

VENTAS INC
Form 10-Q
October 26, 2012

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[TABLE OF CONTENTS](#)

[Table of Contents](#)

**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)

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

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

60654
(Zip Code)

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

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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 Smaller reporting company

(Do not check if a
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.

Class of Common Stock:
Common Stock, \$0.25 par value

Outstanding at October 22, 2012:
295,554,765

Table of Contents

VENTAS, INC.
FORM 10-Q

INDEX

| | Page |
|--|------------------|
| <u>PART I FINANCIAL INFORMATION</u> | |
| <u>Item 1.</u> <u>Financial Statements</u> | <u>3</u> |
| <u>Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011</u> | <u>3</u> |
| <u>Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2012 and 2011</u> | <u>4</u> |
| <u>Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2012 and 2011</u> | <u>5</u> |
| <u>Consolidated Statements of Equity for the Nine Months Ended September 30, 2012 and the Year Ended December 31, 2011</u> | <u>6</u> |
| <u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2012 and 2011</u> | <u>7</u> |
| <u>Notes to Consolidated Financial Statements</u> | <u>8</u> |
| <u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>46</u> |
| <u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u> | <u>79</u> |
| <u>Item 4.</u> <u>Controls and Procedures</u> | <u>81</u> |
| <u>PART II OTHER INFORMATION</u> | |
| <u>Item 1.</u> <u>Legal Proceedings</u> | <u>82</u> |
| <u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>82</u> |
| <u>Item 6.</u> <u>Exhibits</u> | <u>83</u> |

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****VENTAS, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands, except per share amounts)**

| | September 30, 2012 | December 31, 2011 |
|--|-------------------------------|------------------------------|
| | (Unaudited) | (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 |
| | 19,366,852 | 17,830,262 |
| 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 | 17,226,444 | 16,231,612 |
| 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 | \$ 18,440,899 | \$ 17,271,910 |
| 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 | 8,865,259 | 7,813,129 |
| 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 |

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| | | |
|---|---------------|---------------|
| 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 | 9,357,664 | 9,274,957 |
| Noncontrolling interest | 104,068 | 80,987 |
| Total equity | 9,461,732 | 9,355,944 |
| Total liabilities and equity | \$ 18,440,899 | \$ 17,271,910 |

See accompanying notes.

Table of Contents

VENTAS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

| | For the | | For the Nine Months | |
|---|---------------------|------------|---------------------|------------|
| | Three Months | | Ended September 30, | |
| | Ended September 30, | | 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 |
| | 310,910 | 261,368 | 876,592 | 540,133 |
| 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 |
| Total revenues | 641,950 | 555,378 | 1,825,993 | 1,181,363 |
| 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 |
| | 253,005 | 207,427 | 706,544 | 438,386 |
| 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 |
| Total expenses | 552,642 | 467,099 | 1,640,557 | 1,035,561 |
| 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 | \$ 111,882 | \$ 102,885 | \$ 276,533 | \$ 171,545 |
| 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 |

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| | | | | |
|---|---------|-----------|---------|----------|
| Net income attributable to common stockholders | \$ 0.38 | \$ 0.36 | \$ 0.95 | \$ 0.82 |
| 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 | \$ 0.38 | \$ 0.35 | \$ 0.94 | \$ 0.81 |
| 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.

Table of Contents

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 | \$ 114,104 | \$ 93,910 | \$ 278,097 | \$ 163,914 |

See accompanying notes.

Table of Contents

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 | \$ 73,896 | \$ 9,941,030 | \$ 23,626 | \$ (680,888) | \$ | \$ 9,357,664 | \$ 104,068 | \$ 9,461,732 |

See accompanying notes.

Table of Contents

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 |

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| | | |
|---|-----------|-----------|
| 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.

Table of Contents

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

Table of Contents

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

Table of Contents

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

Table of Contents

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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 MOBs,

Table of Contents**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 | \$ 579,459 |

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.

Table of Contents**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 | 3,593,575 |
| Notes payable and other debt | 1,629,212 |
| Deferred tax liability | 43,466 |
| Other liabilities | 202,278 |
| Total liabilities assumed | 1,874,956 |
| Net assets acquired | 1,718,619 |
| Cash acquired | 77,718 |
| Equity issued | 1,376,437 |
| Total cash used | \$ 264,464 |

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,

Table of Contents**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.

