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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 SEPTEMBER 30, 2012**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

Commission file number: 1-10989

Ventas, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

61-1055020
(I.R.S. Employer
Identification No.)

353 N. Clark Street, Suite 3300
Chicago, Illinois
(Address of Principal Executive Offices)

60654
(Zip Code)

(877) 483-6827
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐
(Do not check if a
smaller reporting company)

Smaller reporting company ☐

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 latest practicable date.

<u>Class of Common Stock:</u>	<u>Outstanding at October 22, 2012:</u>
Common Stock, \$0.25 par value	295,554,765

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VENTAS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
Assets		
Real estate investments:		
Land and improvements	\$ 1,754,826	\$ 1,614,847
Buildings and improvements	16,552,534	15,337,919
Construction in progress	93,992	76,638
Acquired lease intangibles	965,500	800,858
	<u>19,366,852</u>	<u>17,830,262</u>
Accumulated depreciation and amortization	(2,447,175)	(1,916,530)
Net real estate property	16,919,677	15,913,732
Secured loans receivable, net	215,775	212,577
Investments in unconsolidated entities	90,992	105,303
Net real estate investments	<u>17,226,444</u>	<u>16,231,612</u>
Cash and cash equivalents	58,530	45,807
Escrow deposits and restricted cash	76,908	76,590
Deferred financing costs, net	25,426	26,669
Other assets	1,053,591	891,232
Total assets	<u>\$ 18,440,899</u>	<u>\$ 17,271,910</u>
Liabilities and equity		
Liabilities:		
Senior notes payable and other debt	\$ 7,494,774	\$ 6,429,116
Accrued interest	56,326	37,694
Accounts payable and other liabilities	1,049,043	1,085,597
Deferred income taxes	265,116	260,722
Total liabilities	<u>8,865,259</u>	<u>7,813,129</u>
Redeemable OP unitholder interests	113,908	102,837
Commitments and contingencies		
Equity:		
Ventas stockholders' equity:		
Preferred stock, \$1.00 par value; 10,000 shares authorized, unissued	—	—
Common stock, \$0.25 par value; 600,000 shares authorized, 295,534 and 288,823 shares issued at September 30, 2012 and December 31, 2011, respectively	73,896	72,240
Capital in excess of par value	9,941,030	9,593,583
Accumulated other comprehensive income	23,626	22,062
Retained earnings (deficit)	(680,888)	(412,181)
Treasury stock, 0 and 14 shares at September 30, 2012 and December 31, 2011, respectively	—	(747)
Total Ventas stockholders' equity	<u>9,357,664</u>	<u>9,274,957</u>
Noncontrolling interest	104,068	80,987
Total equity	<u>9,461,732</u>	<u>9,355,944</u>
Total liabilities and equity	<u>\$ 18,440,899</u>	<u>\$ 17,271,910</u>

See accompanying notes.

VENTAS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues:				
Rental income:				
Triple-net leased	\$ 210,096	\$ 203,209	\$ 622,702	\$ 433,980
Medical office buildings	100,814	58,159	253,890	106,153
	<u>310,910</u>	<u>261,368</u>	<u>876,592</u>	<u>540,133</u>
Resident fees and services	317,131	274,294	906,946	590,103
Medical office building and other services revenue	4,544	9,271	16,791	26,050
Income from loans and investments	9,035	10,072	25,223	24,548
Interest and other income	330	373	441	529
	<u>641,950</u>	<u>555,378</u>	<u>1,825,993</u>	<u>1,181,363</u>
Expenses:				
Interest	75,139	69,518	217,475	162,348
Depreciation and amortization	189,908	156,593	538,946	286,663
Property-level operating expenses:				
Senior living	216,861	187,356	620,075	401,361
Medical office buildings	36,144	20,071	86,469	37,025
	<u>253,005</u>	<u>207,427</u>	<u>706,544</u>	<u>438,386</u>
Medical office building services costs	1,487	6,347	8,314	19,837
General, administrative and professional fees	26,872	20,624	75,779	51,010
(Gain) loss on extinguishment of debt	(1,194)	8,685	38,339	25,211
Litigation proceeds, net	—	(85,327)	—	(85,327)
Merger-related expenses and deal costs	4,917	69,350	49,566	131,606
Other	2,508	13,882	5,594	5,827
	<u>552,642</u>	<u>467,099</u>	<u>1,640,557</u>	<u>1,035,561</u>
Income before income/loss from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest	89,308	88,279	185,436	145,802
Income (loss) from unconsolidated entities	17,074	182	17,905	(71)
Income tax benefit	8,886	13,732	2,727	23,039
Income from continuing operations	115,268	102,193	206,068	168,770
Discontinued operations	(3,447)	(209)	69,581	1,994
Net income	111,821	101,984	275,649	170,764
Net loss attributable to noncontrolling interest	(61)	(901)	(884)	(781)
Net income attributable to common stockholders	<u>\$ 111,882</u>	<u>\$ 102,885</u>	<u>\$ 276,533</u>	<u>\$ 171,545</u>
Earnings per common share:				
Basic:				
Income from continuing operations attributable to common stockholders	\$ 0.39	\$ 0.36	\$ 0.71	\$ 0.81
Discontinued operations	(0.01)	(0.00)	0.24	0.01
Net income attributable to common stockholders	<u>\$ 0.38</u>	<u>\$ 0.36</u>	<u>\$ 0.95</u>	<u>\$ 0.82</u>
Diluted:				
Income from continuing operations attributable to common stockholders	\$ 0.39	\$ 0.35	\$ 0.70	\$ 0.80
Discontinued operations	(0.01)	(0.00)	0.24	0.01
Net income attributable to common stockholders	<u>\$ 0.38</u>	<u>\$ 0.35</u>	<u>\$ 0.94</u>	<u>\$ 0.81</u>
Weighted average shares used in computing earnings per common share:				
Basic	294,928	287,365	291,177	208,470
Diluted	297,407	290,794	293,622	210,850
Dividends declared per common share	\$ 0.62	\$ 0.4486	\$ 1.86	\$ 1.725

See accompanying notes.

VENTAS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$ 111,821	\$ 101,984	\$ 275,649	\$ 170,764
Other comprehensive income (loss):				
Foreign currency translation	2,838	(7,293)	3,180	(4,234)
Change in unrealized gain on marketable debt securities	(509)	(1,285)	(1,220)	(2,964)
Other	(107)	(397)	(396)	(433)
Total other comprehensive income (loss)	2,222	(8,975)	1,564	(7,631)
Comprehensive income	114,043	93,009	277,213	163,133
Comprehensive loss attributable to noncontrolling interest	(61)	(901)	(884)	(781)
Comprehensive income attributable to common stockholders	<u>\$ 114,104</u>	<u>\$ 93,910</u>	<u>\$ 278,097</u>	<u>\$ 163,914</u>

See accompanying notes.

VENTAS, INC.

CONSOLIDATED STATEMENTS OF EQUITY

For the Nine Months Ended September 30, 2012 and the Year Ended December 31, 2011

(In thousands, except per share amounts)

	Common Stock Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Treasury Stock	Total Ventas Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at January 1, 2011	\$ 39,391	\$ 2,576,843	\$ 26,868	\$ (255,628)	\$ (748)	\$ 2,386,726	\$ 3,479	\$ 2,390,205
Comprehensive income:								
Net income (loss)	—	—	—	364,493	—	364,493	(1,232)	363,261
Other comprehensive loss	—	—	(4,806)	—	—	(4,806)	—	(4,806)
Acquisition-related activity	31,181	6,711,081	—	—	(4,326)	6,737,936	81,192	6,819,128
Net change in noncontrolling interest	—	(3,188)	—	—	—	(3,188)	(2,452)	(5,640)
Dividends to common stockholders \$2.30 per share	—	—	—	(521,046)	—	(521,046)	—	(521,046)
Issuance of common stock	1,627	297,931	—	—	—	299,558	—	299,558
Issuance of common stock for stock plans	9	18,999	—	—	3,293	22,301	—	22,301
Adjust redeemable OP unitholder interests to current fair value	—	(4,442)	—	—	—	(4,442)	—	(4,442)
Purchase of redeemable OP units	—	(52)	—	—	—	(52)	—	(52)
Grant of restricted stock, net of forfeitures	32	(3,589)	—	—	1,034	(2,523)	—	(2,523)
Balance at December 31, 2011	72,240	9,593,583	22,062	(412,181)	(747)	9,274,957	80,987	9,355,944
Comprehensive income (loss):								
Net income (loss)	—	—	—	276,533	—	276,533	(884)	275,649
Other comprehensive income	—	—	1,564	—	—	1,564	—	1,564
Acquisition-related activity	—	(5,756)	—	—	—	(5,756)	28,246	22,490
Net change in noncontrolling interest	—	—	—	—	—	—	(4,281)	(4,281)
Dividends to common stockholders \$1.86 per share	—	—	—	(545,240)	—	(545,240)	—	(545,240)
Issuance of common								

stock	1,495	340,974	—	—	—	342,469	—	342,469
Issuance of common stock for stock plans	123	20,245	—	—	2,097	22,465	—	22,465
Adjust redeemable OP unitholder interests to current fair value	—	(15,861)	—	—	—	(15,861)	—	(15,861)
Purchase of redeemable OP units	—	(652)	—	—	324	(328)	—	(328)
Grant of restricted stock, net of forfeitures	38	8,497	—	—	(1,674)	6,861	—	6,861
Balance at September 30, 2012	<u>\$ 73,896</u>	<u>\$ 9,941,030</u>	<u>\$ 23,626</u>	<u>\$ (680,888)</u>	<u>\$ —</u>	<u>\$ 9,357,664</u>	<u>\$ 104,068</u>	<u>\$ 9,461,732</u>

See accompanying notes.

VENTAS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	For the Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 275,649	\$ 170,764
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amounts in discontinued operations)	563,027	293,541
Amortization of deferred revenue and lease intangibles, net	(12,965)	(7,458)
Other non-cash amortization	(31,326)	(5,429)
Change in fair value of financial instruments	151	2,898
Stock-based compensation	16,529	13,596
Straight-lining of rental income, net	(16,712)	(9,254)
Loss on extinguishment of debt	38,339	25,211
Gain on real estate dispositions, net	(79,148)	—
Loss (gain) on real estate loan investments	559	(3,255)
Gain on sale of marketable securities	—	(733)
Income tax benefit (including amounts in discontinued operations)	(2,731)	(23,310)
(Income) loss from unconsolidated entities	(1,260)	71
Gain on re-measurement of equity interest upon acquisition, net	(16,645)	—
Other	6,321	2,004
Changes in operating assets and liabilities:		
Increase in other assets	(11,930)	(27,009)
Increase in accrued interest	18,730	19,141
Decrease in accounts payable and other liabilities	(37,269)	(6,877)
Net cash provided by operating activities	709,319	443,901
Cash flows from investing activities:		
Net investment in real estate property	(1,154,912)	(344,687)
Purchase of noncontrolling interest	(3,934)	(3,319)
Investment in loans receivable	(30,523)	(619,859)
Proceeds from real estate disposals	75,145	14,961
Proceeds from loans receivable	34,817	138,934
Proceeds from sale of marketable securities	—	23,050
Development project expenditures	(90,119)	(23,233)
Capital expenditures	(42,270)	(28,658)
Other	(2,110)	(113)
Net cash used in investing activities	(1,213,906)	(842,924)
Cash flows from financing activities:		
Net change in borrowings under revolving credit facilities	248,921	434,000
Proceeds from debt	1,568,382	957,753
Repayment of debt	(1,103,000)	(895,043)
Payment of deferred financing costs	(4,257)	(1,898)
Issuance of common stock, net	342,469	299,926
Cash distribution to common stockholders	(545,240)	(354,932)
Cash distribution to redeemable OP unitholders	(3,358)	(4,038)
Purchases of redeemable OP units	(1,760)	—
Distributions to noncontrolling interest	(4,035)	(1,997)
Other	19,130	1,019
Net cash provided by financing activities	517,252	434,790
Net increase in cash and cash equivalents	12,665	35,767
Effect of foreign currency translation on cash and cash equivalents	58	(97)
Cash and cash equivalents at beginning of period	45,807	21,812
Cash and cash equivalents at end of period	\$ 58,530	\$ 57,482
Supplemental schedule of non-cash activities:		
Assets and liabilities assumed from acquisitions:		
Real estate investments	\$ 497,755	\$ 11,034,620
Utilization of escrow funds held for an Internal Revenue Code Section 1031 exchange	(134,003)	—
Other assets acquired	99,889	431,679
Debt assumed	367,902	3,508,226
Other liabilities	60,684	992,122
Deferred income tax liability	4,299	43,889
Redeemable OP unitholder interests	—	100,430
Noncontrolling interests	26,430	83,702
Equity issued	4,326	6,737,930

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—DESCRIPTION OF BUSINESS

Ventas, Inc. (together with its subsidiaries, unless otherwise indicated or except where the context otherwise requires, "we," "us" or "our") is a real estate investment trust ("REIT") with a geographically diverse portfolio of seniors housing and healthcare properties throughout the United States and Canada. As of September 30, 2012, we owned 1,450 properties located in 46 states, the District of Columbia and two Canadian provinces, consisting of: 677 seniors housing communities; 404 skilled nursing and other facilities; 322 medical office buildings ("MOBs"); and 47 hospitals. We were also in the process of developing five properties as of September 30, 2012. We are headquartered in Chicago, Illinois and have been a constituent member of the S&P 500® Index, a leading indicator of the large cap U.S. equities market, since 2009.

Our primary business focuses on acquiring and owning seniors housing and healthcare properties and leasing those properties to unaffiliated tenants or operating those properties through independent third party managers. Through our Lillibridge Healthcare Services, Inc. ("Lillibridge") subsidiary and our ownership interest in PMB Real Estate Services LLC ("PMBRES"), we also provide MOB management, leasing, marketing, facility development and advisory services to highly rated hospitals and health systems throughout the United States. In addition, from time to time, we make mortgage loans and other investments relating to seniors housing and healthcare companies or properties.

As of September 30, 2012, we leased 913 properties (excluding MOBs) to healthcare operating companies under "triple-net" or "absolute-net" leases that obligate the tenants to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures, and we engaged independent third parties, such as Atria Senior Living, Inc. ("Atria") and Sunrise Senior Living, Inc. (together with its subsidiaries, "Sunrise"), to manage 215 seniors housing communities pursuant to long-term management agreements.

NOTE 2—ACCOUNTING POLICIES

The accompanying Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information set forth in the Accounting Standards Codification ("ASC"), as published by the Financial Accounting Standards Board ("FASB"), and with the Securities and Exchange Commission ("SEC") 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 GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of results for the interim period have been included. Operating results for the three and nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. The accompanying Consolidated Financial Statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 22, 2012. Certain prior period amounts have been reclassified to conform to the current period presentation.

Business Combinations

We account for acquisitions using the acquisition method and allocate the cost of the properties acquired among tangible and recognized intangible assets and liabilities based upon their estimated fair values as of the acquisition date. Recognized intangibles primarily include the value of in-place leases, acquired lease contracts, tenant and customer relationships, trade names/trademarks and goodwill. We

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2—ACCOUNTING POLICIES (Continued)

do not amortize goodwill, which represents the excess of the purchase price paid over the fair value of the net assets of the acquired business and is included in other assets on our Consolidated Balance Sheets.

We estimate the fair value of buildings acquired on an as-if-vacant basis and depreciate the building value over the estimated remaining life of the building, not to exceed 35 years. We determine the allocated value of other fixed assets, such as site improvements and furniture, fixtures and equipment, based upon the replacement cost and depreciate such value over the assets' estimated remaining useful lives as determined at the applicable acquisition date. We determine the value of land either by considering the sales prices of similar properties in recent transactions or based on (a) internal analyses of recently acquired and existing comparable properties within our portfolio or (b) real estate tax assessed values in relation to the total value of the asset.

We generally determine the value of construction in progress based upon the replacement cost. However, for certain acquired properties that are part of a ground-up development, we determine fair value by using the same valuation approach as for all other properties and deducting the estimated cost to complete the development. Construction in progress is not depreciated until the project has reached substantial completion.

The fair value of acquired lease-related intangibles, if any, reflects (i) the estimated value of any above and/or below market leases, determined by discounting the difference between the estimated market rent and the in-place lease rent, the resulting intangible asset or liability of which we amortize to revenue over the remaining life of the associated lease plus any bargain renewal periods, and (ii) the estimated value of in-place leases related to the cost to obtain tenants, including leasing commissions, and an estimated value of the absorption period to reflect the value of the rent and recovery costs foregone during a reasonable lease-up period as if the acquired space was vacant, which we amortize to amortization expense over the remaining life of the associated lease. If a lease is terminated prior to its stated expiration or not renewed upon expiration, we recognize all related unamortized lease intangibles in operations at that time.

We estimate the fair value of purchase option intangible assets and liabilities by discounting the difference between the applicable property's acquisition date fair value and an estimate of the future option price. We do not amortize the resulting intangible asset or liability over the term of the lease, but rather adjust the recognized value of the asset or liability upon sale. Net real estate assets for which we have recorded tenant purchase option intangibles were \$437.5 million at September 30, 2012 (excluding properties classified as held for sale) and \$644.0 million at December 31, 2011.

We estimate the fair value of tenant or other customer relationships acquired, if any, by considering the nature and extent of existing business relationships with the tenant or customer, growth prospects for developing new business with the tenant or customer, the tenant's credit quality, expectations of lease renewals with the tenant, and the potential for significant, additional future leasing arrangements with the tenant, and we amortize that value over the expected life of the associated arrangements or leases, including the remaining terms of the related leases and any expected renewal periods. We estimate the fair value of trade names/trademarks using a royalty rate methodology and amortize that value over the estimated useful life of the trade name/trademark.

In connection with a business combination, we may assume rights and obligations under certain lease agreements pursuant to which we become the lessee of a given property. We assume the lease classification previously determined by the prior lessee absent a modification in the assumed lease

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2—ACCOUNTING POLICIES (Continued)

agreement. All of our assumed capital leases contain bargain purchase options that we intend to exercise. Therefore, we recognized real estate assets based on the acquisition date fair values of the underlying properties and liabilities based on the acquisition date fair values of the capital lease obligations. We depreciate assets recognized under capital leases that contain bargain purchase options over the asset's useful life. Lease payments are allocated between the reduction of the capital lease obligation and interest expense using the interest method. We assess assumed operating leases, including ground leases, to determine whether the lease terms are favorable or unfavorable to us given current market conditions on the acquisition date. To the extent the lease terms are favorable or unfavorable relative to market conditions on the acquisition date, we recognize an intangible asset or liability, respectively, at fair value, and we amortize the recognized asset or liability (excluding purchase option intangibles) to interest or rental expense in our Consolidated Statements of Income over the applicable lease term. We include all lease-related intangible assets and liabilities within acquired lease intangibles and accounts payable and other liabilities, respectively, on our Consolidated Balance Sheets.

We determine the fair value of loans receivable acquired in connection with a business combination by discounting the estimated future cash flows using current interest rates at which similar loans with the same maturities and same terms would be made to borrowers with similar credit ratings. The estimated future cash flows reflect our judgment regarding the uncertainty of those cash flows, so we do not establish a valuation allowance at the acquisition date. We recognize the difference between the acquisition date fair value and the total expected cash flows as interest income using an effective interest method over the life of the applicable loan. Subsequent to the acquisition date, we evaluate changes regarding the uncertainty of future cash flows and the need for a valuation allowance.

We estimate the fair value of noncontrolling interest assumed using assumptions that are consistent with those used in valuing all of the underlying assets and liabilities.

We calculate the fair value of long-term debt by discounting the remaining contractual cash flows on each instrument at the current market rate for those borrowings, which we approximate based on the rate at which we would expect to incur a replacement instrument on the date of acquisition, and recognize any fair value adjustments related to long-term debt as effective yield adjustments over the remaining term of the instrument.

We record a liability for contingent consideration (included in accounts payable and other liabilities on our Consolidated Balance Sheets) at fair value as of the acquisition date and reassess the fair value at the end of each reporting period, with any changes being recognized in earnings. Increases or decreases in the fair value of the contingent consideration can result from changes in discount periods, discount rates and probabilities that contingencies will be met.

Revenue Recognition

Triple-Net Leased Properties and MOB Operations

Certain of our triple-net leases, including a majority of the leases we acquired in connection with our acquisition of Nationwide Health Properties, Inc. (together with its subsidiaries, "NHP"), and most of our MOB leases provide for periodic and determinable increases in base rent. We recognize base rental revenues under these leases on a straight-line basis over the applicable lease term when collectibility is reasonably assured. Recognizing rental income on a straight-line basis generally results in recognized revenues during the first half of a lease term exceeding the cash amounts contractually due from our tenants, creating a straight-line rent receivable that is included in other assets on our

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2—ACCOUNTING POLICIES (Continued)

Consolidated Balance Sheets. At September 30, 2012 and December 31, 2011, this cumulative excess (net of allowances) totaled \$112.5 million and \$96.9 million, respectively.

Our master lease agreements with Kindred Healthcare, Inc. (together with its subsidiaries, "Kindred") (the "Kindred Master Leases") and certain of our other leases provide for periodic increases in base rent only if certain revenue parameters or other substantive contingencies are met. We recognize the increased rental revenue under these leases as the related parameters or contingencies are met, rather than on a straight-line basis over the applicable lease term.

Senior Living Operations

We recognize resident fees and services, other than move-in fees, monthly as services are provided. We recognize move-in fees on a straight-line basis over the average resident stay. Our lease agreements with residents generally have a term of twelve to eighteen months and are cancelable by the resident upon 30 days' notice.

Other

We recognize interest income from loans, including discounts and premiums, using the effective interest method when collectibility is reasonably assured. We apply the effective interest method on a loan-by-loan basis and recognize discounts and premiums as yield adjustments over the related loan term. We recognize interest income on an impaired loan to the extent our estimate of the fair value of the collateral is sufficient to support the balance of the loan, other receivables and all related accrued interest. When the balance of the loan, other receivables and all related accrued interest is equal to our estimate of the fair value of the collateral, we recognize interest income on a cash basis. We provide a reserve against an impaired loan to the extent our total investment in the loan exceeds our estimate of the fair value of the loan collateral.

We recognize income from rent, lease termination fees, development services, management advisory services and all other income when all of the following criteria are met in accordance with SEC Staff Accounting Bulletin 104: (i) the applicable agreement has been fully executed and delivered; (ii) services have been rendered; (iii) the amount is fixed or determinable; and (iv) collectibility is reasonably assured.

Allowances

We assess the collectibility of our rent receivables, including straight-line rent receivables, in accordance with applicable accounting standards and our reserve policy, and we defer recognition of revenue if collectibility is not reasonably assured. We base our assessment of the collectibility of rent receivables (other than straight-line rent receivables) on several factors, including, among other things, payment history, the financial strength of the tenant and any guarantors, the value of the underlying collateral, if any, and current economic conditions. If our evaluation of these factors indicates it is probable that we will be unable to recover the full value of the receivable, we provide a reserve against the portion of the receivable that we estimate may not be recovered. We base our assessment of the collectibility of straight-line rent receivables on several factors, including, among other things, the financial strength of the tenant and any guarantors, the historical operations and operating trends of the property, the historical payment pattern of the tenant, and the type of property. If our evaluation of these factors indicates it is probable that we will be unable to receive the rent payments due in the future, we defer recognition of the straight-line rental revenue and, in certain circumstances, provide a

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2—ACCOUNTING POLICIES (Continued)

reserve against the previously recognized straight-line rent receivable asset for the portion, up to its full value, that we estimate may not be recovered. If we change our assumptions or estimates regarding the collectibility of future rent payments required by a lease, we may adjust our reserve to increase or reduce the rental revenue recognized and/or increase or reduce the reserve against the previously recognized straight-line rent receivable asset.

Fair Values of Financial Instruments

Fair value is a market-based measurement, not an entity-specific measurement, and we determine fair value based on the assumptions that we expect market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FASB guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels one and two of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level three of the hierarchy).

Level one inputs utilize unadjusted quoted prices for identical assets or liabilities in active markets that the reporting entity has the ability to access. Level two inputs are inputs other than quoted prices included in level one that are directly or indirectly observable for the asset or liability. Level two inputs may include quoted prices for similar assets and liabilities in active markets, as well as other inputs for the asset or liability, such as interest rates, foreign exchange rates and yield curves, that are observable at commonly quoted intervals. Level three inputs are unobservable inputs for the asset or liability, which are typically based on the reporting entity's own assumptions, as there is little, if any, related market activity. If the determination of the fair value measurement is based on inputs from different levels of the hierarchy, the level within which the entire fair value measurement falls is the lowest level input that is significant to the fair value measurement in its entirety. If a reporting entity determines that the volume and level of activity for an asset or liability has decreased significantly relative to the normal market activity for such asset or liability (or similar assets or liabilities), then transactions or quoted prices may not accurately reflect fair value. In addition, if there is evidence that the transaction for the asset or liability is not orderly, the reporting entity should place little, if any, weight on that transaction price as an indicator of fair value. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

We use the following methods and assumptions in estimating the fair value of our financial instruments:

- *Cash and cash equivalents* —The carrying amount of unrestricted cash and cash equivalents reported on our Consolidated Balance Sheets approximates fair value due to the short maturity of these instruments.
- *Loans receivable* —We estimate the fair value of loans receivable using level two and level three inputs: we discount future cash flows using current interest rates at which similar loans with the same maturities and same terms would be made to borrowers with similar credit ratings. Additionally, we determine the valuation allowance for losses, if any, on loans receivable using level three inputs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2—ACCOUNTING POLICIES (Continued)

- *Marketable debt securities* —We estimate the fair value of marketable debt securities using level two inputs: we observe quoted prices for similar assets or liabilities in active markets that we have the ability to access.
- *Derivative instruments* —With the assistance of a third party, we estimate the fair value of derivative instruments, including interest rate caps, interest rate swaps, and foreign currency forward contracts, using level two inputs: for interest rate caps, we observe forward yield curves and other relevant information; for interest rate swaps, we observe alternative financing rates derived from market-based financing rates, forward yield curves and discount rates; and for foreign currency forward contracts, we estimate the future values of the two currency tranches using forward exchange rates that are based on traded forward points and calculate a present value of the net amount using a discount factor based on observable traded interest rates.
- *Senior notes payable and other debt* —We estimate the fair value of senior notes payable and other debt using level two inputs: we discount the future cash flows using current interest rates at which we could obtain similar borrowings.
- *Contingent consideration* —We estimate the fair value of contingent consideration using level three inputs: we assess the probability of expected future cash flows over the period during which the obligation is expected to be settled and apply a discount rate that appropriately captures a market participant's view of the risk associated with the obligation.
- *Redeemable OP unitholder interests* —We estimate the fair value of our redeemable Class A limited partnership units using level two inputs: we base fair value on the closing price of our common stock, as units may be redeemed at the election of the holder for cash or, at our option, 0.7866 shares of our common stock per unit, subject to adjustment in certain circumstances.

Recently Issued or Adopted Accounting Standards

In June 2011, the FASB issued Accounting Standards Update ("ASU") 2011-05, *Presentation of Comprehensive Income* ("ASU 2011-05"), which amends current guidance found in ASC Topic 220, *Comprehensive Income*. ASU 2011-05 requires entities to present comprehensive income in either (a) one continuous financial statement or (b) two separate but consecutive statements that display net income and the components of other comprehensive income. Totals and individual components of both net income and other comprehensive income must be included in either presentation. In December 2011, the FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* ("ASU 2011-12"). The provisions of ASU 2011-12 indefinitely defer portions of ASU 2011-05 related to the presentation of reclassifications of items out of accumulated other comprehensive income. We adopted the provisions of ASU 2011-05 and ASU 2011-12 on January 1, 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3—CONCENTRATION OF CREDIT RISK

As of September 30, 2012, Atria, Sunrise, Brookdale Senior Living Inc. (together with its subsidiaries, "Brookdale Senior Living") and Kindred managed or operated approximately 17.9%, 15.3%, 10.8% and 4.6%, respectively, of our real estate investments based on their gross book value. Also, as of September 30, 2012, seniors housing communities constituted approximately 62.6% of our real estate portfolio based on gross book value, with skilled nursing facilities, hospitals, MOB's and other healthcare assets collectively comprising the remaining 37.4%. Our properties were located in 46 states, the District of Columbia and two Canadian provinces as of September 30, 2012, with properties in one state (California) accounting for more than 10% of our total revenues and net operating income ("NOI," which is defined as total revenues, excluding interest and other income, less property-level operating expenses and medical office building services costs) (including amounts in discontinued operations) for the three months then ended.

Triple-Net Leased Properties

For the three months ended September 30, 2012 and 2011, approximately 10.2% and 11.3%, respectively, of our total revenues and 16.9% and 18.3%, respectively, of our total NOI (including amounts in discontinued operations) were derived from our lease agreements with Kindred. For the same periods, approximately 6.5% and 7.8%, respectively, of our total revenues and 10.8% and 12.5%, respectively, of our total NOI (including amounts in discontinued operations) were derived from our lease agreements with Brookdale Senior Living. Each of our leases with Kindred and Brookdale Senior Living is a triple-net lease pursuant to which the tenant is required to pay all property-related expenses and to comply with the terms of the mortgage financing documents, if any, affecting the properties.

Because the properties we lease to Kindred and Brookdale Senior Living currently account for a significant portion of our total revenues and NOI, our financial condition and results of operations could be weakened and our ability to service our indebtedness and to make distributions to our stockholders could be limited if either Kindred or Brookdale Senior Living becomes unable or unwilling to satisfy its obligations to us or to renew its leases with us upon expiration of the terms thereof. We cannot provide any assurance that either Kindred or Brookdale Senior Living will have sufficient assets, income and access to financing to enable it to satisfy its respective obligations to us, and any inability or unwillingness by Kindred or Brookdale Senior Living to do so could have a material adverse effect on our business, financial condition, results of operations and liquidity, on our ability to service our indebtedness and other obligations, and on our ability to make distributions to our stockholders, as required for us to continue to qualify as a REIT (a "Material Adverse Effect"). We also cannot provide any assurance that either Kindred or Brookdale Senior Living will elect to renew its respective leases with us upon expiration of their terms or that we will be able to reposition any properties that are not renewed on a timely basis or on the same or better economic terms, if at all.

