VENTAS INC
Form 10-K
February 19, 2013

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

FORM 10-K
(Mark One)

x	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 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	61-1055020
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
353 N. Clark Street, Suite 3300, Chicago, Illinois	60654
(Address of Principal Executive Offices)	(Zip Code)

(877) 483-6827
(Registrant's Telephone Number, Including Area Code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.25 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
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 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 x 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 x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. x
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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The aggregate market value of shares of the Registrant's common stock held by non-affiliates of the Registrant, computed by reference to the closing price of the common stock as reported on the New York Stock Exchange as of June 29, 2012, was $18.1 billion. For purposes of the foregoing calculation only, all directors, executive officers and 10% beneficial owners of the Registrant have been deemed affiliates.

As of February 12, 2013, 291,943,762 shares of the Registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 16, 2013 are incorporated by reference into Part III, Items 10 through 14 of this Annual Report on Form 10-K.

CAUTIONARY STATEMENTS

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

Forward-Looking Statements

This Annual Report on Form 10-K 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’, borrowers’ or managers’ 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 express forward-looking statements. These forward-looking statements are inherently uncertain, and actual results may differ from our expectations. We do not undertake a duty to update these forward-looking statements, which speak only as of the date on which they are made.

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

- The ability and willingness of our tenants, operators, borrowers, managers and other third parties to satisfy their obligations under their respective contractual arrangements with us, including, in some cases, their obligations to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities;
- The ability of our tenants, operators, borrowers and managers to maintain the financial strength and liquidity necessary to satisfy their respective obligations and liabilities to third parties, including without limitation obligations under their existing credit facilities and other indebtedness;
- Our success in implementing our business strategy and our ability to identify, underwrite, finance, consummate and integrate diversifying acquisitions and investments, including investments in different asset types and outside the United States;
- Macroeconomic conditions such as a disruption of or lack of access to the capital markets, changes in the debt rating on U.S. government securities, default or delay in payment by the United States of its obligations, and changes in the federal budget resulting in the reduction or nonpayment of Medicare or Medicaid reimbursement rates;
- The nature and extent of future competition;
- The extent of future or pending healthcare reform and regulation, including cost containment measures and changes in reimbursement policies, procedures and rates;
- Increases in our borrowing costs as a result of changes in interest rates and other factors;
- The ability of our operators and managers, as applicable, to comply with laws, rules and regulations in the operation of our properties, to deliver high quality services, to attract and retain qualified personnel and to attract residents and patients;
- Changes in general economic conditions or economic conditions in the markets in which we may, from time to time, compete, and the effect of those changes on our revenues, earnings and funding sources;
- Our ability to pay down, refinance, restructure or extend our indebtedness as it becomes due;
- Our ability and willingness to maintain our qualification as a REIT in light of economic, market, legal, tax and other considerations;
- Final determination of our taxable net income for the year ended December 31, 2012 and for the year ending December 31, 2013;
- 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;

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- 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 ("CPI") and the effect of those changes on the rent escalators contained in our leases, including the rent escalators for two of our master lease agreements 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;
- Our ability to build, maintain and expand our relationships with existing and prospective hospital and health system clients;
- Risks associated with our investments in joint ventures and unconsolidated entities, including our lack of sole decision-making authority and our reliance on our joint venture partners' financial condition;
- The impact of market or issuer events on the liquidity or value of our investments in marketable securities;
- Merger and acquisition activity in the healthcare and seniors housing industries resulting in a change of control of, or a competitor's investment in, 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, some of which are described in greater detail under "Risk Factors" in Part I, Item 1A of this Annual Report on Form 10-K, are beyond our control and the control of our management.

Kindred, Brookdale Senior Living, Atria and Sunrise Information

Each of Kindred and Brookdale Senior Living Inc. (together with its subsidiaries, "Brookdale Senior Living") 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 and Brookdale Senior Living contained or referred to in this Annual Report on Form 10-K has been derived from SEC filings made by Kindred or Brookdale Senior Living, as the case may be, or other publicly available information or was provided to us by Kindred or Brookdale Senior Living, and we have not verified this information through an independent investigation or otherwise. We have no reason to believe that this information is inaccurate in any material respect, but we cannot provide any assurance of its accuracy. We are providing this data for informational purposes only, and you are encouraged to obtain Kindred's and Brookdale Senior Living's publicly available filings, which can be found on the SEC's website at www.sec.gov.

Neither Atria Senior Living, Inc. ("Atria") nor Sunrise Senior Living, LLC (formerly Sunrise Senior Living, Inc. and, together with its subsidiaries, "Sunrise") is currently subject to the reporting requirements of the SEC. The information related to Atria and Sunrise contained or referred to in this Annual Report on Form 10-K has been derived from publicly available information or was provided to us by Atria or Sunrise, as the case may be, and we have not verified this information through an independent investigation or otherwise. We have no reason to believe that this information is inaccurate in any material respect, but we cannot provide any assurance of its accuracy.

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PART I

ITEM 1. Business

BUSINESS

Overview

Ventas, Inc., an S&P 500 company, is a REIT with a highly diversified portfolio of seniors housing and healthcare properties located throughout the United States and Canada. As of December 31, 2012, we owned more than 1,400 properties, including seniors housing communities, skilled nursing and other facilities, MOBs, and hospitals, in 46 states, the District of Columbia and two Canadian provinces, and we had three new properties under development. Our company was incorporated under the laws of Kentucky in 1983, commenced operations in 1985, reorganized as a Delaware corporation in 1987 and is currently headquartered in Chicago, Illinois.

We primarily acquire and own seniors housing and healthcare properties and lease our properties to unaffiliated tenants or operate them through independent third-party managers. As of December 31, 2012, we leased 898 properties (excluding MOBs and properties classified as held for sale) to various 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 operators, such as Atria and Sunrise, to manage 223 of our seniors housing communities pursuant to long-term management agreements.

In addition, through our Lillibridge Healthcare Services, Inc. (“Lillibridge”) subsidiary and our ownership interest in PMB Real Estate Services LLC (“PMBRES”), we provide MOB management, leasing, marketing, facility development and advisory services to highly rated hospitals and health systems throughout the United States. From time to time, we also make secured and unsecured loans and other investments relating to seniors housing and healthcare operators or properties.

We conduct our operations through three reportable business segments: triple-net leased properties; senior living operations; and MOB operations. See our Consolidated Financial Statements and the related notes, including “Note 2—Accounting Policies,” included in Part II, Item 8 of this Annual Report on Form 10-K.

Business Strategy

Our principal objective is to enhance shareholder value by delivering superior, reliable returns. To achieve this objective, we pursue a business strategy of: (1) generating consistent, reliable and growing cash flows; (2) maintaining a balanced, well-diversified portfolio of high-quality assets; and (3) preserving our financial strength, flexibility and liquidity.

Generating Consistent, Reliable and Growing Cash Flows

Consistent, reliable and growing cash flows from our seniors housing and healthcare assets enable us to pay regular cash dividends to stockholders and create opportunities to increase shareholder value through profitable investments. Our ability to generate consistent, reliable and growing cash flows is driven by the combination of steady contractual growth from long-term triple-net leases with our tenants, greater growth potential from our seniors housing operating assets that are subject to management agreements and stable cash flows from our MOBs.

Maintaining a Balanced, Well-Diversified Portfolio

We believe that maintaining a balanced portfolio of high-quality assets diversified across many key attributes – geographic location, asset type, tenant/manager mix, revenue source and operating model – diminishes the risk that any single factor or event could materially harm our business. Portfolio diversification also reduces our exposure to any individual tenant or manager and makes us less susceptible to single-state regulatory or reimbursement changes, regional climate events and local economic downturns.

Preserving Our Financial Strength, Flexibility and Liquidity

A strong, flexible balance sheet and excellent liquidity position us favorably to capitalize on strategic growth opportunities in the seniors housing and healthcare industries through acquisitions, investments and development projects. We strive to maintain our financial strength and invest profitably by actively managing our leverage, continuing to lower our cost of capital and preserving our access to multiple sources of liquidity, including unsecured bank debt, mortgage financings and the public debt and equity markets.

2012 Highlights

During the year ended December 31, 2012:

- We completed $2.7 billion of gross investments, including the acquisitions of:
  - Cogdell Spencer Inc. (“Cogdell”), with its 71 real estate assets (including properties owned through joint ventures) and its MOB property management business, for an investment of approximately $760 million, including debt;
  - 16 seniors housing communities managed by Sunrise (the “Sunrise-Managed 16 Communities”) for approximately $362 million;
  - 100% of various private investment funds (the “Funds”) previously managed by Lazard Frères Real Estate Investors LLC or its affiliates (“LFREI”), which Funds own a 34% interest in Atria and 3.7 million shares of our common stock; and
  - Controlling interests in 36 MOBs that that we previously accounted for as investments in unconsolidated entities;
- We sold 43 properties and received final repayment on loans receivable and marketable debt securities for aggregate proceeds of approximately $422 million, including certain fees, and recognized a net gain of $81.0 million from the dispositions;
- We paid an annual cash dividend on our common stock of $2.48 per share, which represents an 8% increase over the prior year and was paid to stockholders in equal quarterly installments of $0.62 per share;
- We issued and sold $2.4 billion aggregate principal amount of senior notes and entered into a new $180.0 million term loan, collectively having a weighted average stated interest rate of 3.2% and a weighted average maturity at the time of issuance of 7.7 years;
- We completed a public offering and sale of 5,980,000 shares of our common stock for aggregate proceeds of $342.5 million;
- Of the 89 properties leased to Kindred whose current lease term expires on April 30, 2013, Kindred renewed or entered into a new lease with respect to a total of 35 properties, and we entered into new leases or sale contracts for the remaining 54 properties, the majority of which remain subject to operating transitions and regulatory approvals; and
- We redeemed or repaid $780.4 million aggregate principal amount of outstanding unsecured debt, including our 9% senior notes due 2012, 8.25% senior notes due 2012, 6¾% senior notes due 2017, 6½% senior notes due 2016, and unsecured term loan due 2013, and $344.2 million of mortgage debt.

Portfolio Summary

The following table summarizes our portfolio of properties and other investments, excluding investments in unconsolidated entities and properties classified as held for sale, as of and for the year ended December 31, 2012:

			Real Estate Property Investments			Revenues		
Asset Type	# of Properties(1)	# of Units/Beds/ Sq. Ft. (2)	Real Estate Property Investment, at Cost	Percent of Total Real Estate Property Investments	Real Estate Property Investment Per Unit/Bed/Sq. Ft.	Revenue (3)	Percent of Total Revenues	Number of States/ Provinces(4)
	(Dollars in thousands)							
Properties								
Seniors housing communities	659	56,445	$12,531,820	61.2 %	$ 222.0	$1,601,501	64.5 %	45
Skilled nursing and other facilities	381	43,711	3,033,679	14.8	69.4	346,480	13.9	41
Hospitals	47	3,878	473,737	2.3	122.2	112,720	4.5	17
MOBs (5)	300	16,107,008	3,801,780	18.6	0.2	383,579	15.4	29
Total properties	1,387		19,841,016	96.9 %		2,444,280	98.3 %	49
Other Investments and Income								
Loans and investments			635,002	3.1		39,913	1.6	
Other						1,106	0.1	
Total			$20,476,018	100.0 %		$2,485,299	100.0 %	

nm—not meaningful.

(1) Excludes 20 seniors housing communities, 14 skilled nursing facilities and 21 MOBs included in investments in unconsolidated entities. Also, excludes six seniors housing communities, nine skilled nursing facilities and four MOBs classified as held for sale as of December 31, 2012.

(2) Seniors housing communities are measured in units; skilled nursing facilities, hospitals and personal care facilities are measured by bed count; and MOBs are measured by square footage.

(3) Revenues relate to the actual period of ownership and do not necessarily reflect a full year.

(4) As of December 31, 2012, our consolidated properties were located in 46 states, the District of Columbia and two Canadian provinces and, excluding MOBs, were operated or managed by 95 different third-party healthcare operating companies, including the following publicly traded companies: Kindred (196 properties); Brookdale (148 properties); Emeritus Corporation (17 properties) and Capital Senior Living, Inc. (12 properties).

(5) As of December 31, 2012, 30 of our consolidated MOBs were leased pursuant to triple-net leases, Lillibridge or PMBRES managed 193 of our consolidated MOBs and 77 of our consolidated MOBs were managed by 14 different third-party managers. Through Lillibridge and PMBRES, we provided management and leasing services to third parties with respect to 82 MOBs as of December 31, 2012.

Seniors Housing and Healthcare Properties

As of December 31, 2012, we owned 1,442 seniors housing and healthcare properties, including investments in unconsolidated entities, but excluding properties classified as held for sale, as follows:

	Consolidated (100% interest)	Consolidated (<100% interest)	Unconsolidated (5-25% interest)	Total

Seniors housing communities	648	11	20	679
Skilled nursing and other facilities	372	9	14	395
Hospitals	46	1	—	47
MOBs	272	28	21	321
Total	1,338	49	55	1,442

Seniors Housing Communities

Our seniors housing communities include independent and assisted living communities, continuing care retirement communities and communities providing care for individuals with Alzheimer's disease and other forms of dementia or memory loss. These communities offer studio, one bedroom and two bedroom residential units on a month-to-month basis primarily to elderly individuals requiring various levels of assistance. Basic services for residents of these communities include housekeeping, meals in a central dining area and group activities organized by the staff with input from the residents. More extensive care and personal supervision, at additional fees, are also available for such needs as eating, bathing, grooming, transportation, limited therapeutic programs and medication administration, which allow residents certain conveniences and enable them to live as independently as possible according to their abilities. These services are often met by home health providers, close coordination with the resident's physician and skilled nursing facilities. Charges for room, board and services are generally paid from private sources.

Skilled Nursing and Other Facilities

Our skilled nursing facilities provide rehabilitative, restorative, skilled nursing and medical treatment for patients and residents who do not require the high technology, care-intensive, high cost setting of an acute care or rehabilitation hospital. Treatment programs include physical, occupational, speech, respiratory and other therapies, including sub-acute clinical protocols such as wound care and intravenous drug treatment. Charges for these services are generally paid from a combination of government reimbursement and private sources.

Our personal care facilities provide specialized care, including supported living services, neurorehabilitation, neurobehavioral management and vocational programs, for persons with acquired or traumatic brain injury.

Hospitals

Substantially all of our hospitals are operated as long-term acute care hospitals, which have a Medicare average length of stay greater than 25 days and serve medically complex, chronically ill patients who require a high level of monitoring and specialized care, but whose conditions do not necessitate the continued services of an intensive care unit. The operators of these hospitals have the capability to treat patients who suffer from multiple systemic failures or conditions such as neurological disorders, head injuries, brain stem and spinal cord trauma, cerebral vascular accidents, chemical brain injuries, central nervous system disorders, developmental anomalies and cardiopulmonary disorders. Chronic patients often depend on technology for continued life support, such as mechanical ventilators, total parenteral nutrition, respiration or cardiac monitors and dialysis machines, and, due to their severe medical conditions, generally are not clinically appropriate for admission to a nursing facility or rehabilitation hospital. All of our long-term acute care hospitals are freestanding facilities, and we do not own any "hospitals within hospitals." We also own two hospitals focused on providing children's care and five rehabilitation hospitals devoted to the rehabilitation of patients with various neurological, musculoskeletal, orthopedic and other medical conditions following stabilization of their acute medical issues.

Medical Office Buildings

Our MOBs are typically multi-tenant properties leased to several different unrelated medical practices, although they can be associated with a large single specialty or multi-specialty group. Tenants include physicians, dentists, psychologists, therapists and other healthcare providers, with space devoted to patient examination and treatment, diagnostic imaging, outpatient surgery and other outpatient services. While MOBs are similar to commercial office buildings, they require more plumbing, electrical and mechanical systems to accommodate physicians' requirements such as sinks in every room, brighter lights and specialized medical equipment. As of December 31, 2012, we owned or managed for third parties more than 21 million square feet of MOBs, a significant majority of which are "on campus," defined as being located on or near an acute care hospital campus.

Geographic Diversification of Properties

Our portfolio of seniors housing and healthcare properties is broadly diversified by geographic location throughout the United States and Canada, with properties in one state (California) accounting for more than 10% of our total revenues for the year ended December 31, 2012.

The following table shows our rental income and resident fees and services derived by geographic location for the year ended December 31, 2012:

	Rental Income and Resident Fees and Services (1)	Percent of Total Revenues	
	(Dollars in thousands)		
Geographic Location			
California	$348,418	14.0	%
New York	246,082	9.9	
Texas	149,801	6.0	
Illinois	123,789	5.0	
Massachusetts	115,273	4.6	
Florida	102,249	4.1	
Pennsylvania	95,987	3.9	
New Jersey	78,923	3.2	
Connecticut	74,723	3.0	
Arizona	73,888	3.0	
Other (36 states and the District of Columbia)	918,462	36.9	
Total U.S	2,327,595	93.6	%
Canada (two Canadian provinces)	95,944	3.9	
Total	$2,423,539	97.5	%(2)

(1) Revenues relate to the actual period of ownership and do not necessarily reflect a full year.

(2) The remainder of our total revenues is medical office building and other services revenue, income from loans and investments and interest and other income. This presentation excludes revenues from properties sold during 2012 or classified as held for sale as of December 31, 2012.

See "Note 20—Segment Information" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for more information regarding the geographic diversification of our portfolio.

Certificates of Need

Our skilled nursing facilities and hospitals are generally subject to federal, state and local licensure statutes and statutes that may require regulatory approval, in the form of a certificate of need ("CON") issued by a governmental agency with jurisdiction over healthcare facilities, prior to the expansion of existing facilities, construction of new facilities, addition of beds, acquisition of major equipment or introduction of new services. CON requirements, which are not uniform throughout the United States, may restrict our or our operators' ability to expand our properties in certain circumstances.

The following table shows the percentage of our rental income for the year ended December 31, 2012 derived by skilled nursing facilities and hospitals in states with and without CON requirements:

	Skilled Nursing Facilities		Hospitals		Total	
States with CON requirements	68.3	%	41.8	%	61.8	%
States without CON requirements	31.7		58.2		38.2	
Total	100.0	%	100.0	%	100.0	%

Secured and Unsecured Loans and Other Investments

Loans Receivable

Our real estate loans provide us with interest income, principal amortization and transaction fees and are typically secured by mortgage liens, leasehold mortgages and corporate or personal guarantees. In some cases, the loans are secured by a pledge of ownership interests in the entity or entities that own the related real estate. As of December 31, 2012, we had $697.1 million

of net loans receivable relating to seniors housing and healthcare operators or properties. See “Note 6—Loans Receivable” of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Development and Redevelopment Projects

We are party to certain agreements that obligate us to develop healthcare properties, the construction of which is funded through capital that we and, in certain circumstances, our joint venture partners provide. As of December 31, 2012, we had three new properties under development pursuant to these agreements. In addition, from time to time, we engage in redevelopment projects with respect to our seniors housing operating communities to maximize the value, increase net operating income (“NOI”), maintain a market-competitive position, achieve property stabilization or change the primary use of the property.

Segment Information

We evaluate our business and make resource allocations among three reportable business segments: triple-net leased properties; senior living operations; and MOB operations. For further information regarding our business segments, see “Note 20—Segment Information” of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Significant Tenants, Operators and Managers

The following table provides information regarding our tenant/manager concentration as of and for the year ended December 31, 2012:

	Number of Properties Leased or Managed	Percent of Total Real Estate Investments (1)	Percent of Total Revenues (2)	Percent of NOI (2)
Senior living operations	223	32.6 %	49.6 %	25.7 %
Kindred	196	4.4	10.5	17.4
Brookdale Senior Living (3)	148	10.4	6.4	10.5

(1) Based on gross book value (excluding amounts held for sale as of December 31, 2012).

(2) Amounts relate to the actual period of ownership and do not necessarily reflect a full year. Excludes amounts in discontinued operations. NOI is defined as total revenues, less interest and other income, property-level operating expenses and medical office building services costs.

(3) Excludes six properties included in investments in unconsolidated entities.

Triple-Net Leased Properties

Each of our master lease agreements with Kindred (the “Kindred Master Leases”) and our leases with Brookdale Senior Living is a triple-net lease that obligates the tenant to pay all property-related expenses, including maintenance, utilities, repairs, taxes, insurance and capital expenditures, and to comply with the terms of the mortgage financing documents, if any, affecting the properties. In addition, each of these leases have guaranty and cross-default provisions tied to other leases with the same tenant, as well as bundled lease renewals (as described in more detail below).

Because the properties we lease to Kindred and Brookdale Senior Living 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 assure you 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 or liquidity, our ability to service our indebtedness and other obligations and 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 assure you 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. See “Risks Factors—Risks Arising from Our Business—We depend on Kindred and Brookdale Senior Living for a significant portion of our revenues and operating income; Any inability or unwillingness by Kindred or Brookdale Senior Living to satisfy its obligations under its

agreements with us could have a Material Adverse Effect on us" included in Item 1A of this Annual Report on Form 10-K.

Kindred Master Leases

As of December 31, 2012, we leased 196 properties to Kindred pursuant to four original Kindred Master Leases, with the properties grouped into bundles or renewal groups (each, a “renewal group”) containing a varying number of properties. Each renewal group is diversified by geography and contains at least one long-term acute care hospital. Under the four original Kindred Master Leases, the properties within a single renewal group have the same primary lease term of ten to 15 years (which commenced 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 lease terms for ten renewal groups under the four original Kindred Master Leases covering a total of 89 properties have an April 30, 2013 expiration date. We have entered into lease renewals, new leases or sale contracts for all 89 properties whose lease term expires on April 30, 2013. We expect 2013 cash revenue and NOI from these 89 properties (including the yield on reinvested sale proceeds from the five properties for sale) to be $125 million, compared to 2012 rent for all 89 properties of $125 million.

Of these 89 properties, Kindred will remain the tenant in 35 properties for estimated aggregate annual base rent commencing on May 1, 2013 of $76.1 million, including escalations. Specifically, Kindred irrevocably renewed for a five-year term three renewal groups covering a total of 25 properties, and we entered into a fifth Kindred Master Lease with respect to ten long-term acute care hospitals. The new Kindred Master Lease has an initial term expiring on April 30, 2023 and is subject to three successive five-year, “all or nothing” renewal options at Kindred’s option.

With respect to the remaining 54 skilled nursing facilities whose lease term expires on April 30, 2013 (the “Marketed Assets”), 49 Marketed Assets have been leased pursuant to new long-term triple-net leases (the “New Leases”) with seven qualified healthcare operators (the “New Tenants”), and we have entered into definitive agreements to sell five Marketed Assets. The New Leases have an average weighted initial lease term of over 11 years.

Six of the Marketed Assets transitioned to New Tenants on February 1, 2013. 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 current lease term, including without limitation, payment of all rental amounts. Moreover, we own or have the rights to all licenses and CONs at the properties, and Kindred has extensive and detailed obligations to cooperate and ensure an orderly transition of the properties to another operator.

Although leases and sale contracts have been executed and we expect the remaining transitions and sales to be completed or occur in the first half of 2013, these transitions and sales remain subject to customary closing conditions, including licensure and regulatory approval. Accordingly, we cannot assure you as to whether or when the transitions or sales of the remaining Marketed Assets will be completed, if at all, or upon what terms. Our ability to transition or sell the Marketed Assets could be significantly delayed or limited by state licensing, CON 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, if any transition or sale has not occurred by May 1, 2013, Kindred has certain obligations to continue operating the properties on modified terms for a limited period, but we may be required to fund certain expenses and obligations (e.g., real estate taxes, insurance and maintenance expenses or general operating expenses) related to the applicable properties after May 1, 2013.

The current lease term for ten renewal groups covering another 108 properties leased to Kindred pursuant to the four original Kindred Master Leases will expire on April 30, 2015 (the “2015 Assets”), subject to two successive five-year renewal options for those properties exercisable by Kindred. Kindred has from November 1, 2013 until April 30, 2014 to provide us with renewal notices with respect to those properties. Therefore, as to any renewal group for which we do not receive a renewal notice, we will have at least one year to arrange for the repositioning of the applicable properties with new operators. Regardless of whether Kindred renews any of the renewal groups, Kindred is obligated to continue to perform all of its obligations under the applicable Kindred Master Lease with respect to the 2015 Assets, including the payment of full rent, through April 30, 2015.

All ten renewal groups whose current lease term expires on April 30, 2015 will be, upon renewal, in the second five-year renewal period and, therefore, we have a unilateral bundle-by-bundle option to initiate a fair market rental reset process on any renewal group for which Kindred delivers a renewal notice. If we elect to initiate the fair market rental reset process for any renewal group, the renewal rent will be the higher of contract rent and fair market rent determined by an appraisal process set forth in the applicable Kindred Master Lease. In certain cases following our

initiation of a fair market rental reset process with respect to a renewal group, Kindred may have the right to revoke its renewal of that particular renewal group.

We cannot assure you that Kindred will elect to renew any or all of the renewal groups for the 2015 Assets or that we will be able to reposition any or all non-renewed assets on a timely basis or on the same or better economic terms, if at all. In

addition, the determination of market rent, whether on re-leasing or under the reset process, is dependent on and may be influenced by a variety of factors and is highly speculative, and we cannot assure you as to what the market rent may be for any of the 2015 Assets. See "Risk Factors—Risks Arising from Our Business—If we must replace any of our tenants or operators, we might be unable to reposition the properties on as favorable terms, or at all, and we could be subject to delays, limitations and expenses, which could have a Material Adverse Effect on us" included in Item 1A of this Annual Report on Form 10-K.

The aggregate annual rent we receive under each Kindred Master Lease is referred to as "base rent." Base rent escalates on May 1 of each year at a specified rate over the prior period base rent, with base rent escalation under the four original Kindred Master Leases contingent upon the satisfaction of specified facility revenue parameters. The annual rent escalator under three Kindred Master Leases is 2.7%, and the annual rent escalator under the other two Kindred Master Leases is based on year-over-year changes in CPI, subject to floors and caps.

Assuming that all of the Marketed Assets are sold or transitioned on or prior to May 1, 2013 and assuming the applicable facility revenue parameters are met, and regardless of whether Kindred provides renewal notices with respect to any or all of the 2015 Assets, we currently expect that approximately $216 million of aggregate base rent will be due under the five Kindred Master Leases for the period from May 1, 2013 through April 30, 2014. See "Note 3—Concentration of Credit Risk" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Brookdale Senior Living Leases

Our leases with Brookdale Senior Living have an average term of 15 years (commencing as early as 1995) and are subject to two or more successive five- or ten-year renewal terms at Brookdale Senior Living's option, provided certain conditions are satisfied.

Under the terms of our leases, Brookdale Senior Living is obligated to pay base rent, which escalates annually by an amount equal to the lesser of (i) four times the percentage increase in CPI during the immediately preceding year or (ii) either 2.5% or 3%, depending on the lease, or, in the case of our remaining "Grand Court" property, the greater of (i) 2% or (ii) 75% of the increase in CPI during the immediately preceding year. For 2013, the current aggregate contractual cash base rent due to us from Brookdale Senior Living, excluding variable interest that Brookdale Senior Living is obligated to pay as additional rent based on certain floating rate mortgage debt, is approximately $154.3 million, and the current aggregate contractual base rent (computed in accordance with U.S. generally accepted accounting principles ("GAAP")) due to us from Brookdale Senior Living, excluding the variable interest, is approximately $153.9 million (in each case, excluding properties included in investments in unconsolidated entities and properties held for sale as of December 31, 2012). See "Note 3—Concentration of Credit Risk" and "Note 14—Commitments and Contingencies" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

During 2012, we sold 18 properties to Brookdale Senior Living for aggregate consideration of $167.6 million, including lease termination fees.

Senior Living Operations

As of December 31, 2012, Atria and Sunrise, collectively, provided comprehensive property management and accounting services with respect to 220 of our seniors housing communities, for which we pay annual management fees pursuant to long-term management agreements. Substantially all of our management agreements with Atria have initial terms expiring December 31, 2027, with successive automatic ten-year renewal periods. The management fees we pay to Atria under the Atria management agreements are equal to 5% of revenues generated by the applicable properties, plus, in most cases, an incentive management fee of up to an additional 1% of revenues based on the achievement of specified performance targets. Our management agreements with Sunrise have terms ranging from 25 to 30 years, commencing as early as 2004 and as recently as 2012. The management fees we pay to Sunrise under the Sunrise management agreements range from 5% to 7% of revenues generated by the applicable properties. For the year ended December 31, 2012, the management fees (including incentive fees) we paid pursuant to our Sunrise management agreements were equal to 6.4% of revenues generated by the applicable properties. See "Note 3—Concentration of Credit Risk" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

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 of our management agreements. Although we have various rights as the property owner under our management agreements, including various rights to terminate and exercise remedies under the agreements that may relate to all properties or a specific property or group of properties as provided therein, 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 businesses and affairs or financial condition could have a Material Adverse Effect on us. See "Risk Factors—Risks Arising from Our Business—The properties managed by Atria and Sunrise account for a significant portion of our revenues and operating income; Although Atria and Sunrise are managers, not tenants, of our properties, adverse developments in their businesses and affairs or financial condition could have a Material Adverse Effect on us" and "—We have rights to terminate our management agreements with Atria and Sunrise in whole or with respect to specific properties under certain circumstances, and we may be unable to replace Atria or Sunrise if our management agreements are terminated or not renewed" included in Item 1A of this Annual Report on Form 10-K.

In December 2012, we acquired 100% of the Funds previously managed by LFREI. The acquired Funds own (a) a 34% interest in Atria and (b) 3.7 million shares of Ventas common stock. In conjunction with this acquisition, we also extinguished our obligation related to the "earnout," a contingent performance-based payment arising out of our 2011 acquisition of the real estate assets of Atria Senior Living Group, Inc. (together with its affiliates, "ASLG"), which was previously reflected on our Consolidated Balance Sheets as a liability, for an additional $44 million. This amount represented the discounted net present value of the potential future payment of approximately $63 million.
Additionally, in connection with this transaction, we obtained certain rights and minority protections regarding material transactions affecting Atria, as well as the right to appoint two directors to the Atria Board of Directors.