Table of Contents

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

Table of Contents**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 | |
| | 4,953 | 10,579 | 27,410 | 19,715 |
| 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 |
| | 8,741 | 10,960 | 36,981 | 17,992 |
| (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 | \$ (3,447) | \$ (209) | \$ 69,581 | \$ 1,994 |

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.

Table of Contents**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.

Table of Contents**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.

Table of Contents**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 | \$ 6,198,576 | \$ 704,770 | \$ 360,759 | \$ 7,264,105 |

- (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

Table of Contents

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 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 outstanding of our 6³/₄% 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 8¹/₄% 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.

Table of Contents**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) |
| | \$ | 142,565 |

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

Table of Contents

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.

Table of Contents

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.

Table of Contents**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 | \$ 23,626 | \$ 22,062 |

Table of Contents**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 | \$ 111,882 | \$ 102,885 | \$ 276,533 | \$ 171,545 |
| 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 | 297,407 | 290,794 | 293,622 | 210,850 |
| 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 | \$ 0.38 | \$ 0.36 | \$ 0.95 | \$ 0.82 |
| 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 | \$ 0.38 | \$ 0.35 | \$ 0.94 | \$ 0.81 |

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

Table of Contents

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.

Table of Contents**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 | All Other | Total |
|--|---|---|---------------------------|----------------------|-------------------|
| | (In thousands) | | | | |
| 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 |

Table of Contents**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 | All Other | Total |
|---|------------------------------------|--------------------------------|-------------------|------------------|-------------------|
| | (In thousands) | | | | |
| 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 |

Table of Contents**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 | All Other | Total |
|---|------------------------------------|--------------------------------|-------------------|------------------|---------------------|
| | (In thousands) | | | | |
| 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 |

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 15 SEGMENT INFORMATION (Continued)**

For the nine months ended September 30, 2011:

| | Triple-Net Leased Properties | Senior Living Operations | MOB Operations | All Other | Total |
|---|------------------------------------|--------------------------------|-------------------|------------------|---------------------|
| | (In thousands) | | | | |
| 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 | \$ 435,089 | \$ 590,103 | \$ 131,094 | \$ 25,077 | \$ 1,181,363 |
| Total revenues | \$ 435,089 | \$ 590,103 | \$ 131,094 | \$ 25,077 | \$ 1,181,363 |
| 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 | 435,089 | 188,742 | 74,232 | 24,548 | 722,611 |
| Income (loss) from unconsolidated entities | 121 | | (192) | | (71) |
| Segment profit | \$ 435,210 | \$ 188,742 | \$ 74,040 | \$ 24,548 | 722,540 |
| 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 | | | | | \$ 170,764 |

Table of Contents**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 | \$ 303,524 | \$ 112,878 | \$ 1,287,301 | \$ 396,578 |

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 | \$ 641,950 | \$ 555,378 | \$ 1,825,993 | \$ 1,181,363 |

| | 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 | \$ 16,919,677 | \$ 15,913,732 |

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.

Table of Contents**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

| | Ventas, Inc. | Ventas Issuers | Ventas Subsidiaries | Consolidated Elimination | Consolidated |
|---|----------------|-------------------|------------------------|-----------------------------|---------------|
| | (In thousands) | | | | |
| 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 | \$ 9,841,464 | \$ 2,313,940 | \$ 17,908,765 | \$ (11,623,270) | \$ 18,440,899 |
| 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 | 2,965,599 | 569,711 | 5,329,949 | | 8,865,259 |
| Redeemable OP unitholder interests | | | 113,908 | | 113,908 |
| Total equity | 6,875,865 | 1,744,229 | 12,464,908 | (11,623,270) | 9,461,732 |
| Total liabilities and equity | \$ 9,841,464 | \$ 2,313,940 | \$ 17,908,765 | \$ (11,623,270) | \$ 18,440,899 |