Senior Living Operations

As of September 30, 2012, Atria and Sunrise, collectively, provided comprehensive property management and accounting services with respect to 212 of our seniors housing communities, for which we pay annual management fees pursuant to long-term management agreements. Because Atria and Sunrise manage, but do not lease, our properties, we are not directly exposed to their credit risk in the same manner or to the same extent as our triple-net tenants. However, we rely on our managers' personnel, expertise, technical resources and information systems, proprietary information, good faith and judgment to manage our seniors housing communities efficiently and effectively. We also rely on our managers to set resident fees and otherwise operate those properties in compliance with the terms

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3—CONCENTRATION OF CREDIT RISK (Continued)

of our management agreements. Although we have various rights as the property owner under our management agreements, including various termination rights should certain events occur, Atria's or Sunrise's inability or unwillingness to satisfy its obligations under those agreements, to efficiently and effectively manage our properties or to provide timely and accurate accounting information with respect thereto could have a Material Adverse Effect on us. In addition, significant changes in Atria's or Sunrise's senior management or any adverse developments in their business and affairs or financial condition could have a Material Adverse Effect on us. In August 2012, Sunrise announced that it had entered into a definitive agreement pursuant to which all of its outstanding common stock would be acquired by Health Care REIT, Inc. ("Health Care REIT"). In September 2012, Sunrise announced that it had entered into another definitive agreement to sell its management company business to a partnership comprised of three private equity firms and Health Care REIT immediately prior to Health Care REIT's acquisition of Sunrise. These transactions, which are expected to close in 2013, are not expected to have a Material Adverse Effect on us.

Kindred, Brookdale Senior Living, Sunrise and Atria Information

Each of Kindred, Brookdale Senior Living and Sunrise is subject to the reporting requirements of the SEC and is required to file with the SEC annual reports containing audited financial information and quarterly reports containing unaudited financial information. The information related to Kindred, Brookdale Senior Living and Sunrise contained or referred to in this Quarterly Report on Form 10-Q is derived from SEC filings made by Kindred, Brookdale Senior Living or Sunrise, as the case may be, or from other publicly available information, or has been provided to us by Kindred, Brookdale Senior Living or Sunrise. We have not verified this information either through an independent investigation or by reviewing Kindred's, Brookdale Senior Living's or Sunrise's public filings. We have no reason to believe that this information is inaccurate in any material respect, but we cannot provide any assurance that all of this information is accurate. Kindred's, Brookdale Senior Living's and Sunrise's filings with the SEC can be found on the SEC's website at www.sec.gov. We are providing this data for informational purposes only, and you are encouraged to obtain Kindred's, Brookdale Senior Living's and Sunrise's publicly available filings from the SEC.

Atria is not subject to the reporting requirements of the SEC. The information related to Atria contained or referred to within this Quarterly Report on Form 10-Q is derived from publicly available information or has been provided to us by Atria. We have not verified this information through an independent investigation. We have no reason to believe that this information is inaccurate in any material respect, but we cannot provide any assurance that all of this information is accurate.

NOTE 4—ACQUISITIONS OF REAL ESTATE PROPERTY

We make acquisitions and investments in seniors housing and healthcare properties primarily to achieve an expected yield on investment, to grow and diversify our portfolio and revenue base, and to reduce our dependence on any single tenant, operator or manager, geographic area, asset type, business model or revenue source.

Cogdell Acquisition

On April 2, 2012, we acquired Cogdell Spencer Inc. (together with its subsidiaries, "Cogdell"), including its 71 real estate assets (including properties owned through joint ventures) and its MOB property management business, which had existing agreements with third parties to manage 44 MOB's,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4—ACQUISITIONS OF REAL ESTATE PROPERTY (Continued)

in an all-cash transaction. At closing, our investment in Cogdell, including our share of debt, was approximately \$760 million. In addition, our joint venture partners' share of net debt assumed was \$36.3 million at the time of the acquisition.

Pursuant to the terms of, and subject to the conditions set forth in, the agreement and plan of merger, at the effective time of the merger, (a) each outstanding share of Cogdell common stock and each outstanding unit of limited partnership interest in Cogdell's operating partnership, Cogdell Spencer LP, that was not owned by subsidiaries of Cogdell was converted into the right to receive \$4.25 in cash, and (b) each outstanding share of Cogdell's 8.500% Series A Cumulative Redeemable Perpetual Preferred Stock was converted into the right to receive an amount in cash equal to \$25.00, plus accrued and unpaid dividends through the date of closing. We financed our acquisition of Cogdell through the assumption of \$203.8 million of existing Cogdell mortgage debt (including \$36.3 million of our joint venture partners' share) and borrowings under our unsecured revolving credit facility. Prior to the closing, Cogdell completed the sale of its design-build and development business to an unaffiliated third party.

We are accounting for the Cogdell acquisition under the acquisition method in accordance with ASC Topic 805, *Business Combinations* ("ASC 805"), and we have completed our initial accounting for this acquisition, which is subject to further adjustment. The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed, which we determined using level two and level three inputs (in thousands):

Land and improvements	\$ 93,585
Buildings and improvements	626,184
Construction in progress	24,117
Acquired lease intangibles	117,132
Other assets	24,459
Total assets acquired	885,477
Notes payable and other debt	213,430
Other liabilities	50,841
Total liabilities assumed	264,271
Noncontrolling interest assumed	29,545
Net assets acquired	591,661
Cash acquired	12,202
Total cash used	<u>\$ 579,459</u>

The allocation of fair values of the assets acquired and liabilities assumed differs from the allocation reported in "Note 4—Acquisitions of Real Estate Property" of the Notes to Consolidated Financial Statements included in Part I, Item 1 of our Quarterly Report on Form 10-Q for the six months ended June 30, 2012, filed with the SEC on July 27, 2012, due primarily to adjustments to certain of our valuation assumptions based on more accurate information concerning the subject assets and liabilities. None of these changes had a material impact on our Consolidated Financial Statements.

As of September 30, 2012, we had incurred a total of \$28.5 million of acquisition-related costs related to the Cogdell acquisition, all of which were expensed as incurred and included in merger-related expenses and deal costs in our Consolidated Statements of Income for the applicable periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4—ACQUISITIONS OF REAL ESTATE PROPERTY (Continued)

Other 2012 Acquisitions

In May 2012, we acquired sixteen seniors housing communities managed by Sunrise for approximately \$362 million in an all-cash transaction. Sunrise continues to manage the acquired assets under existing long-term management agreements.

During the first nine months of 2012, we also invested approximately \$525 million, including the assumption of \$136.4 million in debt, in seven seniors housing communities, two skilled nursing facilities and 37 MOBs, including 36 MOBs that we had previously accounted for as investments in unconsolidated entities.

ASLG Acquisition

In May 2011, we acquired 117 private pay seniors housing communities and one development land parcel located primarily in affluent coastal markets such as the New York metropolitan area, New England and California and the working capital of privately-owned Atria Senior Living Group, Inc. (together with its affiliates, "ASLG"). Prior to the closing, ASLG spun off its management operations to a newly formed entity, Atria, which continues to operate the acquired assets under long-term management agreements with us.

We accounted for the ASLG acquisition under the acquisition method in accordance with ASC 805. The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed, which we determined using level two and level three inputs (in thousands):

Land and improvements	\$ 341,540
Buildings and improvements	2,876,717
Acquired lease intangibles	159,610
Other assets	215,708
Total assets acquired	<u>3,593,575</u>
Notes payable and other debt	1,629,212
Deferred tax liability	43,466
Other liabilities	202,278
Total liabilities assumed	<u>1,874,956</u>
Net assets acquired	1,718,619
Cash acquired	77,718
Equity issued	1,376,437
Total cash used	<u><u>\$ 264,464</u></u>

Included in other assets is \$80.5 million of goodwill, which represents the excess of the purchase price over the fair value of the assets acquired and liabilities assumed as of the acquisition date.

As partial consideration for the ASLG acquisition, the sellers received the right to earn additional amounts ("contingent consideration") based upon the achievement of certain performance metrics, including the future operating results of the acquired assets, and other factors. The contingent consideration, if any, will be payable to the sellers following the applicable measurement date for the period ending December 31, 2014 or December 31, 2015, at the election of the sellers. We cannot determine the actual amount of contingent consideration, if any, that may become due to the sellers, nor can we estimate a range of potential outcomes, because they are dependent on various factors,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4—ACQUISITIONS OF REAL ESTATE PROPERTY (Continued)

such as the future performance of the acquired assets and our equity multiple, which are subject to many risks and uncertainties beyond our control. As of September 30, 2012, December 31, 2011 and the acquisition date, the estimated discounted fair value of contingent consideration was \$44.2 million and was included in accounts payable and other liabilities on our Consolidated Balance Sheets.

NHP Acquisition

In July 2011, we acquired NHP in a stock-for-stock transaction. The NHP acquisition added 643 seniors housing and healthcare properties to our portfolio (including properties owned through joint ventures).

We accounted for the NHP acquisition under the acquisition method in accordance with ASC 805. The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed, which we determined using level two and level three inputs (in thousands):

Land and improvements	\$ 701,154
Buildings and improvements	6,147,737
Acquired lease intangibles	493,125
Investment in unconsolidated entities	93,553
Other assets	815,968
Total assets acquired	8,251,537
Notes payable and other debt	1,882,752
Other liabilities	720,420
Total liabilities assumed	2,603,172
Redeemable OP unitholder interests assumed	100,888
Noncontrolling interest assumed	76,658
Net assets acquired	5,470,819
Cash acquired	29,205
Equity issued	5,365,819
Total cash used	\$ 75,795

Included in other assets is \$399.0 million of goodwill, which represents the excess of the purchase price over the fair value of the assets acquired and liabilities assumed as of the acquisition date. We have allocated \$338.5 million and \$60.5 million of the goodwill balance to our triple-net leased properties and MOB operations reportable business segments, respectively, based on relative fair value.

Other 2011 Acquisitions

During 2011, in addition to the ASLG and NHP acquisitions, we invested approximately \$329.5 million, including the assumption of \$134.9 million in debt, in MOBs and seniors housing communities.

NOTE 5—DISPOSITIONS

We present separately, as discontinued operations in all periods presented, the results of operations for assets classified as held for sale as of September 30, 2012, assets disposed of during the nine months ended September 30, 2012 and the year ended December 31, 2011 and operating leases (in which we were the lessee) not renewed as of September 30, 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5—DISPOSITIONS (Continued)

2012 Dispositions

During the three and nine months ended September 30, 2012, we recognized a net gain from real estate dispositions of \$0.4 million and \$79.1 million, respectively. In addition, as of September 30, 2012, we classified 22 properties as held for sale and included their operations in discontinued operations in our Consolidated Statements of Income.

In June 2012, we sold thirteen seniors housing communities to the existing tenants for aggregate consideration of \$121.9 million, including a fee of \$3.0 million, and recognized a gain from the sales of these assets. We deposited \$97.0 million of proceeds from these sales in an Internal Revenue Code Section 1031 exchange escrow account with a qualified intermediary and, subsequently that month, we used approximately \$58.1 million of the deposited proceeds for our seniors housing community acquisitions. As of September 30, 2012, there were no proceeds remaining in the exchange escrow account related to these sales.

Also in June 2012, we declined to exercise our renewal option on the operating leases (in which we were the lessee) related to two seniors housing communities we acquired as part of the ASLG acquisition that expired on June 30, 2012.

In February 2012, we sold nine seniors housing communities to the existing tenant for aggregate consideration of \$121.3 million, including a lease termination fee of \$1.8 million, and recognized a gain from the sale of these assets. We deposited a majority of the proceeds from this sale in an Internal Revenue Code Section 1031 exchange escrow account with a qualified intermediary and, during the first six months of 2012, we used approximately \$76.4 million of the deposited proceeds for our MOB and seniors housing community acquisitions. As of September 30, 2012, there were no proceeds remaining in the exchange escrow account related to this sale.

During the nine months ended September 30, 2012, we also sold two skilled nursing facilities and one seniors housing community for aggregate consideration of \$28.5 million and recognized an immaterial net gain from the sales of these assets.

2011 Dispositions

During 2011, we sold two seniors housing communities and two skilled nursing facilities pursuant to tenant purchase options for aggregate consideration of \$20.6 million. We recognized no gain or loss from these sales.

Set forth below is a summary of our results of operations of properties sold during the nine months ended September 30, 2012 and the year ended December 31, 2011 or classified as held for sale

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5—DISPOSITIONS (Continued)

as of September 30, 2012, which operations were included in our triple-net leased properties, senior living operations or MOB operations segments.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
Revenues:				
Rental income	\$ 3,826	\$ 8,509	\$ 17,377	\$ 16,470
Resident fees and services	—	2,070	4,081	3,245
Interest and other income	1,127	—	5,952	—
	<u>4,953</u>	<u>10,579</u>	<u>27,410</u>	<u>19,715</u>
Expenses:				
Interest	1,371	4,238	6,950	7,698
Depreciation and amortization	6,714	4,434	24,081	6,878
Property-level operating expenses	651	1,734	4,709	2,579
General, administrative and professional fees	5	—	11	—
Other	—	554	1,230	837
	<u>8,741</u>	<u>10,960</u>	<u>36,981</u>	<u>17,992</u>
(Loss) income before income taxes and gain on sale of real estate assets	(3,788)	(381)	(9,571)	1,723
Income tax (expense) benefit	(16)	172	4	271
Gain on real estate dispositions, net	357	—	79,148	—
Discontinued operations	<u>\$ (3,447)</u>	<u>\$ (209)</u>	<u>\$ 69,581</u>	<u>\$ 1,994</u>

NOTE 6—INVESTMENTS IN UNCONSOLIDATED ENTITIES

We report investments in unconsolidated entities over whose operating and financial policies we have the ability to exercise significant influence under the equity method of accounting. At September 30, 2012 and December 31, 2011, we owned interests (ranging between 5% and 25%) in 55 properties and 92 properties, respectively, that we accounted for under the equity method of accounting.

We serve as the managing member of each unconsolidated entity and provide various services in exchange for fees and reimbursements. Total management fees earned in connection with these entities were \$2.0 million and \$1.9 million for the three months ended September 30, 2012 and 2011, respectively, and \$5.7 million and \$3.7 million for the nine months ended September 30, 2012 and 2011, respectively.

We are not required to consolidate these entities, as our joint venture partners have significant participating rights, nor are these entities considered variable interest entities, as they are controlled by equity holders with sufficient capital. Our net investment in properties owned through unconsolidated entities as of September 30, 2012 and December 31, 2011 was \$91.0 million and \$105.3 million, respectively. For the three months ended September 30, 2012 and 2011, we recorded income from unconsolidated entities of \$17.1 million and \$0.2 million, respectively. For the nine months ended September 30, 2012 and 2011, we recorded income from unconsolidated entities of \$17.9 million and a loss from unconsolidated entities of \$0.1 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6—INVESTMENTS IN UNCONSOLIDATED ENTITIES (Continued)

In August 2012, we acquired the controlling interests (ranging between 80% and 95%) in 36 MOBs and one MOB which is being marketed for sale for approximately \$350.0 million, including the assumption of \$101.6 million in debt. This transaction had a total value of approximately \$380.0 million. Prior to this acquisition, our equity method investment in these joint ventures was approximately \$12.5 million. In connection with our acquisition of the controlling interests, we re-measured the fair value of our previously held equity interest at the acquisition date fair value to be approximately \$30.0 million and recognized a net gain of \$16.6 million, which is included in income (loss) from unconsolidated entities in our Consolidated Statements of Income. Operations relating to these properties are now consolidated in our Consolidated Statements of Income.

NOTE 7—INTANGIBLES

The following is a summary of our intangibles as of September 30, 2012 and December 31, 2011:

	September 30, 2012		December 31, 2011	
	Balance	Remaining Weighted Average Amortization Period in Years	Balance	Remaining Weighted Average Amortization Period in Years
	(Dollars in thousands)			
Intangible assets:				
Above market lease intangibles	\$ 212,904	9.7	\$ 210,358	10.1
In-place and other lease intangibles	752,596	25.6	590,500	22.4
Other intangibles	33,689	8.6	16,169	13.5
Accumulated amortization	(317,601)	N/A	(188,442)	N/A
Goodwill	492,523	N/A	448,393	N/A
Net intangible assets	\$ 1,174,111	20.9	\$ 1,076,978	18.5
Intangible liabilities:				
Below market lease intangibles	\$ 430,609	15.4	\$ 442,612	15.3
Other lease intangibles	29,386	30.8	27,157	7.9
Accumulated amortization	(68,442)	N/A	(37,607)	N/A
Purchase option intangibles	36,048	N/A	112,670	N/A
Net intangible liabilities	\$ 427,601	15.9	\$ 544,832	15.2

N/A—Not Applicable.

Above market lease intangibles and in-place and other lease intangibles are included in acquired lease intangibles within real estate investments on our Consolidated Balance Sheets. Other intangibles (including non-compete agreements, management agreements and trade names/trademarks) and goodwill are included in other assets on our Consolidated Balance Sheets. Below market lease, other lease and purchase option intangibles are included in accounts payable and other liabilities on our Consolidated Balance Sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8—OTHER ASSETS

The following is a summary of our other assets as of September 30, 2012 and December 31, 2011:

	September 30, 2012	December 31, 2011
	(In thousands)	
Straight-line rent receivables, net	\$ 112,510	\$ 96,883
Marketable debt securities	42,950	43,331
Unsecured loans receivable, net	60,877	63,598
Goodwill and other intangibles, net	519,082	462,655
Assets held for sale	199,031	119,290
Other	119,141	105,475
Total other assets	\$ 1,053,591	\$ 891,232

NOTE 9—SENIOR NOTES PAYABLE AND OTHER DEBT

The following is a summary of our senior notes payable and other debt as of September 30, 2012 and December 31, 2011:

	September 30, 2012	December 31, 2011
	(In thousands)	
Unsecured revolving credit facility	\$ 704,770	\$ 455,578
9% Senior Notes due 2012	—	82,433
8 ¹ / 4 % Senior Notes due 2012	—	72,950
Unsecured term loan due 2013	—	200,000
6.25% Senior Notes due 2013	269,850	269,850
Unsecured term loan due 2015(1)	131,509	126,875
3.125% Senior Notes due 2015	400,000	400,000
6% Senior Notes due 2015	234,420	234,420
6 ¹ / 2 % Senior Notes due 2016	—	200,000
Unsecured term loan due 2017(1)	375,000	375,000
6 ³ / 4 % Senior Notes due 2017	—	225,000
4.00% Senior Notes due 2019	600,000	—
4.750% Senior Notes due 2021	700,000	700,000
4.25% Senior Notes due 2022	600,000	—
3.25% Senior Notes due 2022	275,000	—
6.90% Senior Notes due 2037	52,400	52,400
6.59% Senior Notes due 2038	22,973	22,973
Mortgage loans and other(2)	2,898,183	2,762,964
Total	7,264,105	6,180,443
Capital lease obligations	142,565	143,006
Unamortized fair value adjustment	119,319	144,923
Unamortized commission fees and discounts	(31,215)	(39,256)
Senior notes payable and other debt	\$ 7,494,774	\$ 6,429,116

- (1) These amounts represent in aggregate the approximate \$500.0 million of borrowings outstanding under our unsecured term loan facility. Certain amounts included in the 2015 tranche are in the form of Canadian dollar borrowings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9—SENIOR NOTES PAYABLE AND OTHER DEBT (Continued)

- (2) Excludes debt related to real estate assets classified as held for sale as of September 30, 2012 and December 31, 2011, respectively. The total mortgage debt for these properties as of September 30, 2012 and December 31, 2011 was \$23.4 million and \$14.6 million, respectively, and is included in accounts payable and other liabilities on our Consolidated Balance Sheets.

As of September 30, 2012, our indebtedness (excluding capital lease obligations) had the following maturities:

	Principal Amount Due at Maturity	Unsecured Revolving Credit Facility(1)	Scheduled Periodic Amortization	Total Maturities(1)
	(In thousands)			
2012	\$ 9,031	\$ —	\$ 14,209	\$ 23,240
2013(2)	562,366	—	51,679	614,045
2014	291,030	—	47,510	338,540
2015	1,074,793	704,770	38,098	1,817,661
2016	415,334	—	30,820	446,154
Thereafter(3)	3,846,022	—	178,443	4,024,465
Total maturities	<u>\$ 6,198,576</u>	<u>\$ 704,770</u>	<u>\$ 360,759</u>	<u>\$ 7,264,105</u>

- (1) At September 30, 2012, we had \$58.5 million of unrestricted cash and cash equivalents, for \$646.2 million of net borrowings outstanding under our unsecured revolving credit facility. Borrowings under our unsecured revolving credit facility mature on October 16, 2015, but may be extended for an additional period of one year at our option, subject to the satisfaction of certain conditions.
- (2) Excludes \$23.4 million of mortgage debt related to a real estate asset classified as held for sale as of September 30, 2012 that is scheduled to mature in 2013.
- (3) Includes \$52.4 million aggregate principal amount of 6.90% senior notes due 2037 of Nationwide Health Properties, LLC ("NHP LLC") (as successor to NHP) that are subject to repurchase, at the option of the holders, on October 1 of each of 2012, 2017 and 2027, and \$23.0 million aggregate principal amount of 6.59% senior notes due 2038 of NHP LLC that are subject to repurchase, at the option of the holders, on July 7 of each of 2013, 2018, 2023 and 2028. The option to require us to repurchase the 6.90% senior notes due 2037 on October 1, 2012 was not exercised by any holder.

Unsecured Revolving Credit Facility and Term Loans

We have \$2.0 billion of aggregate borrowing capacity under our unsecured revolving credit facility, which may be increased to up to \$2.5 billion at our option, subject to the satisfaction of certain conditions, and includes sublimits of (a) up to \$200 million for letters of credit, (b) up to \$200 million for swingline loans, (c) up to \$250 million for loans in certain alternative currencies, and (d) up to 50% of the facility for certain negotiated rate loans. Borrowings under our unsecured revolving credit facility bear interest at a fluctuating rate per annum (based on the applicable LIBOR for Eurocurrency rate loans and the higher of (i) the federal funds rate plus 0.50%, (ii) the administrative agent's prime rate and (iii) the applicable LIBOR plus 1.0% for base rate loans, plus, in each case, a spread based on our senior unsecured long-term debt ratings). At September 30, 2012, the applicable spread was 110 basis

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9—SENIOR NOTES PAYABLE AND OTHER DEBT (Continued)

points for Eurocurrency rate loans and 10 basis points for base rate loans. We also pay a facility fee ranging from 15 to 45 basis points per annum (based on our senior unsecured long-term debt ratings) on the aggregate revolving commitments under our unsecured revolving credit facility. At September 30, 2012, the facility fee was 17.5 basis points. Borrowings under our unsecured revolving credit facility mature on October 16, 2015, but may be extended for an additional period of one year at our option, subject to the satisfaction of certain conditions.

As of September 30, 2012, we had \$704.8 million of borrowings and \$5.9 million of letters of credit outstanding and \$1.29 billion of unused borrowing capacity available under our unsecured revolving credit facility.

In August 2012, we prepaid in full our \$200.0 million unsecured term loan due 2013.

In October 2012, we entered into a new \$180.0 million unsecured term loan, initially priced at 120 basis points over LIBOR. The term loan matures in January 2018 and contains the same covenants as our unsecured revolving credit and term loan facilities.

Senior Notes

In February 2012, we issued and sold \$600.0 million aggregate principal amount of 4.25% senior notes due 2022 at a public offering price equal to 99.214% of par, for total proceeds of \$595.3 million before the underwriting discount and expenses.

In March 2012, we redeemed all \$200.0 million principal amount outstanding of our 6 ¹ / 2 % senior notes due 2016 at a redemption price equal to 103.25% of par, plus accrued and unpaid interest to the redemption date, pursuant to the call option contained in the indenture governing the notes. As a result, we paid a total of \$206.5 million, plus accrued and unpaid interest, on the redemption date and recognized a loss on extinguishment of debt of \$29.7 million during the first quarter of 2012.

In April 2012, we issued and sold \$600.0 million aggregate principal amount of 4.00% senior notes due 2019 at a public offering price equal to 99.489% of par, for total proceeds of \$596.9 million before the underwriting discount and expenses.

In May 2012, we repaid in full, at par, \$82.4 million principal amount then outstanding of our 9% senior notes due 2012 upon maturity.

Also in May 2012, we redeemed all \$225.0 million principal amount outstanding of our 6 ³ / 4 % senior notes due 2017 at a redemption price equal to 103.375% of par, plus accrued and unpaid interest to the redemption date, pursuant to the terms of the indenture governing the notes. As a result, we paid a total of \$232.6 million, plus accrued and unpaid interest, on the redemption date and recognized a loss on extinguishment of debt of \$10.0 million during the second quarter of 2012.

In July 2012, we repaid in full, at par, \$73.0 million principal amount then outstanding of NHP LLC's 8 ¹ / 4 % senior notes due 2012 upon maturity.

In August 2012, we issued and sold \$275.0 million aggregate principal amount of 3.25% senior notes due 2022 at a public offering price equal to 99.027% of par, for total proceeds of \$272.3 million before the underwriting discount and expenses.

Capital Leases

As of September 30, 2012, we leased eight seniors housing communities pursuant to arrangements that are accounted for as capital leases. Under each capital lease agreement, rent may be increased annually based upon changes in the Consumer Price Index or gross revenues attributable to the property, subject to certain limits, and we have a bargain option to purchase the leased property and an option to exercise renewal terms.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9—SENIOR NOTES PAYABLE AND OTHER DEBT (Continued)

Future minimum lease payments required under the capital lease agreements, including amounts that would be due under purchase options, as of September 30, 2012 are as follows (in thousands):

2012	\$ 2,374
2013	9,573
2014	9,699
2015	9,826
2016	9,953
Thereafter	162,600
Total minimum lease payments	204,025
Less: Amount related to interest	(61,460)
	<u>\$ 142,565</u>

Net assets held under capital leases are included in net real estate investments on our Consolidated Balance Sheets and totaled \$216.5 million and \$224.7 million as of September 30, 2012 and December 31, 2011, respectively.

NOTE 10—FAIR VALUES OF FINANCIAL INSTRUMENTS

As of September 30, 2012 and December 31, 2011, the carrying amounts and fair values of our financial instruments were as follows:

	September 30, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Assets:				
Cash and cash equivalents	\$ 58,530	\$ 58,530	\$ 45,807	\$ 45,807
Secured loans receivable, net	215,775	221,225	212,577	216,315
Derivative instruments	—	—	11	11
Marketable debt securities	42,950	42,950	43,331	43,331
Unsecured loans receivable, net	60,877	64,001	63,598	65,219
Liabilities:				
Senior notes payable and other debt, gross	7,264,105	7,327,567	6,180,443	6,637,691
Derivative instruments and other liabilities	90,751	90,751	80,815	80,815
Redeemable OP unitholder interests	113,908	113,908	102,837	102,837

Fair value estimates are subjective in nature and based upon several important assumptions, including estimates of future cash flows, risks, discount rates and relevant comparable market information associated with each financial instrument. The use of different market assumptions and estimation methodologies may have a material effect on the reported estimated fair value amounts. Accordingly, the estimates presented above are not necessarily indicative of the amounts we would realize in a current market exchange.

As of September 30, 2012, we held corporate marketable debt securities, classified as available-for-sale and included within other assets on our Consolidated Balance Sheets, having an aggregate amortized cost basis and fair value of \$42.1 million and \$43.0 million, respectively. As of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 10—FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

December 31, 2011, our marketable debt securities had an aggregate amortized cost basis and fair value of \$41.2 million and \$43.3 million, respectively. The contractual maturities of our marketable debt securities range from October 1, 2012 to April 15, 2016. In October 2012, \$37.5 million of our corporate marketable debt securities matured at par. During the first quarter of 2011, we sold certain marketable debt securities for \$23.1 million in aggregate proceeds and recognized gains from these sales of approximately \$1.8 million (which are included in income from loans and investments in our Consolidated Statement of Income for the nine months ended September 30, 2011).

NOTE 11—LITIGATION

Litigation Relating to the NHP Acquisition

In the weeks following the announcement of our acquisition of NHP on February 28, 2011, purported stockholders of NHP filed seven lawsuits against NHP and its directors. Six of these lawsuits also named Ventas, Inc. as a defendant and five named our subsidiary, Needles Acquisition LLC, as a defendant. On June 9, 2011, we and NHP agreed on a settlement in principle with the plaintiffs in the consolidated action pending in the Circuit Court of Baltimore City, Maryland (the "Maryland State Court"), which required us and NHP to make certain supplemental disclosures to stockholders concerning the merger. We and NHP made the supplemental disclosures on June 10, 2011. The parties executed a Stipulation of Settlement and Release on April 18, 2012. The settlement is subject to approval by the Maryland State Court.

We believe that each of these actions is without merit.

Litigation Relating to the Cogdell Acquisition

In the weeks following the announcement of our acquisition of Cogdell on December 27, 2011, purported stockholders of Cogdell filed seven lawsuits against Cogdell and its directors. Each of these lawsuits also named Ventas, Inc. as a defendant, and certain of the lawsuits also named our subsidiaries, TH Merger Corp, Inc. and TH Merger Sub, LLC, as defendants. On February 29, 2012, we and Cogdell agreed on a settlement in principle with the plaintiffs in the Maryland and North Carolina actions, pursuant to which Cogdell agreed to make certain supplemental disclosures to stockholders concerning the merger. Cogdell made the supplemental disclosures on February 29, 2012. The settlement is subject to appropriate documentation by the parties and approval by the Maryland State Court.

We believe that each of these actions is without merit.

Proceedings against Tenants, Operators and Managers

From time to time, Kindred, Brookdale Senior Living, Atria, Sunrise and our other tenants, operators and managers are parties to certain legal actions, regulatory investigations and claims arising in the conduct of their business and operations. Even though we generally are not party to these proceedings, the unfavorable resolution of any such actions, investigations or claims could, individually or in the aggregate, materially adversely affect such tenants', operators' or managers' liquidity, financial condition or results of operations and their ability to satisfy their respective obligations to us, which, in turn, could have a Material Adverse Effect on us.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 11—LITIGATION (Continued)

Proceedings Indemnified and Defended by Third Parties

From time to time, we are party to certain legal actions, regulatory investigations and claims for which third parties are contractually obligated to indemnify, defend and hold us harmless. The tenants of our triple-net leased properties and, in some cases, their affiliates are required by the terms of their leases and other agreements with us to indemnify, defend and hold us harmless against certain actions, investigations and claims arising in the course of their business and related to the operations of our triple-net leased properties. In addition, third parties from whom we acquired certain of our assets and, in some cases, their affiliates, are required by the terms of the related conveyance documents to indemnify, defend and hold us harmless against certain actions, investigations and claims related to the acquired assets and arising prior to our ownership or related to excluded assets and liabilities. In some cases, a portion of the purchase price consideration is held in escrow for a specified period of time as collateral for these indemnification obligations. We are presently being defended by certain tenants and other obligated third parties in these types of matters. We cannot provide any assurance that our tenants, their affiliates or other obligated third parties will continue to defend us in these matters, that our tenants, their affiliates or other obligated third parties will have sufficient assets, income and access to financing to enable them to satisfy their defense and indemnification obligations to us or that any purchase price consideration held in escrow will be sufficient to satisfy claims for which we are entitled to indemnification. The unfavorable resolution of any such actions, investigations or claims could, individually or in the aggregate, materially adversely affect our tenants' or other obligated third parties' liquidity, financial condition or results of operations and their ability to satisfy their respective obligations to us, which, in turn, could have a Material Adverse Effect on us.