In August 2012, Sunrise announced that it had agreed to be acquired by Health Care REIT, Inc. ("Health Care REIT").
In connection with this announcement, Sunrise effected an internal reorganization to separate its subsidiaries that operate and manage seniors housing communities (collectively, the "Sunrise management business") from its real estate assets and its equity interests in subsidiaries and joint ventures that hold real estate assets (collectively, the "Sunrise real estate"). In January 2013, the Sunrise management business was sold to a partnership comprised of three private equity firms and Health Care REIT, and the Sunrise real estate was acquired by Health Care REIT.

Competition

We generally compete for the acquisition, leasing and financing of seniors housing and healthcare properties with publicly traded, private and non-listed healthcare REITs, real estate partnerships, healthcare providers, healthcare lenders and other investors, including without limitation developers, banks, insurance companies, pension funds, government sponsored entities and private equity firms. Some of our competitors may have greater financial resources and lower costs of capital than we do. Increased competition makes it more challenging for us to identify and successfully capitalize on opportunities that meet our objectives, and our ability to compete is affected by, among other factors, the availability of suitable acquisition or investment targets, our ability to negotiate acceptable acquisition or investment terms and our access to and cost of capital. See "Risk Factors—Risks Arising from Our Business—Our pursuit of investments in, and acquisitions or development of, seniors housing and healthcare assets may be unsuccessful or fail to meet our expectations" included in Item 1A of this Annual Report on Form 10-K and "Note 10—Borrowing Arrangements" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

The tenants and managers that operate our properties compete on a local and regional basis with healthcare operating companies that provide comparable services. The operators and managers of our seniors housing communities, skilled nursing facilities and hospitals compete to attract and retain residents and patients based on scope and quality of care, reputation and financial condition, price, location and physical appearance of the properties, services offered, qualified personnel, physician referrals and family preferences. The managers of our MOBs compete to attract and retain tenants based on many of the same factors, in addition to quality of the affiliated health system, physician preferences and proximity to hospital campuses. The ability of our tenants and managers to compete successfully could be affected by private, federal and state reimbursement programs and other laws and regulations. See "Risk Factors—Risks Arising from Our Business—Our tenants, operators and managers may be adversely affected by healthcare regulation and enforcement" and "—Changes in the reimbursement rates or methods of payment from third-party payors, including the Medicare and Medicaid programs, could have a material adverse effect on certain of our tenants and operators and on us" included in Item 1A of this Annual Report on Form 10-K.

Employees

As of December 31, 2012, we had 439 employees, none of whom is subject to a collective bargaining agreement and 304 of whom are employed in our MOB operations reportable business segment.

Insurance

We maintain or require in our lease, management and other agreements that our tenants, operators and managers maintain all applicable lines of insurance on our properties and their operations. We believe that the amount and scope of insurance coverage provided by our policies and the policies maintained by our tenants, operators and managers are customary for

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similarly situated companies in our industry. Although we believe that our tenants, operators and managers are in compliance with their respective insurance requirements, we cannot assure you that they will maintain the required insurance coverages, and the failure by any of them to do so could have a Material Adverse Effect on us. We also cannot assure you that we will continue to require the same levels of insurance coverage under our lease, management and other agreements, that such insurance will be available at a reasonable cost in the future or that the insurance coverage provided will fully cover all losses on our properties upon the occurrence of a catastrophic event, nor can we assure you of the future financial viability of the insurers.

We maintain property and casualty insurance for our senior living operations, and we maintain general and professional liability insurance for our seniors housing communities and related operations managed by Atria. The general and professional liability insurance for our seniors housing communities and related operations managed by Sunrise is currently maintained by Sunrise in accordance with the terms of our management agreements. Under our management agreements with Sunrise, we may elect, on an annual basis, whether we or Sunrise will bear responsibility for maintaining the required insurance coverage for the applicable properties, but the costs of such insurance are facility expenses paid from the revenues of those properties, regardless of who maintains the insurance.

As part of our MOB development business, we provide engineering, construction and architectural services, and any design, construction or systems failures related to the properties we develop could result in substantial injury or damage to clients or third parties. Any such injury or damage claims may arise in the ordinary course and may be asserted with respect to ongoing or completed projects. Although we maintain liability insurance to protect us against these claims, if any claim results in a loss, we cannot assure you that our policy limits would be adequate to cover the loss in full. If we sustain losses in excess of our insurance coverage, we may be required to pay the difference and we could lose our investment in, or experience reduced profits and cash flows from, the affected MOB, which could have a Material Adverse Effect on us.

In an effort to reduce and manage costs and for various other reasons, many companies in the healthcare industry, including some of our tenants, operators and managers, utilize different organizational and corporate structures coupled with self-insurance trusts or programs (commonly referred to as “captives”) that may provide them with less insurance coverage. As a result, those companies who self-insure could incur large funded and unfunded professional liability expenses, which could have a material adverse effect on their liquidity, financial condition and results of operations. The implementation of a trust or captive by any of our tenants, operators or managers could adversely affect such person’s ability to satisfy its obligations under, or otherwise comply with the terms of, its respective lease, management and other agreements with us, which could have a Material Adverse Effect on us. Likewise, if we decide to implement a captive self-insurance program, any large funded and unfunded professional liability expenses that we incur could have a Material Adverse Effect on us.

Additional Information

We maintain a website at www.ventasreit.com. The information on our website is not incorporated by reference in this Annual Report on Form 10-K, and our web address is included as an inactive textual reference only.

We make available, free of charge, through our website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. In addition, our Guidelines on Governance, our Code of Ethics and Business Conduct and the charters for each of our Audit and Compliance, Nominating and Corporate Governance and Executive Compensation Committees are available on our website, and we will mail copies of the foregoing documents to stockholders, free of charge, upon request to our Corporate Secretary at Ventas, Inc., 353 North Clark Street, Suite 3300, Chicago, Illinois 60654.

GOVERNMENTAL REGULATION

Healthcare Regulation

Overview

For the year ended December 31, 2012, approximately 20% of our total revenues and 30% of our total NOI (in each case excluding amounts in discontinued operations) were attributable to skilled nursing and other facilities and hospitals where our tenants (not our company) receive reimbursement for their services under governmental

healthcare programs, such as Medicare and Medicaid. We are not a participant in these programs relating to our skilled nursing and other facilities and hospitals operated by tenants under lease agreements with us.

While the properties within our portfolio are all susceptible to many varying types of regulation, we expect that the healthcare industry, in general, will continue to face increased regulation and pressure in the areas of fraud, waste and abuse,

cost control, healthcare management and provision of services, among others. A significant expansion of applicable federal, state or local laws and regulations, previously enacted or future healthcare reform, new interpretations of existing laws and regulations or changes in enforcement priorities could have a material adverse effect on certain of our operators' liquidity, financial condition and results of operations and, in turn, their ability to satisfy their contractual obligations, including making rental payments under, or otherwise complying with the terms of, their leases with us. In addition, efforts by third-party payors, such as the federal Medicare program, state Medicaid programs and private insurance carriers, including health maintenance organizations and other health plans, to impose greater discounts and more stringent cost controls upon operators (through changes in reimbursement rates and methodologies, discounted fee structures, the assumption by healthcare providers of all or a portion of the financial risk or otherwise) are expected to intensify and continue. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could also have a Material Adverse Effect on certain of our operators' liquidity, financial condition and results of operations and, in turn, their ability to satisfy their contractual obligations, including making rental payments under, and otherwise complying with the terms of, their leases with us.

Licensure, Certification and CONs

Participation in the Medicare and Medicaid programs generally requires the operators of our skilled nursing facilities to be licensed on an annual or biannual basis and certified annually through various regulatory agencies that determine compliance with federal, state and local laws. These legal requirements relate to the quality of the nursing care provided, the qualifications of the administrative personnel and nursing staff, the adequacy of the physical plant and equipment and continuing compliance with the laws and regulations governing the operation of skilled nursing facilities. The failure of an operator to maintain or renew any required license or regulatory approval or to correct serious deficiencies identified in compliance surveys could prevent it from continuing operations at a property. A loss of licensure or certification could also adversely affect a skilled nursing facility operator's ability to receive payments from the Medicare and Medicaid programs, which, in turn, could adversely affect its ability to satisfy its contractual obligations, including making rental payments under, and otherwise complying with the terms of, its leases with us.

Similarly, in order to receive Medicare and Medicaid reimbursement, our hospitals must meet the applicable conditions of participation established by the U.S. Department of Health and Human Services ("HHS") relating to the type of hospital and its equipment, personnel and standard of medical care, as well as comply with state and local laws and regulations. Hospitals undergo periodic on-site licensure surveys, which generally are limited if the hospital is accredited by The Joint Commission (formerly the Joint Commission on Accreditation of Healthcare Organizations) or other recognized accreditation organizations. A loss of licensure or certification could adversely affect a hospital's ability to receive payments from the Medicare and Medicaid programs, which, in turn, could adversely affect its ability to satisfy its contractual obligations, including making rental payments under, and otherwise complying with the terms of, its leases with us.

Our skilled nursing facilities and hospitals are also subject to various state CON laws requiring governmental approval prior to the development or expansion of healthcare facilities and services. The approval process in these states generally requires a facility to demonstrate the need for additional or expanded healthcare facilities or services. CONs, where applicable, are also sometimes necessary for changes in ownership or control of licensed facilities, addition of beds, investment in major capital equipment, introduction of new services or termination of services previously approved through the CON process. CON laws and regulations may restrict an operator's ability to expand our properties and grow its business in certain circumstances, which could have an adverse effect on the operator's revenues and, in turn, its ability to make rental payments under, and otherwise comply with the terms of, its leases with us. See "Risk Factors—Risks Arising from Our Business—If we must replace any of our tenants or operators, we might be unable to reposition the properties on as favorable terms, or at all, and we could be subject to delays, limitations and expenses, which could have a Material Adverse Effect on us" included in Part I, Item 1A of this Annual Report on Form 10-K.

Seniors housing communities, in contrast, are subject to relatively few, if any, federal regulations. Instead, to the extent they are regulated, the regulation is conducted mainly by state and local laws governing licensure, provision of services, staffing requirements and other operational matters. These laws vary greatly from one jurisdiction to another. Although recent growth in the U.S. seniors housing industry has attracted the attention of various federal agencies that believe more federal regulation of these properties is necessary, thus far, Congress has deferred to state regulation of

seniors housing communities. However, as a result of this growth and increased federal scrutiny, some states have revised and strengthened their regulation of seniors housing communities, and more states are expected to do the same in the future.

Fraud and Abuse Enforcement

Various federal and state laws and regulations prohibit a wide variety of fraud and abuse by healthcare providers who participate in, receive payments from or make or receive referrals for work in connection with government-funded healthcare programs, including Medicare and Medicaid. The federal laws include, by way of example, the following:

- The anti-kickback statute (Section 1128B(b) of the Social Security Act), which prohibits certain business practices and relationships, including the payment, receipt or solicitation of any remuneration, directly or indirectly, to induce a referral of any patient or service or item covered by a federal health care program, including Medicare or a state health program, such as Medicaid;
- The physician self-referral prohibition (Ethics in Patient Referral Act of 1989, commonly referred to as the "Stark Law"), which prohibits referrals by physicians of Medicare or Medicaid patients to providers of a broad range of designated healthcare services with which the physicians (or their immediate family members) have ownership interests or certain other financial arrangements;
- The False Claims Act, which prohibits any person from knowingly presenting false or fraudulent claims for payment by the federal government (including the Medicare and Medicaid programs);
- The Civil Monetary Penalties Law, which authorizes HHS to impose civil penalties administratively for fraudulent acts; and
- The Health Insurance Portability and Accountability Act of 1996 (commonly referred to as "HIPAA"), which among other things, protects the privacy and security of individually identifiable health information by limiting its use and disclosure.

Sanctions for violating these federal laws include criminal and civil penalties such as punitive sanctions, damage assessments, monetary penalties, imprisonment, denial of Medicare and Medicaid payments, and exclusion from the Medicare and Medicaid programs. These laws also impose an affirmative duty on operators to ensure that they do not employ or contract with persons excluded from the Medicare and other government programs.

Many states have adopted or are considering legislative proposals similar to the federal anti-fraud and abuse laws, some of which extend beyond the Medicare and Medicaid programs, to prohibit the payment or receipt of remuneration for the referral of patients and physician self-referrals, regardless of whether the service was reimbursed by Medicare or Medicaid. Many states have also adopted or are considering legislative proposals to increase patient protections, such as minimum staffing levels, criminal background checks, and limiting the use and disclosure of patient specific health information. These state laws also impose criminal and civil penalties similar to the federal laws.

In the ordinary course of their business, the operators of our properties have been and are subject regularly to inquiries, investigations and audits by federal and state agencies that oversee applicable laws and regulations. Increased funding through recent federal and state legislation has led to a significant increase in the number of investigations and enforcement actions over the past several years. Private enforcement of healthcare fraud has also increased, due in large part to amendments to the civil False Claims Act in 1986 that were designed to encourage private individuals to sue on behalf of the government. These whistleblower suits by private individuals, known as qui tam suits, may be filed by almost anyone, including present and former patients or nurses and other employees. HIPAA also created a series of new healthcare crimes.

As federal and state budget pressures persist, administrative agencies may continue to escalate their investigation and enforcement efforts to eliminate waste and to control fraud and abuse in governmental healthcare programs. A violation of federal or state anti-fraud and abuse laws or regulations by an operator of our properties could have a material adverse effect on the operator's liquidity, financial condition or results of operations, which could adversely affect its ability to satisfy its contractual obligations, including making rental payments under, and otherwise complying with the terms of, its leases and other agreements with us.

Reimbursement

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act, along with a reconciliation measure, the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act"). The passage of the Affordable Care Act has resulted in comprehensive reform legislation that is expected to expand health care coverage to millions of currently uninsured people beginning in 2014. To help fund this expansion, the Affordable Care Act outlines certain reductions in Medicare reimbursement rates for various healthcare providers, including long-term acute care hospitals and skilled nursing facilities, as well as certain other changes to Medicare payment methodologies.

The Affordable Care Act, among other things, reduced the inflationary market basket increase included in standard federal payment rates for long-term acute care hospitals by 25 basis points in fiscal year 2010, 50 basis points in fiscal

year 2011, 10 basis points in fiscal years 2012 and 2013, 30 basis points in fiscal year 2014, 20 basis points in fiscal years 2015 and 2016, and 75 basis points in fiscal years 2017 through 2019. In addition, under the Affordable Care Act, long-term acute care hospitals and skilled nursing facilities are subject to a rate adjustment to the market basket increase, which began in fiscal year 2012, to reflect improvements in productivity. In July 2012, after considering the constitutionality of various provisions of the Affordable Care Act, the U.S. Supreme Court upheld the so-called individual mandate and, while it found the provisions

expanding Medicaid eligibility unconstitutional, determined that the issue was appropriately remedied by circumscribing the Secretary of Health and Human Services' enforcement authority, thus leaving the Medicaid expansion intact.

Healthcare is one of the largest industries in the United States and continues to attract a great deal of legislative interest and public attention. We cannot assure you that previously enacted or future healthcare reform legislation or changes in the administration or implementation of governmental and non-governmental healthcare reimbursement programs will not have a material adverse effect on our operators' liquidity, financial condition or results of operations, or on their ability to satisfy their obligations to us, which, in turn, could have a Material Adverse Effect on us.

In August 2011, President Obama and the U.S. Congress enacted the Budget Control Act of 2011 (the "Budget Control Act") to increase the federal government's borrowing authority (the so-called "debt ceiling") and reduce the federal government's projected operating deficit. Under the Budget Control Act, a 2% reduction in Medicare payments to long-term acute care hospitals and skilled nursing facilities (part of $1.2 trillion in automatic spending cuts commonly referred to as "sequestration") was expected to take effect on February 1, 2013. The American Taxpayer Relief Act of 2012 delayed the expected effectiveness of this 2% reduction to April 1, 2013. These measures, alternatives to sequestration or any future federal legislation relating to the debt ceiling or deficit reduction could have a material adverse effect on our operators' liquidity, financial condition or results of operations, which could adversely affect their ability to satisfy their obligations to us and which, in turn, could have a Material Adverse Effect on us.

Medicare Reimbursement; Long-Term Acute Care Hospitals

The Balanced Budget Act of 1997 ("BBA") mandated the creation of a prospective payment system for long-term acute care hospitals ("LTAC PPS") for cost reporting periods commencing on or after October 1, 2002. LTAC PPS requires payment for a Medicare beneficiary at a predetermined, per discharge amount for each defined patient category (called "Long-Term Care—Diagnosis Related Groups" or "LTC-DRGs"), adjusted for differences in area wage levels. Updates to LTAC PPS payment rates are established by regulators and published annually for the long-term acute care hospital rate year, which coincides with annual updates to the LTC-DRG classification system and corresponds to the federal fiscal year (October 1 through September 30). The Medicare, Medicaid, and SCHIP Extension Act of 2007 (Pub. L. No. 110-173) (the "Medicare Extension Act") significantly expanded medical necessity reviews by the Centers for Medicare & Medicaid Services ("CMS") by requiring long-term acute care hospitals to institute a patient review process to better assess patients upon admission and on a continuing basis for appropriateness of care.

In addition, the Medicare Extension Act, among other things, provided the following long-term acute care hospital payment policy changes, all of which were extended for two years by the Affordable Care Act:

- It prevented CMS from applying the "25-percent rule," which limits payments from referring co-located hospitals, to freestanding and grandfathered long-term acute care hospitals for three years;
- It modified the application of the 25-percent rule to certain urban and rural long-term acute care "hospitals-within-hospitals" and "satellite" facilities for three years;
- It prevented CMS from applying the "very short stay outlier" policy for three years; and
- It prevented CMS from making any one-time adjustments to correct estimates used in implementing LTAC PPS for three years.

Lastly, the Medicare Extension Act introduced a moratorium on new long-term acute care hospitals and beds for three years. In its May 2008 final rule, CMS delayed the extension of the 25-percent rule to freestanding and grandfathered long-term acute care hospitals and increased the patient percentage thresholds for certain urban and rural long-term acute care "hospitals-within-hospitals" and "satellite" facilities for three years, as mandated by the Medicare Extension Act. The rule also set forth policies on implementing the moratorium on new long-term acute care hospitals and beds imposed by the Medicare Extension Act.

In its August 2009 final rule, CMS finalized policies to implement changes required by Section 124 of the Medicare Improvements for Patients & Providers Act of 2008 (Pub. L. No. 110-275), continuing reforms intended to improve the accuracy of Medicare payments for inpatient acute care through the severity-adjusted diagnosis-related group (MS-LTC-DRG) classification system for long-term acute care hospitals.

On August 31, 2012, CMS published its final rule updating LTAC PPS for the 2013 fiscal year (October 1, 2012 through September 30, 2013). Under the 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 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 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 Extension Act, and subsequently extended by the Affordable Care Act, expired on December 29, 2012, and the extension of the 25-percent rule to freestanding and grandfathered long-term acute care hospitals is 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 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 to December 29, 2012 (the effective date of the budget neutrality adjustment), net payments to long-term acute care hospitals will increase by 3%.

We regularly assess the financial implications of CMS's rules on the operators of our long-term acute care hospitals, but we cannot assure you that current rules or future updates to LTAC PPS, LTC-DRGs 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 us. See "Risk Factors—Risks Arising from Our Business—Changes in the reimbursement rates or methods of payment from third-party payors, including the Medicare and Medicaid programs, could have a material adverse effect on certain of our tenants and operators and on us" included in Item 1A of this Annual Report on Form 10-K.

Medicare Reimbursement; Skilled Nursing Facilities

The BBA also mandated the creation of a prospective payment system for skilled nursing facilities ("SNF PPS") offering Part A covered services. Under SNF PPS, payment amounts are based upon classifications determined through assessments of individual Medicare patients in the skilled nursing facility, rather than on the facility's reasonable costs. SNF PPS payments are made on a per diem basis for each resident and are generally intended to cover all inpatient services for Medicare patients, including routine nursing care, most capital-related costs associated with the inpatient stay, and ancillary services, such as respiratory therapy, occupational and physical therapy, speech therapy and certain covered drugs.

In response to widespread healthcare industry concern about the reductions in payments under the BBA, the federal government enacted the Balanced Budget Refinement Act of 1999 ("BBRA"). The BBRA increased the per diem reimbursement rates for certain high acuity patients by 20% from April 1, 2000 until CMS refined the resource utilization groups ("RUGs") used to determine the daily payment for beneficiaries in skilled nursing facilities in the 2006 fiscal year. The BBRA also imposed a two-year moratorium on the annual cap mandated by the BBA on physical, occupational and speech therapy services provided to a patient by outpatient rehabilitation therapy providers, including Part B covered therapy services in nursing facilities. Although extended multiple times by Congress, relief from the BBA therapy caps expired on December 31, 2009.

Under its final rule updating LTC-DRGs for the 2007 fiscal year, CMS reduced reimbursement of uncollectible Medicare coinsurance amounts for all beneficiaries (other than beneficiaries of both Medicare and Medicaid) from 100% to 70% for skilled nursing facility cost reporting periods beginning on or after October 1, 2005 and set forth various options for classifying and weighting patients transferred to a skilled nursing facility after a hospital stay less than the mean length of stay associated with that particular diagnosis-related group.

Under its final rule updating SNF PPS for the 2010 fiscal year, CMS recalibrated the case-mix indexes for RUGs used to determine the daily payment for beneficiaries in skilled nursing facilities and implemented the RUG-IV classification model for skilled nursing facilities for the 2011 fiscal year. However, the Affordable Care Act delayed the implementation of RUG-IV for one year, and CMS subsequently modified the implementation schedule in its notice updating SNF PPS for the 2011 fiscal year.

In its final Medicare Physician Fee Schedule rule for the 2012 calendar year, CMS set a $1,880 cap on physical therapy and speech-language pathology services and a separate $1,880 cap on occupational therapy services, including therapy provided in skilled nursing facilities, both without an exceptions process. However, in January 2013, the Middle Class Tax Relief and Job Creation Act of 2012 (Pub. L. No. 112-96) was enacted to lift the caps on therapy services and require a manual review process for those exceptions for which the beneficiary therapy services exceed $3,700 in a year.

On July 27, 2012, CMS issued a notice updating 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 will increase by approximately $670 million in fiscal year 2013 as a result of the update pursuant to the notice.

We regularly assess the financial implications of CMS's rules on the operators of our skilled nursing facilities, but we cannot assure you that current rules or future updates to SNF PPS, therapy services 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.

See "Risk Factors—Risks Arising from Our Business—Changes in the reimbursement rates or methods of payment from third-party payors, including the Medicare and Medicaid programs, could have a material adverse effect on certain of our tenants and operators and on us" included in Item 1A of this Annual Report on Form 10-K.

Medicaid Reimbursement; Skilled Nursing Facilities

Approximately two-thirds of all nursing home residents are dependent on Medicaid. Medicaid reimbursement rates, however, typically are less than the amounts charged by the operators of our skilled nursing facilities. Although the federal government and the states share responsibility for financing Medicaid, states have a wide range of discretion, within certain federal guidelines, to determine eligibility and reimbursement methodology. In addition, federal legislation limits an operator's ability to withdraw from the Medicaid program by restricting the eviction or transfer of Medicaid residents. As state budget pressures continue to escalate and in an effort to address actual or potential budget shortfalls, many state legislatures have enacted or proposed reductions to Medicaid expenditures by implementing "freezes" or cuts in Medicaid rates paid to providers, including hospitals and skilled nursing facilities, or by restricting eligibility and benefits.

In the Deficit Reduction Act of 2005 (Pub. L. No. 109 171), Congress made changes to the Medicaid program that were estimated to result in $10 billion in savings to the federal government over the five years following enactment of the legislation, primarily through the accounting practices some states use to calculate their matched payments and revising the qualifications for individuals who are eligible for Medicaid benefits. The changes made by CMS's final rule updating SNF PPS for the 2006 fiscal year were also anticipated to reduce Medicaid payments to skilled nursing facility operators, and as part of the Tax Relief and Health Care Act of 2006 (Pub. L. No. 109-432), Congress reduced the ceiling on taxes that states may impose on healthcare providers and that would qualify for federal financial participation under Medicaid by 0.5%, from 6% to 5.5%, until October 1, 2011. However, it was anticipated that this reduction would have a negligible effect, impacting only those states with taxes in excess of 5.5%.

The American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5) (the "Recovery Act"), in contrast, temporarily increased federal payments to state Medicaid programs by $86.6 billion through, among other things, a 6.2% increase in the federal share of Medicaid expenditures across the board, with additional funds available depending on a state's federal medical assistance percentage and unemployment rate. Though the Medicaid federal assistance payments were originally expected to expire on December 31, 2010, the President's fiscal year 2011 budget extended those payments through June 30, 2011. The Recovery Act also requires states to promptly pay nursing facilities under their Medicaid program, and precludes states, as a condition of receiving the additional funding, from heightening their Medicaid eligibility requirements.

We expect more states to adopt significant Medicaid rate freezes or cuts or other program changes as their reimbursement methodologies continue to evolve. In addition, the U.S. government may revoke, reduce or stop approving "provider taxes" that have the effect of increasing Medicaid payments to the states. We cannot predict what impact these actions would have on the operators of our skilled nursing facilities, and we cannot assure you that payments under Medicaid are now or in the future will be sufficient to fully reimburse those operators for the cost of providing skilled nursing services. Severe and widespread Medicaid rate cuts or freezes could materially adversely affect our skilled nursing facility operators, which, in turn, could adversely affect their ability to satisfy their contractual obligations, including making rental payments under, and otherwise complying with the terms of, their leases with us.

Environmental Regulation

As an owner of real property, we are subject to various federal, state and local laws and regulations regarding environmental, health and safety matters. These laws and regulations address, among other things, asbestos, polychlorinated biphenyls, fuel oil management, wastewater discharges, air emissions, radioactive materials, medical wastes, and hazardous wastes, and in certain cases, the costs of complying with these laws and regulations and the penalties for non-compliance can be substantial. Even with respect to properties that we do not operate or manage, we may be held primarily or jointly and severally liable for costs relating to the investigation and clean-up of any property from which there is or has been an actual or threatened release of a regulated material and any other affected properties, regardless of whether we knew of or caused the release. Such costs typically are not limited by law or regulation and could exceed the property's value. In addition, we may be liable for certain other costs, such as governmental fines and injuries to persons, property or natural resources, as a result of any such actual or threatened

release. See “Risk Factors—Risks Arising from Our Business—If any of our properties are found to be contaminated, or if we become involved in any environmental disputes, we could incur substantial liabilities and costs” included in Item 1A of this Annual Report on Form 10-K.

Under the terms of our lease and management agreements, we generally have a right to indemnification by the tenants, operators and managers of our properties for any contamination caused by them. However, we cannot assure you that our tenants, operators and managers will have the financial capability or willingness to satisfy their respective indemnification obligations to us, and any such inability or unwillingness to do so may require us to satisfy the underlying environmental

claims. See "Risk Factors—Risks Arising from Our Business—We depend on Kindred and Brookdale Senior Living for a significant portion of our revenues and operating income; Any inability or unwillingness by Kindred or Brookdale Senior Living to satisfy its obligations under its agreements with us could have a Material Adverse Effect on us" included in Item 1A of this Annual Report on Form 10-K.

In general, we have also agreed to indemnify our tenants against any environmental claims (including penalties and clean-up costs) resulting from any condition arising in, on or under, or relating to, the leased properties at any time before the applicable lease commencement date. With respect to our senior living operating portfolio, we have agreed to indemnify our managers against any environmental claims (including penalties and clean-up costs) resulting from any condition on those properties, unless the manager caused or contributed to that condition.

We did not make any material capital expenditures in connection with environmental, health, and safety laws, ordinances and regulations in 2012 and do not expect that we will be required to make any such material capital expenditures during 2013.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes certain U.S. federal income tax considerations that you may deem relevant as a holder of our common stock. It is not tax advice, nor does it purport to address all aspects of U.S. federal income taxation that may be important to particular stockholders in light of their personal circumstances or to certain types of stockholders, such as insurance companies, tax-exempt organizations (except to the extent discussed below under "—Treatment of Tax-Exempt Stockholders"), financial institutions, pass-through entities (or investors in such entities) or broker-dealers, and non-U.S. individuals and entities (except to the extent discussed below under "—Special Tax Considerations for Non-U.S. Stockholders"), that may be subject to special rules.

The statements in this section are based on the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury Regulations, Internal Revenue Service ("IRS") rulings, and judicial decisions now in effect, all of which are subject to change or different interpretation, possibly with retroactive effect. The laws governing the U.S. federal income tax treatment of REITs and their stockholders are highly technical and complex, and this discussion is qualified in its entirety by the authorities listed above. We cannot assure you that new laws, interpretations of law or court decisions will not cause any statement herein to be inaccurate.

Federal Income Taxation of Ventas

We elected REIT status beginning with the year ended December 31, 1999. Beginning with the 1999 tax year, we believe that we have satisfied the requirements to qualify as a REIT, and we intend to continue to qualify as a REIT for federal income tax purposes. If we continue to qualify for taxation as a REIT, we generally will not be subject to federal income tax on net income that we currently distribute to stockholders. This treatment substantially eliminates the "double taxation" (i.e., taxation at both the corporate and stockholder levels) that generally results from investment in a corporation.

