apply to any employee hired through a general hiring process without any direct or indirect involvement by the Executive in recruiting such person for hire.

(d) The Executive acknowledges that the confidential information and trade secrets of the Company obtained by the Executive while employed by the Company are the property of the Company. Therefore, the Executive agrees that the Executive shall not disclose to any unauthorized Person or use for the Executive' s own purposes any such information or trade secrets without the prior written consent of the Company, unless and to the extent that the aforementioned matters (i) become generally known to and available for use by the public other than as a result of the Executive' s acts or omissions in violation of this Agreement, (ii) were within the Executive' s possession prior to its being obtained by the Executive in the course of the Executive' s employment with the Company or (iii) are required to be disclosed pursuant to applicable law.

**SECTION 11. No Mitigation or Offset; Enforcement of this Agreement.** (a) Except as expressly provided in Sections 5(d) and (e), the Company' s obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as otherwise expressly provided for in this Agreement, such amounts shall not be reduced whether or not the Executive obtains other employment.

(b) The Company shall reimburse the Executive for, promptly upon the Executive' s demand, any and all reasonable legal fees and expenses that the Executive may incur during the period from the Effective Date until the expiration of this Agreement in accordance with its terms, as a result of any contest, dispute or proceeding (regardless of whether formal legal proceedings are ever commenced and regardless of the outcome thereof and including all stages of any contest, dispute or proceeding) by the Company, the Executive or any other Person with respect to the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest by the Executive regarding the amount of any payment owed pursuant to this Agreement).

**SECTION 12. Non-Exclusivity of Rights.** Nothing in this Agreement shall prevent or limit the Executive' s continuing or future participation in any plan, practice, policy or program provided by the Company or a Subsidiary for which the Executive may qualify, nor shall anything in this Agreement limit or otherwise affect any rights the Executive may have under any plan, contract or agreement with the Company or a Subsidiary (other than the Prior Agreement). Vested benefits and other amounts that

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the Executive is otherwise entitled to receive under any incentive compensation (including any equity award agreement), deferred compensation, retirement, pension or other plan, practice, policy or program of, or any contract or agreement with, the Company or a Subsidiary (other than the Prior Agreement) shall be payable in accordance with the terms of each such plan, practice, policy, program, contract or agreement, as the case may be, except as explicitly modified by this Agreement.

SECTION 13. Withholding. The Company may deduct and withhold from any amounts payable under this Agreement such Federal, state, local, foreign or other taxes as are required to be withheld pursuant to any applicable law or regulation.

SECTION 14. Assignment. (a) This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution, and any assignment in violation of this Agreement shall be void.

(b) Notwithstanding the foregoing Section 14(a), this Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to him or her hereunder if he or she had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee or other designee or, should there be no such designee, to the Executive's estate.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company (a "Successor") to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in this Agreement (except for purposes of Section 10), (i) the term "Company" shall mean the Company as hereinbefore defined and any Successor and any permitted assignee to which this Agreement is assigned and (ii) the term "Board" shall mean the Board as hereinbefore defined and the board of directors or equivalent governing body of any Successor and any permitted assignee to which this Agreement is assigned.

SECTION 15. Dispute Resolution. (a) Except as otherwise specifically provided herein, the Executive and the Company each hereby irrevocably submit to the exclusive jurisdiction of any Federal court located within the State of Ohio over any dispute arising out of or relating to this Agreement. Except as otherwise specifically provided in this Agreement, the parties undertake not to commence any suit, action or proceeding arising out of or relating to this Agreement in a forum other than a forum described in this Section 15(a); provided, however, that nothing herein shall preclude the Company or the Executive from bringing any suit, action or proceeding in any other court for the purposes of enforcing the provisions of this Section 15 or enforcing any judgment obtained by the Company or the Executive.