Proceedings Arising in Connection with Senior Living and MOB Operations; Other Litigation

From time to time, we are party to various legal actions, regulatory investigations and claims (some of which may not be insured) arising in connection with our senior living and MOB operations or otherwise in the course of our business. In limited circumstances, the manager of the applicable seniors housing community or MOB may be contractually obligated to indemnify, defend and hold us harmless against such actions, investigations and claims. It is the opinion of management that, except as otherwise set forth in this Note 11, the disposition of any such actions, investigations and claims that are currently pending will not, individually or in the aggregate, have a Material Adverse Effect on us. However, regardless of their merits, these matters may force us to expend significant financial resources. We are unable to predict the ultimate outcome of these actions, investigations and claims, and if management's assessment of our liability with respect thereto is incorrect, such actions, investigations and claims could have a Material Adverse Effect on us.

NOTE 12—INCOME TAXES

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with the year ended December 31, 1999. We have also elected for certain of our subsidiaries to be treated as taxable REIT subsidiaries ("TRS" or "TRS entities"), which are subject to federal and state income taxes. All entities other than the TRS entities are collectively referred to as "the REIT" within this Note 12.

Although the TRS entities were not liable for any cash federal income taxes for the nine months ended September 30, 2012, their federal income tax liabilities may increase in future periods as we exhaust net operating loss carryforwards and as our senior living operations and MOB operations reportable business segments grow. Such increases could be significant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12—INCOME TAXES (Continued)

Our consolidated provision for income taxes for the three months ended September 30, 2012 and 2011 was a benefit of \$8.9 million and \$13.7 million, respectively. Our consolidated provision for income taxes for the nine months ended September 30, 2012 and 2011 was a benefit of \$2.7 million and \$23.0 million, respectively. The income tax benefit for the nine months ended September 30, 2012 is due primarily to the income tax benefit of ordinary losses related to our TRS entities, net of the current period valuation allowance. The income tax benefit for the nine months ended September 30, 2011 was due primarily to the income tax benefit of ordinary losses related to our TRS entities and the reversal of certain income tax contingency reserves, including interest.

Realization of a deferred tax benefit related to net operating losses depends in part upon generating sufficient taxable income in future periods. Our net operating loss carryforwards begin to expire in 2024 with respect to our TRS entities and in 2016 for the REIT.

Each TRS is a tax paying component for purposes of classifying deferred tax assets and liabilities. Net deferred tax liabilities with respect to our TRS entities totaled \$262.5 million and \$258.7 million as of September 30, 2012 and December 31, 2011, respectively, and related primarily to differences between the financial reporting and tax bases of fixed and intangible assets and to net operating losses. These amounts include the initial net deferred tax liability related to the ASLG acquisition of \$43.5 million and adjustments for activity during the periods from May 12, 2011 (the acquisition date) through September 30, 2012 and from May 12, 2011 through December 31, 2011, respectively.

Generally, we are subject to audit under the statute of limitations by the Internal Revenue Service for the year ended December 31, 2009 and subsequent years and are subject to audit by state taxing authorities for the year ended December 31, 2008 and subsequent years. We are also subject to audit by the Canada Revenue Agency and provincial authorities generally for periods subsequent to 2006 related to our Canadian entities.

NOTE 13—STOCKHOLDERS' EQUITY

In June 2012, we completed the sale of 5,980,000 shares of our common stock in an underwritten public offering pursuant to our existing shelf registration statement. We received \$342.5 million in aggregate proceeds from the sale, which we used to repay indebtedness outstanding under our unsecured revolving credit facility and for working capital and other general corporate purposes.

Accumulated Other Comprehensive Income

The following is a summary of our accumulated other comprehensive income as of September 30, 2012 and December 31, 2011:

	As of September 30, 2012	As of December 31, 2011
	(In thousands)	
Foreign currency translation	\$ 24,246	\$ 21,066
Unrealized gain on marketable debt securities	883	2,103
Other	(1,503)	(1,107)
Total accumulated other comprehensive income	<u>\$ 23,626</u>	<u>\$ 22,062</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14—EARNINGS PER COMMON SHARE

The following table shows the amounts used in computing our basic and diluted earnings per common share:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
(In thousands, except per share amounts)				
Numerator for basic and diluted earnings per share:				
Income from continuing operations attributable to common stockholders	\$ 115,329	\$ 103,094	\$ 206,952	\$ 169,551
Discontinued operations	(3,447)	(209)	69,581	1,994
Net income attributable to common stockholders	<u>\$ 111,882</u>	<u>\$ 102,885</u>	<u>\$ 276,533</u>	<u>\$ 171,545</u>
Denominator:				
Denominator for basic earnings per share—weighted average shares	294,928	287,365	291,177	208,470
Effect of dilutive securities:				
Stock options	522	412	509	458
Restricted stock awards	121	38	86	57
OP units	1,836	1,868	1,850	630
Convertible notes	—	1,111	—	1,235
Denominator for diluted earnings per share—adjusted weighted average shares	<u>297,407</u>	<u>290,794</u>	<u>293,622</u>	<u>210,850</u>
Basic earnings per share:				
Income from continuing operations attributable to common stockholders	\$ 0.39	\$ 0.36	\$ 0.71	\$ 0.81
Discontinued operations	(0.01)	(0.00)	0.24	0.01
Net income attributable to common stockholders	<u>\$ 0.38</u>	<u>\$ 0.36</u>	<u>\$ 0.95</u>	<u>\$ 0.82</u>
Diluted earnings per share:				
Income from continuing operations attributable to common stockholders	\$ 0.39	\$ 0.35	\$ 0.70	\$ 0.80
Discontinued operations	(0.01)	(0.00)	0.24	0.01
Net income attributable to common stockholders	<u>\$ 0.38</u>	<u>\$ 0.35</u>	<u>\$ 0.94</u>	<u>\$ 0.81</u>

NOTE 15—SEGMENT INFORMATION

As of September 30, 2012, we operated through three reportable business segments: triple-net leased properties, senior living operations and MOB operations. Our triple-net leased properties segment consists of acquiring and owning seniors housing and healthcare properties in the United States and leasing those properties to healthcare operating companies under "triple-net" or "absolute-net" leases that obligate the tenants to pay all property-related expenses. Our senior living operations segment consists of investments in seniors housing communities located in the United States and Canada for which we engage independent third parties, such as Atria and Sunrise, to manage the operations. Our MOB operations segment primarily consists of acquiring, owning, developing, leasing and managing MOBs. Information provided for "all other" includes income from loans and investments

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15—SEGMENT INFORMATION (Continued)

and other miscellaneous income and various corporate-level expenses not directly attributable to our three reportable business segments. Assets included in "all other" consist primarily of corporate assets, including cash, restricted cash, deferred financing costs, loans receivable and miscellaneous accounts receivable.

We evaluate performance of the combined properties in each reportable business segment based on segment profit, which we define as NOI adjusted for gain/loss from unconsolidated entities. We define NOI as total revenues, less interest and other income, property-level operating expenses and medical office building services costs. We believe that net income, as defined by GAAP, is the most appropriate earnings measurement. However, we believe that segment profit serves as a useful supplement to net income because it allows investors, analysts and our management to measure unlevered property-level operating results and to compare our operating results to the operating results of other real estate companies and between periods on a consistent basis. Segment profit should not be considered as an alternative to net income (determined in accordance with GAAP) as an indicator of our financial performance. In order to facilitate a clear understanding of our consolidated historical operating results, segment profit should be examined in conjunction with net income as presented in our Consolidated Financial Statements and other financial data included elsewhere in this Quarterly Report on Form 10-Q.

Interest expense, depreciation and amortization, general, administrative and professional fees, income tax expense, discontinued operations and other non-property specific revenues and expenses are not allocated to individual reportable business segments for purposes of assessing segment performance. There are no intersegment sales or transfers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15—SEGMENT INFORMATION (Continued)

Summary information by reportable business segment is as follows:

For the three months ended September 30, 2012:

	Triple-Net Leased Properties	Senior Living Operations	MOB Operations (In thousands)	All Other	Total
Revenues:					
Rental income	\$ 210,096	\$ —	\$ 100,814	\$ —	\$ 310,910
Resident fees and services	—	317,131	—	—	317,131
Medical office building and other services revenue	1,110	—	3,434	—	4,544
Income from loans and investments	—	—	—	9,035	9,035
Interest and other income	—	—	—	330	330
Total revenues	\$ 211,206	\$ 317,131	\$ 104,248	\$ 9,365	\$ 641,950
Total revenues	\$ 211,206	\$ 317,131	\$ 104,248	\$ 9,365	\$ 641,950
Less:					
Interest and other income	—	—	—	330	330
Property-level operating expenses	—	216,861	36,144	—	253,005
Medical office building services costs	—	—	1,487	—	1,487
Segment NOI	211,206	100,270	66,617	9,035	387,128
Income from unconsolidated entities	348	—	16,726	—	17,074
Segment profit	\$ 211,554	\$ 100,270	\$ 83,343	\$ 9,035	404,202
Interest and other income					330
Interest expense					(75,139)
Depreciation and amortization					(189,908)
General, administrative and professional fees					(26,872)
Gain on extinguishment of debt					1,194
Merger-related expenses and deal costs					(4,917)
Other					(2,508)
Income tax benefit					8,886
Discontinued operations					(3,447)
Net income					\$ 111,821

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15—SEGMENT INFORMATION (Continued)

For the three months ended September 30, 2011:

	Triple-Net Leased Properties	Senior Living Operations	MOB Operations (In thousands)	All Other	Total
Revenues:					
Rental income	\$ 203,209	\$ —	\$ 58,159	\$ —	\$ 261,368
Resident fees and services	—	274,294	—	—	274,294
Medical office building and other services revenue	1,109	—	8,162	—	9,271
Income from loans and investments	—	—	—	10,072	10,072
Interest and other income	—	—	—	373	373
Total revenues	\$ 204,318	\$ 274,294	\$ 66,321	\$ 10,445	\$ 555,378
Total revenues	\$ 204,318	\$ 274,294	\$ 66,321	\$ 10,445	\$ 555,378
Less:					
Interest and other income	—	—	—	373	373
Property-level operating expenses	—	187,356	20,071	—	207,427
Medical office building services costs	—	—	6,347	—	6,347
Segment NOI	204,318	86,938	39,903	10,072	341,231
 Income from unconsolidated entities					
	121	—	61	—	182
Segment profit	\$ 204,439	\$ 86,938	\$ 39,964	\$ 10,072	341,413
Interest and other income					373
Interest expense					(69,518)
Depreciation and amortization					(156,593)
General, administrative and professional fees					(20,624)
Loss on extinguishment of debt					(8,685)
Litigation proceeds, net					85,327
Merger-related expenses and deal costs					(69,350)
Other					(13,882)
Income tax benefit					13,732
Discontinued operations					(209)
Net income					\$ 101,984

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15—SEGMENT INFORMATION (Continued)

For the nine months ended September 30, 2012:

	Triple-Net Leased Properties	Senior Living Operations	MOB Operations (In thousands)	All Other	Total
Revenues:					
Rental income	\$ 622,702	\$ —	\$ 253,890	\$ —	\$ 876,592
Resident fees and services	—	906,946	—	—	906,946
Medical office building and other services revenue	3,329	—	13,462	—	16,791
Income from loans and investments	—	—	—	25,223	25,223
Interest and other income	—	—	—	441	441
Total revenues	\$ 626,031	\$ 906,946	\$ 267,352	\$ 25,664	\$ 1,825,993
Total revenues	\$ 626,031	\$ 906,946	\$ 267,352	\$ 25,664	\$ 1,825,993
Less:					
Interest and other income	—	—	—	441	441
Property-level operating expenses	—	620,075	86,469	—	706,544
Medical office building services costs	—	—	8,314	—	8,314
Segment NOI	626,031	286,871	172,569	25,223	1,110,694
Income from unconsolidated entities					
	1,068	—	16,837	—	17,905
Segment profit	\$ 627,099	\$ 286,871	\$ 189,406	\$ 25,223	1,128,599
Interest and other income					441
Interest expense					(217,475)
Depreciation and amortization					(538,946)
General, administrative and professional fees					(75,779)
Loss on extinguishment of debt					(38,339)
Merger-related expenses and deal costs					(49,566)
Other					(5,594)
Income tax benefit					2,727
Discontinued operations					69,581
Net income					\$ 275,649

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15—SEGMENT INFORMATION (Continued)

For the nine months ended September 30, 2011:

	<u>Triple-Net Leased Properties</u>	<u>Senior Living Operations</u>	<u>MOB Operations (In thousands)</u>	<u>All Other</u>	<u>Total</u>
Revenues:					
Rental income	\$ 433,980	\$ —	\$ 106,153	\$ —	\$ 540,133
Resident fees and services	—	590,103	—	—	590,103
Medical office building and other services revenue	1,109	—	24,941	—	26,050
Income from loans and investments	—	—	—	24,548	24,548
Interest and other income	—	—	—	529	529
Total revenues	<u>\$ 435,089</u>	<u>\$ 590,103</u>	<u>\$ 131,094</u>	<u>\$ 25,077</u>	<u>\$ 1,181,363</u>
Total revenues	<u>\$ 435,089</u>	<u>\$ 590,103</u>	<u>\$ 131,094</u>	<u>\$ 25,077</u>	<u>\$ 1,181,363</u>
Less:					
Interest and other income	—	—	—	529	529
Property-level operating expenses	—	401,361	37,025	—	438,386
Medical office building services costs	—	—	19,837	—	19,837
Segment NOI	<u>435,089</u>	<u>188,742</u>	<u>74,232</u>	<u>24,548</u>	<u>722,611</u>
 Income (loss) from unconsolidated entities					
	121	—	(192)	—	(71)
Segment profit	<u>\$ 435,210</u>	<u>\$ 188,742</u>	<u>\$ 74,040</u>	<u>\$ 24,548</u>	<u>722,540</u>
Interest and other income					529
Interest expense					(162,348)
Depreciation and amortization					(286,663)
General, administrative and professional fees					(51,010)
Loss on extinguishment of debt					(25,211)
Litigation proceeds, net					85,327
Merger-related expenses and deal costs					(131,606)
Other					(5,827)
Income tax benefit					23,039
Discontinued operations					1,994
Net income					<u>\$ 170,764</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15—SEGMENT INFORMATION (Continued)

Capital expenditures, including investments in real estate property and development project expenditures, by reportable business segment are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
Capital expenditures:				
Triple-net leased	\$ 25,535	\$ 68,604	\$ 39,415	\$ 69,831
Senior living	20,510	20,842	369,341	296,446
MOB	257,479	23,432	878,545	30,301
Total capital expenditures	<u>\$ 303,524</u>	<u>\$ 112,878</u>	<u>\$ 1,287,301</u>	<u>\$ 396,578</u>

Our portfolio of properties and mortgage loan and other investments are located in the United States and Canada. Revenues are attributed to an individual country based on the location of each property.

Geographic information regarding our operations is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
Revenues:				
United States	\$ 617,605	\$ 531,951	\$ 1,754,418	\$ 1,112,322
Canada	24,345	23,428	71,575	69,041
Total revenues	<u>\$ 641,950</u>	<u>\$ 555,378</u>	<u>\$ 1,825,993</u>	<u>\$ 1,181,363</u>

	As of September 30, 2012	As of December 31, 2011
	(In thousands)	
Net real estate property:		
United States	\$ 16,514,409	\$ 15,510,824
Canada	405,268	402,908
Total net real estate property	<u>\$ 16,919,677</u>	<u>\$ 15,913,732</u>

NOTE 16—CONDENSED CONSOLIDATING INFORMATION (Unaudited)

We have fully and unconditionally guaranteed the obligation to pay principal and interest with respect to the outstanding senior notes issued by our 100% owned subsidiaries, Ventas Realty, Limited Partnership ("Ventas Realty") and Ventas Capital Corporation (collectively, the "Ventas Issuers"). Ventas Capital Corporation is a direct subsidiary of Ventas Realty that was formed in 2002 to facilitate offerings of senior notes and has no assets or operations. None of our other subsidiaries (excluding the Ventas Issuers, the "Ventas Subsidiaries") is obligated with respect to the Ventas Issuers' outstanding senior notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16—CONDENSED CONSOLIDATING INFORMATION (Unaudited) (Continued)

In connection with the NHP acquisition, our 100% owned subsidiary, NHP LLC, assumed the obligation to pay principal and interest with respect to the outstanding senior notes issued by NHP. We, the Ventas Issuers and the Ventas Subsidiaries (other than NHP LLC) are not obligated with respect to any of NHP LLC's outstanding senior notes.

Contractual and legal restrictions, including those contained in the instruments governing our subsidiaries' outstanding mortgage indebtedness, may under certain circumstances restrict our ability to obtain cash from our subsidiaries for the purpose of meeting our debt service obligations, including our guarantee of the payment of principal and interest on the Ventas Issuers' senior notes. Certain of our real estate assets are also subject to mortgages.

The following summarizes our condensed consolidating information as of September 30, 2012 and December 31, 2011 and for the three and nine months ended September 30, 2012 and 2011:

CONDENSED CONSOLIDATING BALANCE SHEET
As of September 30, 2012

	<u>Ventas, Inc.</u>	<u>Ventas Issuers</u>	<u>Ventas Subsidiaries</u> (In thousands)	<u>Consolidated Elimination</u>	<u>Consolidated</u>
Assets					
Net real estate investments	\$ 7,766	\$ 421,537	\$ 16,797,141	\$ —	\$ 17,226,444
Cash and cash equivalents	10,181	—	48,349	—	58,530
Escrow deposits and restricted cash	2,114	2,188	72,606	—	76,908
Deferred financing costs, net	757	18,068	6,601	—	25,426
Investment in and advances to affiliates	9,756,019	1,867,251	—	(11,623,270)	—
Other assets	64,627	4,896	984,068	—	1,053,591
Total assets	<u>\$ 9,841,464</u>	<u>\$ 2,313,940</u>	<u>\$ 17,908,765</u>	<u>\$ (11,623,270)</u>	<u>\$ 18,440,899</u>
Liabilities and equity					
Liabilities:					
Senior notes payable and other debt					
	\$ —	\$ 3,624,285	\$ 3,870,489	\$ —	\$ 7,494,774
Intercompany loans	2,603,100	(3,090,707)	487,607	—	—
Accrued interest	—	30,228	26,098	—	56,326
Accounts payable and other liabilities	97,383	5,905	945,755	—	1,049,043
Deferred income taxes	265,116	—	—	—	265,116
Total liabilities	<u>2,965,599</u>	<u>569,711</u>	<u>5,329,949</u>	<u>—</u>	<u>8,865,259</u>
Redeemable OP unitholder interests					
	—	—	113,908	—	113,908
Total equity	<u>6,875,865</u>	<u>1,744,229</u>	<u>12,464,908</u>	<u>(11,623,270)</u>	<u>9,461,732</u>
Total liabilities and equity	<u>\$ 9,841,464</u>	<u>\$ 2,313,940</u>	<u>\$ 17,908,765</u>	<u>\$ (11,623,270)</u>	<u>\$ 18,440,899</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16—CONDENSED CONSOLIDATING INFORMATION (Unaudited) (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET As of December 31, 2011

	Ventas, Inc.	Ventas Issuers	Ventas Subsidiaries (In thousands)	Consolidated Elimination	Consolidated
Assets					
Net real estate investments	\$ 309	\$ 519,042	\$ 15,712,261	\$ —	\$ 16,231,612
Cash and cash equivalents	2,335	—	43,472	—	45,807
Escrow deposits and restricted cash	1,971	7,513	67,106	—	76,590
Deferred financing costs, net	757	19,239	6,673	—	26,669
Investment in and advances to affiliates	8,612,893	1,728,635	—	(10,341,528)	—
Other assets	54,415	47,063	789,754	—	891,232
Total assets	<u>\$ 8,672,680</u>	<u>\$ 2,321,492</u>	<u>\$ 16,619,266</u>	<u>\$ (10,341,528)</u>	<u>\$ 17,271,910</u>
Liabilities and equity					
Liabilities:					
Senior notes payable and other debt					
	\$ —	\$ 2,593,176	\$ 3,835,940	\$ —	\$ 6,429,116
Intercompany loans	1,204,987	(2,040,590)	835,603	—	—
Accrued interest	—	12,561	25,133	—	37,694
Accounts payable and other liabilities	86,101	18,162	981,334	—	1,085,597
Deferred income taxes	260,722	—	—	—	260,722
Total liabilities	<u>1,551,810</u>	<u>583,309</u>	<u>5,678,010</u>	<u>—</u>	<u>7,813,129</u>
Redeemable OP unitholder interests					
	—	—	102,837	—	102,837
Total equity	<u>7,120,870</u>	<u>1,738,183</u>	<u>10,838,419</u>	<u>(10,341,528)</u>	<u>9,355,944</u>
Total liabilities and equity	<u>\$ 8,672,680</u>	<u>\$ 2,321,492</u>	<u>\$ 16,619,266</u>	<u>\$ (10,341,528)</u>	<u>\$ 17,271,910</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16—CONDENSED CONSOLIDATING INFORMATION (Unaudited) (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME For the Three Months Ended September 30, 2012

	Ventas, Inc.	Ventas Issuers	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Revenues:					
Rental income	\$ 640	\$ 70,220	\$ 240,050	\$ —	\$ 310,910
Resident fees and services	—	—	317,131	—	317,131
Medical office building and other services revenues	—	—	4,544	—	4,544
Income from loans and investments	951	301	7,783	—	9,035
Equity earnings in affiliates	115,319	—	318	(115,637)	—
Interest and other income	12	10	308	—	330
Total revenues	<u>116,922</u>	<u>70,531</u>	<u>570,134</u>	<u>(115,637)</u>	<u>641,950</u>
Expenses:					
Interest	(1,139)	23,407	52,871	—	75,139
Depreciation and amortization	1,057	7,578	181,273	—	189,908
Property-level operating expenses	—	128	252,877	—	253,005
Medical office building services costs	—	—	1,487	—	1,487
General, administrative and professional fees	1,028	8,092	17,752	—	26,872
Loss (gain) on extinguishment of debt	—	17	(1,211)	—	(1,194)
Merger-related expenses and deal costs	12,552	—	(7,635)	—	4,917
Other	(5)	—	2,513	—	2,508
Total expenses	<u>13,493</u>	<u>39,222</u>	<u>499,927</u>	<u>—</u>	<u>552,642</u>
Income from continuing operations before income from unconsolidated entities, income taxes and noncontrolling interest	103,429	31,309	70,207	(115,637)	89,308
Income from unconsolidated entities	—	429	16,645	—	17,074
Income tax benefit	8,886	—	—	—	8,886
Income from continuing operations	112,315	31,738	86,852	(115,637)	115,268
Discontinued operations	(433)	106	(3,120)	—	(3,447)
Net income	111,882	31,844	83,732	(115,637)	111,821
Net loss attributable to noncontrolling interest	—	—	(61)	—	(61)
Net income attributable to common stockholders	<u>\$ 111,882</u>	<u>\$ 31,844</u>	<u>\$ 83,793</u>	<u>\$ (115,637)</u>	<u>\$ 111,882</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16—CONDENSED CONSOLIDATING INFORMATION (Unaudited) (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME For the Three Months Ended September 30, 2011

	Ventas, Inc.	Ventas Issuers	Ventas Subsidiaries	Consolidated Elimination	Consolidated
	(In thousands)				
Revenues:					
Rental income	\$ 623	\$ 68,314	\$ 192,431	\$ —	\$ 261,368
Resident fees and services	—	—	274,294	—	274,294
Medical office building and other services revenues	—	—	9,271	—	9,271
Income from loans and investments	1,124	103	8,845	—	10,072
Equity earnings in affiliates	52,291	—	259	(52,550)	—
Interest and other income	6	10	357	—	373
Total revenues	<u>54,044</u>	<u>68,427</u>	<u>485,457</u>	<u>(52,550)</u>	<u>555,378</u>
Expenses:					
Interest	392	20,590	48,536	—	69,518
Depreciation and amortization	440	7,945	148,208	—	156,593
Property-level operating expenses	—	115	207,312	—	207,427
Medical office building services costs	—	—	6,347	—	6,347
General, administrative and professional fees	1,194	6,427	13,003	—	20,624
Loss on extinguishment of debt	—	8,685	—	—	8,685
Litigation proceeds, net	(85,327)	—	—	—	(85,327)
Merger-related expenses and deal costs	47,309	—	22,041	—	69,350
Other	883	—	12,999	—	13,882
Total expenses	<u>(35,109)</u>	<u>43,762</u>	<u>458,446</u>	<u>—</u>	<u>467,099</u>
Income from continuing operations before income from unconsolidated entities, income taxes and noncontrolling interest	89,153	24,665	27,011	(52,550)	88,279
Income from unconsolidated entities	—	182	—	—	182
Income tax benefit	13,732	—	—	—	13,732
Income from continuing operations	<u>102,885</u>	<u>24,847</u>	<u>27,011</u>	<u>(52,550)</u>	<u>102,193</u>
Discontinued operations	—	1,085	(1,294)	—	(209)
Net income	<u>102,885</u>	<u>25,932</u>	<u>25,717</u>	<u>(52,550)</u>	<u>101,984</u>
Net loss attributable to noncontrolling interest	—	—	(901)	—	(901)
Net income attributable to common stockholders	<u>\$ 102,885</u>	<u>\$ 25,932</u>	<u>\$ 26,618</u>	<u>\$ (52,550)</u>	<u>\$ 102,885</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16—CONDENSED CONSOLIDATING INFORMATION (Unaudited) (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME For the Nine Months Ended September 30, 2012

	Ventas, Inc.	Ventas Issuers	Ventas Subsidiaries (In thousands)	Consolidated Elimination	Consolidated
Revenues:					
Rental income	\$ 1,898	\$ 208,445	\$ 666,249	\$ —	\$ 876,592
Resident fees and services	—	—	906,946	—	906,946
Medical office building and other services revenues	—	—	16,791	—	16,791
Income from loans and investments	2,841	1,330	21,052	—	25,223
Equity earnings in affiliates	228,099	—	537	(228,636)	—
Interest and other income	97	20	324	—	441
Total revenues	<u>232,935</u>	<u>209,795</u>	<u>1,611,899</u>	<u>(228,636)</u>	<u>1,825,993</u>
Expenses:					
Interest	(3,375)	68,576	152,274	—	217,475
Depreciation and amortization	2,576	28,527	507,843	—	538,946
Property-level operating expenses	—	369	706,175	—	706,544
Medical office building services costs	—	—	8,314	—	8,314
General, administrative and professional fees	4,839	22,204	48,736	—	75,779
Loss (gain) on extinguishment of debt	—	39,737	(1,398)	—	38,339
Merger-related expenses and deal costs	42,605	—	6,961	—	49,566
Other	(4)	—	5,598	—	5,594
Total expenses	<u>46,641</u>	<u>159,413</u>	<u>1,434,503</u>	<u>—</u>	<u>1,640,557</u>
Income from continuing operations before income from unconsolidated entities, income taxes and noncontrolling interest	186,294	50,382	177,396	(228,636)	185,436
Income from unconsolidated entities	—	1,260	16,645	—	17,905
Income tax benefit	<u>2,727</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,727</u>
Income from continuing operations	189,021	51,642	194,041	(228,636)	206,068
Discontinued operations	87,512	2,091	(20,022)	—	69,581
Net income	276,533	53,733	174,019	(228,636)	275,649
Net loss attributable to noncontrolling interest	—	—	(884)	—	(884)
Net income attributable to common stockholders	<u>\$ 276,533</u>	<u>\$ 53,733</u>	<u>\$ 174,903</u>	<u>\$ (228,636)</u>	<u>\$ 276,533</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16—CONDENSED CONSOLIDATING INFORMATION (Unaudited) (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME
For the Nine Months Ended September 30, 2011

	Ventas, Inc.	Ventas Issuers	Ventas Subsidiaries (In thousands)	Consolidated Elimination	Consolidated
Revenues:					
Rental income	\$ 1,848	\$ 202,726	\$ 335,559	\$ —	\$ 540,133
Resident fees and services	—	—	590,103	—	590,103
Medical office building and other services revenues	—	—	26,050	—	26,050
Income from loans and investments	5,070	8,566	10,912	—	24,548
Equity earnings in affiliates	160,546	—	1,103	(161,649)	—
Interest and other income	96	52	381	—	529
Total revenues	167,560	211,344	964,108	(161,649)	1,181,363
Expenses:					
Interest	(474)	48,914	113,908	—	162,348
Depreciation and amortization	1,273	23,939	261,451	—	286,663
Property-level operating expenses	—	414	437,972	—	438,386
Medical office building services costs	—	—	19,837	—	19,837
General, administrative and professional fees	(5,840)	21,625	35,225	—	51,010
Loss on extinguishment of debt	—	8,685	16,526	—	25,211
Litigation proceeds, net	(85,327)	—	—	—	(85,327)
Merger-related expenses and deal costs	108,509	—	23,097	—	131,606
Other	913	—	4,914	—	5,827
Total expenses	19,054	103,577	912,930	—	1,035,561
Income from continuing operations before loss/income from unconsolidated entities, income taxes and noncontrolling interest	148,506	107,767	51,178	(161,649)	145,802
Loss from unconsolidated entities	—	(71)	—	—	(71)
Income tax benefit	23,039	—	—	—	23,039
Income from continuing operations	171,545	107,696	51,178	(161,649)	168,770
Discontinued operations	—	2,616	(622)	—	1,994
Net income	171,545	110,312	50,556	(161,649)	170,764
Net loss attributable to noncontrolling interest	—	—	(781)	—	(781)
Net income attributable to common stockholders	\$ 171,545	\$ 110,312	\$ 51,337	\$ (161,649)	\$ 171,545