Table of Contents

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 | Consolidated Elimination | Consolidated |
|--|----------------|----------------|---------------------|--------------------------|---------------|
| | (In thousands) | | | | |
| 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 | \$ 8,672,680 | \$ 2,321,492 | \$ 16,619,266 | \$ (10,341,528) | \$ 17,271,910 |
| 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 | 1,551,810 | 583,309 | 5,678,010 | | 7,813,129 |
| Redeemable OP unitholder interests | | | 102,837 | | 102,837 |
| Total equity | 7,120,870 | 1,738,183 | 10,838,419 | (10,341,528) | 9,355,944 |
| Total liabilities and equity | \$ 8,672,680 | \$ 2,321,492 | \$ 16,619,266 | \$ (10,341,528) | \$ 17,271,910 |

Table of Contents

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 | 116,922 | 70,531 | 570,134 | (115,637) | 641,950 |
| 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 | 13,493 | 39,222 | 499,927 | | 552,642 |
| 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 | \$ 111,882 | \$ 31,844 | \$ 83,793 | \$ (115,637) | \$ 111,882 |

Table of Contents

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 | 54,044 | 68,427 | 485,457 | (52,550) | 555,378 |
| 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 | (35,109) | 43,762 | 458,446 | | 467,099 |
| 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 | 102,885 | 24,847 | 27,011 | (52,550) | 102,193 |
| Discontinued operations | | 1,085 | (1,294) | | (209) |
| Net income | 102,885 | 25,932 | 25,717 | (52,550) | 101,984 |
| Net loss attributable to noncontrolling interest | | | (901) | | (901) |
| Net income attributable to common stockholders | \$ 102,885 | \$ 25,932 | \$ 26,618 | \$ (52,550) | \$ 102,885 |

Table of Contents

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 | Consolidated Elimination | Consolidated |
|--|----------------|-------------------|------------------------|-----------------------------|------------------|
| | (In thousands) | | | | |
| 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 | 232,935 | 209,795 | 1,611,899 | (228,636) | 1,825,993 |
| 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 | 46,641 | 159,413 | 1,434,503 | | 1,640,557 |
| 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 | 2,727 | | | | 2,727 |
| 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 | \$ 276,533 | \$ 53,733 | \$ 174,903 | \$ (228,636) | \$ 276,533 |

Table of Contents

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 | Consolidated Elimination | Consolidated |
|---|-------------------|-------------------|------------------------|-----------------------------|-------------------|
| | (In thousands) | | | | |
| 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 |

Table of Contents**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 | Consolidated Elimination | Consolidated |
|--|----------------|----------------|---------------------|--------------------------|--------------|
| | (In thousands) | | | | |
| 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 | \$ 111,373 | \$ 31,844 | \$ 86,524 | \$ (115,637) | \$ 114,104 |

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

| | Ventas, Inc. | Ventas Issuers | Ventas Subsidiaries | Consolidated Elimination | Consolidated |
|--|----------------|----------------|---------------------|--------------------------|--------------|
| | (In thousands) | | | | |
| 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 | \$ 101,600 | \$ 25,932 | \$ 18,928 | \$ (52,550) | \$ 93,910 |

Table of Contents

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 | Consolidated Elimination | Consolidated |
|--|----------------|-------------------|------------------------|-----------------------------|--------------|
| | (In thousands) | | | | |
| 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 | \$ 275,313 | \$ 53,733 | \$ 177,687 | \$ (228,636) | \$ 278,097 |

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

| | Ventas, Inc. | Ventas Issuers | Ventas Subsidiaries | Consolidated Elimination | Consolidated |
|--|----------------|-------------------|------------------------|-----------------------------|--------------|
| | (In thousands) | | | | |
| 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 | \$ 168,581 | \$ 110,312 | \$ 46,670 | \$ (161,649) | \$ 163,914 |

Table of Contents

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

| | Ventas, Inc. | Ventas Issuers | Ventas Subsidiaries | Consolidated Elimination | Consolidated |
|---|----------------|-------------------|------------------------|-----------------------------|--------------|
| | (In thousands) | | | | |
| 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 | \$ 10,181 | \$ | \$ 48,349 | \$ | \$ 58,530 |

Table of Contents

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

| | Ventas, Inc. | Ventas Issuers | Ventas Subsidiaries | Consolidated Elimination | Consolidated |
|---|----------------|-------------------|------------------------|-----------------------------|--------------|
| | (In thousands) | | | | |
| 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 | \$ 2,252 | \$ | \$ 55,230 | \$ | \$ 57,482 |

Table of Contents

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;

Table of Contents

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 MOBs, 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 MOBs are located and their affiliated health systems to remain competitive and financially viable and to attract physicians and physician groups;

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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;

Table of Contents

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 MOB's; 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.