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(b) The agreement of the parties to the forum described in Section 15(a) is independent of the law that may be applied in any suit, action or proceeding and the parties agree to such forum even if such forum may under applicable law choose to apply non-forum law. The parties hereby waive, to the fullest extent permitted by applicable law, any objection that they now or hereafter have to personal jurisdiction or to the laying of venue of any such suit, action or proceeding brought in an applicable court described in Section 15(a), and the parties agree that they shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court. The parties agree that, to the fullest extent permitted by applicable law, a final and non-appealable judgment in any suit, action or proceeding brought in any applicable court described in Section 15(a) shall be conclusive and binding upon the parties and may be enforced in any other jurisdiction.

(c) The parties hereto irrevocably consent to the service of any and all process in any suit, action or proceeding arising out of or relating to this Agreement by the mailing of copies of such process to such party at such party's address specified in Section 22.

SECTION 16. Default in Payment. Any payment not made within ten business days after it is due in accordance with this Agreement shall thereafter bear interest, compounded annually, at the prime rate in effect from time to time at Citibank, N.A., or any successor thereto.

**SECTION 17. GOVERNING LAW. THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN THE STATE OF DELAWARE AND THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT IN ALL RESPECTS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAW.**

SECTION 18. Amendment; No Waiver. No provision of this Agreement may be amended, modified, waived or discharged except by a written document signed by the Executive and a duly authorized officer of the Company. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. No failure or delay by either party in exercising any right or power hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment of any steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party, which are not set forth expressly in this Agreement.

SECTION 19. Severability. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any applicable law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force

and effect so long as the economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party. Upon any such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

SECTION 20. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and, except as specifically set forth herein, supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, Executive or representative of any party hereto. None of the parties shall be liable or bound to any other party in any manner by any representations and warranties or covenants relating to such subject matter except as specifically set forth herein.

SECTION 21. Survival. The rights and obligations of the parties under the provisions of this Agreement, including Sections 2, 8, 9, 10 and 11, shall survive and remain binding and enforceable, notwithstanding the expiration of the Protection Period or the term of this Agreement, the termination of the Executive' s employment with the Company for any reason or any settlement of the financial rights and obligations arising from the Executive' s employment hereunder, to the extent necessary to preserve the intended benefits of such provisions.

SECTION 22. Notices. All notices or other communications required or permitted by this Agreement will be made in writing and all such notices or communications will be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company:                   Manor Care, Inc.  
   333 N. Summit St.  
   Toledo, OH 43604  
   Attention: Chief Executive Officer  
   Fax: (419) 252-5599

If to the Executive:                 At the address for the Executive most recently on file with the Company

or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

SECTION 23. Headings and References. The headings of this Agreement are inserted for convenience only and neither constitute a part of this Agreement nor affect in any way the meaning or interpretation of this Agreement. When a reference in

this Agreement is made to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated.

SECTION 24. Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

SECTION 25. Interpretation. For purposes of this Agreement, the words “include” and “including”, and variations thereof, shall not be deemed to be terms of limitation but rather shall be deemed to be followed by the words “without limitation”. The term “or” is not exclusive. The word “extent” in the phrase “to the extent” shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply “if”.

**IN WITNESS WHEREOF**, this Agreement has been executed by the parties as of the date first written above.

**MANOR CARE, INC.**

By: /s/ Paul A. Ormond

Paul A. Ormond  
Chairman, President and  
Chief Executive Officer

/s/ Richard A. Parr II

Richard A. Parr II



AMENDMENT TO THE  
HCR MANOR CARE  
SENIOR EXECUTIVE RETIREMENT PLAN

WHEREAS, Manor Care, Inc. (the "Company") maintains the HCR Manor Care Senior Executive Retirement Plan (the "Plan") as a means of providing retirement and related benefits to designated officers and other senior management of the Company and its subsidiaries;

WHEREAS, the Company has reserved the right to amend the Plan;

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Committee") has approved an amendment to the Plan to change the benefit formula applicable to the Company's Chief Executive Officer.