Notwithstanding such qualification, we will be subject to federal income tax on any undistributed taxable income, including undistributed net capital gains, at regular corporate rates. In addition, we will be subject to a 4% excise tax if we do not satisfy specific REIT distribution requirements. See "—Requirements for Qualification as a REIT—Annual Distribution Requirements." Under certain circumstances, we may be subject to the "alternative minimum tax" on our undistributed items of tax preference. If we have net income from the sale or other disposition of "foreclosure property" (see below) held primarily for sale to customers in the ordinary course of business or certain other non-qualifying income from foreclosure property, we will be subject to tax at the highest corporate rate on that income. See "—Requirements for Qualification as a REIT—Asset Tests." In addition, if we have net income from "prohibited transactions" (which are, in general, certain sales or other dispositions of property (other than foreclosure property) held primarily for sale to customers in the ordinary course of business), that income will be subject to a 100% tax.

We may also be subject to "Built-in Gains Tax" on any appreciated asset that we own or acquire that was previously owned by a C corporation (i.e., a corporation generally subject to full corporate-level tax). If we dispose of any such asset and recognize gain on the disposition during the ten-year period immediately after the asset was owned by a C corporation (either prior to our REIT election, or through stock acquisition or merger), then we generally will be subject to regular corporate income tax on the gain equal to the lesser of the recognized gain at the time of disposition or the built-in gain in that asset as of the date it became a REIT asset.

In addition, if we fail to satisfy either of the gross income tests for qualification as a REIT (as discussed below), but still maintain such qualification under the relief provisions of the Code, we will be subject to a 100% tax on the gross income attributable to the amount by which we failed the applicable test, multiplied by a fraction intended to reflect our profitability. If we violate one or more of the REIT asset tests (as discussed below), we may avoid a loss of our REIT status if we qualify under certain relief provisions and, among other things, pay a tax equal to the greater of $50,000 or the highest corporate tax rate

multiplied by the net income generated by the non-qualifying asset during a specified period. If we fail to satisfy any requirement for REIT qualification, other than the gross income or assets tests mentioned above, but nonetheless maintain such qualification by meeting certain other requirements, we may be subject to a $50,000 penalty for each failure. Finally, we will incur a 100% excise tax on the income derived from certain transactions with a taxable REIT subsidiary (including rental income derived from leasing properties to a taxable REIT subsidiary) that are not conducted on an arm's-length basis.

See "—Requirements for Qualification as a REIT" below for other circumstances in which we may be required to pay federal taxes.

Requirements for Qualification as a REIT

To qualify as a REIT, we must meet the requirements discussed below relating to our organization, sources of income, nature of assets and distributions of income to stockholders.

Organizational Requirements

The Code defines a REIT as a corporation, trust or association: (i) that is managed by one or more directors or trustees; (ii) the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest; (iii) that would be taxable as a domestic corporation but for Sections 856 through 859 of the Code; (iv) that is neither a financial institution nor an insurance company subject to certain provisions of the Code; (v) the beneficial ownership of which is held by 100 or more persons during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter taxable year (the "100 Shareholder Rule"); (vi) not more than 50% in value of the outstanding stock of which is owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of each taxable year (the "5/50 Rule"); (vii) that makes an election to be a REIT (or has made such election for a previous taxable year) and satisfies all relevant filing and other administrative requirements established by the IRS that must be met in order to elect and to maintain REIT status; (viii) that uses a calendar year for federal income tax purposes; and (ix) that meets certain other tests, described below, regarding the nature of its income and assets.

We believe but cannot assure you that we have satisfied and will continue to satisfy the organizational requirements for qualification as a REIT. Our certificate of incorporation contains certain restrictions on the transfer of our shares that are intended to prevent a concentration of ownership of our stock that would cause us to fail the 5/50 Rule or the 100 Shareholder Rule; however, we cannot assure you as to the effectiveness of these restrictions.

In addition, to qualify as a REIT, a corporation may not have (as of the end of the taxable year) any earnings and profits that were accumulated in periods before it elected REIT status or that are from acquired non-REIT corporations. We believe that we have not had any accumulated earnings and profits that are attributable to non-REIT periods or from acquired corporations that were not REITs, although the IRS is entitled to challenge that determination.

Gross Income Tests

We must satisfy two annual gross income requirements to qualify as a REIT:

- At least 75% of our gross income (excluding gross income from prohibited transactions) for each taxable year must consist of defined types of income derived directly or indirectly from investments relating to real property or mortgages on real property (including pledges of equity interest in certain entities holding real property and also including "rents from real property" (as defined in the Code)) and, in certain circumstances, interest on certain types of temporary investment income; and
- At least 95% of our gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from such real property or temporary investments, dividends, interest and gain from the sale or disposition of stock or securities, or from any combination of the foregoing.

We believe but cannot assure you that we have been and will continue to be in compliance with the gross income tests described above. If we fail to satisfy one or both gross income tests for any taxable year, we may nevertheless qualify as a REIT for that year if we qualify under certain relief provisions of the Code, in which case we would be subject to a 100% tax on the gross income attributable to the amount by which we failed the applicable test. If we fail to satisfy one or both of the gross income tests and do not qualify under the relief provisions for any taxable year, we will not qualify as a REIT for that year, which would have a Material Adverse Effect on us.

Asset Tests

At the close of each quarter of our taxable year, we must satisfy the following tests relating to the nature of our assets:

- At least 75% of the value of our total assets must be represented by cash or cash items (including certain

receivables), government securities, "real estate assets" (including interests in real property and in mortgages on real property and shares in other qualifying REITs) or, in cases where we raise new capital through stock or long-term (maturity of at least five years) debt offerings, temporary investments in stock or debt instruments during the one-year period following our receipt of such capital (the "75% asset test"); and

- Of the investments not meeting the requirements of the 75% asset test, the value of any one issuer's debt and equity securities owned by us (other than our equity interests in any entity classified as a partnership for federal income tax purposes, the stock or debt of a taxable REIT subsidiary or the stock or debt of a qualified REIT subsidiary or other disregarded entity subsidiary) may not exceed 5% of the value of our total assets (the "5% asset test"), and we may not own more than 10% of any one issuer's outstanding voting securities (the "10% voting securities test") or 10% of the value of any one issuer's outstanding securities (the "10% value test"), subject to limited "safe harbor" exceptions.

In addition, no more than 25% of the value of our assets (20% for taxable years beginning prior to 2009) can be represented by securities of taxable REIT subsidiaries (the "25% TRS test").

We believe but cannot assure you that we have been and will continue to be in compliance with the asset tests described above. If we fail to satisfy one or more asset tests at the end of any quarter, we may nevertheless continue to qualify as a REIT if we satisfied all of the asset tests at the close of the preceding calendar quarter and the discrepancy between the value of our assets and the asset test requirements is due to changes in the market values of our assets and not caused in any part by our acquisition of non-qualifying assets.

Furthermore, if we fail to satisfy any of the asset tests at the end of any calendar quarter without curing such failure within 30 days after the end of such quarter, we would fail to qualify as a REIT unless we qualified under certain relief provisions enacted as part of the American Jobs Creation Act of 2004. Under one relief provision, we would continue to qualify as a REIT if our failure to satisfy the 5% asset test, the 10% voting securities test or the 10% value test is due to our ownership of assets having a total value not exceeding the lesser of 1% of our assets at the end of the relevant quarter or $10 million and we disposed of such assets (or otherwise met such asset tests) within six months after the end of the quarter in which the failure was identified. If we fail to satisfy any of the asset tests for a particular quarter but do not qualify under the relief provision described in the preceding sentence, then we would be deemed to have satisfied the relevant asset test if: (i) following identification of the failure, we filed a schedule with a description of each asset that caused the failure; (ii) the failure is due to reasonable cause and not willful neglect; (iii) we disposed of the non-qualifying asset (or otherwise met the relevant asset test) within six months after the end of the quarter in which the failure was identified; and (iv) we paid a penalty tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income generated by the non-qualifying asset during the period beginning on the first date of the failure and ending on the date we disposed of the asset (or otherwise cured the asset test failure). We cannot predict, however, whether in all circumstances we would be entitled to the benefit of these relief provisions. If we fail to satisfy any of the asset tests and do not qualify for the relief provisions, we will lose our REIT status, which would have a Material Adverse Effect on us.

Foreclosure Property

The foreclosure property rules permit us (by our election) to foreclose or repossess properties without being disqualified as a REIT as a result of receiving income that does not qualify under the gross income tests. However, in that case, we would be subject to a corporate tax on the net non-qualifying income from "foreclosure property," and the after-tax amount would increase the dividends we would be required to distribute to stockholders. See "—Annual Distribution Requirements" below. The corporate tax imposed on non-qualifying income would not apply to income that qualifies as "good REIT income," such as a lease of qualified healthcare property to a taxable REIT subsidiary, where the taxable REIT subsidiary engages an eligible independent contractor to manage and operate the property. Foreclosure property treatment will end on the first day on which we enter into a lease of the applicable property that will give rise to income that does not constitute "good REIT income" under Section 856(c)(3) of the Code, but such treatment will not end if the lease will give rise only to "good REIT income." In addition, foreclosure property treatment will end if any construction takes place on the property (other than completion of a building or other improvement more than 10% complete before default became imminent). Foreclosure property treatment (other than for qualified healthcare property) is available for an initial period of three years and may, in certain circumstances, be extended for an additional three years. Foreclosure property treatment for qualified healthcare property is available for an initial period of two years and may, in certain circumstances, be extended for an additional four years.

Taxable REIT Subsidiaries

A taxable REIT subsidiary, or "TRS," is a corporation subject to tax as a regular C corporation. Generally, a TRS can own assets that cannot be owned by a REIT and can perform tenant services (excluding the direct or indirect operation or

management of a lodging or healthcare facility) that would otherwise disqualify the REIT's rental income under the gross income tests. Also, notwithstanding general restrictions on related party rent, a REIT can lease healthcare properties to a TRS if the TRS does not manage or operate the healthcare facilities and instead engages an "eligible independent contractor" to manage the healthcare facilities. We are permitted to own up to 100% of a TRS, subject to the 25% TRS test, but there are certain limits on the ability of a TRS to deduct interest payments made to us. In addition, we are subject to a 100% penalty tax on any excess payments that we receive or any excess expenses deducted by the TRS if the economic arrangements between the REIT, the REIT's tenants and the TRS are not comparable to similar arrangements among unrelated parties.

Annual Distribution Requirements

In order to be taxed as a REIT, we are required to distribute dividends (other than capital gain dividends) to our stockholders in an amount at least equal to the sum of (i) 90% of our "REIT taxable income" (computed without regard to the dividends paid deduction and our net capital gain) and (ii) 90% of the net income (after tax), if any, from foreclosure property, minus the sum of certain items of non-cash income. These dividends must be paid in the taxable year to which they relate, or in the following taxable year if (i) they are declared in October, November or December, payable to stockholders of record on a specified date in any one of those months and actually paid during January of such following year or (ii) they are declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration, and we elect on our federal income tax return for the prior year to have a specified amount of the subsequent dividend treated as paid in the prior year. To the extent we do not distribute all of our net capital gain or at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be subject to tax on the undistributed amount at regular capital gains and ordinary corporate tax rates except to the extent of our net operating loss or capital loss carryforwards. If we pay any Built-in Gains Taxes, those taxes will be deductible in computing REIT taxable income. Moreover, if we fail to distribute during each calendar year (or, in the case of distributions with declaration and record dates falling in the last three months of the calendar year, by the end of January following such calendar year) at least the sum of 85% of our REIT ordinary income for such year, 95% of our REIT capital gain net income for such year (other than long-term capital gain we elect to retain and treat as having been distributed to stockholders), and any undistributed taxable income from prior periods, we will be subject to a 4% nondeductible excise tax on the excess of such required distribution over the amounts actually distributed.

We believe but cannot assure you that we have satisfied the annual distribution requirements for the year of our initial REIT election and each year thereafter through the year ended December 31, 2012. Although we intend to satisfy the annual distribution requirements to continue to qualify as a REIT for the year ending December 31, 2013 and subsequent years, economic, market, legal, tax or other considerations could limit our ability to meet those requirements.

We also have net operating loss carryforwards that we may use to reduce our annual distribution requirements. See "Note 13—Income Taxes" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Failure to Continue to Qualify

If we fail to satisfy one or more requirements for REIT qualification, other than by violating a gross income or asset test for which relief is otherwise available as described above, we would retain our REIT qualification if the failure is due to reasonable cause and not willful neglect and if we pay a penalty of $50,000 for each such failure. We cannot predict, however, whether in all circumstances we would be entitled to the benefit of this relief provision.

If our election to be taxed as a REIT is revoked or terminated (e.g., due to a failure to meet the REIT qualification tests without qualifying for any applicable relief provisions), we would be subject to tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates (for all open tax years beginning with the year our REIT election is revoked or terminated), and distributions to stockholders would not be deductible by us, nor would they be required to be made. To the extent of current and accumulated earnings and profits, all distributions to stockholders would be taxable as ordinary income (except to the extent such dividends are eligible for the qualified dividends rate generally available to non-corporate holders), and, subject to certain limitations in the Code, corporate stockholders may be eligible for the dividends received deduction. In addition, we would be prohibited from re-electing REIT status for the four taxable years following the year during which we ceased to qualify as a REIT, unless certain relief provisions of the Code applied. We cannot predict, however, whether we would be entitled to

such relief.

Federal Income Taxation of U.S. Stockholders

As used herein, the term “U.S. Stockholder” refers to any beneficial owner of our common stock that is, for U.S. federal income tax purposes, an individual who is a citizen or resident of the United States, a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or a trust if (i) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have authority to control all substantial

decisions of the trust or (ii) the trust has elected under applicable U.S. Treasury Regulations to retain its pre-August 20, 1996 classification as a U.S. person. If an entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. Partners of partnerships holding our stock should consult their tax advisors. This section assumes the U.S. Stockholder holds our common stock as a capital asset.

As long as we qualify as a REIT, distributions made to our taxable U.S. Stockholders out of current or accumulated earnings and profits (and not designated as capital gain dividends) generally will be taxable to such U.S. Stockholders as ordinary income and will not be eligible for the qualified dividends rate generally available to non-corporate holders or for the dividends received deduction generally available to corporations. Distributions that are designated as capital gain dividends will be taxed as a long-term capital gain (to the extent such distributions do not exceed our actual net capital gain for the taxable year) without regard to the period for which the stockholder has held its shares. Distributions in excess of current and accumulated earnings and profits will not be taxable to a U.S. Stockholder to the extent they do not exceed the adjusted basis of the stockholder's shares (determined on a share-by-share basis), but rather will reduce the adjusted basis of those shares. To the extent that distributions in excess of current and accumulated earnings and profits exceed the adjusted basis of a stockholder's shares, such distributions will be included in income as capital gains. The tax rate applicable to such capital gains will depend on the stockholder's holding period for the shares. Any distribution declared by us and payable to a stockholder of record on a specified date in October, November or December of any year will be treated as both paid by us and received by the stockholder on December 31 of that year, provided that we actually pay the distribution during January of the following calendar year.

We may elect to treat all or a part of our undistributed net capital gain as if it had been distributed to our stockholders. If we make such an election, our stockholders would be required to include in their income as long-term capital gain their proportionate share of our undistributed net capital gain, as designated by us. Each such stockholder would be deemed to have paid its proportionate share of the income tax imposed on us with respect to such undistributed net capital gain, and this amount would be credited or refunded to the stockholder. In addition, the tax basis of the stockholder's shares would be increased by its proportionate share of undistributed net capital gains included in its income, less its proportionate share of the income tax imposed on us with respect to such gains.

Stockholders may not include in their individual income tax returns any of our net operating losses or net capital losses. Instead, we would carry over those losses for potential offset against our future income, subject to certain limitations. Taxable distributions from us and gain from the disposition of our common stock will not be treated as passive activity income, and, therefore, stockholders generally will not be able to apply any "passive activity losses" (such as losses from certain types of limited partnerships in which the stockholder is a limited partner) against such income. In addition, taxable distributions from us generally will be treated as investment income for purposes of the investment interest limitations.

We will notify stockholders after the close of our taxable year as to the portions of the distributions attributable to that year that constitute ordinary income, return of capital and capital gain. To the extent a portion of the distribution is designated as a capital gain dividend, we will notify stockholders as to the portion that is a "20% rate gain distribution" and the portion that is an unrecaptured Section 1250 distribution. A 20% rate gain distribution is a capital gain distribution to domestic stockholders that are individuals, estates or trusts that is taxable at a maximum rate of 20%. An unrecaptured Section 1250 gain distribution would be taxable to taxable domestic stockholders that are individuals, estates or trusts at a maximum rate of 25%.

Taxation of U.S. Stockholders on the Disposition of Shares of Common Stock

In general, a U.S. Stockholder who is not a dealer in securities must treat any gain or loss realized upon a taxable disposition of our common stock as long-term capital gain or loss if the stockholder has held the shares for more than one year, and otherwise as short-term capital gain or loss. However, a U.S. Stockholder must treat any loss upon a sale or exchange of shares of our common stock held for six months or less as a long-term capital loss to the extent of capital gain dividends and any other actual or deemed distributions from us which the stockholder treats as long-term capital gain. All or a portion of any loss that a U.S. Stockholder realizes upon a taxable disposition of our common stock may be disallowed if the stockholder purchases other shares of our common stock (or certain options to acquire our common stock) within 30 days before or after the disposition.

Medicare Tax on Investment Income

For taxable years beginning after December 31, 2012, certain U.S. stockholders who are individuals, estates or trusts and whose income exceeds certain thresholds will be required to pay a 3.8% Medicare tax on dividends and certain other investment income, including capital gains from the sale or other disposition of our common stock.

Treatment of Tax-Exempt Stockholders

Tax-exempt organizations, including qualified employee pension and profit sharing trusts and individual retirement accounts (collectively, "Exempt Organizations"), generally are exempt from U.S. federal income taxation. However, they are subject to taxation on their unrelated business taxable income ("UBTI"). While many investments in real estate generate UBTI, the IRS has issued a published ruling that dividend distributions by a REIT to an exempt employee pension trust do not constitute UBTI, provided that the shares of the REIT are not otherwise used in an unrelated trade or business of the exempt employee pension trust. Based on that ruling, and subject to the exceptions discussed below, amounts distributed by us to Exempt Organizations generally should not constitute UBTI. However, if an Exempt Organization finances its acquisition of our common stock with debt, a portion of its income from us will constitute UBTI pursuant to the "debt-financed property" rules. Furthermore, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans that are exempt from taxation under paragraphs (7), (9), (17) and (20), respectively, of Section 501(c) of the Code are subject to different UBTI rules, which generally require them to characterize distributions from us as UBTI. In addition, in certain circumstances, a pension trust that owns more than 10% of our stock is required to treat a percentage of the dividends from us as UBTI.

Special Tax Considerations for Non-U.S. Stockholders

As used herein, the term "Non-U.S. Stockholder" refers to any beneficial owner of our common stock that is, for U.S. federal income tax purposes, a nonresident alien individual, foreign corporation, foreign estate or foreign trust, but does not include any foreign stockholder whose investment in our stock is "effectively connected" with the conduct of a trade or business in the United States. Such a foreign stockholder, in general, will be subject to U.S. federal income tax with respect to its investment in our stock in the same manner as a U.S. Stockholder (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). In addition, a foreign corporation receiving income that is treated as effectively connected with a U.S. trade or business also may be subject to an additional 30% "branch profits tax" on its effectively connected earnings and profits (subject to adjustments) unless an applicable tax treaty provides a lower rate or an exemption. Certain certification requirements must be satisfied in order for effectively connected income to be exempt from withholding.

Distributions to Non-U.S. Stockholders that are not attributable to gain from sales or exchanges by us of U.S. real property interests and are not designated by us as capital gain dividends (or deemed distributions of retained capital gains) will be treated as dividends of ordinary income to the extent that they are made out of our current or accumulated earnings and profits. Such distributions ordinarily will be subject to a withholding tax equal to 30% of the gross amount of the distribution unless an applicable tax treaty reduces or eliminates that tax. Distributions in excess of our current and accumulated earnings and profits will not be taxable to a Non-U.S. Stockholder to the extent that such distributions do not exceed the adjusted basis of the stockholder's shares (determined on a share-by-share basis), but rather will reduce the adjusted basis of those shares. To the extent that distributions in excess of current and accumulated earnings and profits exceed the adjusted basis of a Non-U.S. Stockholder's shares, such distributions will give rise to tax liability if the Non-U.S. Stockholder would otherwise be subject to tax on any gain from the sale or disposition of its shares, as described below.

We expect to withhold U.S. tax at the rate of 30% on the gross amount of any dividends, other than dividends treated as attributable to gain from sales or exchanges of U.S. real property interests and capital gain dividends, paid to a Non-U.S. Stockholder, unless (i) a lower treaty rate applies and the required IRS Form W-8BEN evidencing eligibility for that reduced rate is filed with us or the appropriate withholding agent or (ii) the Non-U.S. Stockholder files an IRS Form W-8ECI or a successor form with us or the appropriate withholding agent properly claiming that the distributions are effectively connected with the Non-U.S. Stockholder's conduct of a U.S. trade or business.

For any year in which we qualify as a REIT, distributions to a Non-U.S. Stockholder that owns more than 5% of our common shares at any time during the one-year period ending on the date of distribution and that are attributable to gain from sales or exchanges by us of U.S. real property interests will be taxed to the Non-U.S. Stockholder under the provisions of the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA") as if such gain were effectively connected with a U.S. business. Accordingly, a Non-U.S. Stockholder that owns more than 5% of our common shares will be taxed at the normal capital gain rates applicable to a U.S. Stockholder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals) and would be

required to file a U.S. federal income tax return. Distributions subject to FIRPTA also may be subject to a branch profits tax equal to 30% of its effectively connected earnings and profits (subject to adjustments) if the recipient is a foreign corporate stockholder not entitled to treaty relief or exemption. Under FIRPTA, we are required to withhold 35% (which is higher than the maximum rate on long-term capital gains of non-corporate persons) of any distribution to a Non-U.S. Stockholder that owns more than 5% of our common shares which is or could be designated as a capital gain dividend attributable to U.S. real property interests. Moreover, if we designate previously made distributions as capital gain dividends attributable to U.S. real property interests, subsequent distributions (up to the amount of such prior distributions) will be treated as capital gain dividends subject to FIRPTA withholding. This amount is

creditable against the Non-U.S. Stockholder's FIRPTA tax liability.

If a Non-U.S. Stockholder does not own more than 5% of our common shares at any time during the one-year period ending on the date of a distribution, any capital gain distributions, to the extent attributable to sales or exchanges by us of U.S. real property interests, will not be considered to be effectively connected with a U.S. business, and the Non-U.S. Stockholder would not be required to file a U.S. federal income tax return by receiving such a distribution. In that case, the distribution will be treated as a REIT dividend to that Non-U.S. Stockholder and taxed as a REIT dividend that is not a capital gain distribution (and subject to withholding), as described above. In addition, the branch profits tax will not apply to the distribution. Any capital gain distribution, to the extent not attributable to sales or exchanges by us of U.S. real property interests, generally will not be subject to U.S. federal income taxation (regardless of the amount of our common shares owned by a Non-U.S. Stockholder). For so long as our common stock continues to be regularly traded on an established securities market, the sale of such stock by any Non-U.S. Stockholder who is not a Five Percent Non-U.S. Stockholder (as defined below) generally will not be subject to U.S. federal income tax (unless the Non-U.S. Stockholder is a nonresident alien individual who was present in the United States for more than 182 days during the taxable year of the sale and certain other conditions apply, in which case such gain (net of certain sources within the U.S., if any) will be subject to a 30% tax on a gross basis). A "Five Percent Non-U.S. Stockholder" is a Non-U.S. Stockholder who, at some time during the five-year period preceding such sale or disposition, beneficially owned (including under certain attribution rules) more than 5% of the total fair market value of our common stock (as outstanding from time to time).

In general, the sale or other taxable disposition of our common stock by a Five Percent Non-U.S. Stockholder also will not be subject to U.S. federal income tax if we are a "domestically controlled REIT." A REIT is a "domestically controlled REIT" if, at all times during the five-year period preceding the disposition in question, less than 50% in value of its shares is held directly or indirectly by Non-U.S. Stockholders. Although we believe that we currently qualify as a domestically controlled REIT, because our common stock is publicly traded, we cannot assure you that we do so qualify or that we will qualify as a domestically controlled REIT at any time in the future. If we do not constitute a domestically controlled REIT, a Five Percent Non-U.S. Stockholder generally will be taxed in the same manner as a U.S. Stockholder with respect to gain on the sale of our common stock (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals).

A 30% withholding tax will be imposed on dividends paid after December 31, 2013 and redemption proceeds paid after December 31, 2016 to (i) foreign financial institutions including non-U.S. investment funds, unless they agree to collect and disclose to the IRS information regarding their direct and indirect U.S. account holders and (ii) certain other foreign entities, unless they certify certain information regarding their direct and indirect U.S. owners. To avoid withholding, foreign financial institutions will need to (i) enter into agreements with the IRS that state that they will provide the IRS information, including the names, addresses and taxpayer identification numbers of direct and indirect U.S. account holders, comply with due diligence procedures with respect to the identification of U.S. accounts, report to the IRS certain information with respect to U.S. accounts maintained, agree to withhold tax on certain payments made to non-compliant foreign financial institutions or to account holders who fail to provide the required information, and determine certain other information as to their account holders, or (ii) in the event that an applicable intergovernmental agreement and implementing legislation are adopted, provide local revenue authorities with similar account holder information. Other foreign entities will need to either provide the name, address, and taxpayer identification number of each substantial U.S. owner or certifications of no substantial U.S. ownership unless certain exceptions apply or agree to provide certain information to other revenue authorities for transmittal to the IRS.

Information Reporting Requirements and Backup Withholding Tax

Information returns may be filed with the IRS and backup withholding tax may be collected in connection with distributions paid or required to be treated as paid during each calendar year and payments of the proceeds of a sale or other disposition of our common stock. Under the backup withholding rules, a stockholder may be subject to backup withholding at the applicable rate (currently 28%) with respect to distributions paid and proceeds from a disposition of our common stock unless such holder is a corporation, non-U.S. person or comes within certain other exempt categories and, when required, demonstrates this fact or provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. A stockholder who does not provide us with its correct taxpayer identification number also may be

subject to penalties imposed by the IRS.

Backup withholding is not an additional tax. Rather, the U.S. federal income tax liability of persons subject to backup withholding tax will be offset by the amount of tax withheld. If backup withholding tax results in an overpayment of U.S. federal income taxes, a refund or credit may be obtained from the IRS, provided the required information is furnished timely thereto.

As a general matter, backup withholding and information reporting will not apply to a payment of the proceeds of a sale of our common stock by or through a foreign office of a foreign broker. Information reporting (but not backup withholding) will

apply, however, to a payment of the proceeds of a sale of our common stock by a foreign office of a broker that is a U.S. person, a foreign partnership that engaged during certain periods in the conduct of a trade or business in the United States or more than 50% of whose capital or profit interests are owned during certain periods by U.S. persons, any foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, or a “controlled foreign corporation” for U.S. tax purposes, unless the broker has documentary evidence in its records that the holder is a Non-U.S. Stockholder and certain other conditions are satisfied, or the stockholder otherwise establishes an exemption. Payment to or through a U.S. office of a broker of the proceeds of a sale of our common stock is subject to both backup withholding and information reporting unless the stockholder certifies under penalties of perjury that the stockholder is a Non-U.S. Stockholder or otherwise establishes an exemption. A stockholder may obtain a refund of any amounts withheld under the backup withholding rules in excess of its U.S. federal income tax liability by timely filing the appropriate claim for a refund with the IRS.

Other Tax Consequences

State and Local Taxes

We and our stockholders may be subject to taxation by various states and localities, including those in which we or a stockholder transact business, own property or reside. State and local tax treatment may differ from the federal income tax treatment described above. Consequently, stockholders should consult their own tax advisers regarding the effect of state and local tax laws, in addition to federal, foreign and other tax laws, in connection with an investment in our common stock.

Possible Legislative or Other Actions Affecting Tax Consequences

You should recognize that future legislative, judicial and administrative actions or decisions, which may be retroactive in effect, could adversely affect our federal income tax treatment or the tax consequences of an investment in shares of our common stock. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department, resulting in statutory changes as well as promulgation of new, or revisions to existing, regulations and revised interpretations of established concepts. We cannot predict the likelihood of passage of any new tax legislation or other provisions either directly or indirectly affecting us or our stockholders or the value of an investment in our common stock.

ITEM 1A. Risk Factors

This section discusses the most significant factors that affect our business, operations and financial condition. It does not describe all risks and uncertainties applicable to us, our industry or ownership of our securities. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently deem not material, actually occur, we could be materially adversely affected. In that event, the value of our securities could decline.

We have grouped these risk factors into three general categories:

- Risks arising from our business;
- Risks arising from our capital structure; and
- Risks arising from our status as a REIT.

Risks Arising from Our Business

We depend on Kindred and Brookdale Senior Living for a significant portion of our revenues and operating income; Any inability or unwillingness by Kindred or Brookdale Senior Living to satisfy its obligations under its agreements with us could have a Material Adverse Effect on us.

The properties we lease to Kindred and Brookdale Senior Living account for a significant portion of our revenues and NOI, and because the Kindred Master Leases and our leases with Brookdale Senior Living are triple-net leases, we also depend on Kindred and Brookdale Senior Living to pay all insurance, taxes, utilities and maintenance and repair expenses in connection with the leased properties. We cannot assure you that either Kindred or Brookdale Senior Living will have sufficient assets, income and access to financing to enable it to make rental payments to us or to otherwise satisfy its respective obligations under our leases, and any inability or unwillingness by Kindred or Brookdale Senior Living to do so could have a Material Adverse Effect on us. In addition, any failure by either Kindred or Brookdale Senior Living to effectively conduct its operations or to maintain and improve our properties could adversely affect its business reputation and its ability to attract and retain patients and residents in our properties, which could have a Material Adverse Effect on us. Kindred and Brookdale Senior Living have also agreed

to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with their respective businesses, and we cannot assure you that either Kindred or Brookdale

Senior Living will have sufficient assets, income, access to financing and insurance coverage to enable it to satisfy its indemnification obligations.