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16—CONDENSED CONSOLIDATING INFORMATION (Unaudited) (Continued)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME For the Three Months Ended September 30, 2012

	Ventas, Inc.	Ventas Issuers	Ventas Subsidiaries (In thousands)	Consolidated Elimination	Consolidated
Net income	\$ 111,882	\$ 31,844	\$ 83,732	\$ (115,637)	\$ 111,821
Other comprehensive income (loss):					
Foreign currency translation	—	—	2,838	—	2,838
Change in unrealized gain on marketable debt securities	(509)	—	—	—	(509)
Other	—	—	(107)	—	(107)
Total other comprehensive (loss) income	(509)	—	2,731	—	2,222
Comprehensive income	111,373	31,844	86,463	(115,637)	114,043
Comprehensive loss attributable to noncontrolling interest	—	—	(61)	—	(61)
Comprehensive income attributable to common stockholders	<u>\$ 111,373</u>	<u>\$ 31,844</u>	<u>\$ 86,524</u>	<u>\$ (115,637)</u>	<u>\$ 114,104</u>

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME For the Three Months Ended September 30, 2011

	Ventas, Inc.	Ventas Issuers	Ventas Subsidiaries (In thousands)	Consolidated Elimination	Consolidated
Net income	\$ 102,885	\$ 25,932	\$ 25,717	\$ (52,550)	\$ 101,984
Other comprehensive loss:					
Foreign currency translation	—	—	(7,293)	—	(7,293)
Change in unrealized gain on marketable debt securities	(1,285)	—	—	—	(1,285)
Other	—	—	(397)	—	(397)
Total other comprehensive loss	(1,285)	—	(7,690)	—	(8,975)
Comprehensive income	101,600	25,932	18,027	(52,550)	93,009
Comprehensive loss attributable to noncontrolling interest	—	—	(901)	—	(901)
Comprehensive income attributable to common stockholders	<u>\$ 101,600</u>	<u>\$ 25,932</u>	<u>\$ 18,928</u>	<u>\$ (52,550)</u>	<u>\$ 93,910</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16—CONDENSED CONSOLIDATING INFORMATION (Unaudited) (Continued)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME For the Nine Months Ended September 30, 2012

	Ventas, Inc.	Ventas Issuers	Ventas Subsidiaries (In thousands)	Consolidated Elimination	Consolidated
Net income	\$ 276,533	\$ 53,733	\$ 174,019	\$ (228,636)	\$ 275,649
Other comprehensive income (loss):					
Foreign currency translation	—	—	3,180	—	3,180
Change in unrealized gain on marketable debt securities	(1,220)	—	—	—	(1,220)
Other	—	—	(396)	—	(396)
Total other comprehensive (loss) income	(1,220)	—	2,784	—	1,564
Comprehensive income	275,313	53,733	176,803	(228,636)	277,213
Comprehensive loss attributable to noncontrolling interest	—	—	(884)	—	(884)
Comprehensive income attributable to common stockholders	<u>\$ 275,313</u>	<u>\$ 53,733</u>	<u>\$ 177,687</u>	<u>\$ (228,636)</u>	<u>\$ 278,097</u>

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME For the Nine Months Ended September 30, 2011

	Ventas, Inc.	Ventas Issuers	Ventas Subsidiaries (In thousands)	Consolidated Elimination	Consolidated
Net income	\$ 171,545	\$ 110,312	\$ 50,556	\$ (161,649)	\$ 170,764
Other comprehensive loss:					
Foreign currency translation	—	—	(4,234)	—	(4,234)
Change in unrealized gain on marketable debt securities	(2,964)	—	—	—	(2,964)
Other	—	—	(433)	—	(433)
Total other comprehensive loss	(2,964)	—	(4,667)	—	(7,631)
Comprehensive income	168,581	110,312	45,889	(161,649)	163,133
Comprehensive loss attributable to noncontrolling interest	—	—	(781)	—	(781)
Comprehensive income attributable to common stockholders	<u>\$ 168,581</u>	<u>\$ 110,312</u>	<u>\$ 46,670</u>	<u>\$ (161,649)</u>	<u>\$ 163,914</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16—CONDENSED CONSOLIDATING INFORMATION (Unaudited) (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Nine Months Ended September 30, 2012

	<u>Ventas, Inc.</u>	<u>Ventas Issuers</u>	<u>Ventas Subsidiaries (In thousands)</u>	<u>Consolidated Elimination</u>	<u>Consolidated</u>
Net cash (used in) provided by operating activities	\$ (5,543)	\$ 156,211	\$ 558,651	\$ —	\$ 709,319
Net cash used in investing activities	(1,114,598)	(113)	(99,195)	—	(1,213,906)
Cash flows from financing activities:					
Net change in borrowings under revolving credit facility	—	255,500	(6,579)	—	248,921
Proceeds from debt	—	1,255,105	313,277	—	1,568,382
Repayment of debt	—	(521,527)	(581,473)	—	(1,103,000)
Net change in intercompany debt	1,329,833	(1,050,117)	(279,716)	—	—
Payment of deferred financing costs	—	(3,395)	(862)	—	(4,257)
Issuance of common stock, net	342,469	—	—	—	342,469
Cash distribution (to) from affiliates	(13,087)	(91,722)	104,809	—	—
Cash distribution to common stockholders	(545,240)	—	—	—	(545,240)
Cash distribution to redeemable OP unitholders	(3,358)	—	—	—	(3,358)
Purchases of redeemable OP units	(1,760)	—	—	—	(1,760)
Distributions to noncontrolling interest	—	—	(4,035)	—	(4,035)
Other	19,130	—	—	—	19,130
Net cash provided by (used in) financing activities	1,127,987	(156,156)	(454,579)	—	517,252
Net increase (decrease) in cash and cash equivalents	7,846	(58)	4,877	—	12,665
Effect of foreign currency translation on cash and cash equivalents	—	58	—	—	58
Cash and cash equivalents at beginning of period	2,335	—	43,472	—	45,807
Cash and cash equivalents at end of period	<u>\$ 10,181</u>	<u>\$ —</u>	<u>\$ 48,349</u>	<u>\$ —</u>	<u>\$ 58,530</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16—CONDENSED CONSOLIDATING INFORMATION (Unaudited) (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS For the Nine Months Ended September 30, 2011

	<u>Ventas, Inc.</u>	<u>Ventas Issuers</u>	<u>Ventas Subsidiaries</u> (In thousands)	<u>Consolidated Elimination</u>	<u>Consolidated</u>
Net cash (used in) provided by operating activities	\$ (3,510)	\$ 180,935	\$ 266,476	\$ —	\$ 443,901
Net cash (used in) provided by investing activities	(431,727)	(500,879)	89,682	—	(842,924)
Cash flows from financing activities:					
Net change in borrowings under revolving credit facilities	—	434,000	—	—	434,000
Proceeds from debt	—	689,374	268,379	—	957,753
Repayment of debt	—	(206,500)	(688,543)	—	(895,043)
Net change in intercompany debt	981,494	(1,208,212)	226,718	—	—
Payment of deferred financing costs	—	(1,519)	(379)	—	(1,898)
Issuance of common stock, net	299,926	—	—	—	299,926
Cash distribution (to) from affiliates	(491,099)	612,898	(121,799)	—	—
Cash distribution to common stockholders	(354,932)	—	—	—	(354,932)
Cash distribution to redeemable OP unitholders	—	—	(4,038)	—	(4,038)
Distributions to noncontrolling interest	—	—	(1,997)	—	(1,997)
Other	1,017	—	2	—	1,019
Net cash provided by (used in) financing activities	436,406	320,041	(321,657)	—	434,790
Net increase in cash and cash equivalents	1,169	97	34,501	—	35,767
Effect of foreign currency translation on cash and cash equivalents	—	(97)	—	—	(97)
Cash and cash equivalents at beginning of period	1,083	—	20,729	—	21,812
Cash and cash equivalents at end of period	<u>\$ 2,252</u>	<u>\$ —</u>	<u>\$ 55,230</u>	<u>\$ —</u>	<u>\$ 57,482</u>

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

Cautionary Statements

Unless otherwise indicated or except where the context otherwise requires, the terms "we," "us" and "our" and other similar terms in this Quarterly Report on Form 10-Q refer to Ventas, Inc. and its consolidated subsidiaries.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements regarding our or our tenants', operators', managers' or borrowers' expected future financial condition, results of operations, cash flows, funds from operations, dividends and dividend plans, financing opportunities and plans, capital markets transactions, business strategy, budgets, projected costs, operating metrics, capital expenditures, competitive positions, acquisitions, investment opportunities, dispositions, merger integration, growth opportunities, expected lease income, continued qualification as a real estate investment trust ("REIT"), plans and objectives of management for future operations and statements that include words such as "anticipate," "if," "believe," "plan," "estimate," "expect," "intend," "may," "could," "should," "will" and other similar expressions are forward-looking statements. These forward-looking statements are inherently uncertain, and actual results may differ from our expectations. We do not undertake a duty to update these forward-looking statements, which speak only as of the date on which they are made.

Our actual future results and trends may differ materially from expectations depending on a variety of factors discussed in our filings with the Securities and Exchange Commission (the "SEC"). These factors include without limitation:

- The ability and willingness of our tenants, operators, borrowers, managers and other third parties to satisfy their obligations under their respective contractual arrangements with us, including, in some cases, their obligations to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities;
- The ability of our tenants, operators, borrowers and managers to maintain the financial strength and liquidity necessary to satisfy their respective obligations and liabilities to third parties, including without limitation obligations under their existing credit facilities and other indebtedness;
- Our success in implementing our business strategy and our ability to identify, underwrite, finance, consummate and integrate diversifying acquisitions and investments, including investments in different asset types and outside the United States;
- Macroeconomic conditions such as a disruption of or lack of access to the capital markets, changes in the debt rating on U.S. government securities, default or delay in payment by the United States of its obligations, and changes in the federal budget resulting in the reduction or nonpayment of Medicare or Medicaid reimbursement rates;
- The nature and extent of future competition;
- The extent of future or pending healthcare reform and regulation, including cost containment measures and changes in reimbursement policies, procedures and rates;
- Increases in our borrowing costs as a result of changes in interest rates and other factors;

- The ability of our operators and managers, as applicable, to comply with laws, rules and regulations in the operation of our properties, to deliver high quality services, to attract and retain qualified personnel and to attract residents and patients;
- Changes in general economic conditions or economic conditions in the markets in which we may, from time to time, compete, and the effect of those changes on our revenues, earnings and funding sources;
- Our ability to pay down, refinance, restructure or extend our indebtedness as it becomes due;
- Our ability and willingness to maintain our qualification as a REIT in light of economic, market, legal, tax and other considerations;
- Final determination of our taxable net income for the year ending December 31, 2012;
- The ability and willingness of our tenants to renew their leases with us upon expiration of the leases, our ability to reposition our properties on the same or better terms in the event of nonrenewal or in the event we exercise our right to replace an existing tenant, and obligations, including indemnification obligations, we may incur in connection with the replacement of an existing tenant;
- Risks associated with our senior living operating portfolio, such as factors that can cause volatility in our operating income and earnings generated by those properties, including without limitation national and regional economic conditions, costs of food, materials, energy, labor and services, employee benefit costs, insurance costs and professional and general liability claims, and the timely delivery of accurate property-level financial results for those properties;
- Changes in U.S. and Canadian currency exchange rates;
- Year-over-year changes in the Consumer Price Index and the effect of those changes on the rent escalators contained in our leases, including the rent escalator for Master Lease 2 with Kindred Healthcare, Inc. (together with its subsidiaries, "Kindred"), and our earnings;
- Our ability and the ability of our tenants, operators, borrowers and managers to obtain and maintain adequate property, liability and other insurance from reputable, financially stable providers;
- The impact of increased operating costs and uninsured professional liability claims on the liquidity, financial condition and results of operations of our tenants, operators, borrowers and managers and the ability of our tenants, operators, borrowers and managers to accurately estimate the magnitude of those claims;
- Risks associated with our medical office building ("MOB") portfolio and operations, including our ability to successfully design, develop and manage MOB, to accurately estimate our costs in fixed fee-for-service projects and to retain key personnel;
- The ability of the hospitals on or near whose campuses our MOB are located and their affiliated health systems to remain competitive and financially viable and to attract physicians and physician groups;
- Our ability to build, maintain and expand our relationships with existing and prospective hospital and health system clients;
- Risks associated with our investments in joint ventures and unconsolidated entities, including our lack of sole decision-making authority and our reliance on our joint venture partners' financial condition;

- The impact of market or issuer events on the liquidity or value of our investments in marketable securities;
- Merger and acquisition activity in the healthcare industry resulting in a change of control of one or more of our tenants, operators, borrowers or managers or significant changes in the senior management of our tenants, operators, borrowers or managers; and
- The impact of litigation or any financial, accounting, legal or regulatory issues that may affect us or our tenants, operators, borrowers or managers.

Many of these factors are beyond our control and the control of our management.

Kindred, Brookdale Senior Living, Sunrise and Atria Information

Each of Kindred, Brookdale Senior Living Inc. (together with its subsidiaries, "Brookdale Senior Living") and Sunrise Senior Living, Inc. (together with its subsidiaries, "Sunrise") is subject to the reporting requirements of the SEC and is required to file with the SEC annual reports containing audited financial information and quarterly reports containing unaudited financial information. The information related to Kindred, Brookdale Senior Living and Sunrise contained or referred to in this Quarterly Report on Form 10-Q is derived from SEC filings made by Kindred, Brookdale Senior Living or Sunrise, as the case may be, or from other publicly available information, or has been provided to us by Kindred, Brookdale Senior Living or Sunrise. We have not verified this information either through an independent investigation or by reviewing Kindred's, Brookdale Senior Living's or Sunrise's public filings. We have no reason to believe that this information is inaccurate in any material respect, but we cannot provide any assurance that all of this information is accurate. Kindred's, Brookdale Senior Living's and Sunrise's filings with the SEC can be found on the SEC's website at www.sec.gov. We are providing this data for informational purposes only, and you are encouraged to obtain Kindred's, Brookdale Senior Living's and Sunrise's publicly available filings from the SEC.

Atria Senior Living, Inc. ("Atria") is not subject to the reporting requirements of the SEC. The information related to Atria contained or referred to in this Quarterly Report on Form 10-Q is derived from publicly available information or has been provided to us by Atria. We have not verified this information through an independent investigation. We have no reason to believe that this information is inaccurate in any material respect, but we cannot provide any assurance that all of this information is accurate.

Company Overview

We are a REIT with a geographically diverse portfolio of seniors housing and healthcare properties throughout the United States and Canada. As of September 30, 2012, we owned 1,450 properties located in 46 states, the District of Columbia and two Canadian provinces, consisting of: 677 seniors housing communities; 404 skilled nursing and other facilities; 322 MOBs; and 47 hospitals. We were also in the process of developing five properties as of September 30, 2012. We are headquartered in Chicago, Illinois and have been a constituent member of the S&P 500® Index, a leading indicator of the large cap U.S. equities market, since 2009.

Our primary business focuses on acquiring and owning seniors housing and healthcare properties and leasing those properties to unaffiliated tenants or operating those properties through independent third-party managers. Through our Lillibridge Healthcare Services, Inc. ("Lillibridge") subsidiary and our ownership interest in PMB Real Estate Services LLC ("PMBRES"), we also provide MOB management, leasing, marketing, facility development and advisory services to highly rated hospitals and health systems throughout the United States. In addition, from time to time, we make mortgage loans and other investments relating to seniors housing and healthcare operators or properties.

As of September 30, 2012, we leased 913 properties (excluding MOBs) to healthcare operating companies under "triple-net" or "absolute-net" leases that obligate the tenants to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures, and we engaged independent third parties, such as Atria and Sunrise, to manage 215 seniors housing communities pursuant to long-term management agreements. Our management agreements with Sunrise have terms ranging from 25 to 30 years, commencing as early as 2004 and as recently as 2012. Management fees, including incentive fees, under the Sunrise management agreements can range from 5% to 7% of revenues generated by the applicable properties and, for the nine months ended September 30, 2012, were 6.36% of revenues (including incentive fees). Our management agreements with Atria have terms of ten years, commencing as early as 2011, with successive automatic ten-year renewal periods. The management fee under the Atria management agreements is currently 5% of revenues generated by the applicable properties.

Our business strategy focuses on three principal objectives: (1) generating consistent, reliable and growing cash flows; (2) maintaining a well-diversified portfolio; and (3) preserving our financial strength, flexibility and liquidity.

Access to external capital is critical to the success of our business strategy as it impacts our ability to meet our existing commitments, including repaying maturing indebtedness, and to make future investments. Our access to and cost of capital depend on various factors, including general market conditions, interest rates, credit ratings on our securities, investors' perception of our potential future earnings and cash distributions, and the market price of our common stock. Generally, we attempt to match the long-term duration of our investments in seniors housing and healthcare properties with long-term financing through the issuance of shares of our common stock or the incurrence of long-term fixed rate debt. At September 30, 2012, 22.3% of our total consolidated debt (excluding debt related to real estate assets classified as held for sale) was variable rate debt.

Operating Highlights and Key Performance Trends

2012 Highlights

- Our Board of Directors declared the first, second and third quarterly installments of our 2012 dividend, each in the amount of \$0.62 per share, which represents an 8% increase over our 2011 quarterly dividend.
- In February 2012, we issued and sold \$600.0 million aggregate principal amount of 4.25% senior notes due 2022 at a public offering price equal to 99.214% of par, for total proceeds of \$595.3 million before the underwriting discount and expenses.
- Also in February 2012, we sold nine seniors housing communities for aggregate consideration of \$121.3 million, including a lease termination fee of \$1.8 million, and recognized a gain from the sale of these assets.
- In March 2012, we redeemed all \$200.0 million principal amount then outstanding of our 6 ¹/₂ % senior notes due 2016 at a redemption price equal to 103.25% of par, plus accrued and unpaid interest to the redemption date, pursuant to the call option contained in the indenture governing the notes. As a result, we paid a total of \$206.5 million, plus accrued and unpaid interest, on the redemption date and recognized a loss on extinguishment of debt of \$29.7 million during the first quarter of 2012.
- On April 2, 2012, we acquired Cogdell Spencer Inc. ("Cogdell"), including its 71 real estate assets (including properties owned through joint ventures) and its MOB property management business, which had existing agreements with third parties to manage 44 MOBs, in an all-cash transaction. See "Note 4—Acquisitions of Real Estate Property" of the Notes to Consolidated Financial Statements included in Part I of this Quarterly Report on Form 10-Q.

- In April 2012, we issued and sold \$600.0 million aggregate principal amount of 4.00% senior notes due 2019 at a public offering price equal to 99.489% of par, for total proceeds of \$596.9 million before the underwriting discount and expenses.
- In May 2012, we repaid in full, at par, \$82.4 million principal amount then outstanding of our 9% senior notes due 2012 upon maturity.
- Also in May 2012, we redeemed all \$225.0 million principal amount then outstanding of our 6 ³ / 4 % senior notes due 2017 at a redemption price equal to 103.375% of par, plus accrued and unpaid interest to the redemption date, pursuant to the terms of the indenture governing the notes. As a result, we paid a total of \$232.6 million, plus accrued and unpaid interest, on the redemption date and recognized a loss on extinguishment of debt of \$10.0 million during the second quarter of 2012.
- In May 2012, we acquired sixteen seniors housing communities managed by Sunrise (the "Sunrise-Managed Sixteen Communities") for approximately \$362 million in an all-cash transaction.
- Current aggregate annual rent for the 89 properties whose lease to Kindred expires on April 30, 2013 is \$126 million, which we believe approximates market rent. Of these 89 properties: Kindred has renewed or entered into a new lease with respect to a total of 35 properties for aggregate annual rent commencing May 1, 2013 of \$75 million; and we are continuing our comprehensive project to re-lease the remaining 54 properties to qualified healthcare operators. See "—Triple-Net Lease Expirations."
- In June 2012, we completed the sale of 5,980,000 shares of our common stock in an underwritten public offering pursuant to our existing shelf registration statement and received \$342.5 million in aggregate proceeds from the sale.
- In June 2012, we sold thirteen seniors housing communities to the existing tenants for aggregate consideration of \$121.9 million, including a fee of \$3.0 million, and recognized a gain from the sales of these assets.
- In July 2012, we repaid in full, at par, \$73.0 million principal amount then outstanding of 8.25% senior notes due 2012 of Nationwide Health Properties, LLC ("NHP LLC") (as successor to Nationwide Health Properties, Inc. ("NHP")), which had an effective interest rate of 1.6%, upon maturity.
- In August 2012, we issued and sold \$275.0 million aggregate principal amount of 3.25% senior notes due 2022 at a public offering price equal to 99.027% of par, for total proceeds of \$272.3 million before the underwriting discount and expenses. We used a portion of the proceeds from the offering to prepay in full our \$200.0 million unsecured term loan due 2013.
- During the first nine months of 2012, in addition to the transactions described above: we invested approximately \$525 million, including the assumption of \$136.4 million in debt, in seven seniors housing communities, two skilled nursing facilities and 37 MOBs, including 36 MOBs that we had previously accounted for as investments in unconsolidated entities; and we sold two skilled nursing facilities and one seniors housing community for \$28.5 million and recognized an immaterial net gain from the sales of these assets.
- In October 2012, we entered into a new \$180.0 million unsecured term loan, initially priced at 120 basis points over LIBOR. The term loan matures in January 2018 and contains the same covenants as our unsecured revolving credit and term loan facilities.

Concentration Risk

We use concentration ratios to understand and evaluate the potential risks of economic downturns or other adverse events affecting our asset types, geographic locations, business models and tenants, operators and managers. We evaluate our concentration risk in terms of investment mix and operations mix. Investment mix measures the percentage of our investments that is in a specific asset type or that is operated or managed by a particular tenant, operator or manager. Operations mix measures the percentage of our operating results that is attributed to a particular tenant or operator, geographic location or business model. The following tables reflect our concentration risk as of the dates and for the periods presented:

	As of September 30, 2012	As of December 31, 2011
Investment mix by asset type(1):		
Seniors housing communities	62.6%	66.4%
MOBs	18.6%	13.2%
Skilled nursing facilities	15.2%	16.5%
Hospitals	2.4%	2.6%
Loans receivable, net	1.1%	1.2%
Other properties	0.1%	0.1%
Investment mix by tenant, operator and manager(1):		
Atria	17.9%	19.1%
Sunrise	15.3%	14.5%
Brookdale Senior Living	10.8%	12.7%
Kindred	4.6%	5.0%
All other	51.4%	48.7%

- (1) Ratios are based on the gross book value of real estate investments (excluding real estate assets classified as held for sale) as of each reporting date.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Operations mix by tenant and operator and business model:				
Revenues(1):				
Senior living operations(2)	49.1%	48.8%	49.3%	49.4%
Kindred	10.2%	11.3%	10.6%	15.8%
Brookdale Senior Living	6.5%	7.8%	6.9%	8.6%
All others	34.2%	32.1%	33.2%	26.2%
Adjusted EBITDA(3):				
Senior living operations(2)	26.2%	25.5%	25.9%	26.3%
Kindred	16.0%	17.5%	16.4%	24.3%
Brookdale Senior Living	10.5%	12.4%	11.2%	13.4%
All others	47.3%	44.6%	46.5%	36.0%
NOI(4):				
Senior living operations(2)	25.7%	25.0%	25.5%	25.6%
Kindred	16.9%	18.3%	17.3%	25.6%
Brookdale Senior Living	10.8%	12.5%	11.2%	13.8%
All others	46.6%	44.2%	46.0%	35.0%
Operations mix by geographic location(5):				
California	13.7%	14.4%	13.9%	13.4%
New York	9.6%	9.9%	9.8%	8.1%
Texas	5.9%	6.1%	6.0%	4.4%
Illinois	4.9%	5.3%	5.0%	7.0%
Massachusetts	4.5%	5.0%	4.7%	5.0%
All others	61.4%	59.3%	60.6%	62.1%

- (1) Total revenues include medical office building and other services revenue, revenue from loans and investments and interest and other income. Revenues from properties sold or classified as held for sale as of the reporting date are included in this presentation.
- (2) Amounts attributable to senior living operations for the nine months ended September 30, 2011 include operations related to our Atria-managed assets only for the period from May 12, 2011 (the date of acquisition) through September 30, 2011. Amounts attributable to senior living operations for the nine months ended September 30, 2012 include operations related to the Sunrise-Managed Sixteen Communities only for the period from May 1, 2012 (the date of acquisition) through September 30, 2012.
- (3) "Adjusted EBITDA" is defined as earnings before interest, taxes, depreciation and amortization (including non-cash stock-based compensation expense), excluding loss on extinguishment of debt, net litigation proceeds, merger-related expenses and deal costs, gains or losses on sales of real property assets and changes in the fair value of financial instruments (including amounts in discontinued operations).
- (4) "NOI" represents net operating income, which is defined as total revenues, less interest and other income, property-level operating expenses and medical office building services costs (including amounts in discontinued operations).
- (5) Ratios are based on total revenues for each period presented. Revenues from properties sold or classified as held for sale as of the reporting date are included in this presentation.

See "Non-GAAP Financial Measures" included elsewhere in this Quarterly Report on Form 10-Q for additional disclosure and reconciliations of Adjusted EBITDA and NOI to our net income as computed in accordance with GAAP.

Triple-Net Lease Expirations

As our triple-net leases expire, we face the risk that our tenants may elect not to renew those leases and, in the event of non-renewal, we may be unable to reposition the applicable properties on a timely basis or on the same or better economic terms, if at all. During the three and nine months ended September 30, 2012, none of our triple-net leases were renewed or expired without renewal that had a material effect on our financial condition or results of operations for those periods.

The 197 properties we currently lease to Kindred pursuant to our four master lease agreements ("the Kindred Master Leases") are grouped into bundles or renewal groups (each, a "renewal group") containing a varying number of properties. All properties within a single renewal group have the same primary lease term of ten to fifteen years (commencing May 1, 1998), and each renewal group is subject to three successive five-year renewal terms at Kindred's option, provided certain conditions are satisfied. Kindred's renewal option is "all or nothing" with respect to the properties contained in each renewal group.

The current lease term for ten renewal groups covering a total of 89 properties leased to Kindred pursuant to the Kindred Master Leases will expire on April 30, 2013. Current aggregate annual rent for these 89 properties is \$126 million, which we believe approximates market rent. Of these 89 properties, Kindred has irrevocably renewed or entered into a new lease with respect to three renewal groups covering a total of 25 properties and ten long-term acute care hospitals for aggregate annual rent commencing May 1, 2013 of \$75 million.

We are continuing our comprehensive project to re-lease to qualified healthcare operators the remaining 54 skilled nursing facilities leased to Kindred whose current lease term will expire on April 30, 2013 (the "Marketed Assets"), and we have received significant interest from a wide variety of healthcare operators to lease the Marketed Assets in groups of assets. Kindred is required to continue to perform all of its obligations under the applicable Kindred Master Lease for the Marketed Assets until expiration of the lease term, including without limitation payment of all rental amounts. Moreover, we own or have the rights to all licenses and certificates of need at the properties, and Kindred has extensive and detailed obligations to cooperate and ensure an orderly transition of the properties to another operator. Kindred has agreed to transition some or all of the Marketed Assets early at our request.

We cannot provide any assurance that we will be able to re-lease any or all of the Marketed Assets on a timely basis or on the same or better economic terms, if at all. Our ability to re-lease the Marketed Assets could be significantly delayed or limited by state licensing, certificate of need or other laws, as well as by the Medicare and Medicaid change-of-ownership rules, and we could incur substantial additional expenses in connection with any licensing or change-of-ownership proceedings. In addition, we may be required to fund certain expenses and obligations (e.g., real estate taxes, insurance and maintenance expenses) to preserve the value of, and avoid the imposition of liens on, the Marketed Assets during the re-leasing process.

The current lease term for ten renewal groups covering a total of 108 properties leased to Kindred pursuant to the Kindred Master Leases will expire on April 30, 2015, subject to Kindred's two sequential five-year renewal options for those assets.

Recent Developments Regarding Government Regulation

Medicare Reimbursement: Long-Term Acute Care Hospitals

On August 31, 2012, the Centers for Medicare & Medicaid Services ("CMS") published its final rule updating the prospective payment system for long-term acute care hospitals (LTAC PPS) for the 2013 fiscal year (October 1, 2012 through September 30, 2013). Under the final rule, the LTAC PPS standard federal payment rate will increase by 1.8% in fiscal year 2013, reflecting a 2.6% increase in the market basket index, less both a 0.7% productivity adjustment and a 10 basis point adjustment mandated by the Patient Protection and Affordable Care Act and its reconciliation measure, the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act"). After a one-time budget neutrality adjustment that the rule phases in over three years, the LTAC PPS standard federal payment rate in fiscal year 2013 will increase by 0.5%. In addition, under the final rule, the moratorium on new long-term acute care hospitals and beds imposed by the Medicare, Medicaid and SCHIP Extension Act of 2007 (the "Medicare Extension Act"), and subsequently extended by the Affordable Care Act, will expire on December 29, 2012 and the extension of the 25-percent rule to freestanding and grandfathered long-term acute care hospitals will be delayed for another year until December 29, 2013. As a result, CMS estimates that net payments to long-term acute care hospitals under the final rule will increase by approximately \$92 million, or 1.7%, in fiscal year 2013 due to increases in high-cost and short-stay outlier payments and other changes; however, for discharges during the period from October 1, 2012 until the budget neutrality adjustment takes effect on December 29, 2012, net payments to long-term acute care hospitals will increase by 3.0%. We are currently analyzing the financial implications of the final rule on the operators of our long-term acute care hospitals, and we cannot provide any assurance that this rule or future updates to LTAC PPS or Medicare reimbursement for long-term acute care hospitals will not materially adversely affect our operators, which, in turn, could have a material adverse effect on our business, financial condition, results of operations and liquidity, on our ability to service our indebtedness and other obligations and on our ability to make distributions to our stockholders, as required for us to continue to qualify as a REIT (a "Material Adverse Effect").