Table of Contents

As of September 30, 2012, we leased 913 properties (excluding MOB) 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 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.

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 MOB, 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.

Table of Contents

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 6³/₄% 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.

Table of Contents**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.

Table of Contents

| | 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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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

Table of Contents

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

Table of Contents

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.

Table of Contents

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.

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Table of Contents

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 | \$ 111,882 | \$ 102,885 | \$ 8,997 | 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.

Table of Contents

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 | \$ 211,206 | \$ 204,318 | \$ 6,888 | 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

Table of Contents

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 | \$ 207,078 | \$ 204,276 | \$ 2,802 | 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 | \$ 100,270 | \$ 86,938 | \$ 13,332 | 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

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Table of Contents

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 | \$ 87,009 | \$ 83,354 | \$ 3,655 | 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 | 215 | 197 | 90.3% | 87.4% | \$ 5,428 | \$ 5,258 |
| 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 | \$ 66,617 | \$ 39,903 | \$ 26,714 | 66.9% |

Table of Contents

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 MOBs as MOBs 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 | \$ 35,111 | \$ 34,345 | \$ 766 | 2.2% |

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 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 MOBs | 279 | 165 | 91.6% | 92.2% | \$ 22 | \$ 22 |
| Non-stabilized MOBs | 13 | 8 | 71.8% | 73.6% | \$ 30 | \$ 29 |
| Total | 292 | 173 | 90.2% | 90.4% | \$ 22 | \$ 23 |
| Same-store stabilized MOBs | 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.

Table of Contents

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 6¹/₂% 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.

Table of Contents

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.

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Table of Contents

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% |

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Table of Contents

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 | \$ 355,615 | \$ 347,507 | \$ 8,108 | 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 | \$ 286,871 | \$ 188,742 | \$ 98,129 | 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.

Table of Contents

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 | \$ 118,074 | \$ 115,845 | \$ 2,229 | 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 | 215 | 197 | 89.2% | 87.1% | \$ 5,384 | \$ 5,550 |
| 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.

Table of Contents*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 | \$ 172,569 | \$ 74,232 | \$ 98,337 | > 100% |

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 MOBs as MOBs 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 | \$ 40,718 | \$ 40,387 | \$ 331 | 0.8% |

Table of Contents

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

Table of Contents

our 6¹/₂% senior notes due 2016 and our redemption in May 2012 of all \$225.0 million principal amount then outstanding of our 6³/₄% 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 6¹/₂% 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

Table of Contents

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

Table of Contents

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 | \$ 284,896 | \$ 255,067 | \$ 826,642 | \$ 517,624 |

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),

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Table of Contents

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 | \$ 369,311 | \$ 333,372 | \$ 1,072,031 | \$ 700,398 |

Table of Contents**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) | \$ 387,128 | \$ 341,231 | \$ 1,110,694 | \$ 722,611 |

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.

Table of Contents

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

Table of Contents

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 6³/₄% 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 | \$ 58,530 | \$ 57,482 | \$ 1,048 | 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

Table of Contents

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.

Table of Contents**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.

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Table of Contents

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 | As of September 30, 2011 |
|---|-----------------------------|----------------------------|-----------------------------|
| (Dollars in thousands) | | | |
| 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 | \$ 7,264,105 | \$ 6,180,443 | \$ 6,065,856 |
| 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 | 100.0% | 100.0% | 100.0% |
| 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 | 4.4% | 4.8% | 5.0% |

(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

Table of Contents

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 MOB's.

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.

Table of Contents**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.

Table of Contents

ITEM 6. EXHIBITS

| Exhibit Number | Description of Document | Location of Document |
|-----------------------|---|-----------------------------|
| 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. |

Table of Contents

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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