The properties managed by Atria and Sunrise account for a significant portion of our revenues and operating income; Although Atria and Sunrise are managers, not tenants, of our properties, adverse developments in their businesses and affairs or financial condition could have a Material Adverse Effect on us.

As of December 31, 2012, Atria and Sunrise, collectively, managed 220 of our seniors housing communities pursuant to long-term management agreements. These properties represent a substantial portion of our portfolio, based on their gross book value, and account for a significant portion of our revenues and NOI. Although we have various rights as the property owner under our management agreements, we rely on Atria's and Sunrise's 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 Atria and Sunrise to set resident fees, to provide accurate property-level financial results for our properties in a timely manner and to otherwise operate our properties in accordance with the terms of our management agreements and in compliance with all applicable laws and regulations. For example, we depend on Atria's and Sunrise's ability to attract and retain skilled management personnel who are responsible for the day-to-day operations of our seniors housing communities. A shortage of nurses or other trained personnel or general inflationary pressures may force Sunrise or Atria to enhance its pay and benefits package to compete effectively for such personnel, and Atria or Sunrise may not be able to offset such added costs by increasing the rates charged to residents. Any increase in labor costs and other property operating expenses, any failure by Atria or Sunrise to attract and retain qualified personnel, or significant changes in Atria's or Sunrise's senior management could adversely affect the income we receive from our seniors housing communities and have a Material Adverse Effect on us.

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 a triple-net tenant. However, any adverse developments in Atria's or Sunrise's business and affairs or financial condition could impair their ability to manage our properties efficiently and effectively and could have a Material Adverse Effect on us. If Atria or Sunrise experiences any significant financial, legal, accounting or regulatory difficulties due to a weak economy or otherwise, such difficulties could result in, among other adverse events, acceleration of its indebtedness, impairment of its continued access to capital, the enforcement of default remedies by its counterparties, or the commencement of insolvency proceedings by or against it under the U.S. Bankruptcy Code, any one or a combination of which indirectly could have a Material Adverse Effect on us.

We face potential adverse consequences of bankruptcy or insolvency by our tenants, operators, borrowers, managers and other obligors.

We are exposed to the risk that our tenants, operators, borrowers, managers or other obligors could become bankrupt or insolvent. Although our lease, loan and management agreements provide us with the right to exercise certain remedies in the event of default on the obligations owing to us or upon the occurrence of certain insolvency events, the bankruptcy and insolvency laws afford certain rights to a party that has filed for bankruptcy or reorganization. For example, a debtor-lessee may reject its lease with us in a bankruptcy proceeding. In such a case, our claim against the debtor-lessee for unpaid and future rents would be limited by the statutory cap of the U.S. Bankruptcy Code. This statutory cap could be substantially less than the remaining rent actually owed under the lease, and any claim we have for unpaid rent might not be paid in full. In addition, a debtor-lessee may assert in a bankruptcy proceeding that its lease should be re-characterized as a financing agreement. If such a claim is successful, our rights and remedies as a lender, compared to a landlord, are generally more limited. Similarly, if a debtor-manager seeks bankruptcy protection, the automatic stay provisions of the U.S. Bankruptcy Code would preclude us from enforcing our remedies against the manager unless relief is first obtained from the court having jurisdiction over the bankruptcy case. In the event of an obligor bankruptcy, we may also be required to fund certain expenses and obligations (e.g., real estate taxes, debt costs and maintenance expenses) to preserve the value of our properties, avoid the imposition of liens on our properties or transition our properties to a new tenant, operator or manager.

If we must replace any of our tenants or operators, we might be unable to reposition the properties on as favorable terms, or at all, and we could be subject to delays, limitations and expenses, which could have a Material Adverse Effect on us.

We cannot predict whether our tenants will renew existing leases beyond their current term. If the Kindred Master Leases, our leases with Brookdale Senior Living or any of our other leases are not renewed, we would attempt to reposition those properties with another tenant or operator. In case of non-renewal, we generally have one year prior to expiration of the lease term to arrange for repositioning of the properties and our tenants are required to continue to perform all of their obligations (including the payment of all rental amounts) for the non-renewed assets until such expiration. However, following expiration of a lease term or if we exercise our right to replace a tenant or operator in default, rental payments on the related properties could decline or cease altogether while we reposition the properties with a suitable replacement tenant or operator. We also might not be successful in identifying suitable replacements or entering into leases or other arrangements with new

tenants or operators on a timely basis or on terms as favorable to us as our current leases, if at all, and we may be required to fund certain expenses and obligations (e.g., real estate taxes, debt costs and maintenance expenses) to preserve the value of, and avoid the imposition of liens on, our properties while they are being repositioned. In addition, we may incur certain obligations and liabilities, including obligations to indemnify the replacement tenant or operator, which could have a Material Adverse Effect on us.

In the event of non-renewal or a tenant default, our ability to reposition our properties with a suitable tenant or operator could be significantly delayed or limited by state licensing, receivership, CON or other laws, as well as by the Medicare and Medicaid change-of-ownership rules. We could also incur substantial additional expenses in connection with any licensing, receivership or change-of-ownership proceedings. In addition, our ability to locate suitable replacement tenants could be impaired by the specialized healthcare uses or contractual restrictions on use of the properties, and we may be forced to spend substantial amounts to adapt the properties to other uses to attract suitable replacement tenants. Any such delays, limitations and expenses could adversely impact our ability to collect rent, obtain possession of leased properties or otherwise exercise remedies for tenant default and could have a Material Adverse Effect on us.

Moreover, in connection with certain of our properties, we have entered into intercreditor agreements with the tenants' lenders or tri-party agreements with our lenders. Our ability to exercise remedies under those leases or management agreements or to reposition the applicable properties may be significantly delayed or limited by the terms of the intercreditor agreement or tri-party agreement. Any such delay or limit on our rights and remedies could adversely affect our ability to mitigate our losses and could have a Material Adverse Effect on us.

We have rights to terminate our management agreements with Atria and Sunrise in whole or with respect to specific properties under certain circumstances, and we may be unable to replace Atria or Sunrise if our management agreements are terminated or not renewed.

We are parties to long-term management agreements with each of Atria and Sunrise pursuant to which Atria and Sunrise, collectively, provide comprehensive property management and accounting services with respect to 220 of our seniors housing communities. Substantially all of our management agreements with Atria have terms expiring December 31, 2027, with successive automatic ten-year renewal periods. Our management agreements with Sunrise have terms ranging from 25 to 30 years, commencing as early as 2004 and as recently as 2012. Our ability to terminate these long-term management agreements is limited to specific circumstances set forth in the agreements and may relate to all properties or a specific property or group of properties.

We may terminate any of our Atria management agreements upon the occurrence of an event of default by Atria in the performance of a material covenant or term thereof (including, in certain circumstances, the revocation of any license or certificate necessary for operation), subject in most cases to Atria's right to cure such default, or upon the occurrence of certain insolvency events relating to Atria. In addition, we may terminate most of our management agreements with Atria based on the failure to achieve certain NOI targets or upon the payment of a fee.

We may terminate any of our Sunrise management agreements upon the occurrence of an event of default by Sunrise in the performance of a material covenant or term thereof (including, in certain circumstances, the revocation of any license or certificate necessary for operation), subject in most cases to Sunrise's right to cure such default, or upon the occurrence of certain insolvency events relating to Sunrise. In addition, we may terminate most of our management agreements with Sunrise based on the failure to achieve certain NOI targets or to comply with certain expense control covenants, also subject to certain rights of Sunrise to make cure payments to us, and upon the occurrence of certain other events or the existence of certain other conditions.

We continually monitor our contractual rights with Atria and Sunrise under their respective management agreements and assess our rights and remedies. When determining whether to pursue any existing or future rights or remedies under the Atria or Sunrise management agreements, including termination rights, we consider numerous factors, including legal, contractual, regulatory, business and other relevant considerations. In the event that we exercise our rights to terminate our management agreements with Atria or Sunrise for any reason or such agreements are not renewed upon expiration of their terms, we would attempt to find another manager for the properties covered by those agreements. Although we believe that many qualified national and regional seniors care providers would be interested in managing our seniors housing communities, we cannot provide any assurance that we would be able to locate another suitable manager or, if we are successful in locating such a manager, that it would manage the properties

effectively. Moreover, any such replacement manager would require approval by the applicable regulatory authorities and, in most cases, the mortgage lenders for the properties, and we cannot provide any assurance that such approvals would be granted on a timely basis or at all. Any inability to replace, or a lengthy delay in replacing, Atria or Sunrise as manager following termination or non-renewal of our management agreements could have a Material Adverse Effect on us.

Merger and acquisition activity or consolidation in the healthcare and seniors housing industries resulting in a change of control of, or a competitor's investment in, one or more of our tenants, operators or managers could have a Material Adverse Effect on us.

The healthcare and seniors housing industries have recently experienced increased consolidation, including among owners of real estate and care providers. We compete with other healthcare REITs, healthcare providers, healthcare lenders, real estate partnerships, banks, insurance companies, private equity firms and other investors that pursue a variety of investments, which may include investments in our tenants, operators and managers. A competitor's investment in one of our tenants, operators or managers could enable our competitor to influence such tenant's, operator's or managers' business and strategy in a manner that impairs our relationship with the tenant, operator or manager or is otherwise adverse to our interests. In certain cases involving our competitor's investment in, a change of control of, or other transactions impacting a tenant, operator or manager, depending on our contractual agreements and the specific facts and circumstances, we may have the right to consent to such investment, change of control or other transaction or otherwise exercise rights and remedies, including termination rights, on account thereof. In deciding whether to exercise our rights and remedies, including termination rights, we consider numerous factors, including legal, contractual, regulatory, business and other relevant considerations. In addition, in connection with any change of control of a tenant, operator or manager, the tenant's, operator's or manager's management team may change, which could lead to a change in the tenant's, operator's or manager's strategy or adversely affect the business of the tenant, operator or manager, either of which could have a Material Adverse Effect on us.

Our significant acquisition and investment activity presents certain risks to our business and operations.

We continue to make significant acquisitions and investments as part of our overall business strategy. Our significant acquisition and investment activity presents certain risks to our business and operations, including, among other things, that:

- We may be unable to successfully integrate the operations or information technology of acquired companies, maintain consistent standards, controls, policies and procedures, or realize the anticipated benefits of acquisitions and other investments within the anticipated timeframe or at all;
- We may be unable to effectively monitor and manage our expanded portfolio of properties, retain key employees or attract highly qualified new employees;
- Projections of estimated future revenues, costs savings or operating metrics that we develop during the due diligence and integration planning process might be inaccurate;
- Acquisitions and other new investments could divert management's attention from our existing assets;
- The value of acquired assets or the market price of our common stock may decline; and
- We may be unable to continue paying dividends at the current rate.

We cannot assure you that we will be able to achieve the economic benefit we expect from acquired properties and other investments or integrate acquisitions without encountering difficulties or that any such difficulties will not have a Material Adverse Effect on us.

Our pursuit of investments in, and acquisitions or development of, seniors housing and healthcare assets may be unsuccessful or fail to meet our expectations.

We intend to continue to pursue investments in, and acquisitions or development of, additional seniors housing and healthcare assets domestically and internationally, subject to the contractual restrictions contained in the instruments governing our existing indebtedness. When we attempt to finance, acquire or develop these types of properties, we compete with other healthcare REITs, healthcare providers, healthcare lenders, real estate partnerships, banks, insurance companies, private equity firms and other investors, some of whom have greater financial resources and lower costs of capital than we do. Increased competition makes it more challenging for us to identify and successfully capitalize on opportunities that meet our business objectives and could improve the bargaining power of property owners seeking to sell, thereby impeding our investment, acquisition and development activities. Our ability to compete successfully for investment and acquisition opportunities is affected by many factors, including our ability to obtain debt and equity capital at costs comparable to or better than our competitors. See "Business—Competition" included in Item 1 of this Annual Report on Form 10-K. Further, if we incur additional debt or issue equity securities, or both, to finance future investments, acquisitions or development activity, our leverage could increase or our per

share financial results could decline.

Investments in and acquisitions of seniors housing and healthcare properties entail risks associated with real estate investments generally, including that the investment's performance will fail to meet expectations, that the cost estimates for necessary property improvements will prove inaccurate or that the tenant, operator or manager will underperform. Real estate development projects present other risks, including construction delays or cost overruns that increase expenses, the inability to

obtain required zoning, occupancy and other governmental approvals and permits on a timely basis, and the incurrence of significant development costs prior to completion of the project. In addition to risks associated with real estate investments and development generally, healthcare properties are often highly customized and may require costly tenant-specific improvements. Furthermore, investments outside the United States create legal, economic and market risks associated with operating in foreign countries, such as currency exchange fluctuations and foreign tax risks.

If the liabilities we have assumed in connection with past acquisitions or the liabilities we assume in connection with future acquisitions are greater than expected, or if there are unknown liabilities, our business could be materially and adversely affected.

We may assume or incur certain liabilities in connection with our acquisitions, including, in some cases, contingent liabilities. As we integrate these acquisitions, we may learn additional information about the sellers, the properties, their operations and their liabilities that adversely affects us, such as:

- Liabilities relating to the clean-up or remediation of undisclosed environmental conditions;
- Unasserted claims of vendors or other persons dealing with the sellers;
- Liabilities, claims and litigation, including indemnification obligations, whether or not incurred in the ordinary course of business, relating to periods prior to or following our acquisition;
- Claims for indemnification by general partners, directors, officers and others indemnified by the sellers; and
- Liabilities for taxes relating to periods prior to our acquisition.

As a result, we cannot assure you that our past or future acquisitions will be successful or will not, in fact, harm our business. Among other things, if the liabilities we have assumed in connection with past acquisitions or the liabilities we assume in connection with future acquisitions are greater than expected, or if there are obligations relating to the acquired properties or businesses of which we were or are not aware at the time we completed or complete the acquisition, our business and results of operations could be materially adversely affected.

Our investments are concentrated in seniors housing and healthcare real estate, making us more vulnerable economically to adverse changes in the real estate market and the seniors housing and healthcare industries than if our investments were diversified.

We invest primarily in seniors housing and healthcare properties, and our ability to make investments outside the seniors housing and healthcare industries is restricted by the terms of our existing indebtedness. Our investment focus exposes us to greater economic risk than if our portfolio were to include real estate assets in other industries or non-real estate assets.

The healthcare industry is highly regulated, and changes in government regulation and reimbursement can have material adverse consequences on the healthcare industry, some of which may be unintended. The healthcare industry is also highly competitive and our operators and managers may encounter increased competition that could limit their ability to attract residents and patients or expand their businesses, which could materially adversely affect their ability to meet their obligations to us. The occupancy levels at, and revenues from, our properties depend on the ability of our tenants, operators and managers to successfully compete with other operators and managers, including with respect to the scope and quality of care and services provided, reputation and financial condition, physical appearance of the properties, price and location. We cannot assure you that future changes in government regulation will not adversely affect the healthcare industry, including our seniors housing and healthcare operations, tenants and operators, nor can we be certain that our tenants, operators and managers will be able to achieve and maintain occupancy and rate levels that will enable them to meet all of their obligations to us. Any adverse changes in the regulation of the healthcare industry or the competitiveness of our tenants, operators and managers could have a more pronounced effect on us than if our investments were further diversified.

Real estate investments are relatively illiquid, and our ability to quickly sell or exchange our properties in response to changes in economic or other conditions is limited. In the event we desire or need to sell any of our properties, the value of those properties and our ability to sell at a price or on terms acceptable to us could be adversely affected by a downturn in the real estate industry or any weakness in the seniors housing and healthcare industries. In addition, transfers of healthcare properties may be subject to regulatory approvals that are not required for transfers of other types of commercial properties. We cannot assure you that we will recognize the full value of any property that we sell for liquidity or other reasons, and the inability to respond quickly to changes in the performance of our

investments could adversely affect our business, results of operations and financial condition.

We have now, and may have in the future, exposure to contingent rent escalators, which can hinder our growth and profitability.

We receive a significant portion of our revenues by leasing certain of our assets under long-term triple-net leases that generally provide for fixed rental rates that are subject to annual escalations. The annual escalations in certain of our leases are contingent upon the achievement of specified revenue parameters or based on changes in the Consumer Price Index. If, as a result of weak economic conditions or other factors, the properties subject to these leases do not generate sufficient revenue to achieve the specified rent escalation parameters or the Consumer Price Index does not increase, our growth and profitability will be hindered by these leases.

Our operating assets expose us to various operational risks, liabilities and claims that could adversely affect our ability to generate revenues or increase our costs and could have a Material Adverse Effect on us.

Our senior living and MOB operating assets expose us to various operational risks, liabilities and claims that could increase our costs or adversely affect our ability to generate revenues, thereby reducing our profitability. These operational risks include fluctuations in occupancy levels, the inability to achieve economic resident fees (including anticipated increases in those fees), rent control regulations, increases in the cost of food, materials, energy, labor (as a result of unionization or otherwise) or other services, national and regional economic conditions, the imposition of new or increased taxes, capital expenditure requirements, professional and general liability claims, and the availability and cost of professional and general liability insurance. Any one or a combination of these factors could result in operating deficiencies in our senior living operations or MOB operations reportable business segments, which could have a Material Adverse Effect on us.

We own certain properties subject to ground lease, air rights or other restrictive agreements that limit our uses of the properties, restrict our ability to sell or otherwise transfer the properties and expose us to the loss of the properties if such agreements are breached by us or terminated.

We invest in many of our MOBs and other properties, and we may invest in additional properties in the future, through leasehold interests in the land on which the buildings are located, leases of air rights for the space above the land on which the buildings are located, or other similar restrictive arrangements. Many of these ground lease, air rights and other restrictive agreements impose significant limitations on our uses of the subject properties, restrict our ability to sell or otherwise transfer our interests in the properties or restrict the leasing of the properties. These restrictions may limit our ability to timely sell or exchange the properties, impair the properties' value or negatively impact our ability to find suitable tenants for the properties. In addition, we could lose our interests in the subject properties if the ground lease, air rights or other restrictive agreements are breached by us or terminated.

We may be unable to successfully foreclose on the collateral securing our loans and other investments, and even if we are successful in our foreclosure efforts, we may be unable to successfully sell any acquired equity interests or reposition any acquired properties, which may adversely affect our ability to recover our investments.

If a borrower defaults under mortgage or other secured loans for which we are the lender, we may attempt to foreclose on the collateral securing those loans, including by acquiring the pledged equity interests or acquiring title to the subject properties, to protect our investment. In response, the defaulting borrower may contest our enforcement of foreclosure or other available remedies, seek bankruptcy protection against our exercise of enforcement or other available remedies, or bring claims against us for lender liability. If a defaulting borrower seeks bankruptcy protection, the automatic stay provisions of the U.S. Bankruptcy Code would preclude us from enforcing foreclosure or other available remedies against the borrower unless relief is first obtained from the court with jurisdiction over the bankruptcy case. In addition, we may be subject to intercreditor agreements that delay, impact, govern or limit our ability to foreclose on a lien securing a loan or otherwise delay or limit our pursuit of our rights and remedies. Any such delay or limit on our ability to pursue our rights or remedies could have a Material Adverse Effect on us. Even if we successfully foreclose on the collateral securing our mortgage loans and other investments, foreclosure-related costs, high loan-to-value ratios or declines in equity or property value could prevent us from realizing the full amount of our secured loans, and we could be required to record a valuation allowance for such losses. Moreover, we may acquire equity interests that we are unable to sell due to securities law restrictions or otherwise, and we may acquire title to properties that we are unable to reposition with new tenants or operators on a timely basis, if at all, or without making improvements or repairs to the properties. Any delay or costs incurred in repositioning the properties could adversely affect our ability to recover our investments.

The federal government's failure to increase its borrowing authority, scheduled reductions in federal government spending or future legislation to address the federal government's projected operating deficit could have a material adverse effect on our operators' liquidity, financial condition or results of operations.

The amount of debt that the federal government is permitted to incur (the "debt ceiling") is limited by statute and can be increased only by legislation adopted by the U.S. Congress. The U.S. Department of the Treasury has indicated in public

statements that, without an increase or suspension of the debt ceiling beyond its current effective date of May 20, 2013, the federal government will be unable to meet all of its financial commitments. The federal government's failure to increase the debt ceiling as needed to meet its future financial commitments or a downgrade in the debt rating on U.S. government securities as a result of the uncertainty related to the debt ceiling could lead to a weakened U.S. dollar, rising interest rates and constrained access to capital, which could materially adversely affect the U.S. and global economies, increase our costs of borrowing and have a Material Adverse Effect on us.

Under the Budget Control Act, a 2% reduction in Medicare payments to long-term acute care hospitals and skilled nursing facilities (part of $1.2 trillion of sequestration), is expected to take effect on April 1, 2013. President Obama and members of the U.S. Congress have proposed various spending cuts and tax reform initiatives as alternatives to sequestration. Such alternatives or sequestration could result in changes (including substantial reductions in funding) to Medicare, Medicaid or Medicare Advantage Plans. Any such alternative, sequestration or future federal legislation relating to deficit reduction that reduces reimbursement payments to healthcare providers could have a material adverse effect on our operators' liquidity, financial condition or results of operations, which could adversely affect their ability to satisfy their obligations to us and could have a Material Adverse Effect on us.

Our tenants, operators and managers may be adversely affected by healthcare regulation and enforcement.

The regulatory environment of the long-term healthcare industry has generally intensified over time both in the amount and type of regulations and in the efforts to enforce those regulations. This is particularly true for large for-profit, multi-facility providers like Kindred, Brookdale Senior Living, Atria and Sunrise. The extensive federal, state and local laws and regulations affecting the healthcare industry include those relating to, among other things, licensure, conduct of operations, ownership of facilities, addition of facilities and equipment, allowable costs, services, prices for services, qualified beneficiaries, quality of care, patient rights, fraudulent or abusive behavior, and financial and other arrangements that may be entered into by healthcare providers. Moreover, changes in enforcement policies by federal and state governments have resulted in an increase in the number of inspections, citations of regulatory deficiencies and other regulatory sanctions, including terminations from the Medicare and Medicaid programs, bars on Medicare and Medicaid payments for new admissions, civil monetary penalties and even criminal penalties. See "Governmental Regulation—Healthcare Regulation" included in Item 1 of this Annual Report on Form 10-K. We are unable to predict the scope of future federal, state and local regulations and legislation, including the Medicare and Medicaid statutes and regulations, or the intensity of enforcement efforts with respect to such regulations and legislation, and any changes in the regulatory framework could have a material adverse effect on our tenants, operators and managers, which, in turn, could have a Material Adverse Effect on us.

Further, if our tenants, operators and managers fail to comply with the extensive laws, regulations and other requirements applicable to their businesses and the operation of our properties, they could become ineligible to receive reimbursement from governmental and private third-party payor programs, face bans on admissions of new patients or residents, suffer civil or criminal penalties or be required to make significant changes to their operations. Our tenants, operators and managers also could be forced to expend considerable resources responding to an investigation or other enforcement action under applicable laws or regulations. In such event, the results of operations and financial condition of our tenants, operators and managers and the results of operations of our properties operated or managed by those entities could be adversely affected, which, in turn, could have a Material Adverse Effect on us.

Changes in the reimbursement rates or methods of payment from third-party payors, including the Medicare and Medicaid programs, could have a material adverse effect on certain of our tenants and operators and on us.

Certain of our tenants and operators rely on reimbursement from third-party payors, including the Medicare and Medicaid programs, for substantially all of their revenues. Federal and state legislators and regulators have adopted or proposed various cost-containment measures that would limit payments to healthcare providers, and budget crises and financial shortfalls have caused states to implement or consider Medicaid rate freezes or cuts. See "Governmental Regulation—Healthcare Regulation" included in Item 1 of this Annual Report on Form 10-K. Private third-party payors have also continued their efforts to control healthcare costs. We cannot assure you that adequate reimbursement levels will be available for services to be provided by our tenants and operators that currently depend on Medicare, Medicaid or private payor reimbursement. Significant limits by governmental and private third-party payors on the scope of services reimbursed or on reimbursement rates and fees—whether from sequestration, alternatives to sequestration or future legislation or administrative actions—could have a material adverse effect on the liquidity, financial condition and

results of operations of certain of our tenants and operators, which could affect adversely their ability to make rental payments under, and otherwise comply with the terms of, their leases with us and have a Material Adverse Effect on us.

Our investments in joint ventures and unconsolidated entities could be adversely affected by our lack of sole decision-making authority regarding major decisions, our reliance on our joint venture partners' financial condition, any disputes that may arise between us and our joint venture partners, and our exposure to potential losses from the actions of our joint venture partners.

As of December 31, 2012, we owned 28 MOBs, 11 seniors housing communities, nine skilled nursing facilities and one hospital through consolidated joint ventures, and we had ownership interests ranging between 5% and 25% in 21 MOBs, 20 seniors housing communities and 14 skilled nursing facilities through investments in unconsolidated entities. In addition, we had a 34% ownership interest in Atria as of December 31, 2012. These joint ventures and unconsolidated entities involve risks not present with respect to our wholly owned properties, including the following:

- We may be unable to take actions that are opposed by our joint venture partners under arrangements that require us to share decision-making authority over major decisions affecting the ownership or operation of the joint venture and any property owned by the joint venture, such as the sale or financing of the property or the making of additional capital contributions for the benefit of the property;
- For joint ventures in which we have a noncontrolling interest, our joint venture partners may take actions that we oppose;
- Our ability to sell or transfer our interest in a joint venture to a third party may be restricted if we fail to obtain the prior consent of our joint venture partners;
- Our joint venture partners might become bankrupt or fail to fund their share of required capital contributions, which could delay construction or development of a property or increase our financial commitment to the joint venture;
- Our joint venture partners might have business interests or goals with respect to a property that conflict with our business interests and goals, including with respect to the timing, terms and strategies for investment, which could increase the likelihood of disputes regarding the ownership, management or disposition of the property;
- Disagreements with our joint venture partners about decisions affecting a property or the joint venture could result in litigation or arbitration that increases our expenses, distracts our officers and directors and disrupts the day-to-day operations of the property, including by delaying important decisions until the dispute is resolved; and
- We may suffer losses as a result of actions taken by our joint venture partners with respect to our joint venture investments.

Events that adversely affect the ability of seniors and their families to afford daily resident fees at our seniors housing communities could cause our occupancy rates, resident fee revenues and results of operations to decline.

By and large, assisted and independent living services are not reimbursable under government reimbursement programs, such as Medicare and Medicaid. Hence, substantially all of the resident fee revenues generated by our senior living operations are derived from private pay sources consisting of the income or assets of residents or their family members. Due to the significant expense associated with building new properties and the staffing and other costs of providing services, the daily resident and care fees at seniors housing communities are generally affordable only for seniors with income or assets that meet or exceed the comparable regional median. A weak economy, depressed housing market or changes in demographics could adversely affect the continued ability of these seniors and their families to afford the daily resident and care fees. If the managers of our seniors housing communities are unable to attract and retain seniors that have sufficient income, assets or other resources to pay the fees associated with assisted and independent living services, the occupancy rates, resident fee revenues and results of operations of our senior living operations could decline, which, in turn, could have a Material Adverse Effect on us.

Termination of resident lease agreements could adversely affect our revenues and earnings.

Applicable regulations governing assisted living communities generally require a written lease agreement with each resident that gives the resident the right to terminate his or her lease agreement for any reason on reasonable notice. Consistent with these regulations, the resident lease agreements entered into by the managers of our seniors housing communities generally allow residents to terminate their lease agreements on 30 days' notice. Thus, unlike typical apartment lease agreements that have terms of one year or longer, our managers cannot contract with residents to stay for longer periods of time. Due to the terms of the lease agreements and the age of the residents, the resident turnover rate in our seniors housing communities may be difficult to predict. If a large number of resident lease agreements terminate at or around the same time, and if the affected units remain unoccupied, our revenues and earnings could be adversely affected, which, in turn, could have a Material Adverse Effect on us.

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Overbuilding in markets in which our seniors housing communities and MOBs are located could adversely affect our future occupancy rates, operating margins and profitability.

The seniors housing and MOB industries generally have limited barriers to entry, and, as a consequence, the development of new seniors housing communities or MOBs could outpace demand. If development outpaces demand for those asset types in the markets in which our properties are located, those markets may become saturated and we could experience decreased occupancy, reduced operating margins and lower profitability.

The hospitals on whose campuses our MOBs are located and their affiliated health systems could fail to remain competitive or financially viable, which could adversely impact their ability to attract physicians and physician groups to our MOBs.

Our MOB operations depend on the viability of the hospitals on or near whose campuses our MOBs are located and their ability to attract physicians and other healthcare-related clients to our MOBs. The viability of these hospitals, in turn, depends on factors such as the quality and mix of healthcare services provided, competition, demographic trends in the surrounding community, market position and growth potential, as well as the ability of the affiliated health systems to provide economies of scale and access to capital. If a hospital on or near whose campus one of our MOBs is located is unable to meet its financial obligations, and if an affiliated health system is unable to support that hospital, the hospital may be unable to compete successfully or could be forced to close or relocate, which could adversely impact its ability to attract physicians and other healthcare-related clients. Because we rely on our proximity to and affiliations with these hospitals to create demand for space in our MOBs, the hospitals' inability to remain competitive or financially viable, or to attract physicians and physician groups, could materially adversely affect our MOB operations and have a Material Adverse Effect on us.

We may not be able to maintain or expand our relationships with our existing and future hospital and health system clients.

The success of our MOB operations depends, to a large extent, on our past, current and future relationships with hospitals and their affiliated health systems. We invest a significant amount of time to develop our relationships with both new and existing clients, and these relationships have helped us to secure acquisition and development opportunities, as well as other advisory, property management and hospital project management projects. If our relationships with hospitals and their affiliated health systems deteriorate, or if a conflict of interest or non-compete arrangement prevents us from expanding these relationships, our ability to secure new acquisition and development opportunities or other advisory, property management and hospital project management projects could be adversely impacted and our professional reputation within the industry could be damaged.