Medicare Reimbursement: Skilled Nursing Facilities

On July 27, 2012, CMS issued a notice updating the prospective payment system for skilled nursing facilities (SNF PPS) for the 2013 fiscal year (October 1, 2012 through September 30, 2013). Pursuant to the notice, the update to the SNF PPS standard federal payment rate contained in CMS's final rule for the 2012 fiscal year includes a 2.5% increase in the market basket index, less a 0.7% productivity adjustment mandated by the Affordable Care Act, resulting in a net 1.8% increase in the SNF PPS standard federal payment rate for fiscal year 2013. However, this update does not take into account the potential impact of sequestration. CMS estimates that net payments to skilled nursing facilities as a result of the update pursuant to the notice will increase by approximately \$670 million in fiscal year 2013. We are currently analyzing the financial implications of the notice on the operators of our skilled nursing facilities, and we cannot assure you that this notice or future updates to SNF PPS or Medicare reimbursement for skilled nursing facilities will not materially adversely affect our operators, which, in turn, could have a Material Adverse Effect on us.

Critical Accounting Policies and Estimates

Our Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information set forth in the Accounting Standards Codification ("ASC"), as published by the Financial Accounting Standards Board ("FASB"). GAAP requires us to make estimates and assumptions regarding future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported

amounts of revenues and expenses during the reporting periods. We base these estimates on our experience and assumptions we believe to be reasonable under the circumstances. However, if our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, we may have applied a different accounting treatment, resulting in a different presentation of our financial statements. We periodically reevaluate our estimates and assumptions, and in the event they prove to be different from actual results, we make adjustments in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. In addition to the policies outlined below, please refer to our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 22, 2012, for further information regarding the critical accounting policies that affect our more significant estimates and assumptions used in the preparation of our Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.

Business Combinations

We account for acquisitions using the acquisition method and allocate the cost of the properties acquired among tangible and recognized intangible assets and liabilities based upon their estimated fair values as of the acquisition date. Recognized intangibles primarily include the value of in-place leases, acquired lease contracts, tenant and customer relationships, trade names/trademarks and goodwill. We do not amortize goodwill, which represents the excess of the purchase price paid over the fair value of the net assets of the acquired business and is included in other assets on our Consolidated Balance Sheets.

Our method for allocating the purchase price to acquired investments in real estate requires us to make subjective assessments for determining fair value of the assets acquired and liabilities assumed. This includes determining the value of the buildings, land and improvements, construction in progress, ground leases, tenant improvements, in-place leases, above and/or below market leases, purchase option intangible assets and/or liabilities and any debt assumed. These estimates require significant judgment and in some cases involve complex calculations. These allocation assessments directly impact our results of operations, as amounts allocated to certain assets and liabilities have different depreciation or amortization lives. In addition, we amortize the value assigned to above and/or below market leases as a component of revenue, unlike in-place leases and other intangibles, which we include in depreciation and amortization in our Consolidated Statements of Income.

We estimate the fair value of buildings acquired on an as-if-vacant basis and depreciate the building value over the estimated remaining life of the building, not to exceed 35 years. We determine the allocated value of other fixed assets, such as site improvements and furniture, fixtures and equipment, based upon the replacement cost and depreciate such value over the assets' estimated remaining useful lives as determined at the applicable acquisition date. We determine the value of land either by considering the sales prices of similar properties in recent transactions or based on (a) internal analyses of recently acquired and existing comparable properties within our portfolio or (b) real estate tax assessed values in relation to the total value of the asset.

We generally determine the value of construction in progress based upon the replacement cost. However, for certain acquired properties that are part of a ground-up development, we determine fair value by using the same valuation approach as for all other properties and deducting the estimated cost to complete the development. Construction in progress is not depreciated until the project has reached substantial completion.

The fair value of acquired lease-related intangibles, if any, reflects (i) the estimated value of any above and/or below market leases, determined by discounting the difference between the estimated market rent and the in-place lease rent, the resulting intangible asset or liability of which we amortize to revenue over the remaining life of the associated lease plus any bargain renewal periods, and (ii) the

estimated value of in-place leases related to the cost to obtain tenants, including leasing commissions, and an estimated value of the absorption period to reflect the value of the rent and recovery costs foregone during a reasonable lease-up period as if the acquired space was vacant, which we amortize to amortization expense over the remaining life of the associated lease. If a lease is terminated prior to its stated expiration or not renewed upon expiration, we recognize all related unamortized lease intangibles in operations at that time.

We estimate the fair value of purchase option intangible assets and liabilities by discounting the difference between the applicable property's acquisition date fair value and an estimate of the future option price. We do not amortize the resulting intangible asset or liability over the term of the lease, but rather adjust the recognized value of the asset or liability upon sale.

We estimate the fair value of tenant or other customer relationships acquired, if any, by considering the nature and extent of existing business relationships with the tenant or customer, growth prospects for developing new business with the tenant or customer, the tenant's credit quality, expectations of lease renewals with the tenant, and the potential for significant, additional future leasing arrangements with the tenant, and we amortize that value over the expected life of the associated arrangements or leases, including the remaining terms of the related leases and any expected renewal periods. We estimate the fair value of trade names/trademarks using a royalty rate methodology and amortize that value over the estimated useful life of the trade name/trademark.

In connection with a business combination, we may assume rights and obligations under certain lease agreements pursuant to which we become the lessee of a given property. We assume the lease classification previously determined by the prior lessee absent a modification in the assumed lease agreement. All of our assumed capital leases contain bargain purchase options that we intend to exercise. Therefore, we recognized real estate assets based on the acquisition date fair values of the underlying properties and liabilities based on the acquisition date fair values of the capital lease obligations. We depreciate assets recognized under capital leases that contain bargain purchase options over the asset's useful life. Lease payments are allocated between the reduction of the capital lease obligation and interest expense using the interest method. We assess assumed operating leases, including ground leases, to determine whether the lease terms are favorable or unfavorable to us given current market conditions on the acquisition date. To the extent the lease terms are favorable or unfavorable relative to market conditions on the acquisition date, we recognize an intangible asset or liability, respectively, at fair value, and we amortize the recognized asset or liability (excluding purchase option intangibles) to interest or rental expense in our Consolidated Statements of Income over the applicable lease term. We include all lease-related intangible assets and liabilities within acquired lease intangibles and accounts payable and other liabilities, respectively, on our Consolidated Balance Sheets.

We determine the fair value of loans receivable acquired in connection with a business combination by discounting the estimated future cash flows using current interest rates at which similar loans with the same maturities and same terms would be made to borrowers with similar credit ratings. The estimated future cash flows reflect our judgment regarding the uncertainty of those cash flows, so we do not establish a valuation allowance at the acquisition date. We recognize the difference between the acquisition date fair value and the total expected cash flows as interest income using an effective interest method over the life of the applicable loan. Subsequent to the acquisition date, we evaluate changes regarding the uncertainty of future cash flows and the need for a valuation allowance.

We estimate the fair value of noncontrolling interest assumed using assumptions that are consistent with those used in valuing all of the underlying assets and liabilities.

We base the initial carrying value of investments in unconsolidated entities on the fair value of the assets at the time we acquired the joint venture interest. We estimate fair values for our equity method investments based on discounted cash flow models that include all estimated cash inflows and outflows over a specified holding period and, where applicable, any estimated debt premiums or discounts. The

capitalization rates, discount rates and credit spreads we use in these models are based upon assumptions that we believe to be within a reasonable range of current market rates for the respective investments.

We generally amortize any difference between our cost basis and the basis reflected at the joint venture level over the lives of the related assets and liabilities and include the amount of amortization in our share of income or loss from unconsolidated entities. In other instances, net income or loss is allocated between the partners in the joint venture based on the hypothetical liquidation at book value method.

We calculate the fair value of long-term debt by discounting the remaining contractual cash flows on each instrument at the current market rate for those borrowings, which we approximate based on the rate at which we would expect to incur a replacement instrument on the date of acquisition, and recognize any fair value adjustments related to long-term debt as effective yield adjustments over the remaining term of the instrument.

We record a liability for contingent consideration (included in accounts payable and other liabilities on our Consolidated Balance Sheets) at fair value as of the acquisition date and reassess the fair value at the end of each reporting period, with any changes being recognized in earnings. Increases or decreases in the fair value of the contingent consideration can result from changes in discount periods, discount rates and probabilities that contingencies will be met.

Fair Value

We follow FASB guidance that defines fair value and provides direction for measuring fair value and making the necessary related disclosures. The guidance emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels one and two of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level three of the hierarchy).

Level one inputs utilize unadjusted quoted prices for identical assets or liabilities in active markets that the reporting entity has the ability to access. Level two inputs are inputs other than quoted prices included in level one that are directly or indirectly observable for the asset or liability. Level two inputs may include quoted prices for similar assets and liabilities in active markets, as well as other inputs for the asset or liability, such as interest rates, foreign exchange rates and yield curves, that are observable at commonly quoted intervals. Level three inputs are unobservable inputs for the asset or liability, which are typically based on the reporting entity's own assumptions, as there is little, if any, related market activity. If the determination of the fair value measurement is based on inputs from different levels of the hierarchy, the level within which the entire fair value measurement falls is the lowest level input that is significant to the fair value measurement in its entirety. If a reporting entity determines that the volume and level of activity for an asset or liability has decreased significantly relative to the normal market activity for such asset or liability (or similar assets or liabilities), then transactions or quoted prices may not accurately reflect fair value. In addition, if there is evidence that the transaction for the asset or liability is not orderly, the reporting entity should place little, if any, weight on that transaction price as an indicator of fair value. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Recently Issued or Adopted Accounting Standards

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income* ("ASU 2011-05"), which amends current guidance found in ASC Topic 220, *Comprehensive Income*. ASU 2011-05 requires entities to present comprehensive income in either (a) one continuous financial statement or (b) two separate but consecutive statements that display net income and the components of other comprehensive income. Totals and individual components of both net income and other comprehensive income must be included in either presentation. In December 2011, the FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* ("ASU 2011-12"). The provisions of ASU 2011-12 indefinitely defer portions of ASU 2011-05 related to the presentation of reclassification of items out of accumulated other comprehensive income. We adopted the provisions of ASU 2011-05 and ASU 2011-12 on January 1, 2012.

Results of Operations

As of September 30, 2012, we operated through three reportable business segments: triple-net leased properties, senior living operations and MOB operations. Our triple-net leased properties segment consists of acquiring and owning seniors housing and healthcare properties in the United States and leasing those properties to healthcare operating companies under "triple-net" or "absolute-net" leases that require the tenants to pay all property-related expenses. Our senior living operations segment consists of investments in seniors housing communities located in the United States and Canada for which we engage independent third parties, such as Atria and Sunrise, to manage the operations. Our MOB operations segment primarily consists of acquiring, owning, developing, leasing and managing MOBs. Information provided for "all other" includes income from loans and investments and other miscellaneous income and various corporate-level expenses not directly attributable to our three reportable business segments. Assets included in "all other" consist primarily of corporate assets, including cash, restricted cash, deferred financing costs, loans receivable and miscellaneous accounts receivable.

Three Months Ended September 30, 2012 and 2011

The table below shows our results of operations for the three months ended September 30, 2012 and 2011 and the effect on our income of changes in those results from period to period.

	For the Three Months Ended September 30,		Increase (Decrease) to Income	
	2012	2011	\$	%
(Dollars in thousands)				
Segment NOI:				
Triple-net leased properties	\$ 211,206	\$ 204,318	\$ 6,888	3.4%
Senior living operations	100,270	86,938	13,332	15.3
MOB operations	66,617	39,903	26,714	66.9
All other	9,035	10,072	(1,037)	(10.3)
Total segment NOI	387,128	341,231	45,897	13.5
Interest and other income	330	373	(43)	(11.5)
Interest expense	(75,139)	(69,518)	(5,621)	(8.1)
Depreciation and amortization	(189,908)	(156,593)	(33,315)	(21.3)
General, administrative and professional fees	(26,872)	(20,624)	(6,248)	(30.3)
Gain (loss) on extinguishment of debt	1,194	(8,685)	9,879	> 100
Litigation proceeds, net	—	85,327	(85,327)	nm
Merger-related expenses and deal costs	(4,917)	(69,350)	64,433	92.9
Other	(2,508)	(13,882)	11,374	81.9
Income before income from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest	89,308	88,279	1,029	1.2
Income from unconsolidated entities	17,074	182	16,892	> 100
Income tax benefit	8,886	13,732	(4,846)	(35.3)
Income from continuing operations	115,268	102,193	13,075	12.8
Discontinued operations	(3,447)	(209)	(3,238)	(> 100)
Net income	111,821	101,984	9,837	9.6
Net loss attributable to noncontrolling interest	(61)	(901)	(840)	(93.2)
Net income attributable to common stockholders	<u>\$ 111,882</u>	<u>\$ 102,885</u>	<u>\$ 8,997</u>	8.7%

nm—not meaningful

Segment NOI—Triple-Net Leased Properties

NOI for our triple-net leased properties reportable business segment equals the rental income earned from our triple-net assets and other services revenue. We incur no direct operating expenses for this segment.

The following table summarizes continuing operations in our triple-net leased properties reportable business segment NOI:

	For the Three Months Ended September 30,		Increase (Decrease) to NOI	
	2012	2011	\$	%
(Dollars in thousands)				
Segment NOI—Triple-Net Leased Properties:				
Rental income	\$ 210,096	\$ 203,209	\$ 6,887	3.4%
Other services revenue	1,110	1,109	1	0.1
Segment NOI	<u>\$ 211,206</u>	<u>\$ 204,318</u>	<u>\$ 6,888</u>	3.4%

Triple-net leased properties segment NOI increased during the three months ended September 30, 2012 over the prior year primarily due to increases in base rent and other rent under certain of our existing triple-net leases, partially offset by the rescheduling of base rent payments on certain of our triple-net leased properties to future periods.

In our triple-net leased properties segment, revenues generally do not depend on the underlying operating performance of our properties, but rather consist of fixed rental amounts (subject to annual contractual escalations) received directly from our tenants in accordance with the applicable lease terms. Accordingly, occupancy rates may affect the profitability of our tenants' operations but do not have a direct impact on our revenues or financial results. The following table sets forth average occupancy rates related to the triple-net leased properties we owned at September 30, 2012 for the second quarter of 2012 (which is the most recent information available to us from our tenants) and average occupancy rates related to the triple-net leased properties we owned at September 30, 2011 for the second quarter of 2011.

	Number of Properties at September 30, 2012(1)	Average Occupancy For the Three Months Ended June 30, 2012(1)	Number of Properties at September 30, 2011(2)	Average Occupancy For the Three Months Ended June 30, 2011(2)
Seniors housing communities	431	84.5%	421	85.3%
Skilled nursing facilities	378	82.0%	376	83.6%
Hospitals	47	57.6%	47	58.1%

- (1) Excludes 34 seniors housing communities and skilled nursing facilities included in investments in unconsolidated entities. Also excludes properties acquired during the three months ended September 30, 2012, thirteen properties classified as held for sale as of September 30, 2012 and eight other facilities for which we do not receive occupancy information.
- (2) Excludes 34 seniors housing communities and skilled nursing facilities included in investments in unconsolidated entities. Also excludes properties acquired during the three months ended September 30, 2011 (with the exception of the properties acquired in July 2011 in connection with our NHP acquisition) and eight other facilities for which we do not receive occupancy information.

The following table summarizes continuing operations in the reportable business segment NOI for our 852 same-store triple-net leased properties. For purposes of this table, we define same-store

properties as properties that we owned for the entire period from July 1, 2011 through September 30, 2012.

	For the Three Months Ended September 30,		Increase (Decrease) to NOI	
	2012	2011	\$	%
(Dollars in thousands)				
Same-Store Segment NOI—Triple-Net Leased Properties:				
Rental income	\$ 205,968	\$ 203,167	\$ 2,801	1.4%
Other services revenue	1,110	1,109	1	0.1
Segment NOI	<u>\$ 207,078</u>	<u>\$ 204,276</u>	<u>\$ 2,802</u>	1.4%

The year-over-year increase in same-store triple-net leased properties NOI is due to the contractual escalations in rent pursuant to the terms of our leases, including the Kindred Master Leases.

Segment NOI—Senior Living Operations

The following table summarizes continuing operations in our senior living operations reportable business segment NOI:

	For the Three Months Ended September 30,		Increase (Decrease) to NOI	
	2012	2011	\$	%
(Dollars in thousands)				
Segment NOI—Senior Living Operations:				
Total revenues	\$ 317,131	\$ 274,294	\$ 42,837	15.6%
Property-level operating expenses	(216,861)	(187,356)	(29,505)	(15.7)
Segment NOI	<u>\$ 100,270</u>	<u>\$ 86,938</u>	<u>\$ 13,332</u>	15.3%

Revenues attributed to our senior living operations segment consist of resident fees and services, which include all amounts earned from residents at our seniors housing communities, such as rental fees related to resident leases, extended health care fees and other ancillary service income. Our senior living operations segment revenues increased in the third quarter of 2012 over the third quarter of 2011 primarily due to the eighteen seniors housing communities we acquired after September 30, 2011 (including the Sunrise-Managed Sixteen Communities), higher average unit occupancy rates and higher average monthly revenue per occupied room.

Property-level operating expenses related to the segment include labor, food, utilities, marketing, management and other costs of operating the properties. Property-level operating expenses increased for the three months ended September 30, 2012 over the same period in 2011 primarily due to the properties we acquired subsequent to September 30, 2011 described above, higher labor expenses and higher management fees at the 79 Sunrise-managed communities we acquired in 2007 (the "Original Sunrise-Managed Communities"). Under our management agreements with respect to the Original Sunrise-Managed Communities, the management fee paid to Sunrise was temporarily reduced to 3.75% of revenues generated by the applicable properties for 2011, but reverted to its contractual level of 6% of revenues generated by the applicable properties (with a range of 5% to 7%) for 2012 and subsequent years.

The following table summarizes continuing operations in our 186 same-store stabilized senior living operations reportable business segment NOI. For purposes of this table, we define same-store stabilized

communities as communities that we owned and classified as stable for the full period in both comparison periods.

	For the Three Months Ended September 30,		Increase (Decrease) to NOI	
	2012	2011	\$	%
(Dollars in thousands)				
Same-Store Stabilized Segment NOI—Senior Living Operations:				
Total revenues	\$ 272,618	\$ 259,552	\$ 13,066	5.0%
Property-level operating expenses	(185,609)	(176,198)	(9,411)	(5.3)
Segment NOI	<u>\$ 87,009</u>	<u>\$ 83,354</u>	<u>\$ 3,655</u>	4.4%

Same-store stabilized senior living operations NOI increased year over year primarily as a result of higher average unit occupancy rates and higher average monthly revenue per occupied room, offset by higher management fees paid with respect to the Original Sunrise-Managed Communities in 2012 due to the reversion back to the contractual rate. Management fee expense for our same-store stabilized communities increased \$4.0 million in the third quarter of 2012 over the same period in 2011.

The following table sets forth average unit occupancy rates and the average monthly revenue per occupied room related to continuing operations in our senior living operating properties during the three months ended September 30, 2012 and 2011:

	Number of Properties at September 30,		Average Unit Occupancy For the Three Months Ended September 30,		Average Monthly Revenue Per Occupied Room For the Three Months Ended September 30,	
	2012	2011	2012	2011	2012	2011
Stabilized communities	202	190	90.7%	87.9%	\$ 5,451	\$ 5,275
Non-stabilized communities	13	7	85.2%	75.2%	\$ 5,103	\$ 4,742
Total	<u>215</u>	<u>197</u>	<u>90.3%</u>	<u>87.4%</u>	<u>\$ 5,428</u>	<u>\$ 5,258</u>
Same-store stabilized communities	186	186	90.9%	88.1%	\$ 5,386	\$ 5,293

Segment NOI—MOB Operations

The following table summarizes continuing operations in our MOB operations reportable business segment NOI:

	For the Three Months Ended September 30,		Increase (Decrease) to NOI	
	2012	2011	\$	%
(Dollars in thousands)				
Segment NOI—MOB Operations:				
Rental income	\$ 100,814	\$ 58,159	\$ 42,655	73.3%
Medical office building services revenue	3,434	8,162	(4,728)	(57.9)
Total revenues	104,248	66,321	37,927	57.2
Property-level operating expenses	(36,144)	(20,071)	(16,073)	(80.1)
Medical office building services costs	(1,487)	(6,347)	4,860	76.6
Segment NOI	<u>\$ 66,617</u>	<u>\$ 39,903</u>	<u>\$ 26,714</u>	66.9%

The increases in our MOB operations segment revenues and property-level operating expenses in the third quarter of 2012 over the same period in 2011 are attributed primarily to the MOBs we acquired in connection with the Cogdell acquisition and other MOBs we acquired after September 30, 2011, including the controlling interests in 36 MOBs that we had previously accounted for as investments in unconsolidated entities.

Medical office building services revenue and costs both decreased year over year primarily due to reduced construction activity during 2012 compared to 2011.

The following table summarizes continuing operations in our 165 same-store stabilized MOB operations reportable business segment NOI. For purposes of this table, we define same-store stabilized MOB as MOB that we owned and classified as stable for the entire period from July 1, 2011 through September 30, 2012.

	For the Three Months Ended September 30,		Increase (Decrease) to NOI	
	2012	2011	\$	%
(Dollars in thousands)				
Same-Store Stabilized Segment NOI—MOB Operations:				
Rental income	\$ 52,658	\$ 51,993	\$ 665	1.3%
Property-level operating expenses	(17,547)	(17,648)	101	0.6
Segment NOI	<u>\$ 35,111</u>	<u>\$ 34,345</u>	<u>\$ 766</u>	<u>2.2%</u>

The following table sets forth occupancy rates and the annualized average rent per occupied square foot related to continuing operations in our MOB at and for the three months ended September 30, 2012 and 2011:

	Number of Properties at September 30,		Occupancy at September 30,		Annualized Average Rent Per Occupied Square Foot For the Three Months Ended September 30,	
	2012	2011	2012	2011	2012	2011
Stabilized MOB	279	165	91.6%	92.2%	\$ 22	\$ 22
Non-stabilized MOB	13	8	71.8%	73.6%	\$ 30	\$ 29
Total	<u>292</u>	<u>173</u>	<u>90.2%</u>	<u>90.4%</u>	<u>\$ 22</u>	<u>\$ 23</u>
Same-store stabilized MOB	165	165	91.1%	92.2%	\$ 23	\$ 20

Segment NOI—All Other

All other NOI consists solely of income from loans and investments. Income from loans and investments decreased for the three months ended September 30, 2012 over the same period in 2011 primarily as a result of decreased interest income due to loans receivable repayments we received, including prepayment fees recognized, during the fourth quarter of 2011 and the first nine months of 2012.

Interest Expense

The \$2.8 million increase in total interest expense, including interest allocated to discontinued operations of \$1.4 million and \$4.2 million for the three months ended September 30, 2012 and 2011, respectively, is attributed primarily to a \$12.5 million increase in interest due to higher loan balances, partially offset by a \$9.9 million decrease in interest due to lower effective interest rates, including the amortization of any fair value adjustments. Our effective interest rate, excluding activity related to our capital leases, was 3.9% for the three months ended September 30, 2012, compared to 4.5% for the same period in 2011.

Depreciation and Amortization

Depreciation and amortization expense increased during the three months ended September 30, 2012 compared to the same period in 2011 primarily due to the acquisitions of Cogdell and the Sunrise-Managed Sixteen Communities and other properties we acquired subsequent to September 30, 2011.

General, Administrative and Professional Fees

General, administrative and professional fees increased year over year due to our continued organizational growth.

Gain/Loss on Extinguishment of Debt

The gain on extinguishment of debt for the three months ended September 30, 2012 relates primarily to the early repayment of certain mortgage debt. The loss on extinguishment of debt for the three months ended September 30, 2011 relates solely to our redemption in July 2011 of \$200.0 million principal amount of our 6 ¹ / 2 % senior notes due 2016.

Litigation Proceeds, Net

Litigation proceeds, net for the three months ended September 30, 2011 reflects our receipt of \$102.8 million in payment of the compensatory damages award from HCP, Inc. ("HCP") arising out of our 2007 Sunrise Senior Living REIT ("Sunrise REIT") acquisition, plus certain costs and interest, net of certain expenses and the contribution of \$3 million to the Ventas Charitable Foundation. No similar transactions occurred during the three months ended September 30, 2012.

Merger-Related Expenses and Deal Costs

Merger-related expenses and deal costs for the three months ended September 30, 2012 and 2011 consist of transition and integration expenses related to consummated transactions and deal costs required by GAAP to be expensed rather than capitalized into the asset value. These transition and integration expenses and deal costs reflect certain fees and expenses incurred in connection with the Atria Senior Living Group, Inc. (together with its affiliates, "ASLG"), NHP and Cogdell acquisitions. Merger-related expenses and deal costs during the three months ended September 30, 2011 also include expenses relating to our favorable litigation against HCP and subsequent cross-appeals, which were fully concluded in November 2011. The year-over-year decrease of \$64.4 million is due primarily to the significant size of our 2011 acquisitions as well as the conclusion of the HCP litigation in late 2011.

Other

Other consists primarily of the fair value adjustment on interest rate swaps we acquired in connection with the ASLG and NHP acquisitions, partially offset by other miscellaneous expenses.

Income from Unconsolidated Entities

Income from unconsolidated entities for the three months ended September 30, 2012 and 2011 relates to our interests of between 5% and 25% in joint ventures with respect to 58 MOBs, 20 seniors housing communities and fourteen skilled nursing facilities. In August 2012, we acquired the controlling interests (ranging from 80% to 95%) in 36 MOBs and one other MOB that is being marketed for sale that we had previously accounted for as investments in unconsolidated entities. We recognized a net gain of \$16.6 million as a result of the re-measurement of the fair value of our previously held equity interest upon acquisition. For periods ended subsequent to the acquisition date, operations relating to these properties are consolidated in our Consolidated Statements of Income. At September 30, 2012, we had remaining interests of between 5% and 25% in joint ventures with respect to 21 MOBs, 20 seniors housing communities and fourteen skilled nursing facilities.

Income Tax Benefit

Income tax benefit for the three months ended September 30, 2012 and 2011 was primarily due to the income tax benefit of ordinary losses related to our TRS entities and the reduction of certain income tax contingency reserves, including interest, related to our 2008 and 2007 U.S. federal income tax returns, respectively.

Discontinued Operations

Expenses associated with discontinued operations increased \$3.2 million during the three months ended September 30, 2012 compared to the same period in 2011 due primarily to higher depreciation and amortization expenses associated with the assets sold or classified as held for sale. See "Note 5—Dispositions" of the Notes to Consolidated Financial Statements included in Part I of this Quarterly Report on Form 10-Q.

Net Loss Attributable to Noncontrolling Interest

Net loss attributable to noncontrolling interest for the three months ended September 30, 2012 represents our partners' joint venture interests in 39 MOBs and seniors housing communities. Net loss attributable to noncontrolling interest for the three months ended September 30, 2011 represented our partners' joint venture interests in 29 MOBs and seniors housing communities.

Nine Months Ended September 30, 2012 and 2011

The table below shows our results of operations for the nine months ended September 30, 2012 and 2011 and the effect on our income of changes in those results from period to period.

	For the Nine Months Ended September 30,		Increase (Decrease) to Income	
	2012	2011	\$	%
	(Dollars in thousands)			
Segment NOI:				
Triple-net leased properties	\$ 626,031	\$ 435,089	\$ 190,942	43.9%
Senior living operations	286,871	188,742	98,129	52.0
MOB operations	172,569	74,232	98,337	132.5
All other	25,223	24,548	675	2.7
Total segment NOI	1,110,694	722,611	388,083	53.7
Interest and other income	441	529	(88)	(16.6)
Interest expense	(217,475)	(162,348)	(55,127)	(34.0)
Depreciation and amortization	(538,946)	(286,663)	(252,283)	(88.0)
General, administrative and professional fees	(75,779)	(51,010)	(24,769)	(48.6)
Loss on extinguishment of debt	(38,339)	(25,211)	(13,128)	(52.1)
Litigation proceeds, net	—	85,327	(85,327)	nm
Merger-related expenses and deal costs	(49,566)	(131,606)	82,040	62.3
Other	(5,594)	(5,827)	233	4.0
Income before income/loss from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest	185,436	145,802	39,634	27.2
Income (loss) from unconsolidated entities	17,905	(71)	17,976	> 100
Income tax benefit	2,727	23,039	(20,312)	(88.2)
Income from continuing operations	206,068	168,770	37,298	22.1
Discontinued operations	69,581	1,994	67,587	> 100
Net income	275,649	170,764	104,885	61.4
Net loss attributable to noncontrolling interest	(884)	(781)	103	13.2
Net income attributable to common stockholders	\$ 276,533	\$ 171,545	\$ 104,988	61.2%

nm—not meaningful

Segment NOI—Triple-Net Leased Properties

The following table summarizes continuing operations in our triple-net leased properties reportable business segment NOI:

	For the Nine Months Ended September 30,		Increase (Decrease) to NOI	
	2012	2011	\$	%
	(Dollars in thousands)			
Segment NOI—Triple-Net Leased Properties:				
Rental income	\$ 622,702	\$ 433,980	\$ 188,722	43.5%
Other services revenue	3,329	1,109	2,220	> 100
Segment NOI	\$ 626,031	\$ 435,089	\$ 190,942	43.9%

Triple-net leased properties segment NOI increased during the nine months ended September 30, 2012 over the prior year primarily due to rental income from the properties we acquired in connection with the NHP acquisition and increases in base rent and other rent under certain of our existing triple-net leases, partially offset by the rescheduling of base rent payments on certain of our triple-net leased properties to future periods.

The following table summarizes continuing operations in the reportable business segment NOI for our 375 same-store triple-net leased properties. For purposes of this table, we define same-store properties as properties that we owned for the entire period from January 1, 2011 through September 30, 2012.

	For the Nine Months Ended September 30,		Increase (Decrease) to NOI	
	2012	2011	\$	%
(Dollars in thousands)				
Same-Store Segment NOI—Triple-Net Leased Properties:				
Rental income	\$ 355,615	\$ 347,507	\$ 8,108	2.3%
Other services revenue	—	—	—	nm
Segment NOI	<u>\$ 355,615</u>	<u>\$ 347,507</u>	<u>\$ 8,108</u>	2.3%

nm—not meaningful

The year-over-year increase in same-store triple-net NOI is due to contractual escalations in rent pursuant to the terms of our leases, including the Kindred Master Leases.

Segment NOI—Senior Living Operations

The following table summarizes continuing operations in our senior living operations reportable business segment NOI:

	For the Nine Months Ended September 30,		Increase (Decrease) to NOI	
	2012(1)	2011(2)	\$	%
(Dollars in thousands)				
Segment NOI—Senior Living Operations:				
Total revenues	\$ 906,946	\$ 590,103	\$ 316,843	53.7%
Property-level operating expenses	(620,075)	(401,361)	(218,714)	(54.5)
Segment NOI	<u>\$ 286,871</u>	<u>\$ 188,742</u>	<u>\$ 98,129</u>	52.0%

- (1) Amounts attributable to senior living operations for the nine months ended September 30, 2012 include operations related to the Sunrise-Managed Sixteen Communities only for the period from May 1, 2012 (the date of acquisition) through September 30, 2012.
- (2) Amounts attributable to senior living operations for the nine months ended September 30, 2011 include operations related to our Atria-managed assets only for the period from May 12, 2011 (the date of acquisition) through September 30, 2011.

