

Automatic Cash Dividend Reinvestment Service for Shareholders of National Health Realty, Inc.

The Automatic Reinvestment Service (the "Service") described in this brochure is available to all shareholders of the common stock of National Health Realty, Inc. (the "Company"). If you participate in the Service, all or a portion of your cash dividends are promptly invested for you in Company common shares, thereby conveniently and economically increasing your holdings in the Company. Your cash dividends are consolidated with the funds of other participants for the purchase of shares in volume, which results in a per share cost savings for all participants. The mechanics of the purchases are performed by SunTrust Bank (the "Bank") as your agent. You will receive regular quarterly statements of your account from the Bank.

Benefits

The features of the Service include:

- It increases your holdings of the Company's shares at a relatively low commission cost.
- Payment of your cash dividends directly to the bank enables you to realize the benefit of automatic savings.
- Crediting of fractional shares to four decimal places to your account for full use of your funds.
- Personal record keeping is simplified. The bank does all the paperwork and sends you a statement after every purchase for your account.

How the Service Works

Automatic Reinvestment

Once you have enrolled by returning the Authorization Card, the Service is automatic. The Bank, as your agent, will receive the total amount of the cash dividend paid on the Company's shares as directed by you and on any additional full or fractional shares you acquire through the Service. These cash dividends will be used by the Bank to buy NHR shares for your account.

If your cash dividend is not large enough to buy a full additional share, your account will be credited with a fractional share (computed to four decimal places).

Optional Cash Investment

You may supplement your investment in the Company's shares by making optional additional cash investments at any time during the quarter. Each such optional cash investment must be at least \$100. No more than \$5,000 may be contributed for investment during any quarter. Subject to the "Terms and Conditions of the Service," cash investments will be invested within 30 days after receipt, provided that the Bank has, from all sources total funds sufficient to purchase at least a 100-share lot. Accordingly, you should time the sending of your cash investment to arrive at the Bank prior to a Company cash dividend record date.

Cash investment will be stated separately on your quarterly statement.

Retention of Shares

For your convenience, the Bank will hold in safekeeping the shares it has purchased for you. However, upon your written request, the Bank will issue to you, without charge, certificates for any full shares you acquired through the Service.

Statement of Account

You will receive a detailed statement of your cash dividend reinvestment account from the Bank soon after each quarterly cash dividend (and any optional cash investment) has been invested.

Termination

You are not committed to stay enrolled in the Service. You may terminate your participation in the Service at any time by notifying the Bank in writing. The termination will be effective for all cash dividends with a record date after the Bank's receipt of your notice of termination. Upon termination, certificates for any full shares will be issued in your name. Fractional shares will be converted to cash on the basis of the then current market price of the Company's shares, and you will receive a check for payment. If you desire, the Bank will sell your shares for you. All you need to do is send in a signed written request (with your signature guaranteed by a bank) that your shares should be sold and a check for the net proceeds will be sent to you after deducting applicable brokerage commission. There is no minimum brokerage commission.

Voting Rights

Shares acquired through the Service will be voted in accordance with your written instructions as delivered to the Bank.

Communication

The Service is administered by SunTrust Bank-not by the Company. You should address all communications regarding the Service to the Bank at the following address:

SunTrust Bank
Automatic Reinvestment Service
Post Office Box 4625
Atlanta, GA 30302-4625

Low Cost To You

The cost to you as a participant in the Service will be the brokerage commission, which is 8¢ per share as of June 1998. There is no service charge to you for participation in the Service.

Income Taxes

Under applicable provisions of the Internal Revenue Code, dividends, even though automatically reinvested, continue to be taxable as ordinary income to the shareholders. The appropriate tax reporting forms will be mailed by the Bank to participants by January 31, following the end of each calendar year.

How To Join

To participate in the Service, complete the Authorization Card and return it to SunTrust Bank. Your participation will begin with the next cash dividend payable after the Bank's receipt of your authorization, provided it is received before the record date of such cash dividend. Should your Authorization Card arrive after the record date, it will be necessary to delay your participation until the following quarter's cash dividend. Once you have enrolled, the program continues automatically until termination.

Terms and Conditions of Authorization for Automatic Dividend Investment Service

1. As Agent for a shareholder who is participating (the "Participant") in the Automatic Dividend Reinvestment Service (the "Service"), SunTrust Bank (the "Bank") will apply (i) all or a portion of cash dividends on the shares of National Health Realty, Inc. (the "Company") registered in the name of the Participant, plus (ii) all cash dividends on whole shares and fractional shares held for the Participant in the Participant's Service account plus (iii) voluntary additional cash investments, if any, all to purchase additional shares of the Company for the Participant's Service account. Such purchases will be made in the over-the-counter market, or in negotiated transactions, or on any securities exchange upon which the Company's shares may be listed or admitted for trading, and shall be made at prices competitive with prevailing market prices and on such terms as to delivery and other matters as the Bank may determine. Voluntary additional cash investments made by the Participant, if any, may not be less than \$100, or more than \$5,000, in any quarter and may be contributed for investment during any period from one dividend investment transaction to the next succeeding dividend investment transaction. The Bank will be responsible for all administrative functions on behalf of the Participants and in such capacity will (i) accept delivery and maintain custody of shares purchased by it under the Service; (ii) allocate and credit the purchased shares to Participants' accounts; (iii) furnish regular quarterly reports of the status of Participants' accounts; (iv) arrange for physical issuance of certificates to Participants who request them; and (v) effect termination of accounts upon request.