Our development and redevelopment projects, including projects undertaken on a fee-for-service basis or through our joint ventures, may not yield anticipated returns.

We consider and, when appropriate, invest in development and redevelopment projects. In deciding whether to make an investment in a particular project, we make certain assumptions regarding the expected future performance of the property. Our assumptions are subject to risks generally associated with development and redevelopment projects, including, among others, that:

- We may be unable to obtain financing for the project on favorable terms or at all;
- We may not complete the project on schedule or within budgeted amounts;
- We may encounter delays in obtaining or fail to obtain all necessary zoning, land use, building, occupancy, environmental and other governmental permits and authorizations, or underestimate the costs necessary to develop or redevelop the property to market standards;
- Construction or other delays may provide tenants or residents the right to terminate preconstruction leases or cause us to incur additional costs;
- Volatility in the price of construction materials or labor may increase our project costs;
- In the case of our MOB developments, hospitals or health systems may maintain significant decision-making authority with respect to the development schedule;
- Our builders may fail to perform or satisfy the expectations of our clients or prospective clients;
- We may incorrectly forecast risks associated with development in new geographic regions;
- Tenants may not lease space at the quantity or rental rate levels or on the schedule projected;

- Demand for our project may decrease prior to completion, including due to competition from other developments; and
- Lease rates and rents at newly developed or redeveloped properties may fluctuate based on factors beyond our control, including market and economic conditions.

In MOB development projects that we undertake on a fee-for-service basis, we generally construct properties for clients in exchange for a fixed fee, which creates additional risks such as the inability to pass on increased labor and construction material costs to our clients, development and construction delays that could give our counterparties the right to receive penalties from us, and bankruptcy or default by our contractors. We attempt to mitigate these risks by establishing certain limits on our obligations, shifting some of the risk to the general contractor or seeking other legal protections, but we cannot assure you that our mitigation efforts will be effective.

If any of the risks described above occur, our development and redevelopment projects, including projects undertaken on a fee-for-service basis or through our joint ventures, may not yield anticipated returns, which could have a Material Adverse Effect on us.

The amount and scope of insurance coverage provided by our policies and policies maintained by our tenants, operators and managers may not adequately insure against losses.

We maintain or require in our existing lease, management and other agreements that our tenants, operators and managers maintain adequate insurance coverage on our properties and their operations. Although we regularly review the scope and level of insurance maintained by us and our tenants, operators and managers and believe the coverage provided to be customary for similarly situated companies in our industry, we cannot assure you that we or our tenants, operators and managers will continue to be able to maintain adequate levels of insurance. We also cannot assure you that we will continue to maintain or require that our tenants, operators and managers maintain the same levels of insurance coverage, that such insurance will be available at a reasonable cost in the future or that the insurance coverage provided will fully cover all losses on our properties upon the occurrence of a catastrophic event, nor can we make any guaranty as to the future financial viability of the insurers.

Should an uninsured loss or a loss in excess of insured limits occur, we could incur substantial liability or lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenues from the property. Following the occurrence of such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. We cannot assure you that material uninsured losses, or losses in excess of insurance proceeds, will not occur in the future.

As part of our MOB development business, we provide engineering, construction and architectural services, and any design, construction or systems failures related to the properties we develop may result in substantial injury or damage to clients or third parties. Injury or damage claims may arise in the ordinary course and may be asserted with respect to ongoing or completed projects. Although we maintain liability insurance, if any claim results in a loss, we cannot assure you that our insurance coverage would be adequate to cover the loss in full. If we sustain losses in excess of our insurance coverage, we may be required to make a payment for the difference and could lose our investment in, or experience reduced profits and cash flows from, the affected MOB, which could have a Material Adverse Effect on us.

Significant legal actions could subject us or our tenants, operators and managers to increased operating costs and substantial uninsured liabilities, which could materially adversely affect our or their liquidity, financial condition and results of operations.

From time to time, we may be subject to claims brought against us in lawsuits and other legal proceedings arising out of our alleged actions or the alleged actions of our tenants, operators and managers for which such tenants, operators and managers may have agreed to indemnify, defend and hold us harmless. An unfavorable resolution of any such pending or future litigation could materially adversely affect our or their liquidity, financial condition and results of operations and have a Material Adverse Effect on us.

In certain cases, we and our tenants, operators and managers may be subject to professional liability claims brought by plaintiffs' attorneys seeking significant punitive damages and attorneys' fees. Due to the historically high frequency and severity of professional liability claims against healthcare and seniors housing providers, the availability of professional liability insurance has been restricted and the premiums on such insurance coverage remain very high. As a result, our insurance coverage and the insurance coverage of our tenants, operators and managers might not cover all claims against us or them and might not be available to us or them at a reasonable cost. If we or our tenants, operators and managers are unable to maintain adequate insurance coverage or are required to pay punitive damages, we or they

may be exposed to substantial liabilities.

In an effort to reduce and manage costs and for various other reasons, many companies in the healthcare industry, including some of our tenants, operators and managers, utilize different organizational and corporate structures coupled with self-insurance trusts or programs (commonly referred to as "captives") that may provide them with less insurance coverage. Companies that insure any part of their general and professional liability risks through their own captive limited purpose entities generally estimate the future cost of general and professional liability through actuarial studies that rely primarily on historical data. However, due to the rise in the number and severity of professional claims against healthcare providers, these actuarial studies may underestimate the future cost of claims, and reserves for future claims may not be adequate to cover the actual cost of those claims. As a result, the tenants, operators and managers of our properties who self-insure could incur large funded and unfunded professional liability expense, which could materially adversely affect their liquidity, financial condition and results of operations and, in turn, their ability to satisfy their obligations to us or, in the case of our senior living operations, our results of operations and, in either case, have a Material Adverse Effect on us. Likewise, if we decide to implement a captive self-insurance program, any large funded and unfunded professional liability expenses that we incur could have a Material Adverse Effect on us.

Our operators may be sued under a federal whistleblower statute.

Our operators who engage in business with the federal government may be sued under a federal whistleblower statute designed to combat fraud and abuse in the healthcare industry. See "Governmental Regulation—Healthcare Regulation" included in Item 1 of this Annual Report on Form 10-K. These lawsuits can involve significant monetary damages and award bounties to private plaintiffs who successfully bring these suits. If any of these lawsuits were to be brought against our operators, such suits combined with increased operating costs and substantial uninsured liabilities could have a material adverse effect on our operators' liquidity, financial condition and results of operation and on their ability to comply with the terms of their leases with us, including their ability to make rental payments to us, which, in turn, could have a Material Adverse Effect on us.

If any of our properties are found to be contaminated, or if we become involved in any environmental disputes, we could incur substantial liabilities and costs.

Under federal and state environmental laws and regulations, a current or former owner of real property may be liable for costs related to the investigation, removal and remediation of hazardous or toxic substances or petroleum that are released from or are present at or under, or that are disposed of in connection with such property. Owners of real property may also face other environmental liabilities, including government fines and penalties imposed by regulatory authorities and damages for injuries to persons, property or natural resources. Environmental laws and regulations often impose liability without regard to whether the owner was aware of, or was responsible for, the presence, release or disposal of hazardous or toxic substances or petroleum. In certain circumstances, environmental liability may result from the activities of a current or former operator of the property. Although we are generally indemnified by the current operators of our properties for contamination caused by them, these indemnities may not adequately cover all environmental costs. See "Governmental Regulation—Environmental Regulation" included in Item 1 of this Annual Report on Form 10-K.

Volatility or disruption in the capital markets could prevent our counterparties from satisfying their obligations to us.

Interest rate fluctuations, financial market volatility or credit market disruptions could limit the ability of our tenants, operators and managers to obtain credit to finance their businesses on acceptable terms, which could adversely affect their ability to satisfy their obligations to us. In addition, any difficulty in accessing capital or other sources of funds experienced by our other counterparties, such as letters of credit issuers, insurance carriers, banking institutions, title companies and escrow agents, could prevent such counterparties from remaining viable entities or satisfying their obligations to us, which could have a Material Adverse Effect on us.

Our success depends, in part, on our ability to attract and retain talented employees, and the loss of any one of our key personnel could adversely impact our business.

The success of our business depends, in part, on the leadership and performance of our executive management team and key employees, and our ability to attract, retain and motivate talented employees could significantly impact our future performance. Competition for these individuals is intense, and we cannot assure you that we will retain our key officers and employees or that we will be able to attract and retain other highly qualified individuals in the future. Losing any one or more of these persons could have a Material Adverse Effect on us.

Failure to maintain effective internal control over financial reporting could harm our business, results of operations and financial condition.

Pursuant to the Sarbanes-Oxley Act of 2002, we are required to provide a report by management on internal control over financial reporting, including management's assessment of the effectiveness of such control. Internal control over financial

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reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. Moreover, changes to our business will necessitate ongoing changes to our internal control systems and processes. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business, results of operations and financial condition could be materially adversely harmed and we could fail to meet our reporting obligations.

Economic and other conditions that negatively affect geographic areas to which a greater percentage of our NOI is attributed could adversely affect our financial results.

For the year ended December 31, 2012, approximately 37.3% of our total NOI (excluding amounts in discontinued operations) was derived from properties located in California (12.6%), Texas (7.2%), New York (6.8%), Illinois (5.4%), and Massachusetts (5.3%). As a result, we are subject to increased exposure to adverse conditions affecting these regions, including downturns in the local economies or changes in local real estate conditions, increased competition or decreased demand, regional climate events and changes in state-specific legislation, which could adversely affect our business and results of operations.

We may be adversely affected by fluctuations in currency exchange rates.

Our ownership of 12 seniors housing communities in the Canadian provinces of Ontario and British Columbia subjects us to fluctuations in U.S. and Canadian currency exchange rates, which may, from time to time, impact our financial condition and results of operations. 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 transact business in currencies other than U.S. or Canadian dollars. Although we may pursue hedging alternatives, including borrowing in local currencies, to protect against foreign currency fluctuations, we cannot assure you that such fluctuations will not have a Material Adverse Effect on us.

Risks Arising from Our Capital Structure

We may become more leveraged.

As of December 31, 2012, we had approximately $8.4 billion of outstanding indebtedness (including capital lease obligations). The instruments governing our existing indebtedness permit us to incur substantial additional debt, including secured debt, and we may elect to meet our capital and liquidity needs through additional borrowings. A high level of indebtedness would require us to dedicate a substantial portion of our cash flow from operations to the payment of debt service, thereby reducing the funds available to implement our business strategy and make distributions to stockholders. A high level of indebtedness could also have the following consequences:

- Potential limits on our ability to adjust rapidly to changing market conditions and vulnerability in the event of a downturn in general economic conditions or in the real estate or healthcare industries;
- Potential impairment of our ability to obtain additional financing for our business strategy; and
- Potential downgrade in the rating of our debt securities by one or more rating agencies, which could have the effect of, among other things, limiting our access to capital and increasing our cost of borrowing.

In addition, from time to time, we mortgage certain of our properties to secure payment of indebtedness. If we are unable to meet our mortgage payments, then the encumbered properties could be foreclosed upon or transferred to the mortgagee with a consequent loss of income and asset value.

We are exposed to increases in interest rates, which could reduce our profitability and adversely impact our ability to refinance existing debt, sell assets or engage in acquisition, investment and development activity, and our decision to hedge against interest rate risk might not be effective.

We receive a significant portion of our revenues by leasing certain of our assets under long-term triple-net leases that generally provide for fixed rental rates that are subject to annual escalations. Certain of our debt obligations are floating rate obligations with interest and related payments that vary with the movement of LIBOR, Bankers' Acceptance or other indexes. The generally fixed rate nature of a significant portion of our revenues and the variable rate nature of certain of our debt obligations create interest rate risk. Although our operating assets provide a partial hedge against interest rate fluctuations, if interest rates rise, the costs of our existing floating rate debt and any new debt that we incur would also increase. These increased costs could reduce our profitability, impair our ability to meet our debt obligations, or increase the cost of financing our acquisition, investment and development activity. Further,

rising interest rates could limit our ability to refinance existing debt upon maturity or cause us to pay higher rates upon refinancing. An increase in interest rates could also decrease the

amount that third parties are willing to pay for our assets, thereby limiting our ability to promptly reposition our portfolio in response to changes in economic or other conditions.

We may seek to manage our exposure to interest rate volatility with hedging arrangements that involve risk, including the risk that counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes, that the amount of income we earn from hedging transactions may be limited by federal tax provisions governing REITs, and that these arrangements may cause us to pay higher interest rates on our debt obligations than would otherwise be the case. Moreover, no amount of hedging activity can fully insulate us from the risks associated with changes in interest rates. Failure to hedge effectively against interest rate risk, if we choose to engage in such activities, could adversely affect our results of operations and financial condition.

Limitations on our ability to access capital could have an adverse effect on our ability to make required payments on our debt obligations, make distributions to our stockholders or make future investments necessary to implement our business strategy.

We cannot assure you that we will be able to raise the necessary capital to meet our debt service obligations, make distributions to our stockholders or make future investments necessary to implement our business strategy, and the failure to do so could have a Material Adverse Effect on us. Although we believe that we have sufficient access to capital and other sources of funding to meet our expected liquidity needs, we cannot assure you that conditions in the capital markets will not deteriorate or that our access to capital and other sources of funding will not become constrained, which could adversely affect the availability and terms of future borrowings, renewals or refinancings and our results of operation and financial condition. If we cannot access capital at an acceptable cost or at all, we may be required to liquidate one or more investments in properties at times that may not permit us to realize the maximum return on those investments or that could result in adverse tax consequences to us.

As a public company, our access to debt and equity capital depends, in part, on the trading prices of our senior notes and common stock, which, in turn, depend upon market conditions that change from time to time, such as the market's perception of our financial condition, our growth potential and our current and future earnings and cash distributions. Our failure to meet the market's expectation with regard to future earnings and cash distributions or a significant downgrade in the ratings assigned to our long-term debt could impact our ability to access capital or increase our borrowing costs. We also rely on the financial institutions that are parties to our unsecured revolving credit facility. If these institutions become capital constrained, tighten their lending standards or become insolvent or if they experience excessive volumes of borrowing requests from other borrowers within a short period of time, they may be unable or unwilling to honor their funding commitments to us, which would adversely affect our ability to draw on our unsecured revolving credit facility and, over time, could negatively impact our ability to consummate acquisitions, repay indebtedness as it matures, fund capital expenditures or make distributions to our stockholders.

Covenants in the instruments governing our existing indebtedness limit our operational flexibility, and a covenant breach could materially adversely affect our operations.

The terms of the instruments governing our existing indebtedness require us to comply with certain customary financial and other covenants, such as maintaining debt service coverage, leverage ratios and minimum net worth requirements. Our continued ability to incur additional debt and to conduct business in general is subject to our compliance with these covenants, which limit our operational flexibility. Breaches of these covenants could result in defaults under the applicable debt instruments and could trigger defaults under any other indebtedness of ours that is cross-defaulted against such instruments, even if we satisfy our payment obligations. Financial and other covenants that limit our operational flexibility, as well as defaults resulting from our breach of any of these covenants, could have a Material Adverse Effect on us.

Risks Arising from Our Status as a REIT

Loss of our status as a REIT would have significant adverse consequences for us and the value of our common stock.

If we lose our status as a REIT (currently and/or with respect to any tax years for which the statute of limitations has not expired), we will face serious tax consequences that will substantially reduce the funds available to satisfy our obligations, to implement our business strategy and to make distributions to our stockholders for each of the years involved because:

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- We would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- We could be subject to the federal alternative minimum tax and increased state and local taxes; and
- Unless we are entitled to relief under statutory provisions, we could not elect to be subject to tax as a REIT for four taxable years following the year during which we were disqualified.

In addition, in such event we would no longer be required to pay dividends to maintain REIT status, which could adversely affect the value of our common stock.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The determination of factual matters and circumstances not entirely within our control, as well as new legislation, regulations, administrative interpretations or court decisions, may adversely affect our investors or our ability to remain qualified as a REIT for tax purposes. Although we believe that we qualify as a REIT, we cannot provide any assurance that we will continue to qualify as a REIT for tax purposes.

The 90% distribution requirement will decrease our liquidity and may limit our ability to engage in otherwise beneficial transactions.

To comply with the 90% distribution requirement applicable to REITs and to avoid the nondeductible excise tax, we must make distributions to our stockholders. See "Certain U.S. Federal Income Tax Considerations—Requirements for Qualification as a REIT—Annual Distribution Requirements" included in Item 1 of this Annual Report on Form 10-K. Such distributions will limit our liquidity to finance investments, acquisitions and new developments and may limit our ability to engage in transactions that are otherwise in the best interests of our stockholders.

Although we do not anticipate any inability to satisfy the REIT distribution requirement, from time to time, we may not have sufficient cash or other liquid assets to do so. For example, timing differences between the actual receipt of income and actual payment of deductible expenses, on the one hand, and the inclusion of that income and deduction of those expenses in arriving at our taxable income, on the other hand, or non-deductible expenses such as principal amortization or repayments or capital expenditures in excess of non-cash deductions may cause us to fail to have sufficient cash or liquid assets to enable us to satisfy the 90% distribution requirement.

In the event that timing differences occur or we decide to retain cash or to distribute such greater amount as may be necessary to avoid income and excise taxation, we may seek to borrow funds, issue additional equity securities, pay taxable stock dividends, distribute other property or securities or engage in a transaction intended to enable us to meet the REIT distribution requirements. Any of these actions may require us to raise additional capital to meet our obligations; however, see "—Risks Arising from Our Capital Structure—Limitations on our ability to access capital could have an adverse effect on our ability to make required payments on our debt obligations, make distributions to our stockholders or make future investments necessary to implement our business strategy." The terms of the instruments governing our existing indebtedness restrict our ability to engage in certain of these transactions.

To preserve our qualification as a REIT, our certificate of incorporation contains ownership limits with respect to our capital stock that may delay, defer or prevent a change of control of our company.

To assist us in preserving our qualification as a REIT, our certificate of incorporation provides that if a person acquires beneficial ownership of more than 9.9% of our outstanding preferred stock or more than 9.0% of our outstanding common stock, the shares that are beneficially owned in excess of the applicable limit are considered "excess shares" and are automatically deemed transferred to a trust for the benefit of a charitable institution or other qualifying organization selected by our Board of Directors. The trust is entitled to all dividends with respect to the excess shares and the trustee may exercise all voting power over the excess shares. In addition, we have the right to purchase the excess shares for a price equal to the lesser of (i) the price per share in the transaction that created the excess shares or (ii) the market price on the day we purchase the shares, but if we do not purchase the excess shares, the trustee of the trust is required to transfer the shares at the direction of our Board of Directors. These ownership limits could delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or might otherwise be in the best interests of our stockholders.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

Seniors Housing and Healthcare Properties

As of December 31, 2012, we owned more than 1,400 properties, including seniors housing communities, skilled nursing and other facilities, MOBs, and hospitals, in 46 states, the District of Columbia and two Canadian provinces, and we had three new properties under development. We believe that maintaining a balanced portfolio of high-quality assets diversified across many key attributes – geographic location, asset type, tenant/manager mix, revenue source and

operating model – makes us less

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susceptible to single-state regulatory or reimbursement changes, regional climate events and local economic downturns and diminishes the risk that any single factor or event could materially harm our business.

As of December 31, 2012, we had $2.9 billion aggregate principal amount of mortgage loan obligations outstanding, secured by 248 properties, of which our share was $2.7 billion.

The following table provides additional information regarding the geographic diversification of our portfolio of properties as of December 31, 2012 (including investments in unconsolidated entities, but excluding properties classified as held for sale):

	Seniors Housing Communities		Skilled Nursing and Other Facilities		MOBs		Hospitals	
Geographic Location	Number of Properties	Units	Number of Properties	Licensed Beds	Number of Properties	Square Feet	Number of Properties	Licensed Beds
Alabama	9	609	2	329	4	468,887	—	—
Arizona	21	1,803	3	462	13	938,176	4	220
Arkansas	6	369	8	875	—	—	—	—
California	66	7,770	9	1,115	24	1,924,325	7	587
Colorado	15	1,307	4	460	10	764,887	1	68
Connecticut	13	1,513	7	798	—	—	—	—
District of Columbia	—	—	—	—	2	101,580	—	—
Florida	45	4,426	1	171	19	547,533	6	511
Georgia	10	910	5	620	16	1,250,105	—	—
Idaho	1	70	7	624	—	—	—	—
Illinois	17	2,606	1	82	28	806,544	4	430
Indiana	16	1,236	34	3,782	15	947,857	1	59
Kansas	12	726	5	374	—	—	—	—
Kentucky	7	624	29	3,273	3	160,534	2	424
Louisiana	1	58	—	—	8	560,792	1	168
Maine	4	624	8	654	—	—	—	—
Maryland	5	360	3	445	2	82,663	—	—
Massachusetts	18	1,922	47	5,358	—	—	2	109
Michigan	24	1,642	1	330	11	439,429	—	—
Minnesota	17	910	4	626	3	243,406	—	—
Mississippi	1	52	—	—	1	50,575	—	—
Missouri	—	—	12	1,086	21	1,105,185	2	227
Montana	3	295	2	276	—	—	—	—
Nebraska	1	135	—	—	—	—	—	—
Nevada	6	618	3	299	2	149,248	1	52
New Hampshire	—	—	3	502	—	—	—	—
New Jersey	14	1,242	1	153	—	—	—	—
New Mexico	5	459	—	—	—	—	1	61
New York	41	4,587	9	1,566	1	111,634	—	—
North Carolina	19	1,810	17	1,876	21	877,512	1	124
North Dakota	1	48	—	—	—	—	—	—
Ohio	26	1,755	21	2,780	29	1,286,936	—	—
Oklahoma	10	617	3	235	—	—	1	59
Oregon	18	1,518	14	1,358	1	105,375	—	—
Pennsylvania	31	2,319	7	934	7	564,634	2	115
Rhode Island	6	648	1	129	—	—	—	—
South Carolina	3	224	4	602	23	1,299,015	—	—
South Dakota	4	182	2	246	—	—	—	—
Tennessee	19	1,620	5	601	12	459,120	1	49
Texas	52	3,765	53	5,586	17	1,128,762	10	615

Utah	3	393	5	476	—	—	—	—
Vermont	—	—	1	144	—	—	—	—
Virginia	8	655	9	1,323	4	139,296	—	—
Washington	18	1,838	19	1,876	11	586,975	—	—
West Virginia	2	124	4	326	—	—	—	—
Wisconsin	68	2,931	18	2,441	12	482,093	—	—
Wyoming	1	48	4	371	1	78,932	—	—
Total U.S.	667	57,368	395	45,564	321	17,662,010	47	3,878
British Columbia	3	276	—	—	—	—	—	—
Ontario	9	848	—	—	—	—	—	—
Total Canada	12	1,124	—	—	—	—	—	—
Total	679	58,492	395	45,564	321	17,662,010	47	3,878

Corporate Offices

Our headquarters are located in Chicago, Illinois, and we have additional offices in Louisville, Kentucky, Plano, Texas, Irvine, California and Charlotte, North Carolina. We lease all of our corporate offices other than our North Carolina office.

ITEM 3. Legal Proceedings

The information contained in "Note 16—Litigation" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K is incorporated by reference into this Item 3. Except as set forth therein, we are not a party to, nor is any of our property the subject of, any material pending legal proceedings.

ITEM 4. (Removed and Reserved)

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock, par value $0.25 per share, is listed and traded on the New York Stock Exchange (the "NYSE") under the symbol "VTR." The following table sets forth, for the periods indicated, the high and low sales prices of our common stock as reported on the NYSE and the dividends declared per share.

	Sales Price of Common Stock		Dividends Declared
	High	Low	
2012			
First Quarter	$59.05	$53.24	$0.62
Second Quarter	63.12	53.94	0.62
Third Quarter	68.15	61.52	0.62
Fourth Quarter	65.71	61.30	0.62
2011			
First Quarter	$57.45	$50.98	$0.575
Second Quarter	57.08	50.87	0.575
Third Quarter	55.75	43.25	0.575
Fourth Quarter	56.73	46.21	0.575

As of February 12, 2013, we had 291,943,762 shares of our common stock outstanding held by approximately 5,200 stockholders of record.

Dividends and Distributions

We pay regular quarterly dividends to holders of our common stock to comply with the provisions of the Code governing REITs. On February 13, 2013, our Board of Directors declared the first quarterly installment of our 2013 dividend in the amount of $0.67 per share, payable in cash on March 28, 2013 to stockholders of record on March 8, 2013. We expect to distribute at least 100% of our taxable net income, after the use of any net operating loss carryforwards, to our stockholders for 2013. See "Certain U.S. Federal Income Tax Considerations—Requirements for Qualification as a REIT—Annual Distribution Requirements" included in Part I, Item 1 of this Annual Report on Form 10-K.

In general, our Board of Directors makes decisions regarding the nature, frequency and amount of our dividends on a quarterly basis. Because the Board considers a number of factors when making these decisions, including our current and future liquidity needs and financial condition, our current and projected results of operations and the performance and credit quality of our tenants, operators, managers and borrowers, we cannot provide any assurance that we will maintain the policy of paying regular quarterly dividends to continue to qualify as a REIT. Please see "Cautionary Statements" and the risk factors included in Part I, Item 1A of this Annual Report on Form 10-K for a description of other factors that may affect our distribution policy.

Our stockholders may reinvest all or a portion of any cash distribution on their shares of our common stock by

participating in our Distribution Reinvestment and Stock Purchase Plan, subject to the terms of the plan. See "Note 17—Capital Stock" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Director and Employee Stock Sales

Certain of our directors, executive officers and other employees have adopted and may adopt, from time to time in the future, non-discretionary, written trading plans that comply with Rule 10b5-1 under the Exchange Act, or otherwise monetize, gift or transfer their equity-based compensation. These transactions typically are conducted for estate, tax and financial planning purposes and are subject to compliance with our Amended and Restated Securities Trading Policy and Procedures ("Securities Trading Policy"), the minimum stock ownership requirements contained in our Guidelines on Governance and all applicable laws and regulations.

Our Securities Trading Policy expressly prohibits our directors, executive officers and employees from buying or selling derivatives with respect to our securities or other financial instruments that are designed to hedge or offset a decrease in the market value of our securities and from engaging in short sales with respect to our securities. In addition, our Securities Trading Policy prohibits our directors and executive officers from holding our securities in margin accounts or pledging our securities to secure loans without the prior approval of our Audit and Compliance Committee. Each of our executive officers has advised us that he or she is in compliance with the Securities Trading Policy and has not pledged any of our equity securities to secure margin or other loans.

Stock Repurchases

The table below summarizes repurchases of our common stock made during the quarter ended December 31, 2012:

	Number of Shares Repurchased	Average Price Per Share
October 1 through October 31	—	$—
November 1 through November 30 (1)	13,079	$63.65
December 1 through December 31 (2)	3,697,541	$59.79

(1) Repurchases represent shares withheld to pay (i) 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 Nationwide Health Properties, Inc. ("NHP") 2005 Performance Incentive Plan and assumed by us in connection with our acquisition of NHP or (ii) 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 occurs or the fair value of our common stock at the time of exercise, as the case may be.

(2) Repurchases represent shares owned by the Funds that we acquired in December 2012.

Stock Performance Graph

The following performance graph compares the cumulative total return (including dividends) to the holders of our common stock from December 31, 2007 through December 31, 2012, with the cumulative total returns of the NYSE Composite Index, the FTSE NAREIT Composite REIT Index (the “Composite REIT Index”) and the S&P 500 Index over the same period. The comparison assumes $100 was invested on December 31, 2007 in our common stock and in each of the foregoing indexes and assumes reinvestment of dividends, as applicable. We have included the NYSE Composite Index in the performance graph because our common stock is listed on the NYSE, and we have included the S&P 500 Index because we are a member of the S&P 500. We have included the Composite REIT Index because we believe that it is most representative of the industries in which we compete, or otherwise provides a fair basis for comparison with us, and is therefore particularly relevant to an assessment of our performance. The figures in the table below are rounded to the nearest dollar.

	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012
Ventas	$100	$78	$108	$136	$149	$183
NYSE Composite Index	$100	$61	$78	$88	$85	$99
Composite REIT Index	$100	$62	$79	$101	$109	$130
S&P 500 Index	$100	$63	$80	$92	$94	$109

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ITEM 6. Selected Financial Data

You should read the following selected financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 of this Annual Report on Form 10-K and our Consolidated Financial Statements and the notes thereto included in Item 8 of this Annual Report on Form 10-K, as acquisitions, divestitures, changes in accounting policies and other items impact the comparability of the financial data.