Our senior living operations segment revenues increased year over year primarily due to the properties we acquired in connection with the ASLG acquisition, eighteen seniors housing communities we acquired after September 30, 2011 (including the Sunrise-Managed Sixteen Communities), higher average unit occupancy rates and higher average monthly revenue per occupied room at the Original Sunrise-Managed Communities.

Property-level operating expenses increased for the nine months ended September 30, 2012 over the same period in 2011 primarily due to the properties we acquired subsequent to September 30, 2011 described above and higher management fees and labor expenses at the Original Sunrise-Managed Communities.

The following table summarizes continuing operations in our 81 same-store stabilized senior living operations reportable business segment NOI. For purposes of this table, we define same-store stabilized communities as communities that we owned and classified as stable for the full period in both comparison periods.

	For the Nine Months Ended September 30,		Increase (Decrease) to NOI	
	2012	2011	\$	%
(Dollars in thousands)				
Same-Store Stabilized Segment NOI—Senior Living Operations:				
Total revenues	\$ 367,249	\$ 348,872	\$ 18,377	5.3%
Property-level operating expenses	(249,175)	(233,027)	(16,148)	(6.9)
Segment NOI	<u>\$ 118,074</u>	<u>\$ 115,845</u>	<u>\$ 2,229</u>	1.9%

Same-store stabilized senior living operations NOI increased year over year primarily as a result of higher average unit occupancy rates and higher average monthly revenue per occupied room, partially offset by the increase in management fees with respect to the Original Sunrise-Managed Communities due to the reversion back to the contractual rate in 2012. Management fee expense for our same-store stabilized communities increased \$10.0 million in the first nine months of 2012 over the same period in 2011.

The following table sets forth average unit occupancy rates and the average monthly revenue per occupied room related to continuing operations in our senior living operating properties during the nine months ended September 30, 2012 and 2011:

	Number of Properties at September 30,		Average Unit Occupancy For the Nine Months Ended September 30,		Average Monthly Revenue Per Occupied Room For the Nine Months Ended September 30,	
	2012(1)	2011(2)	2012(1)	2011(2)	2012(1)	2011(2)
Stabilized communities	202	190	89.8%	87.5%	\$ 5,409	\$ 5,579
Non-stabilized communities	13	7	81.2%	73.4%	\$ 4,975	\$ 4,517
Total	<u>215</u>	<u>197</u>	<u>89.2%</u>	<u>87.1%</u>	<u>\$ 5,384</u>	<u>\$ 5,550</u>
Same-store stabilized communities	81	81	89.9%	87.4%	\$ 6,869	\$ 6,711

- (1) Information attributable to senior living operations for the nine months ended September 30, 2012 include operations related to the Sunrise-Managed Sixteen Communities only for the period from May 1, 2012 (the date of acquisition) through September 30, 2012.
- (2) Information attributable to senior living operations for the nine months ended September 30, 2011 include operations related to our Atria-managed assets only for the period from May 12, 2011 (the date of acquisition) through September 30, 2011.

Segment NOI—MOB Operations

The following table summarizes continuing operations in our MOB operations reportable business segment NOI:

	For the Nine Months Ended September 30,		Increase (Decrease) to NOI	
	2012	2011	\$	%
(Dollars in thousands)				
Segment NOI—MOB Operations:				
Rental income	\$ 253,890	\$ 106,153	\$ 147,737	> 100%
Medical office building services revenue	13,462	24,941	(11,479)	(46.0)
Total revenues	267,352	131,094	136,258	> 100
Property-level operating expenses	(86,469)	(37,025)	(49,444)	(> 100)
Medical office building services costs	(8,314)	(19,837)	11,523	58.1
Segment NOI	<u>\$ 172,569</u>	<u>\$ 74,232</u>	<u>\$ 98,337</u>	<u>> 100%</u>

The year-over-year increases in MOB operations segment revenues and property-level operating expenses are attributed primarily to the MOBs we acquired in connection with the NHP and Cogdell acquisitions and other MOBs we acquired after September 30, 2011.

Medical office building services revenue and costs both decreased primarily due to reduced construction activity during 2012 compared to 2011.

The following table summarizes continuing operations in our 165 same-store stabilized MOB operations reportable business segment NOI. For purposes of this table, we define same-store stabilized MOB as MOB that we owned and classified as stable for the entire period from January 1, 2011 through September 30, 2012.

	For the Nine Months Ended September 30,		Increase (Decrease) to NOI	
	2012	2011	\$	%
(Dollars in thousands)				
Same-Store Stabilized Segment NOI—MOB Operations:				
Rental income	\$ 62,377	\$ 61,825	\$ 552	0.9%
Property-level operating expenses	(21,659)	(21,438)	(221)	(1.0)
Segment NOI	<u>\$ 40,718</u>	<u>\$ 40,387</u>	<u>\$ 331</u>	<u>0.8%</u>

The following table sets forth occupancy rates and the annualized average rent per occupied square foot related to continuing operations in our MOBs at and for the nine months ended September 30, 2012 and 2011:

	Number of Properties at September 30,		Occupancy at September 30,		Annualized Average Rent Per Occupied Square Foot For the Nine Months Ended September 30,	
	2012	2011	2012	2011	2012	2011
Stabilized MOBs	279	165	91.6%	92.2%	\$ 22	\$ 23
Non-stabilized MOBs	13	8	71.8%	73.6%	\$ 30	\$ 29
Total	292	173	90.2%	90.4%	\$ 22	\$ 24
Same-store stabilized MOBs	63	63	92.1%	93.7%	\$ 28	\$ 27

Segment NOI—All Other

All other NOI consists solely of income from loans and investments. Income from loans and investments increased for the nine months ended September 30, 2012 over the same period in 2011 primarily due to income on the loans receivable portfolio we acquired in connection with the NHP acquisition, partially offset by decreased interest income related to loans receivable repayments we received, including prepayment fees recognized, during 2011 and the first nine months of 2012, as well as a prepayment premium recognized in connection with a first mortgage loan repayment and income recognized from our senior unsecured term loan to NHP, both of which occurred during the second quarter of 2011.

Interest Expense

The \$54.4 million increase in total interest expense, including interest allocated to discontinued operations of \$7.0 million and \$7.7 million for the nine months ended September 30, 2012 and 2011, respectively, is attributed primarily to a \$104.1 million increase in interest due to higher loan balances, partially offset by a \$52.6 million decrease in interest due to lower effective interest rates, including the amortization of any fair value adjustments. Our effective interest rate, excluding activity related to our capital leases, was 4.0% for the nine months ended September 30, 2012, compared to 5.1% for the same period in 2011.

Depreciation and Amortization

Depreciation and amortization expense increased during the nine months ended September 30, 2012 compared to the same period in 2011 primarily due to the ASLG, NHP and Cogdell acquisitions and other properties we acquired subsequent to September 30, 2011, including the Sunrise-Managed Sixteen Communities.

General, Administrative and Professional Fees

General, administrative and professional fees increased during the nine months ended September 30, 2012 compared to the same period in 2011 due to our continued organizational growth.

Loss on Extinguishment of Debt

The loss on extinguishment of debt for the nine months ended September 30, 2012 relates primarily to our redemption in March 2012 of all \$200.0 million principal amount then outstanding of

our 6 ¹ / 2 % senior notes due 2016 and our redemption in May 2012 of all \$225.0 million principal amount then outstanding of our 6 ³ / 4 % senior notes due 2017, partially offset by a gain recognized on the repayment of certain mortgage debt. The loss on extinguishment of debt for the nine months ended September 30, 2011 relates primarily to our early repayment of \$307.2 million principal amount of existing mortgage debt in February 2011 and our redemption in July 2011 of \$200.0 million principal amount of our 6 ¹ / 2 % senior notes due 2016.

Litigation Proceeds, Net

Litigation proceeds, net for the nine months ended September 30, 2011 reflects our receipt of \$102.8 million in payment of the compensatory damages award from HCP arising out of our 2007 Sunrise REIT acquisition, plus certain costs and interest, net of certain expenses and the contribution of \$3 million to the Ventas Charitable Foundation. No similar transactions occurred during the nine months ended September 30, 2012.

Merger-Related Expenses and Deal Costs

Merger-related expenses and deal costs for the nine months ended September 30, 2012 and 2011 consist of transition and integration expenses related to consummated transactions and deal costs required by GAAP to be expensed rather than capitalized into the asset value. These transition and integration expenses and deal costs reflect certain fees and expenses incurred in connection with the ASLG, NHP and Cogdell acquisitions. Merger-related expenses and deal costs during the nine months ended September 30, 2011 also include expenses relating to our favorable litigation against HCP and subsequent cross-appeals, which were fully concluded in November 2011. The decrease of \$82.0 million is due primarily to the significant size of our 2011 acquisitions as well as the conclusion of the HCP litigation in late 2011.

Other

Other consists primarily of the fair value adjustment on interest rate swaps we acquired in connection with the ASLG and NHP acquisitions, partially offset by other miscellaneous expenses.

Income/Loss from Unconsolidated Entities

Income from unconsolidated entities for the nine months ended September 30, 2012 relates to our interests of between 5% and 25% in joint ventures with respect to 58 MOBs, 20 seniors housing communities and fourteen skilled nursing facilities. In August 2012, we acquired the controlling interests (ranging from 80% to 95%) in 36 MOBs and one other MOB that is being marketed for sale that we had previously accounted for as investments in unconsolidated entities. We recognized a gain of \$16.6 million as a result of the re-measurement of equity interest upon acquisition. Subsequent to the acquisition date, operations relating to these properties are consolidated in our Consolidated Statements of Income. At September 30, 2012, we had remaining interests of between 5% and 25% in joint ventures with respect to 21 MOBs, 20 seniors housing communities and fourteen skilled nursing facilities.

Loss from unconsolidated entities for the nine months ended September 30, 2011 also relates to our interests of between 5% and 25% in joint ventures with respect to 58 MOBs, 20 seniors housing communities and fourteen skilled nursing facilities.

Income Tax Benefit

Income tax benefit for the nine months ended September 30, 2012 was due primarily to the income tax benefit of ordinary losses related to our TRS entities, net of the current period valuation allowance. Income tax benefit for the nine months ended September 30, 2011 was due primarily to the

income tax benefit of ordinary losses related to our TRS entities and the reduction of certain income tax contingency reserves, including interest, related to our 2007 U.S. federal income tax returns.

Discontinued Operations

Discontinued operations increased \$67.6 million during the nine months ended September 30, 2012 compared to the same period in 2011 due primarily to net gains recognized on the sales of 25 assets during 2012. No similar transactions occurred during the nine months ended September 30, 2011. See "Note 5-Dispositions" of the Notes to Consolidated Financial Statements included in Part I of this Quarterly Report on Form 10-Q.

Net Loss Attributable to Noncontrolling Interest

Net loss attributable to noncontrolling interest for the nine months ended September 30, 2012 represents our partners' joint venture interests in 39 MOBs and seniors housing communities. Net loss attributable to noncontrolling interest for the nine months ended September 30, 2011 represented our partners' joint venture interests in 29 MOBs and seniors housing communities.

Non-GAAP Financial Measures

We believe that net income, as defined by GAAP, is the most appropriate earnings measurement. However, we consider certain non-GAAP financial measures to be useful supplemental measures of our operating performance. A non-GAAP financial measure is generally defined as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. Set forth below are descriptions of the non-GAAP financial measures we consider most relevant to our business and most useful to investors, as well as reconciliations of these measures to our most directly comparable GAAP financial measures.

The non-GAAP financial measures we present herein are not necessarily identical to those presented by other real estate companies due to the fact that not all real estate companies use the same definitions. These measures should not be considered as alternatives to net income (determined in accordance with GAAP) as indicators of our financial performance or as alternatives to cash flow from operating activities (determined in accordance with GAAP) as measures of our liquidity, nor are these measures necessarily indicative of sufficient cash flow to fund all of our needs. We believe that in order to facilitate a clear understanding of our consolidated historical operating results, these measures should be examined in conjunction with net income as presented in our Consolidated Financial Statements and other financial data included elsewhere in this Quarterly Report on Form 10-Q.

Funds From Operations and Normalized Funds From Operations

Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values, instead, have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. To overcome this problem, we consider Funds From Operations ("FFO") and normalized FFO appropriate measures of operating performance of an equity REIT. Moreover, we believe that normalized FFO provides useful information because it allows investors, analysts and our management to compare our operating performance to the operating performance of other real estate companies and between periods on a consistent basis without having to account for differences caused by unanticipated items and other events such as transactions and litigation. We use the National Association of Real Estate Investment Trusts ("NAREIT") definition of FFO. NAREIT defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of real estate property (including gain on

re-measurement of equity interest upon acquisition, net) and impairment write-downs of depreciable real estate, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect FFO on the same basis. We define normalized FFO as FFO excluding the following income and expense items (which may be recurring in nature): (a) gains and losses on the sales of real property assets; (b) merger-related costs and expenses, including amortization of intangibles and transition and integration expenses, and deal costs and expenses, including expenses and recoveries relating to our lawsuit against HCP; (c) the impact of any expenses related to asset impairment and valuation allowances, the write-off of unamortized deferred financing fees, or additional costs, expenses, discounts, make-whole payments, penalties or premiums incurred as a result of early retirement or payment of our debt; (d) the non-cash effect of income tax benefits or expenses; (e) the impact of future acquisitions or divestitures (including pursuant to tenant options to purchase) and capital transactions; (f) the financial impact of contingent consideration; (g) charitable donations made to the Ventas Charitable Foundation; and (h) gains and losses for non-operational foreign currency hedge agreements and changes in the fair value of financial instruments.

Our FFO and normalized FFO for the three and nine months ended September 30, 2012 and 2011 are summarized in the following table.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
Net income attributable to common stockholders	\$ 111,882	\$ 102,885	\$ 276,533	\$ 171,545
Adjustments:				
Real estate depreciation and amortization	188,656	155,969	535,791	284,870
Real estate depreciation related to noncontrolling interest	(2,221)	(1,313)	(6,068)	(1,727)
Real estate depreciation related to unconsolidated entities	1,700	2,247	6,006	4,213
Gain on re-measurement of equity interest upon acquisition, net	(16,645)	—	(16,645)	—
Discontinued operations:				
Gain on real estate dispositions, net	(357)	—	(79,148)	—
Depreciation on real estate assets	6,714	4,434	24,081	6,878
FFO	289,729	264,222	740,550	465,779
Adjustments:				
Merger-related expenses and deal costs	4,917	69,350	49,566	131,606
Amortization of other intangibles	256	256	767	767
(Gain) loss on extinguishment of debt	(1,194)	8,685	38,339	25,211
Income tax benefit	(8,870)	(13,904)	(2,731)	(23,310)
Litigation proceeds, net	—	(85,327)	—	(85,327)
Change in fair value of financial instruments	58	11,785	151	2,898
Normalized FFO	<u>\$ 284,896</u>	<u>\$ 255,067</u>	<u>\$ 826,642</u>	<u>\$ 517,624</u>

Adjusted EBITDA

We consider Adjusted EBITDA an important supplemental measure to net income because it provides additional information with which to evaluate the performance of our operations and serves as another indication of our ability to service debt. We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization (including non-cash stock-based compensation expense),

excluding gains or losses on extinguishment of debt, net litigation proceeds, merger-related expenses and deal costs, gains or losses on real estate activity, and changes in the fair value of financial instruments (including amounts in discontinued operations). The following is a reconciliation of Adjusted EBITDA to net income (including amounts in discontinued operations) for the three and nine months ended September 30, 2012 and 2011:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
Net income	\$ 111,821	\$ 101,984	\$ 275,649	\$ 170,764
Adjustments:				
Interest (including amounts in discontinued operations)	76,510	73,756	224,425	170,046
Taxes (including amounts in general, administrative and professional fees) (including amounts in discontinued operations)	(7,864)	(13,116)	138	(21,937)
Depreciation and amortization (including amounts in discontinued operations)	196,622	161,027	563,027	293,541
Non-cash stock-based compensation expense	5,443	5,228	16,529	13,596
(Gain) loss on extinguishment of debt	(1,194)	8,685	38,339	25,211
Litigation proceeds, net	—	(85,327)	—	(85,327)
Merger-related expenses and deal costs	4,917	69,350	49,566	131,606
Gain on real estate dispositions, net	(357)	—	(79,148)	—
Gain on re-measurement of equity interest upon acquisition, net	(16,645)	—	(16,645)	—
Changes in fair value of financial instruments	58	11,785	151	2,898
Adjusted EBITDA	<u>\$ 369,311</u>	<u>\$ 333,372</u>	<u>\$ 1,072,031</u>	<u>\$ 700,398</u>

NOI

We consider NOI an important supplemental measure to net income because it allows investors, analysts and our management to measure unlevered property-level operating results and to compare our operating results to the operating results of other real estate companies and between periods on a consistent basis. We define NOI as total revenues, less interest and other income, property-level operating expenses and medical office building services costs (including amounts in discontinued operations). The following is a reconciliation of NOI to net income (including amounts in discontinued operations) for the three and nine months ended September 30, 2012 and 2011:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
Net income	\$ 111,821	\$ 101,984	\$ 275,649	\$ 170,764
Adjustments:				
Interest and other income (including amounts in discontinued operations)	(1,457)	(373)	(6,393)	(529)
Interest (including amounts in discontinued operations)	76,510	73,756	224,425	170,046
Depreciation and amortization (including amounts in discontinued operations)	196,622	161,027	563,027	293,541
General, administrative and professional fees (including amounts in discontinued operations)	26,877	20,624	75,790	51,010
(Gain) loss on extinguishment of debt	(1,194)	8,685	38,339	25,211
Litigation proceeds, net	—	(85,327)	—	(85,327)
Merger-related expenses and deal costs	4,917	69,350	49,566	131,606
Other (including amounts in discontinued operations)	2,508	14,436	6,824	6,664
(Income) loss from unconsolidated entities	(17,074)	(182)	(17,905)	71
Income tax benefit (including amounts in discontinued operations)	(8,870)	(13,904)	(2,731)	(23,310)
Gain on real estate dispositions, net	(357)	—	(79,148)	—
NOI (including amounts in discontinued operations)	390,303	350,076	1,127,443	739,747
Less:				
Discontinued operations	(3,175)	(8,845)	(16,749)	(17,136)
NOI (excluding amounts in discontinued operations)	<u>\$ 387,128</u>	<u>\$ 341,231</u>	<u>\$ 1,110,694</u>	<u>\$ 722,611</u>

Liquidity and Capital Resources

As of September 30, 2012, we had a total of \$58.5 million of unrestricted cash and cash equivalents, operating cash and cash related to our senior living operations and MOB operations reportable business segments that is deposited and held in property-level accounts. Funds maintained in the property-level accounts are used primarily for the payment of property-level expenses, debt service payments and certain capital expenditures. As of September 30, 2012, we also had escrow deposits and restricted cash of \$76.9 million and \$1.29 billion of unused borrowing capacity available under our unsecured revolving credit facility.

During the nine months ended September 30, 2012, our principal sources of liquidity were cash flows from operations, borrowings under our unsecured revolving credit facility, proceeds from issuances of debt and equity securities, proceeds from repayments of our loans receivable, proceeds from sales of assets and cash on hand.

For the remainder of 2012 and 2013, our principal liquidity needs are to: (i) fund operating expenses; (ii) meet our debt service requirements; (iii) repay maturing mortgage and other debt; (iv) fund capital expenditures primarily for our senior living and MOB operations reportable business segments; (v) fund acquisitions, investments and commitments, including development activities; and (vi) make distributions to our stockholders and unitholders, as required for us to continue to qualify as a REIT. We believe that these liquidity needs generally will be satisfied by cash flows from operations, cash on hand, debt assumptions and financings, issuances of debt and equity securities, proceeds from sales of assets, loan repayments and borrowings under our unsecured revolving credit facility. However, if any of these sources of capital is unavailable to us or is not available at an acceptable cost or if we engage in significant acquisition or investment activity, we may seek or require additional funding from debt assumptions and financings (including secured financings), dispositions of assets (in whole or in part through joint venture arrangements with third parties) and/or the issuance of secured or unsecured long-term debt or other securities.

Unsecured Revolving Credit Facility and Term Loans

We have \$2.0 billion of aggregate borrowing capacity under our unsecured revolving credit facility, which may be increased to up to \$2.5 billion at our option, subject to the satisfaction of certain conditions, and includes sublimits of (a) up to \$200 million for letters of credit, (b) up to \$200 million for swingline loans, (c) up to \$250 million for loans in certain alternative currencies, and (d) up to 50% of the facility for certain negotiated rate loans. Borrowings under our unsecured revolving credit facility bear interest at a fluctuating rate per annum (based on the applicable LIBOR for Eurocurrency rate loans and the higher of (i) the federal funds rate plus 0.50%, (ii) the administrative agent's prime rate and (iii) the applicable LIBOR plus 1.0% for base rate loans, plus, in each case, a spread based on our senior unsecured long-term debt ratings). We also pay a facility fee ranging from 15 to 45 basis points per annum (based on our senior unsecured long-term debt ratings) on the aggregate revolving commitments under our unsecured revolving credit facility. At September 30, 2012, the applicable spread was 110 basis points for Eurocurrency rate loans and 10 basis points for base rate loans and the facility fee was 17.5 basis points. Borrowings under our unsecured revolving credit facility mature on October 16, 2015, but may be extended for an additional period of one year at our option, subject to the satisfaction of certain conditions.

In August 2012, we prepaid in full our \$200.0 million unsecured term loan due 2013.

In October 2012, we entered into a new \$180.0 million unsecured term loan, initially priced at 120 basis points over LIBOR. The term loan matures in January 2018 and contains the same covenants as our unsecured revolving credit and term loan facilities.

Equity Offerings

In June 2012, we completed the sale of 5,980,000 shares of our common stock in an underwritten public offering pursuant to our existing shelf registration statement. We received \$342.5 million in aggregate proceeds from the sale, which we used to repay indebtedness outstanding under our unsecured revolving credit facility and for working capital and other general corporate purposes.

Senior Notes

In February 2012, we issued and sold \$600.0 million aggregate principal amount of 4.25% senior notes due 2022 at a public offering price equal to 99.214% of par, for total proceeds of \$595.3 million before the underwriting discount and expenses.

In March 2012, we redeemed all \$200.0 million principal amount then outstanding of our 6¹/₂% senior notes due 2016 at a redemption price equal to 103.25% of par, plus accrued and unpaid interest to the redemption date, pursuant to the call option contained in the indenture governing the notes. As

a result, we paid a total of \$206.5 million, plus accrued and unpaid interest, on the redemption date and recognized a loss on extinguishment of debt of \$29.7 million during the first quarter of 2012.

In April 2012, we issued and sold \$600.0 million aggregate principal amount of 4.00% senior notes due 2019 at a public offering price equal to 99.489% of par, for total proceeds of \$596.9 million before the underwriting discount and expenses.

In May 2012, we repaid in full, at par, \$82.4 million principal amount then outstanding of our 9% senior notes due 2012 upon maturity.

Also in May 2012, we redeemed all \$225.0 million principal amount then outstanding of our 6 ³ / 4 % senior notes due 2017 at a redemption price equal to 103.375% of par, plus accrued and unpaid interest to the redemption date, pursuant to the terms of the indenture governing the notes. As a result, we paid a total of \$232.6 million, plus accrued and unpaid interest, on the redemption date and recognized a loss on extinguishment of debt of \$10.0 million during the second quarter of 2012.

In July 2012, we repaid in full, at par, \$73.0 million principal amount then outstanding of the 8.25% senior notes due 2012 of NHP LLC, which had an effective interest rate of 1.6%, upon maturity.

In August 2012, we issued and sold \$275.0 million aggregate principal amount of 3.25% senior notes due 2022 at a public offering price equal to 99.027% of par, for total proceeds of \$272.3 million before the underwriting discount and expenses.

Cash Flows

The following table sets forth our sources and uses of cash flows for the nine months ended September 30, 2012 and 2011:

	For the Nine Months Ended September 30,		Increase (Decrease) to Cash	
	2012	2011	\$	%
	(Dollars in thousands)			
Cash and cash equivalents at beginning of period	\$ 45,807	\$ 21,812	\$ 23,995	> 100%
Net cash provided by operating activities	709,319	443,901	265,418	59.8
Net cash used in investing activities	(1,213,906)	(842,924)	(370,982)	(44.0)
Net cash provided by financing activities	517,252	434,790	82,462	19.0
Effect of foreign currency translation on cash and cash equivalents	58	(97)	155	> 100
Cash and cash equivalents at end of period	<u>\$ 58,530</u>	<u>\$ 57,482</u>	<u>\$ 1,048</u>	1.8%

Cash Flows from Operating Activities

Cash flows from operating activities increased during the nine months ended September 30, 2012 over the same period in 2011 primarily due to the ASLG, NHP, Cogdell and Sunrise-Managed Sixteen Communities acquisitions, higher NOI from each of our three reportable business segments for the reasons previously specified and lower merger-related expenses and deal costs. These increases were partially offset by higher general, administrative and professional fees due to our continued organizational growth, higher management fees at the 79 Original Sunrise-Managed Communities and higher interest expense due to larger debt balances, offset by lower weighted average interest rates.

Cash Flows from Investing Activities

Cash used in investing activities (which excludes disbursements of \$134.0 million from an Internal Revenue Code Section 1031 exchange escrow account for 2012 acquisitions) during the nine months ended September 30, 2012 and 2011 consisted primarily of the purchase of noncontrolling interest (\$3.9

million and \$3.3 million in 2012 and 2011, respectively), net investment in real estate property (\$1.2 billion and \$344.7 million in 2012 and 2011, respectively), investments in loans receivable (\$30.5 million and \$619.9 million in 2012 and 2011, respectively), development project expenditures (\$90.1 million and \$23.2 million in 2012 and 2011, respectively) and capital expenditures (\$42.3 million and \$28.7 million in 2012 and 2011, respectively). These uses were offset by proceeds from real estate dispositions that were not deposited into an Internal Revenue Code Section 1031 exchange escrow account (\$75.1 million and \$15.0 million in 2012 and 2011, respectively), proceeds from loans receivable (\$34.8 million and \$138.9 million in 2012 and 2011, respectively) and proceeds from the sale of marketable securities (\$23.1 million in 2011). We deposited a majority of the proceeds from our real estate dispositions during the nine months ended September 30, 2012 in an Internal Revenue Code Section 1031 exchange escrow account with a qualified intermediary and, as of September 30, 2012, we had used approximately \$134.0 million of the deposited proceeds for our MOB and seniors housing community acquisitions. As of September 30, 2012, there were no proceeds remaining in the exchange escrow account.

Cash Flows from Financing Activities

Cash provided by financing activities during the nine months ended September 30, 2012 and 2011 consisted primarily of net proceeds from the issuance of debt (\$1.6 billion and \$957.8 million in 2012 and 2011, respectively), net proceeds from the issuance of common stock (\$342.5 million and \$299.9 million in 2012 and 2011, respectively) and net borrowings under our unsecured revolving credit facilities (\$248.9 million and \$434.0 million in 2012 and 2011, respectively), partially offset by debt repayments (\$1.1 billion and \$895.0 million in 2012 and 2011, respectively) and cash dividend payments to common stockholders (\$545.2 million and \$354.9 million in 2012 and 2011, respectively).

Capital Expenditures

The terms of our triple-net leases generally obligate our tenants to pay capital expenditures necessary to maintain and improve our triple-net leased properties. From time to time, however, we may fund capital expenditures for our triple-net leased properties through loans to the tenants or advances, some of which may increase the amount of rent payable to us with respect to the properties. After the terms of our triple-net leases expire, or in the event that the tenants are unable or unwilling to meet their obligations under those leases, we would expect to fund any capital expenditures for which we may become responsible with cash flows from operations or through additional borrowings.

With respect to our senior living and MOB operations reportable business segments, we expect that capital expenditures will be funded by the cash flows from the properties or through additional borrowings. To the extent that unanticipated expenditures or significant borrowings are required, our liquidity may be affected adversely. Our ability to borrow additional funds may be restricted in certain circumstances by the terms of the instruments governing our outstanding indebtedness.

We are party to certain agreements that obligate us to develop healthcare real estate properties. The construction of these properties is funded through capital provided by us and, in some circumstances, our joint venture partners. As of September 30, 2012, three seniors housing communities, one MOB and one hospital were in various stages of development pursuant to these agreements. Through September 30, 2012, we have funded \$54.1 million of our estimated total commitment over the projected development period (\$100.0 million to \$120.0 million) toward these projects.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion of our exposure to various market risks contains forward-looking statements that involve risks and uncertainties. These projected results have been prepared utilizing certain assumptions considered reasonable in light of information currently available to us. Nevertheless, because of the inherent unpredictability of interest rates as well as other factors, actual results could differ materially from those projected in such forward-looking information.

We are exposed to market risk related to changes in interest rates on borrowings under our unsecured revolving credit facility and unsecured term loan facility, certain of our mortgage loans that are floating rate obligations, mortgage loans receivable and marketable debt securities. These market risks result primarily from changes in LIBOR rates or prime rates. We continuously monitor our level of floating rate debt with respect to total debt and other factors, including our assessment of the current and future economic environment.

For fixed rate debt, interest rate fluctuations generally affect the fair value, but do not impact our earnings or cash flows. Therefore, interest rate risk does not have a significant impact on our fixed rate debt obligations until such obligations mature or we elect to prepay and refinance them. If interest rates have risen at the time our fixed rate debt matures or is refinanced, our future earnings and cash flows could be adversely affected by additional borrowing costs. Conversely, lower interest rates at the time of maturity or refinancing may lower our overall borrowing costs.

To highlight the sensitivity of our fixed rate debt to changes in interest rates, the following summary shows the effects of a hypothetical instantaneous change of 100 basis points ("BPS") in interest rates as of September 30, 2012 and December 31, 2011:

	As of September 30, 2012	As of December 31, 2011
	(In thousands)	
Gross book value	\$ 5,646,638	\$ 4,984,743
Fair value(1)	5,753,703	5,439,222
Fair value reflecting change in interest rates(1):		
-100 BPS	5,916,016	5,401,585
+100 BPS	5,466,781	4,963,413

- (1) The change in fair value of our fixed rate debt was due primarily to the overall change in interest rates and a net increase in the aggregate principal amount of our outstanding senior notes.