THEREFORE, the Plan is amended effective as of January 1, 2007 as follows:

1. By adding the following to the end of Section 7.01 of the Plan:

"Notwithstanding the foregoing a Participant whose "Gross Retirement Benefit" as defined in Section 7.02 is determined under Method III, who retires or whose employment terminates with vested rights shall receive a retirement benefit from the Plan, the value of which shall be equal to the excess of:

(a) the present value of the "Gross Retirement Benefit", as defined below, (calculated using the actuarial assumptions for lump sum conversions that would be applicable under Section I of the HCR Pension Plan as if it were in effect on such date), less

(b) the present value of benefits provided to the Participant under the Designated Plans (measured in accordance with Section 7.06 hereof (*Present Value of Designated Plans*)).

2. By adding the following sentence to the end of the first paragraph of Section 7.02 of the Plan:

"The term "Gross Retirement Benefit for each Participant designated with a double asterisk on Appendix A shall mean an annual benefit for the Participant's life expectancy before being converted to a lump sum benefit calculated pursuant to Method III below."

3. By adding the following as paragraph (c) to Section 7.02 of the Plan:

(c) Method III - An annual benefit before being converted to a lump sum benefit based on the sum of the following amounts:

(1) 1.803% of such Participant's Average Annual Earnings multiplied by the Participant's number of Years of Credited Service from the

Participant' s adjusted service set forth on Appendix A hereof (List of Covered Participants), plus

0.262% of such Participant' s Average Annual Earnings in excess of the Social Security Taxable Wage Base as defined in

(2) Section 7.05 hereof (Social Security Taxable Wage Base) multiplied by the Participant' s number of Years of Credited Service from the Participant' s adjusted service set forth on Appendix A hereof (List of Covered Participants), plus

If such Participant shall have more than 35 Years of Credited Service from the Participant' s adjusted service date set forth in

(3) Appendix A hereof (List of Covered Participants), there shall be added to the aforesaid amounts 0.744% of Average Annual Earnings for each Year of Credited Service in excess of 35.

For purposes of the calculations set forth in this paragraph (c) Participant' s Average Annual Earnings shall not include any amount earned (accrued) under the HCR Manor Care Performance Award Plan.”

4. By adding the following to the end of Section 8.01 of the Plan:

“Notwithstanding the foregoing or any other provision to the Plan to the contrary, the early or normal retirement benefit of a Participant whose “Gross Retirement Benefit” as defined in Section 7.02 is determined under Method III, shall be paid on the first day of the seventh month following that in which such Participant' s early, normal or postponed retirement occurs.”

5. By amending Appendix A (List of Covered Participants) to add a double asterisk next to the name of Paul A. Ormond, and to add the following to the end thereof:

“\*\* The Participant' s Gross Retirement Benefit is based upon the benefit under Method III set forth in Section 7.02 hereof (Gross Retirement Benefit).”

\* \* \* \* \*

**IN WITNESS WHEREOF**, Manor Care, Inc. has caused this Amendment to be signed on its behalf and attested by its duly authorized officer this 18th day of June, 2007.

MANOR CARE, INC.

By: /s/ Richard A. Parr  
Name: Richard A. Parr  
Title: Vice President, General Counsel



### CEO Certification

I, Paul A. Ormond, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Manor Care, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to

- (2) make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as

- (4) defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2007

/s/ Paul A. Ormond

Chairman, President and Chief Executive Officer





### CFO Certification

I, Steven M. Cavanaugh, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Manor Care, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to

- (2) make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as

- (4) defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial

- (5) reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2007

/s/ Steven M. Cavanaugh  
Vice President and Chief Financial Officer



Certification pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002

I, Paul A. Ormond, Chairman, President and Chief Executive Officer of Manor Care, Inc. (the Company), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- The Quarterly Report of the Company on Form 10-Q for the period ended June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the Report) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (1) Commission on the date hereof (the Report) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
  - (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

/s/ Paul A. Ormond

Paul A. Ormond  
Chairman, President and Chief Executive Officer  
August 3, 2007



Certification pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002

I, Steven M. Cavanaugh, Vice President and Chief Financial Officer of Manor Care, Inc. (the Company), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- The Quarterly Report of the Company on Form 10-Q for the period ended June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the Report) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (1) Commission on the date hereof (the Report) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
  - (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

/s/ Steven M. Cavanaugh

Steven M. Cavanaugh  
Vice President and Chief Financial Officer  
August 3, 2007