	As of and For the Years Ended December 31,				
	2012	2011	2010	2009	2008
	(Dollars in thousands, except per share data)				
Operating Data					
Rental income	$1,194,060	$803,455	$523,339	$480,531	$461,017
Resident fees and services	1,229,479	868,095	446,301	421,058	429,257
Interest expense	293,401	229,346	172,474	172,358	201,022
Property-level operating expenses	969,342	647,193	315,953	302,813	306,944
General, administrative and professional fees	98,801	74,537	49,830	38,830	40,651
Income from continuing operations attributable to common stockholders	305,573	363,133	213,444	187,026	165,043
Discontinued operations	57,227	1,360	32,723	79,469	57,560
Net income attributable to common stockholders	362,800	364,493	246,167	266,495	222,603
Per Share Data					
Income from continuing operations attributable to common stockholders, basic	$1.04	$1.59	$1.36	$1.23	$1.18
Net income attributable to common stockholders, basic	$1.24	$1.60	$1.57	$1.75	$1.59
Income from continuing operations attributable to common stockholders, diluted	$1.04	$1.57	$1.35	$1.22	$1.18
Net income attributable to common stockholders, diluted	$1.23	$1.58	$1.56	$1.74	$1.59
Dividends declared per common share	$2.48	$2.30	$2.14	$2.05	$2.05
Other Data					
Net cash provided by operating activities	$992,816	$773,197	$447,622	$422,101	$379,907
Net cash used in investing activities	(2,169,689)	(997,439)	(301,920)	(1,746)	(136,256)
Net cash provided by (used in) financing activities	1,198,914	248,282	(231,452)	(490,180)	(95,979)
FFO(1)	1,024,567	824,851	421,506	393,409	412,357
Normalized FFO(1)	1,120,225	776,963	453,981	409,045	379,469
Balance Sheet Data					
Real estate investments, at cost	$19,745,607	$17,830,262	$6,747,699	$6,399,421	$6,256,562
Cash and cash equivalents	67,908	45,807	21,812	107,397	176,812
Total assets	18,980,000	17,271,910	5,758,021	5,616,245	5,771,418
Senior notes payable and other debt	8,413,646	6,429,116	2,900,044	2,670,101	3,136,998

(1) We believe that net income, as defined by U.S. generally accepted accounting principles ("GAAP"), is the most appropriate earnings measurement. However, we consider Funds From Operations ("FFO") and normalized FFO to be appropriate measures of operating performance of an equity REIT. We also believe that normalized FFO provides useful information because it allows investors, analysts and our management to compare our operating performance to the

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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. In some cases, we provide information about identified non-cash components of FFO and normalized FFO because it investors, allows analysts and our management to assess the impact of those items.

We use the National Association of Real Estate Investment Trusts ("NAREIT") definition of FFO. NAREIT defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of real estate property, including gain on re-measurement of equity method investments, 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) net gains on real estate activity; (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, Inc. in 2011; (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 unannounced 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.

FFO, normalized FFO and certain non-cash items presented in this Annual Report on Form 10-K, or otherwise disclosed by us, may not be identical to FFO, normalized FFO or identified non-cash items presented by other real estate companies due to the fact that not all real estate companies use the same definitions. FFO and normalized FFO (or either measure adjusted for non-cash items) should not be considered 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 FFO and normalized FFO (or either measure adjusted for non-cash items) necessarily indicative of sufficient cash flow to fund all of our needs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Funds From Operations and Normalized Funds from Operations" included in Item 7 of this Annual Report on Form 10-K for a reconciliation of FFO and normalized FFO to our GAAP earnings.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition of Ventas, Inc. (together with its subsidiaries, unless otherwise indicated or except where the context otherwise requires, "we," "us" or "our"). You should read this discussion in conjunction with our Consolidated Financial Statements and the notes thereto included in Item 8 of this Annual Report on Form 10-K. This Management's Discussion and Analysis will help you understand:

- Who we are and the environment in which we operate;
- Our 2012 highlights;
- Our critical accounting policies and estimates;
- Our results of operations for the last three years;
- How we manage our assets and liabilities;
- Our liquidity and capital resources;
- Our cash flows; and
- Our future contractual obligations.

Corporate and Operating Environment

We are a real estate investment trust ("REIT") with a highly diversified portfolio of seniors housing and healthcare properties located throughout the United States and Canada. As of December 31, 2012, we owned more than 1,400 properties, including seniors housing communities, skilled nursing and other facilities, medical office buildings ("MOBs"), and hospitals, in 46 states, the District of Columbia and two Canadian provinces, and we had three new properties under development. We are an S&P 500 company and currently headquartered in Chicago, Illinois.

We primarily acquire and own seniors housing and healthcare properties and lease our properties to unaffiliated tenants or operate them through independent third-party managers. As of December 31, 2012, we leased 898 properties (excluding MOBs and properties classified as held for sale) 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 operators, such as Atria Senior Living, Inc. ("Atria") and Sunrise Senior Living, LLC (formerly Sunrise Senior Living, Inc. and, together with its subsidiaries, "Sunrise"), to manage 223 of our seniors housing communities pursuant to long-term management agreements. Kindred Healthcare, Inc. (together with its subsidiaries, "Kindred") and Brookdale Senior Living Inc. (together with its subsidiaries, "Brookdale Senior Living") leased from us 196 properties and 148 properties (excluding six properties included in investments in unconsolidated entities and properties classified as held for sale), respectively, as of December 31, 2012.

In addition, through our Lillibridge Healthcare Services, Inc. ("Lillibridge") subsidiary and our ownership interest in PMB Real Estate Services LLC ("PMBRES"), we provide MOB management, leasing, marketing, facility development and advisory services to highly rated hospitals and health systems throughout the United States. From time to time, we also make secured and unsecured loans and other investments relating to seniors housing and healthcare operators or properties.

We conduct our operations through three reportable business segments: triple-net leased properties; senior living operations; and MOB operations. See "Note 20—Segment Information" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

As of December 31, 2012, we had: 100% ownership interests in 1,338 properties; controlling interests in 28 MOBs, 11 seniors housing communities, nine skilled nursing facilities and one hospital owned through consolidated joint ventures; and ownership interests ranging between 5% and 25% in 21 MOBs, 20 seniors housing communities and 14 skilled nursing facilities through investments in unconsolidated entities. Through Lillibridge and PMBRES, we also provided management and leasing services to third parties with respect to 82 MOBs as of December 31, 2012.

Our principal objective is to enhance shareholder value by delivering superior, reliable returns. To achieve this objective, we pursue a business strategy of: (1) generating consistent, reliable and growing cash flows; (2) maintaining a balanced, well-diversified portfolio of high-quality assets; and (3) preserving our financial strength, flexibility and liquidity.

Our ability to access capital in a timely and cost effective manner is critical to the success of our business strategy because it affects our ability to satisfy existing obligations, including the repayment of maturing indebtedness, and to make future investments. Our access to and cost of external capital are dependent on various factors, including general market conditions, interest rates, credit ratings on our securities, expectations of our potential future earnings and cash distributions, and the trading price of our common stock. Generally, we attempt to match the long-term duration of our investments in senior 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 December 31, 2012, approximately 20% of our consolidated debt (excluding debt related to real estate assets classified as held for sale) was variable rate debt.

2012 Highlights

During the year ended December 31, 2012:

- We completed $2.7 billion of gross investments, including the acquisitions of:
  - Cogdell Spencer Inc. ("Cogdell"), with its 71 real estate assets (including properties owned through joint ventures) and its MOB property management business, for an investment of approximately $760 million, including debt;
  - 16 seniors housing communities managed by Sunrise (the "Sunrise-Managed 16 Communities") for approximately $362 million;
  - 100% of various private investment funds (the "Funds") previously managed by Lazard Frères Real Estate Investors LLC or its affiliates ("LFREI"), which Funds own a 34% interest in Atria and 3.7 million shares of our common stock; and
  - Controlling interests in 36 MOBs that that we previously accounted for as investments in unconsolidated entities;
- We sold 43 properties and received final repayment on loans receivable and marketable debt securities for aggregate proceeds of approximately $422 million, including certain fees, and recognized a net gain of $81.0 million from the dispositions;

- We paid an annual cash dividend on our common stock of $2.48 per share, which represents an 8% increase over the prior year and was paid to stockholders in equal quarterly installments of $0.62 per share;
- We issued and sold $2.4 billion aggregate principal amount of senior notes and entered into a new $180.0 million term loan, collectively having a weighted average stated interest rate of 3.2% and a weighted average maturity at the time of issuance of 7.7 years;
- We completed a public offering and sale of 5,980,000 shares of our common stock for aggregate proceeds of $342.5 million;
- Of the 89 properties leased to Kindred whose current lease term expires on April 30, 2013, Kindred renewed or entered into a new lease with respect to a total of 35 properties, and we entered into new leases or sale contracts for the remaining 54 properties, the majority of which remain subject to operating transitions and regulatory approvals; and
- We redeemed or repaid $780.4 million aggregate principal amount of outstanding unsecured debt, including our 9% senior notes due 2012, 8.25% senior notes due 2012, 6¾% senior notes due 2017, 6½% senior notes due 2016, and unsecured term loan due 2013, and $344.2 million of mortgage debt.

Critical Accounting Policies and Estimates

Our Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) set forth in the Accounting Standards Codification (“ASC”), as published by the Financial Accounting Standards Board (“FASB”). GAAP requires us to make estimates and assumptions regarding future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base these estimates on our experience and assumptions we believe to be reasonable under the circumstances. However, if our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, we may have applied a different accounting treatment, resulting in a different presentation of our financial statements. We periodically reevaluate our estimates and assumptions, and in the event they prove to be different from actual results, we make adjustments in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. We believe that the critical accounting policies described below, among others, affect our more significant estimates and judgments used in the preparation of our financial statements. For more information regarding our critical accounting policies, see “Note 2—Accounting Policies” of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Principles of Consolidation

The Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K include our accounts and the accounts of our wholly owned subsidiaries and the joint venture entities over which we exercise control. All intercompany transactions and balances have been eliminated in consolidation, and our net earnings are reduced by the portion of net earnings attributable to noncontrolling interests.

GAAP requires us to identify entities for which control is achieved through means other than voting rights and to determine which business enterprise is the primary beneficiary of variable interest entities (“VIEs”). A VIE is broadly defined as an entity with one or more of the following characteristics: (a) the total equity investment at risk is insufficient to finance the entity’s activities without additional subordinated financial support; (b) as a group, the holders of the equity investment at risk lack (i) the ability to make decisions about the entity’s activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests, and substantially all of the entity’s activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. We consolidate investments in VIEs when we are determined to be the primary beneficiary of the VIE. We may change our original assessment of a VIE due to events such as modifications of contractual arrangements that affect the characteristics or adequacy of the entity’s equity investments at risk and the disposal of all or a portion of an interest held by the primary beneficiary.

We identify the primary beneficiary of a VIE as the enterprise that has both: (i) the power to direct the activities of the VIE that most significantly impact the entity’s economic performance; and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could be significant to the entity. We perform this analysis on an ongoing

basis.

As it relates to investments in joint ventures, based on the type of rights held by the limited partner(s), GAAP may preclude consolidation by the sole general partner in certain circumstances in which the general partner would otherwise consolidate the joint venture. We assess limited partners' rights and their impact on the presumption of control of the limited

partnership by the sole general partner when an investor becomes the sole general partner, and we reassess if: (i) there is a change to the terms or in the exercisability of the rights of the limited partners; (ii) the sole general partner increases or decreases its ownership of limited partnership interests; or (iii) there is an increase or decrease in the number of outstanding limited partnership interests. We also apply this guidance to managing member interests in limited liability companies.

Business Combinations

We account for acquisitions using the acquisition method and allocate the cost of the businesses 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 internal analyses of recently acquired and existing comparable properties within our portfolio. 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. During the remaining construction period, we capitalize interest expense until the development has reached substantial completion. Construction in progress, including capitalized interest, is not depreciated until the development 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; 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. We amortize any acquired lease-related intangibles to revenue or amortization expense over the remaining life of the associated lease plus any assumed bargain renewal periods. If a lease is terminated prior to its stated expiration or not renewed upon expiration, we recognize all unamortized lease-related intangibles associated with that lease 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 assets’ respective useful lives. 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 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 interests assumed using assumptions that are consistent with those used in valuing all of the underlying assets and liabilities.

We base the initial carrying value of investments in unconsolidated entities on the fair value of the assets at the time we acquired the joint venture interest. We estimate fair values for our equity method investments based on discounted cash flow models that include all estimated cash inflows and outflows over a specified holding period and, where applicable, any estimated debt premiums or discounts. The capitalization rates, discount rates and credit spreads we use in these models are based upon assumptions that we believe to be within a reasonable range of current market rates for the respective investments.

We generally amortize any difference between our cost basis and the basis reflected at the joint venture level over the lives of the related assets and liabilities and include that amortization in our share of income or loss from unconsolidated entities. For earnings of equity method investments with pro rata distribution allocations, net income or loss is allocated between the partners in the joint venture based on their respective stated ownership percentages. 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 to 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.

Impairment of Long-Lived and Intangible Assets

We periodically evaluate our long-lived assets, primarily consisting of our investments in real estate, for impairment indicators. If indicators of impairment are present, we evaluate the carrying value of the related real estate investments in relation to the future undiscounted cash flows of the underlying operations. In performing this evaluation, we consider market conditions and our current intentions with respect to holding or disposing of the asset. We adjust the net book value of leased properties and other long-lived assets to fair value if the sum of the expected future undiscounted cash flows, including sales proceeds, is less than book value. We recognize an impairment loss at the time we make any such determination.

If impairment indicators arise with respect to intangible assets with finite useful lives, we evaluate impairment by comparing the carrying amount of the asset to the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted net cash flows are less than the carrying amount of the asset, then we estimate the fair value of the asset and compare the estimated fair value to the intangible asset's carrying value. We recognize any shortfall from carrying value as an impairment loss in the current period.

We evaluate our investments in unconsolidated entities for impairment whenever events or changes in circumstances indicate that the carrying value of our investment may exceed its fair value. If we determine that a decline in the fair value of our investment in an unconsolidated entity is other-than-temporary, and if such reduced fair value is below the carrying value, we record an impairment. The determination of the fair value of investments in unconsolidated

entities involves significant judgment. Our estimates consider all available evidence, including, as appropriate, the present value of the expected future cash flows discounted at market rates, general economic conditions and trends and other relevant factors.
We test goodwill for impairment at least annually, and more frequently if indicators arise. We first assess qualitative factors to determine the likelihood that the fair value of a reporting unit is less than its carrying amount. Qualitative factors we assess include current macroeconomic conditions, state of the equity and capital markets and our overall financial and operating performance. If we determine it is more likely than not that the fair value of a reporting unit is less than its carrying

amount, then we proceed with the two-step approach to evaluating impairment. In the first step of this approach, we estimate the fair value of a reporting unit and compare it to the reporting unit's carrying value. If the carrying value exceeds fair value, we proceed with the second step. The second step of this approach requires us to assign the fair value of a reporting unit to all the assets and liabilities of the reporting unit as if it had been acquired in a business combination at the date of the impairment test. The excess fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied value of goodwill and is used to determine the amount of impairment. We recognize an impairment loss to the extent the carrying value of goodwill exceeds the implied value in the current period.

Estimates of fair value used in our evaluation of goodwill, investments in real estate and intangible assets are based upon discounted future cash flow projections or other acceptable valuation techniques, which are based, in turn, upon various estimates and assumptions, such as revenue and expense growth rates, capitalization rates, discount rates or other available market data. Our ability to accurately predict future operating results and cash flows and estimate and allocate fair values impacts the timing and recognition of impairments. While we believe our assumptions are reasonable, changes in these assumptions may have a material impact on our financial results.

Loans Receivable

We record loans receivable, other than those acquired in connection with a business combination, on our Consolidated Balance Sheets (either in secured loans receivable, net or, with respect to unsecured loans receivable, other assets) at the unpaid principal balance, net of any deferred origination fees, purchase discounts or premiums and valuation allowances. We amortize net deferred origination fees, which are comprised of loan fees collected from the borrower net of certain direct costs, and purchase discounts or premiums over the contractual life of the loan using the effective interest method and immediately recognize in income any unamortized balances if the loan is repaid before its contractual maturity.

We regularly evaluate the collectibility of loans receivable based on factors such as corporate and facility-level financial and operational reports, compliance with financial covenants set forth in the applicable loan agreement, the financial strength of the borrower and any guarantor, the payment history of the borrower and current economic conditions. If our evaluation of these factors indicates it is probable that we will be unable to collect all amounts due under the terms of the applicable loan agreement, we provide a reserve against the portion of the receivable that we estimate may not be collected.

Fair Value

GAAP defines fair value and provides direction for measuring fair value and making the necessary related disclosures. GAAP 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 we have 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 our 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 the volume and level of market 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 a transaction for an asset or liability is not orderly, little, if any, weight is placed 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.

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. (“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 Consolidated Balance Sheets.

Four of our five master lease agreements with 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 12 to 18 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 Securities and Exchange Commission ("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, 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 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 to increase or reduce the reserve against the previously recognized straight-line rent receivable asset.

Federal Income Tax

We have elected to be treated as a REIT under the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), for every year beginning with the year ended December 31, 1999. Accordingly, provided that we continue to qualify as a REIT, we generally will not be subject to federal income tax on net income that we distribute to our stockholders. However, with respect to certain of our subsidiaries that have elected to be treated as "taxable REIT subsidiaries," we record income tax expense or benefit, as those entities are subject to federal income tax similar to regular corporations.

We account for deferred income taxes using the asset and liability method and recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in our financial statements or tax returns. Under this method, we determine deferred tax assets and liabilities based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the

differences are expected to reverse. Any increase or decrease in the deferred tax liability that results from a change in circumstances, and that causes us to change our judgment about expected future tax consequences of events, is included in the tax provision when such changes occur. Deferred income taxes also reflect the impact of operating loss and tax credit carryforwards. A valuation allowance is provided if we

believe it is more likely than not that all or some portion of the deferred tax asset will not be realized. Any increase or decrease in the valuation allowance that results from a change in circumstances, and that causes us to change our judgment about the realizability of the related deferred tax asset, is included in the tax provision when such changes occur.

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 ASC Topic 220, Comprehensive Income. ASU 2011-05 requires entities to present comprehensive income in either: (i) one continuous financial statement or (ii) 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 December 31, 2012, we operated through three reportable business segments: triple-net leased properties; senior living operations; and MOB operations. Under our triple-net leased properties segment, we acquire and own seniors housing and healthcare properties throughout the United States and lease those properties to healthcare operating companies under "triple-net" or "absolute-net" leases that obligate the tenants to pay all property-related expenses. Under our senior living operations segment, we invest in seniors housing communities throughout the United States and Canada and engage independent operators, such as Atria and Sunrise, to manage those communities. Under our MOB operations segment, we primarily acquire, own, develop, lease, and manage 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.

Years Ended December 31, 2012 and 2011

The table below shows our results of operations for each year and the effect on our income of changes in those results from year to year.

	For the Year Ended December 31,		Increase (Decrease) to Income	
	2012	2011	$	%
	(Dollars in thousands)			
Segment NOI:				
Triple-Net Leased Properties	$835,659	$639,511	$196,148	30.7 %
Senior Living Operations	386,289	277,944	108,345	39.0
MOB Operations	243,107	116,291	126,816	> 100
All Other	39,913	34,415	5,498	16.0
Total segment NOI	1,504,968	1,068,161	436,807	40.9
Interest and other income	1,106	1,217	(111)	(9.1)
Interest expense	(293,401)	(229,346)	(64,055)	(27.9)
Depreciation and amortization	(725,981)	(447,664)	(278,317)	(62.2)
General, administrative and professional fees	(98,801)	(74,537)	(24,264)	(32.6)
Loss on extinguishment of debt, net	(37,640)	(27,604)	(10,036)	(36.4)
Litigation proceeds, net	—	202,259	(202,259)	nm
Merger-related expenses and deal costs	(63,183)	(153,923)	90,740	59.0
Other	(6,956)	(7,270)	314	4.3
Income before income (loss) from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest	280,112	331,293	(51,181)	(15.4)
Income (loss) from unconsolidated entities	18,154	(52)	18,206	nm
Income tax benefit	6,282	30,660	(24,378)	(79.5)
Income from continuing operations	304,548	361,901	(57,353)	(15.8)
Discontinued operations	57,227	1,360	55,867	nm
Net income	361,775	363,261	(1,486)	(0.4)
Net loss attributable to noncontrolling interest, net of tax	(1,025)	(1,232)	207	16.8
Net income attributable to common stockholders	$362,800	$364,493	$(1,693)	(0.5)%

nm—not meaningful

Segment NOI—Triple-Net Leased Properties

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

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

	For the Year Ended December 31,		Increase (Decrease) to Income	
	2012	2011	$	%
	(Dollars in thousands)			
Segment NOI—Triple-Net Leased Properties:				
Rental income	$831,221	$637,294	$193,927	30.4 %
Other services revenue	4,438	2,217	2,221	> 100
Segment NOI	$835,659	$639,511	$196,148	30.7 %

Triple-net leased properties segment NOI increased in 2012 over the prior year primarily due to rental income from the properties we acquired in July 2011 in connection with the NHP acquisition ($177.7 million) and contractual escalations, and increases in base and other rent, under our existing triple-net leases, partially offset by a decline in rental income due to our sale of certain triple-net leased properties during 2012.

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 from our tenants in accordance with the applicable lease terms. Therefore, 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 December 31, 2012 for the third 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 December 31, 2011 for the third quarter of 2011.

	Number of Properties at December 31, 2012 (1)	Average Occupancy for the Trailing 12 Months Ended September 30, 2012 (1)	Number of Properties at December 31, 2011 (2)	Average Occupancy for the Trailing 12 Months Ended September 30, 2011 (2)
Seniors Housing Communities	423	85.5 %	458	85.9 %
Skilled Nursing Facilities	373	82.4	382	83.9
Hospitals	47	57.5	47	58.1

(1) Excludes 34 seniors housing communities and skilled nursing facilities included in investments in unconsolidated entities. Also excludes 12 properties acquired during the three months ended December 31, 2012, one development property that was completed during the three months ended December 31, 2012, 15 properties classified as held for sale as of December 31, 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 and eight other facilities for which we do not receive occupancy information. Includes 38 properties sold during 2012, 15 properties classified as held for sale as of December 31, 2012 and eight properties acquired during the trailing 12 months ended September 30, 2012 .

The following table compares results of continuing operations for our 374 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 December 31, 2012.

	For the Year Ended December 31,		Increase (Decrease) to Income	
	2012	2011	$	%
	(Dollars in thousands)			
Same-Store Segment NOI—Triple-Net Leased Properties:				
Rental income	$474,945	$464,090	$10,855	2.3 %
Other services revenue	—	—	—	nm
Segment NOI	$474,945	$464,090	$10,855	2.3 %

nm—not meaningful

The year-over-year increase in same-store triple-net leased properties NOI is due to contractual escalations in rent pursuant to the terms of our leases, including our four original Kindred Master Leases. Cash receipts may differ due to straight-line recognition of certain rental income and the application of other GAAP policies.

Segment NOI—Senior Living Operations

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

	For the Year Ended December 31,		Increase (Decrease) to Income	
	2012	2011	$	%
	(Dollars in thousands)			
Segment NOI—Senior Living Operations:				
Total revenues	$1,229,479	$868,095	$361,384	41.6 %
Less:				
Property-level operating expenses	(843,190)	(590,151)	(253,039)	(42.9)
Segment NOI	$386,289	$277,944	$108,345	39.0 %

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 2012 over the prior year primarily due to the properties we acquired in May 2011 in connection with our acquisition of substantially all of the real estate assets and working capital of privately-owned Atria Senior Living Group, Inc. (together with its affiliates, "ASLG"), the seniors housing communities we acquired in 2012 (including the Sunrise-Managed 16 Communities), and higher average unit occupancy rates and higher average monthly revenue per occupied room.

Property-level operating expenses related to our senior living operations segment include labor, food, utilities, marketing, management and other costs of operating the properties. Property-level operating expenses increased year over year primarily due to the acquired properties described above and higher management fees and labor expenses 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 fees paid to Sunrise were temporarily reduced to 3.75% of revenues generated by the applicable properties for 2011, but reverted to their contractual level of 6% of revenues generated by the applicable properties (with a range of 5% to 7%) for 2012 and subsequent years. The management fees (including incentive fees) we paid pursuant to our Sunrise management agreements in 2012 were equal to 6.4% of revenues generated by the applicable properties.

The following table compares results of continuing operations for our 81 same-store stabilized senior living operating communities. For purposes of this table, we define same-store stabilized communities as communities that we owned and classified as stable for the entire period from January 1, 2011 through December 31, 2012.

	For the Year Ended December 31,		Increase (Decrease) to Income	
	2012	2011	$	%
	(Dollars in thousands)			
Same-Store Stabilized Segment NOI—Senior Living Operations:				
Total revenues	$493,929	$467,770	$26,159	5.6 %
Less:				
Property-level operating expenses	(335,154)	(310,808)	(24,346)	(7.8)
Segment NOI	$158,775	$156,962	$1,813	1.2 %

Same-store stabilized senior living operations NOI increased in 2012 over the prior year primarily due to 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. Management fee expense for our same-store stabilized communities increased $13.8 million year over year.

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 operations segment for the years ended December 31, 2012 and 2011:

	Number of Properties at December 31,		Average Unit Occupancy for the Year Ended December 31,		Average Monthly Revenue Per Occupied Room for the Year Ended December 31,	
	2012 (1)	2011 (2)	2012 (1)	2011 (2)	2012 (1)	2011 (2)
Stabilized communities	214	189	90.4 %	88.1 %	$5,423	$5,463
Non-stabilized communities	9	9	79.7	73.9	4,654	4,745
Total	223	198	89.8	87.5	5,390	5,434
Same-store stabilized communities	81	81	90.1	87.7	6,911	6,724

(1) Information attributable to senior living operations for the year ended December 31, 2012 includes operations related to the Sunrise-Managed 16 Communities only for the period from May 1, 2012 (the date of acquisition) through December 31, 2012 and operations related to other seniors housing communities managed by Atria that we acquired during 2012 only for the periods from the applicable date of acquisition to December 31, 2012.

(2) Information attributable to senior living operations for the year ended December 31, 2011 includes operations related to our Atria-managed communities only for the period from May 12, 2011 (the date of the ASLG acquisition) through December 31, 2011.

Segment NOI—MOB Operations

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

	For the Year Ended December 31,		Increase (Decrease) to Income	
	2012	2011	$	%
	(Dollars in thousands)			
Segment NOI—MOB Operations:				
Rental income	$362,839	$166,161	$196,678	> 100 %
Medical office building services revenue	16,303	34,254	(17,951)	(52.4)
Total revenues	379,142	200,415	178,727	89.2
Less:				
Property-level operating expenses	(126,152)	(57,042)	(69,110)	(> 100)
Medical office building services costs	(9,883)	(27,082)	17,199	63.5
Segment NOI	$243,107	$116,291	$126,816	> 100 %

MOB operations segment revenues and property-level operating expenses increased in 2012 over the prior year primarily due to the MOBs we acquired in connection with the NHP acquisition in July 2011 and the Cogdell acquisition in April 2012, and 44 other MOBs we acquired in 2012 (including 36 MOBs that we previously accounted for as investments in unconsolidated entities), and three MOB developments that were completed during 2012. Medical office building services revenue and costs both decreased in 2012 over the prior year primarily due to reduced construction activity during 2012 compared to 2011.

The following table compares results of continuing operations for our 63 same-store stabilized MOBs. 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 December 31, 2012. Cash receipts may differ due to straight-line recognition of certain rental income and the application of other GAAP policies.

	For the Year Ended December 31,		Increase (Decrease) to Income	
	2012	2011	$	%
	(Dollars in thousands)			
Same-Store Stabilized Segment NOI—MOB Operations:				
Rental income	$83,111	$82,275	$836	1.0 %
Property-level operating expenses	(29,179)	(28,319)	(860)	(3.0)
Segment NOI	$53,932	$53,956	$(24)	(0.0)%

The following table sets forth occupancy rates and the annualized average rent per occupied square foot related to continuing operations in our MOB operations segment at and for the years ended December 31, 2012 and 2011:

	Number of Properties at December 31,		Occupancy at December 31,		Annualized Average Rent Per Occupied Square Foot for the Year Ended Ended December 31,	
	2012	2011	2012	2011	2012	2011
Stabilized MOBs	285	173	91.9 %	92.5 %	$30	$29
Non-stabilized MOBs	15	12	75.0	73.9	38	35
Total	300	185	90.5	90.2	30	29
Same-store stabilized MOBs	63	63	92.7	93.9	28	27

Segment NOI—All Other

All other NOI consists solely of income from loans and investments. Income from loans and investments increased in 2012 over the prior year primarily due to income (including prepayment fees) on the loans receivable portfolio we acquired in connection with the NHP acquisition, partially offset by decreased interest income due to loan repayments during both 2011 and 2012.

Interest Expense

The $60.0 million increase in total interest expense, including interest allocated to discontinued operations of $8.6 million and $12.7 million for the years ended December 31, 2012 and 2011, respectively, is attributed primarily to a $114.2 million increase in interest due to higher debt balances, partially offset by a $59.3 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 2012, compared to 4.9% for 2011.

Depreciation and Amortization

Depreciation and amortization expense increased in 2012 over the prior year primarily due to the ASLG, NHP and Cogdell acquisitions and other properties we acquired in 2012, including the Sunrise-Managed 16 Communities.

General, Administrative and Professional Fees

General, administrative and professional fees increased in 2012 primarily due to our continued organizational growth.

Loss on Extinguishment of Debt, Net

The loss on extinguishment of debt, net in 2012 relates primarily to our redemption in March 2012 of all $200.0 million principal amount then outstanding of our 6½% senior notes due 2016 and our redemption in May 2012 of all $225.0 million principal amount then outstanding of our 6¾% senior notes due 2017, partially offset by gains recognized on the repayment of certain mortgage debt. The loss on extinguishment of debt, net in 2011 relates primarily to our early repayment of $307.2 million principal amount of existing mortgage debt in February 2011, our redemption of $200.0 million principal amount of our 6½% senior notes due 2016 in July 2011 and termination of our previous unsecured revolving credit facilities in October 2011.

Litigation Proceeds, Net

Litigation proceeds, net in 2011 reflects our receipt of $102.8 million in payment of the compensatory damages award from HCP, Inc. (“HCP”) arising out of our 2007 acquisition of Sunrise Senior Living Real Estate Investment Trust (“Sunrise REIT”), plus certain costs and interest, and the receipt of an additional $125 million from HCP in final settlement of our outstanding lawsuit against HCP, net of certain fees and expenses, the contingent fee for our outside legal counsel and donations to the Ventas Charitable Foundation. No similar events occurred during 2012.