The table below sets forth certain information with respect to our debt, excluding premiums, discounts and capital lease obligations.

	As of September 30, 2012	As of December 31, 2011 (Dollars in thousands)	As of September 30, 2011
Balance:			
Fixed rate:			
Senior notes and other	\$ 3,154,643	\$ 2,460,026	\$ 2,690,026
Mortgage loans and other(1)	2,491,995	2,357,268	2,246,315
Variable rate:			
Unsecured revolving credit facilities	704,770	455,578	474,000
Unsecured term loan facility	506,509	501,875	250,000
Mortgage loans and other(1)	406,188	405,696	405,515
Total	<u>\$ 7,264,105</u>	<u>\$ 6,180,443</u>	<u>\$ 6,065,856</u>
Percent of total debt:			
Fixed rate:			
Senior notes and other	43.4%	39.8%	44.4%
Mortgage loans and other(1)	34.3%	38.1%	37.0%
Variable rate:			
Unsecured revolving credit facilities	9.7%	7.4%	7.8%
Unsecured term loan facility	7.0%	8.1%	4.1%
Mortgage loans and other(1)	5.6%	6.6%	6.7%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Weighted average interest rate at end of period:			
Fixed rate:			
Senior notes and other	4.4%	5.3%	5.2%
Mortgage loans and other(1)	6.1%	6.1%	6.1%
Variable rate:			
Unsecured revolving credit facilities	1.3%	1.4%	3.0%
Unsecured term loan facility	1.7%	1.8%	1.8%
Mortgage loans and other(1)	1.9%	2.0%	2.1%
Total	<u>4.4%</u>	<u>4.8%</u>	<u>5.0%</u>

- (1) Excludes debt related to real estate assets classified as held for sale as of September 30, 2012 and December 31, 2011, respectively. The total mortgage debt for these properties as of September 30, 2012 and December 31, 2011 was \$23.4 million and \$14.6 million, respectively. No assets were classified as held for sale as of September 30, 2011.

The variable rate debt in the table above reflects, in part, the effect of \$167.3 million notional amount of interest rate swaps with a maturity of February 1, 2013 that effectively convert fixed rate debt to variable rate debt. In addition, the fixed rate debt in the table above reflects, in part, the effect of \$62.0 million notional amount of interest rate swaps with maturities ranging from March 2, 2015 to April 1, 2019 that effectively convert variable rate debt to fixed rate debt. The increase in our outstanding variable rate debt from December 31, 2011 is primarily attributable to net borrowings under our unsecured revolving credit facility during the first nine months of 2012. Pursuant to the terms of certain leases with one of our tenants, if interest rates increase on certain variable rate debt that we have totaling \$80.0 million as of September 30, 2012, our tenant is required to pay us additional rent (on a dollar-for-dollar basis) in an amount equal to the increase in interest expense resulting from the increased interest rates. Therefore, the increase in interest expense related to this

debt is equally offset by an increase in additional rent due to us from the tenant. Assuming a 100 basis point increase in the weighted average interest rate related to our variable rate debt, and assuming no change in our variable rate debt outstanding as of September 30, 2012, interest expense for 2012 would increase by approximately \$15.9 million, or \$0.05 per diluted common share. The fair value of our fixed and variable rate debt is based on current interest rates at which we could obtain similar borrowings.

As of September 30, 2012 and December 31, 2011, our joint venture and/or operating partners' share of total debt was \$168.0 million and \$103.1 million, respectively, with respect to certain properties we owned through consolidated joint ventures and an operating partnership. Total debt does not include our portion of debt related to investments in unconsolidated entities, which was \$92.5 million and \$131.5 million as of September 30, 2012 and December 31, 2011, respectively. The decrease in debt related to investments in unconsolidated entities is the result of our third quarter 2012 acquisition of the controlling interests in 36 MOBs.

We earn interest from investments in marketable debt securities on a fixed rate basis. We record these investments as available-for-sale at fair value, with unrealized gains and losses recorded as a component of other comprehensive income. Interest rate fluctuations and market conditions will cause the fair value of these investments to change. As of September 30, 2012 and December 31, 2011, the aggregate fair value of our marketable debt securities held at September 30, 2012, which had an aggregate original cost of \$37.8 million, was \$43.0 million and \$43.3 million, respectively.

As of September 30, 2012 and December 31, 2011, the fair value of our secured and unsecured loans receivable, based on our estimates of currently prevailing rates for comparable loans, was \$285.2 million and \$281.5 million, respectively.

We are subject to fluctuations in U.S. and Canadian exchange rates that may, from time to time, affect our financial condition and results of operations. Increases or decreases in the value of the Canadian dollar impact the amount of net income we earn from our twelve seniors housing communities in Canada. Based solely on our results for the nine months ended September 30, 2012, if the Canadian dollar exchange rate were to increase or decrease by \$0.10, our net income from these communities would decrease or increase, as applicable, by less than \$0.1 million for the nine-month period. If we increase our international presence through investments in, or acquisitions or development of, seniors housing or healthcare assets outside the United States, we may also decide to transact additional business or borrow funds under our unsecured revolving credit facility in currencies other than U.S. or Canadian dollars. Although we may decide to pursue hedging alternatives (including additional borrowings in local currencies) to protect against foreign currency fluctuations, we cannot provide any assurance that any such fluctuations will not have a Material Adverse Effect on us.

We may engage in hedging strategies to manage our exposure to market risks in the future, depending on an analysis of the interest rate and foreign currency exchange rate environments and the costs and risks of such strategies. However, we do not use derivative financial instruments for speculative purposes.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2012. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of September 30, 2012, at the reasonable assurance level.

Internal Control Over Financial Reporting

During the third quarter of 2012, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

The information contained in "Note 11—Litigation" of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated by reference into this Item 1. Except as set forth therein, there have been no new material legal proceedings and no material developments in the legal proceedings reported in our Annual Report on Form 10-K for the year ended December 31, 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below summarizes repurchases of our common stock made during the three months ended September 30, 2012:

	Number of Shares Repurchased(1)	Average Price Per Share
July 1 through July 31	45,708	\$ 63.39
August 1 through August 31	211	\$ 63.96
September 1 through September 30	—	\$ —

- (1) Repurchases represent shares withheld to pay (a) taxes on the vesting of restricted stock or restricted stock units or on the exercise of options granted to employees under our 2006 Incentive Plan or under the NHP 2005 Performance Incentive Plan and assumed by us in connection with our acquisition of NHP or (b) the exercise price of options granted to employees under the NHP 2005 Performance Incentive Plan and assumed by us in connection with our acquisition of NHP. The value of the shares withheld is the closing price of our common stock on the date the vesting or exercise occurred (or, if not a trading day, the immediately preceding trading day) or the fair market value of our common stock at the time of exercise, as the case may be.

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Location of Document</u>
4.1	Seventh Supplemental Indenture dated as of August 3, 2012 by and among Ventas Realty, Limited Partnership and Ventas Capital Corporation, as Issuers, Ventas, Inc., as Guarantor, and U.S. Bank National Association, as Trustee.	Filed herewith.
12.1	Statement Regarding Computation of Ratio of Earnings to Fixed Charges.	Filed herewith.
31.1	Certification of Debra A. Cafaro, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.	Filed herewith.
31.2	Certification of Richard A. Schweinhart, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.	Filed herewith.
32.1	Certification of Debra A. Cafaro, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350.	Filed herewith.
32.2	Certification of Richard A. Schweinhart, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350.	Filed herewith.
101	Interactive Data File.	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.

Date: October 26, 2012

VENTAS, INC.

By: /s/ DEBRA A. CAFARO

Debra A. Cafaro
*Chairman and
Chief Executive Officer*

By: /s/ RICHARD A. SCHWEINHART

Richard A. Schweinhart
*Executive Vice President and
Chief Financial Officer*

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SEVENTH SUPPLEMENTAL INDENTURE

by and among

Ventas Realty, Limited Partnership,
Ventas Capital Corporation,
Ventas, Inc., as Guarantor

and

U.S. Bank National Association,
as Trustee

\$275,000,000
3.25% Senior Notes due 2022

Dated as of August 3, 2012

Supplement to Indenture dated as of September 19, 2006 (Senior Debt Securities)

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THIS SEVENTH SUPPLEMENTAL INDENTURE, dated as of August 3, 2012 (the “Seventh Supplemental Indenture”), is by and among Ventas Realty, Limited Partnership, a Delaware limited partnership (the “Partnership”), Ventas Capital Corporation, a Delaware corporation (“Ventas Capital”), Ventas, Inc., a Delaware corporation, and U.S. Bank National Association, as trustee (the “Trustee”), having a Corporate Trust Office at 425 Walnut ML CN WN 06 CT, Cincinnati, Ohio 45202, as Trustee under the Indenture (defined below).

WHEREAS, Ventas, Inc., the Partnership, Ventas Capital, the Guarantors named therein and the Trustee are parties to that certain indenture dated as of September 19, 2006 (the “Base Indenture” and, as amended and supplemented from time to time, the “Indenture”), providing for the issuance by Ventas, Inc. or by the Partnership and Ventas Capital together from time to time of their respective senior debt securities (the “Securities”);

WHEREAS, Sections 2.02 and 9.01 of the Base Indenture provide, among other things, that, without the consent of the Holders of the Securities, one or more indentures supplemental to the Base Indenture may be entered into to establish the form or terms of Securities of any series or to change or eliminate any of the provisions of the Base Indenture; provided that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provisions;

WHEREAS, the Partnership and Ventas Capital, acting in their capacity as issuers under the Base Indenture (together with their respective successors, the “Issuers”), desire to issue a series of their Securities under the Base Indenture, and have duly authorized the creation and issuance of such Securities and the execution and delivery of this Seventh Supplemental Indenture to modify the Base Indenture and to provide certain additional provisions in respect of such Securities as hereinafter described;

WHEREAS, the Issuers desire to issue such Securities with the benefit of a guarantee provided by Ventas, Inc. on the terms set forth in the Base Indenture, as supplemented by this Seventh Supplemental Indenture;

WHEREAS, the Issuers, Ventas, Inc. and the Trustee deem it advisable to enter into this Seventh Supplemental Indenture for the purposes of establishing the terms of such Securities and guarantee and providing for the rights, obligations and duties of the Trustee with respect to such Securities;

WHEREAS, concurrently with the execution hereof, the Issuers have delivered to the Trustee an Officers’ Certificate and have caused their counsel to deliver to the Trustee an Opinion of Counsel or a reliance letter upon an Opinion of Counsel satisfying the requirements of Section 2.03 of the Base Indenture; and

WHEREAS, all conditions and requirements of the Base Indenture necessary to make this Seventh Supplemental Indenture a valid, binding and legal instrument in accordance with its terms have been performed and fulfilled by the parties hereto, and the execution and delivery hereof have been in all respects duly authorized by the parties hereto.

NOW, THEREFORE, for and in consideration of the premises and agreements herein contained, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of such Securities, as follows:

ARTICLE I

CREATION OF THE SECURITIES

Section 1.01 Designation of the Series; Securities Guarantee.

(a) The changes, modifications and supplements to the Base Indenture effected by this Seventh Supplemental Indenture shall be applicable only with respect to, and govern the terms of, the Notes (as defined below), which shall not apply to any other Securities that have been or may be issued under the Base Indenture unless a supplemental indenture with respect to such other Securities specifically incorporates such changes, modifications and supplements. Pursuant to the terms hereof and Sections 2.01 and 2.02 of the Base Indenture, the Issuers hereby create a series of Securities designated as the “3.25% Senior Notes due 2022” (the “Notes”), which Notes shall be deemed “Securities” for all purposes under the Base Indenture. Except as otherwise provided in the Base Indenture, the Notes shall form their own series for voting purposes, and shall not be part of the same class or series as any other Securities issued by the Issuers or by Ventas, Inc.

(b) Each of the Notes will be guaranteed by the Guarantor in accordance with Article 10 of the Base Indenture and Article VII of this Seventh Supplemental Indenture.

Section 1.02 Form of Notes. The Notes will be issued in definitive form and the definitive form of the Notes shall be one or more Global Securities substantially in the form set forth in Exhibit A attached hereto, which is incorporated herein and made a part hereof. The Notes shall bear interest, be payable and have such other terms as are stated in the form of definitive Note or in the Base Indenture, as supplemented by this Seventh Supplemental Indenture. The stated maturity of the principal of the Notes shall be August 15, 2022.

Section 1.03 No Limit on Amount of Notes. The Trustee shall authenticate and deliver on August 3, 2012, Notes for original issue in an aggregate principal amount of up to \$275,000,000. Notwithstanding the foregoing, the aggregate principal amount of the Notes shall be unlimited; *provided*, that the terms of all Notes issued under this Seventh Supplemental Indenture (other than the date of issuance) shall be the same. The Issuers may, upon the execution and delivery of this Seventh Supplemental Indenture or from time to time thereafter, execute and deliver the Notes to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Notes upon an Authentication Order and delivery of an Officers’ Certificate and Opinion of Counsel as contemplated by Section 2.03 of the Base Indenture, without further action by the Issuers.

Section 1.04 Ranking. The Notes will be the Issuers’ unsecured and unsubordinated obligations and rank equal in right of payment with all of the Issuers’ existing and future unsecured and unsubordinated indebtedness.

Section 1.05 Certificate of Authentication. The Trustee's certificate of authentication to be included on the Notes shall be substantially as provided in the form of Note attached hereto as Exhibit A.

Section 1.06 No Sinking Fund. No sinking fund will be provided with respect to the Notes (notwithstanding any provisions of the Base Indenture with respect to sinking fund obligations).

Section 1.07 No Additional Amounts. No Additional Amounts will be payable with respect to the Notes (notwithstanding any provisions of the Base Indenture with respect to Additional Amount obligations).

Section 1.08 Definitions.

(a) Capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned thereto in the Base Indenture.

(b) Solely for purposes of this Seventh Supplemental Indenture and the Notes, the following definitions in Section 1.01 of the Base Indenture are hereby amended in their entirety to read as follows:

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control,” as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

“Business Day” means any day other than a Saturday or Sunday or a day on which banking institutions in The City of New York are required or authorized to close.

“Debt” means, as of any date (without duplication), (1) all indebtedness and liabilities for borrowed money, secured or unsecured, of Ventas, Inc. and its Subsidiaries, including mortgages and other notes payable (including the Notes to the extent outstanding from time to time), but excluding any indebtedness, including mortgages and other notes payable, which is secured by cash, cash equivalents or marketable securities or defeased (it being understood that cash collateral shall be deemed to include cash deposited with a trustee with respect to third party indebtedness) and (2) all Contingent Liabilities of Ventas, Inc. and Subsidiaries, excluding in each of clauses (1) and (2) Intercompany Debt and all liabilities associated with customary exceptions to non-recourse indebtedness, such as for fraud, misapplication of funds, environmental indemnities, voluntary bankruptcy, collusive involuntary bankruptcy and other similar exceptions.

It is understood that Debt shall not include any redeemable equity interest in Ventas, Inc.

“ Default ” means, with respect to the Indenture and the Notes, any event that is, or with the passage of time or giving of notice would be, an Event of Default.

“ GAAP ” means generally accepted accounting principles in the United States, consistently applied, as in effect from time to time.

“ Incur ” means, with respect to any Debt or other obligation of any Person, to create, assume, guarantee or otherwise become liable in respect of such Debt or other obligation, and “Incurrence” and “Incurred” have the meanings correlative to the foregoing.

“ Interest Payment Date ” has the meaning set forth in the Indenture and the Notes.

“ Lien ” means (without duplication) any lien, mortgage, trust deed, deed of trust, deed to secure debt, pledge, security interest, assignment for collateral purposes, deposit arrangement, or other security agreement, excluding any right of setoff but including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and any other like agreement granting or conveying a security interest; *provided* , that for purposes hereof, “Lien” shall not include any mortgage that has been defeased by Ventas, Inc. or any of its Subsidiaries in accordance with the provisions thereof through the deposit of cash, cash equivalents or marketable securities (it being understood that cash collateral shall be deemed to include cash deposited with a trustee with respect to third party indebtedness).

“ Person ” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

“ Real Estate Assets ” means, as of any date, the real estate assets of such Person and its Subsidiaries on such date, on a consolidated basis determined in accordance with GAAP.

“ Significant Subsidiary ” means each Subsidiary that is a “significant subsidiary”, if any, of Ventas, Inc., as such term is defined in Regulation S-X under the Securities Act.

(c) Solely for purposes of this Seventh Supplemental Indenture and the Notes, the following terms shall have the indicated meanings:

“ Consolidated EBITDA ” means, for any period of time, the net income (loss) of Ventas, Inc. and its Subsidiaries, determined on a consolidated basis in accordance with GAAP for such period, before deductions for (without duplication):

- (1) Interest Expense;
- (2) taxes;
- (3) depreciation, amortization, and all other non-cash items, as determined reasonably and in good faith by Ventas, Inc., deducted in arriving at net income (loss);
- (4) extraordinary items;

(5) non-recurring items or other unusual items, as determined reasonably and in good faith by Ventas, Inc. (including, without limitation, all prepayment penalties and all costs or fees incurred in connection with any debt financing or amendment thereto, acquisition, disposition, recapitalization or similar transaction (regardless of whether such transaction is completed));

(6) noncontrolling interests;

(7) income or expense attributable to transactions involving derivative instruments that do not qualify for hedge accounting in accordance with GAAP; and

(8) gains or losses on dispositions of depreciable real estate investments, property valuation losses and impairment charges.

For purposes of calculating Consolidated EBITDA, all amounts shall be as determined reasonably and in good faith by Ventas, Inc., and in accordance with GAAP except to the extent that GAAP is not applicable with respect to the determination of all non-cash and non-recurring items.

“Consolidated Financial Statements” means, with respect to any Person, collectively, the consolidated financial statements and notes to those financial statements, of that Person and its subsidiaries prepared in accordance with GAAP.

“Contingent Liabilities of Ventas, Inc. and Subsidiaries” means, as of any date, those liabilities of Ventas, Inc. and its Subsidiaries consisting of (without duplication) indebtedness for borrowed money, as determined in accordance with GAAP, that are or would be stated and quantified as contingent liabilities in the notes to the Consolidated Financial Statements of Ventas, Inc. as of the date of determination.

“Guarantor” means Ventas, Inc. and its successors and assigns; *provided*, however, that any Person constituting a Guarantor as described above shall cease to constitute a Guarantor when its Guarantee of the Notes is released in accordance with the terms of the Indenture.

“Intercompany Debt” means, as of any date, Debt to which the only parties are Ventas, Inc. and any of its Subsidiaries as of such date; *provided*, however, that with respect to any such Debt of which an Issuer or the Guarantor is the borrower, such Debt is subordinate in right of payment to the Notes.

“Interest Expense” means, for any period of time, the aggregate amount of interest recorded in accordance with GAAP for such period by Ventas, Inc. and its Subsidiaries, but excluding (i) interest reserves funded from the proceeds of any loan, (ii) prepayment penalties, (iii) amortization of deferred financing costs, and (iv) non-cash swap ineffectiveness charges, in all cases as reflected in the applicable Consolidated Financial Statements.

“Issuers” has the meaning stated in the third recital of the Seventh Supplemental Indenture.

“ Issue Date ” means August 3, 2012.

“ Latest Completed Quarter ” means, as of any date, the then most recently ended fiscal quarter of Ventas, Inc. for which Consolidated Financial Statements of Ventas, Inc. have been completed, it being understood that at any time when Ventas, Inc. is subject to the informational requirements of the Exchange Act, and in accordance therewith files annual and quarterly reports with the Commission, the term “Latest Completed Quarter” shall be deemed to refer to the fiscal quarter covered by Ventas, Inc.’s most recently filed Quarterly Report on Form 10-Q, or, in the case of the last fiscal quarter of the year, Ventas, Inc.’s Annual Report on Form 10-K.

“ Make-Whole Amount ” means, in connection with any optional redemption of the Notes, the excess, if any, of:

(1) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed or paid and the amount of interest (exclusive of interest accrued to the date of redemption or accelerated payment) that would have been payable in respect of each such dollar if such redemption or accelerated payment had not been made, determined by discounting, on a semi-annual basis, such principal and interest at the Reinvestment Rate (determined on the third Business Day preceding the date a notice of redemption is given or declaration of acceleration is made) from the respective dates on which such principal and interest would have been payable if such redemption or payment had not been made, over

(2) the aggregate principal amount of the Notes being redeemed or paid.

“ Notes ” has the meaning stated in Section 1.01 hereof.

“ Obligations ” means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Debt.

“ Property EBITDA ” means for any property owned by Ventas, Inc. or any of its Subsidiaries as of the date of determination, for any period of time, the net income (loss) derived from such property for such period, before deductions for (without duplication):

(1) Interest Expense;

(2) taxes;

(3) depreciation, amortization, and all other non-cash items, as determined reasonably and in good faith by Ventas, Inc., deducted in arriving at net income (loss);

(4) general and administrative expenses that are not allocated by management to a property segment, as reflected in Ventas, Inc.’s Consolidated Financial Statements available for the four (4) consecutive fiscal quarters ending with the Latest Completed Quarter;

(5) extraordinary items;

(6) non-recurring items or other unusual items, as determined reasonably and in good faith by Ventas, Inc. (including, without limitation, all prepayment penalties and all costs or fees incurred in connection with any debt financing or amendment thereto, acquisition, disposition, recapitalization or similar transaction (regardless of whether such transaction is completed));

(7) noncontrolling interests;

(8) income or expense attributable to transactions involving derivative instruments that do not qualify for hedge accounting in accordance with GAAP; and

(9) property valuation losses and impairment charges;

in each case attributable to such property.

For purposes of calculating Property EBITDA, all amounts shall be determined reasonably and in good faith by Ventas, Inc., and in accordance with GAAP except to the extent that GAAP is not applicable with respect to the determination of all non-cash and non-recurring items.

Property EBITDA shall be adjusted (without duplication) to give pro forma effect:

(x) in the case of any assets having been placed-in-service or removed from service since the first day of the period to the date of determination, to include or exclude, as the case may be, any Property EBITDA earned or eliminated as a result of the placement of such assets in service or removal of such assets from service as if the placement of such assets in service or removal of such assets from service occurred as of the first day of the period; and

(y) in the case of any acquisition or disposition of any asset or group of assets since the first day of the period to the date of determination, including, without limitation, by merger, or stock or asset purchase or sale, to include or exclude, as the case may be, any Property EBITDA earned or eliminated as a result of the acquisition or disposition of those assets as if the acquisition or disposition occurred as of the first day of the period.

“ Reinvestment Rate ” means 0.30% plus the arithmetic mean of the yields under the respective heading Week Ending published in the most recent Statistical Release under Treasury Constant Maturities for the maturity (rounded to the nearest month) corresponding to the remaining life to maturity, as of the date of the principal being redeemed or paid. If no maturity exactly corresponds to such maturity, yields for the two published maturities most closely corresponding to such maturity shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For the

purpose of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make-Whole Amount shall be used.

“Secured Debt” means, as of any date, that portion of the aggregate principal amount of all outstanding Debt of Ventas, Inc. and its Subsidiaries as of that date that is secured by a Lien on properties or other assets of Ventas, Inc. or any of its Subsidiaries.

“Seventh Supplemental Indenture” has the meaning stated in the preamble.

“Stabilized Development Asset” means, as of any date, a new construction or development Real Estate Asset at such date that, following the first four (4) consecutive fiscal quarters occurring after substantial completion of construction or development, either (i) an additional six (6) consecutive fiscal quarters have occurred or (ii) such Real Estate Asset is at least 90% leased, whichever shall first occur.

“Statistical Release” means that statistical release designated H.15(519) or any successor publication that is published weekly by the Federal Reserve System and that establishes annual yields on actively traded United States government securities adjusted to constant maturities, or, if such statistical release is not published at the time of any determination under the Indenture, then such other reasonably comparable index the Issuers designate.

“Subsidiary” means, with respect to any Person, a corporation, partnership association, joint venture, trust, limited liability company or other business entity which is required to be consolidated with such Person in accordance with GAAP.

“Total Assets” means, as of any date, in each case as determined reasonably and in good faith by Ventas, Inc., the sum of (without duplication):

(1) with respect to Real Estate Assets that were owned by Ventas, Inc. and its Subsidiaries as of April 17, 2002 and that continue to be owned as of the date of determination, the annualized rental revenues specified for such Real Estate Assets on Schedule 1 attached to this Seventh Supplemental Indenture, divided by 0.0900, plus any annualized incremental rental revenue generated by such Real Estate Assets as a result of, arising out of or in connection with annual rent escalations or rent reset rights of Ventas, Inc. and its Subsidiaries with respect to such Real Estate Assets (whether by agreement or exercise of such right or otherwise), divided by 0.0900; for the purpose of this clause (1), “annualized incremental rental revenue” in respect of a Real Estate Asset shall mean the increase in daily rental revenue generated by such Real Estate Asset as a result of, arising out of or in connection with such annual rent escalations or rent reset rights over the daily rental revenue generated by such Real Estate Asset immediately prior to the effective date of such increase, annualized by multiplying such daily increase by 365;

(2) with respect to all other Real Estate Assets owned by Ventas, Inc. and its Subsidiaries as of the date of determination (except as set forth in clause (3) below), the cost (original cost plus capital improvements before depreciation and amortization) thereof, determined in accordance with GAAP;

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(3) with respect to Stabilized Development Assets owned by Ventas, Inc. and its Subsidiaries as of the date of determination, the aggregate sum of all Property EBITDA for such Stabilized Development Assets for the four (4) consecutive fiscal quarters ending with the Latest Completed Quarter divided by (i) 0.0900, in the case of a government reimbursed property and (ii) 0.0700 in all other cases; *provided*, however, that if the value of a particular Stabilized Development Asset calculated pursuant to this clause (3) is less than the cost (original cost plus capital improvements before depreciation and amortization) of such Real Estate Asset, as determined in accordance with GAAP, such cost shall be used in lieu thereof with respect to such Real Estate Asset;

(4) the proceeds of the Debt, or the assets to be acquired in exchange for such proceeds, as the case may be, incurred since the end of the Latest Completed Quarter;

(5) mortgages and other notes receivable of Ventas, Inc. and its Subsidiaries, determined in accordance with GAAP;

(6) cash, cash equivalents and marketable securities of Ventas, Inc. and its Subsidiaries but excluding all cash, cash equivalents and marketable securities securing, or applied to defease or discharge, in each case as of that date, any indebtedness, including mortgages and other notes payable (including cash deposited with a trustee with respect to third party indebtedness), all determined in accordance with GAAP; and

(7) all other assets of Ventas, Inc. and its Subsidiaries (excluding goodwill), determined in accordance with GAAP.

“Unencumbered Assets” means, as of any date, in each case as determined reasonably and in good faith by Ventas, Inc., the sum of (without duplication):

(1) with respect to Real Estate Assets that were owned by Ventas, Inc. and its Subsidiaries as of April 17, 2002 and that continue to be owned as of the date of determination, but excluding any such Real Estate Assets that are serving as collateral

for Secured Debt, the annualized rental revenues specified for such Real Estate Assets on Schedule 1 attached to this Seventh Supplemental Indenture, divided by 0.0900, plus any annualized incremental rental revenue generated by such Real Estate Assets as a result of, arising out of or in connection with annual rent escalations or rent reset rights of Ventas, Inc. and its Subsidiaries with respect to such Real Estate Assets (whether by agreement or exercise of such right or otherwise), divided by 0.0900; for the purpose of this clause (1), “annualized incremental rental revenue” in respect of a Real Estate Asset shall mean the increase in daily rental revenue generated by such Real Estate Asset as a result of, arising out of or in connection with such annual rent escalations or rent reset rights over the daily rental revenue generated by such Real Estate Asset immediately prior to the effective date of such increase, annualized by multiplying such daily increase by 365;

(2) with respect to all other Real Estate Assets owned by Ventas, Inc. and its Subsidiaries as of the date of determination (except as set forth in clause (3))

below), but excluding any such Real Estate Assets that are serving as collateral for Secured Debt, the cost (original cost plus capital improvements before depreciation and amortization) thereof, determined in accordance with GAAP;

(3) with respect to Stabilized Development Assets owned by Ventas, Inc. and its Subsidiaries as of the date of determination, excluding any such Stabilized Development Assets that are serving as collateral for Secured Debt, the aggregate sum of all Property EBITDA for such Stabilized Development Assets for the four (4) consecutive fiscal quarters ending with the Latest Completed Quarter divided by (i) 0.0900, in the case of a government reimbursed property and (ii) 0.0700 in all other cases; *provided*, however, that if the value of a particular Stabilized Development Asset calculated pursuant to this clause (3) is less than the cost (original cost plus capital improvements before depreciation and amortization) of such Real Estate Asset, as determined in accordance with GAAP, such cost shall be used in lieu thereof with respect to such Real Estate Asset;

(4) the proceeds of the Debt, or the assets to be acquired in exchange for such proceeds, as the case may be, incurred since the end of the Latest Completed Quarter;

(5) mortgages and other notes receivable of Ventas, Inc. and its Subsidiaries, except any mortgages or other notes receivable that are serving as collateral for Secured Debt, determined in accordance with GAAP;

(6) cash, cash equivalents and marketable securities of Ventas, Inc. and its Subsidiaries but excluding all cash, cash equivalents and marketable securities securing, or applied to defease or discharge, in each case as of that date, any indebtedness, including mortgages and other notes payable (including cash deposited with a trustee with respect to third party indebtedness), all determined in accordance with GAAP; and

(7) all other assets of Ventas, Inc. and its Subsidiaries (excluding goodwill), other than assets pledged to secure Debt, determined in accordance with GAAP; *provided*, however, that Unencumbered Assets shall not include net real estate investments in unconsolidated joint ventures of Ventas, Inc. and its Subsidiaries.

For the avoidance of doubt, cash held by a “qualified intermediary” in connection with proposed like-kind exchanges pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended, which may be classified as “restricted” for GAAP purposes shall nonetheless be included in clause (6) above, so long as Ventas, Inc. or any of its Subsidiaries has the right to (i) direct the qualified intermediary to return such cash to Ventas, Inc. or such Subsidiary if and when Ventas, Inc. or such Subsidiary fails to identify or acquire the proposed like-kind property or at the end of the 180-day replacement period or (ii) direct the qualified intermediary to use such cash to acquire like-kind property.