2. In making allocations for the Participant's account, the Bank may commingle the Participant's cash dividends with those of other participants. In the case of each purchase, the price at which the Bank shall be deemed to have acquired shares for the Participant's account shall be the average price (including all costs of purchasing) of all shares purchased by it as agent for Participants in the Service with their aggregate funds used for such purchase. The Bank may hold the shares of all Participants in its name or the name of its nominee. The Bank and the Bank's nominee shall have no responsibility as to the market value of the Company's shares acquired for the Participant's account. See #4.

3. The Bank will send the Participant a statement of his account as soon as practicable after each investment of cash dividends. Certificates will not be issued to the Participant for shares credited to his account unless he so requests the Bank, in writing, or his participation is terminated. No certificate will be issued for a fractional share.

4. Pending the investment in shares of the Company, funds may be held in a non-interest bearing account maintained by the Bank.

5. In connection with any meeting of shareholders of the Company, the Bank will vote any shares that it holds for the account of the Participant in accordance with the Participant's written instruction as delivered to the Bank. If the Participant does not give any written instructions to the Bank as to voting, the Bank will not vote the shares held in the Participant's account.

6. It is understood that the automatic reinvestment of dividends does not relieve the Participant of any income tax which may be allocated to the shares so purchased. See "Income Taxes" above.

7. The Participant may terminate his participation in the Service at any time by writing to SunTrust Bank, Automatic Reinvestment Service, Post Office Box 4625, Atlanta, GA 30302-4625. Any such notice received from the Participant by the Bank after a dividend record date shall be effective until dividends to which such record date applies have been invested by the Bank and the shares so purchased credited to the Participant's account. The Participant may request withdrawal of uninvested voluntary additional cash investments at any time by writing to the Bank at the above address. Any such request received by the Bank within two business days prior to the date the Bank intends to invest such additional cash investments shall not be effective until after any such cash investments then held by the Bank have been invested by the Bank and the shares so purchased have been credited to the Participant's account. Notice of termination from the Participant will be treated as a request for the withdrawal of any uninvested voluntary additional cash investments held for the Participant by the Bank.

The Bank may terminate the Participant's individual participation in the Service or the Service itself at any time by written notice to the Participant, or to all Participants, as the case may be, at the address or addresses shown on the account or accounts or such more recent address as the Participant may have furnished the Bank in writing. Upon termination of the Service, the Bank will send the Participant a certificate or certificates evidencing the whole shares of the Company held in the Participant's account and will pay in cash the value of any fractional share in the account at the current market value on the date of termination. Upon termination of this participation, the Participant may request in writing that the Bank send him a certificate or certificates for the whole shares in the account or may request that the Bank sell the shares and deliver the proceeds. In the absence of a specific request, the Bank will proceed by the first alternative. If the Participant elects to receive the cash proceeds, the Bank will sell such shares and send the net proceeds to the Participant after deducting applicable brokerage commissions, provided the Participant's signature on the written request is properly guaranteed by a bank.

If the Participant disposes of all shares of the Company registered in his name on the books of the Company, without terminating participation in the Plan, the Plan Administrator will continue to reinvest dividends payable on the shares of Common Stock held in Participant's Plan account until such time as Participant's participation in the Plan is terminated.

8. If the Company declares and pays a cash dividend on or splits its stock, the Participant's account in the Service will be credited with the pro rata number of shares to which he is entitled from the total number of shares received by the Bank on the shares it holds for the benefit of all participants. If the Bank receives cash in lieu of a fractional share from such cash dividend or stock split, the Bank will hold such cash for the benefit of all participants until the next investment transaction, at which time it will be used to purchase additional shares which will be credited to the participant's accounts on a pro rata basis. In the event of such cash dividend or stock split, any cash payable to the participant in lieu of a fractional share payable on shares owned by the Participant in his own name will be paid directly to the Participant by the

Company. In the event that the Company makes available to the Participant the right to purchase additional shares, debentures or other securities and a market for such rights exists, the rights accruing on shares held in the Service account for the Participant will be sold by the Bank, and the Bank will apply the resultant funds to the purchase of additional shares of the Company's stock for the Participant's account prior to or at the time of the next dividend investment transaction.

9. The Bank shall not be liable for any act done hereunder in good faith, or for any good faith omission to act, including, without limitation, any claims of liability with respect to the time and prices at which shares are purchased or sold for the Participant's account.

10. These Terms and Conditions and the Authorization for Automatic Dividend Reinvestment Service signed by each Participant shall be governed by the laws of the State of Georgia and the rules of the Securities and Exchange Commission and any securities exchanges upon which the Company's shares are listed. These Terms and Conditions cannot be amended orally.

11. The Participant shall have no right to draw checks or drafts against his Service account or to give instructions to the Bank in respect to any shares or cash held therein, except as expressly provided herein.

12. The Participant agrees to promptly notify the Bank, in writing, of any change of address. Notices to the Participant may be given by letter addressed to the Participant at his last address of record with the Bank. Any notice or other correspondence from the Participant concerning the Service shall be addressed to the Bank at the address set forth in Item 7 hereof.

13. The Company may modify, suspend or terminate the Plan at any time. Participant will be notified of any such modification, suspension or termination. Any modification shall conclusively be deemed to be accepted by the Participant unless prior to the effective date thereof the Bank receives written notice of the termination of his account.