Merger-Related Expenses and Deal Costs

Merger-related expenses and deal costs in both years 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 year ended December 31, 2011 also include expenses relating to our favorable litigation against HCP and subsequent cross-appeals, which were fully concluded in November 2011. The $90.7 million decrease in merger-related expenses and deal costs in 2012 over the prior year is due primarily to the significant size of our 2011 acquisitions, as well as the conclusion of the HCP litigation in late 2011.

Income/Loss from Unconsolidated Entities

Income/loss from unconsolidated entities in 2012 and 2011 relates to our interests in joint ventures we acquired in connection with the NHP and Lillibridge acquisitions. Income from unconsolidated entities for the year ended December 31, 2012 is attributed primarily to a gain of $16.6 million as a result of the re-measurement of equity interest upon our acquisition in August 2012 of the controlling interests (ranging from 80% to 95%) in 36 MOBs and one other MOB that is being marketed for sale that we previously accounted for as investments in unconsolidated entities. Subsequent to the acquisition date, operations relating to these properties are consolidated in our Consolidated Statements of Income. As of December 31, 2012, we had ownership interests ranging between 5% and 25% in joint ventures with respect to 21 MOBs, 20 seniors housing communities and 14 skilled nursing facilities. As of December 31, 2011, we had ownership interests ranging between 5% and 25% in joint ventures with respect to 58 MOBs, 20 seniors housing communities and 14 skilled nursing facilities.

Income Tax Benefit

We recorded an income tax benefit for 2012 due primarily to ordinary losses (in part due to the reversal of acquisition deferred tax liabilities) related to our TRS entities, net of the current period valuation allowance. We recorded an income tax benefit for 2011 due primarily to the reversal of certain income tax contingency reserves, including interest, related to our 2007 U.S. federal income tax returns and ordinary losses (in part due to the reversal of acquisition deferred tax liabilities) related to our TRS entities.

Discontinued Operations

Discontinued operations for 2012 reflects activity related to 64 properties, 43 of which were sold during 2012, resulting in a $81.0 million net gain, and 19 of which were classified as held for sale as of December 31, 2012. We also declined to exercise our option to renew an operating lease (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. Discontinued operations for 2011 reflects activity related to 65 properties, four of which were sold during 2011 with no resulting gain or loss.

Net Loss Attributable to Noncontrolling Interest

Net loss attributable to noncontrolling interest for 2012 represents our partners' joint venture interests in 50 properties. Net loss attributable to noncontrolling interest for 2011 represents our partners' joint venture interests in 28 properties.

Years Ended December 31, 2011 and 2010

The table below shows our results of operations for each year and the effect on our income of changes in those results from year to year.

	For the Year Ended December 31,		Increase (Decrease) to Income	
	2011	2010	$	%
	(Dollars in thousands)			
Segment NOI:				
Triple-Net Leased Properties	$639,511	$453,592	$185,919	41.0 %
Senior Living Operations	277,944	154,470	123,474	79.9
MOB Operations	116,291	50,205	66,086	> 100
All Other	34,415	16,412	18,003	> 100
Total segment NOI	1,068,161	674,679	393,482	58.3
Interest and other income	1,217	484	733	> 100
Interest expense	(229,346)	(172,474)	(56,872)	(33.0)
Depreciation and amortization	(447,664)	(200,682)	(246,982)	(> 100)
General, administrative and professional fees	(74,537)	(49,830)	(24,707)	(49.6)
Loss on extinguishment of debt, net	(27,604)	(9,791)	(17,813)	(> 100)
Litigation proceeds, net	202,259	—	202,259	nm
Merger-related expenses and deal costs	(153,923)	(19,243)	(134,680)	(> 100)
Other	(7,270)	(272)	(6,998)	nm
Income before loss from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest	331,293	222,871	108,422	48.6
Loss from unconsolidated entities	(52)	(664)	612	92.2
Income tax benefit (expense)	30,660	(5,201)	35,861	> 100
Income from continuing operations	361,901	217,006	144,895	66.8
Discontinued operations	1,360	32,723	(31,363)	(95.8)
Net income	363,261	249,729	113,532	45.5
Net (loss) income attributable to noncontrolling interest, net of tax	(1,232)	3,562	(4,794)	(> 100)
Net income attributable to common stockholders	$364,493	$246,167	$118,326	48.1 %

nm—not meaningful

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Segment NOI—Triple-Net Leased Properties

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

	For the Year Ended December 31,		Increase (Decrease) to Income	
	2011	2010	$	%
	(Dollars in thousands)			
Segment NOI—Triple-Net Leased Properties:				
Rental income	$637,294	$453,592	$183,702	40.5 %
Other services revenue	2,217	—	2,217	nm
Segment NOI	$639,511	$453,592	$185,919	41.0 %

nm—not meaningful

Triple-net leased properties segment NOI increased in 2011 over the prior year primarily due to $179.2 million of rental income from the properties we acquired in connection with the NHP acquisition, $6.0 million of additional rent attributable to the annual contractual escalations in the rent paid under the Kindred Master Leases effective May 1, 2011, other services revenue directly attributable to the NHP acquisition ($2.2 million), and various rent increases at our other existing triple-net leased properties.

The following table compares results of continuing operations for our 373 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, 2010 through December 31, 2011.

	For the Year Ended December 31,		Increase (Decrease) to Income	
	2011	2010	$	%
	(Dollars in thousands)			
Same-Store Segment NOI—Triple-Net Leased Properties:				
Rental income	$463,026	$452,753	$10,273	2.3 %
Other services revenue	—	—	—	—
Segment NOI	$463,026	$452,753	$10,273	2.3 %

The year-over-year increase in same-store triple-net leased properties 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 results of continuing operations in our senior living operations reportable business segment:

	For the Year Ended December 31,		Increase (Decrease) to Income	
	2011	2010	$	%
	(Dollars in thousands)			
Segment NOI—Senior Living Operations:				
Total revenues	$868,095	$446,301	$421,794	94.5 %
Less:				
Property-level operating expenses	(590,151)	(291,831)	(298,320)	(> 100)
Segment NOI	$277,944	$154,470	$123,474	79.9 %

Our senior living operations segment revenues increased in 2011 over the prior year primarily due to the properties we acquired in connection with the ASLG acquisition and higher average unit occupancy rates and higher average monthly revenue per occupied room.

Property-level operating expenses related to our senior living operations segment increased in 2011 over the prior year primarily due to the properties we acquired in connection with the ASLG acquisition and the receipt of a $5 million cash payment from Sunrise in 2010 for expense overages.

The following table compares results of continuing operations for our 79 same-store stabilized senior living operating communities. For purposes of this table, we define same-store stabilized communities as communities that we owned and classified as stable for the entire period from January 1, 2010 through December 31, 2011.

	For the Year Ended December 31,		Increase (Decrease) to Income	
	2011	2010	$	%
	(Dollars in thousands)			
Same-Store Stabilized Segment NOI—Senior Living Operations:				
Total revenues	$453,180	$432,846	$20,334	4.7 %
Less:				
Property-level operating expenses	(300,723)	(282,907)	(17,816)	(6.3)
Segment NOI	$152,457	$149,939	$2,518	1.7 %

Same-store stabilized senior living operations NOI increased in 2011 over the prior year primarily due to higher average monthly revenue per occupied room and the temporary reduction in management fees with respect to the Original Sunrise-Managed Communities in 2011, partially offset by the receipt of a $5 million cash payment from Sunrise in 2010 for expense overages.

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 operations segment for the years ended December 31, 2011 and 2010:

	Number of Properties at December 31,		Average Unit Occupancy for the Year Ended December 31,		Average Monthly Revenue Per Occupied Room for the Year Ended December 31,	
	2011	2010	2011	2010	2011	2010
Stabilized communities	189	81	88.1 %	87.3 %	$5,463	$6,449
Non-stabilized communities	9	1	73.9	59.5	4,745	2,998
Total	198	82	87.5	87.1	5,434	6,430
Same-store stabilized communities	79	79	87.6	87.6	6,820	6,514

Segment NOI—MOB Operations

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

	For the Year Ended December 31,		Increase (Decrease) to Income	
	2011	2010	$	%
	(Dollars in thousands)			
Segment NOI—MOB Operations:				
Rental income	$166,161	$69,747	$96,414	> 100 %
Medical office building services revenue	34,254	14,098	20,156	> 100
Total revenues	200,415	83,845	116,570	> 100
Less:				
Property-level operating expenses	(57,042)	(24,122)	(32,920)	(> 100)
Medical office building services costs	(27,082)	(9,518)	(17,564)	(> 100)
Segment NOI	$116,291	$50,205	$66,086	> 100 %

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MOB operations segment revenues and property-level operating expenses increased in 2011 over the prior year primarily due to the MOBs we acquired in connection with the NHP acquisition ($68.6 million) and a full year of activity related to the MOBs we acquired in connection with the Lillibridge acquisition.

Medical office building services revenue and costs, which are a direct result of our Lillibridge acquisition in July 2010, both increased in 2011 over the prior year due primarily to a full year of operations in 2011 and a full year of construction activity during 2011 compared to 2010.

The following table compares results of continuing operations for our 24 same-store stabilized MOBs. 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, 2010 through December 31, 2011.

	For the Year Ended December 31,		Increase (Decrease) to Income	
	2011	2010	$	%
	(Dollars in thousands)			
Same-Store Stabilized Segment NOI—MOB Operations:				
Rental income	$45,629	$45,252	$377	0.8 %
Property-level operating expenses	(15,138)	(14,966)	(172)	(1.1)
Segment NOI	$30,491	$30,286	$205	0.7 %

The following table sets forth occupancy rates and the annualized average rent per occupied square foot related to continuing operations in our MOB operations segment at and for the years ended December 31, 2011 and 2010:

	Number of Properties at December 31,		Occupancy at December 31,		Annualized Average Rent Per Occupied Square Foot for the Year Ended December 31,	
	2011	2010	2011	2010	2011	2010
Stabilized MOBs	173	63	92.5 %	95.0 %	$29	$28
Non-stabilized MOBs	12	6	73.9	73.8	35	29
Total	185	69	90.2	91.6	29	28
Same-store stabilized MOBs	24	24	94.0	95.3	31	30

Segment NOI—All Other

All other NOI consists solely of income from loans and investments. Income from loans and investments increased in 2011 over the prior year primarily due to income on the loans receivable portfolio we acquired in connection with the NHP acquisition, gains from the sale of marketable debt securities and additional investments we made in loans receivable during 2011 and 2010, partially offset by decreased interest income related to loans receivable repayments we received during 2011.

Interest Expense

The $62.1 million increase in total interest expense, including interest allocated to discontinued operations of $12.7 million and $7.4 million for the years ended December 31, 2011 and 2010, respectively, is due primarily to a $117.6 million increase in interest due to higher debt balances and $7.7 million of interest related to the capital leases we assumed in connection with our 2011 acquisitions, partially offset by a $65.1 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 4.9% for 2011, compared to 6.4% for 2010. A decrease in the average Canadian dollar exchange rate had an unfavorable impact on interest expense of $0.2 million in 2011, compared to 2010.

Depreciation and Amortization

Depreciation and amortization expense increased in 2011 over the prior year primarily due to the NHP and ALSG acquisitions and other properties we acquired in 2011.

General, Administrative and Professional Fees

General, administrative and professional fees increased in 2011 over the prior year due primarily to our continued organizational growth.

Loss on Extinguishment of Debt, Net

The loss on extinguishment of debt, net in 2011 relates primarily to our early repayment of $307.2 million principal amount of existing mortgage debt in February 2011, our redemption of $200.0 million principal amount of our 6½% senior notes due 2016 in July 2011 and termination of our previous unsecured revolving credit facilities in October 2011. The loss on extinguishment of debt, net in 2010 relates primarily to our redemption of all $142.7 million principal amount then outstanding of our 7$^{1}/_{8}$% senior notes due 2015 in June 2010, our redemption of all $71.7 million principal amount then outstanding of our 6$^{5}/_{8}$% senior notes due 2014 in October 2010 and various mortgage debt repayments in December 2010.

Litigation Proceeds, Net

Litigation proceeds, net in 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, and the receipt of an additional $125 million from HCP in final settlement of our outstanding lawsuit against HCP, net of certain fees and expenses, the contingent fee for our outside legal counsel and donations to the Ventas Charitable Foundation. No similar events occurred during 2010.

Merger-Related Expenses and Deal Costs

Merger-related expenses and deal costs in both years consist of expenses relating to our favorable litigation against HCP and subsequent cross-appeals, which were fully concluded in November 2011, 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 Lillibridge, ASLG and NHP acquisitions.

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.

Loss from Unconsolidated Entities

Loss from unconsolidated entities in 2011 and 2010 relates to our interests in joint ventures we acquired in connection with the NHP and Lillibridge acquisitions. As of December 31, 2011, we had ownership interests ranging between 5% and 25% in joint ventures with respect to 58 MOBs, 20 seniors housing communities and 14 skilled nursing facilities. As of December 31, 2010, we had ownership interests ranging between 5% and 20% in joint ventures with respect to 58 MOBs.

Income Tax Benefit/Expense

We recorded an income tax benefit for 2011 due primarily to the reversal of certain income tax contingency reserves, including interest, related to our 2007 U.S. federal income tax returns, and ordinary losses (due in part to the reversal of acquisition deferred tax liabilities) related to our TRS entities. Income tax expense for 2010 represents amounts related to our taxable REIT subsidiaries as a result of the Sunrise REIT acquisition.

Discontinued Operations

Discontinued operations for 2011 reflects activity related to 65 properties, four of which were sold during 2011 with no resulting gain or loss. Discontinued operations for 2010 reflects activity related to 26 properties, seven of which were sold during 2010 resulting in a $17.3 million gain, and a $7.9 million previously deferred gain recognized in the fourth quarter of 2010 upon repayment of a note to the buyer.

Net Loss/Income Attributable to Noncontrolling Interest

Net loss attributable to noncontrolling interest for 2011 represents our partners' joint venture interests in 28 properties. Net income attributable to noncontrolling interest, net of tax for 2010 represents Sunrise's share of net income from its previous ownership interests in 60 of our seniors housing communities, which we acquired during 2010, and our partner's joint venture interests in six MOBs.

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 use in evaluating our operating performance and that we consider most useful to investors, as well as reconciliations of these measures to the most directly comparable GAAP financial measures.

The non-GAAP financial measures we present in this Annual Report on Form 10-K may not be 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 Annual Report on Form 10-K.

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. However, since real estate values historically have risen or fallen with market conditions, many industry investors deem 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 to be appropriate measures of operating performance of an equity REIT. We also 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. In some cases, we provide information about identified non-cash components of FFO and normalized FFO because it investors, allows analysts and our management to assess the impact of those items.

We use the National Association of Real Estate Investment Trusts (“NAREIT”) definition of FFO. NAREIT defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of real estate property, including gain on re-measurement of equity method investments, 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) net gains on real estate activity; (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 unannounced 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 each of the five years ended December 31, 2012 are summarized in the following table. Our FFO for the year ended December 31, 2012 increased over the prior year primarily due to our $2.7 billion of gross investments in 2012, including our acquisitions of Cogdell and the Sunrise-Managed 16 Communities, and the full year benefit of our 2011 acquisitions, including NHP and ASLG. Additionally, we benefited from excellent performance in our senior living operations reportable business segment, rental increases from our triple-net lease portfolio and lower weighted average interest rates. These benefits were partially offset by our receipt of $202.3 million of net litigation proceeds in 2011 related to our lawsuit against HCP, increases in general and administrative expenses (including stock-based compensation), higher debt balances, a scheduled increase in the management fees with respect to the Original Sunrise-Managed Communities, and asset sales and loan repayments during 2011 and 2012.

	For the Year Ended December 31,				
	2012	2011	2010	2009	2008
	(In thousands)				
Net income attributable to common stockholders	$362,800	$364,493	$246,167	$266,495	$222,603
Adjustments:					
Real estate depreciation and amortization	721,558	445,237	199,048	193,530	225,811
Real estate depreciation related to noncontrolling interest	(8,503)	(3,471)	(6,217)	(6,349)	(8,484)
Real estate depreciation related to unconsolidated entities	7,516	6,552	2,367	—	—
Gain on re-measurement of equity interest upon acquisition, net	(16,645)	—	—	—	—
Discontinued operations:					
Gain on real estate dispositions, net	(80,952)	—	(25,241)	(67,305)	(39,026)
Depreciation on real estate assets	38,793	12,040	5,382	7,038	11,453
FFO	1,024,567	824,851	421,506	393,409	412,357
Adjustments:					
Litigation proceeds, net	—	(202,259)	—	—	—
Change in fair value of financial instruments	99	2,959	—	—	—
Reversal of contingent liability	—	—	—	—	(23,328)
Provision for loan losses	—	—	—	—	5,994
Income tax (benefit) expense	(6,286)	(31,137)	2,930	(3,459)	(17,616)
Loss (gain) on extinguishment of debt, net	37,640	27,604	9,791	6,080	(2,398)
Merger-related expenses and deal costs	63,183	153,923	19,243	13,015	4,460
Amortization of other intangibles	1,022	1,022	511	—	—
Normalized FFO	$1,120,225	$776,963	$453,981	$409,045	$379,469

Adjusted EBITDA

We consider Adjusted EBITDA to be an important supplemental measure to net income because it provides additional information with which to evaluate the performance of our operations and serves as another indication of our ability to service debt. We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization (including non-cash stock-based compensation expense), excluding net loss on extinguishment of debt, net litigation proceeds, merger-related expenses and deal costs, net gains 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 years ended December 31, 2012, 2011 and 2010:

	For the Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
Net income	$361,775	$363,261	$249,729
Adjustments:			
Interest (including amounts in discontinued operations)	302,031	242,057	179,918
Loss on extinguishment of debt, net	37,640	27,604	9,791
Taxes (including amounts in general, administrative and professional fees) (including amounts in discontinued operations)	(2,627)	(29,136)	6,280
Depreciation and amortization (including amounts in discontinued operations)	764,774	459,704	206,064
Non-cash stock-based compensation expense	20,784	19,346	14,078
Merger-related expenses and deal costs	63,183	153,923	19,243
Gain on real estate dispositions, net	(80,952)	—	(25,241)
Litigation proceeds, net	—	(202,259)	—
Changes in fair value of financial instruments	99	2,959	—
Gain on re-measurement of equity interest upon acquisition, net	(16,645)	—	—
Adjusted EBITDA	$1,450,062	$1,037,459	$659,862

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NOI

We also 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). Cash receipts may differ due to straight-line recognition of certain rental income and the application of other GAAP policies. The following is a reconciliation of NOI to net income (including amounts in discontinued operations) for the years ended December 31, 2012, 2011 and 2010:

	For the Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
Net income	$361,775	$363,261	$249,729
Adjustments:			
Interest and other income (including amounts in discontinued operations)	(6,158)	(1,217)	(1,209)
Interest (including amounts in discontinued operations)	302,031	242,057	179,918
Depreciation and amortization (including amounts in discontinued operations)	764,774	459,704	206,064
General, administrative and professional fees (including amounts in discontinued operations)	98,813	74,537	49,830
Loss on extinguishment of debt, net	37,640	27,604	9,791
Litigation proceeds, net	—	(202,259)	—
Merger-related expenses and deal costs	63,183	153,923	19,243
Other (including amounts in discontinued operations)	8,842	8,653	272
(Income) loss from unconsolidated entities	(18,154)	52	664
Income tax (benefit) expense (including amounts in discontinued operations)	(6,286)	(31,137)	5,201
Gain on real estate dispositions, net	(80,952)	—	(25,241)
NOI (including amounts in discontinued operations)	1,525,508	1,095,178	694,262
Discontinued operations	(20,540)	(27,017)	(19,583)
NOI (excluding amounts in discontinued operations)	$1,504,968	$1,068,161	$674,679

Asset/Liability Management

Asset/liability management is a key element of our overall risk management program. The objective of our asset/liability management process, which focuses on various risks such as market risk (primarily interest rate risk and foreign currency exchange risk) and credit risk, is to support the achievement of our business strategy, while maintaining appropriate risk levels. Effective management of these risks is an important determinant of the absolute levels and variability of our FFO and net worth. The following discussion addresses our integrated management of assets and liabilities, including the use of derivative financial instruments.

Market Risk

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

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

	As of December 31,		
	2012	2011	2010
	(Dollars in thousands)		
Balance:			
Fixed rate:			
Senior notes and other	$4,079,643	$2,460,026	$1,537,433
Mortgage loans and other(1)	2,442,652	2,357,268	1,234,263
Variable rate:			
Unsecured revolving credit facilities	540,727	455,578	40,000
Unsecured term loans	685,336	501,875	—
Mortgage loans(1)	437,957	405,696	115,258
Total	$8,186,315	$6,180,443	$2,926,954
Percent of total debt:			
Fixed rate:			
Senior notes and other	49.8 %	39.8 %	52.5 %
Mortgage loans and other(1)	29.8	38.1	42.2
Variable rate:			
Unsecured revolving credit facilities	6.6	7.4	1.4
Unsecured term loans	8.4	8.1	—
Mortgage loans(1)	5.4	6.6	3.9
Total	100.0 %	100.0 %	100.0 %
Weighted average interest rate at end of period:			
Fixed rate:			
Senior notes and other	4.0 %	5.3 %	5.1 %
Mortgage loans and other(1)	6.1	6.1	6.2
Variable rate:			
Unsecured revolving credit facilities	1.5	1.4	3.1
Unsecured term loans	1.6	1.8	N/A
Mortgage loans(1)	1.9	2.0	1.5
Total	4.1	4.8	5.4

(1) The amounts presented above exclude debt related to real estate assets classified as held for sale as of December 31, 2012 and 2011. The total mortgage debt for these properties as of December 31, 2012 and 2011 was $23.2 million and $14.6 million, respectively.

The variable rate debt in the table above reflects, in part, the effect of (i) $167.3 million notional amount of interest rate swaps that matured on February 1, 2013 and (ii) $61.4 million notional amount of interest rate swaps with maturities ranging from March 2, 2015 to April 1, 2019, in each case that effectively convert variable rate debt to fixed rate debt. The increase in our outstanding variable rate debt at December 31, 2012 compared to December 31, 2011 is primarily attributable to additional borrowings under our unsecured revolving credit facility and our unsecured term loans. 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 December 31, 2012, our tenant is required to pay us additional rent (on a dollar-for-dollar basis) in an amount equal to the increase in interest expense resulting from the increased interest rates. Therefore, the increase in interest expense related to this debt is equally offset by an increase in additional rent due to us from the tenant. Assuming a 100 basis point increase in the weighted average interest rate related to our variable rate debt (excluding debt related to real estate assets classified as held for sale at December 31, 2012), and assuming no change in our variable rate debt outstanding as of December 31, 2012, interest expense for 2013 would increase, and our net income would decrease, by approximately $16.4 million, or $0.06 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 December 31, 2012 and 2011, our joint venture and operating partners' aggregate share of total debt was $174.7 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 $92.8 million and $131.5 million as of December 31, 2012 and 2011, respectively. The decrease in debt related to investments in unconsolidated entities is the result of our August 2012 acquisition of the controlling interests in 36 MOBs.

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 until we elect to prepay and refinance such obligations. 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 December 31, 2012 and 2011:

	As of December 31,	
	2012	2011
	(In thousands)	
Gross book value	$6,522,295	$4,984,743
Fair value(1)	6,936,849	5,439,222
Fair value reflecting change in interest rates:(1)		
-100 BPS	7,164,166	5,401,585
+100 BPS	6,559,949	4,963,413

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

As of December 31, 2012, the fair value of our secured and unsecured loans receivable, based on our estimates of currently prevailing interest rates for comparable loans, was $701.9 million. See "Note 6—Loans Receivable" and "Note 11—Fair Values of Financial Instruments" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

We are subject to fluctuations in U.S. and Canadian currency 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 12 seniors housing communities in Canada. Based solely on our 2012 results, 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 per year. 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 assure you that any such fluctuations will not have a material adverse effect on our business, financial condition, results of operations or liquidity, our ability to service our indebtedness or our ability to make distributions to our stockholders, as required for us to continue to qualify as a REIT (a "Material Adverse Effect").

In the future, we may engage in hedging strategies to manage our exposure to market risk, 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.

Concentration and Credit 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 concentrated 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, operator or manager, geographic location or business model. The following tables reflect our concentration risk as of the dates and for the periods presented:

	As of December 31, 2012		2011	
Investment mix by asset type(1):				
Seniors housing communities	61.2	%	66.7	%
Skilled nursing and other facilities	14.8		16.5	
MOBs	18.6		13.1	
Hospitals	2.3		2.6	
Loans receivable, net	3.1		1.1	
Investment mix by tenant, operator and manager(1):				
Atria	17.8	%	19.0	%
Sunrise	14.8		14.4	
Brookdale Senior Living	10.4		13.0	
Kindred	4.4		5.0	
All other	52.6		48.6	

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

	For the Year Ended December 31,		
	2012	2011	2010
Operations mix by tenant and operator and business model:			
Revenues (1):			
Senior living operations (2)	49.6 %	49.8 %	44.6 %
Kindred	10.5	14.5	24.7
Brookdale Senior Living	6.4	7.7	10.9
All others	33.5	28.0	19.8
Adjusted EBITDA (3):			
Senior living operations (2)	26.0 %	26.0 %	22.7 %
Kindred	16.1	21.9	34.6
Brookdale Senior Living	10.9	13.0	17.0
All others	47.0	39.1	25.7
NOI (4):			
Senior living operations (2)	25.7 %	26.0 %	22.9 %
Kindred	17.4	23.7	36.6
Brookdale Senior Living	10.5	12.5	16.2
All others	46.4	37.8	24.3
Operations mix by geographic location (5):			
California	14.0 %	13.9 %	12.2 %
New York	9.9	8.8	3.5
Texas	6.0	5.0	2.6
Illinois	5.0	6.5	10.4
Massachusetts	4.6	5.0	5.1
All others	60.5	60.8	66.2

(1) Total revenues include medical office building and other services revenue, revenue from loans and investments and interest and other income (excluding amounts in discontinued operations).
(2) Amounts relate to the actual period of ownership and do not necessarily reflect a full year.
(3) Includes amounts in discontinued operations.
(4) Excludes amounts in discontinued operations.
(5) Ratios are based on total revenues for each period presented (excluding amounts in discontinued operations).

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

We derive a significant portion of our revenue by leasing certain of our assets under long-term triple-net leases in which the rental rate is generally fixed with annual escalators, subject to certain limitations. Some of our triple-net lease escalators are tied to the Consumer Price Index ("CPI"), with caps, floors or collars. We also earn revenue from individual residents at our seniors housing communities managed by independent operators, such as Atria and Sunrise, and tenants in our MOBs. For the year ended December 31, 2012, 40.5% of our Adjusted EBITDA (including amounts in discontinued operations) was derived from our senior living operations and MOB operations, for which rental rates may fluctuate more frequently upon lease rollovers and renewals due to economic or market conditions.

Our reliance on Kindred and Brookdale Senior Living for a significant portion of our total revenues and NOI creates credit risk. 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. We cannot assure you 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 us. In addition, any

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failure by either Kindred or Brookdale Senior Living to effectively conduct its operations or to maintain and improve our properties could adversely affect its business reputation or its ability to attract and retain patients and residents in our properties, which could have an indirect Material Adverse Effect on us. See “Risk Factors—Risks Arising from Our Business—We depend on Kindred and Brookdale Senior Living for a significant portion of our revenues and operating income; Any inability or unwillingness by Kindred or Brookdale Senior Living to satisfy its obligations under its agreements with us could have a Material Adverse Effect on us” included in Part I, Item 1A of this Annual Report on Form 10-K and “Note 3—Concentration of Credit Risk” of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

We regularly monitor the relative credit risk of our significant tenants, and changes therein, particularly when those tenants have recourse obligations under their triple-net leases. The ratios and metrics we use to evaluate a significant tenant’s liquidity and creditworthiness depend on facts and circumstances specific to that tenant and the industry or industries in which it operates, including without limitation the tenant’s credit history and economic conditions related to the tenant, its operations and the markets in which the tenant operates, that may vary over time. Among other things, we may (i) review and analyze information regarding the real estate, seniors housing and healthcare industries generally, publicly available information regarding the significant tenant, and information required to be provided by the tenant under the terms of its lease agreements with us, (ii) examine monthly and/or quarterly financial statements of the significant tenant to the extent publicly available or otherwise provided under the terms of our lease agreements, and (iii) participate in periodic discussions and in-person meetings with representatives of the significant tenant. From this data, we endeavor to calculate multiple financial ratios (which may, but do not necessarily, include net debt to EBITDAR or EBITDARM, fixed charge coverage and tangible net worth), after making certain adjustments based on our judgment, and to assess other metrics we deem relevant to an understanding of the significant tenant’s credit risk.

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 of our management agreements. Although we have various rights as the property owner under our management agreements, including various rights to terminate and exercise remedies under the agreements that may relate to all properties or a specific property or group of properties as provided therein, 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 businesses and affairs or financial condition could have a Material Adverse Effect on us. See “Risk Factors—Risks Arising from Our Business—The properties managed by Atria and Sunrise account for a significant portion of our revenues and operating income; Although Atria and Sunrise are managers, not tenants, of our properties, adverse developments in their businesses and affairs or financial condition could have a Material Adverse Effect on us” and “—We have rights to terminate our management agreements with Atria and Sunrise in whole or with respect to specific properties under certain circumstances, and we may be unable to replace Atria or Sunrise if our management agreements are terminated or not renewed” included in Part I, Item 1A of this Annual Report on Form 10-K.

In December 2012, we acquired a 34% ownership interest in Atria through the acquisition of the Funds previously managed by LFREI. As a result, we obtained certain rights and minority protections regarding material transactions affecting Atria, as well as the right to appoint two directors to the Atria Board of Directors.