“Unsecured Debt” means, as of any date, that portion of the aggregate principal amount of all outstanding Debt of Ventas, Inc. and its Subsidiaries as of that date that is neither Secured Debt nor Contingent Liabilities of Ventas, Inc. and its Subsidiaries.

ARTICLE II

REDEMPTION

Section 2.01 Amendment to Article 3. Pursuant to Sections 2.02(7) and 2.02(8) of the Base Indenture, Article 3 of the Base Indenture is hereby amended with respect to the Notes by adding to the end the following new Sections 3.09 and 3.10, in each case to read as follows:

“*Section 3.09 Optional Redemption* .

(a) The Issuers may, at their option, redeem the Notes at any time prior to maturity, in whole or from time to time in part.

(b) The redemption price for any redemption of the Notes before May 15, 2022 shall be equal to the sum of (1) the principal amount of the Notes being redeemed, (2) accrued and unpaid interest thereon to the redemption date, and (3) the Make-Whole Amount, if any (subject to the right of holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date). The redemption price for any redemption of the Notes on or after May 15, 2022 shall be equal to the sum of (1) the principal amount of the Notes being redeemed and (2) accrued and unpaid interest thereon to the redemption date.

(c) Any redemption pursuant to this Section 3.09 shall be made pursuant to the provisions of Sections 3.01 through 3.07 of the Indenture.

Section 3.10 Mandatory Redemption . The Issuers are not required to make mandatory redemption payments with respect to the Notes.”

ARTICLE III

COVENANTS

Section 3.01 Amendments to Article 4 .

(a) Pursuant to Section 2.02(14) of the Base Indenture, Section 4.03 of the Base Indenture is hereby amended with respect to the Notes by deleting the text thereof in its entirety and inserting in its place the following:

“*Section 4.03 Reports* . Whether or not required by the Commission, so long as any Notes are outstanding, Ventas, Inc. shall file with the Trustee, within 15 days after it files the same with the Commission (or if not subject to the periodic reporting requirements of the Exchange

Act, within 15 days after it would have been required to file the same with the Commission had it been so subject):

(1) all quarterly and annual financial information that is required to be contained in filings with the Commission on Forms 10-Q and 10-K, including a “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and, with respect to the annual information only, a report on the annual financial statements by Ventas, Inc.’s certified independent accountants; and

(2) all current reports that are required to be filed with the Commission on Form 8-K.

For so long as any Notes remain outstanding, if at any time Ventas, Inc. is not required to file with the Commission the reports required by the preceding paragraph of this Section 4.03, Ventas, Inc. shall furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

The availability of the foregoing materials on the Commission’s website or on Ventas, Inc.’s website shall be deemed to satisfy the foregoing delivery obligations.”

(b) Pursuant to Section 2.02(14) of the Base Indenture, Section 4.04 of the Base Indenture is hereby amended with respect to the Notes by deleting the text thereof in its entirety and inserting in its place the following:

“ *Section 4.04 Compliance Certificate* . “Ventas, Inc. shall deliver to the Trustee, within 120 days after the end of each fiscal year, an Officers’ Certificate stating that a review of the activities of Ventas, Inc. and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether Ventas, Inc. has kept, observed, performed and fulfilled its obligations under the Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge, Ventas, Inc. has kept, observed, performed and fulfilled each and every covenant contained in the Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of the Indenture (or, if a Default or Event of Default has occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action Ventas, Inc. is taking or proposes to take with respect thereto) and that to the best of his or her knowledge, no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Securities of any series is prohibited or if such event has occurred, a description of the event and what action Ventas, Inc. is taking or proposes to take with respect thereto. For purposes of this Section 4.04, such

compliance shall be determined without regard to any period of grace or requirement of notice under the Indenture.”

(c) Pursuant to Section 2.02(14) of the Base Indenture, Section 4.06 of the Base Indenture is hereby amended with respect to the Notes by deleting the text thereof in its entirety and inserting in its place the following:

“ *Section 4.06 Corporate Existence* . Except as permitted by Article 5 and Section 10.04, Ventas, Inc. and the Issuers shall do all things necessary to preserve and keep their existence, rights and franchises; *provided* , however, that none of Ventas, Inc. or the Issuers shall be required to preserve any such right or franchise if Ventas, Inc. or such Issuer, as applicable, shall determine reasonably and in good faith that the preservation thereof is no longer desirable in the conduct of its business.”

(d) Pursuant to Section 2.02(14) of the Base Indenture, Article 4 of the Base Indenture is hereby amended with respect to the Notes by adding to the end the following new Sections 4.07 through 4.11, in each case to read as follows:

“ *Section 4.07 Taxes* . Ventas, Inc. will pay, and will cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders of the Notes.

Section 4.08 Stay, Extension and Usury Laws . Each of Ventas, Inc. and the Issuers covenants (to the extent that they may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of the Indenture; and each of Ventas, Inc. and the Issuers (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.09 Restrictions on Activities of Ventas Capital . Ventas Capital may not hold any material assets, become liable for any material obligations or engage in any significant business activities; *provided* , however, that Ventas Capital may be a co-obligor with respect to Debt if the Partnership is a primary obligor of such Debt and the net proceeds of such Debt are received by the Partnership or one or more of its Subsidiaries other than Ventas Capital.

Section 4.10 Limitations on Incurrence of Debt .

(a) Ventas, Inc. shall not, and shall not permit any of its Subsidiaries to, Incur any Debt if, immediately after giving effect to the Incurrence of such additional Debt and any other Debt Incurred since the end of the Latest Completed Quarter and the application of the net proceeds therefrom, the aggregate principal amount of all outstanding Debt would exceed 60% of the sum of (without duplication) (i) Total Assets as of the end of the Latest Completed Quarter and (ii) the purchase price of any Real Estate Assets or mortgages receivable acquired, and the amount of any securities offering proceeds received (to the extent such proceeds were not used to acquire Real Estate Assets or mortgages receivable or to reduce Debt), since the end of the Latest Completed Quarter.

(b) Ventas, Inc. shall not, and shall not permit any of its Subsidiaries to, Incur any Secured Debt if, immediately after giving effect to the Incurrence of such additional Secured Debt and any other Secured Debt Incurred since the end of the Latest Completed Quarter and the application of the net proceeds therefrom, the aggregate principal amount of all outstanding Secured Debt would exceed 50% of the sum of (without duplication) (i) Total Assets as of the end of the Latest Completed Quarter and (ii) the purchase price of any Real Estate Assets or mortgages receivable acquired, and the amount of any securities offering proceeds received (to the extent such proceeds were not used to acquire Real Estate Assets or mortgages receivable or to reduce Debt), since the end of the Latest Completed Quarter.

(c) Ventas, Inc. shall not, and shall not permit any of its Subsidiaries to, Incur any Debt if, immediately after giving effect to the Incurrence of such additional Debt and any other Debt Incurred since the end of the Latest Completed Quarter and the application of the net proceeds therefrom, the ratio of Consolidated EBITDA to Interest Expense for the four (4) consecutive fiscal quarters ending with the Latest Completed Quarter would be less than 1.50 to 1.00 on a pro forma basis and calculated on the assumption (without duplication) that:

(i) the additional Debt and any other Debt Incurred by Ventas, Inc. or any of its Subsidiaries since the first day of such four-quarter period to the date of determination, which was outstanding at the date of determination, had been Incurred at the beginning of that period and continued to be outstanding throughout that period, and the application of the net proceeds of such Debt, including to refinance other Debt, had occurred at the beginning of such period; *provided* , that in determining the amount of Debt so Incurred, the amount of Debt under any revolving credit facility shall be computed based upon the average daily balance of such Debt during such period;

(ii) the repayment or retirement of any other Debt repaid or retired by Ventas, Inc. or any of its Subsidiaries since the first day of such four-quarter period to the date of determination had occurred at the beginning of that period; *provided*, that in determining the amount of Debt so repaid or retired, the amount of Debt under any revolving credit facility shall be computed based upon the average daily balance of such Debt during such period; and

(iii) in the case of any acquisition or disposition of any asset or group of assets (including, without limitation, by merger, or stock or asset purchase or sale) or the placement of any assets in service or removal of any assets from service by Ventas, Inc. or any of its Subsidiaries since the first day of such four-quarter period to the date of determination, the acquisition, disposition, placement in service or removal from service and any related repayment or refinancing of Debt had occurred as of the first day of such period, with the appropriate adjustments to Consolidated EBITDA and Interest Expense with respect to the acquisition, disposition, placement in service or removal from service being included in that pro forma calculation.

Section 4.11 Maintenance of Unencumbered Assets. Ventas, Inc. and its Subsidiaries shall maintain at all times Unencumbered Assets of not less than 150% of the aggregate principal amount of all outstanding Unsecured Debt.”

ARTICLE IV

SUCCESSORS

Section 4.01 Amendments to Article 5.

(a) Pursuant to Section 2.02(14) of the Base Indenture, Section 5.01 of the Base Indenture is hereby amended with respect to the Notes by deleting the text thereof in its entirety and inserting in its place the following:

“ *Section 5.01 Merger, Consolidation, or Sale of Assets* .

Ventas, Inc. may not, directly or indirectly: (a) consolidate or merge with or into another Person (whether or not Ventas, Inc. is the surviving corporation); or (b) sell, assign, transfer, convey, lease (other than to an unaffiliated operator in the ordinary course of business) or otherwise dispose of all or substantially all of the properties or assets of Ventas, Inc. and its Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either:

(i) Ventas, Inc. is the surviving corporation; or

(ii) the Person formed by or surviving any such consolidation or merger (if other than Ventas, Inc.) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a corporation organized or existing under the laws of the United States, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than Ventas, Inc.) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all of Ventas, Inc.'s obligations under the Notes and the Indenture pursuant to agreements reasonably satisfactory to the Trustee; and

(3) immediately after such transaction, on a pro forma basis giving effect to such transaction or series of transactions (and treating any obligation of Ventas, Inc. or any Subsidiary incurred in connection with or as a result of such transaction or series of transactions as having been incurred at the time of such transaction), no Default or Event of Default exists under the Indenture.

Notwithstanding anything to the contrary in this Section 5.01, the Guarantor may consolidate or merge with or into an Issuer, or sell and/or transfer to an Issuer all or substantially all of its assets, in each case, without compliance with any of the requirements set forth in this Article 5."

(b) Pursuant to Sections 2.02(14) of the Base Indenture, Article 5 of the Base Indenture is hereby amended with respect to the Notes by adding to the end the following new Sections 5.03 and 5.04, in each case to read as follows:

" Section 5.03 Assumption by the Guarantor .

The Guarantor, or a Subsidiary thereof that is organized and existing under the laws of the United States, any State of the United States or the District of Columbia, may directly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, the due and punctual payment of the principal of and interest on all the Notes and the performance of every covenant of the Indenture on the part of the Issuer(s) to be performed or observed. Upon any such assumption, the Guarantor or such Subsidiary shall succeed to, and be substituted for and may exercise every right and power of, the Issuer(s) under the Indenture with the same effect as if the Guarantor or such Subsidiary had been named as the Issuer(s) herein and the Issuer(s) shall be released from liability as obligor on the Notes.

Section 5.04 *Termination of the Guarantee .*

The obligations of the Guarantor under the Indenture shall terminate at such time the Guarantor merges or consolidates with an Issuer or at such other time as an Issuer acquires all of the assets and partnership interests of the Guarantor.”

ARTICLE V

DEFAULTS AND REMEDIES

Section 5.01 Amendments to Article 6.

(a) Pursuant to Section 2.02(14) of the Base Indenture, Section 6.01 of the Base Indenture is hereby amended with respect to the Notes by deleting the text thereof in its entirety and inserting in its place the following:

“ *Section 6.01. Events of Default .*

Each of the following is an “Event of Default”:

- (1) Ventas, Inc. or the Issuers do not pay the principal or any premium on any Note when due and payable;
- (2) Ventas, Inc. or the Issuers do not pay interest on any Note within 30 days after the applicable due date;
- (3) Ventas, Inc. or its Subsidiaries remain in breach of any other term of the Indenture for 90 days after they receive a notice of Default stating they are in breach. Either the Trustee or the Holders of more than 25% in aggregate principal amount of the Notes then Outstanding may send the notice;
- (4) except as permitted by the Indenture and the Notes, the Securities Guarantee by the Guarantor shall cease to be in full force and effect or the Guarantor shall deny or disaffirm its obligations with respect thereto;
- (5) the Issuers, Ventas, Inc. or any of its Significant Subsidiaries default under any of their indebtedness (including a default with respect to Securities of any series under the Indenture other than the Notes) in an aggregate principal amount exceeding \$50.0 million after the expiration of any applicable grace period, which default results in the acceleration of the maturity of such indebtedness. Such default is not an Event of Default if the other indebtedness is discharged, or the acceleration is rescinded or annulled, within a period of 30 days after the Issuers, Ventas, Inc. or any such Significant Subsidiary, as the case may be, receives notice specifying the default and requiring that they discharge the other indebtedness or cause the acceleration to be rescinded or annulled. Either the Trustee or the Holders of more than 25% in aggregate principal amount of the Notes then Outstanding may send the notice;

(6) the Issuers, Ventas, Inc. or any of its Significant Subsidiaries, or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary:

- (i) commence a voluntary case;
- (ii) consent to the entry of an order for relief against them in an involuntary case;
- (iii) consent to the appointment of a custodian of them or for all or substantially all of their property;
- (iv) make a general assignment for the benefit of their creditors; or
- (v) generally are not paying their debts as they become due; or

(7) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Issuers, Ventas, Inc. or any of its Significant Subsidiaries, or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, in an involuntary case;

(ii) appoints a custodian of the Issuers, Ventas, Inc. or any of its Significant Subsidiaries, or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, or for all or substantially all of the property of the Issuers, Ventas, Inc. or any of its Significant Subsidiaries, or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary; or

(iii) orders the liquidation of the Issuers, Ventas, Inc. or any of its Significant Subsidiaries, or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days.”

(b) Pursuant to Section 2.02(14) of the Base Indenture, Section 6.02 of the Base Indenture is hereby amended with respect to the Notes by (i) deleting the first sentence thereof in its entirety and inserting in its place the following:

“In the case of an Event of Default specified in clause (6) or (7) of Section 6.01, with respect to the Issuers, Ventas, Inc. or any of its Significant Subsidiaries or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, all Outstanding Notes will become due and payable immediately without further action or notice.”

and (ii) adding to the end of Section 6.02 the following:

“Notwithstanding anything to the contrary contained in the Indenture, the sole remedy for an Event of Default relating to a failure to comply with any of the provisions of Section 4.03 hereof shall consist exclusively of the right to receive additional interest on the Notes at an annual rate equal to 0.25% of the outstanding principal amount of the Notes. This additional interest will be payable in the same manner and on the same dates as the stated interest payable on the Notes and will accrue on all Outstanding Notes from and including the date on which such Event of Default first occurs to, but not including, the date on which such Event of Default shall have been cured or waived.”

(c) Pursuant to Section 2.02(14) of the Base Indenture, Section 6.08 of the Base Indenture is hereby amended with respect to the Notes by deleting from the first line thereof the reference to clause (3) of Section 6.01 of the Base Indenture.

ARTICLE VI

TRUSTEE

Section 6.01 Amendments to Article 7. Pursuant to Section 2.02(14) of the Base Indenture, Section 7.07(e) of the Base Indenture is hereby amended with respect to the Notes by changing the references to Section 6.01(7) or (8) therein to Section 6.01(6) or (7).

ARTICLE VII

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 7.01 Applicability of Defeasance Provisions. Pursuant to Sections 2.02(17) and 8.01 of the Base Indenture, so long as any of the Notes are Outstanding, Sections 8.02 and 8.03 of the Base Indenture shall be applicable to the Notes.

Section 7.02 Determinations Under Section 8.03. For the purposes of Sections 2.02(17) and 8.03 of the Base Indenture, Section 8.03 of the Base Indenture shall apply to Sections 4.09 through 4.11, inclusive.

Section 7.03 Determination Under Section 8.07. For the purposes of Sections 8.07 and 11.02 of the Base Indenture, the provisions of Section 8.07 of the Base Indenture shall apply to the Notes.

Section 7.04 Amendments to Article 8.

(a) Pursuant to Section 2.02(14) of the Base Indenture, the last sentence of Section 8.03 of the Base Indenture is hereby amended with respect to the Notes by changing the references to Sections 6.01(4) through 6.01(6) therein to Sections 6.01(3) through 6.01(5).

(b) Pursuant to Section 2.02(14) of the Base Indenture, clause (5) of Section 8.04 of the Base Indenture is hereby amended with respect to the Notes by deleting the text thereof in its entirety and inserting in its place the following:

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“(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture in respect of the Notes) to which any of Ventas, Inc. or the Issuers is a party or by which any of Ventas, Inc. or the Issuers is bound;”

(c) Pursuant to Section 2.02(14) of the Base Indenture, clause (2) of Section 8.07(c) of the Base Indenture is hereby amended with respect to the Notes by deleting the references to “Restricted Subsidiaries” and replacing such references with the word “Subsidiaries.”

ARTICLE VIII

GUARANTEES

Section 8.01 Applicability of Guarantee Provisions.

(a) Pursuant to Sections 2.02(1) and 10.01 of the Base Indenture, so long as any of the Notes are Outstanding, Article 10 shall be applicable to the Notes.

(b) To evidence its Guarantee in accordance with Section 10.03 of the Indenture, the Guarantor agrees that a notation of such Guarantee substantially in the form attached as Exhibit B hereto will be endorsed by an Officer of such Guarantor on each Note authenticated and delivered by the Trustee and that the Indenture has been executed on behalf of such Guarantor by one of its Officers.

ARTICLE IX

MISCELLANEOUS

Section 9.01 Determination Under Section 13.10. For the purposes of Section 13.10 of the Base Indenture, the agreements of the Guarantor will bind its successors except as otherwise provided in Article 10 of the Base Indenture.

Section 9.02 Application of Seventh Supplemental Indenture; Ratification .

(a) Each and every term and condition contained in this Seventh Supplemental Indenture that modifies, amends or supplements the terms and conditions of the Base Indenture shall apply only to the Notes created hereby and not to any future series of Securities established under the Indenture.

(b) The Base Indenture, as supplemented and amended by this Seventh Supplemental Indenture, is in all respects ratified and confirmed, and the Base Indenture and this Seventh Supplemental Indenture shall be read, taken and construed as the same instrument.

(c) In the event of any conflict between this Seventh Supplemental Indenture and the Base Indenture, the provisions of this Seventh Supplemental Indenture shall prevail.

Section 9.03 Benefits of Seventh Supplemental Indenture. Nothing contained in this Seventh Supplemental Indenture shall or shall be construed to confer upon any Person other than a Holder of the Notes, the Issuers, the Guarantor or the Trustee any right or interest to avail itself of any benefit under any provision of the Base Indenture or this Seventh Supplemental Indenture.

Section 9.04 Effective Date. This Seventh Supplemental Indenture shall be effective as of the date first above written and upon the execution and delivery hereof by each of the parties hereto.

Section 9.05 Governing Law. This Seventh Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to conflicts of laws principles thereof.

Section 9.06 Counterparts. This Seventh Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Seventh Supplemental Indenture to be duly executed by their respective officers hereunto duly authorized, all as of the day and year first above written.

VENTAS REALTY, LIMITED PARTNERSHIP

By: Ventas, Inc., its General Partner

By: /s/ T. Richard Riney
Name: T. Richard Riney
Title: Executive Vice President, Chief Administrative
Officer and General Counsel

VENTAS CAPITAL CORPORATION

By: /s/ T. Richard Riney
Name: T. Richard Riney
Title: Executive Vice President and Associate Secretary

GUARANTOR

VENTAS, INC.

By: /s/ T. Richard Riney
Name: T. Richard Riney
Title: Executive Vice President, Chief Administrative
Officer and General Counsel

[Signature Page to Seventh Supplemental Indenture]

TRUSTEE

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Robert T. Jones

Name: Robert T. Jones

Title: Vice President

[Signature Page to Seventh Supplemental Indenture]

SCHEDULE 1

[INTENTIONALLY OMITTED]

EXHIBIT A
FORM OF NOTE

[Face of Note]

CUSIP # 92276M AZ8

3.25% Senior Note due 2022

No.

\$

VENTAS REALTY, LIMITED PARTNERSHIP

AND

VENTAS CAPITAL CORPORATION

promises to pay to CEDE & CO. or registered assigns, the principal sum of

Dollars on August 15, 2022.

Interest Payment Dates: February 15 and August 15

Record Dates: February 1 and August 1

Dated: , 20

THIS GLOBAL SECURITY IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS SECURITY) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.07 OF THE INDENTURE, (2) THIS GLOBAL SECURITY MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.07(a) OF THE INDENTURE, (3) THIS GLOBAL SECURITY MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.12 OF THE INDENTURE AND (4) THIS GLOBAL SECURITY MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (“DTC”), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

VENTAS REALTY, LIMITED PARTNERSHIP

By: Ventas, Inc., its General Partner

By: _____
Name:
Title:

By: _____
Name:
Title:

VENTAS CAPITAL CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

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[Back of Note]

3.25% Senior Notes due 2022

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) *Interest*. Ventas Realty, Limited Partnership and Ventas Capital Corporation (collectively, the “Issuers”) promise to pay interest on the principal amount of this Note at 3.25% per annum from August 3, 2012 until maturity. The Issuers will pay interest semi-annually in arrears on February 15 and August 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an “Interest Payment Date”). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from August 3, 2012; *provided*, that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided*, *further*, that the first Interest Payment Date shall be February 15, 2013. The Issuers will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect; the Issuers will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

(2) *Method of Payment*. The Issuers will pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on the February 1 or August 1 (each, a “Record Date”) next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.13 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, if any, and interest at the office or agency of the Issuers maintained for such purpose within or without the City and State of New York, or, at the option of the Issuers, payment of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders; *provided*, that payment by wire transfer of immediately available funds will be required with respect to principal of and interest and premium, if any, on all Global Notes and all other Notes the Holders of which will have provided wire transfer instructions to the Issuers or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) *Paying Agent and Registrar*. Initially, U.S. Bank National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuers may

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change any Paying Agent or Registrar without notice to any Holder. The Issuers or any of their Subsidiaries may act in any such capacity.

(4) *Indenture* . The Issuers issued the Notes under an indenture, dated as of September 19, 2006 (the “ Base Indenture ”), as amended by the Seventh Supplemental Indenture, dated as of August 3, 2012 (the “ Seventh Supplemental Indenture ” and, together with the Base Indenture and as the Base Indenture and the Seventh Supplemental Indenture may be further amended and supplemented from time to time, the “ Indenture ”), among the Issuers, the Guarantors named therein and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code §§ 77aaa-77bbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are unsecured obligations of the Issuers.

(5) *Optional Redemption* . (a) The Issuers may, at their option, redeem the Notes at any time prior to maturity, in whole or from time to time in part.

(b) The redemption price for any redemption of the Notes before May 15, 2022 shall be equal to the sum of (i) the principal amount of the Notes being redeemed, (ii) accrued and unpaid interest thereon to the redemption date, and (iii) the Make-Whole Amount, if any (subject to the right of holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date). The redemption price for any redemption of the Notes on or after May 15, 2022 shall be equal to the sum of (i) the principal amount of the Notes being redeemed and (ii) accrued and unpaid interest thereon to the redemption date.

(c) Any redemption of the Notes shall be made pursuant to the provisions of Sections 3.01 through 3.07 of the Indenture.

(6) *Mandatory Redemption* . The Issuers will not be required to make mandatory redemption payments with respect to the Notes.

(7) *Notice of Redemption* . Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than \$1,000 may be redeemed in part but only in whole multiples of \$1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date interest ceases to accrue on Notes or portions thereof called for redemption.

(8) *Denominations, Transfer, Exchange* . The Notes are in registered form without coupons in denominations of \$1,000 and integral multiples of \$1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuers may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The

Issuers need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Issuers need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a Record Date and the corresponding Interest Payment Date.

(9) *Persons Deemed Owners* . The registered Holder of a Note may be treated as its owner for all purposes.

(10) *Amendment, Supplement and Waiver* . Subject to certain exceptions, the Indenture, the Securities Guarantee or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then Outstanding Securities affected by such amendment or supplemental indenture voting as a single class, and any existing Default or Event of Default or compliance with any provision of the Indenture, the Securities Guarantee or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then Outstanding Securities affected thereby voting as a single class. Without the consent of any Holder of a Note, the Indenture, the Securities Guarantee or the Notes may be amended or supplemented to, among other things, cure any ambiguity, defect or inconsistency; to provide for uncertificated Notes in addition to or in place of certificated Notes; to provide for the assumption of the Issuers' obligations to Holders of Notes in the case of a merger or consolidation or sale of all or substantially all of the Issuers' assets; add additional Guarantees with respect to the Notes; secure the Notes; to make any other change that would provide any additional rights or benefits to the Holders of Notes or that does not adversely affect the legal rights under the Indenture of any such Holder; or to comply with requirements of the Commission in order to effect or maintain the qualification of the applicable Indenture under the Trust Indenture Act.

(11) *Defaults and Remedies* . Events of Default with respect to the Notes include: (i) default in the payment of principal or any premium on the Notes when due and payable; (ii) default in the payment of interest on the Notes within 30 days after the applicable due date; (iii) breach of any other term of the Indenture for 90 days after receipt of a notice of Default stating the Issuers are in breach; (iv) default under any of certain Debt of the Issuers, Ventas, Inc. and its Significant Subsidiaries, which default results in the acceleration of the maturity of such indebtedness, unless such other Debt is discharged, or the acceleration is rescinded or annulled, within 30 days after the Issuers, Ventas, Inc. or its Significant Subsidiaries, as applicable, receive notice of the default; and (v) certain events in bankruptcy, insolvency or reorganization occur with respect to the Issuers, Ventas, Inc. or any of its Significant Subsidiaries or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then Outstanding Notes may declare the entire principal amount of the Notes to be due and payable; *provided*, that the sole remedy for an Event of Default relating to a failure to comply with any of the provisions of Section 4.03 of the Indenture shall consist exclusively of the right to receive additional interest on the Notes in accordance with the terms set forth in the Indenture. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all Outstanding Notes

will become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, the Holders of a majority in principal amount of the then Outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default in the payment of principal, premium, if any, or interest) if and so long as it determines that withholding notice is in the interest of the Holders of the Notes. Subject to certain exceptions, the Holders of a majority in aggregate principal amount of the then Outstanding Notes by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of principal of, premium, if any, or interest on the Notes. The Issuers are required to deliver to the Trustee annually a statement regarding compliance with the Indenture.

(12) *Trustee Dealings with Issuers* . The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuers or their Affiliates, and may otherwise deal with the Issuers or their Affiliates as if it were not the Trustee.

(13) *No Recourse Against Others* . No director, officer, employee or stockholder of Ventas, Inc. or any of its Subsidiaries, as such, will have any liability for any obligations of Ventas, Inc. or any of its Subsidiaries under the Notes or the Indenture based on, in respect of, or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The foregoing waiver and release are an integral part of the consideration for the issuance of the Notes.

(14) *Authentication* . This Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(15) *Abbreviations* . Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(16) *CUSIP Numbers* . Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuers have caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Issuers will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Ventas Realty, Limited Partnership
Ventas Capital Corporation
c/o Ventas, Inc.
10350 Ormsby Park Place, Suite 300
Louisville, Kentucky 40223
Attention: General Counsel

Assignment Form

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to:

(Insert assignee's legal name)

(Insert assignee's Soc. Sec. or Tax I.D. No.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint
The agent may substitute another to act for him.

to transfer this Note on the books of the Issuers.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Custodian

EXHIBIT B

FORM OF NOTATION OF SECURITIES GUARANTEE

For value received, the Guarantor (which term includes any successor Person under the Indenture hereinafter referred to) has unconditionally guaranteed to the extent set forth in, and subject to the provisions of, an indenture dated as of September 19, 2006 (the “Base Indenture”), as amended by the Seventh Supplemental Indenture, dated as of August 3, 2012 (the “Seventh Supplemental Indenture” and, together with the Base Indenture and as the Base Indenture and the Seventh Supplemental Indenture may be further amended and supplemented from time to time, the “Indenture”) among Ventas Realty, Limited Partnership and Ventas Capital Corporation (collectively, the “Issuers”), the Guarantor named therein and U.S. Bank National Association, as trustee (the “Trustee”), providing for the issuance of 3.25% Senior Notes due 2022, (a) the due and punctual payment of the principal of, premium, if any, and interest on the Notes (as defined in the Indenture), whether at maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on overdue principal of and interest on the Notes, if any, if lawful, and the due and punctual performance of all other obligations of the Issuers to the Holders or the Trustee all in accordance with the terms of the Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. The obligation of the Guarantor to the Holders of Notes and to the Trustee pursuant to the Securities Guarantee and the Indenture are expressly set forth in Article 10 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Securities Guarantee. Each Holder of a Note, by accepting the same, agrees to and shall be bound by such provisions.

VENTAS, INC.

By: _____
Name: _____
Title: _____

STATEMENT REGARDING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(dollars in thousands)	For the nine months ended September 30, 2012
Income before income from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest	\$ 185,436
Interest expense	
Senior notes payable and other debt	217,475
Distributions from unconsolidated entities	5,656
Earnings	\$ 408,567
Interest	
Senior notes payable and other debt expense	\$ 217,475
Interest capitalized	1,509
Fixed charges	\$ 218,984
Ratio of Earnings to Fixed Charges	1.87

I, Debra A. Cafaro, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ventas, Inc.;
2. 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 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;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as 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(s) 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: October 26, 2012

/s/ DEBRA A. CAFARO

Debra A. Cafaro
Chairman and Chief Executive Officer

I, Richard A. Schweinhart, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ventas, Inc.;
2. 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 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;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as 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(s) 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: October 26, 2012

/s/ RICHARD A. SCHWEINHART

Richard A. Schweinhart
Executive 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**

In connection with the Quarterly Report on Form 10-Q of Ventas, Inc. (the "Company") for the period ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Debra A. Cafaro, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) 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.

Date: October 26, 2012

/s/ DEBRA A. CAFARO

Debra A. Cafaro
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

QuickLinks

[Exhibit 32.1](#)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-
OXLEY ACT OF 2002

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Ventas, Inc. (the "Company") for the period ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard A. Schweinhart, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) 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.

Date: October 26, 2012

/s/ RICHARD A. SCHWEINHART

Richard A. Schweinhart
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

QuickLinks

[Exhibit 32.2](#)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-
OXLEY ACT OF 2002