In August 2012, Sunrise announced that it had agreed to be acquired by Health Care REIT, Inc. (“Health Care REIT”). In connection with this announcement, Sunrise effected an internal reorganization to separate its subsidiaries that operate and manage seniors housing communities (collectively, the “Sunrise management business”) from its real estate assets and its equity interests in subsidiaries and joint ventures that hold real estate assets (collectively, the “Sunrise real estate”). In January 2013, the Sunrise management business was sold to a partnership comprised of three private equity firms and Health Care REIT, and the Sunrise real estate was acquired by Health Care REIT.

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 year ended December 31, 2012, we had no triple-net lease renewals or expirations without renewal that had a material effect on our financial condition or our results of operations for that period. The following table summarizes our triple-net lease expirations currently scheduled to occur over the next ten years (excluding leases related to assets classified as held for sale as of December 31, 2012):

	Number of Properties	2012 Annual Rental Income	% of 2012 Total Triple-Net Rental Income	
	(Dollars in thousands)			
2013	72	$69,158	8.3	%
2014	16	19,670	2.4	
2015	150	163,850	19.7	
2016	24	22,112	2.7	
2017	47	23,573	2.8	
2018	33	51,819	6.2	
2019	88	135,950	16.4	
2020	105	87,061	10.5	
2021	77	63,940	7.7	
2022	68	56,555	6.8	

The non-renewal of some or all of our triple-net leases could have a Material Adverse Effect on us. See “Risk Factors—Risks Arising from Our Business—If we must replace any of our tenants or operators, we might be unable to reposition the properties on as favorable terms, or at all, and we could be subject to delays, limitations and expenses, which could have a Material Adverse Effect on us” included in Part I, Item IA of this Annual Report on Form 10-K.

As of December 31, 2012, we leased 196 properties to Kindred pursuant to four original Kindred Master Leases, with the properties grouped into bundles or renewal groups (each, a “renewal group”) containing a varying number of properties. Each renewal group is diversified by geography and contains at least one long-term acute care hospital. Under the four original Kindred Master Leases, the properties within a single renewal group have the same primary lease term of ten to 15 years (which commenced 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 lease terms for ten renewal groups under the four original Kindred Master Leases covering a total of 89 properties have an April 30, 2013 expiration date. We have entered into lease renewals, new leases or sale contracts for all 89 properties whose lease term expires on April 30, 2013. We expect 2013 cash revenue and NOI from these 89 properties (including yield on reinvested sale proceeds from the five properties for sale) to be $125 million, compared to 2012 rent for all 89 properties of $125 million.

Of these 89 properties, Kindred will remain the tenant in 35 properties for estimated aggregate annual base rent commencing on May 1, 2013 of $76.1 million, including escalations. Specifically, Kindred irrevocably renewed for a five-year term three renewal groups covering a total of 25 properties, and we entered into a fifth Kindred Master Lease with respect to ten long-term acute care hospitals. The New Kindred Master Lease has an initial term expiring on April 30, 2023 and is subject to three successive five-year, “all or nothing” renewal options at Kindred’s option.

With respect to the remaining 54 skilled nursing facilities whose lease term expires on April 30, 2013 (the “Marketed Assets”), 49 Marketed Assets have been leased pursuant to new long-term triple-net leases (the “New Leases”) with seven qualified healthcare operators (the “New Tenants”), and we have entered into definitive agreements to sell five Marketed Assets. The New Leases have an average weighted initial lease term of over 11 years.

Six of the Marketed Assets transitioned to New Tenants on February 1, 2013. 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 current lease term, including without limitation, payment of all rental amounts. Moreover, we own or have the

rights to all licenses and CONs at the properties, and Kindred has extensive and detailed obligations to cooperate and ensure an orderly transition of the

properties to another operator.
Although leases and sale contracts have been executed and we expect the remaining transitions and sales to be completed or occur in the first half of 2013, these transitions and sales remain subject to customary closing conditions, including licensure and regulatory approval. Accordingly, we cannot assure you as to whether or when the transitions or sales of the remaining Marketed Assets will be completed, if at all, or upon what terms. Our ability to transition or sell the Marketed Assets could be significantly delayed or limited by state licensing, CON 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, if any transition or sale has not occurred by May 1, 2013, Kindred has certain obligations to continue operating the properties on modified terms for a limited period, but we may be required to fund certain expenses and obligations (e.g., real estate taxes, insurance and maintenance expenses or general operating expenses) related to the applicable properties after May 1, 2013.
The current lease term for ten renewal groups covering another 108 properties leased to Kindred pursuant to the original four Kindred Master Leases will expire on April 30, 2015 (the “2015 Assets”), subject to two successive five-year renewal options for those properties exercisable by Kindred. Kindred has from November 1, 2013 until April 30, 2014 to provide us with renewal notices with respect to those properties. Therefore, as to any renewal group for which we do not receive a renewal notice, we will have at least one year to arrange for the repositioning of the applicable properties with new operators. Regardless of whether Kindred renews any of the renewal groups, Kindred is obligated to continue to perform all of its obligations under the applicable Master Leases with respect to the 2015 Assets, including the payment of full rent, through April 30, 2015.

All ten renewal groups whose current lease term expires on April 30, 2015 will be, upon renewal, in the second five-year renewal period and, therefore, we have a unilateral bundle-by-bundle option to initiate a fair market rental reset process on any renewal group for which Kindred delivers a renewal notice. If we elect to initiate the fair market rental reset process for any renewal group, the renewal rent will be the higher of contract rent and fair market rent determined by an appraisal process set forth in the applicable Kindred Master Lease. In certain cases following our initiation of a fair market rental reset process with respect to a renewal group, Kindred may have the right to revoke its renewal of that particular renewal group.
We cannot assure you that Kindred will elect to renew any or all of the renewal groups for the 2015 Assets or that we will be able to reposition any or all non-renewed assets on a timely basis or on the same or better economic terms, if at all. In addition, the determination of market rent, whether on re-leasing or under the reset process, is dependent on and may be influenced by a variety of factors and is highly speculative, and we cannot assure you as to what the market rent may be for any of the 2015 Assets. See “Risk Factors—Risks Arising from Our Business—If we must replace any of our tenants or operators, we might be unable to reposition the properties on as favorable terms, or at all, and we could be subject to delays, limitations and expenses, which could have a Material Adverse Effect on us” included in Item 1A of this Annual Report on Form 10-K.

The aggregate annual rent we receive under each Kindred Master Lease is referred to as “base rent.” Base rent escalates on May 1 of each year at a specified rate over the prior period base rent, with base rent escalation under the four original Kindred Master Leases contingent upon the satisfaction of specified facility revenue parameters. The annual rent escalator under three Kindred Master Leases is 2.7%, and the annual rent escalator under the other two Kindred Master Leases is based on year-over-year changes in CPI, subject to floors and caps.

Assuming that all of the Marketed Assets are sold or transitioned on or prior to May 1, 2013 and assuming the applicable facility revenue parameters are met, and regardless of whether Kindred provides renewal notices with respect to any or all of the 2015 Assets, we currently expect that approximately $216 million of aggregate base rent will be due under the five Kindred Master Leases for the period from May 1, 2013 through April 30, 2014. See “Note 3—Concentration of Credit Risk” of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Liquidity and Capital Resources

As of December 31, 2012, we had a total of $67.9 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 December 31,

2012, we also had escrow deposits and restricted cash of $105.9 million and $1.5 billion of unused borrowing capacity available under our unsecured revolving credit facility.

During 2012, our principal sources of liquidity were proceeds from the issuance of debt and equity securities, cash flows from operations, borrowings under our unsecured revolving credit facilities and term loans, proceeds from repayments of our

loans receivable and marketable securities portfolios, proceeds from sales of real estate assets, assumption of mortgage debt and cash on hand. In addition to working capital and general corporate purposes, our principal uses of liquidity during 2012 were to fund $2.7 billion of investments, including deal costs, repay $1.2 billion of debt and fund $728.5 million of common stock dividends.

During 2013, our principal liquidity needs are to: (i) fund normal operating expenses; (ii) meet our debt service requirements; (iii) repay maturing mortgage and other debt, including $270.0 million aggregate principal amount of our 6.25% senior notes due 2013; (iv) fund capital expenditures primarily for our senior living operations and our 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 real estate assets and borrowings under our unsecured revolving credit facility. However, if any of these sources of liquidity 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 capital through debt assumptions and financings (including secured financings), dispositions of assets (in whole or in part through joint venture arrangements with third parties) and the issuance of secured or unsecured long-term debt or other securities, or any combination thereof. See "Risk Factors—Risks Arising from Our Capital Structure—Limitations on our ability to access capital could have an adverse effect on our ability to make required payments on our debt obligations, make distributions to our stockholders or make future investments necessary to implement our business strategy" included in Part I, Item 1A of this Annual Report on Form 10-K.

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 equal to a reference rate (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 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 December 31, 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 in October 2015, but may be extended for an additional period of one year at our option, subject to the satisfaction of certain conditions.

As of December 31, 2012, we also had $500.0 million of borrowings outstanding under an unsecured term loan facility with a weighted average maturity of 4.5 years. Borrowings under the term loan facility bear interest at the applicable LIBOR plus a spread based on our senior unsecured long-term debt ratings (125 basis points at December 31, 2012). The term loan facility is comprised of a three-year tranche and a five-year tranche and contains an accordion feature that permits us to increase our aggregate borrowing capacity thereunder to up to $900.0 million, subject to the satisfaction of certain conditions.

In August 2012, we prepaid in full our $200.0 million unsecured term loan that was scheduled to mature in September 2013. The term loan was non-amortizing and bore interest at an all-in fixed rate of 4% per annum. In October 2012, we entered into a new $180.0 million unsecured term loan that matures in January 2018. Borrowings under the new term loan bear interest at the applicable LIBOR plus a spread based on our senior unsecured long-term debt ratings (120 basis points at December 31, 2012).

The agreements governing our unsecured revolving credit facility and each of our unsecured term loans require us to comply with various financial and other restrictive covenants. See "Note 10—Borrowing Arrangements" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K. We were in compliance with all of these covenants at December 31, 2012.

Senior Notes

As of December 31, 2012, we had $3.5 billion aggregate principal amount of senior notes issued by our subsidiaries, Ventas Realty, Limited Partnership and Ventas Capital Corporation (collectively, the “Ventas Issuers”), outstanding as follows:

- $400.0 million principal amount of 3.125% senior notes due 2015;
- $700.0 million principal amount of 2.00% senior notes due 2018;
- $600.0 million principal amount of 4.00% senior notes due 2019;

- $700.0 million principal amount of 4.750% senior notes due 2021;
- $600.0 million principal amount of 4.25% senior notes due 2022; and
- $500.0 million principal amount of 3.25% senior notes due 2022.

In addition, as of December 31, 2012, we had approximately $580 million aggregate principal amount of senior notes of our subsidiary, Nationwide Health Properties, LLC ("NHP LLC"), as successor to NHP, outstanding as follows:

- $270.0 million principal amount of 6.25% senior notes due 2013 (repaid in full, at par, upon maturity in February 2013);
- $234.4 million principal amount of 6% senior notes due 2015;
- $52.4 million principal amount of 6.90% senior notes due 2037 (subject to earlier repayment at the option of the holder); and
- $23.0 million principal amount of 6.59% senior notes due 2038 (subject to earlier repayment at the option of the holder).

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 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 August 2012, we initially issued and sold $275.0 million aggregate principal amount of 3.25% senior notes due 2022 ("2022 notes"), at a public offering price equal to 99.027% of par, for total proceeds of $272.3 million before the underwriting discount and expenses. In December 2012, we issued and sold an additional $225.0 million principal amount of 2022 notes, at a public offering price equal to 98.509% of par, for total proceeds of $221.6 million before the underwriting discount and expenses.

Also in December 2012, we issued and sold $700.0 million aggregate principal amount of 2.00% senior notes due 2018, at a public offering price equal to 99.739% of par, for total proceeds of $698.2 million before the underwriting discount and expenses.

During 2012, we repaid in full, at par, $155.4 million aggregate principal amount then outstanding of our 9% senior notes due 2012 and our 8.25% senior notes due 2012 upon maturity, and we redeemed (i) all $225.0 million principal amount then outstanding of our 6¾% senior notes due 2017 at a redemption price equal to 103.375% of par, plus accrued and unpaid interest to the redemption date, and (ii) all $200.0 million principal amount then outstanding of our 6½% senior notes due 2016 at a redemption price equal to 103.25% of par, plus accrued and unpaid interest to the redemption date, in each case pursuant to the terms of the applicable indenture governing the notes. As a result of these redemptions, we recognized a total loss on extinguishment of debt of $39.7 million.

In May 2011, we issued and sold $700.0 million aggregate principal amount of 4.750% senior notes due 2021, at a public offering price equal to 99.132% of par, for total proceeds of $693.9 million before the underwriting discount and expenses.

During 2011, we repaid in full, at par, $339.0 million principal amount then outstanding of our 6.50% senior notes due 2011 upon maturity, and we redeemed $200.0 million principal amount outstanding of our 6½% 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 terms of the indenture governing the notes. As a result of this redemption, we recognized a loss on extinguishment of debt of $8.7 million during 2011.

We may, from time to time, seek to retire or purchase additional amounts of our outstanding senior notes for cash or in exchange for equity securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions, prospects for future access to capital and other factors. The amounts involved may be material.

The indentures governing our outstanding senior notes require us to comply with various financial and other restrictive covenants. See "Note 10—Borrowing Arrangements" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K. We were in compliance with all of these covenants at December 31, 2012.

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Mortgage Loan Obligations

As of December 31, 2012 and 2011, our consolidated aggregate principal amount of mortgage debt outstanding was $2.9 billion and $2.8 billion, respectively, of which $2.7 billion was our share.

During 2012, we assumed mortgage debt of $380.3 million in connection with our $2.7 billion of gross investments, and we repaid in full mortgage loans outstanding in the aggregate principal amount of $344.2 million and recognized a gain on extinguishment of debt of $2.1 million in connection with these repayments.

During 2011, we assumed mortgage debt of $1.6 billion, including $1.2 billion and $442 million, respectively, in connection with the ASLG and NHP acquisitions, and we repaid in full mortgage loans outstanding in the aggregate principal amount of $307.2 million and recognized a loss on extinguishment of debt of $16.5 million in connection with these repayments. See "Note 4—Acquisitions of Real Estate Property" and "Note 10—Borrowing Arrangements" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Dividends

In order to continue to qualify as a REIT, we must make annual distributions to our stockholders of at least 90% of our REIT taxable income (excluding net capital gain). In 2012, our Board of Directors declared and we paid cash dividends on our common stock aggregating $2.48 per share, which exceeds 100% of our 2012 estimated taxable income after the use of any net operating loss carryforwards. We also intend to pay dividends greater than 100% of our taxable income, after the use of any net operating loss carryforwards, for 2013. On February 13, 2013, our Board of Directors declared the first quarter 2013 dividend of $0.67 per share, payable in cash on March 28, 2013 to holders of record on March 8, 2013.

We expect that our REIT taxable income will be less than our cash flows due to the allowance of depreciation and other non-cash deductions in computing REIT taxable income. Although we expect to be able to satisfy the 90% distribution requirement, from time to time, we may not have sufficient cash on hand or other liquid assets to meet this requirement or we may decide to retain cash or distribute such greater amount as may be necessary to avoid income and excise taxation. If we do not have sufficient cash on hand or other liquid assets to enable us to satisfy the 90% distribution requirement, or if we desire to retain cash, we may borrow funds, issue additional equity securities, pay taxable stock dividends, if possible, distribute other property or securities or engage in a transaction intended to enable us to meet the REIT distribution requirements or any combination of the foregoing. See "Certain U.S. Federal Income Tax Considerations—Requirements for Qualification as a REIT—Annual Distribution Requirements" included in Part I, Item 1 of this Annual Report on Form 10-K.

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 the 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 with respect to the properties. After the terms of the triple-net leases expire, or in the event that our 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 operations 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 or seniors housing properties. The construction of these properties is funded through capital provided by us and, in some circumstances, our joint venture partners. As of December 31, 2012, two seniors housing communities and one hospital were in various stages of development pursuant to these agreements. Through December 31, 2012, we have funded $35.3 million of our estimated total commitment over the projected development period ($60.0 million to $80.0 million) toward these projects.

Equity Offerings and Related Events

In April 2012, we filed an automatic shelf registration statement on Form S-3 relating to the sale, from time to time, of an indeterminate amount of debt securities and related guarantees, common stock, preferred stock, depositary shares

and warrants. This registration statement replaced our previous automatic shelf registration statement, which expired pursuant to the SEC's rules.

In June 2012, we completed the public offering and sale of 5,980,000 shares of our common stock for $342.5 million in aggregate proceeds.
In February 2011, we completed the public offering and sale of 5,563,000 shares of our common stock for $300.0 million in aggregate proceeds.
In May 2011, we filed a shelf registration statement relating to the resale by the selling stockholders of the shares of our common stock issued as partial consideration for the ASLG acquisition. In January 2012, the selling stockholders completed an underwritten public offering of 21,070,658 shares of our common stock pursuant to the resale shelf registration statement. We did not receive any proceeds from the offering.
In July 2011, we filed a shelf registration statement relating to the offer and sale, from time to time, of up to 2,103,086 shares of our common stock that we may issue upon redemption of the Class A limited partnership units in NHP/PMB L.P. See “Note 2—Accounting Policies” of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.
In July 2011, following approval by our stockholders, we amended our Amended and Restated Certificate of Incorporation, as previously amended, to increase the number of authorized shares of our capital stock to 610,000,000, comprised of 600,000,000 shares of common stock, par value $0.25 per share, and 10,000,000 shares of preferred stock, par value $1.00 per share.
In November 2011, we filed a shelf registration statement relating to our Distribution Reinvestment and Stock Purchase Plan (“DRIP”), under which existing stockholders may purchase shares of common stock by reinvesting all or a portion of the cash distribution on their shares of our common stock, subject to certain limits. This registration statement replaced our previous shelf registration statement, which expired pursuant to the SEC’s rules.
Also in November 2011, we repaid in full $230.0 million principal amount outstanding of our $3^{7}/_{8}$% convertible senior notes due 2011 upon maturity. In accordance with the terms of the indenture governing the convertible notes, we paid the principal amount of the notes and accrued but unpaid interest thereon in cash and issued an aggregate of 943,714 shares of our common stock in settlement of the conversion value in excess of the principal amount.

Other

We received proceeds of $19.0 million and $1.8 million for the years ended December 31, 2012 and 2011, respectively, from the exercises of outstanding stock options. Future proceeds from the exercises of stock options will be affected primarily by the future trading price of our common stock and the number of options outstanding. The number of options outstanding decreased to 1.9 million as of December 31, 2012, from 2.0 million as of December 31, 2011. The weighted average exercise price was $47.20 as of December 31, 2012.
We issued approximately 16,000 and 13,500 shares of common stock under the DRIP for net proceeds of $1.0 million and $0.6 million for the years ended December 31, 2012 and 2011, respectively. We currently offer a 1% discount on the purchase price of our stock to shareholders who reinvest their cash distributions or make optional cash purchases of common stock through the plan. Each month or quarter, as applicable, we may lower or eliminate the discount without prior notice, thereby affecting the future proceeds that we receive from this plan.

Cash Flows

The following table sets forth our sources and uses of cash flows for the years ended December 31, 2012 and 2011:

	For the Year Ended December 31,		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	992,816	773,197	219,619	28.4
Net cash used in investing activities	(2,169,689)	(997,439)	(1,172,250)	(> 100)
Net cash provided by financing activities	1,198,914	248,282	950,632	> 100
Effect of foreign currency translation on cash and cash equivalents	60	(45)	105	> 100
Cash and cash equivalents at end of period	$67,908	$45,807	$22,101	48.2 %

Cash Flows from Operating Activities

Cash flows from operating activities increased in 2012 over the prior year primarily due to the NHP, ASLG, Cogdell and other 2011 and 2012 acquisitions, higher NOI from our senior living and MOB operations reportable business segments for the reasons previously discussed, decreased merger-related expenses and deal costs and lower weighted average interest rates, partially offset by the litigation proceeds we received in 2011 in connection with our lawsuit against HCP and higher general, administrative and professional fees and increased interest expense from higher debt balances, both due to our enterprise growth.

Cash Flows from Investing Activities

Cash used in investing activities during 2012 and 2011 consisted primarily of cash paid for our investments in real estate ($1.5 billion and $531.6 million in 2012 and 2011, respectively), purchase of private investment funds ($276.4 million in 2012, including the Funds' share of the ASLG transaction earnout), investments in loans receivable ($452.6 million and $628.1 million in 2012 and 2011, respectively), capital expenditures ($69.4 million and $50.5 million in 2012 and 2011, respectively) and development project expenditures ($114.0 million and $47.6 million in 2012 and 2011, respectively). The increase in capital expenditures and development project expenditures is the direct result of the growth in our senior living and MOB operations reportable business segments. These uses were partially offset by proceeds from loans receivable ($43.2 million and $220.2 million in 2012 and 2011, respectively), proceeds from the sale or maturity of marketable debt securities ($37.5 million and $23.1 million in 2012 and 2011, respectively), and proceeds from real estate disposals ($149.0 million and $20.6 million in 2012 and 2011, respectively).

Cash Flows from Financing Activities

Cash provided by financing activities during 2012 and 2011 consisted primarily of net borrowings under our unsecured revolving credit facilities ($84.9 million and $537.5 million in 2012 and 2011, respectively), net proceeds from the issuance of debt ($2.7 billion and $1.3 billion in 2012 and 2011, respectively) and net proceeds from the issuance of common stock ($342.5 million and $299.8 million in 2012 and 2011, respectively). These cash inflows were partially offset by debt repayments ($1.2 billion and $1.4 billion in 2012 and 2011, respectively), cash distributions to common stockholders, unitholders and noncontrolling interest parties ($738.2 million and $526.0 million in 2012 and 2011, respectively) and payments for deferred financing costs ($23.8 million and $20.0 million in 2012 and 2011, respectively).

Contractual Obligations

The following table summarizes the effect that minimum debt (which includes principal and interest payments) and other material noncancelable commitments are expected to have on our cash flow in future periods as of December 31, 2012:

	Total	Less than 1 year(6)	1 - 3 years(7)	3 - 5 years(8)	More than 5 years(9)
	(In thousands)				
Long-term debt obligations (1)(2)(3)	$10,206,844	$875,079	$2,556,737	$1,784,812	$4,990,216
Capital lease obligations (4)	145,000	145,000	—	—	—
Acquisition commitments (5)	73,200	73,200	—	—	—
Operating obligations, including ground lease obligations	553,676	29,690	56,996	40,542	426,448
Total	$10,978,720	$1,122,969	$2,613,733	$1,825,354	$5,416,664

(1) Amounts represent contractual amounts due, including interest.

(2) Interest on variable rate debt was based on forward rates obtained as of December 31, 2012.

(3) Excludes debt related to one property classified as held for sale as of December 31, 2012. The total mortgage debt for this property as of December 31, 2012 was $23.2 million and is scheduled to mature in 2013.

(4) In January 2013, we acquired eight seniors housing communities that we previously leased pursuant to arrangements that we accounted for as capital leases for aggregate consideration of $145.0 million, thereby eliminating our capital lease obligation.

(5) Represents our acquisition commitments related to one seniors housing community and two MOBs.

(6) Includes $270.0 million outstanding principal amount of our 6.25% senior notes due 2013 (repaid in full, at par, upon maturity in February 2013).

(7) Includes $130.3 million of borrowings under our unsecured term loan due 2015, $400.0 million outstanding principal amount of our 3.125% senior notes due 2015, and $234.4 million outstanding principal amount of our 6% senior notes due 2015.

(8) Includes $375.0 million of borrowings under our unsecured term loan due 2017.

(9) Includes $180.0 million of borrowings under our unsecured term loan due 2018 and $3.2 billion aggregate principal amount outstanding of our senior notes maturing between 2018 and 2038. $52.4 million aggregate principal amount outstanding of our 6.90% senior notes due 2037 are subject to repurchase, at the option of the holders, on October 1 in each of the years 2017 and 2027, and $23.0 million aggregate principal amount outstanding of our 6.59% senior notes due 2038 are subject to repurchase, at the option of the holders, on July 7 in each of the years 2013, 2018, 2023 and 2028.

As of December 31, 2012, we had $19.5 million of unrecognized tax benefits that are excluded from the table above, as we are unable to make a reasonable reliable estimate of the period of cash settlement, if any, with the respective tax authority.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

The information set forth in Item 7 of this Annual Report on Form 10-K under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Asset/Liability Management” is incorporated by reference into this Item 7A.

ITEM 8. Financial Statements and Supplementary Data

Ventas, Inc.

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MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Ventas, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's internal control over financial reporting based on the framework established in a report entitled Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management has determined that the Company's internal control over financial reporting as of December 31, 2012 was effective.

On April 2, 2012, the Company acquired Cogdell Spencer Inc. (together with its subsidiaries, "Cogdell"). As permitted under Securities and Exchange Commission guidelines, the Company excluded from the assessment of the effectiveness of its internal control over financial reporting as of December 31, 2012, internal control over financial reporting of the Cogdell assets and operations. Total assets and total revenues related to Cogdell represented 4.6% and 3.1%, respectively, of the Company's related consolidated financial statement amounts as of and for the year ended December 31, 2012.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2012 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
Ventas, Inc.

We have audited the accompanying consolidated balance sheets of Ventas, Inc. (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of income and comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedule listed in the accompanying index to the financial statements and financial statement schedule. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ventas, Inc. at December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Ventas Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Chicago, Illinois
February 18, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Stockholders and Board of Directors
Ventas, Inc.
We have audited Ventas, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Ventas, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
As indicated in the accompanying Management Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include internal controls of Cogdell Spencer Inc. ("Cogdell"), which are included in the 2012 consolidated financial statements of Ventas, Inc. and constituted 4.6% and 3.1% of total assets and total revenues, respectively, as of and for the year ended December 31, 2012. Our audit of internal control over financial reporting of Ventas, Inc. also did not include an evaluation of the internal control over financial reporting of Cogdell.
In our opinion, Ventas, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2012 consolidated financial statements and financial statement schedule of Ventas, Inc. and our report dated February 18, 2013 expressed an unqualified opinion thereon.
/s/ Ernst & Young LLP
Chicago, Illinois
February 18, 2013

VENTAS, INC.
CONSOLIDATED BALANCE SHEETS
As of December 31, 2012 and 2011
(In thousands, except per share amounts)

	2012	2011
	(In thousands, except per share amounts)	
Assets		
Real estate investments:		
Land and improvements	$1,772,417	$1,614,847
Buildings and improvements	16,920,821	15,337,919
Construction in progress	70,665	76,638
Acquired lease intangibles	981,704	800,858
	19,745,607	17,830,262
Accumulated depreciation and amortization	(2,634,075)	(1,916,530)
Net real estate property	17,111,532	15,913,732
Secured loans receivable, net	635,002	212,577
Investments in unconsolidated entities	95,409	105,303
Net real estate investments	17,841,943	16,231,612
Cash and cash equivalents	67,908	45,807
Escrow deposits and restricted cash	105,913	76,590
Deferred financing costs, net	42,551	26,669
Other assets	921,685	891,232
Total assets	$18,980,000	$17,271,910
Liabilities and equity		
Liabilities:		
Senior notes payable and other debt	$8,413,646	$6,429,116
Accrued interest	47,565	37,694
Accounts payable and other liabilities	995,156	1,085,597
Deferred income taxes	259,715	260,722
Total liabilities	9,716,082	7,813,129
Redeemable OP unitholder and noncontrolling interests	174,555	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, 295,565 and 288,823 shares issued at December 31, 2012 and 2011, respectively	73,904	72,240
Capital in excess of par value	9,920,962	9,593,583
Accumulated other comprehensive income	23,354	22,062
Retained earnings (deficit)	(777,927)	(412,181)
Treasury stock, 3,699 and 14 shares at December 31, 2012 and 2011, respectively	(221,165)	(747)
Total Ventas stockholders’ equity	9,019,128	9,274,957
Noncontrolling interest	70,235	80,987
Total equity	9,089,363	9,355,944
Total liabilities and equity	$18,980,000	$17,271,910

See accompanying notes.

VENTAS, INC.
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2012, 2011 and 2010

	2012	2011	2010
	(In thousands, except per share amounts)		
Revenues:			
Rental income:			
Triple-net leased	$831,221	$637,294	$453,592
Medical office buildings	362,839	166,161	69,747
	1,194,060	803,455	523,339
Resident fees and services	1,229,479	868,095	446,301
Medical office building and other services revenue	20,741	36,471	14,098
Income from loans and investments	39,913	34,415	16,412
Interest and other income	1,106	1,217	484
Total revenues	2,485,299	1,743,653	1,000,634
Expenses:			
Interest	293,401	229,346	172,474
Depreciation and amortization	725,981	447,664	200,682
Property-level operating expenses:			
Senior living	843,190	590,151	291,831
Medical office buildings	126,152	57,042	24,122
	969,342	647,193	315,953
Medical office building services costs	9,883	27,082	9,518
General, administrative and professional fees	98,801	74,537	49,830
Loss on extinguishment of debt, net	37,640	27,604	9,791
Litigation proceeds, net	—	(202,259)	—
Merger-related expenses and deal costs	63,183	153,923	19,243
Other	6,956	7,270	272
Total expenses	2,205,187	1,412,360	777,763
Income before income (loss) from unconsolidated entities, income taxes, discontinued operations and noncontrolling interest	280,112	331,293	222,871
Income (loss) from unconsolidated entities	18,154	(52)	(664)
Income tax benefit (expense)	6,282	30,660	(5,201)
Income from continuing operations	304,548	361,901	217,006
Discontinued operations	57,227	1,360	32,723
Net income	361,775	363,261	249,729
Net (loss) income attributable to noncontrolling interest (net of tax of $0, $0, and $2,271 for the years ended December 31, 2012, 2011 and 2010, respectively)	(1,025)		